



# The Financial Statement Briefing For Q2 of the Year Ending March 31, 2017

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*November 9, 2016*

JASDAQ: 6467

**株式会社 ニチダイ**  
NICHIDAI CORPORATION

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

## Net-Shape Business

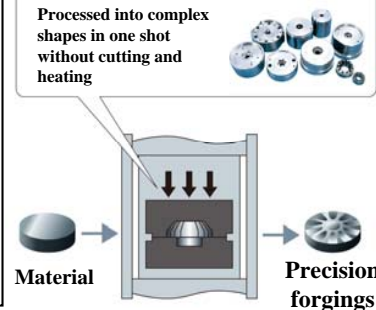
### ◆ Forging Die Division ◆

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

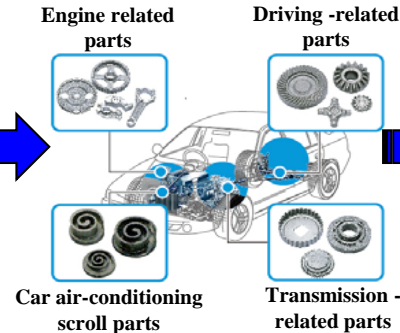
### ◆ Precision -forged Products Division ◆

- 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 ◆

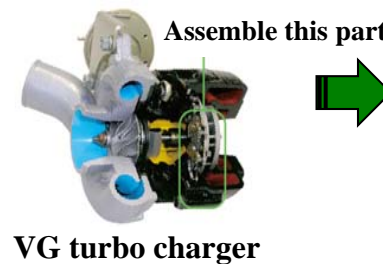
- Automobile parts manufacturers (Key products: Scroll forged goods)

## 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

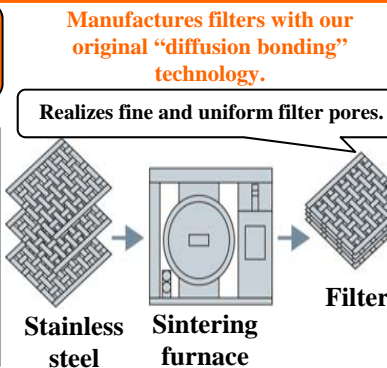


Automotive industry

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



Turbocharger parts for gasoline-powered vehicles

- 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

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

#### Assembly Business

- The Production and sale of 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 . Interim Results for the Year Ending March 2017

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# I . Interim Results for the Year Ending March 2017

## - P/L : Sales and Profit -

Millions of Yen

	16/3 1st half results 15/4-15/9	17/3 1st half plan 16/4-16/9	17/3 1st half results 16/4-16/9	Growth Rate
Net sales	7,166	6,760	6,790	△ 5.3%
Gross income from sales	1,473	1,340	1,194	△ 18.9%
S.G.&A. expense	1,031	1,030	1,019	△ 1.2%
Operating income	441	310	175	△ 60.2%
Non-operating income and loss	15	5	50	—
Ordinary income	426	305	124	△ 70.7%
Net income attributable to Owners of the Parent	285	195	64	△ 77.3%

