

Annual Securities Report

(Report Pursuant to Article 24, Paragraph 1 of the Financial
Instruments and Exchange Act)

Fiscal Year	From April 1 2025
(115 th Fiscal Term)	To March 31 2026

Neturen Co., Ltd.

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115th Annual Securities Report

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**This document has been translated from a part of the Japanese original for reference purposes only.
In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.**

[Cover]

[Document Submitted]	Annual Securities Report (<i>Yukashoken Hokokusho</i>)
[Article of the Applicable Law Requiring Submission of This Document]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Submitted to]	Director-General of the Kanto Local Finance Bureau
[Date of Submission]	June 24, 2026
[Fiscal Year]	115th fiscal year (from April 1, 2025 to March 31, 2026)
[Company Name]	Koshuha Neturen Kabushiki Kaisha
[Company Name in English]	Neturen Co., Ltd.
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I. Overview of the Company

1. Key Financial Indicators and Trends

Consolidated financial data, etc.

		111th	112th	113th	114th	115th
Fiscal year ended		March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025	March 31, 2026
Net sales	(Million yen)	53,004	57,524	57,205	57,563	58,277
Ordinary profit	(Million yen)	4,418	3,088	2,511	2,321	2,663
Profit attributable to owners of parent	(Million yen)	2,690	381	1,542	1,815	1,329
Comprehensive income	(Million yen)	5,420	3,118	4,182	4,132	3,221
Net assets	(Million yen)	66,859	66,549	66,471	66,329	65,378
Total assets	(Million yen)	82,003	79,888	80,613	83,760	88,146
Net assets per share	(Yen)	1,494.67	1,575.08	1,657.44	1,736.23	1,785.61
Basic earnings per share	(Yen)	67.45	9.89	41.91	51.59	39.76
Diluted earnings per share	(Yen)	—	—	—	—	—
Equity ratio	(%)	72.7	74.3	74.4	71.1	66.0
Return on equity	(%)	4.6	0.6	2.6	3.0	2.3
Price earnings ratio	(Times)	8.8	70.3	26.7	18.8	31.6
Net cash provided by (used in) operating activities	(Million yen)	6,335	3,888	4,193	4,107	1,773
Net cash provided by (used in) investing activities	(Million yen)	(40)	(1,203)	(1,647)	(3,404)	(5,235)
Net cash provided by (used in) financing activities	(Million yen)	(1,970)	(4,286)	(5,080)	1,713	(121)
Cash and cash equivalents at end of period	(Million yen)	18,099	16,911	14,810	17,580	14,204
Number of employees [In addition, average number of temporary staff]	(Persons)	1,604 [231]	1,596 [249]	1,627 [190]	1,595 [182]	1,651 [191]

(Notes) 1. Diluted earnings per share are not provided, as there are no dilutive shares.

2. The significant decreases in profit attributable to owners of parent in the 112th fiscal years are mainly attributable to the recording of impairment losses on non-current assets.

2. Description of Business Operations

The Group, consisting of the Company (Neturen Co., Ltd.), 20 subsidiaries and 5 affiliates, manufactures and sells prestressing steel bars and deformed steel bars for prestressed concrete used in civil engineering and construction; Induction Heated, Quenched and Tempered Wire (ITW) used mainly for suspension springs of automobiles and motorcycles, auto parts and construction machine parts; and induction heating equipment for various industries. The group also provides heat treatment services for major critical safety parts of automobiles, machine tools and construction equipment.

3. Information on Subsidiaries and Affiliates

Name	Address	Share capital (Million yen)	Main business	Ratio of voting rights held (%)	Relationship
[Consolidated subsidiaries]					
Neturen Heat Treat Co., Ltd. (Note 2)	Shinagawa-ku, Tokyo	80	Induction Heating Division	100	Engaged in metal heat treatment services. Concurrent service by officers
Neturen Hymec Co., Ltd.	Shinagawa-ku, Tokyo	80	Induction Heating Division	100	Engaged in the manufacturing and sale of machinery and equipment, etc.
Kyushu Koushuha Neturen Co., Ltd.	Wakamatsu-ku, Kitakyushu-shi, Fukuoka	36	Induction Heating Division	100	Engaged in metal heat treatment services. Concurrent service by officers
Neturen Takuto Co., Ltd.	Chuo-ku, Hamamatsu-shi, Shizuoka	83	Induction Heating Division	100	Engaged in the manufacturing and sale of machinery and equipment, etc.
Neturen Komatsu Co., Ltd. (Note 4)	Komatsu-shi, Ishikawa	40	Induction Heating Division	40	Engaged in metal heat treatment services. Concurrent service by officers
Asahidenpa Kogyosho Co., Ltd.	Higashikurume-shi, Tokyo	80	Induction Heating Division	100	Engaged in the manufacturing and sale of machine parts, etc. Concurrent service by officers
Neturen Hirakata Co., Ltd.	Hirakata-shi, Osaka	20	Induction Heating Division	55	Engaged in metal heat treatment services. Concurrent service by officers
Dohken Co., Ltd.	Iizuka-shi, Fukuoka	35	Other	83.3	Engaged in the manufacturing and sales of precast concrete products
MDI Corporation	Kawasaki-shi, Kanagawa	10	Other	80	Engaged in waste heat recovery consulting and energy-saving systems
Neturen USA, INC. (Note 2)	Delaware, USA	USD 33 million	Induction Heating Division	100	Management of joint ventures in the USA and maintenance business for induction heating equipment, etc.
NETUREN AMERICA CORPORATION (Notes 2,5 and 7)	Ohio, USA	USD 31 million	Specialty Steel and Wire Products Division	96.2 (96.2)	Engaged in the manufacturing and sale of automotive parts, etc. in the USA. Concurrent service by officers
Shanghai Neturen Co., Ltd. (Notes 2, 4, and 6)	Shanghai, China	RMB 152 million	Specialty Steel and Wire Products Division	40	Engaged in the manufacturing and sale of automotive parts, etc. in China. Concurrent service by officers
Yancheng Neturen Co., Ltd. (Notes 2 and 4)	Jiangsu, China	RMB 83 million	Induction Heating Division	50	Engaged in the manufacturing and sale of induction heating equipment, automotive parts, etc. and metal heat treatment services in China. Concurrent service by officers
Guangzhou Fengdong Neturen Co., Ltd. (Note 4)	Guangzhou, China	RMB 25 million	Induction Heating Division	50	Engaged in metal heat treatment services in China. Concurrent service by officers

Name	Address	Share capital (Million yen)	Main business	Ratio of voting rights held (%)	Relationship
Neturen (China) Slewing Bearing Co., Ltd. (Note 2)	Shandong, China	RMB 195 million	Specialty Steel and Wire Products Division	100	Engaged in the manufacturing and sale of construction machinery parts, etc. in China. Concurrent service by officers
Neturen Czech s.r.o. (Note 2)	Ústí, Czech Republic	CZK 528 million	Specialty Steel and Wire Products Division	100	Engaged in the manufacturing and sale of automotive parts, etc. in the Czech Republic.
PT. NETUREN INDONESIA (Note 2)	West Java, Republic of Indonesia	IDR 181,898 million	Induction Heating Division	96.8	Engaged in maintenance services business and metal heat treatment services in Indonesia. Concurrent service by officers
NETUREN MEXICO, S.A. de C.V. (Notes 2 and 5)	Aguascalientes, Mexico	MXN 186 million	Induction Heating Division	100 (2)	Engaged in maintenance services business and metal heat treatment services in Mexico. Concurrent service by officers
Korea Neturen Co., Ltd.	Yeongcheon-si, North Gyeongsang, Republic of Korea	KRW 1,000 million	Induction Heating Division	91	Engaged in the manufacturing and sale of induction heating equipment, etc. in South Korea. Concurrent service by officers
[Affiliates accounted for using the equity method] Korea Heat Treatment Co., Ltd.	Pohang-si, North Gyeongsang, Republic of Korea	KRW 1,500 million	Specialty Steel and Wire Products Division	49	Engaged in the manufacturing and sale of civil engineering and construction products, etc. in South Korea. Concurrent service by officers
US Chita Co., Ltd. (Note 5)	Kentucky, USA.	USD 2 million	Specialty Steel and Wire Products Division	20 (20)	Engaged in the manufacturing and sale of automotive parts, etc. in the USA. Concurrent service by officers
NTK Precision Axle Corporation (Note 5)	Indiana, USA	USD 30 million	Induction Heating Division	20 (20)	Engaged in the manufacturing and sale of automotive parts, etc. in the USA.
Tianjin Fengdong Heat Treatment Co., Ltd.	Tianjin, China	RMB 83 million	Induction Heating Division	25	Engaged in metal heat treatment services in China.

(Notes) 1. The “main business” column shows the name of the segment.

2. Specified subsidiary.

3. None of the companies submit securities registration statements or annual securities reports.

4. Although the Company’s equity interest is below 50%, it is a subsidiary of the Company due to effective control.

5. The figures in parentheses () for the ratio of voting rights held correspond to the portion held indirectly.

6. The net sales of Shanghai Neturen Co., Ltd. (excluding internal net sales between consolidated companies) account for over 10% of consolidated net sales.

Key profit/loss information:	(1) Net sales	¥7,006 million
	(2) Ordinary profit	¥279 million
	(3) Net profit	¥248 million
	(4) Net assets	¥5,542 million
	(5) Total assets	¥6,205 million

7. The net sales of NETUREN AMERICA CORPORATION (excluding internal net sales between consolidated companies) account for over 10% of consolidated net sales.

Key profit/loss information:	(1) Net sales	¥6,222 million
	(2) Ordinary loss	¥187 million
	(3) Net loss	¥147 million
	(4) Net assets	¥4,439 million
	(5) Total assets	¥5,311 million

II. Business Overview

1. Management Policies, Business Environment, and Issues to be Addressed, etc.

Forward-looking statements in this section are based on the estimation of the Group as of the end of the fiscal year 2025.

(1) Basic management policy of the Company

We have set the following Group Management Philosophy to share our vision throughout the Group and fulfill our social responsibility.

- 1) We are continuously developing new products and new businesses based on our core heat treatment technologies in order to contribute to the social transformation.
- 2) We aim to be a trusted partner of society with superior quality and technology, outstanding customer satisfactory, and transparent and fair corporate culture.
- 3) We strive for continuous self-reform and for constant growth.
- 4) We strive to develop our employees and establish lively corporate group with taking care of safety and human health.
- 5) We commit to take social responsibility as a corporation, based on the principle of symbiosis with the environment.

(2) Management indicators

We focus on improving profitability and capital efficiency to enhance corporate value.

Specifically, we set return on assets (ROA), return on equity (ROE), and return on invested capital (ROIC) as medium to long term management indicators.

(3) Medium to long term business strategies of the Company

We aim to be a vigorous, constantly growing corporate group with motivation of self-transformation placing induction heat treatment as a core technology. We have set our long-term management vision “NETUREN VISION 2030” (April 2021 to March 2031) as a Group’s goals for the next decade with promoting our induction heating technology which contribute to the society by both ecological and economic prospects.

1) Vision

Contribute to create a sustainable society while continuing to enhance corporate value.

2) Goals

- Enhance corporate value and reduce environmental burden through technologies and products pivoting on induction heat treatment technology, which is an effective way to reduce CO₂ emissions.
- Promote the N-DX*, continue to evolve the company and grow our business globally with all the Group’s employees.

We have established “Evolution and Growth” as the corporate slogan of our long-term management vision. All the companies of Neturen Group will work as one to pursue and achieve our vision and goals, while also strive to comprehensively boost corporate value. * N-DX: NETUREN Digital Transformation

It has passed two years of our 16th medium-term management plan, “Aggressive Challenge One NETUREN 2026” (three-year plan from April 2024 to March 2027). Over the past two years, we have achieved steady progress in enhancing our business foundation, including M&A and capital investments. However, some areas have diverged from our initial expectations, such as delays in the launch of new products.

In addition to these circumstances, the business environment surrounding our corporate group has become more severe than anticipated at the time the Medium-Term Management Plan was formulated. Domestically, rising prices and the deepening of labor shortages are continuing at levels exceeding our assumptions. Overseas, crude oil prices and energy costs continue to remain high,

stemming from U.S. tariff policies, the prolonged slowdown of the Chinese economy, and the conflict in Ukraine. Furthermore, new uncertainties are also increasing, such as heightened geopolitical risks due to conflicts in the Middle East and other areas, and the outlook remains opaque.

Under such a management environment, our corporate group has promoted the expansion of new and core businesses, appropriate pass-through of cost increases for materials, electricity, and labor to sales prices, and cost reduction activities.

However, as the severe business environment with an opaque outlook is expected to continue in the future, we have decided to revise the numerical targets for the final year (FY2026) of the 16th Medium-Term Management Plan.

The overview of the 16th Medium-Term Management Plan.

- Basic policy

Promote business expansion by creating a new growth driver, as well as nurturing the current growth engine by utilizing management capital actively, efficiently, and effectively, and develop human resources.

Promote sustainability management, spread environmentally friendly technologies and products, increase corporate value, and meet social needs, as well as further expand the Neturen brand.

- Period: April 2024 – March 2027 (three years)

- Corporate slogan: Aggressive Challenge One NETUREN 2026

- Our will: Actively and boldly taking challenges for growth, evolution, and breakthrough with our accumulated wisdom.

Consolidated management targets	Revised forecasts	Previously announced forecasts
Net sales	¥64.0 billion	¥70.0 billion
Operating profit	¥2.1 billion	¥4.6 billion
Operating profit margin	3.3%	6.5%
Return on equity (ROE)	2.5% or more	6.5% or more
Return on assets (ROA)	3.1% or more	5.5% or more
Return on invested capital (ROIC)	3.1% or more	5.5% or more

(4) Business environment and priority issues to be addressed

As stated in "(3) Medium- to Long-Term Corporate Management Strategy," we have revised the numerical targets for the final year (FY2026) of the 16th Medium-Term Management Plan.

Regarding net sales, we have revised the target from 70 billion yen to 64 billion yen, considering sluggish domestic demand, delay in overseas demand recovery mainly in the Chinese market, and a decrease in sales in certain businesses. Furthermore, regarding operating profit, we have revised the target from 4.6 billion yen to 2.1 billion yen. This takes into consideration not only the impact of the decrease in net sales but also a decline in profitability due to rising raw material prices, energy costs, and labor costs, as well as the deterioration of the overseas business environment.

Although we have revised our consolidated management targets, we will steadily execute the basic strategies set forth when the Medium-Term Management Plan was formulated, and we will aim to contribute to the creation of a sustainable society and enhance our corporate value with an even greater sense of speed than before.

The basic strategies set forth in the 16th Mid-Term Management Plan are as follows.

1) Technology development: Create new drivers to grow

Based on the strengthened marketing capabilities, we will create new businesses, products, and technologies by using the inverted T-shaped model to flexibly connect intergroup competences.

2) Business: Generate growth engines

We enhance production engineering capabilities and strengthen the competitiveness of our products by connecting new technologies to our existing skills at workplaces, as well as generate new products, services, and technologies to get more customers' satisfaction.

3) Global: Expand market globally

We connect information networks and expand global markets including untapped markets, with a focus on products, services, and technologies contributing to reduce CO2 and global environmental impact.

4) Human resources: Develop employees with self-motivation at work.

We further develop employees who understand diversity and always have positive mindsets and self-motivation at work and connect their activities to the Neturen Group as a whole to accelerate business growth.

Based on a purposeful strategy, we will utilize management capital for growth investments and shareholder returns. Additionally, we will promote the improvement of capital efficiency through business management using metrics such as ROIC (Return on Invested Capital) and financial leverage.

2. Views and Initiatives Concerning Sustainability

The Group's views and initiatives concerning sustainability are described below.

Statements for the future in this section are based on the decision of the Group at the end of the fiscal year 2025.

(1) Corporate basic policy for sustainability

Neturen Group has been managed with SGDs as a core of the policy during the long-term business plan "Neturen Vision 2030". At the same time "Basic Policy for Sustainable Operation in Neturen Group" was set up considering with recent social movements and requests for sustainability after checking own CSR activities including actions for climate change, environmental protection and human rights. Based on the policy, the important operational issues are pointed out and specified as a materiality of the group.

1) Governance

In Neturen Group, the Corporate Sustainability Promotion Committee was installed, and President/CEO was appointed as a chairman. All directors, auditors and related general managers were appointed as members and corporate sustainability activities are made up, managed, checked progress and their results are evaluated in the committee.

2) Strategy

Induction heat technology is a green technology with low CO2 emissions which is the core competence of our group. It also boosts production efficiency with shorter heating times, and contributes to energy conservation. We recognize a range of environmental and social issues and work to contribute to sustainable society by creating new value for society through our unique manufacturing capabilities and sustainability-focused management.

3) Risk Management

The Group has established the Risk Management Basic Regulations and the Affiliate Company Management Regulations, to promote company-wide risk management by the Administrative Headquarters' Planning and Coordination Department. The Group's basic policies are shown below.

- a) Ensure the Company's business continuity and stable development through the practice of risk management.
- b) Prioritize the quality and safety of products and services and endeavor to eliminate or mitigate potential causes that may hamper the interests of stakeholders such as customers, shareholders, investors, local communities, the global environment, employees, or others.
- c) Constantly taking responsibility as a supplier of products and services used in society and acting with the social mission of stably supplying high-quality products and services.
- d) Ensure that all the related people including directors and employees comply with laws, regulations, and other rules in accordance with the spirit of compliance and that each person follows to the Code of Business Ethics.

The Group has also identified certain risks as important ones such as environmental risks associated with sustainability and employment/HR risks, which are checked regularly and evaluated in detail.

4) Metrics and targets

Neturen Group set "Metrics and Targets" for each specified materiality and people are working hard day by day to achieve identified company's ideal state in 2030.

Materiality	Ideal state in 2030	Target
Reduction of CO2 emission	Implement energy conservation measures to reduce greenhouse gas emission which prevents from global warming. Ideal state in 2030 is 30% less CO2 emission in comparison with FY2013.	• CO2 emission volume reduction 3% or more YoY every year. • CO2 emission unit (production volume/CO2 emission) reduction 3% or more YoY every year.
Development of human resources	Educate employees for heat treatment technologies to develop knowledgeable and skilled engineers.	• Full implementation of training sessions as scheduled with substantial attendants. • Continuous organizing of training sessions and setting up of education systems by human resource committee.
Encouragement of work-life balance for each employee	Encourage self-motivation to work to all employees and provide secured working environment to them to maintain good work-life balance.	• More than 10 days paid leave taken by employees in average. • Enhancement of corporate work-life balance initiatives.
Establishment of diversity	Fostering corporate culture which respects ones' talent and capability regardless of nationality, race, gender and age.	• Activation of all kinds of people including women in business. • Offering working opportunity to retired employees. • Achieving 2.7% employment rate for disabilities which meeting to legislation.

(2) Climate change

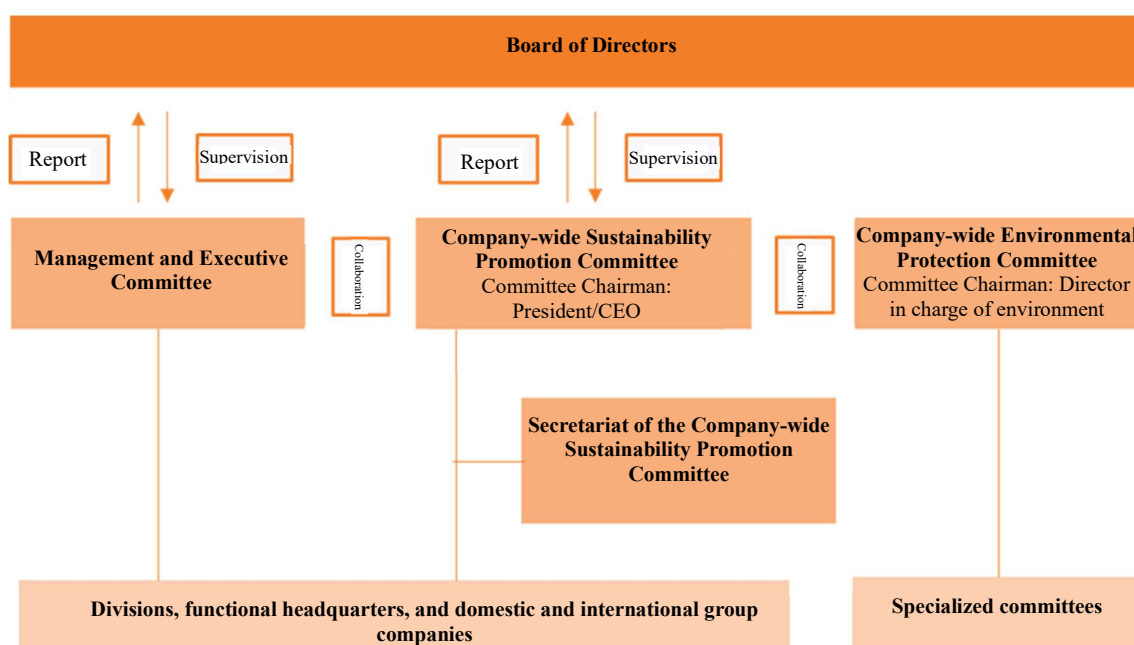
Neturen Group understands sustainable growth of the company and society can be achieved only under the healthy global environment. With the recognition of responsibility for environmental protection, the company works to reduce CO₂ emission, conserve natural resources and stop all kinds of pollutions. We also continue developing new technologies and products to reduce all kinds of environmental impacts. The company is aware of the climate change is one of the most urgent issues for society and the corporate management, so we decided to disclose information according to TCFD (Task force on Climate-related Financial Disclosures) recommendation.

1) Governance

We have a Company-wide Sustainability Promotion Committee, which works with the Management and Executive Committee and the Company-wide Environmental Protection Committee to deliberate on policies for climate change-related risks and opportunities. The Board of Directors receives reports on the deliberations of the Company-wide Sustainability Promotion Committee and supervises the progress of initiatives related to climate change issues.

The President/CEO chairs the Company-wide Sustainability Promotion Committee and is ultimately responsible for management decisions on climate change-related issues. The President/CEO receives reports from the Company-wide Environmental Protection Committee and the Company-wide Sustainability Promotion Committee on the Company's response to climate change and progress in addressing climate change issues.

Sustainability Promotion Framework



Meeting bodies and roles in the sustainability promotion system

Meeting body	Role and frequency of meetings
Board of Directors	Supervise the progress of initiatives related to sustainability issues, including climate change-related issues, after the discussion and approval of the business unit (or the Management and Executive Committee).
Company-wide Sustainability Promotion Committee	Responsible for identifying, assessing, and responding to climate-related risks, and deliberate on measures to key climate-related risks and monitor the progress of such measures. The Committee reports its findings to the Board of Directors. However, the contents has to be confirmed at the Committee with the participation of all members of the Board of Directors. In principle, the Committee takes place four times a year.
Secretariat of the Company-wide Sustainability Promotion Committee	Identify, evaluate, and manage climate-related risks, and formulate action plans for climate change risks. The results are submitted to the Company-wide Sustainability Promotion Committee.
Company-wide Environmental Protection Committee	Formulate annual environmental policies in cooperation with the Company-wide Sustainability Promotion Committee and set targets for CO ₂ reduction, etc. The Committee also establishes a specialized committee to promote activities for CO ₂ reduction.
Management and Executive Committee	Examine comprehensive risks, including climate change risk, and deliberate and approve countermeasures. The decisions is reported to the Board of Directors on a regular basis.

