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INTEGRATED REPORT 2025

Integrated Report 2025

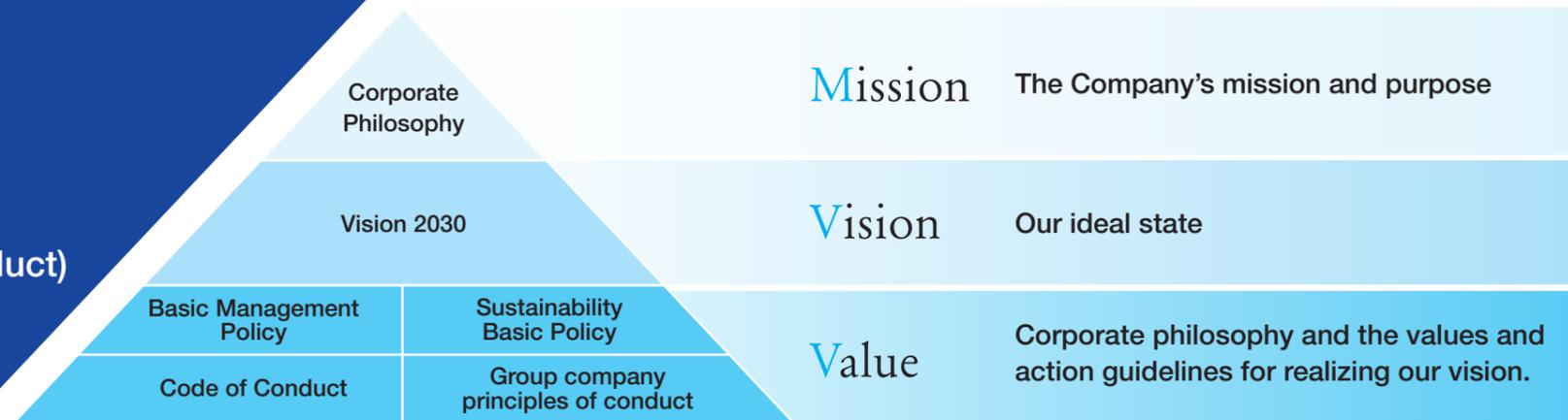
Nihon Parkerizing Co., Ltd.



Mission (Purpose)

Vision (Goal)

Value (Values and Code of Conduct)



We are contributing to the effective use of limited resources on planet Earth by creating new value from resources through the surface modification of various materials, preserving the global environment, and realizing an affluent society.

Many different metals are used all around us. In the natural world, they exist as ores. To become fit for use, the metal ores are transformed into a metal through a reduction reaction process called smelting. The reduced metal is molecularly unstable and must be converted to a stable state. Surface modification is one of the techniques used for stabilization.

We create new value and contribute to the realization of a sustainable society through surface modification technology.

The Nihon Parkerizing Group has taken a significant step toward realizing a sustainable society, addressing the social challenges facing the Earth and its people under the slogan "Changing Every Surface with Science." Aiming for the goal of carbon neutrality by 2050, we seek to contribute to global environmental conservation and the creation of a prosperous society through surface modification technology.

As a technology-driven company with an open corporate culture, we will strive to foster a fair and transparent environment and continue to demonstrate our willingness to take on challenges boldly, without fear of failure.

Today, it may be fair to say that most metal products undergo Nihon Parkerizing surface treatment during their manufacturing processes. To realize a decarbonized society, our group pursues the development of new surface modification technologies that improve people's daily lives and drive economic growth.

Editorial Policy The Company has prepared the 2025 Integrated Report to clearly communicate to stakeholders, including shareholders and investors, the social and environmental contributions of our group's surface modification technologies.
Scope of Report Nihon Parkerizing Co., Ltd. and its consolidated subsidiaries are the subject of this report. When the scope of reporting differs, we specify that scope each time.
Reporting Period Based on the fiscal year ended March 31, 2025 (April 1, 2024, to March 31, 2025) (certain information after April 2025 is included)
Disclaimer Forward-looking statements including performance forecasts in the integrated report, are based on the Company's best judgment using currently available information and involve inherent risks, uncertainties, and other factors. Therefore, please be aware that actual performance may vary from these outlooks due to changes in various factors.

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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.

What If There Were No Surface Modification Technologies?



Environmental Contribution through Surface Modification Technologies

In recent years, climate change caused by global warming has begun to significantly impact not only people's lives but also the ecosystems of all living creatures. Now more than ever, we need to create a sustainable society.

So what can we do in the industrial segment? We are considering two concepts to enable sustainable social development: "the right material in the right place" and "longevity".

It has been more than 5,000 years since humans began using metals. We will continue to use metals as beneficial materials from the perspective of using "the right material in the right place". However, it is also true that refining metals from ore consumes a large amount of energy and emits GHGs (greenhouse gases). Our challenge is to identify how to use the metal materials we have obtained with care and continue to use them over the long term. In other words, it is about protecting metals from corrosion (chemical loss) and wear and tear (mechanical loss).

According to estimates by the Japan Society of Corrosion Engineering, corrosion costs in Japan amount to JPY4.3 trillion per year to prevent corrosion (corrosion cost)^{*1}, assuming the corrosion cost and metal losses (converted from monetary values) are equal. These losses must be replaced; such replacement would result in an additional 80 million tons of CO₂ emissions during manufacturing, according to our calculations. On a global scale, this amounts to as much as 3.8 billion tons of emissions, equivalent to 11% of global CO₂ emissions^{*2}. On the other hand, friction and wear cost^{*3} are also shown in advanced countries. Using this figure to calculate the metal loss in Japan and assuming that this loss must be recovered, as much as 80 million tons of CO₂, equivalent to corrosion, will be emitted in the manufacturing process.

As such, it is clear that current corrosion prevention and wear resistance technologies protect metal materials from corrosion and wear, thereby contributing to reduced CO₂ emissions.

^{*1}: Japan Society of Corrosion Engineering and Japan Association of Corrosion Control, Cost of Corrosion in Japan (2020)

^{*2}: Energy Institute, CO₂ emissions (EI statistics)

^{*3}: K. Holmberg: Tribology International, 135, 389-396 (2019)

Climate Change Interview

— Ms. Hiroko Ida, Weather Forecaster and Mr. Masayuki Aoyama, President —



The impact of climate change on corporate activities has been worsening every year. In this interview, Ms. Ida and Mr. Aoyama shared views about Nihon Parkerizing's challenges and prospects. Specific topics included the potential for CO₂ reduction through surface modification technologies, responses to the shift toward EVs and a decarbonized society and environmental education initiatives.

Ms. Ida

As part of my job, I check the weather every day. Mr. Aoyama, on what occasions do you pay more attention to the weather?

Aoyama

I care about the weather every day. Sometimes I am concerned more about the weather on weekends when I have plans to play golf. But more than anything else, I am concerned about the impact of rain and other weather phenomena on our factories. When an earthquake hit the Noto Peninsula on New Year's Day in 2024, all board members were able to connect via chat. We confirmed the impact on local factories in the affected area, issued instructions and endeavored to manage the crisis. Extreme weather has affected our worksites. Examples of this include a deterioration in cooling efficiency on summer work sites and delays in the transportation of raw materials due to heavy rains.

Ms. Ida

Indeed. Lately, extreme weather has occurred more frequently. Environmental protection measures are increasingly necessary for a manufacturer. I am interested in what a chemical manufacturer like you will do to address climate change.

Aoyama

Our operations are primarily divided into three businesses: chemicals, engineering and toll processing. In our chemicals business, we supply chemical products to customers who use them to apply functional surface treatments to metals on their own production lines, providing features such as corrosion resistance or slip promotion. By doing so, metals that previously lasted only five years will now last ten or even twenty years. This process achieves various properties not through paint, but with an even thinner film. While paint is as thin as a hair, approximately

tens of microns thick, our thin films achieve surface modification at thicknesses of less than one-tenth of the thickness of a hair.

Ms. Ida

In our everyday lives, where can find surface modifications being applied?

Aoyama

For example, they are applied to the interior and exterior surfaces of mobile phones to prevent fingerprints, as well as to the pillars in shrines and temples. Cars will rust and fall apart quickly if left untreated. Our surface treatment technology, combined with steel mills' plating techniques and paint manufacturers' expertise, prevents them from corrosion. Our surface treatment can alter the properties of metals at a depth of just a few microns. Applying surface or heat treatments to parts that become brittle due to work hardening during stamping makes the metals wear resistant, extending their service life.

Ms. Ida

I understand that extending the lifespan of materials like metals ultimately helps reduce CO₂ emissions. However, doesn't the process of heat treatment and chemical manufacturing require energy?

Aoyama

Admittedly, we cannot make products without emitting about 83 tons of CO₂ annually. According to our estimates, if our surface modification technologies did not exist, material manufacturing processes in Japan would emit 80 million tons of CO₂ annually to compensate for corrosion losses (expenses for rust and corrosion prevention) (chemical loss). Similarly, material manufacturing processes would emit an equivalent of 80 million tons of CO₂ to compensate for metal friction and wear losses (mechanical loss). When combined, our surface modification technology prevents the emission of 160 million tons of CO₂ that would otherwise be released due to metal losses.

Ms. Ida

Providing corrosion prevention and wear resistance

technologies may enable metallic materials to last longer. Specifically, by how much can energy consumption be reduced?

Aoyama

Our technology has achieved a calculated reduction of 31.28 million tons of CO₂ emissions. This figure is equivalent to the amount absorbed annually by forests covering the same area as the entire island of Kyushu. In other words, this has an impact equivalent to nearly eliminating the CO₂ emissions of approximately 18% of all households in Japan. This fact means we can slow the acceleration of climate change. We consider this continuity to be our mission.

Ms. Ida

Even in a carbon-neutral society, automobiles would still be used, such as EVs and other types. New technology will be necessary there, won't it?

Aoyama

Even as automobiles shift from internal combustion engines to motors as their drive system, the drivetrain that transmits energy to the tires remains. Furthermore, with the shift to EVs, previously inaudible sounds, such as metal creaking and other noises, have become issues, creating new demands for surface treatment. The question is how we will respond to them. We are exploring opportunities to contribute to



Ms. Hiroko Ida

Weather forecaster, environmental educator, advisor to WWF Japan and director of Weather Caster Network

decarbonization through EVs, hydrogen and energy-related initiatives. I believe there are still markets we haven't discovered yet, such as in electronics. We may address challenges independently as the Nihon Parkerizing Group. Still, we would also like to engage in open innovation in collaboration with companies and organizations across various fields. The Nihon Parkerizing Group has also begun manufacturing and selling surgical scalpels in the medical device market. We place great emphasis on proactively engaging in proposal-based technology development and sales activities for our customers.

Ms. Ida

Japan and the world have no choice but to strive to achieve carbon neutrality by 2050. At the same time, companies must also generate profits. With raw materials and other costs rising, it's a significant challenge to produce quality products while striving for carbon neutrality.

Aoyama

While some areas of the industry remain somewhat chaotic, the direction toward achieving carbon neutrality remains unchanged. We have to do it. The global trend toward resource reuse shows no signs of slowing, and our commitment remains unchanged. We have been conscious of reducing CO₂ emissions since around 1992, when environmental issues were being raised, particularly the problem of eutrophication in closed water systems caused by nitrogen, phosphorus and other substances. Through measures such as developing environmentally friendly products, we reduced CO₂ emissions per unit of sales in the chemicals business by approximately 59% over about 20 years from the peak in 2002. Hexavalent chromium for use as a corrosion inhibitor posed a problem in Tokyo in 1993. At that time, we sought to develop a hexavalent chromium-free technology because there was no alternative. Coating and costs increased tenfold, but we continued to improve and develop products that were a bit expensive but usable. These products gradually gained customers and reached the point they are at today.

Ms. Ida

You have expressed alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Companies have an environmental responsibility to work to reduce CO₂ emissions from sources such as the manufacturing of their main products.

Aoyama

Exactly. We align with the TCFD recommendations, and have analyzed three scenarios: less than 1.5°C, less than 2°C and an increase of 4°C. I feel it is essential to address climate change and communicate this effectively. Furthermore, while setting and publishing numerical targets puts pressure on companies, it also clarifies corporate responsibility. By quantifying awareness, each employee becomes conscious of even the smallest actions in their role and contributions. Last year, we set the slogan "Challenge for Change." This transformation is bolder than just a reform. It encourages everyone to consider business efficiency. For example, we avoid unnecessary overtime and don't waste electricity, thereby cutting CO₂ emissions. I believe it is essential to motivate employees to propose improvements.

Ms. Ida

Your company engages in mangrove planting activities in addition to its business operations.

Aoyama

Yes. We planted 999 mangroves in Thailand. We expect they will absorb about 10 tons of CO₂ annually. We installed photovoltaic power generation systems in Thailand, Vietnam and South Korea. For us, preventing material corrosion is a given. Next, we will focus on reducing energy loss, improving charging efficiency, and pursuing decarbonization in a future-oriented manner. We will accelerate the development of new technologies and move forward with our target of reducing CO₂ emissions by 30% relative to the 2020 level by 2030, ahead of schedule.

Ms. Ida

By learning about your company today, I gained



a new perspective on surfaces. I also learned how surface modification reduces CO₂ emissions. My views on things have changed a little bit. Consumers, including myself, glance at products and buy less expensive ones. I want to be a person who, if I have learned the essence of a product and the value that lies deep within it, will pick up a product that lasts a long time, even if it is a bit expensive. Is your company increasing its opportunities to communicate with the public, for example, through classes for children about the environment, where surface modification is explained?

Aoyama

The Central Research Laboratories in Hiratsuka, Kanagawa, hold an open house for local elementary school students. You can clearly see the difference in how slippery or peelable a metal surface is, as well as whether it cracks when stamped. The events appear to increase children's interest in surface modification. Furthermore, our young employees take the lead in creating videos to share in-depth reports and frank employee conversations on YouTube. Bolts treated with rust-prevention treatments are used at Tokyo Skytree. The canopy shield of a helicopter relies on water-repellent surface treatments. The surfaces of hospital window coverings are coated with titanium

dioxide to prevent bacteria and stains through photocatalysis. There are many other familiar and easy-to-understand examples of surface modification that may be worth sharing in more detail.

Ms. Ida

Recently, we have experienced disaster-level heat, and the number of deaths from heatstroke in one summer has exceeded 1,500. We can see the greening of the ground and walls on the streets of Central Tokyo. Can surface modification make the concrete absorb heat?

Aoyama

Heat absorption may be difficult, but these kinds of ideas should be tried more frequently. For example, the surface of artificial turf is very smooth. If we roughened it a little bit, it might retain more water. It is also possible to control deterioration due to severe ultraviolet light by using an inhibitor, thereby extending the life. Hopefully, we will be able to work with people from many different workplaces, expand our ideas and insights and apply them to our technological development.

Thank you very much for sharing your valuable views.

Vision2030

The vision of the Nihon Parkerizing Group

Our group is committed to being a technology-driven company and, as specialists in surface modification, we are engaged in the research and development of technologies that provide various functions to material surfaces. Through these initiatives, we contribute to the preservation of the global environment and the creation of a prosperous society across various fields, including chemicals, toll processing, engineering, and medical devices.



Transforming a diverse range of surfaces with chemistry

We will contribute to building a sustainable society by creating new value for resources through the surface modification of various materials.

Enhancing corporate value

Social and environmental value	Economic value
<ul style="list-style-type: none"> ● Carbon neutral ● Resource conservation ● Safe and secure lifestyles 	<ul style="list-style-type: none"> ● Consolidated net sales: JPY 200 billion <li style="padding-left: 20px;">Conventional businesses: JPY 160 billion <li style="padding-left: 20px;">New businesses: JPY 40 billion ● ROE: 10% or higher

2028 Centenary

The Group's 5th Medium-Term Management Plan

(April 2025 to March 2028)

Challenges for Change



Promotion of regional management

Founded in 1928

Began business with nine employees

1965 We began operating in Taiwan. Since then, we have been actively expanding our operations globally, and we now have bases in 13 countries and regions worldwide.

2017 We are placed on the Global Niche Top Companies Selection 100 List.

In FY2028, we will celebrate the centenary of our foundation.

Leveraging our surface modification technologies, we will address social problems beyond our 100th anniversary.

The Group's 5th Medium-Term Management Plan

Challenge for Change and the Promotion of Regional Management

Nihon Parkerizing will celebrate its centenary in 2028. We will pursue even bolder transformations to carry forward our achievements of the past century into the future. By promoting regional management from Japan to the world, we strive to reach a new stage of growth.

1. Review of the 4th Group Medium-Term Management Plan (Apr. 2022 to Mar. 2025)

In the 4th Group Medium-Term Management Plan, we identified six materialities across three pillars: growth strategies, solutions to social issues and corporate innovation. We addressed these issues with a view toward achieving Vision 2030.

Regarding numerical targets, we achieved our net sales target, aided by the positive impact of the depreciation of the yen on the results of overseas subsidiaries after foreign exchange conversion. On the other hand, we failed to reach the operating income target. This was affected by the high prices of raw materials and steel, as well as by inflation, which drove up costs. We achieved the ordinary income target due to increases in dividend income and equity method investment gains.

To strengthen our management foundation, we made Parker Processing Co., Ltd. a wholly owned subsidiary in July 2024. In April 2025, we revised our research and

development structure. Specifically, we newly opened the Central Research Laboratories (Parker Innovation Center) to reinforce our technological development capabilities. We also established the Advanced Technologies Research Division and the Core Technologies Research Division. We also spun off the Medical Equipment Department of the Life Science Division into Parker MedTech, Co., Ltd. in July 2025. The goal of this reorganization was to strengthen our development and sales of medical equipment, leveraging surface modification technologies.

Amid the intensification of global competition, we understand that we will need to address three key tasks: increasing the profitability of domestic business, expanding overseas business and exploring new business categories, in addition to deepening cultivation of our existing businesses during the next medium-term management plan.

2. Basic policy and targets in the 5th Group Medium-Term Management Plan (Apr. 2025 to Mar. 2028)

Our slogan for the 5th Group Medium-Term Management Plan is "Challenge for Change". Accordingly, we will strive to expand our business portfolio, create new businesses, strengthen group collaboration and improve operational efficiency through digital transformation (DX) and the use of artificial intelligence (AI).

To achieve sustainable growth, it is essential to remain trusted by society and customers through solving social problems. As part of this effort, the group will work together to develop surface modification technologies that support a decarbonized society. This initiative will be implemented at the Central Research Laboratories (Parker Innovation Center), a facility launched in April 2025. We will also incorporate open innovation. This means that we will proactively introduce outside technologies and knowledge. Taking into account the potential use for mergers and acquisitions and strategic alliances, we will seek to capitalize on our technological strengths and the competitiveness of our business.

In addition, in FY2024, we introduced a regional management system to strengthen the collaboration between businesses in Japan and expand overseas

businesses. In this system, our business activities are divided into five regions: Japan, East Asia (Taiwan and South Korea), China, India and ASEAN, and Europe and the US. We appoint officers in charge of individual regions to implement marketing, technology development and other activities matched to regional needs. In addition, we will strengthen relationships between business divisions and group companies and further increase communication, not only between business divisions in Japan and group companies in different regions, but also among group companies themselves. By doing this, we will increase the group's overall synergies and its ability to offer comprehensive solutions to customers.

We will also continue our efforts to improve capital efficiency and enhance shareholder returns. We will take flexible measures regarding shareholder return, including the stable payment of dividends and the agile execution of share buybacks. With a view toward an ROE of 8% or higher, or 10% or higher in the longer term, we aim to balance sustainable growth and capital efficiency and enhance our corporate value.

Basic policy in the 5th Group, Medium-Term Management Plan

Challenges for Change and the Promotion of Regional Management



As we approach our centenary in 2028 and look to the future, we seek to enter a new phase of growth.

2028: Centennial Anniversary

- The company started business in 1928 with 9 employees.
- In 1965, the company began operating in Taiwan. Since then, we have been actively expanding globally, with bases in 13 countries and regions worldwide.
- Selected as one of the 100 top global niche companies (2017)



Sowing and Harvesting for the Realization of Vision 2030

Following the 4th Med-Term Management Plan, we will continue to advance the following initiatives as a unified group.

Initiatives Toward Realizing a Decarbonized Society

- Expanding R&D themes in the environmental field to realize a decarbonized society.
- We will advance the sophistication of technologies for vehicle electrification, such as providing conductivity and insulation, improving wear and heat resistance, and implementing low-distortion heat treatment. Simultaneously, we will focus on developing technologies for next-generation vehicles, including dissimilar-material joining.
- Developing surface treatment technologies, including the improvement of sliding properties and insulation, reduction of CO₂ emissions, and enhancement of energy efficiency.
- Development of "reduce, reuse, and recycle (3R) technologies" that contribute to realizing a circular economy, based on the perspective of the SDGs.
- Create added value through cross-industry collaboration.
- Actively promote cross-industry partnerships by applying our adhesion enhancement technologies to customers' raw materials to improve product value.

Exploration of New Business Domains and Strengthening of Business Foundations

- Expand our business beyond the automotive and steel markets.
- Strengthen our presence in new markets, including semiconductors, electronics, electrical appliances, and life sciences (e.g., medical devices, cosmetics, daily necessities).
- Exploration of new business ideas.
- Expansion of the business portfolio through strategic M&A.



