



The Financial Statement Briefing For Q2 of the Year Ending March 31, 2021

October 30, 2020

JASDAQ: 6467

株式会社 ニチダイ
NICHIDAI CORPORATION

<https://www.nichidai.jp/>

Financial Highlights

Performance

■ Net Sales	5,099 Million of Yen (Growth Rate 35.7% Down)
■ Ordinary income	△273 Million of Yen (Profit of 526 million yen in the previous year)
■ Net income Attributable to Owners of the Parent	△208 Million of Yen (Profit of 349 million yen in the previous year)

Background

■ Due to the spread of the COVID-19 infection, the operation of the automobile industry has stagnated. Sales and profits declined year-on-year due to sluggish performance in the Net-Shape Business and Assembly Business.

■ The Filter Business is performing well. Sales and profits increased year-on-year.

■ In the 2nd quarter, the automobile industry is beginning to recover gradually.

Financial Highlights

Performance

■ Net Sales	10,400 Million of Yen (Growth Rate 29.6% Down)
■ Ordinary income	△375 Million of Yen (Profit of 743 million yen in the previous year)
■ Net income Attributable to Owners of the Parent	△300 Million of Yen (Profit of 477 million yen in the previous year)

Background

- The timing of the resolution of the COVID-19 infection diseases is not anticipated, and the situation of the global economy remains uncertain.
- Automobile sales have been recovering since 2nd quarter and are expected to recover from second half year of the fiscal year onward.
- In particular, demand is expected to recover in the Net-Shape Business Forging Die Division.

■ Regarding the dividend forecast for the current fiscal year, at the time of the previous announcement, we were unable to announce the full-year earnings forecast without anticipating the future situation. Therefore, we have decided not to pay the dividend for the 2nd quarter and have made the year-end dividend forecast undecided.

■ The Company expects to record a net loss in the full-year forecast announced this time. However, based on the Company's basic dividend policy, after comprehensively taking into account factors such as the prospect of a recovery in demand from the second half of the fiscal year, the Company will make a year-end dividend forecast of 4 yen per share.

	End of Interim Period	Year End	Full Year
	Yen Sen	Yen Sen	Yen Sen
2020FY	10.00	10.00	20.00
2021FY (Plan)	0.00	4.00	4.00

I) Business introduction

II) FY21/3 Summary of financial results
for the first half

III) FY21/3 Full year outlook

IV) Dividends

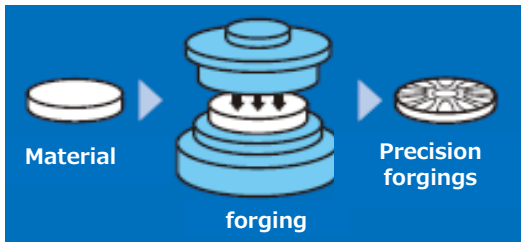
V) Medium-term Management Strategies



I) Business introduction

Net-Shape Business

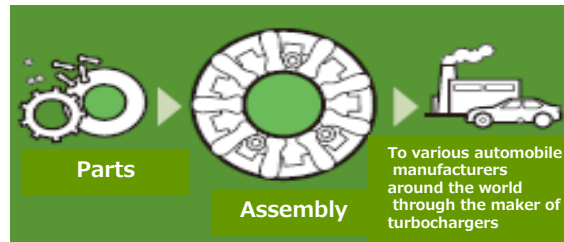
Total support dies for the Production of high-precision automotive parts



