

May 29, 2020

# **FY2020 ended March 31,2020 Financial Results Briefing**

(Note)

Due to the spread of covid-19, the financial results briefing for the year ending March 31, 2020 was canceled. So we have disclosed the only the materials.



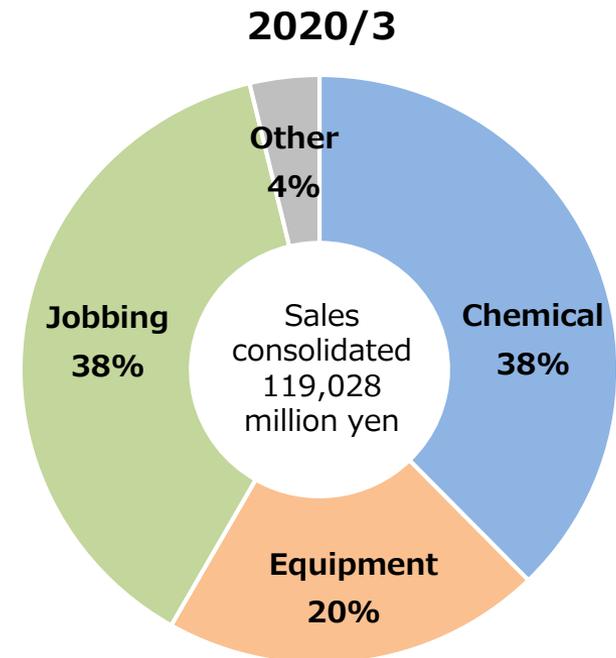
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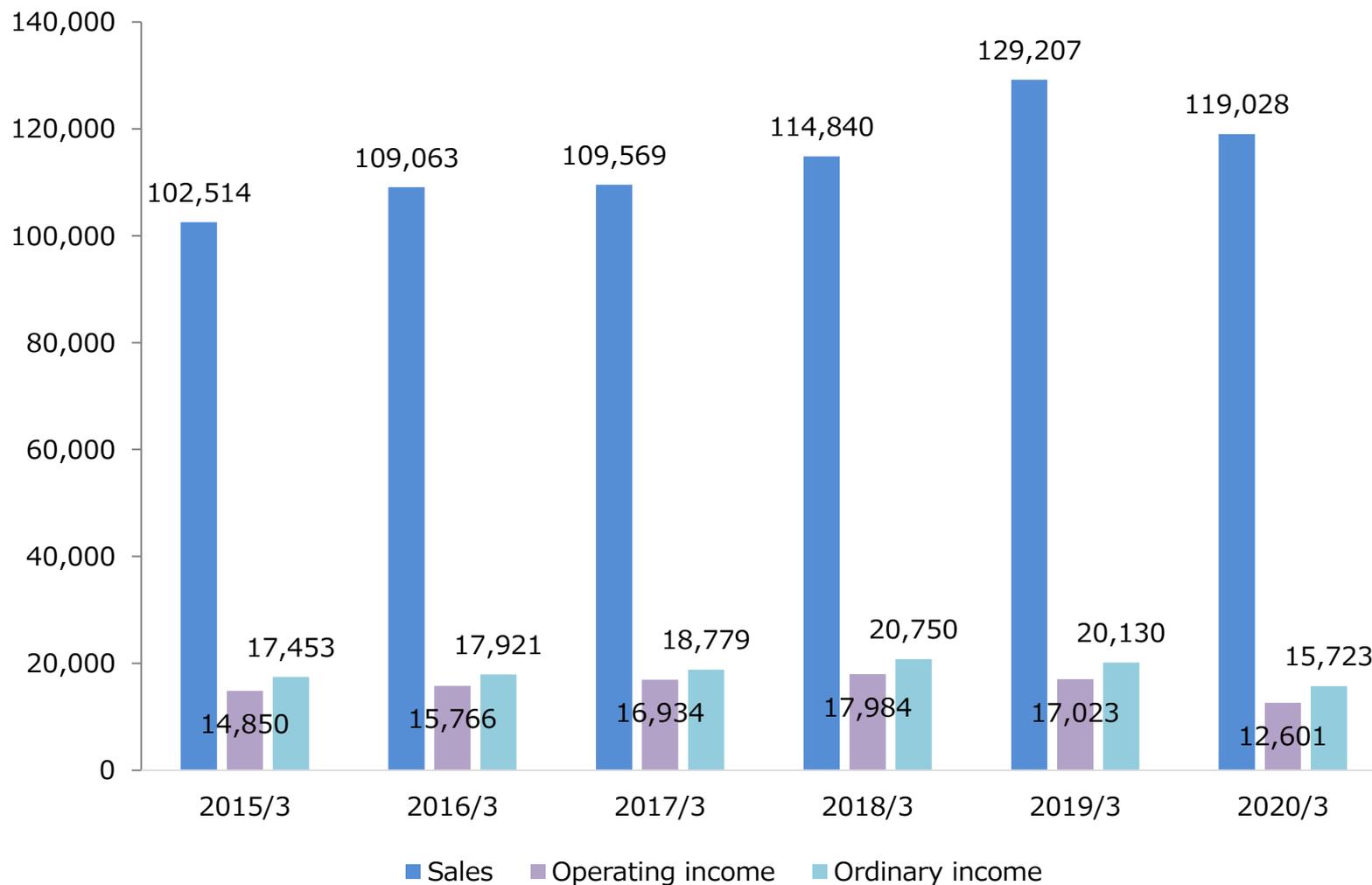
# Business segment and sales composition ratios

