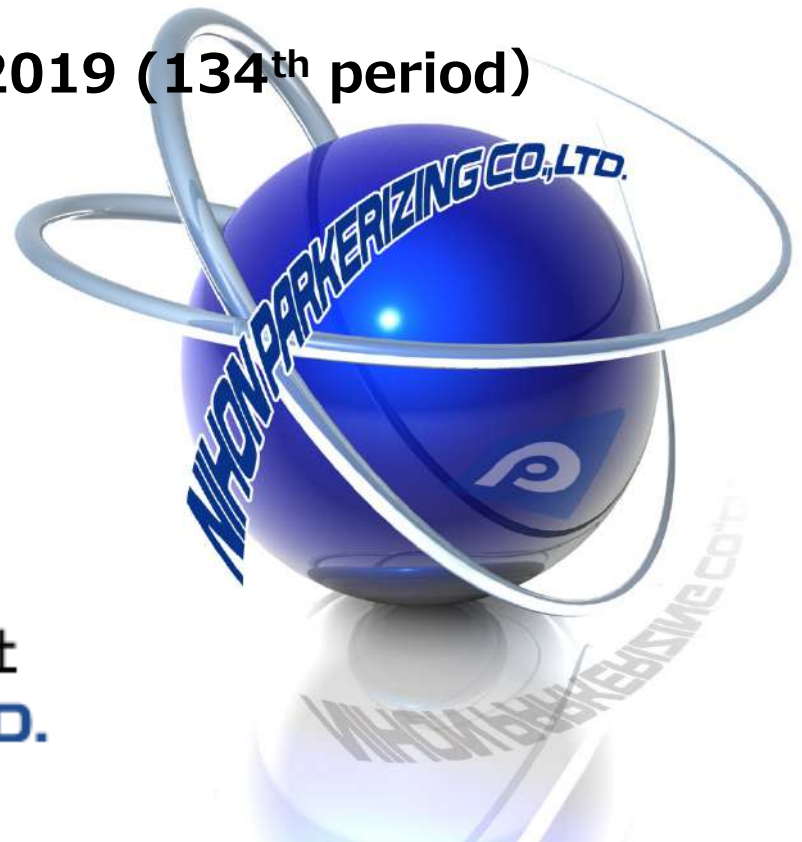


Second Consolidated Mid-term Management Plan

FY2017 (132nd period) to FY2019 (134th period)

June 6, 2016



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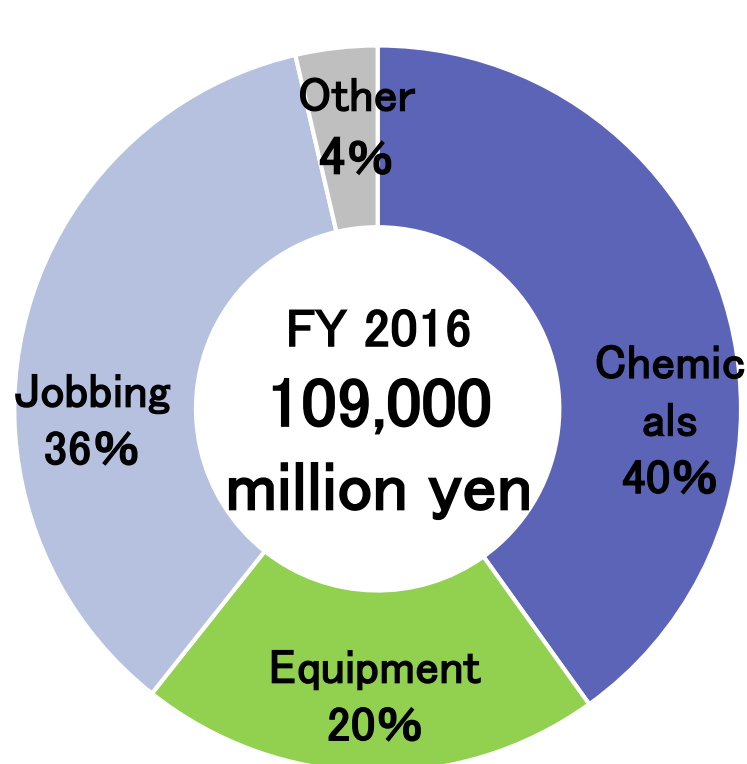
- 1 . Market perception and business direction**
- 2 . Fundamental Management Policy**
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【Fact Book】 List of Affiliated Companies

Business Achievements for Recent Years



Business Areas 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

Contributing Through Surface Modification Technology in a Wide Variety of Industries