2) Strategy

We analyzed 1.5°C and 4°C scenarios based on scientific evidence from the International Energy Agency (IEA) and other sources, and evaluated the significance of climate-related risks and opportunities that could affect our business in 2030 (transition risk) and 2050 (physical risk).

Scenario Definition

		1.5°C scenario	4°C scenario
Scenario Overview		Climate change measures are aggressively implemented, and government regulations are tightened. As a result, EVs and renewable energies become widespread, and demand for products with high environmental performance expands.	Climate change response is not implemented, and extreme weather events become more severe. As a result, demand for construction equipment and civil engineering products related to disaster recovery and infrastructure reinforcement expands.
Target year		Transition risk: 2030, Physical risk: 2050	
Reference scenario:	For transition aspects	IEA NZE*1	IEA STEPS*2
	For physical aspects	IPCC SSP1-1.9*3	IPCC RCP8.5*4

*1 IEA NZE (Net Zero Emissions by 2050 Scenario): A normative scenario presented by the IEA that shows a pathway for the global energy sector to achieve net zero CO₂ emissions by 2050.

*2 IEA STEPS (Stated Policies Scenario): A conservative scenario presented by the IEA that reflects the policies announced by national governments.

*3 IPCC SSP1-1.9: A scenario in which CO₂ emissions are reduced to net zero in the middle of the 21st century and the increase in global average temperature is limited to 1.0-1.8°C (average 1.4°C) compared to the pre-industrial period, by adopting climate policies that limit the temperature increase to approximately 1.5°C or less, as indicated in the IPCC's Sixth Assessment Report.

*4 IPCC RCP8.5: A scenario in which the global average temperature at the end of the 21st century (2081-2100) is 3.2-5.4°C (4.3°C on average) higher than the pre-industrial level, as indicated in the IPCC's Fifth Assessment Report.

Climate-related risks and opportunities of particular importance to us

(Impact assessment criteria)

Large: 500 million yen or more

Medium: 10 million yen or more but less than 500 million yen

Small: less than 10 million yen

Risks/Opportunities	Business Impact	Financial Impact		Countermeasures
		1.5°C	4°C	
Risks	Introduction of carbon tax will increase the price of raw materials such as steel and semiconductors, and raise procurement costs	Large	Small	- Grasp the current situation and set targets - Increase in recycling rate - Switch to alternative raw materials
	Introduction of carbon tax will increase energy costs, and raise operating costs	Large (approx. 600 million yen *1)	No tax applicable	- Efforts to save energy and improve productivity - Switch to renewable energy sources - Securing electricity in-house by installing solar panels
	Opportunity losses will be incurred due to stagnation of production when procurement of raw materials becomes difficult due to severe extreme weather events	Large	Large	- Stockpiling of inventories - Diversification of procurement bases - Identification of procurement source risk - Securing multiple purchasing sources
	Severe extreme weather events can disrupt supply chains, resulting in lost sales opportunities	Large	Large	- Securing multiple means of transportation - Decentralization of logistics bases - Adaptation to local procurement
	Opportunity losses and recovery costs due to plant shutdowns caused by severe extreme weather events will be incurred	Large (approx. 500 million yen *2)	Large (approx. 500 million yen *2)	- Decentralization of response - Infrastructure enhancement
	Reinforcement cost of infrastructure at plants will increase in response to the high frequency of extreme weather events	Large	Large	- Identification of risks at Group manufacturing plants - Strengthening physical infrastructure - Relocate and decentralize people and assets - Ensure backups

	Deterioration of the working environment due to a heat wave will result in a labor shortage and a decrease in sales, which will lead to a decline in revenue	Medium	Large	- Improvement of work site environment - Further promotion of labor saving and other work efficiency improvements
Opportunities	The shift to EVs will increase demand for products suitable for EV vehicles, as well as demand for components required for the manufacturing process of EV parts	Large	Small	- Strengthen supply structure of products for EVs - Promote development of new technologies (products)
	Demand for high-frequency heat treatment will increase, as it improves product durability and strength and contributes to CO ₂ reduction compared to conventional gas carburization	Medium	Medium	- Promote development of new technologies (products) - Promote sales activities for products and services
	Expanding sales opportunities for products for labor-saving, low rebar-loading construction	Large	Medium	Expand sales to real estate and construction companies
	Increased ESG investment will draw interest and get appreciation when environmental impacts are reduced through business operations	Large	Medium	- Strengthen R&D - Initiatives for internal penetration - Acquisition of certification - Promote disclosure
	Demand for civil engineering-related products will grow as extreme weather events intensify and facilities and infrastructure are strengthened in preparation for disasters	Medium	Large	Expand sales and strengthen supply system for civil engineering-related products

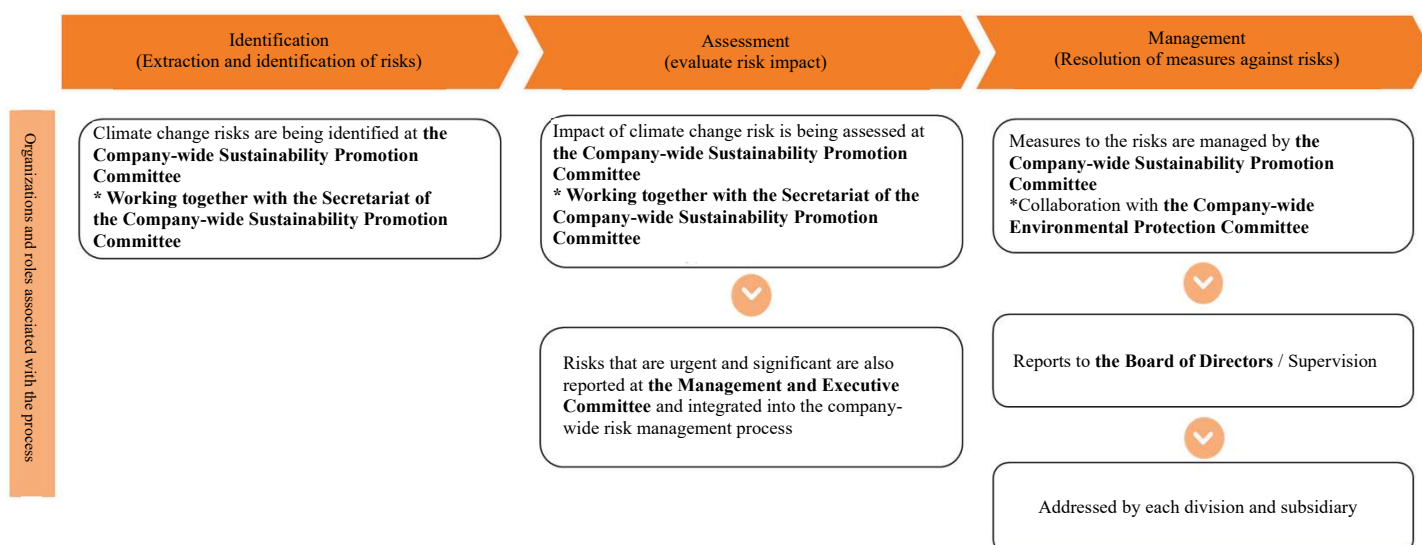
(Basis for calculation of quantitative financial impact)

*¹ Estimated by multiplying the domestic Group Scope 1 and 2 emissions as of 2030 by the carbon price per ton of CO₂.

*² The maximum amount of damage is estimated. The breakdown is "profit loss due to suspension of operations," "amount of damage to depreciable assets," and "rate of damage to buildings. Inundation risk for each of the Group's domestic bases is identified using hazard maps.

3) Risk Management

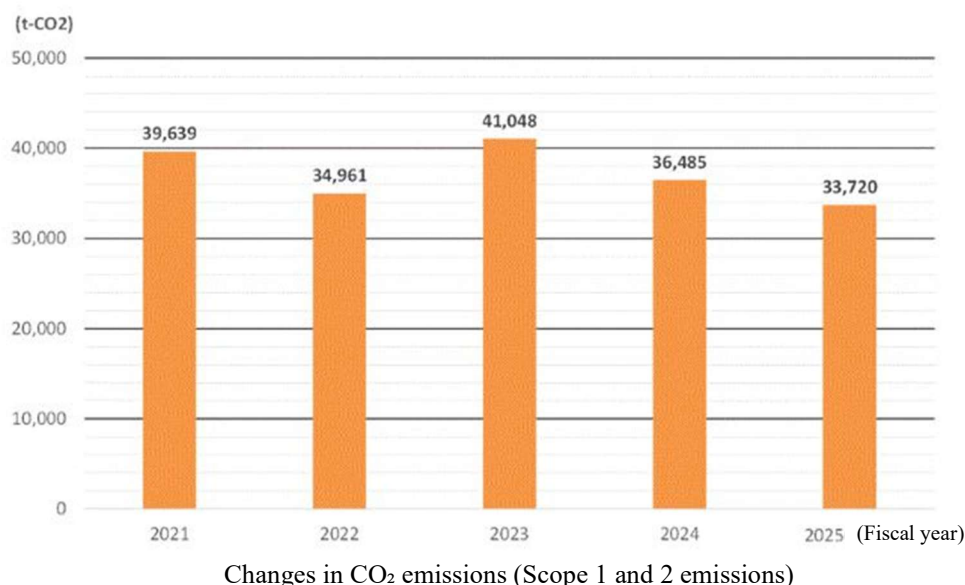
Risks related to climate change are being identified and assessed their impact by the Company-wide Sustainability Promotion Committee with the support of the Secretariat. Especially that are deemed urgent and significant ones are reported to the Management and Executive Committee. The Company-wide Sustainability Promotion Committee also works with the Company-wide Environmental Protection Committee to resolve measures to address significant risks and monitor the progress of such measures. The details are reported to the Board of Directors on a regular basis. However, the contents are to be confirmed at the Company-wide Sustainability Promotion Committee with the participation of all members of the Board of Directors.



4) Indicator and Targets

We are calculating greenhouse gas emissions as indicator for assessing climate change-related risks. The calculation covers non-consolidated Scope 1 and Scope 2 emissions through FY2023. We have made progress in reducing emissions through the

promotion of energy-saving activities to date, and have also started initiatives such as the installation of solar power generation systems. We will continue to monitor greenhouse gas emissions, expand the scope of coverage, and implement initiatives to reduce emissions.



*¹ Scope 2 emissions in the total values are based on market standards.

*² Scope 1 emissions other than energy related CO₂ are excluded because their ratio to the total is very small.

*³ The use of gasoline in company vehicles is also included in the scope of calculation from FY2022.

Targets

In our long-term management vision "NETUREN VISION 2030," we have set a target of "30% reduction of CO₂ emissions by 2030 (compared to fiscal 2013) and virtually zero emissions by 2050." Each plant and office is taking the lead in reducing CO₂ emissions under the company-wide promotion system to achieve the target.

(3) Human capital

1) Strategy

Policies of personnel development including measures to expand diversity and improving workplace environments

(Policies of personnel development including measures to expand diversity)

We have established "people are our assets and the foundation of our business" as the Group's basic philosophy from human resources development. We have identified human resources development as a top priority of our management activities, aiming to realize the Group Management Philosophy: "we strive to develop our employees and establish ourselves as a member of dynamic corporate group."

The Group's policy on human resources development is included in our 10-year business plan NETUREN VISION 2030. Human resources form one of the four main parts of NETUREN VISION 2030. We aim to be a "corporate group that contributes to the sustainable society and grows all over the world, by developing diversified human resources with self-motivation, and boldly challenging mindset."

Regarding the diversity of our human resources, we will not only continue increasing our promotion of active participation of women and foreign nationals but also leveraging the abilities of wide range of human resources, considering the essence of diversity which is "gaining diverse perspectives to mitigate business risks and create new value."

To address human rights issues, we established the Neturen Group Human Rights Policy in April 2022 to clarify our views as a global company. The policy has been translated into 10 languages to ensure its thorough implementation and penetration to all the Group's locations around the world.

(Policies on improving workplace environments)

Under NETUREN VISION 2030, we have set measures to ensure diversity such as the promotion of women, foreign nationals, and mid-career recruits to management positions, with the aim of contributing to the creation of a sustainable society while

continuing to enhance corporate value. To achieve this, we have implemented highly transparent and convincing personnel operations including promotion to management through examinations and interviews based on evaluation criteria (such as evaluation points, management ability, and behavioral characteristics), as well as personnel development through training and other measures. We have developed workplace environments with substantial, easy-to-use systems for childcare and nursing support as well as flextime and remote working systems, to secure diverse human resources and support their active participation.

2) Metrics and Targets

The Group has announced the following metrics as part of its action plan under the Act on the Promotion of Women's Active Engagement in Professional Life, which forms part of its policy of human resources development. The targets and results for these metrics are shown below.

Although the Company manages data related to its metrics for the policies on personnel development including measures to ensure human resources diversity and the policies on enhancing workplace environments described in "1) Strategies" above, and engaged in specific initiatives related to these policies, it is difficult to present this data on a consolidated basis as it is not measured at all the companies in the Group. Therefore, the targets and results presented for the following metrics are only for the Company and major subsidiaries.

Metric	Target	Result (fiscal year under review)
Number of female managers	3.0 times on March 31, 2029, compared to March 31, 2022	1.7 times*
Increase paid leave utilization	10 days of annual paid leave utilization in average	13.30 days
Upgrade the childcare and nursing support systems	Upgrade the systems related to childcare and nursing support and create an environment where they are easy to use	1) We use PR and other activities to disseminate information concerning childcare and nursing support as a measure to encourage their use by employees, regardless of gender. 2) We consider and implement systems to facilitate use by employees currently engaged in childcare or nursing support.

* The proportion of female managers in the fiscal year 2025 was 2.9%, which was 1.7 times higher than FY 2022.

3. Business and Other Risks

Of the matters related to the status of business, accounting, and other information stated in this annual securities report, management recognizes that the following matters may have a material impact on the financial condition, results of operations, and cash flows of consolidated companies.

Forward-looking statements contained in this section are based on the judgment of the Group as of the end of the fiscal year under review.

(1) Risk that a decline in orders due to changes in the business environment may affect business performance

The Group has developed businesses in automobiles, civil engineering, construction, construction machinery, and machine tools, and has undertaken capital investments to expanding production capacity including overseas to meet to demands from our customers in each industry.

However, if the political and economic situations would get worse than anticipated or unforeseen circumstances happen by natural disasters, unseasonable weather, and the spread of infections, demand from our customers may decline and the burden of fixed costs such as personnel expenses and depreciation become relatively larger, and thus they may have an impact on the Group's business performance. Moreover, it may cause impairment losses as it might be impossible to recover the capital investment. Furthermore, with respect to M&A transactions, if business plans deteriorate beyond initial expectations due to changes in the operating environment, impairment losses on goodwill.

To address the risk that such a decrease in orders poses to our business performance, the Group will take prompt and appropriate measures by carefully considering market trends in each industry and region where we supply products, political and economic conditions, and customer order status.

Specifically, we will build a business structure that is resilient to fluctuations in order volume by leveraging the expertise cultivated through our production innovation activities and continuing thorough cost-reduction efforts.

Furthermore, while promoting multi-skilling across departments including indirect functions and striving for optimal workforce allocation, we will prioritize investments in equipment that contributes to automation and labor saving.

Regarding capital expenditures and M&A execution, we have established a decision-making framework to ensure careful evaluation based on internal regulations such as our "Business Investment Guidelines."

(2) Risks related to product quality

The Group provides products, mainly for automobiles, civil engineering and construction, construction machinery, and machine tools. Because these products are used in crucial locations, we are fully aware of our responsibility as a supplier and pay ample attention to our quality inspections and performance validation.

However, the unlikely event of a quality-related incident that causes human or social damage may affect the Group's reputation and business performance.

To address the risk related to product quality, we are striving to prevent non-conformity through trend management of quality indicators especially for high strength products by cross-group organization of quality assurance in the Quality Assurance Headquarters, based on corporate quality management systems, including International Standard ISO 9001.

(3) Risks related to electricity rates

Processes using induction heating technology, the Group's core business, use electrical power as their main source of energy, and electricity rates are therefore a key element in manufacturing costs. The rise of electricity rates along with soaring resource and energy prices may have a significant impact on the Group's business performance.

To relieve risks related to electricity costs, we are reducing power consumption not only through daily energy conservation but also through energy-saving initiatives aimed at CO2 reduction to address climate change. As a heat treatment manufacturer that relies primarily on electricity as its main energy source, we are driving technological development and production management improvements to lower power usage. Furthermore, we continually evaluate optimal group-wide power procurement options and negotiate with utility companies to reduce costs. Specifically, we are upgrading to state-of-the-art energy-efficient equipment, actively introducing solar power systems with environmental benefits, and leveraging the advantages of bulk contract arrangements across multiple facilities.

(4) Risks related to the prices of materials and logistics

The prices of steel and other raw materials have risen sharply. Of the Group's businesses, steel is the major material used by the Specialty Steel and Wire Products Division and a key element in its manufacturing cost structure. A larger-than-anticipated movement in materials prices may affect the Group's business performance. It might also become difficult to obtain enough materials to meet our customer's demand. Furthermore, factors such as the driver shortage and the increase of transportation costs in the logistics industry may have an impact on the Group's business performance.

Concerning the risks related to the procurement of materials and logistics, we will try to mitigate them by passing on cost hikes to selling prices. In terms of procurement, the Global Procurement Headquarters will continue to lead efforts to secure stable supply in both volume and cost, while at the same time, promoting environmentally-friendly and efficient transportation management and continuous cost reductions. Specifically, we have established the 'Neturen Group Green Procurement Guidelines' and, in collaboration with our suppliers, practice open and fair procurement that contributes to reducing environmental impact and advancing social development.

(5) Risks related to global business expansion

The Group has developed global businesses, and must recognize a wide range of risks, from the political and economic climates to legal and regulatory systems, customs, and public security in the countries they operate in. Global businesses require large investments and are affected by foreign exchange fluctuations.

Unanticipated changes in the political and economic climates, changes in legal and regulatory systems, drastic fluctuations of the financial and foreign exchange markets, or other changes in the countries we operate in may have a significant impact on the Group's business performance.

To address risks associated with global business expansion, the operating division collaborates with corporate functional divisions—including the Business Development Division, Administration Division, and Corporate Planning Office—across all stages from planning through operations. Together, they maintain a framework to identify issues, execute solutions, and adapt flexibly to changes in the operating environment.

Specifically, when evaluating new overseas expansion, we follow internal regulations such as the "Business Investment Guidelines" similar to capital and business investment planning to identify potential risks, formulate mitigation strategies, and establish exit criteria to ensure prudent decision-making.

Even after entry, designated department heads oversee subsidiaries in each host country, requiring them to report on business plans, operating status, financial conditions, and other critical information. Regular group meetings are held twice a year for representatives to report on business activities. Furthermore, updates on monthly business status, including local conditions, are provided at Executive Meetings held twice a month in principle. In the event of an unforeseen situation, immediate reporting to the head of administration is required.

For information on sustainability-related risk management other than the above, please refer to 'Section II. Business Overview - 2. Views and Initiatives Concerning Sustainability'

4. Management Analysis of the Financial Position, Operating Results, and Cash Flow Status

An overview of the financial position, operating results, and cash flow status (hereinafter, the “operating results, etc.”) of the Group (including the Company, its consolidated subsidiaries and entities accounted for using the equity method) in the fiscal year under review is presented below, together with a summary, analysis and consideration of the operating results, etc. of the Group from the perspective of management.

Forward-looking statements contained in this section are based on our judgment as of the end of the fiscal year under review.

(1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year under review, the Japanese economy continued to recover gradually, withdriven by employment growth and income increase. However, the economic outlook remains uncertain due to the factors such as U.S. tariff policies and increasing geopolitical risks.

Under these circumstances, the Group has been working to achieve the numerical targets of the 16th medium-term management plan “Aggressive Challenge One NETUREN 2026” (a plan covering the three years from April 2024 to March 2027), which is based on four basic strategies : “Create new drivers to grow”, “Generate growth engines”, “Expand market globally” and “Develop employees with self-motivation at work”. Furthermore, we are continuing efforts to pass on increased costs, such as rising personnel expenses, to selling prices, while implementing thorough cost reductions.

Based on the strategies outlined in the medium-term management plan, we have added Dohken Co., Ltd. (a consolidated subsidiary), MDI Corporation (a consolidated subsidiary), and ANDO Imagineering Group Inc. (an affiliate not accounted for under the equity method) into our Group.

Dohken manufactures and sells high-quality precast concrete products that are supplied as components mainly for highrise buildings. In the future, the construction industry will face further labor shortages and an aging workforce. Therefore, Neturen Group believes that demand for precast concrete products will also increase to shorten construction period and improve quality control at construction sites.

MDI specializes in thermal management technology offering comprehensive services - from waste heat recovery consulting to the design, manufacture, sale and maintenance of energy-saving systems. These solutions help a variety of factories reduce CO2 emissions, conserve energy, improve their working environment which helps prevent their employees from heatstroke. Consequently, MDI has seen a steady increase in orders from a diverse range of companies committed to SDGs and CO2 reduction. As businesses are increasingly required to adopt heatstroke prevention measures, Neturen group believes that market demand for MDI's business will continue to grow for the future.

ANDO Imagineering Group is an architectural engineering firm that specializes in structural design for various types of buildings including PC (Prestressed Concrete) structures and handles architectural design in-house. The company is expected to create synergies by combining its design technologies and know-how with our Group's high-strength PC steel manufacturing and processing technology, as well as our high-strength PC product manufacturing technology.

These companies have their own technical strengths, so we strongly expect them to contribute to the expansion of our business domain and growth in revenue and profits.

As a result, sales for this consolidated fiscal year were ¥58,277 million (up 1.2% year on year), despite a sluggish market of our operating industry. The reasons for the gain were successful passing on the increased costs to sales prices,

and the inclusion of Dohken Co., Ltd. in the consolidated group.

Operating profit was ¥1,892 million (up 17.0% year on year), and ordinary profit was ¥2,663 million (up 14.8% year on year).

Profit attributable to owners of parent was ¥1,329 million (down 26.8% year on year), including impairment loss on fixed assets of ¥257 million. The year-on-year decline was caused by the recording of a gain on sales of investment securities of ¥1,217 million in the previous fiscal year.

The Group will strive to increase orders and improve profits, while proactively engaging in sales activities - including passing on increased costs to selling prices - and to continue thorough cost reduction efforts, thereby working to enhance its corporate value.

Results by business segment are as follows.

1) Specialty Steel and Wire Products Division

Sales of civil engineering and construction-related products continued to be affected by the sluggish construction industry, labor shortages, and delays in the construction schedule due to rising costs of construction materials.

Net sales of the high-strength spring steel wire for automotive applications increased year-on-year. While domestic sales decreased due to a decline in production support for some customers and sluggish sales volumes at some automakers using our products, overseas sales remained robust.

Sales of construction machinery-related products increased compared to the same period last year due to robust construction markets in Japan and China and successful passing on of increased costs to selling prices.

