

FY2017

Financial Results Briefing

June 1, 2017



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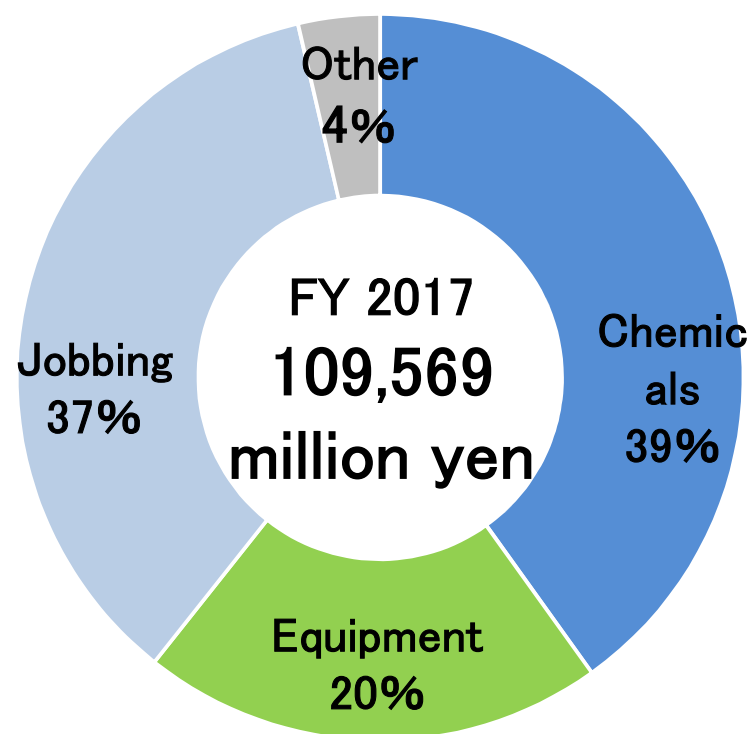
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Overview of the Company

Company name:	Nihon Parkerizing Co., Ltd.
Chairman & C.E.O:	Shun Ono
President & C.O.O:	Kazuichi Satomi
Headquarters:	15-1, 1-chome, Nihonbashi, Chuo-ku, Tokyo
Established:	July 12, 1928
Capital:	4.5 billion yen (as of March 2017)
Sales:	109,569 million yen (FY2017)
Listing:	First Section of Tokyo Stock Exchange, 1967
Other:	JPC Nikkei Index 400 (January 2014) Global Niche Top Company 100 (March 2014)

Founded in 1928, Nihon Parkerizing will celebrate its 90th anniversary in 2018. The history of Nihon Parkerizing starts from the company being granted a patent in Japan for the technology developed by Dr. Parker in 1915, for generating a phosphate coating on steel to prevent corrosion. In the beginning, the technology was mostly developed for the Army Ministry, however following the war, business expanded in conjunction with the growth of the automotive industry.

