



# The Financial Statement Briefing For the Year Ended March 31, 2017

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*May 9, 2017*

JASDAQ: 6467

**NICHIDAI CORPORATION**

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

## Net-Shape Business

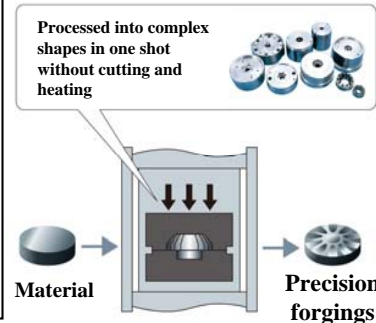
### ◆ Forging Die Division ◆

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

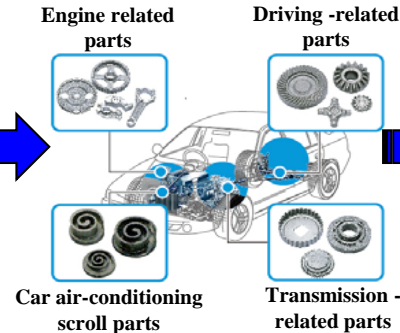
### ◆ Precision -forged Products Division ◆

- 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 ◆

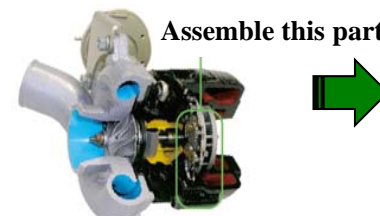
- Automobile parts manufacturers (Key products: Scroll forged goods)

## 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)

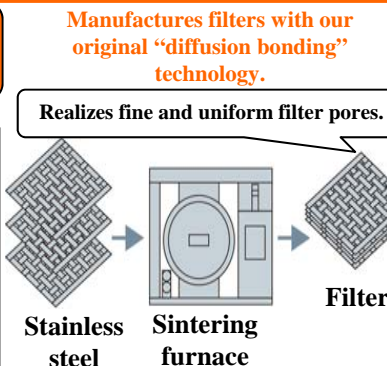


Automotive industry

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, 2017

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# I . Financial Results for the Year Ended March 31, 2017

## - P/L: Sales and Profit -

Millions of Yen

	16/3 Results 15/4-16/3	17/3 Plan 16/4-17/3 (Announce 16/10)	17/3 Results 16/4-17/3	Growth Rate
Net sales	14,264	14,000	14,147	△ 0.8%
Gross income from sales	2,923	2,630	2,693	△ 7.8%
S.G.&A. expense	2,094	2,060	2,051	△ 2.1%
Operating income	828	570	642	△ 22.5%
Non-operating income	62	70	△ 1	—
Ordinary income	766	500	643	△ 16.0%
Net income Attributable to Owners of the Parent	485	325	424	△ 12.6%

