



# The Financial Statement Briefing For the Year Ended March 31, 2016

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*May 10, 2016*

JASDAQ: 6467

**NICHIDAI CORPORATION**

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

## Net-Shape Business

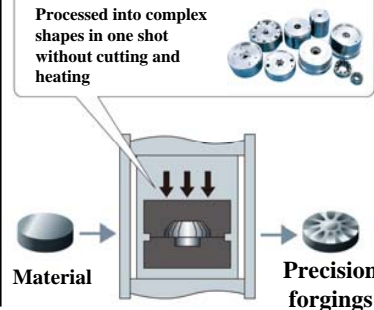
### ◆ Forging Die Division ◆

- Suggests and provides total engineering from die production, development and parts manufacturing.

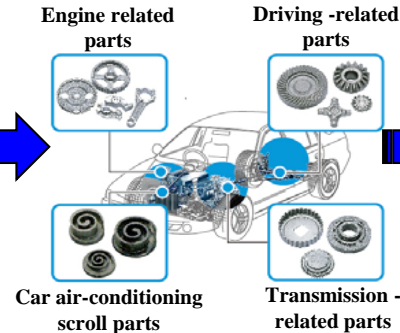
### ◆ Precision -forged Products Division ◆

- Provides high value-added parts leveraged by our die technology.

Design and manufacture precision forging die for the net-shape



Parts manufacturers (customers) produce automobile parts using precision-forged dies. (Nichidai undertakes production partially)



Mainly the automotive industry

### ◆ Forging Die Division ◆

- All domestic automobile manufacturers affiliates.
- Also increased transactions with auto parts manufacturers overseas.

### ◆ Precision -forged Products Division ◆

- Automobile parts manufacturers (Key products: Scroll forged goods)

## Assembly Business

- Assembly of the turbo charger parts. The main force is VG turbo charger parts.
- Assembles parts at domestic and Thai plants to meet local procurement needs.



Incorporated as part of turbocharger at our customer/manufacturer (Mitsubishi Heavy Industries)



Automotive industry

Automobile manufacturers around the world

## Filter Business

- Produces multi-layer sintered filters by integrating multiple stainless wire sheets.
- Cleaning and regeneration service of the filter.



Forms filters into a variety of shapes according to the applications of our customers manufacturers.



Various makers

Oil, gas, chemistry, Fiber, food, aerospace Etc...

## Net-Shape Business

## Assembly Business

## Filter Business

### Non-consolidated NICHIDAI CORPORATION

#### Ujitawara factory



Scroll forgings



Precision forging dies

- Precision forging die production base
- With some 30 development staff
- Forging press equipment. Also produces forged goods.

#### Kyotanabe factory



VG turbo charger parts

- Domestic turbocharger production base.
- Relocated from Ujitawara Factory to Kyotanabe Factory in 2015.

#### Ujitawara factory



Lamination sintered wire mesh filters

- Domestic development and production base equipped with five sintering furnaces.

### Overseas

### NICHIDAI (THAILAND) LTD. (NDT)

#### NICHIDAI ASIA CO., LTD. (NDA)

- ◆ Sales base of dies established in Thailand.

#### NICHIDAI U.S.A. CORPORATION (NUC)

- ◆ Die sales base in Ohio USA.

- ◆ Production base of VG turbo charger parts in the suburbs Bangkok, Thailand. Strategic base of both Net shape business and Assembly business in Asia.

#### Net-Shape Business

- Sales of air-conditioning scroll compressor parts.
- The Production sale of precision forging dies.

#### Assembly Business

- The Production sale of VG turbo charger parts (Overseas users)

### THAI SINTERED MESH CO., LTD. (TSM)



- ◆ Filters production base in the suburbs of Chiang Mai, Thailand. Oil drilling filter is the flagship product. Equipped with five sintering furnaces.

# I . Financial Results for the Year Ended March 31, 2016

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# I . Financial Results for the Year Ended March 31, 2016

