

Financial Results Briefing for Fiscal Year 2021

May 25, 2022



Neturen Co., Ltd.



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1. Overview of Consolidated Financial Results for Fiscal Year 2021

- Net sales increased 24.5% YoY to ¥53.0 billion
- Recorded significant increase in profit YoY as a result of high return on investment and cost reductions despite prolonged insufficient supply of semiconductors and steel price surge.

(Million yen)

	FY2020	FY2021	Change	Change (%)
Net sales	42,567	53,004	10,437	24.5%
Operating income	920	3,704	2,784	302.6%
Ordinary income	1,475	4,418	2,942	199.4%
Profit attributable to owners of parent	268	2,690	2,422	903.4%
Return on equity (ROE)	0.5%	4.6%	4.1	—
Return on assets (ROA)	1.9%	5.6%	3.7	—

2. Consolidated Statements of Income

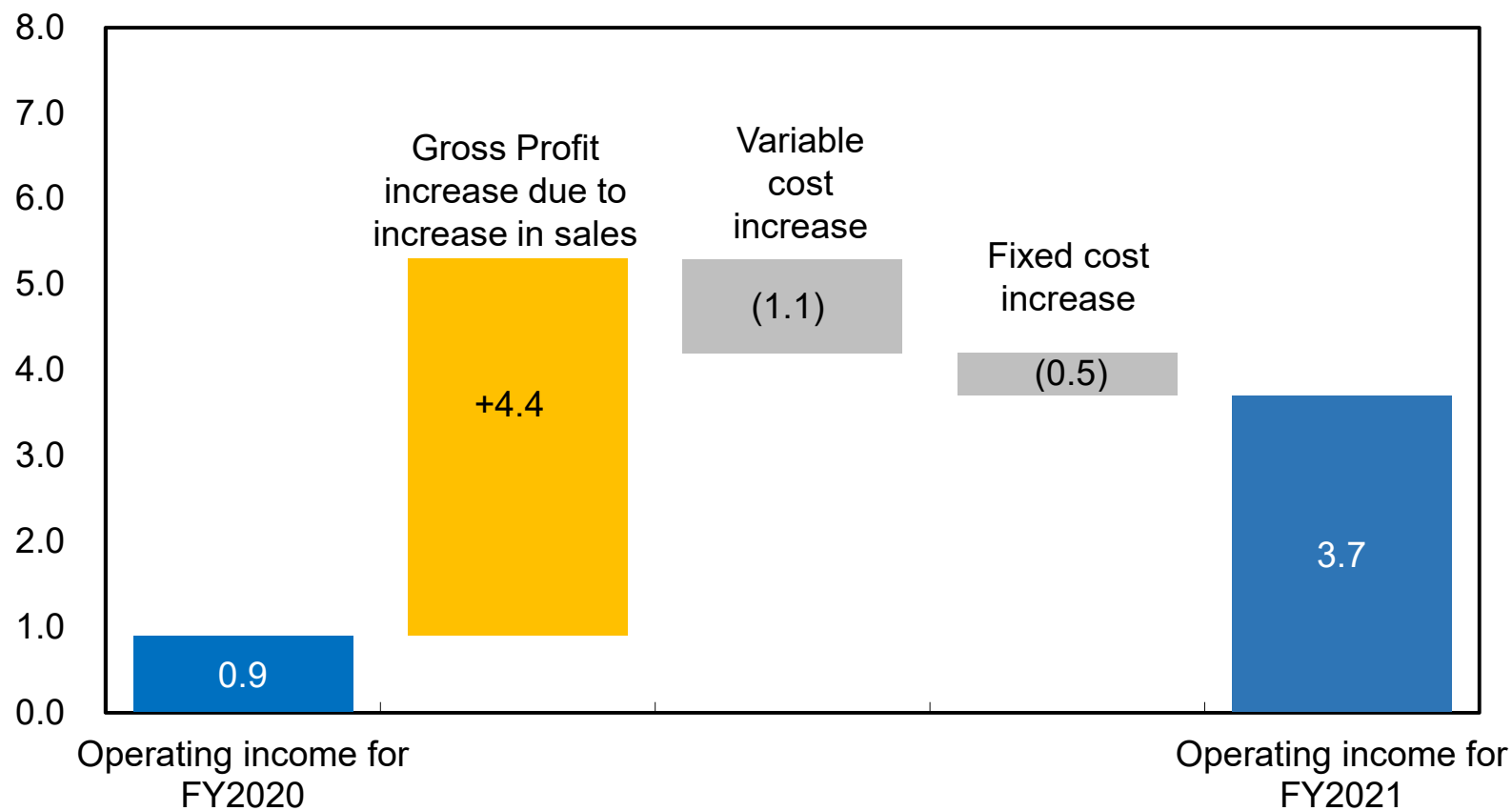
(Million yen)

Item	Year				
		FY2020	FY2021	Change	Change (%)
Net sales		42,567	53,004	10,437	24.5%
Cost of sales		34,474	41,712	7,237	21.0%
Gross profit		8,092	11,292	3,200	39.6%
Selling, general and administrative expenses		7,172	7,588	416	5.8%
Operating income		920	3,704	2,784	302.6%
Non-operating income		617	782	165	26.8%
Non-operating expenses		61	68	6	11.3%
Ordinary income		1,475	4,418	2,942	199.4%
Extraordinary income		688	322	(366)	(53.2)%
Extraordinary losses		965	273	(692)	(71.7)%
Profit before income taxes		1,198	4,467	3,268	272.7%
Income taxes – current		482	1,245	762	158.0%
Income taxes – deferred		100	96	(3)	(3.7)%
Total income taxes		615	3,125	2,509	407.7%
Profit attributable to:					
Profit attributable to owners of parent		268	2,690	2,422	903.4%
Profit attributable to non-controlling interests		347	434	87	25.2%

3. Factors for Changes in Consolidated Operating Income

- Profit increased by ¥4.4 billion due to a YoY increase in net sales by 24.5%.
- Meanwhile, variable cost increased mainly because of steel price surge.

(Billion yen)



4. Main Breakdown of Extraordinary Income and Losses

(Million yen)

Extraordinary income	Amount	Remark
Gain on sales of investment securities	214	Sale of cross-shareholdings

(Million yen)

Extraordinary losses	Amount	Remark
Impairment loss (Okayama Plant)	162	Decline in orders in automotive industry due to insufficient supply of semiconductors
Impairment loss (Kyushu Koushuha Neturen Co., Ltd.)	79	Decline in orders in large-scale machine tools industry due to insufficient supply of semiconductors

5. Segment Information (Consolidated Net Sales)

- Specialty Steel and Wire Products Division: Increase YoY in civil engineering and construction-related products; Large increase in automobiles-related products and construction equipment-related products
- Induction Heating Division (Induction heat treatment-related services): Large increase YoY due to recovery in orders in machine tools industry and construction equipment industry
- Induction Heating Division (Induction heating equipment/services): Increase YoY due to recovery trend in demand for capital investment

(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)	24,537	31,205	6,667	27.2%
Induction Heating Division	Induction heat treatment-related services Induction heating equipment/services	17,898	21,666	3,768	21.1%
Others	Leasing business others	131	132	1	1.2%
Total		42,567	53,004	10,437	24.5%

6. Segment Information (Consolidated Operating Income)

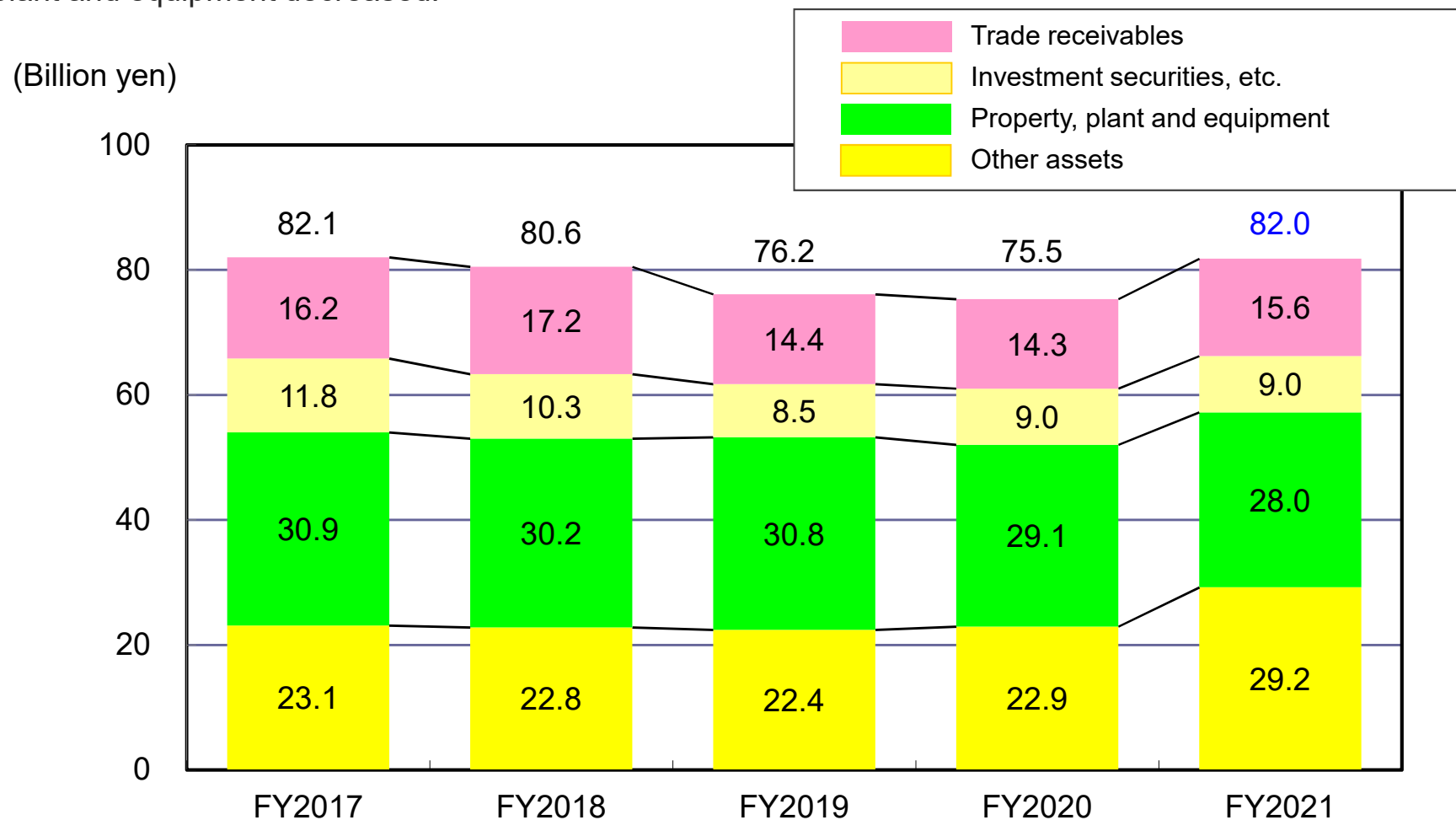
- Specialty Steel and Wire Products Division: Increased revenue associated with increase in sales volume and revision of sales prices resulted in YoY increase in profit despite steel price surge
- Induction Heating Division (Induction heat treatment-related services): Large YoY increase in profit due to increased revenue associated with recovery in orders
- Induction Heating Division (Induction heating equipment/services): YoY increase in profit due to increased revenue associated with demand for capital investment which was in recovery trend

(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)	685	1,317	631	92.2%
Induction Heating Division	Induction heat treatment-related services Induction heating equipment/services	170	2,327	2,157	1267.7%
Others	Leasing business others	57	54	(3)	(5.7)%
Elimination of intersegment transactions		7	5	(1)	(17.6)%
Total		920	3,704	2,784	302.6%

7. Balance of Assets for Fiscal Year 2021 (Consolidated)

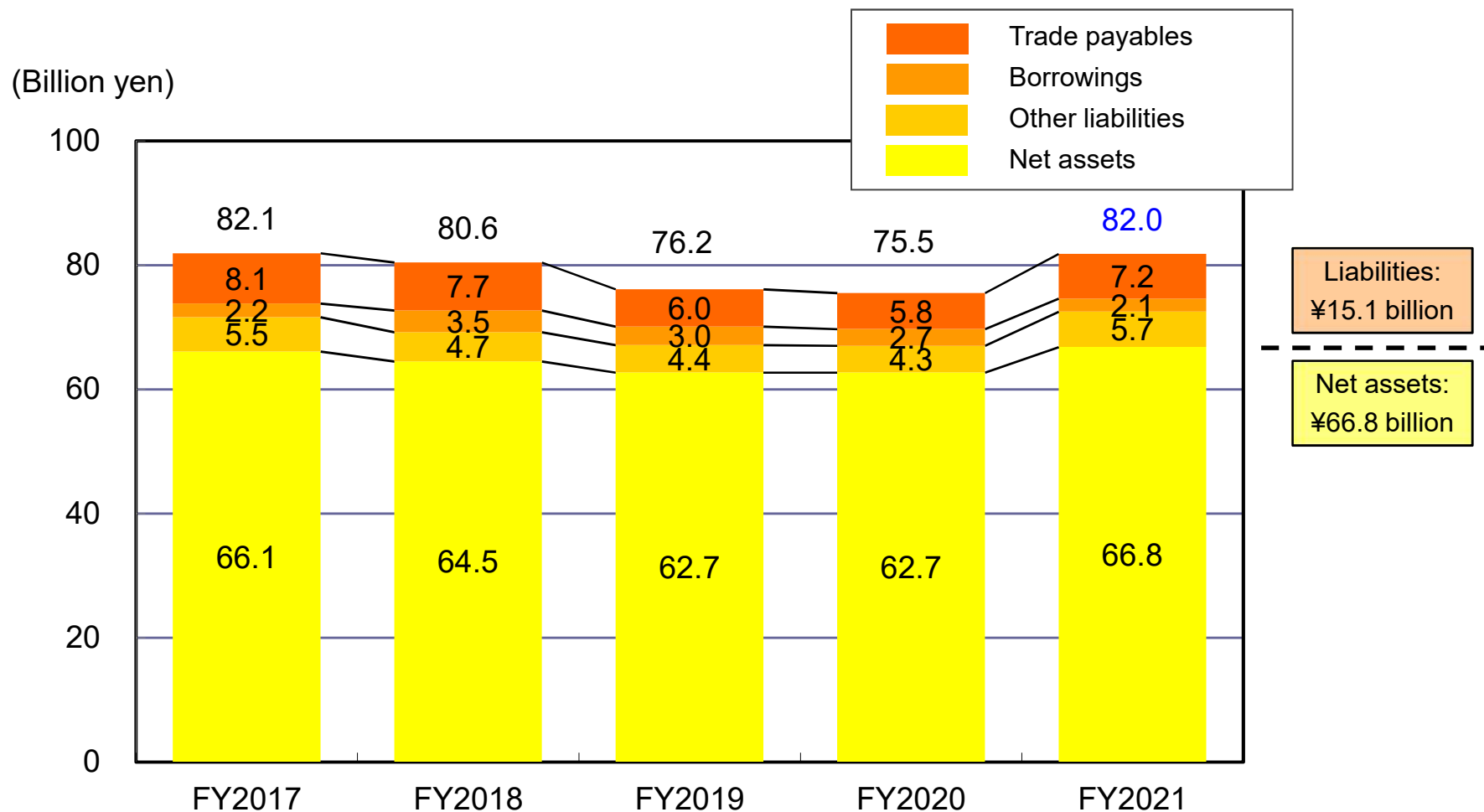
- Total assets increased by ¥6.4 billion YoY. Cash and deposits and trade receivables increased while property, plant and equipment decreased.



