

## Financial strategy



**We will implement optimal resource allocation and aim to maintain a robust financial position to achieve medium and long-term growth.**

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Representative Director and  
Vice President, Executive Officer

### Initiatives under the 4th Medium-Term Management Plan

In the fiscal year ended March 31, 2024, which is the second year under the 4th Group Medium-Term Management Plan (from the fiscal year ended March 31, 2023, to the fiscal year ending March 31, 2025), signs of recovery in personal consumption and corporate production could be seen as social and economic activity continued to normalize. We posted significant gains in sales and income, reflecting a gradual recovery in sales combined with the effects of a weaker yen and price increases. However, we are still contending with stubbornly high raw materials and energy prices and exchange rate volatility, and so to generate adequate profit margins, we are continuing to implement price increase activities and initiatives to improve productivity.

In 2024, we have proceeded with business restructuring, including group reorganization aimed at maximizing group synergy. For example, we made Parker Processing Co., Ltd., the core subsidiary in our domestic processing business, into a wholly-owned subsidiary through a share exchange, and we also acquired shares from minority shareholders in Mexico and Taiwan.

In addition, we are focusing on laying the management foundations for the realization of Vision 2030, including developing surface treatment technologies that reduce CO<sub>2</sub> or otherwise help solve environmental issues, building a globally optimized production structure, developing global

human resources, and promoting diversity. To achieve our ROE target, we will work to improve profit margins and implement appropriate balance sheet management, including repurchase of treasury stock to enhance capital efficiency.

### Robust financial position

To achieve our Medium-term Management Plan and realize our long-term vision, we must maintain the financial stability and soundness that will allow us to withstand the impact of economic volatility. The Nihon Parkerizing Group has grown and developed alongside the automotive and steel industries; however, with the accelerating shift to EVs and the realization of a decarbonized society, our business environment is at a significant turning point. We are in an era of unpredictability. Under such circumstances, we will view risks as opportunities to ensure we do not miss out on future business opportunities. In addition to developing surface treatment technologies that reduce CO<sub>2</sub> and otherwise address environmental issues, we will actively make investments to create new businesses, such as the life science business and encourage innovation. At the same time, we will actively seek potential M&A deals to enhance our business portfolio.

While striking a balance between ensuring profitability and maintaining financial soundness, we will continue boldly rising to the challenge of transformation with the aim of maximizing our corporate value.

### Supporting value creation and implementing cash management through a new organization

From July 2024, we integrated the Administration Division, Group Management Division and Information Systems Department to form the Corporate Division, an organization that brings together all the administration functions for the first time to further strengthen 3G (Global, Group, Governance) management. By developing an infrastructure for groupwide administration with corporate departments at the center, we will support smooth business implementation and optimize the cost of indirect operations. We have also introduced regional management (three regions: China, India, ASEAN and Others, which includes Japan), and we will work to expand shared services, strengthen the IT infrastructure, and promote financing within the Group while strengthening governance systems in each region. As a parent company, Nihon Parkerizing will centrally manage the cash of the entire Group. With the expansion of our global operations, demand for cash at overseas operating companies is also growing; however, the surplus money generated within a region shall be tightly managed in Japan for the time being. We will consider how to use cash efficiently on a global basis. We will also tighten cash management, including reducing balances of cash and deposits, and seek to strengthen financial governance further.

### Further enhancement of shareholders' returns

The Nihon Parkerizing Group considers returning profits to shareholders a critical management issue. It determines profit-sharing after comprehensively examining trends in financial results, payout ratio and the level of internal reserves necessary for future business development. As a parent company, Nihon Parkerizing will centrally manage cash on a groupwide basis and will use internal reserves to make business investments for growth in a bid to increase corporate value.

With regard to dividends, we will strive to meet the expectations of our shareholders by continuing to pay stable dividends while considering future business development and profit levels, as well as the total return ratio. Our target consolidated dividend payout ratio is 30%. In addition, share buybacks will be actively implemented according to cash on hand and stock market trends to improve capital efficiency, including future ROE.

From now on, we will continue considering further shareholder returns, taking into consideration the results of the 4th Medium-term Management Plan as well as the balance between our financial position and total growth investments throughout the 5th Medium-term Management Plan.

