

May 31, 2023

Fiscal year ended March 31, 2023

Financial Results Briefing

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



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Overview of Fiscal year ended March 31, 2023

Consolidated income statement

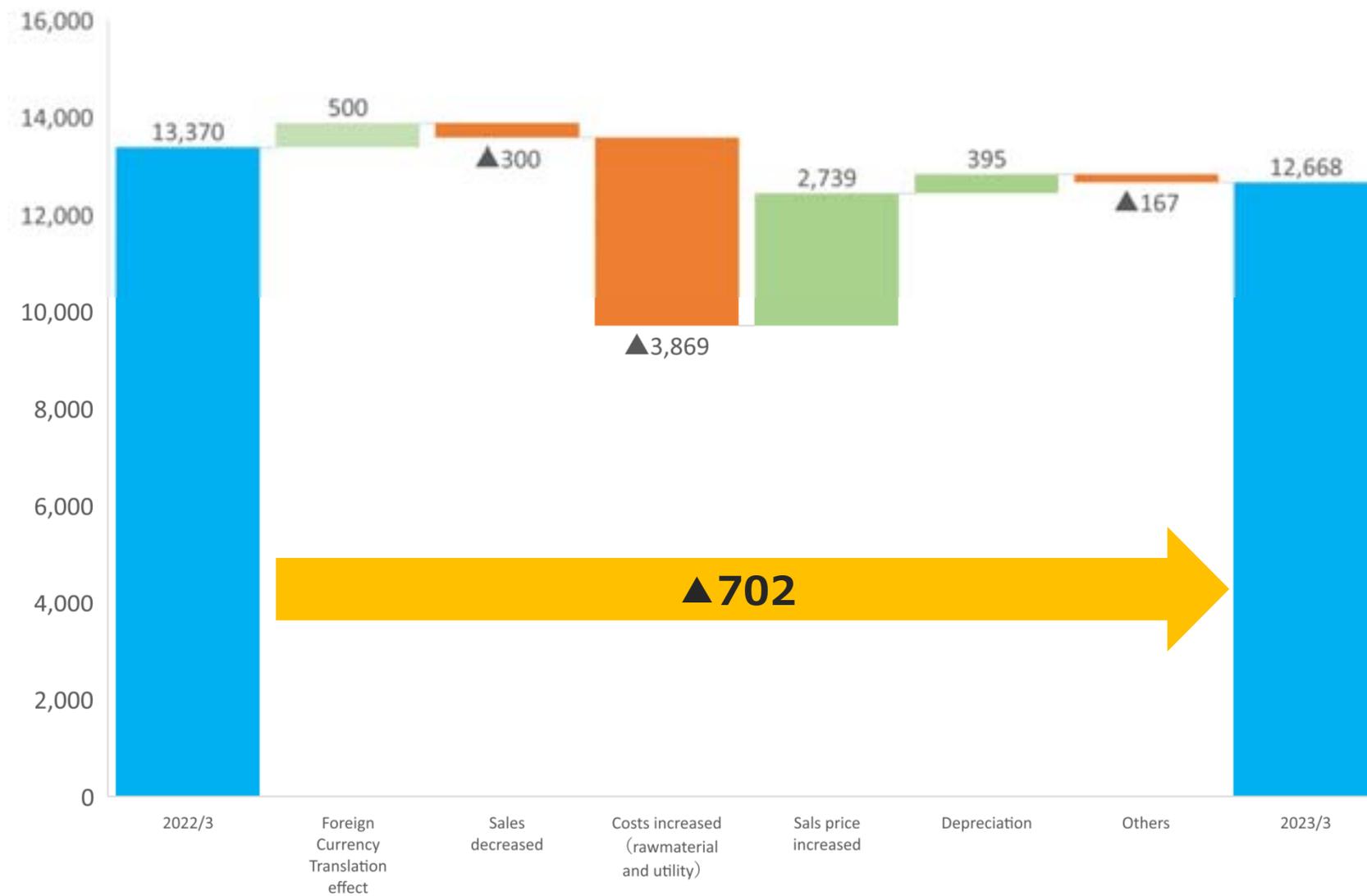
(Unit: million yen)

	2022/3	2023/3	Change	% Change	comment
Net Sales	117,752	119,177	+1,424	+1.2%	Economic activity normalized and performance recovered.
Operating income	13,370	12,668	-702	-5.3%	Gross profit margin declined due to rising raw material prices.
Ordinary income	17,003	16,625	-378	-2.2%	Non-operating income 4,685 million yen Non-operating expenses 728 million yen
Net income attributable to parent company shareholders	9,046	9,973	+926	+10.2%	Extraordinary gain 945 million yen Extraordinary loss 942 million yen
Net income per share	76.93 yen	86.10 yen	-	-	
Ratio of ordinary income to total assets	7.6%	7.1%	-	-	
Return on equity (ROE)	5.8%	6.1%	-	-	
The average exchange rate (USD)	109.80 yen	131.43 yen	-	-	

- Overseas sales ratio 47.0% (※Including exports from Japan)
- Foreign currency translation effect:
Sales approx. +6,455 million yen , Operating income approx. +500 million yen