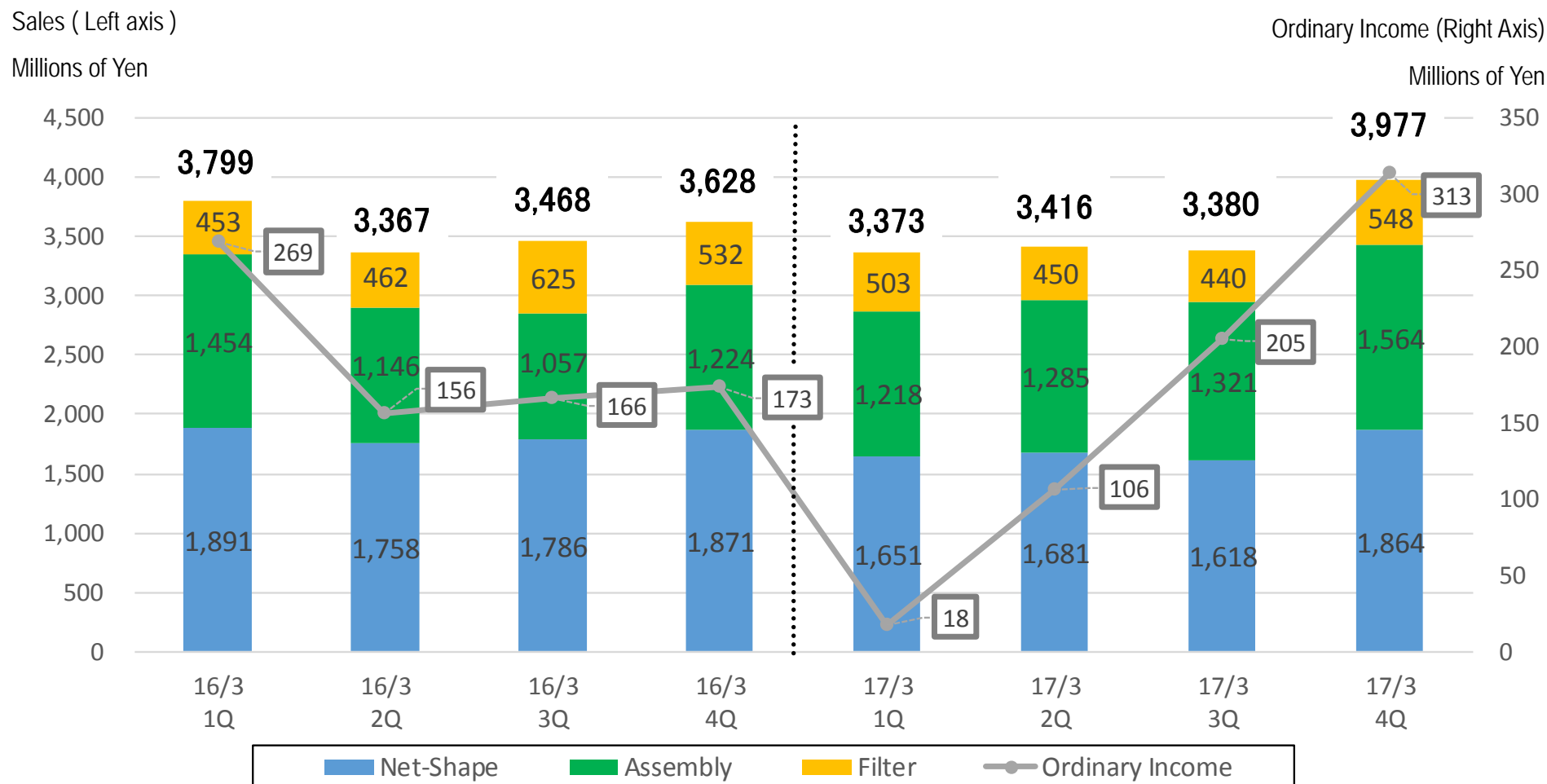
\* Rounded down to the nearest million yen



# I . Financial Results for the Year Ended March 31, 2017

## - Trend in operating results on quarter basis -

- Entering the second half year, all the three business segments picked up.
- In the 4th quarter, we posted record-high sales on the quarterly basis.
- Ordinary income was affected by the fluctuations in exchange rates after the second half year.



※ Bar graph above figures , consolidated net sales



# I . Financial Results for the Year Ended March 31, 2017

## - Segment Net Sales -

Millions of Yen

Business	16/3 Results 15/4-16/3	17/3 Plan 16/4-17/3 Announced 16/10	17/3 Results 16/4-17/3	Growth Rate
Net-Shape	7,307	6,800	6,816	△ 6.7%
Assembly	4,882	5,300	5,388	10.4%
Filter	2,074	1,900	1,942	△ 6.3%
Consolidated Total	14,264	14,000	14,147	△ 0.8%

➤ Forging Die Division:  
 ▪ Sales grew in the domestic market, but dropped overseas.  
 ➤ Precision –forged Products Division:  
 ▪ In-house parts production for the Assembly Business increased.

➤ Sales increased both in the domestic and overseas markets.

➤ Decline in sales of oil drilling filter had a negative impact.

