



# Financial Results Briefing for the Fiscal Year Ended March 31, 2021

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June 11, 2021

**Neturen Co., Ltd.**



- I. Overview of Financial Results for the Fiscal Year Ended March 31, 2021
- II. Trends in Business Performance
- III. Overview of NETUREN VISION 2030
- IV. Overview of 15th Medium-term Management Plan
- V. Development and Launch of New Technologies and Products

# I. Overview of Financial Results for the Fiscal Year Ended March 31, 2021

## I. Overview of Financial Results for the Fiscal Year Ended March 31, 2021

- Revenue and profit fell significantly year on year due to the spread of COVID-19. Secured profit as a result of cost reductions and increase in sales of automobiles-related products in 4Q of the fiscal year ended March 31, 2021 (FY2021).

(Million yen)

	FY2020	FY2021	Change	Change (%)
Net sales	48,806	<b>42,567</b>	(6,239)	(12.8)%
Operating income	2,087	<b>920</b>	(1,166)	(55.9)%
Ordinary income	2,071	<b>1,475</b>	(595)	(28.8)%
Profit attributable to owners of parent	250	<b>268</b>	17	7.0%
Return on equity (ROE)	0.4%	<b>0.5%</b>	0.1	—
Return on assets (ROA)	2.6%	<b>1.9%</b>	(0.7)	—

## 2. Consolidated Financial Statements of Income



(Million yen)

Item \ Year	FY2020	FY2021	Change	Change (%)
Net sales	48,806	<b>42,567</b>	(6,239)	(12.8)%
Cost of sales	38,754	<b>34,474</b>	(4,279)	(11.0)%
Gross profit	10,052	<b>8,092</b>	(1,960)	(19.5)%
Selling, general and administrative expenses	7,965	<b>7,172</b>	(793)	(10.0)%
Operating income	2,087	<b>920</b>	(1,166)	(55.9)%
Non-operating income	552	<b>617</b>	65	11.8%
Non-operating expenses	567	<b>61</b>	(506)	(89.1)%
Ordinary income	2,071	<b>1,475</b>	(595)	(28.8)%
Extraordinary income	43	<b>688</b>	645	1,481.0%
Extraordinary losses	522	<b>965</b>	443	85.0%
Profit before income taxes	1,593	<b>1,198</b>	(394)	(24.8)%
Income taxes – current	575	<b>482</b>	(92)	(16.1)%
Income taxes – deferred	298	<b>100</b>	(198)	(66.4)%
Total income taxes	719	<b>615</b>	(103)	(14.4)%
Profit attributable to:				
Profit attributable to owners of parent	250	<b>268</b>	17	7.0%
Profit attributable to non-controlling interests	468	<b>347</b>	(121)	(25.8)%

### 3. Overview of Consolidated Financial Results for the Three Months (4Q) Ended March 31, 2021



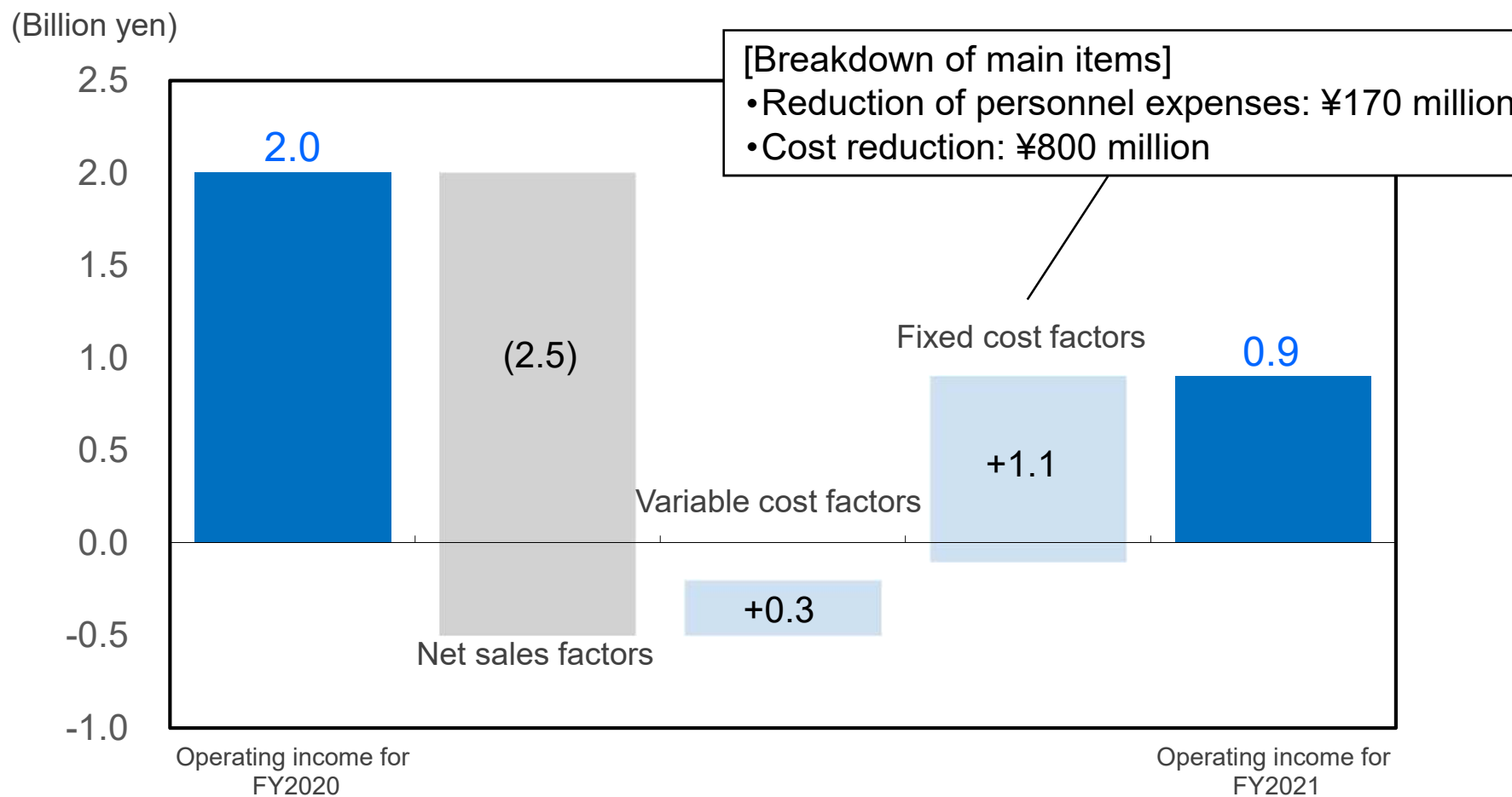
- Orders recovered steadily, and 4Q orders were up year on year.

(Million yen)

		FY2020	FY2021		YoY		Change from the previous quarter	
		4Q	3Q	4Q	Change	Change (%)	Change	Change (%)
	Specialty Steel and Wire Products Division	6,834	6,778	<b>7,214</b>	380	5.6%	436	6.4%
	Induction Heating Division	5,907	4,585	<b>5,554</b>	(352)	(6.0)%	968	21.1%
	Others	33	32	<b>33</b>	(0)	(0.1)%	0	0.4%
Net sales		12,774	11,396	<b>12,802</b>	27	0.2%	1,405	12.3%
	Specialty Steel and Wire Products Division	184	372	<b>419</b>	234	126.8%	46	12.4%
	Induction Heating Division	452	167	<b>625</b>	173	38.4%	457	272.8%
	Others	14	14	<b>14</b>	(0)	(1.8)%	0	1.7%
Operating income		651	554	<b>1,059</b>	407	62.5%	504	90.9%
Ordinary income		418	705	<b>1,218</b>	799	190.7%	512	72.7%
Profit attributable to owners of parent		(470)	956	<b>(35)</b>	435	—	(992)	—

## 4. Factors for Changes in Consolidated Operating Income

- Although sales volume decreased substantially, thorough cost reductions, and careful selection and streamlining of capital investment enabled us to secure profit for the full year.



## 5. Main breakdown of Extraordinary Income and Losses



(Million yen)

Extraordinary income	Amount	Remark
Gain on sales of non-current assets	97	
Gain on sales of investment securities	530	Sale of cross-shareholdings

(Million yen)

Extraordinary losses	Amount	Remark
Impairment loss (goodwill of Korea Neturen Co., Ltd.)	772	Drastic decrease in orders due to COVID-19 Economic slump in Korea
Loss on sales of investment securities	152	Sale of cross-shareholdings

## 6. Segment Information (Consolidated Net Sales)



Civil engineering and construction-related products: Slight year on year increase;

Automobiles-related products: Large decrease;

Construction equipment-related products: Increase;

Induction heat treatment-related services: Large decrease;

Induction heating equipment and related services: Large decrease

(Million yen)

Business segment	Main products/services	FY2020	FY2021	Change	Change (%)
Specialty Steel and Wire Products Division	Steel bars for prestressed concrete (PC) High-strength shear reinforcement High-strength spring steel wire ITW® Hollow rack bars Slewing bearings (construction equipment parts)	26,521	<b>24,537</b>	(1,983)	(7.5)%
Induction Heating Division	Induction heat treatment-related services Induction heating equipment and related services	22,153	<b>17,898</b>	(4,255)	(19.2)%
Others	Moveable and immovable property leasing business and businesses other than the above	132	<b>131</b>	(0)	(0.7)%
Total		48,806	<b>42,567</b>	(6,239)	(12.8)%

## 7. Segment Information (Consolidated Operating Income)



- Specialty Steel and Wire Products Division: Recovery of Chinese market and cost reductions resulted in 27.8% YoY increase in profit
- Induction Heating Division: Decline in revenue due to drastic decrease in orders in 1H resulted in 88.5% YoY decrease in profit

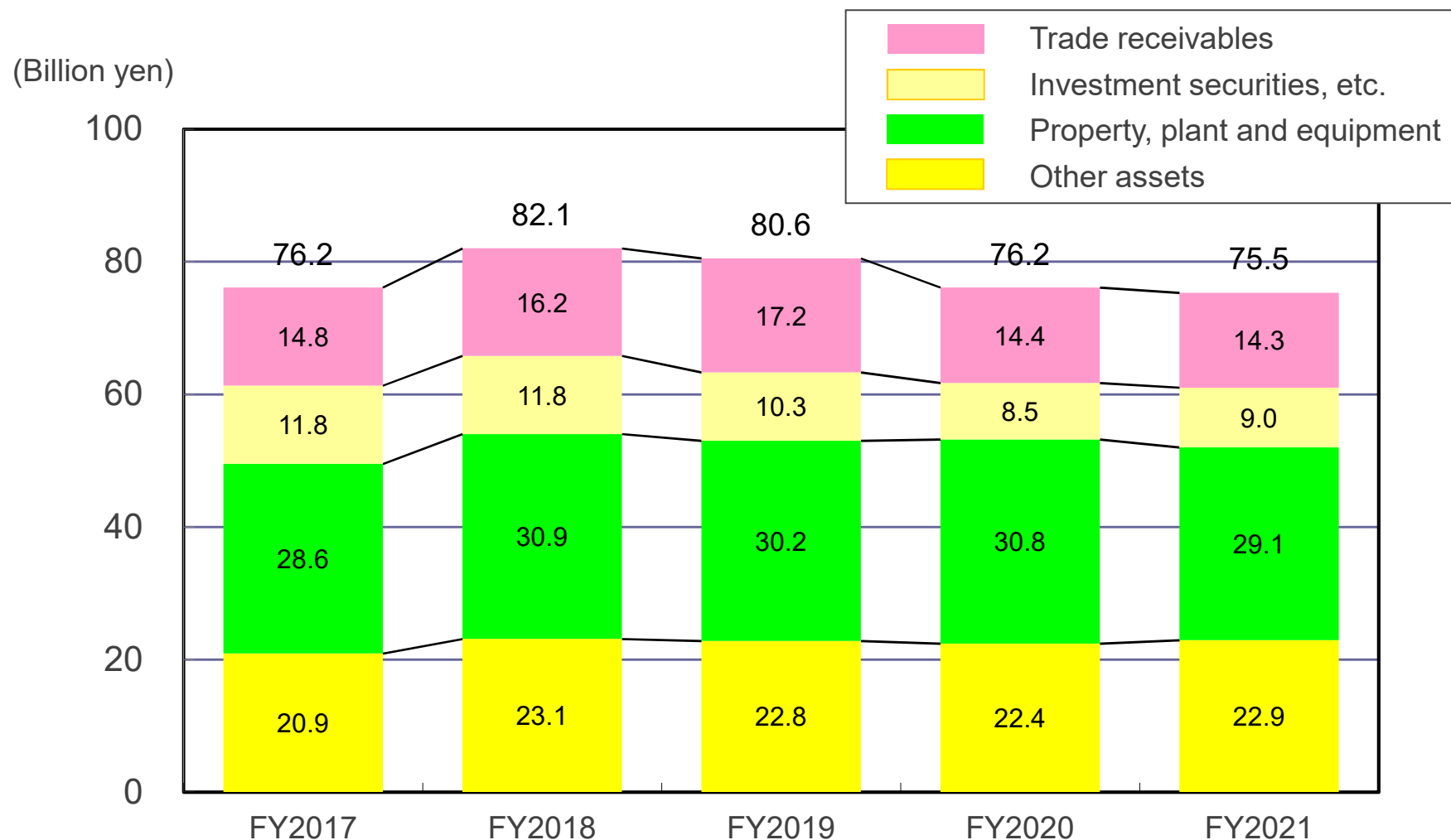
(Million yen)

Business segment	Main products/services	FY2020	FY2021	Change	Change (%)
Specialty Steel and Wire Products Division	Steel bars for prestressed concrete (PC) High-strength shear reinforcement High-strength spring steel wire ITW® Hollow rack bars Slewing bearings (construction equipment parts)	536	685	148	27.8%
Induction Heating Division	Induction heat treatment-related services Induction heating equipment and related services	1,482	170	(1,312)	(88.5)%
Others	Moveable and immovable property leasing business and businesses other than the above	59	57	(1)	(2.8)%
Elimination of intersegment transactions		8	7	(1)	(18.5)%
Total		2,087	920	(1,166)	(55.9)%

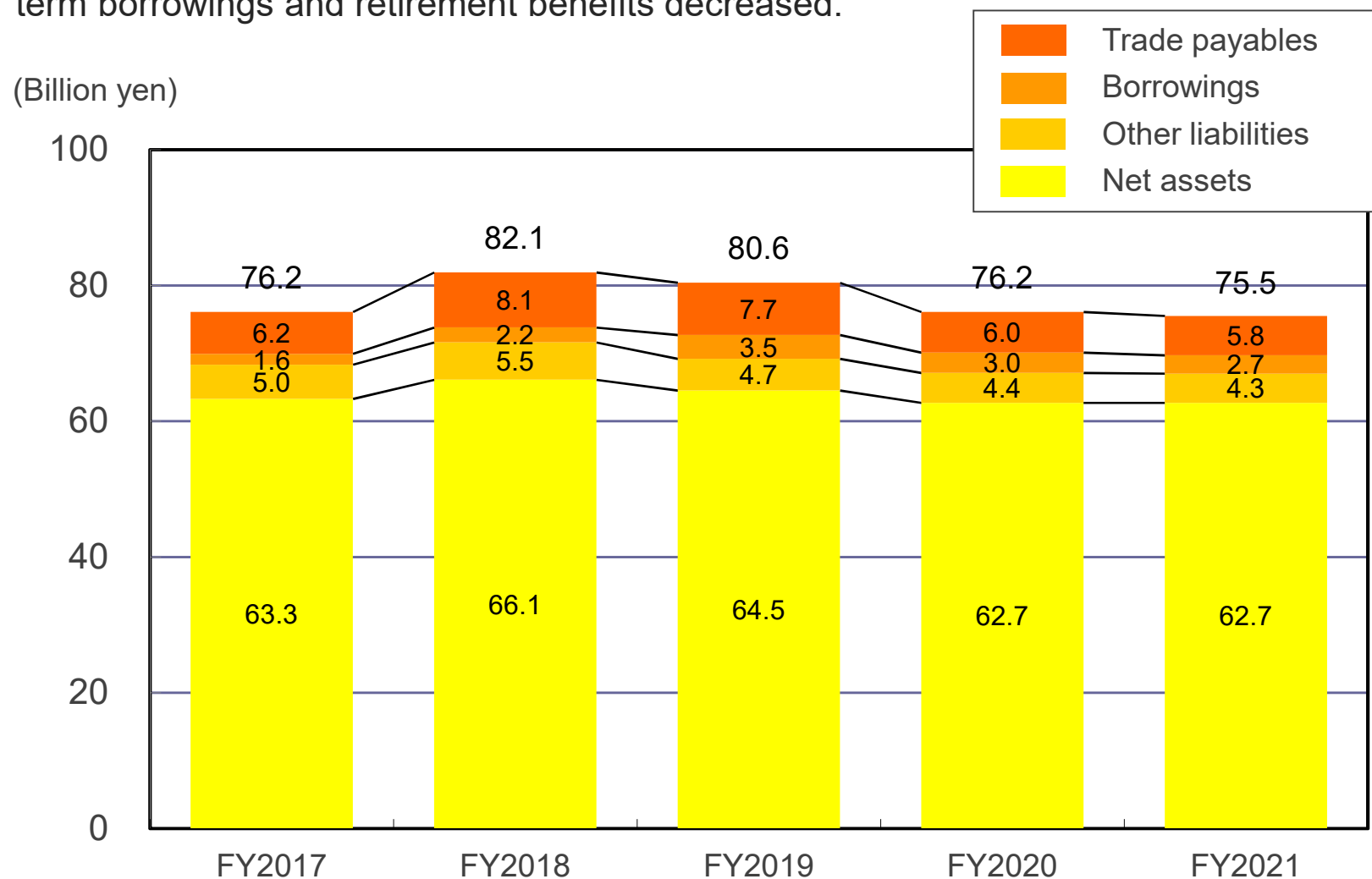
## 8. Balance of Assets for the Fiscal Year Ended March 31, 2021 (Consolidated)



- Total assets decreased by ¥700 million year on year to ¥75.5 billion. Property, plant and equipment decreased due to restrained capital investment.



- Liabilities decreased by ¥700 million year on year to ¥12.8 billion. Liabilities relating to long-term borrowings and retirement benefits decreased.



## 10. Cash Flows for the Fiscal Year Ended March 31, 2021 (Consolidated)

- Cash and cash equivalents as of March 31, 2021 increased by ¥1,611 million. Cash flows from investing activities decreased due to careful selection of capital investment.

(Million yen)

Item	FY2020	FY2021	Change
Profit before income taxes	1,593	<b>1,198</b>	(394)
Depreciation	3,189	<b>3,034</b>	(154)
Impairment loss	188	<b>772</b>	583
Decrease (increase) in trade receivables	2,668	<b>98</b>	(2,570)
Decrease (increase) in trade payables	(1,724)	<b>(241)</b>	1,483
Other, net	383	<b>(893)</b>	(1,277)
Cash flows from operating activities	6,298	<b>3,969</b>	(2,328)
Cash flows from investing activities	(4,020)	<b>(758)</b>	3,261
Free cash flows	2,278	<b>3,211</b>	932
Borrowings	(535)	<b>(253)</b>	281
Purchase of treasury shares	(0)	<b>(506)</b>	(505)
Dividends paid	(1,060)	<b>(571)</b>	489
Other, net	(214)	<b>(264)</b>	(50)
Cash flows from financing activities	(1,810)	<b>(1,595)</b>	214
Cash flows at end of period	11,697	<b>13,309</b>	1,611

## 11. Cash Flow Indicators for the Fiscal Year Ended March 31, 2021 (Consolidated)

(%)

	FY2017	FY2018	FY2019	FY2020	FY2021
(1) Equity ratio	75.5	72.8	72.2	73.8	<b>74.4</b>
(2) Equity ratio based on market value	49.4	54.4	45.1	37.7	<b>32.1</b>
(3) Interest-bearing debt to cash flow ratio	0.3	0.3	0.8	0.5	<b>0.7</b>
(4) Interest coverage ratio	126.7	170.6	109.7	167.5	<b>107.4</b>

\* 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

## 12. Consolidated Capital Investment

- We responded to the substantial decrease in net sales through careful selection and streamlining of new capital investments.