Chemicals	<ul style="list-style-type: none"> <li>● Surface treatment chemicals for adding corrosion resistance, creating a paint base, providing lubrication, cleaning substrates, design features and other various purpose.</li> <li>● Rust proof oil and packaging material</li> <li>● Rolling oil and lubricants</li> <li>● Electroless plating solution (KANIGEN PLATING)</li> <li>● Other products</li> </ul>
Equipment	<ul style="list-style-type: none"> <li>● Plant for automotive industries</li> <li>● Pretreatment, E-coat equipment for general industries</li> <li>● Powder Coating Equipment (PARKER IONICS)</li> <li>● Wet booths and Dry booths</li> </ul>
Jobbing	<ul style="list-style-type: none"> <li>● Rust proof coating</li> <li>● Salt-Bath Nitriding (ISONITE)</li> <li>● Gas carburizing, carbonitriding, low temperature carbonitriding</li> <li>● Gas nitrocarburizing</li> <li>● Electroless plating process (KANIGEN PLATING)</li> <li>● Other various surface treatment</li> </ul>
Other	<ul style="list-style-type: none"> <li>● Building maintenance</li> <li>● Transport of chemical products</li> <li>● Manufacture and sale of metal test pieces</li> <li>● Manufacture and sale of bolts</li> </ul>



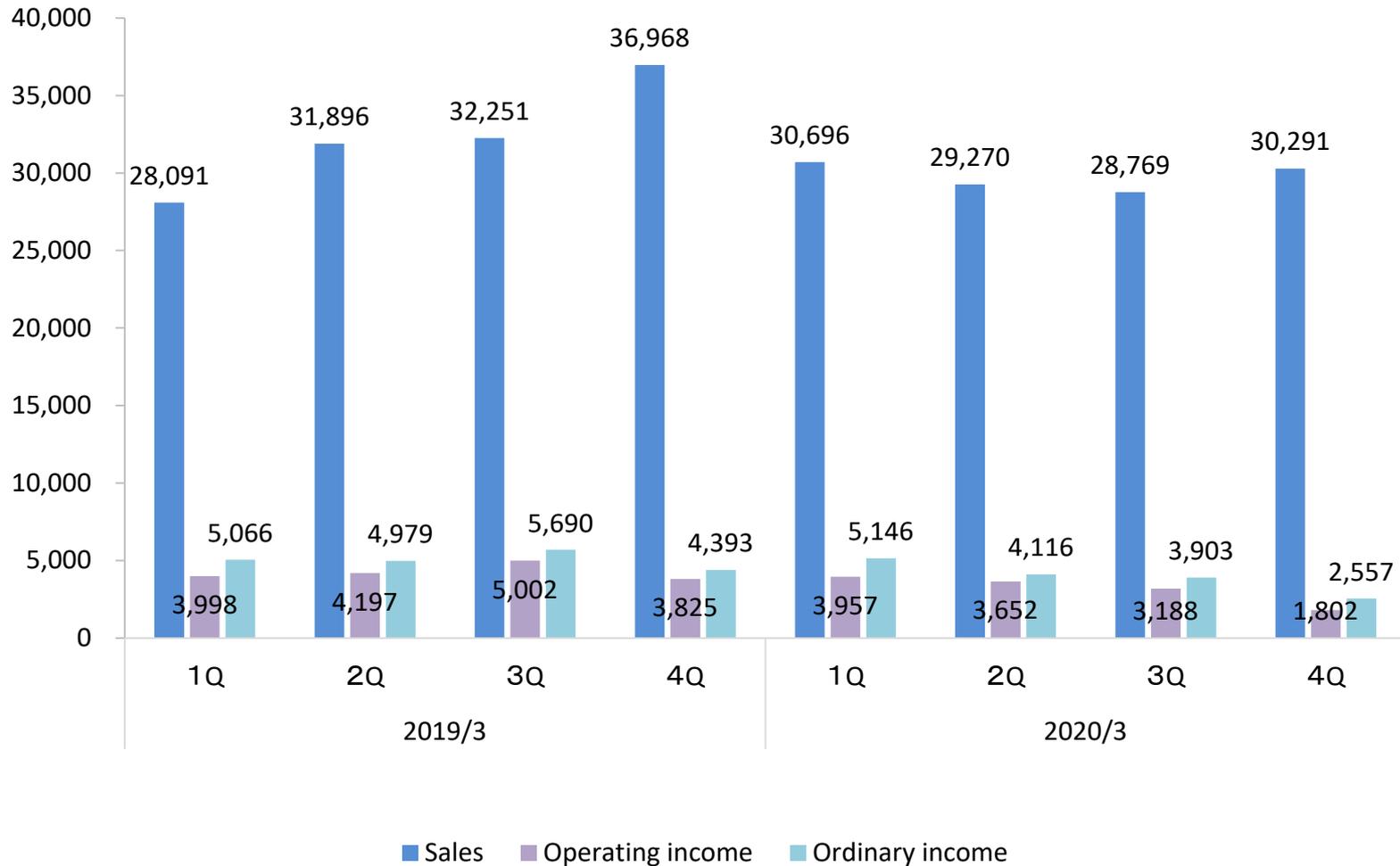
# Consolidated financial highlights

(Unit: million yen)



# Consolidated quarterly trend

(Unit: million yen)