The 5th Group Medium-Term Management Plan/Targets

(Unit: million JPY)

	3/2025 Actual		3/2028 Target		Change	
	Amount	Sales ratio	Amount	Sales ratio	Amount	%
Net sales	Chemicals	57,616	-	63,000	5,384	9.3%
	Engineering	24,206	-	23,000	-1,206	-5.0%
	Toll Processing	47,753	-	52,000	4,247	8.9%
	Others	2,704	-	3,000	296	10.9%
	Total	132,281	-	141,000	8,719	6.6%
Operating income	Chemicals	10,340	17.9%	11,000	660	6.4%
	Engineering	685	2.8%	1,000	315	46.0%
	Toll Processing	5,016	10.5%	7,000	1,984	39.6%
	Others	-1,045	-	-1,500	-455	-
	Total	14,998	11.3%	17,500	2,502	16.7%
Ordinary income	19,936	15.1%	21,100	1,164	5.8%	
ROE	6.9%	-	8% or more*	-	-	-

* Over 10% in the long term

Special Feature: Executive Officer Roundtable Talk

Challenge for Change and the Promotion of Regional Management

Nihon Parkerizing has been promoting regional management since FY2024 to strengthen domestic business collaboration and expand overseas operations. In Nihon Parkerizing's regional management system, business activity areas are divided into multiple regions to facilitate marketing and technology development tailored to each region's needs. This structure assigns an executive officer to each region as regional head to oversee business operations in their assigned territory. This structure strengthens collaboration across business divisions and regions, enabling quick decision-making.

During this roundtable, the regional heads and executive officers governing the business divisions, the research segment and the administrative segment that support them exchanged views on current issues and future strategies.

Hiroyasu Tamura ● ●
Vice President, Executive Officer
Responsible for the Japan,
South Korea and Taiwan regions
and the Corporate Division



The Nihon Parkerizing Group has grown its three business segments, specifically chemicals, toll processing and engineering, in line with the development of the automobile industry. Furthermore, we have been quick to follow the overseas expansion of Japanese manufacturers and have actively pursued our own. Today, it is vital to adapt quickly to rapidly changing market conditions as automobiles shift to electric vehicles. As part of our Challenge for Change, we are working to create new businesses, including medical device companies. We understand that in Japan, we must increase the profitability of the toll processing business. Of our three core businesses (chemicals, toll processing and engineering), it has the highest proportion of sales with automobile-related industries. Companies in Taiwan and South Korea are also working to globalize. Our group is ready to provide stable services in areas where such large global manufacturers do business. It is not possible to promote regional management without developing global human resources. We will continue to develop human resources who possess initiative and can boldly take on and drive problem-solving and new business ventures both domestically and internationally.

I see the India and ASEAN regions as areas with more significant growth opportunities, leveraging the technologies we have cultivated in Japan. Under the regional management system introduced last year, India and ASEAN are categorized as a single region, chiefly due to geographical conditions. However, we have 9 companies across 6 countries in India and ASEAN. It is not an exaggeration to say that they are different in every respect, economically, ethnically, religiously and culturally. They have only one thing in common. They are members of the Parker Group. While accepting diversity, we aim to foster individual growth through shared identity within the same group. In the past, we had mere point-to-point connections between each country and Japan. Since last year, we have had an extensive network of bases. Each company varies in size, but we complement one another to increase our total efficiency and achieve growth. As for economic growth, I feel that India has momentum, while Thailand and Malaysia are relatively mature. The region is a mix of countries in phases of rapid growth and those in maturity. It adds both charm and difficulty to this region.

Masayuki Yoshida ●
Vice President, Executive Officer
Responsible for the India and ASEAN
region



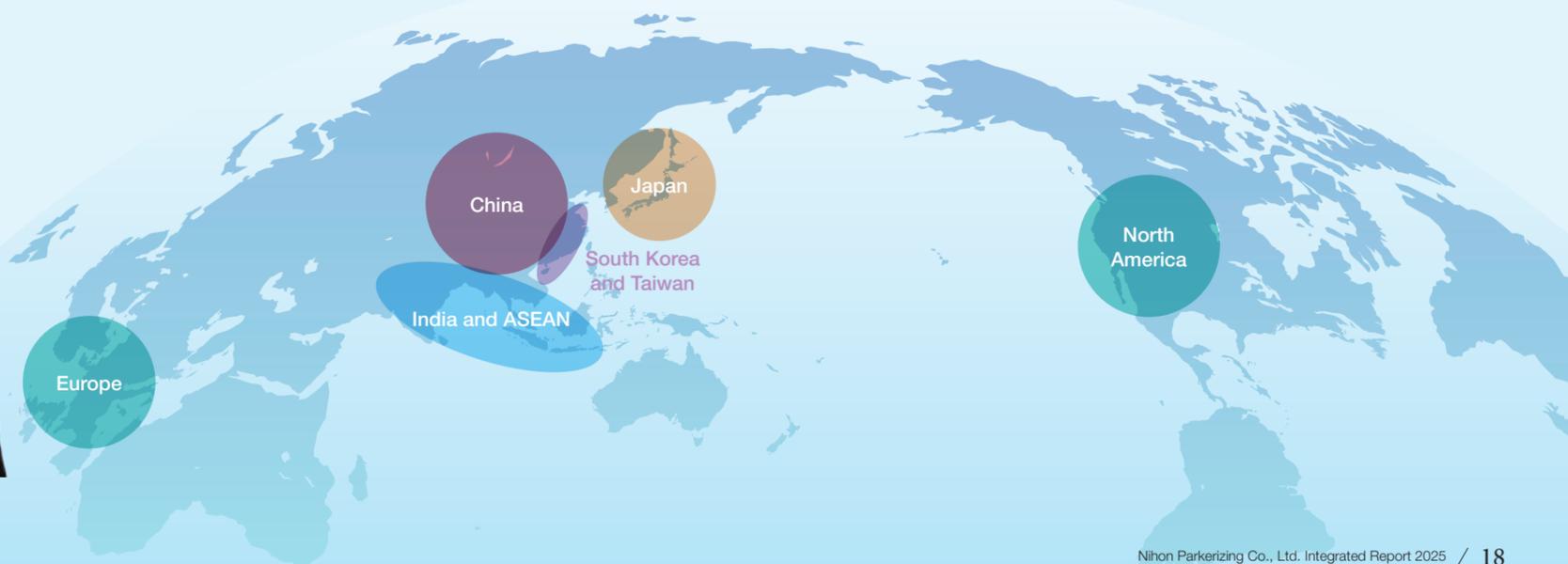
Mitsuru Nakamura ●
Executive Officer
Responsible for the China region



China is currently promoting government-led growth strategies focused primarily on Chinese companies to counter its stagnant economic environment following the COVID-19 pandemic, while simultaneously navigating ongoing trade disputes with the United States. Our group has been doing business in China, mainly in the automotive market, since it set up a joint venture in Shenyang in 1985. Today, the Chinese market is focused on environmental issues and electric vehicles (EVs), and Chinese OEMs are expanding. Nowadays, our group, which has six locations in China, must respond flexibly to rapid change. I am stationed in Shanghai to manage the China region. After the transition to the regional management system, the group companies in this region work together. They exchange information and collaborate in business at a rapid pace. Currently, the toll processing business, which has mainly served Japanese companies, is facing challenging circumstances. We will increase our collaboration efforts with our chemicals business to create new business opportunities.

Officers responsible for individual regions and separate business divisions understand the current state of the group, enabling them to make informed judgments about the most appropriate actions. Through these efforts, we develop overall business strategies. Regarding the region I am responsible for, we operate the chemicals business in Europe. At the same time, we mainly provide toll processing services in the US and Mexico. We are now in a time of change, including the development of new technology services meeting the shift to EVs and the departure from dependence on Japanese companies. Currently, the region's staff organize situations and others that vary from country to country, and the business divisions and individual regions discuss issues to formulate business strategies. I hope we can share and popularize Japanese technologies worldwide. Given our limited human resources, we support each region by identifying the needs of our various locations—some experiencing growth while others are stagnating—and strive to achieve optimal staffing, both sales and technical roles.

Yasumasa Fukuta ●
Managing Director, Executive Officer
Responsible for the Europe and the U.S.
region and the Chemicals Division



Currently, automobile production volumes are declining in Japan. In the global market, competition continues to intensify. In this environment, we need to take flexible, agile action to sustain the growth of the toll processing business, beyond its conventional framework. To adapt to these changing market conditions, we will continue to strengthen relationships between regional heads and group companies in Japan and abroad to maximize synergy across the entire group.

Fumikazu Osaki

Senior Managing Director,
Executive Officer
In charge of toll processing
business



The Corporate Division was launched on July 1, 2024. It supports the management foundation. It consists of the General Affairs Department, the Human Resources Department, the Accounting Department, the Environment and Safety Department, the Information Systems Department and the Group Management Department. While striving to improve productivity, we are also building systems to foster organizational development from a group-wide perspective and establishing systems for developing global talent capable of succeeding in global competition. While we have implemented standardization of operations, overall optimization and enhanced governance at the company level, we still have a long way to go in achieving these across the entire group. As the department supporting company operations, we aim to strengthen collaboration with each region and further advance our support for addressing challenges, leveraging the introduction of regional management in 2024 as an opportunity. The difficulty in designing systems is that if they are too loose, the organization falls apart. If they are too tight, friction arises within them. We must draft clear guidelines and specify what should be observed. Starting in April 2025, we have begun standardizing tasks that were previously dependent on specific individuals, including unifying the group's domestic accounting system.

Toshiyuki Aishima

Executive Officer
General Manager, Corporate Division



Yuji Kondo

Executive Officer
General Manager,
Chemicals Division



The Chemicals Division has been pursuing the goal of becoming a world-leading surface treatment sales company since FY2019. We are establishing closer relationships not only with Japanese companies but also with local companies to increase our market share in the automotive, steel and non-ferrous metal markets. We visit sites to understand the situation and discuss issues with regional supervisors to support the sites and develop optimal strategies specific to separate business categories in accordance with the overall strategy developed by the Chemicals Division. The number of projects we compete with local companies for in the chemicals business is increasing in China. We follow a strategy of increasing the ratio of locally available raw materials and local production to improve price competitiveness.

Nobuhiko Satomi

Executive Officer
General Manager,
Corporate Planning
Division



This fiscal year, the 5th Group Medium-Term Management Plan kicked off. It includes initiatives for entrenching the regional management structure established in the previous fiscal year. A role that the Corporate Planning Division plays is increasing the effectiveness of the plan by accurately understanding the progress of individual measures. It will continue these efforts for realizing Vision 2030. Furthermore, one of our key missions is to fulfill our corporate responsibility with consideration for local communities and the regional environment. In this regard as well, we will further strengthen collaboration with each region and broadly communicate the achievements of our initiatives both internally and externally, aiming to enhance our corporate trust and value.

The toll processing business has grown mainly through surface treatment processing for automotive parts. In the future, the shift to electric vehicles is expected to reduce demand for internal combustion engine parts. It is now imperative to pioneer new markets through new technologies—such as enhanced wear resistance and heat resistance—rather than merely extending existing approaches. The New Central Research Laboratories have recently opened, and the research and development structure has been enhanced. I believe that a key role for the Toll Processing Division will be for sales to identify customer needs, provide the research theme to the research team, and then develop and establish new technologies. For overseas markets, we support the cultivation of local companies, dispatch personnel and provide technical support to popularize new technologies developed in Japan. We are also strengthening collaboration between Japan and overseas regions through regular information-sharing meetings.

Akihiro Masuda

Executive Officer
General Manager, Toll
Processing Division



As specialists in surface modification, our group is required to develop technologies that address societal challenges such as reducing environmental impact. We are advancing research and development to contribute to society through our core technologies cultivated over time and newly developed technologies. In particular, regarding the significant theme of decarbonization, we are pursuing development through a multifaceted approach. This development includes not only reducing conventional process energy consumption but also optimizing the utilization of diverse energy sources and power by minimizing losses, as well as conducting research and development for the new energy field. From a regional management perspective, the methods of using products, the way of thinking, needs and speed vary from region to region. I feel we need to adjust our knowledge and insights to individual regions. We identify development subjects aligned with the times and needs, and flexibly provide personnel and development support.

Hidehiro Yamaguchi

Executive Officer
General Manager, Central Research
Laboratories



Takaomi Nakayama

Executive Officer
General Manager,
Technical Division



One of the most essential duties of the Technical Division is to compile information on the chemicals in product manufacturing at overseas locations. The nature of the Technical Division's operations remains unchanged from before the introduction of the regional management system. However, there are some differences. For example, we previously requested information from each company individually. Today, by submitting requests through regional headquarters, we can collect information in bulk, improving operational efficiency and making it easier to manage intellectual property and other assets. We are working to standardize operations in collaboration with the regional headquarters to ensure overseas manufacturing plants can implement the same level of management as Japanese plants.

Changes after introducing regional management and strengthening collaboration

Yoshida ● Within the India-ASEAN region under my purview, horizontal connections are expanding. Personnel exchanges in the region are more active at the base in Thailand, where I am stationed. Visitors from Malaysia came last week, and those from Indonesia are coming next week. People from India across different sectors also frequently visit our base. However, regional management is still in its early stages. I believe it will take more time to permeate and function effectively across the entire group. Solitude is something that company leaders commonly experience. I feel it is more intense in foreign countries. When you have to make decisions on your own, you tend to become more cautious. The introduction of the regional management system has energized communication among regions and bases across different countries, as well as between the regions and Japan. I feel that it is easier for the leaders of individual bases to make decisions.

Nakayama Are there any regular meetings of presidents or other regional gatherings in the India-ASEAN region?

Yoshida ● We have not yet held any regional meetings. There are requests for a meeting like that. If we hold it, we want it to be effective. We are currently considering how to achieve this.

Nakamura ● Since the start of regional management, every company has been conducting strict budget management. It allows us to clearly understand the growth of individual companies and businesses, making it easier to share information, discuss issues and work toward progress. As in the India-ASEAN region, collaboration between the bases has grown closer in China. We hold a technology exchange meeting in Shanghai once a year. All of our personnel at the department manager level and above attend the meeting, including local staff from individual companies. Now, personnel from the Chemicals Business and also from the Toll Processing Business attend the meeting. The differences between the circumstances of the two segments are shared. We can now determine a direction for a single company, including business divisions. I hope that this will ultimately lead to favorable results.

Tamura ● The purpose of regional management is to understand customer needs across different regions from a market-driven perspective and incorporate them into products and services to achieve continued business growth and Vision 2030. The origin of regional management lay in the group companies in China working together to tackle marketing and technological development. On the other hand, in the India-ASEAN region, economies, languages, ethnicities, religions, and cultural backgrounds vary by country. It requires strategies tailored to the specific characteristics of each region and nation. Nihon Parkerizing was founded in 1928 and established its first joint venture in Taiwan in 1965. Since then, it has actively pursued global expansion. Today, it has bases in 12 countries and regions outside Japan. However, since introducing regional management, collaboration between Japan and each region has become closer. I feel that Japan now understands the concerns and perspectives of each region and local area, thoroughly checks their progress, and operates accordingly.

Nakamura ● I have been stationed in China for more than 10 years. The needs of the markets and customers in China are tremendously different from those in Japan. In the toll processing business in particular, I have come to realize the difficulties of this distinction. To generate revenue while sharing information across different environments, collaboration with the business divisions will become increasingly important. I feel that joint initiatives conducted by business divisions and regions are very effective. We are also proactively expanding our portfolio and entering new markets. The opinions of local staff are critical in these actions. Now, the system for incorporating them into our activities is finally becoming ready.

Masuda Regarding the toll processing business in China, I feel that, with the involvement of chemicals sales departments, companies are now sharing information and have just begun jointly pursuing related technological development. Recently, we held an information-sharing meeting. Local plant staff have similar perceptions. I suspect this will lead to increased revenue in the future.

Fukuta ● Traditionally, the Chemicals Business and the Toll Processing Business operated separately. These days, there is a trend towards thinking together. The regions have joined them to produce synergy. I hope that one plus one plus one would make five or

six. For instance, when the Toll Processing Business in North America needs extra personnel, it can dispatch staff not only from Japan but also from the India-ASEAN region if it has the necessary human resources. Based on customer demands, we will actively propose solutions.

Communication and human resources issues

Satomi During the COVID-19 pandemic, I was in the United States. At the beginning, we had voice-only conferences. Now, we can have online meetings with projected materials. Meetings with the Head Office are now much easier to hold than before the pandemic. We can now communicate more closely. Local staff say that they can now take part in meetings much more easily.

English with local staff in Thailand, it was somewhat difficult to engage in ordinary conversation with them after the meeting.

Fukuta ● Indeed, Microsoft Teams and other web conferencing applications have made it easier to understand on-site conditions and choose the personnel to dispatch. More young employees are dispatched to overseas locations than in the past.

Aishima In the context of implementing global management, including overseas operations, English is a common language worldwide. To develop global human resources, we launched a program in 2024 to improve speaking skills in Japan. This program provides language training for employees who wish to participate. Foreign national staff members hired in Japan contribute to improving the English language skills of Japanese employees.

Yamaguchi In China, the Chinese language is mainly used. In the India-ASEAN region, English is an official language in only Malaysia, India and some other places. Language barriers are always a hindrance to mutual understanding. Still, in technological discussions, the same terms are used, making communication easier. Although I was able to discuss technical topics in

Yoshida ● We wish to foster an environment where people with diverse talents can thrive, thereby further advancing our regional management approach.

Nakamura ● Enhancing human management capabilities and implementing a regional management system, with an awareness of the significance of speed, will drive continuous growth and increase corporate value. Let's make this a success.

We aim to achieve further business expansion and Vision 2030 by promoting strategies tailored to regions with high economic growth potential, including India and the ASEAN region.

- Domestic and international markets were divided into five regions, with regional managers assigned to oversee each region. — ①Japan, ②India and ASEAN, ③China, ④Europe and the US, ⑤South Korea and Taiwan —
- Rapid decision-making that accurately captures market trends
- Understand customer needs in each region from a market-driven perspective and reflect them in products and services.
- Strengthen profit-and-loss management by clearly defining business objectives for each region.
- Strengthening human resource management capabilities through the development and utilization of global talent

Think Globally & Act Locally of, by, and for the Local

Financial strategy

Achieving sustainable growth and stable shareholder return

Hiroyasu Tamura
Vice President, Executive Officer

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.

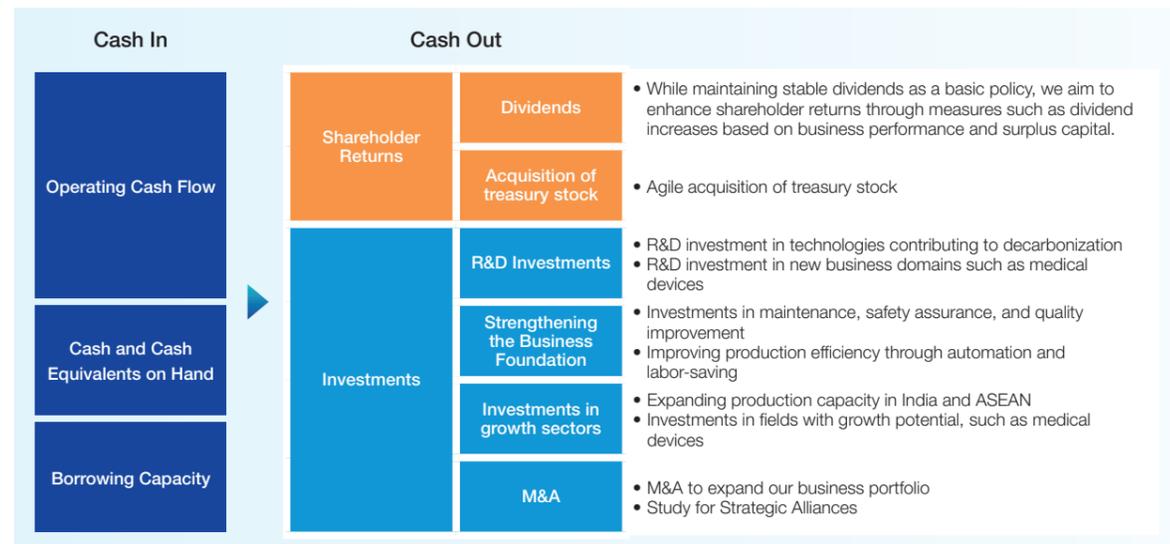
As a financial strategy that supports this medium- and long-term growth strategy, we aim to optimize the balance between growth investments, financial soundness, and shareholder returns while leveraging cash flows, cash and cash equivalents on hand and our borrowing capacity. In particular, we have recognized 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.

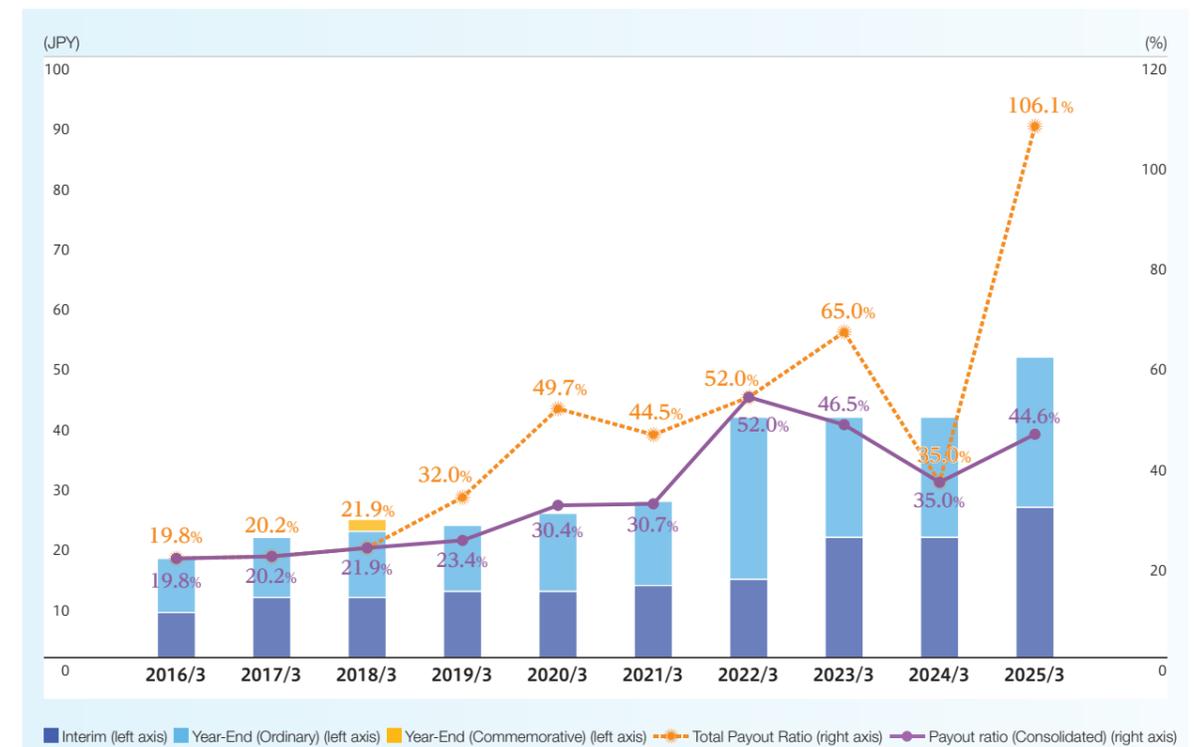
3. Initiatives for Shareholder Returns

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.

