

Strategy by Business Segment

CHEMICALS

Chemicals Business

With a view toward realizing a decarbonized society, we will develop, manufacture and sell chemicals to help reduce environmental impact, and supply surface treatment chemicals, as well as the latest expertise and technologies, across a variety of industrial fields.

Main business activities

- Metal surface treatment chemicals
- Rust preventive oil
- Rolling oil
- Paints
- Industrial cleaners
- Paint base
- Metal corrosion prevention
- Lubricating coating
- Electroless nickel plating
- Other functional coating chemicals

Business overview for FY2024

In FY2024, consolidated sales increased 2.4% year-on-year to JPY57.616 billion, and operating income was also up 2.8% year-on-year to JPY10.34 billion. This division 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, the sales volume increased from the previous fiscal

year, mainly in the steel field. It was moderately trending toward a recovery. In the segment as a whole, sales grew chiefly following increases in sales of high-value-added products in Japan and overseas, the expansion of sales in China and India and foreign exchange trends involving the depreciation of the yen. Operating income increased despite high raw material prices, driven by sales growth.

Growth strategies to achieve Vision 2030

In our chemicals business, we are driving the development and provision of chemicals that enhance product performance and add high value, leveraging surface modification technology as our core strength. In addition to the automotive and steel markets we have traditionally served, we will accelerate our expansion into markets expected to grow, such as semiconductors, electronic components, robotics and aerospace. Through these efforts, we aim to expand our business. In these markets, there is a need for new functions tailored to specific applications, in addition to rust prevention functions. For example, it is believed that improving the reliability of semiconductors and electronic components

requires the use of chemicals with high electrical insulation properties. It is thought that robots need sliding properties to reduce abrasion. In the field of aerospace, it is believed that features that increase durability and enable surfaces to perform specialized functions are necessary to withstand severe conditions. We contribute to product functionality by developing chemicals with the desired functions. In India, ASEAN, and other regions with high economic growth potential, we will accelerate the promotion of our products and services tailored to each region's unique characteristics and propose technologies matched to local demands to cultivate markets.

Initiatives in the chemicals business to address environmental issues

With a view toward realizing a decarbonized society, we develop, manufacture and sell chemicals that will help reduce environmental impact. Specifically, we are advancing the development of chromium-free treatment chemicals and processing technologies to improve energy efficiency and extend product lifespans while achieving both environmental

performance and functionality. These environmentally friendly chemicals are increasingly used across a wide range of industries, including automotive, steel, household appliances, electronics, and non-ferrous metals. By expanding into new markets globally, we aim to address environmental issues and drive our business growth.



Aerospace Non-ferrous metals Transport/Machinery Construction materials Metal/Processing/Rust prevention Steel (sheet)/Coil coating Pal-Feel

Contributing to society through surface modification technologies

The chemicals developed by our group demonstrate their effectiveness by forming ultra-thin coatings at the nanometer to micrometer level. These coatings enhance material properties by protecting metal and other substrates from rust and corrosion, improving sliding properties, and increasing hydrophilicity. We believe that active initiatives to preserve the global environment are a top priority of our management. Accordingly, we have been proactively developing environment-conscious products in recent years.

as 9.3 kg per vehicle to 6.2 kg per vehicle. This means that through technological innovation, we reduced CO₂ emissions by up to 183,000 tons globally in 2024.* This amount of CO₂ is nearly equivalent to the amount absorbed by a forest the size of the Tokyo metropolitan area.