# Consolidated income statement

(Unit: million yen)

	2019/3	2020/3	Change	% Change	
Net Sales	129,207	119,028	▲10,178	▲7.9%	Decreased in both domestic and overseas.
Operating income	17,023	12,601	▲4,421	▲26.0%	Decreased due to decrease of sales. Depreciation was increased due to capital investment.
Ordinary income	20,130	15,723	▲4,406	▲21.9%	Non-operating income 4,096 Non-operating expenses 974
Net income attributable to parent company shareholders	11,424	9,449	▲1,974	▲17.3%	Extraordinary gain 589 Extraordinary loss 752
Net income per share	94.20 yen	78.87 yen	-	-	
Ratio of ordinary income to total assets	9.2%	7.2%	-	-	
Return on equity (ROE)	8.2%	6.7%	-	-	
The average exchange rate (USD)	110.43 yen	109.05 Yen	-	-	

- Overseas sales ratio 34.8% (※Including exports from japan)
- Foreign currency translation effect:  
Sales approx. ▲1,095 million yen, Operating income approx. ▲44 million yen

# Financial results of business segments by area

(Unit: million yen)

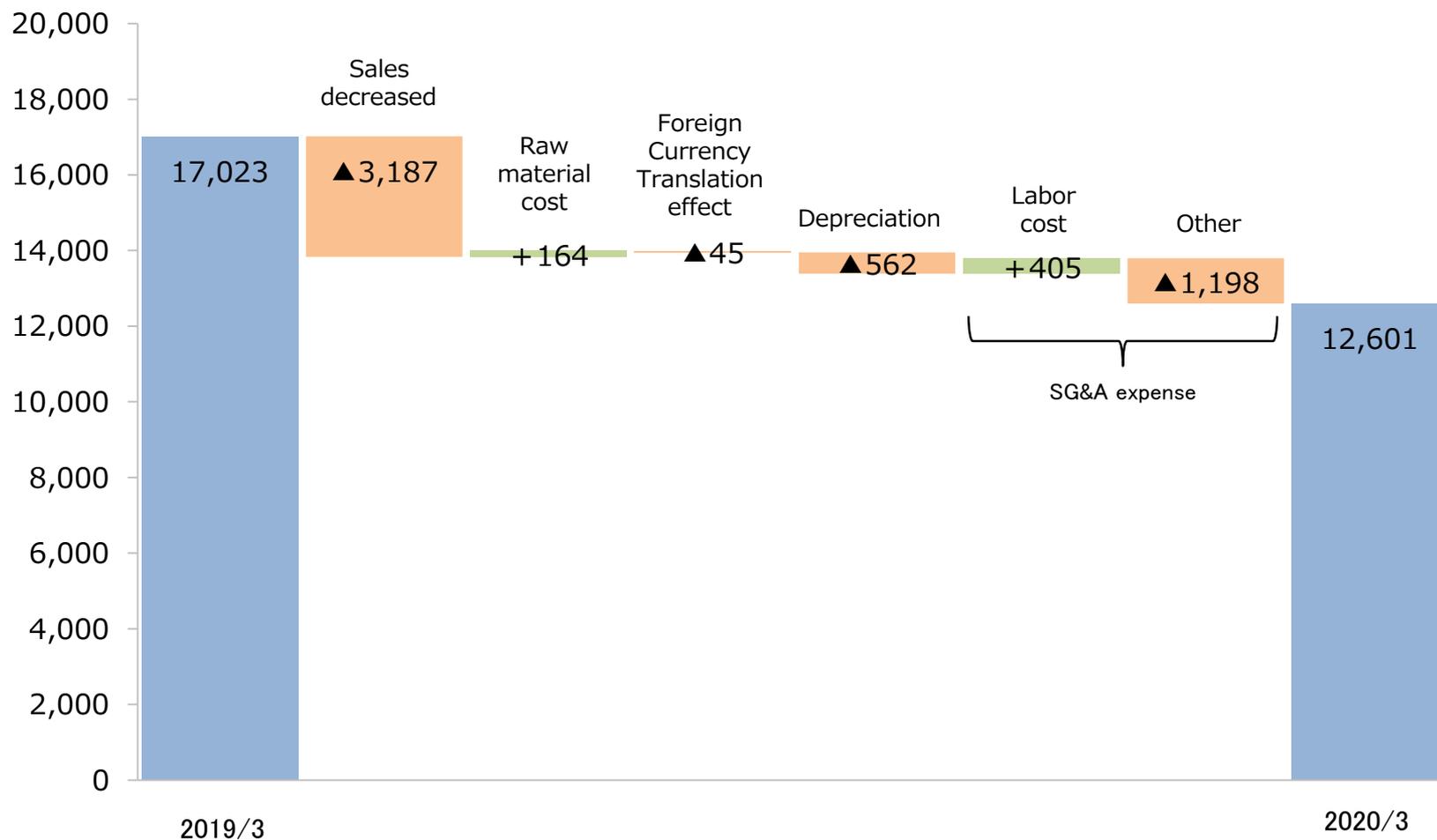
	Net sales			Operating income		
	2019/3	2020/3	Changes	2019/3	2020/3	Changes
Chemicals	48,723	45,920	▲2,803	8,581	7,546	▲1,035
Japan	29,894	28,758	▲1,136	4,646	4,344	▲302
Oversea	17,763	16,095	▲1,667	3,395	2,648	▲746
Inter-segment	1,065	1,065	0	539	552	13
Equipment	30,975	25,169	▲5,806	1,125	595	▲530
Japan	15,425	10,849	▲4,575	444	311	▲132
Oversea	15,088	13,647	▲1,440	377	▲54	▲432
Inter-segment	461	671	210	303	338	34
Jobbing	46,074	45,225	▲848	8,354	7,323	▲1,031
Japan	27,232	26,716	▲516	5,337	5,188	▲149
Oversea	18,802	18,483	▲318	2,799	1,934	▲865
Inter-segment	39	26	▲13	217	200	▲16
Others	6,315	5,919	▲396	237	▲1,123	▲1,361
Adjustments and Eliminations	▲2,881	▲3,206	▲324	▲1,277	▲1,739	▲462
Total	129,207	119,028	▲10,178	17,023	12,601	▲4,421