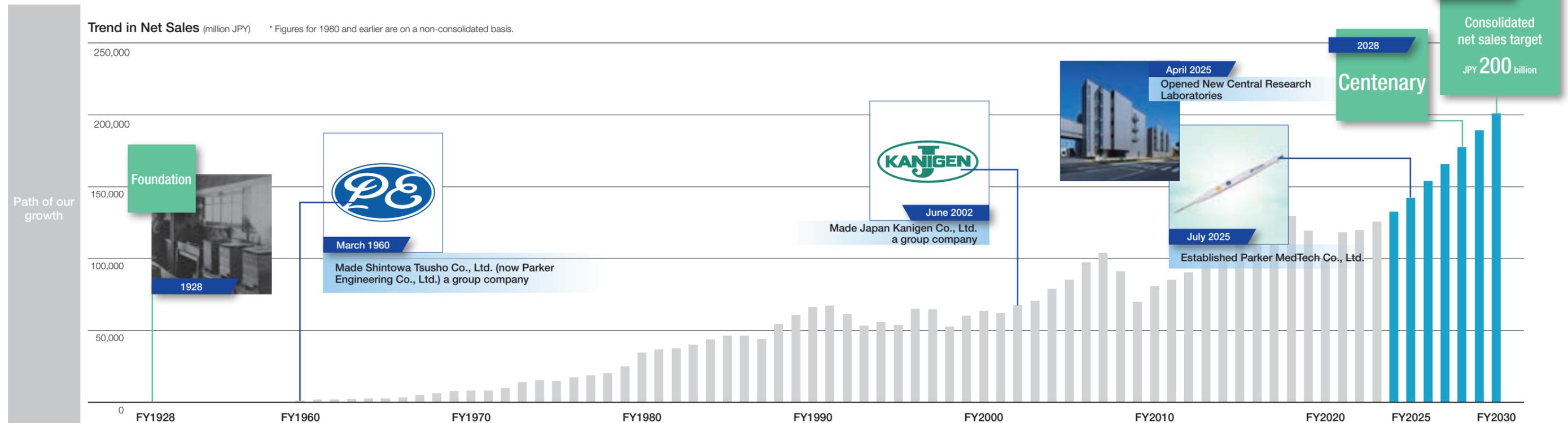
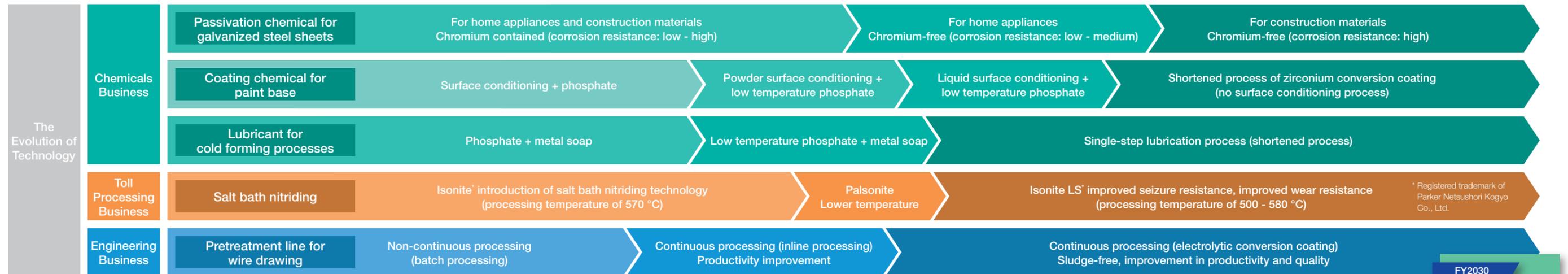
Record of Shareholder Returns



Growth Trajectory

— From a pioneer in surface treatment technologies to a global value creation company —

The Nihon Parkerizing Group has deepened existing technologies while boldly pursuing new fields and markets. Leveraging our group's strengths—robust technical capabilities and transformative power—we will remain indispensable to industry and society for the next 100 years, driving further growth.



Early Days
Establishment of foundational technologies and supporting industry
 (1928 to the 1950s)

The Company was the first in Japan to industrialize the Parker process (phosphate coating treatment), contributing to industrial modernization across sectors such as automotive, steel and machinery. We developed a market from an era when the need for surface treatment had not yet taken root, building an industrial base with proprietary technologies and reliability.

Growth Period
Expanded sites around Japan in step with the high economic growth in Japan
 (1960s to 1980s)

Expanded operations nationwide in response to economic growth and the development of the automotive industry. Not only toll processing, but also by strengthening our research and development capabilities in surface treatment chemicals, we have established a system to provide both products and services. These products and services helped us earn customers' trust and establish a stable revenue base.

Diversification and Globalization
Expansion into global markets
 (1990s to 2000s)

We are accelerating our overseas expansion, expanding our network in China, Southeast Asia and North America. Our Japanese-quality surface treatment technologies were also recognized overseas, establishing our position as a global supplier. We also expanded our business into new fields, including electronics components.

Present Day to the Future
Sustainable growth and innovation
 (2010s and beyond)

In recent years, the Company has focused on developing medical devices and environmentally responsive technologies to address market needs for decarbonization, resource conservation and enhanced functionality. Furthermore, we are advancing the transition to a management structure that prioritizes sustainability and ESG, striving to enhance sustainable corporate value.

Our Strength

— A leading company in surface modification technologies, which achieved both stability and evolution —

Over the 97 years since its establishment in 1928, the Nihon Parkerizing Group has built a solid track record and technological assets as a pioneer of surface modification technologies supporting the Japanese manufacturing sector. The technologies and trust cultivated over this time have led to a competitive advantage unmatched by other companies and a significant strength for the Nihon Parkerizing Group.

Our strengths
01 Unique technological capabilities that enrich society

A key mission of the Nihon Parkerizing Group is to address global warming and the rapid tightening of chemical regulations over the past few years. The group has focused on developing environmentally friendly products that meet current demands. We will continue to hone the unique technological strengths we have cultivated since our founding, further contributing to environmental protection and the development of a prosperous society.

Our strengths
02 Contributing to a wide range of industries with an extensive range of products, toll processing and technical support

As a measure against global warming, a shift from ICE (internal combustion engines) to EVs (BEV, HEV, PHEV and FCEV) is underway across the automotive industry and beyond. With changing times, the product categories that need surface modification and the functions those surface modifications require also change. The Nihon Parkerizing Group contributes to sustainable societal growth by leveraging its unique core technologies to develop surface modification technologies and products that meet prevailing needs.

Our strengths
03 Global network

The Nihon Parkerizing Group consists of 51 companies, including 41 consolidated subsidiaries and 9 equity-method affiliates. It has 4,354 employees. Its network spans the world, including Japan, East Asia (Taiwan and South Korea), India, ASEAN, China, Europe and the United States. By assigning Japanese expatriates to different business locations and providing chemicals, toll processing and technical support at quality levels comparable to those in Japan, we ensure consistent quality and reliability across our global sites. We are also focused on regional management that accurately adapts to the market environments and customer demands in each country or region. Through business management with local roots, we are better able to respond quickly and flexibly. Through these efforts, we are further strengthening our global network.

Efforts toward further deepening

Hone our unique technological capabilities.

To address social challenges that have become increasingly diverse and serious in recent years, the Nihon Parkerizing Group aims to evolve further and create value, building on the technological capabilities it has cultivated to date.

Under our “Challenges for Change” policy, we have launched a new research and development structure based at Parker Techno-Village, our core hub for open innovation.

Through collaborative development with partner companies and universities, we are creating innovative technologies to anticipate future social challenges and accelerate our contributions to a sustainable society.



Enhancing our extensive product lineup, comprehensive toll processing and technical support

- Challenges in exploring new markets, such as EVs and semiconductors
- Further exploration in the medical field
- Expanding our lineup of environmentally conscious products and toll processing services

Categories	Electronics	Aerospace	Non-ferrous metals	Transport/Machinery
	Construction materials	Metal/Toll Processing/Rust prevention	Steel (sheet)/Coil coating	Medical devices
Functions	Hydrophilic or hydrophobic (water repellency)	Electrically conductive or nonconductive.	Sticky or non-sticky	Rust-proof / Making rust
	Hardening or improving workability	Heat conductive or heat shielding	Other	

Strengthening our global network

■ Promotion of regional management
The Nihon Parkerizing Group is building a system for rapid technological development to meet regional needs and a technical support system closely aligned with customers. By adopting a market-driven perspective to understand customer demands in each region and incorporating those insights into our products and services, we aim to expand operations further and achieve Vision 2030. We will also work to cultivate global talent by assigning junior Japanese researchers to our overseas development sites and by conducting personnel exchanges with overseas group employees.



Building a foundation for the next 100 years of growth with technology, trust and our achievements, plus transformative capabilities

The strengths of our group stem from 97 years of deepening expertise and building trust with customers, which cannot be achieved overnight. By adding transformative capabilities as we evolve DX, GX and our human resources, we aim to lead the surface modification industry of the future and enhance corporate value sustainably.

Paint base for automobiles
Market share of Japanese auto OEMs worldwide **70%**
(Our source)

R&D expenses
JPY **2.1** billion/year

Chemicals
3,900 products

Toll processing services
50 different services

Number of affiliates
Including equity method affiliates **51**

Number of employees in the group:
4,354 Non-consolidated basis: 919

Value Creation Process

— Pursuing to co-create a sustainable society and corporate value through surface modification —

The Nihon Parkerizing Group has contributed to extending the useful life of products, conserving resources, and reducing environmental impact by modifying the surfaces of metals and other materials to prevent deterioration in strength, wear and/or rust formation. New social challenges have emerged in recent years, such as the intensification of efforts to address global warming driven by GHG (greenhouse gas) emissions and the pollution of human bodies and the environment with hazardous chemicals. In addition to developing technologies to address environmental issues and exploring new markets such as electronics, appliances and medical care, the Nihon Parkerizing Group is positioning the expansion of operations into overseas areas expected to enjoy strong growth as a pillar of its growth strategy. It is driving global cooperation across sectors as it pursues rapid technological development aligned with local needs.

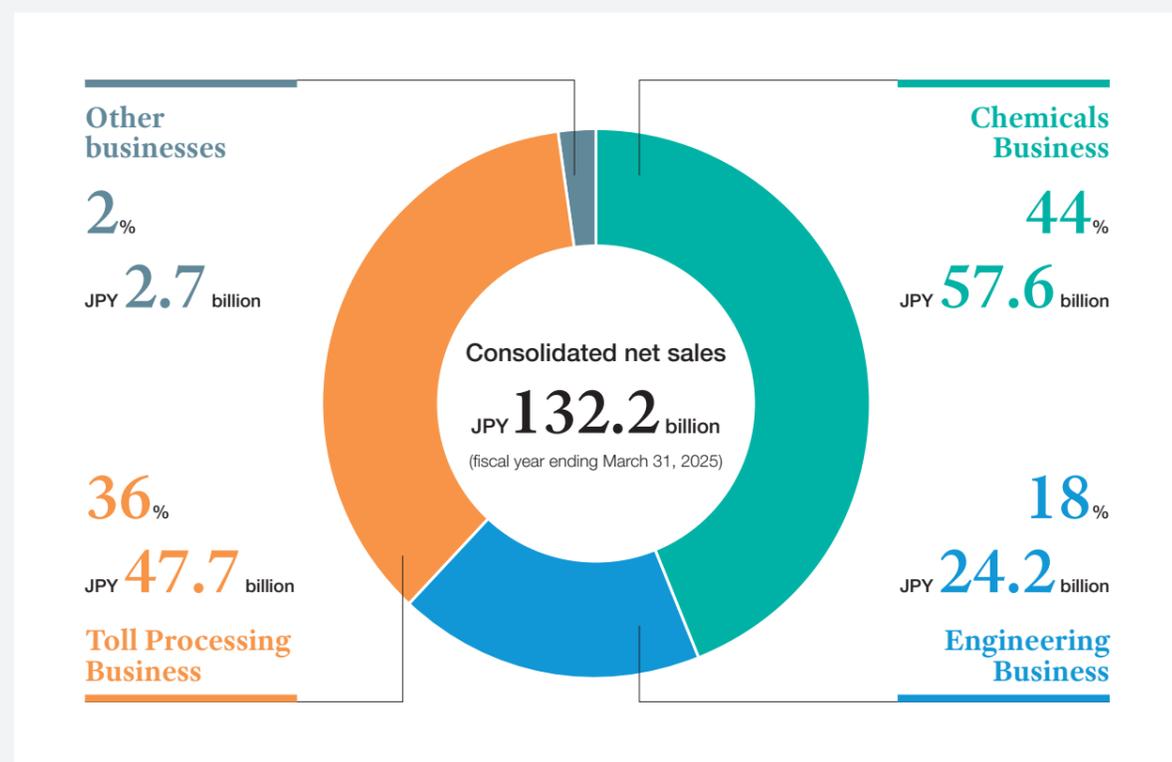


Business Portfolio

The Nihon Parkerizing Group has three reportable segments: the Chemicals Business, the Engineering Business, and the Toll Processing Business. They are based on the type of management organization and the characteristics of the products and services.

In the Chemicals Business, we manufacture and sell primarily chemicals that enhance the added value of metals and other substrates. They form conversion coatings that improve their performance in terms of corrosion resistance, wear resistance, lubricating and so on. In the Engineering Business, we design, build, and install equipment such as pretreatment and painting systems, powder coating systems, and more. In the Toll Processing Business, we offer surface treatment services, including rustproofing, heat treatment, and plating.

We also have various other operations beyond these three core businesses, including the sale of medical devices, building maintenance and construction, and solar power generation.



Since establishing its first joint venture company in Taiwan in 1965, the Nihon Parkerizing Group has actively pursued globalization across all segments. In addition to Japan, we supply our wide range of products and services in many countries and regions, including the United States, China, South Korea, Taiwan and Thailand, accommodating everything from industrial to household applications.

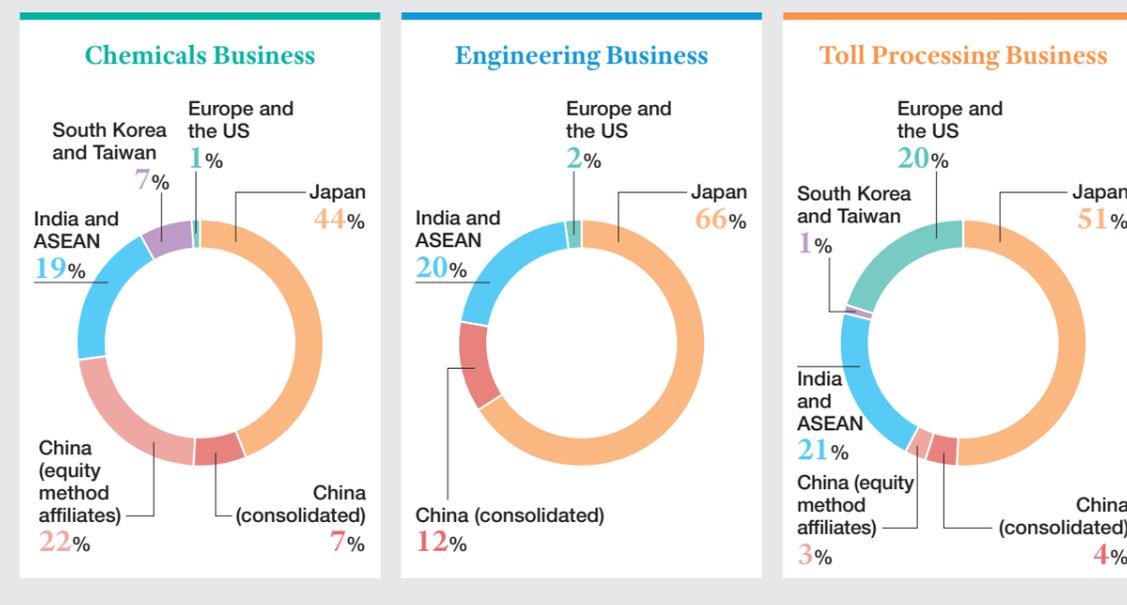
Furthermore, since FY2024, Nihon Parkerizing has adopted a regional management approach to strengthen collaboration between its domestic businesses and expand its overseas businesses. Our operating areas are split into five regions: Japan, East Asia (Taiwan and South Korea), India and ASEAN, China, and Europe and the US. By assigning executive officers as regional managers

overseeing each region, we are promoting marketing activities and technological development to meet regional needs. This structure improves coordination between segments and regions, enabling swift decision-making.

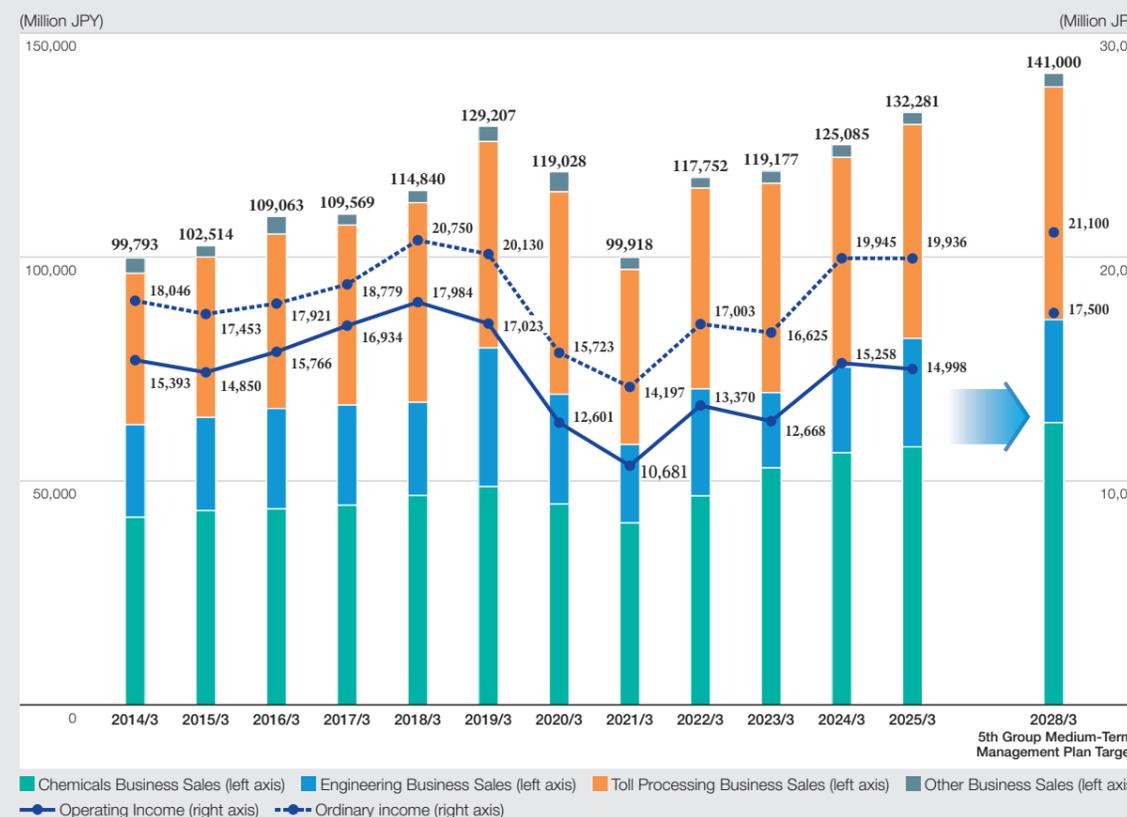
In Japan, we have strengthened our provision of comprehensive solutions to customers by deepening coordination among group companies that deal with chemicals, equipment, toll processing, medical devices, and so on, as part of our efforts to gain a stronger foothold in existing markets while developing new ones.

Overseas, we aim to further expand our operations by adopting market-driven perspectives to understand customer needs and implement strategies aligned with local characteristics, particularly in regions expected to experience high future growth, such as India and ASEAN.

Sales Composition by Segment and Region (Note: includes sales from Chinese equity method affiliates)



Trends in Consolidated Results



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.