High-precision · Resource-saving · High strength

Assembly Business

Assembles useful components for improving fuel economy and reducing exhausts



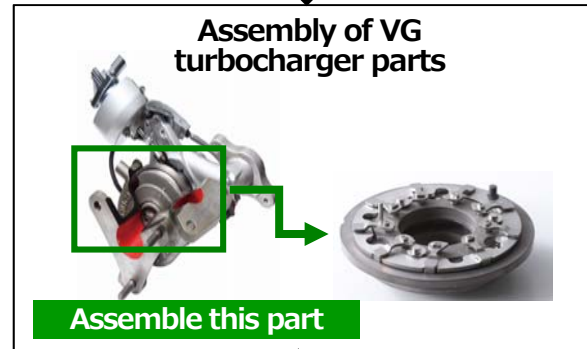
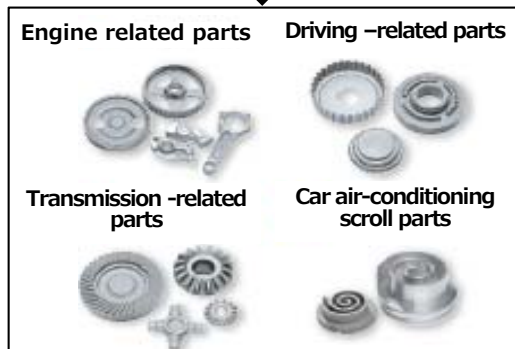
High quality · Automation · Bipolar production

Filter Business

Providing metal filters that can be used under severe conditions to various industries



High strength · Heat resistance · Oxidization resistance



Automotive

Food



Aerospace



Medical

I) Business introduction

**II) FY21/3 Summary of financial results
for the first half**

III) FY21/3 Full year outlook

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V) Medium-term Management Strategies