* Other assets mainly includes cash and deposits and inventories.

8. Balance of Liabilities and Net Assets for Fiscal Year 2021 (Consolidated)

- In liability, trade payables and income taxes payable increased while borrowings decreased.
- In net assets, retained earnings increased due to improved business performance, and foreign currency translation adjustment increased due to depreciation of the yen.



9. Cash Flows for Fiscal Year 2021 (Consolidated)

- Operating cash flows: Increased due to improved business performance
- Investing cash flows: Conducted careful selection of capital investment and continuous sale of cross-shareholdings
- Free cash flows: Increased by ¥3,083 million YoY

(Million yen)

Item	FY2020	FY2021	Change
Profit before income taxes	1,198	4,467	3,268
Depreciation	3,034	2,954	(80)
Impairment loss	772	241	(530)
Decrease (increase) in trade receivables	98	(903)	(1,001)
Decrease (increase) in trade payables	(241)	1,303	1,544
Other, net	(893)	(1,728)	(834)
Cash flows from operating activities	3,969	6,335	2,365
Cash flows from investing activities	(758)	(40)	717
Free cash flows	3,211	6,294	3,083
Borrowings	(253)	(631)	(377)
Purchase of treasury shares	(506)	(0)	505
Dividends paid	(571)	(877)	(306)
Other, net	(264)	(460)	(196)
Cash flows from financing activities	(1,595)	(1,970)	(374)
Cash flows at end of period	13,309	18,099	4,790

10. Consolidated Capital Investment

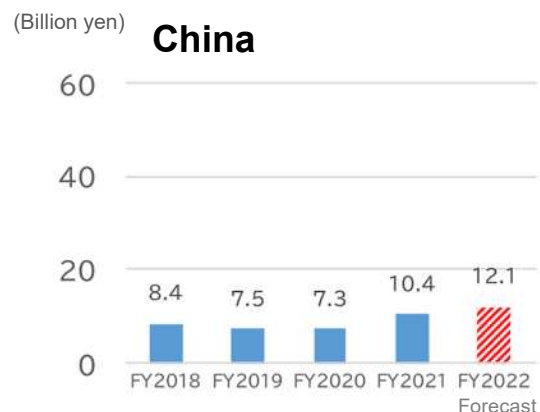
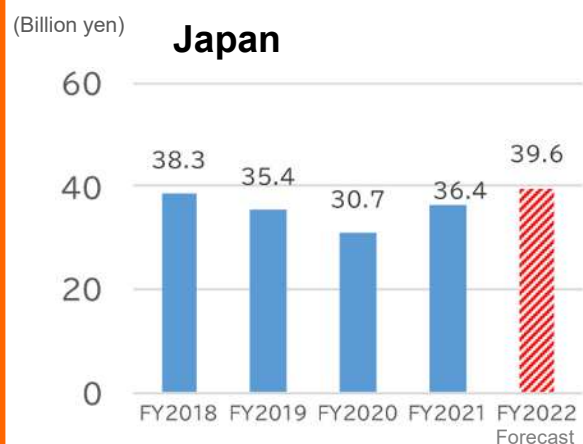
- In FY2021, we carefully selected new capital investments, taking the business environment into account
- We plan to conduct active investment mainly for the growth sector from FY2022

(Million yen)

	FY2018	FY2019	FY2020	FY2021	FY2022 (Plan)
Capital investment	4,872	4,177	1,426	1,377	4,000
Depreciation	3,267	3,189	3,034	2,954	3,000

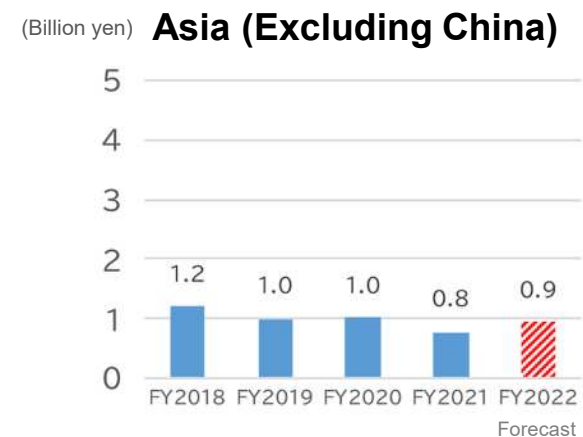
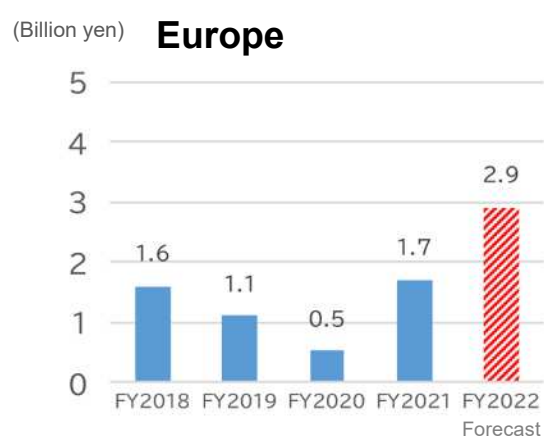
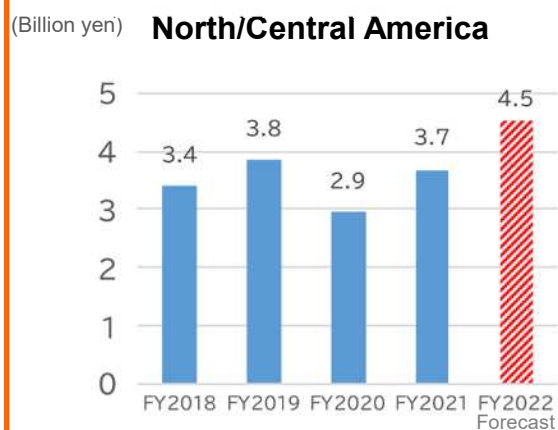
11. Net sales by Region

- FY2021: Increased due to increase in sales volume excluding Korea, revision of sales prices, and depreciation of the yen.
- FY2022: Increase due to increase in sales volume in all regions, revision of sales prices, and depreciation of the yen.



<Notes>

- Net sales include transactions within the Group
- For net sales in overseas sites of FY2022 (Plan), exchange rates are as follows:
 1 RMB = 19.26 JPY
 1 KRW = 0.1013 JPY
 1 IDR = 0.0086 JPY
 1 CZK = 5.61 JPY
 1 USD = 122.39 JPY
 1 MXN = 6.16 JPY



I . Overview of Financial Results for Fiscal Year 2021

II . Trends in Business Results

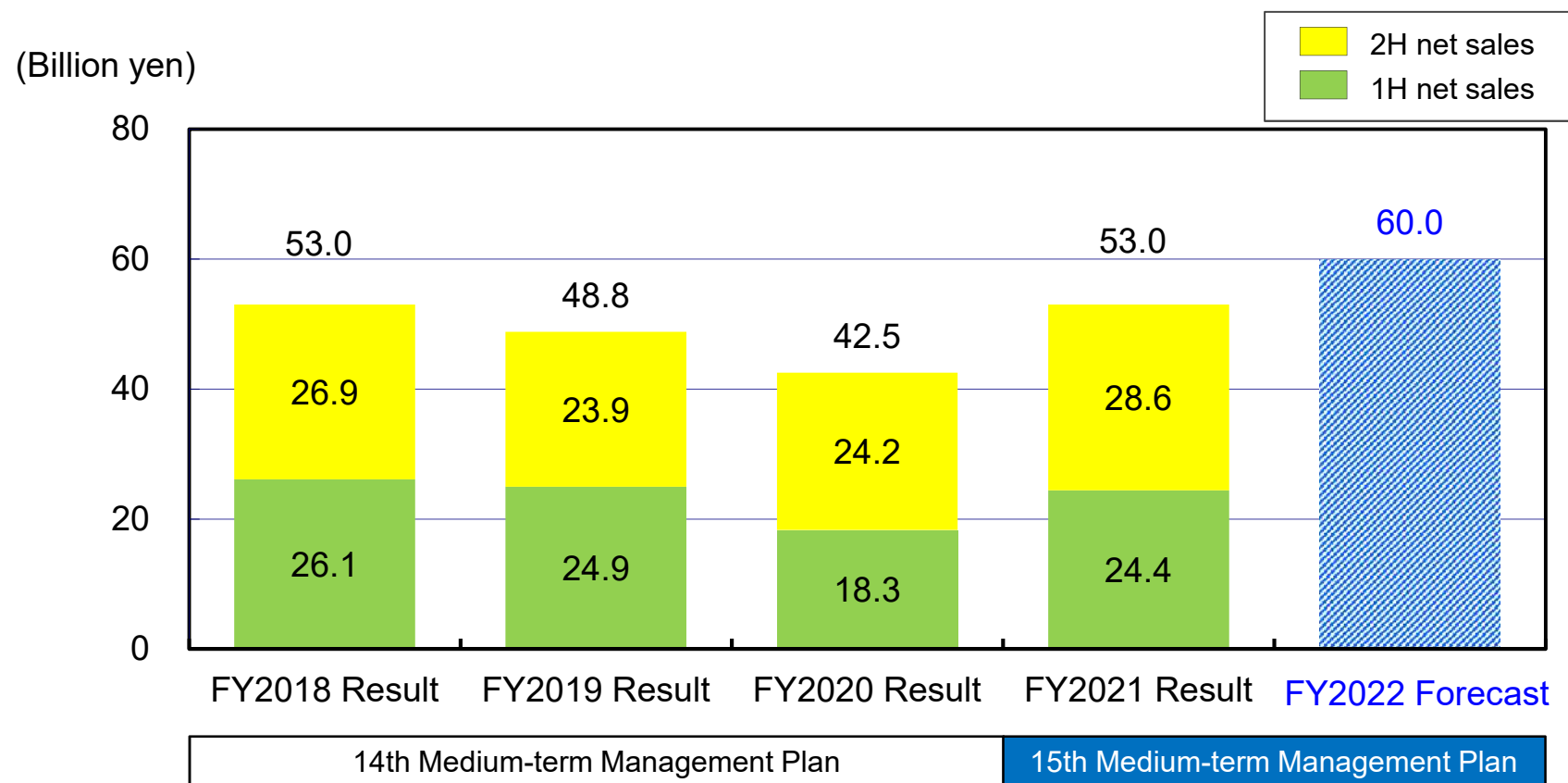
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12. Consolidated Net Sales

- In FY2022, we expect net sales to increase 13.2% YoY to ¥60.0 billion due to increase in sales volume, revision of sales prices, and depreciation of the yen.



