

May 30, 2019

**FY2019 ended March 31,2019**

# **Financial Results Briefing**



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# Overview of the company

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Company name: Nihon Parkerizing Co., Ltd.

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Chairman & C.E.O: Kazuichi Satomi

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President & C.O.O: Kentaro Sato

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Headquarters: 15-1, 1-chome, Nihonbashi, Chuo-ku, Tokyo

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Established: July 12, 1928

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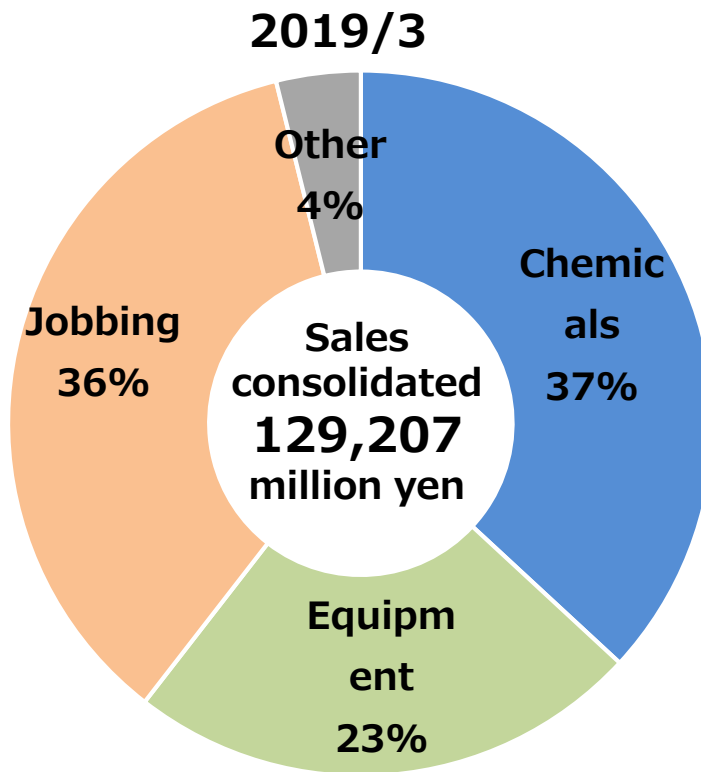
Listing: First Section of Tokyo Stock Exchange, 1967

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Other: JPC Nikkei Index 400 (January 2014)  
Global Niche Top Company 100 (March 2014)

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# Business segment 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

