



February 7, 2024

To whom it may concern

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Notice of Acquisition of 100% Ownership of Parker Processing Co., Ltd. Through Simplified Share Exchange

Nihon Parkerizing Co., Ltd. (hereinafter the "Company") hereby announces that at the Board of Directors meeting held on February 7, 2024, it resolved to implement a share exchange whereby the Company will become the wholly-owning parent company in a share exchange (the "Share Exchange") and Parker Processing Co., Ltd. ("Parker Processing") will become the wholly-owned subsidiary in a share exchange, and a share exchange agreement (the "Share Exchange Agreement") has been executed between the two companies.

The Share Exchange employs the simplified share exchange procedure to make a consolidated subsidiary a wholly-owned subsidiary. Some disclosure items and details are omitted.

1. Purpose of the Share Exchange

To realize "Vision 2030" (announced on May 28, 2021), which aims for sustainable growth in the future, the Company Group has positioned the strengthening of the management foundation of the entire Group as an essential measure.

Although the Company Group's performance is currently on a recovery trend, the business environment remains uncertain, with the rapid acceleration of the shift to EVs on a global scale, automobile production adjustments due to semiconductor shortages, supply chain disruptions caused by the situation in Ukraine, soaring crude oil and raw material prices, and the weak yen. The Company Group believes that making more strategic and flexible management decisions will be required to respond to such changes in the environment.

Based on this recognition, we have concluded that it is essential to strengthen the governance function of our group, reinforce the management base, and conduct flexible business operations to develop into a corporate group that can provide higher added value. The Company has decided to make Parker Processing a wholly owned subsidiary with a view to future restructuring of the processing business in the Group. By making Parker Processing a wholly owned subsidiary, we intend to improve the corporate value of our group as a whole by evolving integrated and organic group management while making speedier decisions.

2. Overview of the Share Exchange

(1) Schedule for the Share Exchange

Date of the Board of Directors' resolution for execution (both companies)	February 7, 2024
Execution date of the Share Exchange Agreement	February 7, 2024
Date of the Ordinary General Meeting of Shareholders for approving the Share Exchange (Parker Processing)	June 27, 2024 (scheduled)
Scheduled date of the Share Exchange (effective date)	July 1, 2024 (scheduled)

Note: The Share Exchange corresponds to a simplified share exchange that does not require the approval of the Company's General Meeting of Shareholders pursuant to the provisions of Article 796, Paragraph 2 of the Companies Act.

(2) Method of the Share Exchange

The Share Exchange will make the Company the wholly-owning parent company and Parker Processing the wholly-owned subsidiary. The Share Exchange is scheduled to take place effective as of July 1, 2024, for the Company, which becomes a wholly-owning parent company, without obtaining the approval of its General Meeting of Shareholders, following the simplified share exchange procedure pursuant to the provisions of Article 796, Paragraph 2 of the Companies Act, and for Parker Processing, which becomes a wholly-owned subsidiary, upon obtaining approval for the Share Exchange Agreement at its Ordinary General Meeting of Shareholders scheduled to be held on June 27, 2024.

(3) Details of Allotment in the Share Exchange

Upon the Share Exchange, the Company will allot to the shareholders of Parker Processing as of the time immediately prior to the time when the Company acquires all of the issued shares of Parker Processing (excluding 7,480,075 shares of Parker Processing common stock held by the Company and 427,001 shares held by Parker Processing) through the Share Exchange (the "Base Time"), in exchange for the shares of Parker processing common stock, the number of shares of common stock of the Company obtained by multiplying the number of shares of Parker processing common stock held by such shareholders by the share exchange ratio calculated based on the following formula. The method of calculating the share exchange ratio using this method is referred to as the "variable share exchange ratio method". The Company plans to allocate common shares held by itself as the common shares of the Company to be delivered upon the Share Exchange and does not plan to issue any new shares.

Share Exchange Ratio = 2,681 yen*/Average Trading Price of the Company's common stock

*The valuation per share of common stock of Parker Processing was calculated using the method described in 3. (3) below.

In the above formula, the "Average Price of the Company's common stock" means the average closing price per share of our common stock on the Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange") Prime Market for each of the 15 trading days (excluding days on which no trading was conducted) from June 1, 2024 (inclusive) to June 21, 2024 (inclusive). However, it will be calculated to the first decimal place and rounded off to the first decimal place. The share exchange ratio will also be rounded to the second decimal place. In the event that the share exchange ratio is determined, we will announce it promptly.

Note: Treatment of shares constituting less than one unit

In case the Share Exchange will result in new shareholders who will hold shares of the Company constituting less than one unit (i.e., 100 shares), such shareholders of Parker Processing will be entitled to sell concerning shares to the Company. The Company will repurchase in cash shares of the Company's stock equivalent to the total of such fractions (any fraction of less than one unit in such aggregate shall be rounded down), pursuant to the provisions of Article 234 of the Companies Act and other relevant laws and regulations.

- (4) Treatment of Subscription Rights to Shares and Bonds with Subscription Rights to Shares in the Share Exchange
Not Applicable.

