

May 31, 2024



Fiscal year ended March 31, 2024

Financial Results Briefing

Overview of fiscal year ended March 31,2024

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- Financial results of business segments by area
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- Consolidated cash flow
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- Improving capital efficiency and corporate value

Measures to achieve Vision 2030 and the mid-term management plan

- Measures to achieve Vision 2030
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- Regional Management and Group Companies
- Expanding overseas business and strengthening the global R&D system
- Building a foundation for sustainable growth
- Challenge for Change
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Supplementary information

- Consolidated financial highlights

Overview of Fiscal year ended March 31,2024

Consolidated income statement

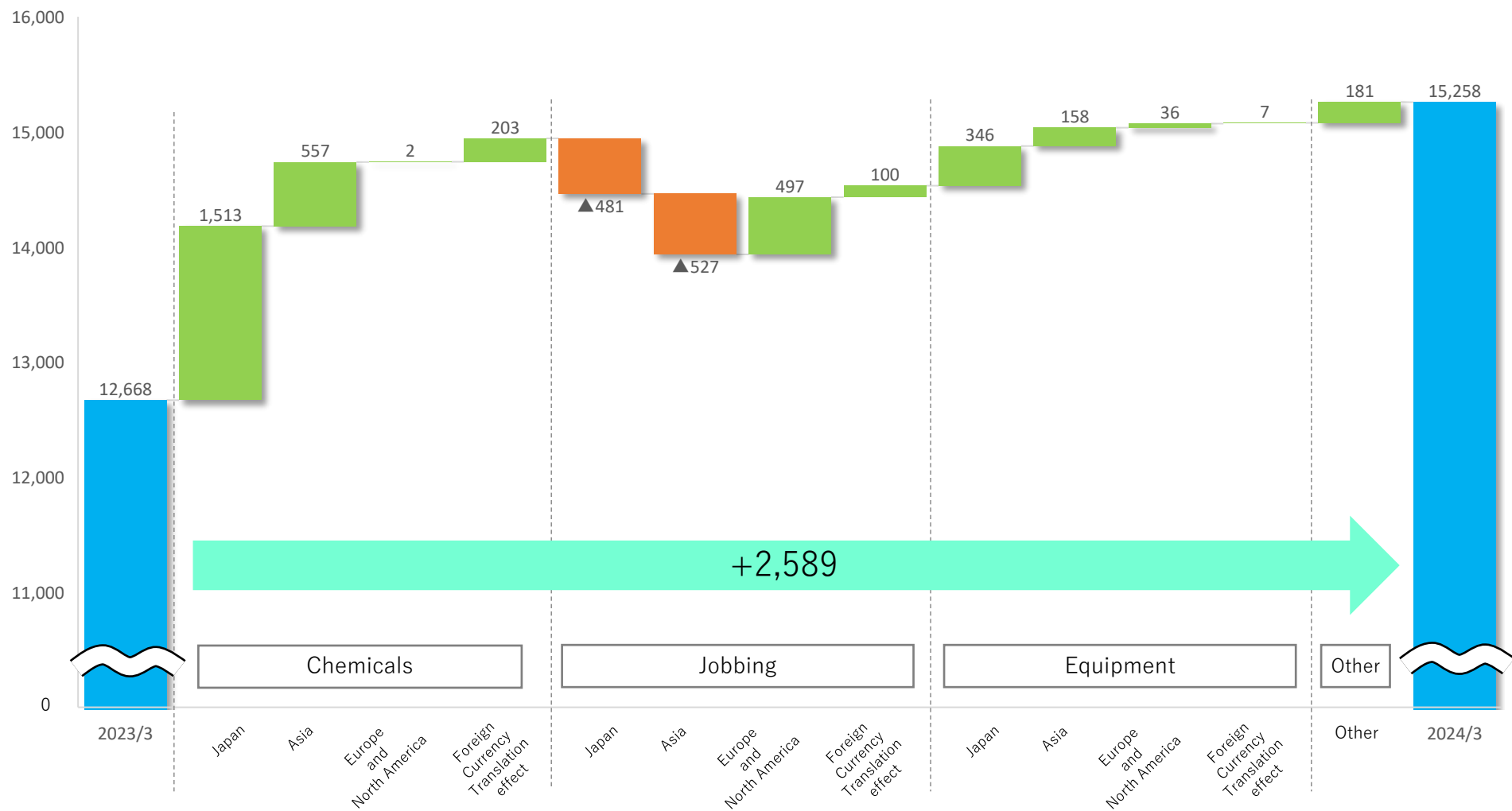
(Unit: million yen)

項目	2023/3	2024/3	Change	% Change	comment
Net Sales	119,177	125,085	+5,907	+5.0%	Revenues increased in all segments due to production recovery of major customers.
Operating income	12,668	15,258	+2,589	+20.4%	Operating profit increased due to price increase in response to rising raw material cost and other factors.
Ordinary income	16,625	19,945	+3,320	+20.0%	Non-operating income 5,527million yen Non-operating expenses 839million yen
Net income attributable to parent company shareholders	9,973	13,194	+3,221	+32.3%	Extraordinary gain 1,501million yen Extraordinary loss 511million yen
Net income per share	86.10円	114.43円	-	-	
Ratio of ordinary income to total assets	7.1%	7.9%	-	-	
Return on equity (ROE)	6.1%	7.5%	-	-	
The average exchange rate (USD)	131.43yen	140.56yen	-	-	※ Average exchange rate for the period from Jan 1, 2023 to Dec 31, 2023.

- Overseas sales ratio 46.4% (※Including exports from Japan)
- Foreign currency translation effect:
Sales approx. +2,904 million yen , Operating income approx. +308 million yen