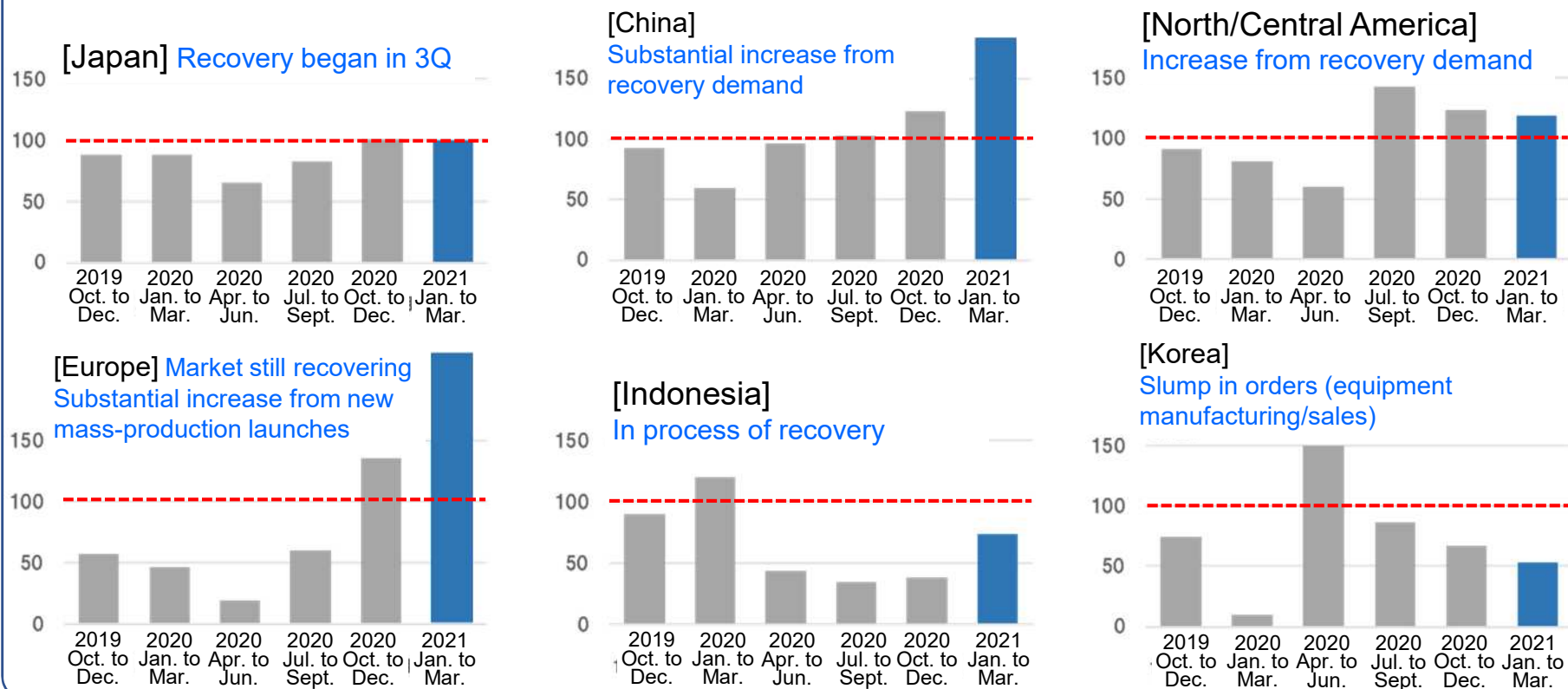
(Million yen)

	FY2019	FY2020	FY2021	FY2022 (plan)
Capital investment	4,872	4,177	<b>1,426</b>	2,900
Depreciation	3,267	3,189	<b>3,034</b>	2,900

# 13. Sales Trends by Region (Impact of COVID-19 on Sales)

- China recovered first, followed by North America. Japan began to recover in 3Q.
- Substantial increase in sales in China and North America from recovery demand for automobiles.
- Although European market is still recovering, sales increased substantially due to launch of mass production for new customers.

Changes in Net Sales (same period of the previous fiscal year is set at 100)

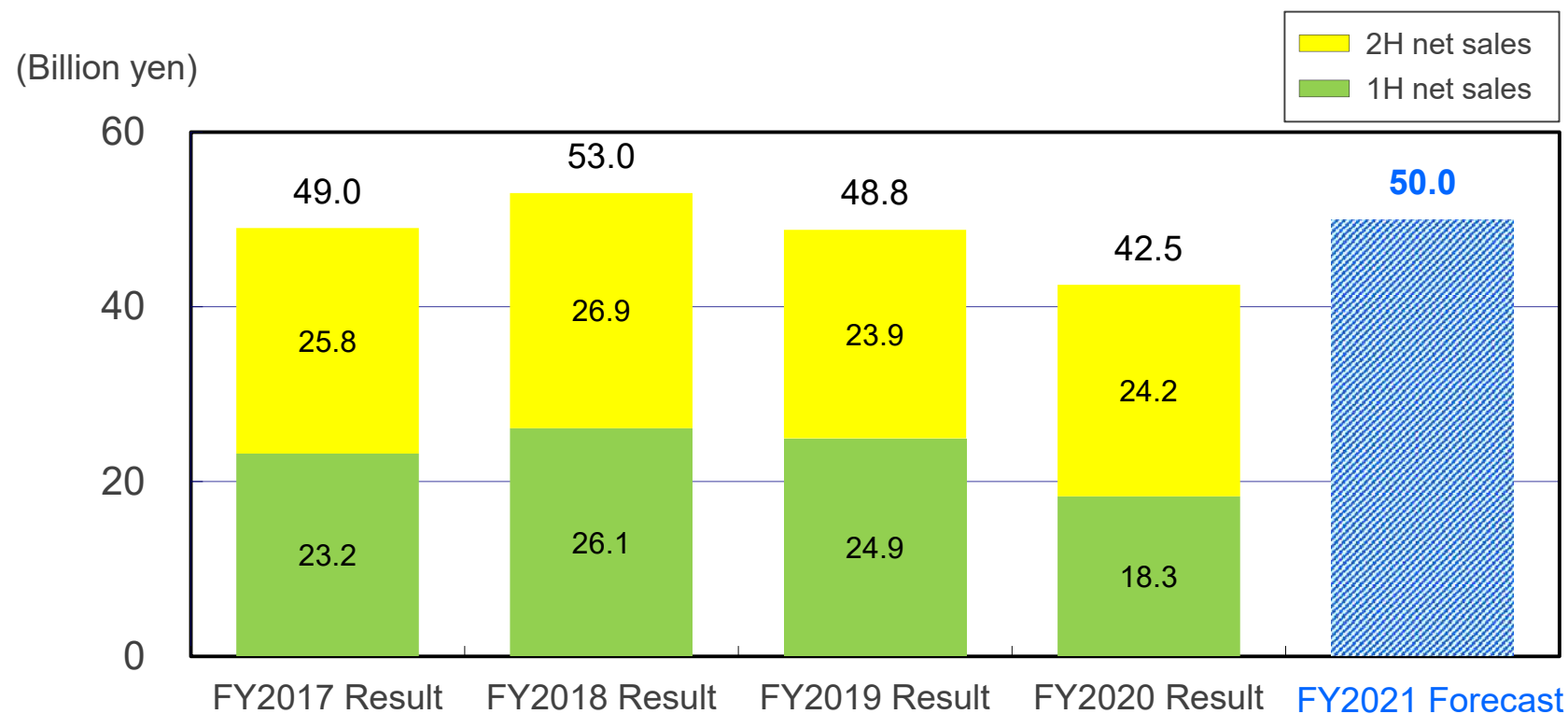


## II. Trends in Business Performance

## 14. Consolidated Net Sales



- In FY2020, revenue declined 12.8% year on year due to impact of COVID-19
- In FY2021, we expect revenue to increase 17.5% year on year to ¥50.0 billion



13th Medium-term  
Management Plan

14th  
Medium-term Management Plan

15th Medium-term  
Management Plan

[Exchange rate]

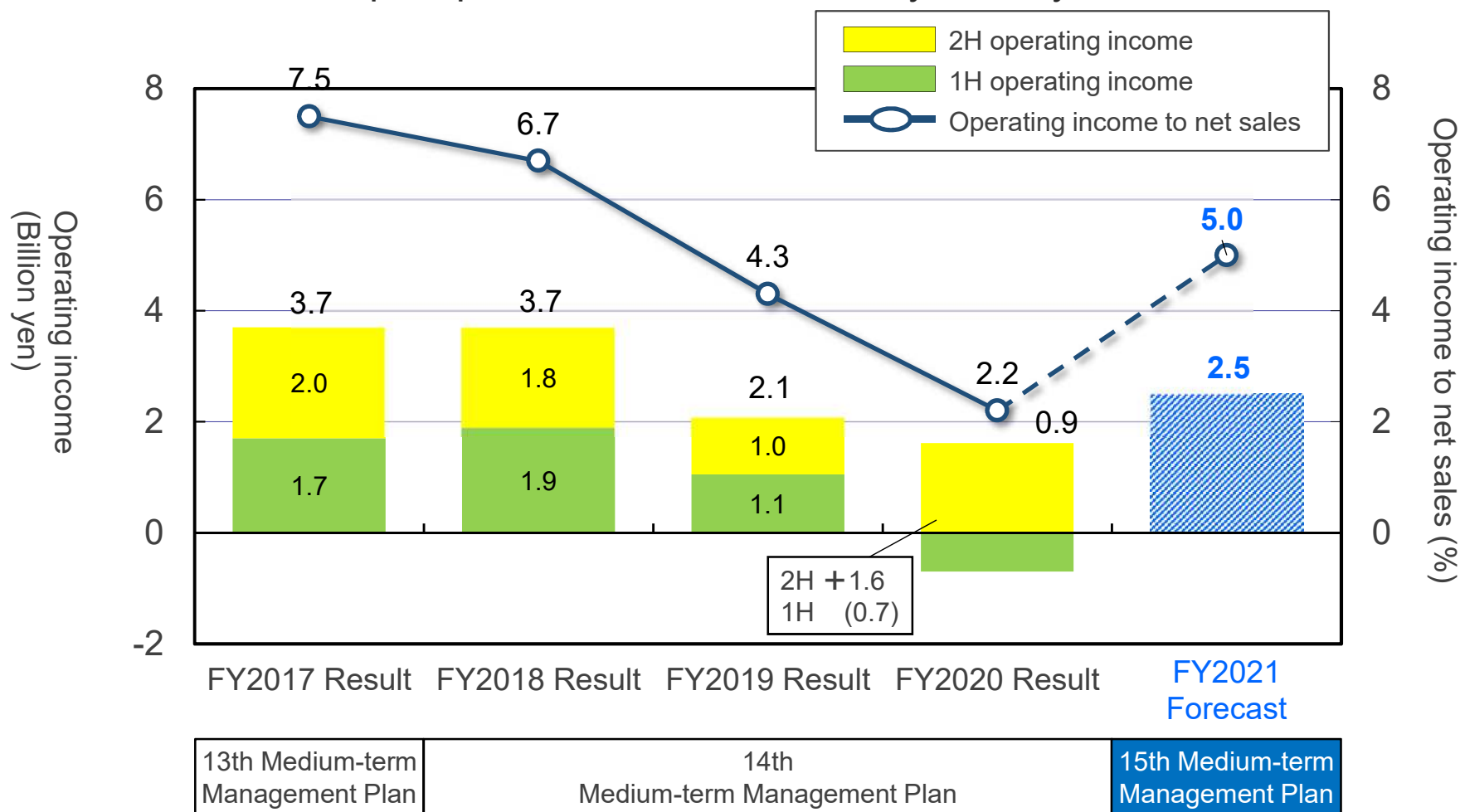
•FY2020 1 RMB = 15.88 JPY, 1 USD = 103.50 JPY

•FY2021 1 RMB = 16.5 JPY, 1 USD = 110 JPY

# 15. Operating Income/Operating Income to Net Sales



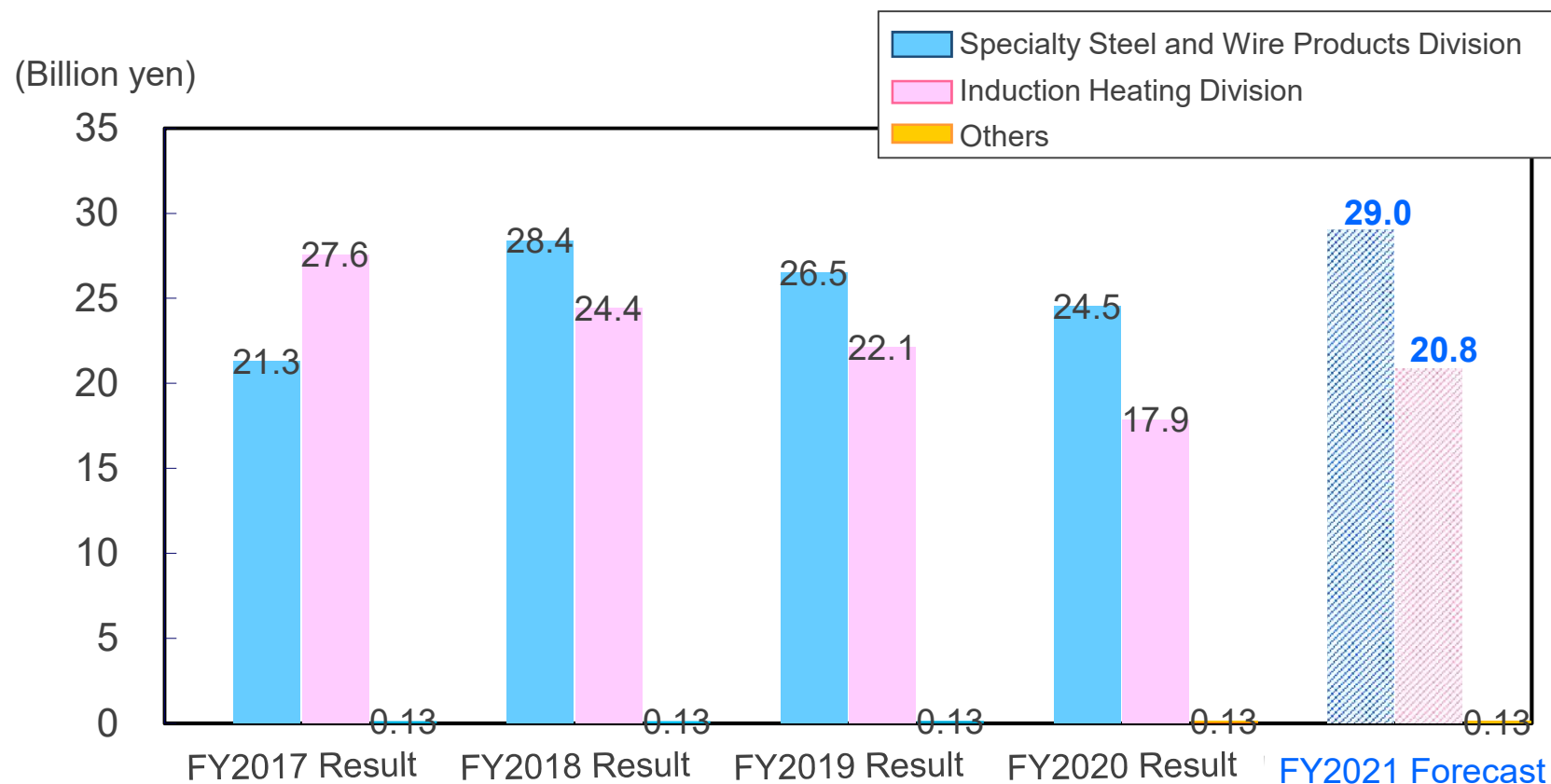
- In FY2020, we worked to improve profitability by reducing costs, and built a financial structure that is resilient to change.
- In FY2021, we expect profit to increase 171.7% year on year to ¥2.5 billion



# 16. Segment Information (Consolidated Net Sales)



- Specialty Steel and Wire Products Division: In FY2021, revenue forecast to increase 18.3% year on year
- Induction Heating Division: In FY2021, revenue forecast to increase 16.4% year on year



13th Medium-term  
Management Plan

14th  
Medium-term Management Plan

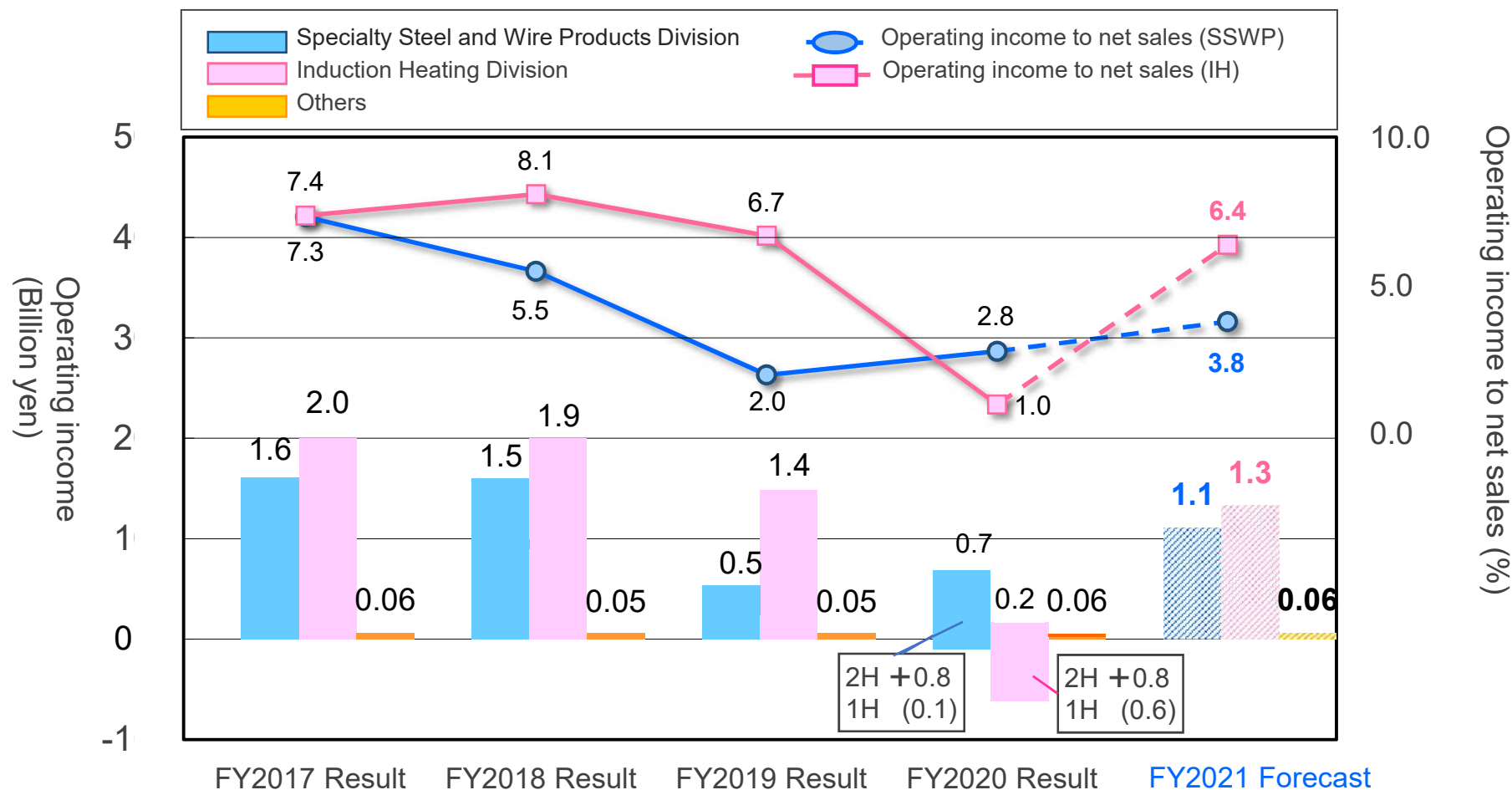
15th Medium-term  
Management Plan

\* Segment categories changed in FY2018.

