

May 30, 2019

**FY2019 ended March 31,2019**

# **Financial Results Briefing**



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# Overview of the company

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Company name: Nihon Parkerizing Co., Ltd.

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Chairman & C.E.O: Kazuichi Satomi

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President & C.O.O: Kentaro Sato

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Headquarters: 15-1, 1-chome, Nihonbashi, Chuo-ku, Tokyo

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Established: July 12, 1928

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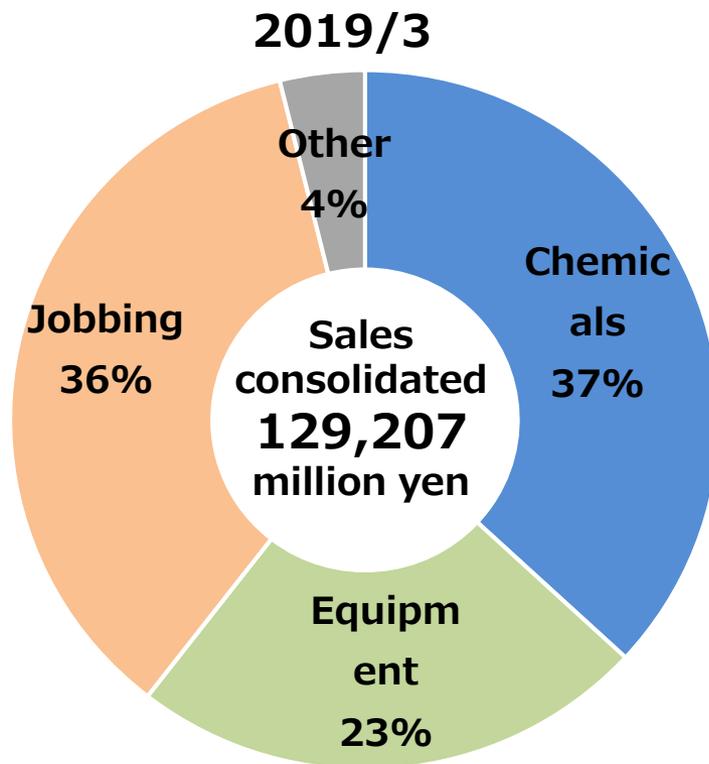
Listing: First Section of Tokyo Stock Exchange, 1967

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Other: JPC Nikkei Index 400 (January 2014)  
Global Niche Top Company 100 (March 2014)

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# Business segment 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**

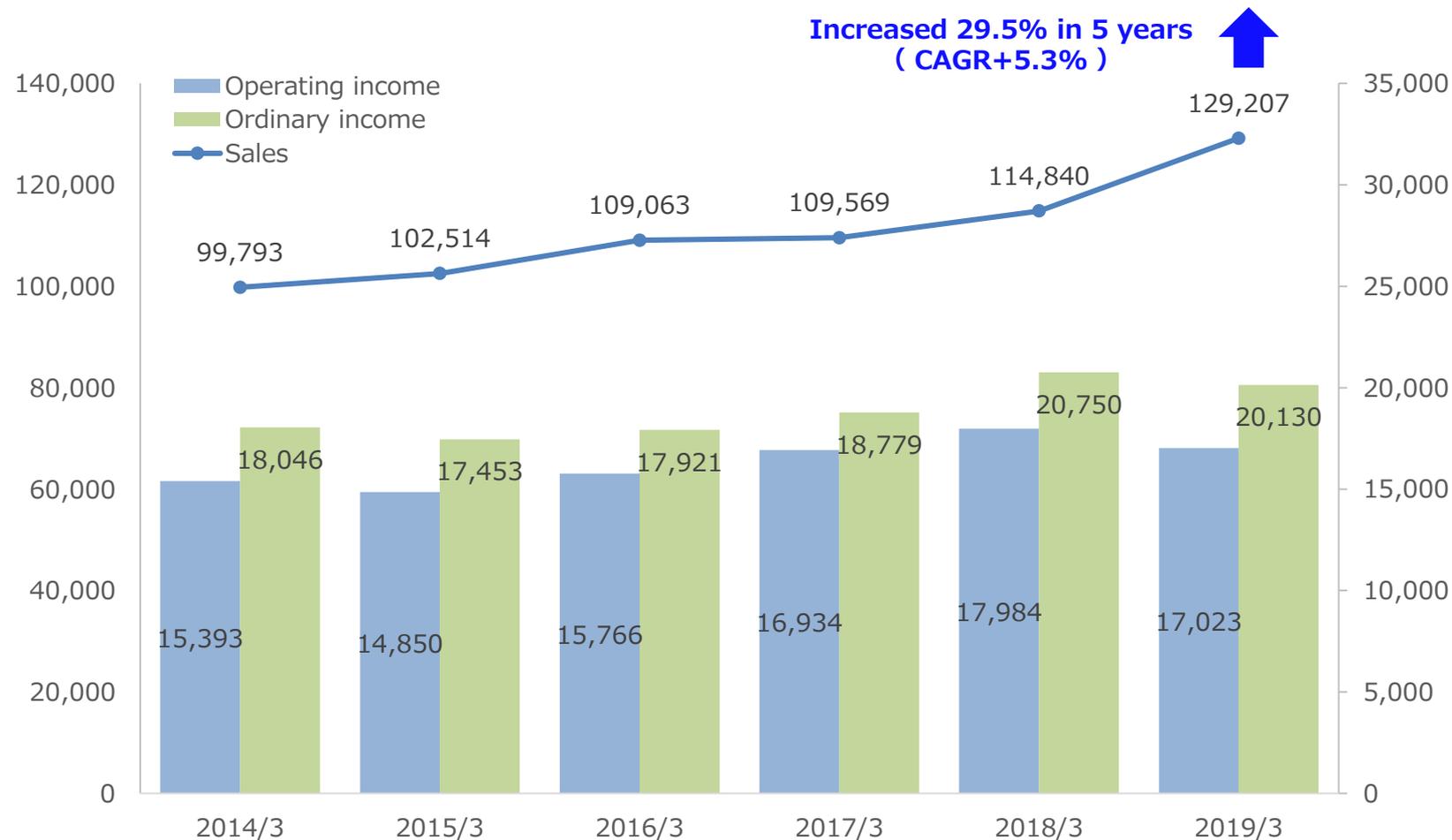
Building maintenance  
Manufacture and sale of metal test pieces  
Manufacture and sale of bolts  
Export of specialty steel products