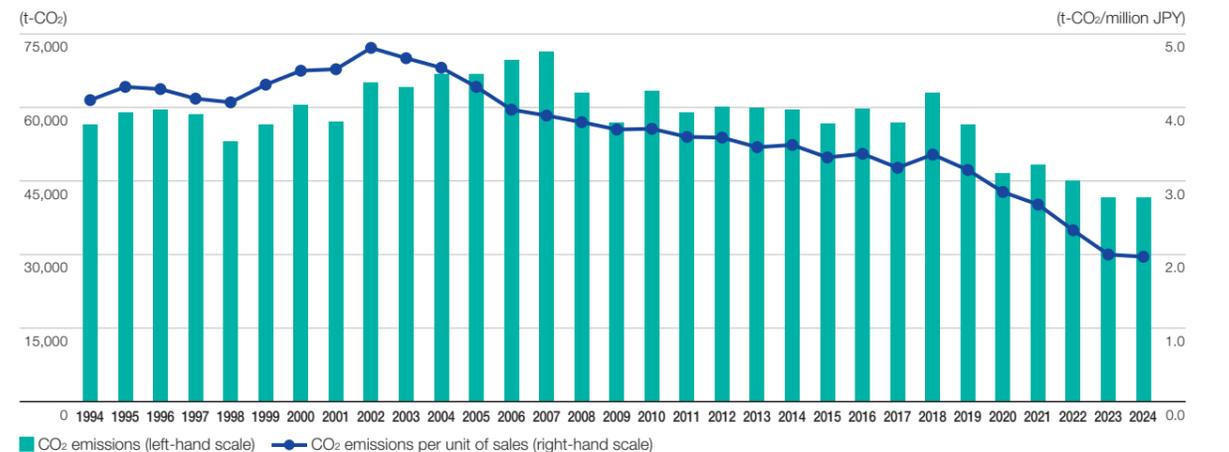
For example, half a century ago, the surface treatment process for automobiles emitted 15.5 kg of CO₂ per vehicle produced. Today, progress in surface modification technologies has lowered these CO₂ emissions by as much

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

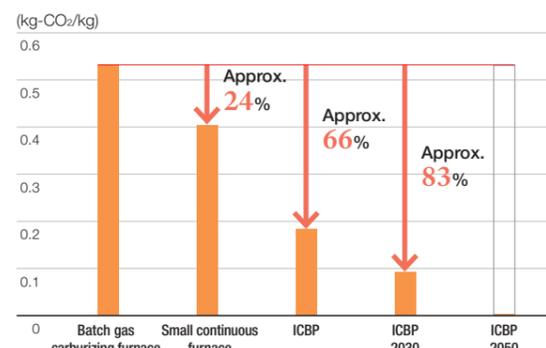
* ICBP is a registered trademark of PARKER NETSUSHORI KOGYO CO., LTD. and ECM Technologies.

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,

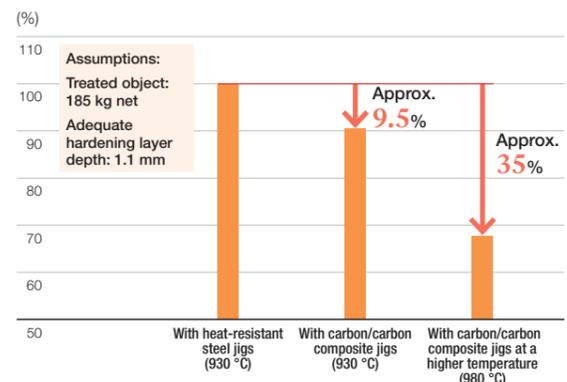
Initiatives for the SDGs implemented using the ICBP low-pressure carburizing system



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

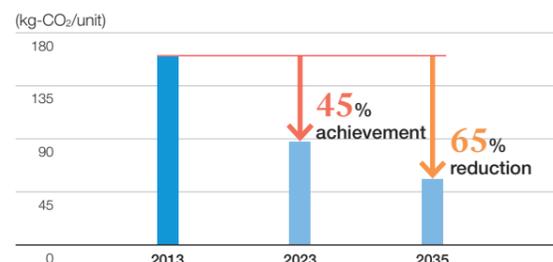
Through advances in production equipment and the use of IoT technologies, we are working to enhance product quality and productivity, and to improve customer satisfaction and added value. In addition to providing production equipment, we have strengthened our service framework, including maintenance 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



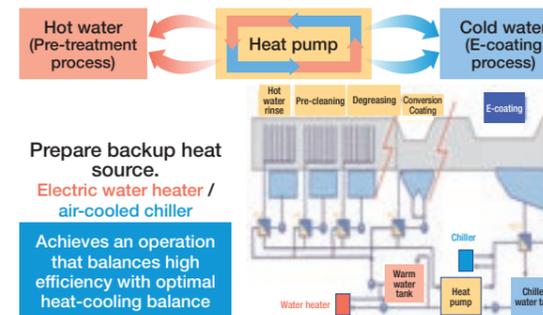
CO₂ emissions reduced by approximately 78%

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

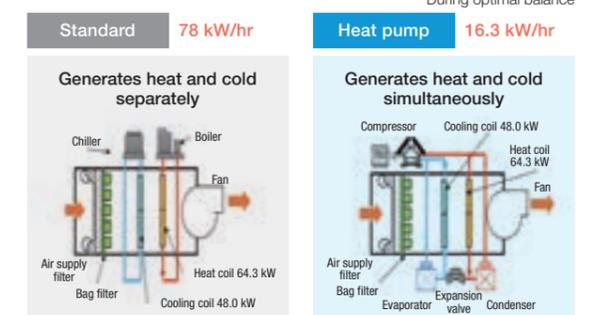


Use of heat pumps in the air makeup unit

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

CO₂ emissions reduced by approximately 78%

* During optimal balance



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.

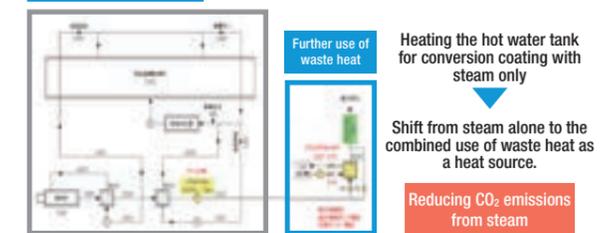


Further use of waste heat in ovens

Conventional waste heat utilization + Further use of waste heat

Return part of the incinerator's waste heat to the oven.

Assisting in the heating of pretreatment chemical tanks with waste heat from outdoor exhaust gas.



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.

R&D Strategy Roundtable

Under the slogan “Technology-Driven Company,” we pursue research and development that benefits society.

Nihon Parkerizing opened the new Central Research Laboratories in April 2025 and is seeking to expand and strengthen the R&D system. Three Executive Officers deeply involved in R&D discussed the latest developments and challenges.

Participants in the roundtable

Yasumasa Fukuta	Managing Director and Executive Officer
Takaomi Nakayama	Executive Officer and General Manager of Technical Division
Hidehiro Yamaguchi	Executive Officer and General Manager of Central Research Laboratories

Opening of new Central Research Laboratories and organizational restructuring

Yamaguchi

City of Hiratsuka in Kanagawa is home not only to the Central Research Laboratories but also to a sales office, a chemical manufacturing facility, technical centers and a contract manufacturing facility, serving as a center for the group’s technological capabilities. We have named the site “Parker Techno-Village”. We are going to use it as a base for promoting R&D on open innovation. The construction of the new Central Research Laboratories, which opened in April 2025, was also part of this project. The new Central Research Laboratories are generously equipped with joint

research laboratories and discussion spaces, based on the concept of “bringing technology and people together.” We have also restructured our research and development organization, establishing the Core Technologies Research Division and the Advanced Technologies Research Division. Around 60% of our 130 researchers belong to the Core Technologies Research Division, which is responsible for developing and advancing the core technologies we have built over the past 100 years. The remaining 40% belong to the Advanced Technologies Research Division and are engaged in technological development in new fields and new businesses, with an eye toward the future.

Nakayama

In R&D, conducting experiments does not guarantee results. Under these circumstances, we raise issues and propose solutions to increase development efficiency.

Opening the new Central Research Laboratories on the concept of “bringing technology and people together.”

Hidehiro Yamaguchi
Executive Officer and General Manager of Central Research Laboratories

Fukuta

The group’s approach to research has been market-driven, meaning conducting R&D based on customer needs. However, we intend to increase the technology-driven approach in the near future. At the same time, we probably need to remain tenacious in researching themes that will meet societal needs in 10 or 20 years. The restructuring aimed to build an R&D system under which we all put our heads together to figure things out.

Nakayama

That is exactly right. We will shift our organizational structure and operational methods to focus on tackling primary goals and direction with a long-term perspective, avoiding short-term thinking.



New Central Research Laboratories

Expanded various facilities and established an environment for the R&D of new fields, to strengthen the R&D capabilities. R&D will become more efficient and more advanced more quickly.

Expanding research themes

Yamaguchi

Recently, carbon neutrality has become a significant topic, and we are also steadily taking steps in this direction. First, the reduction in energy used during surface treatments. For example, surface treatments often include cleaning the surface material, chemical reactions or coatings, and drying processes, and require a long processing time and heating. However, lowering the process temperature and shortening the process itself are game-changers for promoting decarbonization. Even if innovative surface treatment technology is developed, if the energy required to produce the raw material of the chemical used in this technology exceeds that of existing technology, then overall CO₂ emissions may increase. From this perspective, we also need to consider the energy required to produce chemical raw materials in our development activities. The second is reducing energy loss when using surface-treated materials. For example, internal combustion engines and electric motors both generate power, albeit through different structures. This power is transmitted in various

forms to move or control something. However, the generated power is never transmitted without loss. Some of it is converted to heat due to friction or other forms of resistance. We believe that reducing this energy transmission loss is an effective measure for decarbonization. A third topic concerns new energy and related themes. Based on the keywords EVs and hydrogen, we will predict future trends and focus on necessary development themes. We have already made progress on the first challenge: reducing energy use in surface treatments. However, our efforts on the second attempt of reducing transmission loss by minimizing resistance and friction through surface treatment could prove even more successful. We are focusing on that.

Fukuta

Alongside moves to meet customer demands regarding the environment, we must also consider the extent to which surface treatments create added value, including visualizing the entire manufacturing process and shortening it through surface treatments.



Strengthening the research and development system, with Japan, China and Thailand as research hubs

Takaomi Nakayama
Executive Officer and General Manager of
Technical Division

Yamaguchi

We have also set forth a policy of promoting open innovation. Especially in the Advanced Technologies Research Division, given our relative lack of knowledge of advanced technologies compared with core technologies, collaborative research with outside laboratories that possess specialist knowledge is beneficial.

Nakayama

One success story is our collaborative research with Kobayashi Pharmaceutical Co., Ltd. and the Japan Aerospace Exploration Agency (JAXA). Our collaborative research into antimicrobial technologies for combating microbes in spacecraft was completed in 2023, providing us with a deeper understanding of antimicrobial technologies. Our collaborative research partners used to be mainly in the automotive and rail industries. Our current challenge is to expand collaboration in other fields, and progress in new fields, such as the medical appliance market, is also evident.

Yamaguchi

When we bring products based on technologies developed in the automotive and rail industries to completely new customers, people are surprised, saying, "Wow, a film this thin performs like that!" Aside from medical devices, we are also starting to get involved in cosmetics-related R&D.

Nakayama

We are also leveraging our three R&D sites, which are our research sites in China, Thailand and the new Central Research Laboratories in Japan, to strengthen our global research system further. While our basic policy remains that R&D should be carried out in Japan, we are also seeking to accelerate technology development to meet the specific needs of each region, including our research sites in China and Thailand. The site in China (PST: Parker Surface Technologies) has been in operation for 16 years and has successfully built independent development capabilities aligned with local needs. The site in Thailand (P-STAP: Parker Surface Technology Asia Pacific) was established six years ago. This site is making an effort to improve products in line with customer requirements and chemical applications. You were General Manager of P-STAP until last year, weren't you?

Yamaguchi

Yes, I was stationed at P-STAP for five years. P-STAP develops technology for the India-ASEAN region. In India and ASEAN, religions and cultures vary from country to country, and the industrial structures also vary with development. Naturally, the level of technology also varied. So, while evaluating how things stood locally, we researched surface treatment needs in each country at the time and developed coating chemicals tailored to each country. The most significant difference between the two sites is that Shanghai-based PST focuses on the single Chinese market while P-STAP focuses on multiple markets. Our priority while I was stationed at P-STAP was markets where our group companies in India and ASEAN were not doing much business. Therefore, I was also actively involved in attending the group companies' employee

training sessions and customer visits, introducing our technologies and supporting their applications. Going directly to customers on-site and inspecting the structure of their production lines was particularly

beneficial in improving the speed and timeliness of development. I feel having bridgeheads that enable this, beyond physical distance, is very advantageous for the group's global research and development.

Challenges and issues in R&D

Yamaguchi

To produce research results, we should ideally ensure that researchers can think for themselves and act on their own initiative. Given that research is creative work, my mission as General Manager of Central Research Laboratories is to develop an environment that does not force researchers to work but instead allows them to concentrate on and devote themselves to their research.

Fukuta

We have also asked Mr. Yamaguchi to calculate the extent of our contribution to a sustainable society using the theme "what if surface treatment technologies didn't exist?" For example, untreated iron is prone to wear, tear and rusting, requiring more iron to be produced for replacement. Calculation results showed that the Parker Group's surface modification technologies for preventing this reduce total global CO₂ emissions by 0.086%. As a technology-driven company, we will share the significance of this result both within the company and with customers to get our R&D teams on board and encourage customers to

collaborate with us. We intend to develop this initiative into a broader, more profound endeavor rather than viewing it as an isolated effort. We are talking about increasing the CO₂-reduction effects achieved through our technologies so that, by 2050, they reduce total global CO₂ emissions by 0.01%.

Yamaguchi

I feel the words "we aim to be a technology-driven company" are quite weighty. If this means that we keep creating and accumulating original technologies, then we still have a way to go. We should keep working even harder.

Contributing to a sustainable society through our surface modification technologies of the Nihon Parkerizing Group

Yasumasa Fukuta
Director, Managing Director
and Executive Officer



Promoting talent development and career advancement

The Nihon Parkerizing Group considers talent development and career advancement to be a priority management issue. We develop diverse human resources to support the group's future growth and also put significant effort into building an organization capable of maximizing the vitality of its human resources.

Human resource strategies for enhancing corporate value

According to our founder, "The foundation of the business is people." We recognize the need to make the most of each other's strengths while respecting the values of every employee to continue meeting the diversifying needs of our customers amid the rapid pace of globalization. We will develop workplaces where employees can flourish and will seek to maximize the strengths of the group's human resources by hiring and developing diverse talent. We will support the themes of "Challenges for Change" and "Promoting Regional Management" under the 5th Mid-Term Management Plan from a human resources perspective and strive for sustainable improvement in our corporate value.

Desired Candidate Profile

- 1) Able to keep changing in line with the changes of the times.
- 2) Highly specialized, resilient to environmental change and self-discipline.
- 3) Have a global perspective, examine different ideas and technologies from around the world, learn in a self-directed manner and put them to practical use.

With the aim of realizing Vision 2030, "Transforming a diverse range of surfaces with chemistry," and based on the image of an ideal employee, the Nihon Parkerizing Group is pursuing transformation into an organization that continues to grow and into a company where diverse human resources can thrive. Accordingly, we are continuously investing in human capital. Our image of an ideal employee is summarized in the three qualities described above.

Key initiatives for human capital

Key initiatives 1 Developing globally competent human resources

Within the Nihon Parkerizing Group, more than 80 Japanese employees have been assigned to overseas group companies. The group's overseas sales ratio exceeds 40%, and the development of globally competent human resources is becoming increasingly important. We aim to operate globally and to expand business through close ties with regions. We will seek to develop global staff by increasing domestic and international exchanges while stepping up the development of local staff at overseas sites. Globally competent human resources are those who, through sound knowledge backed by experience, problem-solving skills and effective communication, can

provide support. They are capable of leading the way in achieving targets in both domestic and international settings. We are strategically promoting the hiring and development of those global human resources.

Key initiatives

- Enhancing language training aimed at strengthening speaking skills
- Supporting early participation in overseas business through overseas training for young employees
- Providing training in Japan for the local technical staff of overseas group companies
- Increasing motivation by improving the working conditions of expatriates living overseas

Globally competent employees are

Human resources who, through sound knowledge backed by experience, problem-solving skills and effective communication, can lead the way in achieving targets in both domestic and international settings



Global Associates Program

This program allows us to accept technical staff from overseas group companies at our technical centers in Japan for 10 months. Launched in 2023, the program emphasizes not only technological exchange but also intercultural understanding, aiming to invigorate the entire group.



Education system

We are implementing various initiatives, including the introduction of training and programs, to develop proactive, dynamic, creative, and globally competent human resources in the long term. In addition, we offer a step-by-step training program to systematically develop the next generation of leaders who will assume core management roles.

Skills Development Schematic (Nihon Parkerizing)

Position		Off-site training				Work-place training	Other			
		Human skills	Technical skills	Specialty (elective)						
Managerial positions	General-manager level	Management strategy training					Self-development (Incentive program encouraging acquisition of qualifications)			
	Section-manager level	Managerial-level employee training Business management seminar New department manager training	Practical corporate accounting course	TOEIC training						
Supervisory positions	Assistant-manager level	Assessment for manager candidates Managerial competence and aptitude			Training in developing global human resources (Language training)	Pre-assignment training for expatriates (culture, customs, environment, procedures)				
		Senior supervisory training		TOEIC training						
		Senior manager training Managerial competence and aptitude								
Non-managerial										
Non-managerial		Mid-level employee training		TOEIC training	Fundamentals of surface treatment (1st and 2nd semester) (Academically, common, and analysis)	Rust prevention technology school	Training in coaching and on-the-job, hands-on training	Compliance training	Information security training	Daily individual training (on-the-job training)
		New employee training Product knowledge, practical training		TOEIC training						
		New employee training Education on business manners, company rules and safety and health	Presentation skills improvement training							
Job offer recipients		Training for job offer recipients								

Key initiative 2 Work-life balance and health

We are committed to creating a supportive workplace environment that enables both the self-fulfillment of each employee and the sustainable growth of the Company. Furthermore, we made a "Health Company Declaration" to the Tokyo Federation of National Federation Health Insurance Societies in May 2025 to maintain and improve the health of employees, which underpins their energy and enthusiasm at work. We are currently implementing initiatives to achieve silver rank certification.

Key initiatives

- Making "Health Company Declaration" and promoting health management
- Increasing the rate of employees receiving health checkups and strengthening the mental health support system
- Reviewing the flextime system and remote work practices
- Increasing the rate of male employees taking paternity leave
- Improving paid leave utilization rates and limiting extended overtime

Overview of our work-life balance initiatives

Categories	Promoting flexible work styles			Diverse leave types			Support for growth	
Purpose	To offer more freedom in work styles and accommodate diverse lifestyles			To support employees in balancing their work and family life, and to encourage them to recharge mentally and physically.			We support employees' career development to help them achieve personal growth alongside our Company's growth.	
System/Category	Flextime system	Remote working	Proper work hour management	Annual paid leave	Childcare leave and reduced work hours system	Caregiving leave and reduced work hour system	Career development support	Self-enlightenment Support
Details	<ul style="list-style-type: none"> • Employees can flexibly decide their work hours. • Working hours can be adjusted monthly. 	<ul style="list-style-type: none"> • Employees can work from home or a satellite office. • Balancing operational efficiency with smooth communication. 	<ul style="list-style-type: none"> • Restraining excessive overtime • Improving the efficiency of business processes • Mental health care 	<ul style="list-style-type: none"> • Annual paid leave can be taken on an hourly or half-daily basis. • Employees are encouraged to take at least six days of annual paid leave. • Employees are eligible for refresher leave after 30 and 40 years of service. 	<ul style="list-style-type: none"> • Increasing the rate of male employees taking paternity leave • Introduce a paid leave system for part of the childcare leave period. 	<ul style="list-style-type: none"> • Supporting the balance between caregiving and work. 	<ul style="list-style-type: none"> • Internal hierarchy-based training • Internal job posting system • Self-declaration system 	<ul style="list-style-type: none"> • Qualification acquisition incentives • Side-job policy

Each employee can achieve a fulfilling work-life balance.

Key initiative 3 Creating an environment where people with diverse talents can fully exhibit their skills

We respect diversity and aim to create inclusive workplaces where everyone can exhibit their potential. We support flexible work styles that align with individual values and life stages.

1 Promoting the career advancement of female employees.

We set a target of having 10% of our managerial-level employees be female by 2030, believing that advancing the career of female employees is a critical managerial issue we face. Employees at the assistant manager level who are considered candidates for managerial positions receive training to improve their decision-making, organizational management, consensus-building, and other skills required for managerial positions. We provide these employees with strong career development support to help them steadily acquire managerial skills. We aim to actively drive these initiatives by developing workplaces where both male and female employees can balance work and childcare.

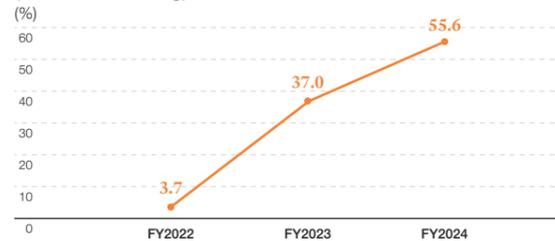


	Percentage of female managers
The Company	2.6%
Domestic consolidated subsidiaries	1.1%
Overseas consolidated subsidiaries	23.6%
Group total	10.3%

Promotion of paternity leave for male employees

The percentage of male employees taking paternity leave in FY2024 increased sharply to 55.6%, reflecting the introduction of partially paid paternity leave and improvement in the corporate culture. By sharing the experiences of male and female employees who have taken childcare leave and their superiors and colleagues, to foster greater understanding in the workplace and encourage an environment where employees feel comfortable taking childcare leave, we will continue to evolve into a supportive group where employees can balance their work and family lives.

Percentage of male employees taking paternity leave (Nihon Parkerizing)



	Percentage of male employees taking paternity leave.
The Company	55.6%
Domestic consolidated subsidiaries	37.5%
Overseas consolidated subsidiaries	55.4%
Group total	54.1%

Award for companies promoting the career advancement of female employees

We received the Excellence Award in the Corporate Category of "WOMAN'S VALUE AWARD ~Supporting the Women in STEM~ 2024," hosted by the Japan Women's Value Training Association. This award honors companies and individuals who support women in STEM. To lay the foundations for ongoing women's career advancement, we are working to increase the number of women recruited.

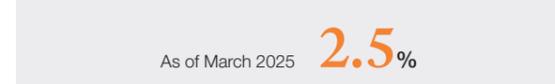


Received the WOMAN'S VALUE AWARDS ~Supporting the Women in STEM~2024 The Excellence Award in the Corporate Category

2 Promoting employment of people with disabilities

We introduced a farm-type service to employ people with disabilities, offering workplaces where they can work energetically. Harvested vegetables are donated to nonprofit organizations and are provided to local consumers at food pantries. This is just one of the ways we contribute to society and the regions where we operate. In Diversity & Inclusion training, employees experience working alongside people with disabilities on the farm. The training aims to instill a greater understanding of disability and diversity through natural communication.