Overview of the Company - 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

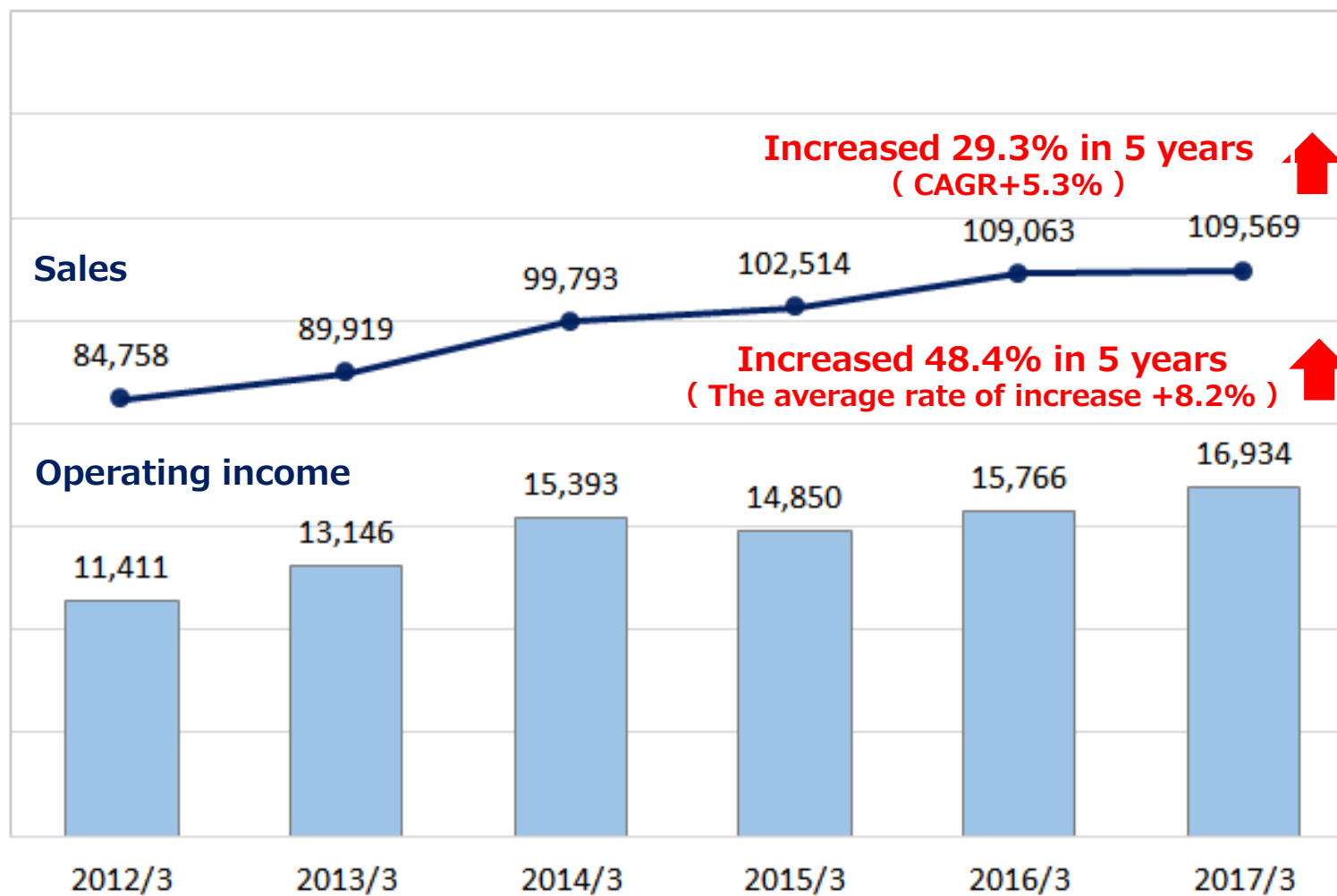
Rust proof jobbing
Plating
Heat treatment
Painting

Other business

Building maintenance
Manufacture and sale of metal test pieces
Manufacture and sale of bolts
Export of specialty steel products

Financial Highlights

(Unit: million yen)



Renewed our record amount of Sales and Operating income

Consolidated Income Statement

(Unit: million yen)

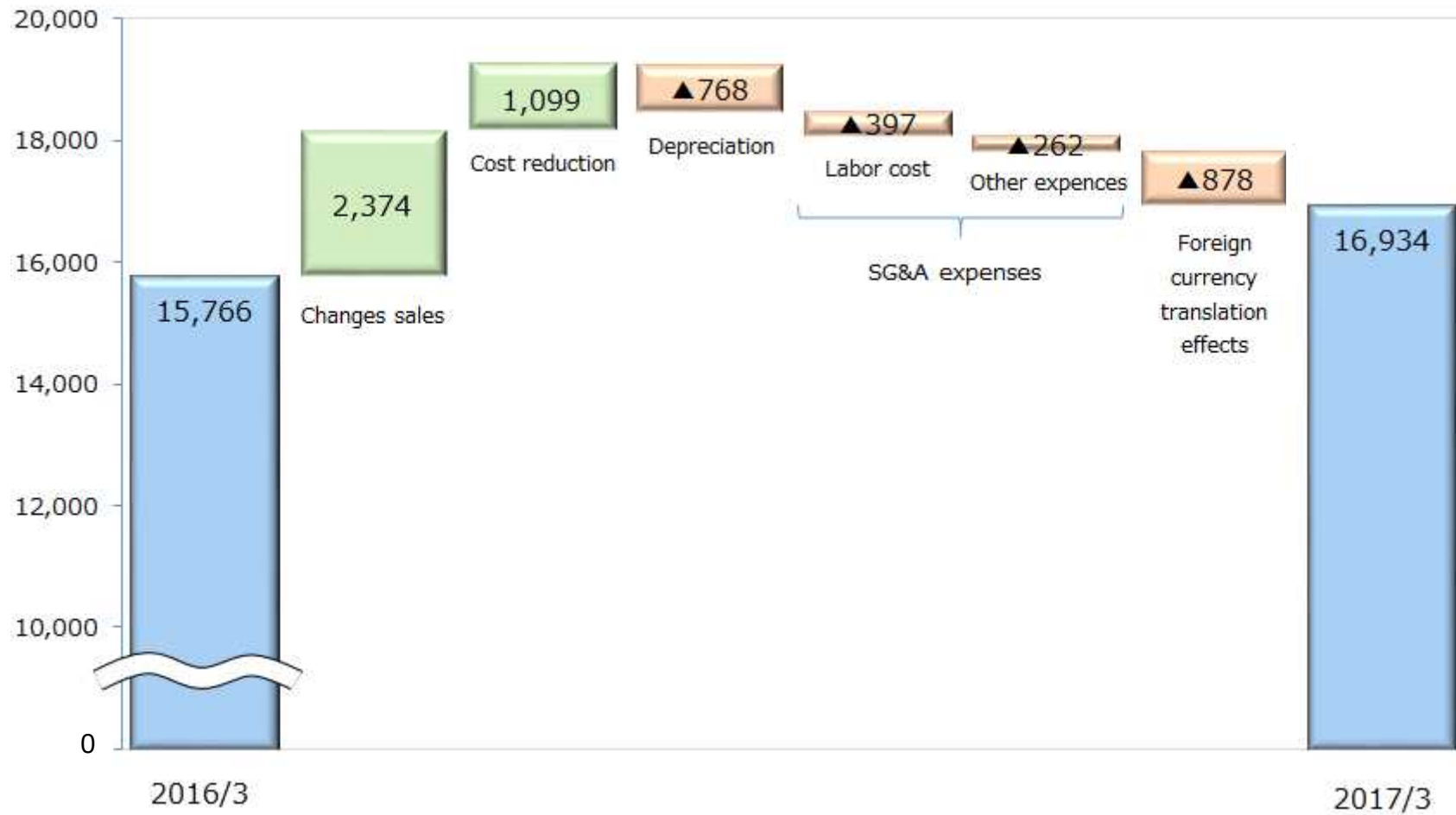
項 目	2016/3	2017/3	Change	% Change	
N e t S a l e s	109,063	109,569	+505	+0.5%	Renewed our record amount
Operating income	15,766	16,934	+1,167	+7.4%	Renewed our record amount
Ordinary income	17,921	18,779	+858	+4.8%	Renewed our record amount
Net income attributable to parent company shareholders	10,320	12,228	+1,907	+18.5%	Extraordinary income (1,359million yen) has occurred
Ratio of ordinary income to total assets	9.5%	9.7%	+0.2%		Maintained above 8%
Net income per share	83.24yen	99.14yen	+15.90yen		
The average exchange rate (U S D)	121.05yen	108.84yen			