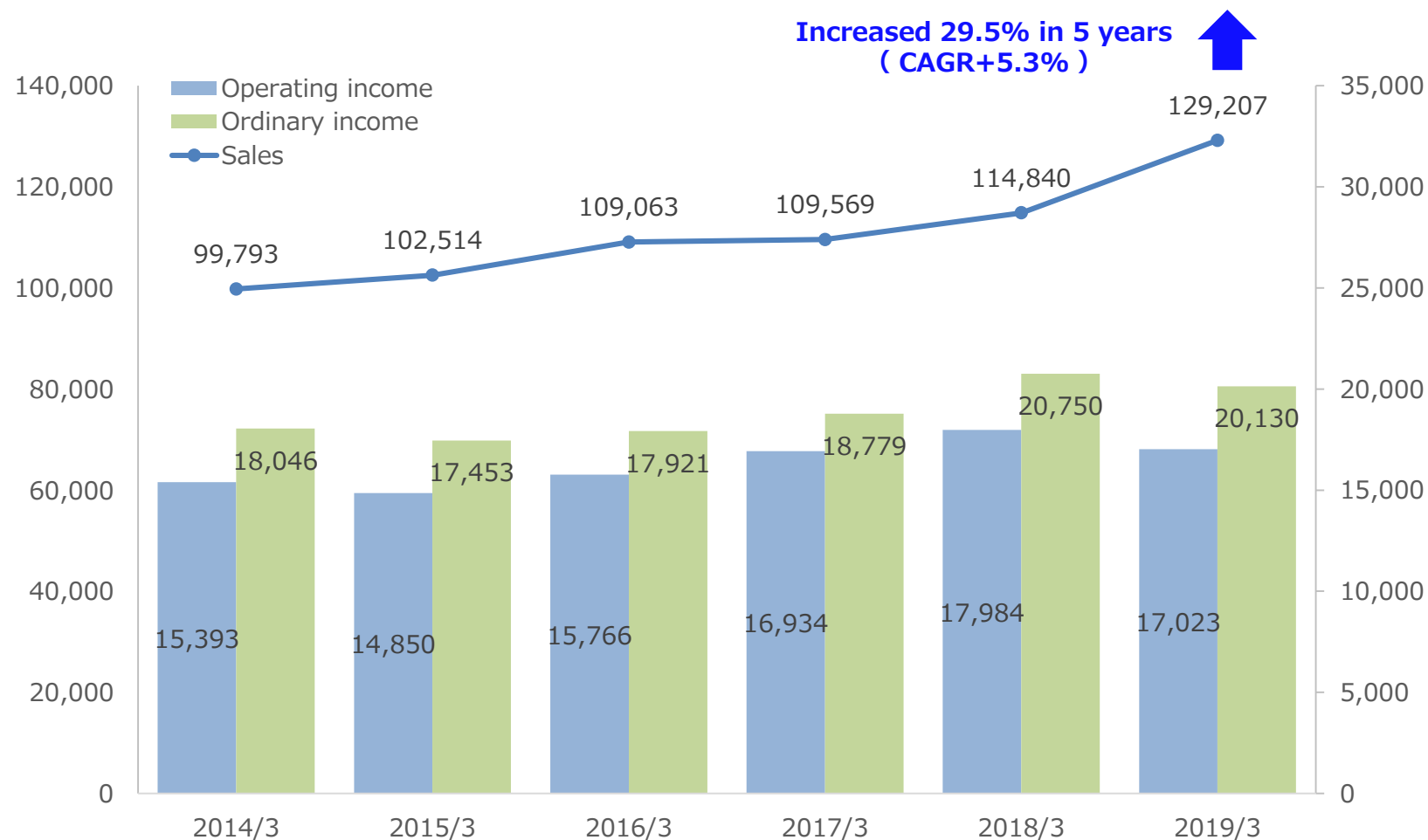
Building maintenance  
Manufacture and sale of metal test pieces  
Manufacture and sale of bolts  
Export of specialty steel products

# Financial highlights

(Unit: million yen)

