



Annual Report 2021

For the year ended March 31, 2021

NETUREN CO., LTD.

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FIVE-YEAR SUMMARY

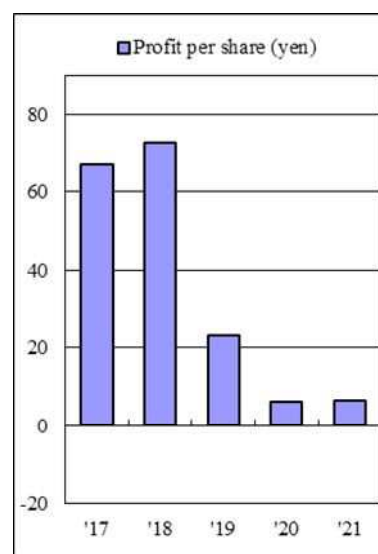
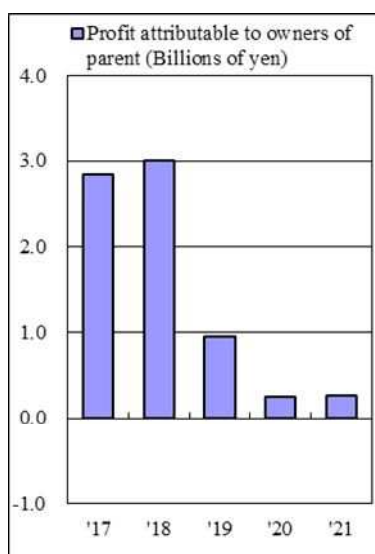
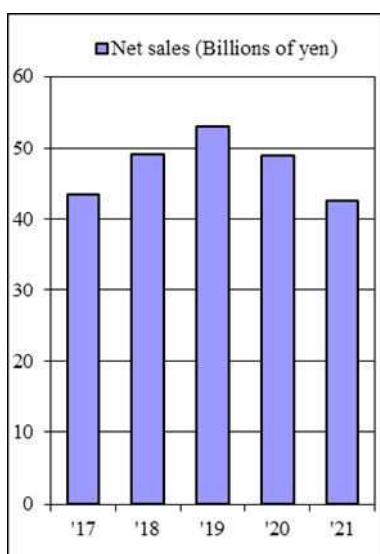
Neturen Co., Ltd. and Consolidated Subsidiaries

Five years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2017	2018	2019	2020	2021	2021
Net sales.....	¥43,396	¥48,980	¥53,015	¥48,806	¥42,567	\$384,491
Operating profit.....	3,003	3,656	3,569	2,087	920	8,311
Profit.....	3,096	3,479	1,507	719	615	5,560
Profit attributable to owners of parent.....	2,834	3,003	950	250	268	2,422
Comprehensive income.....	2,671	4,768	(127)	(594)	1,351	12,204
Total assets.....	76,230	82,110	80,650	76,277	75,574	682,636
Total Net assets.....	63,319	66,120	64,598	62,772	62,714	566,474
Per share of common stock.....						
Profit.....	¥66.98	¥72.73	¥23.21	¥6.14	¥6.59	\$0.06
Cash dividends.....	25.00	22.00	25.00	22.00	14.00	0.13
Stockholders' equity.....	1,381.64	1,458.40	1,427.94	1,379.16	1,410.69	12.74

Note1: U.S. dollar amounts in this report are translated from Japanese yen, for convenience only, at the rate of ¥110.71=US\$1.

2: The fiscal year ended March 31, 2017 dividend includes a one time commemorative dividend of ¥4.00 per share.



TO OUR SHAREHOLDERS

The Group, consisting of the Company (Neturen Co., Ltd.), 18 subsidiaries and 4 affiliates, manufactures and sells prestressing steel bars and deformed steel bars for prestressed concrete used in civil engineering and construction; Induction Heated, Quenched and Tempered Wire (ITW) used mainly for suspension springs of automobiles and motorcycles, auto parts and construction machine parts; and induction heating equipment for various industries. The group also provides heat treatment services for major critical safety parts of automobiles, machine tools and construction equipment.

Overview of Operating Results, etc.

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

During the fiscal year under review, the Japanese economy was hit by a rapid deterioration in the economic environment due to the novel coronavirus disease (COVID-19) in the first half of the year, but it gradually began to show signs of recovery in the second half. However, in January 2021, a state of emergency was again declared in some areas of Japan, and the situation continued to be extremely severe with no time frame for the containment of the disease in sight, as there were concerns about a rebound in infections even after the lifting of the state-of-emergency declaration.

Overseas, although China and North America were able to emerge from the economic stagnation caused by COVID-19 at a relatively early stage, there are still areas where the timing of its containment is unclear, and the outlook is extremely uncertain.

Under these circumstances, the Group strove to enhance its corporate value by promoting the basic policies set forth in the 14th medium-term business plan “Accomplish V-20” (a plan for the three years from April 2018 to March 2021): (1) Rapid development and market introduction of new technologies, new products, and new businesses, (2) Securing and fostering global human resources who will forge the present and future of the Group, and (3) Building a global structure for safety, quality and CSR activities.

In addition, in response to the rapid changes in the business environment caused by COVID-19, we implemented flexible work support between sites by utilizing surplus time for education and training. At the same time, we strove to reduce costs by cutting expenditures, such as through reviewing equipment investment plans and curbing business trips.

Although orders recovered steadily from the latter half of the fiscal year under review, the decrease in orders due to COVID-19 in the first half of the year had a significant impact. As a result, net sales for the fiscal year under review were ¥42,567 million (down 12.8% year on year). Operating income was ¥920 million (down 55.9% year on year) due to the decrease in net sales, despite efforts to reduce costs. Ordinary income was ¥1,475 million (down 28.8% year on year). Profit attributable to owners of parent was ¥268 million (up 7.0% year on year), mainly due to the recording of gain on sales of investment securities, despite the recording of impairment loss on goodwill of Korea Neturen Co., Ltd.

Results by business segment are as follows.

1) Specialty Steel and Wire Products Division

Net sales of civil engineering and construction-related products increased slightly year on year, as sales volume was secured despite the postponement of construction work due to the spread of COVID-19.

Net sales of automobiles-related products decreased significantly year on year due to the significant impact of the global market slowdown caused by the spread of COVID-19 in the first half of the fiscal year under review.

Net sales of construction equipment-related products increased year on year, mainly due to increased sales volume in China, where recovery was quicker, despite the impact of the global market slowdown caused by the spread of COVID-19.

As a result, although business conditions have been steadily recovering, the sharp drop in orders in the first half of the fiscal year had a significant impact, resulting in net sales of ¥24,537 million (down 7.5% year on year). However, operating income was ¥685 million (up 27.8% year on year) as a result of the recovery in the Chinese market and the efforts to cut costs.

2) Induction Heating Division

Net sales of induction heat treatment-related services decreased year on year due to the significant impact of the market slowdown caused by the spread of COVID-19 in major industries such as automobiles, machine tools, and construction machinery in the first half of the fiscal year under review.

Net sales of induction heating equipment and related services decreased significantly year on year due to a delay in the recovery of orders, as customers reviewed their capital expenditures and postponed maintenance due to the spread of COVID-19.

As a result, although business conditions have been steadily recovering, the sharp drop in orders in the first half of the fiscal year had a significant impact, resulting in net sales of ¥17,898 million (down 19.2% year on year). In addition, operating income was ¥170 million (down 88.5% year on year), mainly due to the decline in net sales.

3) Others

This segment covers activities such as real estate leasing business that are not included in the reportable segments.

Rental properties owned by the Company are stably contributing to the Company's business performance, albeit on a small scale.

As a result, net sales were ¥131 million (down 0.7% year on year), and operating income was ¥57 million (down 2.8% year on year).

