

FY2018 ended March 31,2018

Financial Results Briefing

May 29, 2018



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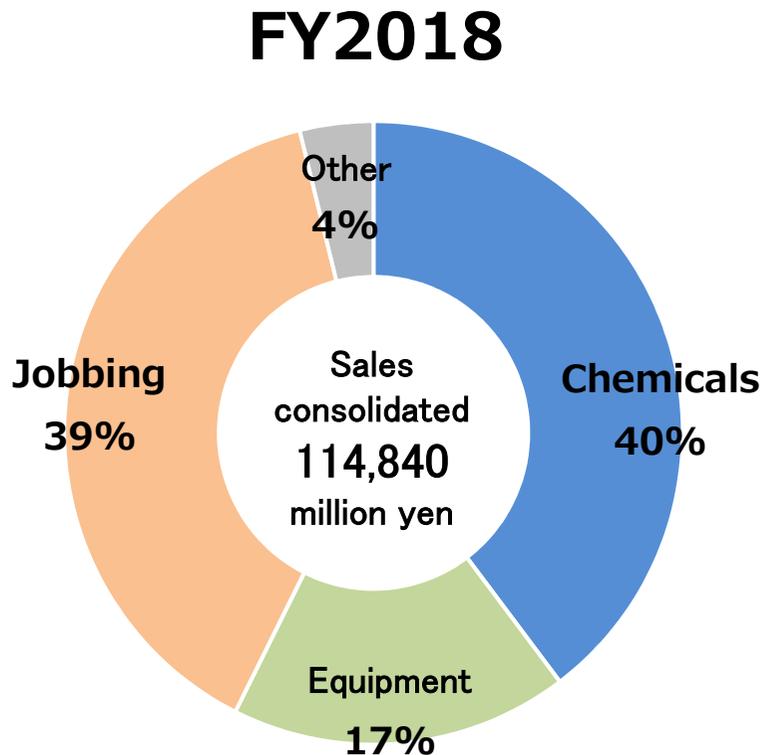
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Overview of the Company

Company name:	Nihon Parkerizing Co., Ltd.
Chairman & C.E.O:	Kazuichi Satomi
President & C.O.O:	Kentaro Sato
Headquarters:	15-1, 1-chome, Nihonbashi, Chuo-ku, Tokyo
Established:	July 12, 1928
Listing:	First Section of Tokyo Stock Exchange, 1967
Other:	JPC Nikkei Index 400 (January 2014) Global Niche Top Company 100 (March 2014)

Founded in 1928, Nihon Parkerizing will celebrate its 90th anniversary in 2018. The history of Nihon Parkerizing starts from the company being granted a patent in Japan for the technology developed by Dr. Parker in 1915, for generating a phosphate coating on steel to prevent corrosion. In the beginning, the technology was mostly developed for the Army Ministry, however following the war, business expanded in conjunction with the growth of the automotive industry.

Overview of the Company - Business Areas and Sales Composition Ratios



Sales by segment

Chemicals

- Conversion Coating Chemicals
- Rolling oil and lubricants
- Rust proof oil
- Electroless plating solution

Equipment

- Pre-treatment and ED equipment
- Waste water treatment equipment
- Powder coating equipment
- Heat exchangers