# Financial highlights

(Unit: million yen)

Sales

Profit



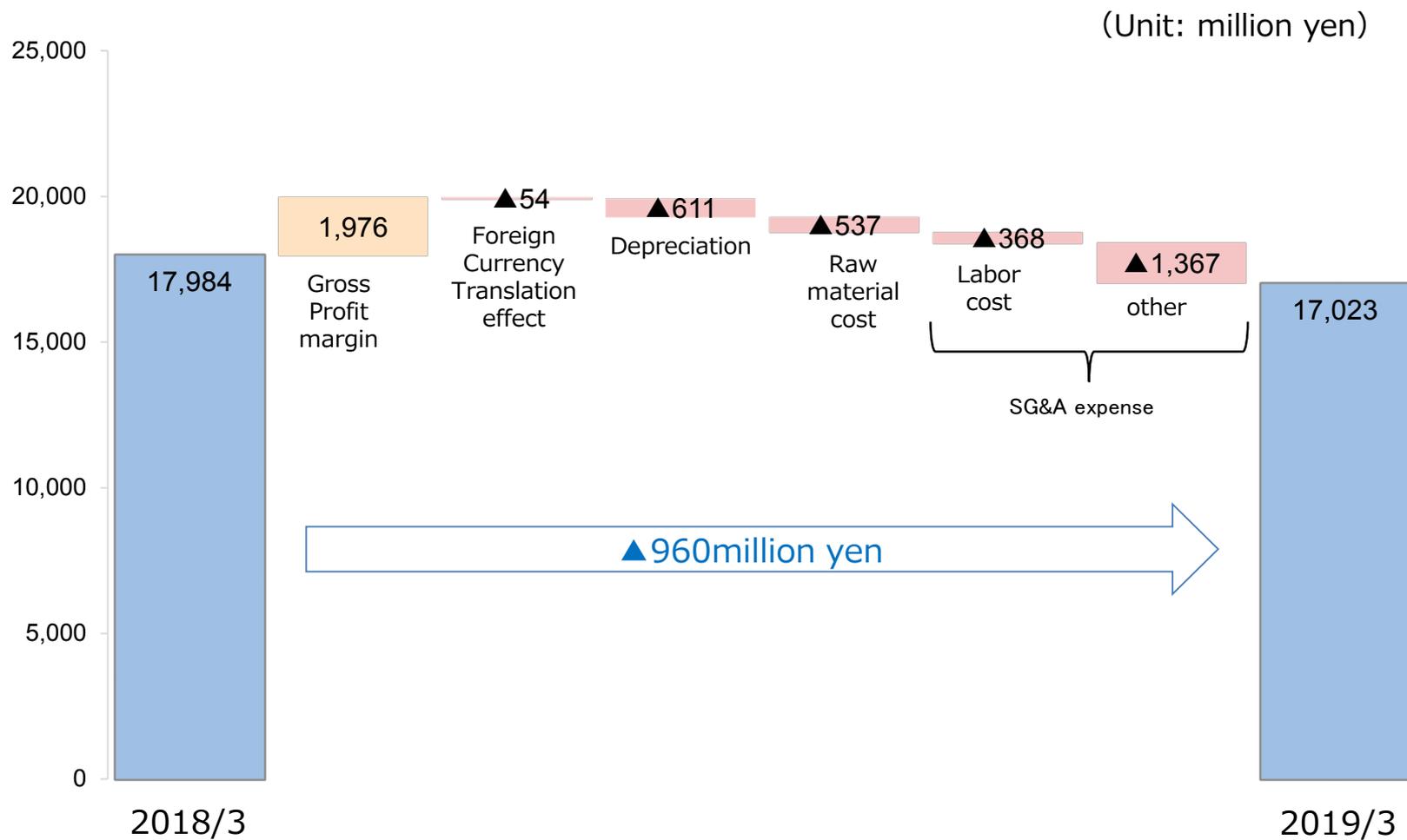
# Consolidated income statement

(Unit: million yen)

|  | 2018/3  | 2019/3  | Change  | % Change |  |
|--|---------|---------|---------|----------|--|
| Net Sales  | 114,840 | 129,207 | +14,367 | 12.5%    | Renewed our record amount  |
| Operating income                                       | 17,984  | 17,023  | ▲960    | ▲5.3%    | Decreased mainly due to Higher raw material prices and higher SG & A expenses. |
| Ordinary income  | 20,750  | 20,130  | ▲620    | ▲3.0%    | Non-operating income 3,759<br>Non-operating expenses 652                       |
| Net income attributable to parent company shareholders | 12,721  | 11,424  | ▲1,297  | ▲10.2%   | extraordinary gain 56<br>extraordinary loss 694                                |
