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Integrated Report 2023

Integrated Report 2023

Nihon Parkerizing Co., Ltd.





Our Domain Is Worldwide

(including equity method affiliates)



Editorial Policy

The Integrated Report for FY2022 is the first edition we have ever published. We have produced this report to present materiality and communicate the sustainable value creation of the Group in an easy-to-understand manner with a focus on "Vision2030" and our medium-term management plan. In editing this report, we referred to the Guidance for Collaborative Value Creation from the Ministry of Economy, Trade and Industry and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Who we are

- 03 Our Mission
- 07 Environmental Contribution through Surface Modification
- 11 Our History
- 13 At a glance

Value Creation Story

- 15 Value Creation Process
- 17 Message from the President
- 21 Our Goal
- 23 "Vision2030"
- 25 Key Issues (Materiality) and Identification Process
- 29 Groundwork to Achieve Our "Vision2030"

Growth strategies

- 31 Strategy by Business Segment
 - 31 What's Next (Life Science Business)
 - 33 Chemicals Business
 - 35 Toll Processing Business
 - 37 Engineering Business

Foundation for Value Creation

- 39 Sustainability Strategies
 - 40 How We Tackle Climate Change
 - 43 Environmental Initiatives
 - 45 Research and Development
 - 47 Human Resource Strategies
 - 49 Occupational Health and Safety
 - 50 Supply Chain Management
 - 51 Quality Assurance
 - 52 How We Ensure Safe and Reliable Production
 - 53 Corporate Governance
 - 57 Board Members and Officers
 - 59 Risk Management
 - 60 Compliance

References

- 61 Financial and Non-Financial Data for the Past 10 Years
- 63 Corporate Profile and Stock Information

Scope of Reporting

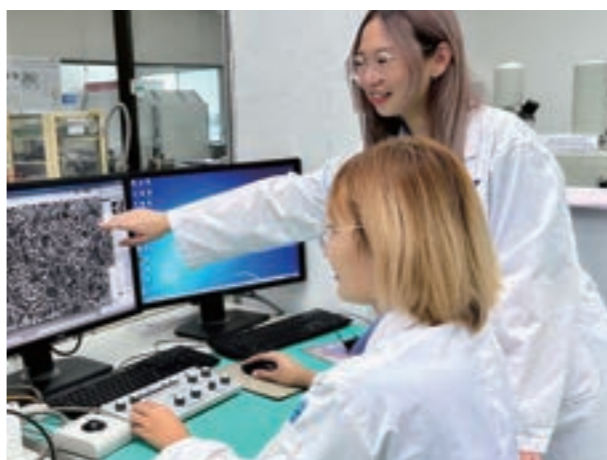
Nihon Parkerizing Co., Ltd. and its consolidated subsidiaries are subject to this report. The scope of coverage is specified for items in case we have a different scope of reporting.

Disclaimer

Our Company determines statements related to financial forecasts and future predictions in this Integrated Report based on currently available information, and they are accompanied by underlying potential risks, uncertainty, and other factors. Please be aware that there is a possibility that actual performance may vary from these outlooks due to changes in various factors.

Reporting Period

Based on the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023) (certain information after April 2023 is included)



Our Mission

Corporate Philosophy

We are contributing to the effective use of limited resources on planet Earth, creating new value of resources through surface modification of all kinds of materials, preserving the global environment, and realizing an affluent society.

What is surface modification?

All materials have a surface. Each material has its characteristics, just as each person has their personality. Surface modification is a technology that alters only the boundary in contact with the outside world -- in other words, the surface -- without changing the material's inherent characteristics. With this technology, we can develop or significantly alter the original characteristics of a material, occasionally imparting properties that are precisely the opposite of the original ones.

For example, iron is prone to rusting, but rust can be prevented by forming a thin film on its surface. Meanwhile, steel has hard properties, but modifying the depth from the surface to a few micrometers (μm) level makes it harder and prevents wear. In other words, we can extend the life of materials and increase the number of times they can be used by overcoming their shortcomings and difficulties and enhancing their advantages.

Surface modification is derived from the accumulated knowledge of people caring for things. It is a technology that truly embodies the concept of sustainability.

Look around the city and see Nihon Parkerizing's technologies used everywhere. Look, here, there and everywhere!

Every material has a surface. The surfaces vary widely in appearance and feel, shiny or glittering, smooth or rough.

The surfaces have various functions that our five senses cannot capture. Each of these surfaces supports our life and society as a function.

The Nihon Parkerizing Group specializes in surface modification, which gives functionality to any surface. We are opening up the future by adding functions to the surfaces of valuable materials in our daily lives.

For skyscrapers that line the streets



We contribute to protecting building structures from earthquakes by improving the adhesion of seismic isolation rubber.

For home appliances for everyday use



We contribute to extending the service life of refrigerators by improving lubrication at the compressor.

For the smartphone that we are using now



We improve the efficiency of micro-motors in smartphones, reducing their power consumption.

For aluminum cans that we see every day



We increase the adhesion between the can surface and paint, thus making cans look better.

For airplanes that fly through the skies



We improve the corrosion resistance of airplanes' aluminum surfaces to protect them from the harsh flying environment.

For satellites that shine in the night sky



We have developed a lubricant that is effective even in the vacuum of space. We supply it to artificial satellites.

For ships that sail the oceans



We apply rustproofing to moving hull parts to protect ships from salt water.

For bridges spanning the sea



The anti-corrosion effect enhances the maintainability and safety of bridges.

For cars that drive around town



Our technologies protect their bodies from corrosion, improving their durability.

Environmental Contribution through Surface Modification

What if there were no surface modification?



In recent years, climate change caused by global warming has significantly impacted not only people's lives but the ecosystems of all living creatures. Now more than ever, we need to create a sustainable society.

So, what can we do in the industrial segment? We are considering two concepts to enable sustainable social development: the right material in the right place and longevity.

Humans have been using metals for more than 5,000 years. We will continue to use metals as beneficial materials from the perspective of using the right material in the right place. However, it is also true that a large amount of energy is consumed, and GHGs (greenhouse gases) are emitted while refining metals from ores. Our challenge is how we carefully use the metal materials thus obtained. In other words, it is how we protect metals from corrosion as chemical loss and wear and tear as mechanical loss.

We estimate that the cost of corrosion (i.e., cost of corrosion and corrosion prevention) in Japan is 4.3 trillion yen^{*1}, which is equivalent to approx. 0.8% of GDP. Assuming that the corrosion cost and metal losses (converted from monetary values) are equal and these losses must be recovered, as much as 80 million tons of CO₂ will be newly emitted in the manufacturing process. On a global scale, this amounts to as much as 3.8 billion tons of emissions, equivalent to 11% of global CO₂ emissions^{*2}. On the other hand, friction and wear cost^{*3} are also shown in advanced countries. Using this figure to calculate the metal loss in Japan and assuming that this loss must be recovered, as much as 80 million tons of CO₂, equivalent to corrosion, will be emitted in the manufacturing process.

That makes it easy to see how the current corrosion prevention and wear resistance technologies protect metal materials from corrosion and loss and contribute to reducing CO₂ emissions.

^{*1}: Japan Society of Corrosion Engineering and Japan Association of Corrosion Control, Cost of Corrosion in Japan (2020)

^{*2}: Energy Institute, CO₂ emissions (EI statistics)

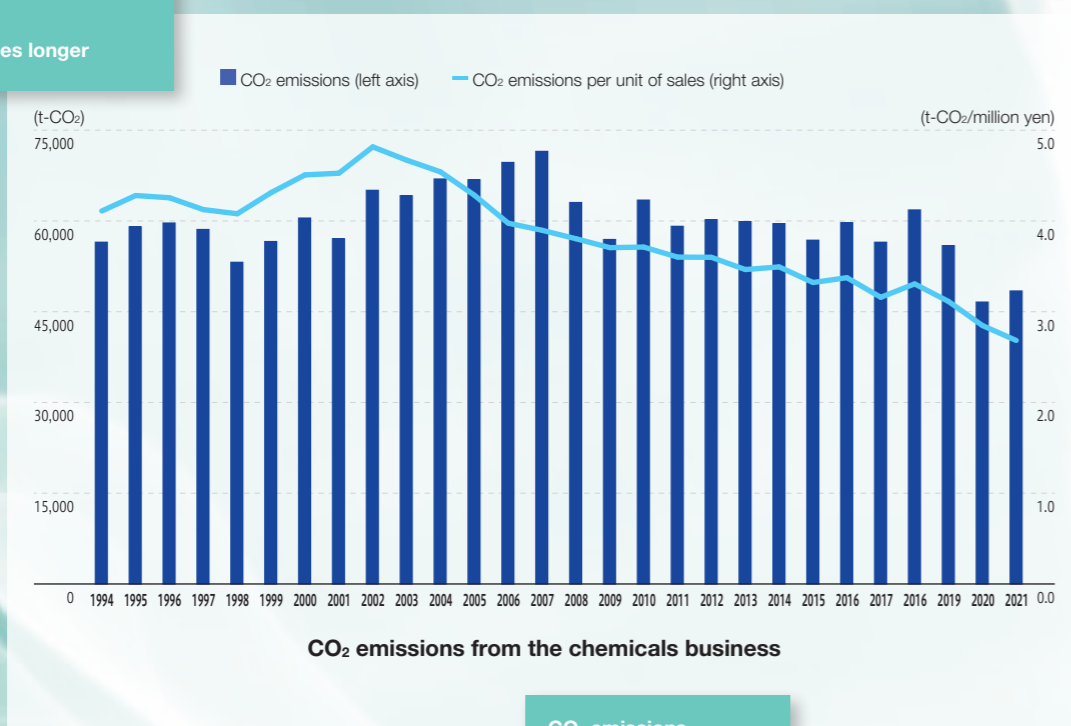
^{*3}: K. Holmberg: Tribology International, 135, 389-396 (2019)

Environmental Contribution through Surface Modification

Surface modification change the future

Effects of surface treatment coatings (layout) Life of car exterior appearance
3 times longer

Surface modification technology for hardening surfaces
Wear resistance **12** times higher



CO₂ emissions
44% reduction

Contribution to CO₂ emissions reduction

As mentioned, we apply surface modification technologies to various metals to protect them. Protecting metals, namely extending their service life, actually curbs CO₂ emissions. So, how effective is it at curbing emissions? We have made the following estimates based on some specific examples.

We supply automobile manufacturers with chemicals that form surface treatment coatings to protect automobile bodies from corrosion. The surface treatment coatings formed by these chemicals can retain the original exterior appearance of automobiles for up to three times longer⁴. Assuming this reduces the demand to produce new automobile bodies, annual CO₂ emissions would be reduced by 1.77 million tons in Japan, where we directly supply chemicals, and by as much as 5.44 million tons globally.

We also provide surface modification technology for hardening surfaces, primarily for automotive parts. Wear resistance increases 12 times⁵ since this technology forms a modified layer on the metal surface. Assuming a reduced production demand for automotive parts using this technology, as in the previous example, CO₂ emissions could be cut by 470,000 tons per year in Japan and 2.52 million tons per year worldwide, including the Group's own emissions. The above indicates only the automotive parts that we treat.

We have also been striving to conserve resources and reduce hazardous substances contained in our products. In particular, since the 1990s, we have been developing products with a reduction of the environmental impact as a critical factor in R&D. As a result, we have launched phosphorus-free and chrome-free products and technologies.

The figure on the left shows the annual CO₂ emissions⁶ derived from raw materials related to our domestic chemicals business and annual CO₂ emissions converted into values per unit of sales. We have successfully reduced CO₂ emissions per unit each year since it peaked in 2002, with a significant 44% reduction achieved to date.

⁴: Calculated based on the results of corrosion acceleration tests (2023) by the Central Research Laboratories, Nihon Parkerizing Co., Ltd.
⁵: Calculated based on the results of an abrasion resistance test (2023) by the Central Research Laboratories, Nihon Parkerizing Co., Ltd.
⁶: Calculated by using IDEA Ver. 3.2 from AIST

Our History

It was in 1928 that Nihon Parkerizing purchased a patent for phosphate conversion treatment technology in the corrosion-preventive treatment of steel. The above initiative was the first of its kind in Japan. Since then, we have continually refined our technologies with an insatiable spirit of inquiry and peremptory technological development capabilities while always looking ahead of the times. We have thus established a firm position as a leader in surface modification. Today, we have become an indispensable company in society, covering a wide range of industries, from core industries such as automobiles, steel, and home appliances to cutting-edge industries such as medical equipment and aerospace.

Foundation

July 1928
Purchased a patent from Parker Rust-Proof Company in the US.



Start overseas operation

December 1965
Established Chung Jih Metal Treatment Chemicals Inc. in Taiwan

Listed on the Stock Exchange

October 1961
Listed on the 2nd Section of the Tokyo Stock Exchange

September 1967
Listed on the 1st Section of the Tokyo Stock Exchange

Celebrated 50th anniversary Overseas expansion

June 1979
Established Trutec Industries Inc. in US.

July 1979
Established Thai Parkerizing Co., Ltd. in Thailand

Celebrated 60th Anniversary

May 1987
Established Central Research Laboratories in Hiratsuka, Kanagawa, Japan



Technical alliance

May 1988
Formed a technical alliance with Henkel Corporation (US)



Installation of solar power plants

September 2013
Currently in operation at seven sites in Japan



FY2023/3

Net sales
¥119.1 billion

New Central Research Laboratories planned to open in 2025



*Subject to change because the project is still in the planning stage

Changes in net sales



*Figures for 1980 and earlier are on a non-consolidated basis.

Continuing to grow by building relationships of trust with customers through surface modification

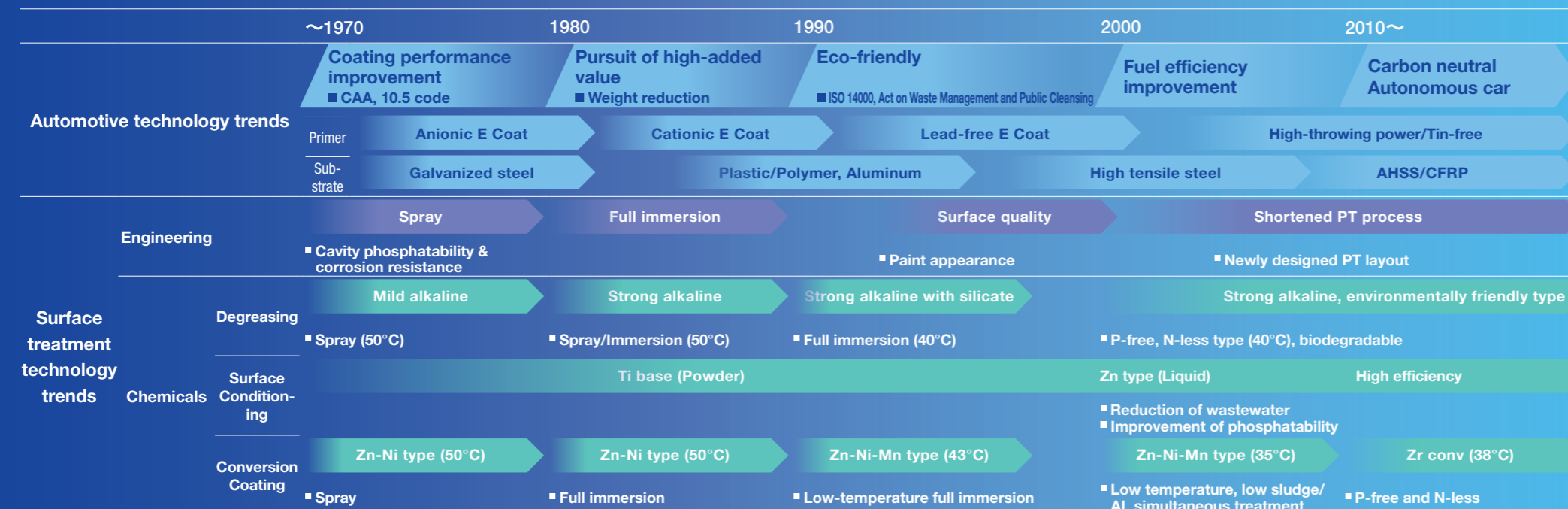
Technological transitions

1940 - Commercialized Japan's first zinc phosphate coating chemical

1990 - Developed a wide variety of products and distinguished its brand

2000 - Established a position as a leader in the field of surface modification through the successful development of environmentally friendly products

Changes in automotive surface treatment from the 1970s to the 2010s

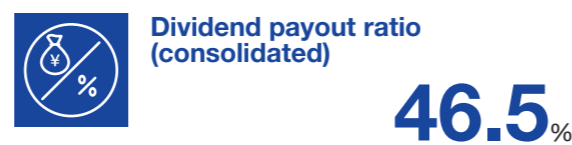
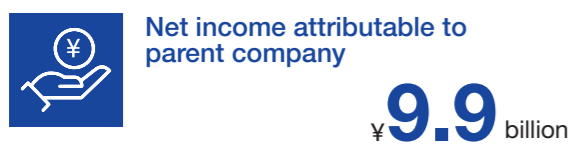
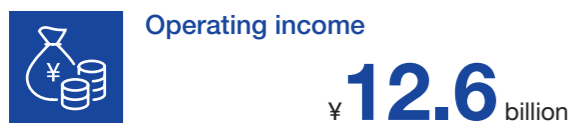


And beyond

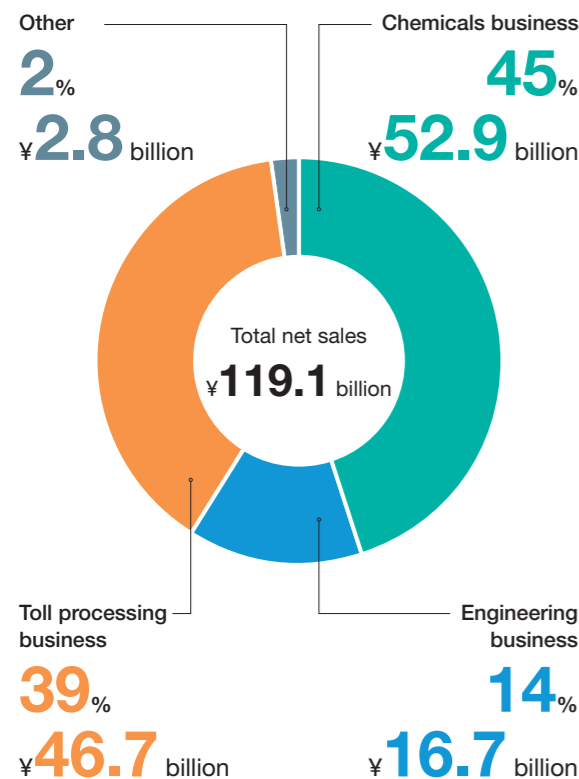
The Nihon Parkerizing Group has been creating and will continue to create new value by leveraging its technological capabilities globally to help solve social issues worldwide.