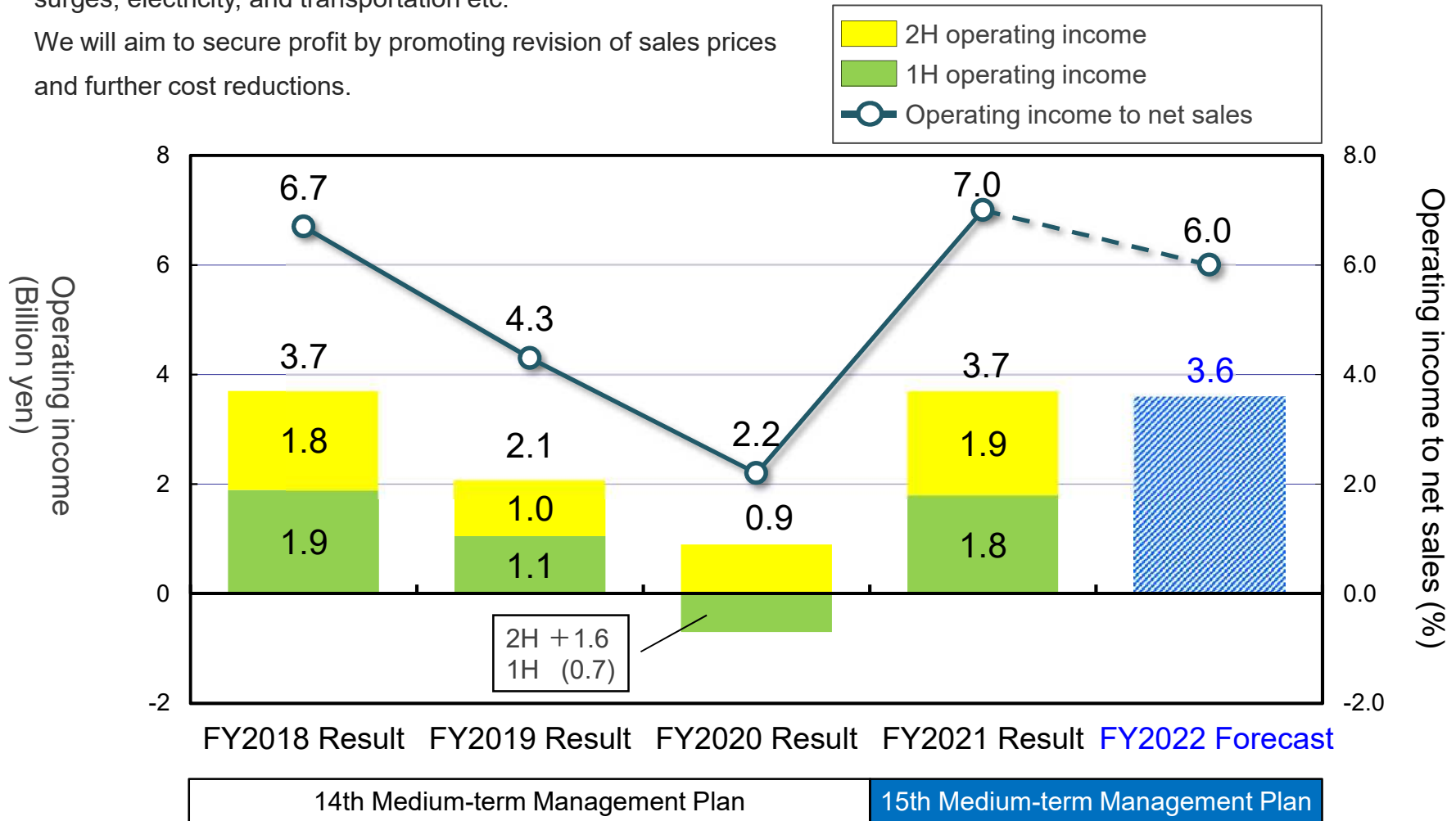
[Exchange rates]

- FY2021 1 RMB = 18.06 JPY, 1 USD = 115.02 JPY
- FY2022 1 RMB = 19.26 JPY, 1 USD = 122.39 JPY

13. Operating Income/Operating Income to Net Sales

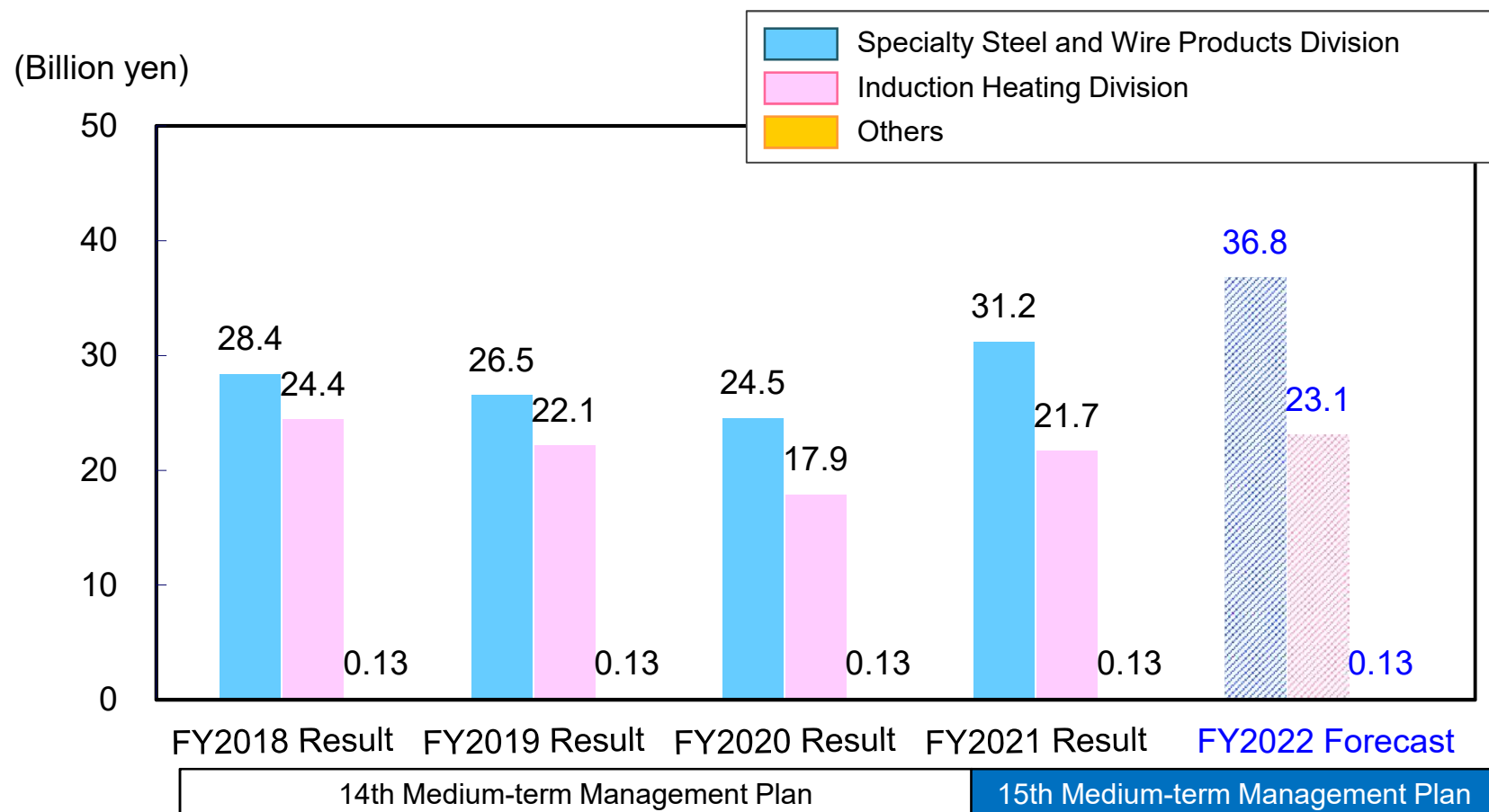
- In FY2022, we expect that cost will increase due to steel price surges, electricity, and transportation etc.

We will aim to secure profit by promoting revision of sales prices and further cost reductions.



14. Segment Information (Consolidated Net Sales)

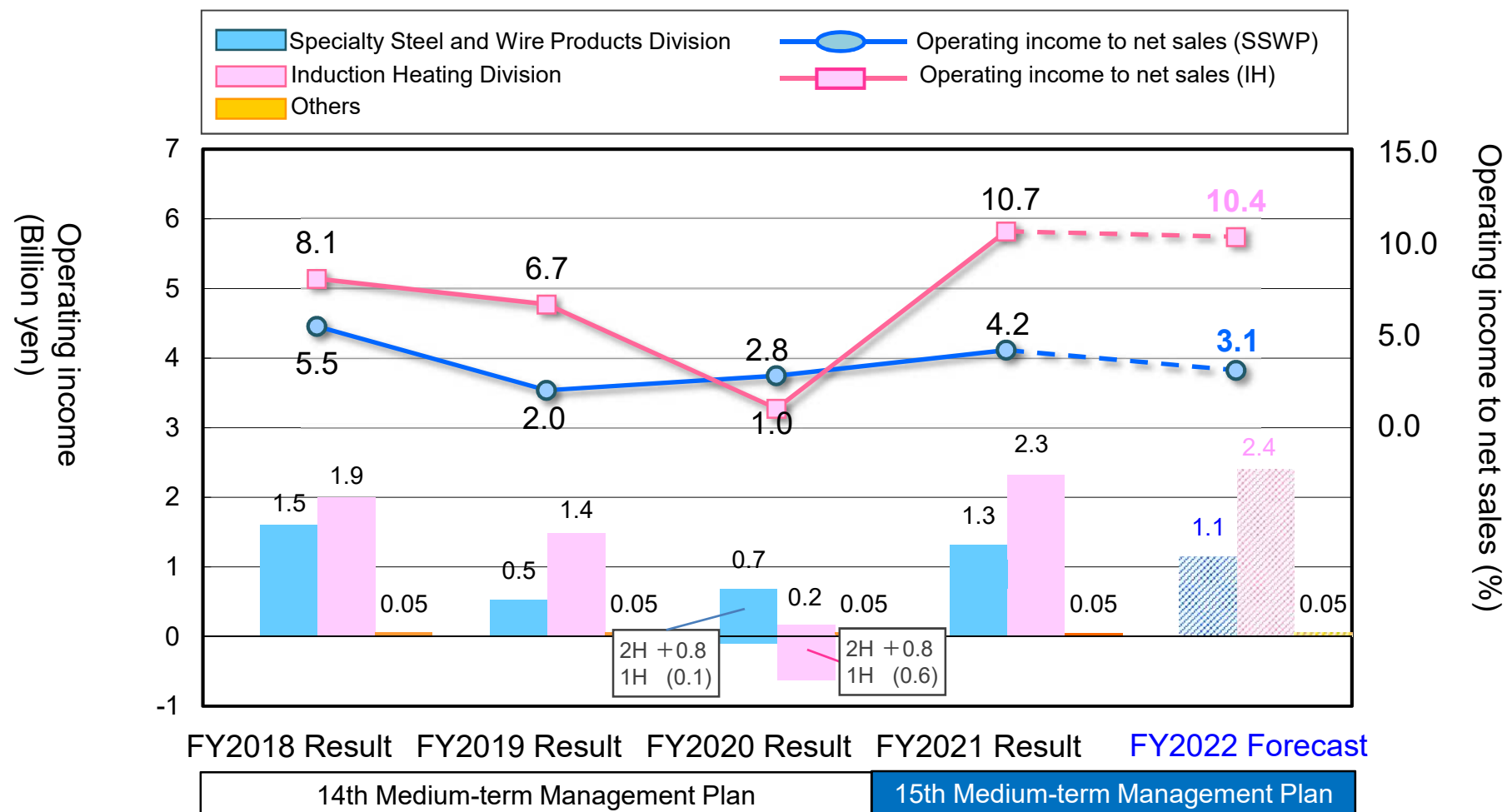
- Specialty Steel and Wire Products Division: In FY2022, revenue forecast to increase 17.9 % YoY due to increase in sales volume, revision of sales prices, and depreciation of the yen.
- Induction Heating Division: In FY2022, revenue forecast to increase 6.5% due to increase in sales volume.



* Segment categories changed in FY2018.

15. Segment Information (Operating Income/Operating Income to Net Sales)

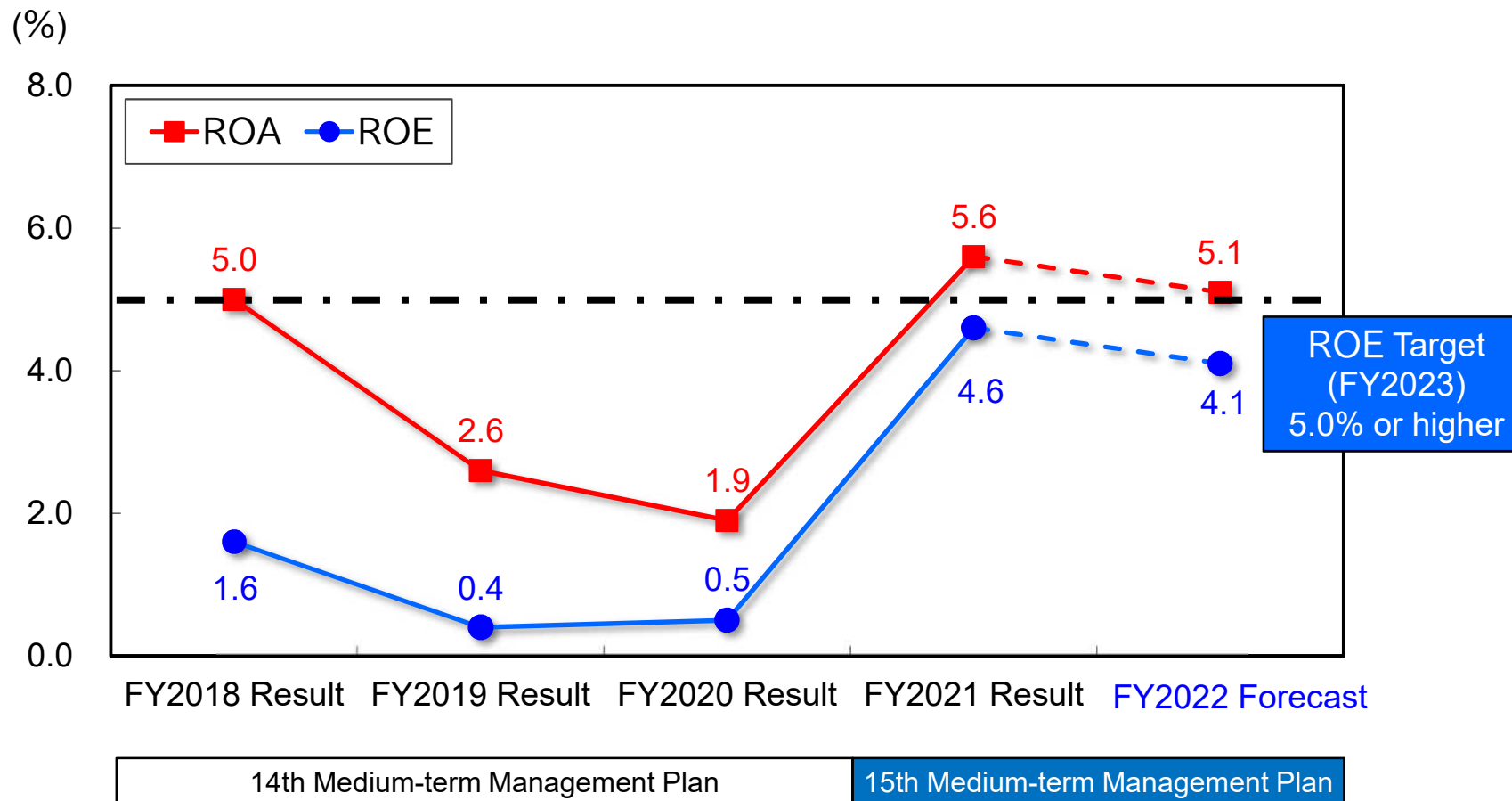
- Specialty Steel and Wire Products Division: In FY2022, profit is forecast to decrease 12.8% YoY despite promoting revision of sales prices due to steel price surge.
- Induction Heating Division: In FY2022, profit is forecast to increase 3.1% YoY due to increase in sales volume despite surge in electricity prices.