Jobbing

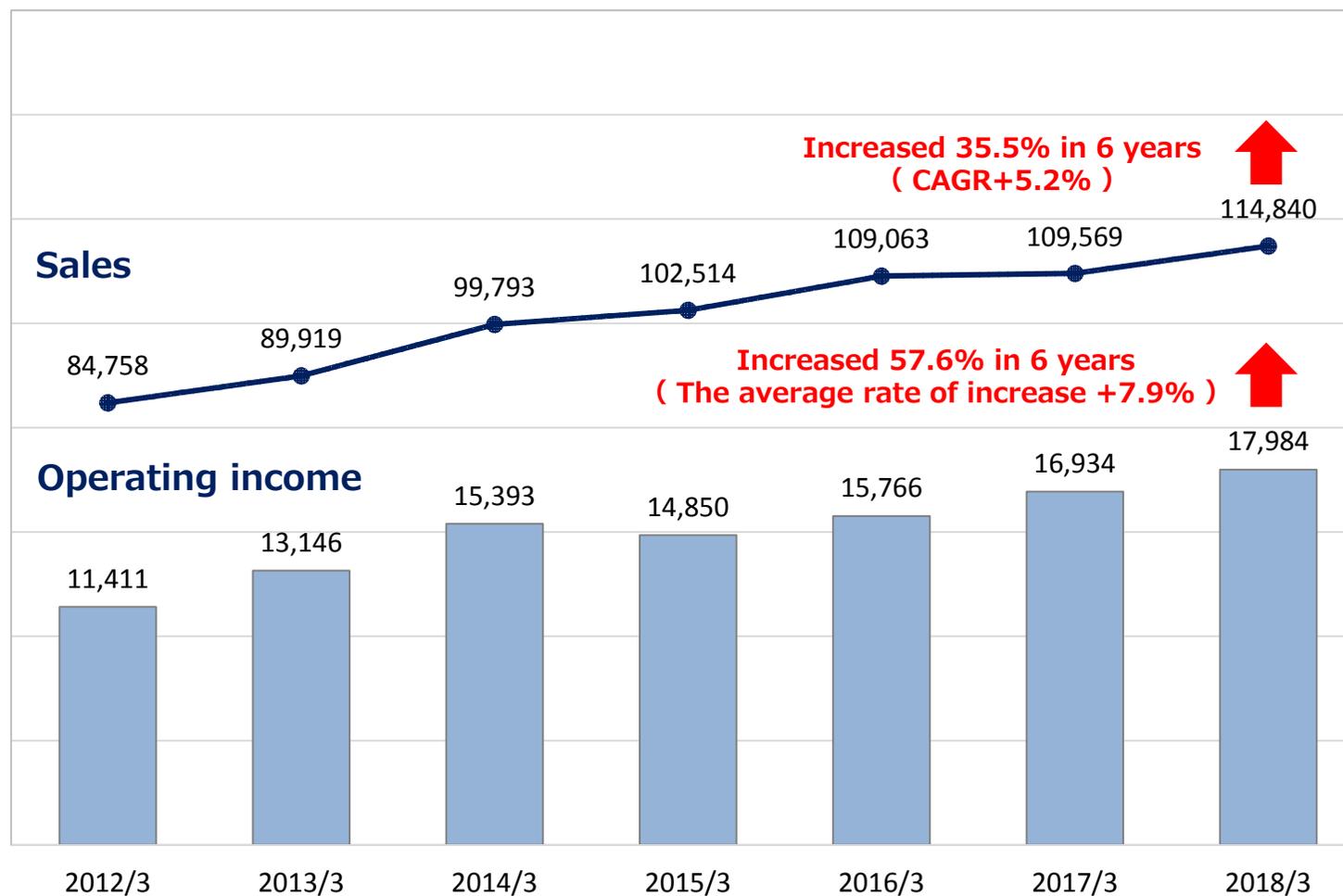
- Rust proof jobbing
- Plating
- Heat treatment
- Painting

Other business

- Building maintenance
- Manufacture and sale of metal test pieces
- Manufacture and sale of bolts
- Export of specialty steel products

Financial Highlights

(Unit: million yen)



Renewed our record amount of Sales and Operating income

Consolidated Income Statement

(Unit: million yen)