Sales

Profit



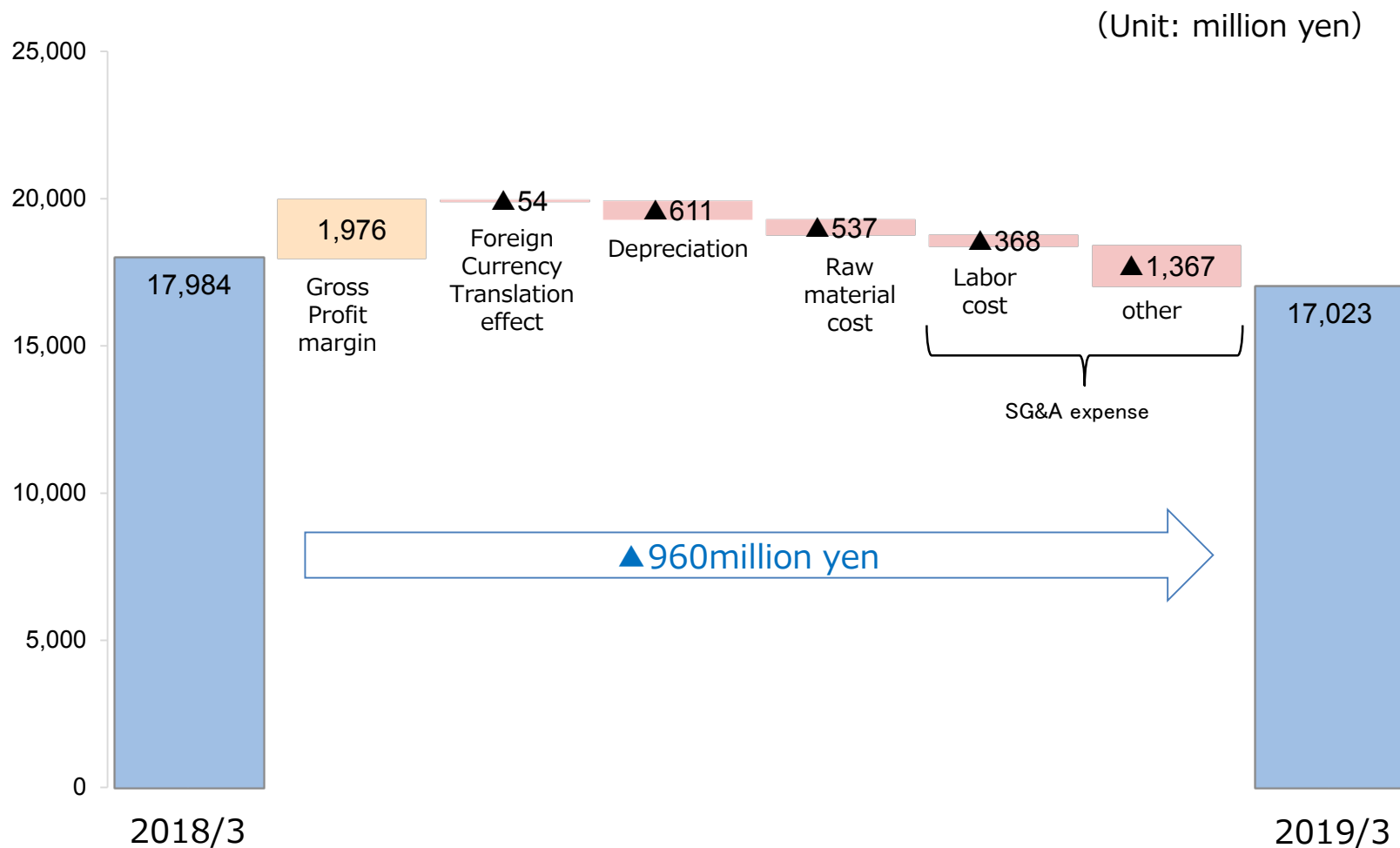
# Consolidated income statement

(Unit: million yen)

	2018/3	2019/3	Change	% Change	
Net Sales	114,840	129,207	+14,367	12.5%	Renewed our record amount
Operating income	17,984	17,023	▲960	▲5.3%	Decreased mainly due to Higher raw material prices and higher SG & A expenses.
Ordinary income	20,750	20,130	▲620	▲3.0%	Non-operating income 3,759 Non-operating expenses 652
Net income attributable to parent company shareholders	12,721	11,424	▲1,297	▲10.2%	extraordinary gain 56 extraordinary loss 694
Net income per share	104.85円	94.2円	-	-	
Ratio of ordinary income to total assets	10.0%	9.2%	-	-	
Return on equity (ROE)	9.7%	8.2%	-	-	
The average exchange rate (USD)	112.19円	110.43円	-	-	

- Overseas sales ratio 43.5% (※Including exports from Japan)
- Foreign currency translation effect:  
Sales approx. ▲316 million yen, Operating income approx. ▲54 million yen

# Variation analysis of operating income



# Financial results by business segments

(Unit: million yen)

	Net sales			Operating income		
	2018/3	2019/3	Changes	2018/3	2019/3	Changes
Chemicals	46,746	48,723	+1,976	9,465	8,581	▲883
Japan	27,870	29,894	+2,024	5,187	4,646	▲540
Oversea	17,729	17,763	+33	3,746	3,395	▲351
Inter-segment	1,146	1,065	▲81	531	539	+8
Equipment	20,794	30,975	+10,181	856	1,125	+269
Japan	10,429	15,425	+4,996	147	444	+296
Oversea	9,862	15,088	+5,226	470	377	▲93
Inter-segment	502	461	▲41	238	303	+65
Jobbing	44,593	46,074	+1,480	8,682	8,354	▲327
Japan	26,489	27,232	+742	5,348	5,337	▲10
Oversea	18,046	18,802	+755	3,139	2,799	▲339
Inter-segment	56	39	▲16	194	217	+22
Others	5,553	6,315	+762	188	237	+49
Adjustments and Eliminations	▲2,847	▲2,881	▲34	▲1,209	▲1,277	▲68
Total	114,840	129,207	+14,367	17,984	17,023	▲960

Chemicals : Japan : Sales increased mainly due to the increased of a subsidiary. Income decreased mainly due to rise of raw material prices and costs of merger of subsidiary.  
Oversea : Sales remained flat. Income decreased mainly due to rise of raw material prices.

