



Interim Business Report

for the 130th Term 2014.4.1 – 2014.9.30



NIHON PARKERIZING CO., LTD.

To Our Shareholders

First of all, thank you very much for your continued patronage and support. It is our pleasure to present our report for the 130th interim period, covering the period from 1st April 2014 to 30th September, 2014.

During this period in the global economy, while there was improvement due to an upturn in private-sector demand in the U.S., the European economies were weak due to the prevalence of a high degree of uncertainty. There was a degree of recovery in Asia however it wasn't a significant improvement. In Japan, while economic growth has been sustained, it has not matched the high expectations of the government and the outlook remains severe.

The business environment for metal surface modification faced by our Parker Group is one in which, while the yen depreciation became established, our key customers in the automotive industry including parts manufacturers stepped up their shift of production overseas and in the steel industry also, excess supply led to falling prices and a severe business environment continues.

In the midst of such an environment, our Parker Group actively sought to supply high value added technology that would satisfy our customers' requirements for high quality and low cost. In addition, as domestic demand is flat, we have been strengthening our manufacturing equipment principally in North America and Asia in order to capture overseas demand. Furthermore, in order to ensure our position as market leader into the future, we have been focusing on the creation of innovative technology and research and development activities.

As a result, our business achievements for this period were as follows.

Net sales were 47,946 million yen (up 3.4% on the corresponding period for the previous year) and operating income was 7,375 million yen (up 2.2% ditto). Ordinary income was 8,412 million yen (up 0.4% ditto) and interim net profit was 4,891 million yen (up 1.6% ditto).

The overview by each business segment is as follows.

(Chemicals Business)

Net sales were 21,646 million yen (up 6.8% on the corresponding period for the previous year) and operating income was 5,896 million yen (up 6.6% ditto). Raw materials prices remained high however progress was made in the shift to high value added products and demand for metal surface treatment chemicals has been steady in the automotive and steel industries. Furthermore, there was an increase in revenue in China, Korea and India leading to an overall increase in revenue and profit.

(Equipment Business)

Net sales were 7,462 million yen (down 2.1% on the corresponding period for the previous year)

and operating income was 321 million yen (down 37.0% ditto). In this interim period, while there were orders for pre-treatment equipment the automotive and machinery industries, profitability fell and the business environment was tough, and both revenue and profit were down.

(Jobbing Business)

Net sales were 17,602 million yen (up 6.0% on the corresponding period for the previous year) and operating income was 3,312 million yen (up 8.0% ditto). Overseas, in Thailand, one of the key markets, automotive production fell resulting in a decrease in revenue and profit, and in Indonesia rising labor costs led to weakness in profits. In North America and China results were relatively favorable. In Japan, results were favorable due to recovery in demand for jobbing of automotive parts, resulting in increased revenue and profit.

(Other Business)

Net sales were 1,234 million yen (down 33.7% on the corresponding period for the previous year) and operating income was 96 million yen (down 67.4% ditto). The transport business was steady however the building maintenance business suffered a fall in revenue and profit and our consolidated subsidiary which manages the real estate lease business became an equity method affiliated company, and these and other factors resulted in a decrease in revenue and profit.

Regarding the interim dividend for this period, a resolution was passed by the Board of Directors on 7th November to pay a dividend of fifteen yen per share to be paid on the 10th of December, 2014.

Regarding the outlook for the second half of the financial year, while the domestic economy is showing signs of a slow recovery, there is concern that the effect of the tapering down of quantitative easing in the U.S., the deceleration of the Chinese economy and the future prospects for newly emerging economies may cause an economic downturn. In addition, the high prices for imported raw materials and fuel resulting from the yen depreciation are also a factor in decreasing profitability in domestic firms and it is anticipated that the business environment will remain uncertain for the time being.

Against such an economic backdrop, the Parker Group, under its motto of “back to the basics”, will pursue the development of surface modification technologies which cannot be beaten in terms of innovation and originality as well as actively promoting equipment investment overseas, strengthening the structure of our organization and increasing profits.

We look forward to the unerring support of our shareholders.

President & C.O.O.
Kazuichi SATOMI

Consolidated Balance Sheet

	September 30	March 31
	2014	2014
	(JPY Million)	
Assets		
Current assets	90,154	86,015
Cash and deposits	38,904	38,005
Notes and accounts receivable-trade	31,255	30,167
Short-term investment securities	3,849	3,649
Inventories	11,364	10,238
Deferred tax assets	1,450	1,456
Other	3,490	2,635
Allowance for doubtful accounts	△159	△137
Fixed assets	81,235	79,899
Tangible assets	44,431	42,772
Buildings and fixtures, net	13,654	13,747
Machinery, equipment and vehicles, net	10,428	10,141
Land	14,835	15,375
Construction in progress	4,015	2,450
Other, net	1,498	1,057
Intangible assets	1,567	2,697
Goodwill	543	689
Other	1,024	2,008
Investments and other assets	35,235	34,428
Investment in securities	25,114	23,916
Long-term loans receivable	250	118
Deferred tax assets	1,282	1,365
Other	8,713	9,159
Allowance for doubtful accounts	△125	△131
Total assets	171,390	165,914

	September 30	March 31
	2014	2014
Liabilities		
Current liabilities	34,233	32,412
Notes and accounts payable-trade	15,652	14,538
Short-term loans payable	36	1,680
Current portion of long-term loans payable	255	360
Corporate income taxes payable	2,149	2,759
Provision for bonuses	2,357	2,396
Other	13,811	10,676
Fixed liabilities	15,590	15,829
Long-term loans payable	788	2,108
Net defined benefit liability	11,217	10,313
Provision for directors' retirement benefits	869	856
Deferred tax liabilities	1,776	1,424
Other	937	1,127
Total liabilities	49,824	48,241
Net assets		
Shareholders' equity	94,666	91,396
Paid-in capital	4,560	4,560
Capital surplus	3,913	3,913
Retained earnings	89,810	86,546
Treasury stock	△3,617	△3,623
Accumulated other comprehensive profit	7,553	7,247
Valuation difference on available-for-sale securities	7,491	6,203
Deferred gains or losses on hedges	3	3
Foreign currency translation adjustment	185	1,176
Remeasurements of defined benefit plans	△127	△135
Minority interests	19,345	19,028
Total net assets	121,565	117,672
Total liabilities and net assets	171,390	165,914

Consolidated Statements of income

Six months ended September 30

	2014	2013
	(JPY Million)	
Net sales	47,946	46,360
Cost of sales	29,562	28,707
Gross profit	18,383	17,653
Selling, general and administrative expenses	11,007	10,437
Operating income	7,375	7,215
Non-operating profit	1,213	1,322
Interest income	106	85
Dividends income	251	207
Rent income	169	164
Technical support fee	167	165
Foreign exchange gains	-	217
Equity in earnings of affiliates	336	322
Other	182	157
Non-operating expenses	175	154
Interest expenses	7	32
Foreign exchange losses	38	-
Other	129	122
Ordinary income	8,412	8,383
Extraordinary income	10	540
Extraordinary loss	130	18
Income before income taxes and minority interests	8,293	8,904
Income taxes	2,605	2,811
Income before minority interests	5,687	6,092
Minority interests in income	796	1,279
Net profit for the period	4,891	4,813