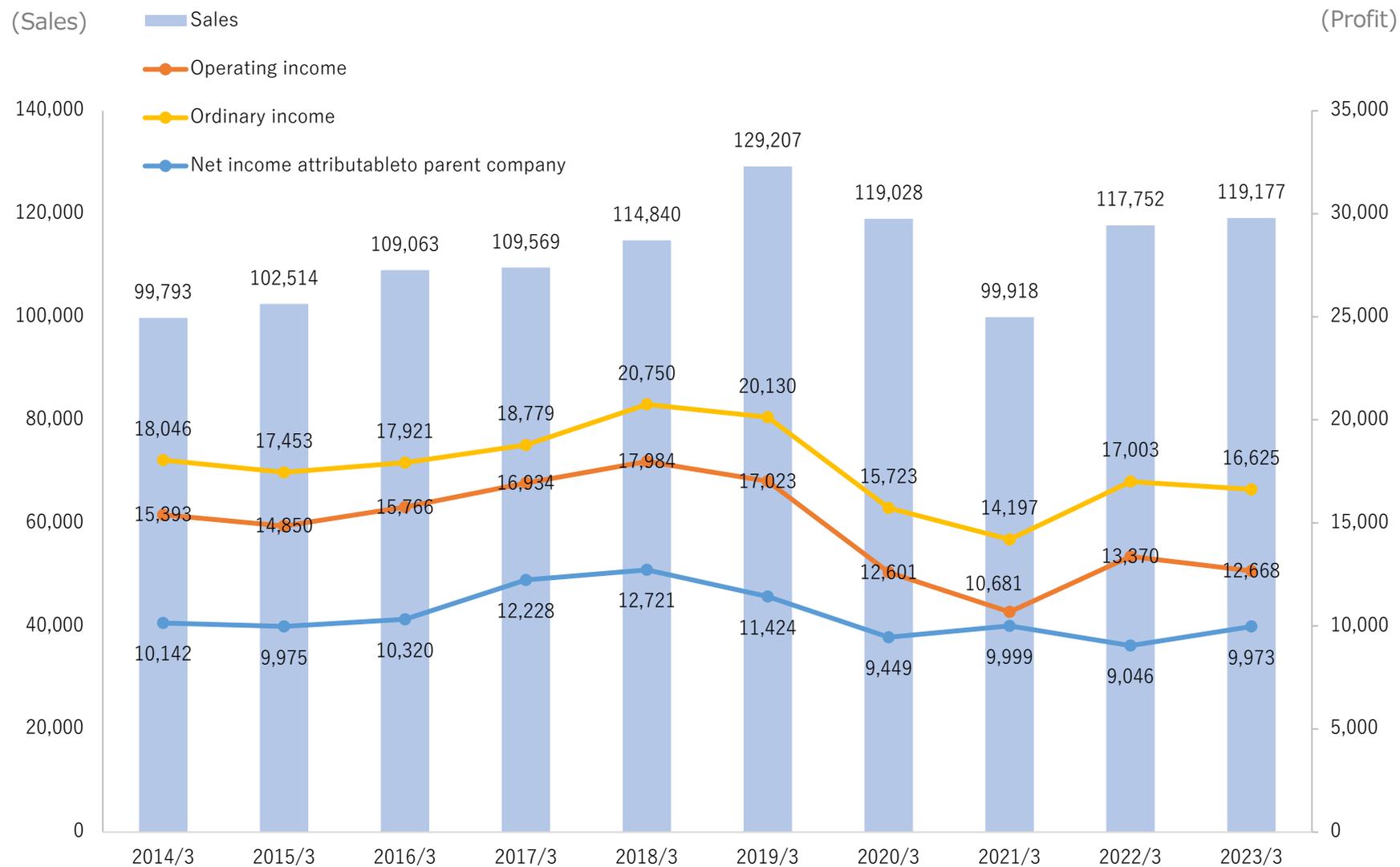
Variation analysis of operating income

(Unit: million yen)



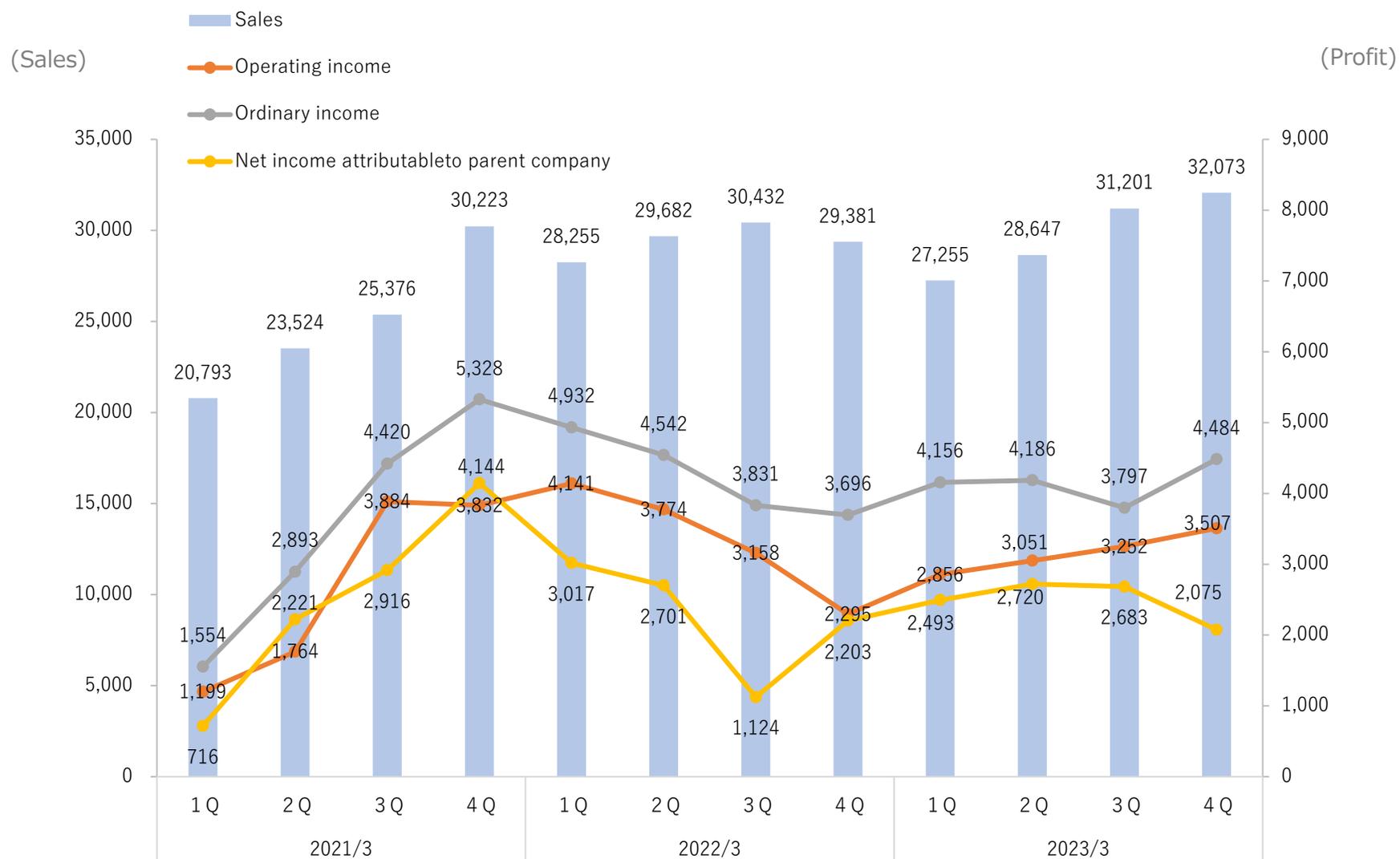
Consolidated Business Results

(Unit: million yen)



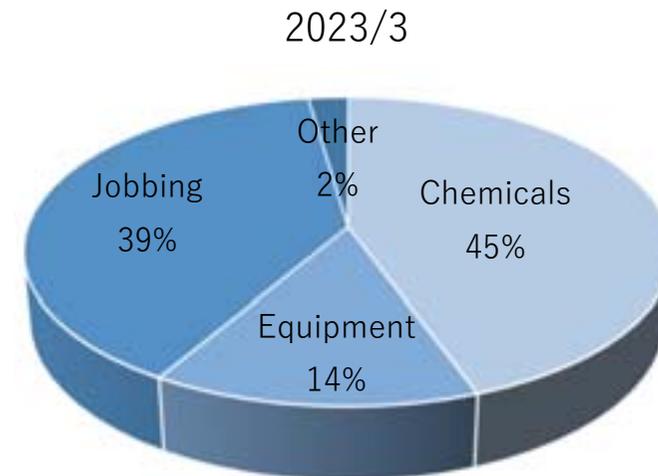
Consolidated quarterly trend

(Unit: million yen)



Business segment and sales composition ratios

Business segment	Main business
Chemicals	<ul style="list-style-type: none"> ● Surface treatment chemicals for adding corrosion resistance, creating a paint base, providing lubrication ● Rolling oil and lubricants ● Rust proof oil ● Electroless plating solution (KANIGEN PLATING) ● Other products for design features and other various purpose
Equipment	<ul style="list-style-type: none"> ● Pretreatment, E-coat equipment ● Wastewater treatment ● Paint application and Robots ● Paint Booth and Air Supply Unit ● Powder Coating Equipment (PARKER IONICS) ● Conveyors ● Wet booths and Dry booths, etc.
Jobbing	<ul style="list-style-type: none"> ● Rust proof coating ● Salt-bath nitriding (ISONITE) ● Gas carburizing, Carbonitriding, Low temperature carbonitriding ● Gas nitrocarburizing ● Electroless plating process (KANIGEN PLATING) ● Solid lubrication ● Other various surface treatment
Other	<ul style="list-style-type: none"> ● Building maintenance ● Medical ● Others