\* Rounded down to the nearest million yen

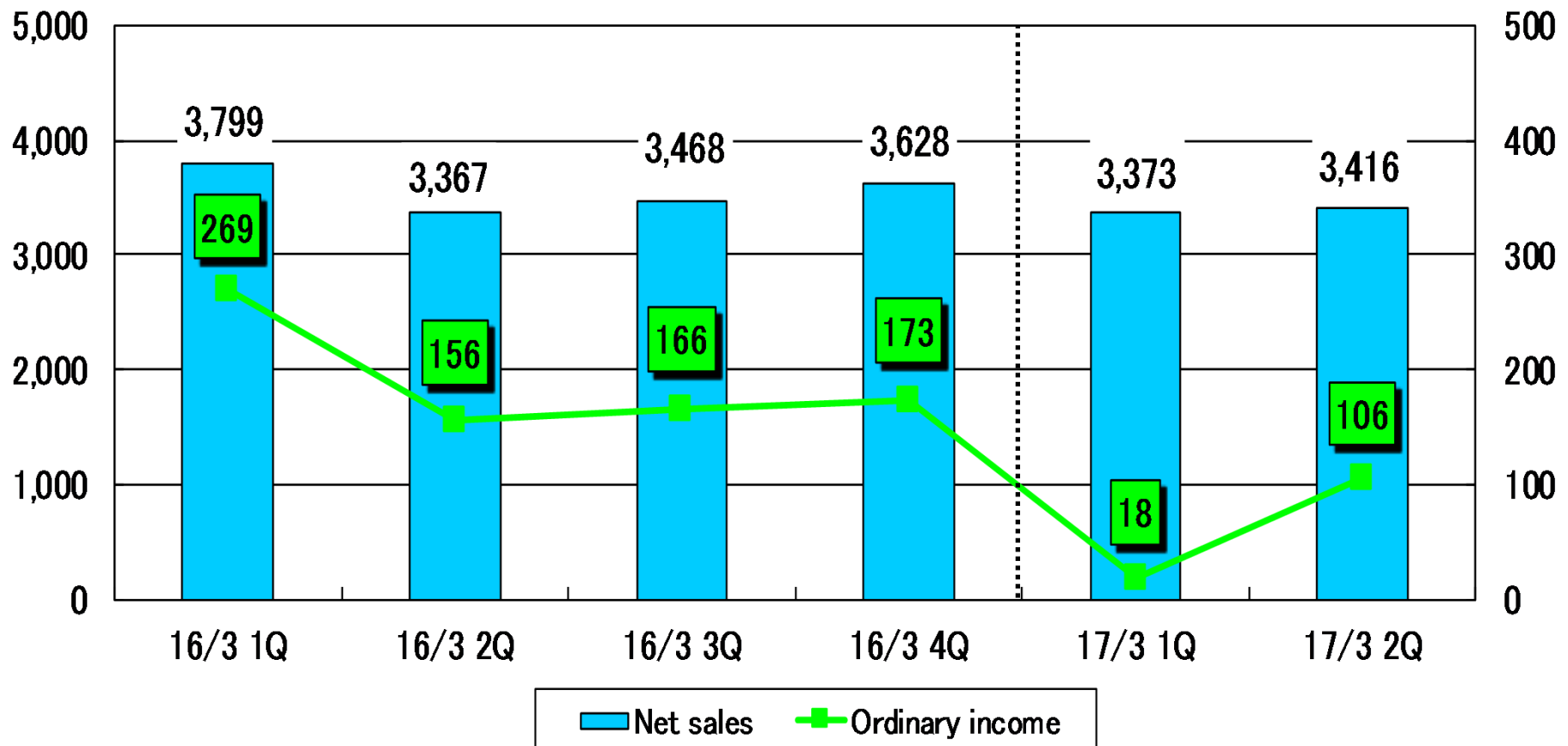
# I . Interim Results for the Year Ending March 2017

## - Trends in operating results on quarters basis -

- Sales of the Net-Shape Business and Assembly Business slowed down, exerting impact on income.
- Coupled with the negative impact of a loss on foreign exchange rates, ordinary income also stayed at low levels.

Sales ( Left axis )  
Millions of Yen

Ordinary Income (Right Axis)  
Millions of Yen



# I . Interim Results for the Year Ending March 2017

## - Segment Net Sales -

Millions of Yen

Business	16/3 1st Half Results 15/4-15/9	17/3 1st Half Results 16/4-16/9	Growth Rate
Net-Shape	3,649	3,332	△ 8.7%
Assembly	2,601	2,503	△ 3.8%
Filter	916	953	4.1%
Consolidated Total	7,166	6,790	△ 5.3%

➤ **Forging Die Division :**

Domestic sales remained at the same level as the previous year, while overseas sales were sluggish.

➤ **Precision-forged goods :**

Sales of domestic scroll-forged goods decreased.

➤ Sales of VG turbocharger parts declined at home and abroad.

➤ Sales of turbocharger parts for gasoline-powered vehicles increased.