II) FY 21/3 Summary of financial results for the first half - Sales and Profit -

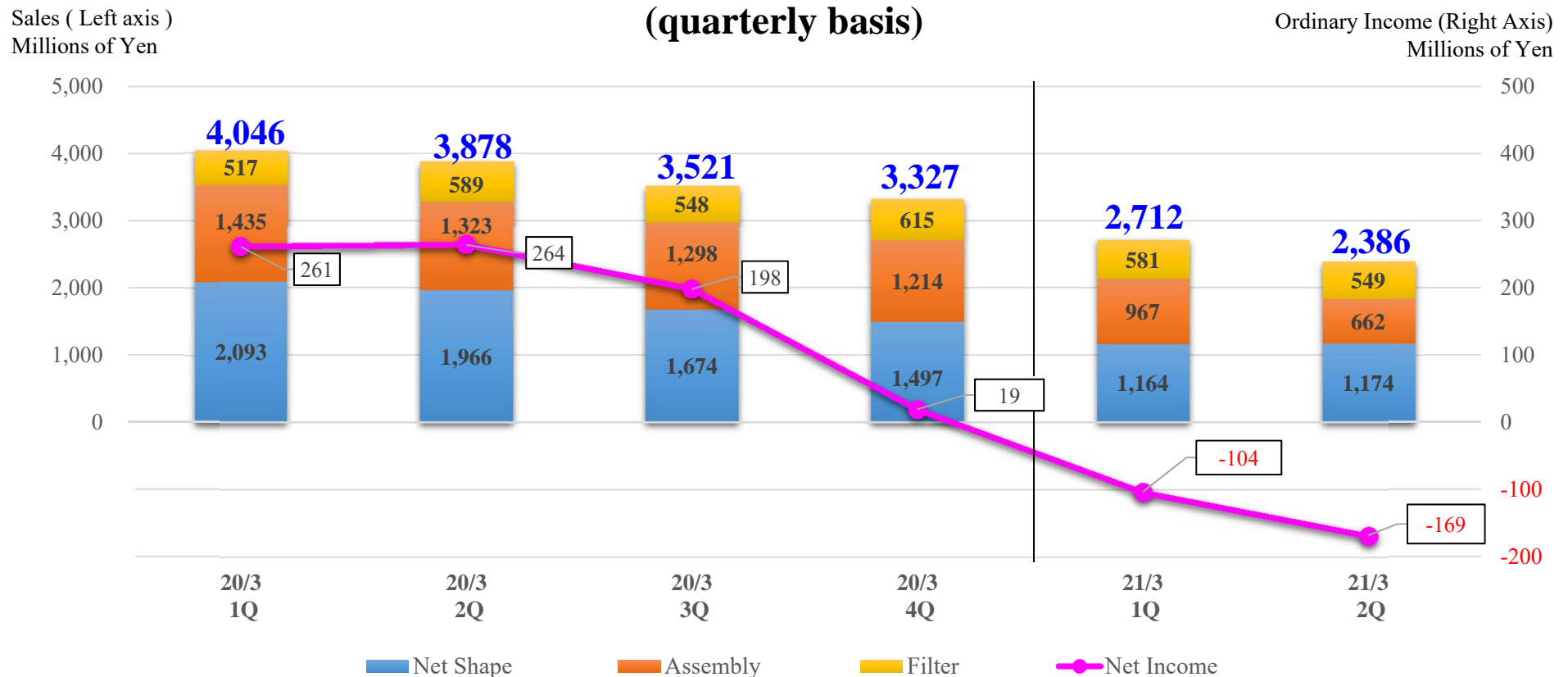
Millions of Yen

科 目	20/3 1st half results	21/3 1st half results	Growth Rate	21/3 1st half Plan	Review of the previous term
Net Sales	7,925	5,099	△35.7%	4,970	<p>■ Decrease in sales Decrease due to stagnation of Net-Shape Business and Assembly Business.</p> <p>■ Gross profit Decrease due to decrease in sales.</p> <p>■ SG&A expenses Implemented various cost containment measures.</p> <p>■ Non-operating income/expenses Subsidy income 132 million yen Foreign exchange loss 18 million yen</p>
Gross income from sales	1,651	587	△64.4%	560	
S.G.&A expense	1,145	986	△13.9%	1,050	
Operating income	505	△399	-	△490	
Non-operating income	△20	△125	-	△170	
Ordinary income	526	△273	-	△320	
Net income Attributable to Owners of the Parent	349	△208	-	△240	
Exchange Rate	20/3 1st half results	21/3 1st half results		21/3 1st half Plan	
USD	110.11Yen	108.36Yen		108Yen	
THB	3.48Yen	3.44Yen		3.4Yen	

II) FY 21/3 Summary of financial results for the first half - Quarterly performance trends -

- Sales in the Net-Shape and Assembly Business tended to decline.
- Sales in the Filter Business remained unchanged from the previous year.
- Due to the above sales trends, both 1Q, 2Q posted ordinary losses.

Trends in sales and ordinary income by business (quarterly basis)



II) FY 21/3 Summary of financial results for the first half - Trend of Net-Shape Business -

【Factors behind change in net sales】

Forging Die Division : Domestic and overseas sales were sluggish due to the stagnation of the automobile industry. Orders received increased in the 2nd quarter.

Precision-forged Products Division : Scrolls for car air conditioners in both domestic and overseas markets, as in the forging die business sales of forgings stagnated.

【Factors behind change in ordinary income】

Ordinary loss was posted due to sluggish sales in both divisions.

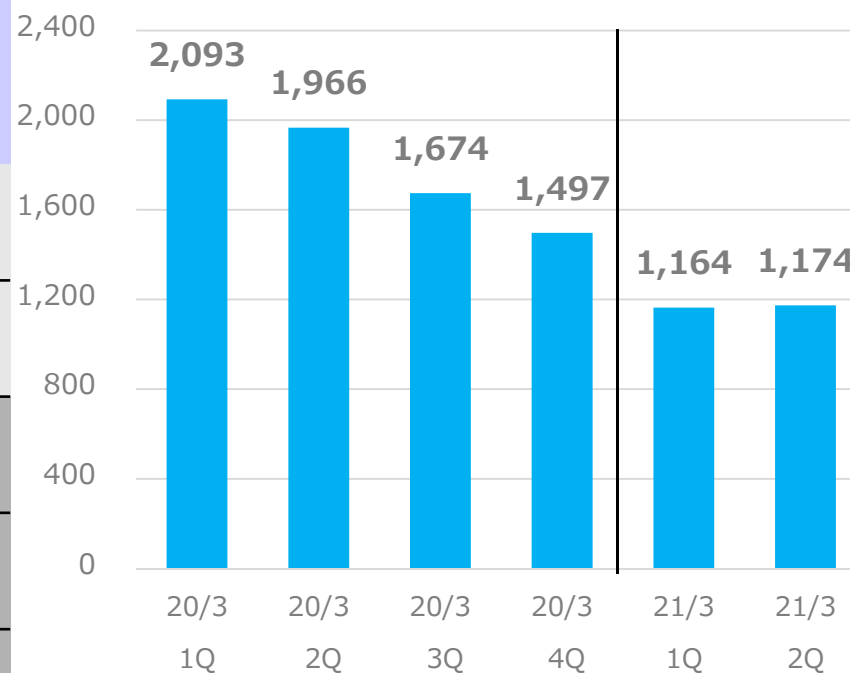
《Domestic and overseas sales and ordinary income》