We will continue to support people's lives and society through surface modification.

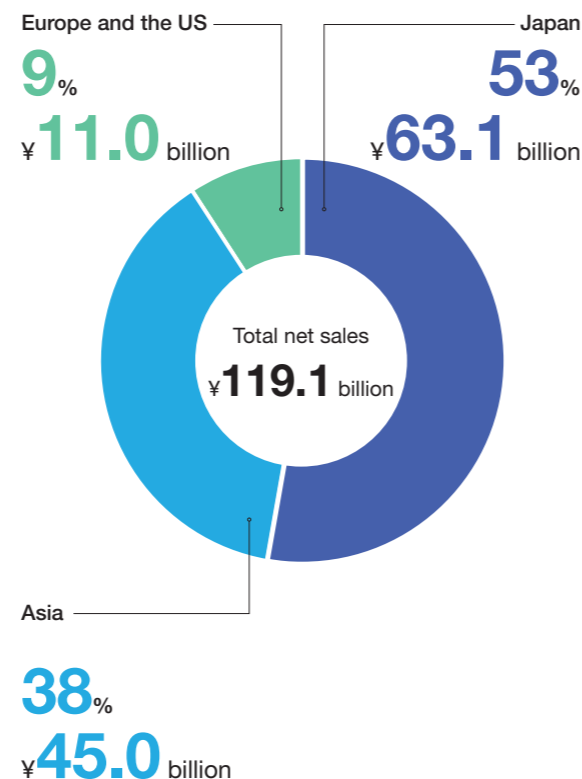
At a Glance (FY2023/3)



Ratio of net sales by business segment (After elimination of internal transactions)



Ratio of net sales by region (Based on customer location)



The strengths we have accumulated since our foundation

Our strengths: 01
Unique technological capabilities to benefit society

Our core technologies modify metal surfaces and impart new functions to them. We support all areas of industry with surface modification technologies developed based on nano-level surface analysis and the elucidation of reaction mechanisms.



Our strengths: 02
Providing a broad range of products and services to all industries

We provide technologies to customers that add a range of functions to the surfaces of all materials, including sliding properties, heat resistance, insulation/conductivity, hydrophilicity/hydrophobicity, heat dispersion, heat insulation, and bonding of different materials.

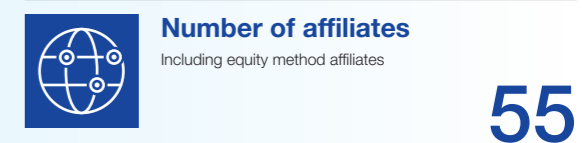


Our strengths: 03

Global network

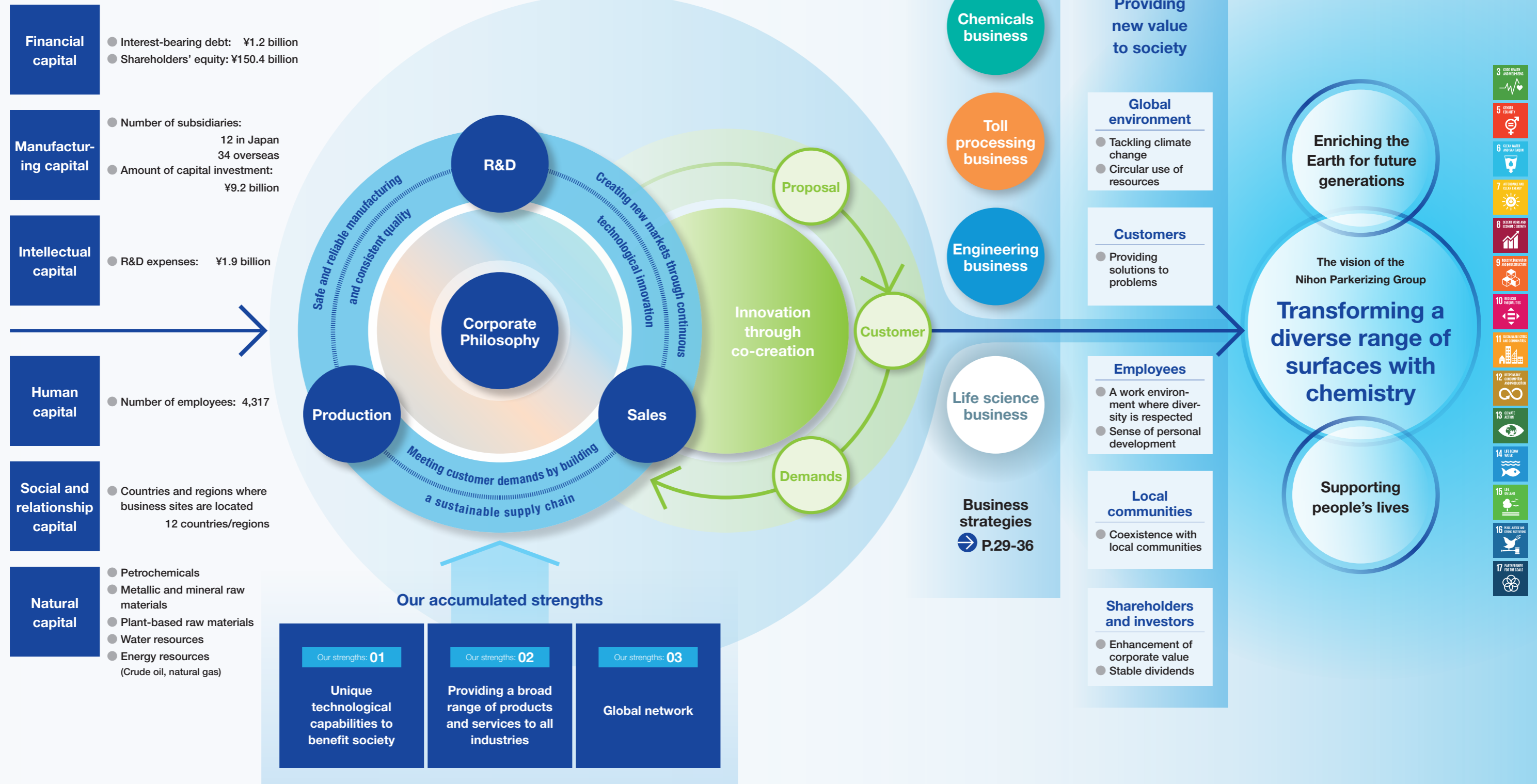
We have built a network that covers Southeast Asia, China, Europe, and the United States to deliver optimal products and services to our customers timely and reliably.

We are building close relationships with our customers worldwide and providing vital support to them.



Value Creation Process

What kind of products and services will society demand in the future? Our conclusion was to refine our surface modification technologies further and transform a diverse range of surfaces with chemistry. To achieve this, we have decided to leverage our three strengths – our unique technological capabilities to benefit society, the provision of a broad range of products and services to all industries, and our global network – and create new value by sparking innovation through collaboration among R&D, sales, and production departments.



Message from the President

We will enrich the Earth for future generations by supporting people's daily lives as a leader in surface modification. We will take on challenges boldly without fearing risks and continue transforming ourselves to realize our vision.

Kazuichi Satomi
Chairman, President & CEO



As a leader in surface modification technologies

We started business in 1928 by purchasing the patent for a rust-proof chemical for steel and a corrosion-proofing method from Parker Rust-Proof Company in the US. For nearly 100 years since then, we have refined our surface modification technologies and maintained our position as a leading company in this field.

For example, we have been proactive in overseas operations, establishing a subsidiary in Taiwan in 1965. We now have business sites in 12 countries and regions where we manufacture and sell surface modification chemicals, process equipment, and toll processing.

Surface modification technologies help save resources and are environmentally friendly. For example, rust prevention technologies, which prevent rust as the synonym of metal corrosion, avoid deterioration in strength and wear of metals and improve their durability. The technologies therefore significantly extend the service life of goods. Surface modification technologies also help reduce weight by increasing the strength of materials. They are widely used for lowering processing loads and helping to improve the functions of various goods, such as shortening manufacturing processes and saving energy.

Current business environment

The Nihon Parkerizing Group has been growing with two core industries: automotive and steel. However, the automotive industry is witnessing an accelerating shift to EVs as part of the move toward a carbon-free society. In the steel industry, an industry shakeout is in progress in Japan and other countries, while China and India are catching up at an accelerated rate. It also faces growing demand for environmentally friendly technologies, such as technologies for reducing hazardous chemicals.

The business environment has also grown more challenging in other industries. This concern mainly reflects fluctuations in demand caused by semiconductor shortages, supply chain disruptions, and soaring raw material and energy prices, primarily resulting from COVID-19 and the Russian invasion of Ukraine. In other words, significant changes never experienced before have occurred in the last few years. We can say that we have entered the era of VUCA*, where the future is complicated to predict.

For the Nihon Parkerizing Group, which is highly dependent on the automotive and steel industries, a significant threat is the reduction in the number of automotive parts resulting from the acceleration of the shift to EVs. Amid these rapid changes in the business environment, we must keep meeting new demands by improving and taking action promptly from customers' perspectives.

As we enter an era of significant change, we believe the greatest risk is not taking any risk. We will view risks as chances and boldly advance business innovations, thus paving the way for further growth.

Because we are in an era of VUCA, we must develop a vision and keep changing ourselves to achieve it.

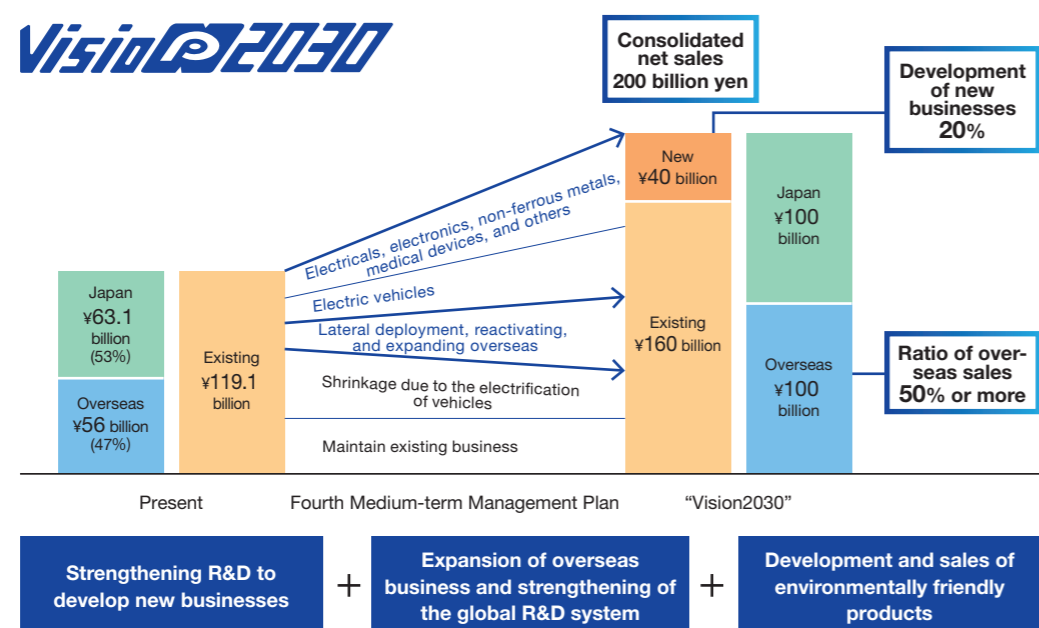
*VUCA is an acronym for Volatility, Uncertainty, Complexity, and Ambiguity. It refers to unexpected difficulties that cannot be tackled with the common wisdom.

“Vision2030” and the 4th Medium-term Management Plan

At the Nihon Parkerizing Group, we formulated “Vision2030” in 2021, describing what we wanted to be like in ten years. There, we set five fundamental strategies for developing new businesses, cultivating existing markets, accelerating global rollout, enhancing Group governance, and diversifying human resources, with sustainability-oriented management at the base.

As our FY2030 targets, we set consolidated net sales at 200 billion yen, operating income to net sales ratio at 15%, and ROE at 10% or higher. However, these targets are challenging to achieve only with existing businesses. We cannot reach them unless we develop an aggressive, bold corporate culture of taking on challenges in new business domains without forgetting the spirit of a technology-driven company and mobilizing all available resources of the Group.

The period of the 4th Medium-term Management Plan (launched in 2022), which we formulated to pave the way to the attainment of “Vision2030,” is positioned as the period for building the foundations for achieving “Vision2030.” The plan is premised on strengthening the research and development system, including strengthening R&D to develop new businesses and expanding overseas business and development and sales of environmentally friendly products.



Among these initiatives, our urgent tasks are the development and sales expansion of chemicals and processing technologies for promising fields, such as EVs, electricals/electronics, and medical devices. We have already begun constructing a new Central Research Laboratories facility, aiming to complete it in 2025. After its completion, this facility will be a world-leading R&D base for surface modification technologies. For overseas business, we have established technology hubs in Japan, Thailand, and China under the “Think Globally & Act Locally” policy. We aim for a global technological support system close to customers and for prompt development of technologies that match local demands. We will also strengthen the development of global human resources by increasing personnel exchanges in Japan and overseas and recruiting and training local staff.

Acceleration of sustainability initiatives

We have recognized that sustainability initiatives are essential for enhancing corporate value and identifying and addressing critical social issues. In July 2023, we established a Sustainability Committee. We also checked the progress of carbon neutrality targets and the six key issues (materiality) that we have identified. We discussed future action policies, among other agendas, in an attempt to integrate business activities with sustainability-oriented management and drive them.

For “creating a richer society through surface modification technologies,” a particular focus for us, we will develop new environmentally friendly products and technologies and new businesses leveraging surface modification technologies, such as the medical business. As a leader in surface modification technologies, we will thus support people’s daily lives and enrich the global environment for future generations.

We believe the active participation of diverse human resources is essential for the sustainable growth of the Nihon Parkerizing Group and the creation of innovations. We will maximize the Group’s strength in terms of human resources by recruiting and developing a diverse workforce. To do this, we will create an environment permitting various human resources to work actively and to their full potential. At the same time, we will establish systems that enable flexible workstyles and improve our workplace environment so that employees find their jobs rewarding and can feel they are achieving personal development.

At the Nihon Parkerizing Group, we will strive to ensure highly transparent information disclosure so that our shareholders, investors, and other stakeholders will better understand our medium to long-term value creation.



Our goal

We will contribute to building a sustainable society by creating new value for resources through surface modification of various materials.

The Earth's population has surpassed 8 billion. We finally realize that resources, food, and the environment are limited. We are looking for ways to address the social issues facing the Earth and its people by using our surface modification technologies. Under "Vision2030," we will take a significant step toward realizing a sustainable society with the slogan: "Transforming a diverse range of surfaces with chemistry."

2000s to 2021
Launch of the 1st
Medium-Term
Management Plan in
2013

2022 to 2025
Building a foundation for the
achievement of "Vision2030"
Period of the 4th
Medium-Term Management
Plan

2028
Centenary

Vision2030
Transforming a diverse range of surfaces with chemistry
Ensure the Group's continued growth through solving social issues and gaining the trust of customers and society.

“Vision2030”

VISION 2030



At Nihon Parkerizing, we will celebrate our centenary milestone in 2028. But it is only a transit point into the future. Looking further ahead, we have set “Vision2030,” our management vision showing who we want to be and the direction we should take. We will make our mark on the world by contributing to a sustainable society.

Background

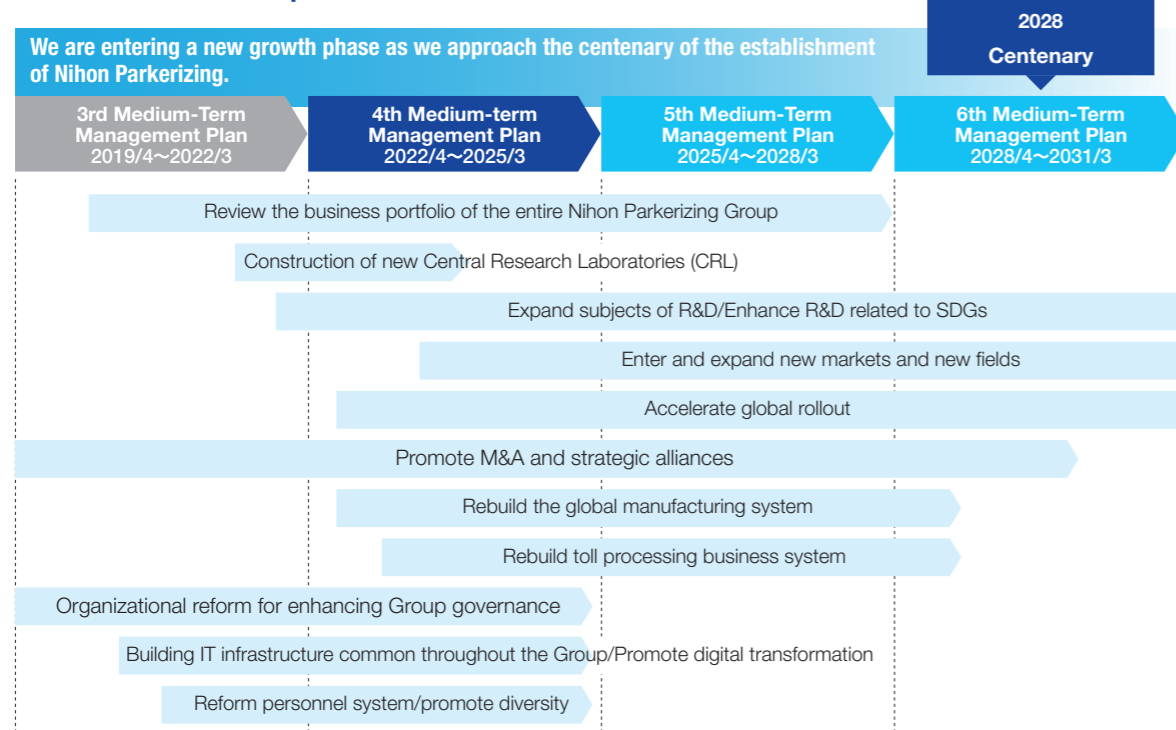
To achieve sustainable growth by responding to the increasing number of social issues, such as increasingly severe natural disasters, the evolution of the market, and technological changes symbolized by the shift to EVs, we must take on new business challenges and help solve social issues.