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

Total assets at the end of the fiscal year under review were ¥75,574 million (down 0.9% year on year). This was mainly due to a decrease in property, plant and equipment as a result of restrained capital investment, and a decrease in intangible assets resulting from impairment loss on goodwill, despite an increase in current assets.

Total liabilities at the end of the fiscal year under review were ¥12,860 million (down 4.8% year on year). This was mainly due to decreases in long-term borrowings and retirement benefit liability.

Net assets at the end of the fiscal year under review were ¥62,714 million (down 0.1% year on year). This was mainly due to a decrease in retained earnings and the repurchase of treasury shares, despite an increase in valuation difference on available-for-sale securities.

As a result, the equity ratio as of the end of the fiscal year under review stood at 74.4%.

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

The balance of cash and cash equivalents (hereinafter, “cash”) at the end of the fiscal year under review was ¥13,309 million (an increase of ¥1,611 million from the end of the previous fiscal year), the breakdown of which is as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥3,969 million (¥6,298 million in net cash provided in the previous fiscal year).

This was mainly due to the recording of profit before income taxes of ¥1,198 million, and a smaller decrease in trade receivables than in the previous fiscal year.

(Cash Flows from Investing Activities)

Net cash used in investing activities was ¥758 million (¥4,020 million in net cash used in the previous fiscal year).

This was mainly due to proceeds from sales and redemption of investment securities of ¥1,000 million, and purchase of property, plant and equipment of ¥1,408 million only.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥1,595 million (¥1,810 million in net cash used in the previous fiscal year).

This was mainly due to purchase of treasury shares of ¥506 million.

(Reference) Trends in cash flow-related indicators

	Fiscal years ended March 31				
	2017	2018	2019	2020	2021
Equity ratio	75.5	72.8	72.2	73.8	74.4
Equity ratio based on market value	49.4	54.4	45.1	37.7	32.1
Interest-bearing debt to cash flow ratio	0.3	0.3	0.8	0.5	0.7
Interest coverage ratio	126.7	170.6	109.7	167.5	107.4

(Notes) 1. Calculation method of each indicator

1) Equity ratio: Equity / total assets

2) Equity ratio based on market value: Total market value of shares (closing price of stock × total number of issued and outstanding shares) / total assets

3) Interest-bearing debt to cash flow ratio: Interest-bearing debt / cash flow from operating activities

4) Interest coverage ratio: Cash flow from operating activities / interest payments

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

(4) Future Outlook

Although it is difficult to foresee the impact of COVID-19 on the economy in the future, it is expected that economic trends in Japan and overseas will remain on a gradual recovery track as vaccinations and other measures to prevent the spread of infection are implemented. However, the situation will continue to be unpredictable for some time, as a third state of emergency was declared in some areas of Japan in April 2021, and it is expected that it will take some time before vaccinations are completed both in Japan and overseas. We expect this to have some impact on orders that the Group will receive.

Under these circumstances, the Group will do its utmost to secure orders and further promote the cost reduction measures that have been developed under the circumstances of the spread of COVID-19. Through these efforts, we forecast consolidated net sales of ¥50,000 million, operating income of ¥2,500 million, ordinary income of ¥2,800 million, and profit attributable to owners of parent of ¥1,800 million for the fiscal year ending March 31, 2022.



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

FORMULATION OF THE 15th MEDIUM-TERM MANAGEMENT PLAN

Overview of 15th Medium-term Management Plan

Basic policy: Aim to “contribute to a sustainable society” and “increase corporate value” as first phase of achieving NETUREN VISION 2030 “Evolution and Breakthrough”

Period : April 2021 to March 2024 (Three years)

Slogan : “Change!! New NETUREN 2023”

Objective : Initiate change internally and externally, and evolve.
Create a new Neturen by uniting the collective wisdom and power of the Group

Four strategies of 15th Medium-term Management Plan

Strategy 1: Establish revenue base by further enhancing competitiveness of core business, and bringing new technologies, products and businesses to market.

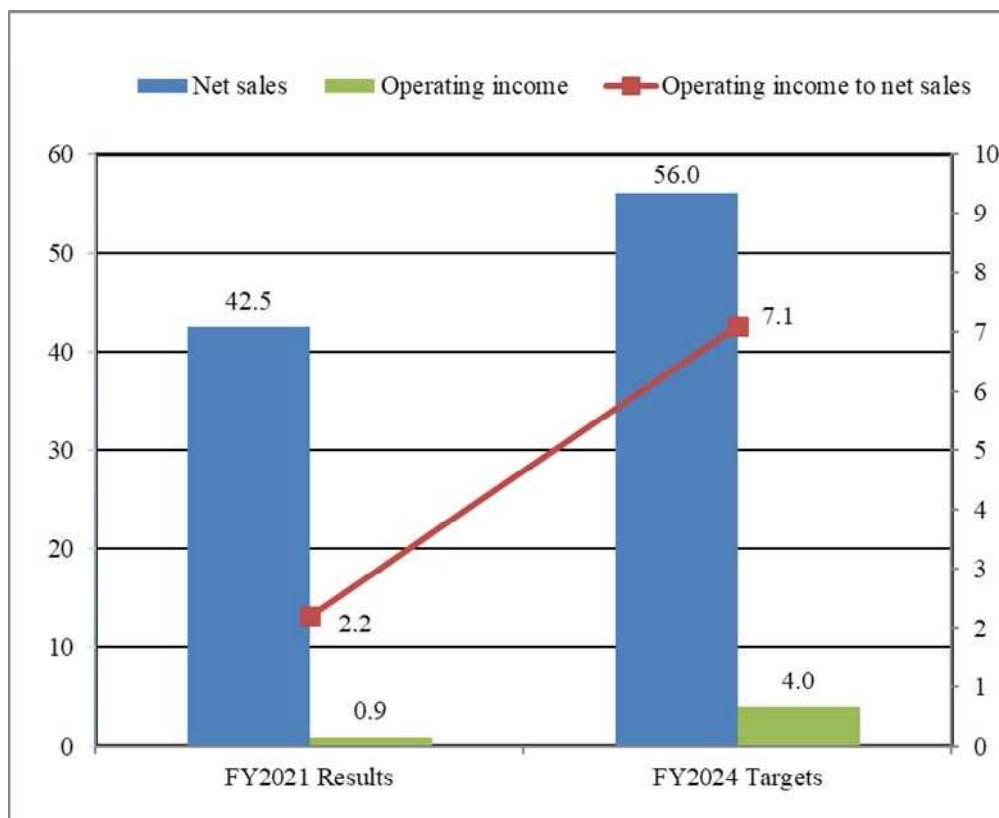
Strategy 2: Promote digitization and improve ability to roll out information through N-DX system, aim for full operation in three years’ time.

Strategy 3: Identify SDGs as the core of management, promote reduction of CO2 and contribute to the creation of a sustainable society.

