



## Message from Top Management

**As a leading company in surface modification technologies, we aim to be a trusted partner to customers and society, continuously growing and evolving.**

**Masayuki Aoyama**  
President & Executive Officer

## A review of our performance in the fiscal year ended March 2025 and the implementation of the Group's 4th Medium-Term Management Plan

During the Group's 4th Medium-Term Management Plan, which concluded on March 31, 2025, we focused on establishing a management foundation to achieve Vision 2030. Our efforts concentrated on three key initiatives: implementing growth strategies, addressing social issues, and fostering corporate innovation.

In the fiscal year ended March 31, 2025, the final year of the Group's 4th Medium-Term Management Plan, net sales reached a record high of JPY132.281 billion, up 5.8% year on year. However, operating income declined slightly from the previous year due to higher raw materials and steel prices, as well as higher other costs. Ordinary income stood at JPY19,936 million, flat compared to the previous year. As a result, we achieved the net sales and ordinary income targets set in the Medium-Term Management Plan. However, we did not meet the operating income target, mainly due to a decline in the Toll Processing business and higher inflation-related costs.

The slogan for the 5th Medium-Term Management Plan, which began in April 2025, is "Challenge for Change." We are accelerating the implementation of initiatives for sustainable growth. In April 2025, we opened the new Central Research Laboratories in Hiratsuka, Kanagawa. We are actively investing to ensure sustainable growth as a leading surface modification company. The new Central Research Laboratories is designed to foster innovation and seed businesses, supporting the goals of Vision 2030. We aim to develop products that meet customer needs, turn them into actual products, and then have our sales team effectively communicate their appeal. We are continually improving our system, in which the factory, sales, and development departments work together seamlessly. We will focus on both sowing the seeds of new value and harvesting what we produce, while considering the timeframe.

## It has been one year since I was appointed president last July

The Company's structure has been vertically segmented into divisions for many years. This structure has tended to result in a silo mentality and local optimization. The new structure, which was launched on July 1, 2024, enabled the Corporate Division and the Corporate Planning Division to play a leading role in fostering horizontal collaboration. The restructuring has strengthened the organization's unity and increased management's agility. The Management Council and the Executive Officers Meeting discuss business strategies and significant investment projects for the group as a whole. We are actively debating the profitability and risks associated with these investments.

To enhance collaboration between domestic businesses and expand international operations, we introduced regional management in FY2024. This approach involves developing region-specific strategies. We focus on identifying customer needs in each region and adapting our products and services to meet them. The parent company's business segments collaborate with each region to develop strategies. The corporate, corporate planning, and research and development divisions work together to eliminate barriers between organizations and companies, enhancing constructive collaboration within the group. The Nihon Parkerizing Group overseas sales ratio (including exports from Japan) rose to 46%. To

quickly address local needs, we believe local companies should lead sales and development with support from Japan. We have technical centers in China and Thailand that manage development operations. These centers promote their own development strategies and assign local staff to key positions.

We position human resource development as a key pillar in our management. In today's flood of information, finding answers online is easy. However, we expect each employee to develop their own perspective and cultivate solid judgment through on-site experience. This dedication allows them to build trust with customers and technology partners, creating mutually beneficial relationships that enhance value for all.

Employees are increasingly using chat applications and email to communicate, but face-to-face communication remains essential. Upon becoming President, I encouraged employees to work based on their roles, not their titles. Everyone, including myself, addresses each other using the honorific "-san."

Since taking office last year, I have visited over 30 plants in Japan to become more closely connected to our workplaces. I also visited overseas locations in India, Vietnam, China and other countries. I aim to deepen our connection to the front lines and strengthen our trust by communicating directly in my own words.

## My aspirations for my second year and beyond

From a management perspective, I advise employees to be clearly aware of time frames, specifically, who will do what and by when. It is essential to consider timing when sowing seeds of operations and harvesting the results. In May 2025, we announced the Group's 5th Medium-Term Management Plan. The outlook remains uncertain as the number of vehicles produced domestically by our primary customer, the automobile industry, is trending downward. We are also facing challenges due to the tariffs imposed

by the Trump administration, high resource and energy prices, and ongoing inflationary pressures. Because of this situation, I believe my greatest mission for my second year and beyond is to transform the Company into one capable of sustainable growth. To that end, we will focus on research and development with a solid, forward-looking perspective over the medium to long term, while simultaneously advancing the fundamental restructuring of our existing businesses.

## My thoughts about the Company's philosophy, vision, and values

The Company's corporate philosophy is to transform a diverse range of surfaces with chemistry, create new value from resources, preserve the global environment, and realize an affluent society. This philosophy has guided us since our founding. As the Earth's resources are finite, we aspire to contribute to society by promoting the most effective utilization and reuse of resources through our environmentally conscious technologies. While we may be a niche company, pursuing corporate value globally

has led to our sustainable development. We will continue to maintain that direction as we advance.

Furthermore, backed by the sound financial foundation built by our predecessors, we will actively pursue business development and create an environment where our employees can work comfortably. We believe that these initiatives are compatible with providing stable returns to our shareholders and will lead to sustainable value creation.

## The Group's 5th Medium-Term Management Plan

We began implementing the Group's three-year Medium-Term Management Plan in the fiscal year ending March 31, 2026. Our slogan is "Challenge for Change." We will expand and enhance our research and development efforts in the environment, including decarbonization. Additionally, we develop new markets beyond automobiles and steel, profoundly deepen our existing markets and explore mergers and acquisitions to expand our business portfolio. Furthermore, we will standardize and streamline operations by utilizing AI and promoting digital transformation. We will establish a regional management structure and advance marketing and technology development efforts tailored to the region's needs, to enhance collaboration within domestic operations and expand overseas businesses. Furthermore, we will enhance our management structure by implementing business reforms, including facilitating information sharing, streamlining business processes,

and fostering interactive communication. We will continue to focus on ensuring safety, security, and hygiene to fulfill our responsibilities as a manufacturer.