Social issues	Changes in the market and technologies
<ul style="list-style-type: none"> Global warming Environmental destruction Health and welfare Poverty 	<ul style="list-style-type: none"> Next generation autos (“CASE”) New materials Alternative technologies More stringent environmental regulations

Management targets

Consolidated net sales: ¥200 billion				
Development of new businesses 20%	Cultivating existing markets CAGR 3%	Ratio of overseas sales 50%	Operating income to net sales ratio 15%	ROE 10% +

“Vision2030” Roadmap



Fundamental strategy -- Sustainability-oriented management

We will celebrate our centenary in 2028. Looking further ahead, we will improve our 3G management (Global, Group, Governance) to spur a new growth phase.

We will actively engage in environmental, social, and governance (ESG) issues to ensure the sustainable development of society and improve our medium- to long-term corporate value.

STRATEGY 01

Cultivating existing markets and developing new businesses

We will also actively seek M&A and alliances to take on the challenge of the application of surface modification technologies to a variety of materials.

	Cultivating existing markets	Development of new businesses
Substrate	Metal For a wide variety of applications	Non-metal Fiber/glass/resin
Market	Automobile & steel For next-generation autos (lighter vehicles) Changes in sliding components due to the shift to EVs	New markets Medical devices/electronic components/aerospace/health care/home appliances
Added value	Corrosion resistance, lubrication, wear resistance Increased functionality, composite functions, controlling coefficient of friction	Multi-functional Conductivity/insulation, hydrophilicity/hydrophobicity, heat dispersion/insulation, antibacterial, bonding different materials

STRATEGY 02

Accelerate global rollout

We provide solutions that contribute to solving social issues globally by leveraging the collective strength of the Group.

Region	Key points
China	<ul style="list-style-type: none"> Expanding chemical sales and toll processing business Developing demand from non-Japanese customers Enhancing technical support system
India	<ul style="list-style-type: none"> Expanding chemical sales and toll processing business
North America	<ul style="list-style-type: none"> Expanding processing business throughout the US Developing processing technologies in compliance with environmental regulations Enhancing technical support system Expanding sales of chemicals for heat treatment
Europe	<ul style="list-style-type: none"> Expanding processing business into Europe
Southeast Asia	<ul style="list-style-type: none"> Expanding chemical sales and toll processing business Expanding share of sales to auto parts manufacturers Enhancing technical support system

STRATEGY 03

Enhancing Group governance

We will enhance governance throughout the Group to provide the foundation for global business activities to improve our medium- to long-term corporate value.

Policy	Key points
Restructure business portfolio	Focus management resources on enriching core businesses and investing in future growth
Improve capital efficiency	Manage investment profitability with a sharp sense of capital costs
Improve risk management system	Organizational changes to tighten risk management throughout the Group
Enhance compliance	Fostering a fair and highly transparent corporate culture

STRATEGY 04

Diversifying human resources

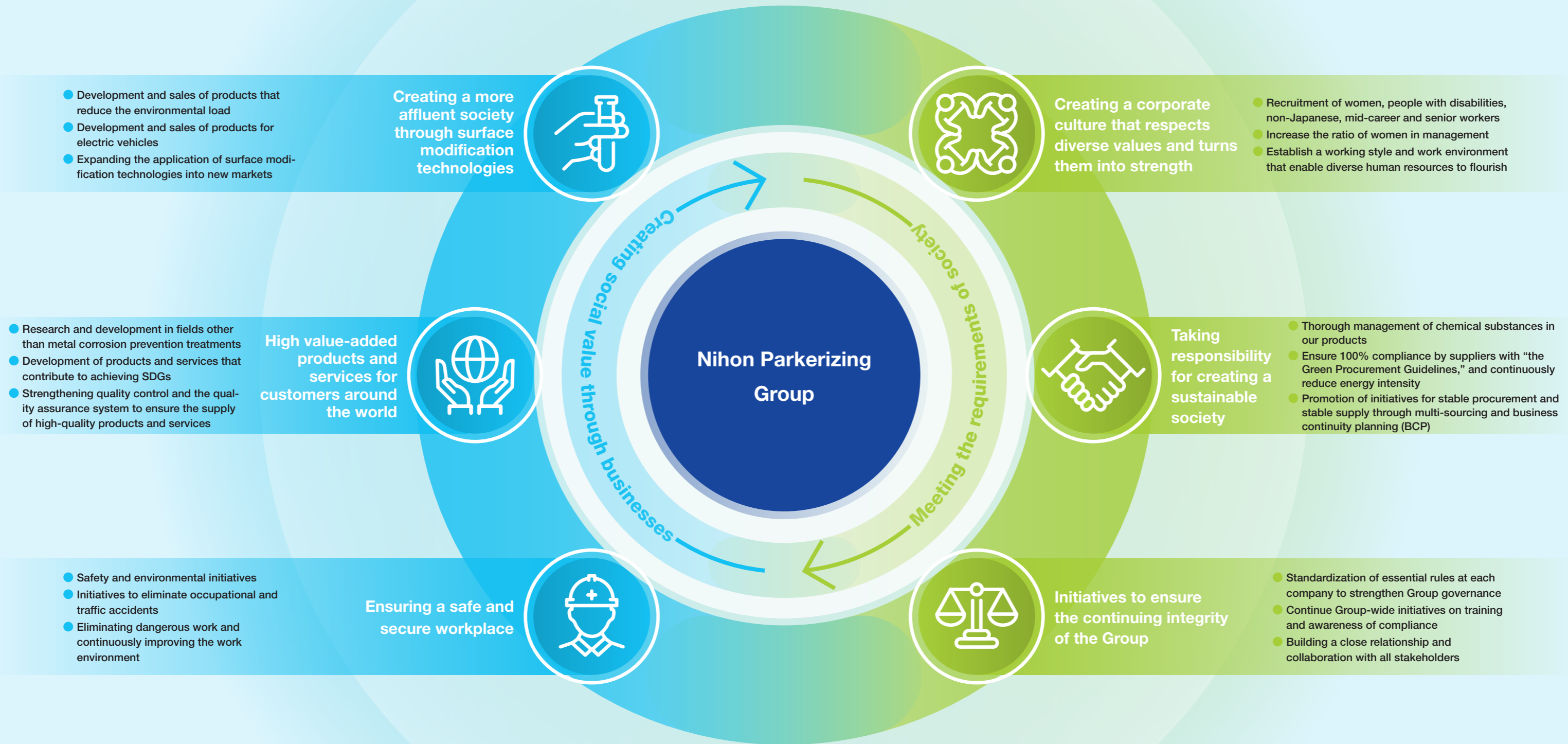
We will promote Diversity Management as multiplicity in human resources is indispensable for sustainable growth and creation of innovation.

Policy	Key points
Increasing diversity	<ul style="list-style-type: none"> Establish an environment in which diverse human resources can exercise their talents to the maximum Promote the career advancement of women
Developing global human resources	<ul style="list-style-type: none"> Plan development of global human resources Develop human resources who can adapt to a changing society
Improving work-life balance	<ul style="list-style-type: none"> Establish a flexible workplace environment Promote digital transformation

VISION 2030

Key Issues (Materiality) and Identification Process

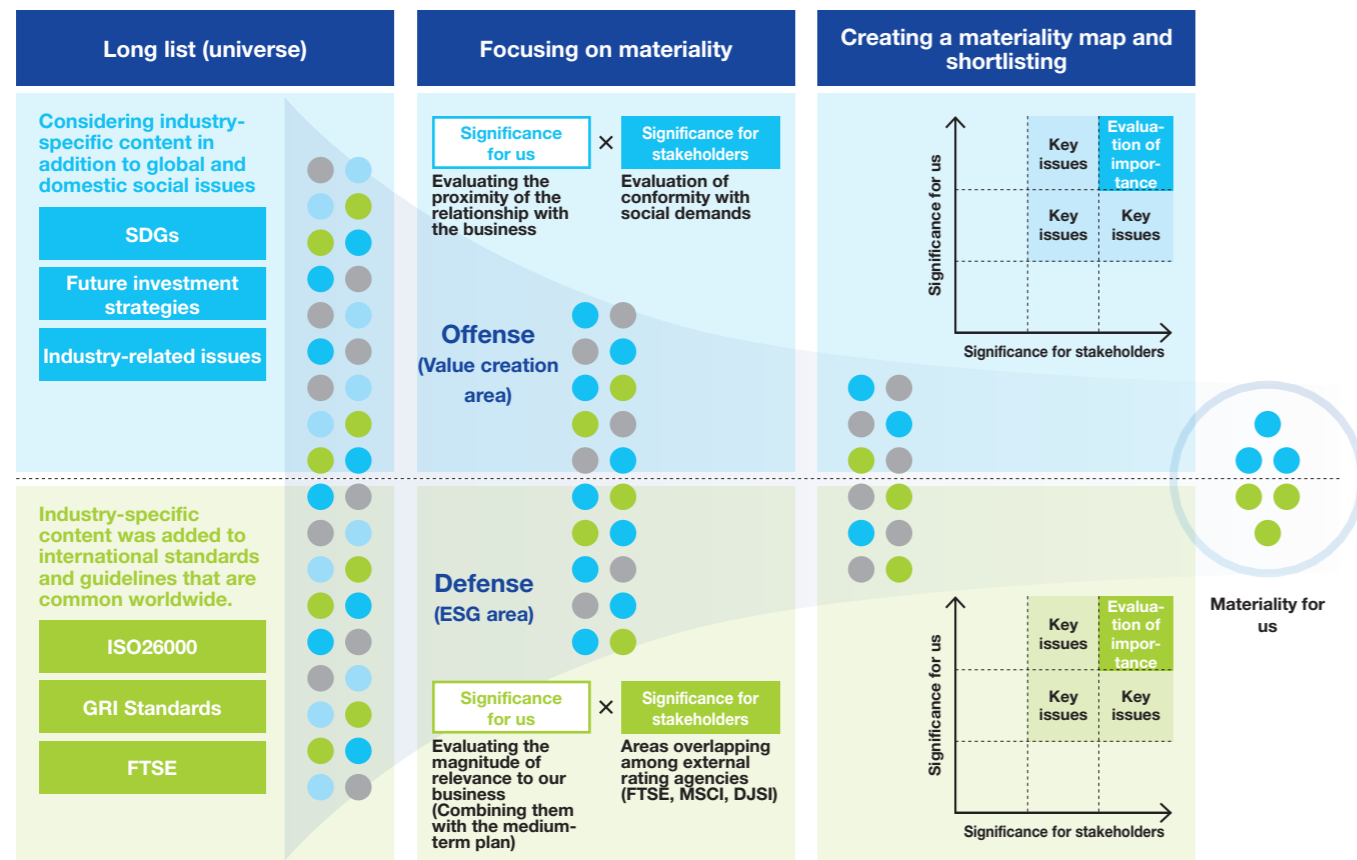
The planet we live on faces many social issues that require urgent solutions. At the Nihon Parkerizing Group, we have identified six key issues (materiality) that we must address by identifying risks and opportunities in our business activities under “Vision2030”, our management vision that we announced in May 2021. We have decided to actively work to solve social issues by enhancing our corporate value as a specialist in surface modification.



Key Issues (Materiality) and Its Identification Process

At the Nihon Parkerizing Group, we have identified social issues related to our activities, reevaluated the magnitude of their impact in light of societal changes, and prioritized specific problems. We used the Sustainable Development Goals (SDGs) proposed by the United Nations as a basis and referred to several significant guidelines in identifying key issues (materiality).

Process of identifying key issues (materiality)



Creating social value through business

Creating a more affluent society through surface modification technologies



Developing new products and technology that are environmentally friendly

We contribute to preserving the global environment by reducing the environmental impact of our customers' manufacturing processes with the development of new products and technologies, such as diverse chemicals, that meet the demands of EVs and lighter vehicles. These chemicals do not contain hazardous chemicals. We also use equipment with a reduced environmental impact, together with low-temperature treatment technologies.

Developing new fields, making the most of surface modification technologies

As surface modification specialists, we will utilize our technological capabilities to develop business areas in non-metallic, multifunctional, and new markets and contribute to solving a wide range of social issues.

Promoting open innovation

We are committed to creating new value by actively promoting collaboration with various companies and research institutions, academia, and government in Japan and overseas, developing technologies from new perspectives, and creating new value.

High value-added products and services for customers around the world



We provide our customers worldwide with solutions that contribute to solving social issues. To this end, we will strengthen our research and development, production, and quality control systems, creating a global organization that swiftly supplies high added-value products and services that meet the demands of customers and society.

Ensuring a safe and secure workplace



We are committed to providing a safe and secure working environment for all employees of our Group by continuing our efforts to improve safety through the reduction of hazardous and harmful operations in manufacturing and processing processes, as well as through safety training and health promotion.

Responding to Social Demands

Creating a corporate culture that respects diverse values and turns them into strength



Utilizing diverse human resources

We will realize a workplace in which all employees of our Group can play an active role and fulfilled in their work. To achieve this goal, we will promote diverse working styles, recruit and train global human resources, and encourage the recruitment of women, people with disabilities, non-Japanese, and mid-career and senior workers.

Respect for human rights

We foster a corporate culture that respects the rights of all people, regardless of country or region, by respecting human rights, establishing rules that prohibit discrimination and harassment, and building good labor-management relations.

Taking responsibility for creating a sustainable society



Building a sustainable supply chain

We will build cooperative relationships with customers and suppliers and engage in initiatives to build a sustainable supply chain by working on resource management and production and realizing a circular society.

Contributing to reducing the environmental load

We will contribute to protecting the global environment by continuing to take initiatives to reduce the environmental load, such as reducing emissions of CO₂ and other greenhouse gases, hazardous chemicals, wastewater, and promoting renewable energy utilization.

Initiatives to ensure the continuing integrity of the Group



Faithful and sincere corporate management

We will conduct transparent management by encouraging information disclosure, including non-financial information, and communicating with various stakeholders, including shareholders, to achieve sustainable growth and improve corporate value over the medium to long term.

Improving risk management

We will reduce the risk of changes in the business environment, accidents, and disasters by establishing a system to appropriately assess various possible risks in our business and take remedies according to the degree of risk.

Groundwork to Achieve Our “Vision2030”

4th Medium-Term Management Plan

In all business segments, we will cultivate existing business, develop new business, expand global business, to achieve our “Vision2030,” and work proactively to solve environmental and other social issues and enhance our corporate value.



Numerical targets (fiscal year ending March 31, 2025)			
Net sales ¥130 billion Chemicals: ¥56 billion / Engineering: ¥20 billion / Toll processing: ¥52 billion / Other: ¥2 billion	Operating income ¥16.9 billion Operating income to net sales ratio 13% or more	Ordinary income ¥19.5 billion Ordinary income to net sales ratio 15% or more	ROE 8% to 10% or more
Results (fiscal year ended March 31, 2023)			
Net sales ¥119.1 billion	Operating income ¥12.6 billion	Ordinary income ¥16.6 billion	ROE 6.1%

Basic policy

Growth strategies to achieve our “Vision2030”

- Cultivate existing markets (auto, steel)
- Development of new businesses (medical devices, electronic components, healthcare)
- Expand global business
- Strengthen research and development.
- Strengthen quality control and quality assurance.
- Improve the profitability of existing business.
- Examine potential M&A

We aim to achieve further growth by accelerating our move into new markets, such as non-metals, composite materials, and medicine while responding to the demands of EVs and a decarbonized society with surface modification technologies.

Contributing to solving social issues

- Expanding sales of environmentally friendly products
- Research and development related to SDGs
- Appropriate management of chemical substances
- Initiatives to reduce the environmental load
- Respect for human rights

As a leader in surface modification, we contribute to reducing the environmental impact by developing environmentally friendly technologies and selling our products. We also contribute to addressing social issues, including carbon neutrality, from the perspective of ESG and the SDGs.

Corporate innovation

- Enhancing Group governance
- Promoting diversity
- Developing global human resources
- Digital transformation

We will provide new value to society by achieving corporate innovation through reviewing our business portfolio, strengthening our Group governance, and pursuing initiatives in human resource development.

Strategy by Business Segment

What's Next

Life science business

Spin-off of surface modification technologies for improving people's QOL*

*QOL: Quality of life



CHIDORI®

By coating specific areas of the blade tip of an electrocautery scalpel, we have added two new functions: the ability to suppress carbide adhesion and to control temperature increase.



RAIKIRI®

We shaped an electrocautery scalpel to alleviate hand fatigue even in long-duration surgery, and this scalpel is treated with a nonslip coating to promote ease of grip during surgery.



Surface treatment for medical devices

A coating is formed on the surface of medical devices by applying and drying chemical agents. Our coatings can be applied to various materials, including metals, glass, ceramics, and resins.

In 2018, Nihon Parkerizing launched its life science business, which was spun off from traditional business field. We believe that our technologies nurtured in the steel and automotive industries would enable the “creation of new value” in surface modification technologies in other business areas. Our life science business initially created therapeutic medical device products by utilizing non-stick functions. However, we have expanded market domains, and medical devices and functional chemicals are the pillars. As a leader in surface modification, we will continue to explore new horizons through the growth of our life science business.