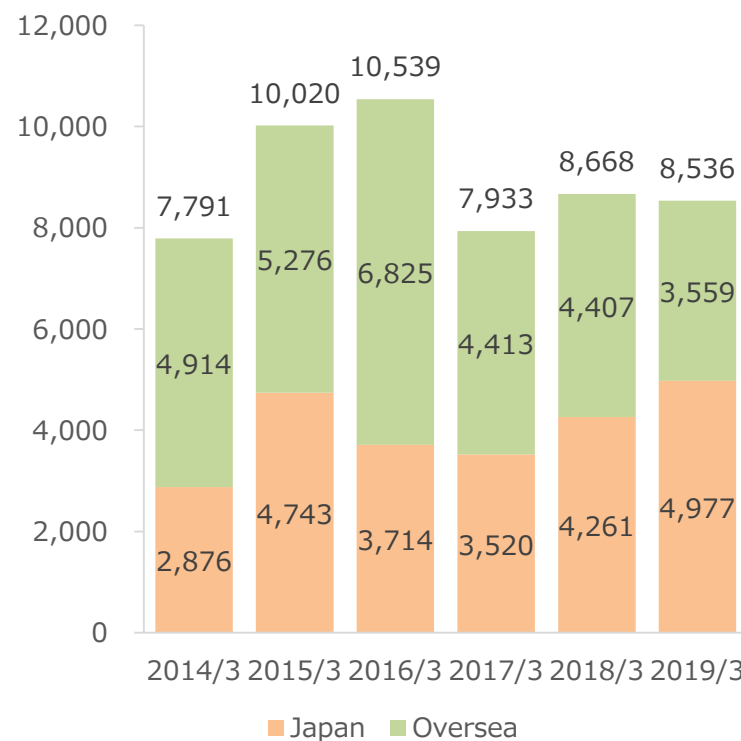
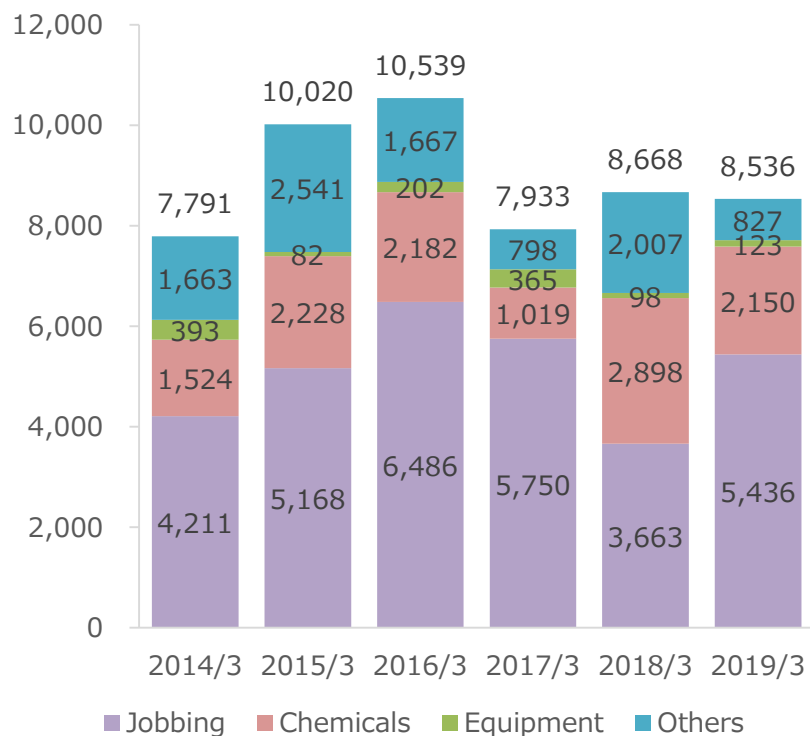
Equipment : Japan: Sales and income increased.  
Overseas: Sales increased sharply in China. However, income decreased due mainly to fierce competition.