| Net income per share                                   | 104.85円 | 94.2円   | -       | -        |  |
| Ratio of ordinary income to total assets               | 10.0%   | 9.2%    | -       | -        |  |
| Return on equity (ROE)                                 | 9.7%    | 8.2%    | -       | -        |  |
| The average exchange rate (USD)                        | 112.19円 | 110.43円 | -       | -        |  |

- Overseas sales ratio 43.5% (※Including exports from Japan)
- Foreign currency translation effect:  
Sales approx. ▲316 million yen, Operating income approx. ▲54 million yen

# Variation analysis of operating income



# Financial results by business segments

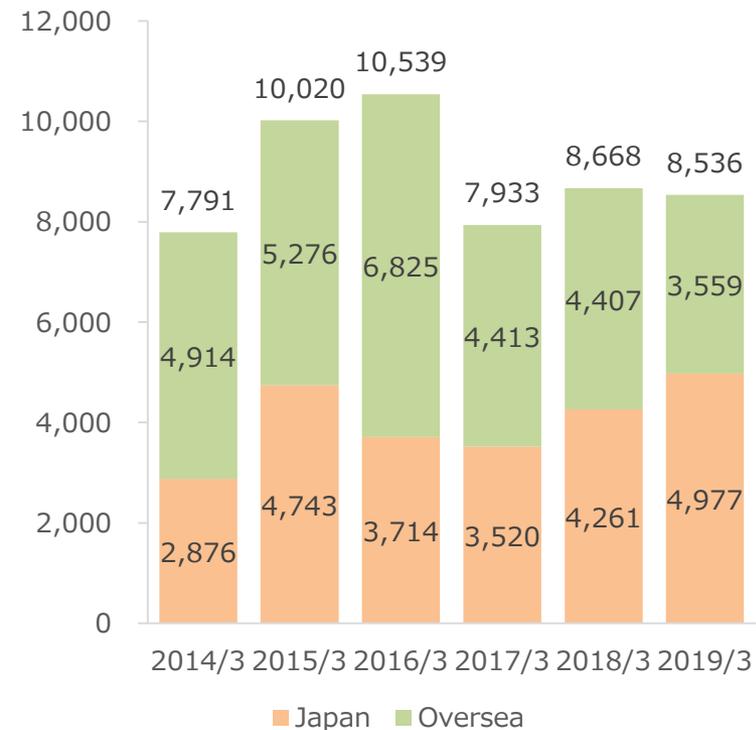
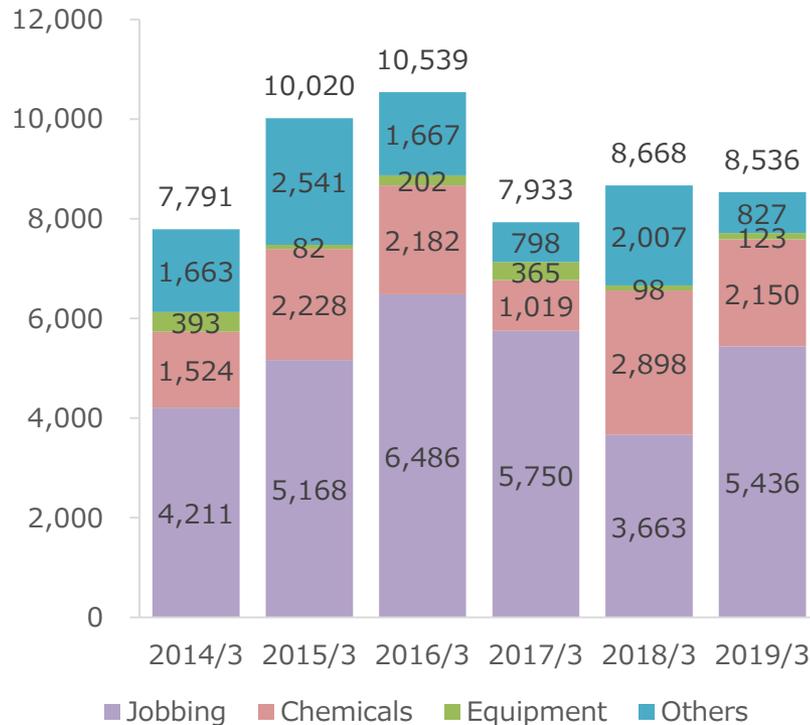
(Unit: million yen)

