

**REPORT** 2024



Neturen Co., Ltd. Issued by: Corporate Planning Office



# NETUREN VISION 2030

### Evolution and Breakthrough



Increase corporate value as well as reducing environmental burden by our IH technologies.

Expand our business globally with all out efforts of the group and N-DX technologies.

Placing the SDGs at the core of its management, the Neturen Group has formulated "NETUREN VISION 2030 (evolution and breakthrough)," its long-term management vision, and is running business accordingly with a sustainability point of view.

We are working to solve social problems, increase corporate value and continue growing and our final goal is to be a corporate that "contributing to sustainable society as well as increasing its value."

### Management Philosophy

- 1. We continuously challenge to develop new products and new businesses based on our core heat treatment technologies, in order to contribute to the improvement of society.
- 2. We aim to be a trusted partner in society through superior quality and technology, outstanding customer satisfaction, and a transparent and fair corporate culture.
- 3. We strive for continuous improvement of ourselves and for constant growth as a company.
- **4**. Based on the priorities of safety and health, we strive to develop our employees and establish ourselves as a dynamic corporate group.
- 5. We commit to act with corporate social responsibility, based on the principle of coexistence with the earth's environment.

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### **Editorial policy**

This integrated report is published with the approval of management as an information dissemination medium that comprehensively compiles financial and non-financial information, with the aim of communicating the medium- to long-term growth and value creation of the Neturen Group. It is positioned as a medium to facilitate constructive dialogue with our stakeholders and also to promote the Group employees' understanding of our corporate policies and strategies.

This second-year report provides an easy-to-understand explanation of the 16th Medium-term Management Plan, which began in FY2024 as the second phase toward realizing NETUREN VISION 2030, including specific initiatives related to the four fundamental strategies and financial strategy, important sustainability issues, and other key themes for the Group's medium- to long-term value creation.

In compiling this report, we have referred to the Guidance for Collaborative Value Creation published by the Ministry of Economy, Trade and Industry.



#### **Reporting period**

Fiscal Year 2023 (April 1, 2023 to March 31, 2024) \* Information on some of the activities after April 2024 is also included.

#### Scope of report

This report covers Neturen Co., Ltd. and its 17 consolidated subsidiaries, 1 non-consolidated subsidiary, and 4 affiliated companies.

Sustainability-related data basically covers all departments of Neturen Co., Ltd., and any exception is indicated in the text in each case.

Date of issue October 2024

#### Inquiries

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Corporate Planning Office, Neturen Co., Ltd. Tel: +81-3-3443-5441 Fax: +81-3-3449-3969

#### Note regarding future outlook

Forward-looking statements, such as earnings forecasts, contained in this report are based on estimation made in accordance with information available at the time of disclosure, and may contain many uncertainties.

Actual results may differ from forecasts due to changes in social, economic, and business conditions.

# PROFILE

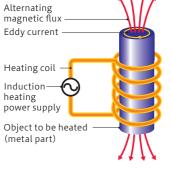
Introduction of the Neturen Group



### Mechanism and features of IH (induction heating) technology

IH technology is a highly efficient heat treatment method that uses magnetic power. It uses electricity as the heat source and consumes less energy and emits less CO<sub>2</sub> compared to other surface heat treatment methods. It is attracting attention as a double eco-friendly (W-ECO) heat treatment method that is both non-polluting (ecological) and resource-saving (economical).

value to them.



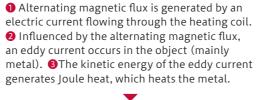
IH technology enables heating specific areas of a metal part

Hardened layer: improved metallic characteristics (improved fatigue strength and wear resistance)

Base material: only the necessary part is hardened because it should be flexible enough to absorb external forces.

Cross section of an automotive gear part

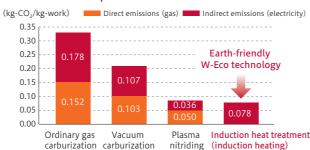
Adding strength and flexibility to make metal parts smaller, lighter, stronger, and have longer life.



It is a technology to heat objects by causing their self-heating using electricity. It can precisely heat only the part of the

product without any contact.

#### Comparison of CO<sub>2</sub> emissions



### Our business

#### Specialty Steel and Wire Products Division

#### High-strength steel products

Automobiles

Induction heat-treated high-strength spring steel wire (ITW®) for cold forming manufacturing, hollow rack bars and other automobile parts

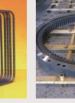
#### Civil engineering and construction

Manufacturing and sales of induction heat treated high-strength, high-quality PC steel bars for components of prestressed concrete and their related products, high-strength shear reinforcement for construction work

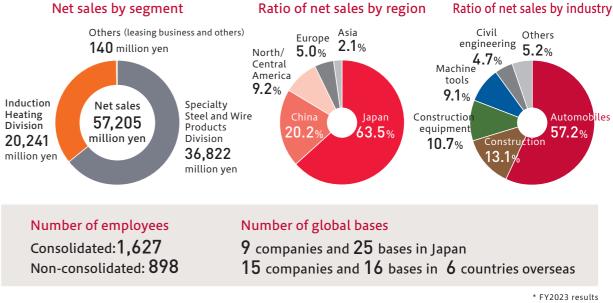
#### Construction machinery and machine tools

Manufacturing and sales of slewing bearings for construction equipment and ball screw shaft materials for semiconductor manufacturing equipment, etc.





ITW<sup>®</sup> for cold forming spring



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Slewing bearings

#### Induction Heating Division

#### Induction heat treatment service

High frequency induction heat treatment and other heat treatment services for all machinery parts

#### Induction heating equipment

Design, production, sales, and engineering of induction heating/heat treatment equipment, frequency converters, etc.



# HISTORY

#### History of the Neturen Group

Neturen is a pioneering company that successfully commercialized and industrialized IH (induction heating) technology for the first time in Japan in 1946. By gathering all the strengths of the Neturen Group based on know-how related to the IH technology that it has accumulated since its founding as well as its sophisticated technological and development capabilities, Neturen has contributed to and brought about innovations in a wide diversity of industries.

2000s and on

### Consistently meeting to the up-to date demand

In line with the growing public interest in environmental issues, Neturen has been creating original products and new technologies that contribute to CO<sub>2</sub> reduction and resource conservation by taking advantage of its environment-friendly IH technology. We will move forward consistently to meet the up-to-date demand with our outstanding technological capabilities.

#### 1980s and on

### Movement to the globalization

In 1976, we established a joint venture in South Korea as our first overseas base. Since then, Neturen has expanded its production bases globally. Today, it provides unique value to customers around the world from its sites in Japan, China, South Korea, Asia, North and Central America, and Europe.

#### 1970s and on

### From very small to super-large parts

Neturen's IH treatment, which even includes design of heat treatment equipment, is applicable to a variety of parts of any shape, from very small parts as tiny as a fingertip to super-large ones. With the wide range of product lineups, we have responded to the requests of customers in diverse fields

#### 1950s and on

1946

### Supporting Japan during the high economic growth period

In 1961, Neturen's PC steel bars were adopted for the sleepers of the Tokaido Shinkansen. As construction demand expanded due to rapid infrastructure development, Neturen's high-strength steel materials were applied to a wide range of fields, supporting the development of society and the company's significant growth.

#### External environment

IT revolution/Lehman's collapse/Launch of an international framework to prevent global warming

#### Social needs

 Corporate contributions to realizing a decarbonized society

• Expectations for disaster-resistant urban development

#### External environment

Globalization/Trade friction/ Urbanization and urban redevelopment

#### Social needs

· Development and improvement of social capital • Technological innovation and improvement of international competitiveness

#### External environment

Arrival of a major economic boom/Change in industrial structure Collapse of the bubble economy/Environmental issues becoming a global issue

#### Social needs

· Diversification of heat treatment needs Conversion from leaf springs to coil springs in the automotive industry

#### External environment

Rapid economic development/Arrival of motorization

#### Social needs

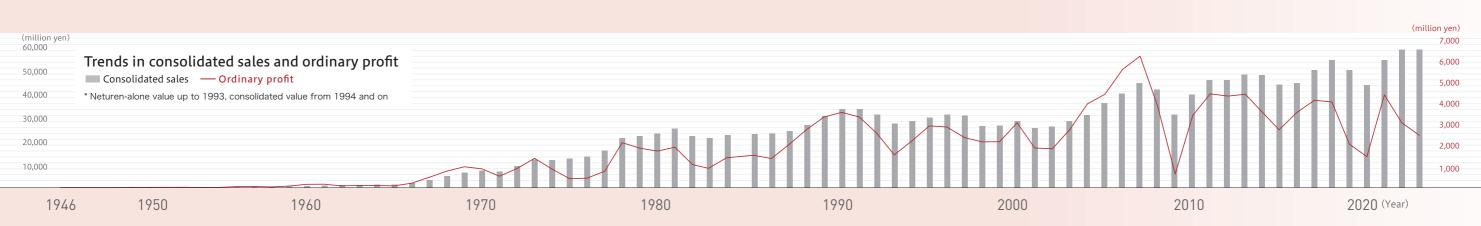
 Infrastructure development through national policy (Shinkansen, expressways, etc.) Provision of technology to meet growing demand for construction machinery and aut Strong demand for construction due to the economic boon

#### With the spread of automobiles, contribution to improving automobile parts Contribution to improving

abroad

productivity and quality for concrete pile and pole manufacturers

#### In 1946, shortly after the end of the World War II, Neturen was founded with IH technology to help rebuild Japanese industry. Since it became the first company in commercializing and industrializing IH technology, Neturen has developed its business consistently placing IH technology at the core.



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As a pioneer of IH technology

#### Value brought by Neturen

A wide variety of high-strength steel products are helping to lighten the bodies of popular EVs and HEVs





#### Value brought by Neturen

Technical contributions to the development of resilient infrastructure both in Japan and

Provision of new heat treatments by further exploring IH technology and developing innovative technologies





#### Value brought by Neturen

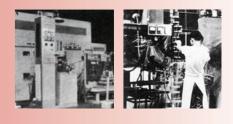
Contribution to longer life and higher precision through contract processing of construction machinery and machine tool parts In response to the revision of seismic design standards triggered by the 1978 Miyagi earthquake, contributed to the use of high-strength shear reinforcement to build taller RC buildings and to the streamlining of design and construction

Contribution to higher strength and weight reduction using high-strength spring steel wire ITW® for cold forming spring



#### Value brought by Neturen

strength and heat treatment of

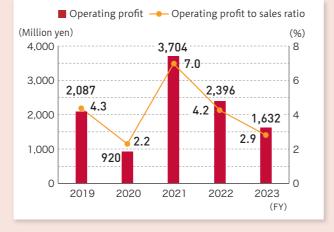


# HIGHLIGHTS

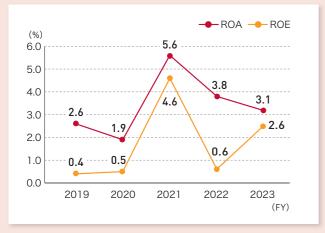
### Financial and nonfinancial highlights



#### Operating profit / Operating profit to sales ratio



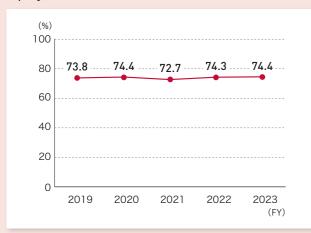
Return on equity (ROE) / Return on assets (ROA)



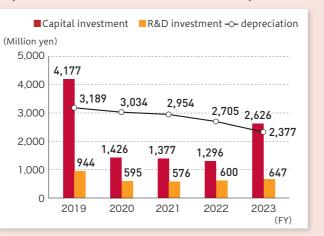
Earnings per share



#### Equity ratio



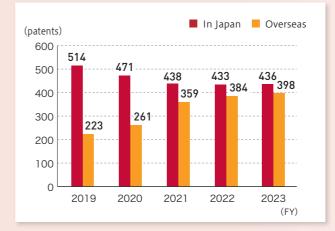
#### Capital investment, R&D investment, and depreciation



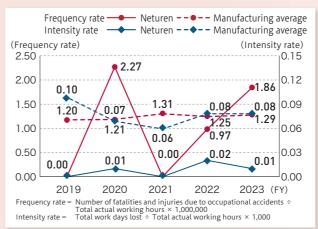
#### Number of Group employees



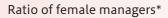
#### Number of patent rights held\*



#### Occurrence of occupational accidents\*

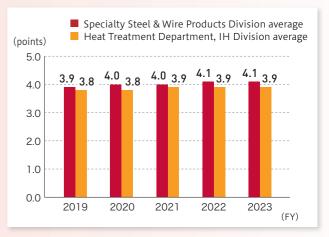


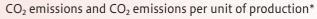
Items marked \* are data of nonconsolidated Neturen only (accounting for 60% of the Group's consolidated sales).

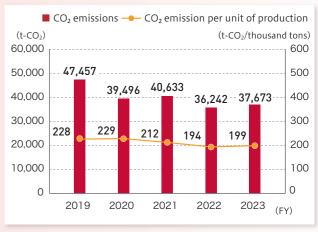




Customer satisfaction survey results (out of 5 points)\*







# Message from top management

Aggressively take on new challenges. We will contribute widely to society with our unique IH (Induction Heating) technology.

Representative Director, Member of the Board President and Chief Executive Officer

Katsumi Omiya

### Looking back on FY2023

FY2023 was a year which was filled with various changes in the external environment surrounding us. There is no end in sight to the continuing armed conflicts in Ukraine and Palestine. Furthermore, the slowing down of the Chinese economy, which has been the world's leading economy, the sharp rise of raw material costs and electricity prices, global inflation, the rapid depreciation of the yen, the list goes on.

This situation has affected our business at Neturen in many ways. Even though a conflict or other incident occurs in a country other than one in which we are based or with which we do direct business, if it is somehow related to our customers' businesses, it will ultimately affect us as well. This experience reminded me that our supply chain has been expanded worldwide and we are conducting business as a global company.

However, even in a world undergoing such great changes, we believe that the nature of our business supports the "foundation" of people's lives and therefore it will remain in the existing position stably. Therefore, rather than blindly and hastily adjusting our direction, I believe we must strengthen that "foundation" more than ever before in order to fulfill our role of providing even better products and services to our customers.

### From Change to Challenge: The 16th Medium-term Management Plan has started

FY2023 was the final year of the 15th Medium-term Management Plan, which spanned three years from 2020. Looking back over the past three years in terms of performance, the COVID-19 pandemic, the situation in Ukraine, and the sudden and drastic depreciation of the yen leading to soaring raw materials and energy prices have all had a major impact on profits. We were regrettably unable to achieve our operating income target.

On the other hand, net sales targets were achieved. In the final year of FY2023, we were also able to pass on some of the increased costs to prices. Of course, this cannot be considered sufficient, but I believe that it is a figure that should be recognized to a certain extent given the various unfavorable conditions.

Furthermore, as the sense of crisis over declining profits was shared within the company, awareness toward the need to cut costs also increased dramatically. Just like the MM Plan slogan "Change!! New NETUREN," employees started to share the feeling that "we too must change in

Of course, geopolitical risks cannot be ignored, so we will constantly stay alert and gather the latest information so as to build a system to minimize risks as much as possible. In recent years, in particular, unpredictable events have been occurring one after another, and the future remains uncertain. I strongly feel that it is necessary to create an organization that is ready to act quickly and with explosive agility when major changes occur.

On the other hand, in May 2023, COVID-19 was classified as a Class V Infectious Disease under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases, and the pandemic is finally beginning to subside. Therefore, starting this spring, I have visited overseas bases one after another, including those in the United States, China, Indonesia, and Mexico, that I have not had the opportunity to visit in person since becoming president, to inspect the situation first-hand. I was impressed that the local staff at each location spoke enthusiastically about their work and achievements. It made me feel that "they had been longing for top management to visit," and it was an experience that reminded me of the importance of meeting face to face.

order to respond to changes in society," and I believe that we are seeing many signs of change within Neturen, which had the tendency to resist "change" until now.

I want to see these small changes accumulate so that they may accelerate and propel us to the next challenge. This was the idea behind the 16th Mediumterm Management Plan slogan "Aggressive Challenge One NETUREN 2026," which started in FY2024. "One NETUREN" conveys the message to all employees to unite under a common goal and work together to take on "new challenges." We hope to maintain a proactive and eager attitude, always at the ready to tackle and overcome uncharted challenges.

The 16th MM Plan is the second phase toward realizing NETUREN VISION 2030: Evolution and Breakthrough, which is our long-term management vision. We intend to further accelerate our efforts in contributing to the realization of a sustainable society and increasing our corporate value.

### Promoting business expansion by "connecting" four strategies

The 16th Medium-term Management Plan aims to improve our capital cost management and, at the same time, expand our business by "connecting" the four strategic pillars of the NETUREN VISION, namely, "Technology Development," "Business," "Global," and "Human Resources."

In the areas of "Technology Development" and "Business," we aim for the early launch of new products and technologies currently under development so as to increase the sales ratio of new products and businesses to 20% or more, or up 4% from the 15th Medium-term Management Plan. At the same time, we intend to actively consider M&A and other options. This will enable us as a company to simultaneously generate growth drivers and develop growth engines, thereby strengthening both our profitability and growth potential.

For "Global," we plan to further expand our business in the countries and regions where we currently have bases, as well as enter new regions by working with local companies in order to further expand our global market. Currently, we are focusing on the business of induction heat-treated highstrength spring steel wire ITW<sup>®</sup> for cold forming spring. However, in the future, we hope to conduct comprehensive research into the possibility of expanding our business into a wider range of fields, such as heat treatment contracting and construction and civil engineering. Through this, we aim to significantly expand our business fields, including M&A options mentioned earlier, and to achieve the high profitability and growth envisioned in the portfolio.

Regarding "Human Resources," our aim is to "foster human resources who have a self-motivation at work." Developing skilled and global human resources remains a key focus, but we intend to take on drastic initiatives in the Planning and Coordination Department. We are working to develop human resources who can not only increase profits but also take on the role of "purposeful balance sheet management" with a view on strategies for effective utilization of current assets.