Sales consolidated
119,177
million yen

Financial results of business segments by area

(Unit: million yen)

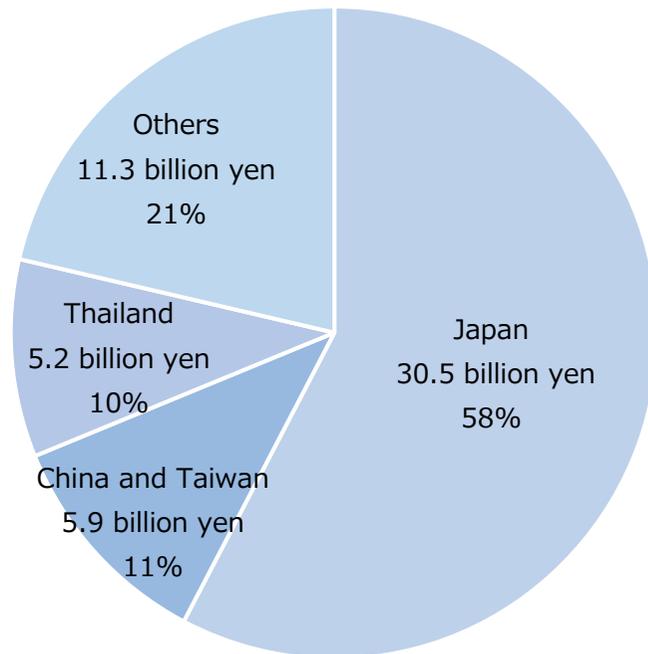
	Net sales			Operating income		
	2022/3	2023/3	Changes	2022/3	2023/3	Changes
Japan	28,519	30,529	+2,009	3,862	3,480	-381
Asia	17,174	21,481	+4,307	2,910	3,268	+357
Europe and North America	937	899	-37	246	227	-18
Inter-segment	1,060	1,308	+248	637	695	+58
Chemicals	47,691	54,219	+6,528	7,656	7,672	+15
Japan	8,470	5,885	-2,585	-15	-334	-318
Asia	14,738	9,936	-4,802	120	-21	-142
Europe and North America	704	969	+265	-173	32	+206
Inter-segment	659	608	-51	220	315	+94
Equipment	24,574	17,399	-7,175	151	-8	-160
Japan	26,456	25,848	-608	5,352	4,351	-1,001
Asia	11,612	12,700	+1,087	2,067	1,981	-85
Europe and North America	6,750	8,194	+1,443	-852	-459	+393
Inter-segment	36	49	+13	214	212	-1
Jobbing	44,856	46,792	+1,936	6,781	6,086	-695
Others	2,457	2,791	+333	29	113	+83
Adjustments and Eliminations	-1,825	-2,024	-198	-1,249	-1,196	+53
Total	117,752	119,177	+1,424	13,370	12,668	-702

(Note)

- Sales and profit of each segment include internal sales and transfers between segments.
- As economic activity normalized, performance gradually recovered. As a result, sales of products other than equipment increased. In the Equipment segment, sales for the current fiscal year decreased compared to the previous fiscal year when sales of large equipment were recorded.
- Operating income decreased by 702 million yen from the previous fiscal year due to rising raw material and energy prices.

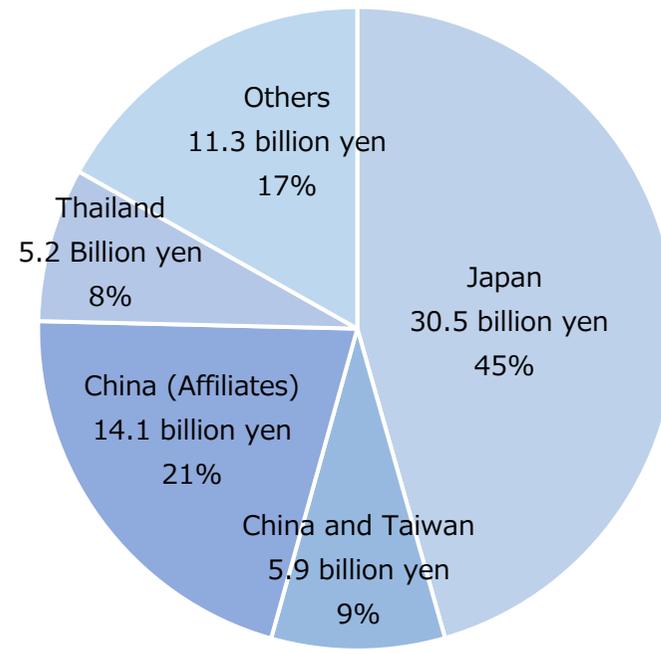
Percentage of chemicals sales by area

Consolidated subsidiaries only



52.9 billion yen

Total of consolidated subsidiaries and affiliated companies in China



67 billion yen

(notes : Above are rough estimates before elimination of internal sales between segments.)

Non-operating income and Extraordinary gain or loss

- As a result of gaining interest income, dividend income, equity method in earnings of affiliates, technical fees received, etc., ordinary income was 16,625 million yen.
- Extraordinary income was 945 million yen (including profit on sale of fix assets 536 million yen), extraordinary loss was 942 million yen (including Loss on sales and disposal of fixed assets of 682 million yen).

As a result, net income attributable to the parent company shareholders was 9,973 million yen.

(Unit: million yen)

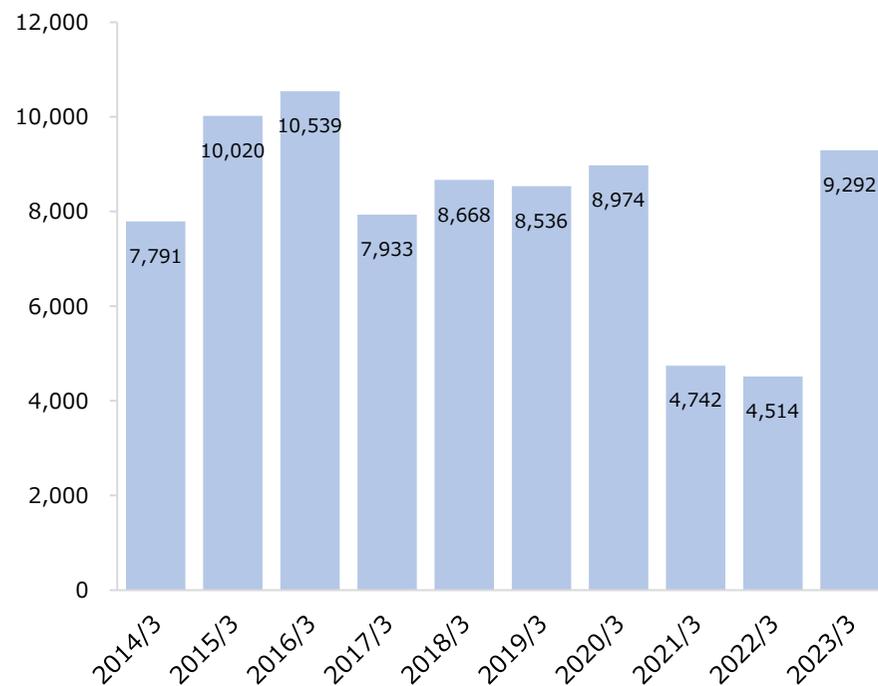
	2022/3	2023/3	Changes
Operating income	13,370	12,668	-702
Non-operating profit	4,242	4,685	+442
Interest income	348	427	+79
Dividend income	480	556	+75
Technical support fee	576	638	+62
Equity in earnings of affiliates	913	983	+70
Other income	1,923	2,078	+154
Non-operating expenses	610	728	+118
Interest expense	30	19	-11
Other expense	579	709	+129
Ordinary income	17,003	16,625	-378
Extraordinary income	287	945	657
Extraordinary loss	1,445	942	-503
Income before income taxes	15,845	16,628	
Income taxes	4,403	4,465	61
Net income attributable to non-controlling interests	2,394	2,189	-205
Net income attributable to parent company shareholders	9,046	9,973	926