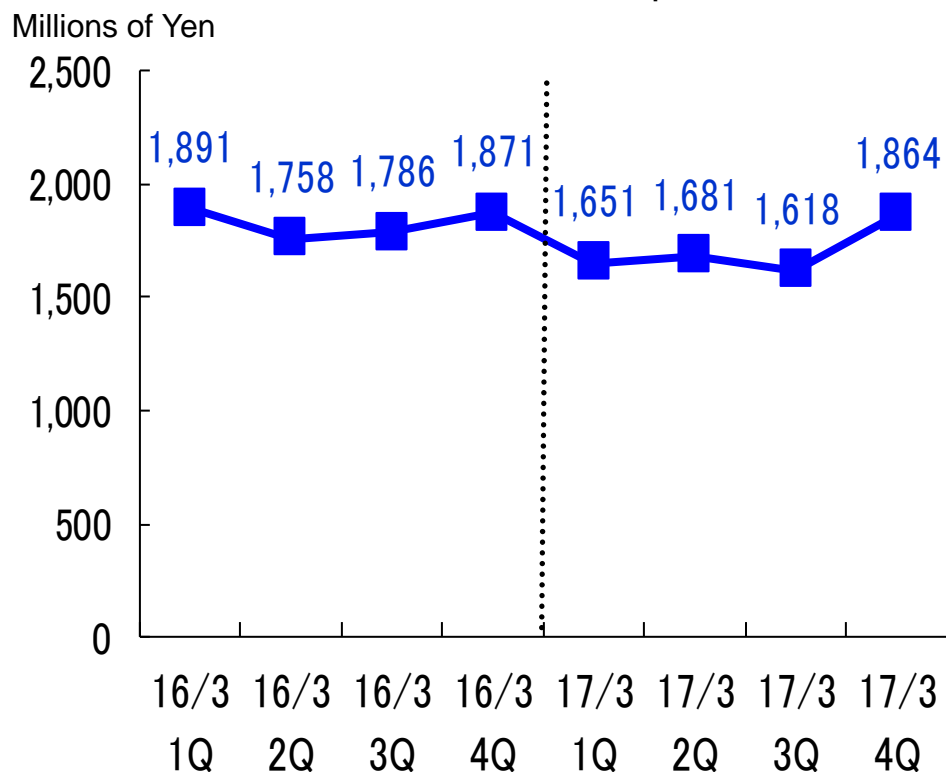
\* Rounded down to the nearest million yen

# I . Financial Results for the Year Ended March 31, 2017

## - Overview of the Net-Shape Business -

- **Forging Die Division:**(Domestic) Strong showing from the second half year onward contributed to year-on-year growth.  
(Overseas) Sales dropped due to struggle in the Asian regions.
- **Precision-forged Goods Division :**(Domestic production) Sales of scroll-forged goods decreased. In-house parts production for the Assembly Business increased.  
(Overseas production) Sales of scroll-forged goods decreased. Foreign currency translation had a negative impact.

Trend in sales of Net-Shape business



Change in Domestic/Overseas Sales

Millions of Yen

	16/3 Results	17/3 Results	Groth
Forging Dies(Domestic)	4,151	4,185	0.8%
Forging Dies(Overseas)	1,450	1,363	△ 6.0%
<b>Forging Dies Total</b>	<b>5,601</b>	<b>5,549</b>	<b>△ 0.9%</b>
Forging Goods(Domestic)	833	599	△ 28.0%
Forging Goods(Overseas)	872	667	△ 23.5%
<b>Forging Goods Total</b>	<b>1,705</b>	<b>1,267</b>	<b>△ 25.7%</b>
<b>Net-Shape Business total</b>	<b>7,307</b>	<b>6,816</b>	<b>△ 6.7%</b>

