

The background features a series of overlapping, wavy bands in shades of green and blue, creating a sense of movement and depth. The colors transition from light green at the top to darker teal and blue at the bottom. The text is positioned on the left side of the image.

# Business Report

## To Our Shareholders

Thank you very much for your continued support.

We are very pleased to present our annual report for the 134<sup>th</sup> period, ended on March 31, 2019.

As you know, the Japanese economy during this period exhibited a continued recovery with an increase in capital investment and continued improvement in the employment environment based on solid corporate results and an overall favorable business sentiment. On the other hand, looking at the global economy, the level of uncertainty rose due to factors such as the trade friction between the U.S. and China, and the future course of the global economy is unclear.

The business environment surrounding the Nihon Parkerizing Group is one in which, while our key customers in the automotive industry face comparatively robust auto production in Japan, growth overseas in China and elsewhere is slowing, and the effects of trade friction between the U.S. and China are also beginning to be felt. In the steel industry, one more pillar of our business, while caution is required due to the risk of a slowdown in China, steel demand continues to be solid in Japan and overseas.

Against such a background, as we entered the final year of the second three-year Mid-term Management Plan, all members of the Nihon Parkerizing Group took up the challenge to expand existing markets and actively enter new businesses based on our three priority targets of “enhancing and expanding the business base”, “promoting innovation in R&D as a technology-driven company”, and “strengthening the structure of the organization”. Furthermore, we engaged in global quality improvement initiatives and endeavored to strengthen our research and development organization in order to provide swift and precise service and high quality products to increase customer satisfaction.

As a result, our consolidated business achievements for this period were as described in the latter part of this report.

In consideration of the steady results achieved during this period and our dividend policy, the ordinary year-end dividend will be eleven yen per share.

Regarding the economic outlook, while there are concerns about the effects of the trade policies of individual countries and the direction of the global economy as well as geopolitical risks, in Japan the employment and income environment have continued to improve against a backdrop of increased capital investment by companies, and it is anticipated that the economy will continue to recover moderately.

Against such an economic backdrop, the Nihon Parkerizing Group has initiated its third Mid-term Management Plan this year. As a specialist in surface modification technology, we aim to be a truly global company, and to this end we will establish 3G Management (Global, Group, Governance), pursuing “growth strategies to prevail in global competition”, “optimization of Group management” and “reform of governance”, as we aim for sustainable growth.

We look forward to the continuing support of our shareholders.

June 2019



Kazuichi Satomi  
Chairman & C.E.O.



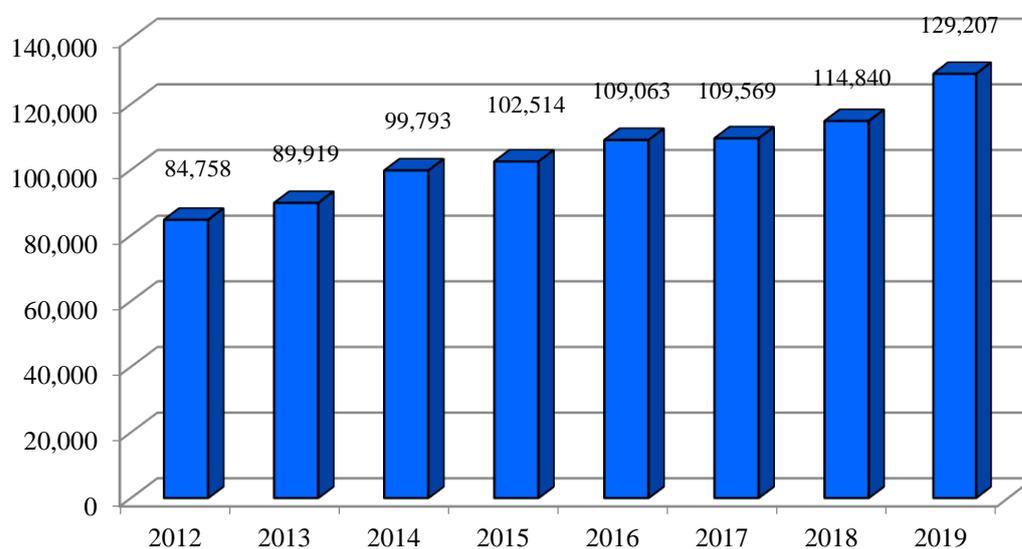
Kentaro Sato  
President & C.O.O.