Revenue from China and Taiwan area (Profits from subsidiaries and affiliates)

	2022/3	2023/3	change
Operating income	1,265	1,065	-200
Technical support fee	209	236	+27
Equity in earnings of affiliates	386	466	+80
Total	1,861	1,767	-94

Capital investment

(Unit: million yen)



Expanding the Central Research Laboratories (scheduled for completion in 2025)

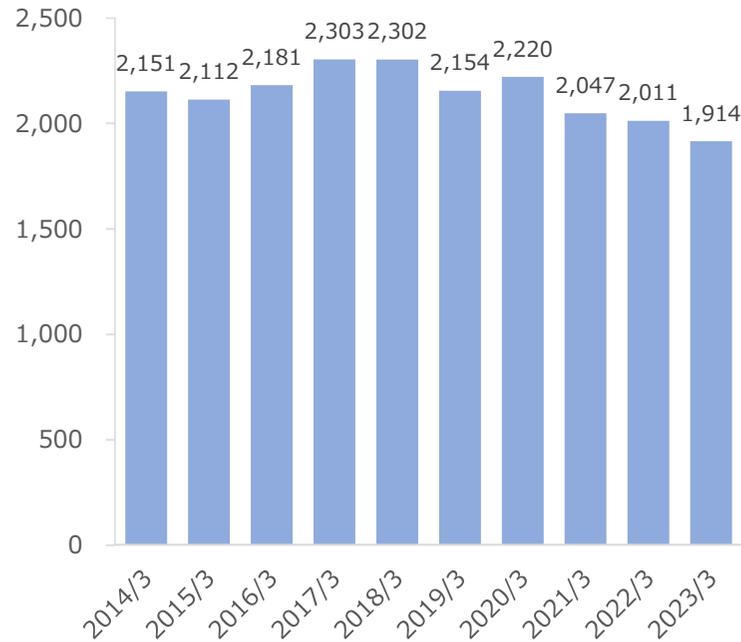


Notes: The illustration is an image at planning.

- In the fiscal year ending March 31, 2023, as travel restrictions were eased around the world and economic activities normalized, capital investment recovered to the level before the spread of COVID-19.
- We will continue to;
 - Expansion of R&D center for development of new markets,
 - Investment in growth markets such as EV, electronics, and medical
 - Improve productivity by renovating domestic factories,
 - Capital investment aimed at strengthening the earnings base and achieving sustainable growth

Research and Development

(Unit: million yen)



Function (examples)	Application (examples)
Heat dissipation ⇄ heat shielding	Engine parts, heat sink, roofing materials
Insulation ⇄ conductivity	Motor parts, electromagnetic shielding material, electrical system materials
Adhesion ⇄ detackification	Rubber, resin-metal composite materials, adhesive materials, laminates
Hydrophilicity ⇄ hydrophobic, oil repellent	Heat exchangers, stain resistant wall materials
Low friction ⇄ high friction	Power train, clutch, slide rail
Hardening ⇄ softening	Sliding parts, forging parts
Rust conversion ⇄ Repair and rustproofing	Weathering steel, repair materials for building materials
Other	Anti-fingerprint steel sheet

Adding diverse functions to a variety of substrates

- More than 130 employees work at the Central Research Laboratory, and we will continue to invest approximately 2,000 million yen in research and development every year.
- Meeting needs such as environmental needs (chrome-free, phosphate-free, sludge-free, etc.)
- Creating diverse functions using our core technology in addition to rust prevention, .
- Developing technologies for Electric Vehicle.(improving energy efficiency by insulation, conductivity, wear resistance, heat resistance, low distortion, etc.
- Developing technologies for new markets such as medical parts.

We have been licenced first-class marketing for medical devices from 7 Feb, 2023.

Consolidated balance sheet

(Unit: million yen)

<Main factor of change>

	2022/3	2023/3	Change	
Current assets	126,258	128,576	+2,318	Cash and deposits +927
Fixed assets	102,724	107,957	+5,232	Acquisition +9,292
Tangible and Intangible assets	60,511	64,977	+4,465	Depreciation -5,927
Investments and other assets	42,212	42,980	+767	Securities -524
Total assets	228,982	236,534	+7,551	
Current liabilities	31,599	30,693	-906	Payables for Income taxes -853
Fixed liabilities	9,709	9,448	-261	
Total liabilities	41,309	40,141	-1,167	
Total net assets	187,673	196,392	+8,718	
Shareholders' equity	147,736	150,419	+2,682	Current profit +9,973
Accumulated other comprehensive profit	12,557	15,852	+3,294	Cash dividends paid -5,487
Non-controlling interests	27,379	30,120	+2,741	Purchase of treasury shares -1,845
Total liabilities and net assets	228,982	236,534	+7,551	Valuation difference on available-for-sale securities -376
Shareholders' equity ratio	70.0%	70.3%		Translation adjustment +4,228

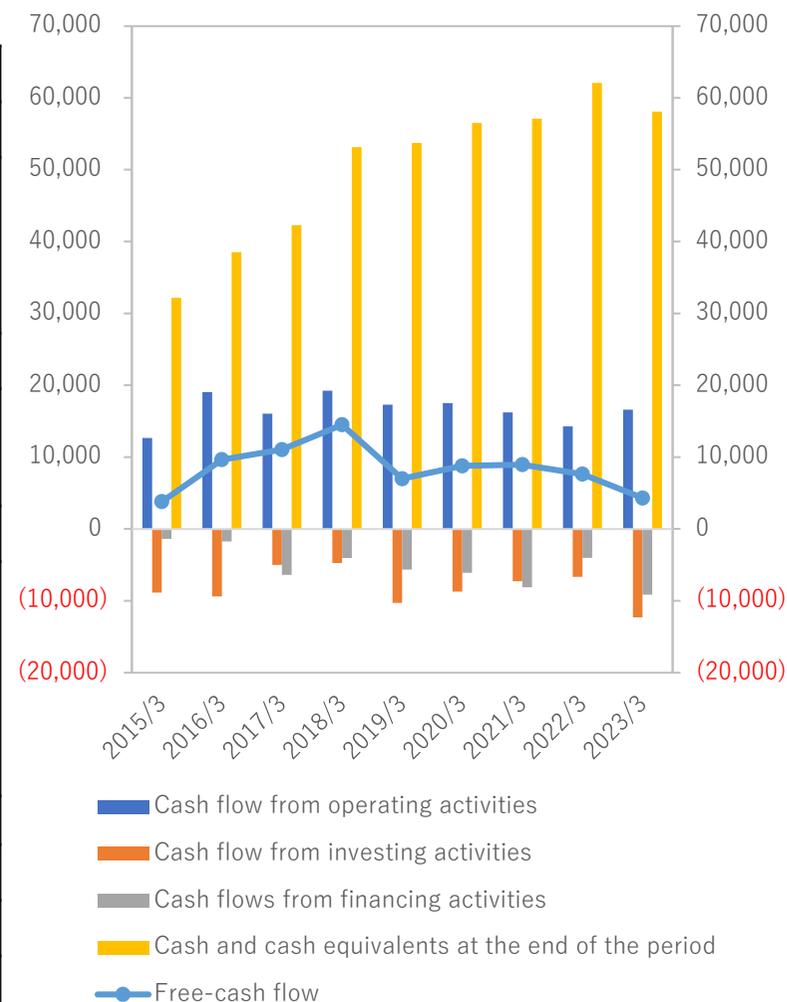
※Shareholders' equity ratio = ("Total net assets" - "Non-controlling interests") / Total liabilities and net assets

➤ Shareholders' equity ratio is stable.