As a result, net sales were ¥36,335 million (down 0.6% year-on-year), while operating profit was ¥464 million (up 157.8% year-on-year), thanks to the strong performance of overseas sales of high-strength spring steel wire and construction machinery-related products, as well as price revisions for civil engineering and construction-related products.

2) Induction Heating Division

Sales of induction heat treatment-related services to the automotive industry decreased during the second half of the fiscal year driven by a decline in customer orders resulting from the prolonged impact of US tariffs.

Although orders for machine tools gradually recovered from the fourth quarter of the previous fiscal year this was not enough to offset the overall decline, resulting in a decrease compared to the same period the previous year.

Sales of the induction heating equipment-related products decreased both domestically and internationally compared to the same period of the previous year due to factors such as customers postponing their capital investment plans, as well as and economic downturn and delayed in customers' schedules in China.

As a result, sales were ¥19,526 million (down 6.4% year on year) and operating profit was ¥1,301 million (down 5.5% year on year).

3) Others

This segment covers revenues such as real estate leasing that are not included in the reportable segments, as well as the revenues and expenses of Dohken Co., Ltd. and MDI Co., Ltd., which have recently joined our group.

Leasing properties owned by the Company are making stable contribution to performance, although small in scale.

In addition, we the earnings of Dohken, which has become a newly consolidated subsidiary, and recorded ¥133 million in expenses related to the acquisition of its shares. Regarding the profit and loss of MDI, its earnings will be reflected starting from the next fiscal year, but we recorded ¥56 million in share acquisition expenses in the current consolidated fiscal year.

As a result, sales were ¥2,416 million (up 1,586.0% year on year), and operating profit was ¥122 million (up 115.8% year on year).

Results for production, orders received, and sales are as follows.

1) Production results

Production results for each segment in the fiscal year under review are as follows:

Segment name	Amount (million yen)	Year on year (%)
Specialty Steel and Wire Products Division	31,775	98.0
Induction Heating Division	14,923	103.2
Other	1,371	-
Total	48,070	102.5

(Note)1. The amounts are based on manufacturing costs after eliminating inter-segment transactions.

2. Other represent the results of Dohken Co., Ltd., included in the scope of consolidation from the current consolidated fiscal year.

2) Orders received

Orders received for each segment in the fiscal year under review are as follows:

Segment name	Orders received (million yen)	Year on year (%)	Balance of orders received (million yen)	Year on year (%)
Specialty Steel and Wire Products Division	37,058	102.7	3,883	122.9
Induction Heating Division (Induction Heating Equipment Related Business)	6,545	94.5	4,765	95.1
Other	1,857	-	842	-

(Notes) 1. The Induction Heat Treatment Service Related Business in the Induction Heating Division are mainly comprised by continuing transactions. These provide processing fee income for which it is difficult to ascertain the amount or balance of orders received. Therefore, only orders received for the Induction Heating Equipment Related Business have been shown for this segment.

2. The amounts of orders received are based on selling prices after eliminating inter-segment transactions.

3. Other represent the results of Dohken Co., Ltd., included in the scope of consolidation from the current consolidated fiscal year.

3) Sales results

Sales results for each segment in the fiscal year under review are as follows:

Segment name	Amount (million yen)	Year on year (%)
Specialty Steel and Wire Products Division	36,335	99.4
Induction Heating Division	19,526	93.6
Other	2,416	1,686.0
Total	58,277	101.2

(Note) The amounts are shown after eliminating inter-segment sales.

(2) Overview of Financial Position for the Fiscal Year under Review

Total assets at the end of the current consolidated fiscal year were ¥88,146 million (up 5.2% year on year). Although there were asset-decreasing factors such as share acquisition expenses for Dohken and MDI, the purchase of treasury stock and dividend payments, total assets increased primarily due to recording assets including goodwill from the addition of the two new consolidated subsidiaries.

Total liabilities at the end of the current consolidated fiscal year were ¥22,768 million (up 30.6% year on year), this was mainly due to an increase in borrowings, which offset decrease in account payables.

Net assets at the end of the current consolidated fiscal year were ¥65,378 million (down 1.4% year on year). This decline was primarily due to dividend payments and share buybacks, despite increase in valuation differences on available-for-sale securities and foreign currency translation adjustments. As a result, the equity ratio at the end of the fiscal year under review was 66.0%.

(3) Overview of Cash Flows for the Fiscal Year under Review

The balance of cash and cash equivalents (hereinafter, "cash") at the end of the fiscal year under review was ¥14,204 million (decrease of ¥3,375 million from the end of the previous fiscal year), the breakdown is as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥1,773 million (compared to ¥4,107 million provided in the previous fiscal year).

This was mainly due to the recording of profit before income taxes of ¥2,344 million and an increase in trade payables of ¥1,108 million.

(Cash Flows from Investing Activities)

Net cash used in investing activities was ¥5,235 million (compared to ¥3,404 million used in the previous fiscal year). This was mainly due to the purchase of property, plant and equipment of ¥3,990 million and purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥2,128 million.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥121 million (compared to ¥1,713 million provided in the previous fiscal year).

This was mainly due to repayment of long-term borrowings of ¥5,244 million, purchase of treasury shares of ¥2,000 million and dividends paid of ¥2,005 million in spite of proceeds of new long-term borrowings from ¥9,602 million.

(Reference) Trends in cash flow-related indicators

	Fiscal years ended March 31	
	2025	2026
Equity ratio	71.1	66.0
Equity ratio based on market value	39.6	46.5
Interest-bearing debt to cash flow ratio	1.7	6.6
Interest coverage ratio	58.7	15.3

(Notes) 1. Calculation method of each indicator

- | | |
|--|--|
| 1) Equity ratio: | Equity / total assets |
| 2) Equity ratio based on market value: | Total market value of shares (closing price of stock × total number of issued and outstanding shares) / total assets |
| 3) Interest-bearing debt to cash flow ratio: | Interest-bearing debt / cash flow from operating activities |
| 4) Interest coverage ratio: | Cash flow from operating activities / interest payments |

2. Total market value of shares is calculated based on the number of issued and outstanding shares excluding treasury shares. Cash flow from operating activities is net cash provided by (used in) operating activities on the Consolidated Statements of Cash Flows. Interest-bearing debt refers to borrowings recorded on the Consolidated Balance Sheets. The amount of interest payments is the amount of interest expenses recorded on the Consolidated Statements of Income and Comprehensive Income.

(4) Significant accounting estimates and assumptions used for such estimates

The Group's consolidated financial statements are prepared based on the accounting standards generally accepted in Japan. The significant accounting policy adopted in the preparation of the consolidated financial statements is described in "V. Financial Information 1. Consolidated Financial Statements, etc.,[Notes] (Important matters for preparing consolidated financial statements)." As the consolidated financial statements are prepared based on the assets and liabilities recorded on the final day of the reporting period and the revenue and expenses recorded during the reporting period, the Group uses accounting estimates and assumptions as necessary. These accounting estimates and assumptions are by nature uncertain and may differ from the actual results.

We believe that these estimates are reasonable, but there are many uncertain factors involved. A larger-than-expected change or other event may have a significant impact on the Group's consolidated financial statements. The significant accounting estimates and assumptions used in the preparation of the consolidated financial statements are shown below.

(Impairment of non-current assets)

As a rule, for non-current assets or asset groups where there are indications of impairment, the Group estimates the pre-discounted cash flows from these assets or asset groups. If the total of the estimated pre-discounted cash flows falls less than the booked value, the Group reduces them to the recoverable amount and records impairment losses equivalent to this reduction. The Group carefully evaluate the indications of impairment and check if it is necessary to increase booked losses or add new ones due to changes of the business plans or economic environment, etc.

(Valuation of Goodwill)

Regarding the goodwill recorded when our corporate group acquired the shares of Dohken Co., Ltd. and MDI Corporation, we consider whether there are any indications of impairment. If an indication is identified, we calculate the undiscounted future cash flows based on the business plan for a period corresponding to the remaining amortization period of the goodwill, compare them with the carrying amount, and determine whether the recognition of an impairment loss is necessary. If deemed necessary, we reduce the carrying amount of the goodwill to its recoverable amount and recognize the decrease as an impairment loss. We carefully consider the identification of indications of impairment, as well as the recognition and measurement of impairment losses; however, a new impairment treatment may become necessary due to changes in assumptions such as business plans and the management environment.

(Recoverability of deferred tax assets)

The Group books deferred tax assets for the amount considered highly likely to be recoverable. The necessity and necessary amount of them are carefully estimated by the future taxable income for each taxing entity and the expected recoverability. However, it is possible that they are increased or reversed due to changes in the various conditions and assumptions on which the estimates of taxable income are based.

5. 【Material Contracts】

(1) Technology Assistance Contracts (Provision)

Contracting Company	Counterparty	Country	Contract Item	Description of Contract	Contract Period
NETUREN Co., LTD.	Yancheng Neturen Co., Ltd.	China	Manufacturing and sales of induction heating equipment and heat treatment processing services	1. Technical information, know-how, and technical guidance 2. Exclusive and non-transferable manufacturing and sales rights in China (Note)	From August 5, 2005 to August 4, 2035

(Note) The Company receives royalties at a fixed percentage of net sales as consideration.

(2) Acquisition of the shares of subsidiary

Dohken Co., Ltd.

At the Board of Directors meeting held on April 4, 2025, the Company resolved to acquire the shares of Dohken Co., Ltd. (Location: Iizuka City, Fukuoka Prefecture) to make it a subsidiary, and concluded a share transfer agreement on April 10, 2025. For details, please refer to "(Business Combinations, etc.)" in "[Notes]" to "(1) Consolidated Financial Statements" under "1. Consolidated Financial Statements, etc." in "V. Financial Information."

MDI Corporation

At the Board of Directors meeting held on November 10, 2025, the Company resolved to acquire the shares of MDI Corporation (Location: Kawasaki City, Kanagawa Prefecture) to make it a subsidiary, and concluded a share transfer agreement on November 28, 2025. For details, please refer to "(Business Combinations, etc.)" in "[Notes]" to "(1) Consolidated Financial Statements" under "1. Consolidated Financial Statements, etc." in "V. Financial Information."

III. Equipment and Facilities

1. Overview of Capital Investments

The Group (the Company and its consolidated subsidiaries) has focused on capital investments associated with new products and businesses and handling orders received. It has also consciously engaged in investments in rationalization to enable it to respond to changes in the business environment. The Group has established standards for recouping investments and stringently examines each investment project in terms of its cost-effectiveness.

Capital investments are generally funded by internal resources. However, when large-scale investments are required, we may allocate outside resources depending on the situation such as the establishment of new subsidiaries, the acquisition of companies through M&A, or the construction of new plants.

Capital investments for the current consolidated fiscal year totaled 4,009 million yen which was less than a budget, due to the delays in the some large-scale projects at overseas bases that are carried over to the next fiscal year. The main capital investments in each segment are as follows.

(Specialty Steel and Wire Products Division)

The Specialty Steel and Wire Products Division mainly invested in increasing production capacity and rationalization. Specifically, it included equipment to increase production capacity at NETUREN AMERICA CORPORATION and seismic reinforcement works at the Company's Ako Plant and the expansion of solar power generation facilities at the Company's Kobe Plant

Capital investments in this segment totaled ¥877 million.

(Induction Heating Division)

The Induction Heating Division mainly invested in increasing production capacity and rationalization. Specifically, it included equipment to increase production capacity at PT. NETUREN INDONESIA and investment of the restructure in Kariya Plant.

Capital investments in this segment totaled ¥2,656 million.

(Other)

Other capital investments were mainly associated with these include the renewal of production facilities at Dohken Co., Ltd., which has newly joined our consolidated group, as well as those related to research and development across the entire group.

Capital investments in this segment totaled ¥350 million.

Corporate capital investments of ¥125 million were made in addition to the above.

The Group is actively installing solar power generation systems to reduce CO2 emissions.

2. Plans for the New Establishment, Retirement, Etc. of Equipment

(1) New establishment of material equipment, etc.

Specialty Steel and Wire Products Division plans to invest in new equipment mainly associated with rationalization, expanding sales channels, increasing production capacity, and renewing existing equipment.

Induction Heating Division plans to invest in new equipment mainly associated with rationalization, expanding sales channels, increasing production capacity, and renewing existing equipment. We plan to carry these out with a primary focus on investments for plant reorganization at the Company's Kariya Plant (REBORN Kariya) and others.

In addition, the whole Group companies are systematically undertaking capital investments related to energy saving from the perspectives of global environmental conservation and electricity cost reduction.

The amount planned for investments in the new establishment of material equipment, etc. in the 12 months following the fiscal year under review is ¥5,600 million. The Company plans to raise funds for this purpose by selecting the most appropriate means of financing for each case, but in principle, we will use our own funds or capital investment funds borrowed from financial institutions and other sources.

The Company will implement each capital investment project after strictly examining its efficiency.

The planned capital investment in each segment is as follows.

Segment name	Planned capital investment (million yen)	Main equipment/purpose
Specialty Steel and Wire Products Division	2,300	Investment in rationalization, expanding sales channels, increasing production capacity, renewing existing equipment, etc.
Induction Heating Division	2,600	Investment in rationalization, expanding sales channels, increasing production capacity, renewing existing equipment, etc.
Total for reportable segments	4,900	
Other	400	Investment in research and development equipment, etc.
Corporate	300	Investment in human resources development, IT and digital transformation (DX), etc.
Total	5,600	

(2) Retirement of material equipment, etc.

At Neturen (China) Slewing Bearing Co., Ltd. (a consolidated subsidiary), we have been proceeding with plant relocation at the request of the Chinese government. As the timing of the relocation has now been finalized, we plan to dismantle and remove the buildings, structures, and other assets that will become unnecessary due to the plant closure in September 2026.

IV. The Company

1. Status of Shares

(1) Total number of shares, etc.

1) Total number of shares

Class	Total number of authorized shares
Common shares	150,000,000
Total	150,000,000

2) Number of issued and outstanding shares

Class	Number of issued shares at the end of the fiscal year (March 31, 2026)	Number of issued shares as of the date of submission (June 24, 2026)	Name of financial instruments exchange or authorized financial instruments firms association where the Company's shares are listed	Details
Common shares	32,805,400	32,805,400	Tokyo Stock Exchange Prime Market	Number of shares in each trading unit 100
Total	32,805,400	32,805,400	—	—

(2) Trend in the total number of issued and outstanding shares, share capital, etc.

Date	Increase (decrease) in the total number of issued and outstanding shares	Total number of issued and outstanding shares	Increase (decrease) in share capital (Million yen)	Share capital (Million yen)	Increase (decrease) in legal capital surplus (Million yen)	Legal capital surplus (Million yen)
March 18, 2022	(2,884,000)	40,906,500	—	6,418	—	1,535
February 21, 2023	(2,227,800)	38,678,700	—	6,418	—	1,535
February 21, 2024	(1,539,800)	37,138,900	—	6,418	—	1,535
March 21, 2025	(2,643,500)	34,495,400	—	6,418	—	1,535
March 19, 2026	(1,690,000)	32,805,400	—	6,418	—	1,535

(Note) The decrease is due to the cancellation of treasury shares.

2. Purchase of Treasury Shares

[Class and other details of shares] Purchase of common shares based on Article 155 (iii) and Article 155 (vii) of the Companies Act

(1) Status of purchases based on resolutions of the Shareholders' Meeting

Not applicable.

(2) Status of purchases based on resolutions of the Board of Directors

Category	Number of shares	Total amount (yen)
Resolution of the Board of Directors (May 12, 2025) (Purchase period: May 13, 2025 to March 31, 2026)	2,700,000	2,000,000,000
Treasury shares purchased before the fiscal year under review	—	—
Treasury shares purchased during the fiscal year under review	1,719,100	1,999,942,900
Total number and value of shares remaining from the resolution	980,900	57,100
Proportion remaining unexecuted at the end of the fiscal year under review (%)	36.33	0.00
Treasury shares purchased during the current period	—	—
Proportion remaining unexecuted as of the submission date (%)	36.33	0.00

Category	Number of shares	Total amount (yen)
Resolution of the Board of Directors (May 13, 2026) (Purchase period: May 14, 2026 to March 31, 2027)	1,897,000	2,000,000,000
Treasury shares purchased before the fiscal year under review	—	—
Treasury shares purchased during the fiscal year under review	—	—
Total number and value of shares remaining from the resolution	—	—
Proportion remaining unexecuted at the end of the fiscal year under review (%)	—	—
Treasury shares purchased during the current period	159,800	204,999,100
Proportion remaining unexecuted as of the submission date (%)	91.58	89.75

(Note) Treasury shares purchased during the current period do not include treasury shares purchased during the period from June 1, 2026, to the date of submission of this annual securities report.

(3) Details of purchases based on neither resolutions of the Shareholders' Meeting nor resolutions of the Board of Directors

Category	Number of shares	Total amount (yen)
Treasury shares purchased during the fiscal year under review	100	125,911
Treasury shares purchased during the current period	—	—

(Note) Treasury shares purchased during the current period do not include shares acquired through the purchase of fractional shares of less than one trading unit during the period from June 1, 2026, to the date of submission of this annual securities report.

(4) Disposal and holdings of purchased treasury shares

Category	Fiscal year under review		Current period	
	Number of shares	Total disposal value (yen)	Number of shares	Total disposal value (yen)
Purchased treasury shares for which subscribers were solicited	—	—	—	—
Purchased treasury shares that were disposed of by cancellation	1,690,000	1,935,050,000	—	—
Purchased treasury shares that were transferred through merger, exchange of shares, delivery of shares, or company split	—	—	—	—
Other (Disposed of as restricted stock compensation)	30,700	32,388,500	—	—
Other (Sold in response to requests for the sale of fractional shares less than one trading unit)	—	—	—	—
Treasury shares held	200,680	—	360,480	—

- (Notes) 1. Treasury shares disposed of during the current period do not include shares disposed of through the sale of fractional shares less than one trading unit during the period from June 1, 2026, to the date of submission of this annual securities report.
2. Treasury shares held in the current period do not include shares acquired or disposed of through the purchase or sale of fractional shares less than one trading unit during the period from June 1, 2026, to the date of submission of this annual securities report.

3. Dividend Policy

The Company has set the basic policy of stable distribution of dividends to shareholders, while seeking strategic investments toward growth and stable business management.

“Stable dividends” is defined as a dividend on equity (DOE) rate of 4.0% or more.

The year-end dividend (ordinary dividend) for the fiscal year ended March 31, 2025, was decided on a total annual dividend of ¥71 per share (including the interim dividend of ¥33) considering importance on shareholder returns and based on a comprehensive business performance, financial conditions, and other factors. As a result, the consolidated dividend payout ratio for the fiscal year 2025 was 178.6% and the consolidated dividend on equity was 4.0%.

We intend to use the Group’s internal reserves primarily in areas that will contribute to future profits but also necessary investment to respond to changes in the business environment, new businesses and streamlines.

It is our basic policy to pay two dividends of surplus per year: the interim dividend and the year-end dividend. The Annual Shareholders’ Meeting is responsible for deciding the year-end dividend and the Board of Directors is responsible for the interim dividend.

The Company’s Articles of Incorporation state that “interim dividends may be distributed to shareholders and registered pledgees of shares recorded in the shareholders’ register as of September 30 each year, by resolution of the Board of Directors.”

Dividends of surplus for which the record date falls within the current fiscal year are as follows. Regarding the year-end dividend, the total amount of dividends of 1,238 million yen and the dividend per share of 38 yen are subject to resolution at the Ordinary General Meeting of Shareholders scheduled to be held on June 25, 2026.

Date of resolution	Total amount of dividend (million yen)	Dividend per share (yen)
November 10, 2025 Resolution of the Board of Directors	1,114	33.0
June 25, 2026 Resolution of the Annual Shareholders’ Meeting	1,238	38.0

4. The Status of Corporate Governance, etc.

(1) Overview of Corporate Governance

1) Basic Principles of Corporate Governance

At the Company, in order to enhance corporate value through harmony and coexistence with shareholders, customers, employees, suppliers, and local communities, Corporate Governance is positioned as one of the most critical management framework that ensure transparency and fairness in management.

Based on this understanding, we aim to become a company that grows sustainably in the future by focusing on expediting and streamlining decision-making in management and by establishing a system to strengthen oversight of business execution.

2) Overview of corporate Governance System and the Rationale for Its Adoption

The Company's organizational structure and system are as follows.

The Board of Directors, as the body responsible for deciding matters stipulated by law, the Articles of Incorporation, and important management issues, as well as for overseeing the execution of directors' duties, holds regular meetings at least once a month and convenes extraordinary meetings as necessary. The Articles of Incorporation stipulate that the number of the Company's directors shall not exceed 11. As of the date of submission of the Annual Securities Report, 2 out of the 6 directors are Outside Directors. Among the 6 Directors, there are 5 men and 1 woman, and among the 3 Audit & Supervisory Board Members, there are 2 men and 1 woman, with women accounting for 22.2% of a total of nine members across two boards.

The term of office for directors is one year. This is intended to enable swift responses to the rapidly changing business environment, facilitate agile and efficient business development, and clearly define the management responsibilities of directors for each fiscal year.

Moreover, from the perspective of further strengthening Corporate Governance, the Company has introduced an Executive Officer System aimed at enhancing transparency, agility, and corporate value by separating decision-making/oversight functions from business execution. This system seeks to improve the depth, accuracy, and speed of decision-making by reviewing the number and composition of the Board of Directors and increasing the ratio of Outside Directors, as well as to establish a framework that clearly delineates responsibilities and authority in business execution so that the Company Group can respond appropriately, swiftly, and dynamically to changes in the business environment.

A meeting of the management and executive officers, comprising directors, executive officers, standing Audit & Supervisory Board Members, division heads, and business unit managers, is held to share information and management issues and to make optimal management decisions and execute operations. This is intended not only to enhance Corporate Governance but also to report and deliberate on the Company Group's management challenges through the promotion of TQM activities. In addition, Outside Directors are permitted to attend these meetings.

In addition, the Company has established a Nominating Committee, Compensation Committee, Compliance Committee, Company-wide Sustainability Promotion Committee, and Internal Control Promotion Committee, among others, to further strengthen Corporate Governance.

The Company is structured as a company with an Audit & Supervisory Board, and as of the date of submission of the Annual Securities Report, 2 out of the 3 Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members.

The Company, together with Outside Directors Yoshiko Moriyama and Toyotsugu Ito, Audit & Supervisory Board Member Yoshihiro Ikegami, and Outside Audit & Supervisory Board Members Minoru Enjitsu and Kayoko Kamijo, has entered into contracts limiting liability for damages pursuant to Article 423, Paragraph 1 of the Companies Act, based on the provisions of Article 427, Paragraph 1, with the limitation amount being as prescribed by law.

The Company's Corporate Governance system functions not only through the aforementioned meetings, committees, and internal regulations but also by establishing a system of mutual checks and balances between the head office and business divisions. Furthermore, it is believed that closer coordination between Outside Directors and the Audit & Supervisory Board will further strengthen the overall system.

3) Other Matters Concerning Corporate Governance

(Status of the Internal Control System Development)

The Company has established the following framework (Internal Control System) to ensure that the execution of directors' duties complies with laws and the Articles of Incorporation, as well as to ensure the proper conduct of the business operations of the corporation and the Company Group, which consists of the Company and its subsidiaries.