## Financial Highlights (Consolidated)

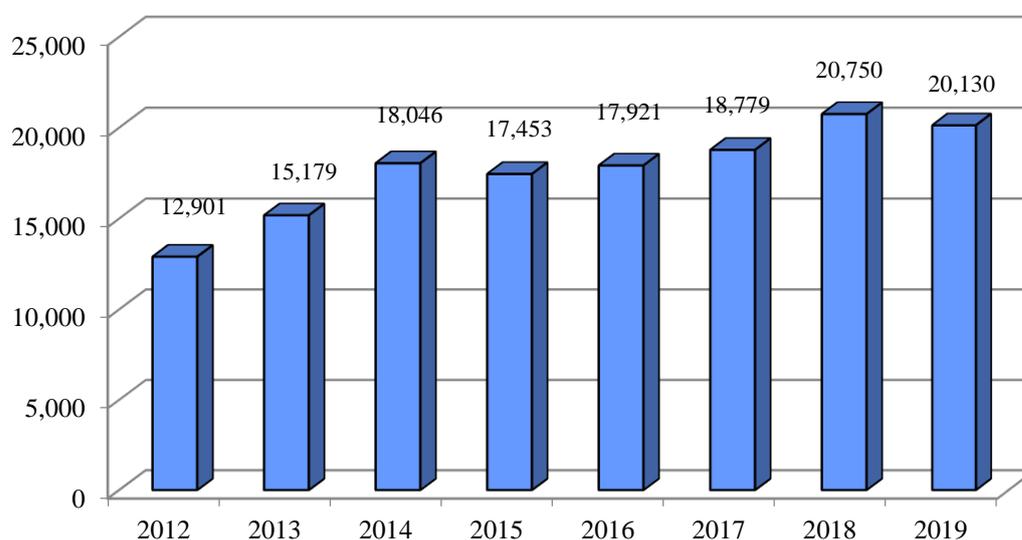
(JPY million)

	2012	2013	2014	2015	2016	2017	2018	2019
Net sales	84,758	89,919	99,793	102,514	109,063	109,569	114,840	129,207
Ordinary income	12,901	15,179	18,046	17,453	17,921	18,779	20,750	20,130
Net income attributable to parent company	6,314	8,463	10,142	9,975	10,320	12,228	12,721	11,424
Total liabilities and net assets	130,517	146,739	165,914	187,116	189,377	197,260	219,988	218,818

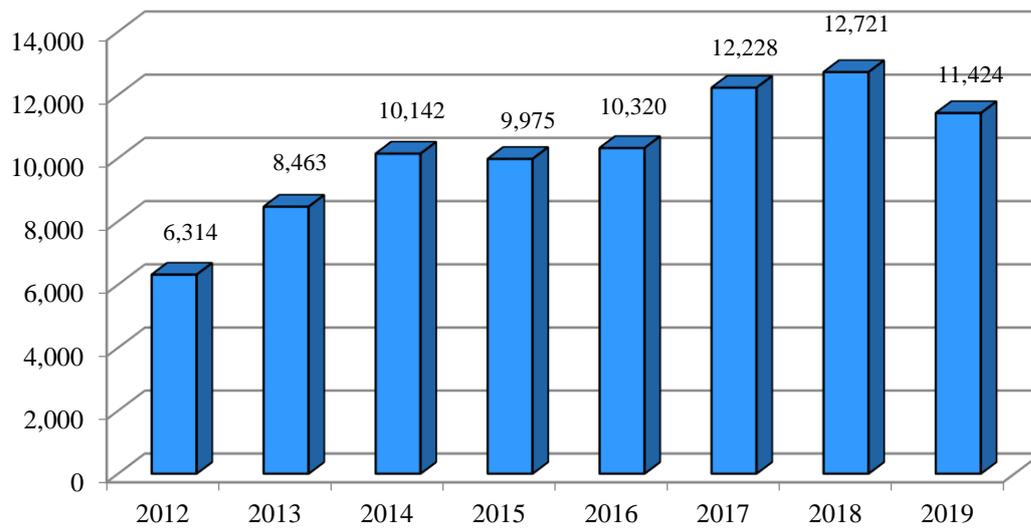
### Net sales



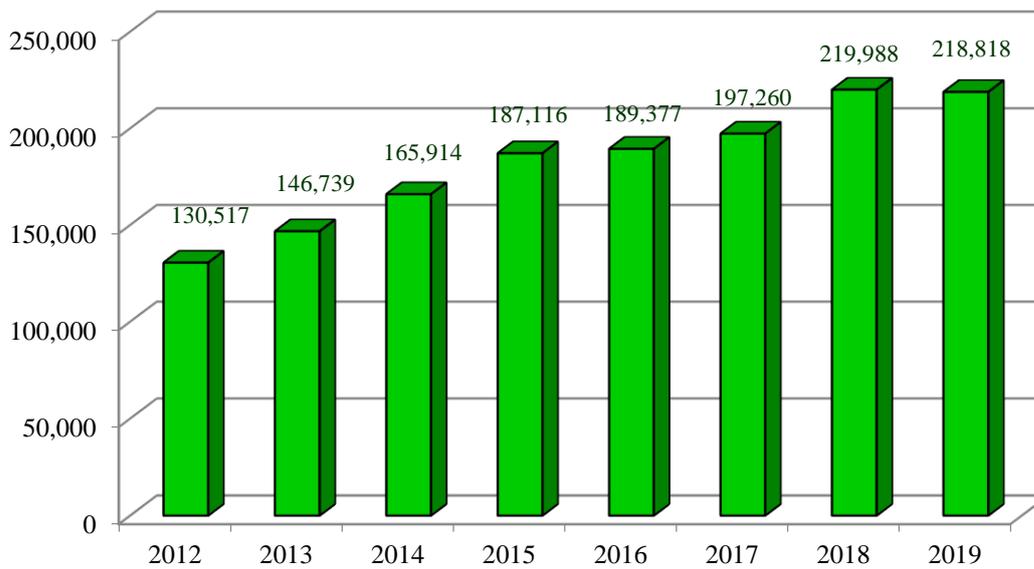
### Ordinary income



## Net income attributable to parent company shareholders



## Total liabilities and net assets



The overview by each business segment is as follows.