|                              | Net sales      |                |                | Operating income |               |             |
|------------------------------|----------------|----------------|----------------|------------------|---------------|-------------|
|                              | 2018/3         | 2019/3         | Changes        | 2018/3           | 2019/3        | Changes     |
| Chemicals                    | 46,746         | 48,723         | +1,976         | 9,465            | 8,581         | ▲883        |
| Japan                        | 27,870         | 29,894         | +2,024         | 5,187            | 4,646         | ▲540        |
| Oversea                      | 17,729         | 17,763         | +33            | 3,746            | 3,395         | ▲351        |
| Inter-segment                | 1,146          | 1,065          | ▲81            | 531              | 539           | +8          |
| Equipment                    | 20,794         | 30,975         | +10,181        | 856              | 1,125         | +269        |
| Japan                        | 10,429         | 15,425         | +4,996         | 147              | 444           | +296        |
| Oversea                      | 9,862          | 15,088         | +5,226         | 470              | 377           | ▲93         |
| Inter-segment                | 502            | 461            | ▲41            | 238              | 303           | +65         |
| Jobbing                      | 44,593         | 46,074         | +1,480         | 8,682            | 8,354         | ▲327        |
| Japan                        | 26,489         | 27,232         | +742           | 5,348            | 5,337         | ▲10         |
| Oversea                      | 18,046         | 18,802         | +755           | 3,139            | 2,799         | ▲339        |
| Inter-segment                | 56             | 39             | ▲16            | 194              | 217           | +22         |
| Others                       | 5,553          | 6,315          | +762           | 188              | 237           | +49         |
| Adjustments and Eliminations | ▲2,847         | ▲2,881         | ▲34            | ▲1,209           | ▲1,277        | ▲68         |
| <b>Total</b>                 | <b>114,840</b> | <b>129,207</b> | <b>+14,367</b> | <b>17,984</b>    | <b>17,023</b> | <b>▲960</b> |

- C h e m i c a l s :** Japan : Sales increased mainly due to the increased of a subsidiary. Income decreased mainly due to rise of raw material prices and costs of merger of subsidiary.  
Oversea : Sales remained flat. Income decreased mainly due to rise of raw material prices.
- E q u i p m e n t :** Japan: Sales and income increased.  
Overseas: Sales increased sharply in China. However, income decreased due mainly to fierce competition.
- J o b b i n g :** Japan: Sales and income increased steadily for both rustproofing and heat treatment.  
Overseas: Sales increased mainly due to the operation of a new plant in Mexico. However, income decreased mainly due to the cost of equipment repair etc.