Furthermore, we will work to make more visible the concept of return on invested capital (ROIC), which is the key to promoting capital cost management, in order to ensure that it is thoroughly understood by all employees, including those in the finance and administrative departments as well as those at plants in all countries. Also, investors have been calling for improvement for several years regarding the Group's price-to-book ratio (PBR) being below 1, and we recognize the importance of being conscious of ROIC in this context as well. At the same time, we believe that proactively publicizing our various improvement efforts so that we can widely convey the message that "you can count on Neturen" will also lead to improved ROIC.

Through these efforts, we will continue to make progress toward 2030, the target year of our long-term management vision.

#### 16th Medium-term Management Plan (April 2024 to March 2027)

### Aggressive Challenge One NETUREN 2026

Growth, Evolution, and Breakthrough Challenge boldly and aggressively by getting together collective resources of whole group companies

Increased Corporate Value				
Technology Development	Create New Drivers to Grow	·Capital policy a		
Business	Generate Growth Engines	Capital Cost Management	strategy •Capital allocation	
Global	Expand Market Globally		<ul> <li>Full-scale introduction and roll out of ROIC</li> </ul>	
Human Resources	Develop Employees with Self- motivation at Work		•Business portfolio	

### To retain motivated employees

Furthermore, we recognize that the most important key to achieving this goal is our efforts regarding "Human Resources."

One experience that left a lasting impression on me was when our group exhibited for the first time at wire & Tube 2024, held in Düsseldorf, Germany, in April 2024. Seeing employees from bases in Japan, the U.S., the Czech Republic, and China who work with the exhibited products actively exchange information with each other and speak with customers as a group reminded me of the importance of people with diverse backgrounds working together.

On the other hand, we are also aware that there are many employees who, for various reasons, have no choice but to specify their place of work, etc. To keep highly motivated employees working for the company for the long-term, it will be necessary to create a flexible HR system that allows for diverse working styles and is able to accommodate the different circumstances and needs of each employee. I hope that we will be able to promote the establishment of such a system during this MM Plan period.

In terms of promoting women's participation in the

#### As a company that can contribute to society through its business

I believe that every Neturen technology and product is helping to build better social infrastructure, and therefore the expansion of our business is, in and of itself, a major contribution to society.

In particular, our unique IH technology can contribute to reducing environmental impact in various ways, such as by reducing the amount of steel used and making parts lighter. There are also many possibilities for us to contribute to the renewable energy business, such as using Neturen products for wind power generation equipment. We aim to deliver our products and technologies not only in Japan but globally in order to make meaningful contributions to society.

Another major strength of ours is that we have plants and other bases throughout Japan and around the world, and each base can consider ways to contribute to the local circumstances and needs of that region. With each base assuming a leading role, the Neturen Group as a whole will work together to move forward with the 16th Medium-term Management Plan.

Furthermore, we intend to put more effort than ever into disseminating information about



#### Message from top management

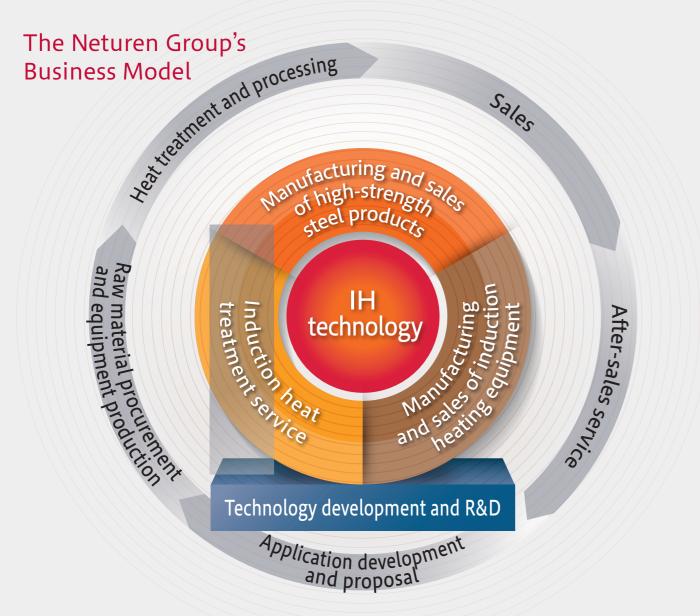
workforce, we have made it a policy at all of our locations to turn our plants, which have traditionally tended to be male-oriented designs, into "workplaces where women can work comfortably." In addition to providing facilities such as bathrooms and break rooms, we aim to create a workplace that eliminates intense physical labor, for example by using the latest technology to replace tasks that require carrying heavy objects by hand. I believe this will lead to a workplace that is comfortable for everyone.

We are also proactively working to acquire external human resources who are specialists with experience in a variety of specialized fields. Of course, we have high expectations for their skills, but at the same time, we believe that they will breathe "outside" air into the company, stimulating the workplace from inside. To those who joined us mid-career, I tell them, "Don't conform to the Neturen ways." Instead of completely conforming to the Neturen ways, they should remain true to themselves, saying and doing what they want without hindrance. I believe this will lead the entire company in a positive direction.

these activities. Instead of settling for self-gratification, we want our stakeholders and society at large to recognize Neturen as a "company that contributes to society through its business." This is our raison d'être, and we will continue to do our utmost to fulfill it. We would appreciate honest opinions from everyone, including readers of this report.

# Source of value creation

The Neturen Group has a unique business model built on three businesses specializing in IH (induction heating) technology underpinned by technological development and research and development as its foundation, and all three businesses are complimenting each other.



#### By combining the "three businesses" built on IH technology, we offer in-house, end-to-end solutions

Neturen's business consists of three parts: "induction heat treatment service" providing heat treatment, mainly induction heat treatment, for all kinds of machine parts; "manufacturing and sales of induction heating equipment" involving design, production, sales and engineering of induction heating / heat treatment equipment, frequency converters, etc.; and "manufacturing and sales of high-strength steel products" involving the manufacture and sales of unique, induction heat-treated steel products, such as automobile parts and materials for civil engineering and construction. These parts complement each other, enabling us to complete all processes in-house, from procurement to manufacturing to processing to sales, which is our strength.

#### Striving to be at the leading edge through advanced research and development and technology development

Neturen has its own in-house R&D department, with industry-leading material analysis, simulation, and production technologies, and is constantly deepening and evolving its unique technologies. We begin at the development process to respond to the diverse needs of customers in various fields.

### Management capital, the base of our business

Management capital is the source of Neturen's business activities and value creation. We are strategically utilizing and strengthening these capital assets so as to create value for society and strengthen our management base.

#### **Financial capital**

Stable financial base



#### Neturen's wide range of high-quality products and services realized by its reliable technological capabilities command top-class domestic market shares, and the revenues generated from these products help maintain our stable financial base. In order to achieve the goals of NETUREN VISION 2030, we plan to improve our capital efficiency and aggressively make growth

P19 Financial strategy

#### Intellectual capital



#### Neturen's unique technological capabilities and manufacturing know-how

investments in line with our growth strategy.

The source of Neturen's competitive advantage is the knowledge it has accumulated over the years as a pioneer in IH technology as well as the cutting-edge technology created by its in-house research and development and technology development departments. We are facilitating external collaborations, such as joint research with academic institutions, and promoting overseas patent strategies with the aim of global expansion.

#### P31 R&D and intellectual property

#### Social capital

### Close relationships with customers



# and suppliers

Since its establishment in 1946, Neturen's business has been built on long-term relationships of trust with customers and business partners in a wide range of industries, various research institutions, and local communities. To remain a company that is needed by society, we will provide timely and appropriate information to stakeholders and engage in proactive dialogue.

P34 Sustainability management

#### Manufacturing capital

#### A production system that meets all heat treatment needs

We have heat treatment equipment at a wide range of production bases of our group companies both in Japan and overseas and can provide tailored services to meet all of our customers' needs, including not only IH heat treatment but also products and equipments manufacturing and supply. To further strengthen our manufacturing capital, we are working to improve our production technology capabilities through the use of DX and AI and to reorganize our main plants.

#### P25 Strategy 2, P27 Strategy 3

#### Human capital

#### Group human resources that are expanding globally

We aim to be a company at which highly skilled personnel involved in heat treatment and various specialists who are responsible for each process of our in-house integrated system work together to leverages technology to maximize its comprehensive capabilities. With an eye toward future business transformation, we are also focusing on developing global human resources, expanding our reskilling system, and establishing a flexible personnel system.

### Natural capital

#### W-ECO technology and eco-friendly manufacturing

IH treatment, which uses the power of electricity, has smaller impact on the environment compared to other heat treatment methods, which means Neturen's business can contribute to the realization of a carbon-free society. We will focus on creating products and new technologies that contribute to reducing CO2 emissions and conserving resources while also promoting CO<sub>2</sub> reduction within the Neturen Group and its supply chain.

P37 Responding to climate change







P29 Strategy 4

# Value creation model

The Neturen Group has been creating many kinds of products and technologies which help developing infrastructures, sustaining human life and solving social problems. A series of these activities has been enabling our continuous growth and improvement of our corporate value. It also allows us to make our next challenges.

Value creation



#### 15th Medium-term Management Plan (April 2021 to March 2024)

## Review of the four strategies

Strategy 1	Evaluation	Strategy 2 Evaluation
Stabilizing business by further strengthening core competence, and developing new technologies, products and businesses to the market		Promote digitization and improve information sharing throughout the company led by N-DX organization and start full operation in three years
<ul> <li>Competitiveness of core businesses</li> <li>Automation and IoT were promoted to improve labor pr</li> <li>Production capacity increased in US and Indone</li> <li>Passing cost increase to the selling price of products was selimplemented however, cost increase was too fast to catch u</li> <li>New technologies, new products, and new busis</li> <li>New EV-related products were introduced to the</li> <li>Even with the market launch of the cut-off constimethod, the new business goal was not achieved stagnated market (New products/businesses salin three years under the 15th MM Plan: 16%)</li> </ul>	sia uccessfully up <b>inesses</b> e market truction d due to	<ul> <li>Team discussion and examination in accounting, sales, and manufacturing</li> <li>A Targets and road maps were set</li> <li>Some delays took place in accounting and sales teams, but they are being catched up now</li> <li>Manufacturing team activity is on track</li> <li>Achievement: <ul> <li>ICT infrastructures were installed in production sites (Phase 1)</li> <li>Electricity consumption and CO<sub>2</sub>emission were visualized</li> <li>Heat treatment data base was established</li> <li>VR-based safety training system was installed</li> </ul> </li> </ul>
Strategy <b>3</b>	Evaluation	Strategy 4 Evaluation
Identify SDGs as the core of management, promote reduction of CO₂ emission and contribute to a sustainable society	0	Develop human resources to enhance the Group's sales and marketing capabilities globally
<ul> <li>Penetration of SDGs management to the con</li> <li>Corporate Sustainability Promotion Committee and Environmental Protection Committee were established thereby discussion was activated and decision was ac</li> <li>First integrated report was issued and internal promotional activities were implemented</li> <li>CO<sub>2</sub> reduction</li> <li>CO<sub>2</sub> emissions were reduced for 22% in 3 years in 15thMedium-term Management Plan compared to t</li> </ul>	ed, ccelerated	<ul> <li>Development of skilled human resources</li> <li>Trainees were dispatched overseas, joint trainings were conducted by global bases to promote personnel exchanges within the Group people from affiliate companies joined QC circle conventions.</li> <li>Skills map was completed and skillset records were used effectived</li> <li>Diversity enhancement</li> <li>Female employee was appointed to overseas sales department. Candidate of female management was invited to training course of managerial position</li> <li>Implementation of diverse work styles</li> </ul>

*Overview* of the 15th *Medium-term Management Plan*  which is our long-term management vision, in FY2021 and drew up the 15th Medium-term Management Plan as its first phase in the work toward achieving that vision. In a tough and unpredictable business environment, we achieved our net sales target for FY2023, but profits fell short of our plan. However, even amidst such a business environment, this was a period in which we have made steady progress in strengthening our earnings base and brought about various changes, such as shifting to management with an awareness of capital costs.

### Recognition of the external environment in formulating the 16th Medium-term Management Plan (major risks and opportunities)

Risks	Opportunities
<ul> <li>Climate change and its impact to our business</li> <li>Global inflation and its affect to the global economy and our business</li> <li>Geopolitical risks which cause changes in supply chain and business environment</li> <li>Rise in raw material and energy prices, drastic changes in financial and foreign exchange markets</li> <li>Longer delivery term and increasing labor cost due to the new Japanese regulation in 2024 in construction and logistics industries</li> </ul>	<ul> <li>Increasing demand for environmentally friendly induction heat treatment due to the need for decarbonization</li> <li>Global expansion of EV/HEV and renewable energy markets</li> <li>Growth of manufacturing in emerging countries</li> <li>Increasing demand for high-strength products to create a resilient nation</li> </ul>

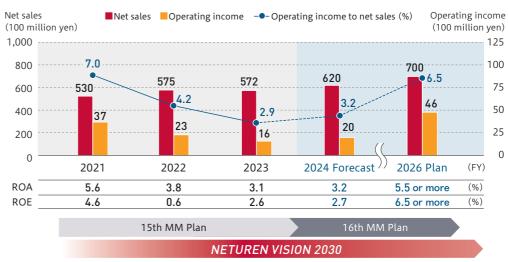
#### 16th Medium-term Management Plan (April 2024 to March 2027)

### Aggressive Challenge One NETUREN 2026

Growth, Evolution, and Breakthrough. Challenge boldly and aggressively by getting together collective resources of whole group companies

Increased Corporate Value					
Technology Development	<b>Create New Drivers to Grow</b> Based on our marketing expertise, we will create new businesses, products and technologies through flexibly bringing together our collective inter- group strengths using Inverted T-shaped model.		<ul> <li>Capital policy and financial strategy</li> <li>Capital allocation</li> </ul>		
Business	Generate Growth Engines Improve production engineering to gain competitiveness of our products by bringing together new technologies and our cultivated work-site operational expertise to expand our business and win higher customer satisfaction.	Capital Cost	<ul> <li>Full-scale introduction and roll out of ROIC</li> <li>Business portfolio</li> </ul>		
Global	<b>Expand Market Globally</b> Expand the global market including untapped areas by bringing together information network and publicizing our products, services, and technologies which contribute to reducing CO <sub>2</sub> emissions and mitigating global environmental impact.	Management	Management capital will be invested to the challenges after examination and		
Human Resources	<b>Develop Employees with Self-motivation at Work</b> Develop personnel who think positively, possess self-motivation and embrace diversity. Bring together individual activities to the entire the Neturen Group to accelerate our corporate growth.		determination based on strategies with clear intention		

#### Performance trends and plans (consolidated)



Formulation of the 16th Medium-term Management Plan As the second phase of achieving NETUREN VISION 2030, the 16th Medium-term Management Plan sets out a basic policy of proactively, efficiently, and effectively utilizing management capital and linking four strategies to promote business expansion. As we further expand the Neturen brand, we will promote sustainability management, spread environmentally friendly technologies and products, and work to contribute to creating a sustainable society and increase our corporate value.

Achieving NETUREN VISION 2030



## Capital cost management explained by Executive Officer in charge of finance

### We will enhance our capital cost management in an effort to realize sustainable growth and increase corporate value.

Director, Member of the Board, Executive Officer General Manager, Administrative Headquarters Tomokatsu Yasukawa

#### Looking back on the 15th Medium-term Management Plan

The Neturen Group's 15th Medium-term Management Plan (hereinafter "15th MM Plan"), which began in 2021, was, as symbolized by its slogan "Change!! New NETUREN 2023," a period in which our Group worked on various initiatives across the company with an intent "to change" and "to make changes" in order to realize NETUREN VISION 2030: Evolution and Breakthrough, our long-term management vision. Of course, the same can be said about the areas regarding financial strategy and capital policy.

To continuously increase our corporate value, we need to manage our business with greater awareness of capital costs and share prices. Based on the recognition that such awareness is also part of our responsibility as a company listed on the Prime Market, we have clearly declared in the 15th MM Plan for the first time the outline of our financial strategy and capital policy, which were previously restricted to the minimum level of disclosure. We have disclosed information about our Group's basic approach to financial strategy and capital policy, such as capital allocation and the balance sheet we aim to achieve, as well as numerical targets and the timing and type of initiatives we will be undertaking to achieve them. We have then clearly communicated our intentions to shareholders and investors, gained their understanding, and enhanced two-way dialogue. We then incorporated the opinions and suggestions we received from everyone into discussions at the Board of Directors' meetings and the Management and Executive Officer meetings

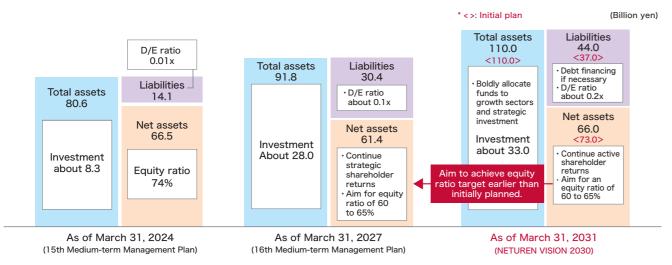
and aimed to implement the PDCA cycle and control our balance sheets and cash flows in order to increase our corporate value.

To achieve this, in addition to net sales and profit before tax, we have introduced ROE (return on equity) and ROA (return on total assets) as evaluation indicators. Furthermore, we have introduced the base concept of weighted average cost of capital (WACC) and have set a larger goal of achieving an ROE that exceeds WACC.

In the process of deciding the policy, we had numerous internal discussions about what the "ideal equity ratio" should be, taking into consideration various conditions such as business risks, industry averages, and cash flow. Our equity capital has been built up over our history as a company, and we have come to recognize that our high equity ratio and robust financial structure have enabled us to remain steady and focus on our core business even during the financial crises (Lehman Shock) and the COVID-19 pandemic. On the other hand, as a listed company, it is important to control our balance sheet with intention in order to increase our corporate value. One of the major achievements of the 15th MM Plan is the indepth discussions we had on a variety of topics, including new products, growth strategies, and capital cost management.