* Segment categories changed in FY2018.

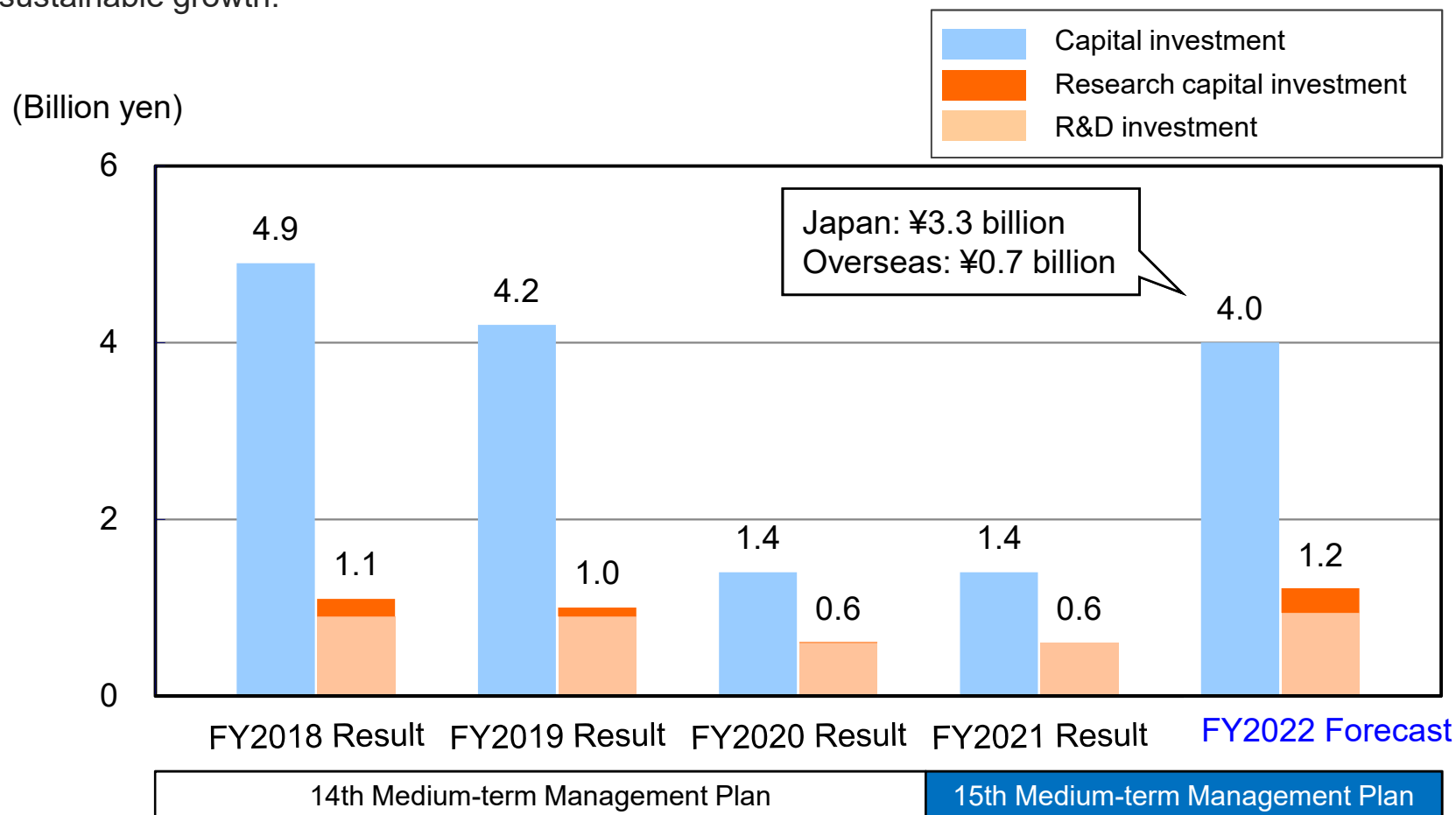
16. ROE/ROA

- In FY2022, we expect ROE of 4.1% and ROA of 5.1% because profit is forecast to decrease YoY.



17. Capital Investment/R&D Investment

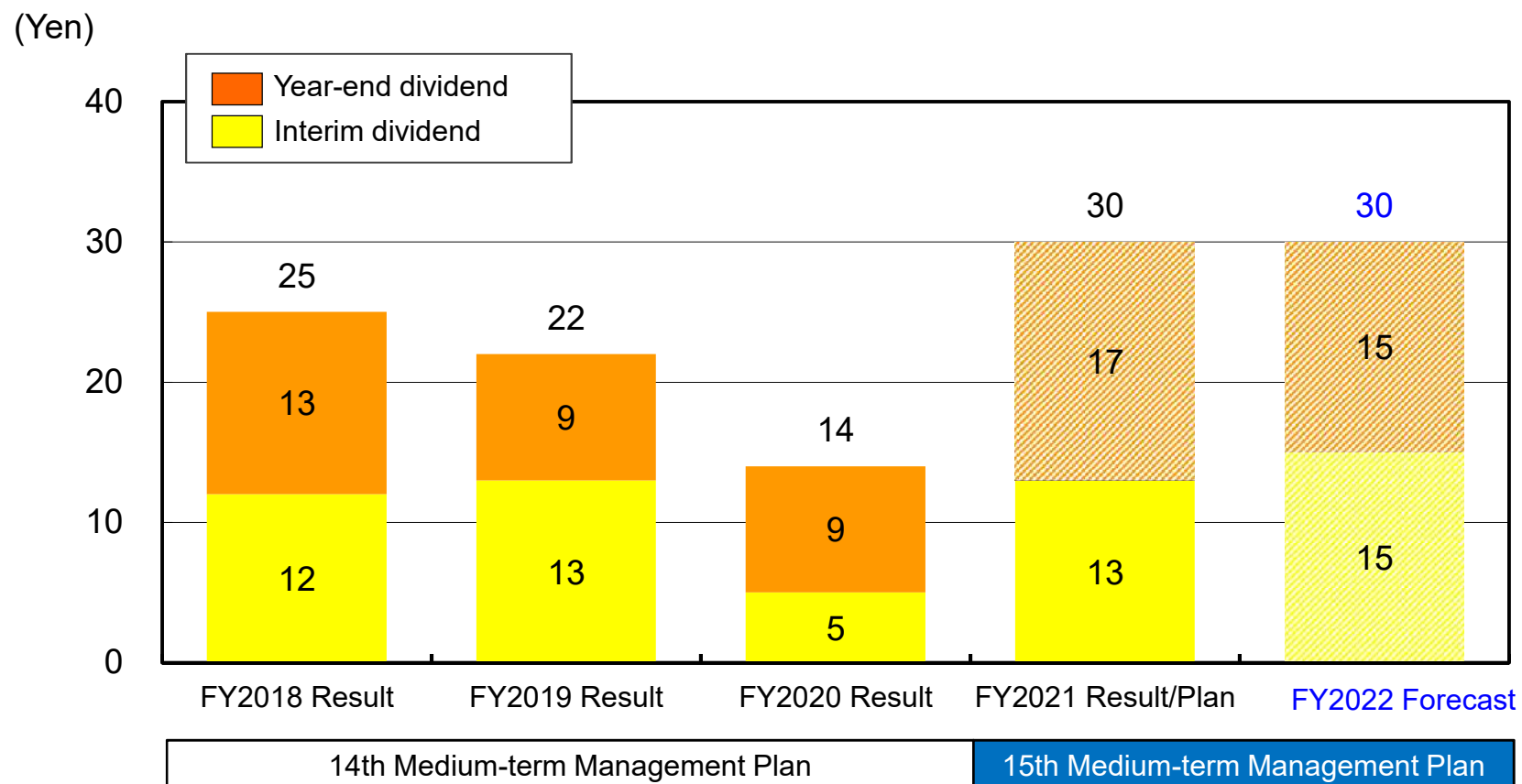
- Capital Investment: From FY2022, we plan to conduct active investment mainly for the growth sector.
- R&D Investment: Continued to invest in the development of next-generation technologies and sustainable growth.



18. Dividend History

Basic policy

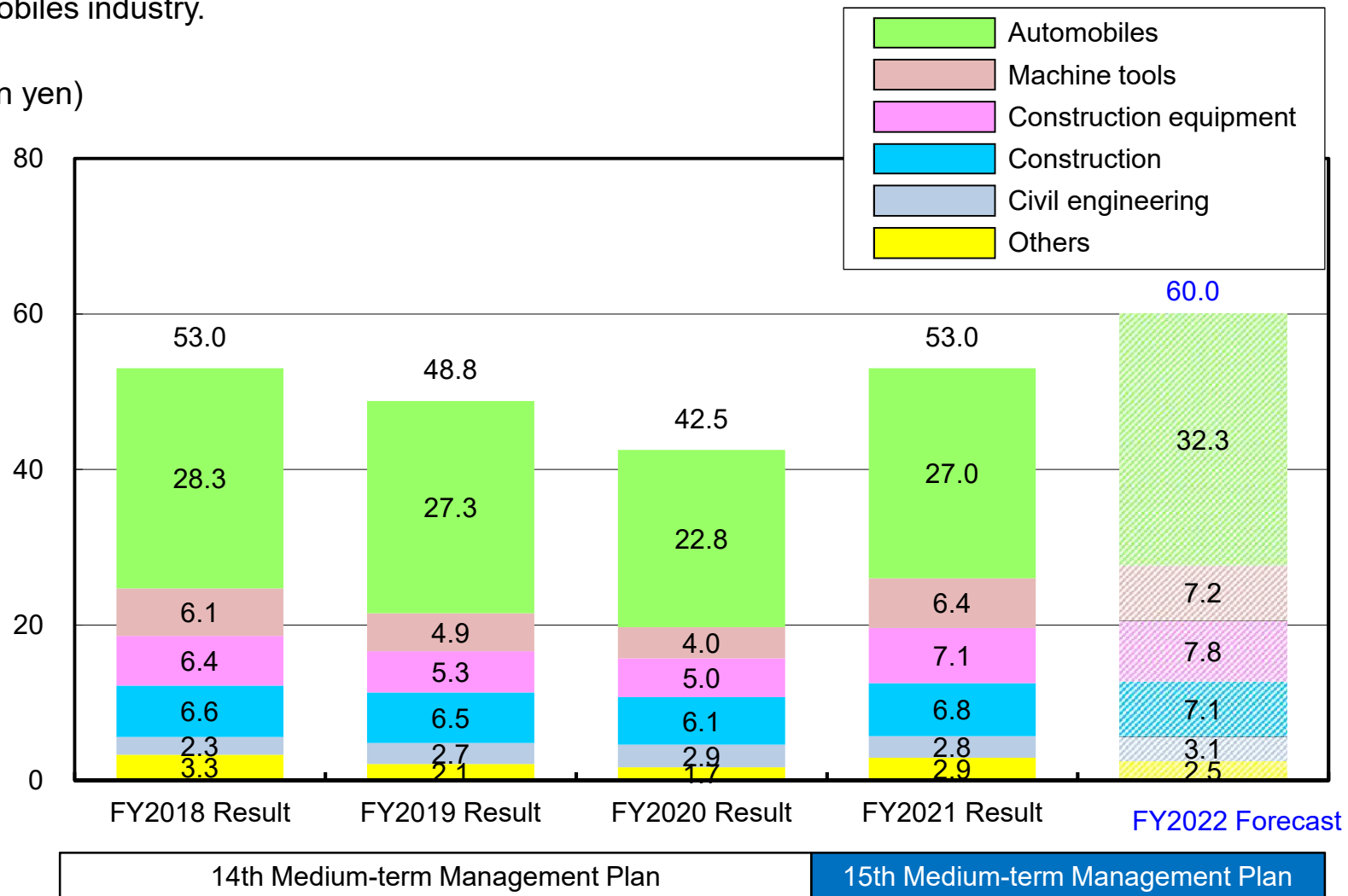
- Targeting a consolidated dividend payout ratio of 40% or higher
- Setting the lower limit of dividend on equity (DOE) of 1.5%