Consolidated cash flow

(Unit: million yen)

	2022/3	2023/3
Net cash provided by operating activities	+14,281	+16,608
Profit before income taxes	+15,845	+16,628
Depreciation and amortization	+5,912	+5,927
Others	-7,476	-5,946
Net cash used in investing activities	-6,655	-12,300
Purchase of property, plant and equipment	-4,232	-9,607
Others	-2,422	-2,692
Net cash used in financing activities	-4,105	-9,158
Cash dividends paid	-3,242	-5,613
Dividend payments to Non-controlling interests	-727	-1,173
Purchase of treasury shares	-11	-1,845
Others	-147	-526
Effect of exchange rate change on cash and cash equivalents	+1,455	+864
Net increase (decrease) in cash and cash equivalents	+4,975	-3,985
Cash and cash equivalents at beginning of the fiscal year	57,108	62,083
Cash and cash equivalents at end of the fiscal year	62,083	58,098



- Although income before taxes and minority interests increased, cash and cash equivalents at the end of the fiscal year decreased due to an increase in capital investment, dividend payments, and the acquisition of treasury stock.
- Free cash flow (“Operating cash flow”-“Cash flow from investing activities”) is positive.

Forecast for of fiscal year ended March 31, 2024

(Unit: million yen)

	2023/3 Actual	2024/3 Forecast	Change	% Change
N e t S a l e s	119,177	125,000	+5,822	+4.9%
O p e r a t i n g i n c o m e	12,668	14,500	+1,831	+14.5%
O r d i n a r y i n c o m e	16,625	18,000	+1,374	+8.3%
Net income attributable to parent company shareholders	9,973	10,500	+526	+5.3%
The average exchange rate (USD)	131.43 yen	132.00 yen		

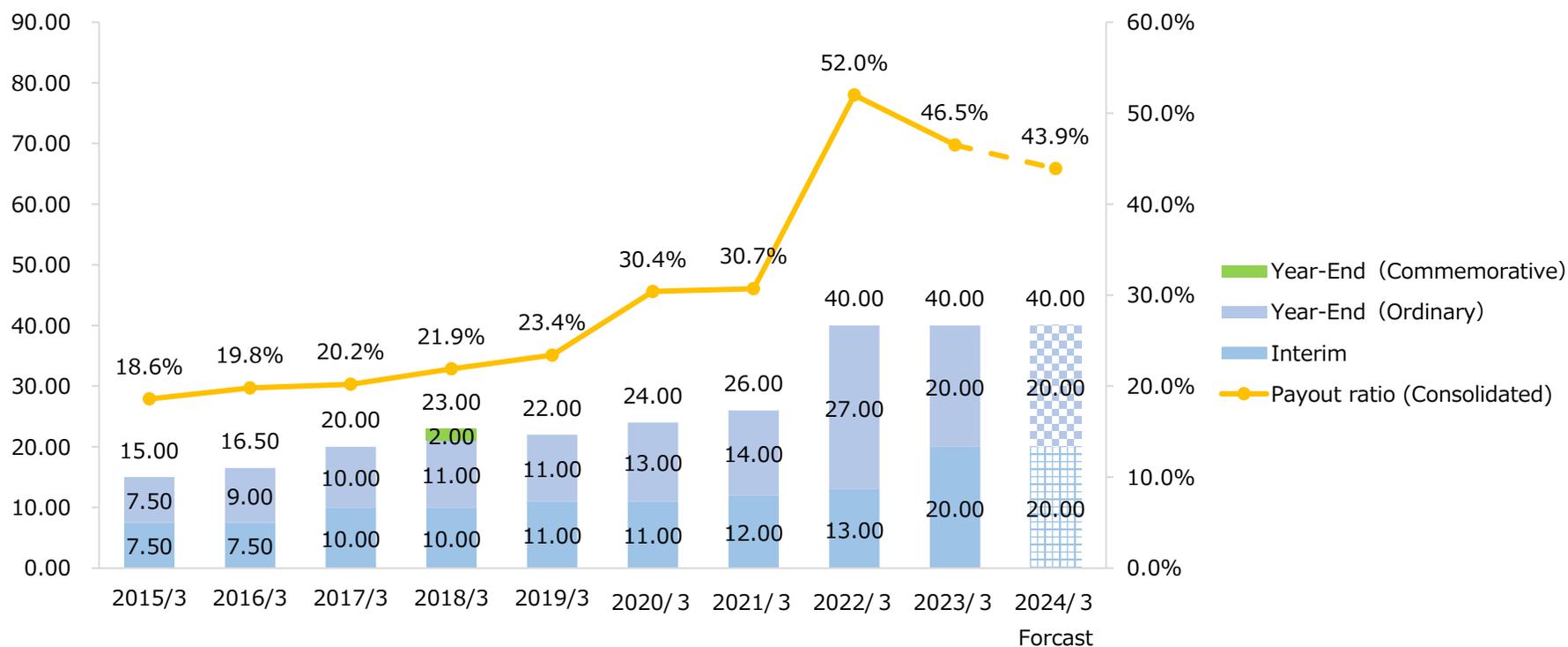
- Forecast was made on the assumption that emerging-market currencies move according to the influence of US \$.

Dividend policy and shareholder return

- We will pay stable dividends to shareholders on an ongoing basis and commit to enhancing shareholder value by utilizing retained earnings effectively.
- Taking into consideration consolidated business results and retained earnings required for future business development, we will determine the dividends based on a target payout ratio of 30% on a consolidated basis.

In addition, since both the investment funds for growth and security of the financial base have reserved to a certain extent, we will pay dividends exceeding our target ratio for the time being.