Strategy 4: Develop human resources that enhance the Group’s sales and marketing capabilities globally

Consolidated Management Targets

Major management indicators (consolidated)	FY2020 Results	FY2021 Results	FY2024 targets
Net sales	¥48.8bn	¥42.5bn	¥56.0bn
Operating income	¥2.0bn	¥0.9bn	¥4.0bn
Operating income to net sales	4.3%	2.2%	7.1%
Return on equity (ROE)	0.4%	0.5%	5.0% or more
Return on asset (ROA)	2.6%	1.9%	5.5% or more



CONSOLIDATED BALANCE SHEET

Neturen Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (Note2)
	2020	2021	2021
ASSETS			
Current assets:			
Cash and deposits(Note4).....	¥13,737	¥14,675	\$132,559
Notes and accounts receivable - trade(Note4).....	11,141	10,717	96,802
Electronically recorded monetary claims claims (Note4).....	3,301	3,640	32,880
Securities.....	—	383	3,462
Inventories (Note3).....	4,572	4,672	42,204
Other.....	1,736	1,389	12,551
Total current assets.....	34,490	35,478	320,460
Non-current assets:			
Property, plant and equipment:			
Land.....	9,880	9,866	89,122
Buildings and structures.....	21,236	21,498	194,189
Machinery, equipment and vehicles.....	49,627	50,040	452,000
Construction in progress.....	1,911	1,081	9,772
Other.....	2,692	2,643	23,878
Accumulated depreciation.....	(54,533)	(55,968)	(505,540)
Total property, plant and equipment.....	30,815	29,163	263,422
Intangible assets:			
Leasehold interests in land	657	639	5,778
Goodwill.....	895	4	38
Other.....	173	141	1,274
Total intangible assets.....	1,725	785	7,091
Investments and other assets:			
Investment securities (Note4, 5).....	8,560	8,686	78,459
Retirement benefit asset (Note12).....	91	86	784
Deferred tax assets (Note7).....	128	126	1,138
Other.....	544	1,328	12,000
Allowance for doubtful accounts.....	(80)	(79)	(719)
Total investments and other assets.....	9,245	10,147	91,662
Total non-current assets.....	41,787	40,096	362,176
Total assets.....	76,277	75,574	682,636

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

Neturen Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (Note2)
	2020	2021	2021
LIABILITIES			
Current liabilities:			
Notes and accounts payable – trade (Note4).....	¥2,680	¥2,793	\$25,230
Electronically recorded obligations – operating (Note4).....	3,361	3,008	27,172
Short-term borrowings (Note6).....	1,370	1,486	13,424
Lease obligations (Note6).....	40	30	272
Income taxes payable (Note7).....	205	268	2,428
Provision for bonuses.....	607	699	6,318
Provision for bonuses for directors (and other officers).....	—	12	117
Other.....	2,394	2,091	18,895
Total current liabilities.....	10,659	10,391	93,858
Non-current liabilities:			
Long-term borrowings (Note6).....	1,645	1,268	11,458
Provision for share awards for director (and other officers).....	—	3	30
Lease obligations (Note6).....	33	170	1,538
Deferred tax liabilities (Note7).....	116	389	3,514
Retirement benefit liability (Note12).....	939	562	5,079
Other.....	111	75	681
Total non-current liabilities.....	2,845	2,469	22,302
NET ASSETS			
Shareholders' equity:			
Share capital.....	6,418	6,418	57,974
Capital surplus.....	4,714	4,698	42,436
Retained earnings.....	47,718	47,415	428,283
Treasury shares.....	(2,641)	(3,106)	(28,058)
Total shareholders' equity.....	56,209	55,425	500,636
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities.....	495	1,141	10,309
Foreign currency translation adjustment.....	(367)	(452)	(4,087)
Remeasurements of defined benefit plans.....	(58)	118	1,073
Total accumulated other comprehensive income.....	69	807	7,295
Non-controlling interests	6,493	6,481	58,542
Total net assets.....	62,772	62,714	566,474
Total liabilities and net assets	76,277	75,574	682,636

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

Neturen Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (Note2)
	2020	2021	2021
Net sales	¥48,806	¥42,567	\$384,491
Cost of sales	38,754	34,474	311,397
Gross profit.....	10,052	8,092	73,093
Selling, general and administrative expenses (Note8).....	7,965	7,172	64,782
Operating profit.....	2,087	920	8,311
Non-operating income			
Interest and dividend income.....	321	191	1,726
Share of profit of entities accounted for using equity method.....	—	118	1,067
Financial and subsidy income.....	75	151	1,372
Gain on sales of investment securities.....	15	530	4,792
Share of loss of entities accounted for using equity method.....	(471)	—	—
Impairment loss (Note10).....	(188)	(772)	(6,978)
Other net (Note9).....	(246)	59	535
Other income (expenses) - net	(493)	278	2,515
Profit before income taxes.....	1,593	1,198	10,827
Income taxes (Note7)			
Current.....	575	482	4,361
Deferred.....	298	100	905
Total income taxes	874	583	5,266
Profit	719	615	5,560
Profit attributable to:			
Profit attributable to owners of parent.....	250	268	2,422
Profit attributable to non-controlling interests.....	468	347	3,138
Other comprehensive income (Note11)			
Valuation difference on available-for-sale securities.....	(690)	643	5,809
Foreign currency translation adjustment.....	(435)	(98)	(890)
Remeasurements of defined benefit plans, net of tax.....	(21)	177	1,598
Share of other comprehensive income of entities accounted for using equity method.....	(166)	13	125
Total other comprehensive income	(1,314)	735	6,643
Comprehensive income	(594)	1,351	12,204
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent.....	(926)	1,006	9,089
Comprehensive income attributable to non-controlling interests.....	331	344	3,114

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Neturen Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2020 and 2021

	Millions of yen				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 31, 2019.....	¥6,418	¥4,724	48,529	¥ (2,641)	¥57,030
Changes of items during period...					
Dividends of surplus.....			(1,060)		(1,060)
Profit attributable to owners of parent.....			250		250
Purchase of treasury shares.....				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests.....		(10)			(10)
Disposal of treasury shares.....					—
Other.....					
Balance at March 31, 2020.....	6,418	4,714	47,718	(2,641)	56,209
Changes of items during period...					
Dividends of surplus.....			(571)		(571)
Profit attributable to owners of parent.....			268		268
Purchase of treasury shares.....				(506)	(506)
Change in ownership interest of parent due to transactions with non-controlling interests.....					—
Disposal of treasury shares.....		(15)		41	25
Other.....					
Balance at March 31, 2021.....	6,418	4,698	47,415	(3,106)	55,425

	Thousands of U.S. dollars (Note2)				
	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 31, 2020.....	\$57,974	\$42,580	\$431,024	\$ (23,860)	\$507,719
Changes of items during period					
Dividends of surplus.....			(5,162)		(5,162)
Profit attributable to owners of parent.....			2,422		2,422
Purchase of treasury shares.....				(4,570)	(4,570)
Change in ownership interest of parent due to transactions with non-controlling interests.....					—
Disposal of treasury shares.....		(143)		372	228
Other.....					
Balance at March 31, 2021.....	57,974	42,436	428,283	(28,058)	500,636

	Millions of yen				
	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2019.....	¥1,177	¥98	¥ (36)	¥6,328	¥64,598
Changes of items during period					
Dividends of surplus.....					(1,060)
Profit attributable to owners of parent.....					250
Purchase of treasury shares.....					(0)
Change in ownership interest of parent due to transactions with non-controlling interests.....					(10)
Disposal of treasury shares.....					—
Other.....	(682)	(465)	(21)	165	(1,004)
Balance at March 31, 2020.....	495	(367)	(58)	6,493	62,772
Changes of items during period					
Dividends of surplus.....					(571)
Profit attributable to owners of parent.....					268
Purchase of treasury shares.....					(506)
Change in ownership interest of parent due to transactions with non-controlling interests.....					—
Disposal of treasury shares.....					25
Other.....	646	(84)	177	(12)	725
Balance at March 31, 2021.....	1,141	(452)	118	6,481	62,714

	Thousands of U.S. dollars (Note2)				
	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at March 31, 2020.....	\$4,472	\$(3,320)	\$(525)	\$58,655	\$567,001
Changes of items during period					
Dividends of surplus.....					(5,162)
Profit attributable to owners of parent.....					2,422
Purchase of treasury shares.....					(4,570)
Change in ownership interest of parent due to transactions with non-controlling interests.....					—
Disposal of treasury shares.....					228
Other.....	5,836	(767)	1,598	(112)	6,555
Balance at March 31, 2021.....	10,309	(4,087)	1,073	58,542	566,474