- a. A system to ensure that the execution of duties by directors and employees of the Company and its subsidiaries complies with laws and the Articles of Incorporation.

In accordance with the Regulations on the Neturen Group Management Philosophy, the Regulations on Neturen Group Corporate Code of Ethics, the Basic Sustainability Regulations, and the Compliance Regulations, among other management principles, ethical and behavioral standards, and company regulations, the officers and employees of the Company and the Company Group adhere to these corporate regulations, laws, and Articles of Incorporation, and duly fulfill their social responsibilities.

The Company conducts training on compliance for its officers and employees within the Company Group in order to foster a strong culture of adherence to laws and regulations. In addition, the Company Group has established an “Internal Reporting System” (Compliance Help Line) on a permanent basis, enabling employees to directly provide information regarding any activities that raise compliance concerns.

The officers, employees, and other personnel of the Company and its group, in accordance with the Anti-Social Forces Management Rules and other such regulations, shall refrain from any engagement with any individuals or organizations that could adversely affect social order or the sound operations of corporate activities across the Group.

b. System for the Preservation and Management of Information Relating to the Execution of Directors’ Duties

In accordance with applicable laws and Company regulations, directors are required to record information related to the execution of their duties in documents or on electronic media (hereinafter referred to as “documents, etc.”), and to duly preserve and manage such records.

Directors and Audit & Supervisory Board Members shall have continuous access to these documents, as stipulated by Company regulations.

c. Regulations and Other Systems for Managing the Risk of Loss for the Company and Its Subsidiaries (Development of a Risk Management System)

With respect to risk management across the Group concerning quality, compliance, disasters, the environment, and information management, the Company has established the Affiliate Company Management Regulations and the Risk Management Basic Regulations. The Administrative Department of the Administrative Headquarters and the Safety, Health and Environment Office are responsible for monitoring risk conditions organization-wide and taking enterprise-wide countermeasures. Furthermore, the Internal Audit Office conducts periodic audits of each department’s risk management status and, as necessary, reports to the Board of Directors or the Compliance Committee, among others.

The Company has established the Crisis Management Rules, which clarify procedures for information gathering, reporting methods, and the establishment of an Emergency Response Headquarters in the event of a crisis (a significant unforeseen event). In addition, separate response manuals have been established to address natural disasters such as earthquakes and floods.

d. System to Ensure the Efficient Execution of the Duties of Directors of the Company and Its Subsidiaries

In accordance with Company regulations such as the Business Regulations and the Ringi (Approval) Regulations, the Company has clarified the authorities related to duties and decision-making processes and has established a system within the Group that adheres to these guidelines.

The Group has formulated a medium-term management plan, through which it monitors progress and operating performance on a fiscal year basis and sets key management objectives for the entire Group.

The Board of Directors holds meetings at least once a month in principle, and, generally, convenes a management and executive meeting twice a month—excluding overseas assignees—attended by directors (excluding outside directors), executive officers, standing Audit & Supervisory Board Members, department heads, and division managers, thereby facilitating prompt decision-making on important management matters and the early resolution of management issues.

e. System to Ensure the Appropriateness of Operations within the Corporate Group Consisting of the Company and Its Subsidiaries

Based on the Affiliate Company Management Regulations, a management department and a head of management are designated for each affiliate. The designated head is responsible for establishing and maintaining the Corporate Governance system, Compliance system, and Risk Management System of the respective company.

Audit & Supervisory Board Members, the Internal Audit Office, Safety, Health and Environment Office, and the Compliance Committee ensure the appropriateness of operations within the Group by conducting regular audits of the affiliates.

To ensure the reliability of financial reporting, the Company has established an Internal Audit Office and an Internal Control Promotion Committee, among others, and is advancing the development of an internal control system for financial reporting across the Group in accordance with the Internal Control Operation Rules for Financial Reporting, ensuring its proper implementation.

f. System Regarding the Reporting to the Company of Matters Related to the Execution of Duties by Directors, etc. of Subsidiaries

In accordance with the Affiliate Company Management Regulations, the head of the management department requires affiliates to report on their business plans, operating conditions, financial conditions, and other material information, and convenes a group meeting twice a year during which representatives of the affiliates report on their management activities.

In the event of an unforeseen circumstance, the Group companies are required to promptly report to the head of the management department.

g. Matters Concerning the Personnel Appointed by Audit & Supervisory Board Members to Assist Them in the Performance of Their Duties

Audit & Supervisory Board Members are authorized to direct and command personnel designated to assist them as their assistants in the conduct of audit activities.

h. Matters Concerning the Independence of the Personnel under the Previous Item from Directors and the Assurance of the Effectiveness of the Instructions Given to Such Personnel

Regarding the personnel changes and performance evaluations of the aforementioned assistant, prior consent from standing Audit & Supervisory Board Members is required.

It is stipulated that the aforementioned assistant shall not concurrently serve as an employee in other departments.

i. A system for directors and employees to report to the Company's Audit & Supervisory Board Members.

It is stipulated that the Company's officers, employees, and others shall promptly report to Audit & Supervisory Board Members not only matters required by law but also issues that could significantly affect the Company Group, the status of internal audits, and the contents of internal notifications received through the Compliance Helpline.

j. A system enabling the directors, Audit & Supervisory Board Members, and employees of the Company's subsidiaries, as well as those receiving reports from such persons, to report to the Company's Audit & Supervisory Board Members.

It is stipulated that when the Company's Audit & Supervisory Board Member requests a report regarding matters of operational execution, the officers and employees of the Company Group shall promptly provide an appropriate report.

The Compliance Committee Secretariat, which serves as the reception window for the Company Group's internal notification system, is responsible for reporting, as appropriate, the status of internal notifications from the Company's officers, employees, and others to the Company's Audit & Supervisory Board Members.

k. A system to ensure that those who have submitted a report under the preceding item are not subject to any disadvantageous treatment on account of their report.

The Company prohibits any adverse treatment toward the officers and employees of the Company Group who have reported to the Company's Audit & Supervisory Board Members on the grounds of having done so, and ensures that this policy is thoroughly communicated to all such individuals.

l. Matters regarding the procedures for the advance payment or reimbursement of expenses incurred in the execution of the Audit & Supervisory Board Member's duties, as well as policies related to the handling of other expenses or liabilities arising from the performance of those duties.

The Company stipulates that if an Audit & Supervisory Board Member makes a claim for advance payment or similar expenses under Article 388 of the Companies Act for the execution of their duties, the Administrative Department of the Administrative Headquarters will confirm the claim and, except in cases where the expenses or liabilities in question are deemed unnecessary for the execution of the Audit & Supervisory Board Member's duties, promptly process such expenses or liabilities.

m. A system to ensure that Audit & Supervisory Board Members' reviews are conducted effectively.

It is stipulated that Audit & Supervisory Board Members, the Representative Director, and other directors shall regularly hold meetings to exchange opinions and facilitate communication.

It is stipulated that Audit & Supervisory Board Members may attend Board of Directors meetings and other key management meetings and express their opinions when there are matters for deliberation or upon request.

It is stipulated that Audit & Supervisory Board Members shall regularly and, as needed, exchange opinions with the Internal Audit Department and accounting auditors, and may request reports from the accounting auditors when necessary.

4) Activities of the Board of Directors

For the fiscal year under review, the Company has held the Board of Directors meeting at least once a month, and the attendance records of individual directors and Audit & Supervisory Board Members are as follows.

Name	Number of Meetings Held	Number of Attendances
Katsumi Omiya ^{Note 1}	15 times	15 times
Nobumoto Ishiki ^{Note 1}	15 times	15 times
Takashi Suzuki ^{Note 1}	15 times	15 times
Tomokatsu Yasukawa ^{Note 1}	15 times	15 times
Mineo Hanai ^{Note 1}	3 times	3 times
Yoshiko Moriyama ^{Note 1}	15 times	15 times
Toyotsugu Ito ^{Note 1}	12 times	12 times
Yoshihiro Ikegami ^{Note 2}	15 times	15 times
Minoru Enjitsu ^{Note 2}	15 times	15 times
Kayoko Kamijo ^{Note 2}	15 times	15 times

*1 Directors, *2 Audit & Supervisory Board Members

(Note) 1 Regarding Mr. Mineo Hanai, he retired from the position of Director at the conclusion of the 114th Annual General Meeting of Shareholders held on June 26, 2025. Therefore, the attendance record during his tenure is provided.

2 Regarding Mr. Toyotsugu Ito, he was newly appointed as a Director at the 114th Annual General Meeting of Shareholders held on June 26, 2025. Therefore, the attendance record after his appointment is provided.

With regard to the items submitted to the Board of Directors, in addition to the matters stipulated by laws, the Articles of Incorporation, and the Board of Directors' rules, resolutions have been passed on issues concerning the Company's key operations, including its basic management policies. The key agenda items for the fiscal year under review are as follows.

- (a) Initiatives addressing the progress and challenges of NETUREN VISION 2030 and the 16th Medium-Term Management Plan
- (b) Consideration and specific measures for enhancing corporate value and growth strategy (including business portfolio, REBORN Kariya, and M&A strategy (including PMI activities), etc.)
- (c) Specific initiatives regarding capital policy and financial strategy (such as achieving a PBR 1.0 or higher and ROE 8.0% at an early stage, etc.)
- (d) Sharing feedback and issues from dialogues with shareholders and institutional investors
- (e) Specific initiatives and issues concerning talent development and the promotion of female participation

Furthermore, the Company conducts an annual self-assessment survey by all directors and Audit & Supervisory Board Members each May on the overall effectiveness of the Board of Directors, and analyzes and evaluates the results.

The following is an overview of the effectiveness evaluation conducted in May 2026.

<Evaluation Method>

Based on the aggregated responses to the evaluation items below, discussions were held among the directors and Audit & Supervisory Board Members, including independent directors and auditors, at the Board of Directors, and an analysis and evaluation of its effectiveness was compiled

*Evaluation Item: Roles and Functions of the Board of Directors

Operation of the Board of Directors

Agenda of the Board of Directors

Roles and functions regarding the Nominating Committee and the Compensation Committee

Evaluation of measures taken on issues from the previous evaluation

Overall Evaluation

<Overview of Analysis and Evaluation Results>

The Company's Board of Directors was found to be generally effective in both decision-making and supervisory functions, with a system in place that appropriately ensures management decision-making and oversight of business execution

On the other hand, it was confirmed that further discussions are necessary regarding the group's overall growth strategy—including a review of management strategy and business portfolio—and the corresponding talent strategy, as well as risk management and the oversight system for group companies

<Future Initiatives>

Based on the above analysis and evaluation, we will further enhance corporate value by revitalizing discussions on the group's overall growth strategy—including a review of the business portfolio, talent strategy, as well as risk management and the management system of group companies—ensuring ample time for deliberation and continuously working to enrich the discussions of the Board of Directors, thereby enhancing its effectiveness.

5)Nominating Committee Activities

During the fiscal year under review, the Company held the Nominating Committee meetings twice. The attendance and specific activities of the Nominating Committee are as follows.

Number of Members	6 members (1 Internal Director, 2 outside directors, 1 Internal Audit & Supervisory Board Member, 2 outside Audit & Supervisory Board Members)
Chairperson	Internal Director (Representative Director and President, Executive Officer)
Committee Composition	The majority are outside officers (Outside Directors and Outside Audit & Supervisory Board Members)
Number of Meetings Held	2 times
Attendance Rate	100%
Deliberation and Reporting Items	- Deliberation of the annual schedule • Decision on the personnel matters of Directors and Executive Officers for the next fiscal year - Follow-up on the next-generation executive development plan - Deliberation on the plan to achieve a majority ratio of Outside Directors and a 30% ratio of female officers

6)Compensation Committee Activities

During the fiscal year under review, the Company has held the Compensation Committee meetings twice. The attendance and specific activities of the Compensation Committee are as follows.

Number of Members	6 members (1 Internal Director, 2 Outside Directors, 1 internal Audit & Supervisory Board Member, 2 Outside Audit & Supervisory Board Members)
Chairperson	Internal Director (Representative Director and President, Executive Officer)
Committee Composition	The majority are outside officers (Outside Directors and Outside Audit & Supervisory Board Members)
Number of Meetings Held	2 times
Attendance Rate	100%
Deliberation and Reporting Items	• Decision on the remuneration amounts for Directors and Executive Officers • Reporting on individual performance evaluations of Directors and Executive Officers • Deliberation on external comparisons of executive remuneration levels • Deliberation on the review of the remuneration level for the Representative Director

(Overview of the Limited Liability Agreement)

The Company, together with its directors (excluding executive directors, etc.) and Audit & Supervisory Board Members, has entered into an agreement to limit their liability for damages in accordance with Article 427, Paragraph 1 of the Companies Act and Article 423, Paragraph 1 of the same Act. Under this agreement, the maximum liability for damages is limited to the amount prescribed by law. Furthermore, such limitation of liability is recognized only when the aforementioned directors (excluding executive directors, etc.) and Audit & Supervisory Board Members have performed their duties in good faith without gross negligence.

The Company has established corporate regulations regarding the independence of outside directors and outside Audit & Supervisory Board Members to ensure the propriety and independence of their duties. In addition, all outside directors and outside Audit & Supervisory Board Members are designated as independent officers as required by the Tokyo Stock Exchange.

With respect to the reappointment of the accounting auditor, the Company, in accordance with the “Act to Partially Amend the Companies Act” (Act No. 90 of 2014), resolves the matter at the Audit & Supervisory Board meeting each year.

(Overview of the Directors’ and Officers’ Liability Insurance Agreement)

The Company has entered into a Directors’ and Officers’ liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. Under this insurance contract, the insured parties include the Company’s directors, Audit & Supervisory Board Members, and executive officers, and the insured parties are not required to pay any premiums. Under the contract, litigation expenses and damages claims brought against the insured during the policy period will be covered.

However, to ensure that the propriety of the insured parties’ performance of their duties is not compromised, there are certain exemptions. For instance, damages arising from actions undertaken by the insured parties with the awareness that such actions constitute violations of the law will not be covered.

(Disclosure Policy and IR Activities)

With regard to disclosure, the fundamental policy is to ensure timely disclosure based on the Financial Instruments and Exchange Act and the Tokyo Stock Exchange’s rules on timely disclosure, emphasizing speed, accuracy, fairness, and clarity. Furthermore, in addition to holding IR meetings, financial results briefings for institutional investors, factory tours for institutional investors, and IR seminars for individual investors, we actively disclose information to expand our investor base through enhanced understanding of our business operations.

(Requirements for the Resolution on the Appointment of Directors)

The Company’s Articles of Incorporation provide that the resolution for the appointment of directors shall be adopted when shareholders holding at least one-third of the voting rights are present and a majority of the votes cast is achieved.

Furthermore, the Articles of Incorporation stipulate that the appointment of directors shall not be conducted by cumulative voting.

(Requirements for Special Resolution at the Shareholders’ Meeting)

The Company’s Articles of Incorporation stipulate that a resolution under Article 309, Paragraph 2 of the Companies Act shall be adopted when shareholders holding at least one-third of the voting rights are present and the resolution is approved by at least two-thirds of the voting rights. This is intended to facilitate the smooth operation of the general meeting of shareholders by easing the quorum requirements for special resolutions.

(Resolution of Shareholders’ Meeting Items by the Board of Directors)

Acquisition of Own Shares

The Company’s Articles of Incorporation provide that, in accordance with Article 165, Paragraph 2 of the Companies Act, the Company may acquire its own shares through market transactions by a resolution of the Board of Directors. This is intended to facilitate a dynamic capital policy in response to changes in the business environment.

Interim Dividend

The Company’s Articles of Incorporation provide that, by a resolution of the Board of Directors rather than a resolution of the general meeting of shareholders, the Company may declare an interim dividend in accordance with Article 454, Paragraph 5 of the Companies Act each year as of the record date of September 30. This is intended to enable agile distribution of benefits to shareholders.

Exemption from Liability for Directors and Audit & Supervisory Board Members

By a resolution of the Board of Directors, the Company's Articles of Incorporation provide that the liability for damages of directors (including former directors) and Audit & Supervisory Board Members (including former Audit & Supervisory Board Members) to the Company may be exempted to the extent permitted by law. This is intended to enable directors and Audit & Supervisory Board Members to fully perform their expected roles.

(Basic Policy on the Control of the Company)

At the Board of Directors meeting held on March 10, 2020, the Company reviewed whether to continue the fair rules and, taking into account the changes in the business environment surrounding the Company following its introduction as well as recent trends in acquisition defense measures, determined that the need for the fair rules has relatively diminished, and resolved to discontinue it upon the expiration of its term.

Even after the discontinuation of the fair rules, with respect to those intending to engage in large-scale purchases of the Company's stock, the Company will seek to provide information that is necessary and sufficient for shareholders to properly evaluate such transactions, in addition to disclosing the opinions of the Board of Directors, and will take appropriate measures under the Financial Instruments and Exchange Act, the Companies Act, and other applicable laws to ensure that shareholders have adequate time and information for their review.

(2) Officers' Status

1) Officers List

7 male; 2 female (22.2% of the officers are female)

Title	Name	Date of Birth	Career History		Term	Number of Shares Held (thousands)
Representative Director President and Chief Executive Officer	Katsumi Omiya	Born on March 24, 1960	April 1983 April 2011 June 2012 June 2016 October 2020 June 2021	Joined the Company Manager of the Electrical Department, IH Business Division, the Company Director of the Company Managing Director of the Company Representative Director and President of the Company Representative Director, President and Chief Executive Officer of the Company (current)	(Note) 4	96
Director, Member of the Board Senior Managing Executive Officer Supervising engineering development, business planning and development, DX promotion and information strategy General Manager, Research and Development Headquarters General Manager, Information Control Office	Nobumoto Ishiki	Born on October 9, 1959	April 1982 February 2001 April 2001 February 2006 April 2007 October 2016 June 2017 April 2020 June 2021 April 2023 April 2026	Joined TRW Automotive Japan Co., Ltd. (currently ZF Japan Co., Ltd.) Joined Colin Corporation (currently Fukuda Colin Co., Ltd.) Joined the Company Joined Toyo Fastener Co., Ltd. Joined the Company Head of Product Technology Headquarters and Manager of Production Technology Development Department, Product Technology Headquarters, the Company Director of the Company Managing Director of the Company Director and Managing Executive Officer of the Company Director and Senior Managing Executive Officer of the Company Director, Member of the Board, Senior Managing Executive Officer; supervising engineering development, business planning and development, DX promotion and information strategy; General Manager, Research and Development Headquarters; General Manager, Information Control Office (current)	(Note) 4	53

Title	Name	Date of Birth	Career History		Term	Number of Shares Held (thousands)
Director, Member of the Board Managing Executive Officer Chief Logistics Officer (CLO) General Manager, Specialty Steel & Wire Products Division General Manager, Global Procurement Headquarters	Takashi Suzuki	Born on June 29, 1962	April 1985 April 2012 June 2016 October 2020 April 2021 June 2021 April 2024 April 2026	Joined the Company Manager of Business Department, Product Business Division, and Deputy Head of Procurement Headquarters, the Company Director of the Company Chairman of Neturen (China) Slewing Bearing Co., Ltd. (current) Managing Director of the Company Director and Managing Executive Officer of the Company President and Director of Neturen America Corporation (current) Director, Member of the Board, Managing Executive Officer; Chief Logistics Officer (CLO); General Manager, Specialty Steel & Wire Products Division; General Manager, Global Procurement Headquarters (current)	(Note) 4	56
Director, Member of the Board Senior Executive Officer Supervising safety, health and environmental affairs General Manager, Administrative Headquarters	Tomokatsu Yasukawa	Born on January 6, 1963	April 1986 February 2011 June 2011 June 2012 June 2021 June 2025	Joined the Company President and Representative Director of Neturen Meinan Co., Ltd. (current) Deputy Head of Management Headquarters and Manager of Planning and Management Department, Management Headquarters, the Company Director of the Company Director and Executive Officer of the Company Director, Member of the Board, Senior Executive Officer; supervising safety, health and environmental affairs; General Manager, Administrative Headquarters (current)	(Note) 4	63
Director	Yoshiko Moriyama	Born on June 26, 1964	April 1998 December 2004 July 2006 January 2010 February 2015 June 2022 November 2022	Registered as Attorney-at-Law (Daini Tokyo Bar Association) Qualified as attorney, State of New York, U.S. Joined TMI Associates Partner, TMI Associates Counsel TMI Associates (current) Director of the Company (current) Outside Director of YAMATO INTERNATIONAL INC. (current)	(Note) 4	2
Director	Toyotsugu Ito	Born on December 20, 1955	April 1979 April 2013 April 2015 June 2018 June 2025	Joined Konishiroku Photo Industry Co., Ltd. (currently Konica Minolta, Inc.) Executive Officer, Konica Minolta, Inc. Senior Executive Officer, Konica Minolta, Inc. Director, Konica Minolta, Inc. Director of the Company (current)	(Note) 4	0
Standing Audit & Supervisory Board Member	Yoshihiro Ikegami	Born May 14, 1959	April 1980 April 2009 June 2019 June 2020	Joined the Company Sales Manager, Product Business Division of the Company Special Assistant to the President of the Company Audit & Supervisory Board Member of the Company (current position)	(Note) 3	11

Title	Name	Date of Birth	Career History		Term	Number of Shares Held (thousands)
Audit & Supervisory Board Member	Minoru Enjitsu	Born August 31, 1957	April 1980 April 2008 June 2010 December 2010 December 2011 May 2014 October 2019 June 2020 June 2023	Joined Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.) Executive Officer of the same bank Senior Executive Officer of Mitsubishi Research Institute DCS Co., Ltd. Representative Director and Senior Executive of the same company Representative Director and Vice President of the same company Representative Director and President of the same company Advisor to the same company Audit & Supervisory Board Member of the Company (current position) Outside Audit & Supervisory Board Member of Moriya Trading Co., Ltd. (current position) GM INVESTMENTS Co., Ltd. Outside Audit & Supervisory Board Member (Incumbent)	(Note) 3	3
Audit & Supervisory Board Member	Kayoko Kamijo	Born August 13, 1963	February 1989 August 1993 September 2000 October 2019 June 2024 June 2024	Joined Asahi Shinwa & Co. (currently KPMG AZSA LLC) Registered as Certified Public Accountant Joined Tokyo Hokuto Audit Corporation (currently Gyosei Audit Corporation) Joined Shinso Audit Corporation as Partner Audit & Supervisory Board Member of the Company (current position) Outside Auditor of Sundrug Co., Ltd. (current position)	(Note) 3	0
Total						289

(Note) 1. Director Yoshiko Moriyama and Director Toyotsugu Ito are Outside Directors

- Audit & Supervisory Board Member Minoru Enjitsu and Audit & Supervisory Board Member Kayoko Kamijo are Outside Audit & Supervisory Board Members.
- The term of office for the Audit & Supervisory Board Members is from the conclusion of the regular general meeting of shareholders for the fiscal year ended March 2024 to the conclusion of the regular general meeting of shareholders for the fiscal year ending March 2028.
- The term of office for the directors is from the conclusion of the regular general meeting of shareholders for the fiscal year ended March 2025 to the conclusion of the regular general meeting of shareholders for the fiscal year ended March 2026.
- In order to further strengthen Corporate Governance, the Company, with the aim of enhancing management transparency, functionality, and corporate value by separating decision-making and oversight functions from operational functions, has introduced the Executive Officer System since June 25, 2021.