Foreign currency translation effect:

Sales approx. ▲5,993 million yen, Operating income approx. ▲878 million yen

Variation Analysis of Operating Income

(Unit: million yen)



Financial Results by Business Segments

(Unit: million yen)

	Net Sales			Operating Income		
	2016/3	2017/3	Change	2016/3	2017/3	Change
Chemicals	44,861	44,549	▲ 311	8,529	8,973	443
Japan	26,447	27,508	1,061	4,984	5,478	493
Oversea	17,294	15,840	▲ 1,454	3,245	3,209	▲ 35
Inter-segment	1,119	1,200	81	299	285	▲ 14
Equipment	22,964	22,382	▲ 581	1,403	1,580	176
Japan	11,009	12,889	1,880	438	604	165
Oversea	11,420	8,989	▲ 2,430	728	791	63
Inter-segment	534	503	▲ 30	236	184	▲ 51
Jobbing	38,928	40,211	1,283	6,977	7,335	358
Japan	22,187	24,015	1,828	4,142	4,682	540
Oversea	16,736	16,163	▲ 573	2,687	2,469	▲ 218
Inter-segment	4	32	27	147	183	36
Others	5,029	5,252	223	269	288	18
Adjustments and Eliminations	▲ 2,720	▲ 2,827	▲ 107	▲ 1,413	▲ 1,242	170
Total	109,063	109,569	505	15,766	16,934	1,167

C h e m i c a l s : Japan : Sales and profit increased mainly due to improvement of automobile production and steel exports.

Overseas : Revenue decreased mainly due to the effects of exchange rates. However, sales growth in local currency.

E q u i p m e n t : Japan : Sales and profit increased.