(Note) Sales and profit of each segment include internal sales and transfers between segments.

- Due to the economic downturn caused by the US-China trade problem, consumption tax increase in japan and the spread of COVID-19 in the world, sales and profits decreased in all segments.

# Variation analysis of operating income

(Unit: million yen)



# Summary of non-operating income

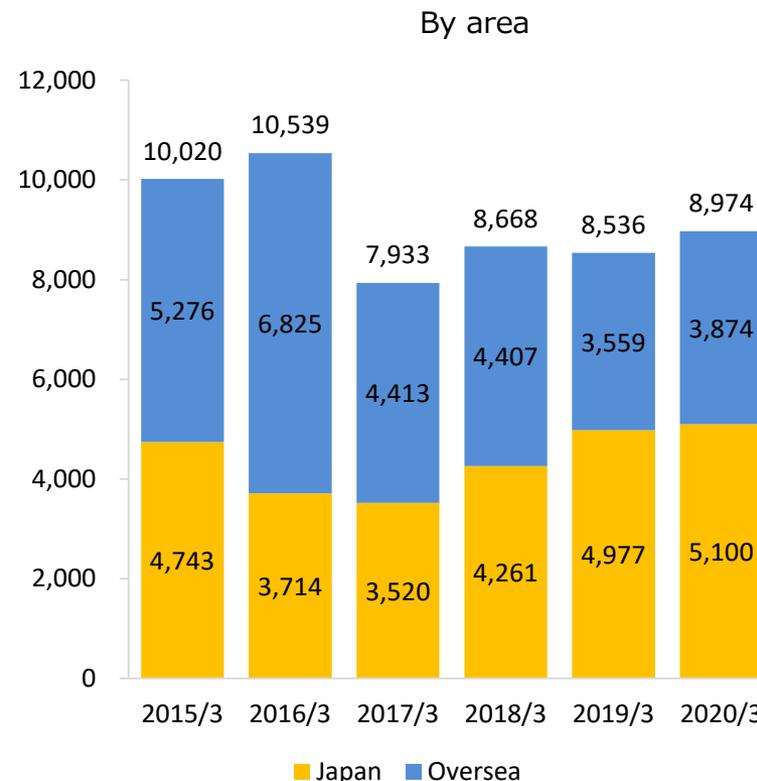
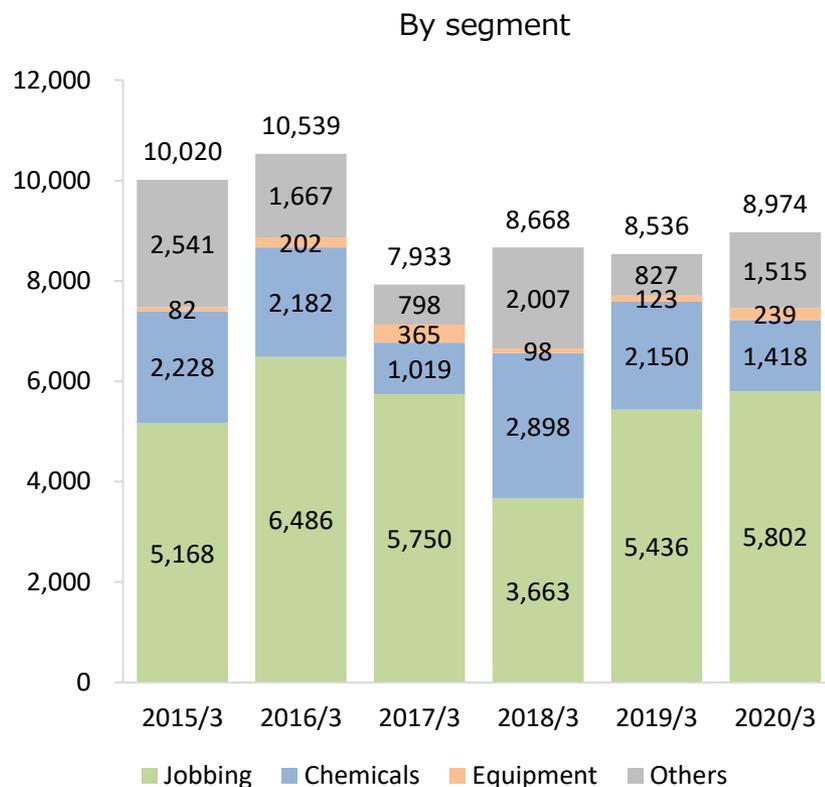
(Unit: million yen)

	2019/3	2020/3	Change
Interest income	353	418	+64
Dividend income	660	680	+20
Equity in earnings of affiliates	1,134	1,321	+186
License royalty	463	426	▲37
Other income	1,145	1,248	+102
Total of non-operating income	3,759	4,096	337
Interest expense	50	38	▲11
Other expense	601	935	+334
Total of non-operating expense	652	974	+322
Non-operating profit, net	3,106	3,121	+14

- In addition to the interest and dividend income, we recorded the profit from equity method for affiliates in japan and china and technical license fee. As a result, non-operating income was 3,121 million yen.