Medical devices

In the medical device field, we aim to apply the surface modification technologies we have developed to maintain public health based on “contributing to people’s lives and health.” A single-use (disposable) electrocautery scalpel that we manufacture and sell received the Health and Welfare, Biotechnology, and Medical Equipment Component Award at the 2020 Cho-Monozukuri Buhin Taisho (super-manufacturing component grand prize) organized by Monozukuri Seimei Bunmei Kiko, an NPO, and Nikkan Kogyo Shimbun, Ltd. Today, its

performance earns high marks among medical professionals, and it has already been adopted by more than 150 hospitals in this market, which European and US manufacturers have dominated. We will continue striving to gain the top market share in this product category by having more hospitals adopt the product. Meanwhile, we continue to expand our product lineup by developing implantable medical devices through industry-academia collaboration.



Ablation catheter

Purpose: Providing insulation
Exposed metal parts are insulated to prevent thermal damage when they touch areas other than the affected area.



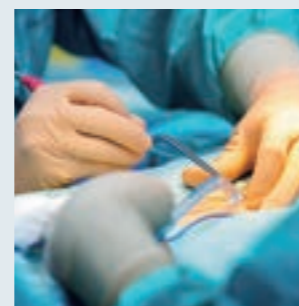
Guidewire

Purpose: Providing sliding performance
The guidewire slides smoothly inside the catheter, making it easier to pass the catheter into the affected area.



Electrocautery scalpel (monopolar)

Purpose: Preventing sticking
Our coating on the tip of the scalpel prevents sticking and improves wipeability.



Electrocautery scalpel (bipolar)

Purpose: Providing insulation
The insulating coating prevents burn injuries when the part other than the exposed metal of tweezers (scalpel tip) touches the affected area.

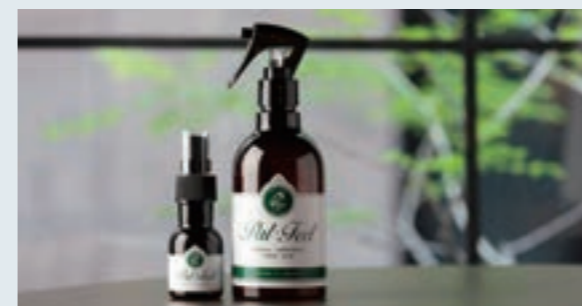
We manufacture and sell our medical devices and undertake surface treatment processing of medical devices manufactured by other companies. For example, we have started surface modification for bipolar electrocautery scalpels instead of monopolar ones and for catheter guidewires,

ablation catheters, and many other medical devices. Moving forward, we will contribute to people’s lives and health through surface modification of our products and those from other companies.

Functional materials

In the area of functional materials, we deal with functional coating chemicals. By “making daily life more comfortable,” we aim to apply the surface modification technologies we have developed to everyday life as we do with medical devices. The antiviral and antibacterial formulation, which has a longer-lasting effect than ordinary disinfectants, has been commercialized and is marketed as Palten Coat 688 (TC-688) for corporate customers and as Pal-Feel for general consumers.

This product is not a temporary disinfectant but a product that lasts for two months, taking advantage of our surface modification technology. We have started field surveys in the medical and nursing care industry and hotels and have begun collecting data on antiviral and antimicrobial effects and deodorant and mold prevention effects. We are promoting product development through industry-academia collaboration and aim to enter the cosmetics field in the future.



Pal-Feel

Objective: Providing long-acting antiviral and antimicrobial effects
Applying our surface modification technologies cultivated in the industrial field provides a long-lasting antimicrobial effect on material surfaces.



Cosmetics industry

Objective: Providing functionality
Surface modification technologies are applied to raw materials to provide new performance to cosmetics.

Strategy by Business Segment

Chemicals

Chemicals business

Providing surface treatment chemicals, the latest knowhow, and technical support in a variety of industrial fields



Descriptions of main businesses

- Paint base
- Metal corrosion prevention
- Lubricating coating
- Rolling oil
- Rust prevention oil
- Electroless nickel plating
- Other functional coating chemicals

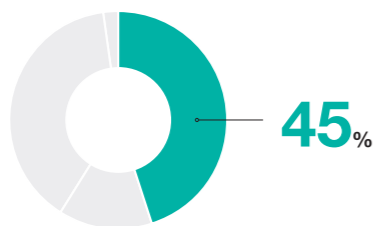
Net sales of chemicals business

¥ **52,911** million

Operating income

¥ **7,672** million

Ratio to net sales



Business overview

In FY2022, sales increased 13.5% annually to 52,911 million yen, and operating income rose 0.2% annually to 7,672 million yen.

This segment manufactures and sells surface treatment chemicals for cleaning materials, rust prevention, paint base, lubrication, and aesthetic design in all industrial fields. We also provide the latest know-how and technical support in these areas.

In Japan, sales of metal surface treatment chemicals were sluggish in the first half of the year, due in part to production cutbacks by major customers, but showed a gradual recovery in the second half. Further, overall sales of the chemicals business increased due to sales recovery in India, Indonesia, and other parts of Asia, in addition to higher sales prices in Japan and overseas. However, profitability declined as the impact of raw material price hikes continued throughout the year, resulting in only a modest increase in operating income.

Future outlook

We foresee raw material prices to remain high. We will work to secure appropriate margins, for instance, by shifting costs to selling prices, reducing costs, and improving productivity.

Strengths and risks

1 Strengths

- A wide variety of products that add various functions to surfaces
- A customer-focused service system that enables us to respond rapidly to customer demands and issues
- R&D system with state-of-the-art facilities and unique development utilizing in-house technologies
- Stable supply of high-quality products demanded by customers
- Supporting our customers' overseas expansion with a broad global network

2 Risks

- Structural changes in the automotive and steel industries attributed to the shift to EVs
- Intensifying price competition reflecting product commoditization
- Rising prices of phosphoric acid and other raw materials
- Tightening of chemical and environmental regulations
- Supply chain disruptions resulting from natural disasters and international conflicts.

3 Remedies

- Developing products for EVs, such as ones with improved sliding properties and insulation
- Developing new markets
- Developing high-value-added products by strengthening research and development
- Developing environmentally friendly products that do not contain hazardous substances
- Securing appropriate margins by shifting on higher raw material prices to selling prices and reducing costs
- Collecting information on country risks and developing and strengthening BCPs

Growth strategies to achieve "Vision2030"

We aim for the No.1 share of the global market in sales of surface treatment chemicals.

Find solutions for environmental issues by developing, manufacturing, and commercializing chemicals that contribute to decarbonizing society and reducing the environmental load, such as chromium-free chemicals. Develop new businesses globally in various fields such as automobiles, steel, electricals/electronics, non-ferrous metals, and life sciences.

Points of focus

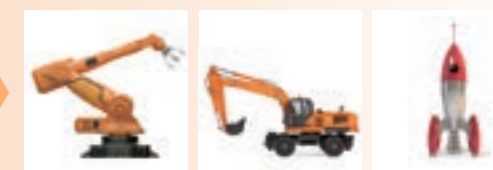
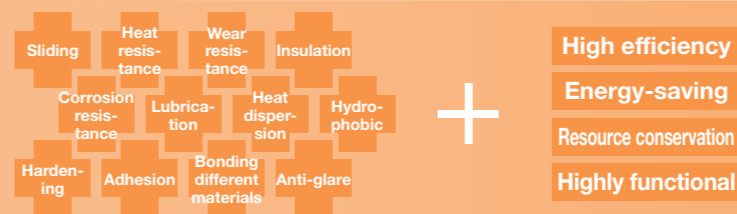
- **Product development for electric vehicles**
 - Improving energy efficiency and functionality with durability, sliding property, and improved insulation.
- **Developing new markets**
 - Electricals/electronics, non-ferrous metals, life sciences, and more
- **Expanding sales of environmentally friendly products**
 - Chromium-free, phosphorous-free, reducing CO₂ emissions, reducing sludge, reducing load of waste liquid treatment, and more
- **Development, manufacturing, and sales of diverse functional coatings other than metal surface treatment chemicals**
- **Expanding business in overseas countries**

Strategy by Business Segment

Toll processing

Toll processing business

Providing processing services for adding diverse functions that contribute to reducing environmental impact



Descriptions of main businesses

- Conversion coatings
- Salt bath nitriding
- Gas carburizing, carbonitriding
- Gas soft nitriding
- Electroless nickel plating
- Solid lubrication
- Other heat treatment and surface treatment

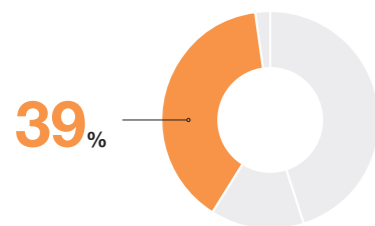
Net sales of toll processing business

¥46,743 million

Operating income

¥6,086 million

Ratio to net sales



Business overview

In FY2022, sales increased 4.3% annually to 46,743 million yen, and operating income decreased 10.3% annually to 6,086 million yen.

This segment provides surface treatment services such as rust prevention processing, which includes lubrication, high adhesion, and other functional properties; heat treatment processing, which increases the strength and durability of metals; and plating, which adds high corrosion resistance and wear resistance by coating the surface of materials with a thin metal film.

Overall sales in the toll processing business increased due to relatively strong sales in some parts of Asia, such as Vietnam and India, as well as a weaker yen against the US dollar. On the other hand, sales grew sluggishly in Japan, North America, China, and Thailand due to a slowdown in production by auto parts manufacturers, our significant customers. By rising raw material and utility costs, this trend resulted in a decline in profitability and a decrease in operating income.

Future outlook

Although global price hikes are putting pressure on earnings in this business segment, we will promote a certain degree of price pass-through and productivity improvement through automation, robotization, DX, and other initiatives. Although we are forced to struggle in the US market, in overseas markets generally we are producing results from customer development and improvement in profitability at unprofitable locations.

Strengths and risks

1 Strengths

- Various technologies such as conversion coatings, heat treatment (carburizing, nitriding), and electroless plating
- A customer-focused service system that enables us to respond in a timely way to customer demands and issues
- Unique technologies and know-how cultivated over more than 90 years of history since our founding
- Timely suggestion and provision of surface modification treatments that satisfy customers' demands
- Supporting our customers' overseas expansion with a broad global network

2 Risks

- Structural changes in the automotive parts industry reflecting the shift to EVs
- Intensifying price competition reflecting commoditization of technologies
- In-house surface modification treatment by customers and overseas relocation of customers
- Tightening of chemical and environmental regulations
- Supply chain disruptions resulting from natural disasters, international conflicts.

3 Remedies

- Developing new and differentiated technologies for EVs, such as ones for improving heat resistance and wear resistance and ones for bonding different materials
- Strengthening cooperation with mega-suppliers
- Strengthening overseas business and exploring new local customers
- Developing new processing technologies that contribute to the reduction of CO₂ and hazardous substance emissions
- Collecting information on country risks and developing and strengthening BCPs

Growth strategies to achieve "Vision2030"

We aim to be recognized worldwide and the most trusted partner for our customers.

Strengthen ties with mega-suppliers targeting critical components for electric vehicles (BEV, HEV, PHEV) as demand will continue to increase in this area, and further strengthen business ties in Japan and overseas to reactivate business in existing fields and develop new fields globally to reinforce our business foundation.

Points of focus

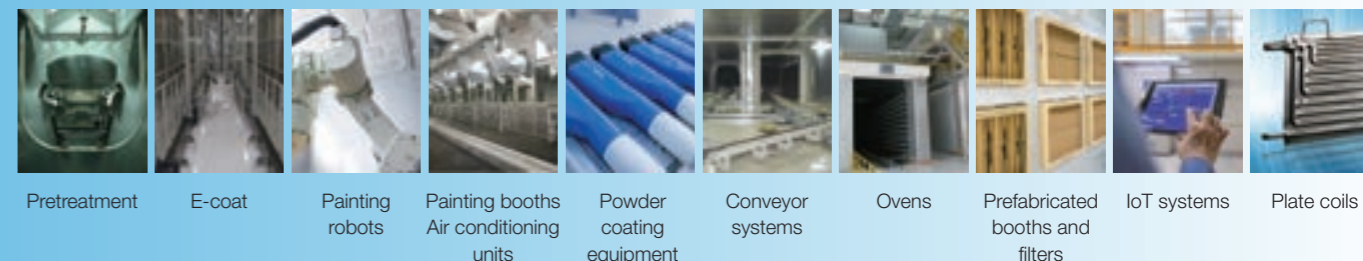
- Respond to requirements of next-generation automobiles.
- Gain orders for critical components for electric vehicles (BEV, HEV and PHEV) (Sliding property, insulation, wear resistance.)
- Develop applications for next-generation automotive technologies (Anti-glare, heat dispersion, dissimilar material joint.)
- Develop new business other than the automotive business (Construction machinery, construction, robots, aerospace)
- Strengthen sales activities at key overseas bases (Thailand, China, and North America) and gain non-Japanese customers
- Expand services that reduce the environmental load (Low-temperature treatments)
- Reactivate existing fields through lateral deployment and gain in-house production at customers

Strategy by Business Segment

Engineering

Engineering business

We provide full turnkey painting and surface modification solutions, regardless of equipment size and industrial field.



Descriptions of main businesses

- Pretreatment equipment
- E-coat equipment
- Wastewater treatment system
- Coating equipment and robots
- Paint booths, Air conditioning units
- Powder coating equipment
- Conveyor systems
- Ovens
- IoT systems
- Plate coils

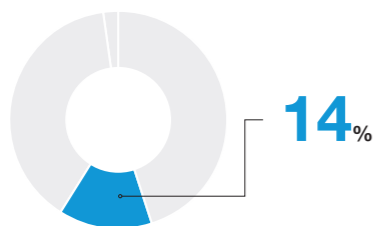
Net sales of Engineering business

¥ **16,790** million

Operating loss

¥ **8** million

Ratio to net sales



Business overview

In FY2022, sales decreased 29.8% annually, to 16,790 million yen, with an operating loss of 8 million yen (compared to an operating income of 151 million yen in the previous year). This segment designs, manufactures and sells pretreatment, coating, and powder coating equipment, mainly for the transportation machinery industry.

In the previous fiscal year, the construction of large-scale equipment projects in Japan and overseas progressed and contributed to our business performance. In the fiscal year under review, however, profits decreased significantly, forcing us to post an operating loss due to the reduced effect of the above projects and factors such as the postponement of construction periods reflecting the lockdown in China and the steep rise in steel prices.

Future outlook

Although various cost increases have put pressure on profits under the global price hikes, we have sufficient backorders and have begun to see positive signs amid the slow recovery.

In the global automotive market, in particular, new investment is expected to increase in China and India, making it essential to strengthen relationships with Japanese auto-makers and local manufacturers. We will also continue to develop emerging markets such as Vietnam, Cambodia, and Myanmar.

Strengths and risks

1 Strengths

- Supporting customers with all sizes of facilities and from all industrial fields
- Extensive track record of deliveries in a wide range of industrial fields, from the automotive and steel industries to cutting-edge industries
- A one-stop service from design to maintenance services for all lines related to surface treatment and coating
- Developing and proposing new surface treatments and cutting-edge coating processes that are critical to coating quality
- Supporting our customers' global strategies with a proven track record

2 Risks

- Significant decrease in demand for capital investment reflecting an economic downturn.
- Additional costs associated with material price hikes and the reworking of design and installation works.
- Loss of opportunities to receive orders resulting from delays in engineering development
- Occurrence of severe accidents and disasters involving people and construction

3 Remedies

- Stabilizing profits by expanding after-sales services such as maintenance and inspections and sales of consumables
- Ensuring thorough construction cost management from design to construction management
- Strengthening overseas business development
- Developing facilities with a low environmental impact that leads to a reduction in CO₂ emissions .
- Developing and selling highly productive facilities incorporating IoT equipment management systems
- Ensuring thorough safety and health management to achieve zero accidents and disasters

Growth strategies to achieve "Vision2030"

As a comprehensive engineering company, we contribute to solving issues for various customers, from the automotive industry to the general industry, through collaboration with our chemicals business.

We will promote business expansion in overseas markets, which continue to grow, and will work to create a foundation for sustainable growth by increasing earnings strength and differentiating ourselves from our competitors by developing IoT facility management systems and environmentally friendly products, and through other measures.

Points of focus

- **Increase added value through joint selling of equipment and chemicals**
(Zirconium conversion coating, CHEMICON)
- **Develop and commercialize IoT equipment management systems and environmentally friendly products**
(PARKER LEAPS, DRYCUBE)
- **Expand sales of high-value-added products**
(Ionics powder coating equipment)
- **Enhance equipment maintenance business**
- **Expand business in growing markets overseas**

Sustainability Strategies

Sustainability

In July 2023, we set up a Sustainability Committee headed by the Chairman, President and CEO to explore ways to achieve growth that does not burden society. What role should we play in society in response to demands for sustainability? We are committed to addressing social issues and working with society in the three business domains of chemicals, engineering, and processing.

Aiming to “make effective use of limited resources and realize an affluent, sound society”

Our corporate philosophy is: “We are contributing to the effective use of limited resources on planet Earth, creating new value of resources through surface modification of all kinds of materials, preserving the global environment, and realizing an affluent society”.

Since we introduced Japan’s first rust prevention technology (phosphate conversion treatment technology), we have contributed to a wide range of fields, from core industries to cutting-edge industries in surface modification, mainly for metals. As a leader in surface modification, we recognize the social responsibility that comes with our corporate activities, and we will strive to meet society’s expectations. We aspire to develop the Company through these efforts and help create a sustainable society.

Basic Policy on Sustainability

1. The Nihon Parkerizing Group is committed to realizing a sustainable society and increasing its corporate value by providing its products and services.
2. The Nihon Parkerizing Group will actively seek to provide products and services that are environmentally friendly and ensure safety and quality.
3. The Nihon Parkerizing Group aims to realize a society where diverse human resources can play an active role through respect for human rights and equal employment opportunities.
4. The Nihon Parkerizing Group will engage in fair and sincere corporate activities, with appropriate information disclosure and proactive communication with stakeholders.

Tackling climate change -- Initiatives based on TCFD recommendations and the challenge to achieve carbon neutrality --

We can afford no further delay in tackling climate change. The Nihon Parkerizing Group will fulfill its accountability to stakeholders by disclosing information based on recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). At the same time, we will meet our corporate responsibility by identifying the risks and opportunities of climate change, evaluating the business impact and financial impact through scenario analysis, and implementing remedies to explore the sustainability of our business.