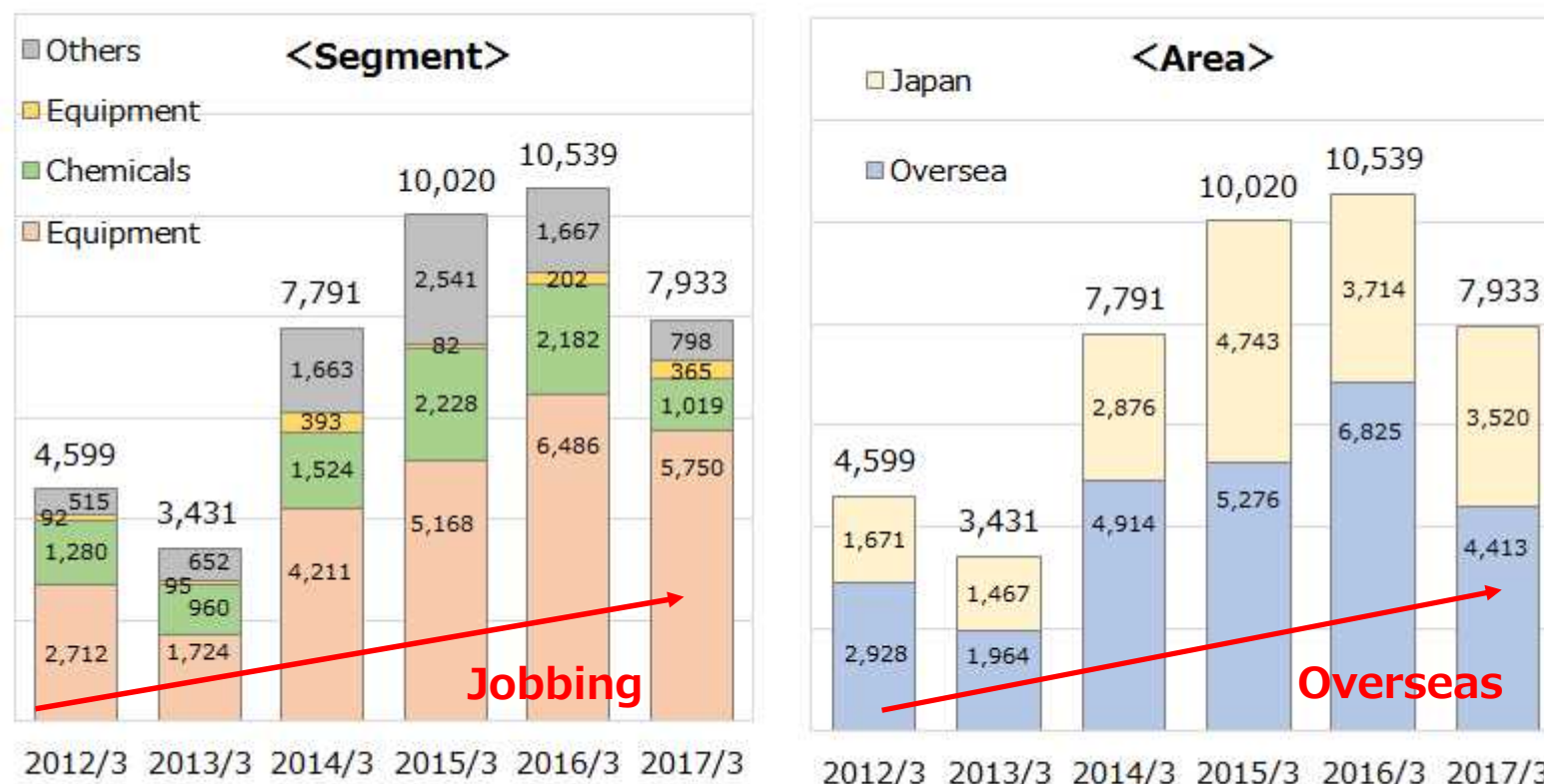
Overseas : Sales decreased mainly due to reduction in large equipment. However, profit increased mainly due to cost reduction.

J o b b i n g : Japan : Sales and profit increased mainly due to improvement of automobile production.

Overseas : Revenue decreased mainly due to the effects of exchange rates. However, sales growth in local currency.

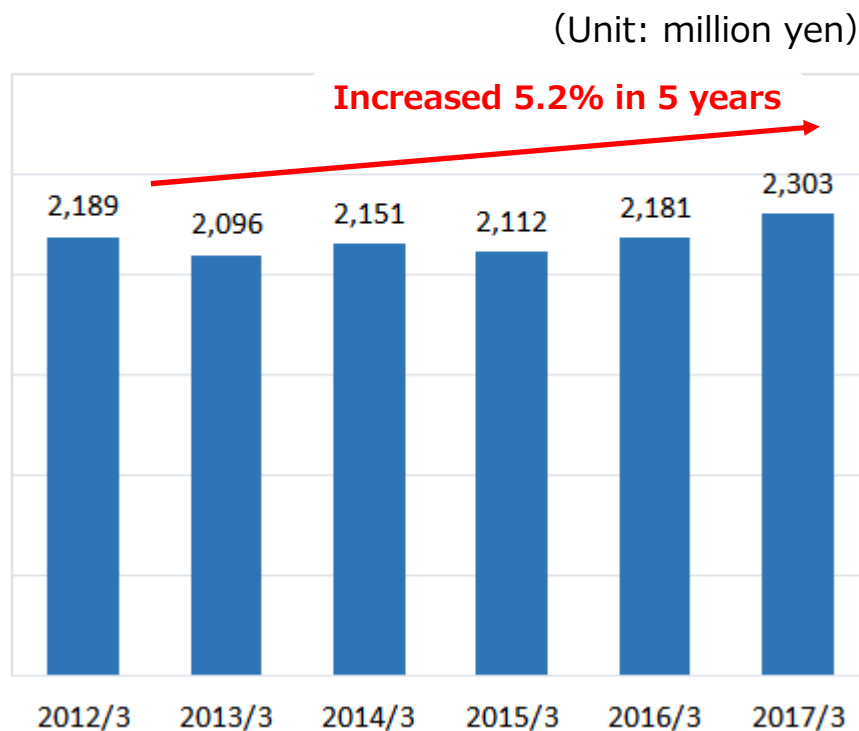
Capital investment

(Unit: million yen)

