

## Message from the President

**We will enrich the Earth for future generations by supporting people's daily lives as a leader in surface modification. We will take on challenges boldly without fearing risks and continue transforming ourselves to realize our vision.**

Kazuichi Satomi  
Chairman, President & CEO



### As a leader in surface modification technologies

We started business in 1928 by purchasing the patent for a rust-proof chemical for steel and a corrosion-proofing method from Parker Rust-Proof Company in the US. For nearly 100 years since then, we have refined our surface modification technologies and maintained our position as a leading company in this field.

For example, we have been proactive in overseas operations, establishing a subsidiary in Taiwan in 1965. We now have business sites in 12 countries and regions where we manufacture and sell surface modification chemicals, process equipment, and toll processing.

Surface modification technologies help save resources and are environmentally friendly. For example, rust prevention technologies, which prevent rust as the synonym of metal corrosion, avoid deterioration in strength and wear of metals and improve their durability. The technologies therefore significantly extend the service life of goods. Surface modification technologies also help reduce weight by increasing the strength of materials. They are widely used for lowering processing loads and helping to improve the functions of various goods, such as shortening manufacturing processes and saving energy.

### Current business environment

The Nihon Parkerizing Group has been growing with two core industries: automotive and steel. However, the automotive industry is witnessing an accelerating shift to EVs as part of the move toward a carbon-free society. In the steel industry, an industry shakeout is in progress in Japan and other countries, while China and India are catching up at an accelerated rate. It also faces growing demand for environmentally friendly technologies, such as technologies for reducing hazardous chemicals.

The business environment has also grown more challenging in other industries. This concern mainly reflects fluctuations in demand caused by semiconductor shortages, supply chain disruptions, and soaring raw material and energy prices, primarily resulting from COVID-19 and the Russian invasion of Ukraine. In other words, significant changes never experienced before have occurred in the last few years. We can say that we have entered the era of VUCA\*, where the future is complicated to predict.

For the Nihon Parkerizing Group, which is highly dependent on the automotive and steel industries, a significant threat is the reduction in the number of automotive parts resulting from the acceleration of the shift to EVs. Amid these rapid changes in the business environment, we must keep meeting new demands by improving and taking action promptly from customers' perspectives.

As we enter an era of significant change, we believe the greatest risk is not taking any risk. We will view risks as chances and boldly advance business innovations, thus paving the way for further growth.

Because we are in an era of VUCA, we must develop a vision and keep changing ourselves to achieve it.

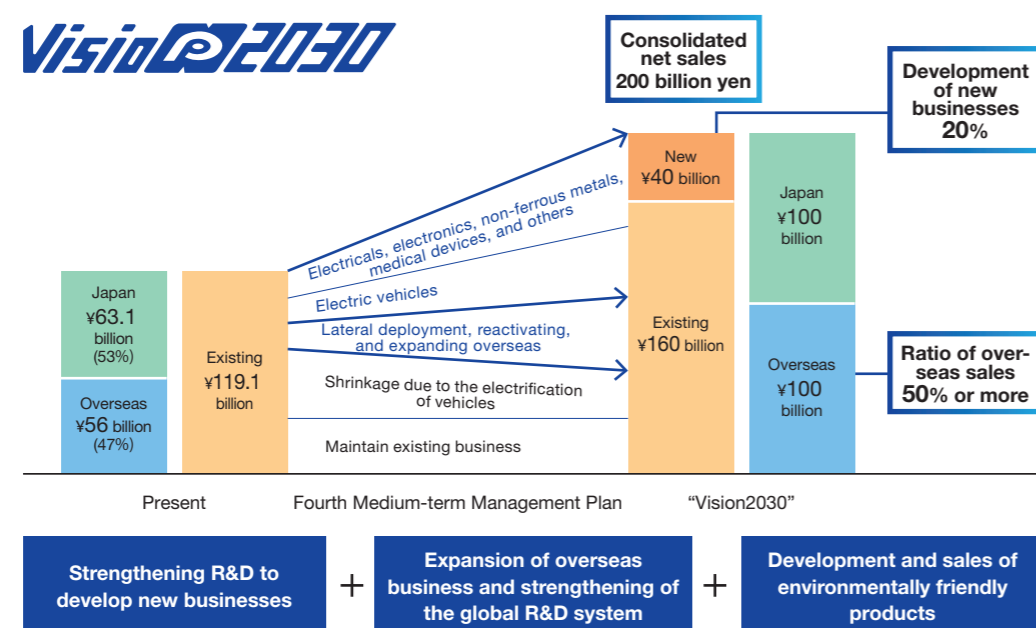
\*VUCA is an acronym for Volatility, Uncertainty, Complexity, and Ambiguity. It refers to unexpected difficulties that cannot be tackled with the common wisdom.

### “Vision2030” and the 4th Medium-term Management Plan

At the Nihon Parkerizing Group, we formulated “Vision2030” in 2021, describing what we wanted to be like in ten years. There, we set five fundamental strategies for developing new businesses, cultivating existing markets, accelerating global rollout, enhancing Group governance, and diversifying human resources, with sustainability-oriented management at the base.

As our FY2030 targets, we set consolidated net sales at 200 billion yen, operating income to net sales ratio at 15%, and ROE at 10% or higher. However, these targets are challenging to achieve only with existing businesses. We cannot reach them unless we develop an aggressive, bold corporate culture of taking on challenges in new business domains without forgetting the spirit of a technology-driven company and mobilizing all available resources of the Group.

The period of the 4th Medium-term Management Plan (launched in 2022), which we formulated to pave the way to the attainment of “Vision2030,” is positioned as the period for building the foundations for achieving “Vision2030.” The plan is premised on strengthening the research and development system, including strengthening R&D to develop new businesses and expanding overseas business and development and sales of environmentally friendly products.



Among these initiatives, our urgent tasks are the development and sales expansion of chemicals and processing technologies for promising fields, such as EVs, electricals/electronics, and medical devices. We have already begun constructing a new Central Research Laboratories facility, aiming to complete it in 2025. After its completion, this facility will be a world-leading R&D base for surface modification technologies. For overseas business, we have established technology hubs in Japan, Thailand, and China under the “Think Globally & Act Locally” policy. We aim for a global technological support system close to customers and for prompt development of technologies that match local demands. We will also strengthen the development of global human resources by increasing personnel exchanges in Japan and overseas and recruiting and training local staff.

### Acceleration of sustainability initiatives

We have recognized that sustainability initiatives are essential for enhancing corporate value and identifying and addressing critical social issues. In July 2023, we established a Sustainability Committee. We also checked the progress of carbon neutrality targets and the six key issues (materiality) that we have identified. We discussed future action policies, among other agendas, in an attempt to integrate business activities with sustainability-oriented management and drive them.

For “creating a richer society through surface modification technologies,” a particular focus for us, we will develop new environmentally friendly products and technologies and new businesses leveraging surface modification technologies, such as the medical business. As a leader in surface modification technologies, we will thus support people’s daily lives and enrich the global environment for future generations.

We believe the active participation of diverse human resources is essential for the sustainable growth of the Nihon Parkerizing Group and the creation of innovations. We will maximize the Group’s strength in terms of human resources by recruiting and developing a diverse workforce. To do this, we will create an environment permitting various human resources to work actively and to their full potential. At the same time, we will establish systems that enable flexible workstyles and improve our workplace environment so that employees find their jobs rewarding and can feel they are achieving personal development.

At the Nihon Parkerizing Group, we will strive to ensure highly transparent information disclosure so that our shareholders, investors, and other stakeholders will better understand our medium to long-term value creation.