There are 10 Executive Officers, excluding those who concurrently serve as directors, comprising: Managing Executive Officer (IH Business Division Manager) Norio Tanaka, Senior Executive Office (attached to the President) Nobuhiro Murai, (in charge of TQM promotion, assistant to the Financial Affairs Officer, Head of the Human Resources Division, and Director of Corporate Planning Office) Naoki Hisada, (in charge of facilities, Head of the Product Technology Headquarters, and Head of the Quality Assurance Headquarters) Harunobu Nakamura, Executive Officer (Deputy Head of the Administrative Headquarters) Hideo Mishima, (Deputy Manager of the IH Business Division) Shin Okumura, (Head of the Business Development Headquarters) Kyo Hosoda, (Deputy Manager of the IH Business Division) Shigeru Ito, (Deputy Head of the Product Technology Headquarters) Hisashi Yoshimitsu, and (Deputy Manager of the Product Business Division) Kengo Iwanaga.

2) Status of Outside Officers

As of the date of submission of the Annual Securities Report, the Company has 2 Outside Directors and 2 Outside Audit & Supervisory Board Members.

With respect to Outside Directors, the Company's policy is to appoint individuals who emphasize independence and neutrality while possessing specialized knowledge and experience.

With respect to Outside Audit & Supervisory Board Members, the policy is to appoint individuals who, in addition to emphasizing independence and neutrality, possess the knowledge and experience required to fulfill the obligations stipulated by law.

The reason for appointing Outside Directors Yoshiko Moriyama and Toyotsugu Ito is to oversee management from a position independent of the Company, which is the primary rationale for their appointment. In this role, Ms. Yoshiko Moriyama is expected to provide appropriate advice and recommendations regarding the legality and propriety of the Company's management decisions based on her experience as a lawyer, drawing on her extensive expertise in domestic and international corporate legal affairs as well as in diversity and sustainability. Furthermore, Mr. Toyotsugu Ito is expected to offer advice and recommendations drawing on his specialized knowledge in manufacturing and his extensive experience and track record as an executive, particularly in risk management pertaining to quality, safety, and environmental issues, as well as in addressing challenges related to business promotion, production technology, and the management of affiliated companies, while also leveraging his insights on Corporate Governance and internal control. Additionally, he is expected to supervise operations from an independent standpoint by providing appropriate advice concerning improvements in technological development, enhancement of production site capabilities, global market expansion, and human resource strategies.

It is determined that the independence of Outside Directors Yoshiko Moriyama and Toyotsugu Ito is sufficiently ensured, and the Company submitted the independent officer notification form confirming that they are independent officers who are not likely to encounter conflicts of interest with ordinary shareholders, as specified by the Tokyo Stock Exchange.

Ms. Yoshiko Moriyama serves as counsel at TMI General Law Office and as an Outside Director of Yamato International, Inc. There are no significant transactions between either the law office or Yamato International, Inc. and the Company.

The reason for appointing Outside Audit & Supervisory Board Members Minoru Enjitsu and Kayoko Kamijo is to audit the execution of directors' duties from a position independent of the Company. In particular, Mr. Minoru Enjitsu is expected to leverage his extensive knowledge and experience as an executive in other companies, while Ms. Kayoko Kamijo is expected to enhance the neutrality and independence of the audit system through her advanced expertise and experience as a certified public accountant.

It is determined that the independence of Outside Audit & Supervisory Board Members Minoru Enjitsu and Kayoko Kamijo is sufficiently ensured, and the company submitted the independent officer notification form confirming that they are independent officers who are not likely to encounter conflicts of interest with ordinary shareholders, as required by the Tokyo Stock Exchange.

Mr. Minoru Enjitsu serves as an Outside Audit & Supervisory Board Member of Moriya Trading Co., Ltd. and also as an Outside Audit & Supervisory Board Member of GM INVESTMENTS Co., Ltd. There are no significant transactions between these companies and the Company.

Ms. Kayoko Kamijo is an Outside Audit & Supervisory Board Member of Sundrug Co., Ltd. There are no material transactions between the Company and Sundrug Co., Ltd. Furthermore, Ms. Kayoko Kamijo holds a Certified Public Accountant qualification and possesses substantial knowledge of finance and accounting.

In addition, the attendance and participation record at the Board of Directors by the Outside Directors and Outside Audit & Supervisory Board Members during the current period (from April 1, 2025 to March 31, 2026) is as follows.

Category	Name	Attendance and Remarks
Director	Mineo Hanai	Until his retirement in June 2025, he attended all 3 meetings held during the term Board of Directors and provided remarks drawing upon his specialized knowledge in manufacturing as well as his extensive experience and track record as an executive.
Director	Yoshiko Moriyama	She attended all 15 meetings held during the term Board of Directors and provided remarks drawing primarily on her professional knowledge and experience as a lawyer.
Director	Toyotsugu Ito	After his appointment in June 2025, he attended all 12 meetings held during the term Board of Directors and provided remarks drawing upon his specialized knowledge in manufacturing as well as his extensive experience and track record as an executive.
Audit & Supervisory Board Member	Minoru Enjitsu	He attended all 15 meetings held during the term Board of Directors as well as all 15 meetings held during the term Audit & Supervisory Board, and provided remarks drawing upon his extensive experience and insights as an executive.
Audit & Supervisory Board Member	Kayoko Kamijo	She attended all 15 meetings held during the term Board of Directors as well as all 15 meetings held during the term Audit & Supervisory Board, and provided remarks drawing primarily on her professional knowledge and experience as a Certified Public Accountant.

3) Mutual Cooperation Between Supervision/Audit by Outside Directors/Outside Audit & Supervisory Board Members and Internal Audit, and Mutual Cooperation Between Audit by Audit & Supervisory Board Members, and Accounting Audit, as well as the Relationship with the Internal Control Department

With regard to the mutual cooperation between supervision/audit by outside directors/outside audit & supervisory board members and internal audit, and the mutual cooperation between audit by audit & supervisory board members, and accounting audit, as well as the relationship with the internal control department, a system is in place that enables continuous monitoring of the audit status and internal controls through attendance at the Compliance Committee, etc.

(3) Audit Status

1) Status of Audit & Supervisory Board Members' Audit

The Company is structured as a company with an Audit & Supervisory Board and has adopted the Audit & Supervisory Board Member system, and as of the filing date of the Annual Securities Report, 2 out of the 3 Audit & Supervisory Board Members are Outside Auditors.

Audit & Supervisory Board Members convene meetings of the Audit & Supervisory Board as needed and audit the execution of directors' duties by attending key meetings such as the Board of Directors and reviewing important documents. In addition, they enhance the effectiveness of the audit through coordination with the accounting auditor and the internal audit office, by receiving management reports from affiliated companies, and by conducting their own evaluations of the Audit & Supervisory Board's effectiveness.

Audit & Supervisory Board Members receive an explanation of the audit plan, including the audit policy, from the accounting auditor and engage in regular discussions regarding the status and results of the accounting audit. Furthermore, they attend the accounting audit as necessary to verify the audit status.

During the fiscal year under review, the Company has held meetings of the Audit & Supervisory Board at least once per month, with the attendance record of each Audit & Supervisory Board Member as detailed below.

Name	Number of Meetings Held	Number of Meetings Attended
Yoshihiro Ikegami	15	15
Minoru Enjitsu	15	15
Kayoko Kamijo	15	15

The specific matters examined at the Audit & Supervisory Board include the formulation of the audit plan for the fiscal year under review, the preparation of the audit report for the previous fiscal year, the reappointment of the accounting auditor, the approval of the accounting auditor's fees, the review of the accounting auditor's audit plan, the verification and discussion of the internal audit activities (on a quarterly basis), the evaluation and discussion of the internal control system (on a quarterly basis), the interim review by the accounting auditor, and director hearings, among other items.

Audit & Supervisory Board Members have attended key internal meetings, such as those of the Board of Directors and the Compliance Committee, to provide their insights, and have conducted audits of important documents as well as audits of the Company's headquarters, major offices, and overseas group subsidiaries.

In addition, the activities of standing Audit & Supervisory Board Members include presiding over the Audit & Supervisory Board, coordinating with subsidiary Audit & Supervisory Board Members, consulting with the accounting department, and exchanging information with the internal audit office, all in an effort to strengthen corporate governance.

2) Status of Internal Audit

The internal audit office, as an independent department, conducts audits of the entire Company Group on an ongoing basis in accordance with its internal audit policies and plans. Although it is staffed by only 1 person, it executes practical audit measures while considering coordination with relevant specialized departments that possess monitoring functions, such as Audit & Supervisory Board Members, the accounting auditor, the Internal Control Management Office, Safety, Health and Environmental Office, and the Quality Assurance Division, as needed.

Moreover, with the introduction of a dual reporting line, the internal audit office has been providing direct reports to both the Board of Directors and the Audit & Supervisory Board to enhance their operational effectiveness. In addition, measures such as requesting that personnel responsible for internal communications and coordination ensure accurate provision of company information to Outside Directors and Outside Audit & Supervisory Board Members have been implemented to secure the effectiveness of the internal audit.

Furthermore, with regard to internal controls, the Internal Control Office is responsible for their establishment and operation, while the Internal Audit Office continuously conducts monitoring.

3) Status of the Accounting Audit

a. Name of the Audit Firm

INOUE AUDIT CORPORATION

b. Period of Continuous Audit

Since 1968

c. Certified Public Accountant who performed the services

Hideo Hayashi

Katsuhiro Suzuki

d. Composition of Assistants for Audit Services

The Audit Firm's assistants for financial audit services consist of 4 certified public accountants, 2 individuals who have passed the accountant examination, and 4 others.

e. Policy and Rationale for the Selection of the Audit Firm

The Company has adopted a policy to select the audit firm by reviewing the quality, structure, and independence of the audit in accordance with the "Practical Guidelines for Auditors on the Evaluation and Selection of Auditors" published by the Japan Association of Audit & Supervisory Board Members.

The Audit & Supervisory Board shall dismiss the accounting auditor, with the unanimous consent of all Audit & Supervisory Board Members, if the accounting auditor is deemed to meet any of the dismissal conditions stipulated in Article 340, Paragraph 1 of the Companies Act.

In addition, if circumstances arise that hinder the proper execution of the audit by the accounting auditor, the Audit Supervisory Board shall decide on the content of the proposal regarding dismissal or non-reappointment.

f. Evaluation of the Audit Firm by Audit & Supervisory Board Members and the Audit & Supervisory Board

The Company's Audit & Supervisory Board Members and the Audit & Supervisory Board have comprehensively evaluated the audit firm based on the quality control standards of the accounting auditor, communication with Audit & Supervisory Board Members, and the evaluation criteria for fraud risks, as outlined in the "Practical Guidelines for Auditors on the Evaluation and Selection of Auditors" published by the Japan Association of Audit & Supervisory Board Members.

4) Details of Audit Fees, etc.

a. Compensation for Audit Certified Public Accountants, etc.

Category	Previous Consolidated Fiscal Year		Consolidated Fiscal Year Under Review	
	Audit Certification Service Compensation (million yen)	Compensation Based on Non-audit Services (million yen)	Audit Certification Service Compensation (million yen)	Compensation Based on Non-audit Services (million yen)
Submitting Company	31	0	31	0
Consolidated Subsidiary	-	-	-	-
Total	31	0	31	0

The Company's non-audit services involve verifying the certification documents for the special provision on levies under Article 37, Paragraph 1 of the Special Measures Act for the Promotion of the Use of Renewable Electricity.

b. Compensation for Entities within the Same Network as the Audit Certified Public Accountants (excluding a.)

Not applicable.

c. Details of Compensation Based on Other Significant Audit Certification Services

Not applicable.

d. Policy for Determining Audit Fees

Not applicable; however, the fees are determined after considering the number of audit days and the size of the Company, with the consent of the Audit & Supervisory Board.

e. Reasons Why the Audit & Supervisory Board Agreed to the Accounting Auditor's Compensation, etc.

The Company's Audit & Supervisory Board, based on the "Practical Guidelines on Cooperation with Auditors" published by the Japan Association of Audit & Supervisory Board Members, reviewed the accounting auditor's audit plan, the progress of the audit work, trends in actual fee amounts, and the basis for the fee estimates, and thereafter consented to the accounting auditor's compensation in accordance with Article 399, Paragraph 1 of the Companies Act.

(4) Compensation for Executives, etc.

1) Matters Regarding the Policy for Determining the Amount or the Method for Calculating Executive Compensation, etc.

a. Basic Policy

The Company's executive compensation is divided between directors and Audit & Supervisory Board Members within the limits approved by the shareholders' meeting and determined based on internal regulations. With respect to director compensation, an optional Compensation Committee deliberates, following objective and transparent procedures designed to serve as healthy incentives for sustainable growth, to calculate the individual compensation, which is then approved by the Board of Directors based on the committee's recommendation.

Furthermore, the policy for determining the method of calculating the amount of executive compensation is decided by the Board of Directors based on the recommendation of an optional Compensation Committee, after discussions on the fairness, transparency, and objectivity of the procedures concerning director compensation to establish an appropriate management framework.

Specifically, the compensation for directors, excluding outside directors, is comprised of a fixed compensation, a short-term incentive compensation in the form of performance-linked cash compensation, and medium-term incentives in the form of Restricted Stock Compensation (RS) and Performance-linked Stock Compensation (PSU), while the compensation for outside directors is determined based on their contributions to the Company rather than performance.

The compensation for Audit & Supervisory Board Members is comprised solely of a fixed fee to emphasize independence and objectivity in management, with each Audit & Supervisory Board Member's compensation determined through their consultation.

b. Fixed Compensation

The Base Compensation is determined based on each director's role and rank, with 80% of the Base Compensation allocated as the annual Fixed Compensation, which is then prorated over 12 months to form the monthly fixed payment. The Base Compensation is decided by the Board of Directors after consulting with the Compensation Committee, taking into account prevailing market conditions and the Committee's recommendations.

c. Performance-Linked Cash Compensation (Short-term Bonus)

For performance-linked cash compensation, if the achievement level for the relevant fiscal year is 110% or above (full amount), it is set at 26.25% of the Base Compensation. The payout rate is determined on a scale from 0.0 to 1.0 based on the achievement levels of consolidated net sales, operating profit, ordinary profit, and profit attributable to owners of parent. Individual performance evaluations, based on qualities and management capabilities, are used to adjust the performance-linked cash compensation (short-term bonus) within a range of $\pm 10\%$.

d. Performance-Linked Stock Compensation (PSU) (Non-cash Compensation)

Regarding the performance-linked stock compensation (PSU), Company shares are granted after the target period based on the achievement over three fiscal years. If the three-year achievement level reaches 110% or above (full amount), the award is set at 9.375% of the Base Compensation. The payout rate is determined within a range from 0.0 to 1.0 based on the achievement levels of consolidated net sales, operating profit, ordinary profit, profit attributable to owners of parent, and ROE.

e. Restricted Stock Compensation (RS) (Non-cash Compensation)

For restricted stock compensation (RS), the number of Company shares to be granted under transfer restrictions is calculated using the stock price on the business day prior to the Board of Directors' meeting that determines compensation, based on 9.375% of the Base Compensation (or 12.1875% during the first two years following system introduction or appointment as an officer). The expiration of the transfer restriction period is set as the officer's retirement date from the Company.

(Example) Calculation Formula When the Base Compensation is ¥20 million

$$Y = 16 + 5.25 \times X_1 + (1.875 + 1.875 \times X_2)$$

Y: Compensation Amount (in million yen)

X₁ (Short-term Incentive / Cash): $0.0 \leq X_1 \leq 1.0$

X₂ (Mid-term Incentive / Stock): $0.0 \leq X_2 \leq 1.0$

* X₁ = Payout rate for short-term incentives; X₂ = Payout rate for medium-term incentives

The number of shares for stock compensation is calculated based on the closing stock price on a predetermined record date, using the above compensation amount.

f. Ratio among Fixed Compensation, Performance-Linked Cash Compensation and Stock Compensation for individual directors.

For the compensation of directors, excluding outside directors, if the performance criteria are met at 110% or above (full amount), the ratio is set at Fixed Compensation: Performance-Linked Cash Compensation: Restricted Stock Compensation (RS) and Performance-Linked Stock Compensation (PSU) = 64% : 21% : 15%

This ratio is fixed intending to motivate all directors not only continuous performance improvement, but also medium- to long-term growth by ensuring the effective execution of Vision Management and the Medium-term Management Plan

To align the focus of all executives in promoting Vision Management, the performance linkage of compensation is standardized regardless of position.

g. Matters Concerning the Shareholders' Meeting Resolution on Directors' and Audit & Supervisory Board Members' Compensation

The resolution on executive compensation was passed at the 96th Annual General Meeting held on June 28, 2007. It stipulates that directors' compensation is to be within ¥35 million per month (with the outside directors' portion within ¥2 million per month) and Audit & Supervisory Board Members' compensation within ¥6 million per month (with the outside Audit & Supervisory Board Members' portion within ¥2 million per month). At the close of that meeting, there were 9 directors (including 1 outside director) and 3 Audit & Supervisory Board Members (including 2 outside Audit & Supervisory Board Members).

Additionally, at the 109th Annual General Meeting held on June 25, 2020, a resolution was passed to introduce performance-linked cash and stock compensation systems as a separate framework from the existing directors' compensation. Under this resolution, for eligible directors of the Company, the performance-linked cash compensation (short-term bonus) is capped at ¥150 million per annum, the total monetary remuneration for granting restricted stock compensation (RS) is capped at ¥150 million per annum (up to 150,000 shares), and the total monetary remuneration for granting performance-linked stock compensation (PSU) is capped at ¥150 million per annum (up to 150,000 shares). (However, if a stock split (including bonus share distribution) or reverse stock split, or a similar event occurs after the resolution date that necessitates an adjustment of the total number of shares to be allocated, such total may be reasonably adjusted.) The number of directors (excluding outside directors) at the close of that meeting was 8.

It is stipulated that this compensation amount does not include the salary attributable to directors who hold employee roles.

h. Matters Concerning the Delegation of Authority for Deciding on Individual Directors' Compensation, etc.

With respect to individual compensation amounts, pursuant to a resolution of the Board of Directors, Representative Director, President and Chief Executive Officer Katsumi Omiya has been delegated authority over the specific details, with his authority comprising the evaluation and allocation of performance-linked cash compensation for each director. The delegation to the CEO is based on the judgment that he is most familiar with the business environment and financial conditions surrounding the Company Group and is best positioned to determine the overall compensation for the directors.

The Board of Directors ensures that this authority is exercised appropriately by the Representative Director by seeking the draft and recommendations from the voluntary Compensation Committee. In determining individual directors' compensation, the Compensation Committee calculates the specific amounts in accordance with objective and transparent procedures designed to serve as sound incentives for sustainable growth; accordingly, the Board of Directors generally respects and follows these recommendations in its decision-making.

2) Total compensation by director category, total compensation by type, and the number of directors concerned.

Officer Category	Total Compensation (million yen)	Total Compensation by Type (million yen)				Number of Officers Covered (persons)
		Base Compensation	Performance-based Compensation, etc.		Non-monetary Compensation, etc. (RS)	
			Monetary Compensation, etc.	Non-monetary Compensation, etc. (PSU)		
Directors (excluding Outside Director)	170	111	30	14	13	4
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	16	16	-	-	-	1
Outside Directors	28	28	-	-	-	5

(Note) 1. The amounts for performance-linked stock compensation (PSU) and restricted stock compensation (RS) represent the amounts expensed in the fiscal year under review.

2. The amounts for performance-linked compensation include both performance-linked cash compensation (short-term bonus) as a short-term incentive and performance-linked stock compensation (PSU) as a medium-term incentive. The performance indicators selected as the basis for calculating these amounts are as follows: for the short-term bonus, the published consolidated performance targets for the relevant fiscal year (net sales, operating profit, ordinary profit, and net income attributable to owners of the parent); and for the PSU, the average of the published consolidated performance targets (net sales, operating profit, ordinary profit, net income attributable to owners of the parent, and ROE) over three consecutive fiscal years, beginning one year prior to the relevant period. These indicators are adopted to motivate medium- to long-term growth by ensuring continuous performance improvement each fiscal year and by effectively executing the Vision Management and the Medium-Term Management Plan.

3) The activities of the Board of Directors and committees in the process of determining the directors' compensation in the most recent fiscal year

Name	Number of Meetings Held	Activities
Board of Directors	1 time	Determination of remuneration amounts for directors, etc.
Compensation Committee	2 times	Deliberation on external comparison of executive remuneration levels, review of representative director's remuneration level, determination of remuneration amounts for directors and executive officers, and reporting on individual performance evaluations of directors and executive officers.

(5) Shareholding Status

1) Criteria and Concepts for the Classification of Investment Securities

The Company classifies investment securities into those held for pure investment purposes—where the intent is solely to benefit from the gain in stock value or the receipt of dividends—and those held for purposes other than pure investment (policy holdings).

2) Investment Securities Held for Purposes Other Than Pure Investment

a. Methods for Verifying the Holding Policy and the Rationality of Holdings, as well as the examination by the Board of Directors, etc., regarding the suitability of holding individual securities

The Company maintains policy holdings of stocks with the aim of achieving sustainable, medium- to long-term growth to enhance corporate value.