Percentage of employment of persons with disabilities



Parker Farm

3 Hiring foreign nationals

Every year, we hire people from many different nationalities with undergraduate and graduate degrees. In FY2024, employees of multiple nationalities joined the group. We currently work with 25 colleagues from eight different countries.

Sustainability Strategies

Sustainability

In July 2023, we established the Sustainability Committee to explore ways to achieve sustainable growth. The committee, chaired by the Representative Director and President, promotes actions to fulfill our corporate responsibilities. To meet society's sustainability-related demands, we are committed to addressing social issues and working with society across our three business domains, chemicals, toll processing and engineering.

Aiming to "make effective use of limited resources and realize an affluent, sound society."

The Nihon Parkerizing Group corporate philosophy is, "We are contributing to the effective use of limited resources on planet Earth, creating new value from resources through the surface modification of all kinds of materials, preserving the global environment, and realizing a prosperous society."

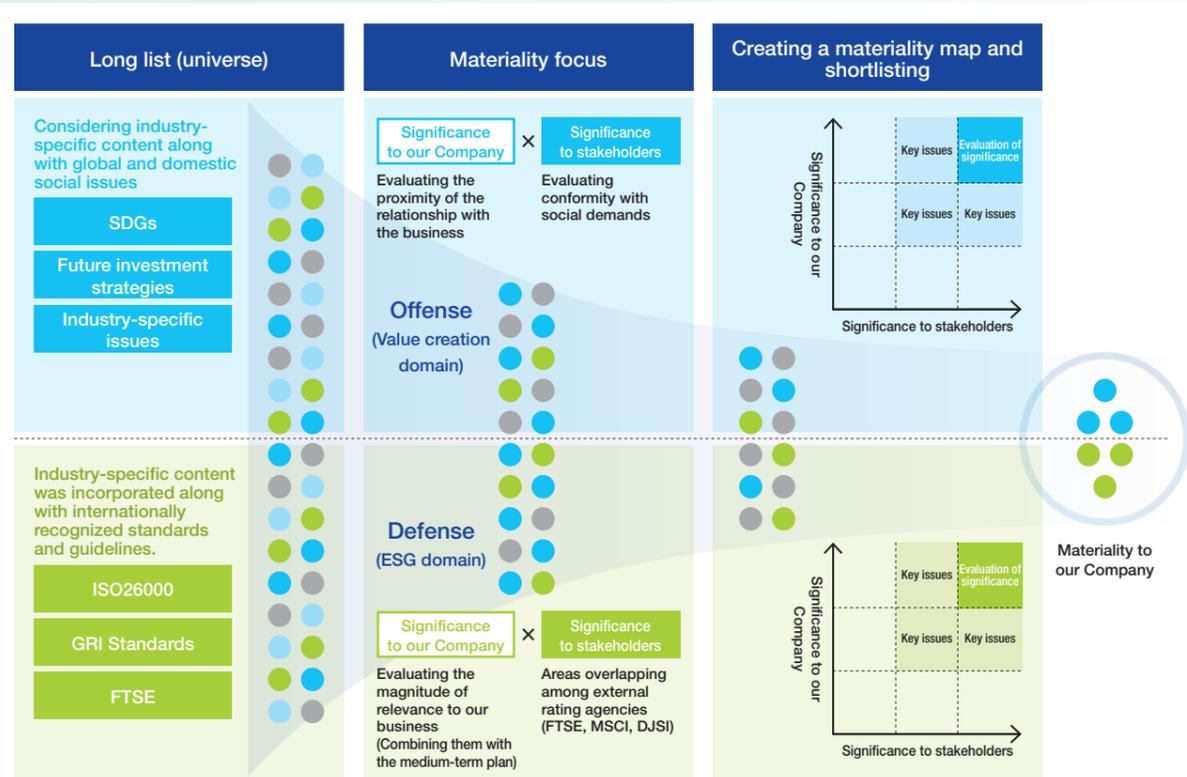
Since we commercialized Japan's first rust prevention technology (phosphate conversion coating), we have contributed to the growth of a wide range of industries, from core to cutting-edge applications in metal surface modification. As a leader in surface modification, we will remain aware of the impact of our corporate activities on society and our responsibilities and continue our initiatives to meet society's expectations.

Sustainability Basic Policy

1. The Nihon Parkerizing Group is committed to realizing a sustainable society and increasing its corporate value by providing its products and services.
2. The Nihon Parkerizing Group will actively seek to provide environmentally friendly products and services and ensure safety and quality.
3. The Nihon Parkerizing Group aims to realize a society in which diverse human resources can play an active role through respect for human rights and equal employment opportunities.
4. The Nihon Parkerizing Group will engage in fair and sincere corporate activities, with appropriate and timely disclosure of information and proactive communication with stakeholders.

Key Issues (Materiality) and Its Identification Process

At the Nihon Parkerizing Group, we identify social issues related to our activities, reevaluate their impact in light of societal changes, and prioritize the problems we address. In identifying key issues (materiality), we used the United Nations Sustainable Development Goals (SDGs) as a basis and consulted several guidelines.



Materiality 1 | Creating a more prosperous society through surface modification technologies

Materiality 2 | High-value-added products and services for customers around the world

In recent years, climate change has increased the frequency of natural disasters worldwide (e.g., torrential rains, wildfires driven by heat waves). These phenomena are mainly attributed to global warming, driven by greenhouse gas (GHG) emissions. Reducing GHG emissions and achieving carbon neutrality are urgent priorities. While the importance of the optimal use of materials (putting the right materials in the right places) is increasing in industrial fields, metallic materials remain indispensable resources in society. However, the process for manufacturing metallic materials emits a large amount of GHG and reducing its environmental impact has become a significant challenge. The Nihon Parkerizing Group has been committed to extending the service life of parts through its technologies for modifying the surfaces of metallic materials (e.g., rust-proofing treatments, abrasion-proofing treatments). Recently, the extent to which its technologies contribute to the environment has been

CO ₂ emissions from the Nihon Parkerizing Group in FY2024: Approx. 0.83 million tons	Annual CO ₂ emissions reduction through extended component lifespan: Approx. 31.28 million tons <small>Converted to the amount of CO₂ absorbed by forests annually, this figure is equivalent to a forest the size of Kyushu.</small>
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quantified, yielding the following figures. Worldwide CO₂ emissions in 2024 reached a record high of approximately 35.5 billion tons.* Setting these emissions to 1,000, the degree to which the Nihon Parkerizing Group contributed to restraining CO₂ emissions is 0.86/1000 (our calculation based on certain preconditions). In the near future, we will further develop our technologies, aiming to increase our contribution to 1/1000 by 2050.

* CO₂ emissions (EI statistics) –GLOBAL NOTE

Materiality 3 | Ensuring the safety, security and health of workers on-site.

The Nihon Parkerizing Group seeks to provide a safe and secure working environment for all employees by continuing our efforts to reduce hazardous and harmful operations in manufacturing and processing, improve safety training and promote good health.

- Priority measures for reducing the occupational accident frequency rate**
1. Strengthen patrol activities
 2. Standardize safety throughout the Nihon Parkerizing Group
 3. Enhancing education and training
 4. Utilizing IT and digital tools

KGI (key goal indicator): Occupational accident frequency rate
FY2023: **2.05** → FY2030 target: **0.50**

Through these measures, we are building an environment to keep all on-site workers safe and healthy, in pursuit of an occupational accident frequency rate of 0.50 by FY2030.

Materiality 4 | Fostering a corporate culture that respects diverse values and turns them into strength

- Promoting recruitment of women, people with disabilities, foreign nationals, mid-career and senior workers
 - Increase in the proportion of women in managerial positions.
 - Creating work styles and a workplace environment where diverse talents can thrive.
- ➔ Please refer to the related initiatives on page 45, "Promoting the development and active participation of human resources."

Materiality 5 | Responsible actions toward realizing a sustainable society

- Thorough management of chemical substances in our products
 - Initiatives to ensure 100% compliance by suppliers with "the Green Procurement Guidelines" and to continuously reduce energy intensity.
 - Promoting initiatives for stable supply through material purchases and business continuity planning (BCP)
- ➔ Please refer to the related initiatives on page 62, "Supply chain management."

Materiality 6 | Ongoing initiatives to remain a company of integrity.

As a global company, we are building an environment where all our employees can feel secure in expressing their opinions. By 2026, we will complete the development of a whistleblowing system covering our overseas consolidated subsidiaries, to establish a structure that demonstrates we, as a corporate group, are sincere and transparent.



Contribute to the achievement of the Sustainable Development Goals (SDGs)

Tackling climate change -- Initiatives based on TCFD recommendations and the challenge to achieve carbon neutrality --

In January 2024, the Nihon Parkerizing Group announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and is affiliated with the TCFD consortium. We are committed to being accountable to our stakeholders by disclosing climate change information in line with the TCFD framework. In addition, we handle business operations and financial affairs in accordance with the risks and opportunities identified in our scenario analysis.

Governance

In response to society's increasing demands and expectations for companies to realize a sustainable society, we pursue sustainable growth and strive to balance economic and social value in line with our management philosophy. In July 2023, we established the Sustainability Committee to further our actions to address sustainability challenges, including climate change.

This committee meets quarterly to discuss the following agenda.

- Results of scenario analyses based on the TCFD recommendations
- Measures to address climate-related issues
- Setting qualitative and quantitative targets related to sustainability and evaluating their progress

The committee submits reports regarding its deliberations to the Executive Board and the Board of Directors in a timely manner at least once a year. The Board of Directors oversees all of the company's sustainability activities and promotes actions to fulfill our corporate responsibilities.

The Sustainability Committee meeting record:
August 2024 and January, April and June 2025

Strategies

Nihon Parkerizing assessed and identified transition risks (policies and market changes) and physical risks (extreme weather) related to climate change from short-, medium- and long-term perspectives. With an eye toward the business environment in 2030, we conduct analyses under three different scenarios: the below 1.5°C scenario, the below 2°C scenario and the 4°C scenario, referencing the existing

scenarios published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). Identifying the risks and opportunities that may significantly affect our business operations, we quantify their financial impact to the extent possible.

* Reference scenarios: Transition risk: IEA NZE, IEA APS, IEA STEPS
Physical risk: SSP1-1.9, SSP1-2.6, SSP5-8.5

Below 1.5°C scenario

Category	Details	Time axis	Impact	Remedies and initiatives	
Risks	Policy and legal regulations	Introduction of a carbon tax and tightening of regulations on emissions	Medium to long term	Medium	<ul style="list-style-type: none"> • Promotion of energy saving measures/under consideration • Introduction of renewable energy/in progress throughout the Nihon Parkerizing Group • Photovoltaic power generation systems for in-house consumption/under consideration
	Raw material procurement	Difficulty in procurement due to environmental regulations	Medium to long term	Medium	<ul style="list-style-type: none"> • Promoting multi-sourcing/shift to multi-sourcing
	Market changes	Decarbonization-related demand from customers	Medium to long term	High	<ul style="list-style-type: none"> • Development of environmentally friendly products • CFP calculation/handled on a project basis
	Technical response	Responding to customers' technological innovations	Medium to long term	High	<ul style="list-style-type: none"> • Strengthening technological development and customer cooperation
Opportunities	Increase in natural disasters	Difficulty in the procurement of scarce resources	Short to long term	Low	<ul style="list-style-type: none"> • Enhancing supplier engagement • Promoting multi-sourcing
	Products and services	Increase in demand for environmentally friendly products	Medium to long term	High	<ul style="list-style-type: none"> • New product development • Customization
	New markets	Expansion of the decarbonization market	Medium to long term	High	<ul style="list-style-type: none"> • Development of a new business field

4°C scenario

Category	Details	Time axis	Impact	Remedies	
Risks	Natural disasters	Shutdowns due to typhoons, floods and other disasters	Medium to long term	Small to medium	<ul style="list-style-type: none"> • Strengthening of BCP • Deployment of bases • Disaster Response drills
	Raw materials	Concerns about the supply of rare resources	Medium to long term	Small to medium	<ul style="list-style-type: none"> • Diversification of suppliers • Study on alternative materials
Opportunities	Disaster prevention and mitigation	Increased demand for disaster response technologies and products	Medium to long term	Medium	<ul style="list-style-type: none"> • Product development for disaster prevention infrastructure
	Resilience	Demand for supply chain strengthening	Medium to long term	Medium	<ul style="list-style-type: none"> • Supporting the development of a stable supply system

Key strategies based on the below 1.5°C scenario

Strategy 1 Response to decarbonization measures

We estimate that the carbon emissions from business activities will increase as the business grows unless we take steps to prevent them. When carbon taxes are introduced, their impact on our operating income could be hundreds of millions of yen. To address these risks, we set a target to reduce CO₂ emissions per unit of sales (Scope 1 and 2) by 30% compared to FY2020 by 2030. In addition, we have been discussing energy-saving activities across the entire Nihon Parkerizing Group.

Strategy 2 Addressing raw material procurement risks

We anticipate that new raw materials may be required due to environmental regulations. If it is difficult to procure raw materials, the impact on operating income could exceed JPY one billion. To address the risks, we have set "taking responsibility for creating a sustainable society" as one of our key issues and encourage the use of alternative raw materials and the adoption of alternative products, in addition to establishing a stable supply system in cooperation with suppliers.

Strategy 3 Response to decarbonization

Failure to meet the growing demand for decarbonization-related products could lead to a decline in orders and the loss of billions of yen in operating income. To address these risks, we have set "the development of products and services that contribute to the achievement of the SDGs" as one of our material issues and support customers in reducing the environmental impact of their manufacturing processes. We also contribute to society's decarbonization by calculating the CFP (carbon footprint) for each of our products and services to visualize CO₂ emissions.

Strategy 4 Responding to new markets

While the movement toward carbon neutrality is accelerating worldwide, the need to develop innovative technologies and products is growing rapidly in the decarbonization market. We have set "creating a more prosperous society through surface modification technologies" as a material issue, and we are actively leveraging the proprietary technologies we have cultivated over many years to develop products for new markets.

Risk management

System for the management of climate-related risks

Nihon Parkerizing's Sustainability Committee identifies and assesses climate-related risks, while the Risk Management Committee handles other business risks. The Sustainability Committee identifies critical risks and opportunities and assesses their impact using scenario analyses aligned with the TCFD recommendations. Risks are assessed on a four-point scale for their impact (on an operating income basis) and likelihood of occurrence (frequency). Overall, they are rated on a 16-point scale for their importance. Based on this, we prioritize risks and determine measures based on their relative relationships.

Climate-related risk management process

We plan, implement, manage, and improve measures to address business risks based on their importance. Our

environmental strategy reflects climate-related transition risks and opportunities, and we have incorporated them into our targets and plans. We implement a plan-do-check-act (PDCA) cycle to improve our environmental performance and risk management.

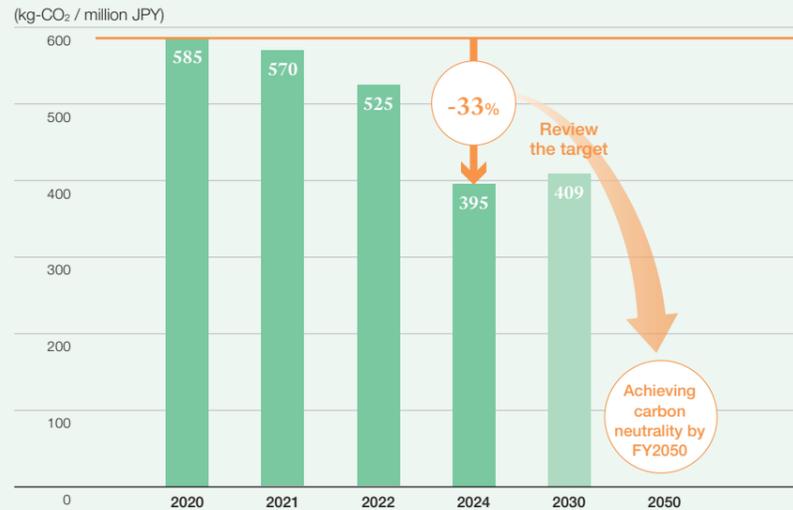
Integration with comprehensive risk management

The Nihon Parkerizing Group has established its Risk Management Committee to effectively manage risks that may hinder the achievement of its business objectives, discuss assessments and measures with a focus on management risks and submit reports on these matters to the Internal Governance Committee. The Sustainability Committee leads the handling of climate change-related risks, and the two committees work closely and cooperatively on company-wide risk management.

Indicators and targets -- efforts toward carbon neutrality --

We have set a target to reduce our GHG emissions (Scopes 1 and 2) by 30% from the FY2020 level by FY2030. We calculated our non-consolidated GHG emissions in the fiscal year ended March 2025. According to this calculation, we have exceeded our target, achieving a 33% reduction through initiatives such as introducing renewable energy and promoting energy-saving activities. We will set a GHG emissions reduction target for our domestic and overseas consolidated subsidiaries, and the entire Nihon Parkerizing Group will strive to achieve carbon neutrality.

Trends in Scope 1 and 2 CO₂ emissions per unit of sales on a non-consolidated basis



Scope 1, 2, and 3 emissions in FY2024 at the Company alone and the group

		The Company alone	The group ^{*1}
Scope 1		10,410	50,630
Scope 2	Market-based emissions	6,198	67,039 ^{*2}
	Location-based emissions	8,975	69,729
Scope 3 ^{*3}	Category 1	95,768	203,211
	Category 2	4,852	15,807
	Category 3	4,834	13,086
	Category 4	11,229	18,748
	Category 5	1,274	2,785
	Category 6	178	340
	Category 7	537	1,000
	Category 11	-	400,610
	Category 12	53,326	56,830

^{*1} Emissions from the following companies were measured: Nihon Parkerizing Co., Ltd., eight major domestic consolidated subsidiaries (Parker Engineering Co., Ltd., Parker Processing Co., Ltd., Oita Parkerizing Co., Ltd., Komatsu Parkerizing Co., Ltd., Japan Kanigen Co., Ltd., Hamamatsu Netsushori Kogyo Co., Ltd., Million Chemicals Co., Ltd. and Kyodoyuso Co., Ltd.) and six major overseas consolidated subsidiaries (Parker Trutec, Parker Trutec Mexicana, Foshan Parker Surface Modification Co., Ltd., PT Parker Metal Treatment Indonesia, Thai Parkerizing Co., Ltd. and Parker Processing Vietnam Co., Ltd.)

^{*2} Since the emission factors at our power contract partners are unknown, IEA country-specific emission factors were substituted to calculate emissions for the six principal overseas consolidated subsidiaries

^{*3} The six principal overseas consolidated subsidiaries are outside the scope of Scope 3 emissions

GHG emissions in Scope 1, 2, and 3

To ensure the transparency and reliability of the disclosed GHG (greenhouse gas) emissions, in FY2024, we received third-party assurance from an external organization (SOCOTEC Certification Japan K.K.).



Third-party certification

Environmental Initiatives

In pursuit of “the effective use of limited resources and the realization of an affluent, sound society,” we are committed to developing products that address various social issues at the production stage and in customers’ use, recognizing that reducing environmental impact is our mission.

Environmental policy and management system

In line with our fundamental principle of coexisting with the global environment, we balance environmental protection and economic activities. In our environmental policy, we stated that we will comply with laws, consider biodiversity, help realize a decarbonized society, and effectively use resources, among others. The policy is shared within and outside the company as the foundation for all of our business activities.

Regarding our environmental management system, our business sites collaborate to implement a plan-do-check-act (PDCA) cycle under the guidance of the company-wide chief environmental administrator. These activities are reviewed and continuously improved through executive management review.

Our major business sites institutionalize and continuously improve our environmental protection activities by obtaining ISO 14001 certification and implementing internal audits and external reviews.

Environmental policy

1. The Nihon Parkerizing Group will comply with all relevant laws, regulations and agreements, and operate its business while considering biodiversity and giving the highest priority to environmental protection.
2. The Nihon Parkerizing Group will contribute to society by developing and marketing environmentally friendly products and technologies.
3. The Nihon Parkerizing Group will seek to reduce GHG emissions throughout its value chain to realize a low-carbon society.
4. The Nihon Parkerizing Group will strive to reduce the environmental impact of its business activities by effectively using resources and appropriately managing chemical substances.

(Note) Water is included as a resource in this environmental policy.



ISO 14001 certificate of registration



Annexes to ISO 14001

Initiatives to reduce the environmental impact

We streamline production processes and introduce high-efficiency equipment to reduce energy consumption and CO₂ emissions. Each business site monitors its energy use to continue improving. We have identified the proper use of water resources and wastewater management as key issues,

and we are implementing measures such as installing water-saving equipment, encouraging water reuse and monitoring water levels when using groundwater. In implementing these measures, we value harmony with the regional environment.

To realize a circular economy

Currently, we are examining ways to visualize the final disposal of industrial waste from us and our eight principal domestic consolidated subsidiaries. Based on the results of these efforts, we will set reduction targets to realize a circular economy.

Biodiversity conservation initiatives

Policies

In line with our environmental policy, we are explicitly committed to considering biodiversity and strive to recognize and mitigate impacts across all our business activities. All of our employees remain mindful of their role in nature and promote conservation activities in cooperation with local communities.

Biodiversity policy

1. Through surface modification technology, we will reduce humanity's negative impact on nature capital, including biodiversity and ecosystems, and encourage initiatives to increase our positive impact
2. More than ever before, we will examine measures to stop climate change, conserve and recycle resources and reduce environmentally hazardous substances throughout our supply chains

Participation in the Keidanren's initiative

We support and participate in the Keidanren (Japan Business Federation) Initiative for Biodiversity Conservation and contribute to protecting biodiversity across industry by facilitating knowledge sharing among companies and putting the declaration of action into practice. In collaboration with stakeholders, we will continue to develop more effective initiatives.