# Capital investment

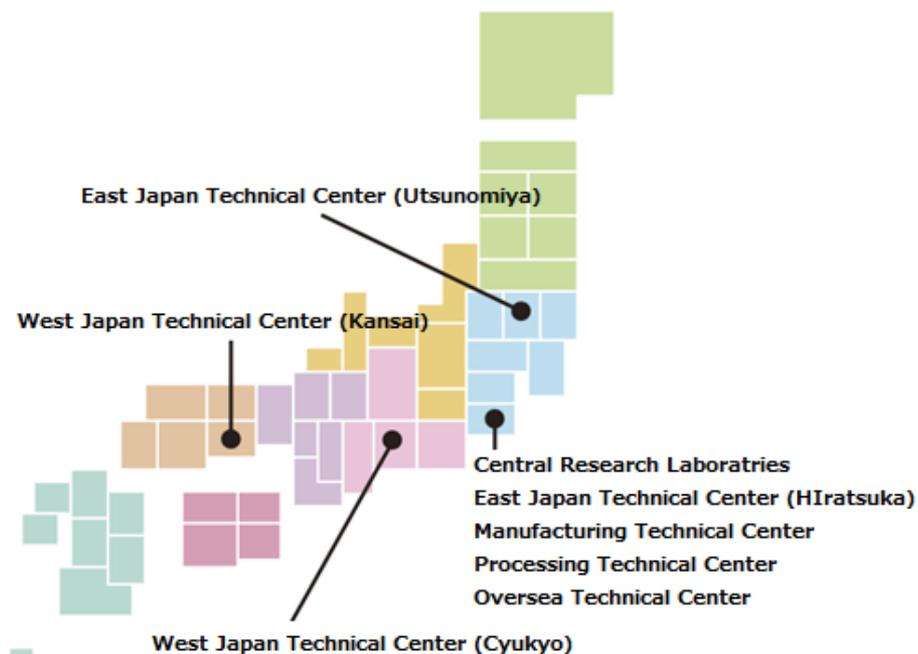
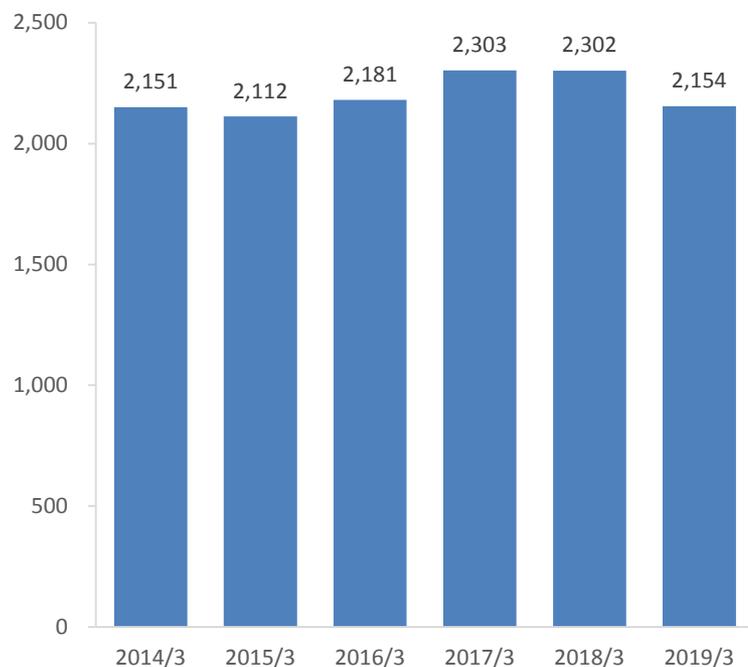
(Unit: million yen)



- Implemented capital investment to expand heat treatment processing facilities in Japan and overseas.

# R&D (1/2)

(Unit: million yen)



- 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.
- In addition to the Central Research Laboratories, we have some technical centers, we quickly grasp the requirements of customers and provide the optimal technical support and products in cooperate with staffs of all over the world such as China and Thailand.

# R&D (2/2)

- Conduct R&D to expand and develop new markets
  - ✓ Meeting changing needs such as environmental needs (improvement of durability, improving performance and energy efficiency, and chrome-free, etc.)
  - ✓ In addition to rust prevention, create demand through development of diverse functions ( insulation, conductivity, hydrophilicity, anti-finger print, design, etc.)
  - ✓ Developing technologies for new markets. (aircraft, electronic parts, defense force, medical parts, etc.)

| Function                                     | Applications   |
|--|--|
| heat radiation ⇔ insulation                  | Heat sink, Engine parts, Roof panel material                             |
| electric insulation ⇔ conductive             | Motor parts, Electromagnetic shielding material, Electrical component    |
| adhesive ⇔ non-stickiness                    | Rubber ·resin-metal composite material, Seal material, Laminate material |
| hydrophilic ⇔ water-repellent, oil repellent | Heat exchanger, Antifouling material                                     |
| low friction ⇔ high friction                 | Power train, Clutch, Slide rail  |
| hardening ⇔ softening                        | Sliding parts, Plastic working parts                                     |
| stable rust layer ⇔ rust proof coating       | Weathering steel, Repair of building materials                           |
| other  | Fingerprint-resistant steel sheet  |

- Enhance fundamental research
  - ✓ Developing products for next generation vehicles and the aircraft market
  - ✓ Nonferrous material, adhesive or joining between metal and different materials.