Governance

In July 2023, we set up a Sustainability Committee to achieve sustainable growth under our management philosophy while also enhancing both economic and social value and continue to pursue initiatives related to sustainability, including those related to climate change, in response to rising demands and expectations that companies contribute to the realization of a sustainable society.

The committee is chaired by an executive director appointed by the President and CEO and is responsible for the execution of

all sustainability-related tasks. This committee meets four times a year to discuss the scenario analysis results based on the TCFD recommendations, issues related to measures to address climate change, and issues associated with establishing and progressing towards qualitative and quantitative targets.

The committee reports these deliberations to the Executive Committee and the Board of Directors at least once a year without delay. The Board of Directors oversees the company’s sustainability activities.

Strategies

Based on short-, medium-, and long-term time perspectives, we have assessed and identified risks and opportunities that we estimated would have a significant impact on our business, from among transition risks attributed to policies, regulations, and market changes that climate change will bring to the value chain, as well as physical risks such as extreme weather events, according to the risk and opportunity assessment process that we have established. In addition, we have conducted a scenario analysis of how our business environment could have changed in 2030 from a long-term perspective, given the unique nature of the issue of climate change.

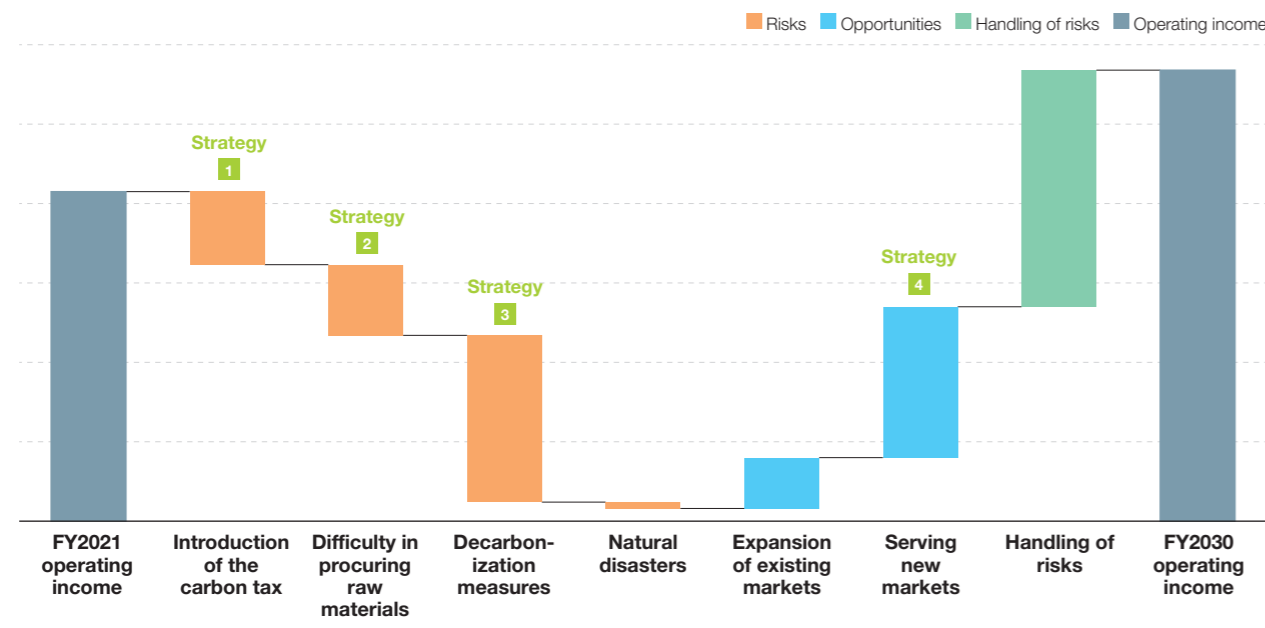
In the scenario analysis, we referenced multiple existing scenarios published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). We assumed two scenarios: the below 2°C scenario, under which decarbonization is accelerated, and the 4°C scenario. The risks and opportunities expected to impact the business significantly were identified as follows, and we quantified the financial impact in 2030 to the extent possible.

*Reference scenarios: IEA APS, SSP5-8.5, SSP1-2.6, STEPS

Scenario analysis (below 2°C scenario)

Scenario	Type of risk/opportunity	Impact on business	Time span			Overall evaluation	Remedies		
			Short term	Medium-term	Long term				
Below 2°C	Transition risks	Policy and legal regulations	Decarbonization policy breakthrough	Cost increase resulting from the introduction of carbon tax and use of carbon credits		●	●	Medium	- Promotion of energy conservation - Shifting to renewable energy-based power - Use of solar power generation for private consumption - Improvement of utilization ratio through consolidation and centralized operation
				Difficulty in procuring raw materials		●	●	Medium	- Enhancing supplier engagement - Promoting multi-sourcing - Product development with a view to purchasing and using alternative raw materials
		Market	Demand for decarbonization and energy conservation	Growing customer demand for low-carbon products and services		●	●	High	- Studying potential and apparent demands and issues and promoting research and development - Enhancing customer engagement - Expanding the lineup of environmentally friendly products - Promotion of CFP calculation for products and services - Promotion of energy conservation
	Physical risks	Acute	Increase in natural disasters	Difficulty in procuring scarce raw materials	●	●	●	Low	- Enhancing supplier engagement - Promoting multi-sourcing - Product development to use alternative raw materials
				Shutdowns resulting from natural disasters caused by extreme weather conditions					
		Opportunities	Products and services	Market changes	Expansion of existing markets		●	●	Low
Serving new markets		●			●	High	- Studying apparent demands and issues and promoting research and development - Developing customized products - Materializing environmentally friendly products by accelerating development		

Financial impact in 2030 under “the below 2°C scenario”



Key strategies based on the below 2°C scenario

- Strategy 1**
Introduction of the carbon tax
 We estimate that emissions from business activities will increase with business growth if we take no remedial action. Assuming the introduction of a carbon tax, the impact on operating income could be hundreds of millions of yen. We have, therefore, set an ambitious emissions reduction target of reducing CO₂ emissions per unit of sales (Scope 1 and 2) by 30% (compared to FY2020) by 2030 and will ensure that we promote measures to address this risk.
- Strategy 2**
Difficulty in procuring raw materials
 We anticipate that the procurement of new raw materials may be required due to environmental regulations. If it is difficult to procure raw materials, the impact on operating income could be billions of yen. As we have set “building a sustainable supply chain” as one of our key issues (materiality), we will establish a stable supply system for raw materials in cooperation with suppliers. Further, we will seek to develop products using alternative raw materials and switch to alternative products as appropriate.
- Strategy 3**
Decarbonization measures
 Customer demand for decarbonization is increasing. Failure to meet this demand could result in a decrease in orders and the loss of billions of yen in operating income. As we have set forth “developing new products and technology that are environmentally friendly” and “contributing to reducing the environmental load” as our key issues (materiality), we will work to reduce the environmental impact of our customer’s manufacturing processes and promote carbon footprint (CFP) calculation for each product and service to visualize CO₂ emissions, thus driving measures to address this risk.
- Strategy 4**
Serving new markets
 The movement toward carbon neutrality is accelerating worldwide, with the rapid expansion of decarbonization markets and the development of innovative technologies required in these markets. As we have set “developing new fields making the most of surface modification technologies” as one of our key issues (materiality), we will actively develop products for new markets based on the proprietary surface modification technologies we have cultivated over many years as a leading company.

Risk management

Process for identifying and assessing climate-related risks

At Nihon Parkerizing, our Sustainability Committee identifies and assesses climate risks. In contrast, the Risk Management Committee identifies and evaluates other business risks.

The Sustainability Committee conducts scenario analysis based on TCFD recommendations to identify critical risks and opportunities and assess the degree of impact.

For business risks, climate-related transition and physical risks were identified and assessed in light of risk assessment criteria, such as impact and probability of occurrence, using a standard risk sheet for the overall Company. The impact is evaluated on a four-point scale based on operating income. In contrast, the probability of occurrence is assessed on a four-point scale based on the frequency of occurrence.

Ultimately, risks are rated on a 16-point scale based on their importance, and priorities to be addressed are set by examining risks in relative terms from a management perspective.

Process of managing climate-related risks

The organization devised and implemented measures to address business and other risks based on their materiality. Their progress is managed, and improvements are made on an ongoing basis. We reflect measures to tackle climate-related transition risks and opportunities in our environmental strategy, incorporate them into our targets and plans, promote and develop environmental performance improvement and risk management efforts, and make improvements through the PDCA cycle.

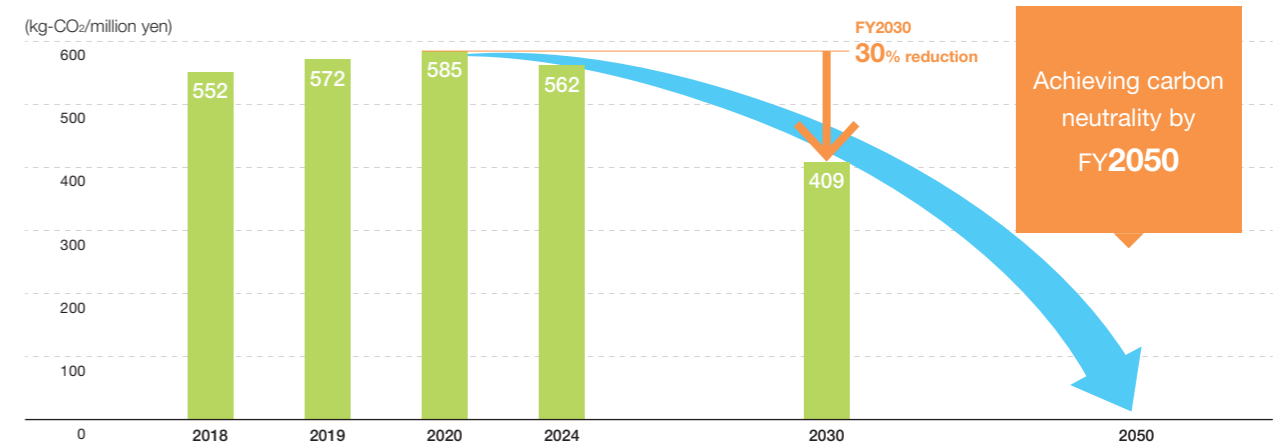
Integration with comprehensive risk management

The Group has established a Risk Management Committee to effectively and efficiently manage various risks that may hinder the achievement of its business objectives. This committee oversees risk management activities focused on management risks (operational risks), assesses such risks, evaluates and manages them, examines measures to address them, and reports to the Internal Governance Committee. The Sustainability Committee takes the lead in managing risks related to climate change, and the two organizations work closely and cooperatively with each other in company-wide risk management activities.

Metrics and targets -- initiatives to achieve carbon neutrality --

To achieve carbon neutrality by 2050, we aim to reduce our non-consolidated CO₂ emissions by 5% from the FY2020 level by FY2024 and 30% from the FY2020 level by FY2030. In addition, to achieve these targets, we will take measures such as (1) improving the efficiency of facilities and equipment and streamlining operating methods and processes, (2) expanding the use of electricity derived from renewable energy sources, and (3) using carbon offsetting methods.

CO₂ emissions reduction targets (non-consolidated basis, CO₂ emissions per unit of sales, Scope 1 and 2)



Scope 1, 2, and 3 GHG emissions

To ensure the transparency and reliability of the disclosed GHG (greenhouse gas) emissions, in FY2022, we received assurance from an external organization (SOCOTEC Certification Japan) as a third party.



Scope 1	26,593 (t-CO ₂)
Scope 2 (market standard)	23,770 (t-CO ₂)
Scope 3	573,119 (t-CO ₂)
Total	623,482 (t-CO₂)

Coverage: Nihon Parkerizing Co., Ltd., Parker Engineering Co., Ltd., Parker Processing Co., Ltd., Oita Parkerizing Co., Ltd., Komatsu Parkerizing Co., Ltd., Japan Kanigen Co., Ltd., Hamamatsu Netsushori Co., Ltd., Million Chemicals Co., Ltd., and Kyodo Yuso Co., Ltd.

Environmental Initiatives

The Nihon Parkerizing Group is committed to developing products that solve environmental issues at the production stage and the stage of customer use to “effectively use limited resources and realize an affluent, sound society.”

Environmental policy and ISO 14001

To contribute to protecting the global environment, we have established environment policies and obtained ISO 14001 certification, the international standard for environmental management systems. We engage in activities such as strengthening our corporate structure, developing environmentally friendly products, saving energy and resources, and reducing waste.



1. The Nihon Parkerizing Group will comply with all relevant laws, regulations, and agreements and operate its business in consideration of biodiversity and by giving the highest priority to environmental protection.
2. The Nihon Parkerizing Group will contribute to society by developing and marketing environmentally friendly products and technologies for them.
3. The Nihon Parkerizing Group will promote GHG reduction throughout the value chain to realize a low-carbon society.
4. The Nihon Parkerizing Group will strive to reduce the environmental impact of its business activities by effectively using resources and appropriately managing chemical substances.

Initiatives to reduce the environmental load

Promotion of energy conservation

- 1 Achieving both energy reduction and high efficiency with optimal processing methods
- 2 Saving energy with initiatives including appropriate management of electricity and gas use and use of waste heat
- 3 Developing chemicals and expanding their lineup with a focus on low temperature and long life
- 4 Reducing industrial waste in the treatment process
- 5 Efforts to develop equipment and systems aimed at reducing CO₂ emissions from various industrial machinery

Development of environmentally friendly products

The Group's surface modification technologies contribute to solving global environmental issues such as resource conservation, energy conservation, and high efficiency by adding various functions to the surface of materials, such as corrosion resistance, wear resistance, and lubrication. As a leading company

in surface modification, we are promoting the development of technologies for reducing environmental impact, such as replacing hazardous substances with chrome-free, phosphorus-free, sludge-free, or similar substances, reducing hazardous substances, and achieving zero emissions.

Approach to resource recycling

The Group uses recyclable containers for the products. We also promote the 3Rs (reducing, reusing, and recycling) and

strive to minimize industrial waste emissions while at the same time ensuring that waste is disposed of properly.

Approach to water resources

We use Baseline Water Stress, an Aqueduct Country Ranking evaluation indicator developed by the World Resources Institute, to check the water stress conditions in the countries where the Group's business sites are located. We manage our water consumption as a precious resource and strive to use water resources effectively (such as reusing cleaning water and steam drain water).

Baseline Water Stress	Countries where our business sites are located
Extremely high	India
High	Belgium, Mexico
Medium-high	Thailand, Korea, China, Indonesia
Low-medium	US., Japan, Philippines
Low	Taiwan, Vietnam, Malaysia

Created based on scores by country for Base Water Stress used in Aqueduct from the World Resources Institute

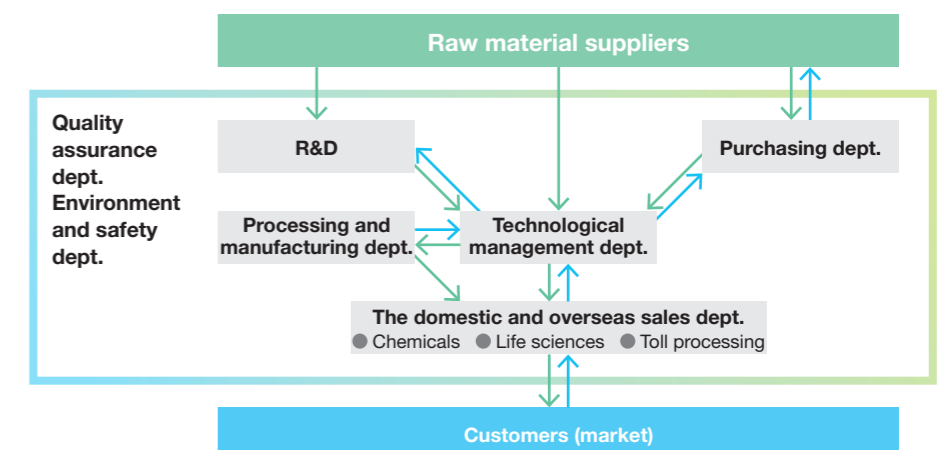
Management of chemical substances

To fulfill our social responsibility as a chemical manufacturer that manufactures and sells chemical products, we have formulated a policy for the management of chemical substances in products and established a Chemical Substance Management System (hereinafter referred to as CMS). We collect, manage, and communicate complex and voluminous information on the hazards, toxicity, and risk assessment of chemical substances based on domestic and international laws and regulations, as well as customers' standards, and share this information internally for CMS activities.

In addition, we conduct surveys of suppliers about chemical substances contained in products under our Green Procurement Guidelines. By controlling chemical substances contained in our products and identifying chemical substances of concern for hazardousness, we manage and reduce the risk of chemical substances for people and the environment throughout the entire supply chain.

CMS management system

To provide appropriate information to our customers, we have established a system in which the seven sectors concerned cooperate and collaborate under the supervision of the management, chief administrator, and chemical substance control supervisor to manage chemical substances in products.



*Arrows indicate information flows.

R&D

The Nihon Parkerizing Group, a technology-driven company, has been focusing on researching and developing surface modification technologies that excel in progressiveness and originality. In recent years, we have also been actively addressing various social issues, including the development of technologies that can reduce the environmental impact, such as the substitution or reduction of hazardous substances and zero emissions.

Research and support systems

The Central Research Laboratories constitute the development center that provides the basis of our technologies. Here, we engage in basic research and product development for customers worldwide. In addition to the Central Research Laboratories, we have created several technical centers in Japan and overseas to improve products and provide timely technological support by working close to our customers.

Meanwhile, to expand and strengthen our research and development system for the future, we are currently renovating the Central Research Laboratories.