➤ Sales of large-size seawater strainers increased.

➤ Oil drilling filters registered a substantial decline.



# I . Interim Results for the Year Ending March 2017

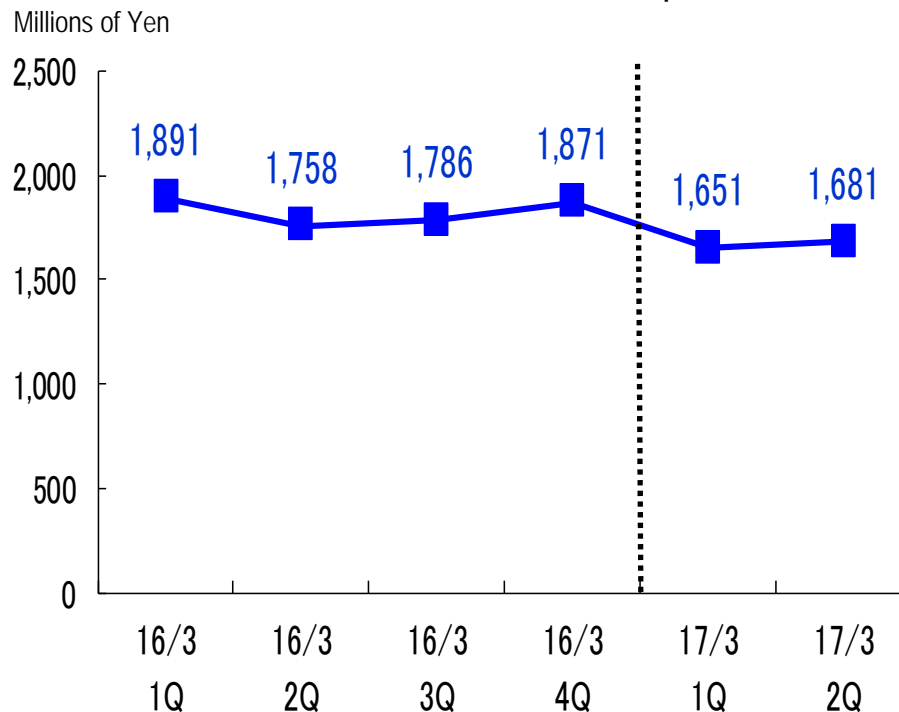
## - Overview of the Net Shape Business -

➤ **Forging Die Division** :(Overseas) Although sales have been recovering since 2Q, variation is observed among users.

(Domestic) Sales for overseas markets are decreasing with downturn in the Southeast Asian regions.

➤ **Precision-forged Goods Division** : (Domestic production) Scroll forged goods are decreasing. In-house parts production for the Assembly Business is increasing.  
(Overseas production) Overseas production remains almost 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		
	15/9 Results	16/9 Results	Groth
Forging Dies(Domestic)	2,011	2,037	1.3%
Forging Dies(Overseas)	738	660	△ 10.6%
<b>Total</b>	<b>2,750</b>	<b>2,697</b>	<b>△ 1.9%</b>
Forging Goods(Domestic)	458	299	△ 34.8%
Forging Goods(Overseas)	439	487	10.8%
<b>Total</b>	<b>898</b>	<b>786</b>	<b>△ 12.5%</b>
<b>Net-Shape Businee total</b>	<b>3,649</b>	<b>3,332</b>	<b>△ 8.7%</b>