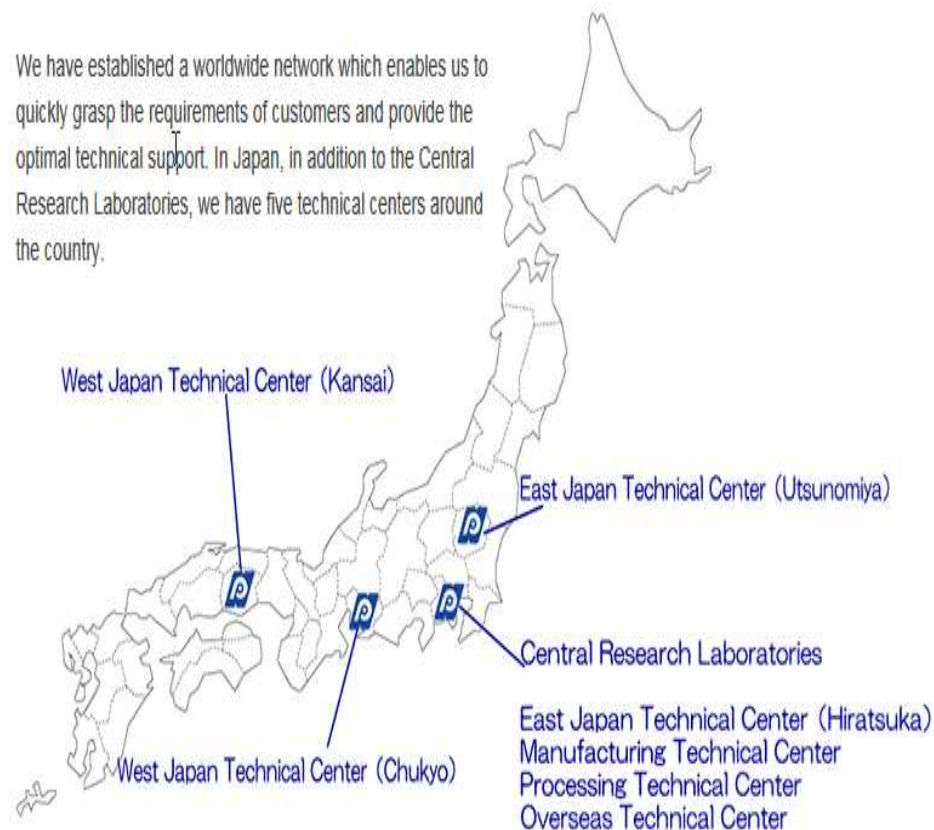


- Recently, enhance manufacturing equipment particularly in Mexico, China, Thailand, and the United States to take advantage of robust overseas demand.
- In FY2017, implement capital investment in heat treatment business in Japan.

R&D



We have established a worldwide network which enables us to quickly grasp the requirements of customers and provide the optimal technical support. In Japan, in addition to the Central Research Laboratories, we have five technical centers around the country.



- 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 2,000 million yen/year.
- Select research topics keeping in mind future growth areas and enhance R&D for next generation vehicles and new markets.

Consolidated Balance Sheet

(Unit: million yen)

	2016/3	2017/3	増減
Current assets	94,053	97,021	2,968
Fixed assets	95,323	100,238	4,915
Tangible and Intangible assets	56,079	56,978	899
Investments and other assets	39,244	43,260	4,015
Total assets	189,377	197,260	7,883
Current liabilities	33,166	33,562	395
Fixed liabilities	18,320	17,196	▲ 1,124
Total liabilities	51,487	50,758	▲ 728
Total net assets	137,890	146,502	8,612
Shareholders' equity	107,220	113,291	6,070
Accumulated other comprehensive profit	9,262	10,006	743
Non-controlling interests	21,406	23,204	1,797
Total liabilities and net assets	189,377	197,260	7,883

Increase (+) /Decrease (▲)

Notes and accounts
receivable-trade + 3,057

Investment in securities + 5,882

Purchase of treasury stock ▲4,023
Cash dividends paid ▲2,398
Current profit + 12,228

Valuation difference
On available-for-sale securities + 2,230
Foreign currency
translation adjustment ▲1,483

Forecasts for FY2018

(Unit: million yen)

	2017/3 Actual	2018/3 Forecast	Change	% Change
N e t S a l e s	109,569	110,000	+430	+0.4%
Operating income	16,934	17,000	+65	+0.4%
Ordinary income	18,779	19,500	+720	+3.8%
Net income attributable to parent company shareholders	12,228	11,400	▲828	▲6.8
The average exchange rate (U S D)	108.84yen	110.00yen		

<Condition>

- Japan: Expected to continue at the same level.
- Overseas : Revenue anticipated to increase mainly due to the expansion of heat treatment business.