# Capital investment

(Unit: million yen)

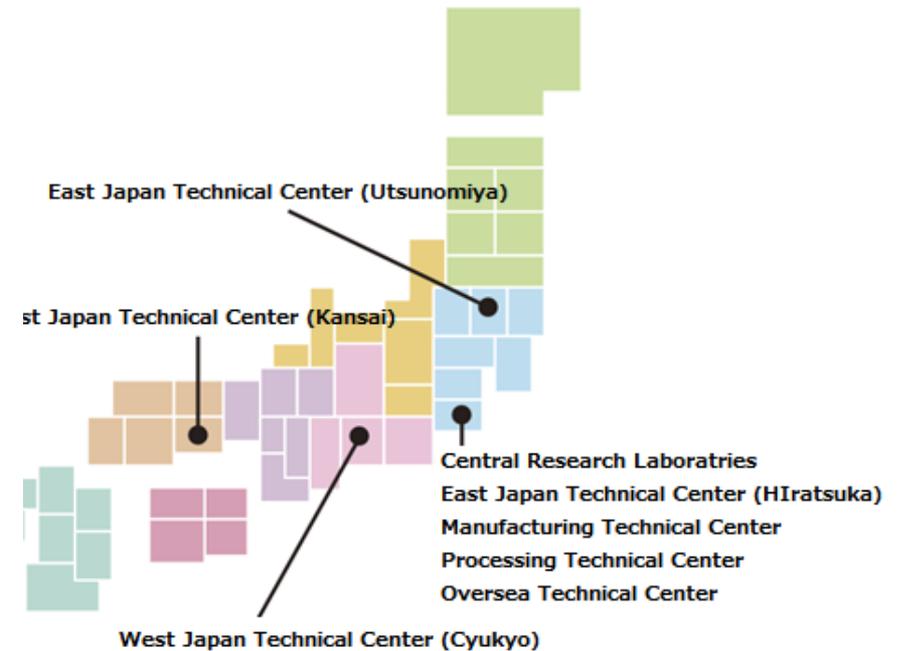
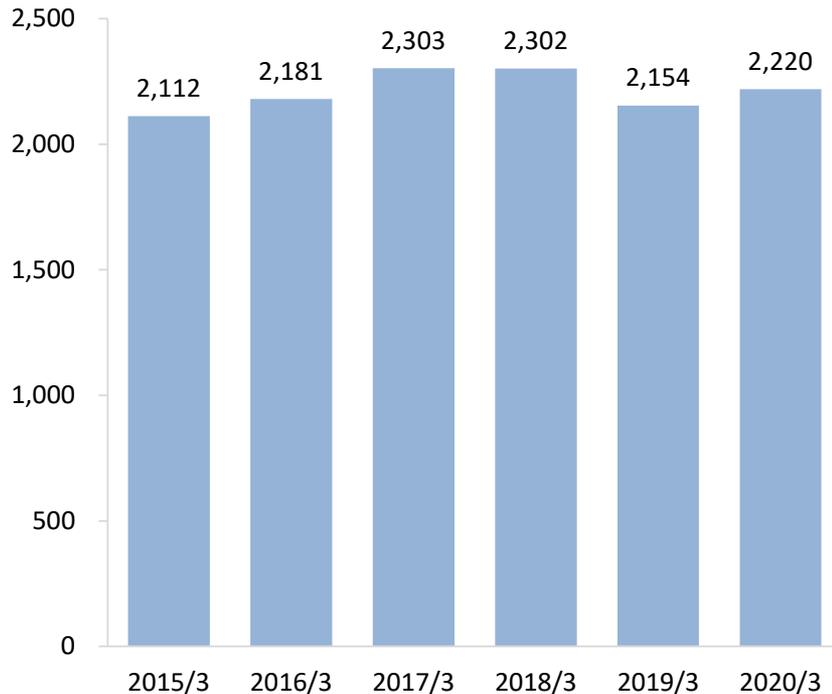


- In the jobbing segment, we implemented a capital investment for the enhancement of heat treatment and rust prevention processing equipment.

Japan 2,429 million yen, US 1,070 million yen, China 1,925 million yen.

# R&D (1/2)

(Unit: million yen)



- More than 130 professionals work at the central research laboratories.
- In addition to improvements to the corrosion prevention and tribological characteristics, we have also been engaged in the development of technology for adding a variety of properties to surfaces including insulation, conductivity, hydrophilicity, water repellence, heat dissipation, and thermal insulation properties, among others.