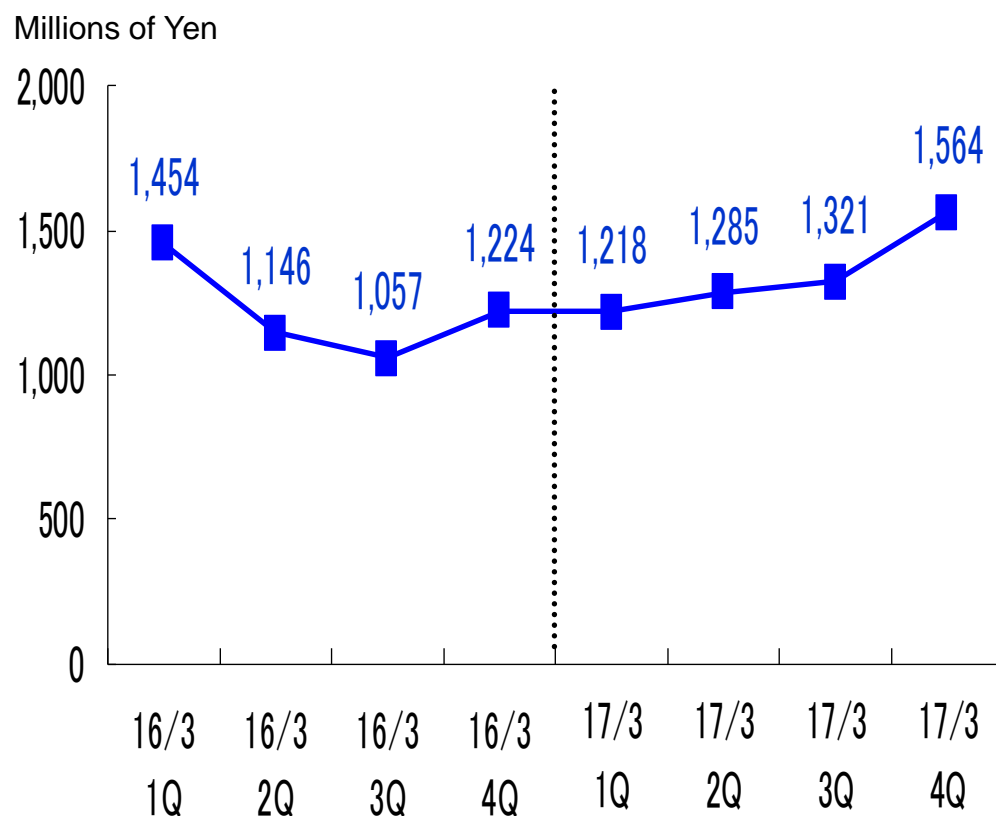


# I . Financial Results for the Year Ended March 31, 2017

## - Overview of the Assembly Business -

- Sales of turbocharger parts for gasoline-powered vehicles rose sharply both at home and abroad.
- Meanwhile, sales of VG turbocharger parts declined. Product mix changed considerably.

Trend in sales of Assembly business



Change in Domestic/Overseas Sales

Millions of Yen

	16/3 Results	17/3 Results	Growth Rate
Domestic	2,102	2,316	10.2%
Overseas	2,780	3,072	10.5%
Total	4,882	5,388	10.4%

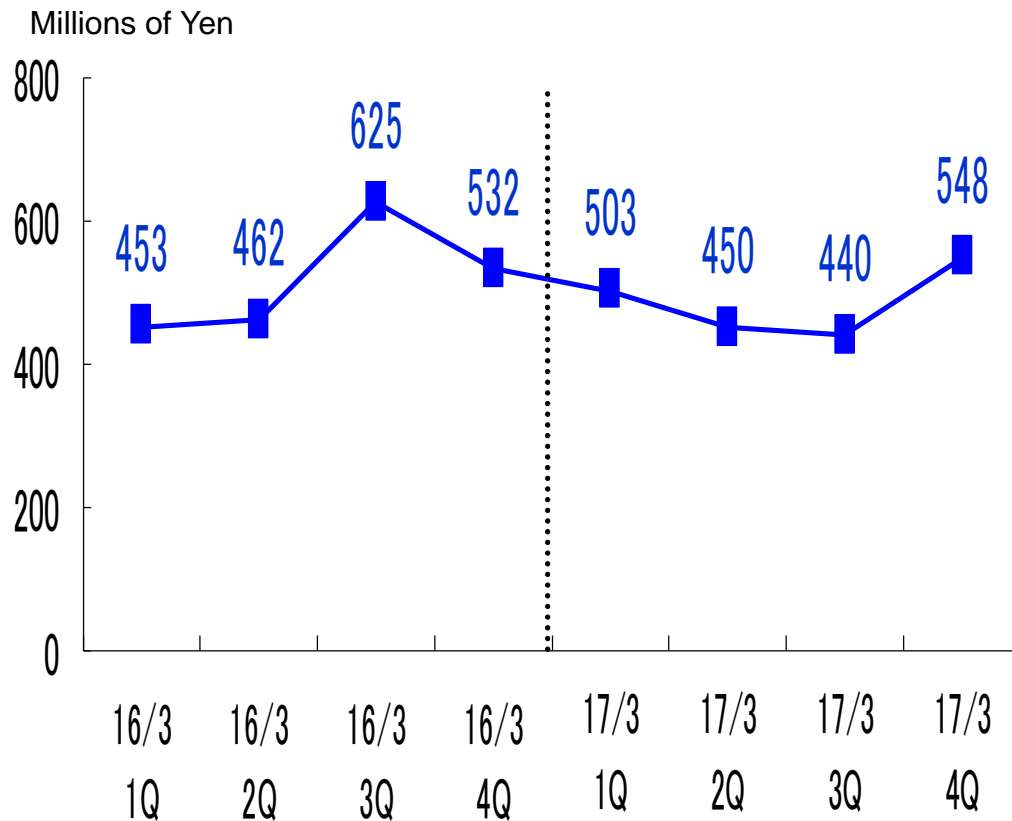
\* Rounded down to the nearest million yen

# I . Financial Results for the Year Ended March 31, 2017

## - Overview of the Filter Business -

- (Domestic): Sales of large-scale seawater strainers increased.
- (Overseas) : Decreased demand for oil drilling filters caused overseas sales to decline.
- At TSM, production increased excluding oil drilling filters.