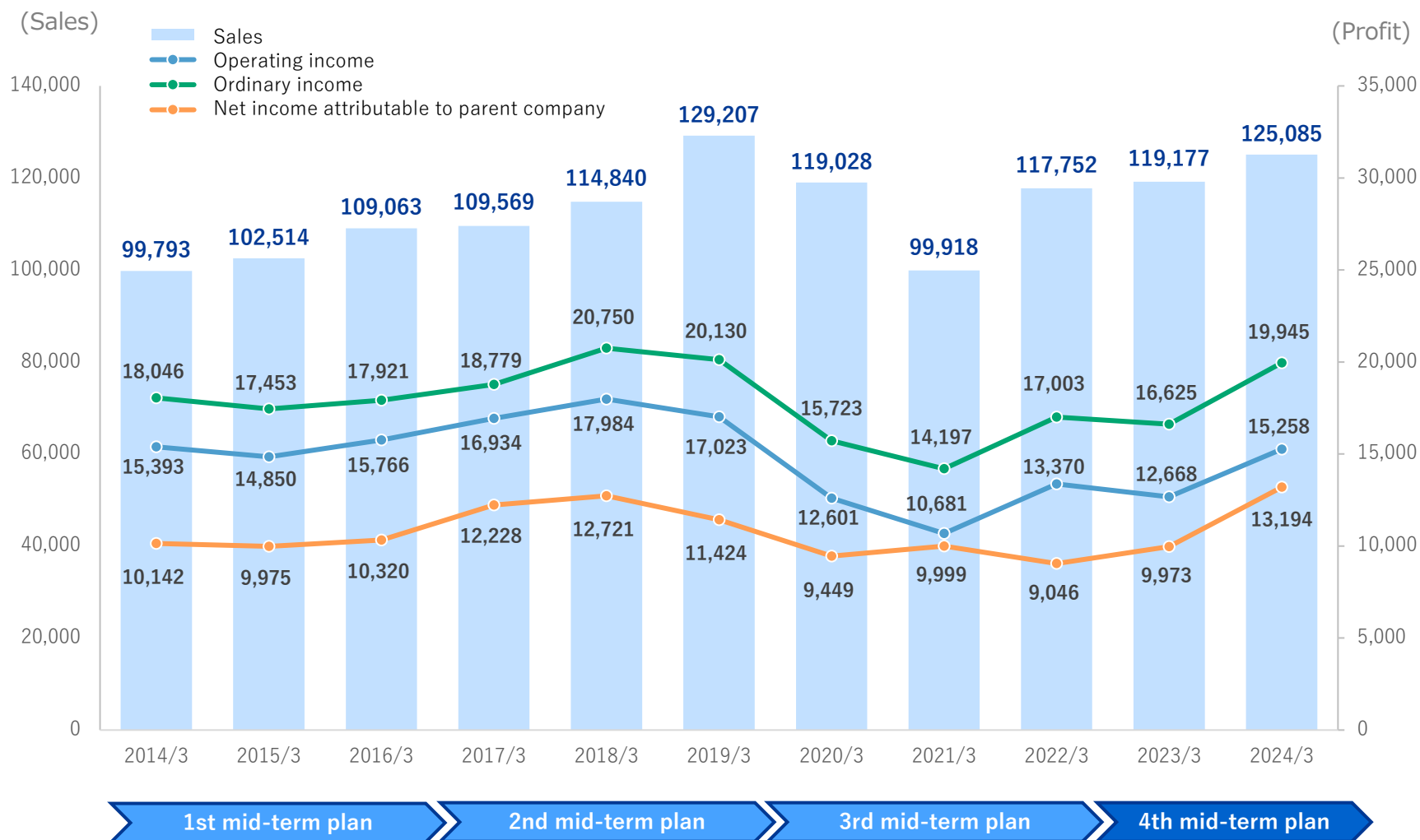
Variation analysis of operating income

(Unit: million yen)



Consolidated Business Results

(Unit: million yen)

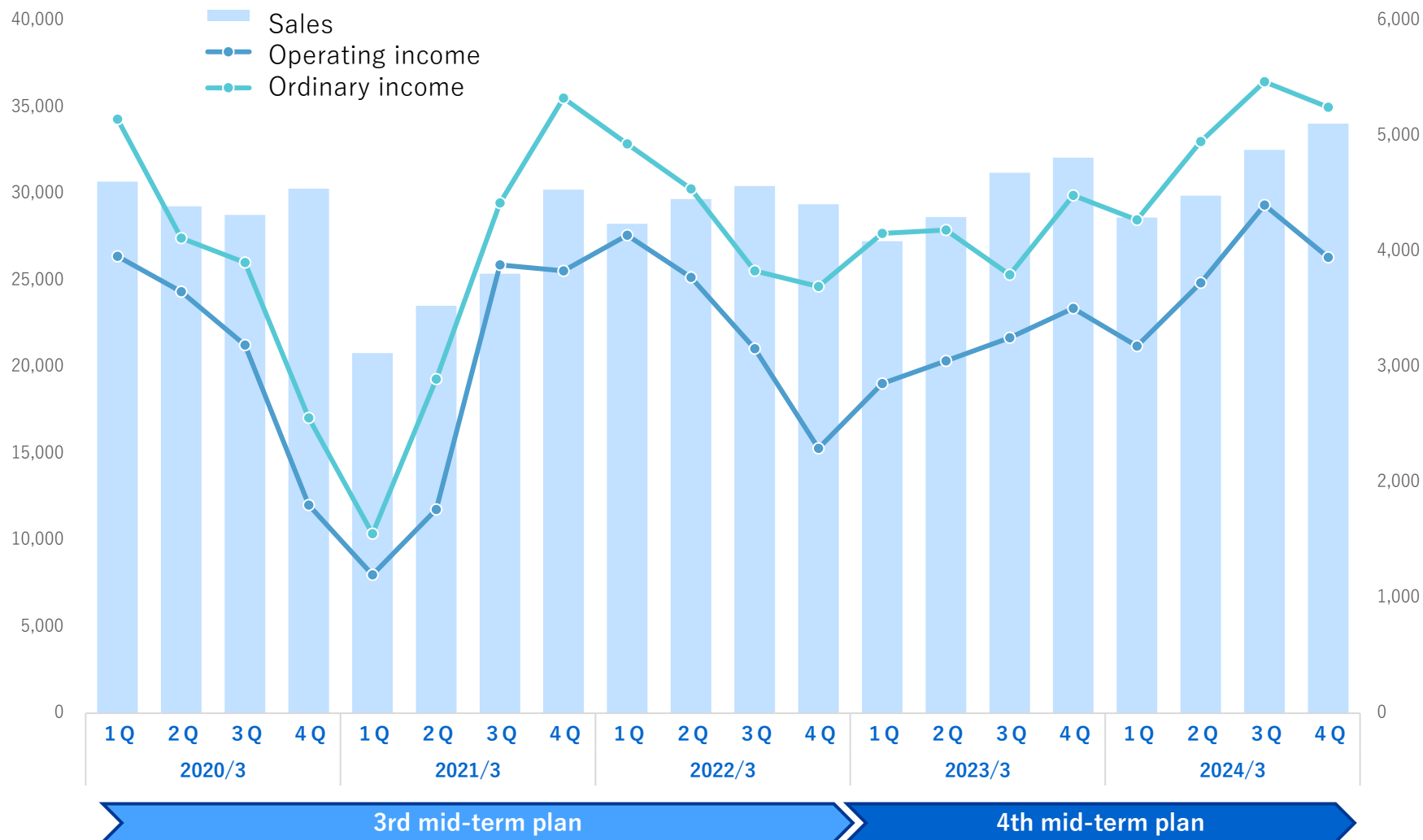


Consolidated quarterly trend

(Unit: million yen)

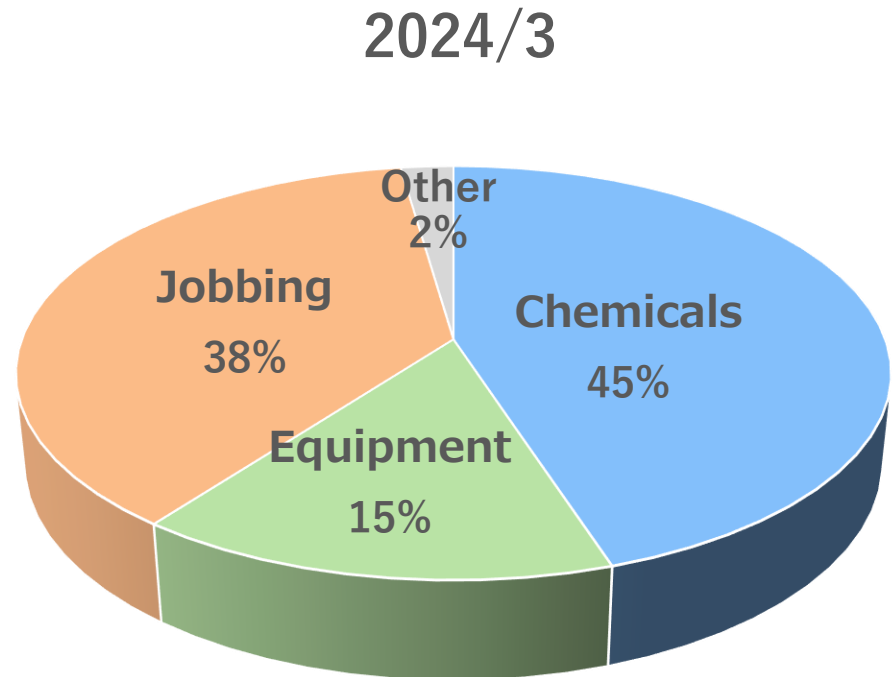
(Sales)

(Profit)



Business segment and sales composition ratios

Business segment	Main business
Chemicals	<ul style="list-style-type: none"> Surface treatment chemicals for adding corrosion resistance, creating a paint base, providing lubrication Rolling oil and lubricants Rust proof oil Electroless plating solution (KANIGEN PLATING) Other products for design features and other various purpose
Equipment	<ul style="list-style-type: none"> Pretreatment, E-coat equipment Wastewater treatment Paint application and Robots Paint Booth and Air Supply Unit Powder Coating Equipment (PARKER IONICS) Conveyors Wet booths and Dry booths, etc.
Jobbing	<ul style="list-style-type: none"> Rust proof coating Salt-bath nitriding (ISONITE) Gas carburizing, Carbonitriding, Low temperature carbonitriding Gas nitrocarburizing Electroless plating process (KANIGEN PLATING) Solid lubrication Other various surface treatment
Other	<ul style="list-style-type: none"> Building maintenance Medical Others