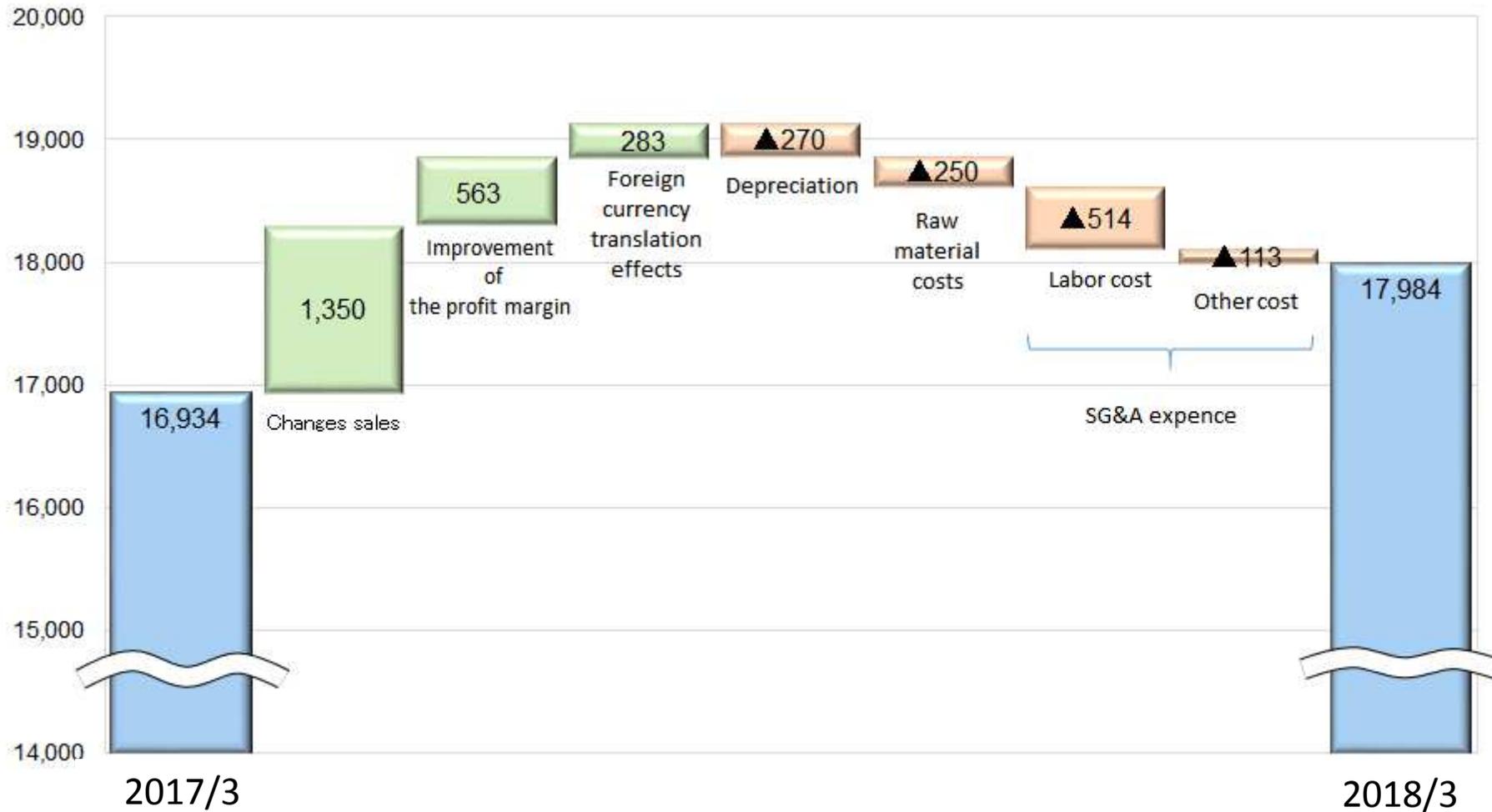
	2017/3	2018/3	Change	% Change	
Net Sales	109,569	114,840	+5,271	+4.8%	Renewed our record amount
Operating income	16,934	17,984	+1,049	+6.2%	Renewed our record amount
Ordinary income	18,779	20,750	+1,970	+10.5%	Renewed our record amount
Net income attributable to parent company shareholders	12,228	12,721	+493	+4.0%	
Ratio of ordinary income to total assets	9.7%	9.9%	+0.2%	-	
Return on equity (ROE)	10.2%	9.7%	▲0.5%	-	
Net income per share	99.14yen	104.85yen	+5.71yen	-	
The average exchange rate (USD)	108.84yen	112.19yen	-	-	

Foreign currency translation effect:

Sales approx. +1,727 million yen, Operating income approx. +283 million yen

Variation Analysis of Operating Income

(Unit: million yen)



Financial Results by Business Segments

(Unit: million yen)

	Net sales			Operating Income		
	2017/3	2018/3	Changes	2017/3	2018/3	Changes
C h e m i c a l s	44,549	46,746	+2,197	8,973	9,465	+492
J a p a n	27,508	27,870	+361	5,478	5,187	▲290
O v e r s e a	15,840	17,729	+1,889	3,209	3,746	+536
I n t e r - s e g m e n t	1,200	1,146	▲53	285	531	+245
E q u i p m e n t	22,382	20,794	▲1,588	1,580	856	▲723
J a p a n	12,889	10,429	▲2,460	604	147	▲456
O v e r s e a	8,989	9,862	+873	791	470	▲320
I n t e r - s e g m e n t	503	502	▲1	184	238	+53
J o b b i n g	40,211	44,593	+4,381	7,335	8,682	+1,347
J a p a n	24,015	26,489	+2,474	4,682	5,348	+665
O v e r s e a	16,163	18,046	+1,882	2,469	3,139	+670
I n t e r - s e g m e n t	32	56	+23	183	194	+10
O t h e r s	5,252	5,553	+301	288	188	▲99
Adjustments and Eliminations	▲2,827	▲2,847	▲20	▲1,242	▲1,209	+33
T o t a l	109,569	114,840	+5,271	16,934	17,984	+1,049