Surface Modification Business

Chemicals
Development

Jobbing Services

Equipment
Manufacture

Aerospace

Chemicals

Construction
materials

Autos

Steel
furniture

Agricultural
machinery

Brewing

electronics

Batteries

Energy

Steel

Household
Electric
appliances

Metals

Beverage
cans

Glass

Self-
defense

Electrical
machinery

Non-steel

Rubber

machinery

railways

Tools

Food

construction

Chemicals Business: Supply of Diverse Range of Surface Treatment Chemicals

Auto



Steel



Beverage cans



Aircraft



Electronic parts



Realizing new added value with surface modification

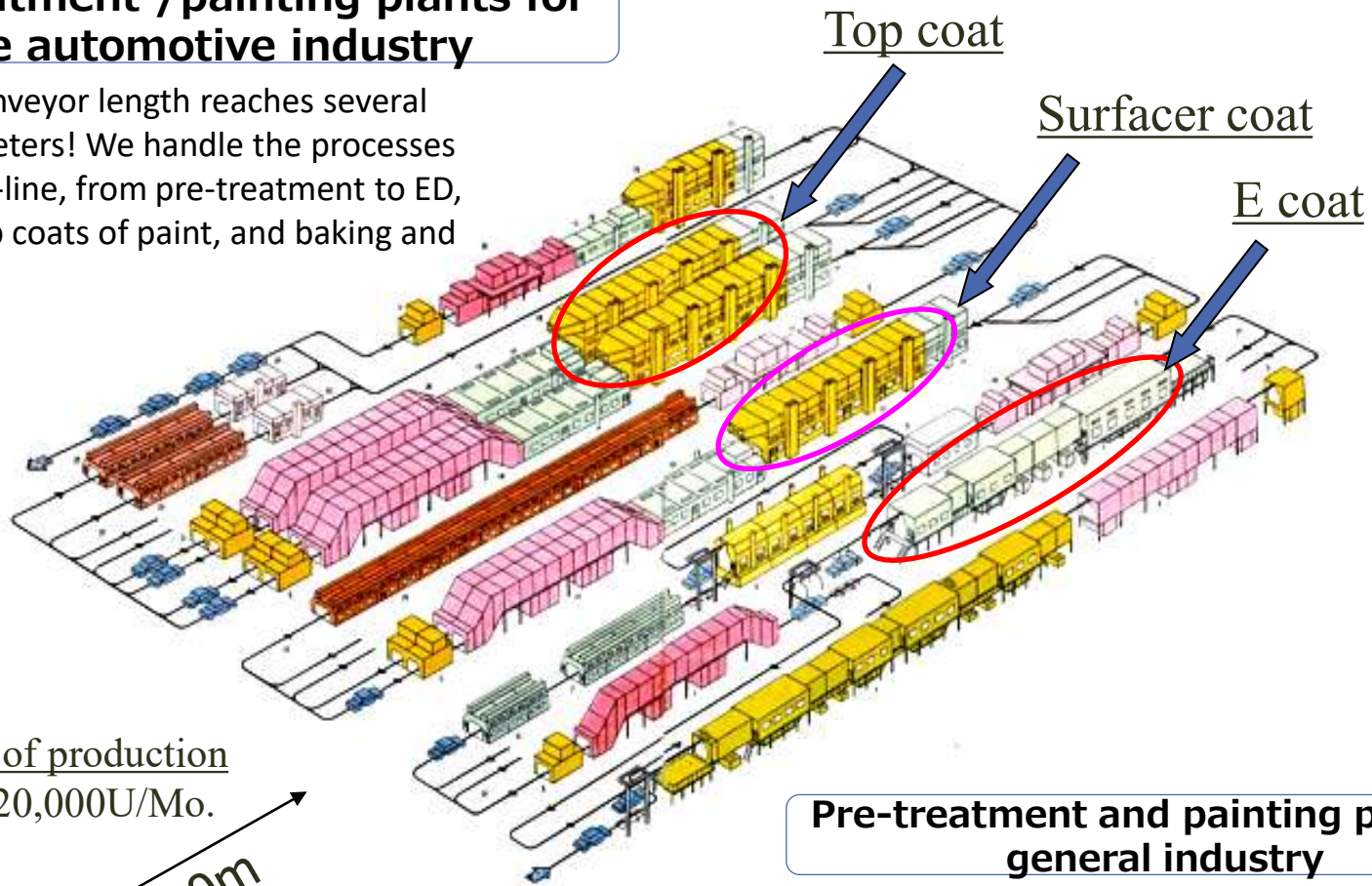
Equipment Business: Surface Treatment Plants

Pre-treatment /painting plants for the automotive industry

The total conveyor length reaches several thousand meters! We handle the processes over the full-line, from pre-treatment to ED, mid- and top coats of paint, and baking and drying.

Capacity of production
 $\doteq 20,000\text{U/Mo.}$

150m
200m



Pre-treatment and painting plant for general industry

We also handle a diverse range of products such as pre-treatment and ED coating of heavy construction materials, and integrated painting and drying booths for large products in aircraft.

Equipment Business: Waste Water Treatment, Powder Coating, Heat Exchangers



Waste water treatment equipment

Realizing optimal systems according to the components of the waste water, at low running cost.



Powder Coating Equipment

Using electrostatic force to deposit powder paint.



H e a t e x c h a n g e r s

Enabling efficient heating and cooling with less energy.

Jobbing Business: Conversion treatments, plating



Conversion treatments

R u s t p r o o f i n g



Lubricant treatment for plasticity forming

Solid lubricant treatment



Electroless nickel plating

Composite nickel plating

Jobbing Business: Heat Treatment

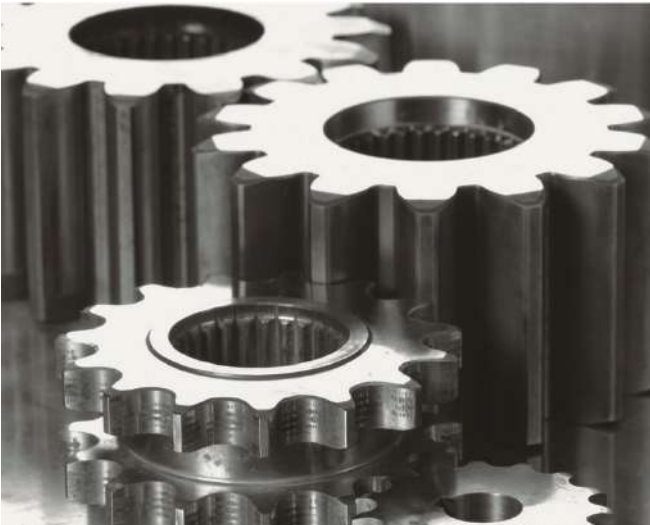


G a s c a r b u r i z i n g

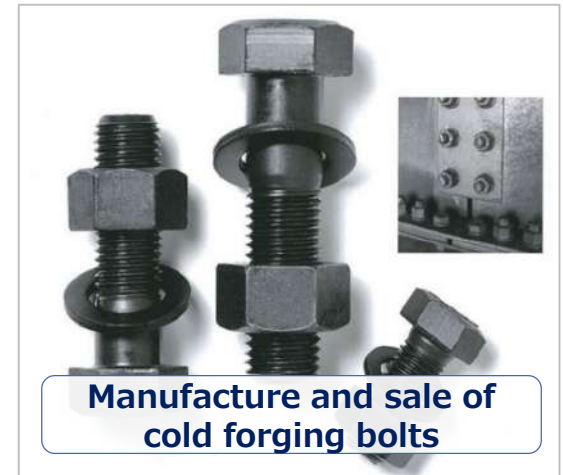
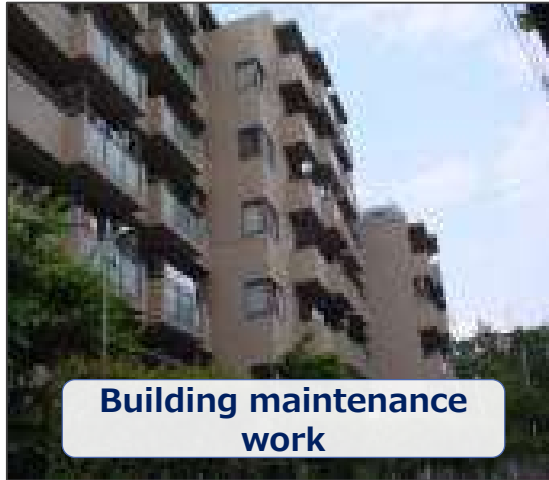
G a s s o f t n i t r i d i n g

ISONITE® (Salt bath soft nitriding)