In reviewing its policy holdings, the Company, through the Board of Directors, examines whether for each specific policy holding the associated benefits and risks meet internally established criteria such as capital cost, and whether the holding aligns with objectives such as maintaining and strengthening relationships with business partners and achieving strategic synergies. Should the holdings be deemed unjustified, the Company will review and, if necessary, reduce them.

b. Number of Securities and the Amount Recorded on the Balance Sheet

	Number of Issues (Issue)	Total Amount Recorded on Balance Sheet (Millions of yen)
Unlisted Stocks	6	340
Stocks Other Than Unlisted Stocks	9	3,639

(Securities for which the number of shares increased during the fiscal year)

	Number of Issues (Issue)	Total Acquisition Cost for Increase in Number of Shares (Millions of yen)	Reason for Increase in Number of Shares
Unlisted Stocks	-	-	-
Stocks Other Than Unlisted Stocks	1	3	Purchase through Shareholding Association of Business Partners

(Securities for which the number of shares decreased during the fiscal year)

	Number of Issues (Issue)	Total Sale Value for Decrease in Number of Shares (Millions of yen)
Unlisted Stocks	-	-
Stocks Other Than Unlisted Stocks	-	-

c. Information on the Number of Shares and the Amount Recorded on the Balance Sheet for Each Category of Specified Investment Securities and Deemed Holdings

Specified Investment Securities

Issue	Fiscal Year Under Review	Previous Fiscal Year	Purpose of Holding, Overview of Business Alliance, Quantitative Holding Effects (Note 1), and Reasons for Increase in Number of Shares	Presence of the Company's Stock Ownership
	Number of Shares (Shares)	Number of Shares (Shares)		
	Amount Recorded on Balance Sheet (Millions of yen)	Amount Recorded on Balance Sheet (Millions of yen)		
NIPPON HUME CORPORATION	896,100	448,050	It is a major customer for PC Bars and Related Products in the Specialty Steel and Wire Products Division, and to maintain and strengthen good relations, such as expanding adoption for new application projects, it is continuously held. We hold them based on a comprehensive assessment of whether the benefits and risks associated with our holdings are commensurate with our cost of capital, among other factors. Furthermore, as of January 1, 2026, the number of shares increased due to a 2-for-1 share split.	Yes
	964	896		
Mitsubishi UFJ Financial Group, Inc.	283,390	283,390	It is a major transaction bank of the Company Group, and to maintain and strengthen good relations for smooth financing and to enhance future corporate value through mutual initiatives, it is continuously held. The benefits and risks associated with holding are comprehensively judged to match the Company's capital cost, and it is held.	No
	736	569		
Nippon Steel Corporation	1,019,000	203,800	It is a major supplier of raw materials, etc., in the Specialty Steel and Wire Products Division, and to maintain and strengthen good relations for stable procurement of raw materials, etc., mainly in domestic business, as well as to enhance future corporate value through mutual initiatives such as joint development of high-frequency quenching steel and PR collaboration to users, it is continuously held. The benefits and risks associated with holding are comprehensively judged to match the Company's capital cost, and it is held. Additionally, due to a 5-for-1 stock split on October 1, 2025, the number of shares has increased.	Yes
	586	651		
ASAHI CONCRETE WORKS Co., Ltd.	501,780	501,780	It is a major customer for PC Bars and Related Products in the Specialty Steel and Wire Products Division, and to maintain and strengthen good relations, such as conducting cooperative sales promotion activities for existing products, it is continuously held. We hold them based on a comprehensive assessment of whether the benefits and risks associated with our holdings are commensurate with our cost of capital, among other factors.	Yes
	461	313		

Issue	Fiscal Year Under Review	Previous Fiscal Year	Purpose of Holding, Overview of Business Alliance, Quantitative Holding Effects (Note 1), and Reasons for Increase in Number of Shares	Presence of the Company's Stock Ownership
	Number of Shares (Shares)	Number of Shares (Shares)		
	Amount Recorded on Balance Sheet (Millions of yen)	Amount Recorded on Balance Sheet (Millions of yen)		
ASIA PILE HOLDINGS CORPORATION	309,600	309,600	It is a major customer for PC Bars and Related Products in the Specialty Steel and Wire Products Division, and to maintain and strengthen good relations, such as conducting joint development of new projects for the civil engineering and construction industry, it is continuously held. We hold them based on a comprehensive assessment of whether the benefits and risks associated with our holdings are commensurate with our cost of capital, among other factors.	No
	428	284		
THK CO., LTD.	62,300	62,300	It is a major customer for machine tool-related products in the Specialty Steel and Wire Products Division and for heat treatment services for machine tools in the Induction Heating Division, playing an important role as a joint development partner, and it is continuously held to enhance future corporate value. The benefits and risks associated with holding are comprehensively judged to match the Company's capital cost, and it is held.	Yes
	284	226		
TOYO ASANO FOUNDATION Co., Ltd.	40,200	40,200	It is a major customer for PC Bars and Related Products in the Specialty Steel and Wire Products Division, and to maintain and strengthen good relations, such as continuing to discover joint development projects, it is continuously held. We hold them based on a comprehensive assessment of whether the benefits and risks associated with our holdings are commensurate with our cost of capital, among other factors.	Yes
	91	85		
Komatsu Ltd.	11,659	11,046	The main customers for construction machinery-related products in the Specialty Steel and Wire Products Division and for induction heat treatment services for construction machinery in the Induction Heating Division. To maintain and strengthen good relationships, the Company continues to hold these shares. The Company comprehensively evaluates whether the benefits and risks associated with holding these shares align with the Company's capital cost and continues to hold them. Additionally, to build, maintain, and strengthen trading and cooperative relationships, the Company has acquired additional shares through participation in a shareholders' association.	No
	70	47		
Sumitomo Mitsui Financial Group, Inc	3,000	3,000	The Company's main banking partner, To maintain and strengthen good relationships for smooth financing and mutual effort to enhance corporate value in the future, The Company continues to hold these shares. whether the benefits and risks associated with holding these shares align with the Company's capital cost and continues to hold them	No
	15	11		

(Note) 1. It is difficult to disclose the quantitative effects of holdings due to the inability to reveal the individual transaction conditions. The rationality of the holdings is verified based on the purpose of holding, economic reasonableness, and trading conditions.

2. Mitsubishi UFJ Financial Group, Inc. does not hold the Company's shares; however, one of its subsidiaries holds the Company's shares.
3. ASIA PILE HOLDINGS CORPORATION does not hold the Company's shares; however, one of its subsidiaries holds the Company's shares.
4. Sumitomo Mitsui Financial Group does not hold the Company's shares; however, one of its subsidiaries holds the Company's shares.

Deemed Holdings

Issue	Fiscal Year Under Review	Previous Fiscal Year	Purpose of Holding, Overview of Business Alliance, Quantitative Holding Effects (Note 2), and Reasons for Increase in Number of Shares	Nippon Steel Corporation
	Number of Shares (Shares)	Number of Shares (Shares)		
	Amount Recorded on Balance Sheet (Millions of yen)	Amount Recorded on Balance Sheet (Millions of yen)		
Nippon Steel Corporation	290,000	58,000	To contribute to the stable operation of the Company's retirement benefit plan. The right to issue instructions for the exercise of voting rights based on the retirement benefit trust agreement. As of October 1, 2025, the number of shares increased due to a 5-for-1 stock split.	Yes
	167	185		

(Note) 1. In the selection process for determining the top securities by the amount recorded on the balance sheet, specified investment securities and deemed holdings are not aggregated.

2. It is difficult to disclose the quantitative effects of holdings due to the inability to reveal individual transaction conditions. The rationality of the holdings is verified based on the purpose of holding, economic reasonableness, and trading conditions.

3. Investment Securities Held for Pure Investment Purposes

There are no applicable matters.

4. Securities for which the holding purpose was changed from pure investment to purposes other than pure investment during the fiscal year

There are no applicable matters.

5. Securities for which the holding purpose was changed from purposes other than pure investment to pure investment during the four fiscal years preceding and including the fiscal year under review

There are no applicable matters.

5. The Employees

(1) Consolidated companies

As of March 31, 2026

Segment name	Number of employees (persons)	
Specialty Steel and Wire Products Division	511	(28)
Induction Heating Division	877	(142)
Total for reportable segments	1,388	(170)
Other	191	(9)
Corporate	72	(12)
Total	1,651	(191)

(Notes) 1. The number of employees excludes employees seconded from the Group to companies outside the Group but includes employees seconded to the Group from companies outside the Group. In addition, the average numbers of temporary employees employed in the fiscal year under review are shown in parentheses.

2. The number of employees shown as "corporate" is that of those employed in administrative divisions that cannot be classified into any specific segment.

(2) The Company

As of March 31, 2026

Number of employees (persons)	Average age (years)	Average length of employment (years)	Average annual pay (thousand yen)	Year-on-year rate of change in average annual salary (%)
872 (106)	41.1	14.3	6,331	1.3

Segment name	Number of employees (persons)
Specialty Steel and Wire Products Division	299 (23)
Induction Heating Division	387 (68)
Total for reportable segments	686 (91)
Other	114 (3)
Corporate	72 (12)
Total	872 (106)

- (Notes) 1. The number of employees excludes employees seconded from the Company to other companies but includes employees seconded to the Company from other companies. In addition, the average numbers of temporary employees employed in the fiscal year under review are shown in parentheses.
2. Average annual pay includes bonuses and overtime pay.
3. The number of employees shown as “corporate” is that of those employed in administrative divisions that cannot be classified into any specific segment.

(3) Proportion of female managers, childcare leave rate of male employees, and gender payment gap

The Company

Fiscal year under review				
Proportion of female managers (%) (Note 1)	Childcare leave rate of male employees (%) (Note 2)	Gender payment gap (%) (Notes 1 and 3)		
	Permanent employees	All employees	Permanent employees	Temporary employees (Note 4)
2.9	67.7	77.4	79.8	73.9

- (Notes) 1. Calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
2. Calculated based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991) under Article 71-6 (i) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991).
3. Payment includes basic salaries, overtime payment, various allowances, bonuses, etc. and excludes retirement benefits, commuting allowance, etc.
4. Temporary employees include retired but reemployed ones on a part-time basis, fixed-term workers, and part-time workers. Payment of part-time workers is calculated based on the actual amounts paid, without converting these to the full-time equivalent.

<Additional explanation of childcare leave rate of male employees>

We have conducted awareness-raising activities about the childcare leave program for male employees. As a result, the usage rate of the program rose from 46.2% for the previous fiscal year to 67.7% for the fiscal year under review. The rate has been increasing in the past few years, and we will continue to further establish an environment which makes it easier for male employees to take childcare leave.

The usage rate of childcare leave program for male employees is calculated as follows:

$(\text{Number of male employees who took childcare leave}) / (\text{Number of male employees whose wives gave birth}) \times 100$

<Additional explanation of the gender payment gap>

The gender payment gap represents women's one as a percentage of men's. The compensation system is designed to the people in the same position get the same payment regardless the gender, but the difference happens because of the smaller number of women, 0.4% of all employees, promoted to highly paid management positions than men, 16.2%. A gender payment gap has eventually emerged due to the different gender composition between ranks.

We will continue to implement initiatives for promoting women's active engagement and conduct operational improvement in the personnel system to improve the percentage of female managers, aiming to reduce the gender payment gap.

V. Financial Information

1. Methods Used to Prepare the Consolidated Financial Statements and Non-consolidated Financial Statements

- (1) The Company's consolidated financial statements are prepared in accordance with the Japanese Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976).
- (2) The Company's non-consolidated financial statements are prepared in accordance with the Japanese Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; hereinafter, the "Regulation on Financial Statements, etc.").

The Company is designated as a "special company submitting financial statements" and therefore its financial statements are prepared in accordance with the provisions of Article 127 of the Regulation on Financial Statements, etc.

1. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	19,143	17,153
Notes and accounts receivable - trade, and contract assets	11,640	12,762
Electronically recorded monetary claims - operating	3,605	4,313
Securities	269	339
Merchandise and finished goods	1,541	1,683
Work in process	1,967	2,031
Raw materials and supplies	3,623	3,888
Other	3,227	1,759
Allowance for doubtful accounts	(234)	△179
Total current assets	44,785	43,753
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,812	26,269
Accumulated depreciation	(15,778)	(17,042)
Buildings and structures, net	8,034	9,227
Machinery, equipment and vehicles	53,162	54,970
Accumulated depreciation	(47,282)	(48,529)
Machinery, equipment and vehicles, net	5,879	6,441
Land	9,909	10,377
Leased assets	588	570
Accumulated depreciation	(285)	(354)
Leased assets, net	303	216
Construction in progress	1,783	2,545
Other	2,985	3,313
Accumulated depreciation	(2,598)	(2,804)
Other, net	387	509
Total property, plant and equipment	26,297	29,318
Intangible assets		
Leasehold interests in land	982	976
Goodwill	-	1,626
Other	85	105
Total intangible assets	1,067	2,709
Investments and other assets		
Investment securities	9,857	10,949
Long-term loans receivable	20	21
Retirement benefit asset	244	650
Deferred tax assets	86	151
Other	1,478	670
Allowance for doubtful accounts	(77)	(77)
Total investments and other assets	11,610	12,365
Total non-current assets	38,975	44,393
Total assets	83,760	88,146

(Million yen)

	As of March 31, 2025	As of March 31, 2026
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,337	4,035
Electronically recorded obligations - operating	2,125	1,615
Short-term borrowings	1,947	3,799
Lease liabilities	81	79
Income taxes payable	389	271
Provision for bonuses	646	812
Provision for bonuses for directors (and other officers)	17	44
Provision for share awards for directors (and other officers)	7	11
Other	2,652	2,389
Total current liabilities	11,205	13,060
Non-current liabilities		
Long-term borrowings	4,846	7,819
Lease liabilities	358	297
Deferred tax liabilities	769	1,130
Provision for share awards for directors (and other officers)	8	16
Retirement benefit liability	80	129
Other	163	315
Total non-current liabilities	6,225	9,708
Total liabilities	17,431	22,768
Net assets		
Shareholders' equity		
Share capital	6,418	6,418
Capital surplus	1,714	1,714
Retained earnings	43,850	41,239
Treasury shares	(197)	(230)
Total shareholders' equity	51,785	49,141
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,528	2,970
Foreign currency translation adjustment	4,815	5,463
Remeasurements of defined benefit plans	411	643
Total accumulated other comprehensive income	7,755	9,077
Non-controlling interests	6,788	7,159
Total net assets	66,329	65,378
Total liabilities and net assets	83,760	88,146

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Net sales	57,563	58,277
Cost of sales	47,217	47,069
Gross profit	10,346	11,208
Selling, general and administrative expenses		
Selling expenses	3,085	2,945
General and administrative expenses	5,642	6,370
Total selling, general and administrative expenses	8,728	9,315
Operating profit	1,617	1,892
Non-operating income		
Interest income	125	126
Dividend income	188	200
Subsidy income	3	3
Insurance claim and dividend income	14	50
Share of profit of entities accounted for using equity method	157	213
Gain on sale of scraps	129	156
Foreign exchange gains	13	-
Gain on investments in silent partnership	-	104
Other	179	136
Total non-operating income	811	994
Non-operating expenses		
Interest expenses	69	115
Foreign exchange losses	-	19
Depreciation of inactive non-current assets	23	33
Other	14	53
Total non-operating expenses	108	222
Ordinary profit	2,321	2,663
Extraordinary income		
Gain on sale of investment securities	11	4
Insurance claim income	1,217	3
Subsidy income	12	11
Other	20	7
Total extraordinary income	1	0
Extraordinary losses	1,263	28
Extraordinary losses		
Loss on sale of non-current assets	3	0
Loss on retirement of non-current assets	46	79
Impairment losses	712	257
Loss on sale of investment securities	0	-
Other	4	10
Total extraordinary losses	766	347

(Million yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Profit before income taxes	2,818	2,344
Income taxes - current	572	572
Income taxes - deferred	29	1
Total income taxes	602	573
Profit	2,216	1,771
Profit attributable to		
Profit attributable to owners of parent	1,815	1,329
Profit attributable to non-controlling interests	400	442
Other comprehensive income		
Valuation difference on available-for-sale securities	117	432
Foreign currency translation adjustment	1,718	705
Remeasurements of defined benefit plans, net of tax	70	231
Share of other comprehensive income of entities accounted for using equity method	10	80
Total other comprehensive income	1,916	1,450
Comprehensive income	4,132	3,221
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,289	2,651
Comprehensive income attributable to non-controlling interests	842	570

(3) Consolidated Statements of Changes in Equity
Fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 31, 2024	6,418	1,725	46,397	(816)	53,724
Changes of items during period					
Dividends of surplus			(1,785)		(1,785)
Profit attributable to owners of parent			1,815		1,815
Purchase of treasury shares				(2,000)	(2,000)
Disposal of treasury shares		5		36	41
Cancellation of treasury shares		(2,582)		2,582	—
Transfer from retained earnings to capital surplus		2,577	(2,577)		—
Change in ownership interest of parent due to transactions with non-controlling interests					—
Capital increase of consolidated subsidiaries		(10)			(10)
Net changes in items other than shareholders' equity					
Total changes of items during period	—	(10)	(2,546)	618	(1,938)
Balance at March 31, 2025	6,418	1,714	43,850	(197)	51,785

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at March 31, 2024	2,392	3,547	341	6,281	6,465	66,471
Changes of items during period						
Dividends of surplus						(1,785)
Profit attributable to owners of parent						1,815
Purchase of treasury shares						(2,000)
Disposal of treasury shares						41
Cancellation of treasury shares						—
Transfer from retained earnings to capital surplus						—
Change in ownership interest of parent due to transactions with non-controlling interests						—
Capital increase of consolidated subsidiaries					10	—
Net changes in items other than shareholders' equity	135	1,267	70	1,473	312	1,785
Total changes of items during period	135	1,267	70	1,473	323	(141)
Balance at March 31, 2025	2,528	4,815	411	7,755	6,788	66,329

Fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 31, 2025	6,418	1,714	43,850	△197	51,785
Changes of items during period					
Dividends of surplus			(2,005)		(2,005)
Profit attributable to owners of parent			1,329		1,329
Purchase of treasury shares				(2,000)	(2,000)
Disposal of treasury shares		0		32	33
Cancellation of treasury shares		(1,935)		1,935	-
Transfer from retained earnings to capital surplus		1,934	(1,934)		-
Change in ownership interest of parent due to transactions with non-controlling interests					-
Capital increase of consolidated subsidiaries					-
Net changes in items other than shareholders' equity					
Total changes of items during period	-	-	(2,610)	(32)	(2,643)
Balance at March 31, 2026	6,418	1,714	41,239	(230)	49,141

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at March 31, 2025	2,528	4,815	411	7,755	6,788	66,329
Changes of items during period						
Dividends of surplus						(2,005)
Profit attributable to owners of parent						1,329
Purchase of treasury shares						(2,000)
Disposal of treasury shares						33
Cancellation of treasury shares						-
Transfer from retained earnings to capital surplus						-
Change in ownership interest of parent due to transactions with non-controlling interests					203	203
Capital increase of consolidated subsidiaries						-
Net changes in items other than shareholders' equity	442	648	231	1,322	167	1,490
Total changes of items during period	442	648	231	1,322	370	(950)
Balance at March 31, 2026	2,970	5,463	643	9,077	7,159	65,378

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Cash flows from operating activities		
Profit before income taxes	2,818	2,344
Depreciation	2,334	2,276
Impairment losses	712	257
Amortization of goodwill	-	87
Increase (decrease) in allowance for doubtful accounts	54	(71)
Increase (decrease) in provision for bonuses	(39)	148
Decrease (increase) in retirement benefit asset	(244)	(406)
Increase (decrease) in retirement benefit liability	153	349
Interest and dividend income	(313)	(327)
Interest expenses	69	115
Foreign exchange losses (gains)	0	(29)
Share of loss (profit) of entities accounted for using equity method	(157)	(213)
Loss (gain) on sale of property, plant and equipment	(8)	(4)
Loss (gain) on disposal of property, plant and equipment	46	79
Loss (gain) on sale of investment securities	(1,217)	-
Decrease (increase) in trade receivables	1,973	(1,108)
Decrease (increase) in inventories	640	342
Increase (decrease) in trade payables	(2,771)	(461)
Decrease (increase) in advance payments to suppliers	47	(134)
Decrease (increase) in advance received to suppliers	(26)	(846)
Increase (decrease) in accrued consumption taxes	130	(104)
Other, net	247	(91)
Subtotal	4,454	2,200
Interest and dividends received	379	414
Interest paid	(67)	(111)
Income taxes refund (paid)	(658)	(729)
Net cash provided by (used in) operating activities	4,107	1,773
Cash flows from investing activities		
Payments into time deposits	(2,004)	(3,478)
Proceeds from withdrawal of time deposits	1,564	3,029
Purchase of property, plant and equipment	(2,653)	(3,990)
Proceeds from sale of property, plant and equipment	34	4
Purchase of intangible assets	(28)	(41)
Purchase of investment securities	(4)	(103)
Proceeds from sale and redemption of investment securities	0	1,691
Loan advances	(47)	(19)
Proceeds from collection of loans receivable	12	15
Purchase of shares of consolidated subsidiaries	-	(109)
Purchase of shares of subsidiaries resulting in change in scope of consolidation.	-	(2,128)
Purchase of long-term prepaid expenses	(143)	(30)
Other, net	(134)	(74)
Net cash provided by (used in) investing activities	(3,404)	(5,235)

(Million yen)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Cash flows from financing activities		
Proceeds from short-term borrowings	1,670	4,602
Repayments of short-term borrowings	(1,600)	(3,970)
Proceeds from long-term borrowings	6,050	5,000
Repayments of long-term borrowings	(13)	(1,274)
Purchase of treasury shares	(2,000)	(2,000)
Dividends paid	(1,785)	(2,005)
Dividends paid to non-controlling interests	(530)	(402)
Other, net	(77)	(70)
Net cash provided by (used in) financing activities	1,713	(121)
Effect of exchange rate change on cash and cash equivalents	353	207
Net increase (decrease) in cash and cash equivalents	2,770	(3,375)
Cash and cash equivalents at beginning of period	14,810	17,580
Cash and cash equivalents at end of period	17,580	14,204

[Notes]

(Notes on going concern assumption)

Not applicable.

(Important matters for preparing consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 19

Names of main consolidated subsidiaries

Neturen Heat Treat Co., Ltd., Neturen Komatsu Co., Ltd., Neturen Hirakata Co., Ltd., Dohken Co., Ltd. Neturen USA, INC., NETUREN AMERICA CORPORATION, Shanghai Neturen Co., Ltd., Yancheng Neturen Co., Ltd., Guangzhou Fengdong Neturen Co., Ltd., Neturen (China) Slewing Bearing Co., Ltd., Neturen Czech s.r.o., PT. NETUREN INDONESIA, NETUREN MEXICO, S.A. de C.V., Korea Neturen Co., Ltd.,

(Change in scope of consolidation)

In the current consolidated fiscal year, Dohken Co., Ltd. and MDI Corporation have been included in the scope of consolidation following their acquisition as subsidiaries. Regarding MDI Corporation, however, only its balance sheet has been consolidated in the current consolidated fiscal year.

(2) Main unconsolidated subsidiaries

Company name:

Neturen Meinan Co., Ltd.

(Reason for exclusion from the scope of consolidation)

Neturen Meinan Co., Ltd. is a small company and does not have a material impact on the consolidated financial statements in terms of total assets, net sales, profit or loss (the amount corresponding to the Company's equity interest), retained earnings (the amount corresponding to the Company's equity interest), or other factors.

2. Application of the equity method

(1) Number of unconsolidated subsidiaries accounted by the equity method: 1

Company name:

Neturen Meinan Co., Ltd.

(2) Number of affiliated companies accounted for by applies the equity method: 4

Company names:

Korea Heat Treatment Co., Ltd., US Chita Co., Ltd., NTK Precision Axle Corporation, Tianjin Fengdong Heat Treatment Co., Ltd.

(3) Names of affiliated companies not accounted for by the equity method, etc.

Company name: ANDO Imagineering Group Co., Ltd.

(Reason for not applying the equity method)

ANDO Imagineering Group Co., Ltd. is excluded from the application of the equity method because its impact on the consolidated financial statements is immaterial, judging from its net income/loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest), etc., and it is not significant as a whole.

(4) Matters to be specially noted regarding procedures for the application of the equity method

For equity method entities that have a different fiscal year ending date, the Company uses the financial statements for the fiscal year of the relevant entity.

3. Fiscal year of consolidated subsidiaries

The fiscal year of all Company's 19 consolidated subsidiaries ends on December 31. Their financial statements as of December 31 are used in the preparation of the Company's consolidated financial statements and the necessary consolidation adjustments are made for material transactions that have occurred after that date and before the end of the consolidated fiscal year.