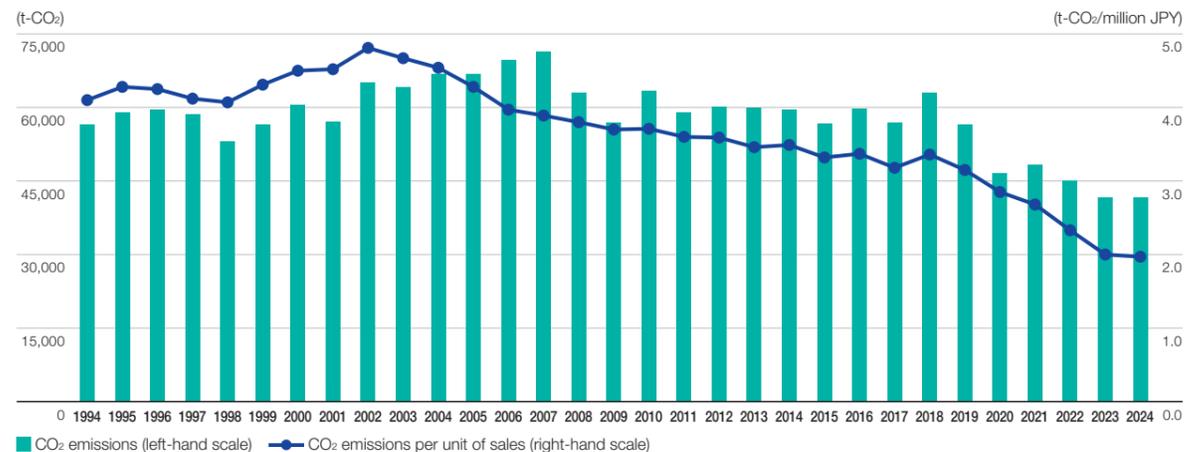
For example, half a century ago, the surface treatment process for automobiles emitted 15.5 kg of CO₂ per vehicle produced. Today, progress in surface modification technologies has lowered these CO₂ emissions by as much

The diagram below combines a bar chart of total CO₂ emissions from raw materials used in our chemicals business and a line chart showing CO₂ emissions per unit of sales to show the annual change in both figures. CO₂ emissions per unit of sales peaked in 2002 and have been falling every year since. They were about 59% of the peak level in 2024.

* According to our estimation



CO₂ emissions from the chemicals business



Expansion of overseas business through regional management—Growth strategy in the Indian market

Nihon Parkerizing (India), Inc. is one of our consolidated subsidiaries. It has been supplying products from its plant in the northern Indian state of Rajasthan to the whole country. To strengthen our ability to supply surface treatment chemicals

to the fast-growing Indian market, we recently decided to build a new plant in a Chennai suburb. Construction is underway with completion planned in December 2026.

Strategy by Business Segment

JOBGING

Toll Processing Business

In manufacturing with an eye toward a decarbonized society, we aim to be a pioneer in the surface modification of a wide range of materials. We contribute to society by providing leading-edge surface modification technologies.

Main business activities

- Conversion coatings
- Heat treatment
- Plating
- Capable of handling 50 different types of toll processing, including painting

Business overview for FY2024

Consolidated sales increased 2.0% year-on-year to JPY47.753 billion, while operating income decreased 12.4% year-on-year to JPY5.016 billion. This segment provides surface treatment processing services such as rust prevention processing, which provides 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. In North America, a turnaround in the production of automotive

parts manufacturers, our main customers, led to a recovery in sales. The yen became increasingly weak on the foreign exchange market. These and other factors led to an increase in sales across the segment. On the other hand, operating income decreased. In Japan and Thailand, automobile production volume dropped. In China, automobile sales volume decreased, and the sales by Japanese automakers were weak. The increase in labor and other expenses amid inflation, which affected the prices of various goods, reduced profitability.

Growth strategies to achieve Vision 2030

As the world moves toward a decarbonized society, industry is undergoing drastic change. The automobile industry is a major customer base. It is in the midst of the ongoing transition to electric vehicles (EVs). The shapes and materials of parts are becoming more diverse. We see changes like this as opportunities for new growth. We are working to increase the value we add through our toll processing. We are focusing on market research and the

development of new technology for growing markets, such as EV components, robots and aerospace, to establish competitive processing technologies. In addition, we will actively expand into overseas markets and strengthen our service delivery to better meet local needs, laying a stronger foundation for our global business and enabling sustainable growth.

Initiatives in the toll processing business to address environmental issues

The toll processing business endeavors to develop technologies that reduce environmental impact and enable the effective use of resources. We process a range of industrial devices and machinery, including automobiles, construction

machinery, aircraft, and robots. By developing processing technologies that excel in heat and wear resistance, and low-strain heat treatment technologies, we will enable products to operate for more extended periods with greater efficiency,

supporting efforts to save energy. These technologies also help reduce energy consumption and improve yield in processing operations. Through the evolution of processing technologies that balance environmental performance and functionality, they help to solve societal challenges.