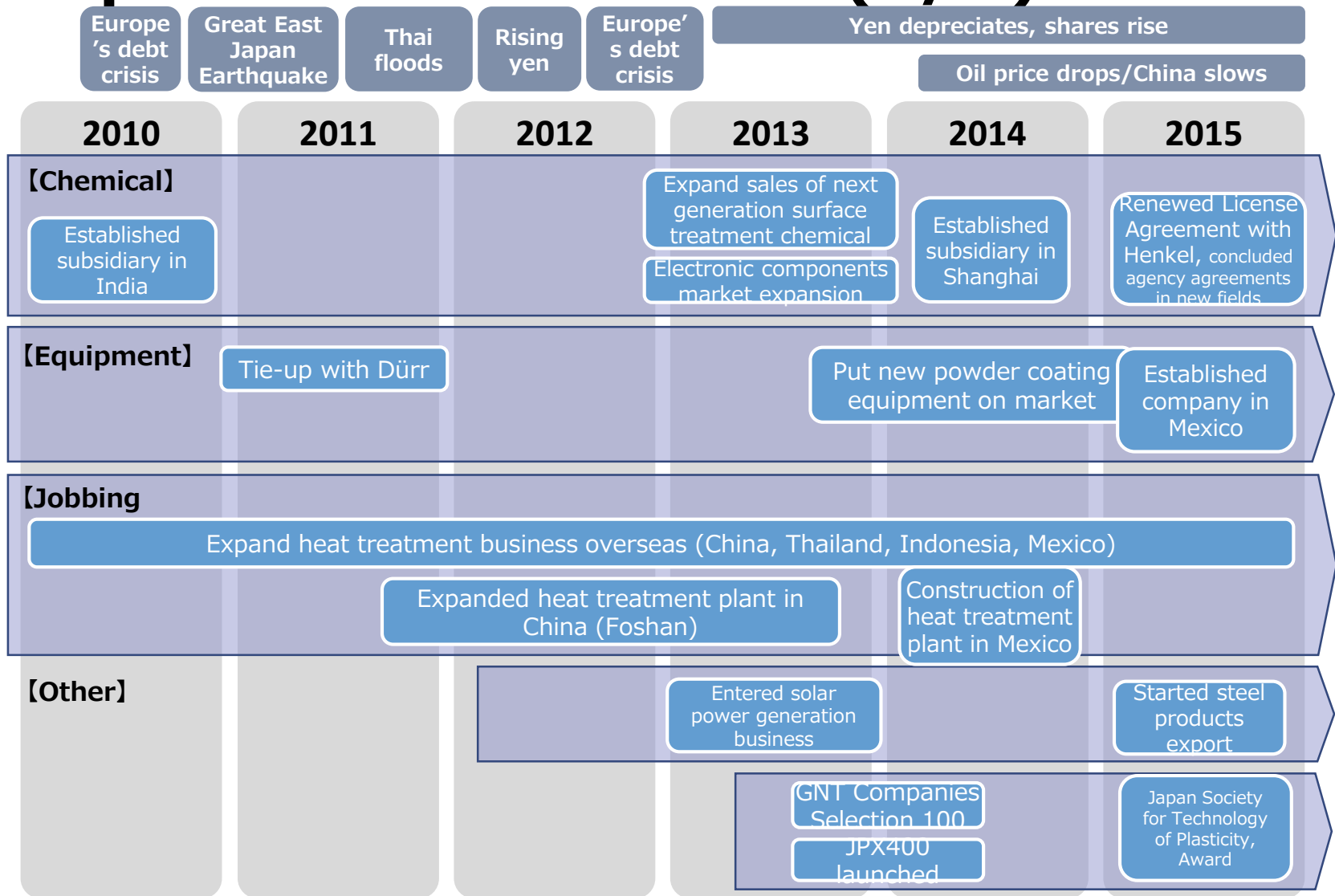
P V D / C V D c o a t i n g s



Other Business



Initiatives to Strengthen and Expand Business Base (1/2)



Initiatives to Strengthen and Expand Business Base (2/2)

Chemicals business

- Gaining new customers and providing new technology that matches customers' needs.
- Established a new subsidiary in China (Shanghai). New plant under construction.
- Renewed license with Henkel (Germany) in 2015, and concluded agency agreements in new fields.

Equipment business

- Since 2011, capital and business tie-up with Dürr (Germany), promoting advanced technologies particularly environment-related technologies.
- In the overseas market, received order for auto body painting covering full-line.
- Established a local company in Mexico (for equipment)
- Through developing applications for powder coating equipment, expanded sales of new model pumps and powder coating guns to the auto industry

Jobbing business

- Actively promoted equipment investment, particularly in China, North and Central America, and ASEAN countries.
- Expansion of the heat treatment plant in China (Foshan).
- Construction of a heat treatment plant in Mexico.

Other

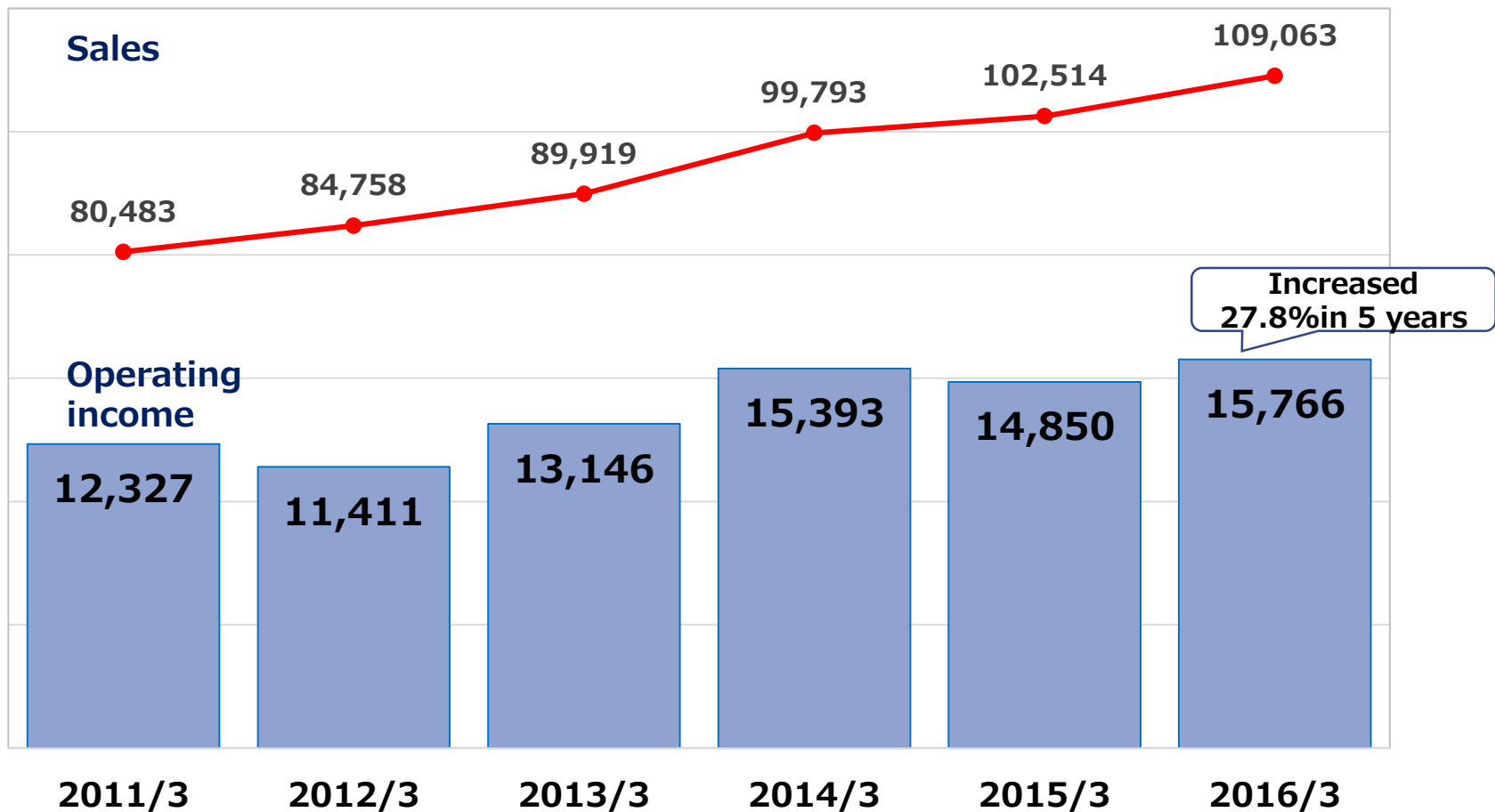
- In 2013, we started up solar power generation utilizing idle land.
- In 2015, we started exporting steel products.