We have implemented various measures, including acquiring treasury stock, changing our dividend policy, and overhaul of cross-shareholdings, all of which are aimed at "improving corporate value." As the Executive Officer in charge of finance, I would like to continue to lead the way in this direction and accelerate our efforts.

#### Figure 1: 16th Medium-term Management Plan balance sheet targets



# Strengthening capital cost management in the 16th Mid-Term Business Plan

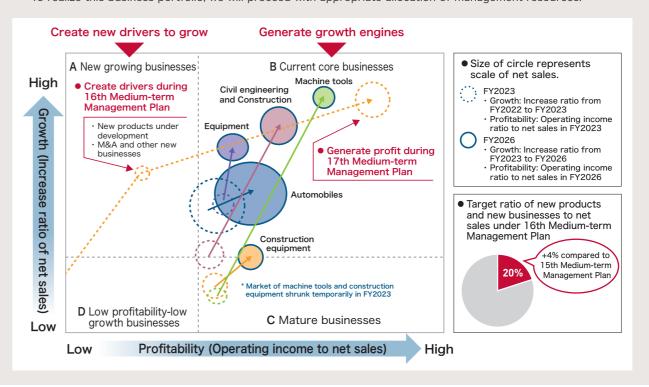
On the other hand, there are still challenges to be overcome in terms of whether the significance of these initiatives and the importance of capital cost management have been sufficiently disseminated throughout the Group and whether they have firmly taken root in the hearts of employees working on the front lines.

Inheriting these challenges, we have launched our new 16th Medium-term Management Plan (hereinafter "16th MM Plan") from FY2024. Over the next three years, we hope to take advantage of the changes brought about by the 15th MM Plan, improve the effectiveness of our initiatives, and put them into action in a speedy manner. Furthermore, we plan to leverage these initiatives as springboards to take on new challenges, staying true to our slogan "Aggressive Challenge One NETUREN 2026."

In this 16th MM Plan, we have set four strategic pillars— "Technology Development," "Business," "Global," and "Human Resources"—and by "connecting" each of these initiatives, we aim to promote business expansion and increase corporate value. This will be supported by further strengthening capital cost management.

#### Business portfolio

When we announced our 16th Medium-term Management Plan, we reviewed and disclosed our target business portfolio. Taking into account the growth potential and profitability of each industry, we will clarify which businesses and industries are likely to grow, allocate management resources efficiently and effectively, and advance growth investments. By expanding these, we will enhance our growth engines and achieve sustainable business growth. Furthermore, during this medium-term management plan, we plan to nurture new products, new businesses, and new technologies as growth drivers, harvest them in the 17th Medium-term Management Plan, and add them to our existing businesses to achieve our vision. To realize this business portfolio, we will proceed with appropriate allocation of management resources.



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Specific targets include the early realization of an ROE of 6.5% or more and a PBR (price-book value ratio) of 1.0 or more, as well as a target balance sheet equity ratio of around 60-65% (Figure 1).

To achieve this, we will first pursue strategic investments more proactively than ever before. By introducing a business portfolio and focusing management resources on new businesses and products with high added value and profit margins, as well as growth areas, we will generate new growth drivers, increase our "earning power," and achieve sustainable growth so as to prepare ourselves to achieve great results in the upcoming 17th Medium-term Management Plan period. Additionally, with regard to M&A, we have set up a specialized department within the Business Planning and Development Headquarters to further accelerate the process.

In this situation, business department works as an "accelerator" of corporate activities, then we in the financial department fulfill a role of a "brake." Our role is to try to strike a balance between preventing rushing things and taking excessive risks and not unnecessarily curbing the momentum, and to this end, we are constantly engaging in lively backand-forth exchanges.

As part of this, we have begun implementing the Business Investment Guidelines for investment decisions since April

eation

2024. In addition to the payback period, which has been the key criterion for investment decisions up until now, the new concepts of [1] ROI (return on investment), [2] IRR (internal rate of return), and [3] NPV (net present value) have been introduced. This has resulted in a process in which we can analyze various aspects, including financial risks, risks associated with fundraising, and profitability forecasts, and decide on whether or not to make an investment while taking risks into account. We also clarified the conditions for withdrawal, stating, "We will withdraw by this date if these conditions are not met."

At the same time, we recognize that in order for our stakeholders to anticipate growth, we need to make investments in intangible assets such as human capital and intellectual property, as well as in environmental initiatives such as reducing CO<sub>2</sub> emissions, so that we may also improve our non-financial value. We will continue to consider the importance of expanding investment in areas such as creating systems for recruiting and training talented human resources in R&D, as well as other areas, and the strategic use of intellectual property.

Moreover, in terms of capital allocation under the 16th MM Plan, we plan to make more proactive strategic investments than ever before, based on 38.6 billion yen in cash, which is a combination of operating cash flow, sale of assets, and cash on hand.

The plan is to spend 12 billion yen on regular investments, such as increasing production, reducing the labor force and streamlining, strengthening earthquake resistance at plants, and repairing facilities, and 16 billion yen on growth investments, such as new product development, promoting digital transformation, and environmental investments. Combining these two investments, our bold investment plan is 3.7 times that of the 15th MM Plan. Furthermore, we plan to continue the shareholder returns strengthened in the 15th MM Plan so as to encourage shareholders and investors to continue investing in us for the long term. In order to provide stable and sufficient returns regardless of business performance, we have set the DOE (dividend on equity) at 3.0% or more, and plan to pay at least 4.6 billion yen in dividends and acquire approximately six-billion-yen worth of treasury stock (Figure 2).

### Infiltrate the concept of ROIC from the top to the bottom of organization.

Furthermore, we plan to make a more full-scale introduction and rollout of ROIC, for which we made preparations during the 15th MM Plan, during the 16th MM Plan. By doing so, we will further improve our control of our balance sheet and cash flow, and we intend to achieve our targets for ROE, PBR, and equity ratio even earlier than planned (Figure 3).

In order to ensure that these ROIC improvement initiatives are implemented in the workplace all the way to the front lines, we will create and deploy a "reverse ROIC tree." This is a "reverse tree" that makes it easier for onsite staff in each department to have a clear understanding of ROIC by breaking down ROIC into management values familiar to each department, such as "lower defect rate," "shorter inventory turnover period," and "higher equipment operating rate," and it visually shows how the accumulation of each department's daily improvement actions will ultimately lead to increased ROIC.

Based on this, we plan to incorporate ROIC into our personnel system going forward. Managers in each department currently set their own major business goals, such as "increasing profit margins," "reducing quality costs," and "nurturing human resources others can aspire to," as part of "target performance management" and work to achieve these goals. A system will be introduced to reflect in personnel decisions any results that are deemed to have led to an increase in ROIC, with the aim of further raising awareness of ROIC. In this way, rather than simply setting initiatives in a top-down manner, we adopted an approach that incorporated a bottom-up perspective, allowing those on the front lines to think and act for themselves. This was because we feared that solely relying on the top-down approach may result in the policy becoming unstable. Instead, by adding a bottom-up approach, we can progress toward long-term and far-reaching goals that start from onsite, though it may take more time. I believe that this is the way to improve ROIC that suits Neturen as a company. Going forward, we will expand these efforts further, from points to lines and from lines to surfaces and work to ensure that they permeate quickly throughout the entire Group.

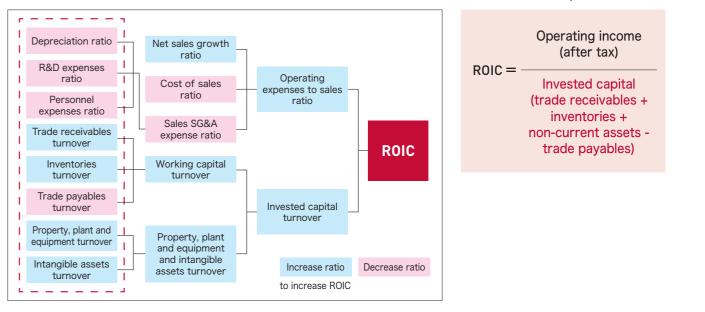
In addition, the "Capital Cost Management Promotion Project," which I myself led and launched in April 2023 with the aim of spreading awareness of capital cost management, is primarily responsible for creating this "reverse ROIC tree." The working group is centered around members from the Corporate Planning Office and the Administrative Headquarters and also includes accounting staff from each plant and domestic group companies. To date, we have held study sessions on capital cost management for executives and the heads of Group companies both in Japan and overseas.

Furthermore, in FY2024, we will hold explanatory sessions primarily for General Managers and other management personnel at each plant to ensure that they thoroughly implement the reverse ROIC tree model. "ROIC" may not immediately ring a bell, but I want to communicate that it does not mean we are asking everyone to start any new activities. Instead, we should continue to carefully manage our work sites, as we have been doing, to improve productivity, which will ultimately lead to improved ROIC for the entire company.

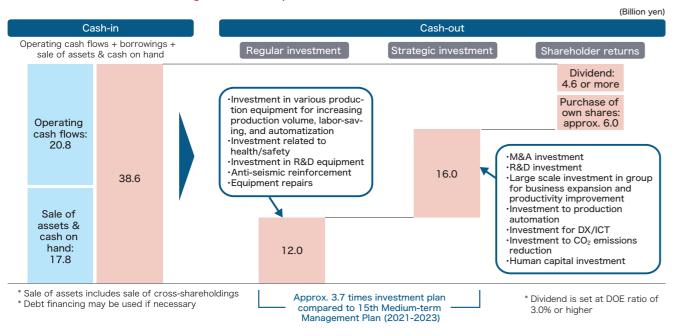
In March 2023, the Tokyo Stock Exchange requested all listed companies on its Prime and Standard markets to

#### Figure 3: Full-scale implementation and deployment of ROIC

< Inverted ROIC tree >



#### Figure 2: 16th Medium-term Management Plan capital allocation



"achieve management that takes into consideration capital costs and stock prices." However, our emphasis on capital cost management is not solely due to such external factors. We strongly believe that promoting capital cost management is essential to continuously increase our corporate value and realize NETUREN VISION 2030: Evolution and Breakthrough, which is our long-term management vision.

### Through communication with shareholders and investors

In terms of communication with shareholders and investors, in addition to holding company information sessions once a year, we have also held individual information sessions for institutional investors. We have received frank questions about measures to improve ROE and future business strategies, and since the announcement of our 16th MM Plan, there have been many references to the contents of that plan, which shows the high level of interest.

Additionally, a common request we receive from many institutional investors is to provide them as much information as possible. In order to respond to such requests, we have made conscious efforts such as increasing the number of news releases, which has led to the new trend such as our group's initiatives being featured in industry publications.

We are keenly aware of the importance of releasing information as early as possible about areas that will lead to our future growth, such as Neturen's technological capabilities, brand power, and strategic investments. To attract even more institutional investors to become our stakeholders, we will need to strive for wider dissemination of our strategies and achievements so as to attract their interest.

We will continue to engage in dialogue with shareholders and investors while striving to achieve sustainable growth as a company and increase our corporate value. Please keep your eyes on the Neturen Group's "Aggressive Challenge."

#### < ROIC formula adopted in Neturen >

### Strategy

### Technology development Create new drivers to grow

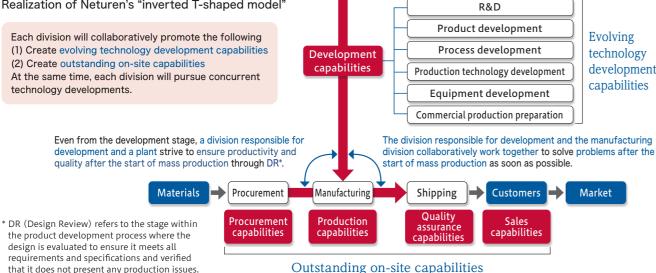
#### Premise and background of the strategy

- Due to technological developments at other companies, competitors to enter the induction heat treatment service business increased gradually
- · As existing products become increasingly commoditized, there is a need to differentiate ourselves from our competitors, create new technologies, products, and businesses, and bring them to market quickly
- · As the demand for decarbonization increases, the advantages of induction heat treatment remain strong, and demand to replace other heat treatment methods is expected to continue to grow
- In order to achieve future growth, we need to create new businesses that will become our new pillars

#### Realizing Neturen's "inverted T-shaped model"

At Neturen, we are working to strengthen our technological development structure through total optimization and have adopted the "inverted T-shaped model" as our basic concept. By promoting collaboration between departments and sharing information in a timely manner, we aim to achieve concurrent technology development\* and bring new products and technologies currently under development to market as quickly as possible. Our efforts to date have created actual results, such as the development of products that meet the seeds of our R&D department and needs of our customers. In addition, lively

#### Realization of Neturen's "inverted T-shaped model"



#### Priority measures

Reduce time-to-market of new products and new technologies currently under development by effectively adopting an "Inverted T-shaped Model" Launch new businesses, including through M&A opportunities Develop cross-department global businesses Enhance competitiveness with various heat

treatment technologies and solutions by integrating pre/post processes into heat treatment processes Develop production technologies to enable production not depending only on human expertise, leveraging DX and AI

discussions are taking place between departments regarding new business development, including M&A, giving rise to new trends that have never been seen before. We will strive to popularize this "inverted T-shaped model" and promote the development of new products and technologies and their rapid market introduction.

\*Concurrent development is a methodology in which multiple phases of the product development process are simultaneously conducted, with the goal of shortening development time and reducing costs through information sharing between departments

#### Focused investments to generate growth drivers

In the 16th Medium-term Management Plan, we plan to invest 28 billion yen in total, which is approximately 3.7 times more than in the previous medium-term management plan. Breaking this down, we plan to allocate 12 billion yen to regular investments and 16 billion yen to strategic investments. Strategic investments include investments in M&A, research and development, and other areas aimed at generating growth drivers.

#### Develop new products and businesses into new pillars of profit

To achieve NETUREN VISION 2030, it is essential to develop new technologies, new products, and new businesses. As a general rule, we define our Group's products and businesses that were launched in the market in the past five years as "new products and new businesses," and we aim to increase the proportion of these in our sales.

One of the goals of the 16th Medium-term Management Plan is to achieve a new product/new business sales ratio of 20% (up 4% from the previous medium-term plan). Starting in April 2024, we will strengthen our organizational structure by centralizing the overall responsibility for research, technological development, and business development into a Senior Managing Executive Officer. We will work to generate growth drivers with greater urgency than ever before.

#### New product development examples

#### Started manufacturing pure copper induction heating coils using a metal 3D printer

We have introduced the industry's first metal 3D printer that uses a green laser to create shapes from pure copper in the manufacturing process of induction heating coils used in IH treatment, and the printer has begun full-scale operation

#### • Number of induction heating coils by 3D printers (including sales) Future 200 units in FY2025 ▶ 400 units in FY2027 plans

Lead time for heat treatment technology development 30% reduction in FY2025 ► 60% reduction in FY2030

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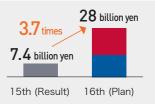
#### Creating new businesses through M&A

In our 16th Medium-term Management Plan, we plan to proactively take on the challenge of creating new businesses through M&A. Our basic policy is to focus on Neturen's technology and knowledge and to explore areas that will strengthen our existing businesses or become the pillars of new businesses. In April 2024, we will launch a specialized team to focus on M&A and business development and are currently working with each department to consider these options. With an eye toward future social issues and business environments, we plan to collaborate with companies that can create synergy effects through the utilization of Neturen's technology and knowledge so that we may continue to grow well into the future.

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that it does not present any production issues.

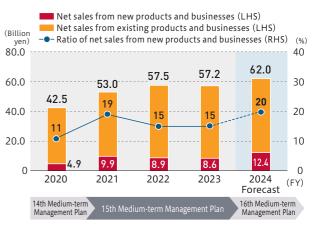
16th Medium-term Management Plan (FY2024-2026) investment plan



Strategic investment: 16 billion yen (M&A, R&D, DX, CO<sub>2</sub> reduction. human capital etc.) Regular investment: 12 billion yen

(Increased production, earthquakeproofing of plants, etc.)

#### Net sales of new products and new businesses

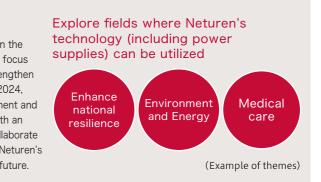


in FY2024. This enables faster manufacturing compared to traditional manual work by skilled technicians, makes it possible to create shapes that were previously impossible, and simplifies post-processing. Furthermore, by combining this with Neturen's CAE analysis technology (see page 31), it will be possible to manufacture higher-performing induction heating coils, and we can also expect high synergy effects, including optimized coil shape and extended lifespan.

### (compared to before)



An example of pure copper induction heating coils printed with a metal 3D printer





#### Premise and background of the strategy

- Due to technological developments at other companies, competitors to enter the induction heat treatment service business increased gradually
- · As existing products become increasingly commoditized, there is a need to differentiate ourselves from our competitors, create new technologies, products, and businesses, and bring them to market quickly
- As the demand for decarbonization increases, the advantages of induction heat treatment remain strong, and demand to replace other heat treatment methods is expected to continue to grow

#### Realizing a flexible monozukuri system

One of the company's key priorities is to build a flexible and advanced monozukuri system. By promoting digital transformation and IoT at production sites, shortening lead times, and creating a system that is resilient to fluctuations in orders, we will increase our capability to respond to customer needs in a detailed manner. We are also developing new, highly efficient equipment that can significantly shorten cycle times. Our facilities are deployed globally, and as requirements vary by

#### Priority measures

- Contribute to mitigating global warming impact with our heating technologies, equipment, and products mainly featuring induction heating (IH) technology with net zero CO2 emissions
- Establish flexible production at factories to be able to accommodate demand fluctuations
- Introduction of advanced production including automation, robotics, and labor-saving operations

region, we will work with the facility teams of our group companies in Japan, China, and Korea to create a system that allows us to develop products close to our customers.