Jobbing : Japan: Sales and income increased steadily for both rustproofing and heat treatment.  
Overseas: Sales increased mainly due to the operation of a new plant in Mexico. However, income decreased mainly due to the cost of equipment repair etc.



# Capital investment

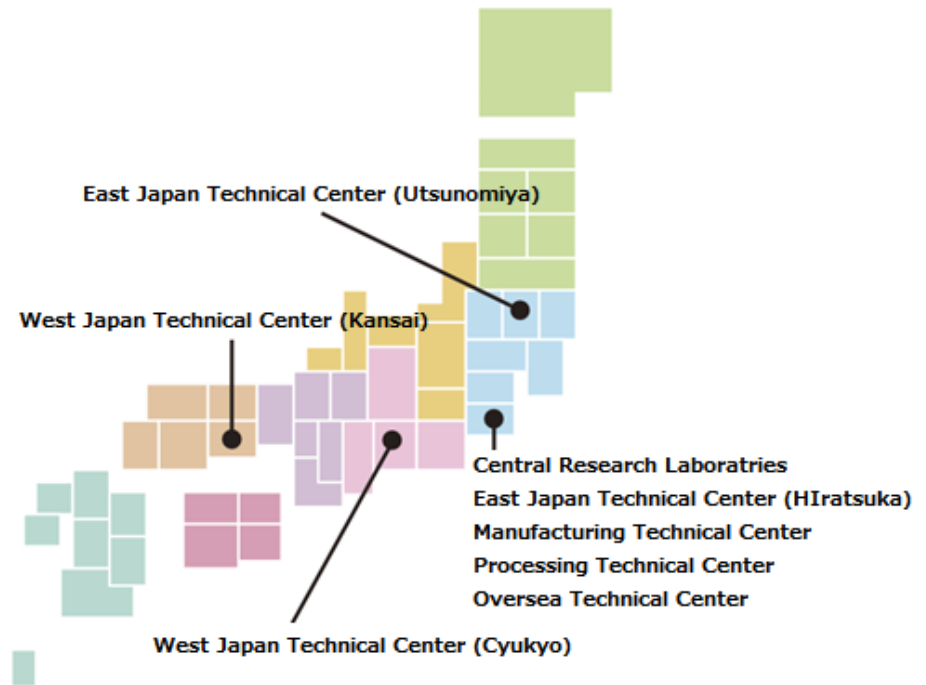
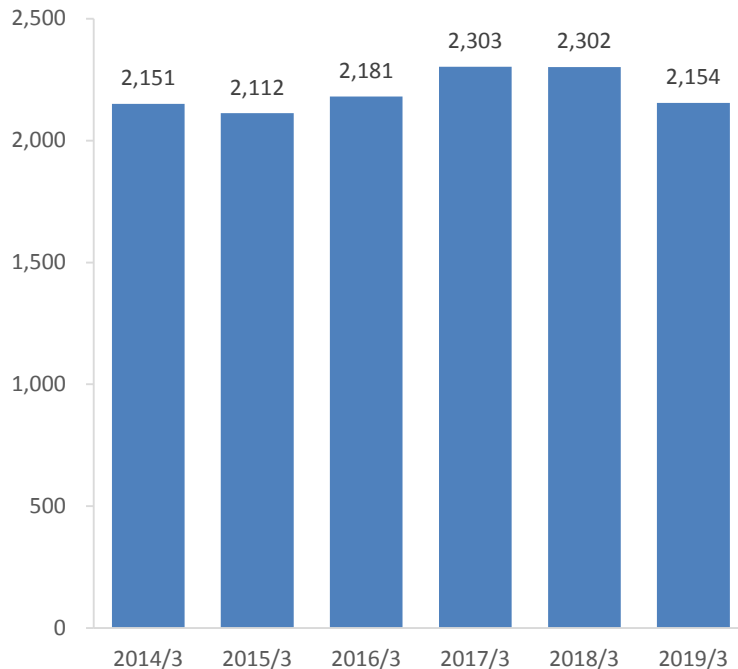
(Unit: million yen)



- Implemented capital investment to expand heat treatment processing facilities in Japan and overseas.