Changes in Management Indicators- P/L

(Unit: million yen)

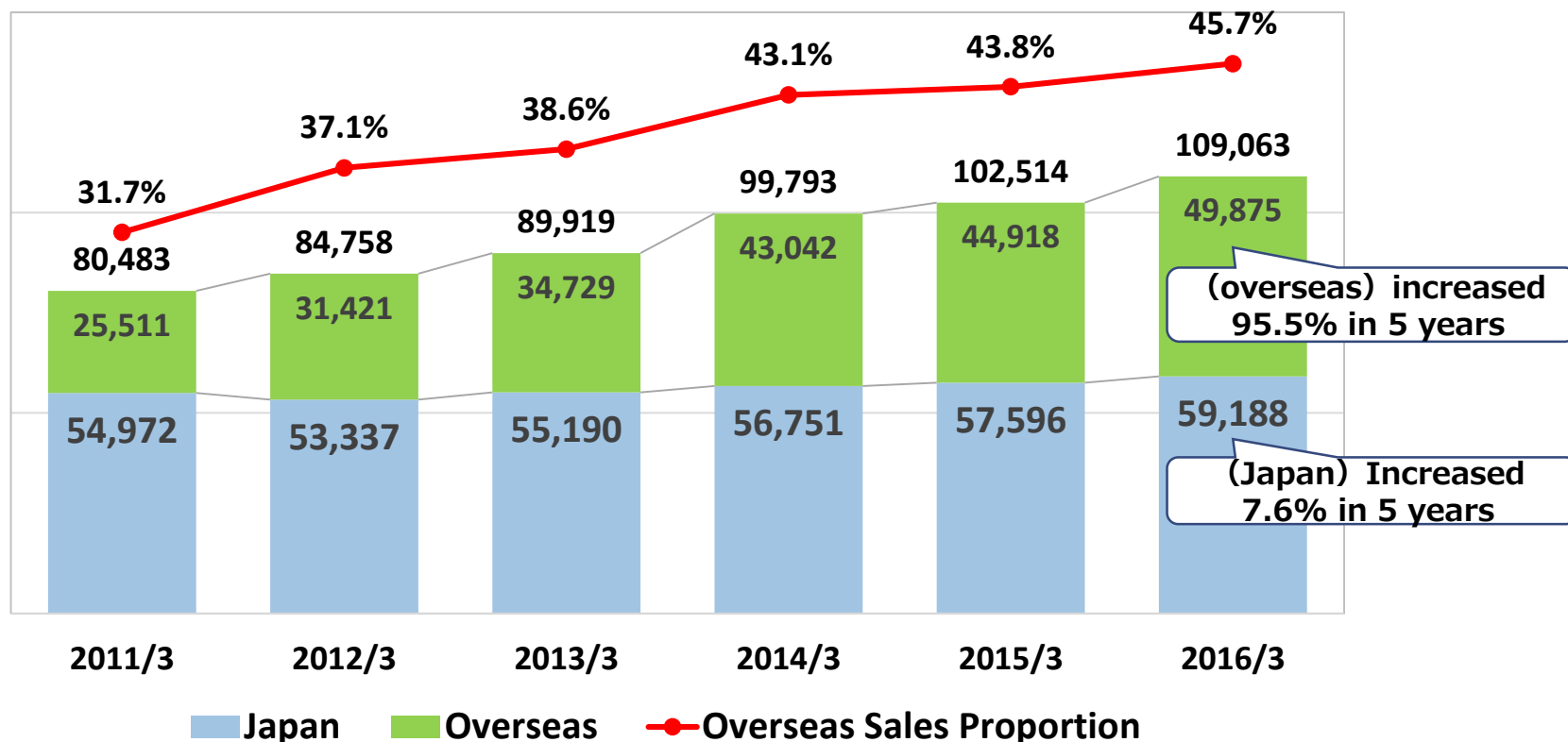
CAGR 6.3%

Increased
35.5% in 5 years



Changes in Management Indicators- Ratio of Overseas shares

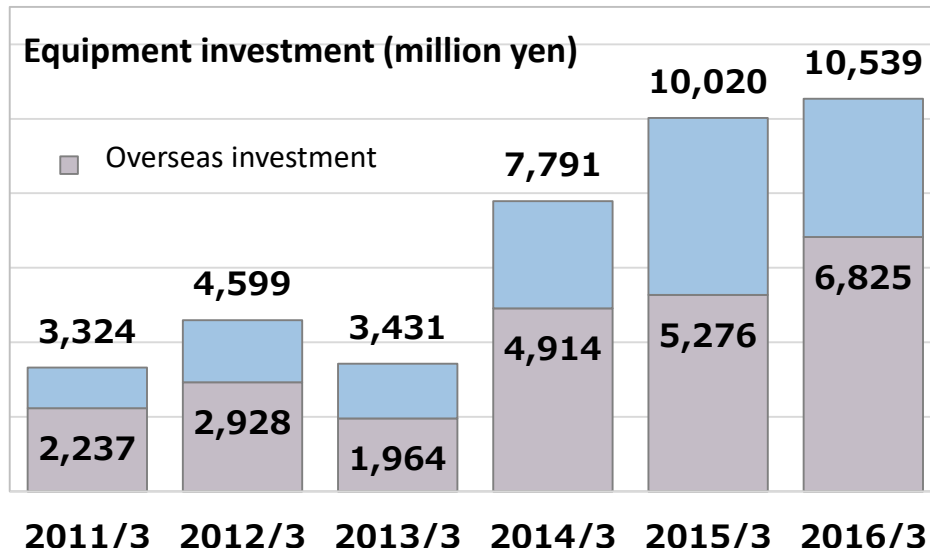
(Unit: million yen)