Since establishing our first joint venture in Taiwan in 1965, we have expanded our overseas operations by quickly responding to shifts in Japanese customers' globalization. However, the market environment surrounding the automotive industry is also changing rapidly, driven by the shift to electric vehicles. In response to these changing times, we believe it has become increasingly important to quickly address local needs under local leadership, regardless of whether the customer is Japanese or non-Japanese. Climate, the environment, legal regulations, and needs vary by region, requiring tailored approaches to regional characteristics. We have technical centers in China and Thailand, and we are promoting technology development that can respond to local needs quickly as part of our regional management strategy.

### Initiatives to cultivate existing markets

We will pursue an even deeper and broader approach to existing markets. The core technologies we have cultivated over many years, including surface and heat treatment technologies, have earned high market trust. We will further refine these technologies to achieve differentiation. As the shift to electric vehicles continues and the proportion of vehicles with internal combustion engines declines, the drivetrains continue to play a vital

role, creating new opportunities for our technology to excel. We will distinguish ourselves by promoting research and development with a focus on the future in rapidly changing markets. We seek to provide value-added performance enhancements, such as improved durability, wear resistance, and heat resistance, and to add electrical insulation properties by leveraging surface and heat treatment processing technologies.

### Exploration of new businesses

On July 1, 2025, we spun off the medical devices business from the Life Science Division and established Parker MedTech Co., Ltd. The objective of this spin-off is to promote agile, flexible business strategies as we pursue further expansion and growth in the medical devices business, while also securing and cultivating specialized personnel to diversify our product line. The medical devices business develops coatings tailored to the needs of medical devices, including anti-fouling, hydrophilic, and antifogging treatments. We currently supply only class I (general medical devices) scalpels. However, we plan to expand our product line to include class II (controlled medical devices) scalpels, as well as class III and IV

(advanced medical devices) scalpels. The new Central Research Laboratories, which was established in April 2025, has a clean room. We will also enhance research and development in new areas, including electronics and decarbonization markets such as hydrogen energy. The English name of the Central Research Laboratories is the Parker Innovation Center, which literally aims to promote open innovation. In addition to in-house development, we will also engage in joint research and development with companies across different industries and with external research institutions, challenging ourselves in new fields. We are confident that this will ultimately increase corporate value.

## Achieving the Vision 2030 Targets

The Company will celebrate its 100th anniversary in 2028. However, we see this not as a goal but as a milestone. We believe it is essential to leap forward with an eye on the future and continue contributing to society. Vision 2030 positions our goal as "create new value through surface modification technologies and contribute to the realization of a sustainable society," with targets of JPY200 billion in sales and a 15% operating profit. We envision net sales of JPY160 billion from conventional businesses and JPY40 billion from new businesses, including mergers and acquisitions. We will pursue

M&A strategically. This initiative includes expanding our business portfolio, pursuing domestic industry consolidation, strengthening our presence in overseas markets, and exploring collaborations with companies in different industries. Needless to say, we will carefully evaluate the profitability and risks of investments while identifying projects that drive sustainable growth.

While this is a highly ambitious goal, we are ready to tackle this challenge with firm resolve under the slogan "Challenge for Change," precisely because we live in an era where merely maintaining the status quo is difficult.

### Management practices focused on capital cost and stock prices

The Nihon Parkerizing Group aims to enhance its corporate value by consistently generating cash flows from its existing businesses and entering growth markets and new fields. At present, the group's price-to-book ratio (PBR) remains below 1.0. However, we are striving to improve earnings per share (EPS) and return on equity (ROE). We believe that the foundation lies in achieving sustainable growth and increasing profitability. We will enhance shareholder value by balancing our allocation between shareholder returns and investments. Our dividend policy will be determined by considering retained earnings while evaluating the overall payout ratio, including share buybacks.

Most recently, we acquired treasury stock totaling JPY11,702 million between August 13, 2024, and July 31, 2025. Furthermore, we resolved at the Board of Directors meeting held on August 7, 2025 to acquire up to JPY 5 billion of treasury stock. We transitioned to a company with an audit and supervisory committee in 2017. We have also engaged in extensive discussions with our outside directors about our financial strategy and shareholder return policies. We will continue to strive to enhance corporate value while maintaining an appropriate balance between retained earnings, which support sustainable growth and stable returns for shareholders.

### To Our Valued Stakeholders

The Nihon Parkerizing Group aims to be a company that earns the trust of customers and society and continues to grow by solving social issues under the slogan "Transforming a diverse range of surfaces with chemistry."

In the fiscal year ending March 31, 2026, the economic environment is expected to remain uncertain, and net sales are anticipated to decrease slightly from the previous year to JPY131 billion. Net income is projected to be JPY12 billion, down from the previous year, due to persistently high raw materials and energy prices and increased depreciation and amortization associated with

business investments. We are currently sowing seeds for the future through initiatives such as strengthening our organizational structure, developing talent, and exploring new business ventures. We believe that these efforts will enable us to reap results in the medium to long term, ultimately leading to the sustainable growth of business and an increase in corporate value.

We will continue to strive for sustainable growth and enhance corporate value while respecting the trust of all stakeholders, including shareholders, employees, customers, business partners, and local communities.

We appreciate your continued support.