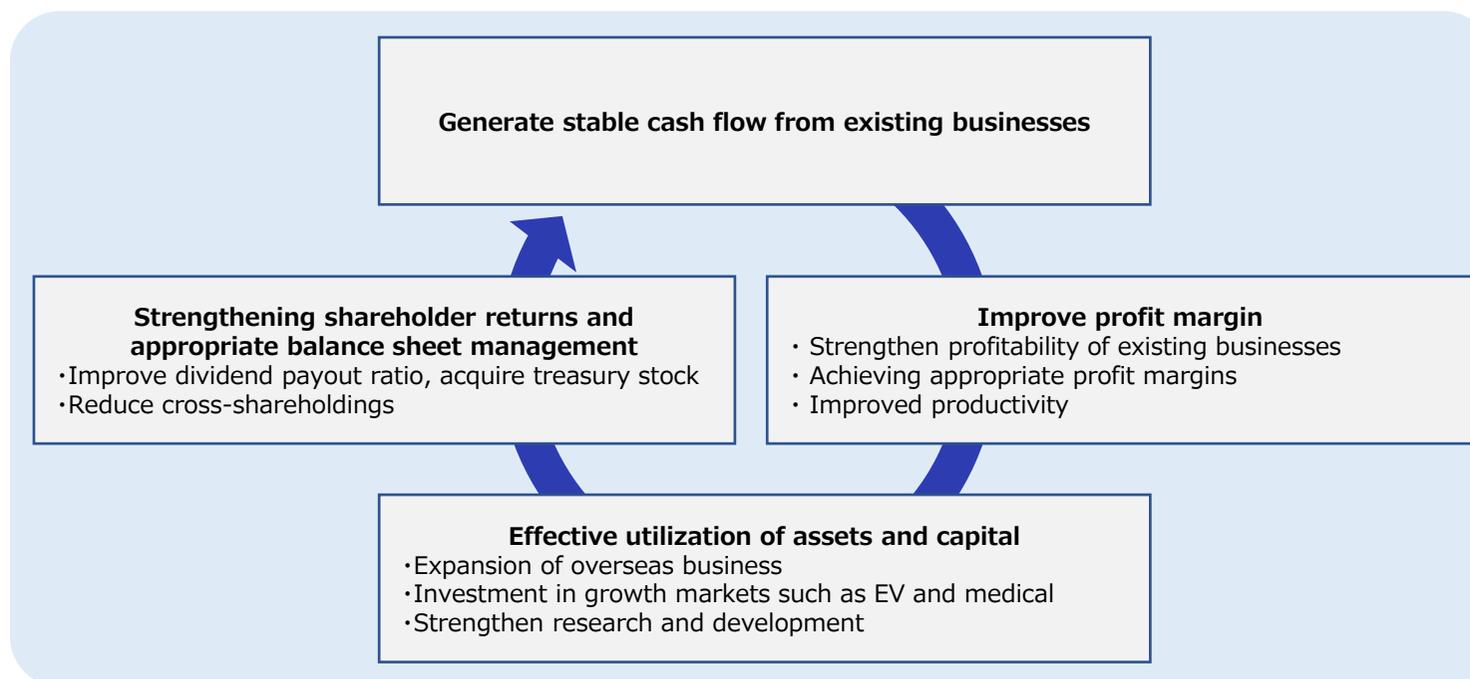
- We will repurchase stock as a measure to improve capital efficiency and future ROE.



Improving capital efficiency and corporate value

$$\text{PBR} = \text{PER} \times \text{ROE}$$

Improving corporate value



Improving ROE

$$\frac{\text{ROE}}{\text{Profit} / \text{Equity}} = \frac{\text{Profitability}}{\text{Profit} / \text{Sales}} \times \frac{\text{asset efficiency}}{\text{Sales} / \text{Assets}} \times \frac{\text{Financial leverage}}{\text{Assets} / \text{Equity}}$$

**Progress of the medium-term
management plan
and
activities to achieve it**

Progress of the medium-term management plan

(Unit: million yen)

	The 4th Consolidated mid-term management plan				A-B Difference
	Actual 2022/3	Actual 2023/3	A Forecast 2024/3	B Plan 2025/3	
Net Sales	117,752	119,177	125,000	130,000	△ 5,000
Operating income	13,370	12,668	14,500	16,900	△ 2,400
Ordinary income	17,003	16,625	18,000	19,500	△ 1,500
Operating profit margin	11.4%	10.6%	11.6%	13%以上	-
Sales ordinary income ratio	14.4%	13.9%	14.4%	15%以上	-
ROE	5.8%	6.1%	-	8~10%以上	-

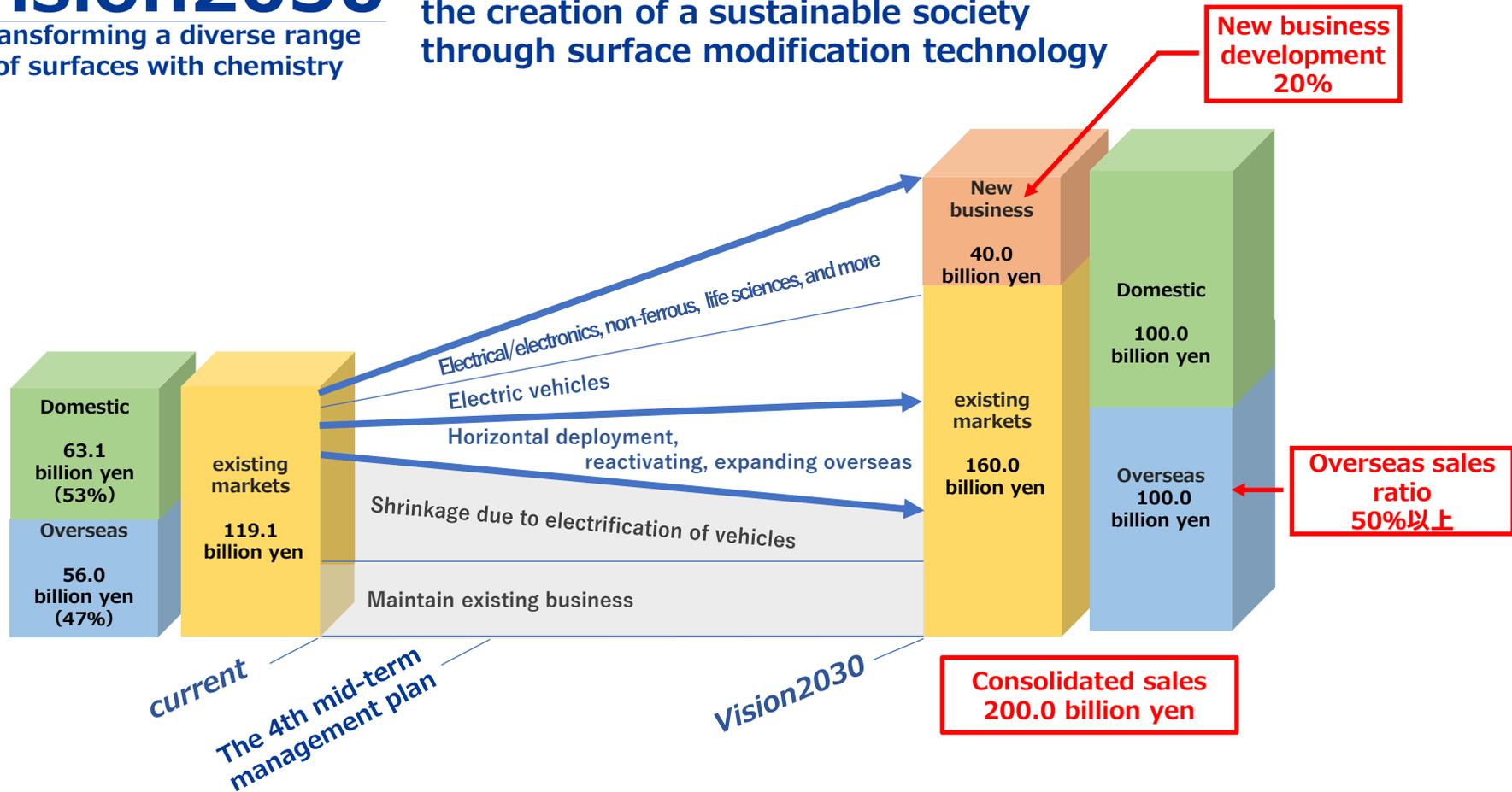
- Sales recovered moderately. However, operating rate of some factories are still in low, so we will strengthen our sales activities around the world.
- Due to the rise of raw material prices and utility costs, the profit margin was below the target. In order to achieve an appropriate profit margin, we will raise sales prices and improve productivity.
- In order to build a foundation for sustainable growth, we will strengthen research and development to cultivate new markets and promote the hiring and training of global human resources to expand our overseas business.
- In order to improve ROE, we will improve profit margins and implement appropriate balance sheet management, such as repurchasing treasury stock.