## - P/L: Sales and Profit -

Millions of Yen

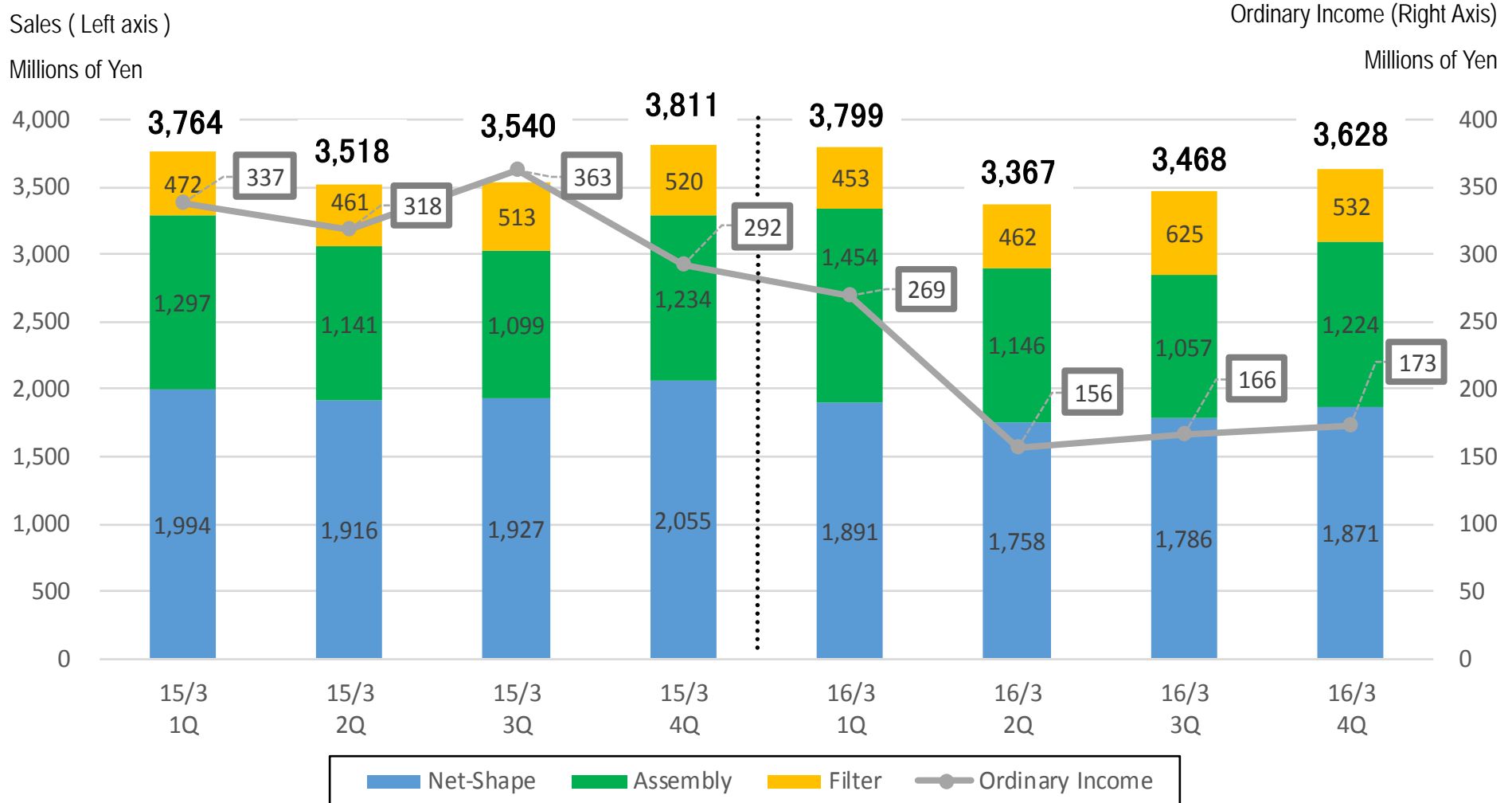
	15/3 Results 14/4-15/3	16/3 Revisional Plan 15/4-16/3 Announced 15/10	16/3 Results 15/4-16/3	Growth Rate
Net sales	14,635	14,400	14,264	△ 2.5%
Gross income from sales	3,388	2,970	2,923	△ 13.7%
S.G.&A. expense	2,118	2,050	2,094	△ 1.1%
Operating income	1,269	920	828	△ 34.8%
Non-operating income	△ 41	30	62	—
Ordinary income	1,311	890	766	△ 41.6%
Net income Attributable to Owners of the Parent	875	580	485	△ 44.5%

\* Rounded down to the nearest million yen

# I . Financial Results for the Year Ended March 31, 2016

## - Trend in operating results on quarter basis -

- Sales have been at low levels since the 2nd quarter adversely affected by declines in sales of the Net Shape and Assembly Businesses.
- As a result of the above, income remains at low levels.





# I . Financial Results for the Year Ended March 31, 2016

## - Segment Net Sales -

Millions of Yen

Business	15/3 Results 14/4-15/3	16/3 Revisional Plan 15/4-16/3 Announced 15/10	16/3 Results 15/4-16/3	Growth Rate
Net-Shape	7,894	7,400	7,307	△ 7.4%
Assembly	4,772	4,850	4,882	2.3%
Filter	1,968	2,150	2,074	5.4%
Consolidated Total	14,635	14,400	14,264	△ 2.5%

➤ Forging Die Division:  
 • Domestic sales have been sluggish due to uneven demand in the domestic market.  
 ➤ Precision –forged Products Division:  
 • As overseas production has increased, sales remained at the same level as the previous year.

➤ Due to exchange rate fluctuations at the time of consolidated financial statements including overseas subsidiaries were prepared.

➤ Sales grew due partly to increased production of large-size seawater strainers.