Sales consolidated
125,085
million yen

Financial results of business segments by area

(Unit: million yen)

		Net sales			Operating income		
		2023/3	2024/3	Changes	2023/3	2024/3	Changes
Chemicals	Japan	30,529	32,215	1,685	3,480	4,994	1,513
	Asia	21,481	23,046	1,564	3,268	4,010	742
	Europe and North America	899	1,008	108	227	247	19
	Inter-segment	1,308	1,402	93	695	810	114
	Chemicals	54,219	57,671	3,452	7,672	10,062	2,389
Equipment	Japan	5,885	8,566	2,681	-334	11	346
	Asia	9,936	9,298	-637	-21	137	159
	Europe and North America	969	1,284	314	32	74	41
	Inter-segment	608	470	-137	315	303	-12
	Equipment	17,399	19,620	2,221	-8	527	535
Jobbing	Japan	25,848	25,690	-157	4,351	3,870	-481
	Asia	12,700	12,642	-58	1,981	1,551	-430
	Europe and North America	8,194	8,489	295	-459	41	500
	Inter-segment	49	41	-7	212	261	49
	Jobbing	46,792	46,864	71	6,086	5,724	-362
Others		2,791	2,877	86	113	90	-22
Adjustments and Eliminations		-2,024	-1,948	75	-1,196	-1,146	49
Total		119,177	125,085	5,907	12,668	15,258	2,589

(Note) Sales and profit of each segment include internal sales and transfers between segments.

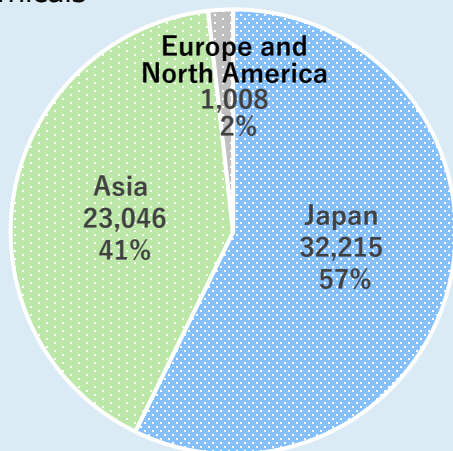
- All segments have recovered gradually due to the production recovery of major customers.
- Total operating profit increased by 2,589 million yen compared to the previous year.
 - In the chemicals segment, profit margins improved due to sales prices increase in response to rising raw material cost and other factors.
 - The Equipment segment also improved from loss to profit.
 - In the Jobbing segment, operating profit decreased due to rising utility cost and other factor.

Percentage of sales by area

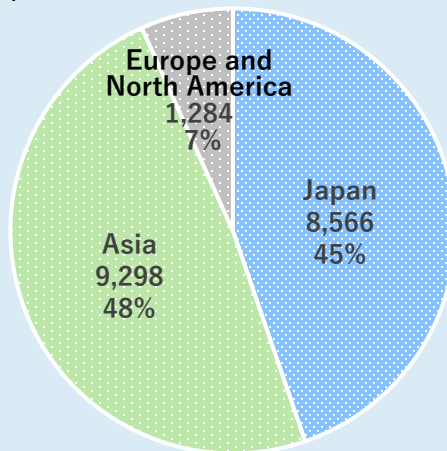
(Unit: million yen)

Consolidated subsidiaries only

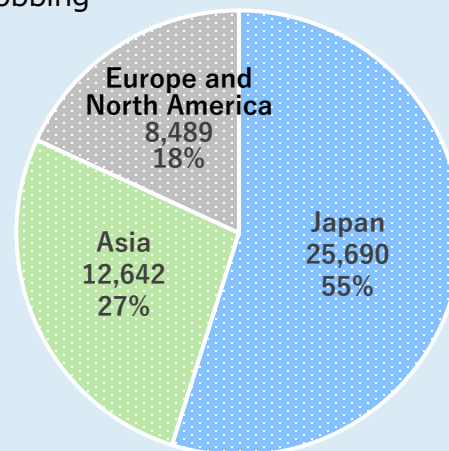
Chemicals



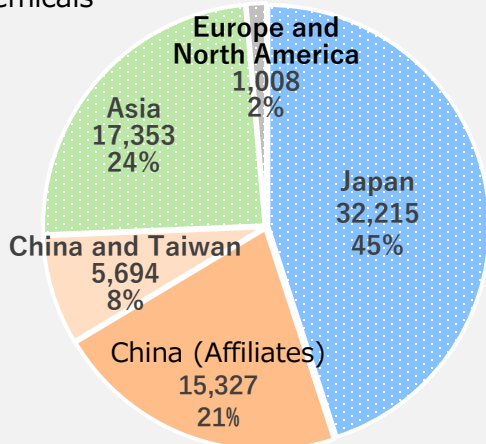
Equipment



Jobbing



Chemicals



← The sum of consolidated subsidiaries and affiliated companies in China

Non-operating income and Extraordinary gain or loss

- As a result of gaining interest income, dividend income, equity method in earnings of affiliates, technical fees received, etc., ordinary income was 19,945 million yen.
 - Extraordinary income was 1,501 million yen (including profit on sale of securities 1,069 million yen), extraordinary loss was 511 million yen (including loss on sales and disposal of fixed assets of 312 million yen).
- As a result, net income attributable to the parent company shareholders was 13,194 million yen.

(Unit: million yen)

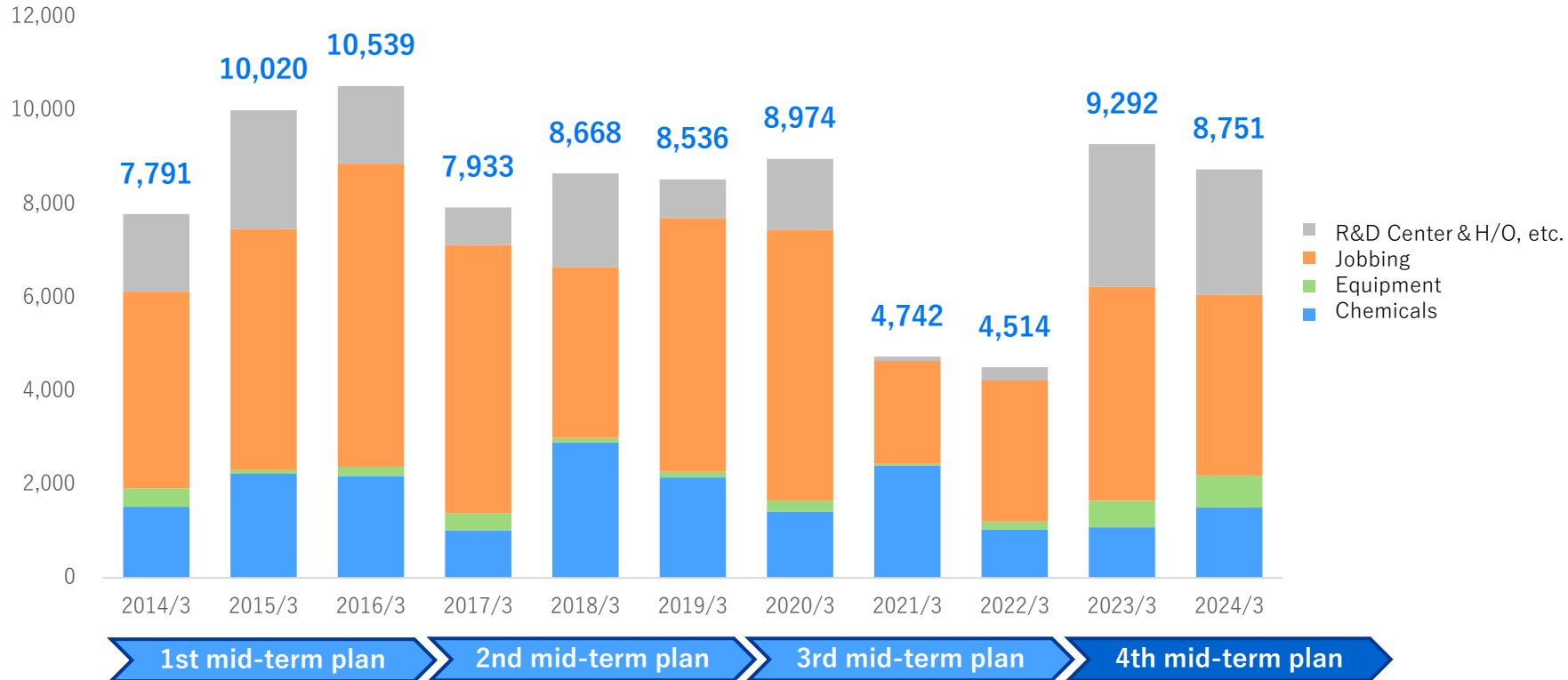
	2023/3	2024/3	Changes
Operating income	12,668	15,258	+2,589
Non-operating profit	4,685	5,527	+841
Interest income	427	786	+358
Dividend income	556	655	+98
Technical support fee	638	795	+156
Equity in earnings of affiliates	983	1,176	+192
Other income	2,078	2,113	+35
Non-operating expenses	728	839	+110
Interest expense	19	12	-7
Other expense	709	827	+117
Ordinary income	16,625	19,945	+3,320
Extraordinary income	945	1,501	+556
Extraordinary loss	942	511	-430
Income before income taxes	16,628	20,935	+4,307
Income taxes	4,465	5,407	+941
Net income attributable to non-controlling interests	2,189	2,333	+144
Net income attributable to parent company shareholders	9,973	13,194	+3,221