Building a foundation for achieving our Vision2030

Vision2030

Transforming a diverse range of surfaces with chemistry

To create new value and contribute to the creation of a sustainable society through surface modification technology



Strengthen R&D to cultivate new markets

+

Expanding overseas business and strengthening the global R&D system

+

Development and sales of environmentally friendly products

Strengthen R&D to cultivate new markets

- **Development and sales of chemicals and processing technologies for growing fields such as EV, electronics, and medical devices**
 - We will expand our R&D center (scheduled to open in 2025) and strengthen our research and development system to cultivate new markets.
 - Developing technology for EV (conductivity, insulation, wear resistance, heat resistance, heat treatment with little distortion) and technology for next-generation automotive (anti-glare, adhesion of different materials, etc.)
 - Developing technology that meets the needs of medical equipment. (antifouling, hydrophilicity, antifogging, etc.) We have been licenced first-class marketing for medical devices from 7 Feb, 2023. Strengthen research and development, including the application of our technology to Class IV.
 - We are actively collaborating with other industries. We are applying our adhesion improvement technology and adding value to our customers' raw material. We provide our surface treatment technology to all fields, including medical equipment, food, housing, and cosmetics.
 - Developing of 3R technology to contribute to SDGs and circular economy.
 - Discovery of new business seeds.



EV



Electronics



Medical



Improving
insulation and
heat resistance



Electric scalpel



Antiviral and Antibacterial
spray

Expanding overseas business and strengthening the global R&D system

- Technological development to meet local needs
- Technical support to enhance customer satisfaction
- Activation of personnel exchanges in worldwide to develop global human resources
- Strengthening recruitment and training of local staff
- Strengthening sales activities for non-Japanese companies

Think Globally & Act Locally

Expanding the Central Research Laboratories

PARKER SURFACE TECHNOLOGIES (SHANGHAI) CO.,LTD.



イメージ図



PARKER SURFACE TECHNOLOGY ASIA PACIFIC CO., LTD.
(in THAI PARKERIZING CO.,LTD.)

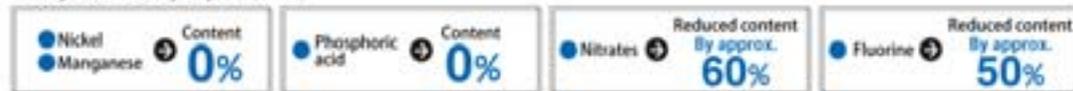
Development and sales of environmentally friendly products

Engagement in environmental preservation on a global level is a priority for our management, and we will work hard to develop environmentally friendly products.

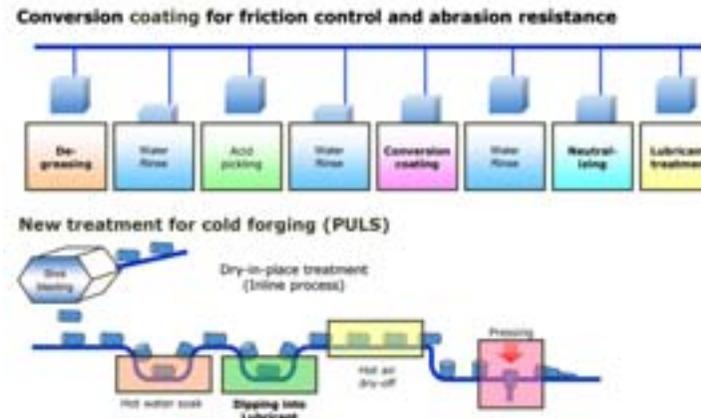


- Does not contain phosphorous, nickel and manganese. Reduction in heavy metals compared to zinc phosphating treatment.
- Sludge generated cut to 1/10th or less
- Does not require surface conditioning stage, making the line shorter and cutting wastewater treatment cost, as well as contributing to a reduction in CO2 emissions on an LCA base

* Comparison to zinc phosphate (100%)

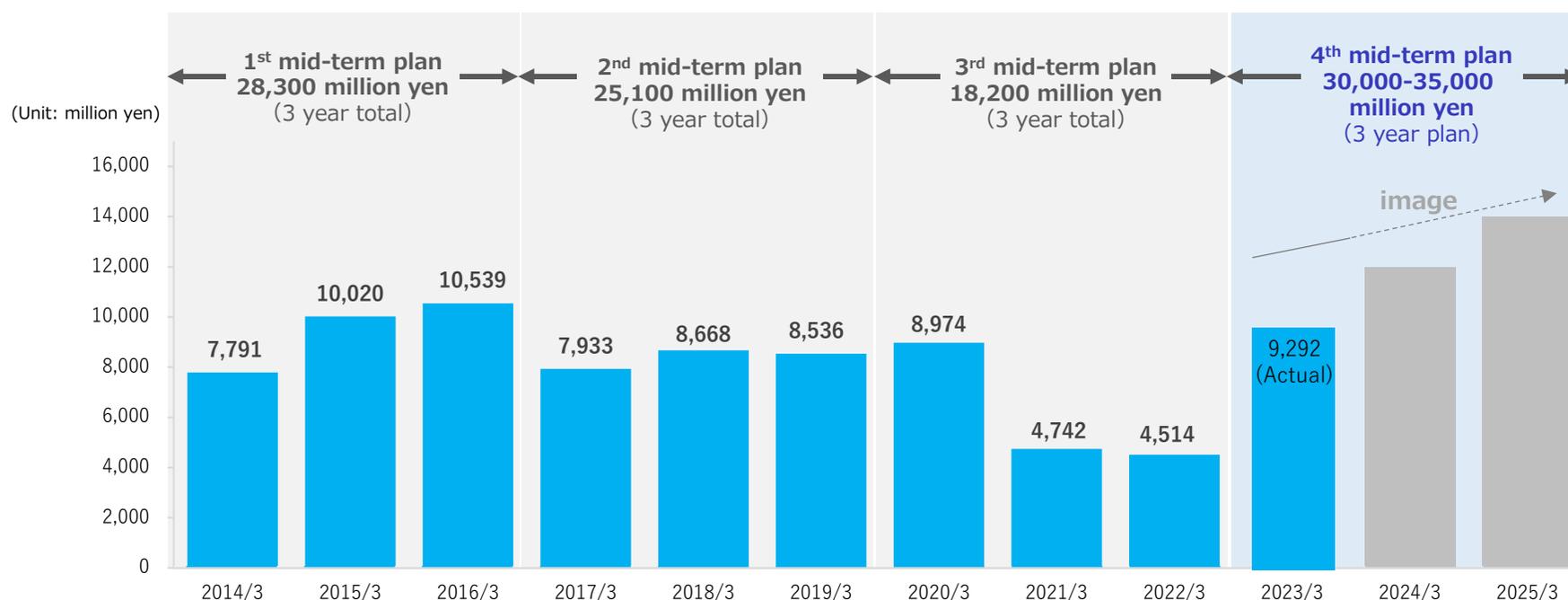


- Zero waste!! Environmentally friendly, single process, roll-on water-based lubricant
- Low treatment temperature contributes to cutting CO2 emissions in our customers' manufacturing processes.
- Cuts CO2 emissions on an LCA base