CONSOLIDATED STATEMENT OF CASH FLOWS

Neturen Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (Note2)
	2020	2021	2021
Cash flows from operating activities:			
Profit before income taxes.....	¥1,593	¥1,198	\$10,827
Depreciation.....	3,189	3,034	27,412
Impairment loss.....	188	772	6,978
Amortization of goodwill.....	123	124	1,122
Increase (decrease) in allowance for doubtful accounts.....	(10)	21	198
Increase (decrease) in provision for bonuses.....	(3)	91	830
Decrease (increase) in retirement benefit asset.....	(19)	5	47
Increase (decrease) in retirement benefit liability.....	(14)	(121)	(1,101)
Interest and dividend income.....	(252)	(162)	(1,463)
Interest expenses.....	37	36	333
Foreign exchange losses (gains).....	61	(87)	(790)
Share of loss (profit) of entities accounted for using equity method..	471	(118)	(1,067)
Loss (gain) on sales of property, plant and equipment.....	6	(95)	(864)
Loss (gain) on disposal of property, plant and equipment.....	29	29	270
Loss (gain) on sales of investment securities.....	(15)	(377)	(3,411)
Loss (gain) on valuation of investment securities.....	209	—	—
Decrease (increase) in trade receivables.....	2,668	98	888
Decrease (increase) in inventories.....	405	(103)	(933)
Increase (decrease) in trade payables.....	(1,724)	(241)	(2,177)
Increase (decrease) in accrued consumption taxes.....	160	49	447
Other, net.....	(354)	36	326
Subtotal.....	6,752	4,193	37,874
Interest and dividend income received.....	284	174	1,577
Interest paid.....	(38)	(36)	(331)
Income taxes (paid) refund.....	(699)	(361)	(3,261)
Net cash provided by (used in) operating activities.....	6,298	3,969	35,857

	Millions of yen		Thousands of U.S. dollars (Note2)
	2020	2021	2021
Cash flows from investing activities:			
Payments into time deposits.....	¥ (2,936)	¥(2,540)	\$(22,946)
Proceeds from withdrawal of time deposits.....	3,282	2,156	19,478
Purchase of property, plant and equipment.....	(4,369)	(1,408)	(12,719)
Proceeds from sales of property, plant and equipment.....	3	127	1,149
Purchase of intangible assets.....	(63)	(19)	(171)
Purchase of investment securities.....	(16)	(12)	(110)
Proceeds from sales and redemption of investment securities....	137	1,000	9,039
Loan advances.....	(1)	(10)	(93)
Collection of loans receivable.....	11	12	113
Purchase of long-term prepaid expenses.....	(39)	(47)	(426)
Other, net.....	(28)	(18)	(165)
Net cash provided by (used in) investing activities.....	(4,020)	(758)	(6,852)
Cash flows from financing activities:			
Proceeds from short-term borrowings.....	1,338	1,374	12,418
Repayments of short-term borrowings.....	(1,360)	(1,258)	(11,371)
Proceeds from long-term borrowings.....	20	170	1,535
Repayments of long-term borrowings.....	(533)	(539)	(4,870)
Purchase of treasury shares.....	(0)	(506)	(4,570)
Dividends paid.....	(1,060)	(571)	(5,162)
Dividends paid to Non-controlling interests.....	(321)	(357)	(3,226)
Proceeds from share issuance to non-controlling shareholders.	61	—	—
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation.....	83	—	—
Other, net.....	(36)	92	833
Net cash provided by (used in) financing activities.....	(1,810)	(1,595)	(14,414)
Effect of exchange rate change on cash and cash equivalents	(56)	(4)	(36)
Net increase (decrease) in cash and cash equivalents.....	411	1,611	14,553
Cash and cash equivalents at beginning of period.....	11,286	11,697	105,661
Cash and cash equivalents at end of period.....	11,697	13,309	120,215

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Neturen Co., Ltd. (the Company) and its domestic subsidiaries maintain their books of account in conformity with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their respective countries of domicile.

The accompanying consolidated financial statements are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in dollars) do not necessarily agree with the sum of the individual amounts.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued in Japan in order to present them in a form that is more familiar to readers outside Japan.

(1) Principle of Consolidation and Investments in Subsidiaries and Affiliates

The accompanying consolidated financial statements include the accounts of the Company and 17 significant subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. All unrealized profits and losses with regard to intercompany transactions of assets are also wholly eliminated in consolidation. The equity method to account for investments in an unconsolidated subsidiary and 4 affiliates has been followed by the Company in the accompanying consolidated financial statements. Accordingly, earnings corresponding to the equity ownership are included as income of the Company and the consolidated subsidiaries in investment accounts.

The fiscal year-end of all subsidiaries differs from that of the Company. Accounts of those subsidiaries which have different fiscal periods have been adjusted for significant transactions to properly reflect their financial positions and the results of operations.

(2) Foreign Currency financial statement

In translating the financial statements of foreign subsidiaries and affiliates into Japanese yen, all assets, liabilities, revenues and expenses are translated at the current exchange rates in effect each balance sheet date except for capital and retained earnings which are translated at the historical exchange rates in effect at the time of the transactions. The resulting translation adjustments are reflected as separate components in the accompanying consolidated financial statements as foreign currency translation adjustments.

(3) Cash and Cash Equivalents

Cash and cash equivalents for the consolidated statements of cash flows include cash on hand, readily-available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase.

(4) Short-term Securities, Investment securities

Short-term securities and investment securities are classified and account for, depending on management's intent, as follows:

Held-to-maturity securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are amortized or accumulated to face value. Other securities, "available-for-sale securities" with fair value are carried at fair value with unrealized holding gains and losses excluded from earnings and reported as a net amount in a separate component of net assets until realized. Other securities without fair value are carried at cost. In computing realized gain or loss, cost of other securities are principally determined by the moving-average method.

(5) Derivatives

Derivatives are valued by the market value method.

(6) Inventories

Inventories are principally stated at cost on a first-in, first-out basis, evaluates the amount of the inventories shown on the balance sheet by writing them down based on their decrease in profitability.

(7) Property, Plant and Equipment (except under lease)

Property, plant and equipment are stated at cost.

In the Company and its domestic subsidiaries, the declining-balance method is primarily used for depreciation.

Further, depreciation of buildings (excluding attached fixtures) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016, is calculated by the straight-line method.

In foreign subsidiaries, the straight-line method is primarily used for depreciation.

The range of useful lives is principally from 5 to 50 years for buildings and structures, from 4 to 12 years for machinery, equipment and vehicles.

(8) Intangible assets

Intangible assets are carried at cost less accumulated amortization, which are amortized by the straight-line method.

(9) Lease assets

Under accounting standards generally accepted in Japan, leased assets related to finance leases that do not transfer ownership of the leased property to the lessee are depreciated on a straight-line basis, with lease period used as their useful lives and no residual value.

(10) Allowance for Doubtful Accounts

The allowance for doubtful accounts has been provided at an amount computed based on the actual ratio of bad debts in the past and the estimated uncollectible amounts based on the analysis of certain individual receivables.

(11) Research and Development Costs

Research and development costs are charged to income as incurred.

(12) Retirement and severance benefits

The retirement benefit obligation is attributed to each period by the benefit formula method.

Actuarial gain / loss is recognized using the straight-line method over mainly 10 years from next fiscal year.

After adjusting for the tax effects, unrecognized actuarial gains / losses are recorded in accumulated adjustment for retirement benefits in accumulated other comprehensive income in the net assets section.

(13) Goodwill

Goodwill is evaluated on an individual basis and amortized by the straight-line method over 10 years.

(14) Income Taxes

Income taxes of the Company and subsidiaries are provided on the basis of amounts payable as indicated in the tax returns.

The Company and its consolidated subsidiaries have adopted the assets and liabilities method of tax effect accounting in order to recognize the effect of all temporary differences in the recognition of assets and liabilities for tax financial reporting purpose.