Trend in sales of Filter business



Change in Domestic/Overseas Sales

Millions of Yen

	16/3 Results	17/3 Results	Growth Rate
Domestic	1,494	1,522	1.9%
Overseas	580	420	△ 27.6%
Total	2,074	1,942	△ 6.3%

\* Rounded down to the nearest million yen



# I . Financial Results for the Year Ended March 31, 2017

## - Segment P/L -

Millions of Yen

	16/3			17/3		
	Sales	Ordinary Income	Profit Rate	Sales	Ordinary Income	Profit Rate
Net-Shape	7,307	345	4.7%	6,816	322	4.7%
Assembly	4,882	97	2.0%	5,388	94	1.8%
Filter	2,074	322	15.6%	1,942	227	11.7%
Consolidated total	14,264	766	5.4%	14,147	643	4.6%

➤ Impact of decrease in sales.

➤ Due to changes in product mix.

➤ Impact of decrease in overseas sales.

\* Rounded down to the nearest million yen

# I . Financial Results for the Year Ended March 31, 2017

## - Cost of Sales -

Millions of Yen

	16/3		17/3	
	Results	Ratio	Results	Ratio
Net sales	14,264	100.0%	14,147	100.0%
Material cost	4,830	33.9%	4,911	34.7%
Purchase of products	709	5.0%	704	5.0%
Subcontract processing	1,245	8.7%	1,207	8.5%
Subsidiary material cost	456	3.2%	430	3.0%
Labor cost	2,483	17.4%	2,499	17.7%
Depreciation	816	5.7%	673	4.8%
Change in inventory	△ 22	△ 0.2%	△ 333	△ 2.4%
Others	776	5.4%	694	4.9%
Cost of sales	11,341	79.5%	11,453	81.0%
Gross income from sales	2,923	20.5%	2,693	19.0%

### Material cost

Attributable to sales growth in the Assembly Business.

### Depreciation cost

Due to the change of depreciation method.

### Changes in inventories

Inventories decreased in the Assembly Business.

\* Rounded down to the nearest million yen

# I . Financial Results for the Year Ended March 31, 2017

## - SG&A Expenses -

Millions of Yen

	16/3 Results	Ratio	17/3 Results	Ratio
Net Sales	14,264	100.0%	14,147	100.0%
Packaging/Freight	155	1.1%	162	1.2%
Transportation	129	0.9%	114	0.8%
Labor cost	1,028	7.2%	1,046	7.4%
Depreciation	153	1.1%	119	0.8%
Rent	62	0.4%	61	0.4%
Others	564	4.0%	546	3.9%
SG&A Expenses	2,094	14.7%	2,051	14.5%

**Depreciation cost**

Due to the change of depreciation method.

\* Rounded down to the nearest million yen

# I . Financial Results for the Year Ended March 31, 2017

## - B/S: Assets -

Millions of Yen

	16/3 Results	17/3 Results	Change
Cash and deposit	2,073	2,586	513
Notes receivable	744	643	△ 100
Accounts receivable	3,054	3,382	328
Inventory	2,523	2,021	△ 502
Others	138	124	△ 14
Allowance for bad debts	△ 1	△ 1	0
<b>Total current assets</b>	<b>8,532</b>	<b>8,756</b>	<b>224</b>
Tangible fixed assets	6,844	6,889	45
Intangible fixed assets	95	131	35
Investment and other assets	252	183	△ 68
<b>Total fixed assets</b>	<b>7,192</b>	<b>7,204</b>	<b>12</b>
<b>Total assets</b>	<b>15,725</b>	<b>15,961</b>	<b>236</b>

### Inventory assets

- Due to a decrease in inventories of the Assembly Business.

\* Rounded down to the nearest million yen

# I . Financial Results for the Year Ended March 31, 2017

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

Millions of Yen

	16/3 Results	17/3 Results	Change
Accounts payable	1,318	1,573	254
Short-term debt	1,575	1,378	△ 196
Accrued income tax	71	95	23
Allowance for bonus payable	147	148	1
Others	876	1,078	202
<b>Total current liabilities</b>	<b>3,988</b>	<b>4,274</b>	<b>286</b>
Long-term debt	935	830	△ 104
Others	475	278	△ 196
<b>Total fixed liabilities</b>	<b>1,410</b>	<b>1,109</b>	<b>△ 300</b>
<b>Total liabilities</b>	<b>5,399</b>	<b>5,384</b>	<b>△ 14</b>
Capital	1,429	1,429	0
Capital surplus	1,192	1,192	0
Retained earnings	6,681	6,925	243
Minority interest	927	936	9
Others	93	92	△ 1
<b>Total net assets</b>	<b>10,326</b>	<b>10,577</b>	<b>251</b>
<b>Total liabilities and net assets</b>	<b>15,725</b>	<b>15,961</b>	<b>236</b>

**Other**

Impact of lease obligations.