## 17. Segment Information (Operating Income/Operating Income to Net Sales)



- Specialty Steel and Wire Products Division: In FY2021, profit is forecast to increase 61.9% year on year
- Induction Heating Division: In FY2021, profit is forecast to increase 681.6% year on year



13th Medium-term  
Management Plan

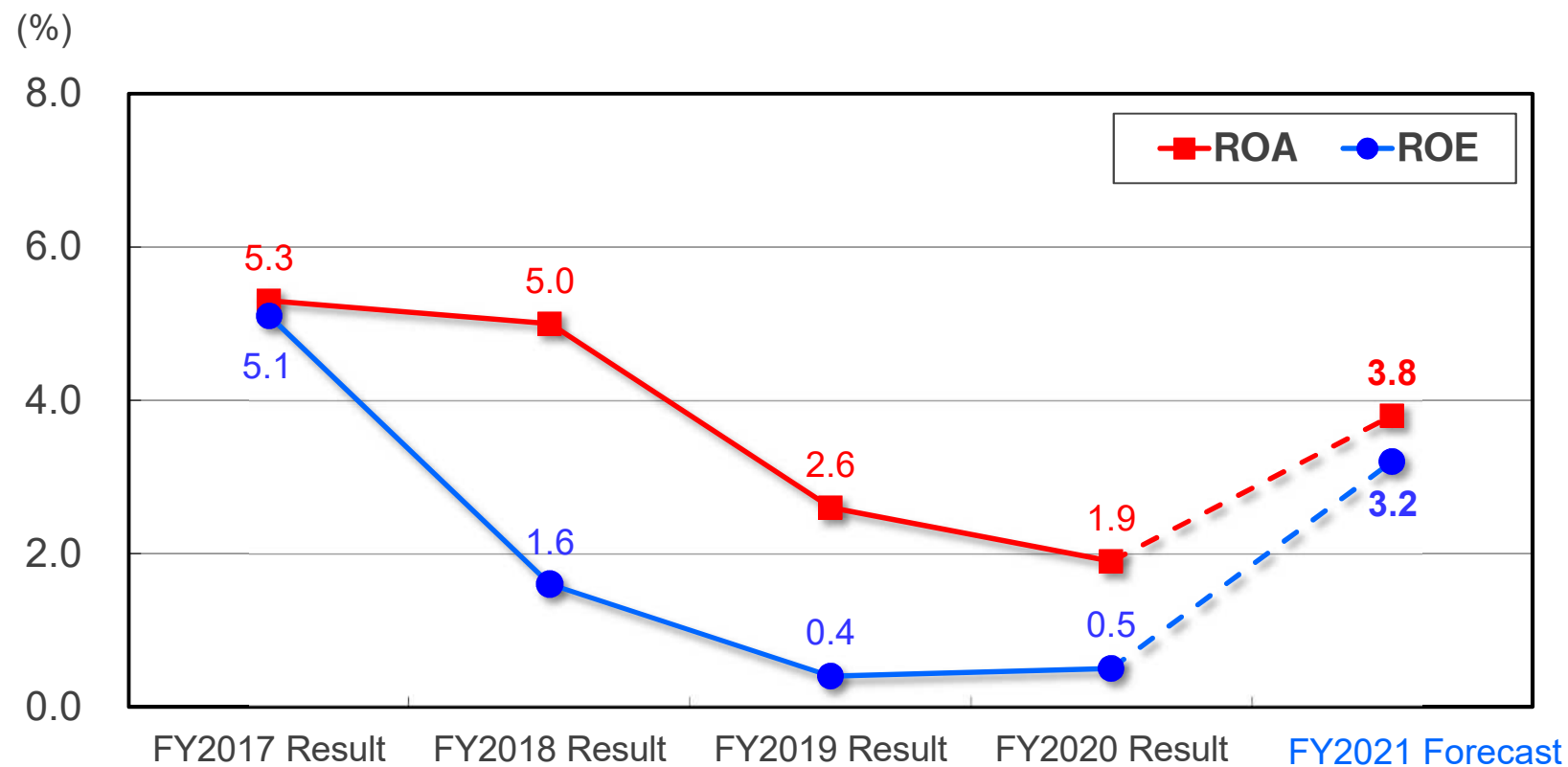
14th  
Medium-term Management Plan

15th Medium-term  
Management Plan

\* Segment categories changed in FY2018.

## 18. ROE/ROA

- In FY2021, we expect ROE of 3.2% and ROA of 3.8%



13th Medium-term  
Management Plan

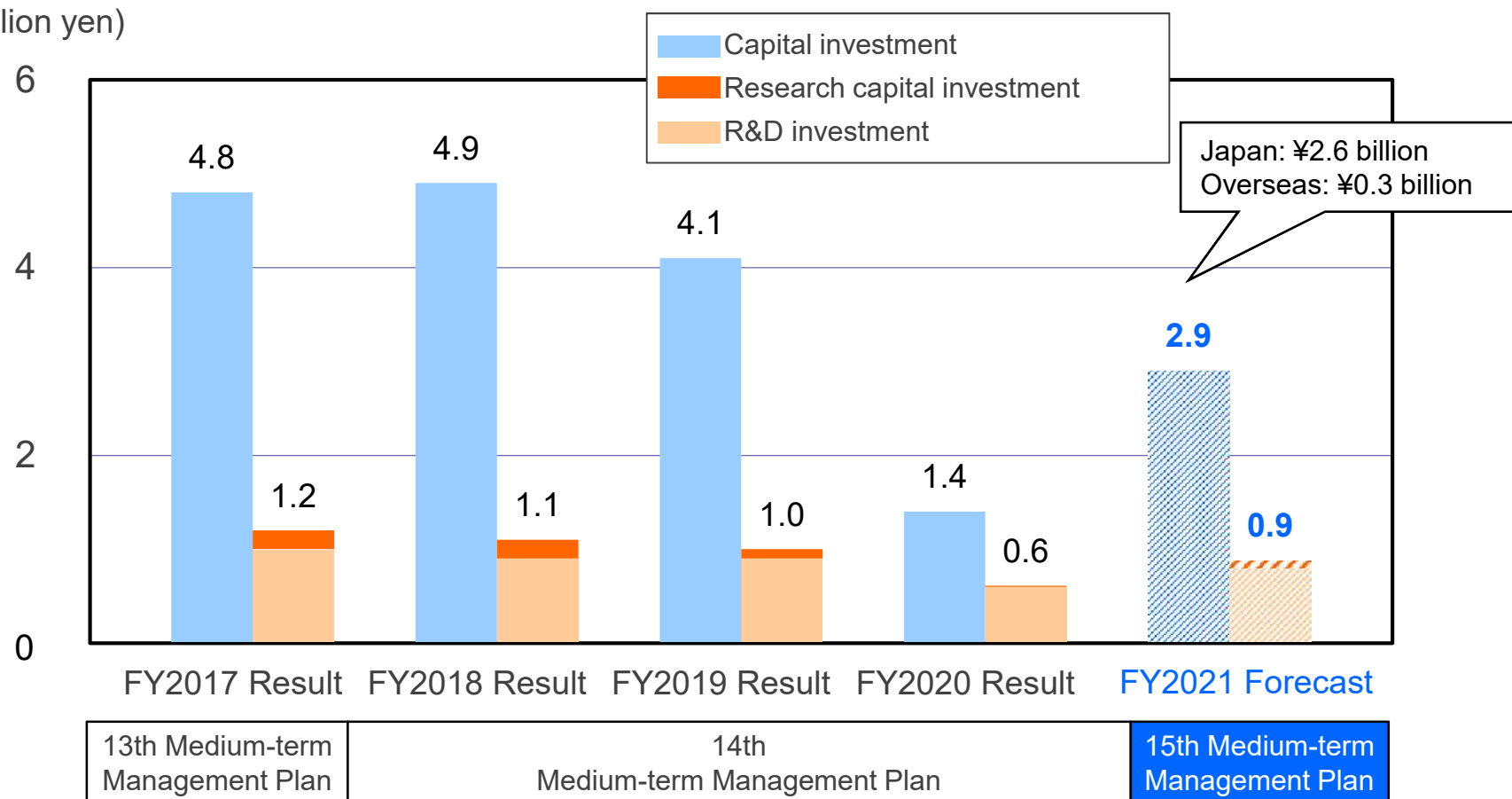
14th  
Medium-term Management Plan

15th Medium-term  
Management Plan

# 19. Capital Investment/R&D Investment

- Capital Investment: In FY2021, we will respond flexibly to construction of new dedicated manufacturing line for Double Stark, rationalization, and investment in automation, while taking the business environment into account.
- R&D Investment: Actively develop next-generation technologies

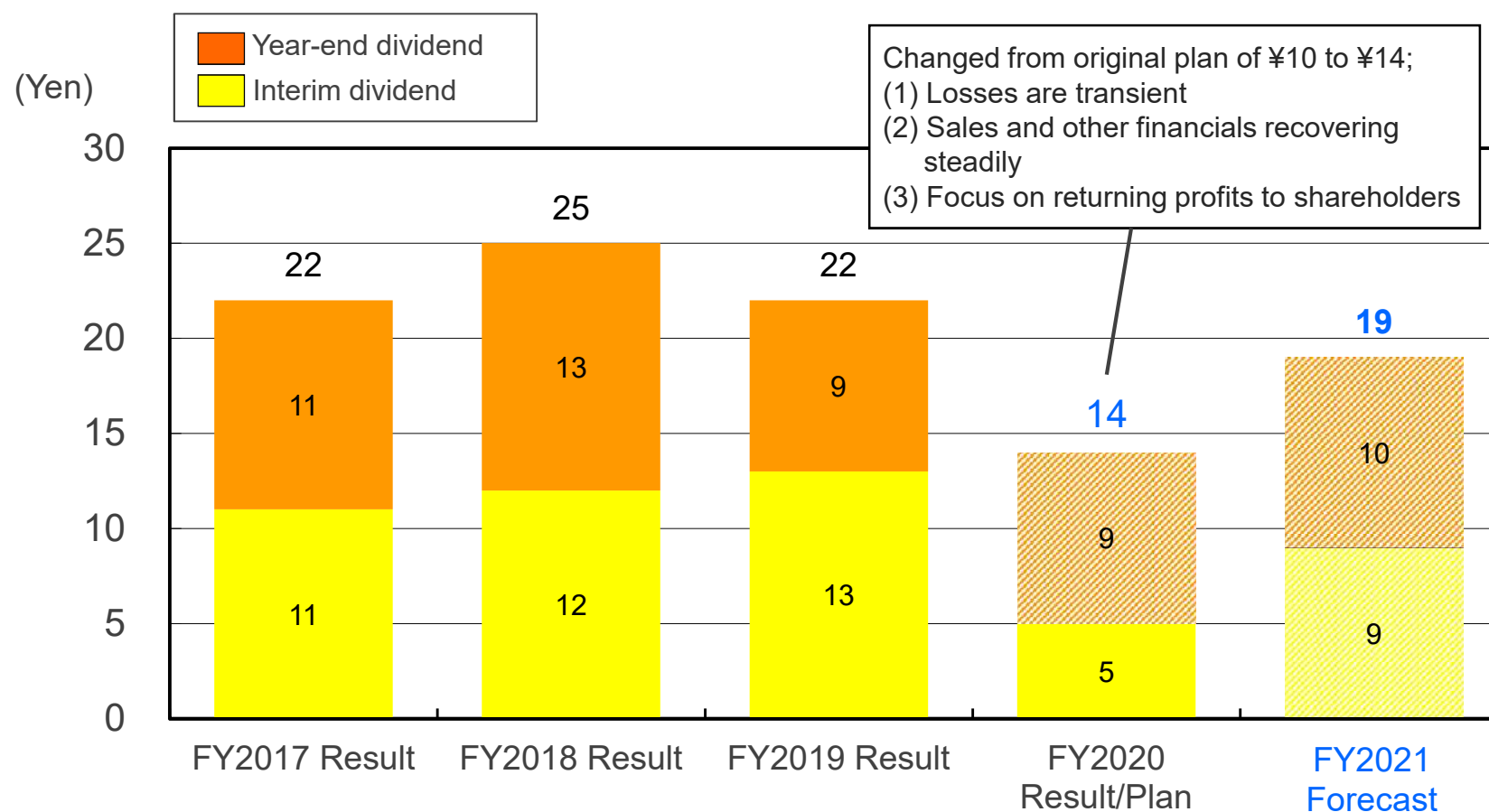
(Billion yen)



## 20. Dividend History

### Basic policy

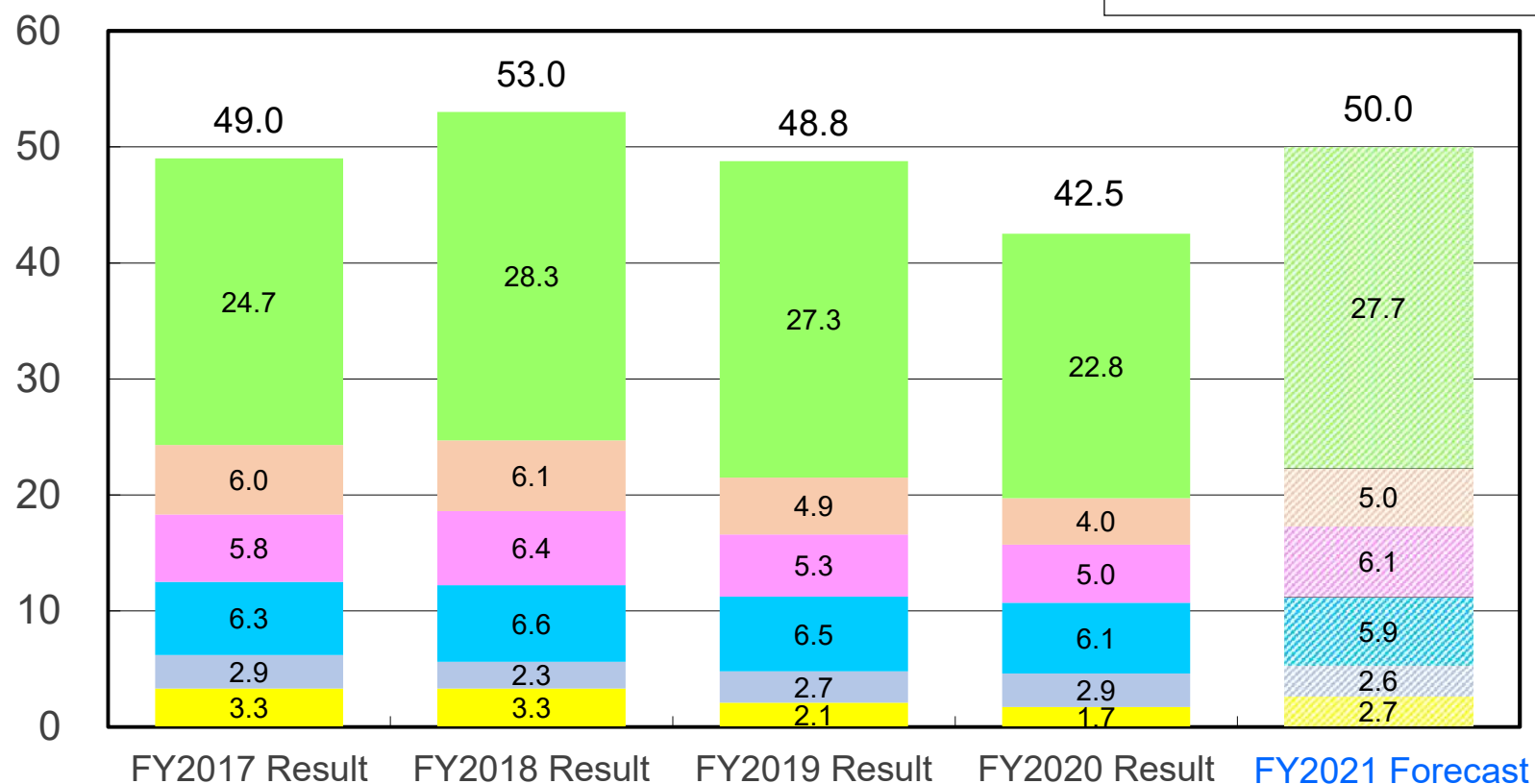
The Company's basic policy is "stable distribution of dividends," with a lower limit of ¥10 per annum for the time being, and "appropriating surplus according to its business performance," targeting a consolidated dividend ratio of 40% or higher.



## 21. Net Sales by Industry

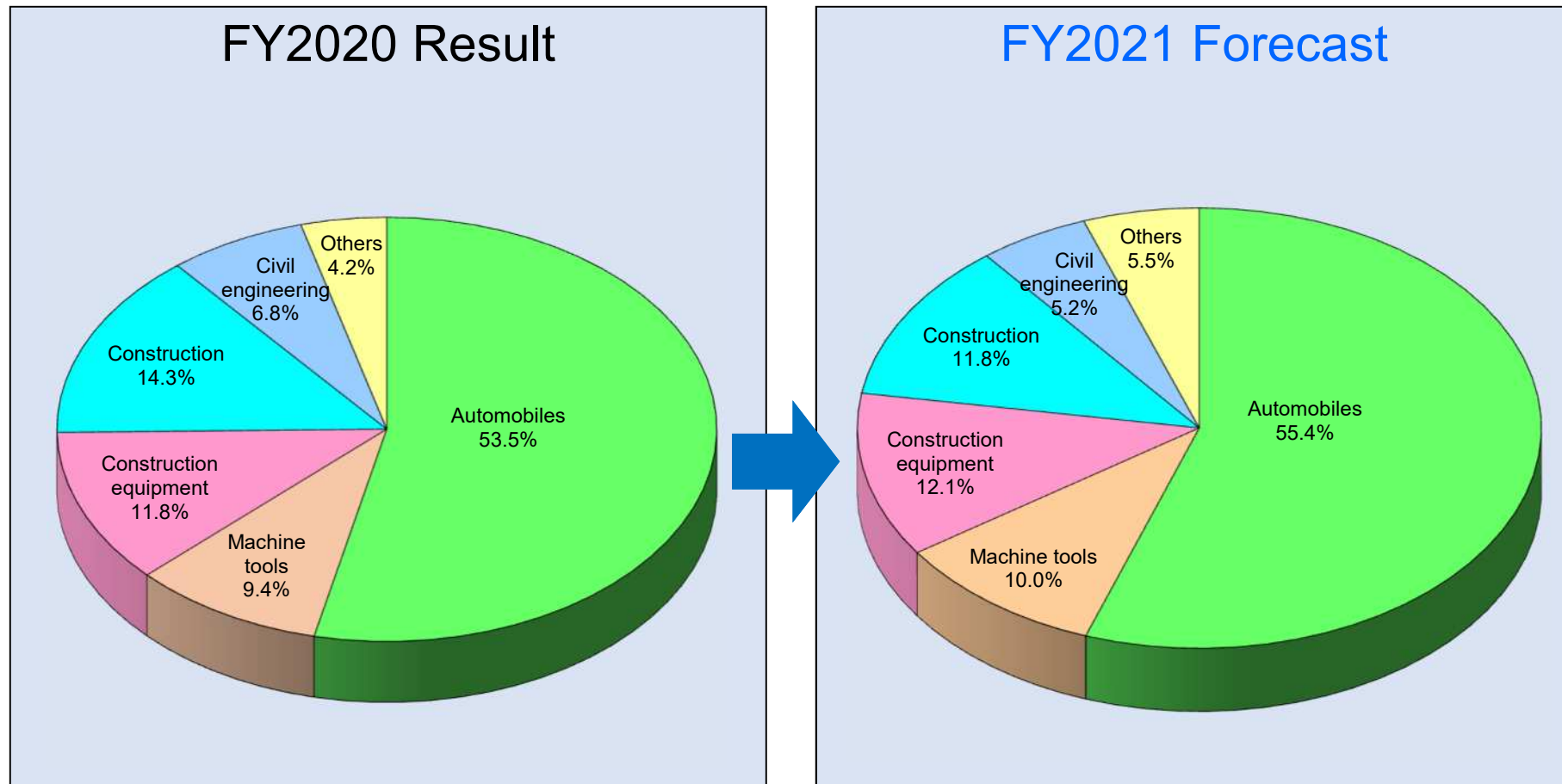
- Automobiles, machine tools, construction equipment:  
Forecast to recover to pre-COVID-19 levels