# R&D (2/2)

- Conducting 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

- Enhancing 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)

	2019/3	2020/3	Change
Current assets	111,687	111,034	▲653
Fixed assets	107,130	105,739	▲1,391
Tangible and Intangible assets	63,284	64,966	+1,681
Investments and other assets	43,846	40,773	▲3,073
Total assets	218,818	216,773	▲2,044
Current liabilities	37,226	31,384	▲5,842
Fixed liabilities	14,832	14,441	▲390
Total liabilities	52,059	45,826	▲6,232
Total net assets	166,759	170,947	+4,188
Shareholders' equity	131,253	136,183	+4,929
Accumulated other comprehensive profit	9,203	7,051	▲2,152
Non-controlling interests	26,302	27,713	+1,411
Total liabilities and net assets	218,818	216,773	▲2,044
Shareholders' equity ratio	64.2%	66.1%	

## Main factor of change

Acquisition	+8,974
Depreciation	▲6,516
Securities	▲3,367
Accounts payables	▲4,083
Cash dividends paid	▲2,649
Current profit	+9,449
Valuation difference on available-for-sale securities	▲2,174
translation adjustment	▲17

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

➤ Shareholders' equity ratio is stable.

# Consolidated cash flow

(Unit: million yen)

	2019/3	2020/3
Net cash provided by operating activities	+17,292	+17,514
Profit before income taxes	+19,492	+15,560
Depreciation and amortization	+5,992	+6,516
Others	▲8,192	▲4,561
Net cash used in investing activities	▲10,299	▲8,732
Purchase of property, plant and equipment	▲8,823	▲9,171
Others	▲1,476	438
Net cash used in financing activities	▲5,663	▲6,109
Cash dividends paid	▲2,966	▲2,704
Others	▲2,697	▲3,405
Effect of exchange rate change on cash and cash equivalents	▲753	+109
Net increase (decrease) in cash and cash equivalents	+576	+2,781
Cash and cash equivalents at beginning of the fiscal year	53,149	53,726
Cash and cash equivalents at end of the fiscal year	53,726	56,507

- Free cash flow (“Operating cash flow”-“Cash flow from investing activities”) is positive.

# Forecast for FY2021 ended March 31, 2021

(Unit: million yen)

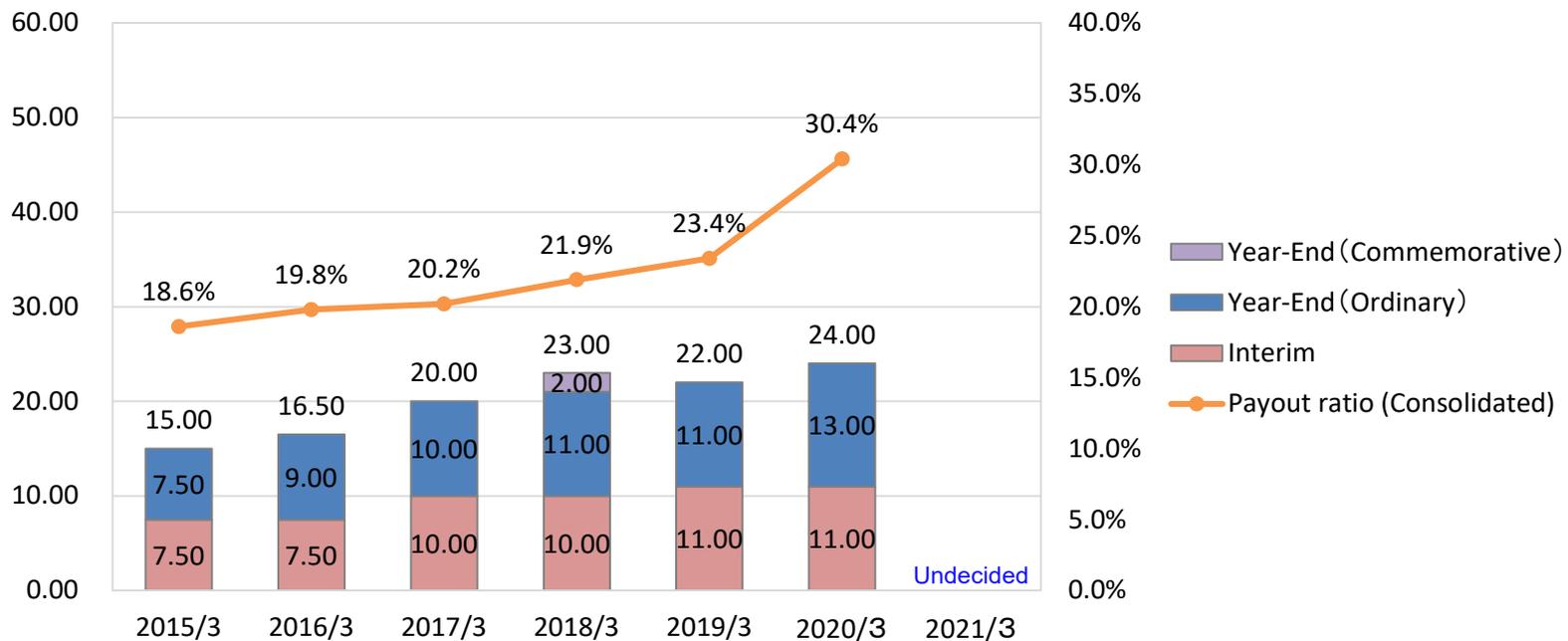
	2020/3 Actual	2021/3 Forecast	Change	% Change
Net Sales	119,028	-	-	-
Operating income	12,601	-	-	-
Ordinary income	15,723	-	-	-
Net income attributable to parent company shareholders	9,449	-	-	-
The average exchange rate (USD)	109.05 yen	-		

- At this time, it is difficult to estimate the impact of spread infection of COVID-19, so we can not estimate the forecast. We will promptly disclose the forecast when it becomes possible.