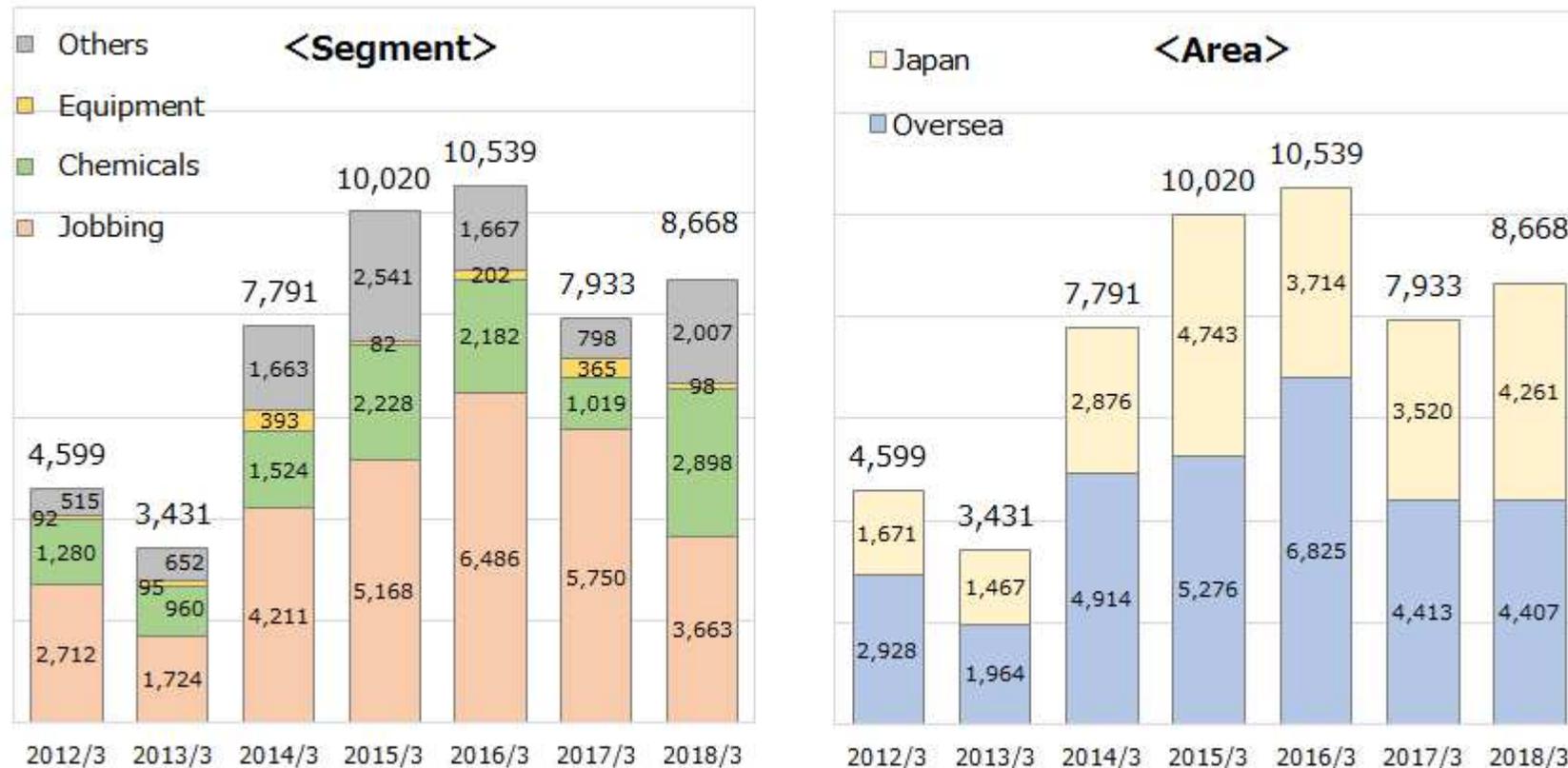
Chemicals : Japan : Sales increased, however, income decreased due mainly to rise in raw material prices.
Overseas : Sales and income increased due mainly to increase of demand in Thailand, China and India.

Equipment : Japan : Sales and income decreased due to reduction of capital investment demand.
Overseas : Sales increased in China, however, income decreased due mainly to fierce competition.

Jobbing : Japan : Sales increased due mainly to increase of demand in heat treatment.
Overseas : Sales and income increased significantly in Thailand and China.
New plant expanded the operations in Mexico.