(Billion yen)



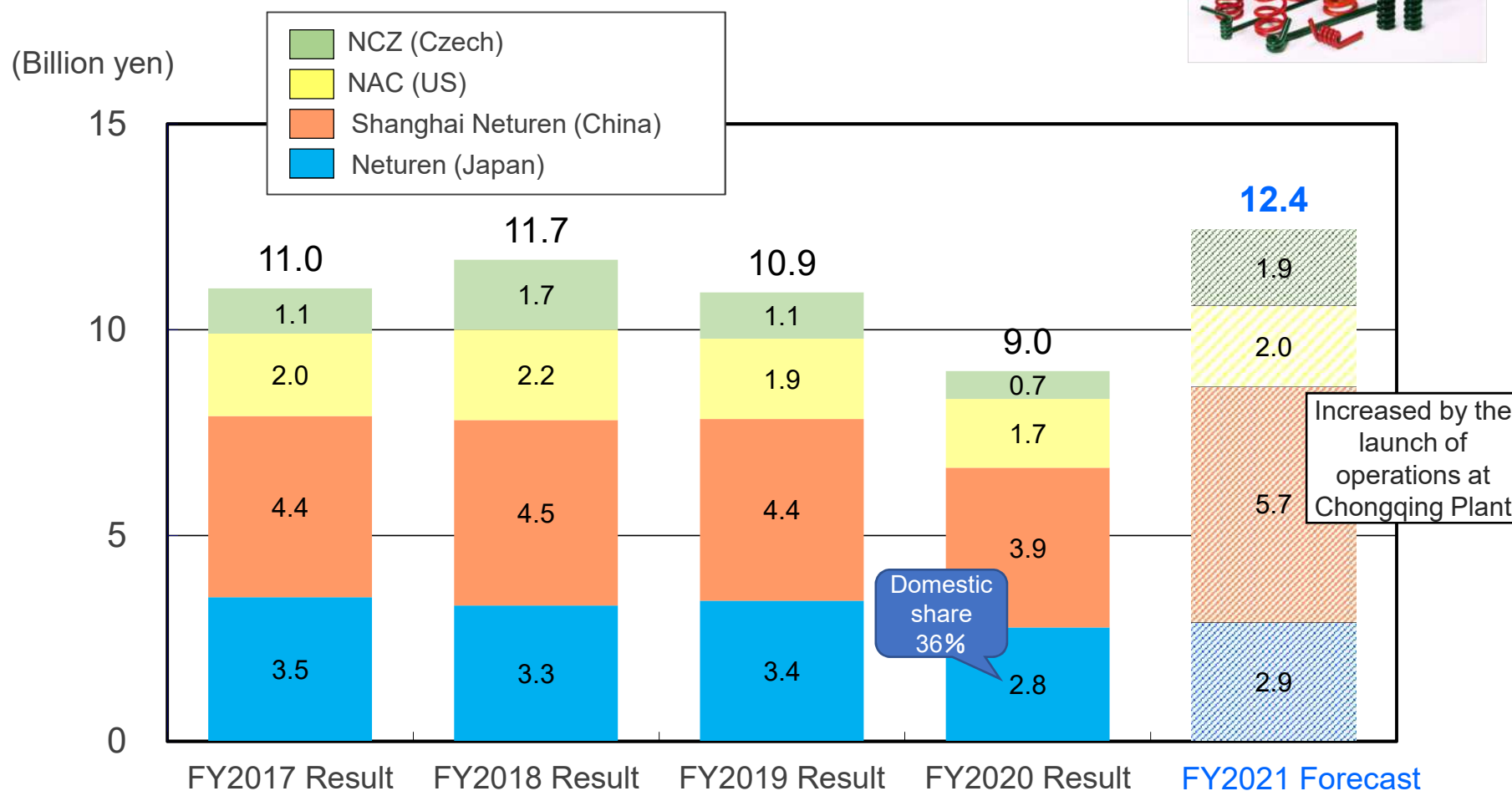
## 22. Net Sales Ratios by Industry

- Increase in sales ratio due to market recovery of automobiles, machine tools and construction machinery.



## 23. Net Sales of High-strength Spring Steel Wire (ITW®)

- As the transition to EVs continues, demand for high-strength spring steel wire (ITW®) that helps reduce weight is increasing. We supply ITW® worldwide from four global sites.



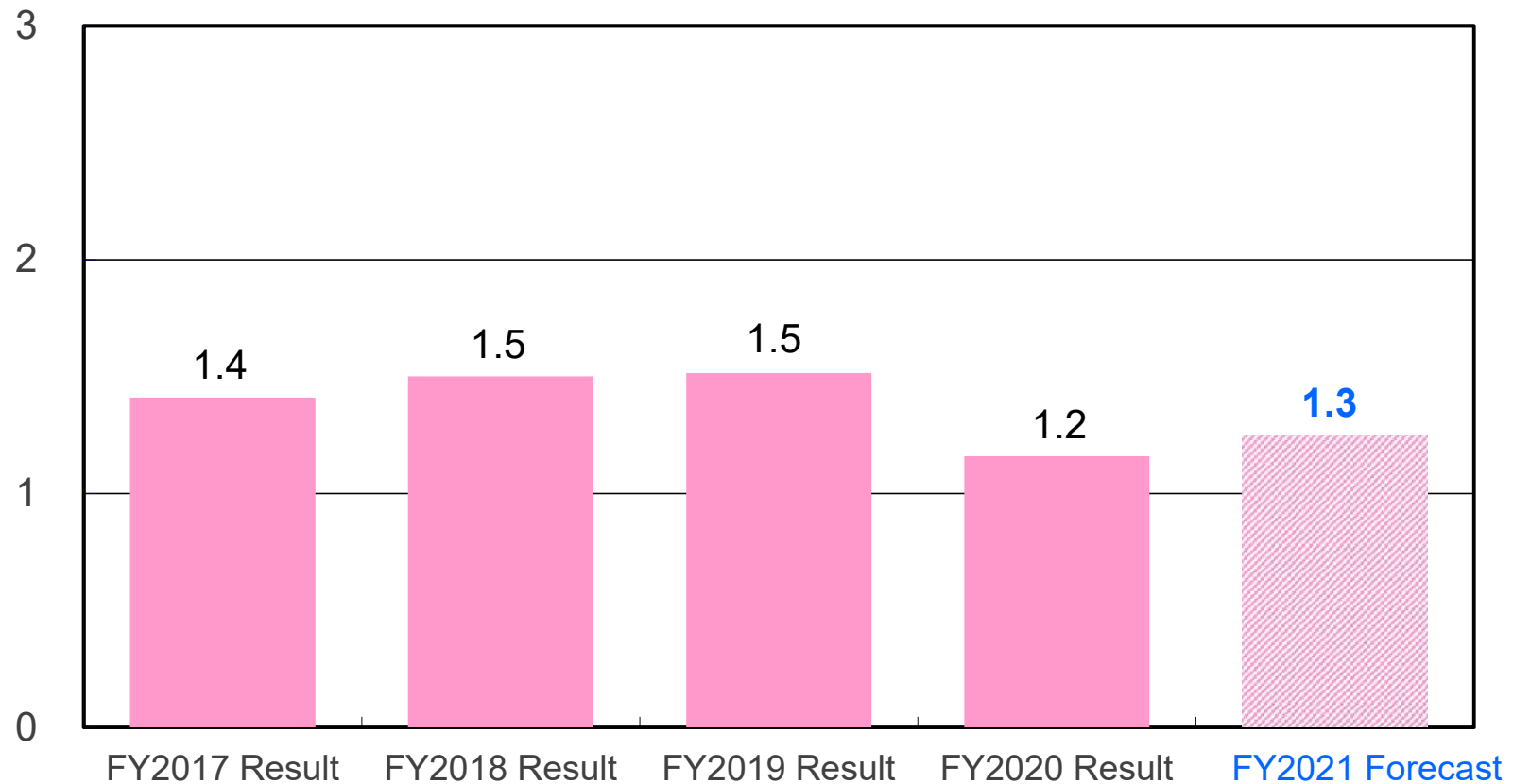
## 24. Net Sales of Hollow Rack Bars (Automotive Part)



- As a product for electric power steering that contributes to the shift to EVs and autonomous driving, we are currently taking orders by delivering prototype hybrid rack bars aimed at its adoption in model renewals coming up.



(Billion yen)



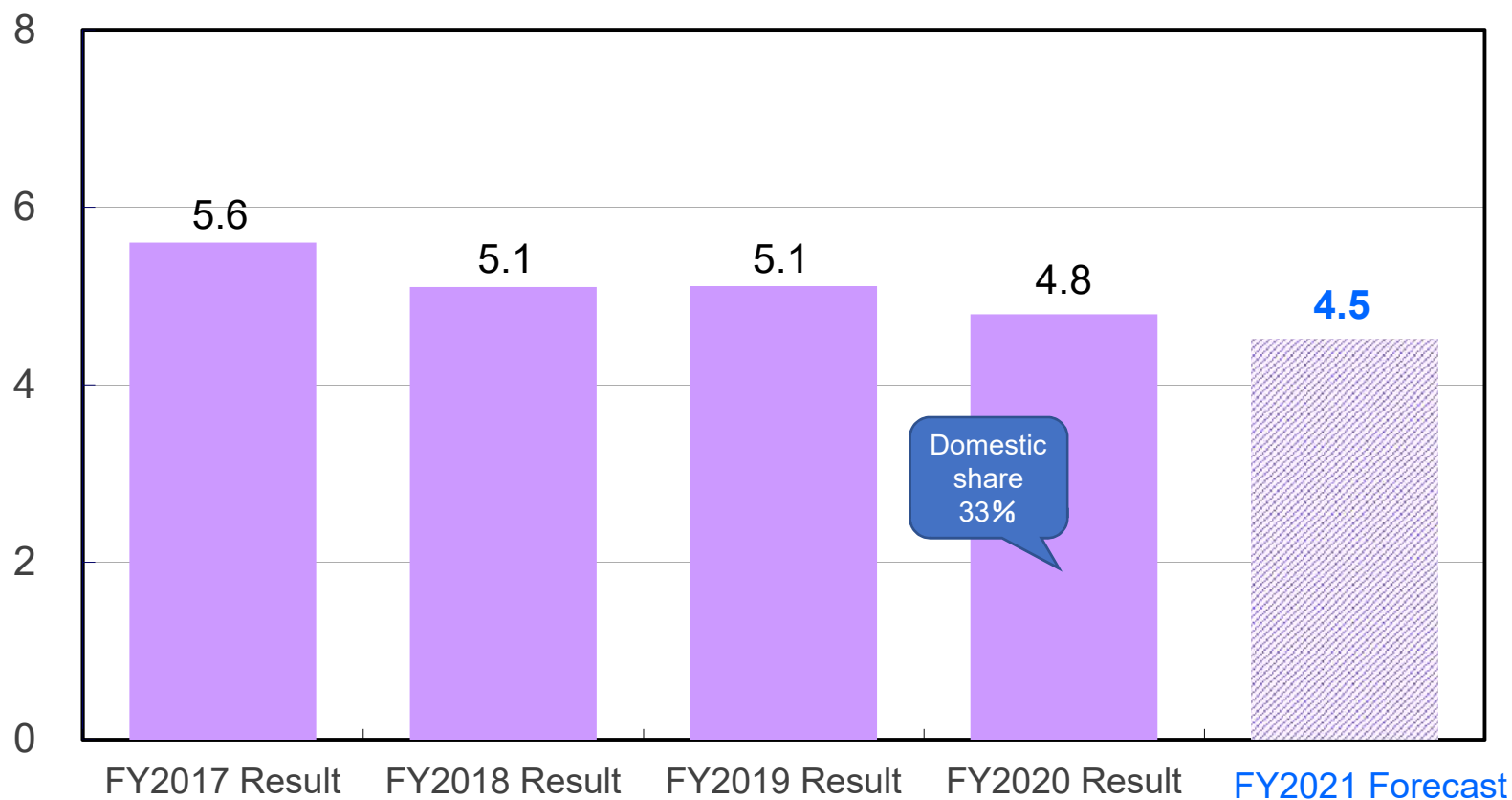
## 25. Net Sales of PC Steel Bars and Deformed PC Steel Bars



- As the pile market is shrinking, revenue is forecast to decline in spite of efforts to expand sales of PC steel bars for use in logistics warehouses for seismic retrofitting.



(Billion yen)



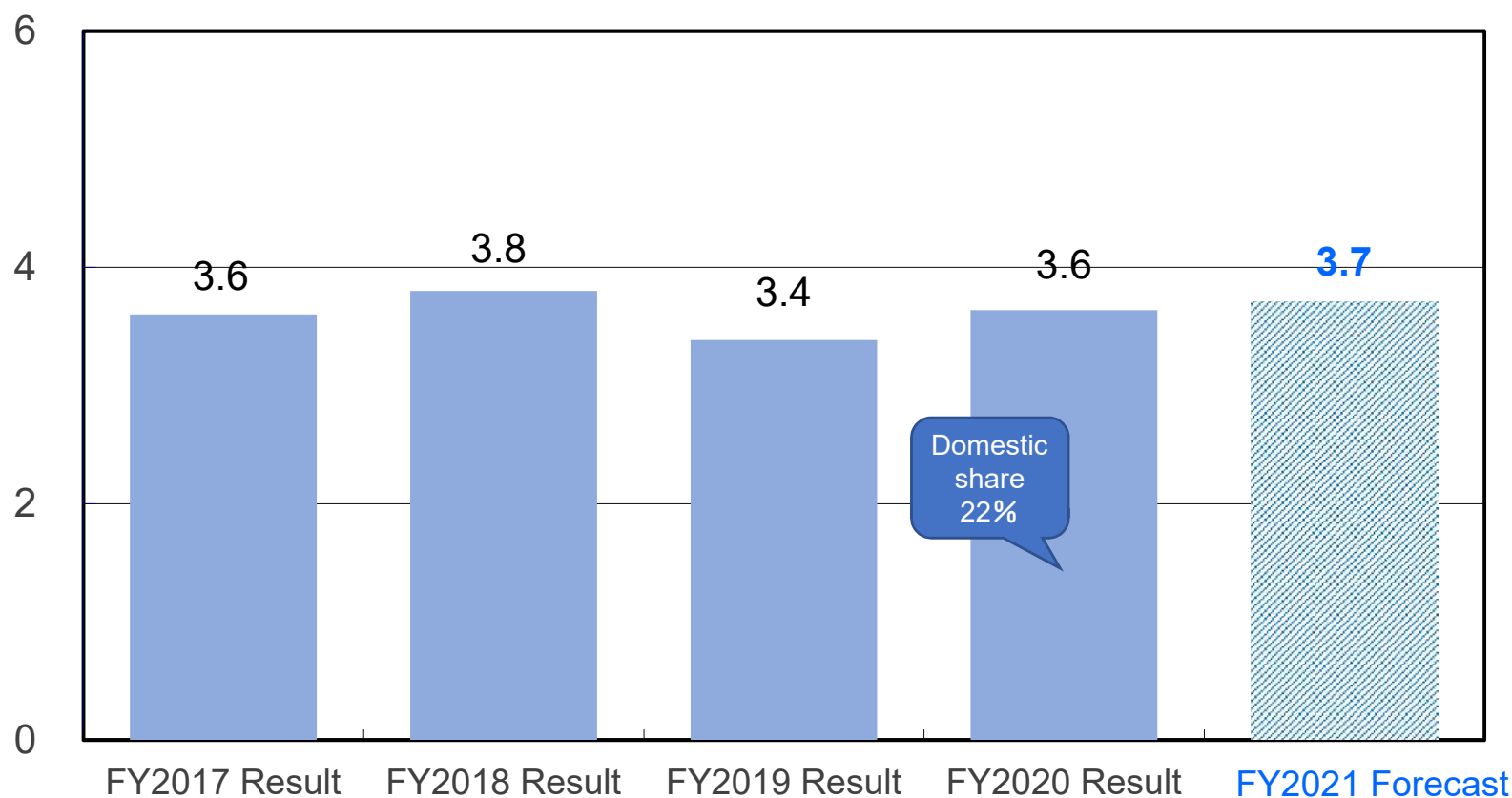
## 26. Net Sales of High-strength Shear Reinforcement



- As condominium construction starts are expected to decrease, we will expand market share by working on expanding sales for cut-off construction methods that benefit customers. Thus, sales is forecast to slightly increase.



(Billion yen)

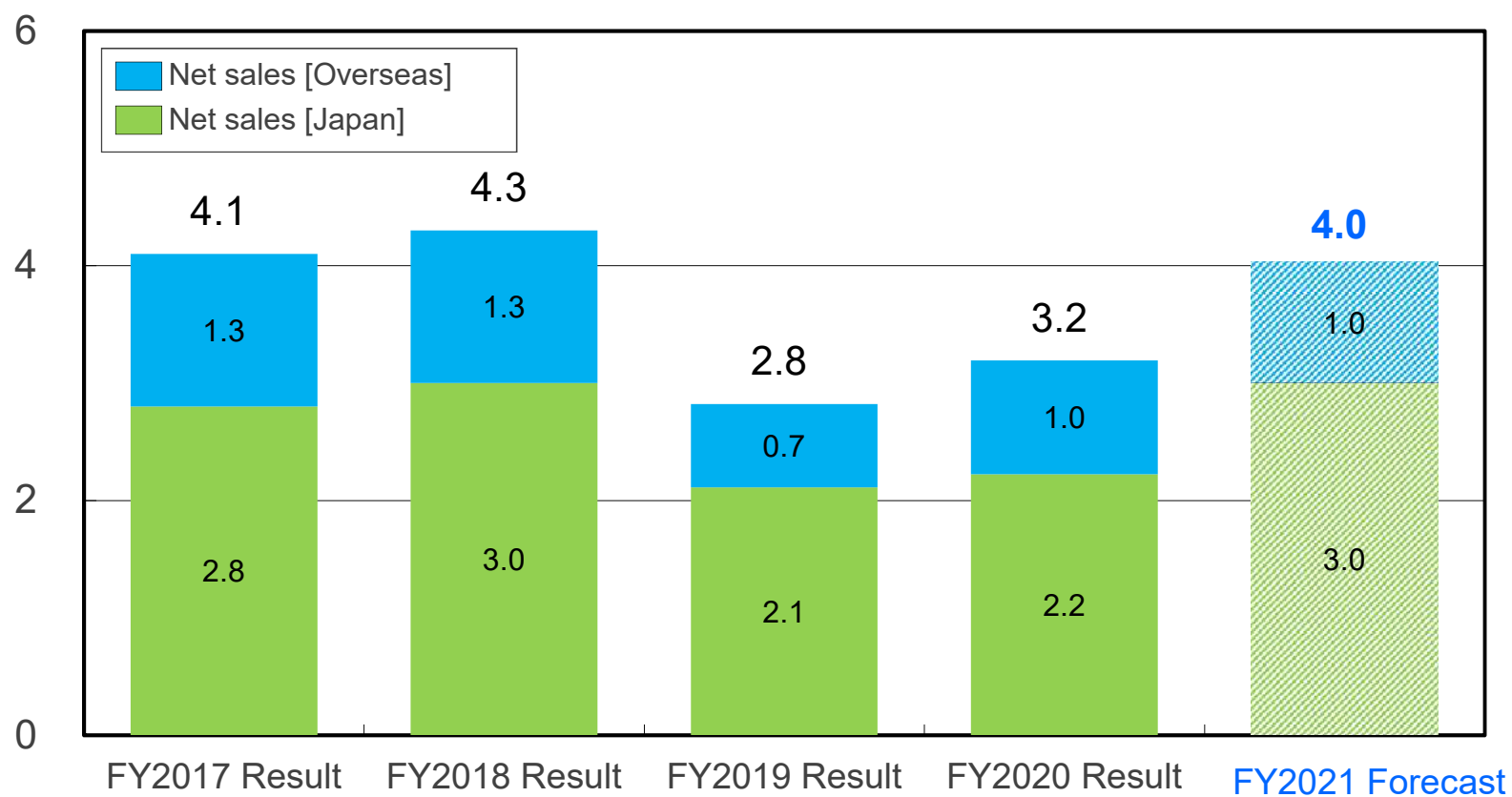


## 27. Net Sales of Slewing Bearings (Construction Equipment Part)

- Demand is forecast to recover from COVID-19 worldwide.