These initiatives require not only high production technology capabilities but also digital skills in equipment maintenance and management, so the company plans to strengthen its human resource development through the use of reskilling and other methods.

#### \ PICK UP/

#### Building an advanced monozukuri plant: REBORN Kariya project is launched

At Neturen's Kariya Plant (Kariya City, Aichi Prefecture), one of its bases for induction heat treatment services, we have launched a plant reorganization project called REBORN Kariya with the aim of improving productivity, expanding production capacity, and increasing profitability. The project will consolidate nine factories that were previously spread across the site and promote the adoption of IoT at production sites, with completion scheduled for 2030. As the first step, the company has decided to install new heat treatment equipment in July 2024, which is expected to increase the production capacity of the relevant products at the plant by approximately 1.2 times (scheduled to begin operation in October 2025). We will strongly promote this project, completely rethink the current flow of goods, and build an evolved monozukuri plant with an eye to the next generation.



Kariya 7th Factory

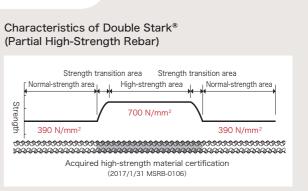
#### Industry-specific priority measures

Industry	Business status (FY2023)	Priority measures	Market trends/needs
Automobile	Net salesRatio of net sales <b>32.7 billion yen57.2%</b> Core products/servicesHigh-strength spring steel wire (ITW* for cold forming spring)• Hollow rack bar• Induction heat treatment service• Induction heat treatment service• Induction heating equipment	Actions to respond to increasing demand for electric vehicles (HEV, PHEV, BEV*) • Prompt capital investment for larger-diameter ITW® production and market Release • Develop technologies and install equipment to realize reinforced and lighter springs for vehicle's suspension to capture market needs in advance *HEV: hybrid electric vehicles, PHEV: plug-in hybrid electric vehicles, BEV: battery electric vehicles	<ul> <li>Popularization of environmentally friendly products</li> <li>Expanding demand for automobiles in emerging countries</li> </ul>
Construction Equipment and Machine Tools	Net salesRatio of net sales11.3 billion yen19.8%Core products/serviceSlewing bearingInduction heat treatment serviceInduction heat ing equipmentHigh-precision pre-hardened steel, etc.	<ul> <li>Actions to accommodate market with high demand fluctuation</li> <li>Provide high-quality and agile heat treatment services to win customer satisfaction</li> <li>Invest to production equipment to establish flexible production to accommodate fluctuations in demand</li> </ul>	<ul> <li>Increasing demand in emerging countries</li> <li>Increasing demand for labor-saving measures due to the development of new industries</li> </ul>
Civil Engineering and Construction	Net salesRatio of net sales10.2 billion yen17.8%Core products/servicePC steel barsHigh-strength shear reinforcementDouble Stark® (Partial High-Strength Rebar)Pre-grout PC steel bar	<ul> <li>Differentiating products to take advantage in market</li> <li>Propose products that are suited for national resilience projects, respond to demands of precasting, wind power generation and other applications</li> <li>Strengthen product competitiveness through enhanced R&amp;D organization and prompt experiment execution.</li> <li>Proposals for design replacement of civil construction work and accelerate development of new applications</li> </ul>	<ul> <li>Increasing demand for high-strength products as part of efforts to create disaster-resistant cities</li> <li>Increasing demand for products that reduce on- site labor due to a shortage of craftsmen</li> <li>Wider availability of renewable energy</li> </ul>
Equipment	Net salesRatio of net sales3 billion yen5.2%Core products/services• Induction heating equipment• Power supply	<ul> <li>Differentiations of technologies to competitors to expand market share</li> <li>Develop ICT-supported high-speed quenching and tempering equipment through global cooperation, and its market release</li> <li>Produce new induction heating coils using 3D printer-based processing technologies and release the products</li> <li>Restructure the heating coil production business</li> </ul>	<ul> <li>Increasing demand for heat treatment due to the development of new industries</li> </ul>

#### \PICK UP /

Further development of Double Stark<sup>®</sup> (Partial High-Strength Rebar) in the civil engineering and construction markets

Double Stark<sup>®</sup> (Partial High-Strength Rebar) developed by Neturen is a rebar that has double strengths, a normal-strength area, and a high-strength area, within a single deformed steel bar. This reduces the amount of rebar used by approximately 30% compared to conventional methods, not only contributing to resource conservation but also expanding living space by reducing the weight of buildings, leading to improved comfort. We aim to further popularize Double Stark<sup>®</sup> by working to expand its applications and proposing new ways to use it.





#### Premise and background of the strategy

- Manufacturing capabilities and business strategiess that meet the different needs of each region
- · Addressing geopolitical risks and their horizontal application
- In addition to global expansion based on collaboration with Japanese companies, aim for direct collaborations with local companies

#### Supply chain optimization -Promoting "suitable production at the optimum location"

We have begun an initiative to consolidate information regarding procurement for our global bases, with the aim of reducing procurement costs and to improve the business continuity plan (BCP) in the event of unforeseen circumstances. Additionally, we will work to optimize operations across the entire group, for example by shifting equipment manufacturing that has traditionally been conducted in Japan to overseas bases.

#### Priority measures

- Examine the possibility of installing new factories according to regional marketing
- Optimize global supply chain by deepened BCP strategies
- Arrange optimum production locations through global market study



Example of facility enhancement in Indonesia

#### \ PICK UP /

Strategy

#### Global expansion of ITW<sup>®</sup> for cold forming spring

The Specialty Steel & Wire Products Division is promoting sales expansion of ITW®, a high-strength spring steel wire for automotive-related products that is sold globally, in anticipation of the expansion of the global market due to the shift to EVs. In 2023, Neturen America expanded its ITW® production capacity by 40% through the expansion of its plants and facilities, and it began mass production, including for larger diameters. In addition, in April 2024, we exhibited at wire & Tube 2024, held in Düsseldorf, Germany, where we promoted the Neturen Group's wire products and technologies iointly with four bases in Japan, the United States, the Czech Republic, and China, with ITW<sup>®</sup> at the center.



Wire & Tube 2024 (international wire industry exhibition)

#### Region-specific priority measures

#### Europe

Net sales: 2.8 billion yen Ratio of net sales: 5.0%

- Key products/services
- ITW<sup>®</sup> for cold forming spring

#### Market characteristics/challenges

Along with the rise in awareness toward reducing environmental burdens, the demand for EVs is increasing, resulting in higher demand for heat treatment with an emphasis on weight reduction. Meanwhile, competitors have emerged and competition has intensified.

#### Priority measures

- Promote ITW<sup>®</sup> across Europe and develop new
- applications of ITW<sup>®</sup> including large-diameter ones Conduct feasibility study for development of induction
- heat treatment-related business

#### China

#### Net sales: 11.5 billion yen Ratio of net sales: 20.2%

#### Key products/services

- · ITW<sup>®</sup> for cold forming spring · Induction heating equipment
- Slewing bearing · Induction heat treatment service

#### Market characteristics/challenges

Although the EV market is maintaining its strength, price competition for EV products is intensifying.

#### Priority measures

- · Capture domestic demand for electric vehicles and expand sales of ITW<sup>®</sup> in the ASEAN region
- Increase profit of ITW<sup>®</sup> by promoting local procurement of raw materials and ensuring quality
- · Significantly accelerate response to customers'
- requests by localizing development of heat treatment technology

#### \ PICK UP /

#### Strengthening the global system for IH-related products

In the IH (Induction Heating) Division, global demand for induction heat treatment services and equipment-related services is gradually increasing. In North America and Indonesia, we are working to increase production capacity. In Mexico, we are considering making more effective use of the space in our plant and expanding into areas other than induction heat treatment services. In terms of equipment, we are working on the development of induction heating equipment through collaboration between Japan, China, and Korea, aiming to bring to market next-generation heat treatment equipment incorporating the latest technology.

#### North / Central America

#### Net sales: 5.1 billion yen Ratio of net sales: 9.2%

#### Key products/services

· ITW<sup>®</sup> for cold forming spring · Induction heat treatment service

#### Market characteristics/challenges

Even though demand for gasoline-powered vehicles remains high, demand for environmentally friendly vehicles such as EVs is also on the rise, leading to increased demand for heat treatment that focuses on weight reduction. Meanwhile, competitors have emerged and competition has intensified.

#### **Priority measures**

- Develop new customers and new applications for ITW<sup>®</sup> including large-diameter ones
- Expand the variety of parts handled by induction heat
- treatment-related services and start mass production in Mexico · Restructure to expand heat coil business through global cooperation

#### Asia

#### Net sales: 1.2 billion yen Ratio of net sales: 2.1%

#### Key products/services

·Induction heat treatment service · Induction heating equipment

#### Market characteristics/challenges

As Indonesia and other Southeast Asian countries maintain high economic growth rates and their automobile markets expand, demand for induction heat treatment service is also increasing. However, it would be affected if tensions between the United States and China were to increase.

#### Priority measures

- Expand induction heat treatment-related business by enhancing production capacity and integrating pre/post processes into heat treatment processes
- Release new products to equipment market, expand business through global cooperation



NETUREN MEXICO. S.A. de C.V.



### Human resources Develop employees with self-motivation at work

For the Neturen Group to continue creating value into the future and remain an indispensable company to society, we believe that our most important management capital is our human resources. NETUREN VISION 2030 sets out the ideal image of human resources as those "who have a self-motivation at work, having a challenging and continuously growing mind, to cover the worldwide market." In the 16th Medium-term Management Plan which is the second phase of VISION 2030, we will implement our human resource department's strategy consisting of "Eight Set-ups", and motivate each employees' voluntary actions to connect to group's activities and execution of management Scheme.

As a key human resources challenge linked to our management strategy, we will further strengthen our efforts in developing global human resources and reskilling employees to acquire new necessary skills. Furthermore, as the working population in Japan continues to decline, securing human resources is also an important issue for the Group. We will work harder than ever to provide systems that can flexibly respond to diverse needs and create a comfortable working environment so that employees who are motivated to contribute can continue to work enthusiastically with a sense of fulfillment. We will establish a virtuous cycle in which a diverse workforce can thrive with a smile and produce results, build a system for long-term value creation.



Executive Officer General Manager, Human Resources Headquarter Naoki Hisada

#### Ideal human resources

Those "who have a motivation for voluntary contribution, having a challenging and continuously growing mind, to cover the worldwide market"

#### Output (two "changes")

Consider things personally, and take initiative

Achieve success for the team by consolidating individual achievements

#### Priority measures for human resources in the 16th Medium-term Management Plan "Eight Strategies"

#### Human resource development

- Strengthen the overseas trainee system and promote exchanges among overseas human resources to strengthen global human resource development
- Promote individual skill development in a chronological order by systemizing the Skill Map
- Enhance the reskilling system to enable acquisition of new necessary knowledge
- Actively introduce VR and Al-based learning to deepen understanding of education and training
- By instilling the vision and mid-term management plan in employees, clarify individual and team goals and foster motivation for voluntary contribution

#### System and environment development

- Consider and introduce a new personnel and wage system that can more appropriately evaluate each employee's performance and flexibly respond to individual requests
- Continue to develop systems and working environments that support work-life balance
- Promote the creation of a pleasant workplace and environment where diverse human resources can thrive

#### Utilizing the Skill Map and systemization

The "Skill Map," which was launched in the 15th Medium-term Management Plan, visualizes employees' skill proficiency and clarifies their own skill strengths and weaknesses in order to become fully skilled personnel within 10 years of joining the company. We are currently creating these for employees in all departments. We are currently working on systematizing this Skill Map, and by visualizing the level of skill achievement across

#### Technical human resources development

With the aim of becoming a company that leverages technology to maximize its comprehensive capabilities, we provide comprehensive heat treatment skill education with a view to passing the certification test for metal heat treatment technicians, as well as practical training. Heat treatment skill development has traditionally been done by classroom training and OJT, but we are currently introducing an educational quench-hardening machine (installation is scheduled to be completed in April 2025) to the Human Resources Development Center, a facility dedicated to training, with plans to create a learning environment where trainees can undergo a full practical

#### Promoting women's participation in the workplace

To promote women's participation in the workforce, we have formulated a roadmap of activities that will run through to the end of FY2024. In FY2023, we held five internal meetings to exchange opinions with each department and collected opinions from a total of 94 employees (including managers). Based on this, we have clarified our policies to expand the range of positions available to female employees, support their career growth in order to advance to managerial positions or technical experts, and improve our personnel systems to create a comfortable workplace that takes work-life balance into consideration.

#### $\ \$ PICK UP /

#### Direct dialogue between employees and top management

As part of our efforts to strengthen communication between employees and management, we have been holding "informal meetings with employees" for many years, in which the President visits bases around the country to inspect them. In FY2023, the President visited 22 divisions (17 locations), including group companies, and following the President's Diagnosis, we held informal meetings with employees where 70 employees, mainly young employees, spoke with the President. The president communicates his thoughts and feelings directly

to employees and exchanges frank opinions, which is helping to foster a sense of unity.



Q. | 1 A. | 6 1 1

the entire company and each department, we plan to carry out data-based, strategic personnel placement and development. In addition, we will create "human resource records" as a tool for all employees to map out their career path and incorporate them into our human resources development system in order to systematically develop the human resources who will lead the company in the future.

training program, from heat treatment to inspection. In addition, we also continuously hold training sessions on specific technical themes, such as step-up seminars for technical

- development
- personnel, to improve
- their technical
- capabilities.



Personnel training session

#### Dialogue at the meeting (example)

Q. What does "overwhelming frontline capabilities" mean? I'm wondering what I should do to achieve them.

A. We believe that the key to "overwhelming frontline capabilities" is strengthening our production technology capabilities. This will be an important theme in our 16th Medium-term Management Plan, and we believe that utilizing the "inverted T-shaped model" will lead to the realization of "overwhelming frontline capabilities."

O. I myself have changed my position from being taught to teaching others, and I am experimenting daily to find the best way to teach.

A. I think what is needed these days is to teach from an equal perspective, rather than teaching from a higher position. We will also create training opportunities for managers, including General Managers, to acquire teaching skills appropriate for the modern era.

## **Research and development**

#### Research and development objectives

To realize NETUREN VISION 2030, the Research and Development Headquarters aims to contribute to improving corporate value and creating a sustainable society by generating and introducing new value, such as new products and technologies, to the market through the vertical integration of each process, from research and development to mass production, taking full advantage of its evolved technological development capabilities.

In the 16th Medium-term Management Plan, the goal of the Research and Development Headquarters is "to contribute to improving sales, profits, and quality by commercializing new products and new technologies.'

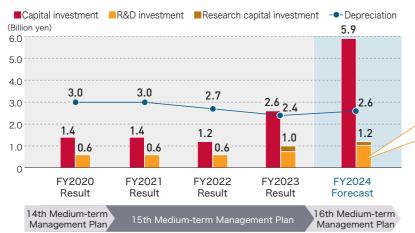
We are working to further strengthen our core technology of IH heat treatment and develop stronger and more functional parts. One of the technologies that is contributing to the evolution of heat treatment technology is heat treatment simulation (CAE). Our heat treatment simulation technology, which we put into practical use ahead of our competitors, is at the world's top level and contributes to improving heat treatment quality, shortening delivery term, and reducing resource consumption. With these core

### FY2024 initiatives

The initiatives for FY2024 based on the research and development goals are as follows:

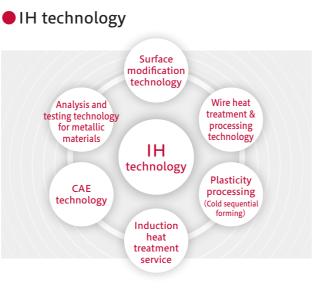
- 1 We will further evolve and deepen our IH treatment technology and contribute to market expansion through the development of new products and technologies;
- 2 Anticipate global technological trends and future market needs, and conduct technological development necessary for the growth of existing businesses five years and 10 years into the future as well as technological research necessary for the creation of new businesses; and
- 3 Actively support business divisions in improving quality by material analysis and through strategic utilization of intellectual properties.

#### R&D and capital investment plans



technical capabilities, we will pursue proposal-based technological development stemming from customer needs, such as composite heat treatment technology that combines different heat treatments and the development of high-quality heat treatment methods with high added value. In parallel with this, we are actively working to develop next-generation technologies with an eye toward future market needs and are collaborating with 10 or so universities and research institutes to promote research and development activities from a medium- to long-term perspective. Another feature of the Research and Development Headquarters is the presence of materials engineers who can make full use of a variety of material analysis equipment and intellectual property specialists, elevating our level of comprehensive capability even further.

By working closely and concurrently with business divisions and functional headquarters, we will further enhance research and development and technological development to roll out new products and technologies to business divisions quickly and in a timely manner and facilitate the process all the way to mass production, thereby contributing to business divisions by expanding their business and improving profit margins.



#### **R&D** investment:

In FY2023, the same amount of R&D investment has been continued from previous year to develop next generation products and keep sustainable growth. It is expected to increase in FY2024 to create growth drivers.

<sup>\*</sup> Major capital investment in FY2024 Japan: Restructuring of plants in Kariva area North America: Expansion of large-diameter ITW<sup>®</sup> heat treatment equipment Indonesia: Expansion of new plant and production equipment

#### Latest R&D examples

#### Induction hardening simulation technology including coolant spray analysis

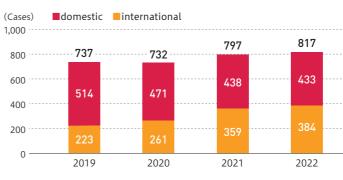
Spray coolants are generally used for quenching in induction hardening. To ensure quality of heat treated products, such as hardness and deformation, it is important to properly set quenching conditions, such as the shape of the spray cooling system casing, the arrangement of spray holes, the coolant flow rate, and the coolant concentration. In the past, the shape of the cooling system casing and cooling conditions were often adjusted through onsite prototype testing, and it had been a long-standing challenge to reduce the number of prototype tests in order to shorten lead times. Neturen has developed a new analysis method predicting ever-changing cooling rate of the surface of the steel parts by coolant flow rate analysis obtained from thermal fluid simulation and this information is combined with induction hardening simulation. This makes it possible to study optimal cooling conditions, such as designing the spray cooling system casing without conducting prototype testing, and ensure high quality heat treatment in a short period of time.