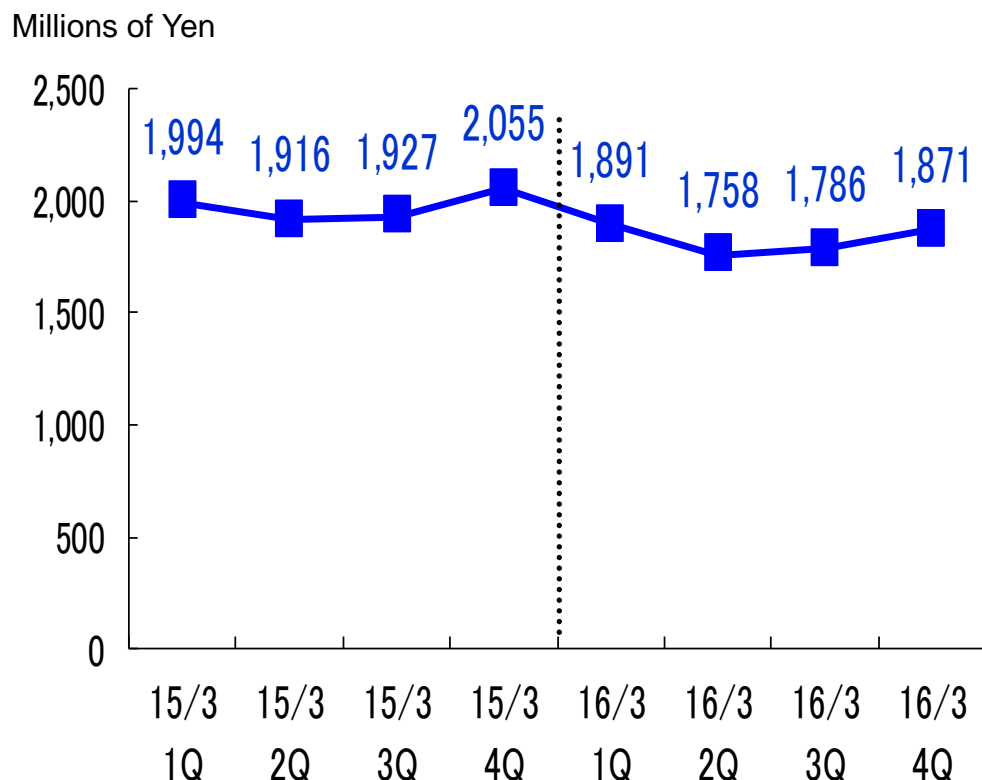
\* Rounded down to the nearest million yen

# I . Financial Results for the Year Ended March 31, 2016

## - Overview of the Net-Shape Business -

- **Forging Die Division:** (Domestic) Sales remained sluggish in the second half year due to continuous uneven demand in the domestic market.  
(Overseas) While sales for China and South Korea decreased, those for Japanese manufacturers in India posted growth.
- **Precision-forged Goods Division :** As overseas production has increased, sales remained at the same level as the previous year.

Trend in sales of Net-Shape business



\* Rounded down to the nearest million yen

Change in Domestic/Overseas Sales

Millions of Yen

	15/3 Results	16/3 Results	Groth
Forging Dies(Domestic)	4,753	4,151	△ 12.7%
Forging Dies(Overseas)	1,391	1,450	4.2%
<b>Forging Dies Total</b>	<b>6,144</b>	<b>5,601</b>	<b>△ 8.8%</b>
Forging Goods(Domestic)	1,112	833	△ 25.1%
Forging Goods(Overseas)	637	953	49.6%
<b>Forging Goods Total</b>	<b>1,749</b>	<b>1,787</b>	<b>2.2%</b>
<b>Net-Shape Business total</b>	<b>7,894</b>	<b>7,307</b>	<b>△ 7.4%</b>

\* Forging Goods total: The numerical value of the simple sum of domestic and foreign.