Dividend Policy and Dividends Plan

■ Fundamental 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 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.

■ FY2017 Dividends Plan

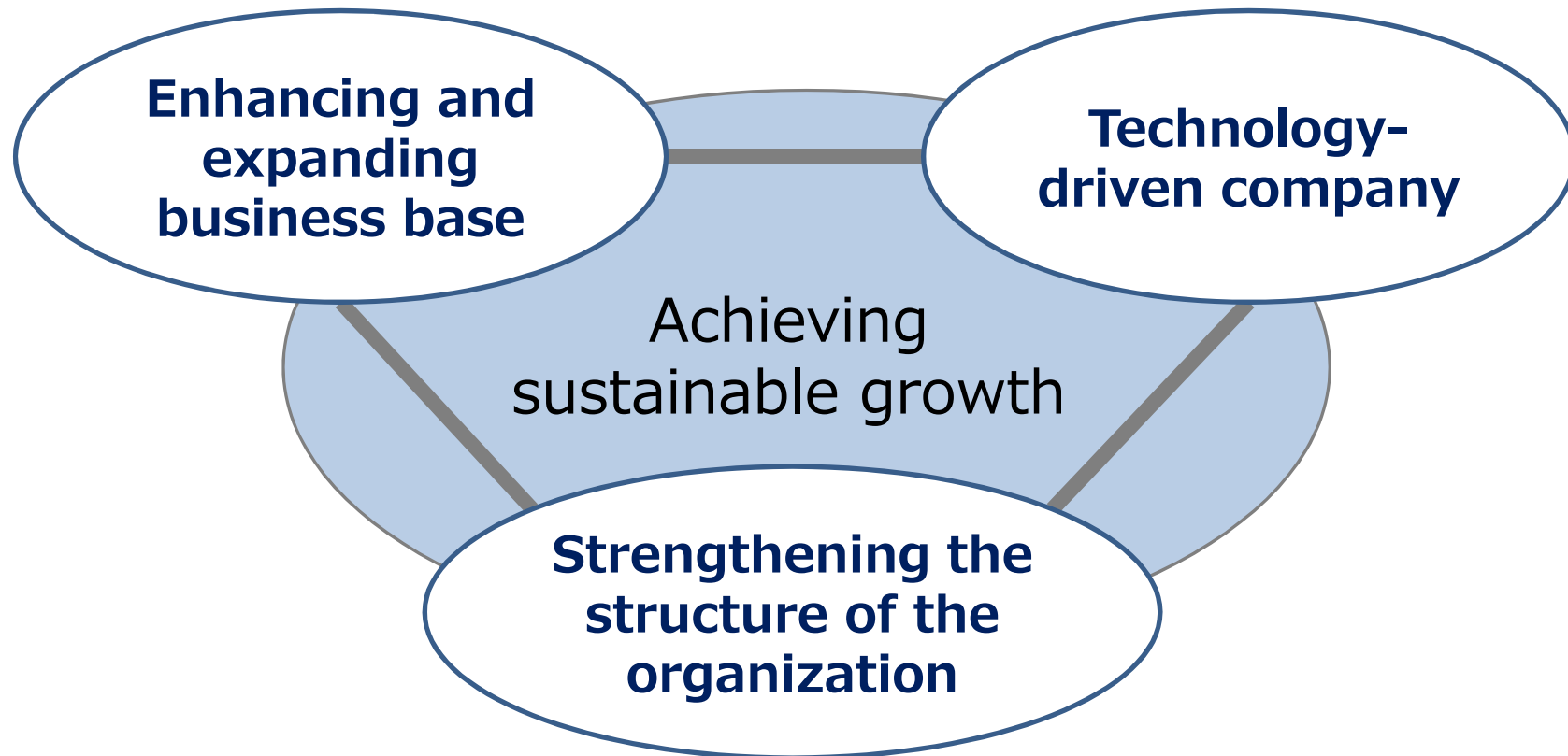
Interim (Actual)	Year-end (Forecast)	Total
10.0yen	10.0yen	20.0yen



Key measures for the achievement of the second medium-term management plan(1/4)

<Second 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.