#### Intellectual property

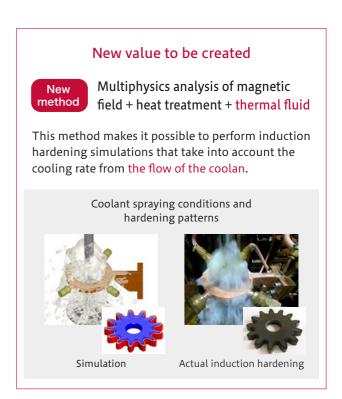
At Neturen, we proactively protect the results of our R&D and business activities through intellectual property rights, such as patents (defensive patent strategy), while

Utilize the IP landscape*	Establishing a global IP strategy	Foster global human resources in intellectual property management
To expand our technologies and strength, new market and technologies are explored by analyzing peripheral intellectual properties.	Defensive and offensive global IP strategy considering market size, cost effectiveness and related legislations of each countries.	Focus on developing human resources who can handle intellectual property management, including obtaining rights both domestically and internationally, and provide intellectual property education to engineers at each factory.

#### Number of patents (domestic and international)

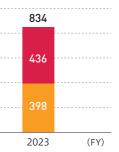


Management strategie



also proactively obtaining peripheral patents surrounding company's business (offensive patent strategy). Based on our management strategy, we are currently focusing on the following:

\* IP landscape: Analyzing intellectual property information and utilizing it in management and business strategies



Mana

#### Sustainability management

# Quality assurance

#### Neturen's approach to quality

Many induction-hardened products are strengthened to nearly the maximum hardness achievable by quenching the base material. Generally, if the heating and cooling during the quenching process is incorrect, the target hardness will not be available, and the durability of the product will be unattainable. In addition, high hardness also means brittleness, so the risk associated with this brittleness will be continuously passed on until the product is actually used and reaches the end of its life, including during processing steps after quenching.

Since its founding, Neturen has been at the forefront of the industry in solving such issues related to the quenching process through induction heating and subsequent cooling technology. And as a result, we have been producing high-end, high-strength products that require exceptional durability, such as deformed PC steel bars that reinforce concrete, suspension springs and chassis components of automobiles. We have won trusts from our end customers by supporting the safety and security of their products and also social infrastructures that lies beyond them.

#### Quality management system

Based on our quality assurance regulations, Neturen and its affiliated companies in Japan and overseas have obtained quality management system certifications, such as ISO 9001 and IATF 16949, and operate under a global quality assurance system. Under this system, the Quality Assurance Headquarters, which oversees quality assurance activities for the entire company, and the Quality Assurance Sections in each plants work together to carry out individual and common activities to prevent from serious quality issues.

[1] Company-wide quality assurance meeting (four times a year) Measures to address serious quality issues and rolling them out to each factory, and efforts to prevent quality compliance violations

[2] Quality liaison meeting (once a month) Management of individual quality trends at each factory

#### Training for quality engaged people through "visual temperature measurement training"

The quality of induction-hardened products depends on the heating and cooling temperatures used in the quenching process. In addition to utilizing monitoring technology such as thermometers, we also provide visual temperature measurement training to all plant employees so that employees themselves are aware of the importance of temperature control and can improve their temperature measurement techniques. Through OFF JT/ OJT and an award system for outstanding employees, we aim to have all employees at our plants master temperature measurement techniques to an accuracy of ±25°C.

Core of Neturen's quality policy is for all employees to work together to further improve the quality standard of the induction-hardened products we have cultivated thus far through the use of new technology. In our 16th Medium-term Management Plan, we will expand our use of IoT, digital technology, and non-destructive testing and advance on-site automation and mechanization to further refine our heating and cooling management and defect detection during the quenching process, thereby further improving the commercial value of our products. Induction hardening, when compared with other surface hardening processes, emits less CO<sub>2</sub>. We believe that our aim of improving the product value of induction-hardened products expands the induction hardening market itself and significantly contributes to realizing carbon neutrality.

#### Quality policy

We always provide high-quality products and services that satisfy our customers.

To this end, we will all strive continuously to develop innovative technologies and reach for higher standards.

#### Quality assurance system chart





Plant representatives taking temperatures at the company-wide visual temperature measurement event

# Sustainability management

### Sustainability Basic Policy

Neturen places the SDGs at the core of its business management under NETUREN VISION 2030, our long term management vision. According to recent changes in the social environment and demands from society regarding sustainability, we have comprehensively

	Establishment of the Sustainability Basic Policy	
1.	Coexistence with the global environment	We uphold our commi our technologies and p treatment technology, of coexistence with the
2.	Contributing to build a sustainable society	We contribute to build while increasing our co
3.	Recognition of our social mission	All our executives and environment, protecti are part of the social n
4.	Aiming to be a trusted partner	We aim to be a trusted outstanding customer
5.	Collaboration with stakeholders	We disclose information and appropriate mann
6.	Aspiring to become a dynamic corporate group	We strive to develop o group with taking prio

### Sustainability promotion system

Compa	ny-wide Sustainabi	lity Promotion Committee	
Chairperson	President and Chief	Executive Officer	
Vice-chairperson	General Manager, Corporate Planning Office		
Committee members	Directors and Audit & Supervisory Board Member (including outside), Executive Officers, General Managers of Internal Control Office, Internal Aud Office, Information Strategy Office, Safety, Health Environment Office, and N-DX Promotion Office, Managers of Divisions and Headquarters, and Ger Manager of Planning and Coordination Departme		
Observers	Relevant persons designated by the Chairperson, in as necessary		
	Se	cretariat Corporate Planning	
Divisions	Headquarters	Group companies Group co in Japan over	

reviewed our past CSR activities and established the Neturen Group Sustainability Basic Policy, incorporating activities related to respect for human rights, in addition to consideration to climate change and the global environment.

nitment to act with corporate social responsibility through products centered on our core IH (induction heating) heat y, which is effective in CO<sub>2</sub> reduction, based on the principle ne environment.

ld a sustainable society by reducing environmental impact corporate value.

d employees fully recognize that conservation of the tion of human rights, and coexistence with local communities mission of a company.

ed partner in society by superior quality and technology, er satisfaction, and a transparent and fair corporate culture.

ion regarding sustainability to our stakeholders in a timely ner so as to foster relationships of trust with them.

our employees and make ourselves to be a dynamic corporate iorities on safety and health.

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called

g Office

ompanies rseas To promote sustainability activities, the Neturen Group has installed the Companywide Sustainability Promotion Committee chaired by President and Chief Executive Officer and consisting of members including Directors and Audit & Supervisory Board Members (including outside), Executive Officers, and General Managers of relevant Divisions and Departments. The Committee generally takes place four times a year to supervise company-wide sustainability activities, formulate activity plans, promote initiatives, check progress, and evaluate results.

For environmental issues such as climate change actions, company-wide efforts are made to achieve the goals in cooperation with the environmental management promotion system (see page 37).

#### Material issues and targets (KPIs), and the progress status

Based on the Neturen Group Sustainability Basic Policy, we identify and organize materialities (material issues) that are of high importance to our business. In doing so, we reconfirmed the activity themes in the basic CSR activity plan and reevaluated the issues from various perspectives. We intend to realize sustainability management by reviewing our materialities and working to integrate them with our management strategy.

	Material issues	Vision for 2030	Targets (KPIs)	FY2023 results	
Envir	$CO_2$ reduction	We are promoting energy conservation measures to reduce greenhouse gases and have achieved a 30% reduction in $CO_2$ emissions (compared to FY2013).	<ul> <li>CO<sub>2</sub> reduction rate: 3% or more from previous fiscal year</li> <li>CO<sub>2</sub> emissions intensity (kg-CO<sub>2</sub> /t): 3% or more reduction from the previous fiscal year</li> </ul>	CO <sub>2</sub> emissions: 37,673 t-CO <sub>2</sub> Per unit of production: 199 kg-CO <sub>2</sub>	<ul> <li>Promote activition</li> <li>Company-wide and the Advisor</li> </ul>
Environment (E)	Appropriate operation of EMS (Environmental Management System) Prevention of soil contamination, reduction of water usage Reduction of use of chemical substances and their proper management	Contributing to maintaining and improving the global environment.	<ul> <li>Number of serious nonconformities: 0</li> <li>Progress checking: once every half year</li> <li>Comprehending the amounts of use of water and chemical substances, and implementing reduction activities.</li> </ul>	<ul> <li>Number of serious nonconformities: 0</li> <li>Checking and disposing of PCB-containing equipment at each business location</li> <li>Business locations where disposal has been completed: Neturen: 2 business locations and 4 plants, domestic group companies: 3 companies</li> </ul>	Confirm the app conservation many Check the many revise incorrect Promote checking
	Promotion of quality assurance activities	Reducing risks related to product quality and providing safe and reliable high-frequency quenched products.	<ul> <li>Number of serious quality problems: not happening</li> <li>Number of hardened layer defects: Not more than one case in two months</li> </ul>	• Number of serious quality problems: 1 case/year • Number of hardened layer defects: 0.6 cases/month	Proof-of-concep technology to ir Conducting foc Continuing to m meeting) and st
	Promotion of supply chain management	Achieving targets through mutual trust and mutual development with global suppliers. Complying with relevant laws and regulations, paying attention to environmental conservation, and fulfilling our social responsibility as a company.	<ul> <li>Compliance violations: zero</li> <li>Dissemination and implementation of Neturen Procurement Policy</li> <li>Procuring environmental-friendly products through collaboration with suppliers</li> </ul>	<ul> <li>Declaration of Partnership Building</li> <li>Procure policy briefing sessions held at three locations</li> <li>Provide information on environmentally friendly products</li> </ul>	Installation and     Compliance     Promote enviro
	Respect for human rights	The Human Rights Policy is fully understood, and corporate activities are well-balanced from the perspectives of social value creation and sustainability.	<ul> <li>Familiarization with the Human Rights Policy by all, including Group companies</li> </ul>	Preparation of materials and consideration of infiltrating method	Establishment of un business location
Social (S)	Human resources development	Acquiring heat treatment techniques and providing material modification solutions based on outstanding IH processing technology. Supplying high-strength components and contributing to laying the foundations for industrial and technological innovation.	<ul> <li>Annual training implementation rate: 100%</li> <li>Continuous education and training, installation of human developing system by the Human Resources Development System Committee, etc.</li> </ul>	<ul> <li>Annual training plan implementation rate: 100%</li> <li>Focus on developing skilled personnel by implementing training on specific skills themes</li> </ul>	• Executing the F Center) • Full-scale imple
	Promotion of work-life balance	Establishing work environment which everyone can feel job satisfactory and achieve work-life balance with peace of mind.	<ul> <li>Average number of days of annual paid leave taken: 10 days or more/year</li> <li>Continuing to implement work-life balance support measures</li> </ul>	• Actual number of paid holidays taken in FY2023: 13.09 days/year	Implementing v     reducing overtin
	Promotion of diversity	Creating a corporate culture where everybody can play an active role by demonstrating their abilities to the full regardless of nationality, race, gender or age.	<ul> <li>Number of female managers: By the end of March 2026, double the figure compared to the end of March 2022</li> <li>Ensuring and promoting diversity, including promotion of women in the company</li> <li>Securing employment opportunities through the post-retirement employment system</li> </ul>	<ul> <li>As part of our efforts to promote diversity, promote the active participation of women in the workplace as a company-wide initiative and introduce model examples</li> </ul>	Promoting diver women     Securing emplo system
	Occupational safety and health	Realizing a safe and comfortable workplace where is free from occupational accidents.	<ul> <li>Getting the Occupational Safety and Health Management</li> <li>System (OSHMS) certification</li> <li>Stress check implementation rate: 100%</li> </ul>	<ul> <li>Occupational Safety and Health Management System (OSHMS) certification acquired for the Kariya Plant</li> <li>Stress check implementation rate: 95.9%</li> </ul>	Promotion of co Health Manager mental disorder
	Prosperous coexistence with local communities	To help create communities where people can continue to live, participating in local community activities and ensuring prosperous coexistence with local communities.	Number of community exchange/social contribution     activities implemented: more than 10/year	Number of community exchange/social contribution activities     implemented 35 cases/year	• Participation in
	Disclosure of corporate information	Improving corporate value through timely, continuous, and proactive information disclosure. Becoming a company capable of flexibly responding to changes in the environment surrounding stakeholders.	<ul> <li>Number of PR activities (other than timely disclosure): more than 20/year</li> <li>Participation in various exhibitions: twice or more/year</li> </ul>	<ul> <li>Number of PR activities (other than timely disclosure): 21 cases/year</li> <li>Participation in exhibitions: 3 cases/year</li> </ul>	Formulation of information diss Promotion of PF Promotion of ce
	Enhancing governance of internal financial control	To ensure the reliability of financial report, establish independent and efficient evaluation system	<ul> <li>Reporting by Internal Control Promotion Committee: twice a year</li> <li>Reporting by Board of Directors: 3 times a year</li> </ul>	Reporting by Internal Control Promotion Committee: twice a year     Reporting by Board of Directors: 3 times a year	• System develop Committee as th • Timely evaluation
Gove	Promoting and verifying compliance awareness	Fostering a corporate culture free of compliance violations.	<ul> <li>Education of compliance by study sessions and posters: 4 times a year</li> <li>Verification of understanding of compliance: Over 90% (management only)</li> </ul>	• Education of compliance by study sessions and posters: 4 times a year	• Continued com • Support for com
Governance (G)	Information security	In addition to technical measures, establishing an effective system for information security in terms of organization and operation.	<ul> <li>Conducting security tests: 4 times a year</li> <li>Formulation of policy for developing countermeasures</li> <li>Conducting security information training when joining the company (as needed)</li> </ul>	<ul> <li>Number of security tests conducted: 4 times/year</li> <li>Installation of information security regulations to be completed within the fiscal year</li> <li>Security training for target personnel: conducted on an ongoing basis</li> </ul>	Publicizing info     Literacy improv     spear-phishing e
	Risk management	Instilling corporate culture and embedding risk awareness to the employees based on accurate understanding and management of business risks.	<ul> <li>Number of risks identified: 3</li> <li>Continuing risk management in normal times and responding to new risks</li> </ul>	<ul> <li>Periodic risk assessments conducted based on risk management regulations, with the results being submitted to the Management and Executive Officers Meeting for discussion</li> <li>Creation of a manual for actions to be taken in the event of geopolitical risk</li> </ul>	<ul> <li>Continuing of ri update in line w</li> <li>Continued hand</li> </ul>
	Activities to establish sustainability	Sustainability is well-understood and there is a perceivable sense of participation toward achieving the SDGs.	Degree of understanding of CSR according to a survey: 80%     or more	Survey results with understanding of 80% or more	• Publication of th translation in D order to facilitat
	Stakeholder engagement	Continuing to have talks with our stakeholders, playing our part in realizing a more sustainable economy or society, and pursuing shared value.	<ul> <li>Continuing talks with customers, suppliers, local communities, shareholders, and employees</li> <li>Number of engagement activities conducted: 15/year</li> </ul>	• Number of engagements carried out: 15	• Dialogue with cu • Communication o

#### FY2024 activity plan

vities to reduce  $CO_2$  emissions and checking the progress at the de Environmental Conservation Committee (once every three months) sory Committee on CO<sub>2</sub> Emission Reduction (once or more per month)

appropriateness, validity, and effectiveness of EMS environmental management

anual for hazardous materials security system, conduct training, and ect parts

king and disposing of equipment containing low concentrations of PCBs

cept experiment by using state-of-the-art equipment and digital o improve quality

ocused audits for further quality improvement o manage quality compliance issues (company-wide quality assurance d strengthen plant quality control (quality liaison meeting)

nd implementation of Neturen Procurement Policy

ironmentally friendly procurement in collaboration with suppliers

nt of a task force on human rights understanding of human rights (holding study sessions at each tion) and clarification of the current situation at each company

e FY2024 training plan (utilizing the Human Resources Development

plementation of reskilling across the company

g work-life balance support measures (Promoting taking paid leave, rtime, and taking parental and nursing care leave)

versity within the company, including the active participation of

oloyment opportunities through the post-retirement employment

f continuous improvements through the Occupational Safety and gement System (OSHMS) Conducting stress checks and preventing ders

in local exchange events, hosting factory tours for local students, etc.

of an activity plan for external public relations and increased dissemination through the website f PR activities by participating in various exhibitions f centralized management of company-wide PR information

opment and operational evaluation (promoted with the Promotion s the core organization) ation and reporting of internal control over financial reporting

mpliance training for managers and general employees ompliance education for overseas group companies

nformation security regulations (creation of a handbook) rovement and discovery of vulnerabilities through ongoing training on ng emails

f risk management in normal times, and constant identification of and with changes in risks andling of geopolitical risks through task forces

of the Integrated Report (Japanese version in October, English n December), continued activities to utilize the Integrated Report in tate understanding

customers, suppliers, local communities, shareholders, and employees on of information inside and outside the company through engagement, etc.

### Response to climate change (information disclosure based on TCFD recommendations)

#### Governance

At Neturen, the Company-wide Sustainability Promotion Committee works with the Management and Executive Officers Meeting and the Company-wide Environmental Conservation Committee to deliberate on policies for responding to risks and opportunities related to climate change. The Board of Directors receives reports on the matters discussed at the Company-wide Sustainability Promotion Committee and oversees 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



#### Strategy

We have analyzed climate change related risks and opportunities based on the TCFD recommendations, taking into account short, medium and long-term time perspectives as described below.

We analyzed 1.5℃ and 4℃ 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).