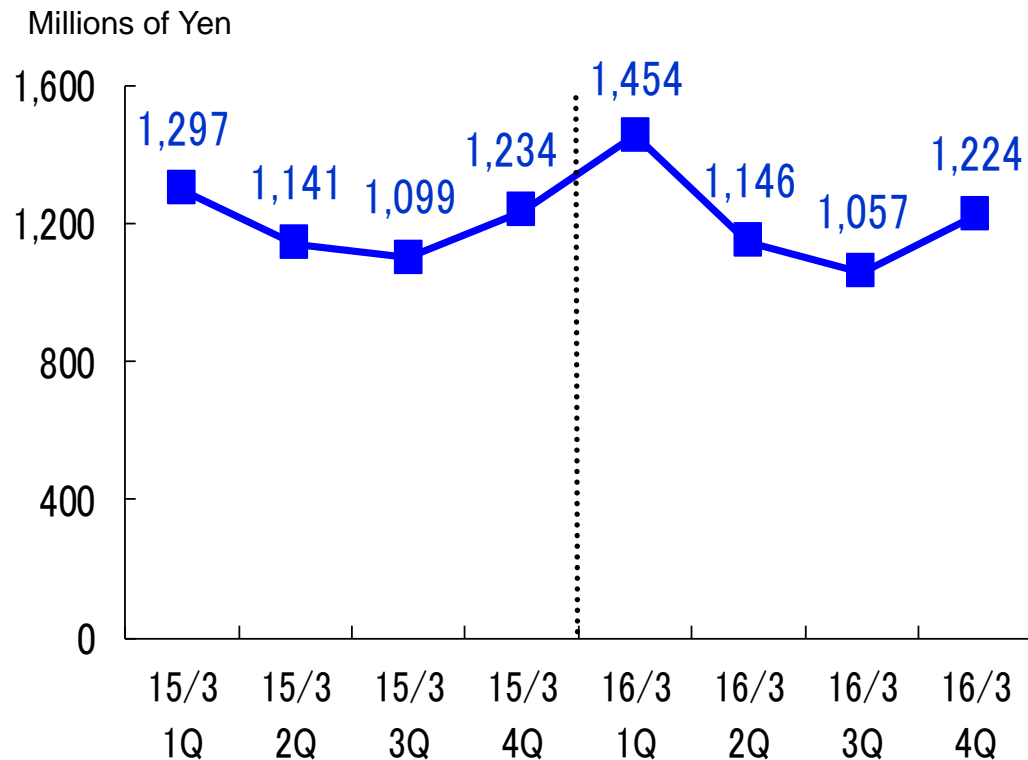


# I . Financial Results for the Year Ended March 31, 2016

## - Overview of the Assembly Business -

- VG turbocharger parts of existing models saw a substantial decline in sales due to the model changeover.
- Increase in sales is attributable to exchange rate fluctuations at the time of consolidated financial statements including overseas subsidiaries were prepared. Actual amount of sales declined.
- Sales of new parts (including gasoline turbochargers) increased, though not as much as initially planned.

Trend in sales of Assembly business



\* Rounded down to the nearest million yen

Change in Domestic/Overseas Sales

Millions of Yen

	15/3 Results	16/3 Results	Growth Rate
Domestic	2,355	2,102	△ 10.7%
Overseas	2,417	2,780	15.0%
<b>Total</b>	<b>4,772</b>	<b>4,882</b>	<b>2.3%</b>

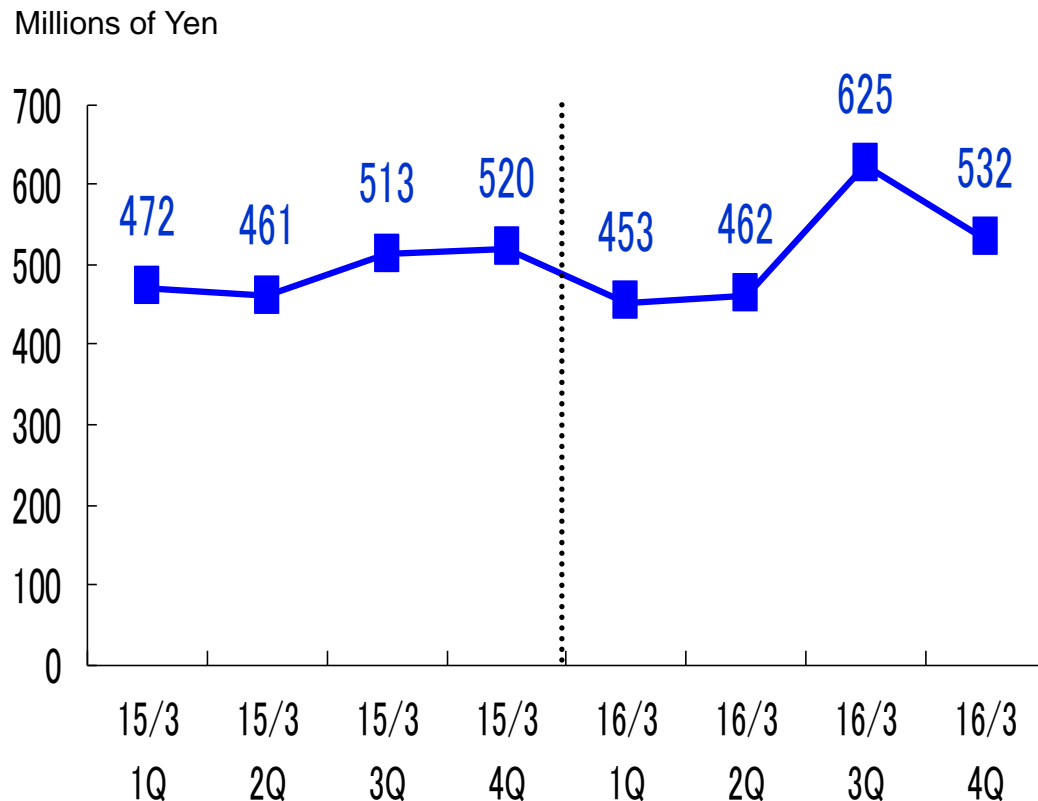
\* The sum of the numerical value of precision forging, Simple sum of domestic and foreign.

# I . Financial Results for the Year Ended March 31, 2016

## - Overview of the Filter Business -

- Increased sales of large-size seawater strainers and others pushed up overall domestic sales.
- Decreased sales of TSM's oil drilling filters and filters for export pushed down overall overseas sales.