(Significant Accounting Estimates)

Impairment of non-current assets

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

	Millions of yen	Thousands of U.S. dollars
	2021	2021
Amount of property, plant and equipment in the consolidated balance sheets of some asset groups in Japan and overseas for which indications of impairment or the recognition of impairment loss was carefully considered	6,232	56,292
Amount of intangible assets in the consolidated balance sheets of some asset groups in Japan and overseas for which indications of impairment or the recognition of impairment loss was carefully considered (after recognition of impairment loss)	175	1,582
Impairment loss	772	6,978

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

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

In the first half of the fiscal year under review, orders received declined significantly due to the impact of the COVID-19 pandemic. Subsequently, business performance showed some recovery as economic activities gradually revitalized. Nevertheless, in confirming indications of impairment, the Group carefully reviewed the business plan and other factors of some asset groups in Japan and overseas, and conducted testing on whether to recognize impairment losses in the event of any indications of impairment.

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

- (i) The business plans of each asset group were calculated based on the management-approved budget and medium-term management plan and the growth rate of net sales post-business plan period was set at no more than 1%, while varying by region and business.
- (ii) Variable costs were computed by multiplying net sales by the variable cost rate which had been reasonably calculated based on factors including actual results and budget; fixed costs were calculated by estimating actual results, yearly salary inflation, and other factors.
- (iii) The remaining economic life of the major assets in each asset group was used as the period for estimating pre-discounted future cash flows.

As a result of the above, while an impairment loss on goodwill was recorded for Korea Neturen Co., Ltd., for the other asset groups, no impairment loss was recorded given that the total amount of their pre-discounted future cash flows exceed their carrying amounts.

For details on the impairment on goodwill of Korea Neturen Co., Ltd., see notes to 10 Impairment loss.

Although it is difficult to foresee the impact of COVID-19 on the economy in the future, it is expected that economic trends in Japan and overseas will remain on a gradual recovery track as vaccinations and other measures to prevent the spread of infection are implemented. The Group has made accounting estimates in its testing of impairment of non-current assets based on such an assumption. However, should the impact of the COVID-19 infections persist, deteriorating orders that the Group will receive, an impairment loss on non-current assets may be incurred.

(Accounting Standards Issued but Not yet Adopted)

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021)

(1) Overview

In accordance with this comprehensive accounting standard for revenue recognition, revenue is recognized through the application of the following five steps.

- 1: Identify the contract with the customer.
- 2: Identify the performance obligations in the contract.
- 3: Determine the transaction price.
- 4: Allocate the transaction price to the performance obligations in the contract.
- 5: Recognize revenue as the performance obligations are satisfied.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standards

The Company and its consolidated subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)

“Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)

“Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

In order to improve comparability with the provisions of international accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter referred to as "Accounting Standard for Fair Value Measurement, etc.") were developed to provide guidance, etc. on how to calculate fair value. Accounting Standard for Fair Value Measurement, etc. are applied to the fair value of the following items:

Financial instruments under the Accounting Standard for Financial Instruments

Inventories held for trading purposes under the Accounting Standard for Measurement of Inventories

In addition, the Implementation Guidance on Disclosures about Fair Value of Financial Instruments was revised to provide explanatory notes such as a breakdown of the fair value of financial instruments by level.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standards

The Company and its consolidated subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

2. Translation in U.S. Dollars

For the convenience of the reader, the accompanying consolidated financial statements have been presented in U.S. dollars by translating all Japanese yen amounts at the exchange rate of ¥110.71 to \$1, the approximate rate of exchange on March 31, 2021, at the Tokyo foreign exchange market. These translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars amounts at such rate or at any other rate.

3. Inventories

Inventories as of March 31, 2020 and 2021 consisted of the following:

	Millions of yen		Thousands of
	2020	2021	U.S. dollars
Finished goods.....	¥1,024	885	7,996
Work in process.....	1,444	1,570	14,182
Raw materials and supplies.....	2,103	2,217	20,025
	4,572	4,672	42,204

4. Status of financial instruments

(1) Policies for financial instruments

The Companies raised the funds by borrowing from financial institutions and retained earnings according to capital investment. The Companies manage funds only through short-term time deposit and others. The Companies use derivatives for the purposes of managing foreign currency exchange risk related to trading receivables and payables. The Companies do not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk.

Trade receivables —notes receivable, accounts receivable and electronically recorded monetary claims— are exposed to credit risk in relation to customers. In addition, the Companies are exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies resulting from trade with overseas customers. Equity securities —the Companies hold equity securities, which are mainly issued by companies who have business relationships with the Companies, and these securities are exposed to the risk of fluctuation in market prices. Trade payable —notes payable, accounts payable and electronically recorded obligations— mostly have payment due dates within one year. A portion of trade payables, which is denominated in foreign currencies, is exposed to foreign currency exchange risk. Short-term debt is raised mainly in connection with business activities. Long-term debt is taken out principally for the purpose of capital expenditure. Debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for debt bearing interest at variable rates, the Company undertakes interest rate swap transactions as a hedging instrument for most long-term debt.

(3) Risk management of financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies for managing credit risk of the Companies, the Companies monitor credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by customer.

To minimize the credit risk when entering into derivative transactions, counterparties are limited to financial institutions with high ratings.

(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For equity securities included in investments in securities, the fair values of these securities are periodically reviewed and reported to the Board of Directors.

In conducting and managing derivative transactions, the accounting department confirm the effectiveness of hedging and obtain approval from the responsible person, depending on the notional contract value, based on the internal policies and formal regulations on market risk for financial instrument.

(c) Monitoring of liquidity risks for financing (the risk that the Companies may not be able to meet its obligations on the scheduled due dates)

The Companies manage the liquidity risk mainly through the monthly cash-flow plans, which are prepared by each company.

Estimated fair value of financial instruments:

The book value of the financial instruments on the consolidated balance sheets as of March 31, 2020 and 2021 and unrealized gain (loss) are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen		
	2020		
	Book value	Fair value	Difference
Cash and Deposits.....	¥13,737	¥13,737	¥—
Notes and accounts receivable-trade.....	11,141	11,141	—
Electronically recorded monetary claims.....	3,301	3,301	—
Investment securities:			
Held-to-maturity securities.....	204	201	(2)
Other securities.....	4,174	4,174	—
Total.....	32,559	32,557	(2)
Notes and accounts payable-trade.....	2,680	2,680	—
Electronically recorded obligations.....	3,361	3,361	—
Total.....	6,041	6,041	—
Derivatives			
Hedge accounting not applied.....	65	65	—
Total.....	65	65	—

	Millions of yen		
	2021		
	Book value	Fair value	Difference
Cash and Deposits.....	¥14,675	¥14,675	¥—
Notes and accounts receivable-trade.....	10,717	10,717	—
Electronically recorded monetary claims.....	3,640	3,640	—
Securities and investment securities:			
Held-to-maturity securities.....	485	483	(1)
Other securities.....	4,305	4,305	—
Total.....	33,823	33,821	(1)
Notes and accounts payable-trade.....	2,793	2,793	—
Electronically recorded obligations.....	3,008	3,008	—
Total.....	5,801	5,801	—
Derivatives			
Hedge accounting not applied.....	8	8	—
Total.....	8	8	—

	Thousands of U.S. dollars		
	2021		
	Book value	Fair value	Difference
Cash and Deposits.....	\$132,559	\$132,559	\$—
Notes and accounts receivable-trade.....	96,802	96,802	—
Electronically recorded monetary claims.....	32,880	32,880	—
Securities and investment securities:			
Held-to-maturity securities.....	4,386	4,369	(17)
Other securities.....	38,888	38,888	—
Total.....	305,517	305,499	(17)
Notes and accounts payable-trade.....	25,230	25,230	—
Electronically recorded obligations.....	27,172	27,172	—
Total.....	52,402	52,402	—
Derivatives			
Hedge accounting not applied.....	81	81	—
Total.....	81	81	—

(1) Methods to determine the estimated fair value of financial instruments and other matters related to securities

Cash and deposits and notes and accounts receivable and electronically recorded monetary claims:

Fair value is based on the book value as the carrying amount approximates fair value, and because of the short maturity of these instruments.