Classification	Period
Short-term:	0-3 years
Medium-term:	3-10 years
Long-term:	10-30 years

#### Risk management

Risks related to climate change are being identified and assessed their impact by the Company-wide Sustainability Promotion Committee. Especially that are deemed urgent and significant ones are reported to the Management and Executive Committee. The Companywide 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.

Further information is available on the website. https://www.k-neturen.co.jp/en/sustainability/environment.html

#### Climate-related risks and opportunities of particular importance to us

(Impact asse

Орр	Risks/ portunities	Business Impact	Time axis					
	Policy and							
	Regulation	Introduction of carbon tax will increase energy costs, and raise operating costs	Medium- term:					
		Opportunity losses will be incurred due to stagnation of production when procurement of raw materials becomes difficult due to severe extreme weather events	Long- term:					
Risks	Physical	Severe extreme weather events can disrupt supply chains, resulting in lost sales opportunities	Long- term:					
01	(Acute)	Opportunity losses and recovery costs due to plant shutdowns caused by severe extreme weather events will be incurred	Long- term:					
		Reinforcement cost of infrastructure at plants will increase in response to the high frequency of extreme weather events	Long- term:					
	Physical (Chronic)	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	Long- term:					
	Products &	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	Medium- term:					
Opportunities	& Services	Demand for high-frequency heat treatment will increase, as it improves product durability and strength and contributes to CO <sub>2</sub> reduction compared to conventional gas carburization	Medium- term:					
rtuni		Expanding sales opportunities for products for labor-saving, low rebar-loading construction	Medium- term:					
ties	Market	Increased ESG investment will draw interest and get appreciation when environmental impacts are reduced through business operations	Medium- term:					
	Products & Services	Demand for civil engineering-related products will grow as extreme weather events intensify and facilities and infrastructure are strengthened in preparation for disasters	Long- term:					

(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.

Medium

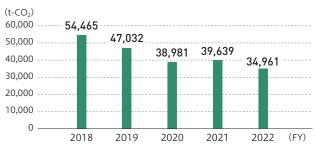
Large

#### 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 FY2022. 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.

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 CO<sub>2</sub> emissions under the company-wide promotion system to achieve the target.

essment	criteria)	Large	500 million yen or more							
		Medium								
		Small	Small less than 10 million yen							
inonoio	l Impact									
			Action Required							
1.5℃	4°C									
Large	Small	<ul> <li>Incre</li> </ul>	p the current situation and set targets ase in recycling rate ch to alternative raw materials							
Large	N	• Effort	ts to save energy and improve productivity							
(approx. 00 million	No tax applicable	<ul> <li>Switc</li> </ul>	ch to renewable energy sources							
yen*1)	-1-1	• Secur	ing electricity in-house by installing solar panels							
			kpiling of inventories							
Large	Large		sification of procurement bases ification of procurement source risk							
			Securing multiple purchasing sources							
		• Secu	ring multiple means of transportation							
Large	Large	• Dece	ntralization of logistics bases							
		• Adap	otation to local procurement							
Large	Large	. Doco	ntralization of rosponso							
(approx. 00 million	(approx. 500 million		ntralization of response structure enhancement							
yen*2)	yen*2)									
			fication of risks at Group manufacturing plants							
Large	Large		ngthening physical infrastructure cate and decentralize people and assets							
			re backups							
∕ledium	Largo		ovement of work site environment ner promotion of labor saving and other							
vieulum	Large		efficiency improvements							
			ase products supply capabilities for EVs							
Large	Small	・Prom	note development of new technologies							
		(proc	ducts)							
		• Prom	note development of new technologies							
∕ledium	Medium	(proc	ducts)							
	linouium	<ul> <li>Prom servi</li> </ul>	note sales activities for products and							
Large	Medium		nd sales to real estate and construction panies							
			ngthen R&D tives to enhance understanding of ESG							
Large	Medium		isition of certification							
			note disclosure							



#### Changes in CO<sub>2</sub> emissions (Scope 1 and 2 emissions)

Expand sales and increase supply capability

for civil engineering-related products

\*1 Since a different calculation method is used, some values may differ from past values.

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

\*3 Scope 1 emissions other than energy related  $CO_2$  are excluded because their ratio to the total is very small.

\*4 The use of gasoline in company vehicles is also included in the scope of calculation from FY2022

### Human rights · Supply chain management · Occupational safety and health

#### Respect for human rights

In April 2022, the Neturen Group established the Neturen Group Human Rights Policy to promote respect for human rights in business. This policy was established based on the Guiding Principles on Business and Human Rights formulated by the United Nations Human Rights Council and advice from experts as part of our sustainability efforts. Going forward, we will work to ensure that this policy is fully implemented and to address human rights issues throughout the Neturen Group. In addition, we will identify human rights risks in our business activities and, once we have established a system, will proceed in phases with human rights due diligence to prevent and mitigate such risks.

#### The Neturen Group Human Rights Policy

The Neturen Group aims to revolutionize many industries and contribute to people's lives and safety through IH (induction heating) technology. We are keenly aware of the importance of respecting the human rights of people to achieve our goal, and we will work to respect human rights in all our business activities in accordance with the United Nations Guiding Principles on Business and Human Rights.

In addition, based on the concept of the "Neturen Group Standards of Business Conduct and Ethics," we shall comply with laws, regulations, and internal rules in all corporate activities, and respect social ethics. We will fulfill our corporate social responsibility by developing people and aiming to be a vibrant corporate group, while keeping safety and health as the foundation of our operations.

#### Promotion of supply chain management

Neturen issued a partnership declaration in July 2023 to strengthen collaboration with suppliers and initiate open and fair procurement that contributes to reducing environmental impact and social development.

In addition, in order to address the 2024 problem in transportation and logistics, we are working with transportation suppliers to improve efficiency by "increasing relay shipment and joint transport," "expanding the scope of modal shifts," and "promoting the introduction of automatic vehicle dispatch systems." As a further consideration to the environment, we are collecting information on eco-friendly products related to parts and aiming to reduce CO<sub>2</sub> emissions in collaboration with suppliers.

Procurement briefing sessions could not be held since FY2019 due to the impact of COVID-19, but they were held at three locations in FY2023. As part of our efforts to strengthen partnerships, we are asking for cooperation in our safety, quality, and environmental management systems. We plan to continue this initiative in FY2024 and further strengthen our partnerships.

#### Received the Grand Partner Award from Komatsu Midori-kai

On May 24, 2024, we received the Grand Partner Award from Komatsu Midori-kai, a group composed of Komatsu Ltd.'s partner companies. The award was given in recognition of the achievements made through safety activities conducted by the Basic Materials Subcommittee, such as reducing the number of accidents by half.

This award recognizes our daily efforts in safety and quality, and we will continue to strive to create a safe working environment while meeting customer expectations by providing high-quality products.



#### Occupational safety and health

Neturen aims to create a safe workplace culture with the goal of zero accidents and zero illnesses, based on the Neturen Basic Policy on Occupational Safety and Health and the Basic Philosophy of Respect for Human Beings set forth by the Zero Accident Promotion Department of the Japan Industrial Safety and Health Association. Additionally, in order to build a global safety and health management system as a mechanism for safety and health management, we are working to expand the number of plants that have introduced the JISHAcompliant Occupational Safety and Health Management System (OSHMS) by the Japan Industrial Safety and Health Association. However, the number of industrial accidents in FY2023 was higher than in previous years, with two serious injuries and 22 minor/slight injuries.

In order to achieve zero accidents, we are holding regular Company-wide Safety and Health Committee meetings, designating businesses for which special safety guidance is required, conducting audits, etc.

#### Coexistence with local communities

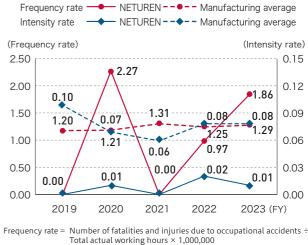
Neturen's basic CSR policy is "coexistence with local communities," and we are striving for mutual understanding with local communities through information disclosure and activities at each of our plants and offices based on the basic concept of "becoming more open to the local community." As for academic research, we are collaborating with 10 universities and technical colleges, accepting university and technical college students for internships and practical training. We are also involved in the promotion of local sports, and continuously make donations to artistic and cultural organizations, as well as medical and social welfare organizations.

We will continue to actively collaborate with the community and fulfill our responsibilities as a company.



Shonan Office Plant Tour

#### **Occupational Accident Statistics**



Intensity rate = Total work days lost ÷ Total actual working hours × 1,000

	Internships for university and technical college students
Development of the next generation	Accepting practical work trainees
Ŭ	Accepting technical college students for practical work training
	Dialogue with local residents
Community-based activities	Organizing plant tours
	Community cleaning
Contribution through technologies	Lectures at various symposiums



Iwaki Plant "Minister of Health, Labour and Welfare's award for safety and health" presentation ceremony

### **Specialty Steel &** Wire Products Division

#### Major products and services

Steel bars for prestressed concrete (PC), high-strength shear reinforcement, high-strength spring steel wire ITW<sup>®</sup>, hollow rack bars, slewing bearings (construction equipment parts)

#### Competitive advantage

• A variety of top-share products based on Neturen's unique IH technology • High-level technological development and research and development capabilities, including those involving external collaboration

#### Risks

- · Demand fluctuations due to slowing of the civil engineering and construction and construction machinery markets
- · Rising prices of raw materials, electricity, etc.

#### **Opportunities**

- $\cdot$  Expansion of the global automobile market due to the shift to EVs
- · Expansion of product applications by adding value to products
- Expansion of sales for resource-and labor-saving products

#### Review of FY2023 and outlook for this fiscal year

In FY2023, net sales of automotive-related products were affected by shipment and production suspensions at some domestic automobile manufacturers, but orders continued to recover globally, resulting in an increase year on year. On the other hand, net sales of civil engineering- and construction-related products and construction machinery-related products decreased compared to the previous year due to a labor shortage caused by rising construction material prices and a decline in sales of mainstay small and medium-sized models due to the sluggish construction market both in Japan and China. As a result, net sales were 36,822 million yen (down 0.1% year on year), and operating profit was 123 million yen (down 87.4% year on year).

In FY2024, we expect operating profit to increase year on year to 900 million yen due to an increase in sales of ITW<sup>®</sup> for cold forming spring, mainly overseas, and the expected increase in sales after price revisions in the domestic construction industry. In addition, under the 16th Medium-term Management Plan, we will focus on developing and selling new products to drive sales.

#### Medium- to long-term growth strategy

#### Expansion of pre-grout PC steel bar sales and applications

As part of our growth strategy to expand the business in our existing market with high valueadded products, we are focusing on pre-grout PC steel bars. It has excellent workability and durability and does not require on-site sheathing placement or grouting work, which helps reduce on-site labor hours. Up until now, its main use has been in bridges, but we plan to further expand its uses and range of applications.

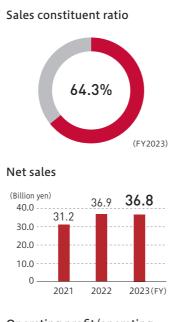


Pre-grout PC steel bars

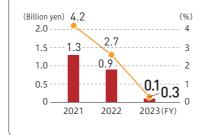


Director, Member of the Board, Managing Executive Officer General Manager, Specialty Steel & Wire Products Division

Takashi Suzuki



#### Operating profit/operating profit to net sales



IH (Induction Heating) Division

#### Competitive advantage

- · Differentiation of production process with CAE as a core technology
- · Accumulation of know-how in technological development

#### Risks

- · Improvement of other companies' heat treatment technology
- · Switch to in-house production at client companies

#### **Opportunities**

- Further differentiation through technological development
- Increasing demand for switching to induction heating for decarbonization
- · Increasing demand and opportunities due to increased recognition of IH treatment (especially overseas)

#### Review of FY2023 and outlook for this fiscal year

Net sales of our induction heat treatment service decreased compared to the same period of the previous fiscal year. While orders from the automobile-related industry were on a recovery track, orders from the construction machinery industry showed a declining trend in the second half of the fiscal year, and orders from the machine tool industry fell sharply due to inventory adjustments by customers. Net sales of induction heating equipment increased year on year due to steady orders. As a result, net sales were 20,241 million yen (down 1.3% year on year), while operating profit was 1,448 million yen (down 7.1% year on year) thanks to the success of cost reduction activities and other efforts. In FY2024, we will be sure to achieve our sales and operating profit targets by improving the profit margins of our automotive-related businesses. Since we will be actively making capital investments in order to increase profit starting from the following fiscal year, and taking into account the increase in R&D expenses to prepare for entry into new businesses, we expect the operating profit

to be 1,000 million yen.

#### Medium- to long-term growth strategy

#### Facility enhancement in Indonesia

Neturen's consolidated subsidiary, PT. NETUREN INDONESIA, is anticipating an increase in orders from local parts manufacturers who have been requested to increase production in response to the shift to local procurement of automotive parts in Indonesia and increase exports, and therefore, it will

be expanding its production facilities and improving production efficiency by substantial capital investment. This investment will be handled through global collaboration, with operations in the new building expected to commence in the spring of 2025.



#### Major products and services

Induction heat treatment service for parts of automobiles, construction equipment, industrial machinery and machine tools; design, manufacturing, sales and engineering of high-frequency quenching equipment and other induction heating equipment

PT. NETUREN INDONESIA



Executive Officer General Manager of IH (Induction Heating) Division

Norio Tanaka





## Expectations for Neturen's continued evolution

Neturen strives to incorporate external perspectives in its management and governance enhancement. Outside Directors Mineo Hanai and Yoshiko Moriyama shared with us from a wider perspective their take on the new medium-term management plan, their assessment of efforts to increase corporate value, and their expectations for the future.

#### Q As Outside Directors, how do you feel, looking back on the past year?

Hanai: I feel that this has been a year of enormous change in the global environment. In particular, the Chinese market accounts for a large proportion of Neturen's sales and profits, and now is the time for this company to contemplate more seriously than ever how to manage geopolitical risks. On the other hand, I noticed that as a company listed on the Tokyo Stock Exchange Prime Market, there is a growing awareness within the company of "improving corporate value." However, it is important to keep in mind that indicators of corporate value tend to be biased toward financial aspects. As a monozukuri (manufacturing) company, the base of Neturen's activities is in using its core technology to solve social issues, and in return, earn profits.

Moriyama: I view employees as the key to increasing corporate value and throughout FY 2023, have continued to advocate securing and retaining talented human resources and creating a comfortable working environment. In other words, we want the right people to join the company and continue to happily work here for a long time. Without human resources, Neturen's unique technology cannot be expected to develop further in the future, and it would not be passed on to the next generation. As Mr. Hanai mentioned, it is also essential to prepare for a variety of risks, and based on my knowledge as a lawyer, I have been making efforts to share the latest information and stay up to date on the current situation, including trends in China and cybersecurity.

Hanai: I think having multiple sources of information from different point of view is an important benefit of engaging outside directors with different specialties. As the global situation changes rapidly, in the future, we need to consider gathering local information from our overseas bases weekly or monthly and analyzing it in Corporate Planning Office.

#### Q What is your assessment of the newly launched 16th Medium-term Management Plan?

Hanai: I appreciate that the 16th Medium-term Management Plan (hereinafter the "MM Plan"), "Aggressive Challenge One NETUREN 2026," reflects NETUREN VISION 2030 and makes it clear that the company will contribute to themes such as the environment, energy issues, and digital transformation through its core technologies. "The Inverted T-Shaped Model" which was proposed by myself in 15th MM Plan was designed to accelerate market-driven development. It has been readily adopted in 16th MM Plan meaning that the idea was understood and implemented by whole employees in the company.

**Moriyama:** In order to further advance Neturen, the 16th MM Plan aims to create new growth drivers and strengthen and cultivate current growth engines, and as a strategy to achieve this, it advocates developing human

resources who are motivated and willing to contribute independently. Neturen's advanced technology is made possible by its diverse and abundant human resources. Of course, strengthening our business portfolio through M&A and financial strategies that take capital costs into consideration are important, but they are only possible if there are people who can achieve and implement them. I believe that the source of further growth for Neturen lies in creating a comfortable working environment where all employees can fully demonstrate their abilities and in ensuring appropriate evaluation indicators and compensation commensurate with their achievements. I believe that the 16th MM Plan embodies these values.

Hanai: When formulating the slogan, I strongly suggested including "One NETUREN." Neturen began as a heat treatment processing company and has since expanded its business to equipment production and its own heat treated products. Company growth and business area expansion are accompanied with a kind of "centrifugal force". In contrast, "centripetal force" is essential for bringing a group together. Neturen's greatest strength is its IH technology, but its true specialty is "modification" to strengthen metals using a variety of methods. As the business continues to diversify, by defining ourselves as not just an IH company but a "modification" company, then, we may able to manage centrifugal force with retaining centripetal force.

Moriyama: So the company continues to evolve while maintaining the same core values. For the same reason, I believe that communicating the VISION is extremely important in implementing the MM Plan. The working group for spreading the VISION, which was launched last year and is mainly made up of young people, is working very enthusiastically and making progress in disseminating information by producing videos and comics to spread the VISION. When we visited plants and other work sites, we found it extremely helpful to see that various employees had identified issues from their own perspectives and were able to share them with us.

# What should the group's HR strategy focus on?

**Hanai:** With the labor force population declining across society, we are now in an era where human resources will be "fostered" rather than "hired." What is essential in fostering human resources is to link the process with the vision of "what kind of company do we want to be" and "what social issues do we want to contribute to." The necessary skills and abilities to achieve the vision must be clarified, and how to develop human resources to bridge the gap between the vision and the current situation must be considered. Without first determining the direction the company is aiming for, it is not possible to discuss "people." Reskilling has been attracting much attention recently, but rather than simply aiming to improve the skills of individuals, it is necessary to first create a company-wide skill map to visualize the techniques and abilities that each individual possesses and then strategically proceed with training and placement.