Trend in sales of Filter business



Change in Domestic/Overseas Sales

Millions of Yen

	15/3 Results	16/3 Results	Growth Rate
Domestic	1,182	1,494	26.3%
Overseas	785	580	△ 26.1%
<b>Total</b>	<b>1,968</b>	<b>2,074</b>	<b>5.4%</b>

\* Rounded down to the nearest million yen



# I . Financial Results for the Year Ended March 31, 2016

## - Segment P/L -

Millions of Yen

	15/3			16/3		
	Sales	Ordinary Income	Profit Rate	Sales	Ordinary Income	Profit Rate
Net-Shape	7,894	618	7.8%	7,307	345	4.7%
Assembly	4,772	298	6.3%	4,882	97	2.0%
Filter	1,968	395	20.1%	2,074	322	15.6%
Consolidated total	14,635	1,311	9.0%	14,264	766	5.4%

➤ The decline in sales of the Forging Die Division caused income to decrease.

➤ Production decrease in Japan substantially impaired profitability.

➤ Product mix caused income to fall.

\* Rounded down to the nearest million yen

# I . Financial Results for the Year Ended March 31, 2016

## - Cost of Sales -

Millions of Yen

	15/3		16/3	
	Results	Ratio	Results	Ratio
Net sales	14,635	100.0%	14,264	100.0%
Material cost	4,876	33.3%	4,830	33.9%
Purchase of products	745	5.1%	709	5.0%
Subcontract processing	1,331	9.1%	1,245	8.7%
Subsidiary material cost	505	3.5%	456	3.2%
Labor cost	2,500	17.1%	2,483	17.4%
Depreciation	755	5.2%	816	5.7%
Change in inventory	189	1.3%	△ 22	△ 0.2%
Others	721	4.9%	776	5.4%
Cost of sales	11,246	76.8%	11,341	79.5%
Gross income from sales	3,388	23.2%	2,923	20.5%

\* Rounded down to the nearest million yen



# I . Financial Results for the Year Ended March 31, 2016

## - SG&A Expenses -

Millions of Yen

	<b>15/3 Results</b>	<b>Ratio</b>	<b>16/3 Results</b>	<b>Ratio</b>
<b>Net Sales</b>	14,635	100.0%	14,264	100.0%
Packaging/Freight	170	1.2%	155	1.1%
Transportation	122	0.8%	129	0.9%
Labor cost	1,042	7.1%	1,028	7.2%
Depreciation	124	0.8%	153	1.1%
Rent	59	0.4%	62	0.4%
Others	600	4.1%	564	4.0%
<b>SG&amp;A Expenses</b>	<b>2,118</b>	<b>14.5%</b>	<b>2,094</b>	<b>14.7%</b>

\* Rounded down to the nearest million yen

# I . Financial Results for the Year Ended March 31, 2016

## - B/S: Assets -

Millions of Yen

	15/3 Results	16/3 Results	Change
Cash and deposit	2,424	2,073	△ 351
Notes receivable	785	744	△ 41
Accounts receivable	2,892	3,054	161
Inventory	2,556	2,523	△ 32
Others	143	130	△ 12
Allowance for bad debts	△ 1	△ 1	0
<b>Total current assets</b>	<b>8,800</b>	<b>8,524</b>	<b>△ 275</b>
Tangible fixed assets	7,188	6,883	△ 304
Intangible fixed assets	111	95	△ 15
Investment and other assets	231	260	29
<b>Total fixed assets</b>	<b>7,531</b>	<b>7,239</b>	<b>△ 291</b>
<b>Total assets</b>	<b>16,331</b>	<b>15,764</b>	<b>△ 567</b>

\* Rounded down to the nearest million yen

# I . Financial Results for the Year Ended March 31, 2016

## - B/S: Liabilities and Net Assets -

Millions of Yen

	15/3 Results	16/3 Results	Change
Accounts payable	1,622	1,318	△ 304
Short-term debt	1,897	1,575	△ 322
Accrued income tax	114	71	△ 43
Allowance for bonus payable	141	147	5
Others	764	915	151
<b>Total current liabilities</b>	<b>4,540</b>	<b>4,027</b>	<b>△ 512</b>
Long-term debt	943	935	△ 7
Others	521	475	△ 46
<b>Total fixed liabilities</b>	<b>1,464</b>	<b>1,410</b>	<b>△ 53</b>
<b>Total liabilities</b>	<b>6,004</b>	<b>5,438</b>	<b>△ 566</b>
Capital	1,429	1,429	0
Capital surplus	1,192	1,192	0
Retained earnings	6,395	6,681	286
Minority interest	900	927	26
Others	408	93	△ 314
<b>Total net assets</b>	<b>10,327</b>	<b>10,326</b>	<b>△ 1</b>
<b>Total liabilities and net assets</b>	<b>16,331</b>	<b>15,764</b>	<b>△ 567</b>

### Others

➤ Amount of foreign currency translation adjustment decreased.