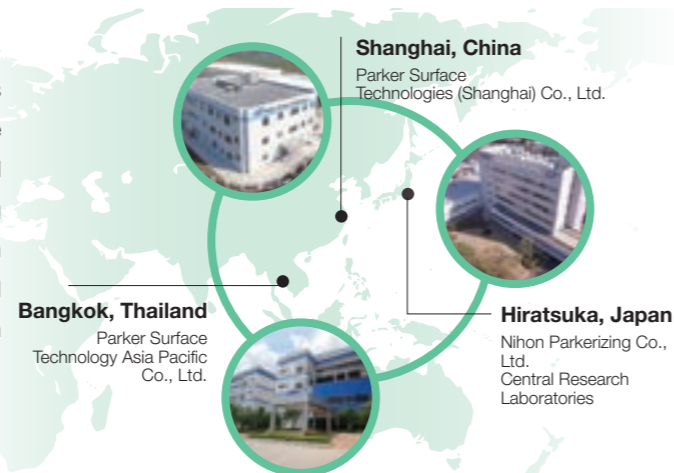
Based on the concept of open innovation, the new laboratories are scheduled to open in 2025.



Rendering image of the Central Research Laboratories scheduled to open in 2025
*Subject to change due to the project at the planning stage

Global structure

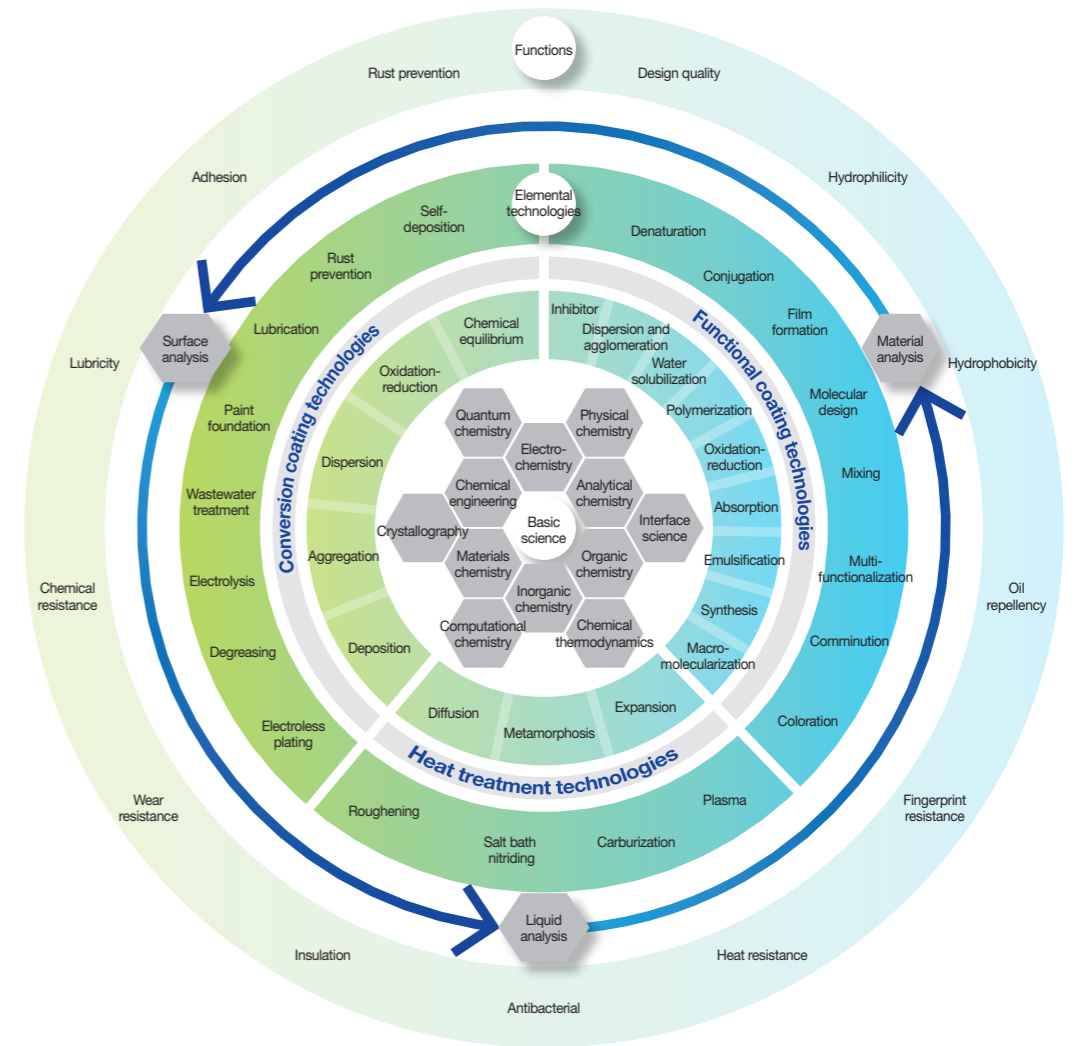
To ensure the sustainability of our business, we are expanding our surface modification technologies worldwide. In this process, we are taking advantage of the global network we have built to strengthen our customers' overseas roll-out and our connections with local customers. The Nihon Parkerizing Group has established technology development bases in China and Thailand to build local development and technical support systems. We thus respond timely to requests from local customers.



Strengthening core technologies and R&D

We will celebrate our centenary in 2028, five years from now. We have developed various surface modification technologies to engage with customers sincerely and solve their issues with our technical expertise. As a result, as shown in the figure on the right, our core technologies have found widespread application in all industrial fields. Recently, expectations have been growing for new surface

modification technologies, which add value to materials as a new means of solving social issues. Our research and development dept. is focusing on medicine, EV-related components, and renewable energy, and we are gaining confidence in ourselves about deepening and utilizing surface modification technologies as our core technologies.



Product development for realizing a sustainable world

We have launched PALLUCID, an environmentally friendly next-generation conversion coating agent that replaces phosphate conversion coating processes for various paint bases. PALLUCID is a revolutionary technology that not only extends the service life of metal materials through rust

prevention treatment but also reduces CO₂ emissions from raw materials, chemical manufacturing, and transportation processes by 70%. We will continue to spare no effort in developing innovative products for realizing a sustainable world.

Human Resource Strategies

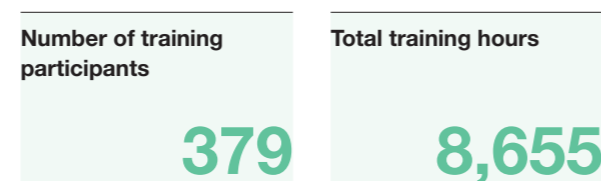
At the Nihon Parkerizing Group, we believe that people are the source of our competitiveness and, most importantly, our management resource. We create a motivating and comfortable work environment to maximize the power of our people and organizations, thus continuously enhancing our corporate value. We also respect the human rights of all stakeholders involved in our business activities.

Human resource development

To develop human resources who are proactive, dynamic, and creative and who can be active on a global scale from a long-term perspective, we are implementing various initiatives, including the introduction of different training programs.

In addition, to systematically develop next-generation leaders who will play a central role in management, we offer a step-by-step training program for all employees.

The number of hours allocated to capacity-building training for our employees in FY2022 was as follows.



Schematic for capacity building training programs

Position	Training provided outside the workplace				Workplace training	Other
	Human skills	Technical skills	Specialty (elective)			
Managerial positions	General-manager level					Self-development (incentive program encouraging acquisition of qualifications)
	Section-manager level	Management strategy training Middle management program				
Supervisory positions	Assistant-manager level	Training for new managers Management courses, training for evaluators, interview system, labor management	Practical course on business accounting	TOEIC training		
		Manager assessment training Managerial competence and aptitude	Basics of accounting	TOEIC training		
Non-managers		Supervisor assessment training Supervisory competence and aptitude		TOEIC training		
		Mid-level employee training	Basics of marketing and business strategies	TOEIC training		
		New employee training Product knowledge, practical training	Critical thinking	TOEIC training		
Prospective employees		New employee training Business manners and internal rules	Presentation skills training			
		Prospective employee training				

Creation of a comfortable workplace

Pursuing employee happiness and achieving a high level of self-fulfillment are among the most important significance for our continued existence. To bring our employees as close as possible to this ideal, we provide a range of support according to their life stages. The creation of a pleasant work environment also leads to higher labor productivity. We have established programs for leave, leave of absence, working

hours, and income considerations for life events such as childcare and nursing care. We are working to make these programs known to all employees. We also support flexible work styles such as through telework and flextime systems. These systems have become widely available, enabling employees to work flexibly and efficiently.

Diversifying human resources

We are committed to promoting diversity so that individual employees can leverage their diverse personal qualities and maximize their abilities.

We aim to realize a company where employees with diverse values, ways of thinking, and skills, consisting of various backgrounds such as race, gender, physical characteristics, physical disabilities, diseases, nationality, religion, political beliefs, age, sexual orientation, and gender identity, can maximize their abilities and characteristics and work energetically.

In FY2022, as part of our efforts to promote active participation of our human resources, we held the Parker Group Special Lecture Meeting for Promoting Active Participation of Women for female employees and their supervisors by inviting a woman working on the frontline of business as the lecturer. Participants commented that they wanted to use the lecturer's experience as a reference for their approach to their work. It was an excellent opportunity for them to think about developing their subordinates as supervisors, which means that the event increased motivation.

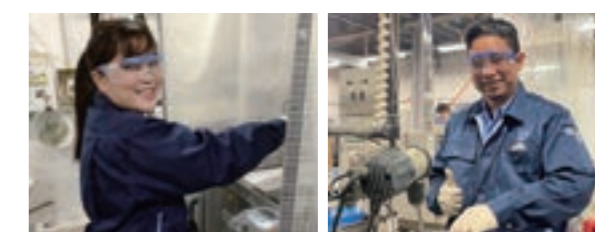
In addition, to develop global human resources, we launched the Global Associates Program, under which we accept engineering staff from overseas Group companies to our technology centers in Japan. Through this initiative, we deepen technological, cultural, and other exchanges in various areas to invigorate the entire Group.

We will continue implementing initiatives to maximize the power of people and organizations. Concerning the promotion

of diversity, our goal is to increase the percentage of women in management positions over the medium to long term.



Parker Group Special Lecture Meeting for Promoting Active Participation of Women



Trainees accepted from Group companies in Thailand and Malaysia

Respect for human rights

The Group has implemented initiatives on respect for human rights through the Nihon Parkerizing Group Human Rights Policies and guidelines.

Respect for fundamental human rights is clearly stated in our compliance handbook, distributed to all employees to ensure they are fully aware of the importance of respecting basic human rights.

To respect each other and eliminate all discrimination, we issue a monthly Compliance Newsletter and conduct compliance training once a year to ensure that each employee will have a correct understanding and awareness of compliance.

Human Rights Policies

1. The Nihon Parkerizing Group will comply with the laws and regulations of the countries and regions in which it operates, support and respect international norms related to human rights, and fulfill its responsibility to respect human rights.
2. The Nihon Parkerizing Group will eliminate unfair discrimination and any form of harassment in the workplace and respect labor rights.
3. The Nihon Parkerizing Group will strive to promote respect for human rights throughout the supply chain involved in its business.
4. The Nihon Parkerizing Group will prevent the occurrence of adverse human rights impacts. It will take prompt and appropriate action when identifying contributing or complicit violations.

Occupational Health and Safety

The Nihon Parkerizing Group strives to maintain and promote every employee's physical and mental health by enhancing tangible aspects (e.g., facilities and environment) and intangible aspects (e.g., health management) so that employees can exercise their full potential safely and comfortably.

Health and Safety Policy

The Nihon Parkerizing Group has established a Health and Safety Policy to ensure all employees and parties involved, including subcontractors, know the importance of preventing occupational accidents. They prioritize ensuring safety and health for a safe and comfortable work environment.

Health and Safety Policy

1. The Nihon Parkerizing Group will place the highest priority on the safety and health of all of its employees. It will be committed to providing a safe and secure work environment and promoting mental and physical health.
2. The Nihon Parkerizing Group will take appropriate preventive measures for health and safety and strive for continuous improvement.
3. The Nihon Parkerizing Group will comply with all laws and regulations regarding health and safety.

Physical and mental health management

We provide advice and support for health management through interviews with industrial physicians to help employees maintain and improve their health. Believing that it is of utmost importance for employees to understand, maintain, and improve their health status, we encourage employees to receive regular health checkups, aiming for the rate of employees receiving the checkups at 100%.

We provide employees with an opportunity for stress checks once a year to prevent mental health problems. Employees who are highly stressed in the stress check are encouraged to undergo an interview with an industrial physician. We also conduct group analyses of offices and plants in addition to analysis of individuals and conduct hearings as necessary to improve the workplace environment.

Risk assessment (chemical risks and health and safety risks)

Chemical risk assessment

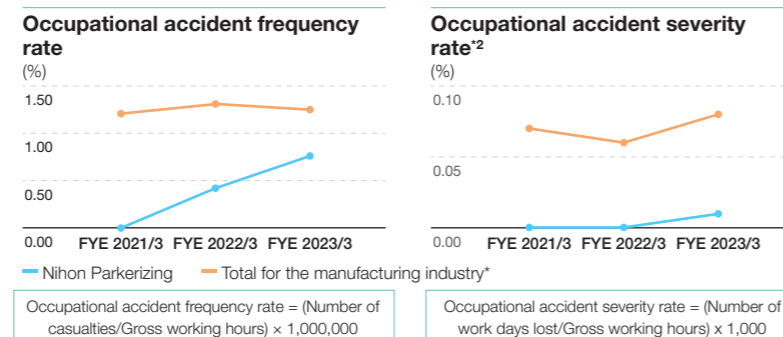
We have introduced a system that allows us to assess the risk of hazardous chemical substances and take measures to reduce the risk. We share the results of this risk assessment throughout the company.

Health and safety risk assessment

Based on the health, safety, and environment manual, we identify risks such as hazardous work to prevent serious accidents. In addition, we make assessments for each risk and take cross-sectional measures internally according to the risk level.

Creation of safe and pleasant workplaces

A safe work environment is essential for employees to perform their duties peacefully. We are proactively improving our workplace environment to create a pleasant workplace. In addition, all employees and related parties, including subcontractors, engage in safety activities together to achieve zero accidents.



* Source: Overview of the Ministry of Health, Labor and Welfare's whitepaper survey on trends of industrial accidents (survey of business establishments (with 100 or more workers each) and survey of the construction work, general including public and private construction work)
² Coverage expanded in FYE 2023/3 (to include contractors)

Supply chain management

The Nihon Parkerizing Group aims to build a sustainable supply chain. To this end, we have established close cooperative relationships with our suppliers. We are working to build resource management, production, and supply systems to realize a recycling-oriented society. In addition, to build a stable supply system, we are strengthening our understanding of and remedies against risks in procurement.

Procurement Policies and promotion of CSR procurement

The Nihon Parkerizing Group and its suppliers have established Procurement Policies and Green Procurement Guidelines to ensure sound procurement activities in compliance with laws and regulations and with environmental considerations, respect for human rights, and fair trade. Based on these policies, we promote CSR procurement to fulfill our social responsibility as a company. In addition, in FY2022, we formulated the Quality Assurance Manual for Purchased Raw Materials and informed our suppliers of the manual.

Procurement Policies

1. The Nihon Parkerizing Group aims to realize coexistence and co-prosperity with suppliers based on mutual trust.
2. The Nihon Parkerizing Group will provide opportunities for procurement transactions to all suppliers and select them fairly and honestly, considering quality, price, delivery time, and other factors.
3. The Nihon Parkerizing Group will comply with domestic and foreign laws, regulations, and social norms and request that its suppliers comply with the same laws and regulations.
4. The Nihon Parkerizing Group is committed to sustainable procurement activities, fully considering the environment, human rights, occupational health and safety, and corporate ethics.

Supplier engagement

In FY2022, we conducted a questionnaire to deepen mutual understanding with our suppliers. We aimed to confirm the status of suppliers' sustainability initiatives, including procuring "sustainable palm oil with an awareness of human rights," consideration for water use and biodiversity, assessing environment-related risks such as soil and air pollution, and efforts toward carbon neutrality. We received responses from more than 80% of suppliers.

We will continue to deepen our relationship with suppliers through dialogue on their sustainable procurement policies and the status of their initiatives. We will pursue initiatives aimed at achieving mutual understanding and bolstering corporate value.

Risks in procurement and remedies

In recent years, the environment surrounding corporate activities has drastically changed, and the future remains uncertain, mainly reflecting the growing geopolitical risks in addition to the spread of COVID-19, climate change, and increasing natural disasters. In FY2022, our business was also severely affected, mainly by the rising prices of raw materials, including phosphoric acid as a critical raw material. Given this situation, we continue to step up measures to timely identify risks in our supply chain and take steps to improve them from the perspective of our business continuity plan (BCP).

External environment affecting procurement

- Procurement uncertainty caused by geopolitical risks
- Delivery delay resulting from unexpected equipment trouble
- Delays or suspension of deliveries resulting from natural disasters
- Delivery time affected by logistics problems

Quality Assurance

The Nihon Parkerizing Group is committed to technological innovation and quality improvement to provide products and services that consistently exceed the expectations of customers and society. We provide products and services with reliable quality to our customers through continuous improvements to our quality management system, compliance with legal and regulatory requirements, and fair and sincere corporate activities.

Quality Assurance System and Quality Policy

Based on a policy of customer focus, the Nihon Parkerizing Group is stepping up initiatives to create its Group-wide quality assurance system through quality audit activities and quality training not only within the Group but also at domestic and overseas affiliates to provide products and services that earn the trust and satisfaction of customers.

Quality Policy

The Nihon Parkerizing Group strives to provide products and services that exceed the expectations of society and customers through quality improvement and technological innovation in its efforts to enhance customer satisfaction.

1. We will provide reliable quality to our customers by continuously improving our quality management system.
2. We will comply with legal and regulatory requirements and provide our customers with safe and reliable products and services.
3. We will strive to earn the trust of our customers by thoroughly preventing the recurrence and occurrence of problems.
4. We will enhance the transparency of our quality assurance system and conduct fair and sincere corporate activities.