(Note) Sales are based on the location of customers.

The Parker Group was one of the first to establish businesses overseas, and the proportion of our overseas sales has risen with the expansion in demand overseas.

Changes in Management Indicators- Equipment Investment & Research and Development Costs



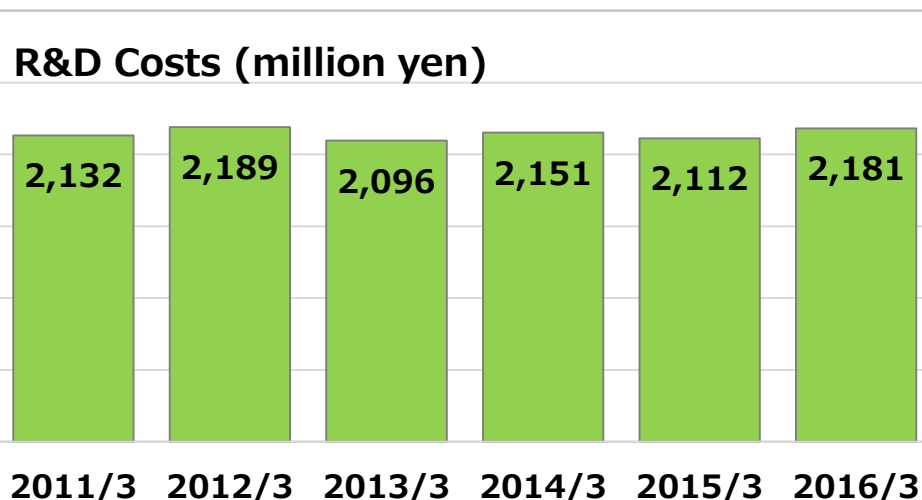
Bolstered manufacturing equipment in Mexico, China, Thailand and elsewhere to take advantage of robust overseas demand.



China
(Foshan)



Mexico



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 2000 million yen/year.



μ-XPS analysis equipment

Electron probe micro analyzer



Looking Back on the Last Three Years- Changes in Management Indicators

Unit: million yen

	Ref.	Last 3 years		
	2013/3	2014/3	2015/3	2016/3
N e t S a l e s	89,919	99,793	102,514	109,063
O p e r a t i n g i n c o m e	13,146	15,393	14,850	15,766
Operating income to net sales ratio	14.6%	15.4%	14.5%	14.5%
O r d i n a r y i n c o m e	15,179	18,046	17,453	17,921
Ordinary income to net sales ratio	16.9%	18.1%	17.0%	16.4%
Net income attributable to parent company shareholders	8,463	10,142	9,975	10,320
ROA	10.9%	11.5%	9.9%	9.5%

In 3 years:

Sales increased 19,144 million yen (+21.3%)

Ordinary income increased 2,742 million yen (+18.1%)

Ratio of ordinary income to total assets (ROA) kept above 8%

Looking Back on the Last Three Years- Results and Issues

Results

- Cleared the management target of: expanding consolidated sales more than 3% each year while maintaining ROA over 8%.
- Bolstering of manufacturing equipment overseas, particularly in North America, Mexico, China, and Thailand, contributed to expansion of sales.
- Expanded our penetration of aircraft and electronic parts industries.
- Put new products on the market through development of applications and functions.
- Strengthened financial base by building up capital.

Issues

- Necessary to continue to review strengthening of business base mid-term.
- Necessary to expand revenue further by creating new businesses and markets.
- Continual development of next-generation key products that are high value added & low cost is indispensable.
- Conversion to a leaner corporation is necessary (improved profitability, cost cutting).
- Further strengthening of collaboration within the Group is necessary.
- Further encouraging new ways of thinking.

Second Mid-term Consolidated Mid- term Management Plan

(April 2016 to March 2019)



Market Perception and Business Direction

Looking at the surface treatment market

- Shift of manufacturing of autos overseas & move towards local procurement continuing.
- Steel industry facing a tough situation as oversupply by China continues.
- Increasing demand for materials other than steel, due to the shift towards lighter materials for vehicles.
- Meeting needs of next-generation vehicles & competition in environmentally friendly technology.
- Increasing severity of cost competition in Japan and overseas.

Business direction

- Strengthen and expand our business base and realize unceasing growth through global promotion of our business base, development of new markets, and expansion of our surface modification business.
- Maintain our technical advantages in the market in the field of surface modification of a variety of substrates.
- Increase customer satisfaction by increasing our presence in various countries and regions.
- Take up the challenge of creating a new business model.