19. Net Sales by Industry

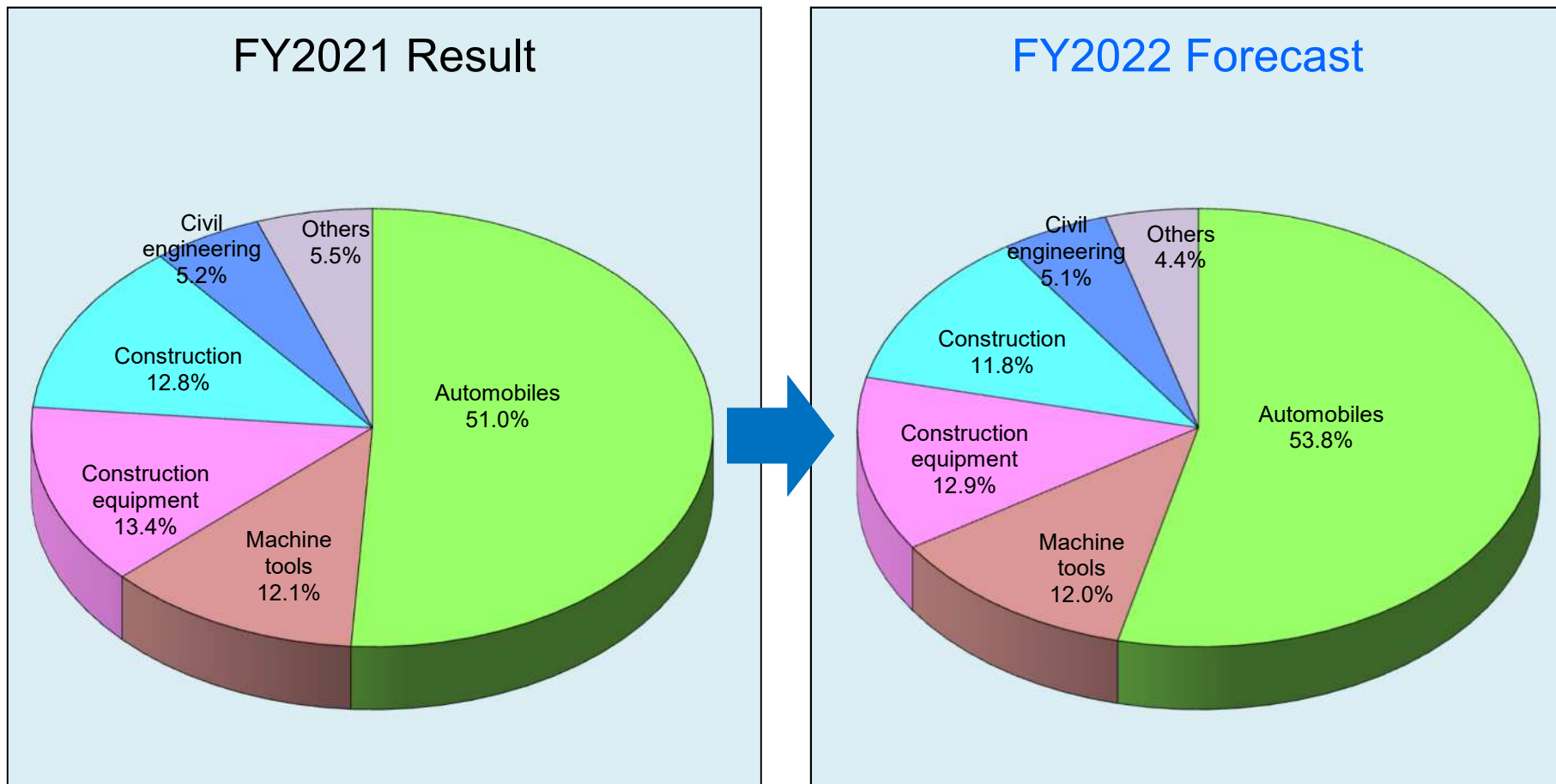
- In FY2022, net sales forecast to increase in all industries, significant increase especially in automobiles industry.

(Billion yen)



20. Net Sales Ratios by Industry

- In FY2022, increase in sales ratio for automobiles relatively due to significant increase in sales for automobiles.

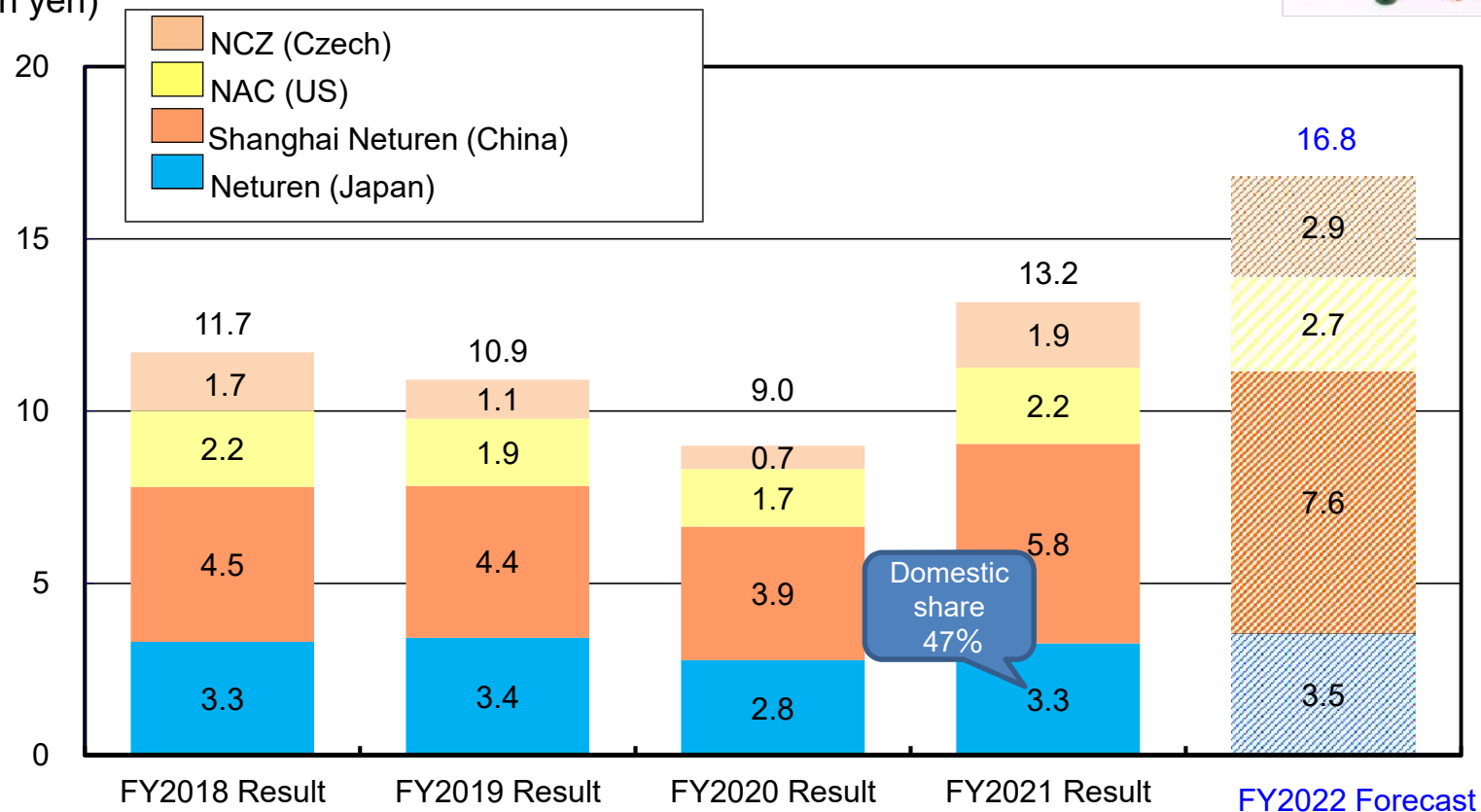


21. Net Sales of High-strength Spring Steel Wire (ITW®)

- FY2021: As the transition to EVs continues, demand for high-strength spring steel wire (ITW®) that helps reduce weight increased significantly. Revenue significantly increased due to revision of sales prices associated with steel price surge and depreciation of the yen.
- FY2022: Forecast to further increase in sales volume.



(Billion yen)

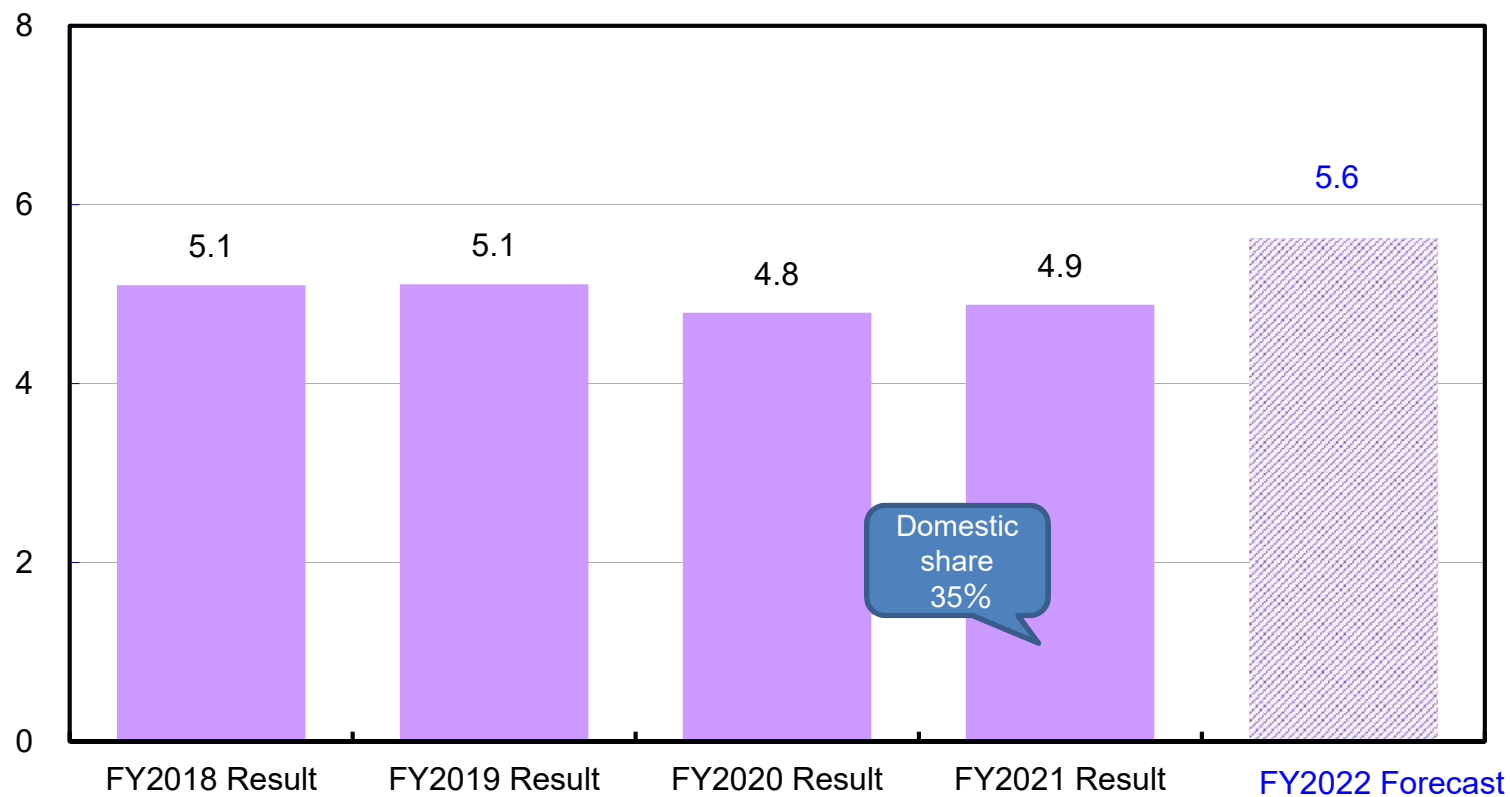


22. Net Sales of PC Steel Bars and Deformed PC Steel Bars

- FY2021: Increased due to efforts to expand sales of PC steel bars for use in logistics warehouses for seismic retrofiting.
- FY2022: Forecast to increase due to receiving orders of large-scale-projects.



(Billion yen)

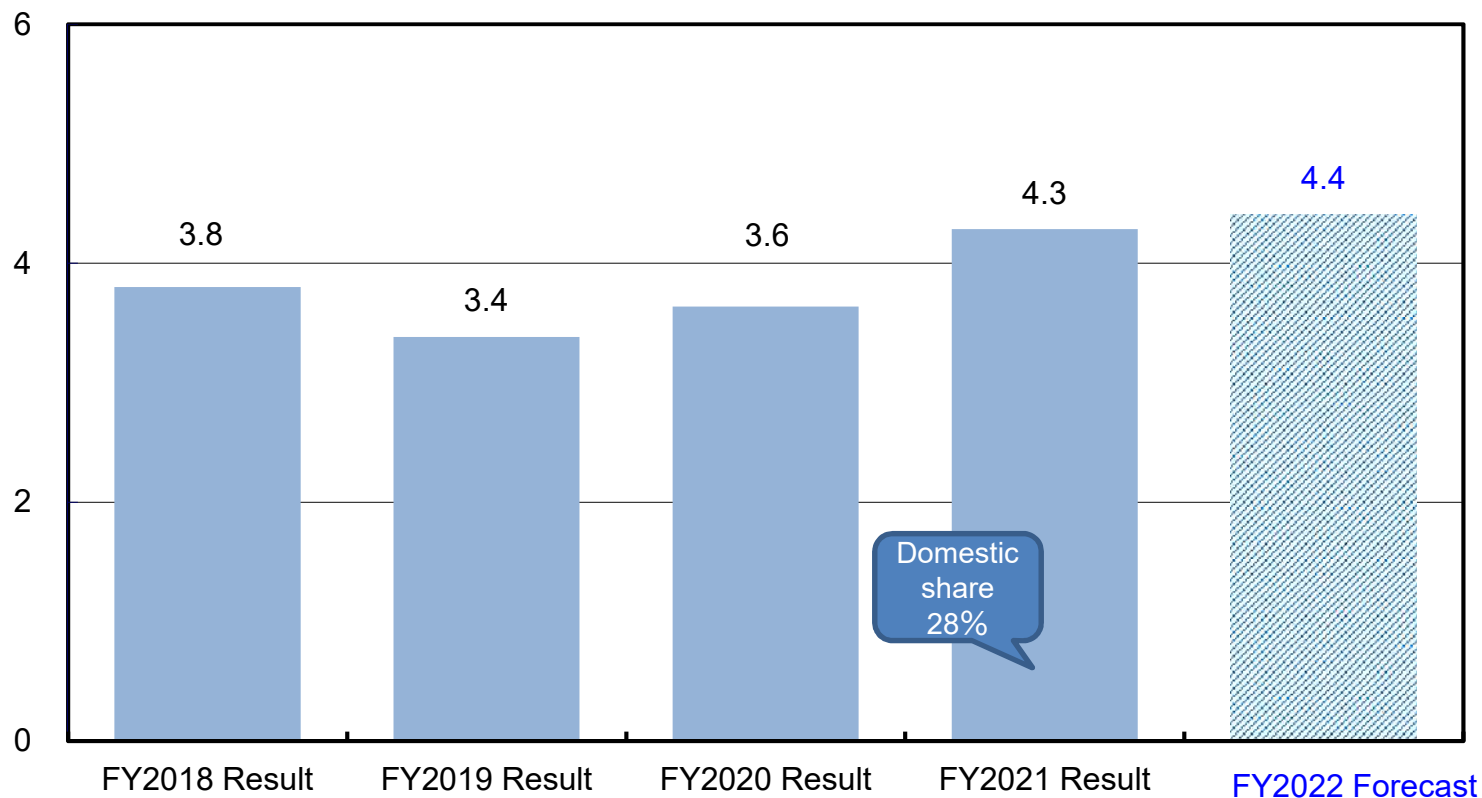


23. Net Sales of High-strength Shear Reinforcement

- FY2021: Significantly increased by incorporating cut-off construction methods that benefit customers into design
- FY2022: Forecast to increase due to strengthening of replacement proposal-based sales using cut-off construction methods, although high-rise condominium construction starts are expected to decrease