Revenue from China and Taiwan area (Profits from subsidiaries and affiliates)			
	2023/3	2024/3	Changes
Operating income	1,065	688	-377
Technical support fee	236	239	+3
Equity in earnings of affiliates	466	621	+155
Total	1,767	1,548	-219

Capital investment

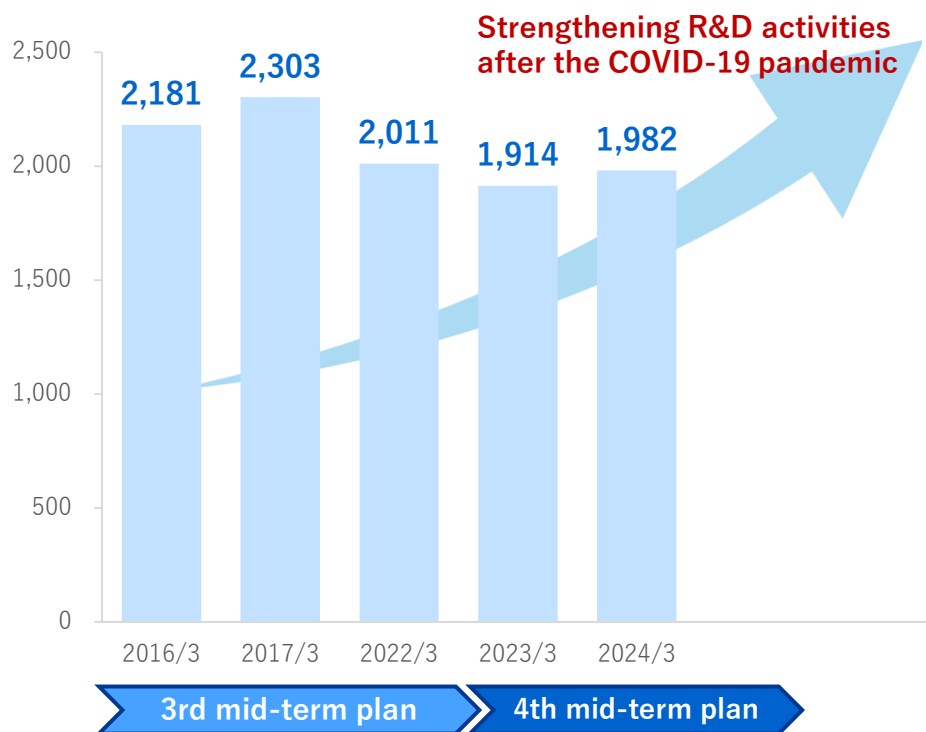
(Unit: million yen)



- Capital investment has recovered after the COVID-19 pandemic
- In addition to regular maintenance, we are making capital investments for sustainable growth, such as automating our factories
- Expansion of the Central Research Laboratories is currently underway. (scheduled for completion in 2025)
- Planning to build a new factory in Kitakyushu City.

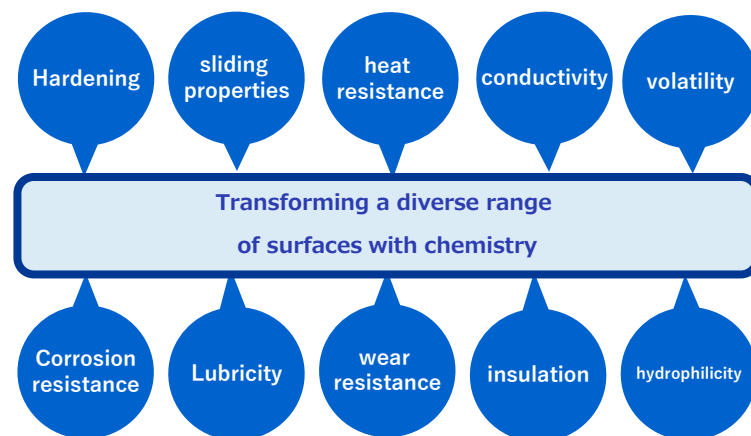
Research and Development Expenses

(Unit: million yen)



Expand R&D themes

- Expanding the Central Research Laboratories (scheduled for completion in 2025)
~installing the new analytical equipment and experimental devices ~
- Developing technology for parts used in EV and next-generation automotive
- Developing technologies for new markets such as medical parts
- Developing technologies to meet local needs



- More than 130 employees work at the Central Research Laboratory, and we will continue to invest approximately 2,000 million yen in Research and Development every year.
- Creating diverse functions using our core technology in addition to rust prevention.
- Meeting needs such as environmental needs (chrome-free, phosphate-free, sludge-free, etc.)
- Developing surface treatment technologies that contribute to the environment, such as reduction of CO2 emissions, saving energy, etc.
- Developing technologies for new markets such as medical parts. (We have got permission of the first-class marketing for medical devices since Feb 7, 2023.)

Consolidated balance sheet

(Unit: million yen)

	2023/3	2024/3	Changes
Current assets	128,576	146,511	+17,935
Fixed assets	107,957	123,307	+15,350
Tangible and Intangible assets	64,977	68,579	+3,602
Investments and other assets	42,980	54,727	+11,747
Total assets	236,534	269,819	+33,285
Current liabilities	30,693	38,710	+8,017
Fixed liabilities	9,448	11,223	+1,774
Total liabilities	40,141	49,933	+9,792
Total net assets	196,392	219,885	+23,493
Shareholders' equity	150,419	159,048	+8,629
Accumulated other comprehensive profit	15,852	28,098	+12,245
Non-controlling interests	30,120	32,738	+2,618
Total liabilities and net assets	236,534	269,819	+33,285
Shareholders' equity ratio	70.3%	69.4%	

Main factor of change

Cash and deposits +13,795

Acquisition +8,967

Depreciation -6,244

Securities +6,599

Notes payable and accounts payable +2,126
Payables for Income taxes +1,705

Current profit +13,194

Cash dividends paid -4,621

Purchase of treasury shares -189

Valuation difference
on available-for-sale securities +4,514
Translation adjustment +3,687