Quality management system

We have obtained certification under international quality standards (ISO 9001) for each chemical and toll processing business. The standard certification for quality management systems was obtained by the Kansai Plant in 1995 for the chemicals business and by the Hiratsuka No. 2 Plant in 1997 for the toll processing business. Our chemical and toll processing plants are now certified to international quality standards. Under the ISO 9001 fundamental principles of customer focus and improvement of customer satisfaction, we have clarified our procedures for providing better

products to our customers and implemented the PDCA cycle, thus advancing improvement initiatives on an ongoing basis. As part of our commitment to improving quality, we have also acquired IATF 16949 certification for the automotive industry, JIS Q 9100 certification for the aerospace industry, and ISO 13485 certification for the medical device industry. Overseas, we are working to obtain ISO 9001 certification at all our affiliates. We are striving to build a system that will enable us to meet global quality requirements.

Rate of acquisition of ISO 9001 certification

(as of July 31, 2023)

Non-consolidated

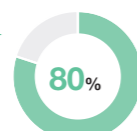
16 plants in total: 5 product manufacturing plants and 11 processing plants



Domestic consolidated subsidiaries

10 companies in total that are engaging in equipment manufacturing/ product manufacturing/ processing

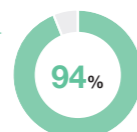
*Acquisition status of ten of our 13 domestic consolidated subsidiaries (excluding Parker Giken Kogyo, Kyodoyuso, and Ozeki Chemical Industry, which do not engage in any of the above businesses) (Two of the ten companies have yet to obtain the certification.)



Overseas consolidated subsidiaries

17 companies in total, which are engaging in equipment manufacturing/product manufacturing/ processing

*17 major overseas consolidated subsidiaries (Including IATF 16949 certification/Not yet acquired by one of the companies)



Certificates of registration of quality management system

ISO9001



Chemicals

Toll Processing

Efforts for Safe and Reliable Production

The Nihon Parkerizing Group produces safe and reliable products by strengthening process quality control of manufacturing processes, reducing hazardous and harmful work for on-site workers, and improving the work environment.

Reliability is achieved by enhancing manufacturing quality control.

We bolstered quality control with standardized process audits of our domestic manufacturing plants, affiliates, and subcontractors to advance sustainable resource management, production, and transportation. We plan to expand this initiative to our suppliers to strengthen our relationships with them.

Results of standardized process audits at manufacturing sites in FY2022

Domestic manufacturing 6 locations -- All are excellent plants*

Plants of domestic affiliates: 3 locations -- Excellent or certified plants

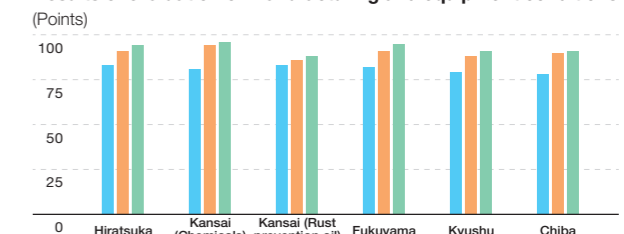
Plants of overseas affiliates: 3 locations -- Excellent or certified plants

Domestic transportation 3 locations -- All are excellent transportation contractors.

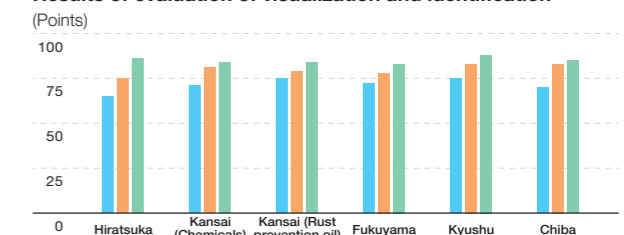
*The judgment was made through audits that followed internal evaluation procedures and standards.
(80 points or above Excellent plant, 60 points or above Certified plant)

Evaluation results of standardized process audits of domestic manufacturing plants

Results of evaluation of manufacturing and equipment conditions



Results of evaluation of visualization and identification



Legend: FYE 2021/3 (Blue), FYE 2022/3 (Orange), FYE 2023/3 (Green)

*Domestic manufacturing plants: Hiratsuka, Kansai, Fukuyama, Kyushu, and Chiba

Safety ensured by reducing hazardous work

We conduct risk assessments of our product manufacturing processes to reduce hazardous work. We engage in continuous activities, such as providing safety training and proposing improvements for reducing hazardous work to on-site workers, aiming to eliminate dangerous work.

Efforts to improve the working environment

Case 1: Improvement of label removal work at automatic cleaning of product containers



Labels remaining unremoved



Labels removed completely from 70% of the containers

Case 2: Improvement in the indication of relevant legal information on raw materials

Information on laws and regulations is indicated in the raw material receiving and inventory management systems, which has led to improved workability, response to investigations of legal regulation information, and compliance with laws and regulations.

Compliance initiatives

Automatic transfer of product inspection result

We are working to prevent human intervention and avoid risks posed by humans by automatically incorporating quality inspection results into our manufacturing and sales systems.

We have completed the introduction of this system at several of our plants. We will gradually expand this to other plants to promote further automation.

Corporate governance

Nihon Parkerizing regards corporate governance as one of the most essential management issues. We strive to ensure that corporate governance functions soundly by constantly developing the most appropriate management structure so the company can develop and grow soundly while considering all stakeholders.

Steps we have taken to strengthen governance

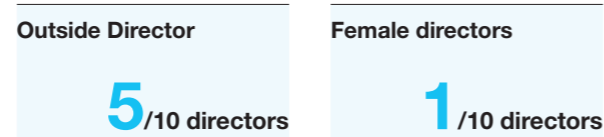
- 2016 — June 29 Introduction of a performance-linked stock compensation plan using a trust for directors
- 2017 — June 29 Transition from a company with a board of company auditors to a company with an audit and supervisory committee
- 2019 — June 27 Introduction of an executive officer system
- 2022 — August 5 Establishment of a Nomination and Remuneration Committee

Corporate governance structure

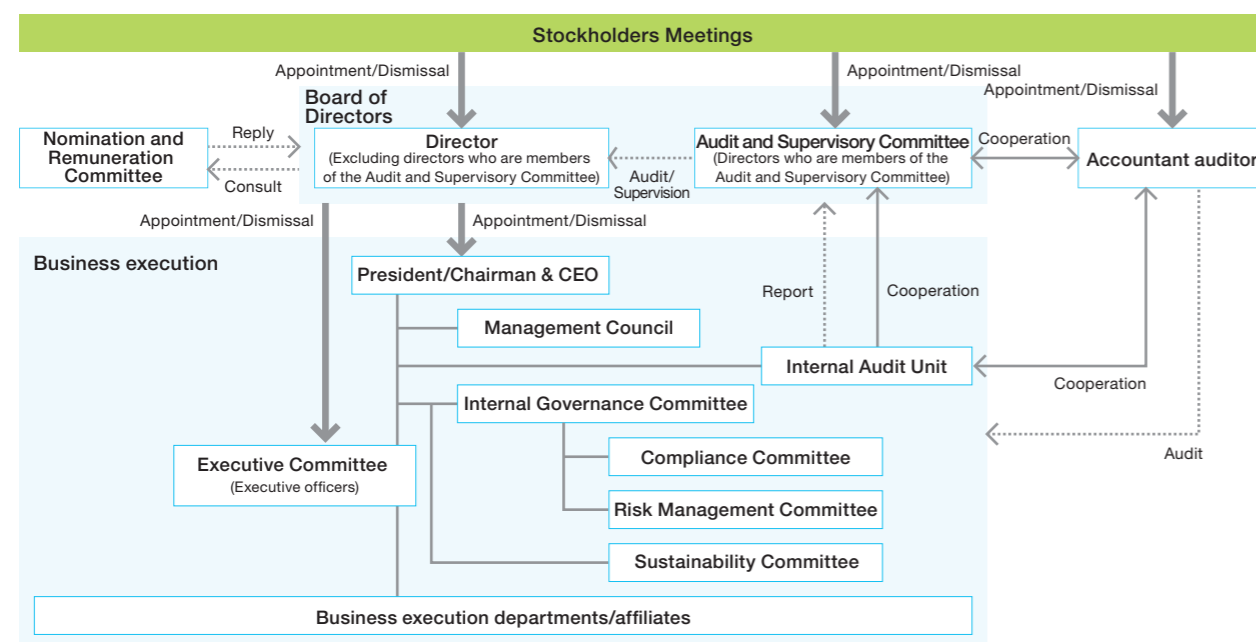
In 2017, we transitioned to a company with an audit and supervisory committee to strengthen our corporate governance and improve our corporate value by enhancing the audit and supervisory functions of the Board of Directors.

We have also introduced an executive officer system to separate the management decision-making and supervisory functions from the business execution functions, thereby accelerating decision-making, improving management efficiency, and clarifying responsibility for business execution.

Of our ten directors, five are outside directors. They are designated as independent directors under the Tokyo Stock Exchange (TSE) rules and registered with TSE. In addition, one of them is a female director.



Corporate governance structure (As of July 1, 2023)



Board of Directors

The Board of Directors consists of ten directors (including five outside directors) and meets monthly in principle. Kazuichi Satomi, Chairman, President, and CEO, chairs the Board of Directors. It deliberates on essential matters stipulated in the Articles of Incorporation and the Board of Directors Regulations. It makes management decisions to enhance the

long-term corporate value of the Group as a whole. The Board of Directors also supervises the status of business execution by separating the management decision-making and supervisory functions from the business execution functions and clarifying responsibilities.

Audit and Supervisory Committee

The Audit and Supervisory Committee comprises four members: one director and three outside directors. Masaharu Kubota, an outside director who is an Audit and Supervisory Committee member, chairs the committee. It meets monthly in principle. Directors who are members of the Audit and Supervisory Committee attend meetings of the Board of

Directors and express their opinions as appropriate. They also conduct audits, for instance, by examining essential documents, visiting business offices, and inspecting subsidiaries. In addition, accounting matters are regularly reported to the Audit and Supervisory Committee by the designated CPA.

Executive Committee

The Executive Committee consists of ten executive officers and meets monthly, in principle. Masayuki Yoshida, the Representative Director and Managing Executive Officer, chairs the committee. Its purpose is to discuss and resolve critical

executive policies and other matters based on the basic guidelines decided by the Board of Directors, as well as to discuss management matters to be submitted to the Board of Directors in advance and report as necessary.

Internal Governance Committee

To carry out internal control, we have established the Internal Governance Committee, chaired by the president and composed of directors, and the Risk Management Committee

and Compliance Committee as its subordinate organizations, aiming to build a more effective governance system that includes Group companies.

Sustainability Committee

We established the Sustainability Committee to strengthen our sustainability efforts, further enhance our corporate value in the future, and identify and address critical social issues on an ongoing basis.

on sustainability activity policies, promotion and progress management of various sustainability-related measures, and matters related to climate change, including critical issues (materiality) and KPIs.

The representative director chairs the Committee and consists of four directors and one executive officer. It deliberates

This Committee meets quarterly and annually reports its activities to the Board of Directors.

Nomination and Remuneration Committee

The Board of Directors' decisions on the nomination and remuneration of directors follow recommendations by the Nomination and Remuneration Committee. To improve the effectiveness of the nomination and remuneration of

directors, we have voluntarily established a Nomination and Remuneration Committee, which is chaired by an outside director, with most of its members being independent outside directors.

Expertise and experience of directors (skill matrix)

To ensure accurate and prompt decision-making and supervision toward the realization of our corporate philosophy and long-term vision, our Board of Directors has established a

skill matrix of knowledge, experience, and abilities required of directors. It intends to maintain a balance and diversity of skills on the Board of Directors.

Skills	Experience, knowledge, and abilities of the expected skills
Corporate management	Experience as a (representative) director of a company, management performance, and experience and knowledge in business management
Marketing/sales	Experience and knowledge in the marketing and sales field
Development/technology	Experience and knowledge in development and technology fields
International/global	Experience in overseas business, knowledge of international affairs, culture
Finance/accounting	Qualification as a Certified Public Accountant, experience and knowledge in the field of finance and accounting
Legal affairs/compliance	Attorney's license, experience, and knowledge in the field of legal affairs and compliance

Name	Corporate management	Marketing/sales	Development/technology	International/global	Finance/accounting	Legal affairs/compliance
Kazuichi Satomi	●		●	●		
Hiroyasu Tamura	●				●	
Masayuki Yoshida	●		●	●		
Yasumasa Fukuta	●	●				
Shimako Emori	●					●
Tatsuya Mori	●				●	
Masaharu Kubota						●
Hayato Hosogane	●	●		●		
Koji Chika	●	●				
Shigetaka Hazeyama				●	●	

Officers' remuneration

Policy for the determination of or the method for calculating officers' remuneration

At its meeting on March 22, 2021, our Board of Directors passed a resolution on a policy for determining the content of individual directors' remuneration. Our basic policy is to ensure that our directors' remuneration is linked to the company's performance, reflects their positions' responsibilities, and results in increasing corporate value sustainably. Remuneration for directors consists of monthly compensation, bonuses, and performance-linked stock compensation. Remuneration for outside directors and directors and members of the Audit and Supervisory Committee is monthly compensation only.

Amounts of bonuses are determined comprehensively by using operating income, which is an indicator of the business performance of our main businesses, as the primary index, and by taking into account changes from the same period of the previous year.

The performance-linked stock compensation plan is a system under which points are awarded based on business performance for each fiscal year, and compensation, equivalent to the accumulated points, is paid at the time of retirement. Whether or not points are awarded, and the number of points to be awarded, are determined each fiscal year.

Remuneration paid in FY2022

Executive classification	Total amount of remuneration (Million yen)	Total amount of remuneration by type (Million yen)			Number of eligible officers
		Fixed compensation	Performance-linked compensation	Stock compensation	
Directors (excluding directors who are members of the Audit and Supervisory Committee and outside directors)	212	143	42	26	6
Members of the Audit and Supervisory Committee (excluding outside directors)	18	18	—	—	1
Outside Director	36	36	—	—	5

Evaluation of the effectiveness of the Board of Directors

Our Board of Directors conducts "a questionnaire of all directors on matters for improving the effectiveness of the Board of Directors", including the operation of the Board of Directors meetings, the content of agenda items, and the status of supervision of business execution. Each director's self-evaluation and opinions are collected and analyzed, and the Board of Directors receives the results.

As a result of the survey, we have confirmed that our Board of Directors is generally effective regarding the operation of the Board of Directors meetings, the sufficiency of prior

explanations of matters to be resolved, and responses to issues raised at the Board of Directors meetings, among other aspects. On the other hand, while we see specific improvements from the previous fiscal year, we confirmed the need to continue promoting sustainability management, including SDGs and ESGs, and to further enhance discussions on management strategies from a medium- to long-term perspective.

We will continue striving to improve the effectiveness of the Board of Directors, such as making improvements in issues.

Officers (As of June 30, 2023)



Chairman and President
CEO

Kazuichi Satomi

Attendance at the Board of Directors meetings
100% (12/12)

- April 1985 Joined the Company
- July 1987 Director of the Company
- January 2000 Managing Director of the Company
- June 2003 Senior Managing Director of the Company
- June 2005 Vice President of the Company
- April 2011 President of the Company
- June 2017 Chairman of the Company
- June 2022 Chairman and President of the Company (to present)



Representative Director
in charge of Administration Div. and
Group Management Div.

Hiroyasu Tamura

Attendance at the Board of Directors meetings
100% (12/12)

- April 1983 Joined the Company
- December 2009 General Manager of Accounting Dept. of the Company
- June 2015 Director and General Manager of Administration Div. of the Company
- June 2022 Director and in charge of Administration Div. and Group Management Div. of the Company
- June 2023 Representative Director and in charge of Administration Div. and Group Management Div. of the Company (to present)



Representative Director
in charge of Technical Div. and
Corporate Planning Div.

Masayuki Yoshida

Attendance at the Board of Directors meetings
100% (12/12)

- April 1987 Joined the Company
- April 2012 General Manager of First Research Center, Central Research Laboratories of the Company
- June 2013 President of PARKER SURFACE TECHNOLOGIES (SHANGHAI) CO., LTD.
- June 2017 Director and General Manager of Central Research Laboratories of the Company
- April 2018 Director and General Manager of Technical Div./Central Research Laboratories of the Company
- June 2022 Director and in charge of Technical Div. and Corporate Planning Div. of the Company
- June 2023 Representative Director and in charge of Technical Div. and Corporate Planning Div. of the Company (to present)



Outside Director
(Audit and Supervisory Committee Member)

Masaharu Kubota

Attendance at the Board of Directors meetings
100% (12/12)

- April 1989 Registered as Attorney-at-law Joined Daini Tokyo Bar Association
- April 1990 Chief of Jingumae Law Office (to present)
- June 2019 Outside Director (Audit and Supervisory Committee Member) of the Company (to present)



Director
(Audit and Supervisory Committee Member)

Hayato Hosogane

Attendance at the Board of Directors meetings
100% (12/12)

- April 1983 Joined the Company
- November 2012 Department Manager of Chukyo Dept., Chemicals Div. of the Company
- June 2015 Director of the Company and President of Thai Parkerizing Co., Ltd.
- April 2019 Director and General Manager of Corporate Planning Div. of the Company
- June 2020 Director (Audit and Supervisory Committee Member) of the Company
- June 2022 Director (Audit and Supervisory Committee Member) of the Company (to present)



Director
in charge of Chemicals Div. and
Commercial Processing Div.