Moriyama: With regards to fostering human resources, the Human Resources Department is currently working on various ideas, and we receive reports from them as necessary. Fostering people is extremely important, so we cannot compromise on this point, and although sometimes I feel reluctant to do so, I always express my opinions in a blunt, sometimes severe manner. We must improve the personnel policies so that employees feel that "I enjoy this work" and "I want to contribute more."

Hanai: One key will be how to foster "core human resources" who can demonstrate leadership, actively engaging people around them while driving the company forward. It is important to encourage growth not just through the acquisition of knowledge and skills but through a variety of experiences; for example, it may be possible to make four levels of experience—domestic, overseas, head office, and on-site—mandatory for promotion above a certain level.

**Moriyama:** Another important pillar of our human resources strategy is achieving diversity. An environment where people of various backgrounds, in terms of such factors as gender, nationality, and disabilities, can come together and cooperate by utilizing their respective capabilities is what promotes the growth of an organization. Neturen still has challenges to overcome, such as the female manager ratio, but creating an environment in which it is comfortable for everyone to work will naturally lead to promoting women's participation in the workforce.

Hanai: Diversity is fascinating because it gives rise to unexpected chemical reactions. An organization made up of people with different strengths, weaknesses, and characteristics is much more resilient to changes in the business environment than an organization made up of outstanding but similar people.

### What are your hopes and aspirations for Neturen's future?

Hanai: Neturen has world-class technological capabilities, including IH, and is in a position to lead the industry. However, at present, I often feel that the company lacks awareness and confidence in this regard. I hope that the company will continue to use its technological capabilities to contribute to solving social issues and create global standards in the industry. I will also utilize the experience I have gained over many years in various sectors of the manufacturing industry to offer constructive suggestions for Neturen's management. "Facing forward" to take on challenges without fear of change; "facing outward" to maintain a broad perspective that includes overseas and other industries; and "facing upward" to aim higher. I intend to consciously continue to remind Neturen of these three perspectives in particular.

**Moriyama:** I would like to attract talented people and help them demonstrate their abilities, as well as help, however small, in strengthening connections between locations and among people and in creating an environment and designing systems for true globalization so that I may contribute to improving the company's value.

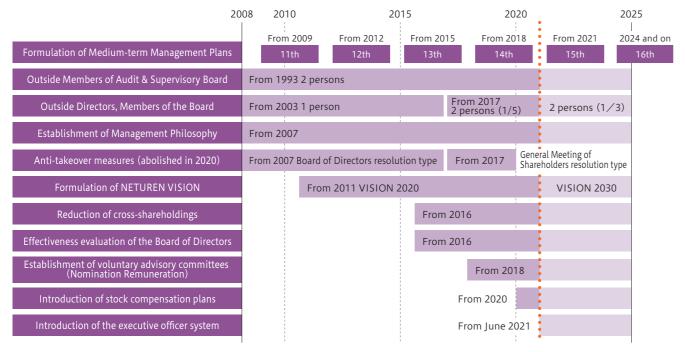
### **Corporate governance**

#### Basic approach to corporate governance

To "enhance corporate value through harmony and coexistence with shareholders, customers, employees, suppliers, and local communities," Neturen positions corporate governance as one of the most important management functions to ensure management transparency and fairness. Based on this recognition,

we will focus on speeding up and streamlining decisionmaking in management and developing a system to strengthen supervision of business execution, with the aim of becoming a company that can grow sustainably into the future.

#### History of the enhancement of corporate governance



#### Features of corporate governance

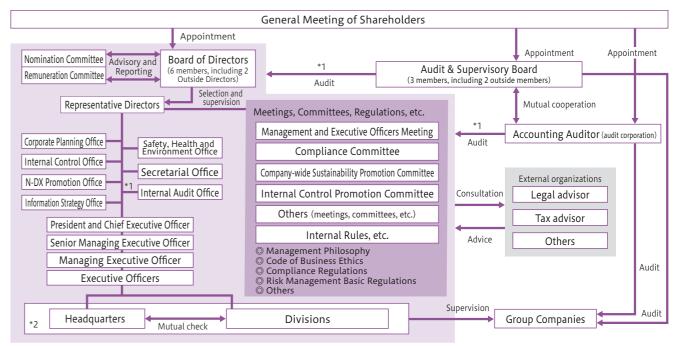
To further strengthen our corporate governance, we introduced the executive officer system in June 2021. This increased management transparency, flexibility, and corporate value by separating the management decision-making and supervisory functions from the business execution functions, clarified the authority and responsibilities related to carrying out business, and established a system that can respond appropriately, quickly, and dynamically to changes in the business environment surrounding the Group. Additionally, we reviewed the number of members and composition of the Board of Directors and increased the ratio of Outside Directors in order to enhance the depth, accuracy, and speed of decision-making and to further strengthen

supervision of business execution.

We hold Management and Executive Officers Meetings consisting of Directors, or Members of the Board, Executive Officers, Audit & Supervisory Board Members (Full-time), General Managers, Senior General Mangers, etc., where our company's executives share important matters, including information and management issues, so as to make optimal management decisions and execute operations, thereby improving corporate governance. In addition, through the promotion of TQM\* activities, they report on and discuss our group's management issues. In addition, Outside Directors may also attend the Management and Executive Officers Meetings.

\* TQM: Total Quality Management

#### Corporate governance structure



\*1 The Audit & Supervisory Board, Accounting Auditor, and Internal Audit Office have a system of mutual cooperation from audit planning to reporting. \*2 Headquarters are the Administrative Headquarters, Human Resources Headquarters, Business Planning and Development Headquarters, Global

Procurement Headquarters, Quality Assurance Headquarters, Research and Development Headquarters, and Product Engineering Headquarters.

#### • Status of the Board of Directors, Audit & Supervisory Board, and voluntary committees

The Board of Directors decides on important matters related to business management of the company and supervises the execution of duties by Directors. Neturen has adopted the Audit & Supervisory Board system, and has established the Nomination and Remuneration Committee as voluntary advisory organs to the Board of Directors.

Name	Overview	Meetings held	Major agenda items/Discussion subjects
Board of Directors	At the Board of Directors' meetings, company's management strategies and management plans are discussed from a medium- to long-term perspective. In addition, the performance results, status, problems, etc. of each Director's duties are checked, evaluated from an objective standpoint, and reflected in his/her evaluation and treatment. The Articles of Incorporation stipulate that the number of Directors shall be no more than 11. At present, we have six Directors (including two Outside Directors). To facilitate prompt response to rapid changes in the management environment, as well as flexible and efficient business operation, and to clarify the management responsibility of Directors for each fiscal year, the term of office of Directors is set as one year.	15 times	<ul> <li>Progress and issues of NETUREN VISION 2030 and 15th Medium-term Management Plan, and recovery measures</li> <li>Examination and specific measures for improving corporate value and growth strategies (business portfolio, M&amp;A strategy, etc.)</li> <li>Specific initiatives related to capital policies and financial strategies</li> <li>Sharing of topics and replies in dialogue with shareholders and institutional investors</li> <li>Specific initiatives and issues related to human resource development</li> </ul>
Audit & Supervisory Board	Audit & Supervisory Board Members audit the status of Directors' execution of their duties by attending the Board of Directors' meetings and other important meetings and reviewing important documents. They also cooperate with Accounting Auditor and the Internal Audit Office and receive reports from affiliated companies to check their management status in order to increase the effectiveness of their audits. Consists of one Audit & Supervisory Board Member and two Outside Audit & Supervisory Board Members.	15 times	<ul> <li>Formulation of the audit plan for the current fiscal year</li> <li>Preparation of the audit report for the previous fiscal year</li> <li>Appointment of Accounting Auditor, consent to compensation of Accounting Auditor, confirmation of the Accounting Auditor's audit plan</li> <li>Check and review of details of internal audits (quarterly)</li> <li>Evaluation of internal control, and check and review of their execution detail(quarterly)</li> <li>Quarterly review of Accounting Auditor</li> <li>Director interviews, etc.</li> </ul>
Nomination Committee	The Nomination Committee is a voluntary advisory body to the Board of Directors and consists of six members: one Representative Director, two Outside Directors, one Audit & Supervisory Board Member and two Outside Audit & Supervisory Board Members. The Committee deliberates on the appointment of Directors and Executive Officers and then reports to the Board of Directors.	4 times	<ul> <li>Appointing candidate of Directors and Executive Officers for next fiscal year</li> <li>Recommending promotion to Senior Managing Executive Officer, appointment of Senior General Manger</li> <li>Report on management succession plan</li> </ul>
Remuneration Committee	The Remuneration Committee is a voluntary advisory body to the Board of Directors and consists of six members: one Representative Director, two Outside Directors, one Audit & Supervisory Board Member and two Outside Audit & Supervisory Board Members. The Committee deliberates on remuneration for Directors and Executive Officers and then reports to the Board of Directors for decision-making.	Once	<ul> <li>Amounts of remunerations for Directors and Executive Officers</li> <li>Remuneration levels/table of Directors and Executive Officers</li> <li>Report on individual performance evaluation of Directors and Executive Officers</li> <li>Method of individual performance evaluation of Directors and Executive Officers</li> <li>Method of individual performance evaluation of Directors and Executive Officers</li> <li>Evaluation criteria for Directors and Executive Officers (setting targets)</li> </ul>

### Effectiveness evaluation of the Board of Directors

Once a year in March, we conduct a self-evaluation questionnaire survey for all members of the Board of Directors and the Audit & Supervisory Board regarding the effectiveness of the Board of Directors, and analyze and evaluate the results.

The results of the effectiveness evaluation conducted in March 2024 are summarized on the right.

#### Method of evaluation

Based on the results of the responses to the evaluation items below, members of the Board of Directors and the Audit & Supervisory Board, including independent members, held discussions at the Board of Directors' meeting and compiled the analysis and evaluation of the effectiveness of the Board of Directors.

#### \* Evaluation items:

Roles and functions of the Board of Directors Operation of the Board of Directors Agenda of the Board of Directors' meetings General view

#### Remuneration for officers

#### **Basic policy**

Remuneration for officers at Neturen is divided into that for Directors and that for Audit & Supervisory Board Members within the limit resolved at the General Meeting of Shareholders. In accordance with the standards provided by internal rules, the specific amount of remuneration for Directors is discussed by the voluntary Compensation Committee following an objective, transparent procedure and determined so that the remuneration may function as a sound incentive toward sustainable growth. The amount determined by the Committee is reported to and then officially decided by resolution of the Board of Directors.

Our policy for calculation of remunerations of officers is decided by the Board of Directors based on the reports by

#### Summary of analysis and evaluation results

Our Board of Directors has a system in place to properly make management decisions and supervise business execution. In addition to matters to be resolved and reported, matters for deliberation were newly added, which seemed to help substantially deepen discussions.

On the other hand, further enhancement of discussions on growth strategies, including review of management strategies and the business portfolio, was found to be necessary.

#### Initiatives for the future

Based on the above analysis and evaluation results, we set agenda items related to growth strategies, secure time for deliberation, and continue efforts to further enhance discussions at the Board of Directors' meetings. We also decided to improve effectiveness of Board of Directors to increase corporate value further.

the Voluntary Remuneration Committee to be settled with fairness, transparency and objectivity and to meet with sound management system. Specifically, remuneration for Directors other than Outside Directors is composed of fixed amount, performance-linked bonus (short-term bonus) as a short-term incentive, and restricted stock (RS) compensation and performance-linked stock compensation (PSU) as medium-term incentives. Remuneration for Outside Directors is decided based not on performance but on the degree of contribution to the company, etc. Remuneration of Audit & Supervisory Board Members is composed only of fixed compensation from the perspective of emphasizing independence and objectivity from management, and the amount of compensation for each Audit & Supervisory Board Member is decided through consultation among the Audit & Supervisory Board Members.

#### Total amount of compensation, by officer category, by type, and number of eligible officers

		Total amour				
Officer category	Total amount of compensation,	Basic		nce-linked ation, etc.	Non-	Number of eligible
	etc. (million yen)	compensation	Monetary compensation, etc.	Non-monetary compensation, etc. (PSU)	monetary compensation, etc. (RS)	of eligible officers
Directors (excluding Outside Directors)	150	109	11	16	13	4
Audit & Supervisory Board Members (excluding outside members)	16	16	_	_	_	1
Outside officers	28	28	-	-	-	4

(notes) 1. The amounts of performance-linked stock compensation (PSU) and restricted stock compensation (RS) are the figures recorded as expenses for the fiscal year under review.
2. The amount of performance-linked compensation, etc. includes performance-linked bonus (short-term bonus) as a short-term incentive and performancelinked stock compensation (PSU) as a medium-term incentive. The performance indicators selected as the basis for calculation of these amounts are: for short-term bonus, results of the previous fiscal year (net sales, operating profit, ordinary profit, profit attributable to owners of parent), and for PSU, the average of the results for three consecutive years from previous fiscal year (net sales, operating profit, ordinary profit, profit attributable to owners of parent, and ROE). The reason for adopting these performance indicators is to motivate officers to keep concern to medium- to long-term growth from the perspective of ensuring the implementation of the management vision and the medium-term management plan, in addition to sustainable performance improvement of each fiscal year.

### Compliance

#### Basic approach

We developed Code of Business Ethics and Compliance Regulations to stipulate all the directors and employees working with high ethical standard. We are also working to foster their mind of compliance through various programs.

#### Compliance Committee

We have established the Compliance Committee, chaired by the President and Chief Executive Officer. The Committee meets regularly four times a year, attended by members of the Board of Directors and the Audit & Supervisory Board (including outside members), General Managers of Divisions, audit departments, etc. We have built this system as a countermeasure against compliance violations so that if one were to occur, we can immediately conduct a thorough fact-finding investigation, impose strict punishment, and decide appropriate measures to prevent recurrence.

#### Compliance helpline consultation service

As a mechanism for early detection and correction of ethical violations and inappropriate acts in terms of compliance, we operate compliance helpline consultation desks set up both inside and outside the company, while strictly protecting the privacy of those who use them and eliminating any disadvantageous treatment of them.

#### Providing compliance education

We provide compliance education for employees regularly to raise their awareness of compliance. We use posters

### **Risk management**

The Neturen Group has established "Risk Management Basic Regulations" and "Affiliate Company Management Regulations," and the Planning and Coordination Department of the Administrative Headquarters serves as the secretariat to promote company-wide risk management.

In FY2023, we continued monitoring the top 40% of the total score of approximately 200 risk items, which were selected based on the magnitude of impact and frequency of occurrence, and also reviewed the items and evaluations.

Business risks are listed on page 19 of the March 2024 Annual Securities Report (113th) (only in Japanese). https://www.k-neturen.co.jp/ja/ir/library/ securities.html Management foundation

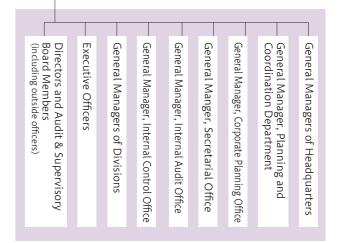
Data

#### Compliance Committee Structure Chart

Chairperson President and Chief Executive Officer

Vice-chairperson Officer in charge of Administrative Headquarters

Secretariat Legal Affairs & Compliance Section

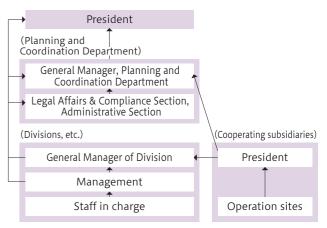


and provide lectures on topics such as the importance of compliance, the effectiveness of ethical and legal compliance for organizations, interpersonal relationships, and punishments for violations. We also provide ongoing compliance education for our Group companies.

In FY2023, we provided quarterly training on four themes for our company and domestic group companies to foster awareness of compliance.



#### Communication route for crisis management information (initial stage)



### Directors, Audit & Supervisory Board Members, Executive Officers

#### Director, Member of the Board

Representative Director, Member of the Board

#### Katsumi Omiya

Attendance at the Board of Directors meetings: 15/15 times

#### Career summary

- April 1983 Joined the company
- June 2012 Director, Member of the Board
- June 2016 Managing Director, Member of the Board
- October 2020 Representative Director, Member of
- the Board and President June 2021 Representative Director, Member
- of the Board, President and Chief Executive Officer (current position)

Director, Member of the Board

Tomokatsu Yasukawa

Attendance at the Board of Directors

June 2012 Director, Member of the Board

June 2021 Director, Member of the Board,

April 2022 Director, Member of the Board,

Executive Officer; supervising safety,

Audit & Supervisory Board Members

health and environmental affairs;

General Manager, Administrative

Headquarters (current position)

Audit & Supervisory Board Member (full-time)

Attendance at the Audit & Supervisory Board

Attendance at the Board of Directors

Yoshihiro Ikegami

meetings: 15/15 times

Executive Officer

meetings: 15/15 times

April 1986 Joined the company

Career summary

### Director, Member of the Board

#### Nobumoto Ishiki

Attendance at the Board of Directors meetings: 15/15 times

- Career summary
- April 1982 Joined TRW Automotive Japan Co., Ltd. (currently, ZF Japan Co., Ltd.)
- February 2001 Joined Colin Corporation (currently
- Fukuda Colin Co., Ltd.)
- April 2001 Joined Neturen Co., Ltd. February 2006 Joined Toyo Fastener Co., Ltd.
- April 2007 Joined Neturen Co., Ltd.
- June 2017 Director, Member of the Board
- April 2020 Managing Director, Member of the Board
- June 2021 Director, Member of the Board, Managing Executive Officer
- June 2023 Director, Member of the Board, Senior

Mineo Hanai

meetings: 15/15 times

Career summary

June 2006

Managing Executive Officer April 2024 Director, Member of the Board, Senior Managing Executive Officer; Supervising Engineering Development, Business Development, DX Promotion and Facilities: General Manager Information Strategy Office (current position)

Outside Director, Member of the Board

Attendance at the Board of Directors

April 1972 Joined Nippondenso Co., Ltd.