Investment securities:

The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or prices provided by the financial institutions making markets in these securities. For information on securities classified by holding purpose, please refer to Note 5.

Notes and accounts payable and short-term debt and electronically recorded obligations:

Since these items are settled in a short period of time, their book value approximates fair value.

Derivatives: The Fair value is based on information provided by financial institutions at the end of the fiscal year.

(2) Financial instruments for which it is extremely difficult to determine the fair value were as follows:

As of March 31, 2020 and 2021, the cost of non-marketable securities consisted of the following:

	Millions of yen		Thousands of
	2020	2021	U.S. dollars
Other securities without fair value:			2021
Unlisted equity securities.....	¥242	¥241	\$2,181

Because no quoted market prices are available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table.

(3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2020 and 2021

	Millions of yen			
	2020			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Year through Ten Years	Due after Ten Years
Cash and Deposits.....	¥13,737	¥—	¥—	¥—
Notes and accounts receivable-trade.....	11,141	—	—	—
Electronically recorded monetary claims.....	3,301	—	—	—
Investment securities:				
Held-to-maturity securities.....	—	100	100	—
Total.....	28,180	100	100	—

	Millions of yen			
	2021			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Year through Ten Years	Due after Ten Years
Cash and Deposits.....	¥14,675	¥—	¥—	¥—
Notes and accounts receivable-trade.....	10,717	—	—	—
Electronically recorded monetary claims.....	3,640	—	—	—
Securities and investment securities :				
Held-to-maturity securities.....	385	—	100	—
Total.....	29,418	—	100	—

	Thousands of U.S. dollars			
	2021			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Year through Ten Years	Due after Ten Years
Cash and Deposits.....	\$132,559	\$—	\$—	\$—
Notes and accounts receivable-trade.....	96,802	—	—	—
Electronically recorded monetary claims.....	32,880	—	—	—
Securities and investment securities:				
Held-to-maturity securities.....	3,482	—	903	—
Total.....	265,725	—	903	—

5. Short-term Investment Securities, Investment Securities and Other Securities

The following is an analytical summary of held-to-maturity securities and available-for-sale securities consisted of short-term investment securities, investment securities as of March 31, 2020 and 2021.

	Millions of yen						Thousands of U.S. dollars		
	2020			2021			2021		
	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Held-to-maturity securities:									
Bonds.....	¥204	¥201	¥(2)	¥202	¥200	¥(1)	\$1,829	\$1,811	\$(17)
Others.....	—	—	—	283	283	—	2,557	2,557	—
	204	201	(2)	485	483	(1)	4,386	4,369	(17)
Other securities:									
Available-for-sale securities	Book value (Fair value)	Acquisition cost	Unrealized gain (loss)	Book value (Fair value)	Acquisition cost	Unrealized gain (loss)	Book value (Fair value)	Acquisition Cost	Unrealized gain (loss)
Bonds.....	¥—	¥—	¥—	¥—	¥—	¥—	\$—	\$—	\$—
Equity securities...	4,174	3,247	927	4,305	2,636	1,668	38,888	23,814	15,073
Others.....	—	—	—	—	—	—	—	—	—
	4,174	3,247	927	4,305	2,636	1,668	38,888	23,814	15,073

As of March 31, 2020 and 2021, the cost of non-marketable securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Other securities without fair value:			
Unlisted equity securities.....	¥242	¥241	\$2,181
Non-consolidated subsidiaries and affiliates:			
Equity securities.....	3,939	4,037	36,465

6. Short-term Bank Loans and Long-term Debt

Short-term bank loans consist mainly of short-term notes and short-term borrowings under the loan agreements. The weighted average interest rates applicable to such loans as of March 31, 2020 and 2021 were approximately 1.6% and 1.4% respectively.

Long-term debt as of March 31, 2020 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Unsecured loans from banks.....	¥2,187	¥1,809	\$16,347
Less: current portion.....	(542)	(541)	(4,888)
Lease obligations.....	73	200	1,810
Less: current portion.....	(40)	(30)	(272)
	1,678	1,438	12,997

Interest rates applicable to the long-term loans mentioned above ranged from 0.3% to 0.4% as of March 31, 2020 and 2021 respectively.

The aggregate annual maturities of long-term debt payable as of March 31, 2021 were as follows:

As of March 31,	Millions of yen	Thousands of U.S. dollars
2023.....	¥540	\$4,879
2024.....	600	5,419
2025.....	26	237
2026.....	22	206
	1,189	10,743

7. Income Taxes

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purpose for the years ended March 31, 2020 and 2021.

	As of March 31	
	2020	2021
Statutory tax rate	30.6%	30.6%
Permanent differences-Entertainment expenses and other.....	0.9	0.9
Permanent differences-Dividend income and other.....	(12.6)	(14.9)
Equity in earnings of unconsolidated subsidiaries and affiliates.....	9.1	(2.4)
Dividends from consolidated subsidiaries.....	13.3	19.0
Valuation allowance for deferred tax assets.....	13.6	0.8
Per capita inhabitance tax.....	2.7	3.6
Recognition of effective tax rate on retained earnings of foreign subsidiaries.....	2.2	(3.4)
Amortization of goodwill.....	2.4	3.2
Impairment Loss of goodwill.....	—	19.7
Tax rate differences.....	(8.6)	(8.1)
Tax credit.....	(2.4)	(3.0)
Other-net.....	3.7	2.6
Effective tax rate.....	54.9%	48.6%

The significant components of the Companies' deferred tax assets and liabilities as of March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of
	2020	2021	U.S. dollars
Deferred tax assets:			2021
Inventories.....	¥41	¥44	\$403
Depreciation.....	8	0	4
Intangible assets.....	24	17	158
Unrealized loss on valuation of other securities.....	6	6	59
Allowance for doubtful accounts.....	27	32	293
Accrued enterprise tax.....	20	16	146
Accrued employees' bonuses.....	207	243	2,199
Retirement benefit liability.....	433	340	3,074
Impairment loss.....	1,303	1,127	10,182
Unrealized loss on available-for-sale securities.....	213	25	228
Others.....	454	479	4,330
Subtotal.....	2,741	2,333	21,081
Valuation allowance.....	(1,279)	(982)	(8,877)
Total.....	1,462	1,351	12,204
Deferred tax liabilities:			
Accumulated earnings of consolidated subsidiaries.....	(530)	(487)	(4,401)
Reserve for deferred capital gains.....	(341)	(336)	(3,036)
Unrealized gain on available-for-sale securities.....	(440)	(537)	(4,855)
Others.....	(137)	(253)	(2,286)
Total.....	(1,449)	(1,614)	(14,579)
Net deferred tax assets (liabilities).....	12	(263)	(2,375)

8. Research and Development Costs

Research and development costs are charged to income for the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of
	2020	2021	U.S. dollars
Research and development costs.....	¥944	¥595	\$5,379

9. Other Income / (Expenses) — Other, net

Other income / (expenses) — Other, net consists of the following items:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Foreign exchange gains.....	¥ —	¥40	\$363
Foreign exchange Loss.....	(36)	—	—
Other.....	(209)	19	171
Other income (expenses) - net.....	(246)	59	535

10. Impairment loss

The Company recorded impairment loss on the following asset groups.

2020 (From April 1, 2019 to March 31, 2020):

Location	Category of assets	Millions of yen	Thousands of U.S. dollars
		2020	2020
Ibaraki, Japan	Buildings and structures, Machinery, equipment and vehicles, Construction in progress etc	¥172	\$1,580
Kobe, Japna	Construction in progress	16	153
		¥188	\$1,734

The Group's assets are mainly grouped by factory (multiple factories are classified into one group when business complementarity is recognized) based on managerial accounting classification.