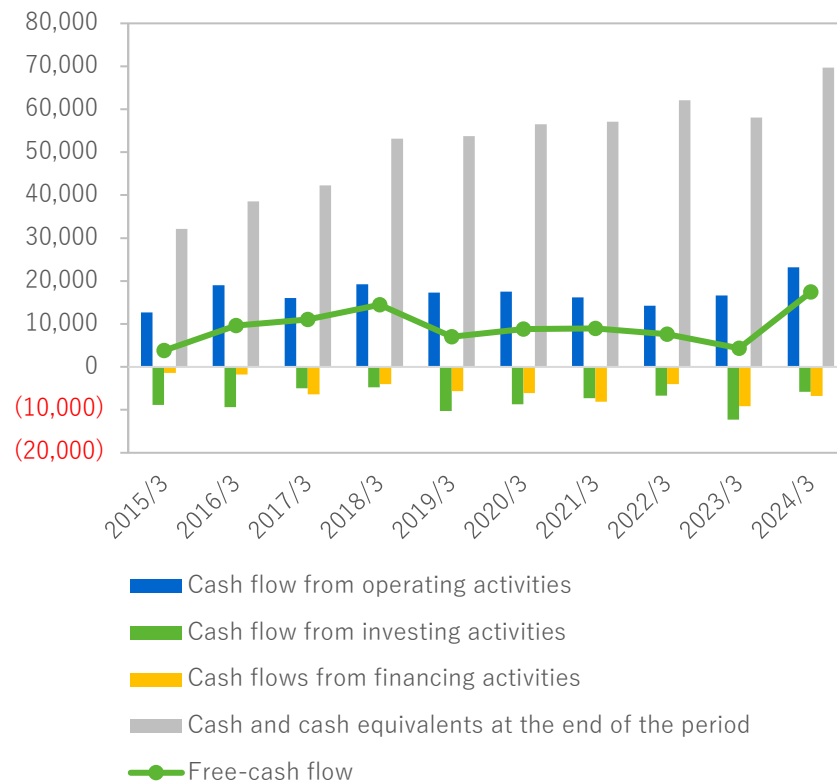
※Shareholders' equity ratio = ("Total net assets" – "Non-controlling interests") / Total liabilities and net assets

■ Shareholders' equity ratio is stable.

Consolidated cash flow

(Unit: million yen)

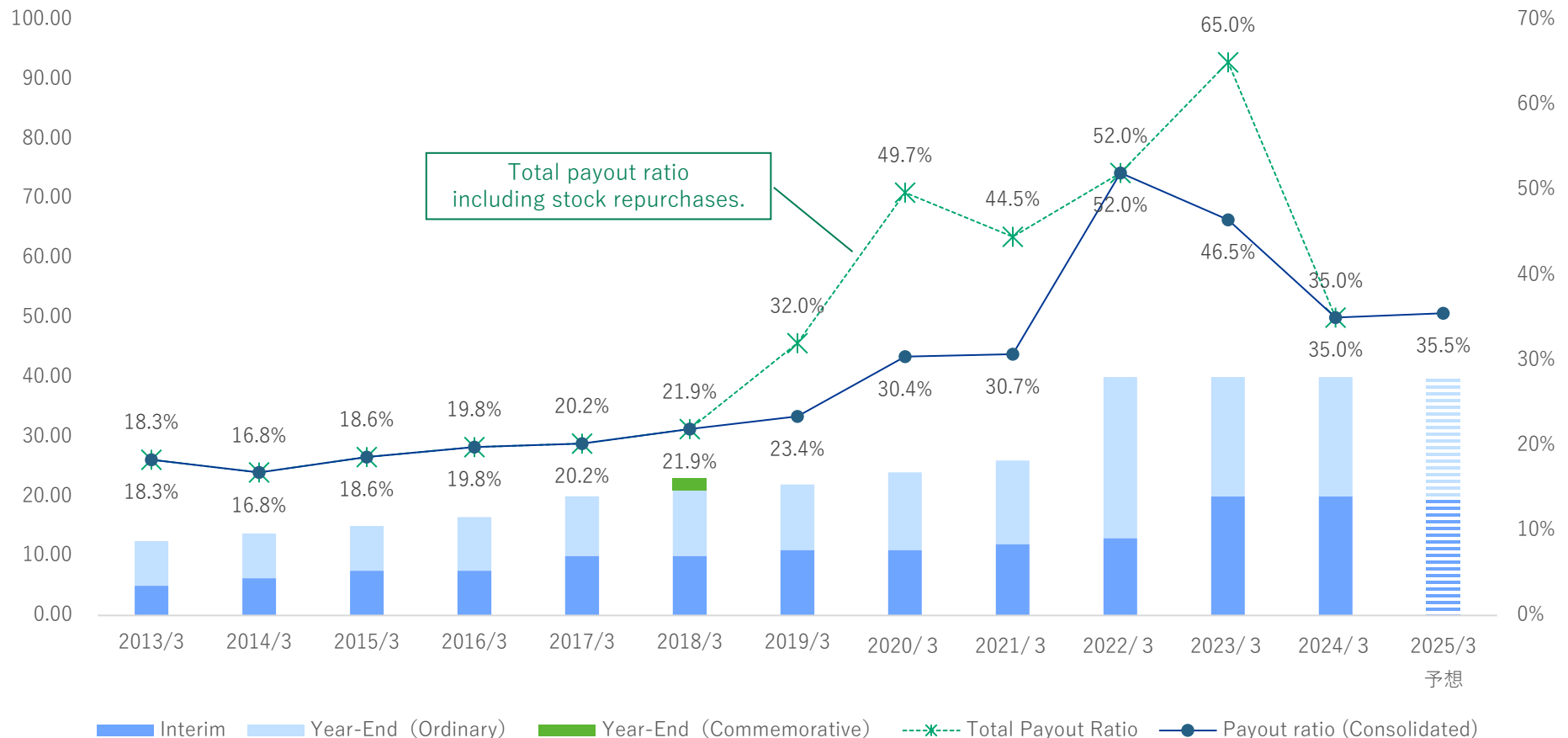
	2023/3	2024/3
Net cash provided by operating activities	+16,608	+23,229
Profit before income taxes	+16,628	+20,935
Depreciation and amortization	+5,927	+6,244
Others	-5,946	-3,950
Net cash used in investing activities	-12,300	-5,784
Purchase of property, plant and equipment	-9,607	-7,422
Others	-2,692	+1,637
Net cash used in financing activities	-9,158	-6,778
Cash dividends paid	-5,613	-4,731
Dividend payments to Non-controlling interests	-1,173	-1,260
Purchase of treasury shares	-1,845	-187
Others	-526	-598
Effect of exchange rate change on cash and cash equivalents	+864	+897
Net increase (decrease) in cash and cash equivalents	-3,985	+11,562
Cash and cash equivalents at beginning of the fiscal year	62,083	58,098
Cash and cash equivalents at end of the fiscal year	58,098	69,661



- Although income before taxes and minority interests increased, cash and cash equivalents at the end of the fiscal year decreased due to an increase in capital investment, dividend payments, and the acquisition of treasury stock.
- Free cash flow (“Operating cash flow”-“Cash flow from investing activities”) is positive.

Dividend policy and shareholder return

- We will pay stable dividends to shareholders on an ongoing basis and commit to enhancing shareholder value by utilizing retained earnings effectively.
- Taking into consideration consolidated business results and retained earnings required for future business development, we will determine the dividends based on a target payout ratio of 30% on a consolidated basis.
- In addition, since both the investment funds for growth and security of the financial base have reserved to a certain extent, **we will pay dividends exceeding our target ratio for the time being.**
- We will repurchase stock as a measure to improve capital efficiency and future ROE.



Notes : here is no forecast for the total payout ratio.