# Dividend policy and shareholder return

## ■ Dividend policy

- Based on a target payout ratio of 25% 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.
- Although sales and profits decreased in FY2020 compared to the previous year, we will increase the dividend to increase returns to our shareholders.



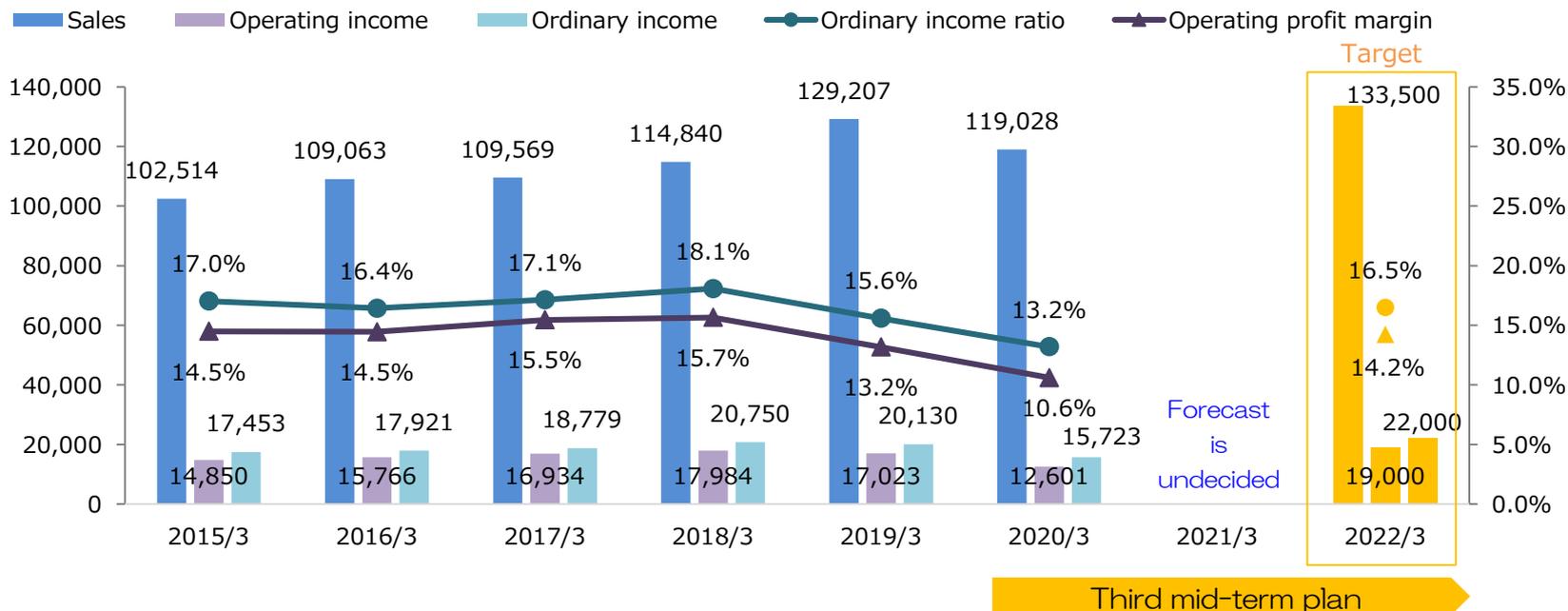
(Note) Dividend for FY2021 ending March 2021 is not decided at this time, it is not be described.

# Progress of third mid-term management plan

(Unit: million yen)

	2019/3	2022/3	Difference
	Actual	Target	
Sales	119,028	133,500	▲ 14,472
Chemicals	44,854	50,000	▲ 5,146
Equipment	24,497	26,000	▲ 1,503
Jobbing	45,199	51,500	▲ 6,301
Others	4,477	6,000	▲ 1,523
Operating income	12,601	19,000	▲ 6,399
Ordinary income	15,723	22,000	▲ 6,277

- Sales and profits decreased in all segments in FY2020.
- Due to the expansion of COVID-19, Prolonged recession will be expected.
- FY2021 forecast is undecided.
- We will continue to implement key measures.
  - ✓ Enhancing the profitability of existing businesses
  - ✓ Developing of new products and new markets



# Measures against COVID-19

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- We are implementing following measure;
  - ✓ Established general headquarters for planning measures against COVID-19 to ensure the safety of employees and their families and continue the business of our group.
  - ✓ Developing IT infrastructure to promote telecommuting and online meetings.
  - ✓ Use of satellite offices, staggered working hours and flexible working hours.
  - ✓ Temporarily suspended the operation of the factory.
  - ✓ Assuming a prolonged recession, strongly promote cash out control and cost reduction.
  - ✓ Looking ahead to the future after the pandemic of COVID-19, we are continuing to implement key measures of third mid-term management plan including "Strengthening the profitability of existing businesses" and "Developing of new products and development of new markets".

# Enhancing the profitability of existing businesses

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- Strengthen group governance
- Human resource development
- Rationalization and reorganization  
to enhance the profitability of existing businesses
- Strengthening of R&D system
- Reconstruction of manufacturing system
- Organizational reform
- Building group common infrastructure
- Strengthening group collaboration further
- Change corporate culture and the way of thinking

# Development of new products and new markets

## Healthcare and Medical field



CH  
DORI



Start selling antibacterial spray and electric scalpel

## IoT and Robots



**分析** Analyze **補給** Replenish **記録** Record  
3役をこのケミコン1台で!

表面処理薬液自動分析管理装置  
**パーカーケミカルコントローラー**  
[PARKER CHEMICAL CONTROLLER]

- ボタン一つで誰でも自動測定可能
- より手分析に近づけた測定方法を実現
- 分析値連動補給方式により薬液温度自動補正
- 分析データ蓄積による正確な品質管理
- 自動車・鉄鋼・家電メーカーでの幅広い実績

A photograph of the Parker Chemical Controller machine, a blue and white industrial device used for chemical analysis and management.