(Billion yen)

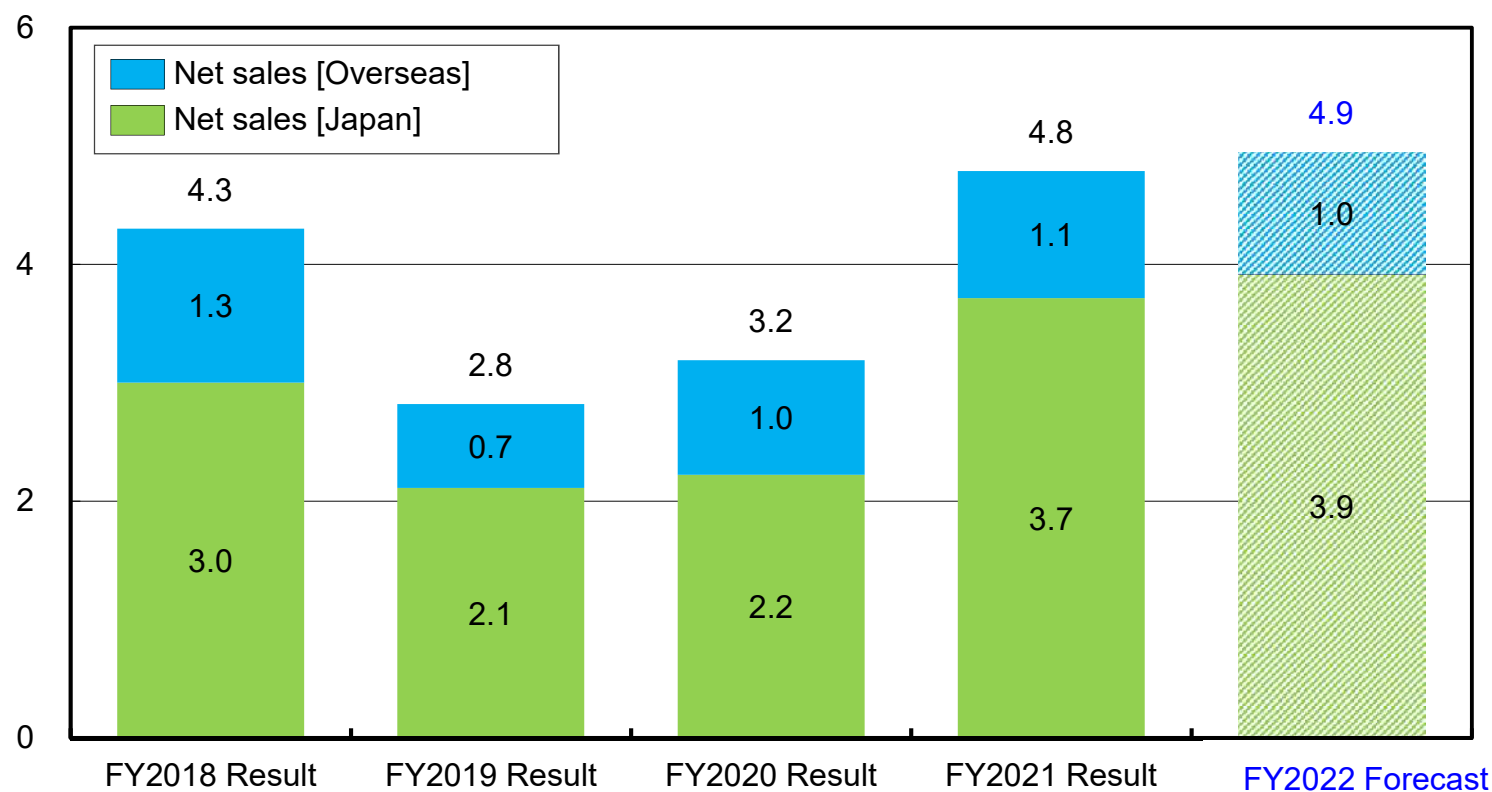


24. Net Sales of Slewing Bearings (Construction Equipment Part)

- FY2021: Significantly increased due to increased demand in all regions other than China.
- FY2022: Forecast to increase in all regions other than China and Russia.



(Billion yen)



* Includes transactions within the Group

25. Net Sales of Induction Heating Equipment/Services

- FY2021: In recovery trend although COVID-19 has caused a significant curtailment of capital investment.
- FY2022: Forecast to recover in demand in all regions

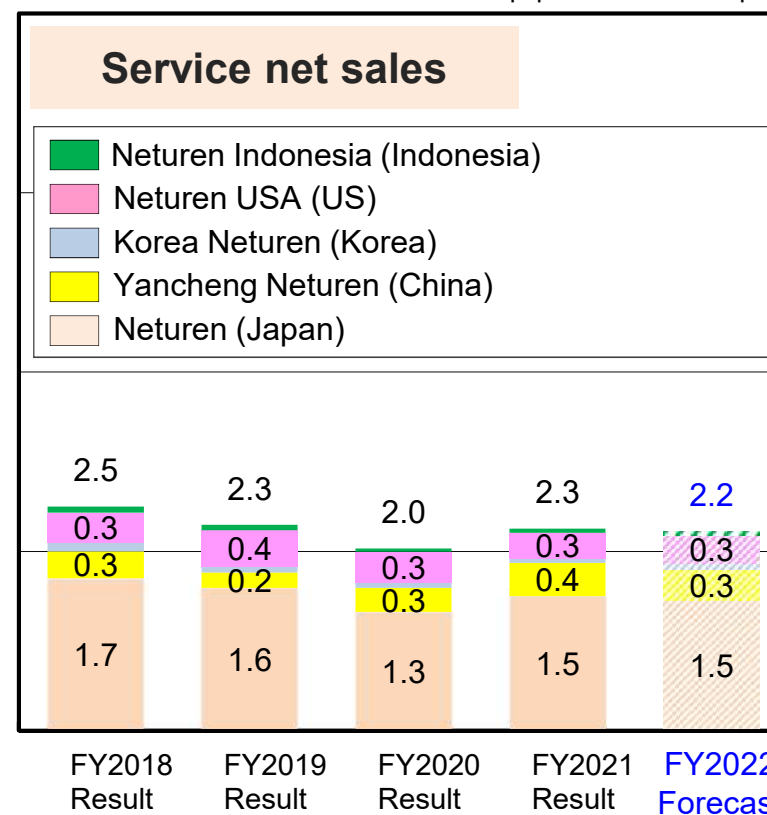
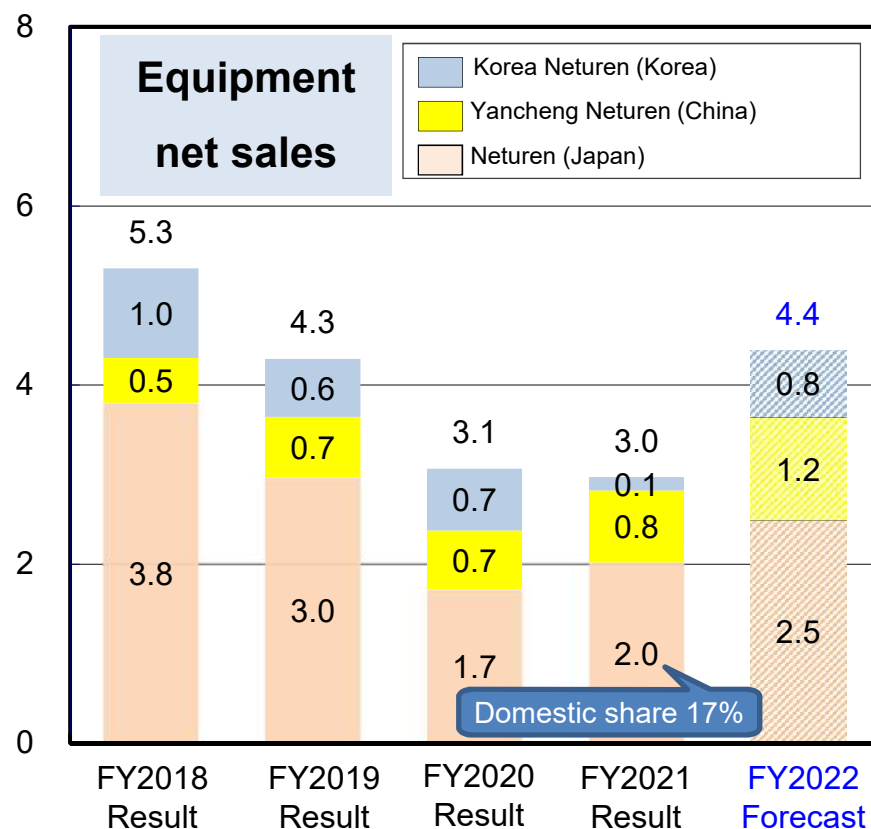


Induction heating equipment



Power supply equipment

(Billion yen)



* Includes transactions within the Group

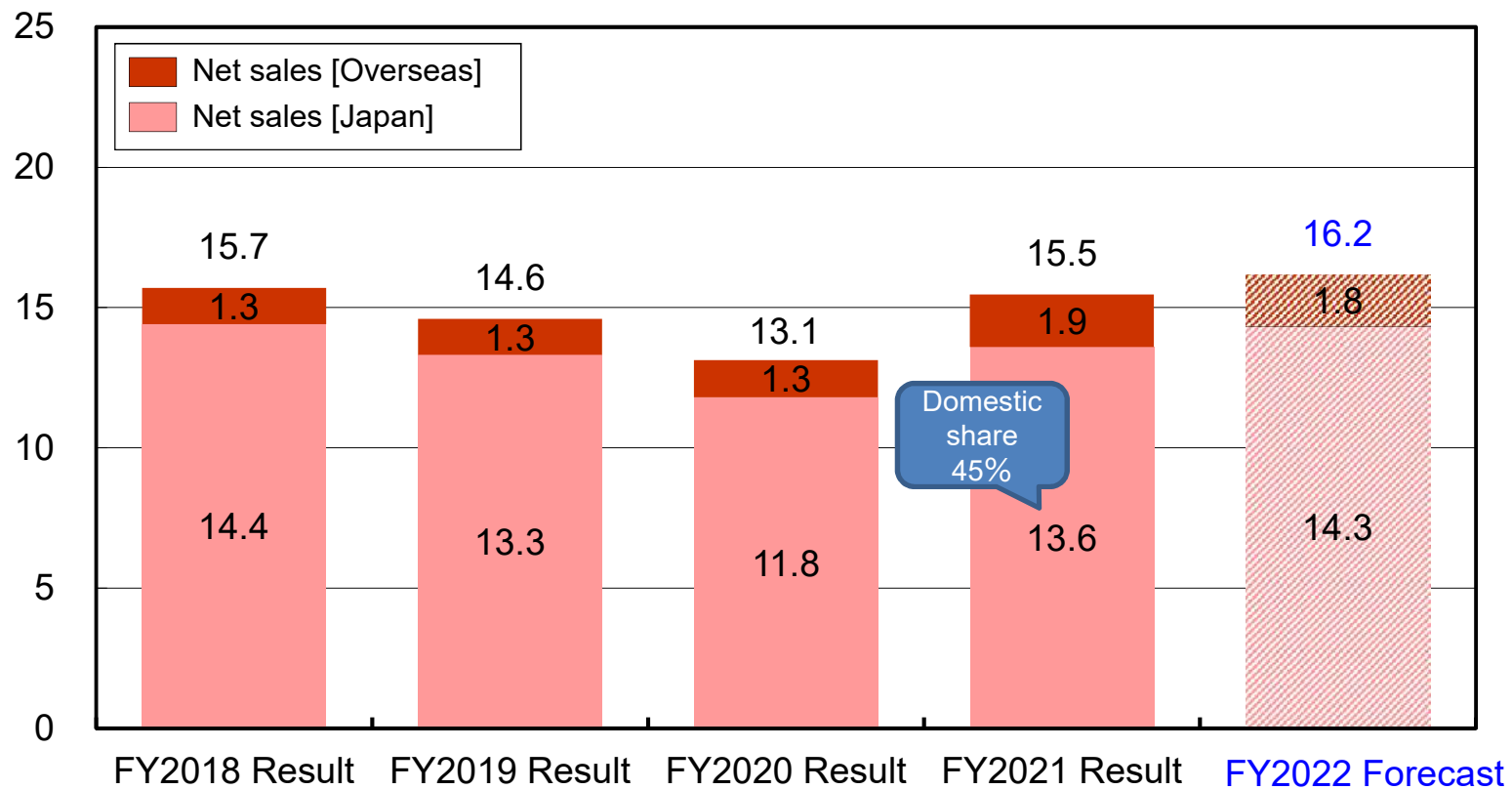


26. Net Sales of Induction Heat Treatment-related Services

- FY2021: Recovered for automobiles. Significantly increased for construction equipment and machine tools.
- FY2022: Forecast to increase in all industries.