For assets used for business operations where there was a significant decline in profitability, the book value was written down to the recoverable amounts. As result, an impairment loss ¥188 million was recorded as an extraordinary loss. The recoverable amounts of these assets were measured at their net realizable value. The net realizable value was based on the estimated sales value.

The Company recorded impairment loss on the following asset groups.

2021 (From April 1, 2020 to March 31, 2021):

Location	Category of assets	Millions of yen	Thousands of U.S. dollars
		2021	2021
Korea Nuturen Co., Ltd.	Goodwill	¥772	\$6,978

The Group's assets are mainly grouped by factory (multiple factories are classified into one group when business complementarity is recognized) based on managerial accounting classification. In addition, consolidated subsidiaries' assets are primarily grouped by company.

Among these asset groups, Korea Nuturen Co., Ltd., a consolidated subsidiary engaged in the manufacture and sales of induction heating equipment in South Korea, experienced a significant decrease in order backlog due to sluggish orders received from customers as a result of the COVID-19 pandemic. It is difficult to predict when the COVID-19 infections will be contained, and the South Korean economy is showing little signs of improvement. It is also likely that orders received in the equipment sales business will only react positively to any signs of economic recovery with a six-month time lag. As a result of a conservative review of the future business plan taking these factors into account, an impairment loss on goodwill of ¥772 million was recorded for Korea Nuturen Co., Ltd. to reflect a discrepancy from initial projections.

The recoverable amount is measured through value in use and future cash flows are discounted by a discount rate of 12.6%.

11. Other Comprehensive Income

Other comprehensive income for the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of
	2020	2021	U.S. dollars
			2021
Other consolidated comprehensive income for the year ended March 31, 2020 and 2021			
Unrealized gain on available-for sale securities			
Amount arising during the year.....	¥ (1,015)	¥1,118	\$10,101
Reclassification adjustments for gains and losses recognized in the income statement.....	193	(377)	(3,411)
Amount before tax effect adjustment.....	(821)	740	6,689
Tax effect.....	131	(97)	(880)
Total.....	(690)	643	5,809
Foreign currency translation adjustments			
Amount arising during the year.....	(435)	(98)	(890)
Reclassification adjustments for gains and losses recognized in the income statement.....	—	—	—
Amount before tax effect adjustment.....	(435)	(98)	(890)
Tax effect.....	—	—	—
Total.....	(435)	(98)	(890)
Remeasurements of defined benefit plans			
Amount arising during the year.....	(46)	234	2,122
Reclassification adjustments for gains and losses recognized in the income statement.....	15	20	181
Amount before tax effect adjustment.....	(31)	255	2,303
Tax effect.....	9	(78)	(704)
Total.....	(21)	177	1,598
Share of other comprehensive income of associates accounted for using the equity method			
Amount arising during the year.....	(166)	13	125
Reclassification adjustments for gains and losses recognized in the income statement.....	—	—	—
Total.....	(166)	13	125
Total.....	(1,314)	735	6,643

12. Retirement and severance benefits

The Company has adopted a corporate pension plan and a lump-sum pension plan, both of which are defined benefit plans. The Company also adopted a retirement benefit trust.

Domestic consolidated subsidiaries have adopted lump-sum pension plans, and calculated projected benefit obligations by the simplified method.

Defined benefit plans

Movements in retirement benefit obligations except plan applied simplified method for the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of
	2020	2021	U.S. dollars
			2021
Balance at April 1.....	¥2,634	¥2,602	\$23,503
Service cost.....	171	157	1,425
Interest cost.....	23	23	213
Actuarial loss (gain).....	(89)	(9)	(89)
Benefits paid.....	(137)	(115)	(1,047)
Balance at March 31.....	2,602	2,657	24,006

Movements in plan assets except plan applied simplified method for the years ended March 31, 2020 and 2021 were as follows

	Millions of yen		Thousands of
	2020	2021	U.S. dollars
Balance at April 1.....	¥1,770	¥1,719	\$15,532
Expected return on plan assets.....	30	31	282
Actuarial loss(gain).....	(135)	225	2,032
Contributions paid by the employer.....	191	296	2,681
Benefit paid.....	(137)	(115)	(1,047)
Balance at March 31.....	1,719	2,156	19,482

Movements in liability for retirement benefits based on the simplified method for the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of
	2020	2021	U.S. dollars
Balance at April 1.....	¥(16)	¥(34)	\$(312)
Retirement benefit costs.....	15	13	118
Benefit paid.....	(8)	(3)	(29)
Contributions paid by the employer.....	(28)	—	—
Other.....	3	(0)	(5)
Balance at March 31.....	(34)	(25)	(228)
Liability for retirement benefits.....	56	61	555
Asset for retirement benefits.....	(91)	(86)	(784)
Total net liability (asset) for retirement benefits at March 31.....	(34)	(25)	(228)

Reconciliation from retirement benefit obligations and plan assets to liability (asset) for the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of
	2020	2021	U.S. dollars
Funded retirement benefit obligations.....	¥2,778	¥2,838	\$25,636
Plan assets.....	(1,987)	(2,424)	(21,896)
	791	414	3,739
Unfunded retirement benefit obligations.....	56	61	555
Total net liability (asset) for retirement benefits at March 31.....	847	475	4,295
Liability for retirement benefits.....	939	562	5,079
Asset for retirement benefits.....	(91)	(86)	(784)
Total net liability (asset) for retirement benefits at March 31.....	847	475	4,295

Retirement benefit costs for the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of
	2020	2021	U.S. dollars
Service cost.....	¥171	¥157	\$1,425
Interest cost.....	23	23	213
Expected return on plan assets.....	(30)	(31)	(282)
Net actuarial loss amortization.....	15	20	181
Retirement benefit costs calculated by the simplified method.....	15	13	118
Total retirement benefit costs for year ended March 31.....	194	183	1,656

Breakdown of items recognized in other comprehensive income for the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Actuarial differences.....	¥ 31	¥(255)	\$(2,303)
Total.....	31	(255)	(2,303)

Breakdown of items recognized in accumulated other comprehensive income for the years ended March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Unrecognized actuarial differences.....	¥83	¥(171)	\$(1,546)
Total.....	83	(171)	(1,546)

Plan assets comprise for the years ended March 31, 2020 and 2021 were as follows:

	As of March 31	
	2020	2021
Plan assets comprise:		
Domestic Bonds.....	13.5%	13.0%
Domestic Stocks.....	12.1	15.8
Foreign Bonds.....	5.9	5.3
Foreign Stocks.....	9.2	12.1
Insurance assets (General account).....	52.5	45.2
Other.....	6.8	8.6
Total.....	100.0	100.0

Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

Actuarial assumptions for the years ended March 31, 2020 and 2021 were as follows:

	As of March 31	
	2020	2021
Discount rate.....	1.0%	1.0%
Expected rate of return on plan assets.....	1.9	1.9
Future salary increase rate.....	2.5	2.5

Defined contribution plans

The estimated amount of contributions to defined contribution plans at March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
The estimated amount of contributions to defined contribution plans.....	¥93	¥96	\$870
Total.....	93	96	870

13. Segment information

notes:

Summary of report segment

The reportable segments of the Companies are components for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors to make decisions about resource allocation and to assess performance.

The Companies divides the business into 2 segments: Specialty Steel & Wire Products Division-related business segment manufactures prestressing steel bars, deform prestressing steel bars, shear reinforcement bars for civil engineering and construction works, and Induction Heated, Quenched and Tempered Wire (ITW), auto parts and construction machine parts, etc. mainly for automobile and motorcycle suspension springs. The Induction Heat Treatment Service and Heating Machine Division-related business segment provides induction heat treatment services for major security parts of automobiles and machine tools. The segment also manufactures induction heating equipment for various industries.

