

Interim Business Report

for the 129th Term 2013.4.1 – 2013.9.30



NIHON PARKERIZING CO.,LTD.

To Our Shareholders

First of all, thank you very much for your continued patronage and support. It is our pleasure to present our report for the 129th interim period, covering the period from 1st April 2013 to 30th September, 2013.

During this period, while there was no significant improvement in the global economy as a whole and the Chinese economy slowed, the U.S. economy began to improve due to a rebound in consumption, and also in Europe there were signs of rallying after the economic slump due to debt problems. In Japan, the economy gradually improved due to the depreciation of the yen and the effects of economic measures, although while the economy was rebounding, it did not reach a full-fledged recovery.

The business environment for metal surface modification faced by our Parker Group is one in which, while the yen turned the corner to depreciation, our key customers in the automotive industry continued to shift production overseas and there were increasingly rigorous demands for high quality at a low cost. Also in the steel industry, competition from overseas manufacturers was fierce and demands for cost reductions grew, creating a harsh business environment.

In the midst of such a tough economic environment, our Parker Group sought to strengthen our overseas business in order to steadily capture demand in the expanding overseas markets by actively seeking to gain new customers and provide new technology to match the needs of customers, as well as reinforcing our production equipment particularly in Asia. In addition, as a technology-driven company, we have been actively focusing on R&D activities aiming to create innovative technology for the future, as well as strengthening collaboration between Group members and increasing efficiency of raw materials supply in order to facilitate cost reduction. As a result, our business achievements for this period were as follows.

Net sales were 46,360 million yen (up 4.4% on the corresponding period for the previous year) and operating income was 7,215 million yen (up 8.9% ditto). Ordinary income was 8,383 million yen (up 13.0% ditto) and interim net profit was 4,813 million yen (up 21.5% ditto).

The overview by each business segment is as follows.

(Chemicals Business)

Net sales were 20,269 million yen (up 5.7% on the corresponding period for the previous year) and operating income was 5,533 million yen (up 11.2% ditto). Domestic net sales revenue continued to fall at the outset however there was a gradual rallying in the latter half of this period. Overseas sales were steady and combined with the effect of the depreciation of the yen there was an increase in revenue and profit.

(Equipment Business)

Net sales were 7,624 million yen (up 3.6% on the corresponding period for the previous year) and operating income was 509 million yen (up 83.6% ditto). Orders for pre-treatment equipment for the automotive industry overseas were robust and exceeded orders received the previous year. Combined with the effects of cost reductions due to strengthening of local procurement, revenue and profit rose.

(Jobbing Business)

Net sales were 16,606 million yen (up 2.4% on the corresponding period for the previous year) and operating income was 3,066 million yen (down 10.2% ditto). While business was favorable toward the latter half of the period, domestic customers continued to move production overseas or in-house and the business climate remained tough. Also, overseas results struggled to grow due to increasing

competition for orders and rising labor costs.

(Other Business)

Net sales were 1,860 million yen (up 13.6% on the corresponding for the previous year) and operating income was 295 million yen (up 50.3% ditto). The building maintenance business was robust and there was a slight increase in profit in the consulting business overseas.

Regarding the interim dividend for this period, a resolution was passed by the Board of Directors on 5th November to pay a dividend of twelve and a half yen (12.5 yen) per share to be paid on the 10th of December, 2013.

Regarding the outlook for the second half of the financial year, we anticipate that domestically the moderate economic recovery will continue due to the continuation of the weaker yen and the effects of economic measures, however the prospects remains uncertain both domestically and overseas and we believe the economy will continue to fluctuate. It is anticipated that the business environment for metal surface modification will remain severe.

Against such a tough economic backdrop, the Parker Group, under its motto of “back to the basics”, will pursue the development of surface modification technologies which cannot be beaten in terms of its innovation and originality as well as actively promoting equipment investment overseas in order to strengthen our business in the ever expanding overseas markets. We will put our utmost effort into strengthening the structure of our organization and increasing profits.

We look forward to the unerring support of our shareholders.

President & C.O.O.
Kazuichi SATOMI

Consolidated Balance Sheet

	September 30	March 31
	2013	2013
	(JPY Million)	
Assets		
Current assets	82,924	77,062
Cash and deposits	35,386	31,985
Notes and accounts receivable-trade	28,337	28,148
Short-term investment securities	3,423	3,419
Inventories	11,628	9,388
Deferred tax assets	1,511	1,529
Other	2,815	2,725
Allowance for doubtful accounts	△126	△134
Fixed assets	77,999	69,677
Tangible assets	40,638	37,211
Buildings and fixtures, net	13,058	12,184
Machinery, equipment and vehicles, net	8,544	7,702
Land	15,334	15,167
Construction in progress	2,623	1,156
Other, net	1,076	999
Intangible assets	2,857	2,469
Goodwill	705	785
Other	2,152	1,684
Investments and other assets	34,503	29,996
Investment in securities	22,735	20,114
Long-term loans receivable	122	43
Deferred tax assets	1,300	1,373
Other	10,510	8,623
Allowance for doubtful accounts	△164	△157
Total assets	160,974	146,739

	September 30	March 31
	2013	2013
Liabilities		
Current liabilities	34,525	31,450
Notes and accounts payable-trade	14,628	13,433
Short-term loans payable	1,710	1,697
Current portion of long-term loans payable	1,293	1,833
Corporate income taxes payable	2,438	2,659
Provision for bonuses	2,260	2,203
Provision for loss on retirement of noncurrent assets	16	255
Other	12,177	9,368
Fixed liabilities	15,562	14,551
Long-term loans payable	2,366	2,090
Provision for retirement benefits	10,010	9,864
Provision for directors' retirement benefits	835	999
Deferred tax liabilities	1,158	372
Other	1,190	1,225
Total liabilities	50,087	46,002
Net assets		
Shareholders' equity	86,816	82,921
Paid-in capital	4,560	4,560
Capital surplus	3,913	3,913
Retained earnings	81,976	78,073
Treasury stock	△3,632	△3,625
Accumulated other comprehensive profit	5,752	1,765
Valuation difference on available-for-sale securities	6,019	4,531
Deferred gains or losses on hedges	4	3
Foreign currency translation adjustment	△271	△2,769
Minority interests	18,318	16,050
Total net assets	110,887	100,737
Total liabilities and net assets	160,974	146,739

Consolidated Statements of income

Six months ended September 30

	2013	2012
	(JPY Million)	
Net sales	46,360	44,402
Cost of sales	28,707	27,989
Gross profit	17,653	16,412
Selling, general and administrative expenses	10,437	9,788
Operating income	7,215	6,624
Non-operating profit	1,322	1,007
Interest income	85	70
Dividends income	207	170
Rent income	164	163
Technical support fee	165	117
Foreign exchange gains	217	-
Equity in earnings of affiliates	322	298
Other	157	186
Non-operating expenses	154	214
Interest expenses	32	39
Foreign exchange losses	-	78
Other	122	96
Ordinary income	8,383	7,416
Extraordinary income	540	93
Extraordinary loss	18	138
Income before income taxes and minority interests	8,904	7,371
Income taxes	2,811	2,683
Income before minority interests	6,092	4,688
Minority interests in income	1,279	726
Net profit for the period	4,813	3,962