\* Rounded down to the nearest million yen

# I . Financial Results for the Year Ended March 31, 2017

## - Cash Flows(CF) -

Millions of Yen

	16/3	17/3	Change
Cash flows from operating activities	1,074	1,801	726
Cash flows from investing activities	△ 692	△ 581	111
Cash flows from financing activities	△ 664	△ 691	△ 26
Amount of increase in cash and cash equivalents	△ 351	513	865
Cash and cash equivalents balance at beginning of term	2,316	1,964	△ 351
Cash and cash equivalents balance at end of term	1,964	2,478	513
<b>FCF</b>	<b>382</b>	<b>1,220</b>	<b>837</b>

➤ **Changes in the amount of inventory assets (△=Increase)**

**16/3 △9 Million Yen**

**17/3 481 Million Yen**

➤ **Changes in the amount of trade payables (△=Decrease)**

**16/3 △268 Million Yen**

**17/3 266 Million Yen**

\*Rounded down to the nearest million yen



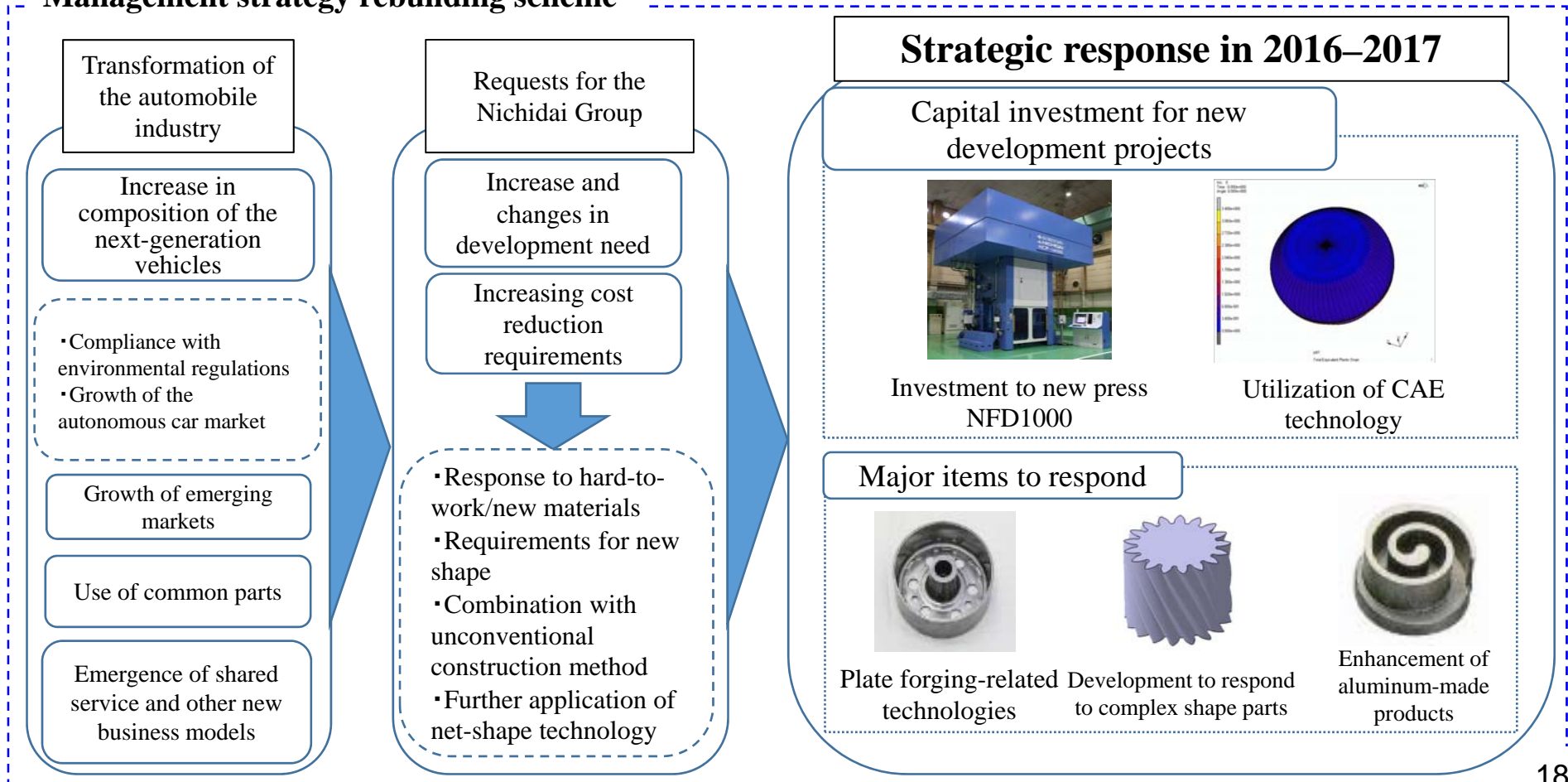
## II . Progress status of the Medium-term Management Strategy