Take carburizing heat treatment, for example. It is a key technology that hugely improves the performance and durability

of parts. It also has drawbacks, including the CO₂ emissions from the furnace, energy consumption and considerations regarding the working environment. We introduce heat treatment furnaces that use vacuum technology to address these problems. We are accelerating this initiative with a view toward achieving carbon neutrality (see below).

Application of vacuum technologies in the ICBP* low-pressure carburizing system

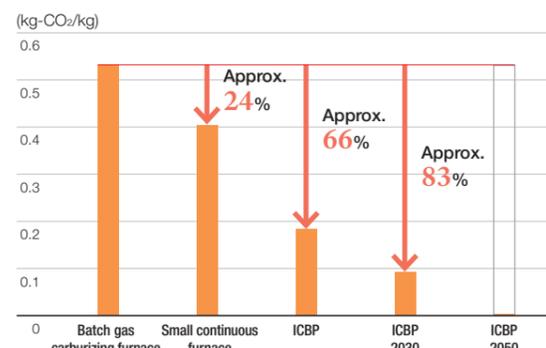
* ICBP is a registered trademark of PARKER NETSUSHORI KOGYO CO., LTD. and ECM Technologies.

The low-pressure vacuum carburizing method is superior to the conventional gas carburizing method in several ways.

The low-pressure carburizing system is a carburizing furnace that uses vacuum technologies. This means it is a

safe, clean carburizing system that does not emit CO₂ from its furnace. It is expected to reduce CO₂ emissions toward achieving carbon neutrality in 2050.

CO₂ emissions per kilogram of processed products



The carbon insulating material inside the heating cell used in the low-pressure carburizing system increases the high-temperature radiation efficiency and shortens the time to reach the required temperature. High temperature processing is usually performed at 930 °C. This technology enables this processing at 980 °C and shortens the carburizing time. In conjunction with the high-temperature carburizing process, a steel manufacturer developed an alloy that enabled control of grain size coarsening. A higher processing temperature leads to a shorter processing time, energy saving, and reduced CO₂ emissions. Because there is no oxygen in the furnace,

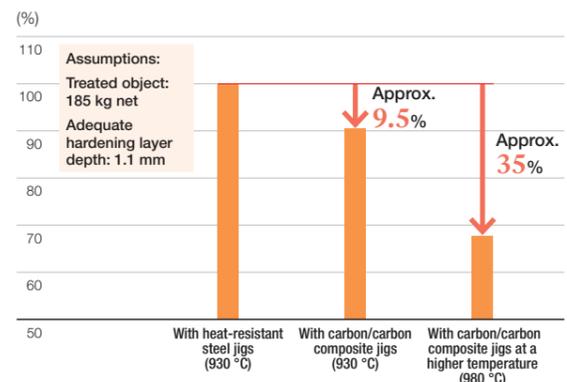
Initiatives for the SDGs implemented using the ICBP low-pressure carburizing system



carbon (carbon/carbon composite) jigs can be used. Using carbon jigs with a low specific weight will also aid the efforts to save energy.

The characteristics of this low-pressure carburizing system include avoiding CO₂ emissions and limiting the heat released from the furnace. It is anticipated that automation will further accelerate the labor-saving efforts in the heat treatment process. We will advance this automation technology to develop heat treatment technologies in harmony with humans and the environment.

CO₂ emissions from energy use per batch of the low-pressure carburizing process



* Percentage of the CO₂ emissions of the conventional process with heat-resistant steel jigs



Newly developed ICBP low-pressure carburizing system ECO1277TH (double chamber model)

Note: For details about the low-pressure carburizing system, refer to the website shown on the right. → PARKER NETSUSHORI KOGYO CO., LTD.: <https://pnk.co.jp/>

Strategy by Business Segment

EQUIPMENT

Engineering Business

We support sustainable manufacturing by providing equipment and technologies that conserve energy and resources, improve their circulation, reduce environmental impact, and thereby promote efficient resource use.