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

\* Rounded down to the nearest million yen 8

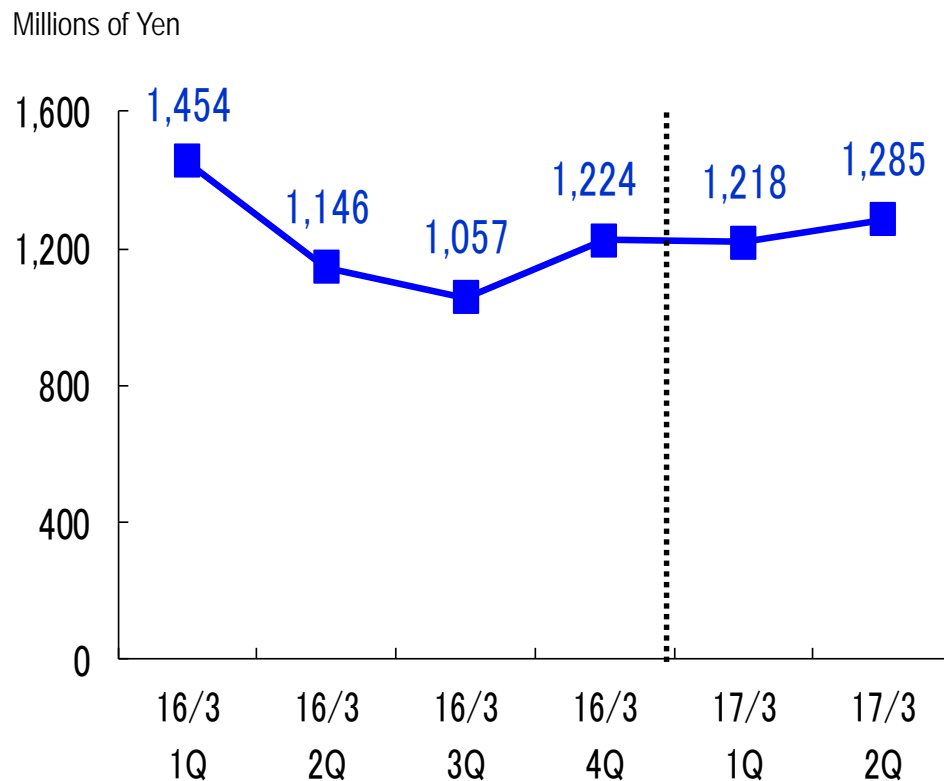


# I . Interim Results for the Year Ending March 2017

## - Overview of the Assembly Business -

- Sales of VG turbocharger parts declined at home and abroad.  
Sales of turbocharger parts for gasoline-powered vehicles increased.
- Overseas sales are impacted by foreign exchange conversion.

Trend in sales of Assembly business



\* Rounded down to the nearest million yen

Change in Domestic/Overseas Sales

Millions of Yen

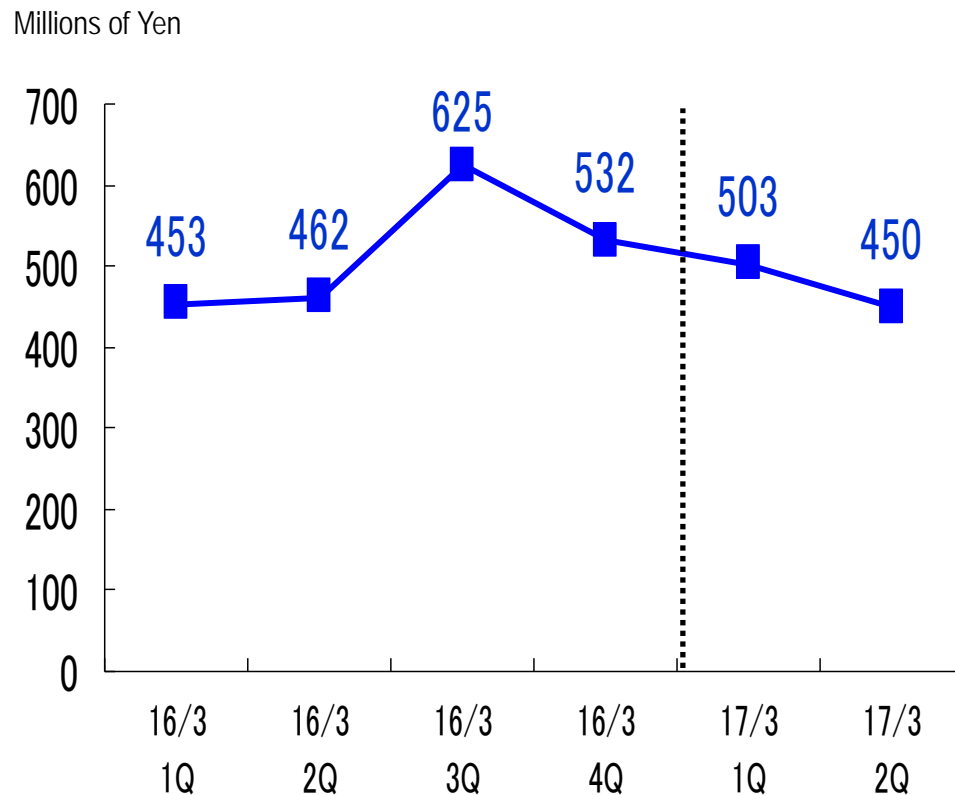
	15/9 Results	16/9 Results	Growth Rate
Domestic	1,119	1,076	△ 3.9%
Overseas	1,481	1,427	△ 3.7%
<b>Total</b>	<b>2,601</b>	<b>2,503</b>	<b>△ 3.8%</b>