# R&D (1/2)

(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.
- In addition to the Central Research Laboratories, we have some technical centers, we quickly grasp the requirements of customers and provide the optimal technical support and products in cooperate with staffs of all over the world such as China and Thailand.

# R&D (2/2)

- 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.)
  - ✓ Developing technologies for new markets. (aircraft, electronic parts, defense force, medical parts, 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, Antifouling 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.

# Consolidated balance sheet

(Unit: million yen)

	2018/3	2019/3	Change	Main factor of change
Current assets	109,921	111,687	+1,765	← Securities +1,611
Fixed assets	110,066	107,130	▲ 2,935	
Tangible and Intangible assets	61,288	63,284	+1,995	← Acquisition +8,536 Depreciation ▲5,992
Investments and other assets	48,777	43,846	▲ 4,931	← Securities ▲4,784
Total assets	219,988	218,818	▲ 1,169	
Current liabilities	39,895	37,226	▲ 2,668	← Advances received ▲2,733
Fixed liabilities	16,836	14,832	▲ 2,004	
Total liabilities	56,732	52,059	▲ 4,673	
Total net assets	163,255	166,759	+3,503	
Shareholders' equity	123,762	131,253	+7,490	← Cash dividends paid ▲2,968 Current profit +11,424
Accumulated other comprehensive profit	14,589	9,203	▲ 5,386	
Non-controlling interests	24,902	26,302	+1,399	← Valuation difference On available-for-sale securities ▲3,560 Foreign currency translation adjustment ▲1,920
Total liabilities and net assets	219,988	218,818	▲ 1,169	
Shareholders' equity ratio	62.9%	64.2%		

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

# Consolidated cash flow

(Unit: million yen)

	2018/3	2019/3
Net cash provided by operating activities	+19,238	+17,292
Profit before income taxes	+20,740	+19,492
Depreciation and amortization	+5,381	+5,992
Others	▲6,883	▲8,192
Net cash used in investing activities	▲4,739	▲10,299
Purchase of property, plant and equipment	▲8,154	▲8,823
Others	+3,415	▲1,476
Net cash used in financing activities	▲4,041	▲5,663
Cash dividends paid	▲2,472	▲2,966
Others	▲1,569	▲2,697
Effect of exchange rate change on cash and cash equivalents	+407	▲753
Net increase (decrease) in cash and cash equivalents	+10,865	+576
Cash and cash equivalents at beginning of the year	42,284	53,149
Cash and cash equivalents at end of the year	53,149	53,726

# Forecast for FY2020 ended March 31, 2020

(Unit: million yen)