Key measures for the achievement of the second medium-term management plan(2/4)

Enhancing and expanding business base

- Expanding and developing new markets
 - Non-automotive industry (aircraft, electronic parts, defense force, medical parts, etc.)
- Capture demand in growth foreign markets
- Optimal allocation of management resources to strengthen competitiveness
- Take up the challenge of creating a new business model
- Actively investigate M&A and alliances

Aircraft



Electronic parts



**Contract manufacturing of
inorganic and organic chemicals**



Key measures for the achievement of the second medium-term management plan(3/4)

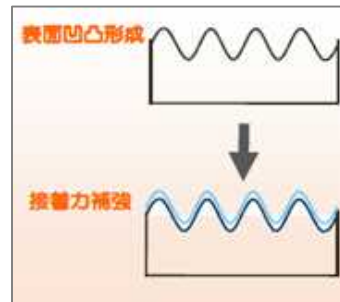
Technology-driven company

- Select research topics keeping in mind future growth areas
- Conduct R&D to expand and develop new markets
 - In addition to rust prevention, create demand through development of diverse functions (insulation, conductivity, hydrophilicity, anti-finger print, design, etc.)
 - Meeting changing needs such as environmental needs (improvement of durability, improving performance and energy efficiency, and chrome-free, etc.)
- Enhance fundamental research
 - Developing products for next generation vehicles and the aircraft market
 - Nonferrous material, adhesive or joining between metal and different materials.
 - Developing organic coating

Improvement of
insulation・Heat-resistant



Adhesion reinforcement
of different materials



Developing organic coating



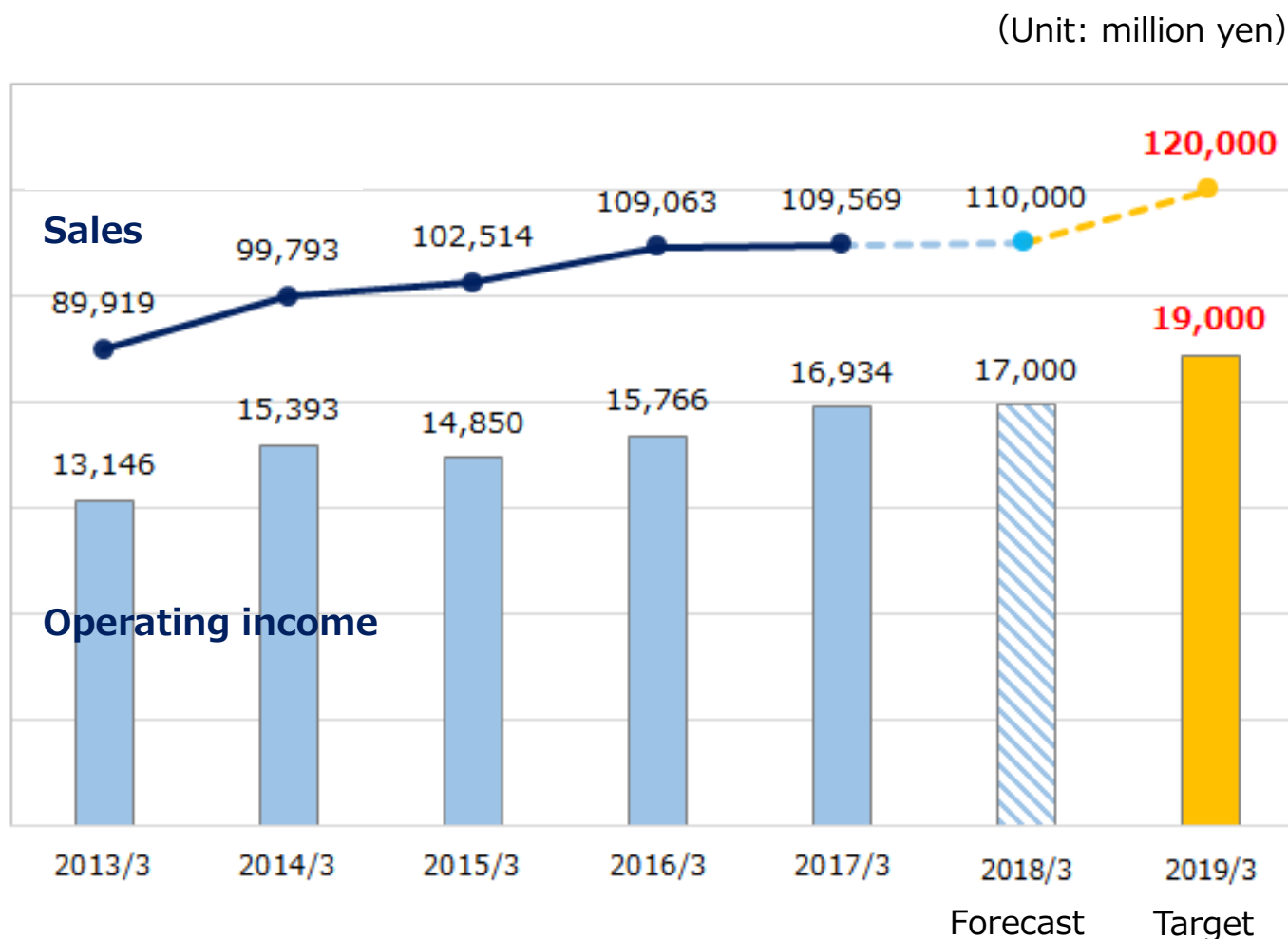
Key measures for the achievement of the second medium-term management plan(4/4)

