

Financial strategy

Achieving sustainable growth and stable shareholder return

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1. Cash allocation policy aimed at realizing Vision 2030

The Nihon Parkerizing Group aims to sustainably increase its corporate value by cultivating existing markets, expanding overseas business and developing new businesses as stated in Vision 2030. Under the slogan “Challenge for Change,” the 5th Group Medium-Term Management Plan aims to maximize growth opportunities by accelerating business speed while consciously focusing on both sowing and harvesting for the future.

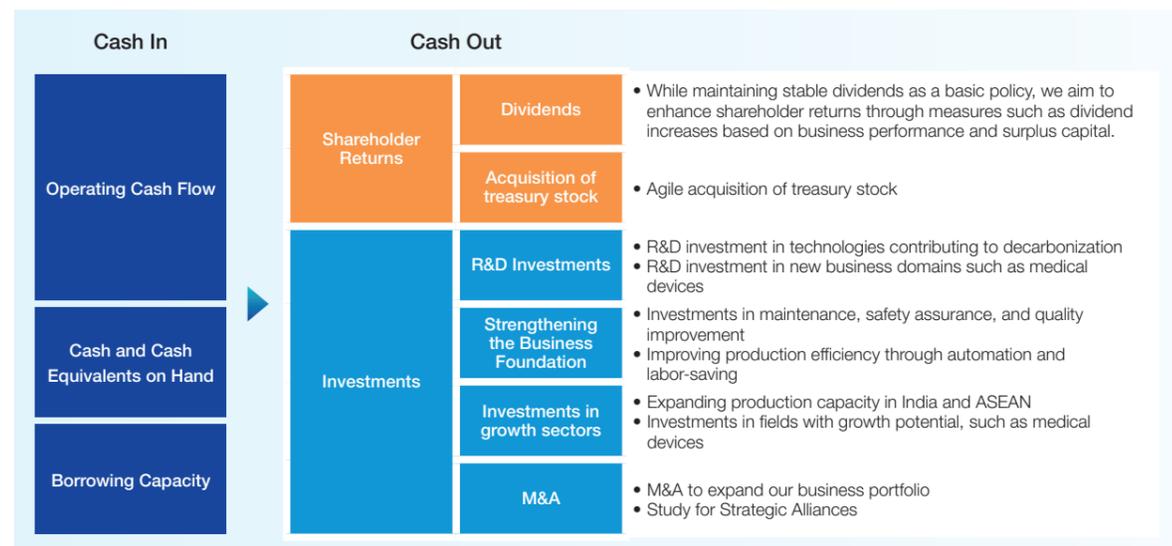
As a financial strategy that supports this medium- and long-term growth strategy, we aim to optimize the balance between growth investments, financial soundness, and shareholder returns while leveraging cash flows, cash and cash equivalents on hand and our borrowing capacity. In particular, we have recognized strengthening an efficient global cash management system as a key priority. We will advance flexible, strategic capital allocation based on regional funding demand and business conditions.

Furthermore, by promoting regional management, we

are strengthening our technology development systems and marketing functions tailored to each region’s needs. We are also actively pursuing market development beyond the automotive and steel markets, expanding our business portfolio and exploring new businesses. Specifically, we will implement multifaceted measures, including investments in growth sectors such as medical devices, expanding production capacity in the India-ASEAN region, improving production efficiency through automation and labor-saving initiatives, investing in research and development for decarbonization technologies, and exploring strategic M&A and alliances.

Furthermore, we are working to reduce cross-shareholdings and to acquire treasury stock to improve capital efficiency and strengthen financial governance. We strive to enhance our corporate value sustainably by optimizing our capital structure.

Through these initiatives, we will further strengthen financial governance and the sustainable enhancement of corporate value by examining efficient global fund management, reducing our cash and deposits balance and rigorously implementing cash management.



2. Improve capital efficiency

Our Company aims to achieve management that prioritizes capital. To this end, we are expanding our revenue base by cultivating existing businesses and exploring new markets. Simultaneously, we strive to maintain a well-balanced capital structure that balances capital efficiency and financial soundness. Furthermore, we treat capital cost as a key indicator in our investment decisions. For each investment project, we carefully evaluate whether returns exceeding the capital cost can be expected. Based on this assessment, we actively pursue investments using our own capital, M&A activities, and significant R&D investment.

Under this policy, we aim to achieve sustainable growth in corporate value by balancing investments in growth with shareholder returns. Through optimal balance sheet management, Vision 2030 targets achieving a return on equity (ROE) of 10% or higher (8% or higher under the 5th Group Medium-Term Management Plan). Details of our initiatives will be disclosed continuously following thorough discussions within the Board of Directors.

3. Initiatives for Shareholder Returns

Our group considers returning profits to shareholders as one of its key management priorities. We determine profit distribution by comprehensively considering not only business performance trends but also the dividend payout ratio and the level of internal reserves necessary for future business development.

Regarding dividends, we set a target consolidated payout ratio of approximately 30%, taking into account business performance and the level of internal reserves necessary for future business development. However, we currently judge that sufficient investment funds for growth and financial stability have been secured to a certain degree. Therefore, we plan to pay dividends exceeding this target. Furthermore, we will actively consider acquiring treasury stock to improve capital efficiency and enhance ROE in the future.

Most recently, at the Board of Directors meeting held on August 7, 2025, we resolved to repurchase treasury stock with a maximum acquisition cost of JPY5 billion. From now on, we will continue striving to enhance shareholder value by improving capital efficiency and shareholder returns through appropriate cash allocation and balance sheet management.

Record of Shareholder Returns