Water resources

We checked the water stress conditions at the group's business sites using Future Water Stress, an Aqueduct Country Ranking indicator developed by the World Resources Institute. Our business sites in India, a country with extremely high water stress, make efforts to conserve water, for example, using RO (Reverse Osmosis) membrane filters to recycle and reuse rinse water from production processes. As part of our initiative to increase water conservation, we plan to introduce a zero-liquid-discharge system.

Future Water Stress*	Business sites		Water intake	
	Number of business sites	%	Amount (m ³)	Average (m ³)
Extremely high (Extremely high: >80%)	7	10%	101,615	14,516
High (High: 40-80%)	9	13%	190,281	21,142
Medium-high (Medium-high: 20-40%)	25	37%	791,088	31,642
Low-medium (Low-medium: 10-20%)	25	37%	317,736	12,709
Low (Low: <10%)	2	3%	58,648	29,324
Total	68	100%	1,459,369	21,461

* Evaluation under the 2030 standard scenario

Water consumption

In manufacturing chemicals and conducting toll processing, we implement measures such as using steam drains, reusing filtered water from the UF filter and centralizing production by integrating lines to use water resources effectively.

		FY2022	FY2023	FY2024
Water intake	Water supply	132,604	131,058	131,974
	Groundwater	126,747	142,763	125,497
	Industrial water	115,009	117,670	105,916
Drainage	Sewage	158,565	171,797	148,238
	River	74,007	63,371	66,337
	Ocean	80,063	85,031	75,997

Unit: m³, Nihon Parkerizing alone

Promoting environmentally friendly products and the circular economy

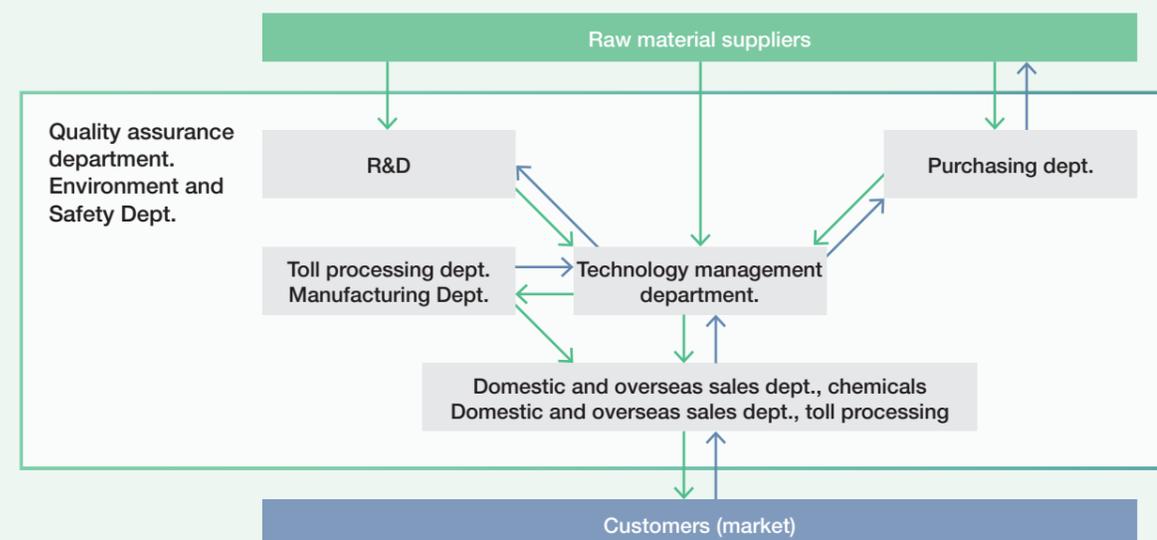
We develop products with a reduced environmental impact using surface modification technology. We are working to balance product performance with environmental considerations in this area.

We are also promoting initiatives to realize a circular economy, such as recycling process solutions, sludge management, container reuse and designing with renewable resources.

Chemical substances management

Based on the policy for managing chemical substances in products, we work thoroughly to comply with laws and regulations, meet customers' needs and manage risks. We comply with RoHS, REACH and other international rules and regulations in the design and management of products.

As part of our chemical substance management system, we have established a Chemical Substance Management System (CMS) involving nine departments. We are advancing the development of guidelines and workflows alongside centralized information management.



* Arrows indicate information flows.

Particulate matter (PM) measurement

We have two facilities where measuring particulate matter is required. Measurement is conducted twice a year. The results are as follows. From FY2022 to FY2024, there were no administrative penalties for violations of laws or regulations.

Measurement method: JIS-Z-8808 (filtration method) Measurement results: below 0.001 g/m³ (below the detection limit)

Community Activities and Local Activities

As a member of local communities, the Nihon Parkerizing Group engages in a broad range of activities tailored to local demand. We strive to coexist harmoniously with local communities and work hand in hand with them, alongside local governments and residents.

Social contribution activity policy

1. The Nihon Parkerizing Group will work to achieve harmonious co-existence between each of its business sites in Japan and other countries and the local community in the area where they are located, thereby contributing to the sustainable development of local communities.
2. The Nihon Parkerizing Group will collaborate with local communities to engage in community-based activities, including environmental protection activities
3. The Nihon Parkerizing Group will foster a corporate culture that will enable employees to participate in social activities voluntarily as members of the local community.

Social contribution activities

In pursuit of a sustainable society, the Nihon Parkerizing Group considers the global environment. It engages in initiatives that respect the cultures and needs of the different countries and regions at its business sites around the world. In recent years, investors have been increasingly interested in both business and human rights. In particular, our group believes that children are very important stakeholders, as they

are the future customers and employees of every company. For this reason, we actively engage in social contribution activities respecting children's rights. In our view, these activities will contribute to the development of trust-based relationships with local communities and enhance corporate value and future growth.

[Japan: Nihon Parkerizing]

The Nihon Parkerizing Group conducts beautification activities around our business sites in Japan, either alone or in cooperation with town development committees, chambers of commerce and industry or other community organizations. We also work constantly to be prepared for emergencies. Examples of our activities in this area include stockpiling of emergency supplies for distribution to residents in an emergency and installing AEDs.



Fukuyama Plant No. 2: Beautification activities in the surrounding area



Hiratsuka Plant No. 2: Beautification activities in the surrounding area

[Overseas: Nihon Parkerizing Group companies]

Many activities that contribute to society are carried out at our overseas business sites as well. Here are some examples.

Corporate name	Activities	Key contents of social contribution activities
PARKER TRUTEC INC.	Financial support	Financial support for Mountain Hope Good Shepherd Clinic They support the clinics that provide medical services to uninsured and underinsured people in Sevier County.
P.T. PARKER METAL TREATMENT INDONESIA	Educational support for children	They donated to help fund the opening of a vocational school in the MM2100 industrial park.
THAI PARKERIZING CO., LTD.	Educational support for children	<ul style="list-style-type: none"> • Donation of computers: Intended for students with poor access to online tools and technologies • Awarding of scholarships: Intended for students in Nong Khai, Nong Bua Lamphu and Udon Thani
	Environmental conservation	Participating in the Bangpu Recreation Center's afforestation activities The "Let's achieve net zero together" plan to celebrate Queen Mother Sirikit's birthday, based on the concept of carbon neutrality and net zero emissions → (see photo (1))
	Child development support	Participation in Children's Day events organized by the Khao Khansong administrative subdistrict: Providing light meals at stalls and supplying sweets, stationery, sporting equipment and other goods to six neighboring schools → (see photo (2))
PARKER PROCESSING VIETNAM CO., LTD.	Child development support	Participation in the welfare fund in Dong Anh (sponsored by TLIP industrial park, it donates to elementary school facilities and scholarships in Dong Anh)
	Disaster relief	Support for victims affected by Typhoon Yagi
VIETNAM PARKERIZING CO., LTD.	Disaster relief	Financial support for the disaster prevention fund
NIHON PARKERIZING MALAYSIA SDN. BHD.	Child life support	The company donated daily necessities to local orphanages. The necessities donated include both fresh and shelf-stable food items for food preparation and personal hygiene supplies.
NIHON PARKERIZING (INDIA) PVT. LTD.	Child life support	Providing children with sweets during Diwali, India's largest festival, through an NGO → (see photo (3))



Photo (1): Environmental conservation



Photo (2): Child development support



Photo (3): Child life support

Respect for Human Rights

The Nihon Parkerizing Group is aligned with international human rights principles, including the UN Universal Declaration of Human Rights. The group has also established its Human Rights Policies and Guidelines. It is advancing initiatives to build a business environment grounded in them.

Respect for human rights

We will respect the fundamental human rights of all people and support the following international principles and frameworks.

- UN International Bill of Human Rights
- UN Universal Declaration of Human Rights
- The International Labor Organization (ILO)'s Declaration on Fundamental Principles and Rights at Work
- The Organization for Economic Co-operation and Development (OECD)'s Guidelines for Multinational Enterprises on Responsible Business Conduct
- UN Guiding Principles on Business and Human Rights
- The Ten Principles of the United Nations Global Compact

Guided by the Nihon Parkerizing Group's Human Rights Policies, we will also continue our initiatives to respect human rights and strive to be an enterprise that has earned society's trust.

The Nihon Parkerizing Group's initiatives relating to respect for human rights

The Nihon Parkerizing Group believes that respect for human rights in business activities is essential. If our business activities may have adversely affected human rights, appropriate corrective or relief measures are implemented through appropriate procedures. The Nihon Parkerizing Group is engaged in manufacturing and toll processing around the world, so we are dedicated to ensuring safety in our work environments, proper management of work hours and the prevention of forced and child labor in particular.

FY2024 initiatives

In FY2024, we conducted a questionnaire of Nihon Parkerizing and group companies in Japan and overseas regarding general risks, including human rights risks. No

Human rights awareness activities

The Nihon Parkerizing Group has established the following system to create a workplace environment in which employees can feel secure when seeking advice or reporting compliance violations.

•Whistleblower hotline desk:

This hotline accepts reports of human rights violations, discrimination, compliance violations and other misconduct.

Employees can report issues and consult the desk anonymously. The desk makes every effort to maintain

Human Rights Policies

1. The Nihon Parkerizing Group will comply with the laws and regulations of the countries and regions in which it operates, support and respect international norms related to human rights, and fulfill its responsibility to respect human rights.
2. The Nihon Parkerizing Group will eliminate unfair discrimination and any form of harassment in the workplace and respect labor rights.
3. The Nihon Parkerizing Group will strive to promote respect for human rights throughout its supply chain.
4. The Nihon Parkerizing Group will prevent adverse human rights impacts. It will take prompt and appropriate action when it identifies contributing or complicit violations.

The Sustainability Committee leads regular identification and assessment of business risks, including human rights risks, in cooperation with other committees and related divisions. If a human rights risk has been identified, we will take a phased approach to addressing it, prioritizing actions based on the risk's impact and formulating measures to prevent it. Furthermore, the Board of Directors supervises the Sustainability Committee's activities. It provides guidance on key issues and company-wide policies for managing human rights risks.

instances of human rights infringement or discrimination have been identified as of FY2024. From now on, we will continue to take specific measures to mitigate risks.

the privacy of whistleblowers and others who consult it, and to ensure confidentiality. Our internal rules clearly prohibit the disadvantageous treatment of whistleblowers (such as dismissal, transfer or discrimination).

To date, no serious compliance violations, including human rights infringements and discrimination, have been identified. However, we have developed and expanded our internal reporting system across the Nihon Parkerizing Group in Japan and overseas, enabling us to promptly and effectively respond to internal reports.

Occupational Health and Safety

The Nihon Parkerizing Group encourages the maintenance and promotion of health, both physical and mental, through tangible (facilities and environment) and intangible (health management) improvements, so that employees can work safely and comfortably and exercise their full potential.

Our basic approach to health and safety

Guided by the basic principle, "Health and safety always come first," the Nihon Parkerizing Group has formulated its Health and Safety Policy under the leadership of its management. The policy is shared and implemented throughout the group. All employees work with a high level of safety awareness within a framework of compliance with laws, and they seek to establish workplaces with zero accidents and no harm to people's health.

Health and Safety Policy

1. The Nihon Parkerizing Group will place the highest priority on the safety and health of all of its employees. It will be committed to providing a safe, secure work environment and promoting mental and physical health.
2. The Nihon Parkerizing Group will take appropriate preventive measures for health and safety and strive for continuous improvement.
3. The Nihon Parkerizing Group will comply with all laws and regulations regarding health and safety.

Safety promotion initiatives

In the Nihon Parkerizing Group, the Parker Group Health and Safety Environmental Council meets twice a year to establish safe, healthy work environments. The Council shares information on occupational accidents, prevention measures against recurrence, responses to law revisions, and safety patrol results, among others, to reinforce our company-wide safety measures.

As a new initiative, we formulated Parker's Four Safety Pledges in FY2024. We encourage the establishment of our safety culture by showing these pledges on signs and chanting them.

Parker's Four Safety Pledges

1. We prioritize safety above all else.
2. We will always comply with rules and procedures.
3. We absolutely will not conduct or allow dangerous actions or work.
4. We always assess risks before taking any action.

Achievements and key initiatives

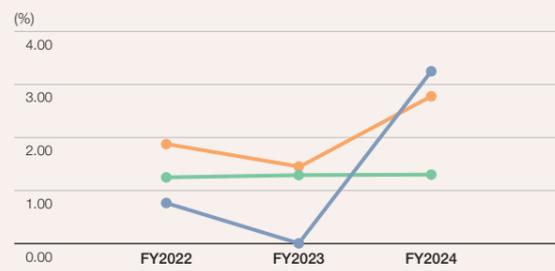
Ten occupational accidents occurred in FY2024 (two regular employees, two contract employees, four temporary workers and two outsourced workers). We have stayed free from fatal accidents for more than 20 consecutive years. This is a result of our safety awareness and organizational risk management.

Occupational accident frequency rate and occupational accident intensity rate are indicators used to evaluate the occurrence of occupational accidents. Our occupational accident intensity rate in FY2024 was only 0.078, indicating that our efforts to prevent and control serious accidents have been reasonable.

However, the occupational accident frequency rate at Nihon Parkerizing alone was 3.25, which is higher than both the previous year and the Ministry of Health, Labor and Welfare's average (1.30). Problems with workplace safety risk management have come to light.

Based on these results, we believe that preventing accidents and continuing to enhance on-site workers' safety awareness are urgent issues. We will continue to make improvements by leveraging our safety, health, and environmental management system and implementing a PDCA cycle, aiming for zero accidents.

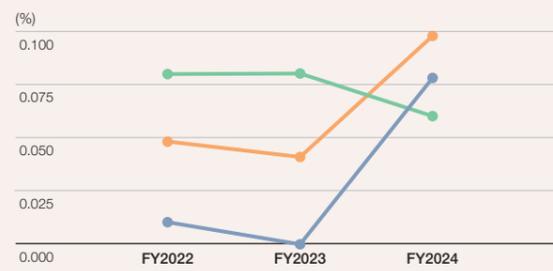
Occupational accident frequency rate



— Nihon Parkerizing alone — Nihon Parkerizing + 8 domestic group companies¹ — Total for the manufacturing industry²

Occupational accident frequency rate = (Number of casualties / Gross working hours) × 1,000,000

Occupational accident intensity rate



Occupational accident severity rate = (Number of work-days lost / Gross working hours) × 1,000

¹: Eight domestic companies of the Nihon Parkerizing Group including contractors: Parker Engineering Co., Ltd., Parker Processing Co., Ltd., Oita Parkerizing Co., Ltd., Komatsu Parkerizing Co., Ltd., Japan Kanigen Co., Ltd., Hamamatsu Netsushori Kogyo Co., Ltd., Million Chemicals Co., Ltd. and Kyodoyuso Co., Ltd.

²: Source: Overview of the Ministry of Health, Labor and Welfare's whitepaper survey on trends of industrial accidents (survey of business establishments (with 100 or more workers each) and survey of the construction work, general, including public and private construction work)

Risk management and on-site improvement

At each workplace, we work to reduce workloads and the risk of accidents by reviewing work standards and continuously implementing safety measures for equipment. We also strive to establish an employee-led safety culture by collecting and analyzing information about hazard prediction (KY) activities and near misses. Continuously implementing improvements from the on-site employee perspective, we seek to maintain and elevate our company-wide safety management standards.

The rules and procedures necessary for risk management are specified in the safety and environment manual and other materials. Risks latent in hazardous work and relevant actions are identified to prevent serious accidents, and cross-sectional measures are taken in-house in accordance with

the level of risk. When an occupational accident occurs, the environment and safety department and business divisions quickly collaborate and share information about the incident. The details, causes, and prevention measures for accidents and their recurrence are shared with all of our offices and Nihon Parkerizing Group companies. They are to prevent similar accidents.

The Nihon Parkerizing Group uses many chemical substances in its business activities. Our offices assess the risks posed by these chemical substances so employees can handle them safely and correctly. Through these initiatives, we identify the hazards associated with each chemical substance and the latent risks in in-factory operations, ensuring they are thoroughly and adequately managed.

Promotion of educational and awareness-raising activities

We continue to provide health and safety training because we believe it is essential to increase people's awareness of safety and to teach them how to operate safely. Our safety training programs are divided by job levels so employees can acquire the knowledge and skills needed to ensure safety. For example, illustrations are used to facilitate workplace discussions, and employees receive experience-based training to improve their hazard prediction capabilities.

In FY2024, the 43rd In-house Health and Safety Conference was held during National Safety Week. Workplaces with accident-free records were commended, and the Japan Industrial Safety & Health Association gave a lecture on the risks of explosions and fires posed by chemical substances.

Each of our employees works to increase their safety awareness and to ensure our safety culture becomes even more entrenched.

Supply Chain Management

The Nihon Parkerizing Group strengthens its cooperation with suppliers to establish sustainable supply chains. We are contributing to the realization of a recycling-oriented society by effectively managing resources and developing production and supply systems. Moreover, we are actively working to understand procurement risks and take measures to address them with the goal of ensuring a stable supply.

Procurement policies

The Nihon Parkerizing Group formulated its CSR Procurement Guidelines and Green Procurement Guidelines in accordance with its Procurement Policies. It collaborates with suppliers to engage in sustainable procurement activities, promoting compliance with laws, environmental protection, respect for human rights and fair trade.

Procurement policies

1. The Nihon Parkerizing Group aims to realize coexistence and co-prosperity with suppliers based on mutual trust.
2. The Nihon Parkerizing Group will provide equal opportunities for procurement transactions to all suppliers and select them fairly and honestly, considering quality, price, delivery time, and other factors.
3. The Nihon Parkerizing Group will comply with domestic and foreign laws, regulations, and social norms and request that its suppliers comply with the same rules and regulations.
4. The Nihon Parkerizing Group is committed to sustainable procurement activities, fully considering the environment, human rights, occupational health and safety, and corporate ethics.

Supply Chain Management

(1) Promoting procurement in consideration of social responsibility (CSR procurement)

The Nihon Parkerizing Group formulated the CSR Procurement Guidelines and encourages procurement practices that consider social responsibilities, such as respecting human rights, prohibiting discrimination, eliminating forced labor and child labor, procuring minerals responsibly, eliminating antisocial forces and implementing information security measures. In terms of the environment, we implement initiatives to achieve sustainable procurement, such as measures to ensure compliance with the laws, conserve resources and energy, reduce GHG emissions and incorporate biodiversity considerations.

➔ CSR Procurement Guidelines
https://www.parker.co.jp/ja/_pdf/csr/csr_guideline.pdf

(2) Promoting procurement activities to reduce environmental impact (green procurement)

The Nihon Parkerizing Group formulated its Green Procurement Guidelines to manage substances that pose concerns about their potential to harm humans and the environment throughout their lifecycle, from procurement of raw materials to disposal. More specifically, we choose products and containers with lower environmental impact to reduce the amounts of hazardous substances, in cooperation with suppliers.

➔ Green Procurement Guidelines
https://www.parker.co.jp/ja/_pdf/csr/green_guideline4.0.pdf

(3) Response to conflict minerals

Since transactions involving specific mineral resources

may lead to conflicts or human rights violations, the Nihon Parkerizing Group conducts annual inspections. It encourages procurement practices that consider social issues to pursue conflict-free raw materials, free of conflict minerals.

(4) Initiatives relating to stable supply

The Nihon Parkerizing Group is committed to diversifying its vendor base, optimizing inventory management, strengthening its collaboration with its suppliers, and reviewing its logistics systems to ensure a stable supply of products and services. Furthermore, we have established a business continuity plan (BCP) and are structurally ready to respond to emergencies flexibly. In this way, we fulfill our responsibilities to supply products and services.

(5) Collaboration with suppliers to realize sustainable procurement

We distribute a Procurement Brief to all suppliers monthly. The goal of the brief is to communicate information about noncompliance incidents that occurred during the latest delivery and other essential matters, and share quality control and other key information to maintain and improve the quality of the entire supply chain. Since FY2022, we have conducted annual supplier questionnaires to increase mutual understanding with our suppliers and strengthen our supply chains. The response rates were 47% in FY2022, 50% in FY2023 and 71% in FY2024. We will maintain good relationships with suppliers by continuing to engage in dialogue with them about our policies and initiatives.

Quality Assurance

Guided by its customer-focused approach, the Nihon Parkerizing Group strives to deliver products and services that exceed the expectations of society and its customers through technological innovation and quality improvement activities. By improving our ability to ensure quality across each process, we support a stable product supply, enhancing customer satisfaction and our corporate values.

Quality Policy

The Nihon Parkerizing Group aims to provide products and services that exceed customer and societal expectations through quality improvement and technological innovation, thereby enhancing customer satisfaction.

1. We will provide reliable quality to our customers by continuously improving our quality management system.
2. We will comply with legal and regulatory requirements and provide our customers with safe and reliable products and services.
3. We will strive to earn the trust of our customers by thoroughly preventing the recurrence and taking preventive measures.
4. We will enhance the transparency of our quality assurance system and conduct fair and sincere corporate activities.