Strengthening the structure of the organization

- Strengthen our corporate governance continuously
- Transition to a company with an audit and supervisory committee
- Develop global HR
- Strengthen group collaboration
- Improve productivity, change corporate culture and reform the mindset



The second mid-term management plan – Numerical Targets

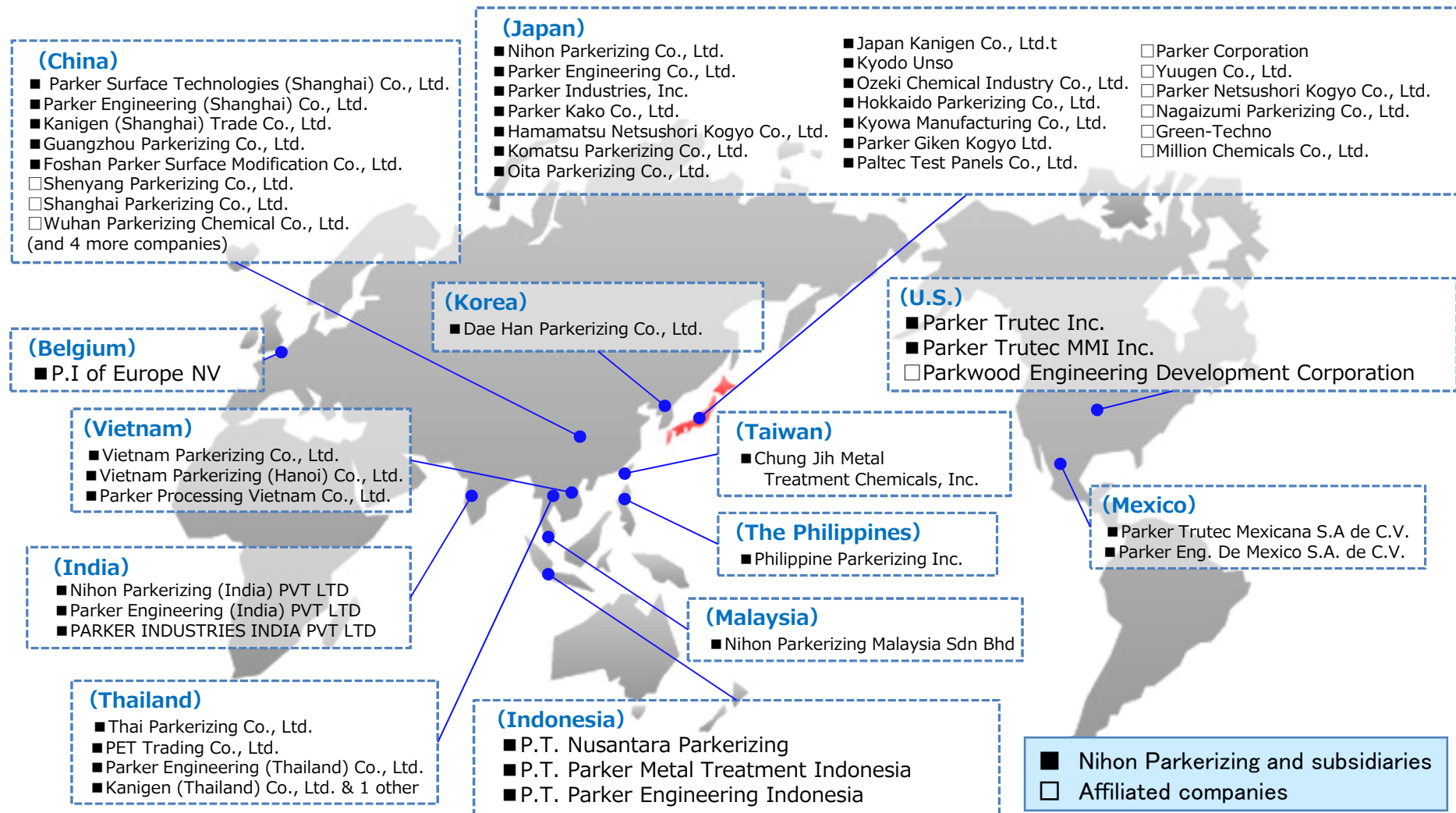


**Steadily executing mid-term management plan with all group companies
to achieve sustainable growth**

Supplementary Information

Subsidiaries and Affiliated Companies (As of 31st March 2017)

Network of 44 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.

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