(Billion yen)



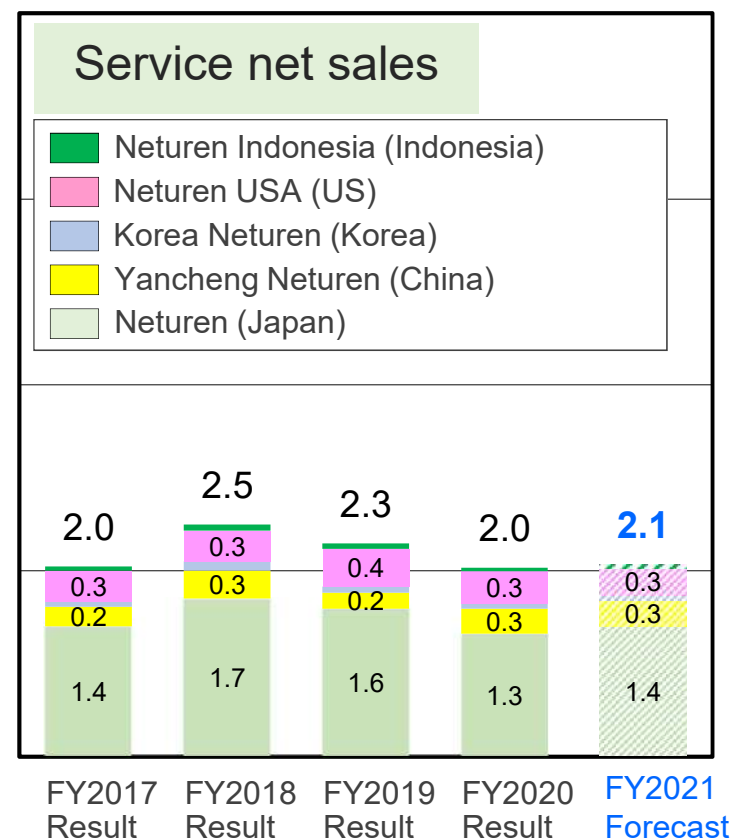
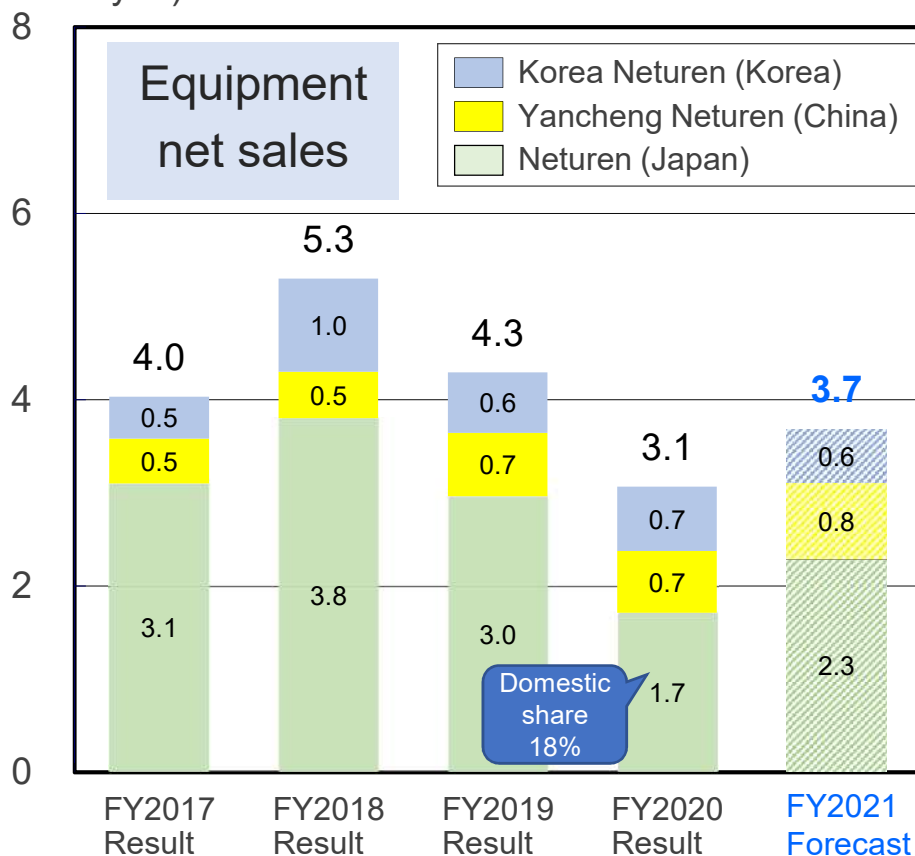
## 28. Net Sales of Induction Heating Equipment/Services

- As COVID-19 has caused a significant curtailment of capital investment, we are boosting our efforts to win service orders.
- As orders for equipment are recovering, we will strengthen sales in favorable industries.



Induction heating equipment      Power supply equipment

(Billion yen)



\* Includes transactions within the Group

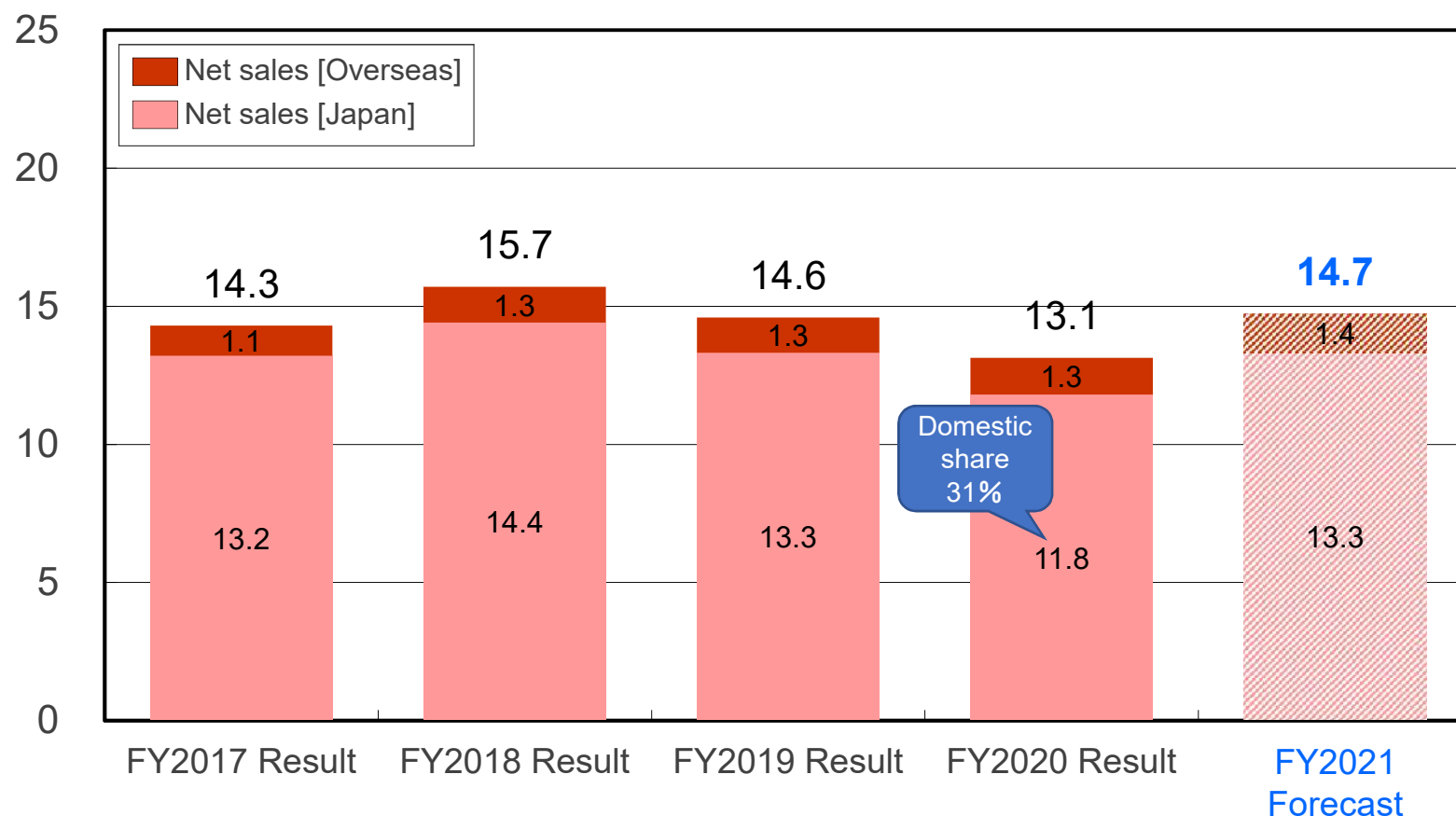
## 29. Net Sales of Induction Heat Treatment-related Services



- Sales of services for the mainstay, automotive parts, is forecast to increase year on year, despite insufficient supply of semiconductors and concerns over delays in containing COVID-19.



(Billion yen)



## III. Overview of NETUREN VISION 2030

## 30. NETUREN VISION 2030 (1) Background of Formulation

### Background of formulation

#### (1) SDGs as basic management policy

Neturen's energy-efficient IH technology can contribute to **resource efficiency and reduction of CO<sub>2</sub>**.

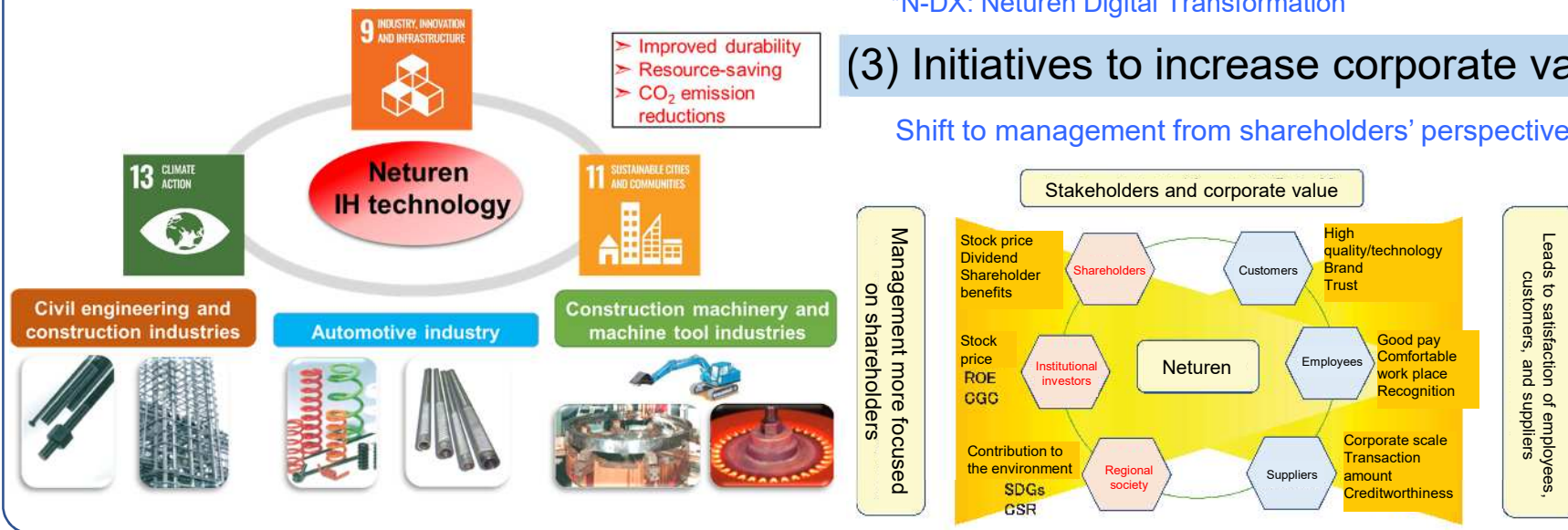
#### (2) Concurrent technology development

Evolve and make breakthrough by effectively utilizing internal system developed in VISION 2020 (enhancing functional headquarters, cross-functional system, overall optimization, global promotion, etc.), as well as **building and utilizing N-DX\***.

\*N-DX: Neturen Digital Transformation

#### (3) Initiatives to increase corporate value

Shift to management from shareholders' perspective



Creating NETUREN VISION 2030 "Evolution and Breakthrough"



# NETUREN VISION 2030 "Evolution and Breakthrough"

Marketing

Inverted T-shaped model

N-DX

**What the Company should be**

We will contribute to creating a sustainable society while increasing our corporate value

**What the Company should aim at**

- We will increase our corporate value and reduce environmental impact through technologies and products based on our core IH heat treatment technologies effective in reducing CO<sub>2</sub> emissions.
- We will continue to evolve and aim to make a global breakthrough by pushing ahead with the development of N-DX and bringing together the power of all Neturen Group employees.

Energy-efficient heat  
treatment

Collective wisdom and  
power

Clean energy utilization

**CO<sub>2</sub> emission reduction target: A 30% reduction in FY2030 compared to FY2013 levels ⇒ Net-zero CO<sub>2</sub> emissions in FY2050**

SDGs

ESG

CSR

CGC

### (1) Technological development that contributes to creation of sustainable society

Enhance technology development capabilities through steady operation of Neturen Inverted T-shaped model, and promote mass production in speedy and timely manner.

Bring new value demanded by society to market and into mass production

- Develop technologies that contribute to reducing CO<sub>2</sub> (new products, heat-treatment technology, equipment).
- Develop products and technologies in growth markets.

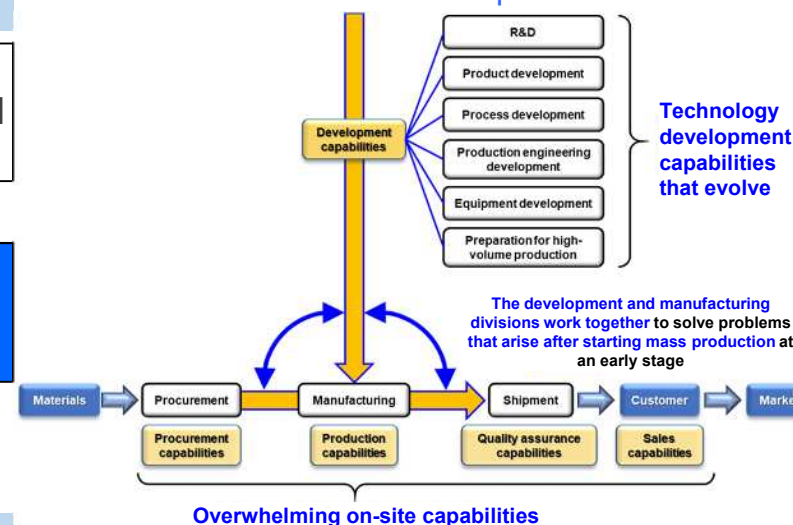
### (2) Make Neturen essential through equipment and products that are conscious of global environment, and with our overwhelming work-site capabilities

- Environment where employees can self-motivate and leverage their capabilities autonomously.
- Close collaboration between business divisions, functional divisions, and affiliates.
- Create and offer value exceeding needs.

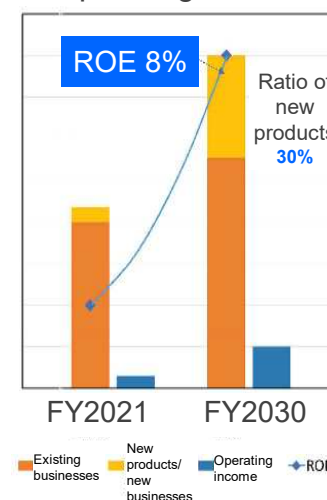
Become a Neturen Group needed by our stakeholders

- Realize increasingly diverse employee satisfaction (ES), improve promotion capabilities, and become top-tier enterprise through equipment and products with low environmental impact, and quality, cost, delivery, and value (QCDV) that overwhelm our competitors.

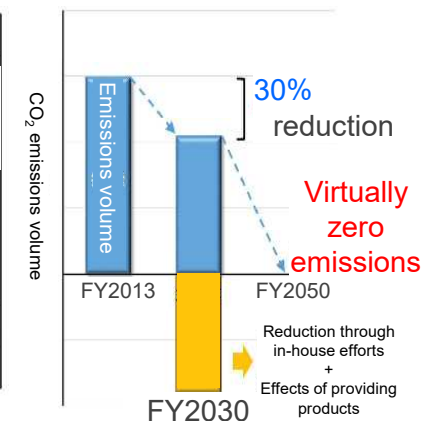
Concurrent development  
= achieve Inverted T-shaped Model



Net sales/  
Operating income



CO<sub>2</sub> emissions  
reduction



\* Neturen's CO<sub>2</sub> emissions increased as a result of higher net sales

#### (3) Establish Neturen's IH technology globally

Accurately assess global needs, and establish Neturen brand tailored to the demand of each region in the continually expanding world market.



Neturen Group helps reduce environmental impact on global scale  
Grow globally/increase corporate value

- Concentrate investment in profitable businesses.
- Produce commodity products in optimal locations.
- Enhance support for subsidiaries and affiliates Group-wide.

#### (4) Produce diverse global human resources

- Develop independence and practical capabilities.
- Corporate culture where next generation of leaders emerges.
- Experience a variety of jobs.



Develop human resources self-motivated to make contributions



## IV. Overview of 15th Medium-term Management Plan

Slogan **“Accomplish V-20”**

## Wrap-up of NETUREN VISION 2020

- The attitude and actions of overall optimization, in which the entire Group has united to respond to changes in the external environment, has evolved into a systematic approach. We have established a stance of actively addressing manufacturing and resolution of quality issues.

	Major accomplishments	Future challenges
Pillar 1: Rapid development and market launch of new technologies, new products, and new businesses	<ul style="list-style-type: none"> <li>■ Matured technology and commercialized NH treated products</li> <li>■ Global rollout of Toyota New Global Architecture (TNGA) Project</li> <li>■ Double Stark obtained Ministry accreditation and adopted</li> <li>■ Developed and launched hybrid rack bar</li> <li>■ Obtained general certification for hoop-reinforcement cut-off construction method</li> </ul>	<ul style="list-style-type: none"> <li>■ Marketing and information rollout capabilities for new technologies and products</li> <li>■ Develop dedicated equipment for Double Stark and increase profitability</li> <li>■ Expand sales of hybrid rack bar</li> </ul>
Pillar 2: Securing and fostering global human resources who will forge the present and future of the Group	<ul style="list-style-type: none"> <li>■ Established and began using Human Resource Training Center</li> <li>■ Systematic global human resource rotation</li> <li>■ Continued deployment of overseas trainee program</li> </ul>	<ul style="list-style-type: none"> <li>■ Enhance global sales capabilities and marketing</li> <li>■ Routinize global HR</li> </ul>
Pillar 3: Building a global structure for safety, quality and CSR activities	<ul style="list-style-type: none"> <li>■ Rolled out Occupational Safety and Health Management System (OSHMS) at all plants</li> <li>■ Shared global quality information and horizontally rolled out measures to prevent recurrence of defects</li> <li>■ Accepted internships/work experience</li> </ul>	<ul style="list-style-type: none"> <li>■ Further roll out safety activities and quality risk assessments globally</li> <li>■ Develop products, production equipment, and processes that help reduce CO<sub>2</sub></li> </ul>

- Both net sales and operating income significantly fell below targets due to the impact of COVID-19.