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

- Since the automobile industry is having the time of transformation, we are going to rebuild our management strategies based on the existing themes.
- Prior to this, management shake-up, capital investment and other measures are being implemented.
- As of April 1, 2017, a new operating officer was appointed.

### Management strategy rebuilding scheme



# III. Plan for the Year Ended March 31, 2018

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### Ⅲ. Plan for the Year Ended March 31, 2018 - P/L: Sales and Profit -

Millions of Yen

	17/3 Results 16/4-17/3	18/3 Plan 17/4-18/3	Growth Rate
Net sales	14,147	14,700	3.9%
Gross income from sales	2,693	2,865	6.4%
S.G.&A. expense	2,051	2,125	3.6%
Operating income	642	740	15.3%
Non-operating income	△ 1	20	—
Ordinary income	643	720	11.8%
Net income Attributable to Owners of the Parent	424	440	3.6%

\* Rounded down to the nearest million yen



### III. Plan for the Year Ended March 31, 2018 - Segment Net Sales -

Millions of Yen

Business	17/3 Results 16/4-17/3	18/3 Plan 17/4-18/3	Growth Rate
Net-Shape	6,816	6,900	1.2%
Assembly	5,388	5,800	7.6%
Filter	1,942	2,000	2.9%
Consolidated total	14,147	14,700	3.9%

➤ **Forging Die Division:**

- We will strive to boost sales by leveraging recovery of demand for the Asian regions.

➤ **Precision-forged Goods Division :**

- We will strive to achieve sales of the same level as the previous year.

➤ **Domestic**

Although product mix will change, sales are expected to remain at the same level as the previous year.

➤ **Overseas**

Sales of both diesel and gasoline engine applications are expected to increase.

➤ Oil drilling filters will remain at low levels.

\* Rounded down to the nearest million yen

### III. Plan for the Year Ended March 31, 2018 - Capital Investment/Depreciation-

Millions of Yen

	12/3 Results	13/3 Results	14/3 Results	15/3 Results	16/3 Results	17/3 Results	18/3 Plan
Capital expenditures	627	1,605	1,290	1,313	774	966	1,140
Depreciation	539	602	764	879	970	793	895

\* Rounded down to the nearest million yen

# 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	20.00
2017FY	10.00	10.00(Plan)	20.00(Plan)
2018FY(Plan)	8.00	8.00	16.00



**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 2017	Outlook for the year ending March 2018	Future direction
<b>Strengthen of the overseas development</b>	<p><b>Forging Die Division</b></p> <ul style="list-style-type: none"> <li>▪ Sales in the Asian regions ended up weak.</li> <li>▪ NDT: Performance was lower than the previous year.</li> </ul> <p><b>Precision-forged Goods Division</b></p> <ul style="list-style-type: none"> <li>▪ Production of scroll forged parts decreased.</li> </ul>	<p><b>Forging Die Division</b></p> <ul style="list-style-type: none"> <li>▪ Sales in the Asian regions are expected to increase.</li> <li>▪ The North American region will face difficulty.</li> <li>▪ NDT: We will strive to expand production variety.</li> </ul> <p><b>Precision-forged Goods Division</b></p> <ul style="list-style-type: none"> <li>▪ Production of scroll forged parts at NDT is expected to remain at the same level as the previous year.</li> </ul>	<p><b>Forging Die Division</b></p> <ul style="list-style-type: none"> <li>▪ We will respond to the Japanese manufacturers, who are stepping up efforts in operating overseas markets, through cooperation among domestic and overseas bases.</li> <li>▪ Thailand We will expand production variety at NDT, thereby strengthening the capacity to respond to the Japanese manufacturers operating in Thailand and neighboring regions.</li> <li>▪ Chinese and South Korean regions We will expand sales in cooperation with local manufacturers.</li> </ul> <p><b>Precision-forged Goods Division :</b></p> <ul style="list-style-type: none"> <li>▪ We will head toward exploration of new products.</li> </ul>
<b>New business/ Technological development</b>	<ul style="list-style-type: none"> <li>▪ Our new press “NFD1000” started operation. We will proceed with the development of plate forging, hollow method and others.</li> <li>▪ We will explore new helical gear dies and other fields of expertise.</li> </ul>	<p><b>Forging Die Division</b></p> <ul style="list-style-type: none"> <li>▪ We will proceed with the development to expand our technological field, including plate forging.</li> <li>▪ Die development activities will be bolstered by utilizing our new press.</li> </ul> <p><b>Precision-forged Goods Division</b></p> <ul style="list-style-type: none"> <li>▪ We will explore opportunities for launching new mass production business</li> <li>▪ We will also strive to expand sales of existing product varieties.</li> </ul>	<p><b>Forging Die Division</b></p> <ul style="list-style-type: none"> <li>▪ We will advance technological development to utilize seeds of technological development carried out at the Forging Die Division in finding new die demand at home and abroad.</li> </ul> <p><b>Precision-forged Goods Division</b></p> <ul style="list-style-type: none"> <li>▪ We will aim to launch a new business driven by the plastic processing technology.</li> </ul>