Capital investment

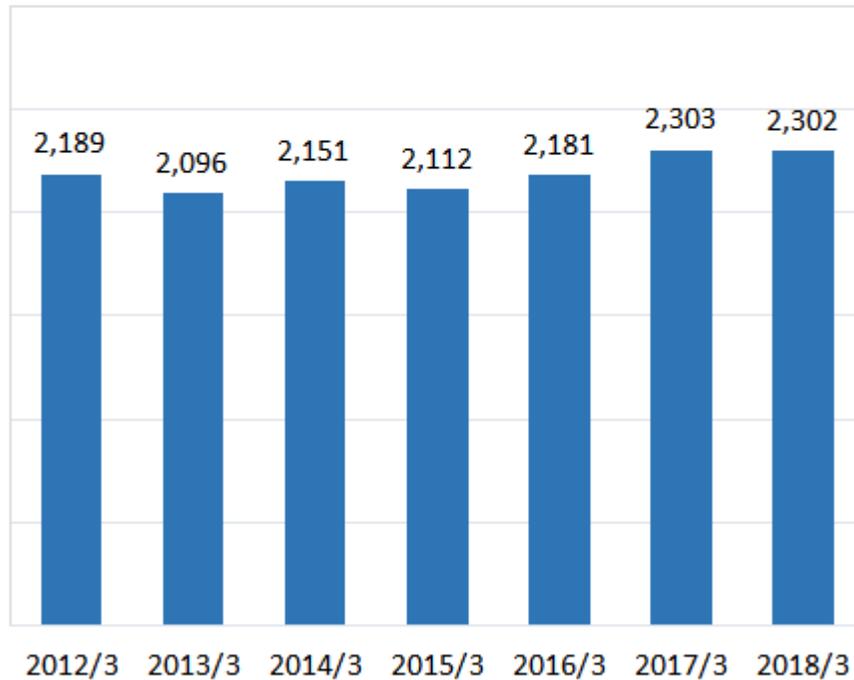
(Unit: million yen)



- In FY2018, we implemented capital investment in heat treatment equipment in Japan, renovation of own building in Kansai region and restructuring of the manufacturing plant in Korea.

R&D

(Unit: million yen)



- In recent years we have focused our development on “creating new value” by adding not only corrosion resistance but also other functions to the surface of substrates, and our investment in R&D has continuously exceeded 2,000 million yen/year.
- We have established a worldwide network which enables us to quickly grasp the requirements of customers and provide the optimal technical support.

Consolidated Balance Sheet

(Unit: million yen)

Increase (+) /Decrease (▲)

	2017/3	2018/3	Change	
Current assets	97,021	111,331	+14,309	← Cash and deposits +10,273 Notes and accounts receivable-trade +4,100
Fixed assets	100,238	109,554	+9,315	
Tangible and Intangible assets	56,978	61,288	+4,309	← Acquisition +8,668 Depreciation ▲5,381
Investments and other assets	43,260	48,265	+5,005	← Investment in securities +4,811
Total assets	197,260	220,886	+23,625	
Current liabilities	33,562	39,896	+6,334	← Notes and accounts payable-trade +3,384
Fixed liabilities	17,196	17,733	+537	
Total liabilities	50,758	57,630	+6,872	
Total net assets	146,502	163,255	+16,753	
Shareholders' equity	113,291	123,762	+10,471	← Cash dividends paid ▲2,473 Current profit +12,721
Accumulated other comprehensive profit	10,006	14,589	+4,583	← Valuation difference On available-for-sale securities +3,504
Non-controlling interests	23,204	24,902	+1,698	Foreign currency translation adjustment +1,049
Total liabilities and net assets	197,260	220,886	+23,625	
Shareholders' equity ratio	62.5%	62.6%		

※Shareholders' equity ratio = (Total net assets - Non-controlling interests) / Total liabilities and net assets

Forecasts for FY2019 ended March 31, 2019

(Unit: million yen)

	2018/3 Actual	2019/3 Forecast	Change	% Change
Net Sales	114,840	116,500	+1,659	+1.4%
Operating income	17,984	18,200	+215	+1.2%
Ordinary income	20,750	20,600	▲150	▲0.7%
Net income attributable to parent company shareholders	12,721	12,600	▲121	▲1.0%
The average exchange rate (U S D)	112.19yen	108.00yen		

- Sales and operating income are expected to increase due mainly to increase of demand in heat treatment in oversea.
- Ordinary income and net income are expected to decrease due mainly to reduction of equity in earnings of affiliates by appreciation of the yen.