- Main reason for the underachievement:

External	Reduced volume due to trade friction between U.S. and China, impact of COVID-19 and insufficient response
Internal	Delays in priority measures (e.g., insufficient capability to resolve manufacturing issues at manufacturing sites; insufficient marketing of new technologies and products; insufficient rollout of customer information)

	FY2021 targets (set in 2017)	Revised FY2021 targets	FY2021 results
Net sales	¥57.0 bn	¥43.0 bn	¥42.5 bn
Operating income	¥4.5 bn	¥0.4 bn	¥0.9 bn
Operating income to net sales	7.9%	0.9%	2.2%
Return on equity (ROE)	6% or more	0.5%	0.5%
Return on asset (ROA)	7% or more	1.3%	1.9%

### Basic policy

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

## 15th Medium-term Management Plan

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

Basic strategies	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 CO <sub>2</sub> and contribute to the creation of a sustainable society.
	Strategy 4	Develop human resources that enhance the Group's sales and marketing capabilities globally.

**New NETUREN** (New evolved Neturen)

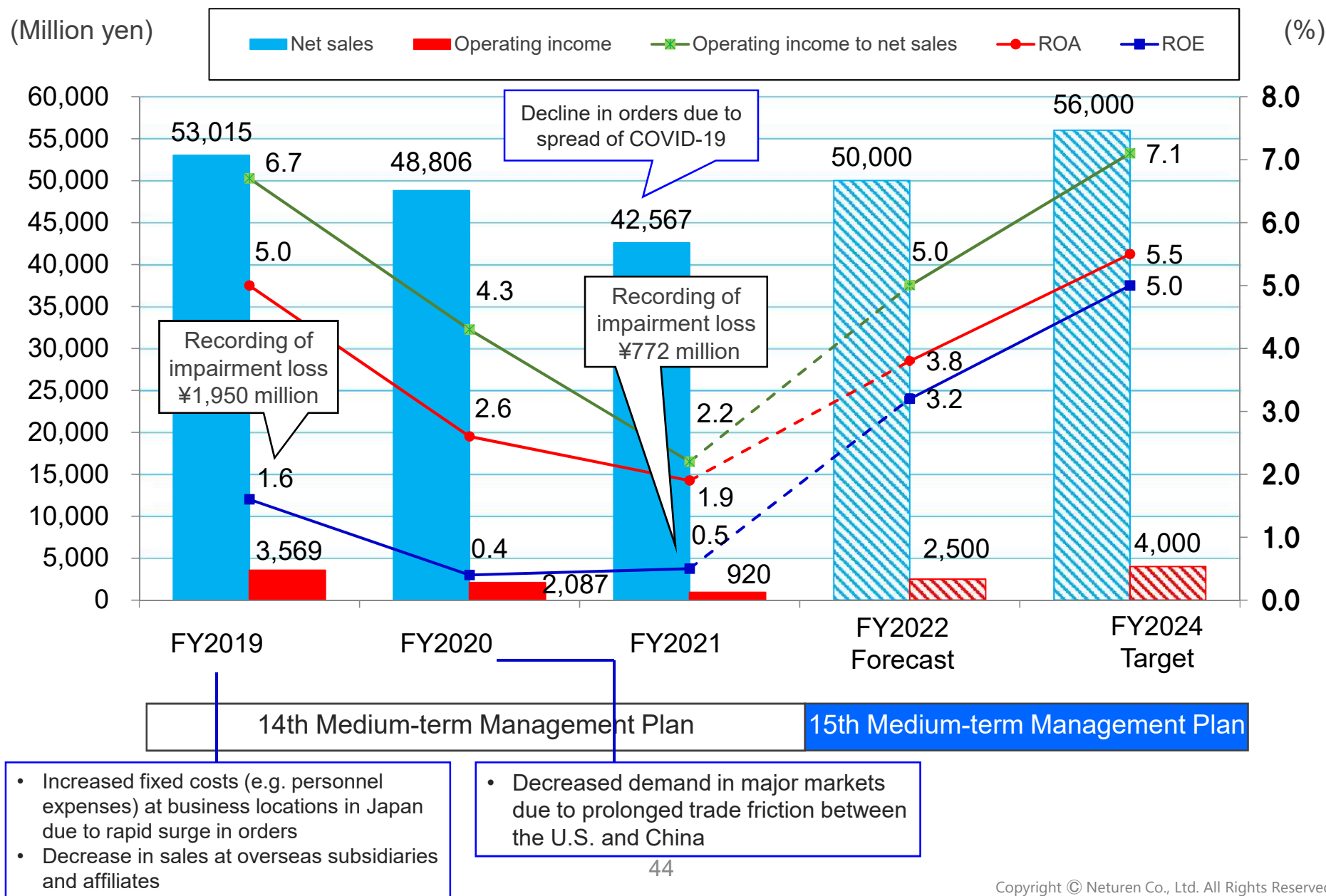
Increase corporate value—FY2020 is the first year of corporate value-oriented management strategy

- Introduce WACC(\*) in management assessments: **Target ROE exceeding WACC in each business division**
- Enhance management monitoring through B/S management in addition to P/L management: **Establish perspective of management with B/S within business divisions**

\* WACC: Weighted average cost of capital

Major management indicators (consolidated)	FY2020 results	FY2021 results	FY2024 targets
Net sales	¥48.8 bn	¥42.5 bn	¥56.0 bn
Operating income	¥2.0 bn	¥0.9 bn	¥4.0 bn
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

## 39. Overview of 15th Medium-term Management Plan (4) Quantitative Aspects



Measures for growth: nothing will be spared	
1	Enter various markets and expand through high-performance steel materials
2	Achieve high productivity by promoting automation
3	Build brand value for IH heat treatment equipment at global level
4	Increase profit margins of Group companies and further localize operations
5	Actively participate in industry-academic partnerships, consortiums and various research committees
6	Reduce number of issues and book value of cross-shareholdings by 30%
7	Revise shareholder return measures to those reflecting total return ratio and dividend on equity ratio (DOE)
8	Actively roll out PR activities, including disclosure of non-financial information

## 41. Overview of 15th Medium-term Management Plan (6)

Strategy 1: Enhance competitiveness of core businesses, and bring new technologies, products and businesses to market

Each division will work together to promote:

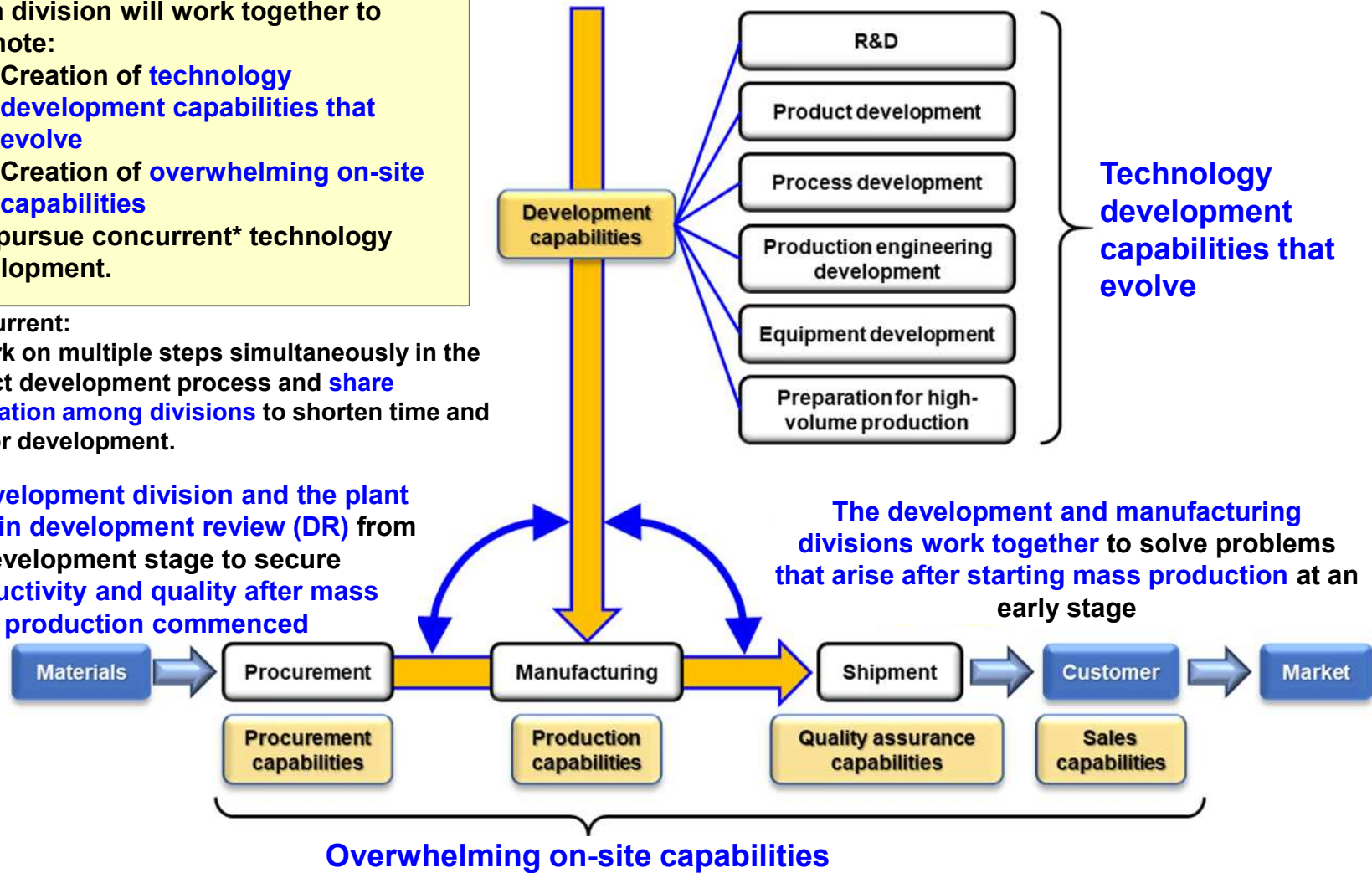
- (1) Creation of **technology development capabilities that evolve**
- (2) Creation of **overwhelming on-site capabilities** and pursue concurrent\* technology development.

\*Concurrent:

To work on multiple steps simultaneously in the product development process and **share information among divisions** to shorten time and cost for development.

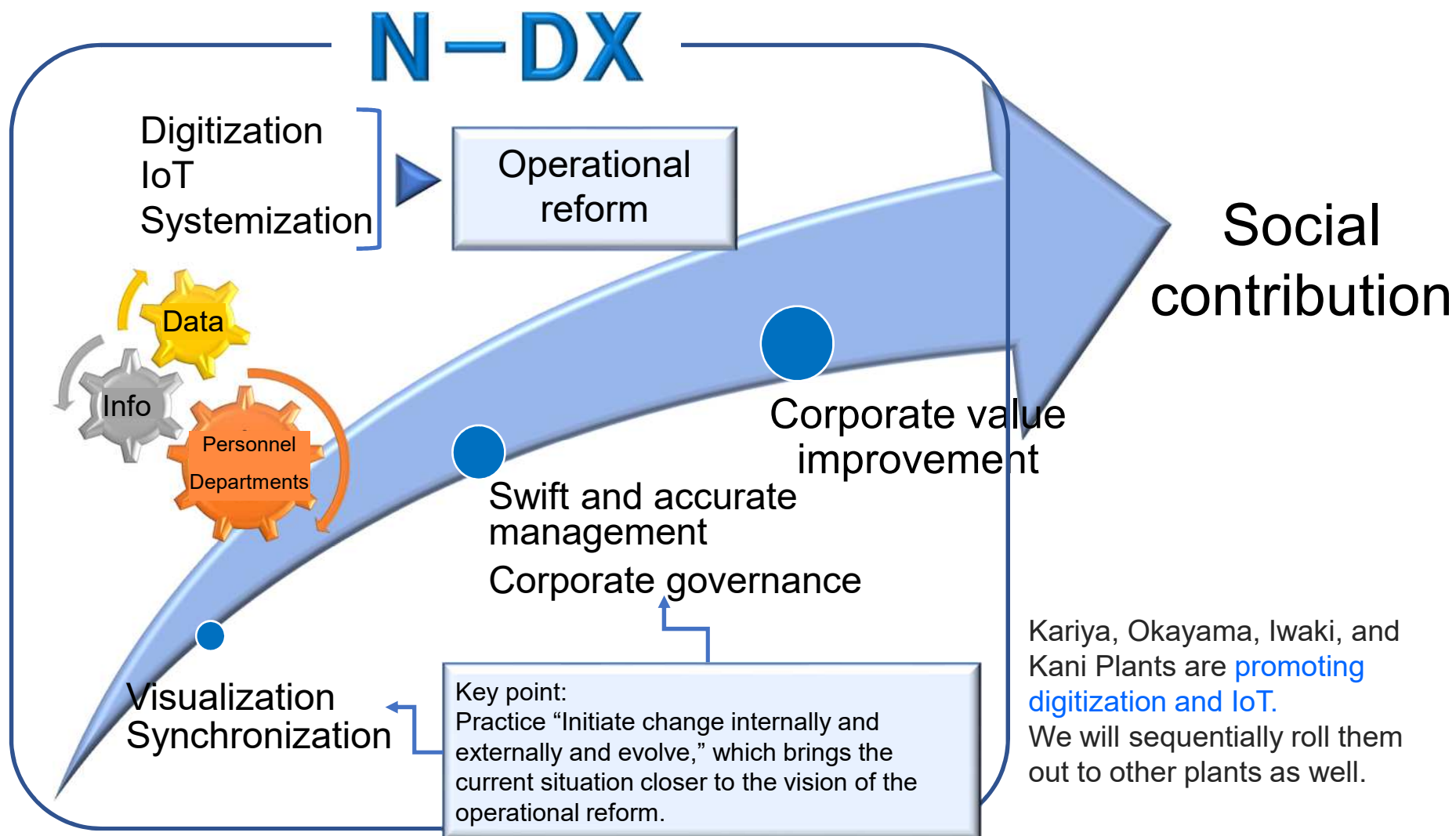
The development division and the plant engage in development review (DR) from development stage to secure productivity and quality after mass production commenced

The development and manufacturing divisions work together to solve problems that arise after starting mass production at an early stage



## 42. Overview of 15th Medium-term Management Plan (7)

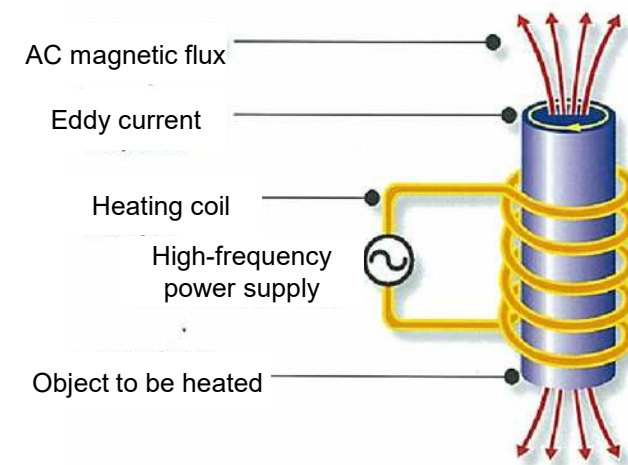
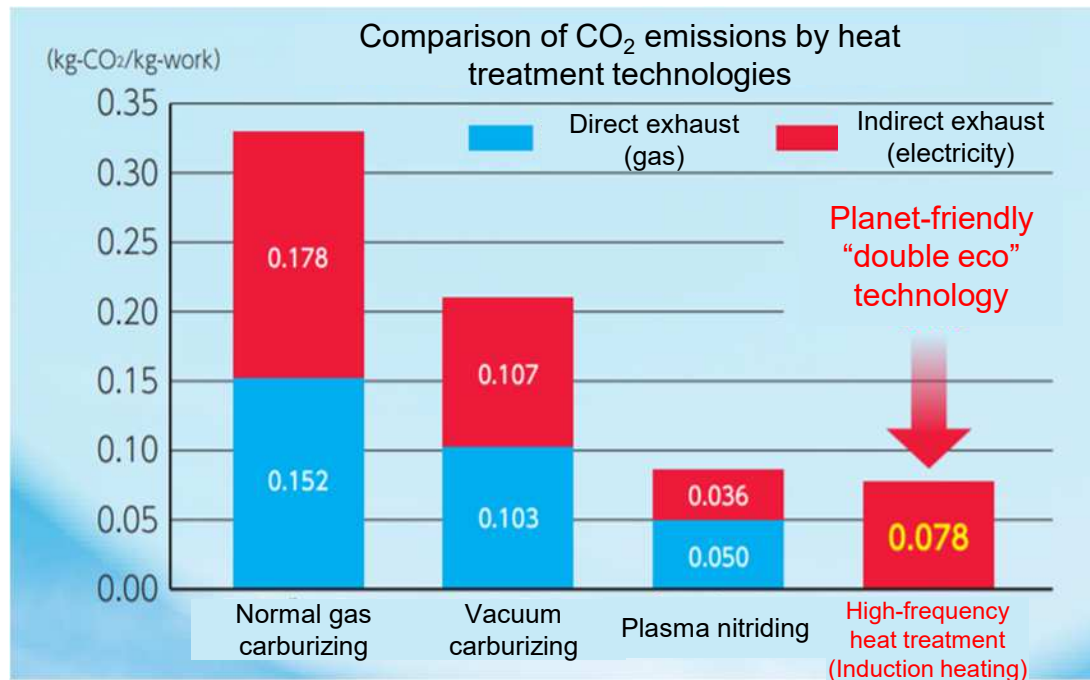
Strategy 2: Promote digitization and improve ability to roll out information through N-DX system



## 43. Overview of 15th Medium-term Management Plan (8)

### Strategy 3: Identify SDGs as the core of management, and contribute to the creation of a sustainable society

- Induction heating (IH) is a clean technology with **low CO<sub>2</sub> emissions** during heat treatment of metal.
- Heat treatment using IH, such as quenching and tempering, improves the hardness, wear resistance, durability, and other qualities of metal products, **helping to conserve resources**.



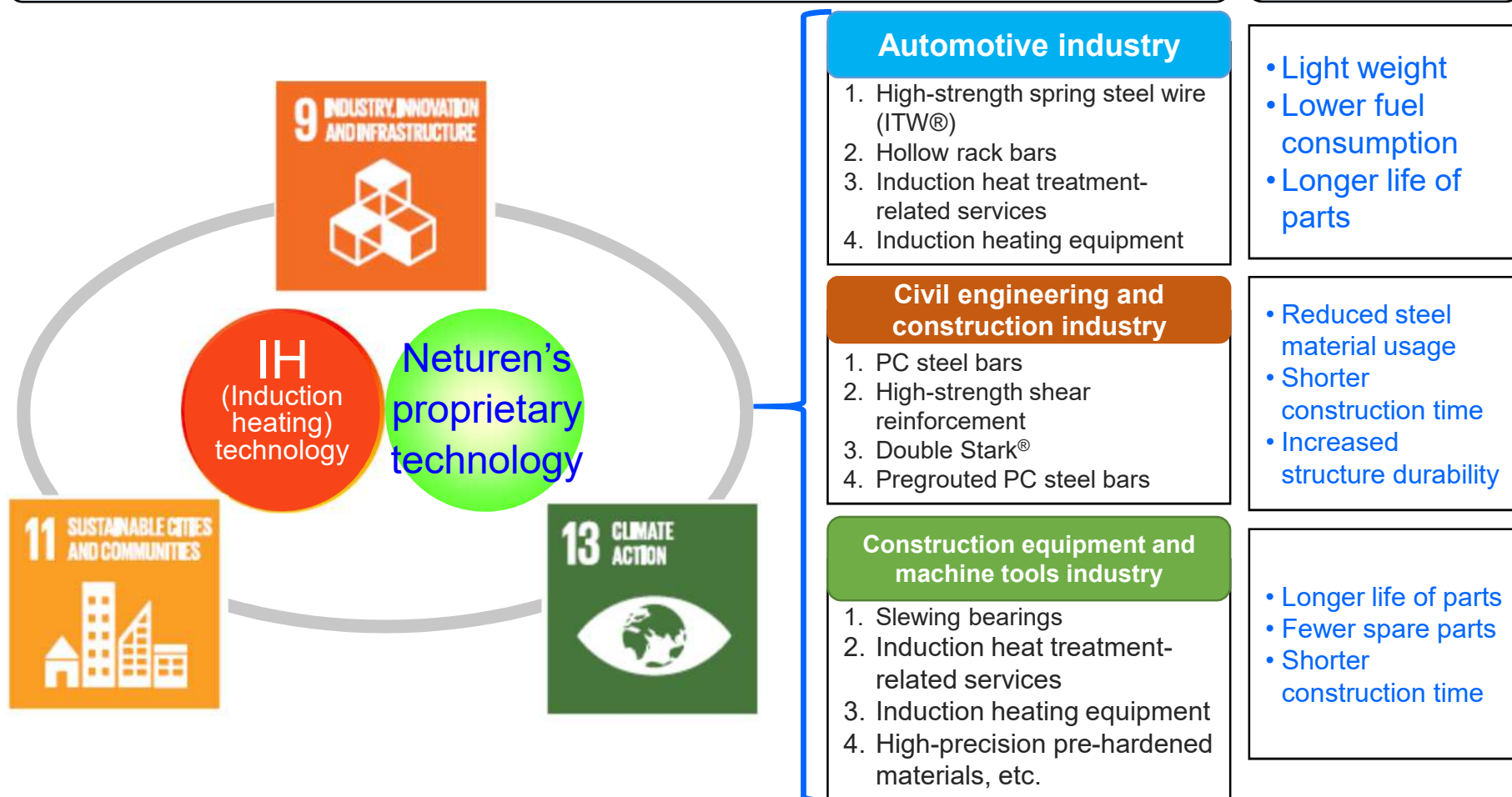
The metal heats itself through induced current passed through the metal without contact. Since the metal is not heated via flame from an external heat source, **there are zero CO<sub>2</sub> emissions from combustion**.