(Billion yen)



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27. Progress of 15th Medium-term Management Plan (1)

Basic policy

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

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 ₂ and contribute to the creation of a sustainable society.
Strategy 4	Develop human resources that enhance the Group's sales and marketing capabilities globally.

Major management indicators (consolidated)	FY2021 results	FY2022 forecasts	FY2023 targets
Net sales	¥53.0 bn	¥60.0 bn	¥56.0 bn
Operating income	¥3.7 bn	¥3.6 bn	¥4.0 bn
Operating income to net sales	7.0%	6.0%	7.1%
Return on equity (ROE)	4.6%	4.1%	5.0% or more
Return on asset (ROA)	5.6%	5.1%	5.5% or more

28. Progress of 15th Medium-term Management Plan (2)

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

	FY2021 Result	FY2022 Main measures
Specialty Steel and Wire Products Division	<ol style="list-style-type: none"> 1. High-strength shear reinforcement: Increase in sales by strengthening incorporation of cut-off construction methods into design (+19.4% YoY) 2. Application development and sales promotion of PC steel bars: Pregrouted PC steel bars Adopted it for girder bridge erection method and start of mass production 3. Double Stark®: Promoted product to general contractors Started examination for their actual projects 	<ol style="list-style-type: none"> 1. High-strength shear reinforcement: Continuous incorporation of cut-off construction methods into design Start actual application to commercial structural calculation software 2. PC steel bars: Strengthen promoting product application to wooden buildings 3. Double Stark®: Promote product adoption to general contractors for their actual projects Promote joint research with University
Induction Heating Division (Induction heat treatment-related services)	<ol style="list-style-type: none"> 1. Improve productivity by cost reduction activities for important issues, promotion of automation, and introduction of IoT (Increased YoY) 2. New products (EV-related): Received orders for 7 types of automobiles, 2 of which started mass production 	<ol style="list-style-type: none"> 1. Continue to improve productivity 2. Promote development of new products (EV-related)
Induction Heating Division (Induction heating equipment/services)	<ol style="list-style-type: none"> 1. Started external sales of power supply equipped with FPGA FY2021: Received orders of 20 units, sold 11 units 2. Sales expansion of high-frequency power supplies for Semiconductor Manufacturing Equipment (SiC deposition system): Received orders of 26 units, sold 25 units 3. Launched subscription business 	<ol style="list-style-type: none"> 1. Strengthen proposal of replacement from legacy power supply to the new one equipped with FPGA, continuous sales promotion 2. Semiconductor Manufacturing Equipment: Receive orders of high-frequency power supplies for next-generation and existing development machines 3. Receive further orders of periodic maintenance in subscription business

29. Progress of 15th Medium-term Management Plan (3)

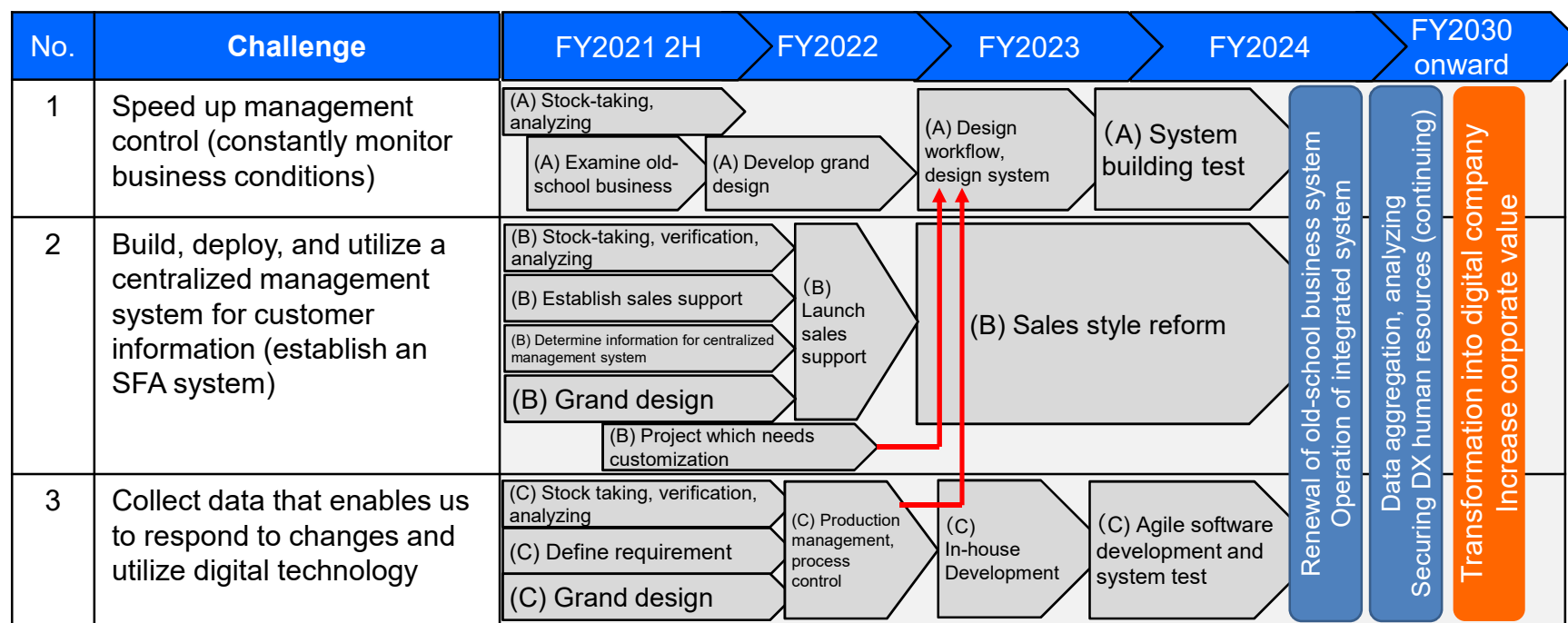
Strategy 2: Promote digitization and improve ability to roll out information through N-DX system

Establishment of N-DX

Launched the N-DX Project for company-wide activities to “transform into an evolving and dynamic company”

Discussion held in “N-DX Project Preparatory Committee (to the end of September 2021)” and officially launched the “N-DX Project (in November 2021)”

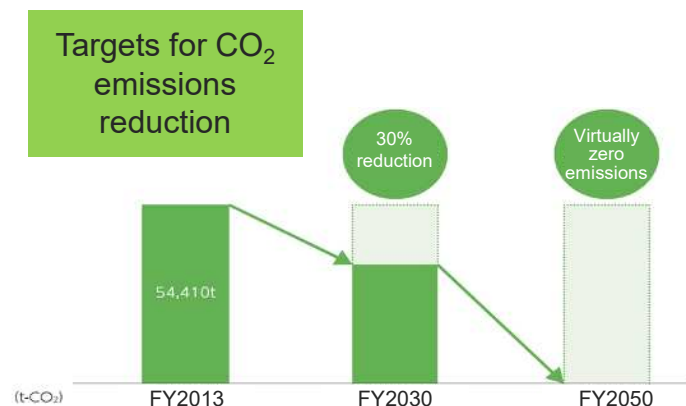
Organized “N-DX Promotion Office” to control across the Group and promote N-DX activity.



For establishment of N-DX system, infrastructure investment scale of ¥1 billion in three years are planned for cloud system and introduction of ICT in production equipment, etc.

30. Progress of 15th Medium-term Management Plan (4)

Strategy 3: Promote reduction of CO₂ and contribute to the creation of a sustainable society.



We established the CO₂ Emission Reduction Committee (in April 2021) to strengthen promotion system

- Maximum use of renewable energy
- Introduce solar power generation system (In FY2022, newly planned at two sites, Kobe and Amagasaki, Japan)
- Energy-efficient and high efficiency operation, upgrading equipment
- **Develop high efficiency equipment**
- CO₂ emissions reduction in transportation: utilize relay transportation, improve load factor, take modal shift on trial (in operation)
- **Contribute to CO₂ emissions reduction by expanding sales of our products and IH heat treatment**

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

Realize diversity

- Continue technical exchange with overseas sites for developing global engineers
- Utilize overseas trainee program
- Ensure opportunities for women's empowerment:
Double the number of female managers, hold diversity seminars, prepare internal system for childcare and nursing

Realize diverse work styles

- Firm establishment of work-from-home program, promote paperless operation
→ **Improve work-from-home environment**
- Promote taking paid leave

Develop fully skilled human resources

- **Conduct and utilize employee awareness survey**
- **Establishment and promotion of skill map**
- Provide priority education training program (thematic), enhance training program

We support each employee's career-building by establishing a vibrant work environment while developing motivation to make contributions.

31. Progress of 15th Medium-term Management Plan (5) Capital Allocation

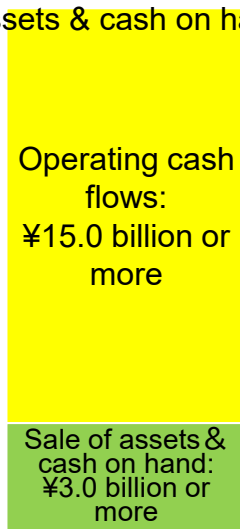
Basic policy

- Improve our balance sheet as well as ensure financial soundness (Improve WACC and ROE)
- Active investment mainly for strategy and growth sector aimed for future growth by using funds which obtained from operating cash flows and sale of assets
- Conduct further increasing shareholder returns such as dividend and share repurchases when profit increases with short-term and medium to long-term growth

15th Medium-term Management Plan

Cash-in

Operating cash flows + sale of assets & cash on hand



Regular investment

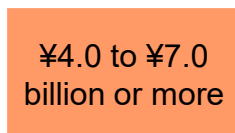
Mass production, labor-saving and rationalization, seismic retrofitting and repairing of equipment



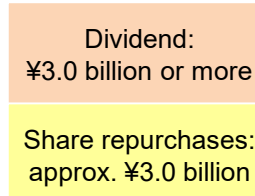
Cash-out

Strategic investment

R&D, new products, DX, environment, energy-efficient and CO₂ emissions reduction, M&A



Shareholder returns



Resolution was passed to repurchase its treasury shares of ¥1.5 billion at a meeting of the Board of Directors held on May 20

* Sale of assets includes sale of cross-shareholdings
* Debt finance may be used if necessary

* For dividend, consolidated dividend payout ratio of 40% or higher, setting the lower limit of DOE of 1.5%

32. Progress of 15th Medium-term Management Plan (6)

Efforts for IR activities

No.	Details
1	Participated in IR seminar for individual investors (February 2022)
2	Participated in ESG Corporate DAY seminar (February 2022)
3	Issued corporate analysis report (Shared Research Inc.) (May 2022)
4	Planning to issue Fact sheet (Euroland Investors) (June 2022)
5	Increase disclosure in English (Since FY2021)



Participated in IR seminar for individual investors



Participated in ESG Corporate DAY seminar

Efforts for social contribution

Environment, education, and culture

- Support young musicians' activity and development
- Support training young architects
- Support environment improvement in local community
- Support international cultural exchange

Academic and research

- [Joint research and technological development relating to high-frequency quenching](#) collaborated with 8 universities

[Case]

- (1) Strengthen toughness of metal by high-frequency quenching
- (2) Strengthen toughness of titanium alloy made by 3D shape formation

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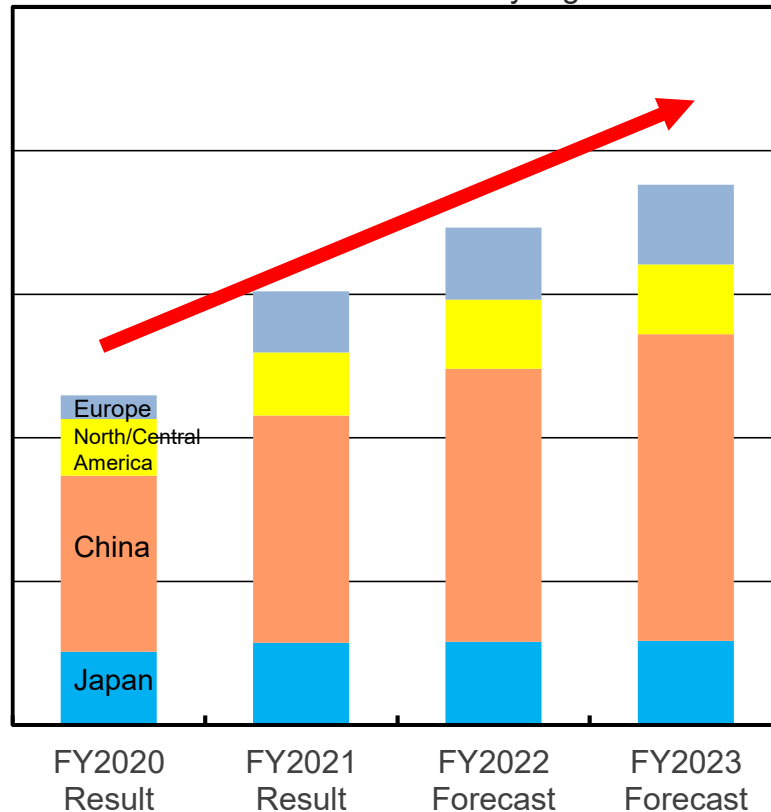
33. Growth Strategy (1) Global Development of ITW®

Promote to expand global sales of ITW® that helps reduce weight and transition to EVs

- As the transition to EVs continues, demand for high-strength spring steel wire (ITW®) that helps reduce weight is significantly increasing. We aim to continue steady worldwide growth in and after FY2022.