# I . Financial Results for the Year Ended March 31, 2016

## - Cash Flows(CF) -

Millions of Yen

	15/3	16/3	Change
Cash flows from operating activities	1,475	1,074	△ 400
Cash flows from investing activities	△ 926	△ 692	233
Cash flows from financing activities	△ 174	△ 664	△ 489
Amount of increase in cash and cash equivalents	486	△ 351	△ 838
Cash and cash equivalents balance at beginning of term	1,830	2,316	486
Cash and cash equivalents balance at end of term	2,316	1,964	△ 351
<b>FCF</b>	<b>548</b>	<b>382</b>	<b>△ 166</b>

\*Rounded down to the nearest million yen



## II . Progress status of the Medium-term Management Strategy

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### Topics

- Fiscal year ending March 2017 marks the 50th anniversary of the founding of Nichidai Corporation.
- With new executive officers selected, the Company is moving towards the new structure on a full scale.
- Starting from the next fiscal year, calculation of depreciation cost will be changed from declining-balance method to straight-line method.

### Efforts toward the next phase of growth

- Enhancement of development capability in the Net-Shape Business. Implementation of large-scale investments to expand market area.
- Promotion of development of mass-produced goods in the Filter Business.

**Scheme of technological development strategy in the Net Shape Business**

**Technological trend**

- Increase of electrical parts associated with changes in powertrain
- Parts development associated with new shapes and new materials along with automobile body lightening
- Increase of demand for more complicated shape forming of parts

**Development examples**



**Small-size rotor parts**  
Accumulation and commercialization of plate thickening technology



**Hollow parts**  
Long axis parts forming based on the back pressure technology

**Business strategic level**

- Re-enhancement of total engineering service

**Precision-forged die domain**  
Increase in order receipt by expanding new product development area

**Interdepartmental collaboration**

**Precision-forged goods domain**  
Development of mass-produced goods leveraged by our unique technologies

**Core technological level**

- Improvement in capability to develop net shape-related technologies

**Triple (3 processes) -acting press**  
Speeding up of die development

**Position/load control**  
Response to high-accuracy products

**Expansion of R&D area**

**New Press Overview**

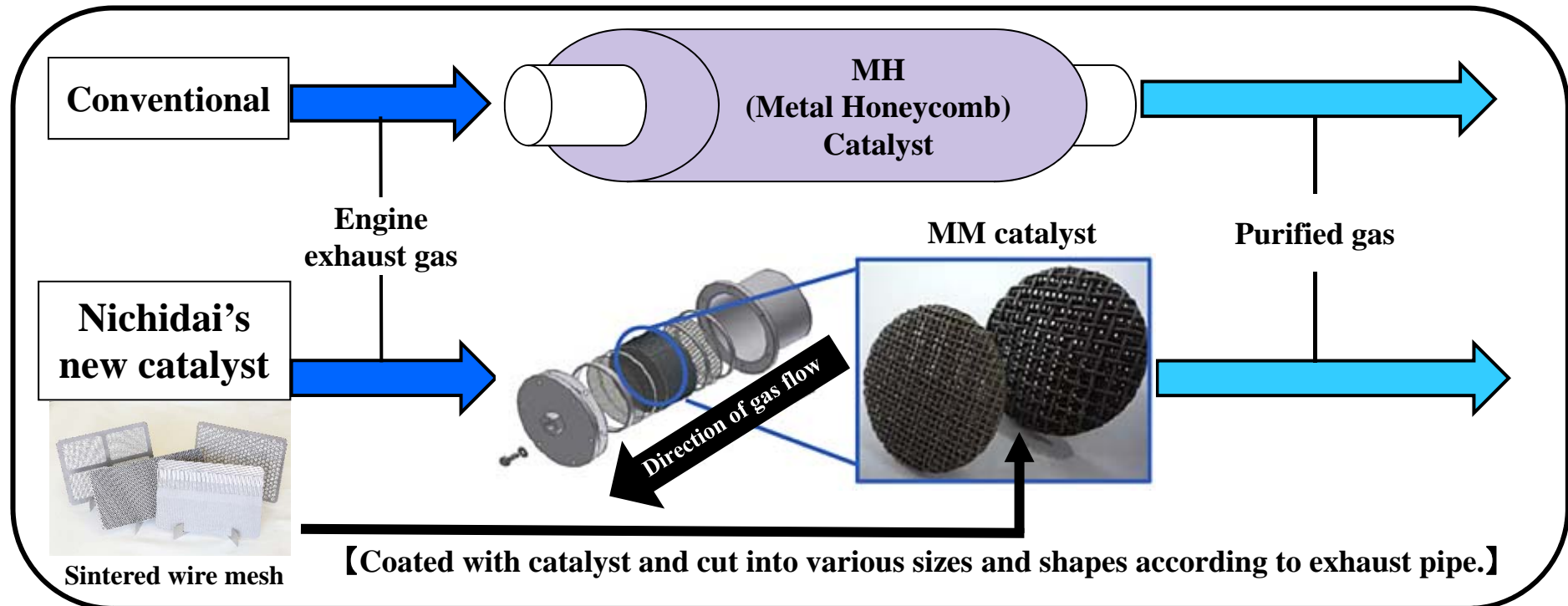
- Name: NFD1000 (1,000 t press)
- Amount invested: Approx. ¥400 Million
- Features
  - High-accuracy forming and efficient development realized by independent slides of three processes
  - Highly accurate position and load control
  - Energy-saving by servo-pump

N F D : N I C H I D A I  
 F O R G I N G  
 F U T U R E  
 D R E A M

The name of this new press is composed of initial letters of the words shown above. It represents "realizing a dream that forging originated from Nichidai will spur a widespread demand".