4. Accounting policies

(1) Standards and methods for valuation of important assets

1) Securities

Debt securities expected to be held to maturity

Amortized cost method (straight-line method)

Other securities

Marketable securities

Booked using the mark-to-market method (valuation differences are recorded directly in shareholders' equity, and the cost of securities sold is measured using the moving-average method)

Non-marketable securities

Booked at cost by the moving average method

2) Inventories

Mainly booked at cost using the first-in-first-out (FIFO) method (carrying amounts on the balance sheet are subject to the book value reduction method based on decreased profitability)

3) Derivatives

Mark-to-market method

(2) Depreciation or amortization method for important depreciable or amortizable assets

1) Property, plant and equipment (excluding leased assets)

The declining balance method is mainly applied to the Company and its subsidiaries in Japan. However, the straight-line method is applied for buildings (excluding facilities attached to buildings) acquired since April 1, 1998, and facilities and structures attached to buildings acquired since April 1, 2016. The straight-line method is mainly applied to the Company's foreign subsidiaries.

The useful lives of the main components of property, plant and equipment are as follows:

Buildings and structures 5–50 years

Machinery, equipment and vehicles 4–12 years

2) Intangible assets (excluding leased assets)

Amortized using the straight-line method.

3) Leased assets

Leased assets associated with finance lease transactions where there is no transfer of ownership

Amortized using the straight-line method with the useful life equal to the lease period and zero residual value.

(3) Standards for recording significant provisions and allowances

1) Allowance for doubtful accounts

Allowance for doubtful accounts is recorded for potential bad debt losses on trade receivables and loans receivable, etc. For general claims, the allowance is based on the estimated historical default rate. For claims with a possibility of default and other designated accounts, the recoverability of individual claims is estimated, and an allowance is recorded equal to the unrecoverable amount.

2) Provision for bonuses

Provision for bonuses is recorded based on the estimation of bonuses payable under the relevant agreement to employees registered at the end of the fiscal year, to provide for the payment of bonuses to employees.

3) Provision for bonuses for directors (and other officers)

Provision for bonuses for directors (and other officers) is recorded based on the estimated amount payable, to provide for the payment of bonuses to directors and executive officers.

4) Provision for share awards for directors (and other officers)

Provision for share awards for directors (and other officers) is recorded based on the portion of the estimated value to be awarded that corresponds to the fiscal year under review, to provide for the delivery of shares to directors and executive officers based on internal regulations.

(4) Accounting treatment of retirement benefits

1) Method used to attribute the estimated benefit obligation to accounting periods

When calculating the retirement benefit obligation, the estimated benefit obligation is attributed to the period up until the end of the fiscal year under review on a benefit formula basis.

2) Method used to amortize actuarial gains and losses

Actuarial gains and losses are allocated and expensed proportionately from the fiscal year following the fiscal year when they were recognized, using the straight-line method over a designated period (10 years) within the average remaining service years for employees at the time when the gains or losses were recognized in each fiscal year.

3) Accounting treatment of unrecognized actuarial gains and losses

Unrecognized actuarial gains and losses are adjusted for tax effect and recorded as remeasurements of defined benefit plans under accumulated other comprehensive income in net assets.

(5) Standards for the recognition of significant revenue and expenses

Revenue from the sale of products mainly consists of the sale of manufactured products. The Group assumes performance obligations to deliver these products under sales contracts with customers. The Group considers that these performance obligations are fulfilled at the time of delivery, when the customer gains control over the products, and then revenue is booked.

For domestic sales transactions, revenue is booked at the time of shipment as far as interval is normal between shipment and customer's control of the products.

In cases where the Group has a contractual obligation to install the products, the Group recognizes revenue at the time when the installation is completed.

For paid supply transactions under a repurchase agreement, the Group books a net amount equivalent to processing fees as revenue at the time when the products are sold back to the supplier.

Normally, cash is recovered within one year from customers without significant financial component after the Group fulfill its obligation.

(6) Amortization method and amortization period of goodwill

Goodwill is amortized using the straight-line method over a period of 10 years.

(7) Scope of cash in the consolidated statement of cash flows

In the consolidated statement of cash flows, cash (cash and cash equivalents) comprises cash on hand, demand deposits, and short-term investments that are redeemable within three months from the acquisition date, are easily convertible into cash, and bear only an insignificant risk of price fluctuation.

(Significant accounting estimates)

1. Impairment of non-current assets

(1) Carrying amounts recorded in the consolidated financial statements for the fiscal year under review

(Million yen)

	Previous fiscal year	Fiscal year under review
Amount of property, plant and equipment in the consolidated balance sheets of some asset groups in Japan and overseas for which indications of impairment or the recognition of impairment losses was carefully considered (in the fiscal year, after recognition of impairment losses)	3,755	6,449
Amount of intangible assets in the consolidated balance sheets of some asset groups in Japan and overseas for which indications of impairment or the recognition of impairment losses was carefully considered (in the fiscal year, after recognition of impairment losses)	—	112
Impairment losses	712	257

(2) Information on the nature of significant accounting estimates for identified items

For an asset or asset group of non-current assets with indications of impairment, in principle, the Group estimates the pre-discounted future cash flows from said asset or asset group, reduces the booked value to recoverable amount if the total amount of estimated pre-discounted future cash flows is below booked value, and records the reduction as impairment losses.

For the identification of indications of impairment, the Group carefully examined business plans and other factors of some asset groups in Japan and overseas, and conducted testing to determine the recognition of impairment losses in the event of any indications of impairment.

Tests on whether the total amount of pre-discounted future cash flows exceed the carrying amount are based on the following assumptions:

- 1) Business plans for each asset group were calculated based on the budget and medium-term management plan approved by management.
- 2) Variable costs were calculated by multiplying net sales by a variable cost ratio reasonably estimated based on historical results, budgets, etc., and fixed costs were calculated by taking into account historical results, annual salary increase rates, etc.
- 3) The estimation period of undiscounted future cash flows was set as the economic remaining useful life of the primary assets in each asset group.

As a result, the total amount of undiscounted future cash flows for each asset group exceeds the carrying amount; however, at Neturen (China) Slewing Bearing Co., Ltd. (a consolidated subsidiary), we have been proceeding with plant relocation at the request of the Chinese government. As the timing of the relocation has now been finalized, we reduced the carrying amount of assets that will become unnecessary due to the plant closure and recorded an impairment loss.

Meanwhile, the future remains uncertain due to continuously high energy and raw material prices, unstable exchange rate fluctuations, U.S. tariff policies, the slowdown of the Chinese economy, and rising geopolitical risks such as the situation in the Middle East. As it is expected to take time for these concerns to be resolved, we assume that an unpredictable situation will continue for some time and will also affect the business results of our corporate group.

Based on these expectations, accounting estimates are made regarding the determination of impairment of fixed assets; however, if these concerns fluctuate beyond expectations or become prolonged, impairment losses on fixed assets may occur.

2. Valuation of goodwill

- (1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

	Previous fiscal year	Fiscal year under review
Goodwill	—	1,626
Impairment loss	—	—

- (2) Goodwill was recorded upon the acquisition of shares of Dohken Co., Ltd. and MDI Corporation. With regard to goodwill, we consider whether there are any indications of impairment. If an indication is identified, we calculate the undiscounted future cash flows based on the business plan for a period corresponding to the remaining amortization period of the goodwill, compare them with the carrying amount, and determine whether the recognition of an impairment loss is necessary. If deemed necessary, we reduce the carrying amount of the goodwill to its recoverable amount and recognize the decrease as an impairment loss.

The determination of whether the total undiscounted future cash flows exceed the carrying amount is based on the following assumptions:

- 1) The business plans for each asset group were calculated based on the budget and medium-term management plan approved by management.
- 2) Variable costs were calculated by applying a variable cost ratio, reasonably estimated based on historical performance and budgets, to net sales. Fixed costs were calculated taking into account historical performance and expected annual salary increase rates, among other factors.
- 3) The forecast period for undiscounted future cash flows was set to the remaining amortization period of goodwill.

In the current consolidated fiscal year, as a relatively large portion of the acquisition cost was allocated to goodwill, management determined that an indicator of impairment existed. However, because the undiscounted future cash flows exceed the carrying amount of fixed assets for the asset group including goodwill, it was determined that the recognition of an impairment loss was not required.

Uncertainties in the business environment persist due to factors such as high energy and raw material prices, volatile foreign exchange fluctuations, U.S. tariff policies, the economic slowdown in China, and heightened geopolitical risks including the situation in the Middle East. As these concerns are expected to take time to resolve, an unpredictable business environment is anticipated to continue for a while, which may impact the Group's operating performance.

Under these assumptions, accounting estimates were made for the goodwill impairment assessment. However, if these risk factors fluctuate beyond expectations or become prolonged, an impairment loss on goodwill may be incurred.

(Accounting Standards, Not Yet Adopted)

- "Accounting Standard for Leases" (ASBJ Statement No. 34, September 13, 2024)
- "Guidance on Accounting Standard for Leases" (ASBJ Guidance No. 33, September 13, 2024) In addition to the above, revisions to related ASBJ Statements, ASBJ Guidance, Practical Issues Task Force (PITF) and Transferred Guidance.

(1) Overview

As part of the initiatives to ensure the international comparability of Japanese accounting standards, the Accounting Standards Board of Japan (ASBJ) conducted deliberations based on international accounting standards toward the development of an accounting standard for leases that recognizes assets and liabilities for all leases by lessees. The ASBJ has issued the accounting standard for leases, etc. based on the basic policy of adopting a single accounting model based on IFRS 16, but incorporating only the main provisions rather than all of the provisions of IFRS 16. This aims to create a simple and highly convenient standard that basically requires no adjustments even when the provisions of IFRS 16 are applied to separate financial statements. Regarding the accounting treatment for lessees, a single accounting model will be applied to the method of allocating lease expenses for lessees.

Similar to IFRS 16, this model requires the recognition of depreciation expenses for right-of-use assets and interest equivalents for lease liabilities for all leases, regardless of whether they are finance leases or operating leases.

(2) Scheduled date of adoption

The Company plans to adopt these accounting standards from the beginning of the fiscal year ending March 31, 2028.

(3) Impact of adopting these accounting standards, etc.

The impact of the adoption of these standards is currently under evaluation at the time of preparing these consolidated financial statements.

(Change in presentation method)

(Consolidated Statement of Cash Flows)

"Increase (decrease) in advances received (() indicates decrease)," which was included in "Other" under "Cash flows from operating activities" in the previous consolidated fiscal year, has been presented separately from the current consolidated fiscal year due to its increased quantitative materiality. To reflect this change in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, the 220 million yen presented in "Other" under "Cash flows from operating activities" in the consolidated statement of cash flows for the previous consolidated fiscal year has been reclassified as (26) million yen in "Increase (decrease) in advances received (() indicates decrease)" and 247 million yen in "Other."

(Consolidated balance sheet)

*1 The account receivables and contract assets arising from contracts with customers in assets and the amount of contract liabilities in other current liabilities are presented in (Revenue recognition) 3. (1) Balance of contract assets and contract liabilities in the notes to the consolidated financial statements.

*2 Items associated with the Company's unconsolidated subsidiaries and affiliates are as follows.

	Previous fiscal year (March 31, 2025)	Fiscal year under review (March 31, 2026)
Investment securities (shares)	¥5,938 million	¥6,256 million

*3 Pledged assets and secured liabilities

Assets pledged as collateral and secured liabilities are as follows:

	Previous consolidated fiscal year (As of March 31, 2025)	Current consolidated fiscal year (As of March 31, 2026)
Buildings and structures	— million	63million
Land	—	38
Total	—	101

	Previous consolidated fiscal year (As of March 31, 2025)	Current consolidated fiscal year (As of March 31, 2026)
Long-term borrowings (including current portion)	— million	32million
Total	—	32

4 Guarantees

The Company provides guarantees for borrowings from financial institutions by companies outside the consolidated group as follows:

	Previous consolidated fiscal year (As of March 31, 2025)	Current consolidated fiscal year (As of March 31, 2026)
DIST Co., Ltd.	— million	279million

*5 Tax purpose reduction entry

Previous fiscal year (March 31, 2025)

- (1) A plant location incentive subsidy of ¥100 million has been deducted from the acquisition cost of land for the Company's Iwaki Plant.
- (2) A corporate location promotion subsidy of ¥12 million has been deducted from the acquisition cost of machinery and equipment for the Company's Iwaki Plant.

Fiscal year under review (March 31, 2026)

- (1) A plant location incentive subsidy of ¥100 million has been deducted from the acquisition cost of land for the Company's Iwaki Plant.
- (2) A corporate location promotion subsidy of ¥12 million has been deducted from the acquisition cost of machinery and equipment for the Company's Iwaki Plant.

(Consolidated statements of income and comprehensive income)

*1 Revenue from contracts with customers

The Company does not present revenue from contracts with customers separately from other revenue. The amount of revenue from contracts with customers is shown under (Revenue recognition) 1. Breakdown of revenue from contracts with customers in the notes to the consolidated financial statements.

*2 The balance of inventories at the end of the fiscal year represents the amount after book value reduction based on decreased profitability. The following amounts of loss on valuation of inventories have been included in the cost of sales.

	Previous fiscal year (April 1, 2024 to March 31, 2025)	Fiscal year under review (April 1, 2025 to March 31, 2026)
	¥(18) million	¥(36) million

*3 The main items of expenditure and amounts for selling, general and administrative expenses are shown below.

	Previous fiscal year (April 1, 2024 to March 31, 2025)	Fiscal year under review (April 1, 2025 to March 31, 2026)
Transportation costs	¥1,705 million	1,617 million
Salaries	1,941	2,058
Provision for bonuses	232	271
Welfare expenses	712	792
Retirement benefit expenses	61	42
Research and development expenses	786	756
Provision of allowance for doubtful accounts	56	(72)

*4 The details of gain on sale of non-current assets are as follows.

	Previous fiscal year (April 1, 2024 to March 31, 2025)	Fiscal year under review (April 1, 2025 to March 31, 2026)
Machinery, equipment and vehicles	¥11 million	¥4 million
Other property, plant and equipment	—	0
Total	11	4

*5 The details of Loss on sale of non-current assets are as follows.

	Previous fiscal year (April 1, 2024 to March 31, 2025)	Fiscal year under review (April 1, 2025 to March 31, 2026)
Machinery, equipment and vehicles	¥3 million	¥0 million
Total	3	0

*6 The details of loss on retirement of non-current assets are as follows.

	Previous fiscal year (April 1, 2024 to March 31, 2025)	Fiscal year under review (April 1, 2025 to March 31, 2026)
Buildings and structures	¥0 million	¥45 million
Machinery, equipment and vehicles	45	29
Construction in progress	1	4
Other property, plant and equipment	0	0
Total	46	79

*7 The total amounts of research and development expenses included in general and administrative expenses and manufacturing expenses for the fiscal years are as follows.

	Previous fiscal year (April 1, 2024 to March 31, 2025)	Fiscal year under review (April 1, 2025 to March 31, 2026)
	¥786 million	¥756 million

*8 Impairment losses

Previous fiscal year (from April 1, 2024 to March 31, 2025)

The Group recorded impairment losses on the following asset groups during the fiscal year.

Location	Purpose	Category of assets	Impairment losses
The Company's Kani Plant (Kani-shi, Gifu)	Heat treatment equipment	Buildings and structures, machinery, equipment and vehicles, land, construction in progress, other	¥479 million
The Company's Kani NH Plant (Kani-shi, Gifu)	Same as above	Buildings and structures, machinery, equipment and vehicles, other	¥233 million

The Group's assets are aggregated on purpose by factory (assets of multiple factories are also aggregated when their purpose is complementing) based on managerial accounting classification. In addition, consolidated subsidiaries' assets are aggregated in each company.

At our Kani plant, production volume decreased significantly due to the termination of production of some of mass-produced automobiles which our products are installed as parts, and the suspension of production of motorcycle parts due to the insolvency procedure of an overseas customer. As a result of a conservative review of our future business plan regarding this situation, we recognized a decline in profitability in our fixed assets and recorded an impairment loss.

The Company's Kani NH Plant is engaged in the contracted processing of automobile parts for a specific customer, but the volume of orders from this customer has decreased, and profitability has deteriorated. As a result of a conservative review of future business plans for this situation, an impairment loss was recorded because a decline in profitability of fixed assets was recognized.

Fixed assets in all the asset groups above were written down to recoverable amount, and the reduced amount was recorded in extraordinary losses as impairment losses (¥712 million).

The breakdown of impairment losses by asset was ¥158 million in buildings and structures, ¥473 million in machinery, equipment and vehicles, ¥52 million in land, ¥18 million in construction in progress, ¥9 million in other. The recoverable amount of fixed assets for both plants was measured based on their net realizable value. Buildings and land were evaluated based on real estate appraisals, and other assets were evaluated at zero.

Fiscal year under review (from April 1, 2025 to March 31, 2026)

The Group recorded impairment losses on the following asset groups during the fiscal year.

Location	Use	Type	Impairment loss
Neturen (China) Slewing Bearing Co., Ltd. (Jining City, Shandong Province, China)	Plant	Buildings and structures	257million

At Neturen (China) Slewing Bearing Co., Ltd. (a consolidated subsidiary), we have been proceeding with plant relocation at the request of the Chinese government. As the timing of the relocation has now been finalized, we reduced the carrying amount of assets that will become unnecessary due to the plant closure, and recorded the decrease as an impairment loss under extraordinary losses. The breakdown of the impairment loss by asset type is 257 million yen for buildings and structures.

*9 Reclassification adjustments and tax effect relating to other comprehensive income

	Previous fiscal year (April 1, 2024 to March 31, 2025)	Fiscal year under review (April 1, 2025 to March 31, 2026)
Valuation difference on available-for-sale securities:		
Gains (losses) arising during the fiscal year	¥2,137 million	(74) million
Reclassification adjustments	(1,217)	(3)
Before corporate taxes and tax effect adjustments	919	(78)
Corporate taxes and tax effect amount	(802)	510
Valuation difference on available-for-sale securities	117	432
Foreign currency translation adjustment:		
Gains (losses) arising during the fiscal year	1,718	705
Reclassification adjustments	—	—
Before corporate taxes and tax effect adjustments	1,718	705
Corporate taxes and tax effect amount	—	—
Foreign currency translation adjustment	1,718	705
Remeasurements of defined benefit plans, net of tax:		
Gains (losses) arising during the fiscal year	164	404
Reclassification adjustments	(54)	(66)
Before corporate taxes and tax effect adjustments	109	338
Corporate taxes and tax effect amount	(39)	(106)
Remeasurements of defined benefit plans, net of tax	70	231
Share of other comprehensive income of entities accounted for using equity method:		
Gains (losses) arising during the fiscal year	10	80
Reclassification adjustments	—	—
Share of other comprehensive income of entities accounted for using equity method	10	80
Total other comprehensive income	1,916	1,450

(Consolidated statement of changes in equity)

Previous fiscal year (from April 1, 2024 to March 31, 2025)

1. Matters concerning the class and total number of issued and outstanding shares and the class and number of treasury shares

	Number of shares at the beginning of the fiscal year (thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	Number of shares at the end of the fiscal year (thousand shares)
Issued and outstanding shares				
Common shares (Note 1)	37,138	–	2,643	34,495
Total	37,138	–	2,643	34,495
Treasury shares				
Common shares (Note 2)	934	1,948	2,681	202
Total	934	1,948	2,681	202

- (Notes)
1. The decrease of 2,643 thousand shares in the number of issued and outstanding shares was due to the cancellation of treasury shares based on a resolution of the Board of Directors.
 2. The increase of 1,948 thousand shares in the number of treasury shares was due to the purchase of 1,948 thousand treasury shares based on a resolution of the Board of Directors and the purchase of 0 thousand fractional shares less than one trading unit. The decrease of 2,681 thousand shares in the number of treasury shares was due to the cancellation of 2,643 thousand treasury shares based on a resolution of the Board of Directors and the disposal of 37 thousand treasury shares as restricted stock compensation.

2. Matters concerning dividends

(1) Dividends paid

(Resolution)	Class of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
June 26, 2024 Annual Shareholders' Meeting	Common shares	905	25.0	March 31, 2024	June 27, 2024
November 8, 2024 Board of Directors meeting	Common shares	880	25.0	September 30, 2024	December 6, 2024

(2) Dividends for which the record date falls in the fiscal year under review and the effective date is in the following fiscal year

(Resolution)	Class of shares	Total amount of dividend (million yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
June 26, 2025 Annual Shareholders' Meeting	Common shares	891	Retained earnings	26.0	March 31, 2025	June 27, 2025

Fiscal year under review (from April 1, 2025 to March 31, 2026)

1. Matters concerning the class and total number of issued and outstanding shares and the class and number of treasury shares

	Number of shares at the beginning of the fiscal year (thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	Number of shares at the end of the fiscal year (thousand shares)
Issued and outstanding shares				
Common shares (Note 1)	34,495	—	1,690	32,805
Total	34,495	—	1,690	32,805
Treasury shares				
Common shares (Note 2)	202	1,719	1,720	200
Total	202	1,719	1,720	200

- (Notes)
1. The decrease of 1,690 thousand shares in the number of issued and outstanding shares was due to the cancellation of treasury shares based on a resolution of the Board of Directors.
 2. The increase of 1,719 thousand shares in the number of treasury shares was due to the purchase of 1,719 thousand treasury shares based on a resolution of the Board of Directors and the purchase of 0 thousand fractional shares less than one trading unit. The decrease of 1,720 thousand shares in the number of treasury shares was due to the cancellation of 1,690 thousand treasury shares based on a resolution of the Board of Directors and the disposal of 30 thousand treasury shares as restricted stock compensation.

2. Matters concerning dividends

(1) Dividends paid

(Resolution)	Class of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
June 26, 2025 Annual Shareholders' Meeting	Common shares	891	26.0	March 31, 2025	June 27, 2025
November 11, 2025 Board of Directors meeting	Common shares	1,114	33.0	September 30, 2025	December 8, 2025

(2) Dividends for which the record date falls in the fiscal year under review and the effective date is in the following fiscal year

(Resolution)	Class of shares	Total amount of dividend (million yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
June 25, 2026 Annual Shareholders' Meeting	Common shares	1,238	Retained earnings	38.0	March 31, 2026	June 26, 2026

(Consolidated statement of cash flows)

*1 The relationship between the balance of cash and cash equivalents at end of period and the amount presented on the consolidated balance sheet is as follows.

	Previous fiscal year (April 1, 2024 to March 31, 2025)	Fiscal year under review (April 1, 2025 to March 31, 2026)
Cash and deposits	¥19,143 million	17,153 million
Securities	269	339
Other current assets	248	153
Time deposits with deposit terms of over three months	(2,081)	(3,441)
Cash and cash equivalents	17,580	14,204

*2 Main breakdown of assets and liabilities of companies that newly became consolidated subsidiaries through share acquisition
(1) Dohken Co., Ltd.