# Consolidated balance sheet

(Unit: million yen)

|  | 2018/3  | 2019/3  | Change  | Main factor of change   |
|--|---------|---------|---------|---|
| Current assets                         | 109,921 | 111,687 | +1,765  | ← Securities +1,611   |
| Fixed assets                           | 110,066 | 107,130 | ▲ 2,935 |   |
| Tangible and Intangible assets         | 61,288  | 63,284  | +1,995  | ← Acquisition +8,536<br>Depreciation ▲5,992                       |
| Investments and other assets           | 48,777  | 43,846  | ▲ 4,931 | ← Securities ▲4,784   |
| Total assets                           | 219,988 | 218,818 | ▲ 1,169 |   |
| Current liabilities                    | 39,895  | 37,226  | ▲ 2,668 | ← Advances received ▲2,733  |
| Fixed liabilities                      | 16,836  | 14,832  | ▲ 2,004 |   |
| Total liabilities                      | 56,732  | 52,059  | ▲ 4,673 |   |
| Total net assets                       | 163,255 | 166,759 | +3,503  |   |
| Shareholders' equity                   | 123,762 | 131,253 | +7,490  | ← Cash dividends paid ▲2,968<br>Current profit +11,424            |
| Accumulated other comprehensive profit | 14,589  | 9,203   | ▲ 5,386 | ← Valuation difference<br>On available-for-sale securities ▲3,560 |
| Non-controlling interests              | 24,902  | 26,302  | +1,399  | Foreign currency translation adjustment ▲1,920                    |
| Total liabilities and net assets       | 219,988 | 218,818 | ▲ 1,169 |   |
| Shareholders' equity ratio             | 62.9%   | 64.2%   |         |   |

※Shareholders' equity ratio = (Total net assets - Non-controlling interests) / Total liabilities and net assets

# Consolidated cash flow

(Unit: million yen)

|   | 2018/3  | 2019/3  |
|---|---------|---------|
| Net cash provided by operating activities                   | +19,238 | +17,292 |
| Profit before income taxes                                  | +20,740 | +19,492 |
| Depreciation and amortization                               | +5,381  | +5,992  |
| Others  | ▲6,883  | ▲8,192  |
| Net cash used in investing activities                       | ▲4,739  | ▲10,299 |
| Purchase of property, plant and equipment                   | ▲8,154  | ▲8,823  |
| Others  | +3,415  | ▲1,476  |
| Net cash used in financing activities                       | ▲4,041  | ▲5,663  |
| Cash dividends paid   | ▲2,472  | ▲2,966  |
| Others  | ▲1,569  | ▲2,697  |
| Effect of exchange rate change on cash and cash equivalents | +407    | ▲753    |
| Net increase (decrease) in cash and cash equivalents        | +10,865 | +576    |
| Cash and cash equivalents at beginning of the year          | 42,284  | 53,149  |
| Cash and cash equivalents at end of the year                | 53,149  | 53,726  |

# Forecast for FY2020 ended March 31, 2020

(Unit: million yen)