**Effects of NFD1000 introduction**

## MM Catalytic Filter (Overview of the motorbike exhaust gas purifier)



MM catalyst: Precious metal (or other catalytic material) supported multi-layer wire mesh material developed with newly added know-how.

- As MM catalyst has higher gas flow contact efficiency than MH catalyst, catalyst volume required for reaction can be reduced to a compact size.
- We aim to have MM catalyst mounted on motorbike exhaust gas purifiers.

# III. Plan for the Year Ended March 31, 2017

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### Ⅲ. Plan for the Year Ended March 31, 2016 - P/L: Sales and Profit -

Millions of Yen

	16/3 Results 15/4-16/3	17/3 Plan 16/4-17/3	Growth Rate
Net sales	14,264	14,000	△ 1.9%
Gross income from sales	2,923	2,975	1.8%
S.G.&A. expense	2,094	2,090	△ 0.2%
Operating income	828	885	6.9%
Non-operating income	62	15	—
Ordinary income	766	870	13.6%
Net income Attributable to Owners of the Parent	485	575	18.4%

\* Rounded down to the nearest million yen

### III. Plan for the Year Ended March 31, 2016 - Segment Net Sales -

Millions of Yen

Business	16/3 Results 15/4-16/3	17/3 Plan 16/4-17/3	Growth Rate
Net-Shape	7,307	7,100	△ 2.8%
Assembly	4,882	4,900	0.4%
Filter	2,074	2,000	△ 3.6%
Consolidated total	14,264	14,000	△ 1.9%

➤ **Forging Die Division:**

- Acquisition of orders for new products and overseas sales growth are expected to boost overall sales of the Division.

➤ **Precision-forged Goods Division :**

- Increase of in-house parts production for the Assembly Business will cause sales to fall.

- Operation rate will remain at the same level as the previous year.

➤ VG turbocharger parts will remain at low levels as the previous year.

➤ Turbocharger parts for gasoline-fueled cars are expected to post growth.

➤ Domestic sales will remain at the same level as the previous year. Oil drilling filters are likely to decline.

### III. Plan for the Year Ended March 31, 2016 - Capital Investment/Depreciation-

Millions of Yen

	11/3 Results	12/3 Results	13/3 Results	14/3 Results	15/3 Results	16/3 Results	17/3 Plan
Capital expenditures	372	627	1,605	1,290	1,313	774	1,580
Depreciation	532	539	602	764	879	970	836

※Starting from the fiscal year ending March 2017, the straight-line method will be used for depreciation. Effect of the change of depreciation to straight-line method will amount to approximately ¥170 million.



# IV. Dividends

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## IV. - Dividends -

	End of Interim Period	Year End	Full Year
	Yen Sen	Yen Sen	Yen Sen
2013FY	8.00	8.00	16.00
2014FY	8.00	10.00 (Regular dividend 8.00) (Special dividend 2.00)	18.00 (Regular dividend 16.00) (Special dividend 2.00)
2015FY	8.00	12.00	20.00
2016FY	10.00	10.00(Plan)	10.00(Plan)
2017FY(Plan)	10.00	10.00	20.00

**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.

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Theme	Status of the year ended March 2016	Outlook for the year ending March 2017	Future direction
<b>Strengthen of the overseas development</b>	<p><b>Forging Die Division</b></p> <ul style="list-style-type: none"> <li>Increased sales for Japanese manufacturers pushed up overseas sales.</li> <li>NDT: Although the initial plan was not achieved, production output has been growing steadily.</li> </ul> <p><b>Precision-forged Goods Division</b></p> <ul style="list-style-type: none"> <li>While domestic sales decreased, overseas production increased. Overall, sales remained at the same level as the previous year.</li> </ul>	<p><b>Forging Die Division</b></p> <ul style="list-style-type: none"> <li>Sales are expected to rise in the Asian region.</li> <li>NDT: Production variety will be widened to expand sales in Thailand.</li> </ul> <p><b>Precision-forged Goods Division</b></p> <ul style="list-style-type: none"> <li>Production of scroll forged goods at NDT will remain at almost the same level as the previous year.</li> </ul>	<p><b>Forging Die Division</b></p> <ul style="list-style-type: none"> <li>Domestic and overseas bases will collaborate to respond to Japanese manufacturers who are proactively entering overseas markets.</li> <li>Thailand: Production variety at NDT will be widened to strengthen response to Japanese manufacturers operating in Thailand and its neighboring regions.</li> <li>China/South Korea: Cooperation with local manufacturers, who are strengthening their technological capabilities, will continue in order to expand sales.</li> </ul> <p><b>Precision-forged Goods Division:</b></p> <p>Existing products are likely to stay flat.</p>
<b>New business/ Technological development</b>	<ul style="list-style-type: none"> <li>The Forging Die Division continued to work on the development of new businesses, such as hollow construction method, small-size rotor parts using plate thickening technology. Development is going on in view of manufacturing mass-produced parts.</li> </ul>	<p><b>Forging Die Division</b></p> <ul style="list-style-type: none"> <li>Ongoing development projects will be speeded up by introducing new press. Technological development of hollow construction method and plate thickening technology will continue.</li> </ul> <p><b>Precision-forged Goods Division</b></p> <ul style="list-style-type: none"> <li>Startup of new mass production business will be explored.</li> </ul>	<p><b>Forging Die Division</b></p> <ul style="list-style-type: none"> <li>Technological development will be promoted to utilize the seeds of technological development, which is going on in the Forging Die Division, in creating demand for new dies at home and abroad. The new press will be fully used to extend development area.</li> </ul> <p><b>Precision-forged Goods Division</b></p> <ul style="list-style-type: none"> <li>We will aim to start up new businesses with the use of the plastic forming technology which is under development.</li> </ul>