The breakdown of assets and liabilities at the start of consolidation as a result of newly consolidating Dohken Co., Ltd. through share acquisition, and the relationship between the acquisition cost of shares and net cash used for the acquisition are as follows:

Current assets	1,307 million
Non-current assets	824
Goodwill	1,306
Current liabilities	(1,253)
Non-current liabilities	(332)
Non-controlling interests	(76)
Acquisition cost of shares	1,775 million
Cash and cash equivalents	(182)
Net cash used for acquisition	1,592 million

(2) MDI Corporation

The breakdown of assets and liabilities at the start of consolidation as a result of newly consolidating MDI Corporation through share acquisition, and the relationship between the acquisition cost of shares and net cash used for the acquisition are as follows:

Current assets	603 million
Non-current assets	313
Goodwill	407
Current liabilities	(88)
Non-current liabilities	(197)
Non-controlling interests	(126)
Acquisition cost of shares	912 million
Cash and cash equivalents	(376)
Net cash used for acquisition	535 million

(Retirement benefits)

Overview of retirement benefit plans

The Company and its consolidated subsidiaries use funded and unfunded defined benefit plans (defined benefit corporate pension plans and lump-sum retirement benefit plans) and a defined contribution plan to fund retirement benefits for employees. The Company uses a retirement benefit trust for its lump-sum retirement benefit plan.

The defined benefit corporate pension plans (all of which are funded plans) pay lump sums or pensions based on salary and length of service.

The lump-sum retirement benefit plans (generally unfunded plans, although some have become funded as a result of the establishment of retirement benefit trusts) pay lump sums based on salary and length of service as retirement benefits.

The retirement benefit liability and retirement benefit expenses for the defined benefit corporate pension plans and lump-sum retirement benefit plans of some consolidated subsidiaries have been calculated using the simplified method.

(Tax effect accounting)

1. Breakdown of major factors giving rise to deferred tax assets and deferred tax liabilities

	Previous fiscal year (March 31, 2025)	Fiscal year under review (March 31, 2026)
Deferred tax assets		
Inventories	¥75 million	65 million
Property, plant and equipment	3	0
Elimination of internal profits from transactions between consolidated companies	109	119
Intangible assets	23	18
Investment securities	29	89
Allowance for doubtful accounts	138	128
Enterprise tax payable	33	30
Provision for bonuses	229	297
Share-based compensation expenses	34	45
Retirement benefit liability	104	(5)
Retirement benefits payable to directors (and other officers)	2	52
Environmental expenses	5	7
Impairment losses	1,285	1,061
Tax loss carried forward (Note)	686	757
Other	103	87
Deferred tax assets - subtotal	2,865	2,755
Valuation allowance for tax loss carried forward (Note)	(641)	(720)
Valuation allowance for total of deductible temporary difference	(794)	(767)
Valuation allowance - subtotal	(1,435)	(1,487)
Total deferred tax assets	1,430	1,267
Deferred tax liabilities		
Reserved profits of consolidated subsidiaries and others	(604)	(600)
Replacement of specific assets	(329)	(325)
Reserve for special depreciation	(17)	(18)
Depreciation at overseas subsidiaries	(235)	(173)
Valuation difference on available-for-sale securities	(790)	(991)
Gain on contribution of securities to retirement benefit trust	(72)	(72)
Other	(63)	(65)
Total deferred tax liabilities	(2,113)	(2,246)
Net deferred tax assets (liabilities)	(682)	(979)

(Note) Amounts of tax loss carried forward and its deferred tax assets by each carryover limit

Previous fiscal year (March 31, 2025)

(Million yen)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years	Total
Tax loss carried forward (a)	52	13	72	53	26	468	686
Valuation allowance	(52)	(13)	(72)	(53)	(26)	(423)	(641)
Deferred tax assets	—	—	—	—	—	45	45

(a) Tax loss carried forward is the amount multiplied by the effective statutory tax rate.

Fiscal year under review (March 31, 2026)

(Million yen)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years	Total
Tax loss carried forward (b)	6	81	62	72	65	468	757
Valuation allowance	(6)	(81)	(62)	(72)	(65)	(431)	(720)
Deferred tax assets	—	—	—	—	—	37	37

(b) Tax loss carried forward is the amount multiplied by the effective statutory tax rate.

2. Main components of any difference between the statutory tax rate and the effective tax rate after the application of tax-effect accounting

	Previous fiscal year (March 31, 2025)	Fiscal year under review (March 31, 2026)
Effective statutory tax rate	30.6%	30.6%
(Adjustments)		
Entertainment expenses and other expenses not deductible for tax purposes	0.4	0.7
Dividend income and other income not included in taxable income	(6.3)	(6.9)
Share of profit or loss of entities accounted for using equity method	(1.7)	(2.8)
Dividends from consolidated subsidiaries	7.7	8.2
Change in valuation allowance	1.3	2.2
Per-capital allotment of resident tax	1.4	1.8
Reserved profits of overseas subsidiaries and others	1.2	(0.1)
Amortization of goodwill	-	1.1
Adjustment of deferred tax assets at end-of-period due to changes in tax rate	(1.7)	1.4
Tax rate differences with overseas subsidiaries	(5.1)	(6.3)
Tax credits	(6.9)	(6.8)
Other	0.4	1.4
Tax rate after the application of tax effect accounting	21.3	24.5

(Business Combinations, etc.)

1. Business combination by acquisition (Dohken Co., Ltd.)

At the Board of Directors meeting held on April 4, 2025, the Company resolved to acquire the shares of Dohken Co., Ltd.

(Location: Iizuka City, Fukuoka Prefecture) to make it a subsidiary, and acquired the shares and made the company a subsidiary on April 10, 2025.

(1) Overview of the business combination

1) Name of the acquired company and description of its business

Name of the acquired company: Dohken Co., Ltd.

Description of business: Manufacturing and sales of precast concrete products, etc.

2) Primary reasons for the business combination

Dohken Co., Ltd. manufactures and sells mainly high-quality precast concrete products. The Company has determined that demand for precast concrete products will grow from the perspectives of shortening construction periods and quality control at construction sites. The Company decided to acquire the shares because synergistic effects can be expected through mutually complementary collaboration utilizing the respective strengths of both companies by making it a consolidated subsidiary.

3) Date of the business combination

April 10, 2025

4) Legal form of the business combination

Share acquisition

5) Name of the company after the business combination

No change.

6) Percentage of voting rights acquired

April 10, 2025: 58.3% (35,000 shares out of 60,000 total shares with voting rights)

July 15, 2025: 25.0% (15,000 shares out of 60,000 total shares with voting rights)

Percentage of voting rights after additional acquisition: 83.3%

7) Primary basis for determining the acquiring company

The Company acquired shares in exchange for cash.

(2) Period of the acquired company financial results included in the consolidated statement of income and comprehensive income

From May 1, 2025 to December 31, 2025

(3) Acquisition cost of the acquired company and breakdown by class of consideration

Consideration for acquisition	Cash	1,908 million yen
Acquisition cost		1,908

The above consideration for acquisition includes acquisition-related costs.

(4) Content and amount of major acquisition-related costs

Remuneration, fees, etc. for advisory services: 133 million yen

(5) Amount of goodwill recognized, reason for recognition, amortization method, and amortization period

1) Amount of goodwill recognized

1,306 million yen

2) Reason for recognition

Mainly due to the expected excess earning power from the manufacturing and sales business centered on high-quality precast concrete products developed by Dohken Co., Ltd.

3) Amortization method and amortization period

Straight-line amortization over 10 years

(6) Amounts of assets acquired and liabilities assumed on the date of the business combination and their breakdown

Current assets	1,307	million yen
Non-current assets	819	
Total assets	2,126	
Current liabilities	1,253	
Non-current liabilities	332	
Total liabilities	1,586	

(7) Estimated impact on the consolidated statement of income and comprehensive income

for the current consolidated fiscal year, assuming the business combination was completed at the beginning of the consolidated fiscal year, and the calculation method thereof

The estimated impact amount is omitted because it is immaterial. Furthermore, the estimated impact amount has not been audited.

2. Business combination by acquisition (MDI Corporation)

At the Board of Directors meeting held on November 10, 2025, the Company resolved to acquire the shares of MDI Corporation (Location: Kawasaki City, Kanagawa Prefecture) to make it a subsidiary, and acquired the shares and made the company a subsidiary on November 28, 2025.

(1) Overview of the business combination

1)Name of the acquired company and description of its business

Name of the acquired company: MDI Corporation

Description of business: Design and sales of various heat exchangers; design, manufacturing, and sales of heat pumps/chillers; manufacturing and sales of scale cleaning liquids/alkaline cleaning liquids; maintenance services for multi-cyclone plate heat exchangers; energy-saving consulting, etc.

2)Primary reasons for the business combination

As a thermal management company, MDI Corporation provides waste heat recovery consulting, design, manufacturing, sales, and maintenance services for energy-saving systems aimed at CO2 reduction, energy saving, heat countermeasures, and environmental improvement in factories and other facilities. It has steadily accumulated orders from a wide range of industries, including automobiles, food, and general contractors, which are addressing SDGs and CO2 reduction. The Company has determined that demand will continue to expand in the future, given the increasingly strong need for heatstroke countermeasures by companies in recent years.

By acquiring MDI Corporation, which has high affinity with our heat treatment technology, to our corporate group, we aim to further expand our business domains. In addition, through mutually complementary collaboration between the two companies, we aim to create a sustainable society by developing and providing products and services that contribute to energy conservation through clean technology.

As stated above, the Company decided to acquire the shares because it is expected to expand our corporate group business domains and contribute to the creation of a sustainable society.

3)Date of the business combination

November 28, 2025

4)Legal form of the business combination

Share acquisition

5)Name of the company after the business combination

No change.

6)Percentage of voting rights acquired

November 28, 2025: 80.0% (800 shares out of 1,000 total shares with voting rights)

Note that the Company plans to acquire an additional 200 shares in November 2028, and The percentage of voting rights after the additional acquisition is expected to be 100.0%.

7)Primary basis for determining the acquiring company

The Company acquired shares in exchange for cash.

(2) Period of the acquired company business results included in the consolidated statement of income and comprehensive income

With a deemed acquisition date of December 31, 2025, only the balance sheet is consolidated in the current consolidated fiscal year.

(3) Acquisition cost of the acquired company and breakdown by class of consideration

Consideration for acquisition	cash	968 million yen
Acquisition cost		968

The above consideration for acquisition includes acquisition-related costs.

(4) Content and amount of major acquisition-related costs

Remuneration, fees, etc. for advisory services: 56 million yen

(5) Amount of goodwill recognized, reason for recognition, amortization method, and amortization period

1)Amount of goodwill recognized

407 million yen

2)Reason for recognition

Mainly due to the expected excess earning power from the design and sales business of

various heat exchangers, etc., developed by MDI Corporation as a thermal management company.

3) Amortization method and amortization period

Straight-line amortization over 10 years

(6) Amounts of assets acquired and liabilities assumed on the date of the business combination and their breakdown

Current assets	603	million yen
Non-current assets	312	
Total assets	915	
Current liabilities	88	
Non-current liabilities	197	
Total liabilities	285	

(7) Estimated impact on the consolidated statement of income and comprehensive income for the current consolidated fiscal year, assuming the business combination was completed at the beginning of the consolidated fiscal year, and the calculation method thereof.

The estimated impact amount is omitted because it is immaterial. Furthermore, the estimated impact amount has not been audited.

(Revenue recognition)

1. Breakdown of revenue from contracts with customers

Previous Fiscal Year (from April 1, 2024 to March 31, 2025)

(Million yen)

	Reportable segment			Other (Note 1)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Civil engineering and construction-related products	11,263	—	11,263	—	11,263
Automobiles-related products	20,595	—	20,595	—	20,595
Construction equipment-related products	3,209	—	3,209	—	3,209
Induction heat treatment service-related business	—	12,987	12,987	—	12,987
Induction heating equipment-related business	—	7,850	7,850	—	7,850
Other	1,500	13	1,514	0	1,514
Revenue from contracts with customers	36,568	20,851	57,420	0	57,420
Revenue from other sources (Note 2)	—	—	—	142	142
Net sales to external customers	36,568	20,851	57,420	143	57,563

- (Notes) 1. The “Other” category represents business segments that are not included in the reportable segments, and covers activities such as real estate leasing business.
2. “Revenue from other sources” represents items such as real estate lease revenue based on the Accounting Standard for Lease Transactions.

Fiscal year under review (from April 1, 2025 to March 31, 2026)

(Million yen)

	Reportable segment			Other (Note 1)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Civil engineering and construction-related products	10,286	—	10,286	2,275	12,562
Automobiles-related products	20,646	—	20,646	—	20,646
Construction equipment-related products	3,701	—	3,701	—	3,701
Induction heat treatment service-related business	—	12,943	12,943	—	12,943
Induction heating equipment-related business	—	6,566	6,566	—	6,566
Other	1,700	15	1,716	—	1,716
Revenue from contracts with customers	36,335	19,526	55,861	2,275	58,137
Revenue from other sources (Note 2)	—	—	—	140	140
Net sales to external customers	36,335	19,526	55,861	2,416	58,277

- (Notes) 1. The “Other” category represents business segments that are not included in the reportable segments, and covers activities such as real estate leasing business.
2. “Revenue from other sources” represents items such as real estate lease revenue based on the Accounting Standard for Lease Transactions and others.

2. Fundamental information to understand revenue from contracts with customers

Fundamental information to understand revenue from contracts with customers is as presented in “Significant matters that form the basis for the preparation of the consolidated financial statements 4. Accounting policies (5) Standards for the recognition of significant revenue and expenses.”

3. Information about notes and accounts receivables in the fiscal year under review and next year including contract assets and liabilities expected to be booked in balance sheet after fulfillment of obligations.

(1) Balance of contract assets and contract liabilities

(Million yen)

	Previous fiscal year	Fiscal year under review
Receivables from contracts with customers (opening balance)		
Notes receivable - trade	1,187	975
Accounts receivable - trade	11,358	10,463
	12,545	11,438
Receivables from contracts with customers (closing balance)		
Notes receivable - trade	975	1,212
Accounts receivable - trade	10,463	11,377
	11,438	12,589
Contract assets (opening balance)	162	201
Contract assets (closing balance)	201	173
Contract liabilities (opening balance)	718	693
Contract liabilities (closing balance)	693	323

(Notes) 1. Of the revenue recognized in the previous fiscal year, ¥702 million was included in the opening balance of contract liabilities in the previous fiscal year.

Of the revenue recognized in the fiscal year under review, ¥479 million was included in the opening balance of contract liabilities in the fiscal year under review.

2. Contract assets are mainly related to the receivable accounts of the Induction Heating Equipment Related Business, regarding the work for which installation had been completed but could not be invoiced by the end of the fiscal year. Contract assets are transferred to receivables from contracts with customers at the time when the right to receive consideration becomes unconditional.

Contract liabilities are mainly related to advanced payment from customers in the Induction Heating Equipment Related Business. Contract liabilities are drawn down once revenue is confirmed.

(2) Transaction price allocated to remaining performance obligations

The Group has no significant transactions whose expected contract period exceeds one year. In addition, there is no significant amount of variable price in the contracts with customers.

(Segment information, etc.)

[Segment information]

1 Overview of reportable segments

The Company's reportable segments are components within the Company for which discrete financial information is available and are regularly reviewed by the Company's Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

The Company adopted a business division system centered on two business divisions, the "Specialty Steel and Wire Products Division" and "Induction Heating Division." Each business division cooperates with organizations such as the Corporate Planning Office, the Administrative Headquarters, and the Business Planning and Development Headquarters and formulates comprehensive strategies for domestic and overseas businesses in relation to the products and services it handles and carries out business activities accordingly. In addition, our affiliated companies operate their businesses under each business division.

Therefore, the Group is comprised of segments that are classified according to products and services based on its business divisions. The reportable segments of the Group are "Specialty Steel and Wire Products Division" and "Induction Heating Division." "Specialty Steel and Wire Products Division" manufactures PC steel bars, deformed PC steel bars and shear reinforcement for civil engineering and construction, high-strength spring steel wire (ITW) mainly used for suspension springs for automobiles and two-wheeled vehicles, and automotive parts and construction machine parts, etc. "Induction Heating Division" is not only engaged in induction heat treatment service of critical safety parts for automobiles and machining equipment, etc., but also manufactures induction heating equipment for each industrial field.

2 Calculation methods of net sales, profit (loss), assets, liabilities and other items by reportable segment

Reportable segment profit consists of figures based on operating income (after amortization of goodwill). Inter-segment net sales and transfers are based on market price.

3 Information on the amount of net sales, profit (loss), assets, liabilities and other items by reportable segment
For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Million yen)

	Reportable segment			Other (Note)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Net Sales					
Net sales to external customers	36,568	20,851	57,420	143	57,563
Inter-segment net sales or transfers	—	44	44	—	44
Total	36,568	20,896	57,465	143	57,608
Segment profit	180	1,377	1,557	56	1,613
Segment assets	32,611	26,483	59,095	1,751	60,847
Other items					
Depreciation	1,200	1,100	2,301	13	2,314
Increase in property, plant and equipment and intangible assets	1,049	1,545	2,594	71	2,666

(Note) The “Other” category represents business segments that are not included in the reportable segments, and covers activities such as real estate leasing business.

For the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

(Million yen)

	Reportable segment			Other (Note)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Net Sales					
Net sales to external customers	36,335	19,526	55,861	2,416	58,277
Inter-segment net sales or transfers	—	76	76	9	86
Total	36,335	19,602	55,937	2,426	58,363
Segment profit	464	1,301	1,766	122	1,888
Segment assets	33,856	27,502	61,359	6,550	67,910
Other items					
Depreciation	1,181	1,024	2,205	40	2,246
Increase in property, plant and equipment and intangible assets	877	2,656	3,533	350	3,884

(Note) The “Other” category represents business segments that are not included in the reportable segments, and covers activities such as real estate leasing business and others.

- 4 Difference between the total amount of reportable segments and the amount recorded in the consolidated financial statements as well as main components of the differences (items in relation to adjustment of differences)

(Million yen)

Net Sales	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Total amount of reportable segment	57,465	55,937
Net sales in "Other" category	143	2,426
Elimination of intersegment transactions	(44)	(86)
Net sales in consolidated financial statements	57,563	58,277

(Million yen)

Profit	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Total amount of reportable segment	1,557	1,766
Profit in "Other" category	56	122
Elimination of intersegment transactions	3	3
Operating income in consolidated financial statements	1,617	1,892

(Million yen)

Assets	As of March 31, 2025	As of March 31, 2026
Total amount of reportable segment	59,095	61,359
Assets in "Other" category	1,751	6,550
Corporate assets (Note)	22,925	20,247
Elimination of intersegment transactions	(12)	△10
Total assets in consolidated financial statements	83,760	88,146

(Note) Corporate assets mainly consist of cash and deposits of the parent company, long-term investment funds (investment securities), and assets related to the administrative departments of the Company, all of which do not belong to the reportable segments.

(Million yen)

Other items	Total amount of reportable segment		Other		Adjustment		Amount recorded in consolidated financial statements	
	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Depreciation	2,301	2,205	13	40	20	29	2,334	2,276
Increase in property, plant and equipment and intangible assets	2,594	3,533	71	350	50	125	2,716	4,009

(Note) The adjustment amounts for increase in property, plant and equipment and intangible assets mainly consist of the amount of capital expenditure related to the administrative departments that do not belong to the reportable segments.

Related information

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

1 Information about products and services

(Million yen)

	Civil engineering and construction-related products	Automobiles-related products	Construction equipment-related products	Induction heat treatment service-related business	Induction heating equipment-related business	Others	Total
Sales Customers	11,263	20,595	3,209	12,987	7,850	1,657	57,563

2 Information about geographical areas

(1) sales

(Million yen)

	Japan	China	Other Asia	North America	Europe	Others	Total
Net sales	35,154	11,446	1,305	6,038	3,323	295	57,563

(Note) Net sales is based on a customer's location and classified by countries

(2) Assets

(Million yen)

	Japan	China	Other Asia	North America	Europe	Others	Total
Property, plant and equipment	17,657	3,317	920	2,666	1,329	405	26,297

3 Information for each important customer

Not applicable.

For the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

1 Information about products and services

(Million yen)

	Civil engineering and construction-related products	Automobiles-related products	Construction equipment-related products	Induction heat treatment service-related business	Induction heating equipment-related business	Others	Total
Sales Customers	12,562	20,646	3,701	12,943	6,566	1,856	58,277

2 Information about geographical areas

(Million yen)

	Japan	China	Other Asia	North America	Europe	Others	Total
Net sales	35,415	11,295	1,095	6,589	3,735	147	58,277

(Note) Net sales is based on a customer's location and classified by countries

(Million yen)

	Japan	China	Other Asia	North America	Europe	Others	Total
Property, plant and equipment	20,421	3,321	1,122	2,639	1,381	433	29,318

3 Information for each important customer

Not applicable.

[Information on impairment loss on non-current assets by reportable segment]

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Million yen)

	Reportable segment			Other (Note)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Impairment loss	479	233	712	—	712

(Note) The “Other” category represents business segments that are not included in the reportable segments, and covers activities such as real estate leasing business.

For the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

(Million yen)

	Reportable segment			Other (Note)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Impairment loss	257	—	257	—	257

(Note) The “Other” category represents business segments that are not included in the reportable segments, and covers activities such as real estate leasing business and others.

[Information on amortization of goodwill and balance of unamortized goodwill by reportable segment]

For the fiscal year ended March 31, 2025 (from April 1, 2024 to March 31, 2025)

Not applicable.

For the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

(Million yen)

	Reportable segment			Other (Note)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Amortization of goodwill	—	—	—	87	87
Balance of unamortized goodwill	—	—	—	1,626	1,626

(Note) The “Other” category represents business segments that are not included in the reportable segments, and covers activities such as real estate leasing business and others.

(Per share information)

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Net assets per share	¥1,736.23	1,785.61
Basic earnings per share	¥51.59	39.76

(Notes) 1. Diluted earnings per share are not provided, as there are no dilutive shares.

2. The basis for calculation of basic earnings per share is as follows:

	For the fiscal year ended March 31, 2025	For the fiscal year ended March 31, 2026
Basic earnings per share		
Profit attributable to owners of parent (Million yen)	1,815	1,329
Amount not attributed to common shareholders (Million yen)	—	—
Profit attributable to owners of parent related to common shares (Million yen)	1,815	1,329
Average number of shares outstanding during the fiscal year (Shares)	35,197,831	33,426,981

(Significant subsequent events)

(Purchase of treasury shares)

The Company resolved to regarding matters related to the purchase of its treasury shares in accordance with Article 156 of the Companies Act (the “Act”), as applied pursuant to Paragraph 3, Article 165 of the Act at the meeting of the Board of Directors held on May 13, 2026.

1 Reason for purchase of treasury shares

The Company resolved to conduct share purchases to accelerate the initiatives toward the implementation of capital allocation, realization of desired balance sheets and an ROE of 8.0%, and early realization of a price book-value ratio (PBR) of 1.0 time or above; as set in the long-term management vision “NETUREN VISION 2030” formulated in May 2021 and the 16th Medium-term Management Plan “Aggressive Challenge One NETUREN 2026” announced on May 9, 2024.

2 Details of purchase

(1) Class of shares to be purchased	Common shares of the Company’s stock
(2) Potential total number of shares to be purchased	1,897,000 shares (upper limit) (5.81% of issued and outstanding shares (excluding treasury shares))
(3) Total cost for purchase	2,000,000,000 yen (upper limit)
(4) Period	May 14, 2026 to March 31, 2027
(5) Method of purchase	Purchases through off-action own share repurchase trading system (ToSTNeT-3) and market purchases on the Tokyo Stock Exchange