Primary business activities

- Pretreatment equipment
- E-coat equipment
- Painting booths and filters
- Painting equipment and robots
- Dry-off and baking ovens
- Powder coating equipment and booths
- Conveyor systems
- Air conditioning systems
- Wastewater treatment system
- IoT systems (LEAPS)
- Plate coils (heat exchangers)

Business overview for FY2024

In FY2024, consolidated sales increased 26.4% year-on-year to JPY24.206 billion, and operating income also increased 30.1% year-on-year to JPY685 million. This segment designs, fabricates, and installs pretreatment, coating, and powder coating equipment, primarily for the transportation machinery industry. Sales in China remained

sluggish due to factors including a decline in large-scale projects. In contrast, sales of pretreatment equipment and (plate coils) increased, driven by expanded sales in India and robust corporate capital investment in Japan. Consequently, the overall engineering business achieved increases in both sales and profit.

Growth strategies for achieving Vision 2030

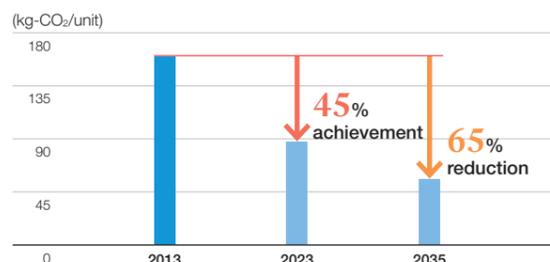
Through advances in production equipment and the use of IoT technologies, we are working to enhance product quality and productivity, and to improve customer satisfaction and added value. In addition to providing production equipment, we have strengthened our service framework, including maintenance and operation services, establishing our position as a trusted partner for our customers. Furthermore,

we contribute to reducing environmental impact through energy conservation, resource conservation, and resource recycling, supporting the realization of a sustainable society. From now on, we will accelerate our expansion into overseas markets, aiming to achieve global business growth by providing solutions tailored to local needs. Through these efforts, we will achieve stable and sustainable growth.

Initiatives in the engineering business to address environmental issues

Parker Engineering, the core of our engineering business, contributes to improving product quality and solving environmental challenges as a provider of process equipment. Currently, as part of our efforts to strengthen our environmental response, we are advancing technological innovation to reduce CO₂ emissions from our model coating lines by 65% compared to 2013 levels by 2035. We work to build sustainable production systems through highly energy-efficient equipment design and process optimization.

State of CO₂ reduction in model coating lines (comparison with 2013)



Examples of equipment development that contribute to energy conservation, resource conservation, and resource recycling

1 DRY CUBE

The popular dry exhaust filter, the Arrestor Pad, is now available in cube format. Its waterless paint dust-collection system eliminates the need for drainage, reduces industrial waste volume, and enables highly efficient recycled air conditioning, minimizing energy loss to the greatest extent possible.

DRY CUBE

Dry exhaust filter
Arrestor Pad



The Arrestor Pad is a long-selling product that has been popular with many users since its launch.

Cube format

New-type filter
DRY CUBE



[Patent] No. 6723677
[Design registration] No. 1671128

Dry cube system

- High-efficiency exhaust-recycling air conditioning
- A waterless dust-collection system that eliminates the need for wastewater drainage
- Reduction of industrial waste output

Reduction of environmental impact and energy loss



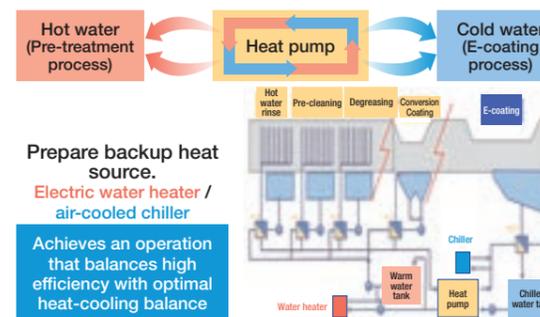
CO₂ emissions reduced by approximately 78%

2 Heat pump utilization

Converting steam to electricity using heat pumps reduces CO₂ emissions. Furthermore, by recovering waste heat with heat pumps, significant energy savings can be achieved in each device.