\* Rounded down to the nearest million yen 9

# I . Interim Results for the Year Ending March 2017 - Overview of the Filter Business -

- (Overseas) Along with the increase of large-size seawater strainer, domestic sales increased.
- (Domestic) Oil drilling filters were sluggish.  
Overseas sales grew thanks to special sale items.

Trend in sales of Filter business



\* Rounded down to the nearest million yen

Change in Domestic/Overseas Sales

Millions of Yen

	15/9 Results	16/9 Results	Growth Rate
Domestic	658	688	4.5%
Overseas	257	265	3.0%
Total	916	953	4.1%

\* Rounded down to the nearest million yen

# I . Interim Results for the Year Ending March 2017

## - Segment P/L -

Millions of Yen

	15/9			16/9		
	Sales	Ordinary Profit	Rate	Sales	Ordinary Profit	Rate
		Income			Income	
Net-Shape	3,649	150	4.1%	3,332	53	1.6%
Assembly	2,601	140	5.4%	2,503	△ 17	△ 0.7%
Filter	916	135	14.7%	953	88	9.2%
Consolidated total	7,166	426	5.9%	6,790	124	1.8%

➤ Due to sales decline in the Forging Die Division.  
 ➤ Adversely affected by the loss on foreign exchange rates.

➤ Impact of decreased sales of VG turbocharger parts.

➤ Decrease in oil drilling filters at TSM.  
 ➤ Negative impact of product mix.

# I . Interim Results for the Year Ending March 2017

## - Cost of Sales -

Millions of Yen

	15/9		16/9	
	Results	Ratio	Results	Ratio
Net sales	7,166	100.0%	6,790	100.0%
Material cost	2,563	35.8%	2,240	33.0%
Purchase of products	344	4.8%	402	5.9%
Subcontract processing	680	9.5%	560	8.2%
Subsidiary material cost	239	3.3%	221	3.3%
Labor cost	1,254	17.5%	1,267	18.7%
Depreciation * 1	401	5.6%	331	4.9%
Change in inventory	202	2.8%	△ 197	△ 2.9%
Others	411	5.7%	373	5.5%
Cost of sales	5,693	79.4%	5,595	82.4%
Gross income from sales	1,473	20.6%	1,194	17.6%

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

\* Rounded down to the nearest million yen

\* 1. Since the fiscal year ending March 2017, depreciation method has been changed from declining balance method to straight-line method.

# I . Interim Results for the Year Ending March 2017

## - SG&A Expenses -

Millions of Yen

	<b>15/9 Results</b>	<b>Ratio</b>	<b>16/9 Results</b>	<b>Ratio</b>
<b>Net Sales</b>	7,166	100.0%	6,790	100.0%
Packaging/Freight	77	1.1%	74	1.1%
Transportation	61	0.9%	56	0.8%
Labor cost	509	7.1%	528	7.8%
Depreciation* 1	73	1.0%	59	0.9%
Rent	31	0.4%	31	0.5%
Others	278	3.9%	269	4.0%
<b>SG&amp;A Expenses</b>	<b>1,031</b>	<b>14.4%</b>	<b>1,019</b>	<b>15.0%</b>

\* Rounded down to the nearest million yen

\* 1. Since the fiscal year ending March 2017, depreciation method has been changed from declining balance method to straight-line method.

