

Interim Business Report

for the 131th Term 2015.4.1 – 2015.9.30



NIHON PARKERIZING CO.,LTD.

To Our Shareholders

First of all, let us express our sincere appreciation to our shareholders for your continued patronage and support. It is our pleasure to present the interim report for the 131st period, covering the period from April 1st 2015 to September 30th 2015.

During this period in the global economy, the Chinese economy showed clear signs of deceleration and overall the export-oriented economies in Asia remained at a standstill. While the U.S. economy continues to recover momentum, there are many uncertainties remaining and the Federal Reserve has yet to raise the interest rate. In the Japanese economy there has been a moderate recovery and corporate profits have rebounded due to factors such as the low oil prices and weak yen and there have been indications of a recovery in equipment investment. However as Japanese corporations have globalized their operations and are increasingly reliant on conditions overseas, concerns for a downturn overseas are casting a shadow domestically.

Regarding the business environment for metal surface modifications faced by our Parker Group, our key customers in the automotive industry have been reducing output, and the total number of automobiles manufactured domestically fell compared to the previous year. Likewise in the steel industry, while domestic demand has remained stable, Asia has continued to suffer from excess supply and the business environment remains tough.

In the midst of such a difficult economic environment, our Parker Group has worked to provide our customers with high quality, low cost technology which matches their needs, and has strengthened our production facilities overseas particularly in the U.S., Mexico, China and Thailand to ensure that we take advantage of overseas demand. Furthermore, we have been concentrating our efforts on research and development targeting the creation of innovative technologies to ensure that we retain our position of predominance in the market well into the future.

As a result, our business achievements for this period were as follows.

Net sales were 51,852 million yen (up 8.1% on the corresponding period for the previous year) and operating income was 7,297 million yen (down 1.1% ditto). Ordinary income was 8,532 million yen (up 1.4% ditto) and net income attributable to parent company shareholders was 5,073 million yen (up 3.7% ditto).

The overview by each business segment is as follows.

(Chemicals Business)

Net sales were 21,887 million yen (up 1.1% on the corresponding period for the previous year) and operating income was 4,175 million yen (down 6.0% ditto). Domestic demand for metal surface treatment chemicals in the automotive and steel industries showed improvement and overseas demand was also relatively steady due in part to the weak yen. However profitability fell due to the price rises

for raw materials, resulting in an overall fall in profit despite increased revenue.

(Equipment Business)

Net sales were 9,492 million yen (up 27.2% on the corresponding period for the previous year) and operating income was 275 million yen (down 12.4% ditto). In Japan this segment posted sales for large facilities in the housing related industry and business was relatively steady overseas as well leading to increased revenue. However profitability was stagnant and the overall result was increased revenue coupled with decreased profit.

(Jobbing Business)

Net sales were 18,889 million yen (up 7.3% on the corresponding period for the previous year) and operating income was 3,313 yen (up 11.3% ditto). In the heat treatment jobbing business overseas, while demand expanded in China it was stagnant in Indonesia. Demand for heat treatment jobbing was also sluggish domestically due to the shift overseas of automotive parts manufacturing. By contrast, demand was relatively steady in the rust prevention jobbing business both domestically and overseas and as a result, there was an overall increase in revenue and profit.

(Other Business)

Net sales were 1,582 million yen (up 28.2% on the corresponding period for the previous year) and operating income was 126 million yen (up 31.5% ditto). The building maintenance business performed well and with the inclusion of a consolidated subsidiary that manufactures and sells bolts, this segment achieved an overall increase in both revenue and profit.

Regarding the interim dividend for this period, a resolution was passed by the Board of Directors on 6th November to pay a dividend of seven and a half yen per share to be paid on the 10th of December, 2015.

Regarding the outlook for the second half of the financial year, while there are indications that domestic automotive production has bottomed-out after continuing to fall each month year-on-year for over a year, there is increased wariness over the deceleration of the Chinese economy as well as concern over its effect on the global economy. The future outlook is extremely uncertain and we anticipate that the environment faced by the metal surface modification business will remain tough.

Against such an economic backdrop, our Parker Group, under its motto of “back to the basics” as a technology-driven company, will pursue the development of surface modification technologies which cannot be beaten in terms of innovation and originality as well as actively promoting equipment investment overseas, 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
	2015	2015
	(JPY Million)	
Assets		
Current assets	95,719	89,812
Cash and deposits	41,708	38,835
Notes and accounts receivable-trade	33,063	32,675
Short-term investment securities	4,441	2,090
Inventories	11,374	10,765
Deferred tax assets	1,385	1,425
Other	3,919	4,190
Allowance for doubtful accounts	△173	△169
Fixed assets	94,605	97,303
Tangible assets	52,813	50,911
Buildings and fixtures, net	17,287	16,393
Machinery, equipment and vehicles, net	13,373	12,851
Land	15,183	15,235
Construction in progress	4,752	4,481
Other	2,215	1,949
Intangible assets	1,451	1,616
Goodwill	321	466
Other	1,130	1,149
Investments and other assets	40,341	44,775
Investment in securities	28,503	32,376
Long-term loans receivable	220	250
Deferred tax assets	1,104	1,088
Other	10,607	11,159
Allowance for doubtful accounts	△95	△99
Total assets	190,325	187,116

	September 30	March 31
	2015	2015
Liabilities		
Current liabilities	34,076	32,710
Notes and accounts payable-trade	15,116	15,535
Short-term loans payable	308	144
Current portion of long-term loans payable	329	399
Corporate income taxes payable	1,848	1,888
Provision for bonuses	2,307	2,345
Other	14,165	12,397
Fixed liabilities	17,609	18,282
Long-term loans payable	1,789	1,854
Provision for directors' retirement benefits	873	901
Net defined benefit liability	9,753	9,711
Deferred tax liabilities	2,994	3,938
Other	2,199	1,875
Total liabilities	51,685	50,992
Net assets		
Shareholders' equity	102,919	98,793
Paid-in capital	4,560	4,560
Capital surplus	3,912	3,913
Retained earnings	98,076	93,949
Treasury stock	△3,629	△3,628
Accumulated other comprehensive profit	13,262	15,492
Valuation difference on available-for-sale securities	8,583	10,615
Deferred gains or losses on hedges	19	△3
Foreign currency translation adjustment	4,691	4,910
Remeasurements of defined benefit plans	△31	△29
Non-controlling interests	22,457	21,836
Total net assets	138,640	136,123
Total liabilities and net assets	190,325	187,116

Consolidated Statements of income

Six months ended September 30

	2015	2014
	(JPY Million)	
Net sales	51,852	47,946
Cost of sales	32,567	29,562
Gross profit	19,284	18,383
Selling, general and administrative expenses	11,987	11,007
Operating income	7,297	7,375
Non-operating profit	1,474	1,213
Interest income	131	106
Dividends income	345	251
Rent income	187	169
Technical support fee	199	167
Equity in earnings of affiliates	412	336
Other	197	182
Non-operating expenses	238	175
Interest expenses	11	7
Foreign exchange losses	80	38
Other	147	129
Ordinary income	8,532	8,412
Extraordinary income	63	10
Extraordinary loss	102	130
Income before income taxes	8,493	8,293
Income taxes	2,474	2,605
Net income	6,019	5,687
Net income attributable to non-controlling interests	946	796
Net income attributable to parent company shareholders	5,073	4,891