Fundamental Management Policy

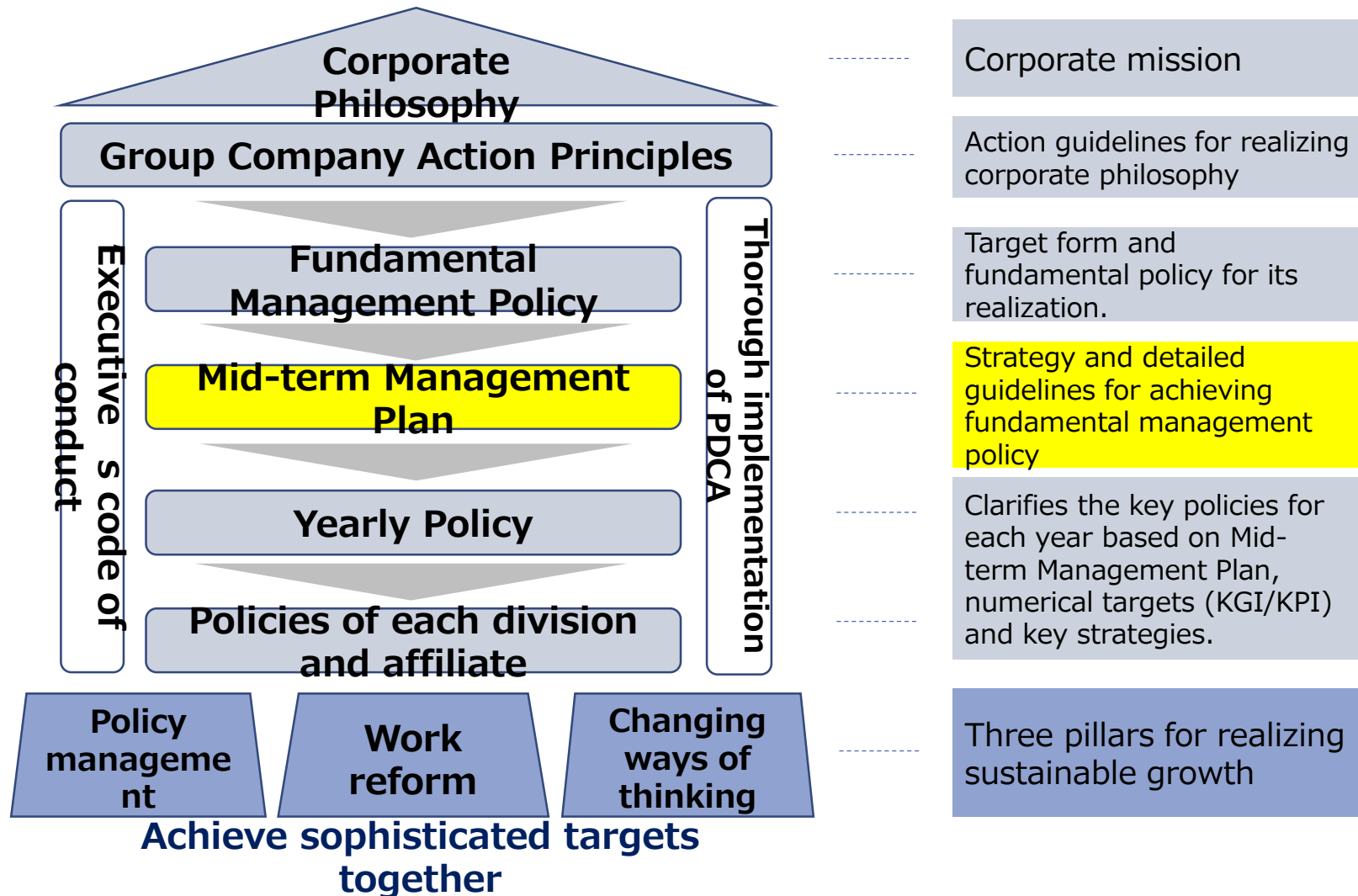
《Management Philosophy》

‘ We will contribute to the preservation of our global environment and creation of a wealthy society by creating new value through surface modifications of a great variety of substrates which make the most of limited resources. ’

《Fundamental Management Policy》

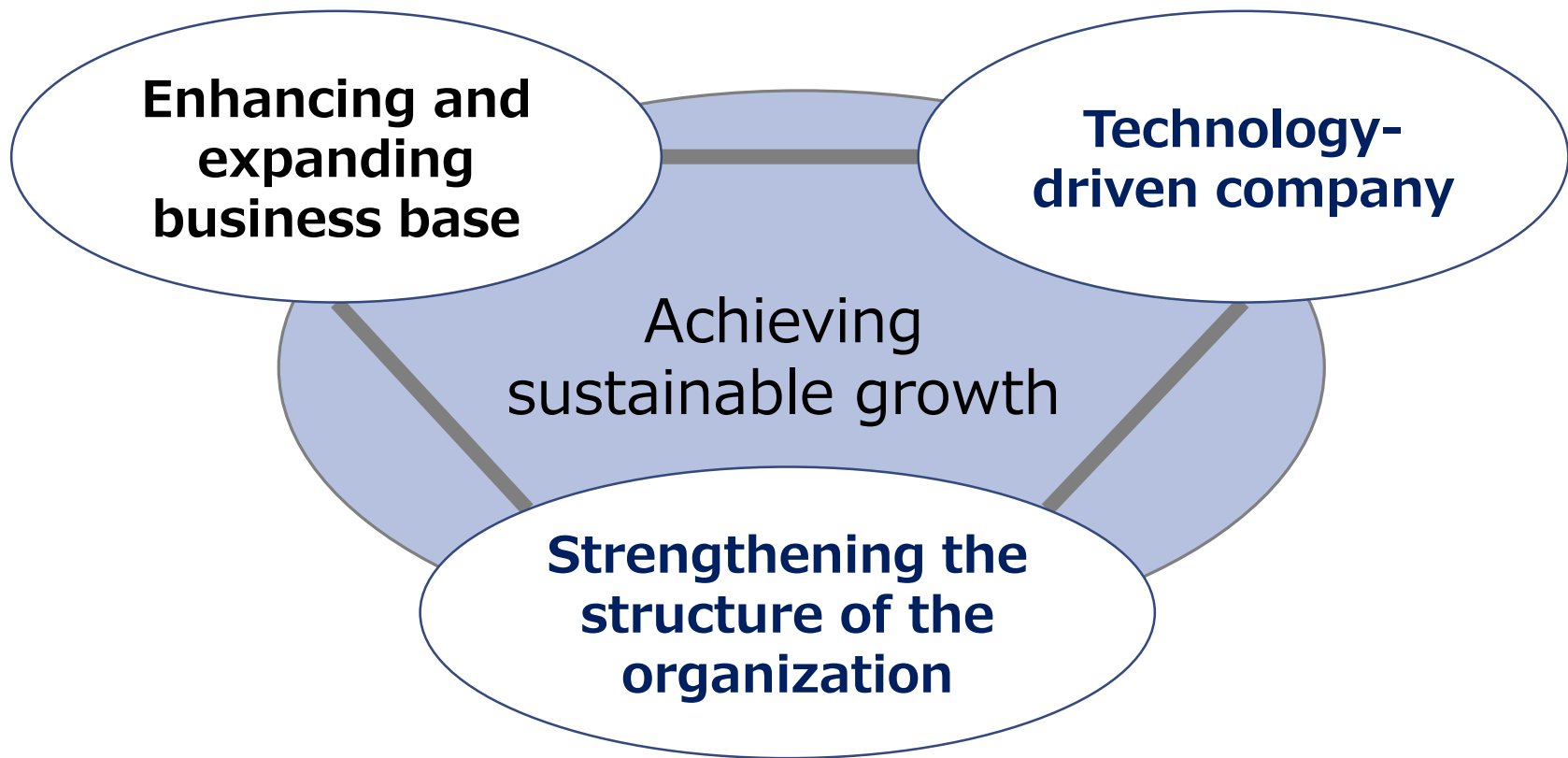
1. The fundamental management policy of the Nihon Parkerizing Group is to maintain our position as a global leader in metal surface treatment technology, taking advantage of our extensive experience in this field to contribute to industry, such as automotive and steel industries, and uphold our technical superiority in the market in the field of surface modification of a great variety of substrates.
2. As well as furthering global expansion into South-east Asia, China, the U.S. and Europe in order to adapt to significant changes in the economic environment, the Nihon Parkerizing Group is working to strengthen collaboration between Group members in Japan and overseas and strengthen the foundations of our management practices
3. The Nihon Parkerizing Group takes an active approach to environmental preservation, which we perceive as one of our top management priorities, and we aim to embody a corporate group which contributes to global environmental preservation through the activities of our Group businesses.