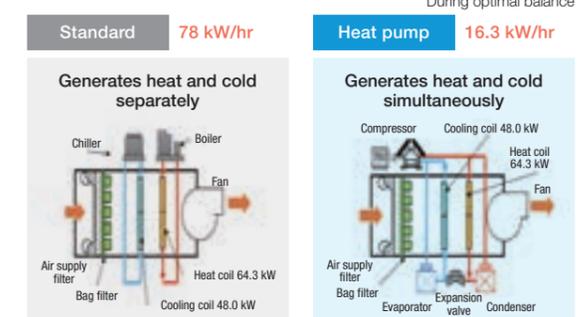
Adoption of heat pumps in pretreatment and e-coating processes

Adoption of heat pumps as heat sources for pretreatment heating and e-coating cooling



Use of heat pumps in the air makeup unit

Utilizing cooling heat from the chiller for heating up via a heat pump

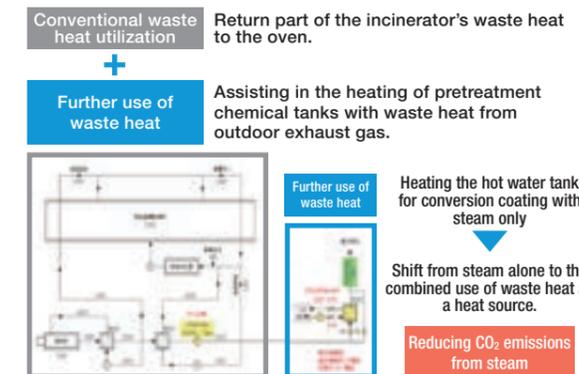


3 Use of waste heat from ovens, electrification of ovens, and use of hydrogen burners

By returning heat from incinerators to ovens and using it to assist in heating pretreatment water, we effectively utilize thermal energy such as steam to reduce overall energy consumption. In addition to electrifying ovens, we will seek to reduce CO₂ emissions by using hydrogen burners.



Further use of waste heat in ovens



Strategy by Business Segment

MEDICAL DEVICE

Medical Device Business

Taking on the challenges of new possibilities for medical devices with surface modification technology at the core

* Medical devices are mechanical devices that are expected to exert effects on the body depending on their structure or performance. They are categorized into four classes based on their risk to the human body. In Japan, medical devices are regulated under the Pharmaceuticals and Medical Devices Act (the Act on Securing the Quality, Efficacy, and Safety of Products Including Pharmaceuticals and Medical Devices, formerly called the Pharmaceutical Affairs Act). Manufacturing and sales require approval from the Ministry of Health, Labor and Welfare (MHLW) and the Pharmaceuticals and Medical Devices Agency (PMDA). Depending on the device class, third-party certification may also be required.

Business activities and topics

On July 1, 2025, to accelerate the further development and growth of the medical device business, we established a subsidiary, Parker MedTech Co., Ltd., through a simplified company split. The medical device business that Parker MedTech will be responsible for is based on the aim of applying the surface treatment technologies (centered primarily on metals) that the Nihon Parkerizing Group has cultivated so far to new business areas, and developing them as a third pillar of business in addition to the existing automobile and steel-related businesses. Its history began in 2018 as a division of the Life Sciences Division.

During the early stages of this business, the division began receiving orders to coat catheter guidewires and related products. It developed its own manufacturing and sales system. In February 2019, we obtained a license for the manufacture and sale of Class II medical devices (Tokyo). In June of the same year, we obtained the ISO13485 certification

for Quality Management Systems (QMS) for Medical Devices. These efforts bore fruit, and in 2019, we launched our first original product, the CHIDORI disposable active electrode. This product was initially developed with non-stick functionality in mind. Still, it received high praise, including winning an award at the 17th Japan Super Manufacturing Parts Awards, sponsored by the Manufacturing Nippon Conference, in 2020.