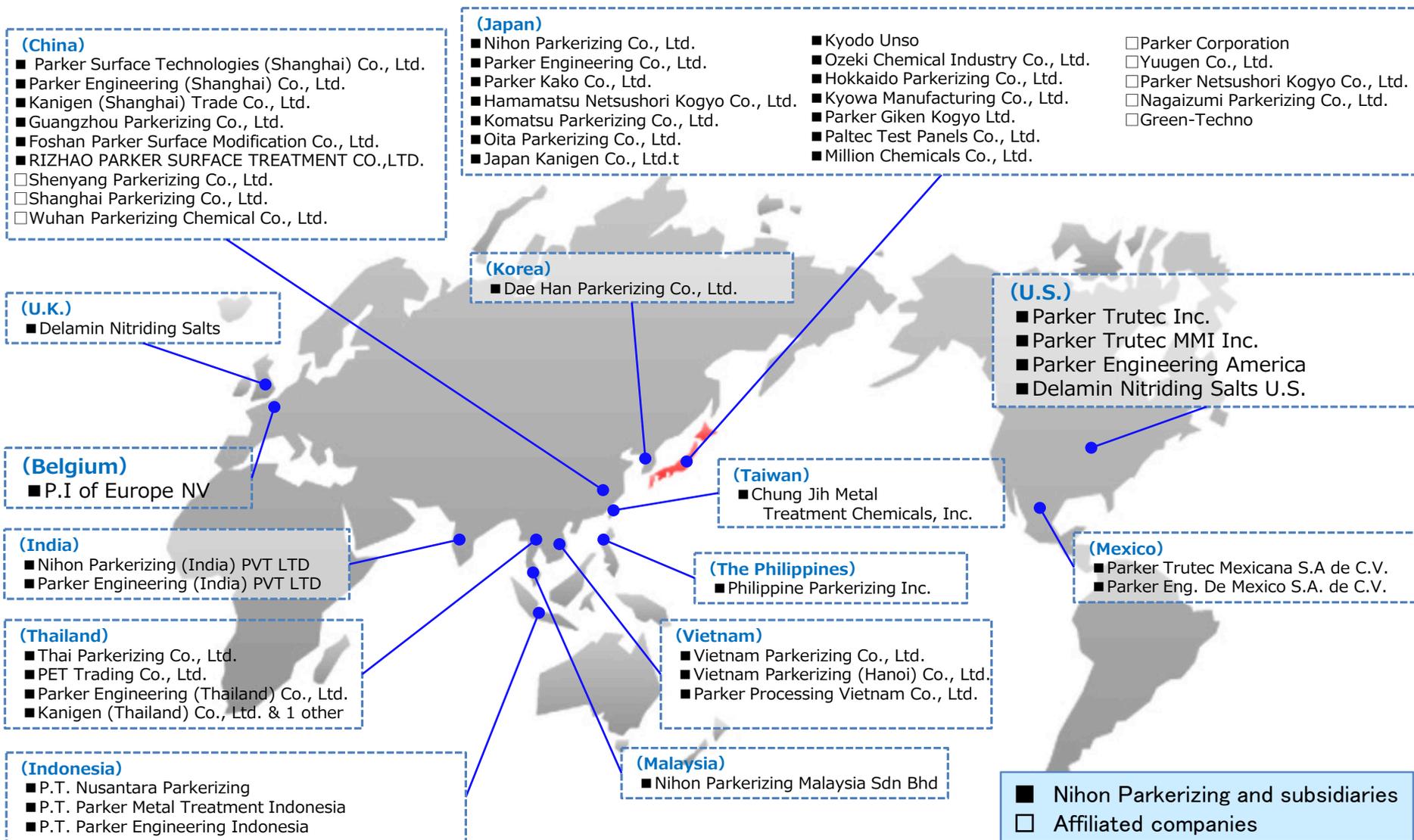
Providing new products using new technologies such as IoT, robots and others.

# ■ Consolidated financial highlights

(Unit: million yen)

	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
Net Sales	102,514	109,063	109,569	114,840	129,207	119,028
Operating income	14,850	15,766	16,934	17,984	17,023	12,601
Ordinary income	17,453	17,921	18,779	20,750	20,130	15,723
Net income attributable to parent company shareholders	9,975	10,320	12,228	12,721	11,424	9,449
Operating profit margin	14.5%	14.5%	15.5%	15.7%	13.2%	10.6%
Sales ordinary income ratio	17.0%	16.4%	17.1%	18.1%	15.6%	13.2%
Ratio of ordinary income to total assets	9.9%	9.5%	9.7%	10.0%	9.2%	7.2%
Return on equity (ROE)	9.4%	8.9%	10.2%	9.7%	8.2%	6.7%
Shareholders' equity ratio	61.1%	61.5%	62.5%	62.9%	64.2%	66.1%

# ■ Main subsidiaries and affiliated companies (As of 31st March 2020)



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.