Dividend Policy and Dividends Plan

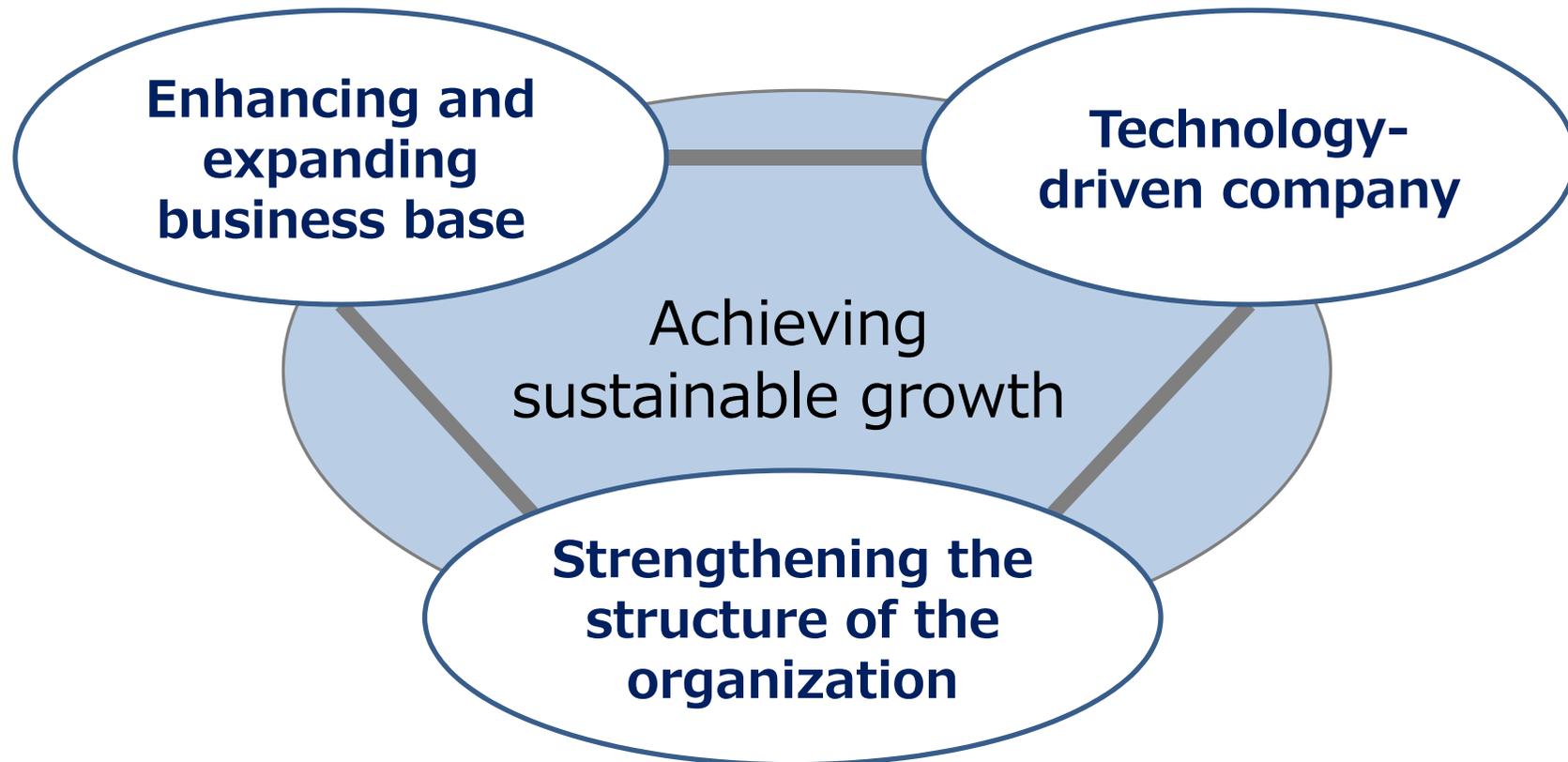
■ Fundamental Policy

- Based on a target payout ratio of 20% on a consolidated basis, we will determine the amount of dividends after giving sufficient consideration to consolidated achievements, future business expansion and earnings.



<Second Mid-term Management Plan- Fundamental Policy>

Our aim is to be THE leading global company in the field of surface modifications, maintaining our technical superiority in the market of surface modifications for a wide array of substrates.



Enhancing and expanding business base

- Expanding and developing new markets
 - ✓ Non-automotive and non-steel industry (aircraft, electronic parts, defense force, medical parts, etc.)
- Capture demand in growth foreign markets
 - ✓ Implement the aggressive investment in overseas. (China, Mexico India, etc.)
 - ✓ Set the overseas sales ratio to 50% or more for mid-long term target
- Take up the challenge of creating a new business model
- Actively investigate M&A and alliances



Technology-driven company

- Select research topics keeping in mind future growth areas
- Conduct R&D to expand and develop new markets
 - ✓ Meeting changing needs such as environmental needs (improvement of durability, improving performance and energy efficiency, and chrome-free, etc.)
 - ✓ In addition to rust prevention, create demand through development of diverse functions (insulation, conductivity, hydrophilicity, anti-finger print, design, etc.)

Function	Applications
heat radiation ⇔ insulation	Heat sink, Engine parts, Roof panel material
electric insulation ⇔ conductive	Motor parts, Electromagnetic shielding material, Electrical component
adhesive ⇔ non-stickiness	Rubber · resin-metal composite material, Seal material, Laminate material
hydrophilic ⇔ water-repellent, oil repellent	Heat exchanger, Aantifouling material
low friction ⇔ high friction	Power train, Clutch, Slide rail
hardening ⇔ softening	Sliding parts, Plastic working parts
stable rust layer ⇔ rust proof coating	Weathering steel, Repair of building materials
other	Fingerprint-resistant steel sheet

- Enhance fundamental research
 - ✓ Developing products for next generation vehicles and the aircraft market
 - ✓ Nonferrous material, adhesive or joining between metal and different materials.