Sales volume of ITW® by region



- Europe** Start delivery to new customers in Europe, strengthen activity for adoption of new models
- North /Central America** Demand from both Japanese and American customers increase
Improve production capacity by 40% with first and second expansion of facility in FY2022 and FY2023
- China** Two sites cover all of China: Shanghai, Chongqing
Demand in Chongqing increased, further growth through large-diameter ITW® that helps shift to EVs
- Japan** Remains firm
Response to movements of new cold forming

34. Growth Strategy (2) Strengthen Equipment and Business Base in Indonesia

Increase production of induction heat treatment-related services for automobiles

Market environment in Indonesia

- Moderate growth of automobiles industry in Indonesia; export from Indonesia is on the upward trend
- Automaker's trend of strengthen local procurement of parts

Business activities of Neturen Indonesia

1. Received new orders of induction heat treatment-related services and determined capital investment in 2019
2. Started mass production in October 2021 and remained stable
3. In May 2022, received orders of 5 new product models which will be mass-produced in 2023, and determined investment for mass production

Investment amount: ¥0.3 billion

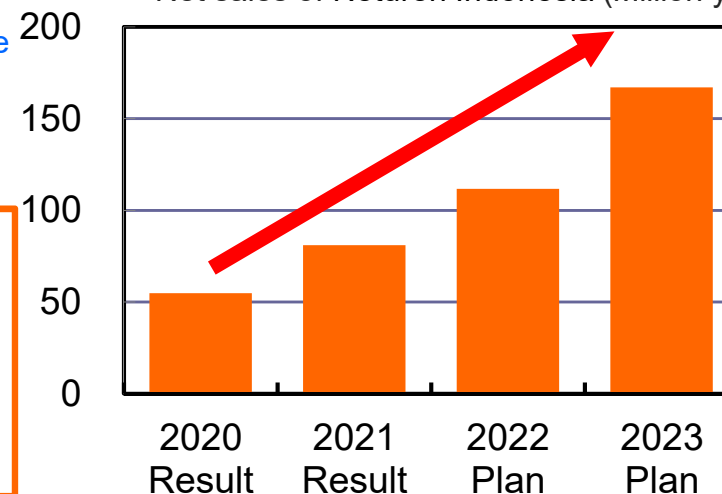
Details: 2 units of heat treatment equipment

Operation commencement: March 2023 (Plan)

Production capacity: Doubled compared to existing capacity



Net sales of Neturen Indonesia (Million yen)



35. Growth Strategy (3) Double Stark®

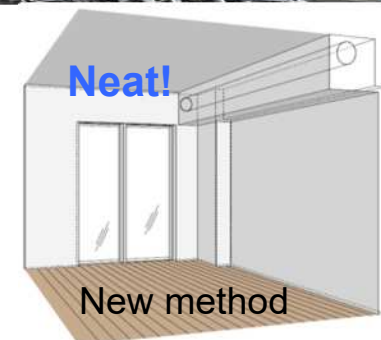
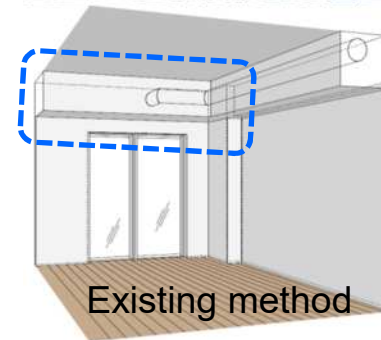
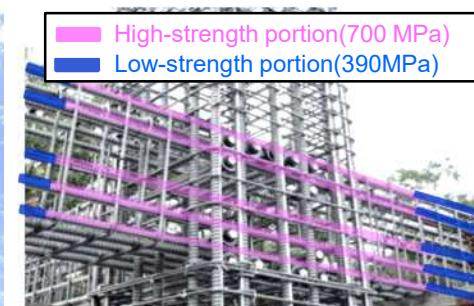
Strengthen activities aiming for increased demand and create new demand of partial high-strength rebar “Double Stark®”

Efforts for expand sales of Double Stark®

- Acquired performance certification and generalized this design method. We are promoting PR in the industry.
- Promoting for raising awareness and product adoption to general contractors for their actual projects
- Promoting experiment to establish design method that utilize the effectiveness (Further reduces amount of rebar)

Aiming for increased demand and creation of new demand

Considering investment scale of ¥0.6 billion to ensure framework to increase production



Using Double Stark® for column/beam joints:

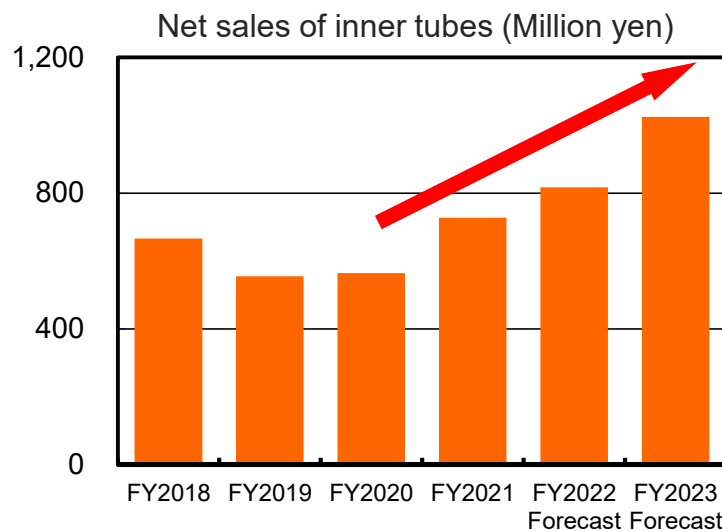
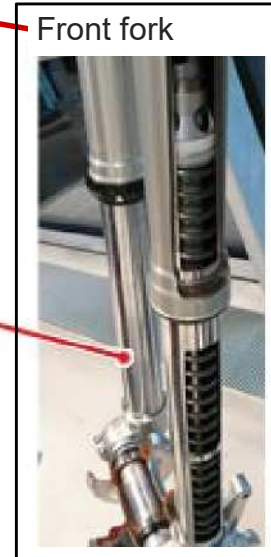
- Increases living space and enables rich lighting
- Reduces amount of rebar by 20-30%, and helps conserve resources and reduce CO₂!

36. Growth Strategy (4) Increase Demand of Front Fork Inner Tubes

Increased demand of front fork inner tubes for two-wheeled vehicles

Market environment

- Launch in Europe for inner tubes for off-road motorcycle and luxury two-wheeled vehicle
- High-precision thin-walled steel pipe with our IH quenching technology receive high reputation
- Considering investment scale of ¥0.15 billion in response to customer demand for production increase



Examples of equipped motorcycles (Mainly for KTM)

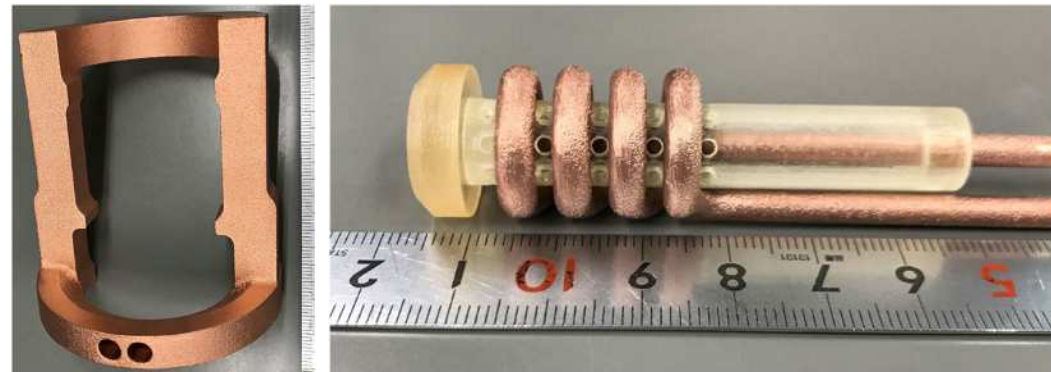
37. Growth Strategy (5) (R&D) Introduction of 3D Printer

Utilize 3D printer to reduce delivery time of induction heating coil by half (FY2030)

Current situation of induction heating coil manufacturing

- Quality of induction heating coil is especially important in IH technology
- Various shapes are required depending on the target parts (built-to-order)

Long lead time is required due to many manual processes by skilled technicians



Examples of induction heating coil manufactured by 3D printer

Realize “establishment of coil manufacture technology by 3D printer” aiming for “**significant reduction of lead time for manufacturing coil**” and “**quality improvement (longer life of parts)**”

* Delivery time of induction heating coil (compared to present): reduce by 30% in 2025, reduce by 60% in 2030

Introduction of 3D printer
Investment amount:
¥0.2 billion
Operation: FY2022

[Details of research]

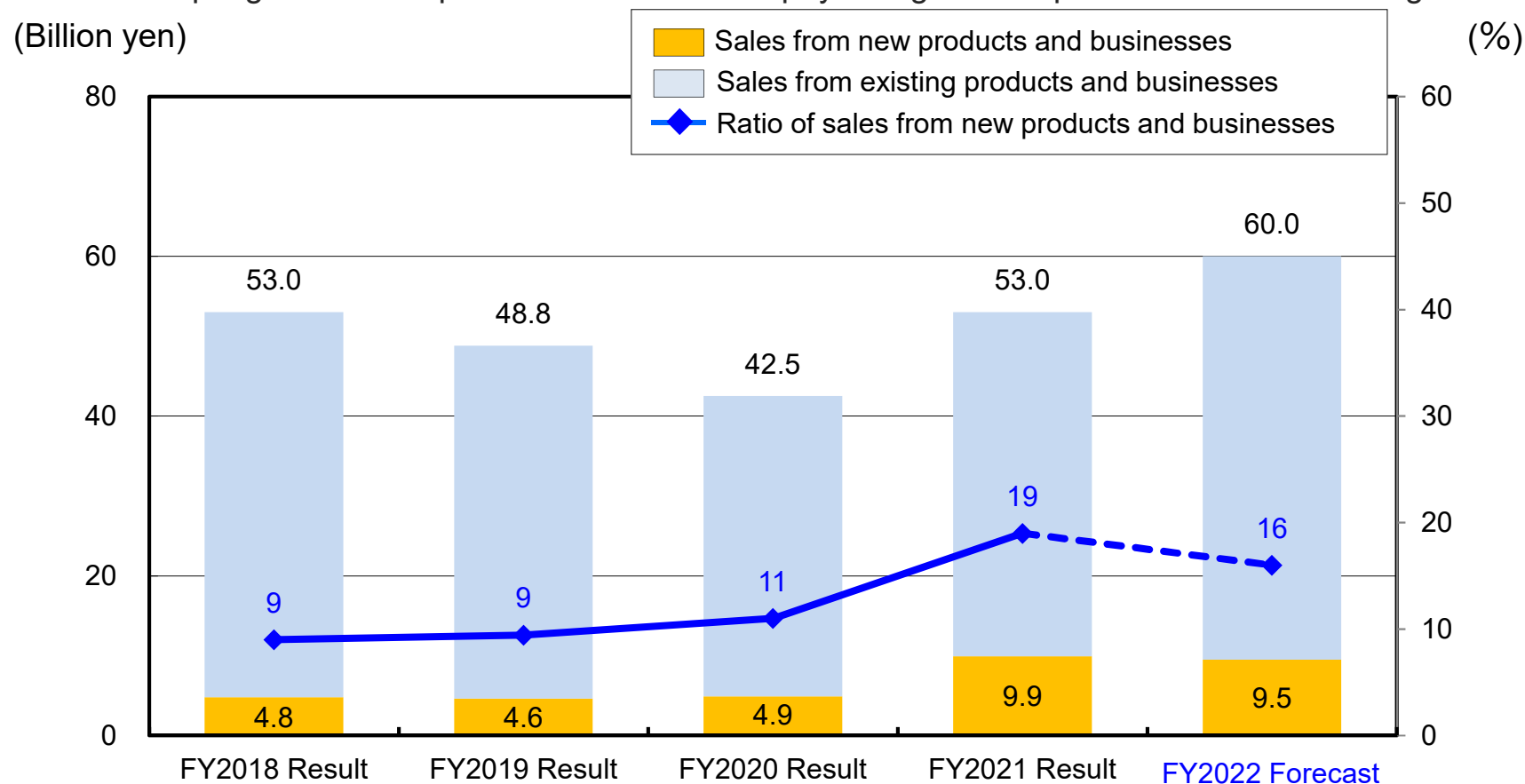
Pursuit of ideal heating coil design taking advantage of flexible design of 3D printer

Optimize water route and current circuit by combining with our CAE analysis technology



38. Net Sales of New Products and New Businesses

- FY2021: Significantly increased due to expanding sales of ITW® Chongqing Plant, large-diameter ITW®, and hoop-reinforcement cut-off construction method, etc.
- FY2022: Keep high levels despite decrease due to expiry of registration period of mild carburizing



NETUREN VISION 2030

「進化と躍進」 2021.4~2031.3 [10年間]



◆あるべき姿

企業価値を高め続けるとともに
持続可能な社会づくりに貢献する

◆目指す姿

CO₂排出削減に有効なIH熱処理技術を核とする
技術・製品を通じ、企業価値を高めて
環境負荷を低減する

N-DXの展開を進め、
グループ全員の力を結集して
進化を続けグローバルに躍進する

第15次中期経営計画

2021.4~2024.3 [3年間]



事業の選択と集中

利益基盤の確立



N-DX体制

N-DX体制でデジタル化した情報展開力向上



SDGs

SDGsを経営の中心に据え、CO₂削減で持続可能な社会づくりに貢献



グローバル

グローバルにグループ営業力、マーケティング力の強化を担う人財の輩出



第15次中期経営計画 スローガン

Change!! New NETUREN 2023



Neturen Co., Ltd.

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