Millions of Yen

	20/3 1st half results	21/3 1st half results	Growth Rate
Domestic	2,693	1,470	△45.4%
Overseas	1,366	868	△36.4%
Sales Total	4,059	2,338	△42.4%
Ordinary income	302	△308	—
(Ordinary income rate)	7.4%	△13.2%	—

《Quarterly Sales Trend》

Millions of Yen



II) FY 21/3 Summary of financial results for the first half - Trend of Assembly Business -

【Factors behind change in net sales】

Sales of turbocharger parts were sluggish due to the stagnation of the automobile industry. The COVID-19 infections have had a major impact on the 2nd quarter sales overseas.

【Factors behind change in ordinary income】

Ordinary loss was posted due to a decrease in sales.

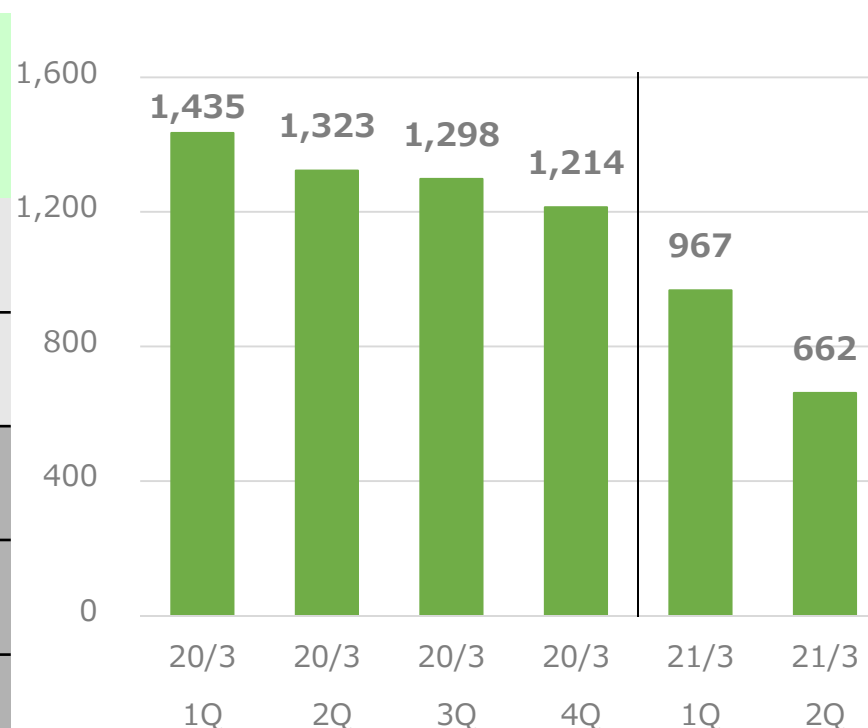
《 Domestic and overseas sales and ordinary income 》

Millions of Yen

	20/3 1st half results	21/3 1st half results	Growth Rate
Domestic	1,450	959	△33.9%
Overseas	1,308	670	△48.7%
Sales Total	2,759	1,630	△40.9%
Ordinary income (Ordinary income rate)	84	△125	—
	3.0%	△7.7%	—

《 Quarterly Sales Trend 》

Millions of Yen



* Rounded down to the nearest million yen

II) FY 21/3 Summary of financial results for the first half - Trend of Filter Business -

【Factors behind change in net sales】

Sales remained at the same level as the previous year due to strong sales for key users.