Forecast for next fiscal year and prospects for achieving mid-term targets

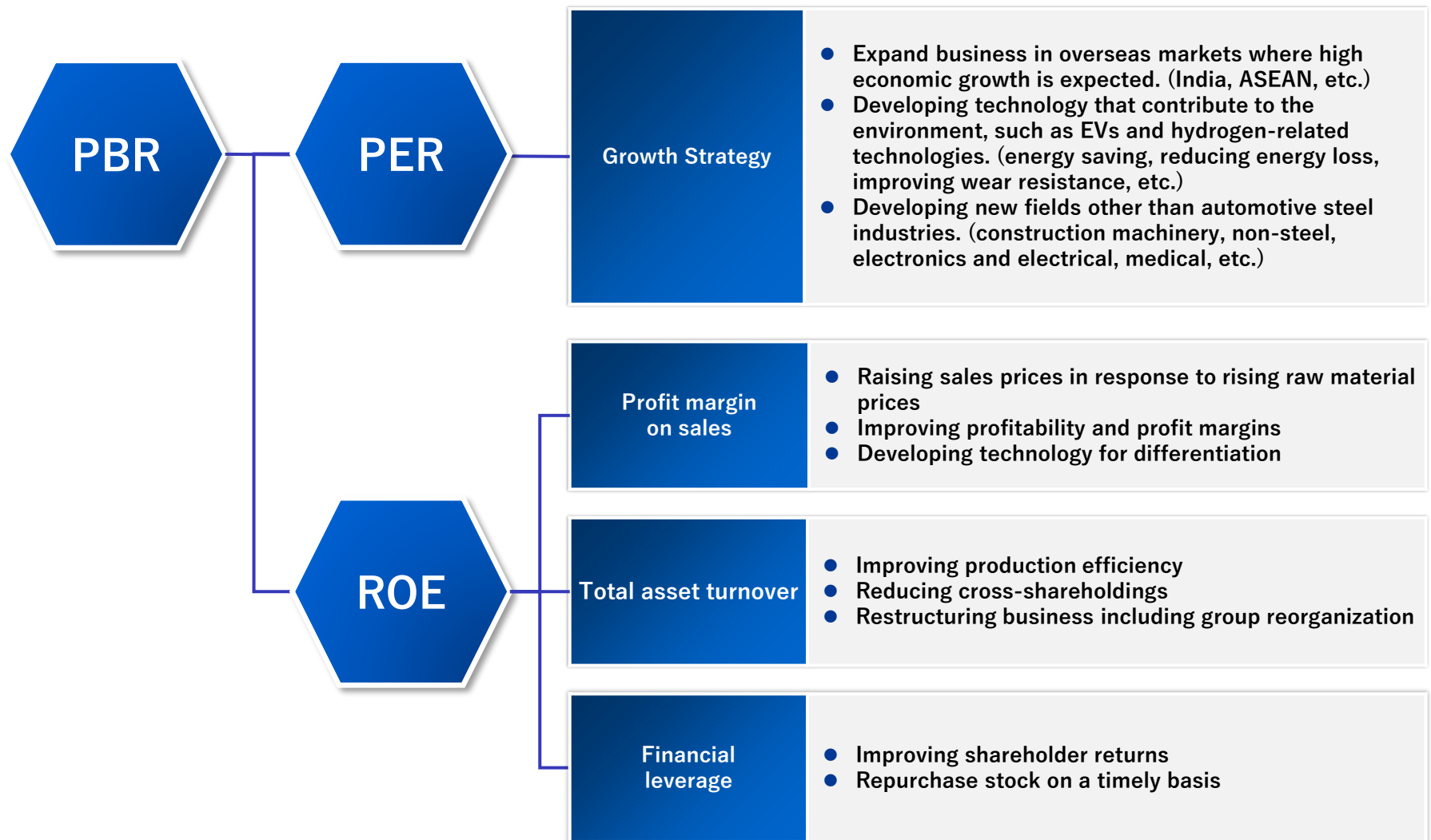
(Unit: million yen)

		4th mid-term plan					
	Actual 2022/3	Actual 2023/3	A Actual 2024/3	B Forecast 2025/3	C Target 2025/3	B-A	B-C
Net Sales	117,752	119,177	125,085	132,000	130,000	+6,915	+2,000
Operating income	13,370	12,668	15,258	16,500	16,900	+1,242	-400
Ordinary income	17,003	16,625	19,945	20,500	19,500	+555	+1,000
Net income attributable to parent company shareholders	9,046	9,973	13,194	13,000	-	-194	-
Operating profit margin	11.4%	10.6%	12.2%	12.5%	13%以上	-	-
Sales ordinary income ratio	14.4%	13.9%	15.9%	15.5%	15%以上	-	-
Ratio of ordinary income to total assets	5.8%	6.1%	7.5%	-	8~10%以上	-	-
The average exchange rate (USD)	109.80yen	131.43yen	140.56 yen	148.00yen	-	-	-

- In the fiscal year ending March 2024, sales recovered gradually. Both sales and profits increased due to price increases and the effects of a weaker yen. In the fiscal year ending March 2025, sales and profits are expected to continue increasing. Both sales and ordinary profit are expected to achieve the medium-term plan targets.
- However, due to the impact of rising raw material prices and utility costs, the operating profit margin is currently below the target. To obtain appropriate margins, we will promote activity to increases prices and to improve productivity.
- We have decided to make Parker Processing Co., Ltd., a subsidiary that is central to our processing business, a wholly owned subsidiary through a share exchange. To maximize group synergies, we will work to restructure our business, including group reorganization.

Improving capital efficiency and corporate value

Increasing corporate value by generating stable cash flows from existing businesses and expanding businesses in growth markets and new fields.



Measures to achieve Vision 2030 and the mid-term management plan

Measures to achieve Vision 2030

(Unit:100 million yen)

Regional management for global business expansion

Expand R&D themes related to the environment, such as decarbonized society

Development of new markets other than automobile and steel industries

Cultivating existing markets

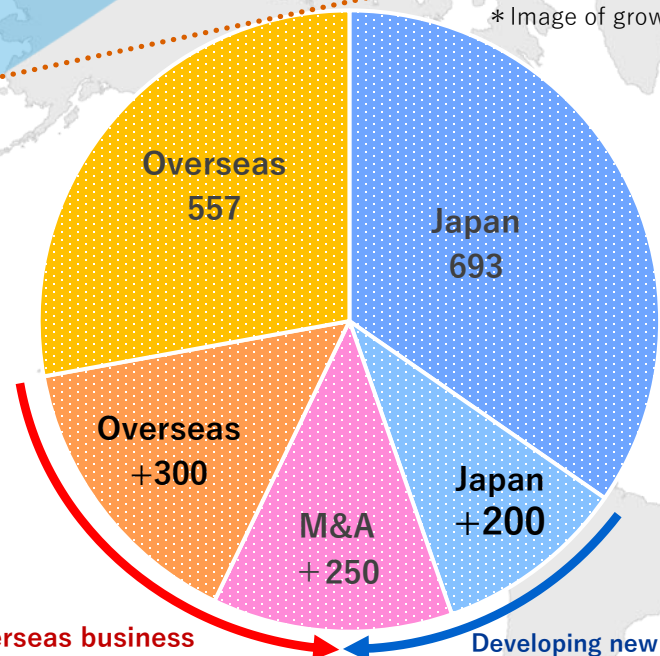
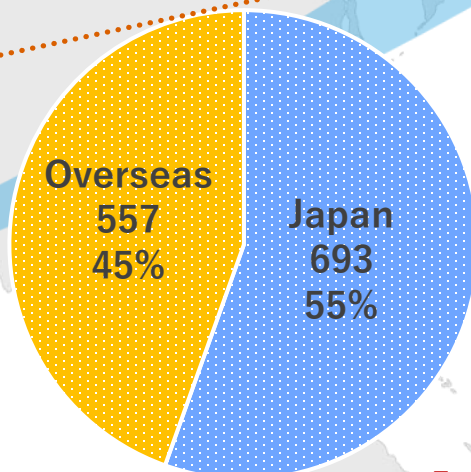
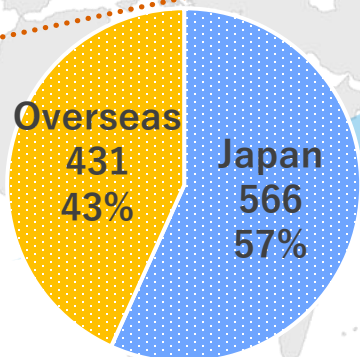
M&A to expand business portfolio