# Appendix. Progress Situation of the Medium-term Management strategy

## -Assembly Business-

Theme	Status of the year ended March 2017	Outlook for the year ending March 2018	Future direction
<p><b>Further improvement of QDC</b></p>	<ul style="list-style-type: none"> <li>▪ Turbocharger parts for gasoline-powered vehicles increased substantially; this brought a change to product mix.</li> <li>▪ Inventory assets were reduced significantly.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sales are expected to grow both at home and abroad.</li> <li>▪ Efforts to raise efficiency of in-house production of component parts will continue.</li> <li>▪ Automated production will be enhanced.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Efficiency will be pursued toward the increase of new models for the fiscal year ending March 2018 onward.</li> <li>▪ Measures to enhance added value, e.g. raising efficiency of in-house production of component parts, will continue.</li> <li>▪ We will move forward toward automated production.</li> </ul>
<p><b>Strengthen of the overseas development</b></p>	<ul style="list-style-type: none"> <li>▪ Turbocharger parts both for diesel and gasoline-powered vehicles increased.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increase of both product types will continue.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Activities to acquire new product types will continue.</li> </ul>
<p><b>New business/ Technological development</b></p>	<ul style="list-style-type: none"> <li>▪ Production of turbocharger parts for gasoline-powered vehicles increased.</li> <li>▪ In-house production of component parts, which is conducted by the Net-shape Business, increased.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Domestic development division of the Assembly Business will continue providing backup to acquire new product orders.</li> <li>▪ In-house production of component parts driven by the plastic processing technology will continue.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reinforce development division, with the domestic division of the Assembly Business positioned as mother factory.</li> <li>▪ In-house production of component parts leveraging plastic processing technology will continue.</li> <li>▪ Acquisition of new product orders will be promoted.</li> </ul>

Theme	Status of the year ended March 2017	Outlook for the year ending March 2018	Future direction
<b>Strengthen of the overseas development</b>	<ul style="list-style-type: none"> <li>• TSM's oil drilling filters dropped sharply compared with the previous year.</li> </ul>	<ul style="list-style-type: none"> <li>• TSM's oil drilling filters are expected to remain at low levels.</li> <li>• Promote new business development separately.</li> </ul>	<ul style="list-style-type: none"> <li>• Activities to win orders will be implemented aiming to increase products manufactured overseas.</li> </ul>
<b>New business/ Technological development</b>	<ul style="list-style-type: none"> <li>• MM (Metal Mesh) catalytic filter: Activities to win orders were advanced with an eye on mounting it on exhaust gas purification device for motorcycles.</li> </ul>	<ul style="list-style-type: none"> <li>• The move toward commercialization of MM (Metal Mesh) catalytic filter will be accelerated.</li> <li>• Activities will be promoted to create other new applications, e.g. for fuel cell vehicles.</li> </ul>	<ul style="list-style-type: none"> <li>• Efforts will be made to expand new applications centered on the diffusion bonding technology, a core technology of the Filter Business.</li> </ul>
<b>Further improvement of QDC</b>	<ul style="list-style-type: none"> <li>• Product mix is changing further because of increased mass produced goods.</li> </ul>	<ul style="list-style-type: none"> <li>• Product mix is changing further because of increased mass produced goods.</li> </ul>	<ul style="list-style-type: none"> <li>• Policy to increase mass produced goods in the Asian regions will be implemented.</li> <li>• Measures to improve the productivity of mass produced goods will continue.</li> </ul>