【Factors behind change in ordinary income】

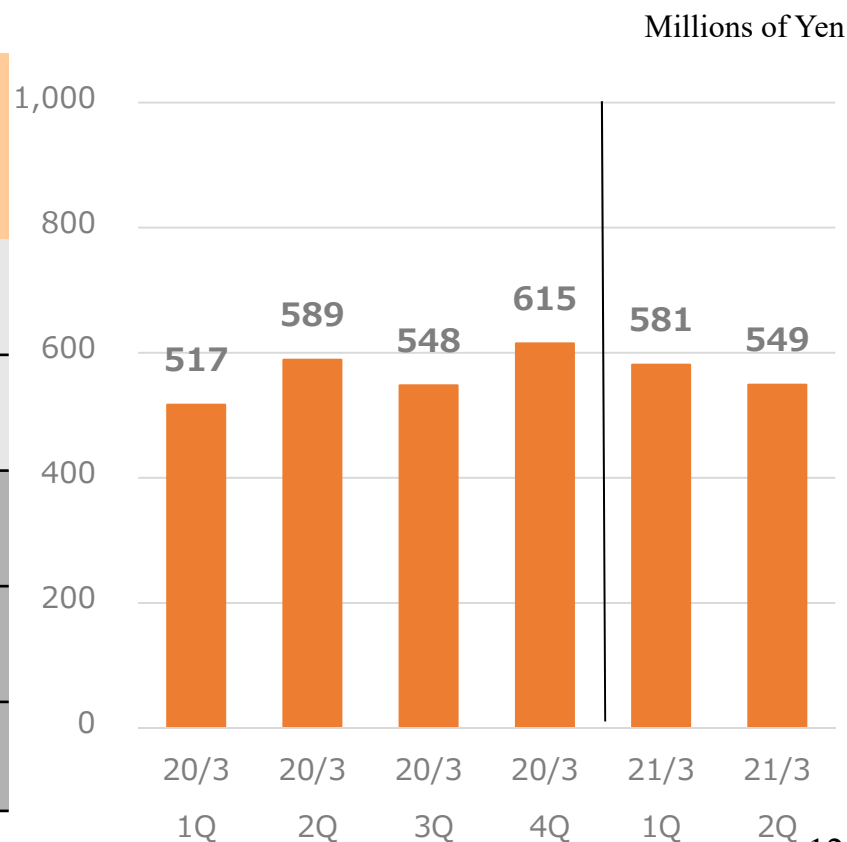
Profit increases due to an increase in sales.

《 Domestic and overseas sales and ordinary income 》

	Millions of Yen		
	20/3 1st half results	21/3 1st half results	Growth Rate
Domestic	847	839	$\Delta 0.9\%$
Overseas	259	290	12.2%
Sales Total	1,106	1,130	2.2%
Ordinary income (Ordinary income rate)	139	159	14.1%
	12.6%	14.1%	—

* Rounded down to the nearest million yen

《 Quarterly Sales Trend 》



II) FY 21/3 Summary of financial results for the first half - Status of B/S -

Consolidated balance sheet

Millions of Yen

FY20/3 4Q Total Assets:16,384		FY21/3 2Q Total Assets:15,592(△791)	
Total current assets 9,068	Total current liabilities 3,007	Total current assets 8,418 (△649)	Total current liabilities 2,639 (△367)
	Total fixed liabilities 776		Total fixed liabilities 829 (+53)
Total fixed assets 7,315	Total net assets 12,600	Total fixed assets 7,173 (△142)	Total net assets 12,123 (△477)

* Rounded down to the nearest million yen

Increase/decrease indication with 20/3
+ = increase, △ = decrease

Current assets: Decrease in trade receivable (△979 million yen)

Increase in inventories (57 million yen)

Current liabilities: Decrease in accounts payable-trade (△368 million yen)

Borrowings: 1,503 million yen at the end of the period ending March 2020.

1,808 million yen at 2Q of the period ending March 2021.