(Chemicals Business)

Net sales were 47,658 million yen (up 4.5% on the previous period), and operating income was 8,581 million yen (down 9.3% ditto). Our chemicals division manufactures and sells chemicals to form conversion coating on the surface of metals and other substrates to improve their functionality by improving corrosion resistance, wear resistance, lubricity and other performances, thereby adding value to the substrate materials.

(Equipment Business)

Net sales were 30,514 million yen (up 50.4% on the previous period), and operating income was 1,125 million yen (up 31.4% ditto). The equipment business segment manufactures and sells pre-treatment equipment, painting equipment and powder coating equipment, etc. mainly to the transportation machinery industry.

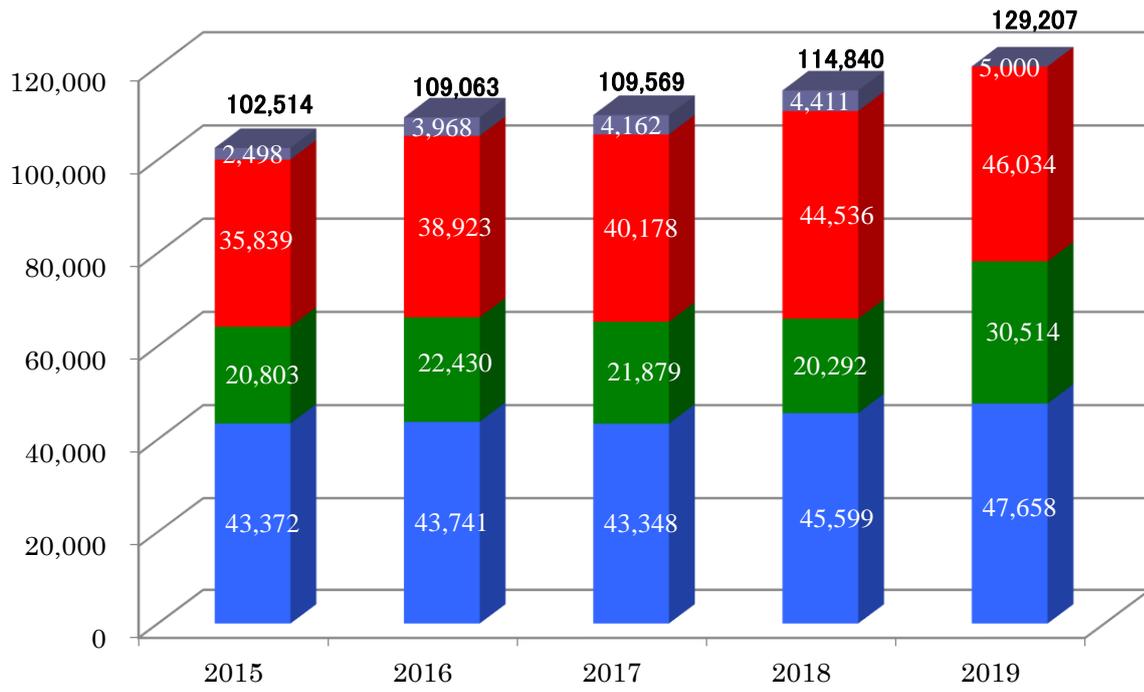
(Jobbing Business)

Net sales were 46,034 million yen (up 3.4% on the previous year), and operating income was 8,354 million yen (down 3.8% ditto). This division provides surface modification jobbing services such as heat treatment, rust prevention coating and plating.

(Other)

Net sales were 5,000 million yen (up 13.3% on the previous period) and operating income was 237 million yen (up 26.2% ditto). This segment includes our building maintenance business, transportation business and solar power generation business.

■ Chemical ■ Equipment ■ Jobbing ■ Others



## Principal Shareholders

Name of Shareholders	Number of Shares Held (Thousands of shares)	Shareholding Ratio (%)
Nippon Life Insurance Company	7,015	5.70
Meiji Yasuda Life Insurance Company	5,578	4.53
The Master Trust Bank of Japan, Ltd. (Trust account)	5,435	4.41
SSBTC CLIENT OMNIBUS ACCOUNT	5,285	4.29
The Chiba Bank, Ltd.	4,765	3.87
Yugen Co., Ltd.	4,708	3.82
The SATOMI Scholarship Foundation	4,633	3.76
Mizuho Bank, Ltd.	4,227	3.43
Japan Trustee Services Bank, Ltd. (Trust account)	3,889	3.16
Sumitomo Mitsui Banking Corporation	3,113	2.53