Capital investment plan

- **In addition to generally investments (maintenance and renewal), we will invest to strengthen our earnings base and achieve sustainable growth.**
 - ✓ Expansion of R&D center to strengthen research and development (total investment of approximately 7,000 million yen)
 - ✓ Investment in growth markets such as EV, electronics, and medical
 - ✓ Renewal of domestic factories to improve productivity
 - ✓ Capital investment to expand overseas business
 - ✓ Investment to update group IT systems and promote DX
 - ✓ Explore M&A in both existing and new markets (Not included in capital investment budget)



Six key issues and key initiatives for our grope

Together the Group will tackle the key issues as we aim for a sustainable society

Key issues (materiality)	Main initiatives in the 4 th Group mid-term management plan
1 Creating a richer society through surface modification technology	<ul style="list-style-type: none"> • Development and sales of products to reduce the environmental load • Development and sales of products for electric vehicles • Expanding application of surface modification technology into new markets other than the auto and steel industries
2 High value-added products and services for customers around the world	<ul style="list-style-type: none"> • Research and development in markets other than metal rust prevention treatments • Development of products and services that contribute to SDGs • Strengthening quality control and the quality assurance system to ensure the supply of high-quality products and services
3 Ensuring a safe and secure workplace	<ul style="list-style-type: none"> • Safety and environmental initiatives on a Group level • Initiatives to eliminate occupational and traffic accidents • Eliminating dangerous and hazardous work, and continuously improving the work environment
4 Creating a corporate culture that respects diverse values and turns them into strengths	<ul style="list-style-type: none"> • Recruitment of women, people with disabilities, non-Japanese, mid-career and senior workers • Increase ratio of women in management • Establish a working style and workplace environment that enables a diverse workplace to flourish
5 Taking responsibility for creating a sustainable society	<ul style="list-style-type: none"> • Thorough management of chemical substances in products • Ensure 100% compliance by suppliers with the Green Procurement Guidelines , and continuously reduce energy intensity. • Promotion of initiatives for stable procurement and stable supply through multi-sourcing and business continuity planning (BCP).
6 Initiatives to ensure the continuing integrity of the Group	<ul style="list-style-type: none"> • Standardization of key Rules at each company to strengthen Group governance • Continue Group-wide initiatives on education and awareness of compliance • Building a close relationship and collaboration with all stakeholders

Contributing to the achievement of Sustainable Development Goals (SDGs)

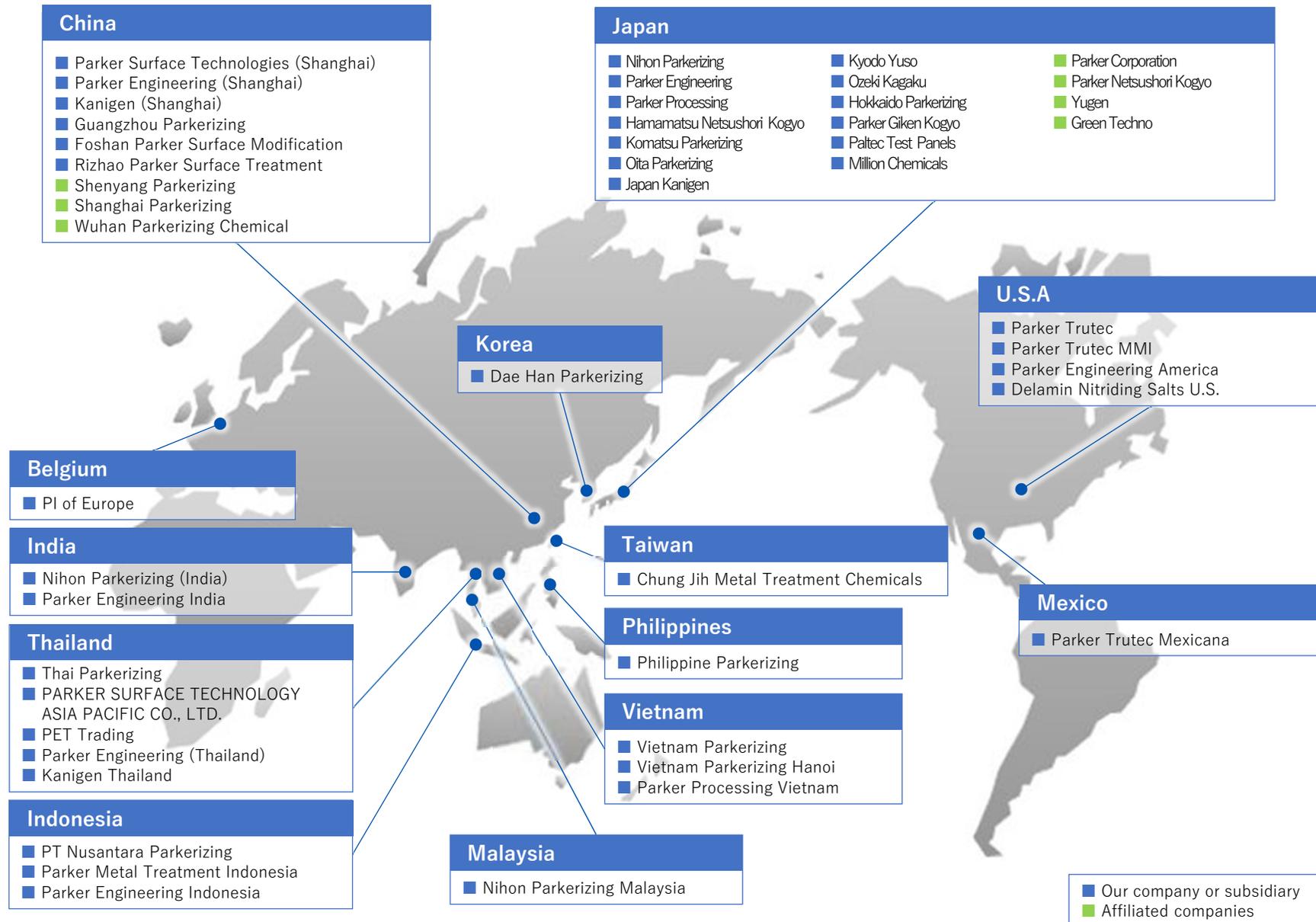


Consolidated financial highlights

(Unit: million yen)

	Year Ended March 31,						
	2017	2018	2019	2020	2021	2022	2023
Net Sales	109,569	114,840	129,207	119,028	99,918	117,752	119,177
Operating income	16,934	17,984	17,023	12,601	10,681	13,370	12,668
Ordinary income	18,779	20,750	20,130	15,723	14,197	17,003	16,625
Net income attributable to parent company shareholders	12,228	12,721	11,424	9,449	9,999	9,046	9,973
Operating profit margin	15.5%	15.7%	13.2%	10.6%	10.7%	11.4%	10.6%
Sales ordinary income ratio	17.1%	18.1%	15.6%	13.2%	14.2%	14.4%	13.9%
Ratio of ordinary income to total assets	9.7%	10.0%	9.2%	7.2%	6.5%	7.6%	7.1%
Return on equity (ROE)	10.2%	9.7%	8.2%	6.7%	6.8%	5.8%	6.1%
Shareholders' equity ratio	62.5%	62.9%	64.2%	66.1%	68.8%	70.0%	70.3%

Main affiliated companies (As of March 31, 2023)



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.

VISION P2030

**Transforming a diverse range
of surfaces with chemistry**