II) FY 21/3 Summary of financial results for the first half - Cash Flows -

Millions of Yen

	20/3 1 st half Results	21/3 1 st half Results	Change	Review of the previous term
Cash flows from operating activities	1,500	486	△1,014	<p>■ Breakdown of Decrease in CF from Operating Activities. (△1,014 Million yen)</p> <p>Net income before income taxes △798 Million yen 20/3: 524 Million yen 21/3: △274 Million yen</p> <p>Increase/decrease in inventories △318 Million yen 20/3: decrease of 246 Million yen 21/3: Increase of 71 Million yen</p>
Cash flows from investing activities	△399	△435	△36	
Cash flows from financing activities	△293	198	492	
Amount of increase in cash and cash equivalents	846	183	△662	
Cash and cash equivalents balance at beginning of term	2,689	3,367	678	
Cash and cash equivalents balance of term	3,535	3,551	15	
FCF	1,101	50	△1,050	

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【Business Environment】

- The automotive industry, which stagnated due to the impact of the spread of the COVID-19 infection disease, is expected to gradually recover after bottoming out in the 2nd quarter.
- The global economy remains uncertain as the resolution of the COVID-19 infection contagious disease is not anticipated.

Performance

■ Net Sales	10,400 Million of Yen (Growth Rate 29.6% Down)
■ Ordinary income	△375 Million of Yen (Profit of 743 million yen in the previous year)
■ Net income Attributable to Owners of the Parent	△300 Million of Yen (Profit of 477 million yen in the previous year)

III) FY 21/3 Full year outlook - Status of sales by business -

Millions of Yen

	20/3 results	21/3 Plan	Growth Rate	Review of the previous term
Net-Shape	7,231	4,900	△32.2%	<p>■ Net-Shape Business Recovery is expected in the Forging Die Division. Precision-forged Products Division are expected to be at the same level as in the first half of the fiscal year.</p> <p>■ Assembly Business Sales are expected to recover in stages after bottoming out in the 2nd quarter. Overseas sales, which had fallen markedly, are also expected to gradually recover.</p> <p>■ Filter Business Sales are expected to be the same as in the previous year, maintaining sales in the first half of the year.</p>
Assembly	5,272	3,240	△38.5%	
Filter	2,270	2,260	△0.5%	
Consolidated Total	14,774	10,400	△29.6%	

III) FY 21/3 Full year outlook - Sales and Profit -

Millions of Yen

	20/3 results	21/3 Plan	Growth Rate
Net Sales	14,774	10,400	△29.6%
Gross income from sales	2,948	1,410	△52.2%
S.G.&A expense	2,235	1,990	△11.0%
Operating income	712	△580	-
Non-operating income	△30	△205	-
Ordinary income	743	△375	-
Net income Attributable to Owners of the Parent	477	△300	-
Exchange Rate	20/3 results	21/3 Plan	
USD	109.55Yen	108Yen	
THB	3.63Yen	3.4Yen	

Review of the previous term

■ Net Sales

Net-Shape and Assembly Businesses are on a recovery trend, but decline from the previous year.

The Filter Business is expected to be at the same level as the previous year.

■ Ordinary income

The company aims to reduce losses by recovering from the Forging Die Division of Net-Shape Business.

III) FY 21/3 Full year outlook - Capital Investment -

Millions of Yen

	16/3 Result	17/3 Result	18/3 Result	19/3 Result	20/3 Result	21/3 Plan
Capital Investment	774	966	434	771	512	540
Depreciation	970	793	860	853	831	723

■ Major Investment Projects:

Production line for scroll forgings in NICHIDAI THAILAND.

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NICHIDAI considers returning its profit to its shareholders as its important business issue and is working toward constantly paying them stock dividends while securing internal reserves required for its future business development and stronger management culture.

The Company determines the dividend amount in view of the business environment, trend of operating results, dividend payout ratio and other indices.