Theme	Status of the year ended March 2016	Outlook for the year ending March 2017	Future direction
<p><b>Further improvement of QDC</b></p>	<ul style="list-style-type: none"> <li>• Growth of new models, such as turbocharger parts for gasoline-fueled cars, was not enough to make up for the decline of existing models, resulting in a decline of domestic sales. Profitability is aggravating.</li> </ul>	<ul style="list-style-type: none"> <li>• Domestic sales are likely to remain sluggish.</li> <li>• Measures to raise efficiency of in-house components production will be promoted.</li> </ul>	<ul style="list-style-type: none"> <li>• Efficiency will be pursued toward the increase of new models after FY March 2018.</li> <li>• Various cost reduction measures, including improvement in the efficiency of in-house components production, will be continuously implemented.</li> <li>• Measures taking into account the efficiency of assets and associated with reduction of inventory assets will be implemented.</li> </ul>
<p><b>Strengthen of the overseas development</b></p>	<ul style="list-style-type: none"> <li>• Overseas production remained almost at the same level. Increase in sales resulted from the effect of foreign currency translation.</li> </ul>	<ul style="list-style-type: none"> <li>• Decline in turbocharger parts for diesel-powered cars will be covered by those for gasoline-fueled cars.</li> </ul>	<ul style="list-style-type: none"> <li>• Startup of new models after FY2017 is expected.</li> </ul>
<p><b>New business/ Technological development</b></p>	<ul style="list-style-type: none"> <li>• Production of turbocharger parts for gasoline-fueled cars increased. The Net Shape Business's in-house components production increased.</li> </ul>	<ul style="list-style-type: none"> <li>• Efficiency of in-house production components of turbocharger parts for gasoline-fueled cars will be raised.</li> <li>• Domestic development division of the Assembly Business will continue with backup to acquire orders for new products.</li> </ul>	<ul style="list-style-type: none"> <li>• Development division will be reinforced with the domestic division of the Assembly Business positioned as mother factory.</li> <li>• Plastic forming technology-based in-house components production and efforts to acquire orders for new products will continue.</li> </ul>

Theme	Status of the year ended March 2016	Outlook for the year ending March 2017	Future direction
<b>Strengthen of the overseas development</b>	<ul style="list-style-type: none"> <li>Export products that had increased the previous year increased further.</li> <li>TSM's oil drilling filters posted a year-on-year decrease.</li> </ul>	<ul style="list-style-type: none"> <li>TSM's oil drilling filters are likely to remain at low levels.</li> </ul>	<ul style="list-style-type: none"> <li>We aim to expand mass production business at TSM.</li> </ul>
<b>New business/ Technological development</b>	<ul style="list-style-type: none"> <li>Large-size seawater strainers increased sales.</li> <li>MM (Metal Mesh) catalytic filters: Advance the development of the mind to be incorporated in to the two-wheeled vehicle for exhaust gas purification system</li> </ul>	<ul style="list-style-type: none"> <li>Actions toward commercialization of MM (metal mesh) catalytic filters will be accelerated.</li> </ul>	<ul style="list-style-type: none"> <li>Efforts will be made to expand new applications with a focus on diffusion bonding technology, or the core technology of the Filter Business.</li> </ul>
<b>Further improvement of QDC</b>	<ul style="list-style-type: none"> <li>Increasing mass-produced products and other factors have changed product mix.</li> </ul>	<ul style="list-style-type: none"> <li>Mass production of large-size seawater strainers is expected to remain at the same level. Measures to improve productivity will be advanced.</li> </ul>	<ul style="list-style-type: none"> <li>Promote a policy to increase the volume production in the Asian region .</li> <li>Measures to improve productivity of mass-produced products will continuously be implemented.</li> </ul>