Positioning of the Mid-term Management Plan



Mid-term Management Plan- Fundamental Policy

Our aim is to be **THE** leading global company in the field of surface modifications, maintaining our technical superiority in the market of surface modifications for a wide array of substrates.



Enhancing and Expanding Business Base

**Strengthen collaboration between Group companies in Japan and overseas,
daring to take up challenges in the global market!**

Maintaining and expanding existing business

- Increasing customer satisfaction (CS) through sales activities that foster our relationships with customers.
- Intensify our marketing
- Increase our brand strength

Developing new markets

- Boost our entry into the aircraft and electronic parts industries.
- Create demand through development of applications.

Expanding surface modification business

- Take up challenges in surface modification of a wide variety of substrates.
- Seek introduction of new technologies, tie-ups, investment (equipment, acquisitions) expansion

Bolstering overseas business

- Active investment in equipment
- Expand sales of strategic products
- Gain business at local manufacturers overseas

Creating a new business model

- Actively investigate M&A and alliances
- Take up the challenge of creating a new business model

Technology-driven Company

**Seek innovative functions for surfaces, and
contribute to a wide range of industrial fields with innovations
based on our core technology!**

C o r e technology creation

- Development of products for next generation vehicles
 - Developing functional surface chemicals to meet the needs of weight savings in autos
- Developing products for the aircraft market
 - Meeting changing needs such as material changes and environmental needs (chrome-free, etc.)
- Create demand through development of diverse functions
 - insulation, conductivity, hydrophilicity, anti-finger print, design, etc.
- Development of differentiated technology
 - Reduction of environmental load, development of energy-saving systems (Development of systems that eliminate waste product, shortens treatment processes, and simplify plant layout)
- Enhance fundamental research

Efficiency in R & D

- Select research topics keeping in mind future growth areas
- Pay further attention to the market and customers' needs when planning research ideas.

Speeding up product commercialization

- Speed up the shift to mass production by effective utilization of trial manufacture plants

Strengthening the Structure of the Organization

Strengthening corporate structure through the 3G (Global ▪ Group ▪ Governance)

Boost quality control

- Boost quality control globally

Cut costs

- Cost reduction (optimize procurement, manufacturing and supply on global scale)
- Increase efficiency in indirect operations

Develop Global HR

- Foster personnel who can succeed in the increasingly globalized economic environment.
- Promote diversity (actively promote non-Japanese and women)

Strengthen Group Collaboration

- Strengthen collaboration within the Group in all processes in sales, purchasing, production, quality, research and management

Enhance governance

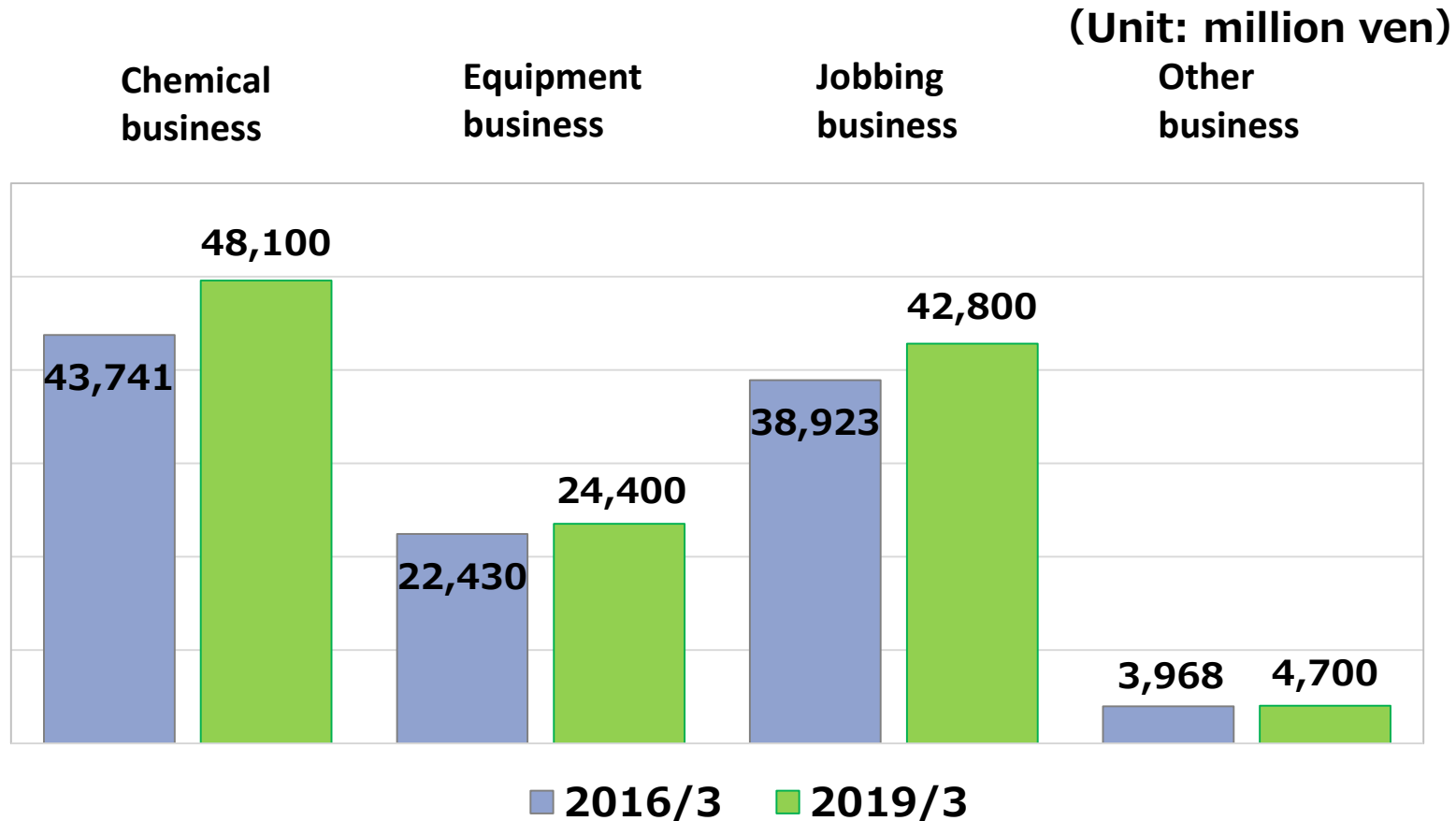
- Enhance disclosure
- Strengthen risk management
- Strengthen internal control and compliance