Taking on the challenge of further technology innovation as pioneer of IH technology

## Helping to achieve a sustainable society with IH technology as core

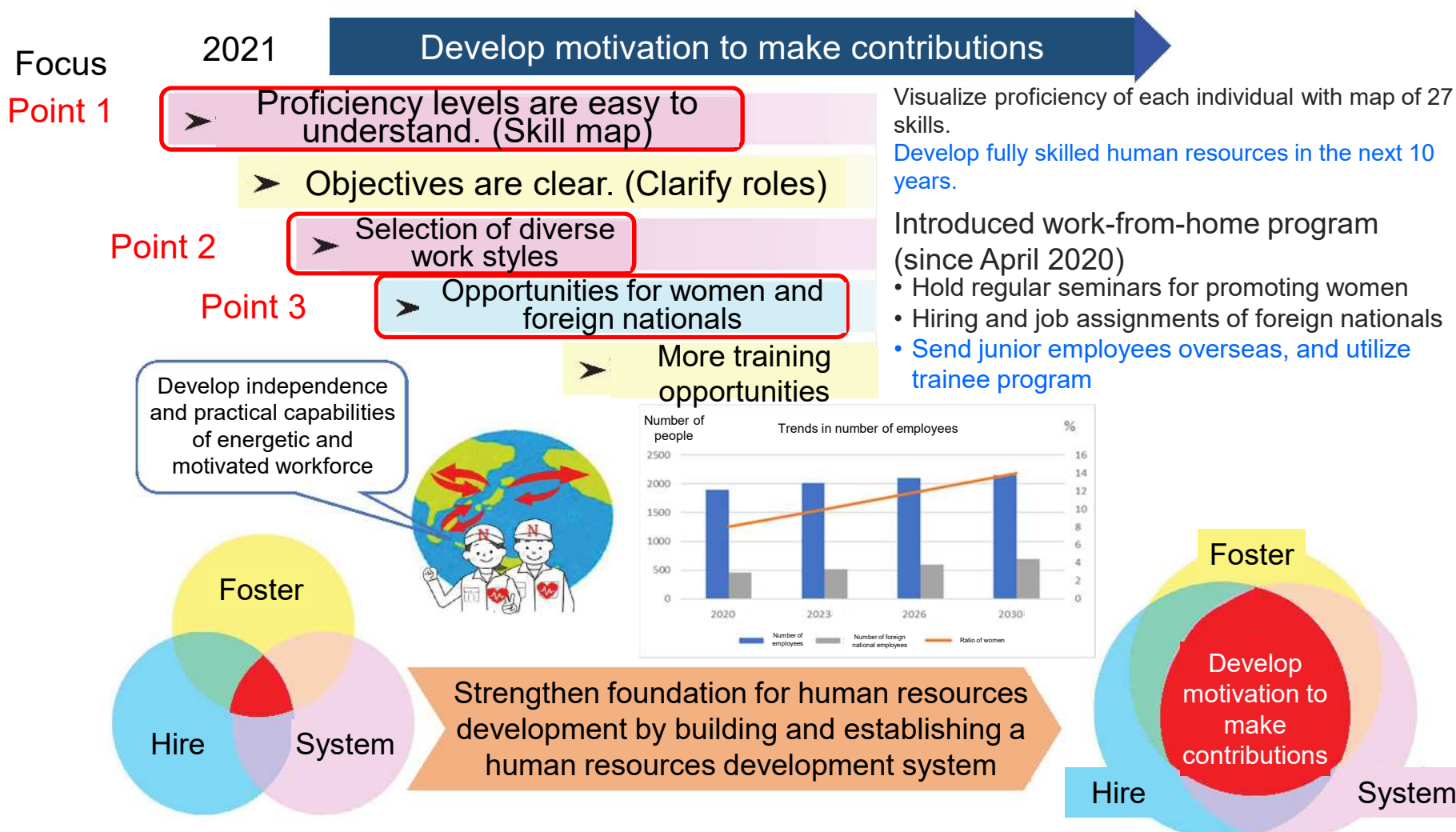
SDGs targeted by our businesses, and our products in related industries

Benefits of our products



## 45. Overview of 15th Medium-term Management Plan (10)

### Strategy 4: Develop human resources that enhance sales and marketing capabilities globally



### Various measures for further improvement of corporate value

#### (1) Improving corporate value

- 1) Promote capital cost management (ROE target exceeding WACC)
- 2) Enhance PR (increase disclosure in English, enhance IR and engagement, renew PR materials)
- 3) Review shareholder return policy (reflecting total return ratio and DOE)
- 4) Measures to achieve PBR of 1.0x or higher (management focused on stock price, performance-linked stock remuneration system)

#### (2) Enhancing governance

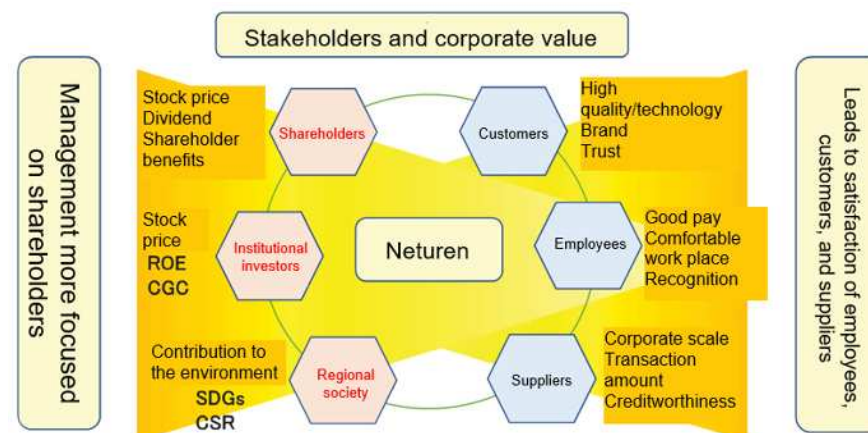
- 1) Sale of cross-shareholdings: Reduce book value by 30% compared to FY2020
- 2) Introduce executive officer system (enhance supervisory function, enhance decision-making function)



IR seminar for individual investors held by Daiwa IR (February 2019)



Financial results briefing for institutional investors (November 2020)



### Reviewing roles and functions of Board of Directors in order to enhance decision-making and supervisory functions of management

- Introduced an executive officer system to further enhance corporate governance and clarified the authority and responsibilities of business execution to establish a structure that can react appropriately and promptly to changes in the business environment

Revisions:

Key points	Basic approach	Details
Enhance supervisory function	Increase the proportion of the Outside Directors who can be expected to reflect the views of stakeholders appropriately to the Board of Directors, from an independent perspective without special interest with the board.	At least 1/3 of the board elected are Independent Outside Directors
Enhance decision-making function	Increase depth, precision, and speed of important decision-making by minimizing decisions relating to individual day-to-day business execution.	1) Review agendas 2) Introduce executive officer system

### Measures for reassignment to Prime Market after revision of Tokyo Stock Exchange market segments

All criteria for reassignment to the Prime Market are currently deemed to be satisfied. We will increase liquidity of shares by selling strategically held shares (cross-shareholdings).

We will strive to further increase corporate value through reassignment to Prime Market.

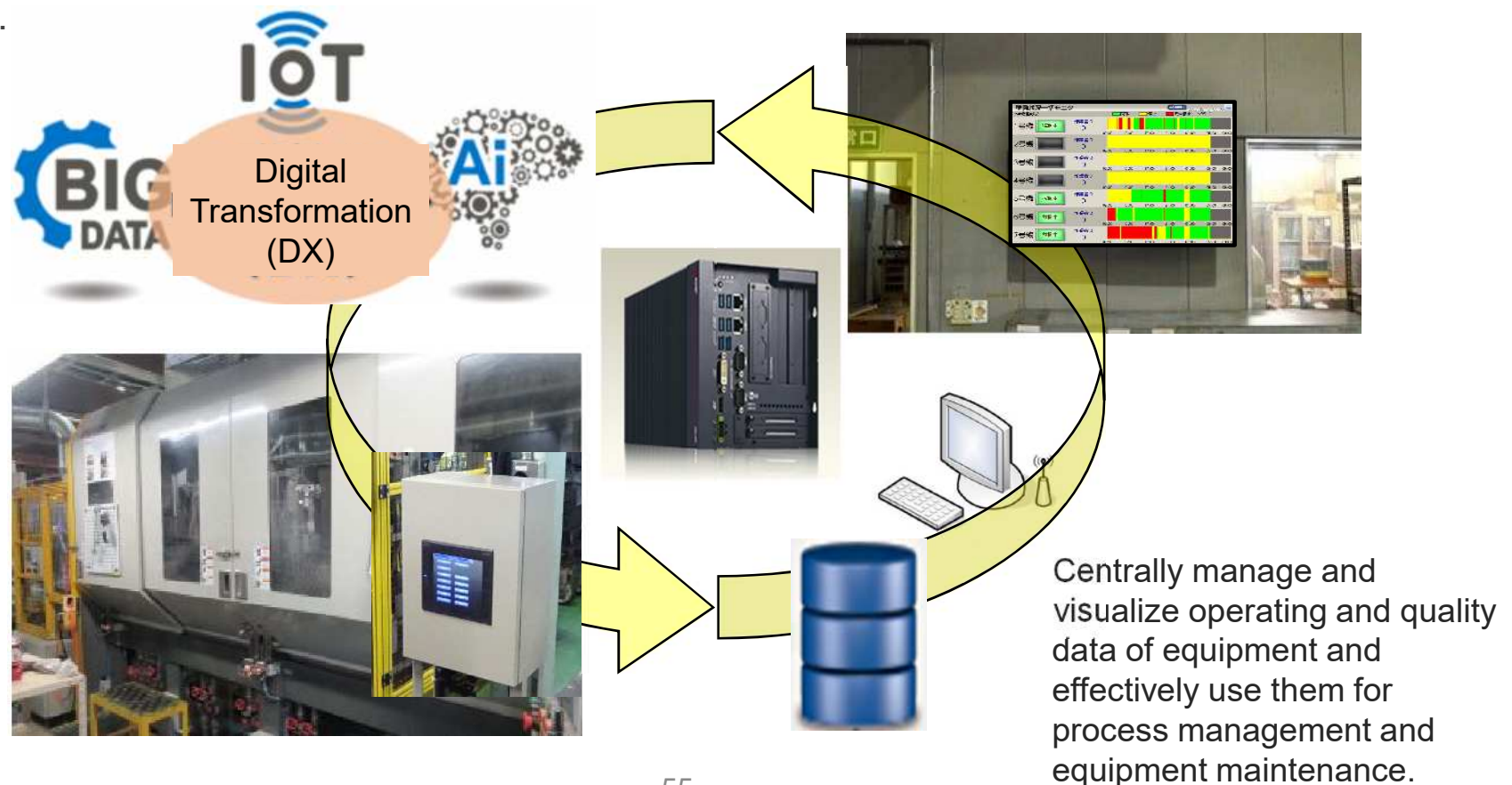
Item		Criteria	Calculation method, etc.	Evaluation
Liquidity	Number of shareholders	800 or more	Number of shareholders with at least one trading unit as of last day of fiscal year	○
	Number of shares traded	20,000 units or more	As of last day of fiscal year	○
	Market capitalization of shares traded	¥10.0 bn or more	Number of shares traded times the average daily closing price on TSE over three months before last day of fiscal year	○
	Trading amount	¥20 mm or more/daily average	Average daily amount traded on TSE over one year before December 31 of each year	○
Governance	Ratio of shares traded	35% or more	Number of shares traded divided by number of listed shares as of last day of fiscal year	○

## V. Development and Launch of New Products and Technologies

### Digitizing production information by using ICT (IoT) in heat treatment equipment

Promote ICT in production equipment for digital transformation (DX).

We are connecting information terminals and production equipment to networks, and building a system to utilize necessary information in real time. The system is currently operating at our Kariya, Okayama, and Iwaki Plants.



## 50. N-DX: Digitization Efforts (2) (High-frequency Power Supply)



Helping customers achieve DX through digital control of high-frequency power supplies

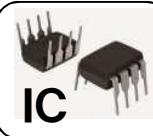
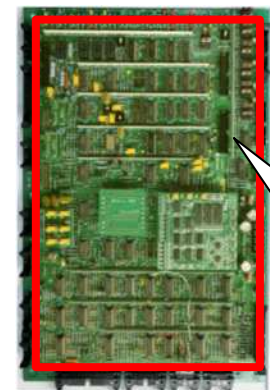
Started using FPGA in power supply control boards to promote digitization. We have installed FPGA in seven devices within the company, and are gradually expanding them to equipment sales to customers.



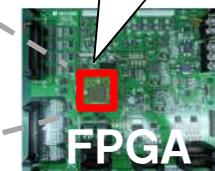
Highly visible display of operational status and failure history

Conventional: Hardware design using IC

FPGA: Digital control design using software



IC



FPGA

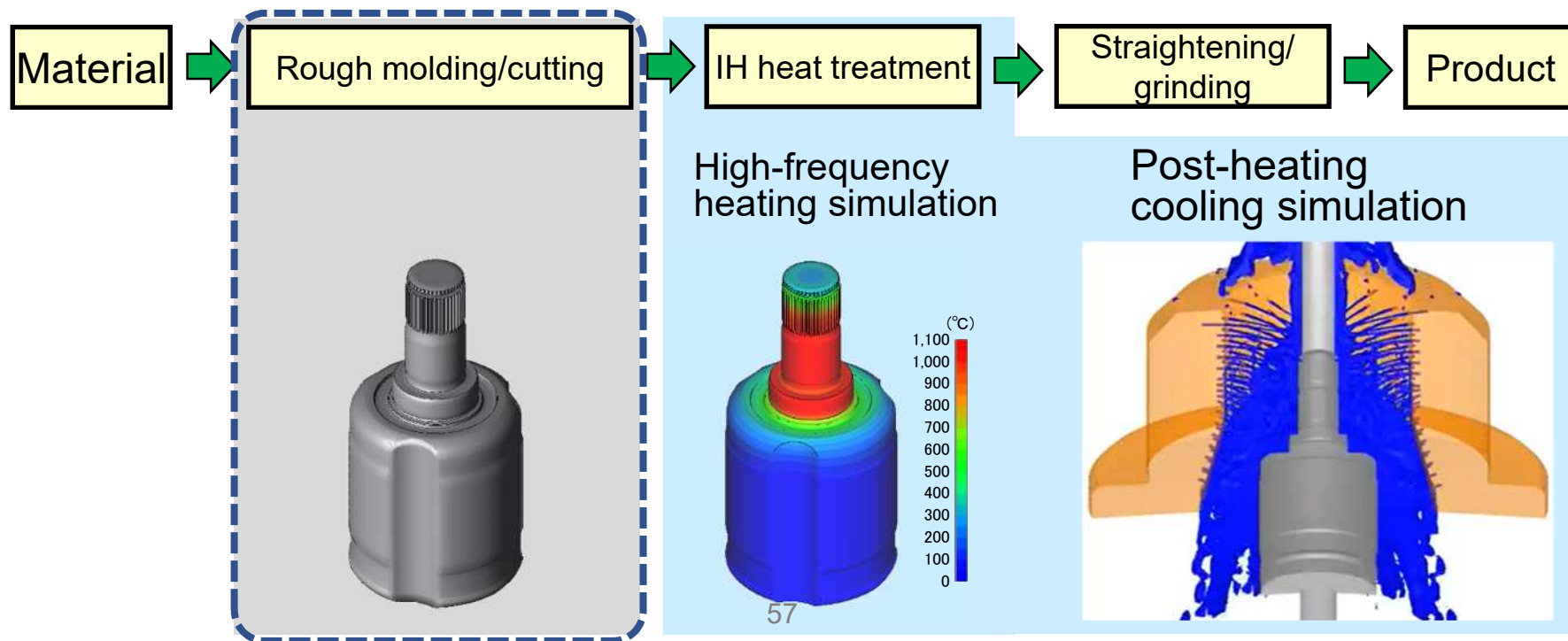
Benefits of using FPGA

1. Digitization of failure and maintenance history
2. Shorten time to develop new features
3. Protects control technologies
4. Reduces risk of electronic parts becoming discontinued

### Evolution of heat-treatment simulations and speeding up prototyping by adding analysis technology to pre-processing

R&D results in FY2020:

We added technology to analyze internal stress and distortion in the pre-heat treatment process to our industry-leading IH heat treatment simulations, improving the prediction accuracy of quenching deformation/patterns, and making it easier to select the optimum quenching conditions. **Reduced development time by 30%.**



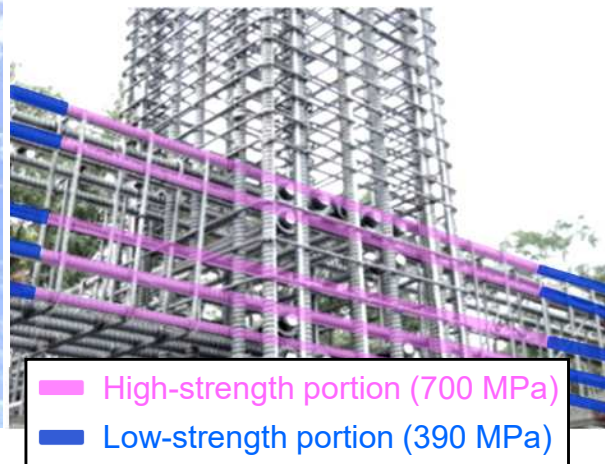
[New technology] High-precision IH heat treatment simulation reflecting internal stress and distortion due to plastic working

## 52. CO<sub>2</sub> reduction: Double Stark® (Partial High-strength Rebar)



Acquired building technology performance certification in February 2021.  
Promoting PR and sales in the industry.