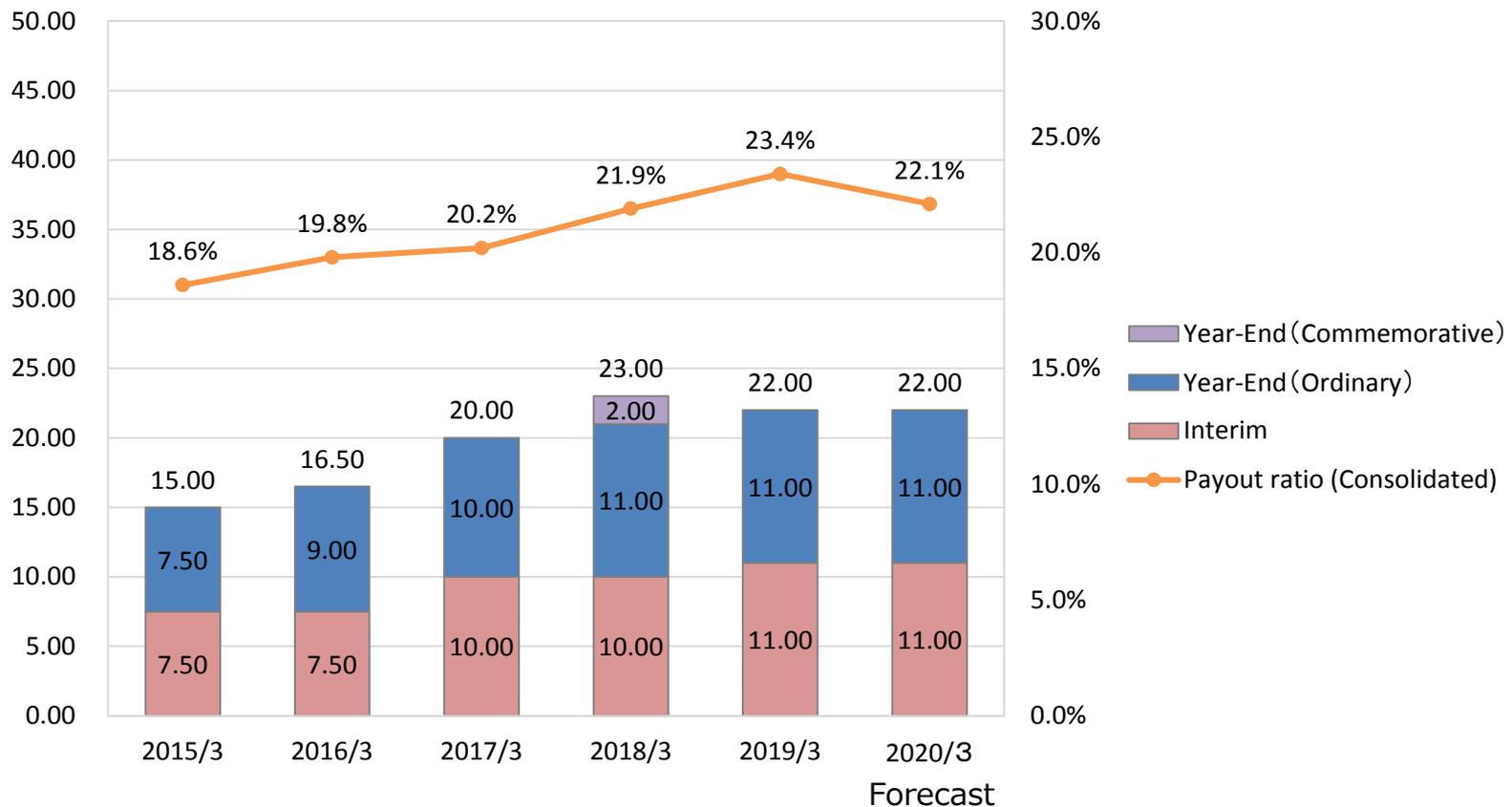
|   | 2019/3<br>Actual | 2020/3<br>Forecast | Change | % Change |
|---|------------------|--------------------|--------|----------|
| Net Sales   | 129,207          | 123,500            | ▲5,707 | ▲4.4%    |
| Operating income  | 17,023           | 17,500             | +476   | +2.8%    |
| Ordinary income   | 20,130           | 20,600             | +469   | +2.3%    |
| Net income attributable to<br>parent company shareholders | 11,424           | 12,000             | +575   | +5.0%    |
| The average exchange rate<br>(USD)                        | 110.43円          | 110.00円            |        |          |

- Sales will decrease mainly due to decrease in equipment segment.
- Operating income will increase mainly due to expansion of heat treatment business overseas.

# Dividend policy and dividends plan

## ■ Fundamental Policy

- Based on a target payout ratio of 20% on a consolidated basis, we will determine the amount of dividends after giving sufficient consideration to consolidated achievements, retained earnings required for future business development, etc.