Adding a variety of properties to surfaces

PALLUCID は、リン酸鉄・リン酸亜鉛に代わる次代表面処理剤。
バルシート

あらゆる塗装下地へ

バルシートは、従来のリン酸鉄とリン酸亜鉛のメリットを兼ね備えた画期的な性能を持つ塗装前処理剤。多用途・高品質で、環境にやさしく、トータルコストを低減します。

「バルビューベR」プロセス
耐熱絶縁コーティング

- 絶縁破壊電圧は耐熱試験後でも大きく低下しない
- 膜厚の増加により絶縁破壊電圧の向上が可能
- 樹脂系コーティングにも関わらず高い耐熱性を維持

化合物層上部にリチウム鉄酸化皮膜を形成「イソナイトLS」
鉄系金属の耐焼付き性を向上

特徴

- 従来の塩浴軟窒化(イソナイト)以上の高い耐食性
- 金型部品の寿命向上にも高い効果を発揮します
- 高ニッケル材への窒化処理が可能です

BONDERITE — ボンデライト —
航空機用表面処理

航空機向けアルミ用表面処理工程 (例)

前処理ライン (塩浴脱脂脱油+化成処理)

脱脂 → 水洗 → 脱脂 → 水洗 → 脱脂 → 水洗 → アルカリ化成 → 水洗 → 化成 → 水洗 → フロント → 水洗 → 乾燥

素材/用途/コストに応じて仕様を提案「バルビューベ処理」
画期的な固体潤滑システム

二硫化モリブデン グラファイト フッ素樹脂 (PTFE) 潤滑油・グリースを使わない

エレクトロニクス&銅・アルミ製造 用途向け
耐熱絶縁機能 表面処理剤

バルコートHRシリーズ

塩浴軟窒化による独自の表面硬化法「イソナイト処理」
鉄系金属の特性を向上

<p>◆耐摩耗性の向上<化合物層の効果></p> <p>鋼材表面層に生成する化合物層は硬度が高く、緻密な非金属組織のため耐摩耗性が向上。</p> <p>◆疲労強度の向上<基層層/圧縮応力の効果></p> <p>化合物層の下部に形成される塩酸層は平滑。切り欠き材/溶接部の疲労強度が向上。</p>	<p>◆曲げ強度の向上</p> <p>曲げ強度は無処理材の2~3倍に向上。</p> <p>◆耐熱性の向上</p> <p>300℃~600℃の温度域でも軟化しない</p> <p>◆耐食性の向上</p> <p>化合物層は非金属組織のため、亜鉛めっきやユニクロめっきと同等の耐食性を維持。</p>
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高硬度のセラミック皮膜を形成「PCC処理」
アルミ/マグネの硬度と耐食性を向上

高硬度 超耐摩耗 高耐食 高耐熱

日本マツダ自動車株式会社 採用済

自己析出型コーティング

PALMIC
— パルミック —

イメージング&センシング関連技術
光学機器用光反射防止処理

ADAS車載センサー(カメラ・レーダー) ADAS車載ヘッドアップディスプレイ 光学機器カメラ露光部

表面処理&めっき処理装置

基礎研究者用ラボ試験機・スケールアップ&生産技術の検討に
エレクトロニクス関連部品の全自動処理生産機に

プログラマブルコントローラーによる自動制御 プログラムメモリ機能標準6パターン選機

サーボモータ搭載自動キャリア方式 10インチタッチパネル表示&操作

航空宇宙材料規格AMS2488処理
チタンの耐摩耗性を向上

カドミウム非含有 クロム非含有 ニッケル非含有 コバルト非含有 セラミックス不使用

接着/接合下地用Al表面粗化技術「ケミプラスト処理」
アルミ-樹脂接合強化処理

We supply environmentally-friendly, cost effective technology.