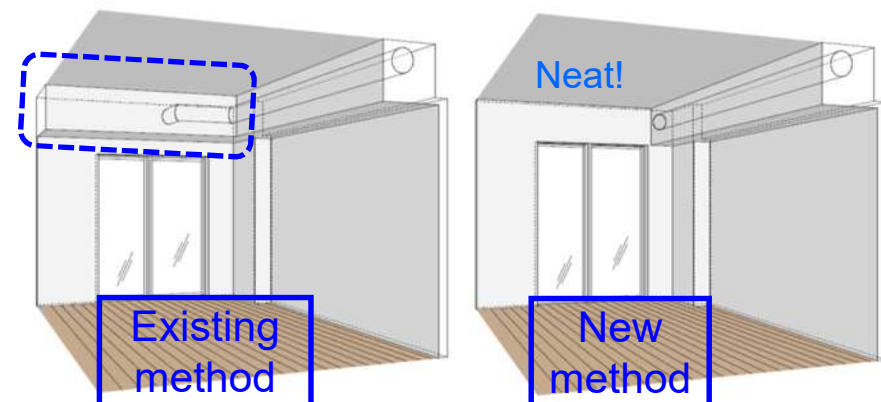
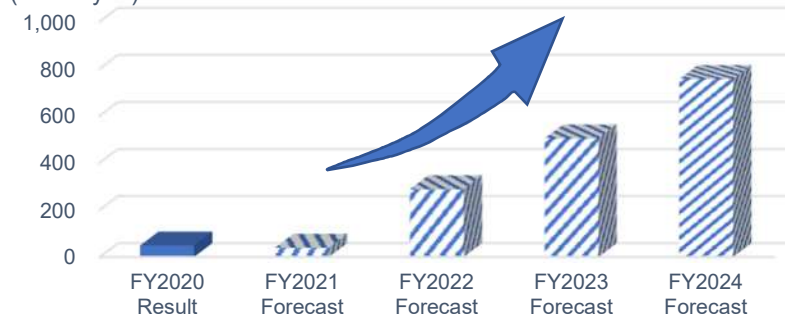
Acquiring performance certification will generalize this design method.  
We are promoting PR of Double Stark and this construction method  
in the industry.



Using Double Stark® for  
column/beam joints:

- Increases living space and enables rich lighting
- Reduces amount of rebar by 20-30%, and helps conserve resources and reduce CO<sub>2</sub>!

(Million yen) [Sales forecast]



## 53. CO<sub>2</sub> Reduction: Cut-off “ULBON® 1275 Shear Reinforcement”

We are expanding the market share of “ULBON® 1275 shear reinforcement” by applying the cut-off calculation method

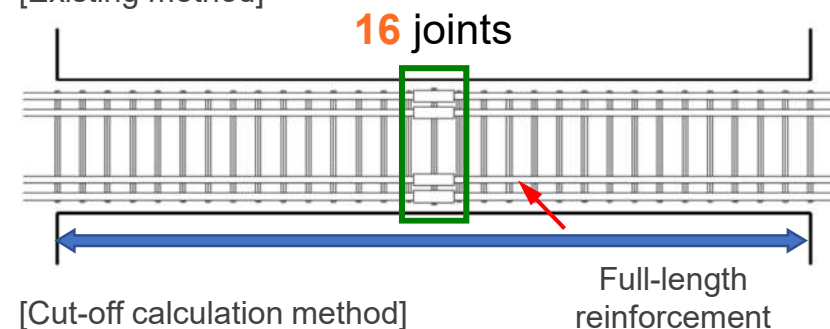
We help our customers **greatly reduce cost and construction time** by applying the cut-off method (“formula for calculating length needed for cut-off” performance certification acquired). We are promoting sales activities, including proposals to replace other companies’ products with ours.



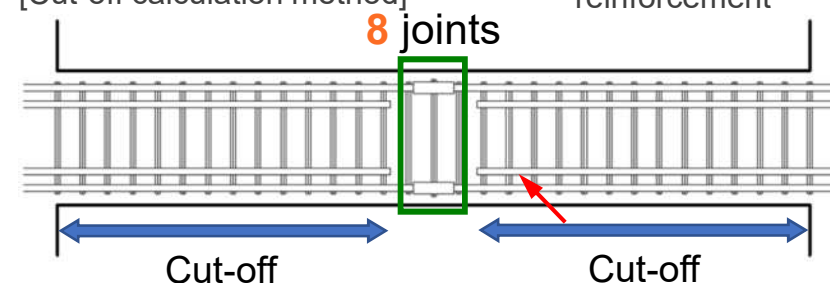
- Reduced joint costs (materials and labor) and installation work hours
- Joints reduced by 30-50% from conventional methods, helping to **conserve resources and reduce CO<sub>2</sub>**



[Existing method]



[Cut-off calculation method]



\* Cut-off means that the main reinforcement of reinforced concrete columns and beams is “cut off” halfway through.

Developed system to link pregouted PC steel bars.  
Adopted it for girder bridge erection method

Excellent rust prevention contributing to better durability of social infrastructure

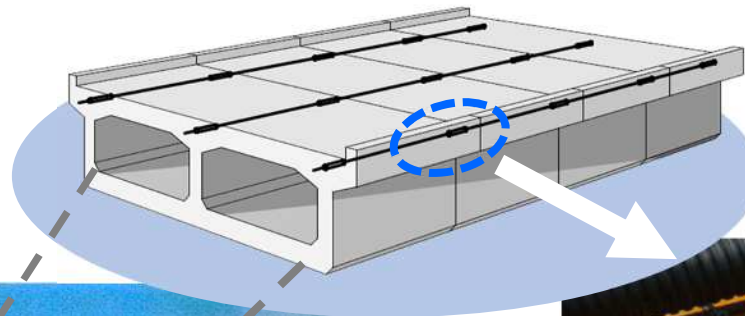
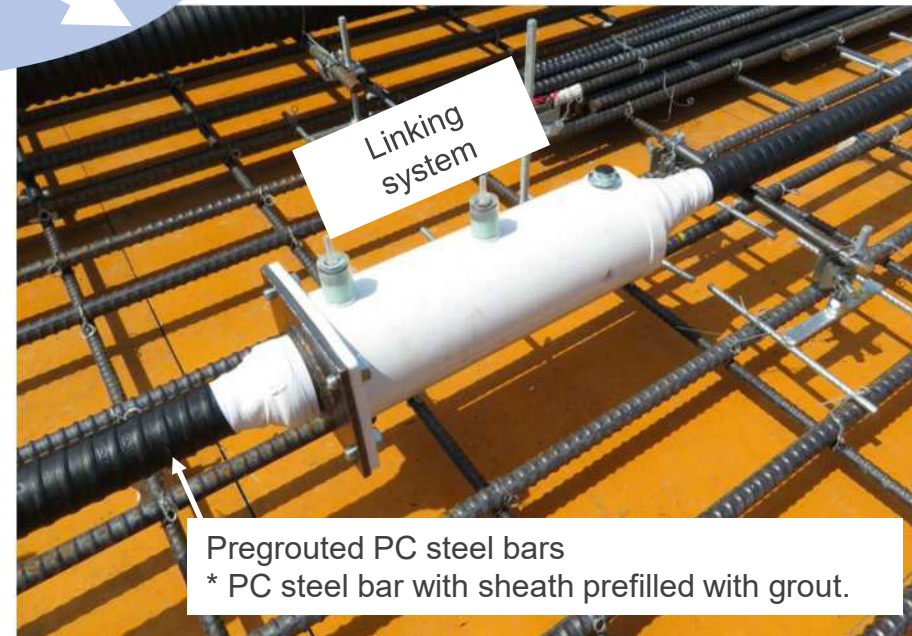


Illustration of overhanging erection method for girder bridges

Overhanging erection method: A method that enables erection of bridges regardless of restrictions of the ground below by using mobile work trolleys and girders

Source: PC Bridge Erection Method (Japan Prestressed Concrete Institute)

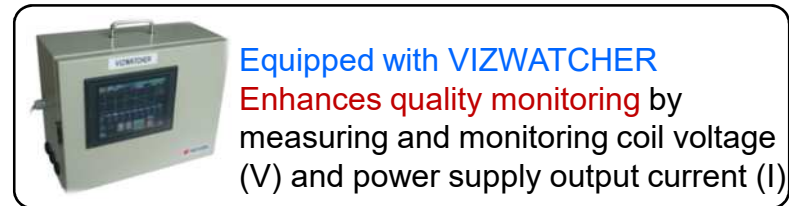


Example of construction using overhanging erection method

## 55. CO<sub>2</sub> Reduction: Next-generation Ratchet Quenching Equipment

Reduced CO<sub>2</sub> emissions from customer's production line by replacing continuous electric furnace with our IH quenching equipment

- Together with seat manufacturer, developed and delivered IH quenching equipment for production of next-generation parts (ratchets) for automobile and rolling stock seats
- Going forward, we will roll this out to our customer's overseas bases and create a product series for this equipment



We achieve low/constant deformation with our expertise as a leading manufacturer of IH technology.

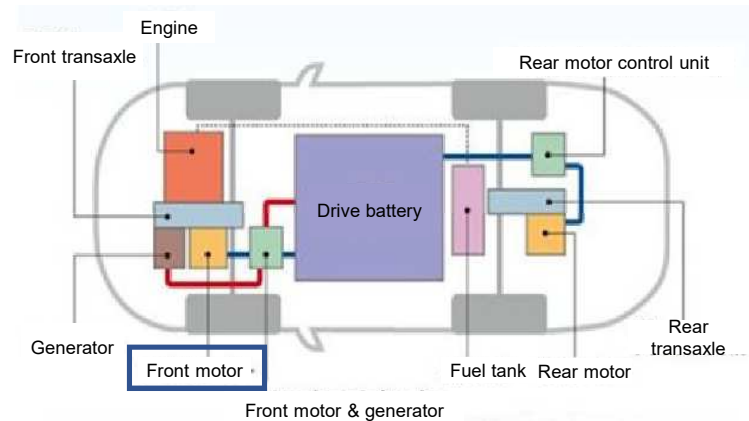
Replacing equipment will:

- Reduce environmental impact of production line
- Improve productivity
- Help make production line more compact

## 56. CO<sub>2</sub> Reduction: Production of Motor Shafts for Hybrid Vehicles

### Fully automated surface reformation of motor shafts for hybrid vehicles

- We enabled reformation of surfaces for motor shafts with complex shapes using our IH technology. We have built a dedicated production line in-house, and have started **fully automated production** at our Ibaraki Plant.



Realized full automation with latest 3D vision and industrial robots, from work removal to heat treatment, cleaning, inspection, and boxing

## 57. CO<sub>2</sub> Reduction: Large Diameter ITW® for Chinese EV Market

Developed a large-diameter ITW® for EVs, and have begun supplying it to Chinese market

- Aiming for increased demand as EV adoption increases

Although lighter EV batteries are being developed, cars are currently getting heavier. This also increases the load on the suspension springs that support them.



Japan and China jointly developed **large-diameter ITW® for cold forming**, which has **the world's largest diameter** for suspension springs that support EVs

### <Large diameter ITW®>

- Wire diameter range: Φ16.1 mm to Φ22.0 mm (Existing wire diameter range: up to Φ16.0 mm)
- Strength class: up to 2,000 N/mm<sup>2</sup> class
- Production capacity: 400 MT/month

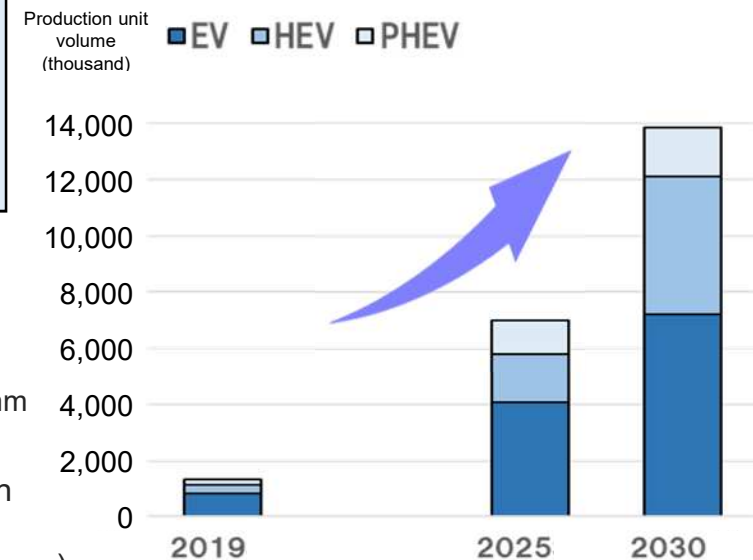


EV suspension spring using large-diameter ITW®  
(wire diameter: 17.2 mm)

Standard suspension spring using ITW®  
(wire diameter: 13.1 mm)



The Chinese government plans to increase the share of new energy vehicles (NEVs) in new car sales to 20% by 2025 and 40% by 2030.

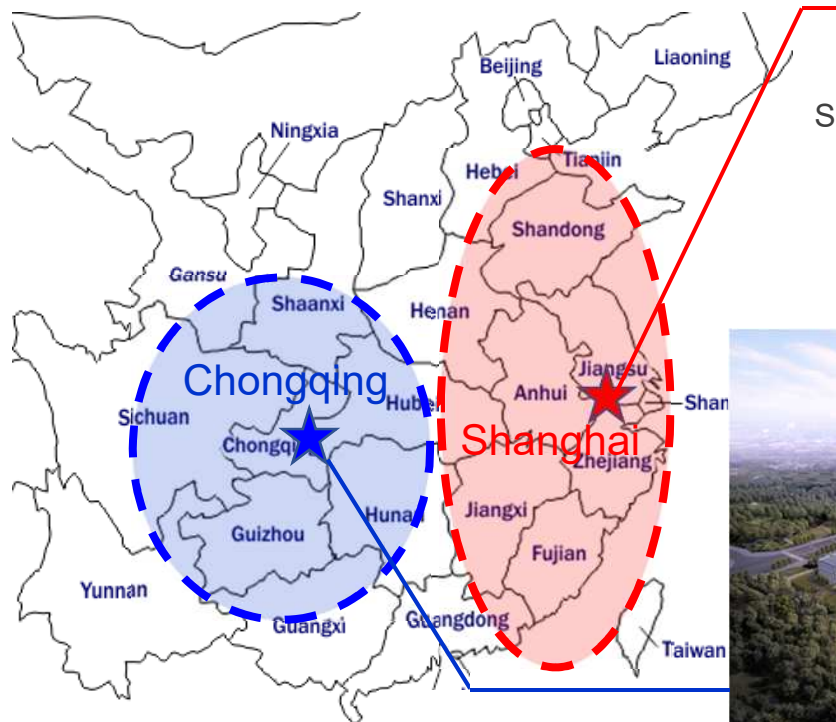


Forecast of EV production in China

## 58. Development of Global Business

### Mass production started in December 2020 at Shanghai Neturen Chongqing Office

- Established sub-plant in Chongqing to capture demand for high-strength spring steel wire ITW® in inland China. Steadily delivering mass-produced products to customers.



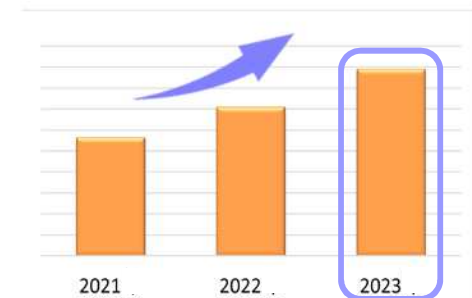
Shanghai Neturen Co., Ltd.  
(since 2004)



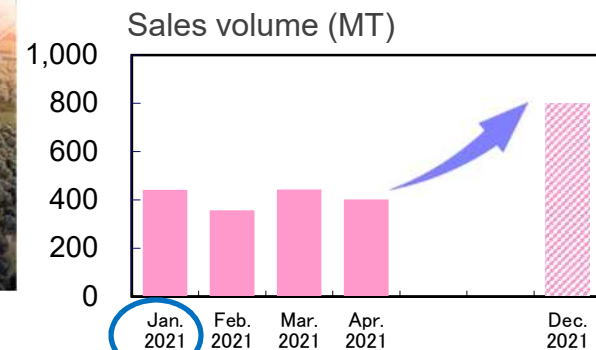
Shanghai Neturen, Plant No. 2,  
Chongqing Office  
(Started operation in December 2020)



Chongqing Office sales  
volume forecast



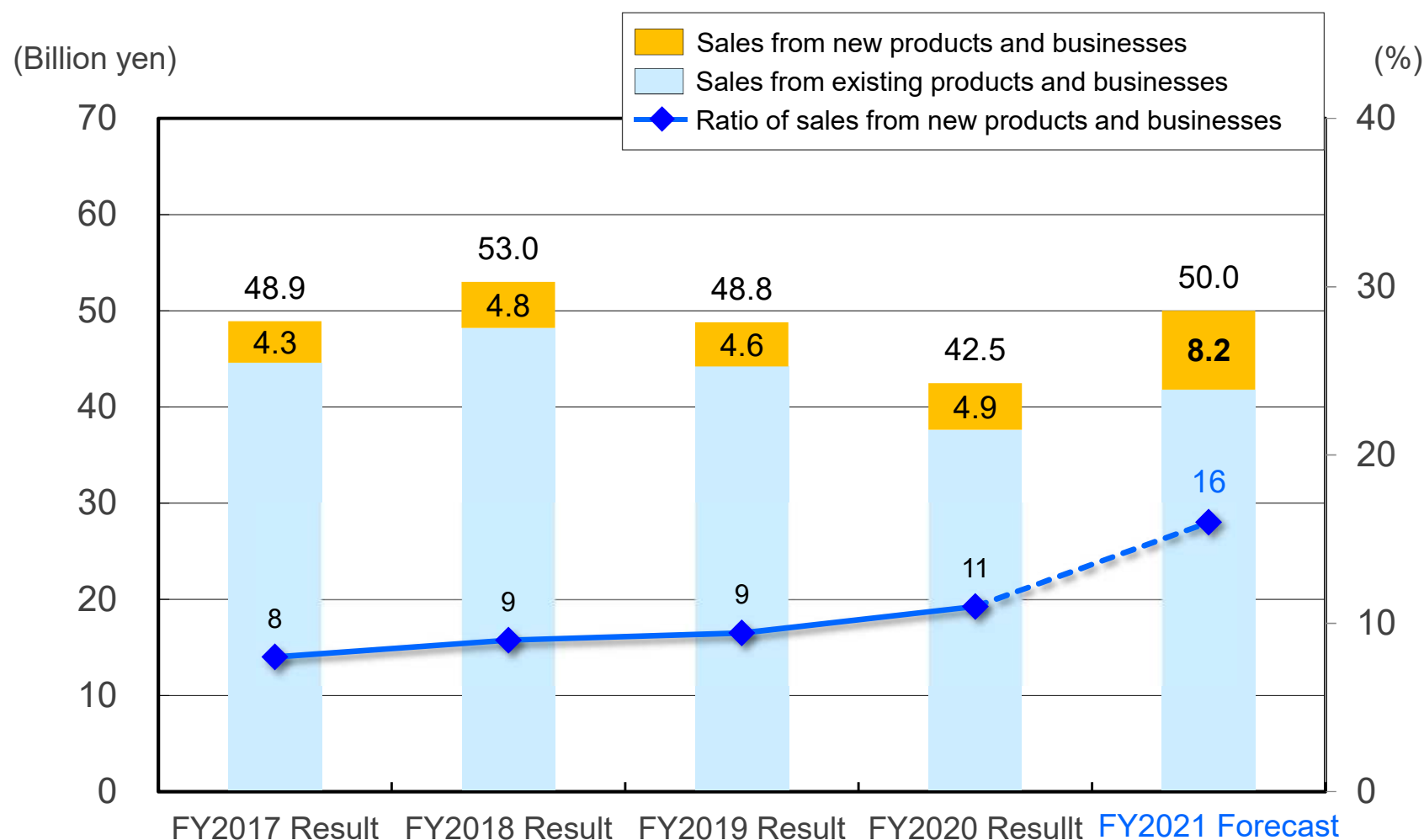
Passenger cars:  
1.8 million units



Mass  
production

## 59. Sales Trends of New Products & Businesses

- Ratio of new products is rising thanks to the start of mass production at our Chongqing Sub-plant and sales expansion of cut-off and EV-related parts.





# Neturen Co., Ltd.

Note: Forward-looking statements contained in this document are based on judgments made in accordance with information available at the time of the release of this document and include many uncertain factors. Actual results may differ from these forecasts due to changes in business conditions and other factors.