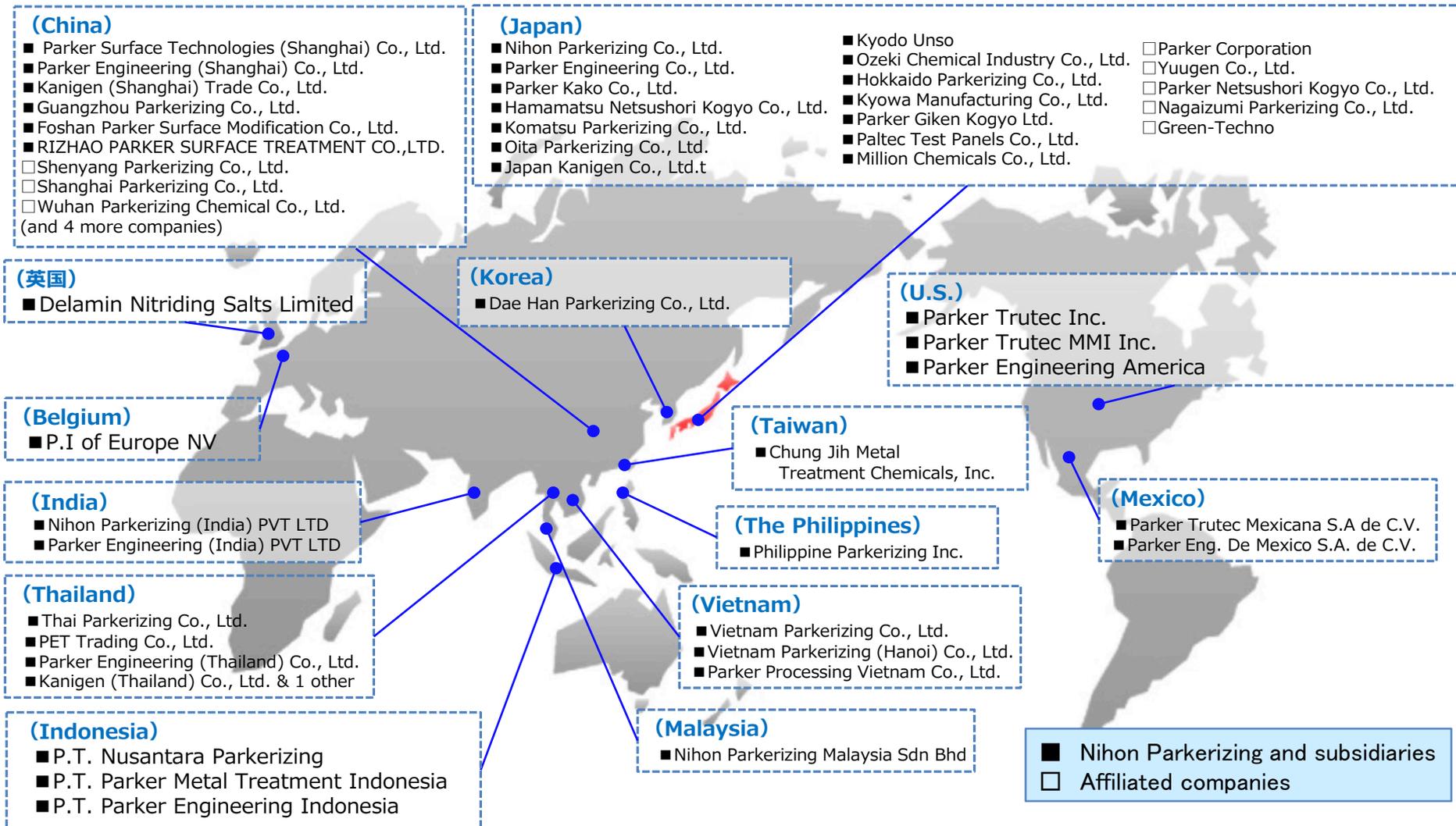
# ■ Financial highlights

(Unit: million yen)

|  | 2015/3  | 2016/3  | 2017/3  | 2018/3  | 2019/3  |
|--|---------|---------|---------|---------|---------|
| Net Sales  | 102,514 | 109,063 | 109,569 | 114,840 | 129,207 |
| Operating income                                       | 14,850  | 15,766  | 16,934  | 17,984  | 17,023  |
| Ordinary income  | 17,453  | 17,921  | 18,779  | 20,750  | 20,130  |
| Net income attributable to parent company shareholders | 9,975   | 10,320  | 12,228  | 12,721  | 11,424  |
| Operating profit margin                                | 14.5%   | 14.5%   | 15.5%   | 15.7%   | 13.2%   |
| Sales ordinary income ratio                            | 17.0%   | 16.4%   | 17.1%   | 18.1%   | 15.6%   |
| Net income per share (EPS)                             | 80.45円  | 83.24円  | 99.14円  | 104.85円 | 94.20円  |
| Ratio of ordinary income to total assets               | 9.9%    | 9.5%    | 9.7%    | 10.0%   | 9.2%    |
| Return on equity (ROE)                                 | 9.4%    | 8.9%    | 10.2%   | 9.7%    | 8.2%    |
| Shareholders' equity ratio                             | 61.1%   | 61.5%   | 62.5%   | 62.9%   | 64.2%   |

# ■ Subsidiaries and affiliated companies (As of 31st March 2019)

## Network of 46 subsidiaries & 10 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.