Strengthening the structure of the organization

- Strengthen our corporate governance continuously
- Transition to a company with an audit and supervisory committee
- Strengthen governance by the organization reform
- Strengthen global quality assurance system
- Reorganization for improving management efficiency
- Strengthen group collaboration
- Develop global HR
- Improve productivity,
change corporate culture and reform the mindset



Medium-term management plan achieve expected

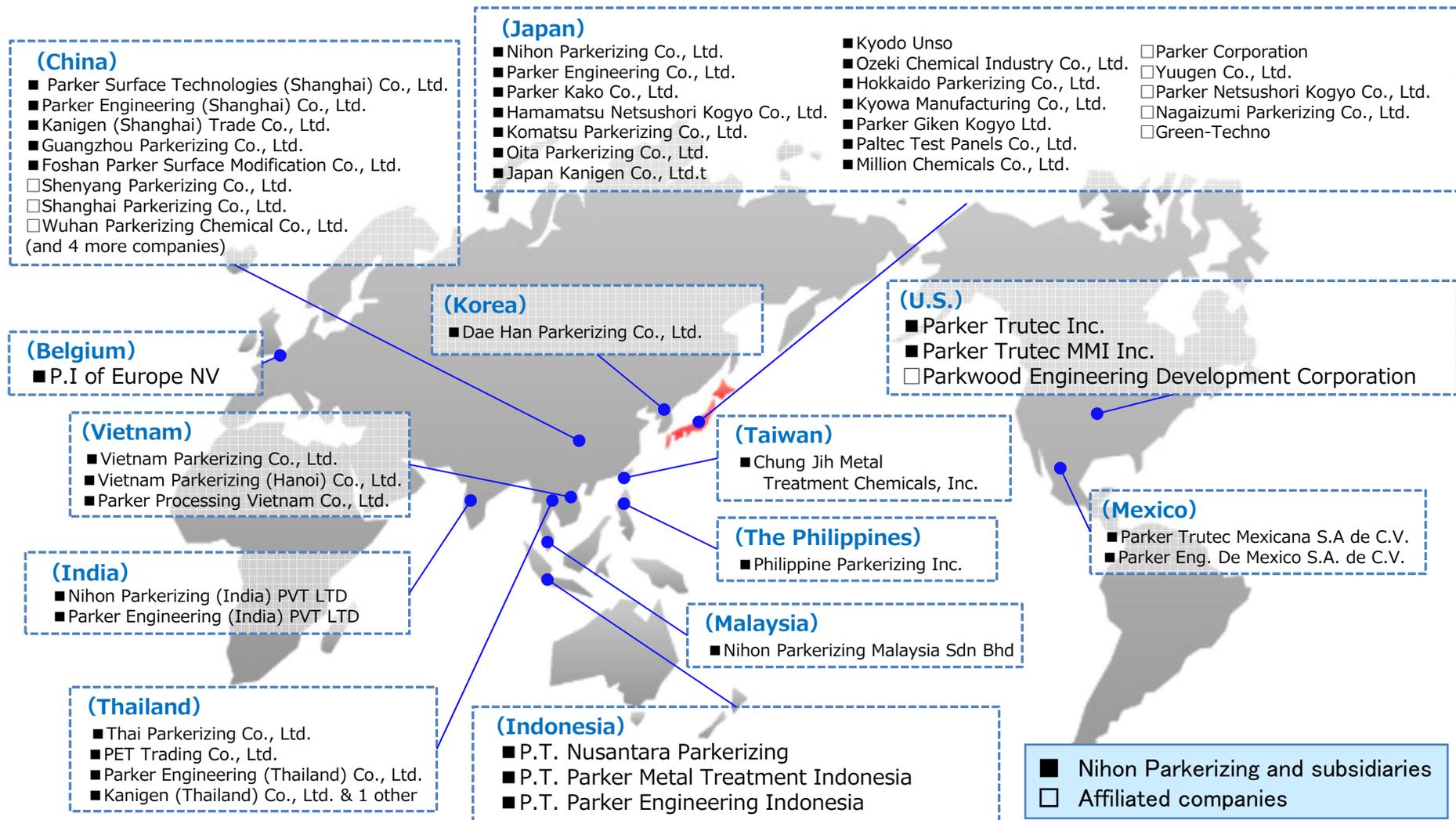
(Unit: million yen)

	2019/3 Forecast	2019/3 Second mid-term management plan Target	Difference	Achievement rate
Net Sales	116,500	120,000	▲3,500	97.1%
Operating income	18,200	19,000	▲800	95.8%
Ordinary income	20,600	21,000	▲400	98.1%
Net income attributable to parent company shareholders	12,600	12,000	+600	105.0%
The average exchange rate (U S D)	108.00yen	113.00yen	-	-

Supplementary Information

Subsidiaries and Affiliated Companies (As of 31st March 2018)

Network of 44 subsidiaries & 11 Affiliated Companies





The forward-looking statements such as forecast of financial consolidated results contained in this document are based on the information currently available to the Company and certain assumptions which are regarded as legitimate. Actual results may differ from these forecast due to various factors.

Significant factors which may affect actual results include but are not limited to; a)state of the economy b)fluctuations in exchange rates c)product competitiveness, d)regulations and e)limits of intellectual property protection.

The information in this document is not intended to solicit investment. Please make investment decisions at your own discretion.