Future
Vision2030
2,000

* Image of growth

Past (10 years ago)
2014/3
997

Now
2024/3
1,250



Expanding overseas business

Developing new markets
and new technologies

4th mid-term plan

5th

6th

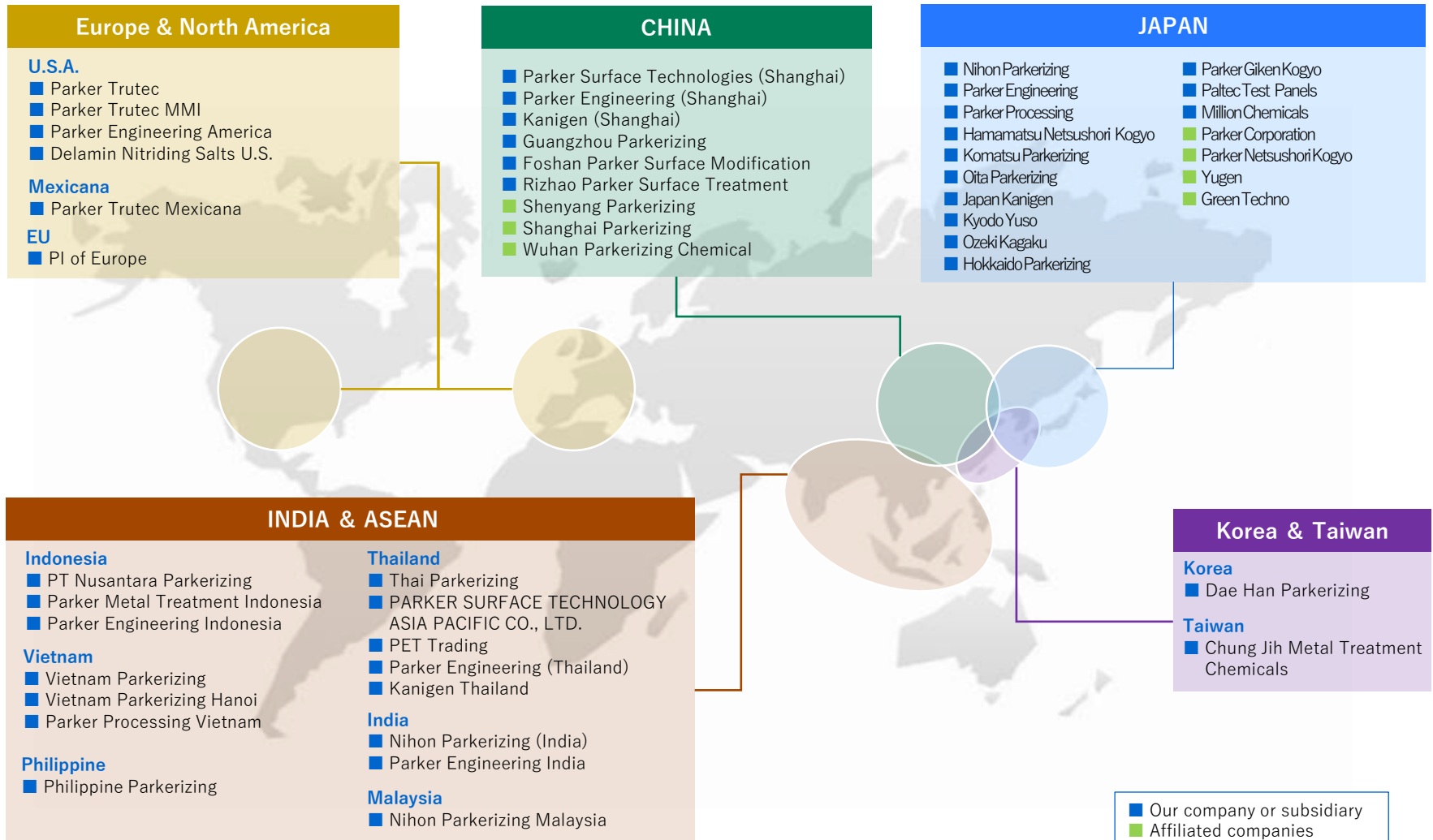
Providing products and services that meet local needs in each region where high economic growth is expected, such as India and ASEAN, we will expand our business and aim to achieve Vision 2030 !

- Divide the overseas market into 4 regions and assign the director in charge for each region
~ ① India and ASEAN, ② China, ③ Korea and Taiwan, ④ Europe and North America ~
- Each region will take its own responsibility, make decisions quickly, and accurately grasp market trends (delegation of authority)
- Using a market-in approach, understanding customer needs in each region and reflect them in products and services
- Strengthen profit and loss management by clearly defining targets for each region
Enhance human resource management by promoting diversity

Think Globally & Act Locally

Of , For, and By the Local

Promoting regional management by all group companies



Developing technologies to meet local needs

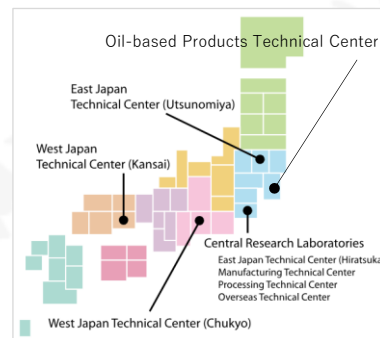
PARKER SURFACE TECHNOLOGIES (SHANGHAI) CO.,LTD.



- R&D base in China, selecting R&D themes to meet local needs.
- Providing consulting and marketing services related to surface treatment technology.

Providing technical support to customers

Expanding the Central Research Laboratories



Expanding the Central Research Laboratories
(scheduled for completion in 2025)

- We have the Central Research Laboratories and 8 technical centers across Japan to provide timely technical support.
- Expanding the Central Research Laboratories and installing the new analytical equipment and experimental devices to expand R&D themes, such as reduction of CO2 emissions.

PARKER SURFACE TECHNOLOGY ASIA PACIFIC CO., LTD. (in THAI PARKERIZING CO.,LTD.)



- R&D base in ASEAN, selecting R&D themes to meet local needs.
- Providing consulting and marketing services related to surface treatment technology.

Building a foundation for sustainable growth

■ Expand R&D themes related to the environment, such as carbon neutral, greenhouse gas reduction, etc.

- ✓ Developing technology for EV (conductivity, insulation, wear resistance, heat resistance, heat treatment with little distortion) and technology for next-generation automobiles (anti-glare, adhesion of different materials, etc.)
- ✓ Developing surface treatment technologies that contribute to the environment, such as Improving sliding and insulation properties, reduction of CO2 emissions, saving energy, etc.
- ✓ Developing of 3R technology to contribute to SDGs and circular economy.
- ✓ Active collaboration with other industries. We are adding value to our customers' raw material, such as our adhesion improvement technology etc.

■ Development of new markets other than automobile and steel industries

- ✓ Development of new markets other than automobile and steel industries, such as construction machinery, semiconductors, electronics and electricity, life sciences (medical equipment, food and clothing, house, cosmetics, etc.)
- ✓ Discovery of new business seeds.

■ Cultivating existing markets

- ✓ Strengthening sales activities
- ✓ Strengthening cooperation within the group around the world

■ M&A to expand business portfolio

- ✓ Explore M&A from various perspectives, such as increasing market share, acquiring new technologies, and entering new fields.



EV



Electronics



Medical



Improving
insulation and
heat resistance



Electric scalpel



Antiviral and Antibacterial
spray

Challenge for Change

Responding to changes in the business environment, we will challenge to develop new fields and transform our business processes with new ideas that are not bound by preconceived notions or past practices.

This way, we will create new value!

Developing new markets and customers

- Expanding business in areas where high economic growth is expected, such as India and ASEAN
- Developing new markets other than automotive and steel industries, such as electronics and electrical, medical
- Cultivating existing markets
- M&A and strategic alliances in both existing and new fields

Developing new technologies

- Developing surface treatment technologies that contribute to a decarbonized society, such as EVs and hydrogen-related products
- Developing surface treatment technologies that contribute to the environment, such as energy saving, high efficiency, and reduced energy loss
- Developing of 3R technology to contribute to SDGs and circular economy
- Promoting open innovation, Searching for new business seeds

Strengthening profitability

- Promoting factory automation
- Building an optimal production system for the group
- Using IoT technology and AI, transforming business models with DX
- Improving productivity

Strengthening group management

- Maximizing group synergies and restructuring businesses, including group reorganization
- Stimulating personnel exchanges among group companies around the world

Enhance human resource management

- Promoting diversity
- Developing global human resources

Safety and Quality

- Eliminating occupational accidents by investing in equipment to reduce dangerous and harmful work
- Always provide products and services that customers can trust

Examples of application of our technology to various surfaces

Car



Protecting car from rust and increases durability.