IV) Dividends

	End of Interim Period	Year End	Full Year
	Yen Sen	Yen Sen	Yen Sen
2017FY	10.00	10.00	20.00
2018FY	8.00	10.00 (Ordinary dividend 8.00) (Special dividend 2.00)	18.00 (Ordinary dividend 16.00) (Special dividend 2.00)
2019FY	10.00	15.00 (Ordinary dividend 10.00) (Special dividend 5.00)	25.00 (Ordinary dividend 20.00) (Special dividend 5.00)
2020FY	10.00	10.00	20.00
2021FY (Plan)	0.00	4.00	4.00

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5) Medium-term Management Strategies

In and after fiscal March 2019, we will push forward with the Medium-term Management Strategies based on the following challenges and strategies.

【Basic Strategy】

Challenge 1: Challenge to adding resilience to existing business

Building unrivaled technological strength

- Make efforts to become a niche top company.
- Evolve and establish synergy-driven original technologies.

Further improvement of QDC

- Achieve various KPIs.
- Make steady efforts to reduce cost.

Challenge 2: Challenge to the next generation

Further evolvement of overseas business

- Expand overseas ratio.
- Further enhance overseas bases.

Launch new businesses

- Respond to the next-generation vehicles.
- Make use of in-house seeds.

【Personal・Institutional strategy】

Challenge 3: Challenge to a great place to work

Environment enabling self-fulfillment

- Mechanism that welcomes challenges.
- Mechanism allowing to have a picture of growth.

Enhancement of comfortable working environment

- Workstyle reform.
- Communication reform.

Challenge 1: Challenge to adding resilience to existing business

- Building unrivaled technological strength
- Further improvement of QDC

Initiatives in the First Half

- Measures to maintain and expand domestic orders
Strengthen technical proposals using the web
- Strengthen production strategy
Build a production system to respond to fluctuations in orders.

Challenge 2: Challenge to the next generation

- Further evolvement of overseas business
- Launch new businesses

Initiatives in the First Half

■ Sales activities with an Indian agent

Tie-up with an Indian agent in February of this year. Amid the inability of sales activities through visits due to the spread of the COVID-19 infection disease, implementation moves toward after the COVID-19 infection.

■ Introduction of new equipment in NICHIDAI THAILAND

Production line for scroll forgings

Challenge 3: Challenge to a great place to work

- Environment enabling self-fulfillment
- Enhancement of comfortable working environment

Initiatives in the First Half

- Strengthening the corporate structure considered by COVID-19 infection diseases

Work style reform using IT tools

Initiatives for Kaizen activities

Efforts for group activities across departments

Thank you very much for coming today.

NICHIDAI CORPORATION

This document has been prepared based on the judgments and assumptions made through information available for our company at this time.

Therefore, actual operating results may differ from forecasts due to intrinsic uncertainties.

IR Representative: Konno, Planning Section Office

Tel. 0774-62-3485 Fax. 0774-65-2301

E-mail: konno@nichidai.co.jp

Supplementary material

Millions of Yen

	20/3 1 st half Results	Ratio	21/3 1 st half Results	Ratio
Net sales	7,925	100.0%	5,099	100.0%
Material cost	2,641	33.3%	1,629	31.9%
Purchase of products	428	5.4%	280	5.5%
Subcontract processing	717	9.1%	492	9.7%
Subsidiary material cost	234	3.0%	174	3.4%
Labor cost	1,397	17.6%	1,236	24.2%
Depreciation	362	4.6%	331	6.5%
Change in inventory	△125	△1.6%	△44	△0.9%
Others	367	4.6%	322	6.3%
Cost of sales	6,274	79.2%	4,512	88.5%
Gross income from sales	1,651	20.8%	587	11.5%

FY 21/3 First half financial statements - SG&A Expenses -

Millions of Yen

	20/3 1 st half Results	Ratio	21/3 1 st half Results	Ratio
Net Sales	7,925	100.0%	5,099	100.0%
Packing/Freight	96	1.2%	61	1.2%
Transportation	62	0.8%	20	0.4%
Labor cost	545	6.9%	535	10.5%
Depreciation	57	0.7%	54	1.1%
Rent	30	0.4%	31	0.6%
Others	354	4.5%	281	5.5%
SG&A Expenses	1,145	14.5%	986	19.3%