Global quality system

With a customer-first mindset, the Nihon Parkerizing Group positions quality as the driving force behind corporate value creation. All of the companies in the group work together to improve the quality of our products. All of our employees are devoted to working with a quality-first mindset under the Group's Quality Policy, which is based on safety, reliability and compliance with laws. They work to enhance the

organization's overall ability to ensure high product quality. Globally, we have standardized quality management and are engaged in activities based on unified audit standards and guidelines. Our overseas subsidiaries and the head office cooperate, sharing improvement practices and a training system to develop a global quality culture.

Quality management system

The Nihon Parkerizing Group establishes quality management systems for both the chemicals and the toll processing businesses and continually works to improve its operations.

The figures on the right show the status of our ISO 9001 certification acquisition as of March 2025.

As part of our commitment to improving quality, we have also obtained various certifications, including IATF 16949 for the automotive industry and JISQ 9100 for the aerospace industry.

Overseas, we are working to obtain ISO 9001 certification at all our affiliates. We are striving to build a system that will enable us to meet global quality requirements.

Rate of acquisition of ISO 9001 certification (as of March 31, 2025)

Non-consolidated

16 plants in total: 5 chemical manufacturing plants and 11 toll processing plants

100%

Domestic consolidated subsidiaries

10 companies in total that are engaging in equipment manufacturing/ product manufacturing/ processing

* Accreditation status of ten out of our 13 domestic consolidated subsidiaries (excluding Parker Giken Kogyo, Kyodoyuso, and Ozeki Chemical Industry, which do not engage in any of the above businesses) (One of the ten companies has yet to obtain the certification.)

90%

Overseas consolidated subsidiaries

17 companies in total, which are engaging in engineering/product manufacturing/toll processing

* 17 principal overseas consolidated subsidiaries (Including IATF 16949 certification/Not yet acquired by one of the companies)

94%

Please refer to our company website for the Quality Management System Certificate.



Chemicals Business



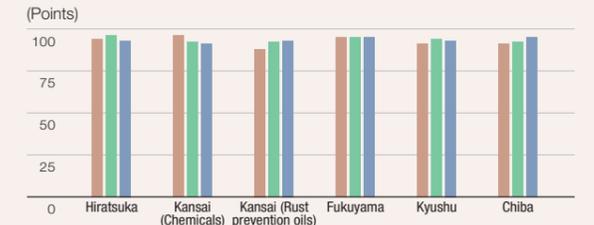
Toll processing business

Key initiatives for quality control in chemical manufacturing

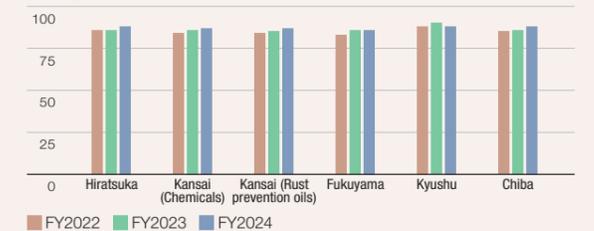
For all of our manufacturing sites, affiliates and subcontractors involved in our chemicals business, the Nihon Parkerizing Group strengthens its quality control efforts through standardized process auditing during manufacturing. Standardization process audits use a point system to evaluate compliance with manufacturing and equipment conditions, work standards, equipment visualization, the implementation of anti-risk measures, and other efforts to equalize operations across different business sites. We are also advancing the digital transformation of manufacturing by, for example, automating quality inspections and managing in-process quality data in real time.

In FY2024, all six manufacturing plants in Japan were rated "excellent plants" following audits conducted under our own criteria. In addition, three locations of domestic affiliates, nine locations of overseas affiliates and five locations of domestic transportation contractors were also rated either "excellent" or "certified." Our audit system is taking root, and our quality level is rising.

Evaluation results of standardized process audits of domestic manufacturing plants (Points)



Results of the evaluation of visualization and identification (Points)



Legend: FY2022 (Brown), FY2023 (Green), FY2024 (Blue)

* Domestic manufacturing plants: Hiratsuka, Kansai, Fukuyama, Kyushu, and Chiba

Major quality assurance initiatives in toll processing

The goals for some special processes, such as toll processing, are to stabilize quality and continue improvements by steadily accumulating process certifications. Since processing conditions and work procedures directly influence product quality, we develop and use standardized technical documents and written procedures to ensure consistent work. These activities enhance our ability to verify each process and contribute to improving customer satisfaction and corporate value.

In FY2024, we developed common procedures and technical standards to improve our quality management system. We have also moved forward with standardizing inspection devices for inspection processes. Meanwhile, automating quality inspections and automatically incorporating inspection results reduced the risk of human error. The introduction of this initiative has already been completed at multiple plants. It will be gradually expanded to continue stabilizing and improving product quality.

Quality-related education and awareness-raising activities and internal auditing

The Nihon Parkerizing Group has introduced several initiatives to increase quality awareness, including communicating top management messages and displaying posters with quality slogans. The Compliance and Quality Enhancement Month, during which individual departments identify and address problems.

During internal quality audits, we verify the operational status of the QMS (Quality Management System) and the effectiveness of corrective actions for nonconformities across both the chemicals and toll processing businesses. These results are reported during management reviews. Information about corrective actions to address identified nonconformities is also shared with other sites to prevent similar issues.

Corporate Governance

Our corporate philosophy is, “We are contributing to the effective use of limited resources on planet Earth, creating new value of resources through surface modification of all kinds of materials, preserving the global environment, and realizing an affluent society.” Under this philosophy, we believe that strengthening our internal control system and enhancing our corporate governance are essential to achieving continuous growth and development while fulfilling our social mission and responsibilities. We are pursuing initiatives for this purpose.

Fundamental approach to corporate governance and basic policies

The Company and the group aim to enhance business performance by improving management efficiency, for instance by accelerating decision-making, and adapting flexibly to changes in the business environment and market while ensuring transparency and fairness. Our fundamental approach to management is to maintain soundness by strengthening and advancing our internal control system and operating it effectively to expand and develop business operations and enhance corporate value continuously. We are committed to enhancing our corporate governance in accordance with the following policies.

- (1) We respect the rights of shareholders and ensure equality.
- (2) We take the interests of stakeholders into account and collaborate with them appropriately.
- (3) We disclose and provide information appropriately.
- (4) The Board of Directors makes decisions on important matters related to the execution of business and oversees the officers' execution of their duties to achieve sustainable growth and enhance corporate value over the medium to long term.
- (5) We work to engage in a constructive dialogue with shareholders to enhance corporate value over the medium to long term.

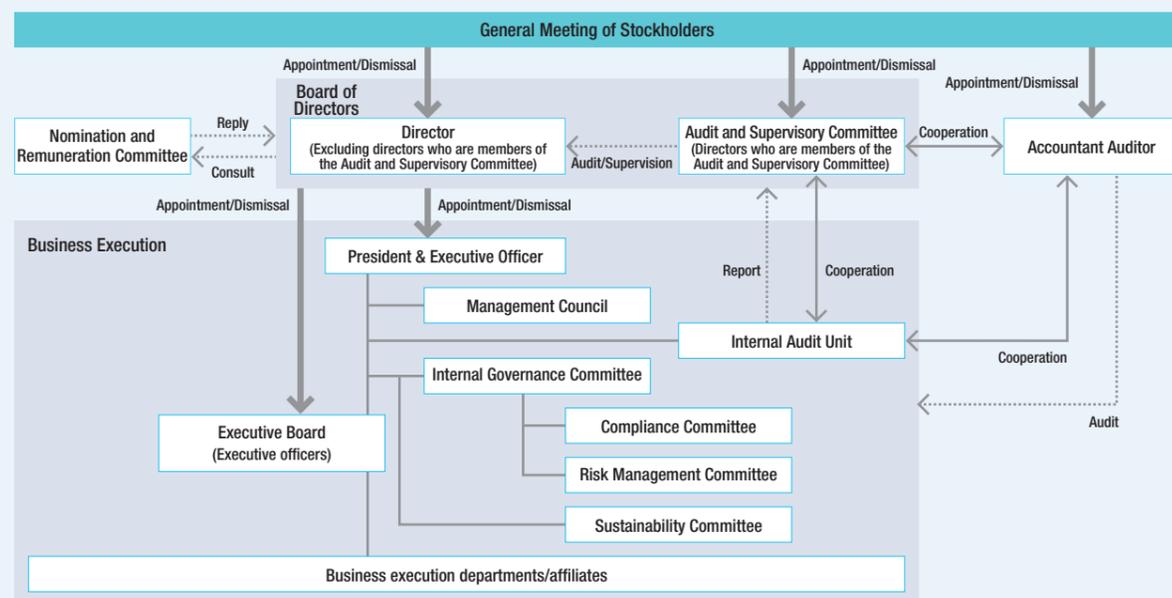
Corporate governance system

In 2017, we transitioned to a company with an Audit and Supervisory Committee to strengthen our corporate governance and enhance our corporate value by further strengthening the audit and supervisory functions of the Board of Directors. We have also introduced an executive officer system to separate management decision-making and supervisory functions from business execution. This facilitates quick decision-making and efficient management and clarifies responsibility for business

execution. Five out of our eleven directors are outside directors. They are all designated as independent directors under the Tokyo Stock Exchange (TSE) rules and registered with TSE. One of them is a woman. We are also committed to promoting diversity.

Outside Director	Female Directors
5/11 directors	1/11 directors

Corporate governance structure (As of June 27, 2025)



Board of Directors

The Board of Directors consists of eleven directors (including five outside directors) and meets monthly in principle. Kazuichi Satomi chairs the Board of Directors, which deliberates on essential matters in accordance with the Articles of Incorporation and the Board of Directors Regulations. The board makes management decisions to enhance the long-term corporate value of the entire group.

The Board of Directors also supervises the execution of business by clearly separating its management decision-making and supervisory functions from its execution functions, and by clarifying responsibilities. In this manner, the Board of Directors aims to establish a management structure that promotes greater transparency.

Audit and Supervisory Committee

The Audit & Supervisory Committee is composed of four members, one director and three outside directors. It meets monthly in principle. Shigetaka Hazeyama, an outside director, chairs the Committee. It is dedicated to leveraging its independence and expertise to ensure sound, transparent management. Directors who are members of the Audit and Supervisory Committee attend meetings of the Board of

Directors and express their opinions about essential matters as appropriate. They also conduct audits effectively by, for example, examining essential documents, conducting on-site inspections at business offices, and investigating subsidiaries. Accounting matters are regularly reported to the Audit and Supervisory Committee by the designated CPA. The committee is enhancing the financial auditing system.

Executive Board

The Executive Officers Meeting consists of eleven executive officers and, in principle, meets twice monthly. Masayuki Aoyama, the Representative Director, President, and Executive Officer, chairs the Board. Its purpose is to discuss and resolve critical business execution policies and other matters in accordance with the basic guidelines set

by the Board of Directors. The Executive Officers Meeting discusses management matters to be submitted to the Board of Directors in advance. It reports them as necessary, expediting decision-making, enhancing business execution efficiency, and increasing transparency and agility in management.

Management Council

The Management Council is composed of a director with a specific title and eleven executive officers. Typically, the council meets four times a year. Masayuki Aoyama, the Representative Director, President, and Executive Officer,

serves as its chair. The council primarily discusses key operational policies governing the company's management and operations.

Internal Governance Committee

To enhance the effectiveness of internal controls, the Company has established the Internal Governance Committee. This committee is chaired by the President and Executive Officer and is composed of directors. The Company has established the Risk Management Committee

and the Compliance Committee as subordinate organizations of the Internal Governance Committee to enhance internal controls and develop a more effective governance system for the Company and its group companies.

Sustainability Committee

We established the Sustainability Committee to strengthen our sustainability efforts, further enhance our corporate value, and address social issues on an ongoing basis. This committee consists of six members: the President and Executive Officer, who chairs the committee, the Chairman of the Board of Directors, the Vice President and Executive Officer, the Senior Managing Executive Officer, the Managing Executive Officer, and another executive officer. The committee formulates action policies, promotes various initiatives, manages their

implementation, identifies key issues (materiality), establishes key performance indicators (KPIs), evaluates performance related to these key issues, and discusses matters relating to climate change. The committee meets four times a year and reports its activities to the Board of Directors annually, thereby enhancing collaboration with management and improving the effectiveness of the Company's sustainability management efforts.

System to ensure proper operations at group companies

The Company has established group company principles of conduct, which serve as a code of conduct for all group companies. They have developed various regulations in accordance with these principles to ensure proper operations. The Company has established "Subsidiary Management Regulations" and a system of approval and reporting based on them. The Company uses this system to assess the status of management of the group companies and to monitor their operations as necessary, ensuring effective oversight of group management.

The Company has implemented a system in which group companies report any violations of laws or regulations or compliance issues related to the Company's management guidance to its Compliance Committee when they are identified. If the Compliance Committee receives any reports from group companies, it may promptly report them to the Audit & Supervisory Committee and present its opinions as necessary. In this system, the Audit & Supervisory Committee may express its opinions and request the formulation of improvement measures as necessary.

Nomination and Remuneration Committee

The Board of Directors makes decisions regarding the nomination and compensation of directors based on the recommendations of the Nomination and Remuneration Committee. The Nomination and Remuneration Committee

is chaired by an outside director, with independent outside directors comprising a majority of its members, thereby enhancing the transparency and objectivity of the process.

Expertise and experience of directors (skill matrix)

To ensure accurate and prompt decision-making and supervision in moving toward the realization of the corporate philosophy and long-term vision, the Board of Directors has created a skills matrix outlining each director's knowledge,

experience, and abilities relevant to their duties. Using the skills matrix, the Board of Directors seeks to maintain a well-balanced, diverse skill set to address management challenges effectively.

Name	Corporate management	Marketing/sales	R&D/technology	International/global	Finance/accounting	Legal/compliance
Kazuichi Satomi	●		●	●		
Masayuki Aoyama	●		●	●		
Hiroyasu Tamura	●				●	
Fumikazu Ozaki	●	●				
Yasumasa Fukuta	●	●				
Shimako Emori (outside director)	●					●
Tatsuya Mori (outside director)	●				●	
Shigetaka Hazeyama (outside director)				●	●	
Masaharu Kubota (outside director)						●
Hayato Hosogane	●	●		●		
Koji Chika (outside director)	●	●				

Message from the Chairman of the Board of Directors

The Board of Directors meets regularly to discuss strategic issues we need to address to achieve Vision 2030 and the objectives of the Medium-Term Management Plan. As the chairman of the Board of Directors, I emphasize commitment to addressing social issues by leveraging our surface modification technologies and other core technologies. The Board discusses our future direction, focusing on research and development to create a decarbonized society and on enhancing our technology research functions.

We also discuss restructuring the group's governance system from various perspectives to adapt flexibly to changes in the business environment, valuing the diverse knowledge of outside directors.

I am committed to enhancing the Board of Directors' management to ensure the Board consistently fulfills its roles, enabling the Nihon Parkerizing Group to contribute to creating a sustainable society.



Kazuichi Satomi,
Chairman and CEO

Evaluation of the effectiveness of the Board of Directors

A survey of all directors was conducted to improve the effectiveness of the Board of Directors, including the conduct of Board meetings, the content of the agenda, and the status of its supervision of the business execution. Each director's self-evaluation and opinions were collected and analyzed, and a report was submitted to the Board of Directors.

As a result of the evaluation, we have confirmed that our Board of Directors is generally effective in conducting Board

of Directors meetings, providing sufficient prior explanations of matters to be resolved, and responding to issues raised at the Board of Directors meetings, among other aspects. However, we concluded that we need to enrich discussions on enhancing the business portfolio, growth strategies, and related matters.

We will continue striving to improve the Board of Directors' effectiveness by addressing issues.

Directors' remuneration

Policy on determining the amount of directors' remuneration and other benefits, or the method for calculating them

At a meeting held on March 22, 2021, our Board of Directors passed a resolution on a policy for determining the content of individual directors' remuneration. Our basic policy is to ensure that our directors' remuneration is linked to the Company's performance, reflects their responsibilities in their positions, and results in a sustainable increase in corporate value.

Remuneration for directors consists of monthly compensation, bonuses, and performance-linked stock compensation. Remuneration for outside directors and directors combined with members of the Audit and

Supervisory Committee is limited to monthly compensation. Bonus amounts are determined comprehensively using operating income, an indicator of the business performance of our main businesses, as the primary index, and taking into account changes from the same period of the previous year. The performance-based stock compensation plan is a system in which points are awarded based on business performance each fiscal year, and compensation, equivalent to the accumulated points, is paid at retirement. Whether points are awarded and the number of points to be awarded are determined each fiscal year.

Total remuneration for directors

Classification of directors	Total amount of remuneration (Million JPY)	Total amount of remuneration by type (Million JPY)			Number of eligible directors
		Fixed compensation	Performance-based compensation	The amount on the left is non-monetary compensation.	
Directors (excluding directors who are members of the Audit and Supervisory Committee and outside directors)	240	162	78	24	5
Members of the Audit and Supervisory Committee (excluding outside directors)	9	9	—	—	1
Outside officers	45	45	—	—	5

Risk Management

Early risk detection and management are essential for smooth operation and business success. The Nihon Parkerizing Group is striving to develop and strengthen its risk management system to detect risks early enough that could impede the achievement of business objectives, and to respond promptly and appropriately when risks materialize.

Risk management system

Our group has established a Risk Management Committee to address risks across its global business operations. The Risk Management Committee performs company-wide risk assessments based on information from each business segment, formulates policies to address identified risks, and regularly reports its findings to the Internal Governance Committee. The Internal Governance Committee thoroughly reviews the reports. It prepares reports, including recommendations, that it submits to the Board of Directors and the Executive Officers Meeting, thereby ensuring that management makes appropriate decisions promptly.

Each business segment and group company proactively identifies and evaluates risks in their daily operations, reporting findings to the Risk Management Committee as necessary. The risk management system consists of

three layers: the work site (first line), the Risk Management Committee (second line), and the auditing sector (third line), each fulfilling its respective roles.

The Audit and Supervisory Committee collaborates with the internal audit sector to share risk information. They regularly exchange opinions on the appropriateness and effectiveness of their risk responses.

As described above, our group is enhancing its risk management practices to quickly identify risks and take necessary actions, with work sites leading these efforts. Additionally, the administrative department and the committees have the authority to control activities at the work sites. This approach has enabled the group to establish an effective risk management system that functions well in the global business environment.



Business continuity plan (BCP)

To fulfill its corporate social responsibility, the group has prepared and regularly reviewed a business continuity plan (BCP) to minimize damage and losses and ensure business continuity and an early recovery in the event of a disaster or other emergency. We are also taking steps to strengthen our business continuity management (BCM) by conducting earthquake response drills, among other initiatives. At Nihon Parkerizing, the basic policy we adopt in our measures to address disasters is to (1) protect the lives of employees and

their families, (2) strive to preserve management resources, and (3) contribute to business continuity and early recovery. We have established a disaster control manual and operate in accordance with it. We have also introduced a system for confirming employees' safety and health status as part of our measures to tackle disasters and pandemic diseases. This system enables us to promptly check employees' safety and health status during an earthquake, pandemic or other emergency.

Information security

Protecting and managing information assets is crucial for ensuring smooth business activities. To ensure the continuity of our business operations and maintain the trust of our customers and partners, the group has established an information security system that incorporates both technical measures and operational measures.

The group is strengthening its defenses against risks, particularly unauthorized external access and internal

information leaks, by utilizing technologies to monitor networks, control access, and protect against malware. To effectively use these technologies, the group is committed to raising awareness across the organization and enhancing employees' ability to respond to security issues by developing and implementing information security policies, providing employee education and training, and preparing response procedures for potential incidents.

Compliance

The group is committed to remaining a corporate group trusted by its stakeholders. For this purpose, we fulfill our corporate social responsibilities while complying with all laws and regulations in our business activities. Through various systems and initiatives, we strive to raise awareness of compliance issues and foster a sound corporate culture.

System for driving compliance

We have established a Compliance Committee to establish, maintain, and review our compliance system under the Basic Compliance Rules. These efforts are also regularly reported to the Internal Governance Committee.

Promoting compliance

Recognizing the social responsibilities that accompany corporate activities, we have distributed a "Code of Conduct" that defines the proper behavior expected of executives and employees. We ensure everyone understands the expected

behavior, fostering a corporate culture that does not tolerate misconduct. In addition, we have established Employment Regulations and Anti-Harassment Regulations to prevent discrimination and harassment.

Whistleblowing system

The group has established a whistleblowing hotline desk where employees can report and seek advice about any actual or suspected compliance violations. We have established a system that maintains the confidentiality of whistleblowing information, accepts anonymous whistleblowing, and otherwise complies with the Whistleblower Protection Act to protect whistleblowers. If any issue arises that needs to be addressed, we will respond appropriately based on its significance. If any problems are identified, we will take corrective actions and measures to prevent recurrence.

To ensure the reliability and transparency of the

whistleblowing system, we clearly describe and document the process from receipt of a report through investigation, response, and feedback. We also strictly prohibit any detrimental treatment of whistleblowers. Additionally, we strive to increase awareness of the system and solidify it through regular in-house training and evaluations. We are working to establish and expand the whistleblowing system throughout the group, both in Japan and overseas, to ensure that we respond to whistleblower reports promptly and appropriately.

Educational awareness campaign

Activities for preventing corruption and harassment

The Nihon Parkerizing Group translates and distributes a compliance handbook and the Code of Conduct in nine languages so that group employees in each country can understand them. In addition, we hold training sessions and conduct regular training and enlightenment activities through e-learning and other means.

Quality compliance activities

We have introduced a Compliance and Quality Enhancement Month in December each year to undertake various initiatives that foster awareness of compliance and quality. In FY2024, we published our President's message, "Improving customer satisfaction and reliability." We put up posters, including ones showing the quality slogan. In addition, each department identified themes of their issues and worked on remedies and improvements. Ten group companies also participated in the activities.