Mid-term Management Plan- Numerical Targets

Unit: million yen

I t e m	March 2016 (actual)	March 2019 (plan)
N e t S a l e s	109,063	120,000
Operating income (Operating income to net sales ratio)	15,766 (14.5%)	19,000 (15.8%)
Ordinary income (Ordinary income ratio)	17,921 (16.4%)	21,000 (17.5%)
Net income attributable to parent company shareholders	10,320	12,000

Mid-term Management Plan- Numerical Targets (Sales by segment)



Note: Sales amount is sales to external customers.

Shareholder Returns

● Dividend Policy

- We will place priority on continuous and consistent dividends, determining dividend distribution after comprehensive consideration of trends in achievements and payout ratio.
- We are working to bolster internal reserves to strengthen our corporate financial strength and secure future profits. Internal reserves are utilized for overseas investment and equipment investment to realize quality and cost required by the market and for research and development to meet market needs.
- Based on a target payout ratio of 30% on a non-consolidated basis, we will determine the amount of dividends after giving sufficient consideration to consolidated achievements, future business expansion and earnings.

● Dividends: Actual and planned

	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3
Annual dividend per share (yen)	10.00	10.00	12.50	13.75	15.00	16.50
Total dividends (million yen)	1,214	1,214	1,518	1,669	1,892	2,081
Payout ratio (consolidated)	16.6%	19.6%	18.3%	16.8%	18.6%	19.8%
Payout ratio (non-consolidated)	30.2%	32.6%	29.2%	32.5%	34.9%	33.1%

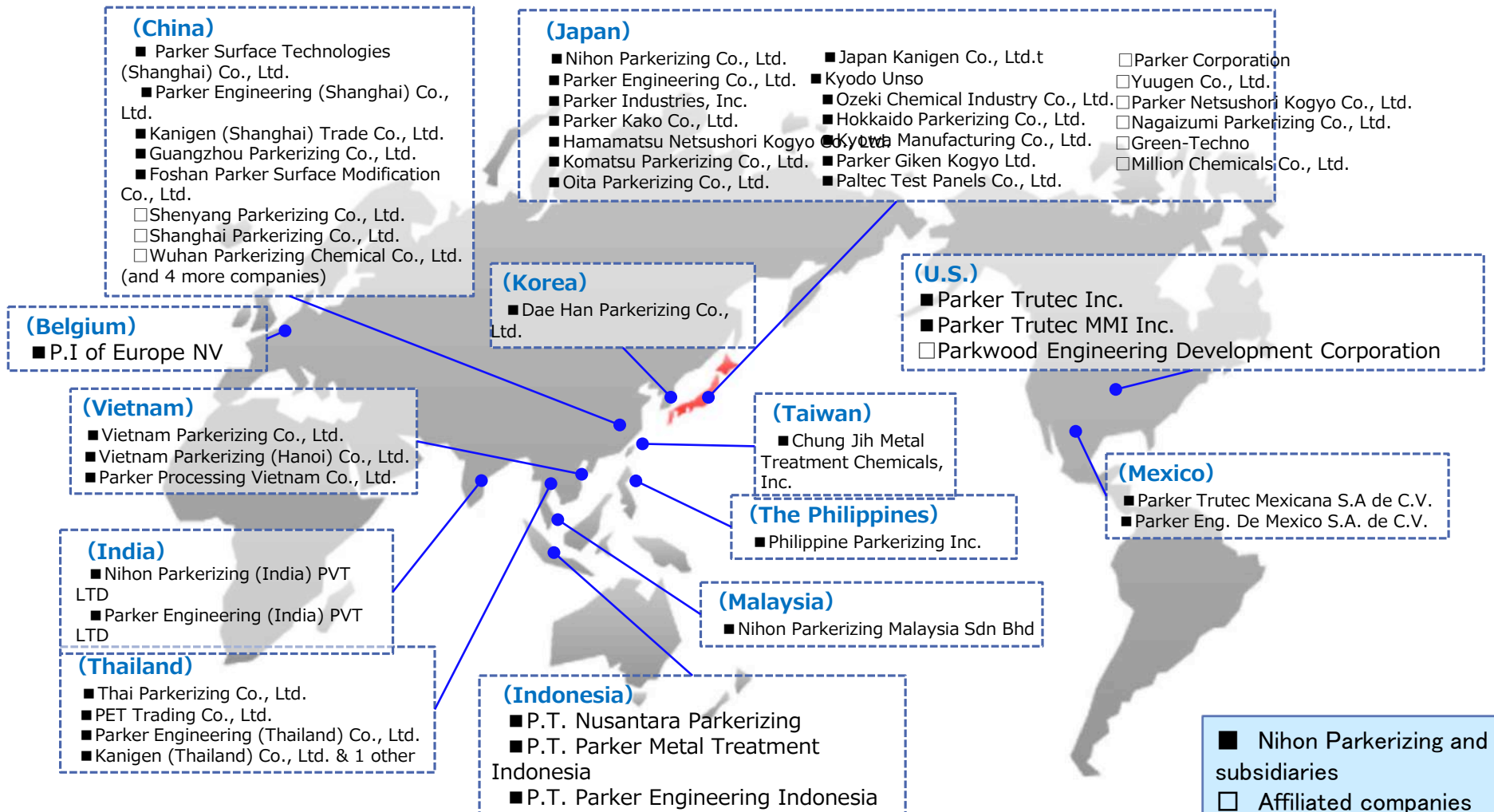
(Note) On April 1st, 2015, Nihon Parkerizing has instituted a 2-for-1 common stock split, and the figures for dividends shown above take this into account.

March 2017 dividend has yet to be finalized. However we will take into consideration achievements and study the appropriate level of returns to shareholders in accordance with our fundamental policy.

List of Affiliated Companies As of 31st

March 2016)

Network of 43 subsidiaries & 12 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.

The information in this document is not intended to solicit investment. Please make investment decisions at your own discretion.

Jump up to Tomorrow



日本パーカライジング株式会社
NIHON PARKERIZING CO.,LTD.