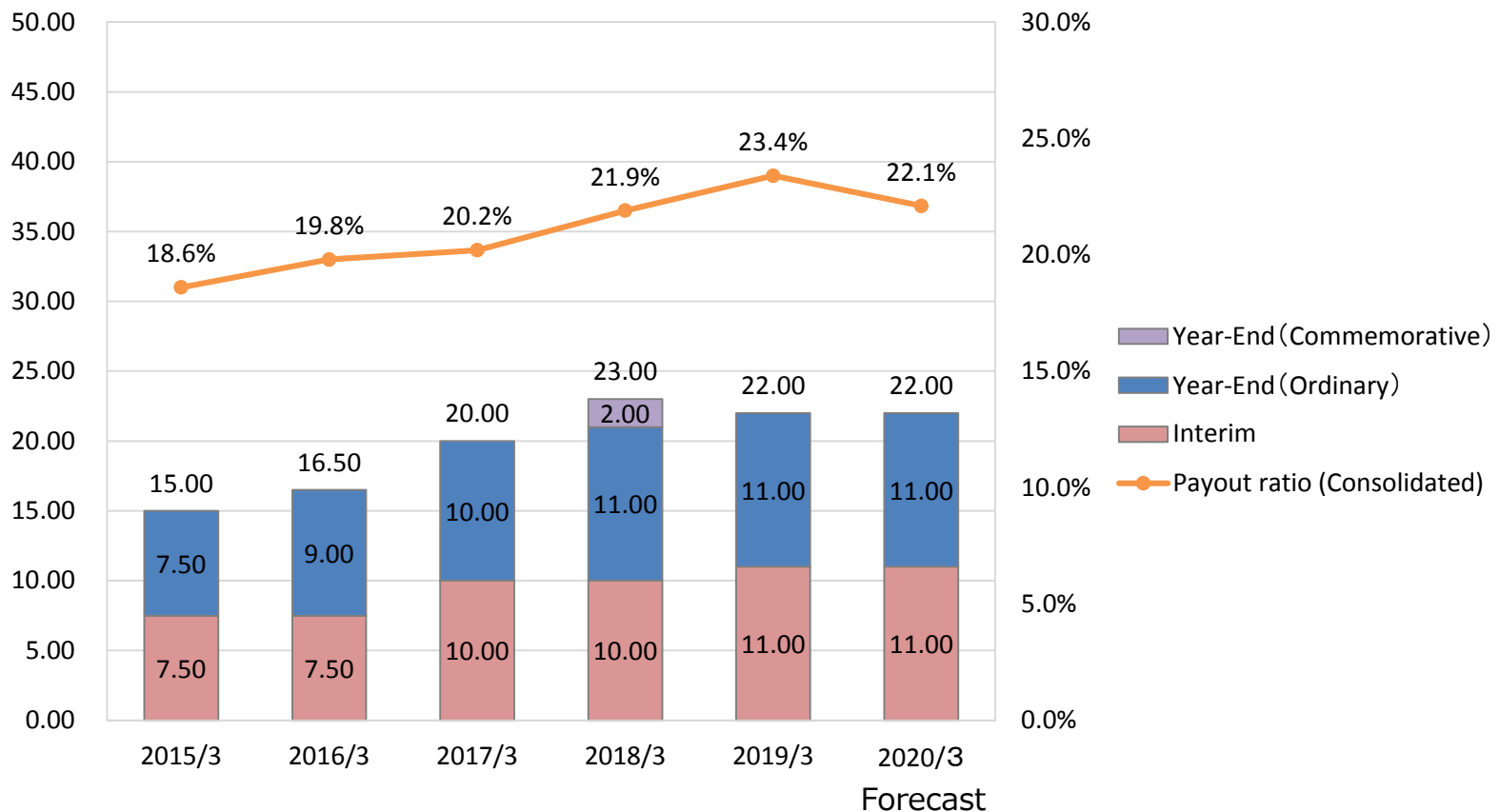
	2019/3 Actual	2020/3 Forecast	Change	% Change
Net Sales	129,207	123,500	▲5,707	▲4.4%
Operating income	17,023	17,500	+476	+2.8%
Ordinary income	20,130	20,600	+469	+2.3%
Net income attributable to parent company shareholders	11,424	12,000	+575	+5.0%
The average exchange rate (USD)	110.43円	110.00円		

- Sales will decrease mainly due to decrease in equipment segment.
- Operating income will increase mainly due to expansion of heat treatment business overseas.

# 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, retained earnings required for future business development, etc.