Roundtable of Outside Directors



Tatsuya Mori
Outside Director

Shigetaka Hazeyama
Outside Director (Chair of the Audit and Supervisory Committee)

The role of the Board of Directors in the promotion of the sustainable improvement of corporate value

Director Mori × Director Hazeyama

The Board of Directors must strengthen its auditing and oversight functions to improve the transparency of corporate governance.

We asked two outside directors to explain how the Board of Directors operates and what kinds of discussions take place.

Q1. As an outside director, how would you describe the atmosphere at meetings of the Board of Directors?

Mori / During Board of Directors meetings, we can express opinions freely. I believe an environment has been established where I can speak up without hesitation as an outside director. The agenda items are explained in detail beforehand, facilitating practical discussions and flexible exchanges of opinions. I appreciate this.

Hazeyama / I also believe that an environment has been established where directors can communicate freely. Before Board of Directors meetings, outside directors have the opportunity to receive explanations. This allows us to gain a deeper understanding of the agenda items and the execution of business. Additionally, it enables us to express our objective opinions and make requests. I

believe this enhances the clarity of discussions during Board of Directors meetings.

Mori / The explanations and structures of the materials are clear to outside directors. I can see the ingenuity and efforts of personnel in relevant business segments. I hope that some creativity, such as improved summaries, will be incorporated, leading to more in-depth discussions. I hope to engage in more in-depth discussions about medium- to long-term management strategies and human resources.

Q2.

What discussions about Vision 2030 and the fifth Medium-term Management Plan are you focusing on?

Mori / The fifth Medium-term Management Plan contains elements that are difficult to predict due to changes in the global landscape and market uncertainty. Thus, discussions from a medium- to long-term perspective are becoming increasingly essential. My mission is to have more in-depth strategic discussions that focus on sowing seeds for the future.

Hazeyama / I agree. "Challenges for Change" is an important theme. In March, we decided to spin off our medical devices business. In June, we decided to establish a surface modification agent plan in southern India. I would like to discuss initiatives to enhance the group's corporate value.

Mori / Development activities at the new Central Research Laboratories are crucial for the group, which

possesses a high degree of expertise and unique technologies. The concept of open innovation, which is the active integration of external technologies, is also essential. I want to discuss strategic open innovation activities, mergers and acquisitions during Board of Directors meetings.

Hazeyama / To continue enhancing corporate value, it is essential that each employee understands our mission, vision, and values and acts energetically. We need an open organizational culture that respects diverse opinions and encourages employees to embrace challenges. I have heard that the completion of the new Central Research Laboratories was facilitated by incorporating ideas from work sites. I hope we will continue to foster this kind of corporate culture in the future.

Q3.

What are the group's expectations for developing a sustainable society?

Hazeyama / Given the recent disasters, including extreme heat and heavy rain, striving for a decarbonized society is not an ideal. It is something that everyone should act on. Our technologies can provide various environmental benefits, such as reducing waste, reducing mineral resource extraction and saving energy in manufacturing.

Mori / Our surface modification technology can help reduce environmental impact and extend product lifespans. It has the potential to provide societal value. It is essential that the Board of Directors set specific goals for utilizing these technologies and monitor progress closely.

Hazeyama / To effectively deploy our technologies in society, it is essential that we establish clear milestones and steadily advance our market development. It is also essential that we create an environment where diverse, talented people, including foreign nationals and women, can demonstrate their abilities. The Board of Directors intends to continue monitoring these initiatives.

Mori / Encouraging women's active participation and promoting the participation of foreign nationals are essential themes for the group's growth. To promote diversity, we strive to monitor our progress toward our goals effectively.

Q4.

What messages do you want to deliver to stakeholders?

Hazeyama / As a member of the Audit and Supervisory Committee, my mission is to supervise the group and provide objective, medium- to long-term advice that considers the views of various stakeholders. To sustainably enhance corporate value, we must support management decisions that prioritize the future rather than short-term results. We will contribute to enhancing corporate governance while fulfilling our responsibilities as the Board of Directors, including our responsibility to create an environment that enables diverse human resources to demonstrate their strengths and address social issues.

Mori / As an outside director, I am focused on establishing a transparent decision-making process and a robust supervisory system to support the Company's healthy management. To grow sustainably, companies must address environmental, social and governance (ESG) issues. The group is earnestly addressing climate change, establishing governance systems, and fulfilling its other responsibilities to society. We will continue to provide support from an independent position to ensure that these activities are practical and increase corporate value.

Officers (As of June 30, 2025)



Representative Director and Chairman
CEO

Kazuichi Satomi

Attendance at the Board of Directors meetings
12/12 (100%)

- April 1985 Joined the Company
- July 1987 Director of the Company
- January 2000 Managing Director of the Company
- June 2003 Senior Managing Director of the Company
- June 2005 Vice President of the Company
- April 2011 President of the Company
- June 2017 Chairman of the Company
- June 2022 Chairman and President of the Company
- June 2024 Chairman of the Company (to present)



Representative Director
President & Executive Officer
Chief Operating Officer

Masayuki Aoyama

Attendance at the Board of Directors meetings
12/12 (100%)

- April 1986 Joined the Company
- April 2009 Manager, Marketing Dept. of the Company
- June 2011 General Manager, International Planning Dept., International Div. of the Company
- April 2018 General Manager, International Management Dept., Corporate Planning Div. of the Company
- June 2019 Executive Officer and General Manager of Group Management Div. of the Company
- June 2022 Executive Officer and General Manager of Group Management Div. and Administration Div. of the Company
- June 2024 Representative Director, President and Executive Officer of the Company (to present)



Representative Director
Vice President, Executive Officer

Hiroyasu Tamura

Attendance at the Board of Directors meetings
12/12 (100%)

- April 1983 Joined the Company
- December 2009 General Manager of Accounting Dept. of the Company
- June 2015 Director and General Manager of Administration Div. of the Company
- June 2022 Director and in charge of Administration Div. and Group Management Div. of the Company
- June 2023 Representative Director and in charge of Administration Div. and Group Management Div. of the Company (to present)
- June 2024 Representative Director, Executive Vice President and Executive Officer of the Company (to present)



Outside Director

Tatsuya Mori

Attendance at the Board of Directors meetings
12/12 (100%)

- December 2002 Joined Aozora Bank, Ltd.
- July 2006 Joined Japan Asia Investment Company, Limited
- May 2010 Joined New Horizon Capital Co., Ltd.
- November 2012 Established Office-Prifiss
- June 2019 Outside Director of the Company (to present)



Outside Director
(Chair of the Audit and Supervisory Committee)

Shigetaka Hazeyama

Attendance at the Board of Directors meetings
12/12 (100%)

- October 1997 Joined Chuo Audit Corporation
- April 2001 Registered as a certified public accountant
- February 2002 Joined Starbucks Coffee Japan Ltd.
- January 2007 Established Hazeyama Certified Public Accountant Office (to present)
- August 2017 Registered as a certified tax accountant
- June 2022 Outside Director of the Company (Audit and Supervisory Committee Member, to present)



Outside Director
(Audit and Supervisory Committee Member)

Masaharu Kubota

Attendance at the Board of Directors meetings
12/12 (100%)

- April 1989 Joined Daini Tokyo Bar Association
- April 1990 Chief of Jingumae Law Office (to present)
- June 2019 Outside Director of the Company (Audit and Supervisory Committee Member, to present)



Director
Senior Managing Director, Executive Officer

Fumikazu Osaki

Attendance at the Board of Directors meetings
- * Newly appointed on June 27, 2025

- February 1980 Joined Parker Processing Co., Ltd.
- June 2009 Director of Parker Processing
- June 2019 Representative and President of Parker Processing (to present)
- June 2025 Director and Senior Managing Director and Executive Officer (to present)



Director
Executive Officer

Yasumasa Fukuta

Attendance at the Board of Directors meetings
12/12 (100%)

- April 1989 Joined the Company
- July 2016 General Manager of Marketing Div. of the Company
- April 2019 General Manager of Chemicals Div. of the Company
- June 2019 Executive Officer and General Manager of Chemicals Div. of the Company
- June 2022 Director and in charge of Chemicals Div. and Toll Processing Div. of the Company
- June 2024 Director and Managing Executive Officer of the Company (to present)



Outside Director

Shimako Emori

Attendance at the Board of Directors meetings
12/12 (100%)

- October 2002 Registered as an attorney at law
- September 2004 Registered as a patent attorney
- March 2009 Established Ocean Law Offices (to present)
- April 2009 Associate Professor of Komazawa University Law School
- April 2017 Professor of Komazawa University Law School
- June 2019 Outside Director of the Company (to present)



Director
(Audit and Supervisory Committee Member)

Hayato Hosogane

Attendance at the Board of Directors meetings
12/12 (100%)

- April 1983 Joined the Company
- November 2012 Department Manager of Chukyo Dept., Chemicals Div. of the Company
- June 2015 Director of the Company and President of Thai Parkerizing Co., Ltd.
- April 2019 Director and General Manager of Corporate Planning Div. of the Company
- June 2020 Director (Full-time Audit and Supervisory Committee Member) of the Company
- June 2022 Director (Audit and Supervisory Committee Member) of the Company (to present)



Outside Director
(Audit and Supervisory Committee Member)

Koji Chika

Attendance at the Board of Directors meetings
12/12 (100%)

- March 2013 Executive Officer and General Manager of the Marketing Planning Dept. of Nippon Life Insurance Company
- March 2015 Executive Officer and Deputy General Manager of the Customer Service Headquarters of Nippon Life Insurance Company
- March 2017 Managing Executive Officer and General Manager of the Head Office, Osaka Corporate Marketing Dept. of Nippon Life Insurance Company
- April 2019 Representative Director and Vice President of SEIWA BUSINESS LINK CO., LTD
- June 2019 Outside Director of the Company (Audit and Supervisory Committee Member, to present)
- April 2020 Representative Director and President of SEIWA BUSINESS LINK CO. LTD (to present)

* The attendance at the Board of Directors meetings is for the meetings held from June 29, 2024, in the fiscal year, including the date.

Financial and Non-Financial Data for the Past 10 Years

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Financial Information (Million JPY)										
Net sales	109,063	109,569	114,840	129,207	119,028	99,918	117,752	119,177	125,085	132,281
Cost of sales	68,627	68,293	71,642	85,228	78,816	65,332	79,334	80,215	82,391	88,372
Selling and administrative expenses	24,669	24,341	25,213	26,955	27,609	23,905	25,047	26,293	27,435	28,910
Operating income	15,766	16,934	17,984	17,023	12,601	10,681	13,370	12,668	15,258	14,998
Net income attributable to parent company shareholders	10,320	12,228	12,721	11,424	9,449	9,999	9,046	9,973	13,194	13,112
Capital expenditures	10,539	7,933	8,668	8,536	8,974	4,742	4,514	9,292	8,751	13,673
Depreciation	4,633	4,988	5,381	5,992	6,516	5,622	5,912	5,927	6,244	6,635
R&D expenses	2,181	2,303	2,302	2,154	2,220	2,047	2,011	1,914	1,982	2,185
Cash flows from operating activities	19,034	16,050	19,238	17,292	17,514	16,212	14,281	16,608	22,776	12,010
Cash flows from investing activities	-9,391	-5,002	-4,739	-10,299	-8,732	-7,263	-6,655	-12,300	-5,784	-16,283
Free cash flows	9,643	11,048	14,498	6,992	8,781	8,948	7,625	4,308	16,992	-4,273
Cash flows from financing activities	-1,747	-6,386	-4,041	-5,663	-6,109	-8,106	-4,105	-9,158	-6,778	-15,227
Total assets	189,377	197,260	220,886	218,818	216,773	220,210	228,982	236,534	269,819	267,250
Interest-bearing debt	3,751	3,206	3,063	2,497	1,855	1,539	1,645	1,272	990	745
Shareholders' equity	116,483	123,297	138,352	140,457	143,234	151,499	160,293	166,271	187,146	195,218
Final Indicators (%)										
Operating income to net sales ratio (ROS)	14.5	15.5	15.7	13.2	10.6	10.7	11.4	10.6	12.2	11.3
Debt equity ratio (times)	0.03	0.03	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01
Return on equity (ROE)	8.9	10.2	9.7	8.2	6.7	6.8	5.8	6.1	7.5	6.9
Return on assets (ROA)	9.5	9.7	9.9	9.2	7.2	6.5	7.6	7.1	7.9	7.4
Shareholders' equity ratio	61.5	62.5	62.6	64.2	66.1	68.8	70.0	70.3	69.4	73.0
Per Share Data (JPY)										
Net income per share	83.24	99.14	104.85	94.20	78.87	84.75	76.93	86.10	114.43	112.20
Dividend per share	16.5	20	23	22	24	26	40	40	40	50
Net assets per share	939.41	1,016.20	1,140.28	1,167.46	1,203.34	1,288.01	1,366.47	1,441.98	1,623.03	1,700.16
Stock Information										
Share price at the end of the fiscal year (JPY)	1,018	1,376	1,738	1,382	1,120	1,195	932	992	1,232	1,184
Market capitalization (100 million JPY)	1,350	1,825	2,305	1,833	1,485	1,585	1,236	1,315	1,634	1,570
Total number of issued shares	132,604,524	132,604,524	132,604,524	132,604,524	132,604,524	132,604,524	132,604,524	132,604,524	132,604,524	132,604,524
Non-financial Information (Non-consolidated)										
Human resources										
Number of employees	796	806	797	892	916	932	943	943	919	919
Average length of service for employees (years)	17.5	17.6	17.7	17.9	17.4	17.6	17.6	17.6	17.5	16.9
Environment										
Crude oil equivalent energy consumption (kL)	10,356	10,741	11,216	11,876	12,000	10,620	11,448	11,013	10,886	10,078
Greenhouse gas (Scope 1+2) (t-CO ₂)	22,000	23,007	23,526	24,853	24,583	21,051	22,621	21,066	20,410	16,608
Greenhouse gas (Scope 3) (t-CO ₂)	-	-	-	-	-	-	-	180,452	165,363	171,997
Water usage Water intake (m ³)	-	330,866	333,438	363,119	348,487	331,819	386,106	374,360	391,491	363,386

Corporate Profile and Stock Information

Corporate Profile (as of March 31, 2025)

Corporate Name	Nihon Parkerizing Co., Ltd.
Location of Head Office	6-8 Nihonbashi 2-Chome, Chuo-ku, Tokyo, Japan
Date of Foundation	July 12, 1928
Capital Stock	JPY4.56 billion
Number of Employees (Consolidated)	4,354
Stock Market	Prime Market of the Tokyo Stock Exchange
The Main Banking Correspondents	MIZUHO BANK, LTD. TOKYO CORPORATE BANKING DIVISION SUMITOMO MITSUI BANKING CORPORATION. TOKYO CHUO BRANCH MUFG BANK, LTD. YAESUDORI BRANCH THE CHIBA BANK, LTD. TOKYO HEAD OFFICE

Main domestic affiliates, production bases, development bases, contract processing plants, and sales bases

*: Equity-method affiliates

<p>Domestic Affiliates</p> <p>PARKER ENGINEERING CO., LTD. JAPAN KANIGEN CO., LTD. PARKER PROCESSING CO., LTD. HAMAMATSU NETSUSHORI CO., LTD. OITA PARKERIZING CO., LTD. PARKER GIKEN KOGYO CO., LTD. MILLION CHEMICALS CO., LTD. HOKKAIDO PARKERIZING CO., LTD. KYODO YUSO CO., LTD. PALTEC CO., LTD. OZEKI CHEMICAL INDUSTRY. CO, LTD. KOMATSU PARKERIZING CO., LTD. PARKER CORPORATION, INC.* PARKER NETSUSHORI KOGYO CO., LTD.* YUUGEN CO., LTD.* GREEN TECHNO CO., LTD.*</p>	<p>Production Sites</p> <p>Manufacturing Technology Center Hiratsuka Plant No. 1 Chiba Plant Kansai Plant Fukuyama Plant No. 2 Kyushu Plant No. 1</p> <p>Development Sites</p> <p>Central Research Laboratories</p>	<p>Toll Processing Plants</p> <p>East-Japan Business Headquarters</p> <p>Sendai Plant Niigata Plant Utsunomiya Plant Maebashi Plant Katsuta Plant Koga Plant Hiratsuka Plant No. 2</p> <p>West-Japan Business Headquarters</p> <p>Aichi Plant Itami Plant Fukuyama Plant Kyushu Plant No. 2</p>	<p>Sales Bases</p> <p>East-Japan Business Division</p> <p>East-Japan Technical Center (Utsunomiya) East-Japan Technical Center (Hiratsuka) Kita Kanto Sales Office Kanto Sales Office Chiba Sales Office</p> <p>West-Japan Business Division</p> <p>West-Japan Technical Center (Chukyo) West-Japan Technical Center (Kansai) Chukyo Sales Office Kansai Sales Office Sanyo Sales Office Kyushu Sales Office</p>
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Main Overseas Sites (Consolidated Subsidiaries) *: Equity-method affiliates

<p>China</p> <p>PARKER SURFACE TECHNOLOGIES (SHANGHAI) CO., LTD. GUANGZHOU PARKERIZING CO., LTD. FOSHAN PARKER SURFACE MODIFICATION CO., LTD. RIZHAO PARKER SURFACE TREATMENT CO., LTD. PARKER ENGINEERING (SHANGHAI) CO., LTD. KANIGEN (SHANGHAI) CO., LTD. SHENYANG PARKERIZING CO., LTD.* SHANGHAI PARKERIZING CO., LTD.* WUHAN PARKERIZING CHEMICAL CO., LTD.* SHANGHAI PARKER CHEMICAL INDUSTRIES CO., LTD.*</p>	<p>Korea</p> <p>DAE HAN PARKERIZING CO., LTD.</p> <p>Taiwan</p> <p>CHUNG JIH METAL TREATMENT CHEMICALS, INC.</p> <p>Vietnam</p> <p>VIETNAM PARKERIZING CO., LTD. VIETNAM PARKERIZING HANOI CO., LTD. PARKER PROCESSING VIETNAM CO., LTD.</p> <p>Philippines</p> <p>PHILIPPINE PARKERIZING, INC.</p>	<p>Thailand</p> <p>THAI PARKERIZING CO., LTD. PARKER SURFACE TECHNOLOGY ASIA PACIFIC CO., LTD. PARKER ENGINEERING (THAILAND) CO., LTD. PET TRADING KANIGEN (Thailand) Co., Ltd.</p> <p>Malaysia</p> <p>NIHON PARKERIZING MALAYSIA SDN. BHD.</p> <p>Indonesia</p> <p>P.T. NUSANTARA PARKERIZING P.T. PARKER METAL TREATMENT INDONESIA PARKER ENGINEERING CO., LTD. INDONESIA</p>	<p>India</p> <p>NIHON PARKERIZING (INDIA) PVT. LTD. PARKER ENGINEERING (INDIA) PVT. LTD.</p> <p>U.S.</p> <p>PARKER TRUTECH INC. PARKER ENGINEERING OF AMERICA CO., LTD.</p> <p>Mexico</p> <p>PARKER TRUTECH MEXICANA S.A. DE C.V.</p> <p>Belgium</p> <p>P. I. OF EUROPE N.V.</p> <p>Other 3 companies</p>
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Stock Information (as of March 31, 2025)

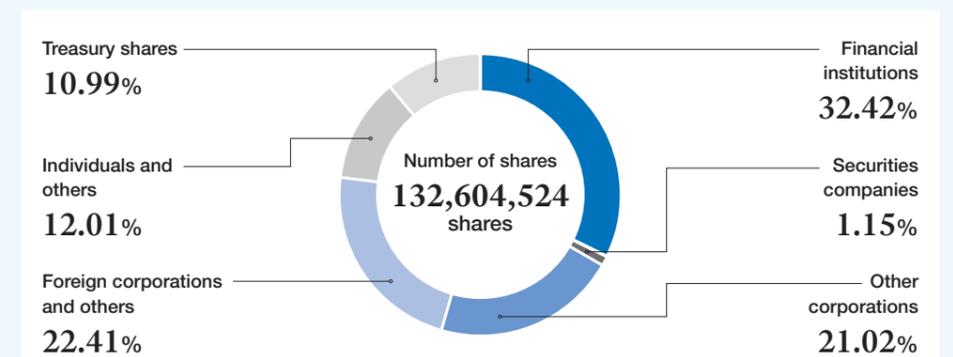
Stock Overview	Market	Tokyo Stock Exchange Prime Market
	Securities Code	4095
	Fiscal Year	April 1 to March 31 of the following year
	Total number of issued shares	132,604,524 shares
	Number of Shares per Unit	100 shares
	Number of Shareholders	6,938
	Administrator of Shareholders' Register	Mitsubishi UFJ Trust and Banking Corporation

Major Shareholders

Shareholders	Number of Shares Held (thousands)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	11,969	10.14
Nippon Life Insurance Company	7,015	5.94
Meiji Yasuda Life Insurance Company	5,020	4.25
Yugen Co., Ltd.	4,978	4.21
The Chiba Bank, Ltd.	4,765	4.03
The Satomi Scholarship Foundation	4,633	3.92
Custody Bank of Japan, Ltd. (Trust account)	3,599	3.04
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	3,400	2.88
Sumitomo Mitsui Banking Corporation	3,113	2.63
Custody Bank of Japan, Ltd., as trustee for NIPPON STEEL CORPORATION Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	2,664	2.25

(Notes) 1. The Company holds 14,573 treasury shares. However, it is excluded from the major shareholders.
2. Treasury shares are excluded in the calculation of shareholding ratios.
3. The Company has introduced a "Stock Benefit Trust (BBT)," and the Custody Bank of Japan, Ltd. (Trust E Account) (hereinafter referred to as the "Trust Account E") has acquired one thousand shares of the Company's stock. The Company's shares held by the Trust Account E are not included in treasury shares.

Distribution of Shareholders by Shareholder Type



<p>Participating Initiatives</p> <p>Sustainable Development Goals (SDGs: Sustainable Development Goals)</p>	<p>External Evaluations</p> <p>FTSE Blossom Japan Sector Relative Index</p> <p>CDP</p> <p>FTSE Blossom Japan Sector Relative Index</p>
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