In February 2023, we obtained a license for the manufacturing and sale of Class 1 medical devices (Tokyo), which allows the manufacture and sale of highly controlled medical devices. In November 2024, we participated in the launch of a medical consortium to explore the potential for Japanese companies to develop medical products and services for the global market. We are currently laying the foundation and pursuing initiatives to achieve significant business growth.



Parker MedTech's Utsunomiya plant



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.

Company policy and commitment

For nearly 100 years since its foundation, the Nihon Parkerizing Group has been exploring the potential of surface modification technologies to transform metal surfaces and enhance material functionality through the power of chemistry. Today, we are facing significant changes in the industrial structure, including advances in digitalization and AI, as well as the shift toward decarbonization and the green economy.

For the Nihon Parkerizing Group to survive over the next 100 years, it must understand and adapt quickly to these significant changes. To achieve this, we recognize the urgent need to expand into new markets beyond our traditional business domains. One of these markets is the

medical device business, which we believe will not only add breadth to Nihon Parkerizing Group business portfolio but also open new possibilities for surface modification technology.

Parker MedTech was established on July 1, 2025, and launched its operations with the mission of improving the well-being of patients and their families by providing medical devices that utilize its surface modification technologies worldwide. Through the medical devices developed by Parker MedTech, we will continue to work on projects that can bring happiness to people not only in Japan but around the globe.



Solving business environment and social issues

In the Japanese medical device industry, it is said that one in five people will become late-stage senior citizens, as seen in the so-called 2025 problem*, and the need for medical care and nursing care will increase rapidly. In particular, demand for therapeutic equipment, mainly consumables such as cardiology and orthopedic products, is expected to grow. At the same time, due to the decrease in the number of medical professionals and the shortage of hospital beds, there is a need to improve the efficiency of medical institutions and promote home medical care, and changes in the needs of medical providers cannot be overlooked. To curb the rapid increase in medical expenses driven by an aging population, insurance reimbursement rates for medical devices have tended to be reduced with each revision of medical fees in the past, and it is now more necessary than ever to prepare for the risk of price revisions, such as through in-depth cost management.

* The 2025 problem refers to a series of issues that are expected to have a profound impact on society as a whole due to progressive population aging, in which those born during the "first baby boom" from 1947 onwards will become "late-stage" senior citizens over the age of 75.

On the other hand, overseas, the growth rate is expected to be higher than that of the Japanese market in the medium- to long-term. That is due to population aging in middle-income countries such as China and ASEAN, the development of medical infrastructure in emerging countries, and the incorporation of digital innovations in developed countries. There are a few devices in the global market where Japanese companies have a high market share and there is reasonable scope for market entry. However, most domestic medical device manufacturers are small and medium-sized

companies that do not specialize solely in medical devices. Their functions and capital are also decentralized, so they may not be able to leverage their technological capabilities.

Based on the recognition of the background above, Parker MedTech is driving the full-scale expansion of its business operations, focusing on three key pillars: the manufacture and sale of medical devices (primarily electrocautery scalpels, as a spinoff of our surface modification technologies), the manufacturing and sale of products used in regenerative medicine, and the development and sale of products and programs that support medical ICT (Information and Communication Technology).

For medical devices, we will expand the range of options for the company's electrocautery brand, which has a reputation for its sticking resistance and low surgical smoke generation, by offering multiple variations of electrocautery tip shapes and supplying uncoated products to customers who emphasize price, thereby increasing brand awareness and increasing cross-selling opportunities. At the same time, we plan to implement labor-saving and automation measures for production lines to tackle labor shortages, improve quality, and maintain and enhance price competitiveness. We also currently have multiple pipelines in the other two fields, and are progressively developing and conducting clinical trials for market launch. These products will also be sold globally through overseas subsidiaries and other distributors. We have already started selling electrocautery scalpels in Thailand and aim to sell them not only in the ASEAN region but also in Europe and the United States.

Target

As part of efforts to achieve the Nihon Parkerizing Group Vision 2030, the medical device business is expected to generate JPY 1 billion in sales from organic transactions by 2030. Parker MedTech aims to become a medical device

manufacturer with multiple product lines. In the future, we will actively promote M&A focused on the three areas mentioned above, aiming to exceed a business scale of JPY5 billion.