# ■ Financial highlights

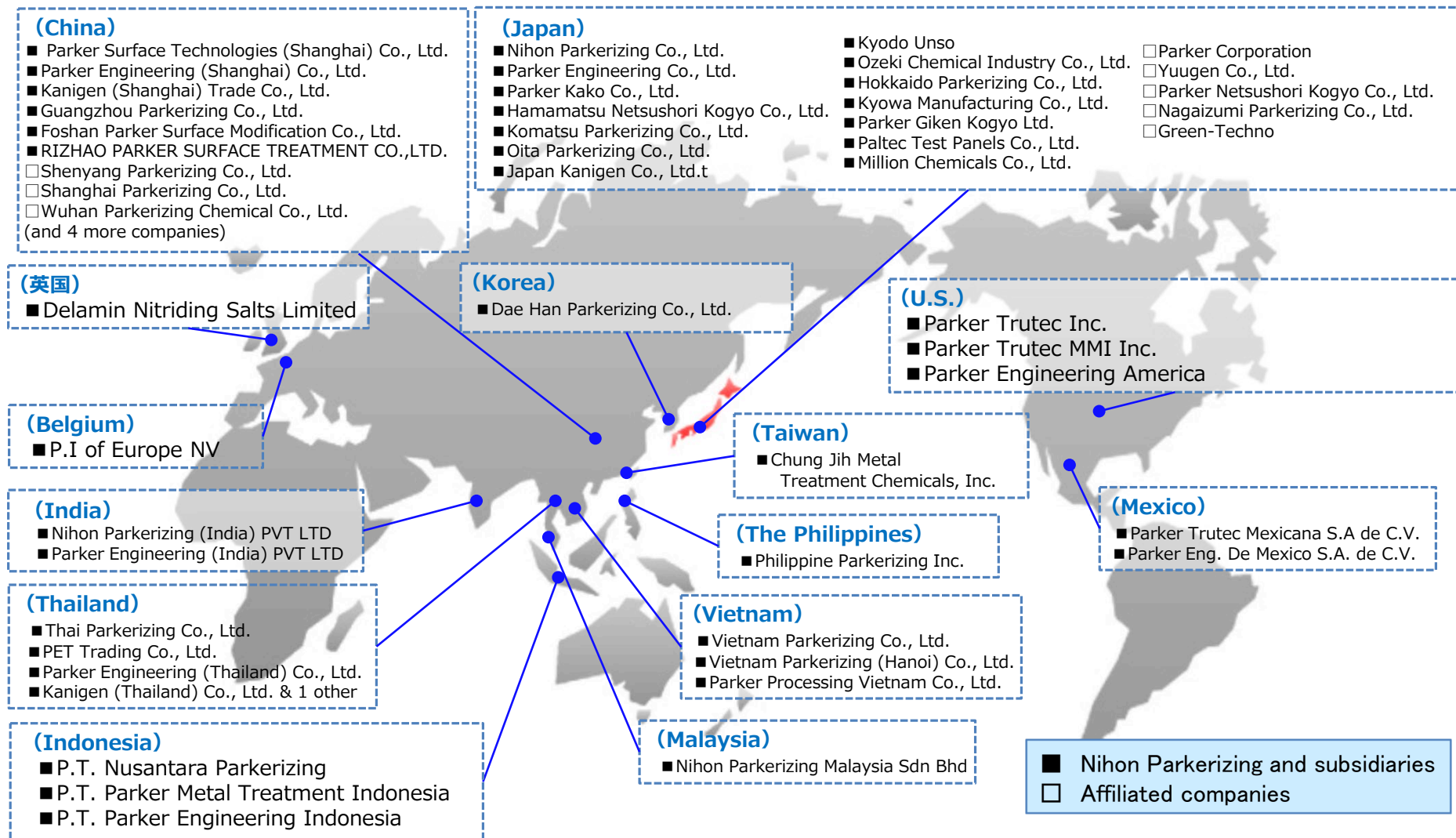
(Unit: million yen)

	2015/3	2016/3	2017/3	2018/3	2019/3
Net Sales	102,514	109,063	109,569	114,840	129,207
Operating income	14,850	15,766	16,934	17,984	17,023
Ordinary income	17,453	17,921	18,779	20,750	20,130
Net income attributable to parent company shareholders	9,975	10,320	12,228	12,721	11,424
Operating profit margin	14.5%	14.5%	15.5%	15.7%	13.2%
Sales ordinary income ratio	17.0%	16.4%	17.1%	18.1%	15.6%
Net income per share (EPS)	80.45円	83.24円	99.14円	104.85円	94.20円
Ratio of ordinary income to total assets	9.9%	9.5%	9.7%	10.0%	9.2%
Return on equity (ROE)	9.4%	8.9%	10.2%	9.7%	8.2%
Shareholders' equity ratio	61.1%	61.5%	62.5%	62.9%	64.2%



# ■ Subsidiaries and affiliated companies (As of 31st March 2019)

## Network of 46 subsidiaries & 10 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.

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