Satellite



Lubricant that is effective even in a vacuum

Ship



Protecting ship from rust.

Bridge



Preventing rust and improving maintainability and safety.

Skyscrapers



Improving the adhesion of vibration-isolating rubber and protecting buildings from earthquakes.

Beverage can



Improving the adhesion between can and paint and enhancing the design.

Appliance



Improving lubrication in compressor and extending the life of refrigerator.

Smartphone



Improving motor efficiency in smartphones and reducing power consumption.

Airplane



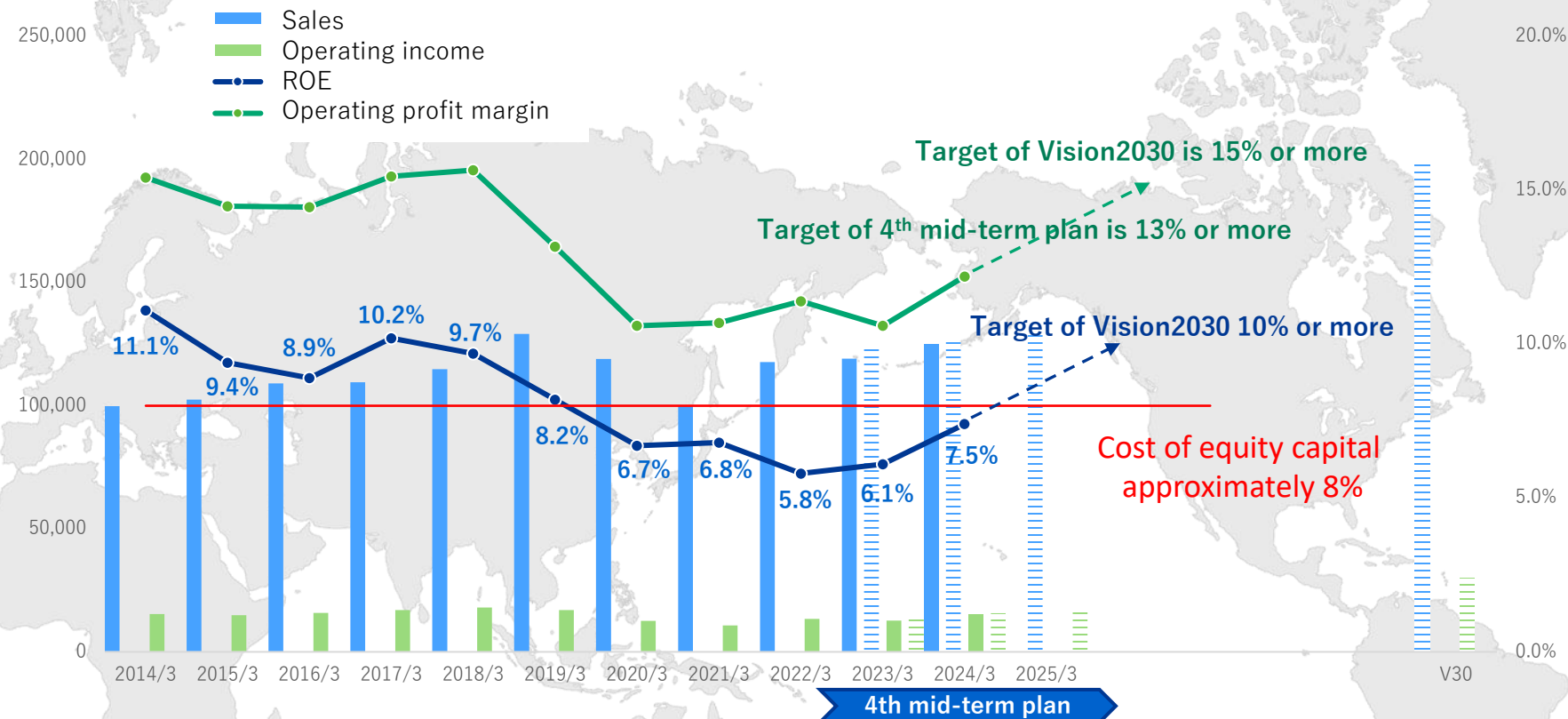
Increasing the corrosion resistance of aluminum and protecting the airplane.

Improving capital efficiency

Promoting regional management by group companies,

We will improve profitability and corporate value.

(Unit: million yen)



Strengthening profitability and balance sheet management,
and we will increase ROE to 10% or higher.

Six key issues and key initiatives for our grope

Together the Group will tackle the key issues as we aim for a sustainable society

Key issues (materiality)	Main initiatives in the 4 th Group mid-term management plan
1 Creating a richer society through surface modification technology	<ul style="list-style-type: none"> Development and sales of products to reduce the environmental load Development and sales of products for electric vehicles Expanding application of surface modification technology into new markets other than the auto and steel industries
2 High value-added products and services for customers around the world	<ul style="list-style-type: none"> Research and Development in markets other than metal rust prevention treatments Development of products and services that contribute to SDGs Strengthening quality control and the quality assurance system to ensure the supply of high-quality products and services
3 Ensuring a safe and secure workplace	<ul style="list-style-type: none"> Safety and environmental initiatives on a Group level Initiatives to eliminate occupational and traffic accidents Eliminating dangerous and hazardous work, and continuously improving the work environment
4 Creating a corporate culture that respects diverse values and turns them into strengths	<ul style="list-style-type: none"> Recruitment of women, people with disabilities, non-Japanese, mid-career and senior workers Increase ratio of women in management Establish a working style and workplace environment that enables a diverse workplace to flourish
5 Taking responsibility for creating a sustainable society	<ul style="list-style-type: none"> Thorough management of chemical substances in products Ensure 100% compliance by suppliers with the Green Procurement Guidelines , and continuously reduce energy intensity. Promotion of initiatives for stable procurement and stable supply through multi-sourcing and business continuity planning (BCP).
6 Initiatives to ensure the continuing integrity of the Group	<ul style="list-style-type: none"> Standardization of key Rules at each company to strengthen Group governance Continue Group-wide initiatives on education and awareness of compliance Building a close relationship and collaboration with all stakeholders

Contributing to the achievement of Sustainable Development Goals (SDGs)



Consolidated financial highlights

(Unit: million yen)

	1st mid-term plan			2nd mid-term plan			3rd mid-term plan			4th	
	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3
Net Sales	99,793	102,514	109,063	109,569	114,840	129,207	119,028	99,918	117,752	119,177	125,085
Operating income	15,393	14,850	15,766	16,934	17,984	17,023	12,601	10,681	13,370	12,668	15,258
Ordinary income	18,046	17,453	17,921	18,779	20,750	20,130	15,723	14,197	17,003	16,625	19,945
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	13,194
Operating profit margin	15.4	14.5%	14.5%	15.5%	15.7%	13.2%	10.6%	10.7%	11.4%	10.6%	12.2%
Sales ordinary income ratio	18.1%	17.0%	16.4%	17.1%	18.1%	15.6%	13.2%	14.2%	14.4%	13.9%	15.9%
Ratio of ordinary income to total assets	11.5%	9.9%	9.5%	9.7%	10.0%	9.2%	7.2%	6.5%	7.6%	7.1%	7.9%
Return on equity (ROE)	11.1%	9.4%	8.9%	10.2%	9.7%	8.2%	6.7%	6.8%	5.8%	6.1%	7.5%
Shareholders' equity ratio	59.5%	61.1%	61.5%	62.5%	62.9%	64.2%	66.1%	68.8%	70.0%	70.3%	69.4%

The forward-looking statements such as forecast of financial consolidated results contained in this document are based on the information currently available to the Company and certain assumptions which are regarded as legitimate. Actual results may differ from these forecast due to various factors.

Significant factors which may affect actual results include but are not limited to; a)state of the economy b)fluctuations in exchange rates c)product competitiveness, d)regulations and e)limits of intellectual property protection.

The information in this document is not intended to solicit investment.
Please make investment decisions at your own discretion.

Vision 2030

**Transforming a diverse range
of surfaces with chemistry**