Yasumasa Fukuta

Attendance at the Board of Directors meetings*
100% (10/10)

- April 1989 Joined the Company
- July 2016 General Manager of Marketing Div. of the Company
- April 2019 General Manager of Chemicals Div. of the Company
- June 2019 Executive Officer and General Manager of Chemicals Div. of the Company
- June 2022 Director and in charge of Chemicals Div. and Commercial Processing Div. of the Company (to present)



Outside Director

Shimako Emori

Attendance at the Board of Directors meetings
100% (12/12)

- October 2002 Registered as Attorney-at-law
- September 2004 Registered as Patent Attorney
- March 2009 Established Ocean Law Offices (to present)
- April 2009 Associate Professor of Komazawa University Law School
- April 2017 Professor of Komazawa University Law School
- June 2019 Outside Director of the Company (to present)



Outside Director

Tatsuya Mori

Attendance at the Board of Directors meetings
100% (12/12)

- December 2002 Joined Aozora Bank, Ltd.
- July 2006 Joined Japan Asia Investment Company, Limited
- May 2010 Joined New Horizon Capital Co., Ltd.
- November 2012 Established Office-Prifiss
- June 2019 Outside Director of the Company (to present)



Outside Director
(Audit and Supervisory Committee Member)

Koji Chika

Attendance at the Board of Directors meetings
92% (11/12)

- March 2013 Executive Officer and General Manager of Marketing Planning Dept. of Nippon Life Insurance Company
- March 2015 Executive Officer and Deputy General Manager of Customer Service Headquarters of Nippon Life Insurance Company
- March 2017 Managing Executive Officer and General Manager of Head Office Osaka Corporate Marketing Dept. of Nippon Life Insurance Company
- April 2019 Representative Director and Vice President of SEIWA BUSINESS LINK CO. LTD
- June 2019 Outside Director (Audit and Supervisory Committee Member) of the Company (to present)
- April 2020 Representative Director and President of SEIWA BUSINESS LINK CO. LTD (to present)



Outside Director
(Audit and Supervisory Committee Member)

Shigetaka Hazeyama

Attendance at the Board of Directors meetings*
100% (10/10)

- October 1997 Joined Chuo Audit Corporation
- April 2001 Registered as Certified Public Accountant
- February 2002 Joined Starbucks Coffee Japan Ltd.
- January 2007 Established Hazeyama Certified Public Accountant Office (to present)
- August 2017 Registered as a Certified Tax Accountant
- June 2022 Outside Director (Audit and Supervisory Committee Member) of the Company (to present)

*This applies to Board of Directors meetings for the current fiscal year held after taking office on June 29, 2022.

Risk Management

The early detection and handling of risks is essential for the smooth operation and achievement of business. The Nihon Parkerizing Group is striving to develop and strengthen its risk management system to detect risks with the potential to impede the achievement of business objectives as early as possible and to respond promptly and appropriately when risks materialize.

System for driving risk management

We have established a Risk Management Committee under our Risk Management Rules. The risk management supervisors and risk managers, who play a critical role in the risk management system, are responsible for the overall

management of risks of all Group companies. Once a year, we conduct a risk survey to review our risks, examine means of identifying and tackling risks, and provide internal training.

Risk assessment and response measures

Risk assessment process

Step 1. Collecting risk information and identifying risks

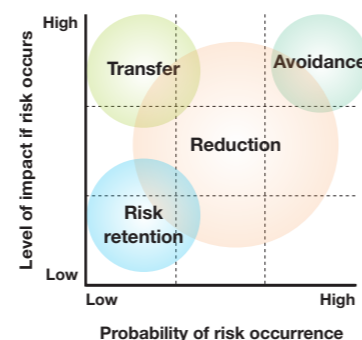
Collecting a wide range of risk cases from external information, in addition to risk survey results, and identifying risks that may have a significant impact on the company from among the collected risk cases

Step 2. Risk calculation

Calculating the severity of the identified risks. Quantitative or qualitative calculations are based on two factors: the likelihood of an event occurring (probability of occurrence) and the magnitude of the impact that will be given if an event occurs (level of impact).

Step 3. Risk assessment

Comparing the calculated risks with predetermined risk criteria and determining the need for actions and the level of importance



Decision on Remedies

We formulate measures to address each risk we have identified as significant.

Business continuity plan (BCP)

To fulfill our corporate social responsibility, we have prepared and regularly reviewed a business continuity plan (BCP) to minimize damage and ensure business continuity and an early recovery during a disaster or other emergency. We are also taking steps to strengthen our business continuity management (BCM) by conducting earthquake response drills, among other initiatives. In terms of disaster countermeasures, our basic policy is to (1) protect the lives of employees and their

families, (2) strive to preserve management resources, and (3) contribute to business continuity and early recovery, and we have established a disaster control manual and operate according to it. We have also introduced a system for confirming employees' safety and health status as part of our measures to tackle disasters and pandemic diseases. This system enables us to promptly check employee's safety and health status during an earthquake, pandemic or other emergency.

Information security

We take the following approaches to address information security risks that have been increasing in recent years, such as cyber-attacks and conventional information security risks.

Three approaches to information security measures

- 1 Establishing and continuing to review management systems and internal rules related to information security
- 2 Implementing and continuing to review technical and physical measures
- 3 Improving information security literacy through information security training and drills and continuing to review training plans*

*We are taking initiatives to raise information security awareness, including periodic training for officers and employees and drills on targeted e-mail attacks.

Compliance

The Nihon Parkerizing Group is committed to being a corporate group trusted by its stakeholders. For this purpose, we fulfill our corporate social responsibilities while complying with all laws and regulations in our business activities. Through our systems and initiatives, we strive to raise awareness of compliance issues and foster a sound corporate culture.

System for driving compliance

Under the Basic Compliance Rules, we have established a Compliance Committee to establish, maintain, and review our compliance system. Such efforts are also regularly reported to the Internal Governance Committee.

Promoting compliance

Recognizing the social responsibility that corporate activities provide, we have distributed a Code of Conduct for Executives and Regular Employees that defines the proper behavior expected of executives and employees. We ensure that all executives and employees in Japan and overseas are fully

informed of the Code of Conduct. We are thus fostering a corporate culture that does not tolerate misconduct. In addition, to prevent discrimination and harassment, we have established Employment Regulations and Anti-Harassment Regulations.

Internal whistleblowing system

The Group has established a reporting desk where employees can report and seek advice about non-compliance and facts suspected of non-compliance. To protect whistleblowers, we have established a system that maintains the

confidentiality of whistleblowing information, accepts anonymous whistleblowing, and otherwise complies with the Whistleblower Protection Act.

Training and awareness-raising activities

Activities for preventing corruption and harassment

The Nihon Parkerizing Group translates and distributes a compliance handbook and the Code of Conduct for Executives and Regular Employees in multiple languages so that Group employees in each country can understand them. In addition, we hold training sessions and conduct regular training and awareness-raising activities through e-learning and other means.

Quality compliance activities

To foster an awareness of compliance and quality, we have introduced a Compliance and Quality Enhancement Month to undertake various initiatives in December every year. In FY2022, we delivered the top message, "Handling numbers accurately and carefully." We put up posters, including ones showing the quality slogan. In addition, each department determined the themes of their issues and worked on remedies and improvements. Ten Group companies also joined the activities.



Financial and Non-Financial Data for the Past 10 Years

	2014/3	2015/3	2016/6	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3
Financial Information (million yen)										
Net sales	99,793	102,514	109,063	109,569	114,840	129,207	119,028	99,918	117,752	119,177
Cost of sales	63,065	64,779	68,627	68,293	71,642	85,228	78,816	65,332	79,334	80,215
Selling, general and administrative expenses	21,335	22,884	24,669	24,341	25,213	26,955	27,609	23,905	25,047	26,293
Operating income	15,393	14,850	15,766	16,934	17,984	17,023	12,601	10,681	13,370	12,668
Net income attributable to parent company shareholders	10,142	9,975	10,320	12,228	12,721	11,424	9,449	9,999	9,046	9,973
Capital expenditures	7,791	10,020	10,539	7,933	8,668	8,536	8,974	4,742	4,514	9,292
Depreciation	3,424	3,705	4,633	4,988	5,381	5,992	6,516	5,622	5,912	5,927
R&D expenses	2,151	2,112	2,181	2,303	2,302	2,154	2,220	2,047	2,011	1,914
Cash flows from operating activities	14,837	12,669	19,034	16,050	19,238	17,292	17,514	16,212	14,281	16,608
Cash flows from investing activities	-10,079	-8,864	-9,391	-5,002	-4,739	-10,299	-8,732	-7,263	-6,655	-12,300
Free cash flows	4,758	3,804	9,643	11,048	14,498	6,992	8,781	8,948	7,625	4,308
Cash flows from financing activities	-3,708	-1,387	-1,747	-6,386	-4,041	-5,663	-6,109	-8,106	-4,105	-9,158
Total assets	165,914	187,116	189,377	196,248	219,988	218,818	216,773	220,210	228,982	236,534
Interest-bearing debt	4,149	2,398	3,751	3,206	3,063	2,497	1,855	1,539	1,645	1,272
Shareholders' equity	98,644	114,286	116,483	123,297	138,352	140,457	143,234	151,499	160,293	166,271
Financial Indicators (%)										
Return on sales (ROS)	15.4	14.5	14.5	15.5	15.7	13.2	10.6	10.7	11.4	10.6
Debt equity ratio (times)	0.04	0.02	0.03	0.03	0.02	0.02	0.01	0.01	0.01	0.01
Return on equity (ROE)	11.1	9.4	8.9	10.2	9.7	8.2	6.7	6.8	5.8	6.1
Return on assets (ROA)	11.5	9.9	9.5	9.7	9.9	9.2	7.2	6.5	7.6	7.1
Shareholders' equity ratio	59.5	61.1	61.5	62.5	62.9	64.2	66.1	68.8	70.0	70.3
Per Share Data (yen)										
Net income per share	81.85	80.45	83.24	99.14	104.85	94.20	78.87	84.75	76.93	86.10
Dividend per share	13.8	15	16.5	20	23	22	24	26	40	40
Net assets per share	795.85	921.68	939.41	1,016.20	1,140.28	1,167.46	1,203.34	1,288.01	1,366.47	1,441.98
Stock Information										
Share price at end of fiscal year (yen)	2,388	2,910	1,018	1,376	1,738	1,382	1,120	1,195	932	992
Market capitalization (100 million yen)	1,583	1,929	1,350	1,825	2,305	1,833	1,485	1,585	1,236	1,315
Total number of issued shares	66,302,262	66,302,262	132,604,524	132,604,524	132,604,524	132,604,524	132,604,524	132,604,524	132,604,524	132,604,524
Non-financial Information (Non-consolidated)										
Human resources										
Number of employees	786	793	796	806	797	892	916	932	943	943
Average length of service for employees (years)	14.8	14.8	17.5	17.6	17.7	17.9	17.4	17.6	17.6	17.6
Environment										
Crude oil equivalent energy consumption (kL)	10,345	10,469	10,356	10,741	11,216	11,876	12,000	10,620	11,448	9,529
Greenhouse gas (Scope 1 + 2) (t-CO ₂)	19,486	22,125	22,000	23,007	23,526	24,853	24,583	21,051	22,621	21,066
Greenhouse gas (Scope 3) (t-CO ₂)	-	-	-	-	-	-	-	-	-	180,452
Water usage Water intake (m ³)	-	-	-	330,866	333,438	363,119	348,487	331,819	386,106	374,360

(Note) A two-for-one split of common shares took place on April 1, 2015. Net income per share, dividend per share, and net assets per share are calculated assuming the stock split occurred on April 1, 2013.

Corporate Profile and Stock Information

Corporate Profile (as of March 31, 2023)

Corporate Name	Nihon Parkerizing Co., Ltd.
Location of Head Office	1-15-1, Nihonbashi, Chuo-ku, Tokyo, 103-0027, Japan
Date of Establishment	July 12, 1928
Capital Stock	4.56 billion yen
Number of Employees (Consolidated)	4,317
Stock Market	Prime Market of Tokyo Stock Exchange
The Main Banking Correspondents	Mizuho Bank, Ltd. Tokyo Corporate Banking Division Sumitomo Mitsui Banking Corporation. Tokyo Chuo Branch MUFG Bank, Ltd. Yaesu Branch The Chiba Bank, Ltd. Tokyo Head Office

Main domestic affiliates, production bases, development bases, contract processing plants, and sales bases

*: Equity-method affiliates

Domestic Affiliates

Parker Engineering Co., Ltd.
Japan Kanigen Co., Ltd.
Parker Processing Co., Ltd.
Hamamatsu Netsushori Co., Ltd.
Oita Parkerizing Co., Ltd.
Parker Giken Kogyo Co., Ltd.
Million Chemicals Co., Ltd.
Hokkaido Parkerizing Co., Ltd.
Kyodo Yuso Co., Ltd.
Paltec Co., Ltd.
Ozeki Chemical Industry. Co, Ltd.
Komatsu Parkerizing Co., Ltd.
Parker Corporation, Inc.*
Parker Netsushori Kogyo Co., Ltd.*
Yuugen Co., Ltd.*
Green Techno Co., Ltd.*

Production Bases

Manufacturing Technology Center
Hiratsuka Plant No. 1
Chiba Plant
Kansai Plant
Fukuyama Plant No. 2
Kyushu Plant No. 1

Development Bases

Central Research Laboratories

Contract Processing Plants

Higashi Nihon Business Headquarters
Sendai Plant
Niigata Plant
Utsunomiya Plant
Maebashi Plant
Katsuta Plant
Koga Plant
Hiratsuka Plant No. 2

Nishi Nihon Business Headquarters

Aichi Plant
Itami Plant
Fukuyama Plant
Kyushu Plant No. 2

Sales Bases

Higashi Nihon Business Division
Higashi Nihon Technical Center (Utsunomiya)
Higashi Nihon Technical Center (Hiratsuka)
Kita Kanto Sales Office
Kanto Sales Office
Chiba Sales Office

Nishi Nihon Business Division

Nishi Nihon Technical Center (Chukyo)
Nishi Nihon Technical Center (Kansai)
Chukyo Sales Office
Kansai Sales Office
Sanyo Sales Office
Kyushu Sales Office

Main Overseas Bases (Consolidated Subsidiaries) *: Equity-method affiliates

China

Parker Surface Technologies (Shanghai) Co., Ltd.
Guangzhou Parkerizing Co., Ltd.
Foshan Parker Surface Modification Co., Ltd.
Rizhao Parker Surface Treatment Co., Ltd.
Parker Engineering (Shanghai) Co., Ltd.
Kanigen (Shanghai) Co., Ltd.
Shenyang Parkerizing Co., Ltd.*
Shanghai Parkerizing Co., Ltd.*
Wuhan Parkerizing Chemical Co., Ltd.*
Shanghai Parker Chemical Industries Co., Ltd.*

Korea

Dae Han Parkerizing Co., Ltd.

Taiwan

Chung Jih Metal Treatment Chemicals, Inc.

Vietnam

Vietnam Parkerizing Co., Ltd.
Vietnam Parkerizing Hanoi Co., Ltd.
Parker Processing Vietnam Co., Ltd.

Philippines

Philippine Parkerizing, Inc.

Thailand

Thai Parkerizing Co., Ltd.
Parker Surface Technology Asia Pacific Co., Ltd.
Parker Engineering (Thailand) Co., Ltd.
Pet Trading Co., Ltd.
Kanigen (Thailand) Co., Ltd.

Malaysia

Nihon Parkerizing Malaysia Sdn. Bhd.

Indonesia

P.T. Nusantara Parkerizing
P.T. Parker Metal Treatment Indonesia
P.T. Parker Engineering Indonesia

India

Nihon Parkerizing (India) Pvt. Ltd.
Parker Engineering (India) Pvt. Ltd.

The US

Parker Trutech Inc.
Parker Trutech MMI Inc.
Delamin Nitriding Salts Us, Inc.
Parker Engineering of America Co., Ltd.

Mexico

Parker Trutech Mexicana S.A. De C.V.

Belgium

P. I. Of Europe N.V.

Seven other companies

Stock Information (as of March 31, 2023)

Stock Overview	Market	Tokyo Stock Exchange Prime Market
	Securities Code	4095
	Fiscal Year	April 1 to March 31 of the following year
	Total Number of Shares Issued	132,604,524 shares
	Number of Shares per Unit	100 shares
	Number of Shareholders:	6,656
	Administrator of Shareholders' Register	Mitsubishi UFJ Trust and Banking Corporation

Major Shareholders

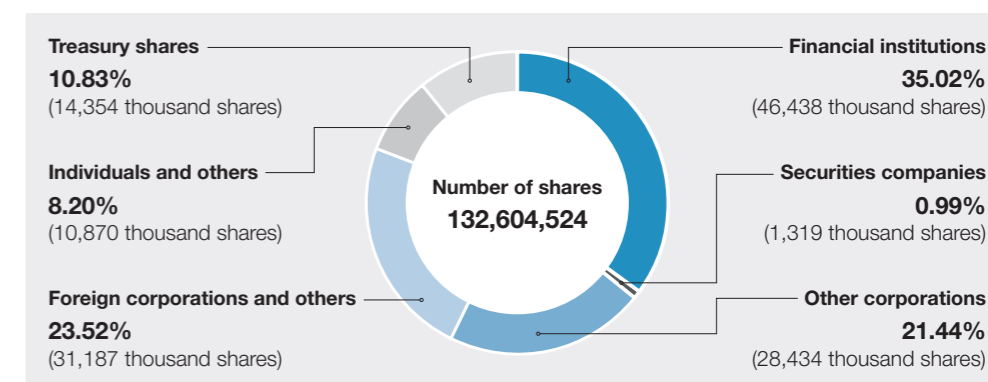
Shareholders	Number of Shares Held (thousands)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	12,960	10.96
Northern Trust Co. (AVFC) Re Fidelity Funds	7,302	6.17
Nippon Life Insurance Company	7,015	5.93
Meiji Yasuda Life Insurance Company	5,020	4.24
The Chiba Bank, Ltd.	4,765	4.02
Yugen Co., Ltd.	4,708	3.98
The Satomi Scholarship Foundation	4,633	3.91
Custody Bank of Japan, Ltd. (Trust account)	3,771	3.18
Sumitomo Mitsui Banking Corporation	3,113	2.63
Custody Bank of Japan, Ltd. as trustee for Nippon Steel Corporation Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	2,664	2.25

(Notes) 1. The Company holds 14,354 treasury shares. However, it is excluded from the major shareholders.

2. Treasury shares are excluded in the calculation of shareholding ratios.

3. The Company has introduced a "Stock Benefit Trust (BBT)" and the Custody Bank of Japan, Ltd. (Trust E Account) (hereinafter referred to as the "Trust Account E") has acquired 145 thousand shares of the Company's stock. The Company's shares held by the Trust Account E are not included in treasury shares.

Distribution of Shareholders by Shareholder Type



Participating Initiatives

Sustainable Development Goals (SDG)



CDP



External Evaluations

FTSE Blossom Japan Sector Relative Index



FTSE Blossom Japan Sector Relative Index