Calculating methods of amounts of sales, profit (loss), assets and liabilities, etc. of each reportable segment

The accounting policies of the segments are substantially the same as those described in the “Summary of Significant Accounting Policies (Note 1)”. Segment profit (loss) are based on operating profit. Intersegment sales are mainly based on market price.

Operations in different industries:

- (1) Specialty Steel and Wire Products Division: Prestressing Steel Bars & Wires, Spiral Wires, Auto parts and Construction machine parts, etc.
- (2) Induction Heat Treatment Service and Heating Machine Division: Surface heat treatment, Induction heating machine, etc.
- (3) Others: Leasing and others

	Millions of yen				
	2020				
	Reportable segment		Total	Others	Total
(1)	(2)	(3)			
Sales:					
Customers.....	¥26,521	¥22,153	¥48,674	¥132	¥48,806
Inter-segment.....	—	58	58	—	58
Total.....	26,521	22,211	48,732	132	48,864
Segment profit.....	536	1,482	2,019	59	2,078
Segment assets.....	28,457	28,740	57,197	1,868	59,066
Other items					
Depreciation and amortization.....	1,185	1,998	3,184	13	3,197
Increase in property, plant and equipment and intangible assets.....	2,059	2,013	4,073	98	4,171

	Millions of yen				
	2021				
	Reportable segment		Total	Others	Total
	(1)	(2)		(3)	
Sales:					
Customers.....	¥24,537	¥17,898	¥42,435	¥131	¥42,567
Inter-segment.....	—	26	26	—	26
Total.....	24,537	17,924	42,462	131	42,593
Segment profit.....	685	170	855	57	913
Segment assets.....	28,076	27,168	55,245	1,766	57,011
Other items					
Depreciation and amortization.....	1,282	1,746	3,028	13	3,041
Increase in property, plant and equipment and intangible assets.....	347	987	1,335	27	1,362
	Thousands of U.S. dollars				
	2021				
	Reportable segment		Total	Others	Total
	(1)	(2)		(3)	
Sales:					
Customers.....	\$221,641	\$161,665	\$383,307	\$1,184	\$384,491
Inter-segment.....	—	239	239	—	239
Total.....	221,641	161,905	383,546	1,184	384,730
Segment profit.....	6,191	1,537	7,728	519	8,247
Segment assets.....	253,600	245,406	499,006	15,953	514,960
Other items					
Depreciation and amortization.....	11,581	15,771	27,353	123	27,476
Increase in property, plant and equipment and intangible assets.....	3,142	8,919	12,062	246	12,308

Reconciliation between reportable segment total and amounts disclosed in consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
	Sales:		
Reportable segment total.....	¥48,732	¥42,462	\$383,546
Sales in "Others".....	132	131	1,184
Elimination of inter-segment transaction.....	(58)	(26)	(239)
Sales in consolidated financial statements.....	48,806	42,567	384,491
	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
	Profit:		
Reportable segment total.....	¥2,019	¥855	\$7,728
Profit in "Others".....	59	57	519
Elimination of inter-segment transaction.....	8	7	64
Operating profit in consolidated financial statements.....	2,087	920	8,311
	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
	Assets:		
Reportable segment total.....	¥57,197	¥55,245	\$499,006
Assets in "Others".....	1,868	1,766	15,953
Corporate assets.....	17,249	18,595	167,963
Elimination of inter-segment transaction.....	(38)	(31)	(286)
Assets in consolidated financial statements.....	76,277	75,574	682,636

Other items are as follows:

	Millions of yen			
	2020			
	Reportable segment	Others	Adjustments	Reportable segment
Other items:				
Depreciation and amortization.....	¥3,184	¥13	¥(8)	¥3,189
Increase in property, plant and equipment and intangible assets.....	4,073	98	6	4,177

	Millions of yen			
	2021			
	Reportable segment	Others	Adjustments	Consolidated
Other items:				
Depreciation and amortization.....	¥3,028	¥13	¥(7)	¥3,034
Increase in property, plant and equipment and intangible assets.....	1,335	27	64	1,426

	Thousands of U.S. dollars			
	2021			
	Reportable segment	Others	Adjustments	Consolidated
Other items:				
Depreciation and amortization.....	\$27,353	\$123	\$(64)	\$27,412
Increase in property, plant and equipment and intangible assets.....	12,062	246	580	12,888

Related information

Information about products and services

	Millions of yen						
	2020						
	Prestressing steel bars	ITW	Heat treatment	Auto parts and construction machine parts	Induction heating equipment	Others	Total
Sales:							
Customers.....	¥8,922	¥10,855	¥14,801	¥5,946	¥7,219	¥1,060	¥48,806

	Millions of yen						
	2021						
	Prestressing steel bars	ITW	Heat treatment	Auto parts and construction machine parts	Induction heating equipment	Others	Total
Sales:							
Customers.....	¥8,832	¥8,885	¥12,748	¥5,902	¥5,123	¥1,074	¥42,567

	Thousands of U.S. dollars						
	2021						
	Prestressing steel bars	ITW	Heat treatment	Auto parts and construction machine parts	Induction heating equipment	Others	Total
Sales:							
Customers.....	\$79,779	\$80,260	\$115,156	\$53,312	\$46,277	\$9,705	\$384,491

Information about geographical areas

Millions of yen							
2020							
	Japan	China	Other Asia	North America	Europe	Others	Total
Net sales.....	¥35,399	¥7,456	¥990	¥3,791	¥1,117	¥52	¥48,806

Millions of yen							
2021							
	Japan	China	Other Asia	North America	Europe	Others	Total
Net sales.....	¥30,720	¥7,339	¥1,018	¥2,897	¥537	¥52	¥42,567

Millions of U.S. dollars							
2021							
	Japan	China	Other Asia	North America	Europe	Others	Total
Net sales.....	\$277,488	\$66,293	\$9,204	\$26,173	\$4,857	\$475	\$384,491

Note: Net sales is based on a customer's location and classified by countries.

Millions of yen							
2020							
	Japan	China	Other Asia	North America	Europe	Others	Total
Property, plant and equipment....	¥23,591	¥3,506	¥213	¥1,126	¥2,028	¥350	¥30,815

Millions of yen							
2021							
	Japan	China	Other Asia	North America	Europe	Others	Total
Property, plant and equipment....	¥22,413	¥3,275	¥298	¥967	¥1,908	¥299	¥29,163

Millions of U.S. dollars							
2021							
	Japan	China	Other Asia	North America	Europe	Others	Total
Property, plant and equipment....	\$202,453	\$29,587	\$2,694	\$8,739	\$17,239	\$2,707	\$263,422

14. Subsequent events

(1) Cash dividends

The following appropriations of unappropriated retained earnings were approved at the meeting of shareholders of the Company held on June 25, 2021.

	Millions of yen	Thousands of U.S. dollars
Cash dividends		
¥9 per share (applicable to the six-month period ended March 31, 2021).....	¥358	\$3,240

CORPORATE DATA

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<https://www.k-neturen.co.jp/>

Date of Establishment:

May 15, 1946

Paid-in Capital:

¥6,418 million

Common Stock:

Authorized: 150,000,000 shares

Issued: 43,790,500 shares

Number of shareholders: 12,575

Number of Employees:

1,571(Consolidated)

(As of March 31, 2021)

Directors and Corporate Auditors:**Representative Director, Member of the Board, President and Chief Executive Officer**

Katsumi Omiya

Director, Member of the Board, Managing Executive Officer

Nobumoto Ishiki

Takashi Suzuki

Director, Member of the Board Executive Officer

Tomokatsu Yasukawa

Outside Director

Yasuko Teraura

Mineo Hanai

Standing Audit & Supervisory Board Member

Yoshihiro Ikegami

Outside Audit & Supervisory Board Member

Takeshi Nakano

Minoru Enjitsu

Executive Officer

Yoshitaka Misaka

Nobuhiro Murai

Naoki Hisada

Norio Tanaka

(As of June 25, 2021)