3. Grounds for the Details of Allotment in the Share Exchange

(1) Grounds and Reasons for Variable Share Exchange Ratio Method

Typically, the share exchange ratio and the number of shares of the wholly owning parent company to be delivered to the shareholders of the wholly owned subsidiary in a share exchange are determined at the time the share exchange agreement is executed (the "execution time"). Therefore, at the time of execution, the value of the shares of the wholly-owning parent company to be held by the shareholders of the wholly-owned subsidiary on the effective date is not fixed and will fluctuate depending on the share price movements of the shares of the wholly-owning parent company between the time of announcement and the effective date. Under the variable share exchange ratio method adopted by the Company, only the value of the shares of the wholly owned subsidiary in the share exchange will be determined at the time of execution of the agreement. The number of shares of the wholly owning parent company to be delivered in exchange for each share of the wholly owned subsidiary in the share exchange will be determined based on the average share price of the wholly owning parent company shares during a specific period near the effective date of the share exchange. Therefore, compared to an ordinary share exchange, the value of the shares of the wholly owning parent company to be held by the shareholders of the wholly owned subsidiary in the share exchange on the effective date is expected to approximate the value of the shares of the wholly owned subsidiary in the share exchange, because the period during which the value of the shares of the wholly owning parent company will fluctuate depending on the trend of the share price until the effective date is shorter. After careful consideration, we have determined that it is appropriate to approximate the value of the shares of the wholly owning parent company that will ultimately be owned by the shareholders of the wholly owned subsidiary in the share exchange to the value of Parker Processing's shares as of the effective date as described in (2) below and have decided to adopt a variable share exchange ratio. The average closing price over a certain period immediately prior to the effective date will be used, with a necessary administrative response period prior to the effective date.

(2) Matters Relating to Calculations

To ensure the fairness and validity of the Share Exchange Ratio in the Share Exchange, the Company appointed Yamada Consulting Group Co., Ltd. ("Yamada Consulting"). This third-party valuation institution is independent of both the Company and Parker Processing and obtained valuation reports on the share values of Parker Processing.

Yamada Consulting used the market price method for the value of the Company's shares as a listed company and the discounted cash flow method ("DCF Method") to calculate the stock value of Parker Processing, an unlisted company, to reflect its ability to earn earnings based on future business activities in its evaluation.

The results of calculating the per-share value of Parker Processing's shares, which Yamada Consulting calculated based on the DCF method, are as follows.

Method used	Calculation result (yen)
DCF Method	2,423 to 2,754

Note: The profit-loss forecast for Parker processing, which is the premise for the DCF method, does not anticipate a significant increase or decrease in profit in the future.

(3) Basis of Share Exchange Ratio Calculation

Considering the results of calculating the value of Parker Processing's shares and after serious consideration by both companies, we have determined the value to be 2,681 yen per share. On the other hand, with regard to the value of the Company's shares to be delivered as consideration, it would have been desirable to adopt the market share price immediately before the effective date of the Share Exchange since this is a variable share exchange ratio method. However, we have determined that it is appropriate to establish the required administrative response period before the effective date and use the average closing price of each trading day during a specific period immediately preceding such period.

4. Overview of the Parties to the Share Exchange

	Wholly-owning parent company	Wholly-owned subsidiary
(1) Trade name	Nihon Parkerizing Co., Ltd.	Parker Processing Co., Ltd..
(2) Head office location	15-1 Nihonbashi 1-chome, Chuo-ku, Tokyo, Japan	15-1 Nihonbashi 1-chome, Chuo-ku, Tokyo, Japan
(3) Name and title of representative	Kazuichi Satomi Chairman, President & Chief Executive Officer	Fumikazu Ozaki President and Representative Director
(4) Description of business	Chemicals, toll processing, process equipment, and other relevant businesses	Toll processing, including rust prevention, lubricating, designing, and other relevant treatments
(5) Capital	4,560 million yen	416 million yen
(6) Date of establishment	July 12, 1928	December 28, 1948
(7) Number of issued shares	Common Stock 132,604,524 shares	Common Stock 10,740,000 shares

(8) Fiscal year-end	March 31			March 31		
(9) Major shareholders and shareholding ratios	The Master Trust Bank of Japan, Ltd. (trust account) 10.87%			Nihon Parkerizing 72.53% Other Individuals* 27.47% *No individual name disclosed.		
	Northern Trust Co.(AVFC) Re Fidelity Funds 6.20%					
	Nippon Life Insurance Co. 5.92%					
	Meiji Yasuda Life Insurance Co 4.23%					
	The Chiba Bank Ltd. 4.02%					
(10) Business results for the past three years						
	Nihon Parkerizing Co., Ltd.			Parker Processing Co., Ltd.		
Fiscal year	FY ended March 2021	FY ended March 2022	FY ended March 2023	FY ended March 2021	FY ended March 2022	FY ended March 2023
Net assets (millions of yen)	176,667	187,673	196,392	17,549	18,723	19,942
Total assets (millions of yen)	220,210	228,982	236,534	21,001	22,114	23,610
Net assets per share (yen)	1,288.01	1,366.47	1,441.98	1,698.52	1,812.13	1,933.41
Net sales (millions of yen)	99,918	117,752	119,177	7,061	8,133	8,564
Operating profit (millions of yen)	10,681	13,370	12,668	1,663	2,090	2,116
Ordinary profit (millions of yen)	14,197	17,003	16,625	2,116	2,426	2,495
Profit attributable to owners of parent (millions of yen)	9,999	9,046	9,973	1,454	1,702	1,768
Profit per share (yen)	84.75	76.93	86.10	140.36	164.73	171.37

5. Status after the Share Exchange

Due to this share exchange, there will be no change in the Company's name, address, name and title of representative, business activities, capital stock, or fiscal year-end.

6. Future Prospects

The impact of the Share Exchange on the Company's consolidated business results is expected to be minor.

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