Corporation)

Minoru Enjitsu

meetings: 15/15 times

(currently, Denso Corporation)

at Nagoya Institute of Technology

Asmo Co., Ltd. (currently, Denso

Neturen Co., Ltd. (current position)

Senior Managing Director, Denso Corporation

March 2000 Earned a doctoral degree in Engineering

June 2008 Representative Director and President,

June 2017 Director, Member of the Board of

Outside Audit & Supervisory Board Member

Attendance at the Audit & Supervisory Board

(currently MUFG Bank, Ltd.)

Research Institute DCS Co., Ltd.

Mitsubishi Research Institute DCS Co., Ltd.

Mitsubishi Research Institute DCS Co., Ltd.

Mitsubishi Research Institute DCS Co., Ltd.

Research Institute DCS Co., Ltd. June 2020 Audit & Supervisory Board Member of Neturen Co., Ltd. (current position) June 2023 Outside Auditor, MORITANI & CO.,LTD. (current position) Outside Auditor, K. K. GM INVESTMENTS (current position)

Attendance at the Board of Directors

October 2019 Corporate Advisor, Mitsubishi

- Director, Member of the Board Takashi Suzuki
- Attendance at the Board of Directors meetings: 15/15 times
- Career summary
- April 1985 Joined the company June 2016 Director, Member of the Board April 2021 Managing Director, Member of the
- Board June 2021 Director, Member of the Board,
- Managing Executive Officer April 2024 Director, Member of the Board,
  - Products Division; General Manager, Global Procurement Headquarters (current position)

Outside Director, Member of the Board

#### Yoshiko Moriyama

- Attendance at the Board of Directors meetings: 15/15 times
- Career summary
- April 1998 Registered as Attorney-at-Law (Daini
- Tokyo Bar Association)
- December 2004 Qualified as attorney, State of New York, U.S. July 2006 Joined TMI Associates
- January 2010 Partner, TMI Associates
- February 2015 Counsel, TMI Associates (current position)
- June 2022 Director, Member of the Board of
- Neturen Co., Ltd. (current position)
- November 2022 Outside Director, YAMATO INTERNATIONAL INC. (current position)

Outside Audit & Supervisory Board Member

#### Kayoko Kamijo

(New appointment)

#### Career summary

- February 1989 Joined Asahi Shinwa Accounting Firm (now KPMG AZSA LLC)
- August 1993 Registered as a Certified Public Accountant
- September 2000 Joined Tokyo Hokuto & Co. (currently GYOSEI & CO.)
- October 2019 Joined SHINSOH Audit & Co., Partner
- (current position) June 2024 Audit & Supervisory Board Member of Neturen Co., Ltd. (current position) External Corporate Auditor, SUNDRUG CO.,LTD. (current position)

Managing Executive Officer; General Manager, Specialty Steel & Wire

Yoshiko Morivama Takashi Suzuki

#### **Executive Officers**

Name	Position (title)	Name	Position (title)
Katsumi Omiya	Representative Director, Member of the Board President and Chief Executive Officer	Nobuhiro Murai	Executive Officer/General Manager, Quality Assurance Headquarters
Nobumoto Ishiki	Director, Member of the Board and Senior Managing Executive Officer Supervising Engineering Development, Business Planning and Development, DX Promotion; General Manager, Information Strategy Office	Naoki Hisada	Executive Officer Supervising TQM Promotion; General Manager, Human Resources Headquarters; General Manager, Corporate Planning Office
Takashi Suzuki	Director, Member of the Board, Managing Executive Officer General Manager, Specialty Steel & Wire Products Division; General Manager, Global Procurement Headquarters	Norio Tanaka	Executive Officer General Manager, IH (Induction Heating) Division
Tomokatsu Yasukawa	Director, Member of the Board, Executive Officer Supervising safety, health and environment affairs; General Manager, Administrative Headquarters	Harunobu Nakamura	Executive Officer Supervising Facilities; General Manager, Product Engineering Headquarters

#### • Skills matrix of Directors, Audit & Supervisory Board Members, and Executive Officers

				Specialty and experience									
Name	Position (title)	Outside	Executive	Corporate Management	Technology/ Research	Manufacturing/ Quality	Global	Marketing	DX	Sustainability	Legal Affairs	Finance	
	. ,		Officer	General	E	Basic Strateg	у		Ma	lanagement Base			
Katsumi Omiya	Representative Di-rector, Member of the Board, President and Chief Executive Officer		•	•	•	•	•	•		•			
Nobumoto Ishiki	Director, Member of the Board, Senior Managing Executive Officer		•	•	•	•	•		•	•			
Takashi Suzuki	Director, Member of the Board, Managing Executive Officer		•	•		•		•	٠				
Tomokatsu Yasukawa	Director, Member of the Board, Executive Officer		•							•	٠	•	
Mineo Hanai	Director, Member of the Board	•		•	•	•	•	•					
Yoshiko Moriyama	Director, Member of the Board	•					•			•	٠		
Yoshihiro Ikegami	Audit & Supervisory Board Member (Full-time)					•		•			٠		
Minoru Enjitsu	Audit & Supervisory Board Member	•		•			•		•			•	
Kayoko Kamijo	Audit & Supervisory Board Member	•								•		•	
Nobuhiro Murai	Executive Officer		•		•	•		•					
Naoki Hisada	Executive Officer		•				٠	•				•	
Norio Tanaka	Executive Officer		•	•	•	•							
Harunobu Nakamura	Executive Officer		•	•	•	•	•		٠	•			

meetings: 15/15 times meetings: 15/15 times Career summary Career summary April 1980 Joined the company April 1980 Joined The Mitsubishi Bank, Ltd. April 2009 General Manager, Sales Department, April 2008 Executive Officer, The Mitsubishi Bank, Ltd. Specialty Steel & Wire Products June 2010 Senior Executive Officer, Mitsubishi Division June 2019 Commissioned Assistant to President December 2010 Representative Senior Managing Director, June 2020 Audit & Supervisory Board Member (current position) December 2011 Representative Director and Vice President. May 2014 Representative Director and President,



### Financial summary for past 11 years

Financial data (consolidated)						 						
		FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Profit and loss												
Net sales	(Million yen)	46,997	46,895	42,905	43,396	48,980	53,015	48,806	42,567	53,004	57,524	57,205
Operating profit	(Million yen)	3,686	3,001	2,145	3,003	3,656	3,569	2,087	920	3,704	2,396	1,632
Ordinary profit	(Million yen)	4,449	3,620	2,758	3,589	4,165	4,080	2,071	1,475	4,418	3,088	2,511
Profit attributable to owners of parent	(Million yen)	2,939	2,105	△687	2,834	3,003	950	250	268	2,690	381	1,542
Comprehensive income	(Million yen)	7,208	5,460	∆3,203	2,671	4,768	△127	△594	1,351	5,420	3,118	4,182
Financial position												
Total assets	(Million yen)	78,374	81,828	76,610	76,230	82,571	80,650	76,277	75,574	82,003	79,888	80,613
Net assets	(Million yen)	61,658	66,176	62,202	63,319	66,120	64,598	62,772	62,714	66,859	66,549	66,471
Liabilities	(Million yen)	16,715	15,652	14,408	12,911	16,450	16,052	13,505	12,860	15,144	13,338	14,142
Balance of borrowings, etc.	(Million yen)	3,670	3,260	2,603	1,727	2,352	3,647	3,088	2,955	2,650	1,875	1,174
Per share information												
Net assets per share	(yen)	1,325.53	1,411.70	1,322.16	1,381.64	1,458.40	1,427.94	1,379.16	1,410.69	1,494.67	1,575.08	1,657.44
Basic earnings per share (EPS)	(yen)	68.96	49.41	△16.12	66.98	72.73	23.21	6.14	6.59	67.45	9.89	41.91
Dividend per share	(yen)	18	14	14	25	22	25	22	14	30	30	49
Payout ratio	(%)	26.1	28.3	_	37.3	30.3	107.7	358.3	212.4	44.5	303.2	116.9
Cash flows												
Cash flows from operating activities	(Million yen)	5,797	4,692	4,574	4,985	6,483	4,622	6,298	3,969	6,335	3,888	4,193
Cash flows from investing activities	(Million yen)	riangle5,516	riangle3,017	△2,442	∆3,263	riangle5,880	riangle5,510	riangle4,020	△758	△40	△1,203	△1,647
Cash flows from financing activities	(Million yen)	581	△1,393	△1,393	riangle2,589	△1,370	△130	△1,810	riangle1,595	riangle1,970	∆4,286	riangle5,080
Cash and cash equivalents at end of perio	d (Million yen)	12,684	13,422	14,054	13,098	12,507	11,286	11,697	13,309	18,099	16,911	14,810
Other financial figures and indicators												
Equity ratio	(%)	72.1	73.5	73.6	75.5	72.4	72.2	73.8	74.4	72.7	74.3	74.4
Return on equity (ROE)	(%)	5.4	3.6	△1.2	5.0	5.1	1.6	0.4	0.5	4.6	0.6	2.6
Operating profit to net sales	(%)	7.8	6.4	5.0	6.9	7.5	6.7	4.3	2.2	7.0	4.2	2.9
Ordinary profit to total assets (ROA)	(%)	6.0	4.5	3.5	4.7	5.2	5.0	2.6	1.9	5.6	3.8	3.1
Price earnings ratio (PER)	(times)	9.5	18.0	_	13.5	15.0	38.4	114.7	92.4	8.8	70.3	26.7
Price-book value ratio (PBR)	(times)	0.5	0.6	0.6	0.7	0.7	0.6	0.5	0.4	0.4	0.4	0.7
Capital expenditure	(Million yen)	4,091	3,232	3,088	3,167	4,766	4,872	4,177	1,426	1,377	1,296	2,626
R&D expenditures	(Million yen)	904	891	952	1,289	959	851	944	595	576	600	647
Depreciation	(Million yen)	2,651	2,967	2,930	2,739	2,897	3,267	3,189	3,034	2,954	2,705	2,377

#### Non-financial data (consolidated)

Regular employees (consolidated)	1,302	1,312	1,329	1,407	1,526	1,597	1,640	1,571	1,604	1,596	1,627
Average number of temporary employees	(206)	(205)	(214)	(204)	(222)	(265)	(244)	(226)	(231)	(249)	(190)
Number of patent rights held (non-consolidated) In Japan	_	_	_	_	-	493	514	471	438	433	436
Overseas	_	_	_	_	-	185	223	261	359	384	398
$CO_2$ emissions (Scopes 1+2) (non-consolidated) (t- $CO_2$ )	54,480	54,408	51,492	51,325	55,560	55,099	47,457	39,496	40,633	36,242	37,673
$CO_2$ emission per unit of net sales (t- $CO_2$ /1,000 t)	_	_	_	_	262	242	228	229	212	194	199

(Notes) 1. The significant decrease in profit attributable to owners of parent for fiscal years 2015, 2018, 2019, 2020, and 2022 was due mainly to recording of impairment losses on non-current assets.

2. Price earnings ratio for the 105th period is not stated because loss per share was recorded.

3. The loss attributable to owners of parent recorded for the 105th period was due mainly to recording of impairment losses on non-current assets. 4. Applying the Accounting Standards for Business Combination (ASBJ Statement No. 21, September 13, 2013), "Profit" has been stated as "Profit attributable to owners of parent" since FY2015.

5. We have applied the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) since the beginning

of FY2018. Figures for major management indicators for FY2017 are those after applying the same accounting standard retrospectively. 6. We have applied the Accounting Standard for Revenue Recognition (ASB) Statement No. 29, March 31, 2020) since the beginning of FY2021. Figures for

major management indicators for FY2021 and thereafter are those after applying the same accounting standard.

7. The number of patent rights held has been calculated since FY2018.

8.  $CO_2$  emissions per unit of net sales has been calculated since FY2017.

## Stock Information (as of March 31, 2024)

Stock Status	
Total number of shares authorized to be issued	150,000,000 shares
Total number of shares issued	3 <b>7,138,900</b> shares
(including tre	easury stock of 934,833 shares)
Number of shareholders	31,322 persons

#### Major Shareholders

Shareholder Name	Number of Shares Held (thousand shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd.	3,874	10.7
Nippon Steel Corporation	3,101	8.6
MUFG Bank, Ltd.	1,432	4.0
Custody Bank of Japan, Ltd. (Trust Account)	1,398	3.9
Chita Kogyo Co., Ltd.	1,029	2.8
Marubeni Itochu Sumisho Techno Steel Inc.	999	2.8
Sumitomo Mitsui Banking Corporation	907	2.5
Dai-ichi Life Insurance Company, Ltd.	826	2.3
Meiji Yasuda Life Insurance Company	762	2.1
DFA INTL SMALL CAP VALUE PORTFOLIO	757	2.1

Individuals and Others	11,040	29.7%
Financial Institutions	9,856	26.6%
Other Domestic Corporations	7,326	19.7%
<ul> <li>Foreigner (foreign individual/foreig corporation position)</li> </ul>		19.1%
Securities Companies	881	2.4%
Treasury stock	934	2.5%
	37,138 (thousan	100.0% d shares)
Rating Information		

Distribution of Shares by Shareholder

(Notes) 1. The Company owns 934,000 shares of treasury stock which is not included in the list of major shareholders above.

2. Treasury shares are not included in the calculation of shareholding ratio.

3. The numbers of shares held by The Master Trust Bank of Japan, Ltd. (trust account) and Custody Bank of Japan, Ltd. (trust account) are for those related to trust business.

#### Constructive dialogue with investors and shareholders

Neturen places emphasis on constructive dialogue with investors, shareholders, and other stakeholders with a view to achieving sustainable growth and increasing its corporate value over the medium- to long-term. The officer in charge supervises all dialogues with investors and shareholders, in cooperation with relevant departments as necessary. The opinions and feedback received through the opportunities for dialogue are reflected in our business management so as to help us increase our corporate value.



Briefing session for institutional investors

#### Major opportunities for dialogue with investors and shareholders (FY2023)

Long-term Issuer Rating by Japan

Credit Rating Agency, Ltd.

A-

(Stable)

Item	Summary
Major participants	•Representative Director, Member of the Board, President and Chief Executive Officer; Corporate Planning Office (IR)
Overview of investors/ shareholders	<ul> <li>Investment style: value investing in Japan, value investing overseas</li> <li>Participants: fund managers, analysts</li> </ul>
Means of dialogue	<ul> <li>Financial results briefing for institutional investors (twice a year)</li> <li>Briefing for individual investors (once a year)</li> <li>Small meeting with institutional investors (as needed)</li> </ul>
Major themes and interests	<ul> <li>Performance trends, full-year forecasts</li> <li>Medium- to long-term outlook and initiatives</li> </ul>
Feedback	<ul> <li>Reporting on IR activities in general to the Board of Directors (once a year)</li> <li>Sharing with officers the opinions given at small meetings with institutional investors (as needed)</li> </ul>
Activities introduced, etc.	•Disclosure of target B/S and capital allocation

### Corporate Profile (as of March 31, 2024)

Trade Name	Neturen Co., Ltd.
Address	2-17-1 Higashi-Gotanda, Shinagawa-ku, Tokyo Oval Court Ohsaki Mark West
TEL	03-3443-5441 (Main)
FAX	03-3449-3969

### Domestic and Overseas Bases

Neturen operations in Jaj	an The Neturen Gro	up In japan: 9compa
<ol> <li>Iwaki Plant</li> <li>Ibaraki Plant</li> <li>Head Office</li> <li>Human Resources Development Center</li> <li>Shonan Office, Hiratsuka Plant</li> <li>Kani Plant, Kani NH Plant</li> <li>Nagoya Plant</li> <li>Yamagata Plant, Neturen Heat Treat Co., Ltd.</li> <li>Nigata Plant, Neturen Heat Treat Co., Ltd.</li> <li>Kofu Plant, Neturen Heat Treat Co., Ltd.</li> <li>Kofu Plant, Neturen Heat Treat Co., Ltd.</li> <li>Neturen Hirakata Co., Ltd.</li> </ol>	<ul> <li>(8) Kariya Plant</li> <li>(9) Specialty Steel &amp; Wire Pro Division, Osaka Sales Office</li> <li>(9) Amagasaki Plant</li> <li>(1) Kobe Plant</li> <li>(2) Ako Plant</li> <li>(3) Okayama Plant</li> <li>(4) Okayama Plant</li> <li>(5) (4) Neturen Meinta</li> <li>(5) (4) Neturen Meinta</li> <li>(6) (5) (4) Neturen Meinta</li> <li>(7) Neturen Hymec Co., Ltd.</li> <li>Neturen Hymec Co., Ltd.</li> <li>Neturen Heat Treat Co., Ltd.</li> <li>(5) (4) Yamaguchi Plant, Neturen Heat Treat Co., Ltd.</li> <li>(7) Yamaguchi Plant, Neturen Heat Treat Co., Ltd.</li> <li>(7) Kyushu Koshuha</li> </ul>	ducts te Co., Ltd. (South Korea Ne Co., Ltd. (South Tianjin Fengdong Treatment Co., Ltd. Neturen (China) Slu Bearing Co., Ltd. Neturen Czech s.r.o. (Czech Republic) Ltd. an Chongqing Branch, Shanghai Neturen d. Co., Ltd. (China)

#### Neturen's information disclosure media

#### Company website

In addition to basic information about Neturen, we also publish information about products, services, technology, IR, sustainability, etc. (Available in three languages: Japanese, English, and Chinese)

#### https://www.k-neturen.co.jp/en/index.html

Other media	
<ul> <li>Integrated Report (this document)</li> </ul>	https://www.k-neturen.co.jp/en/sustai
<ul> <li>Annual securities report*</li> </ul>	https://www.k-neturen.co.jp/ja/ir/libra
•ESG Data*	https://www.k-neturen.co.jp/ja/sustair
•Annual Report	https://www.k-neturen.co.jp/en/ir/libra

\* Only in Japanese

Date of	May 15, 1946
Establishment	(With current company name)
Capital	6,418,359,752 yen
Number of	Consolidated: 1,596
Employees	Unconsolidated: 896