# I . Interim Results for the Year Ending March 2017

## - B/S: Assets -

Millions of Yen

	15/9 Results	16/3 Results	16/9 Results	Change
Cash and deposit	2,023	2,073	2,487	414
Notes receivable	637	744	622	△ 121
Accounts receivable	2,873	3,054	2,854	△ 200
Inventory	2,649	2,523	2,204	△ 319
Others	197	138	134	△ 3
Allowance for bad debts	△ 1	△ 1	△ 1	0
<b>Total current assets</b>	<b>8,380</b>	<b>8,532</b>	<b>8,302</b>	<b>△ 230</b>
Tangible fixed assets	7,202	6,844	6,475	△ 369
Intangible fixed assets	103	95	127	31
Investment and other assets	222	252	208	△ 43
<b>Total fixed assets</b>	<b>7,528</b>	<b>7,192</b>	<b>6,811</b>	<b>△ 381</b>
<b>Total assets</b>	<b>15,908</b>	<b>15,725</b>	<b>15,113</b>	<b>△ 611</b>

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

\*Rounded down to the nearest million yen

\*Increase/decrease is the difference between results of March 2016 and those of September 2016.

# I . Interim Results for the Year Ending March 2017

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

Millions of Yen

	15/9 Results	16/3 Results	16/9 Results	Change
Accounts payable	1,344	1,318	1,290	△ 28
Short-term debt	1,655	1,575	1,503	△ 72
Accrued income tax	106	71	62	△ 8
Allowance for bonus payable	275	147	277	130
Others	649	876	679	△ 196
<b>Total current liabilities</b>	<b>4,029</b>	<b>3,988</b>	<b>3,813</b>	<b>△ 175</b>
Long-term debt	857	935	1,007	71
Others	455	475	387	△ 87
<b>Total fixed liabilities</b>	<b>1,313</b>	<b>1,410</b>	<b>1,395</b>	<b>△ 15</b>
<b>Total liabilities</b>	<b>5,343</b>	<b>5,399</b>	<b>5,208</b>	<b>△ 190</b>
Capital	1,429	1,429	1,429	0
Capital surplus	1,192	1,192	1,192	0
Retained earnings	6,572	6,681	6,656	△ 25
Minority interest	961	927	825	△ 101
Others	408	93	△ 199	△ 293
<b>Total net assets</b>	<b>10,565</b>	<b>10,326</b>	<b>9,904</b>	<b>△ 421</b>
<b>Total liabilities and net assets</b>	<b>15,908</b>	<b>15,725</b>	<b>15,113</b>	<b>△ 611</b>

➤ Amount of foreign currency translation adjustment

15/9 421 Million Yen

16/3 227 Million Yen

16/9 △80 Million Yen

\*Rounded down to the nearest million yen

\*Increase/decrease is the difference between results of March 2016 and those of September 2016.

# I . Interim Results for the Year Ending March 2017

## - Cash Flows (CF) -

Millions of Yen

	15/9	16/9	Change
Cash flows from operating activities	585	1,015	429
Cash flows from investing activities	△ 479	△ 325	153
Cash flows from financing activities	△ 506	△ 157	348
Amount of increase in cash and cash equivalents	△ 400	415	815
Cash and cash equivalents balance at beginning of term	2,316	1,964	△ 351
Cash and cash equivalents balance at end of term	1,915	2,379	463
<b>FCF</b>	<b>106</b>	<b>689</b>	<b>583</b>

- Changes in the amount of inventory assets.  
15/9 △94 Million Yen  
16/9 253 Million Yen
- Changes in the amount of trade payables.  
15/9 △277 Million Yen  
16/9 37 Million Yen

\*Rounded down to the nearest million yen



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

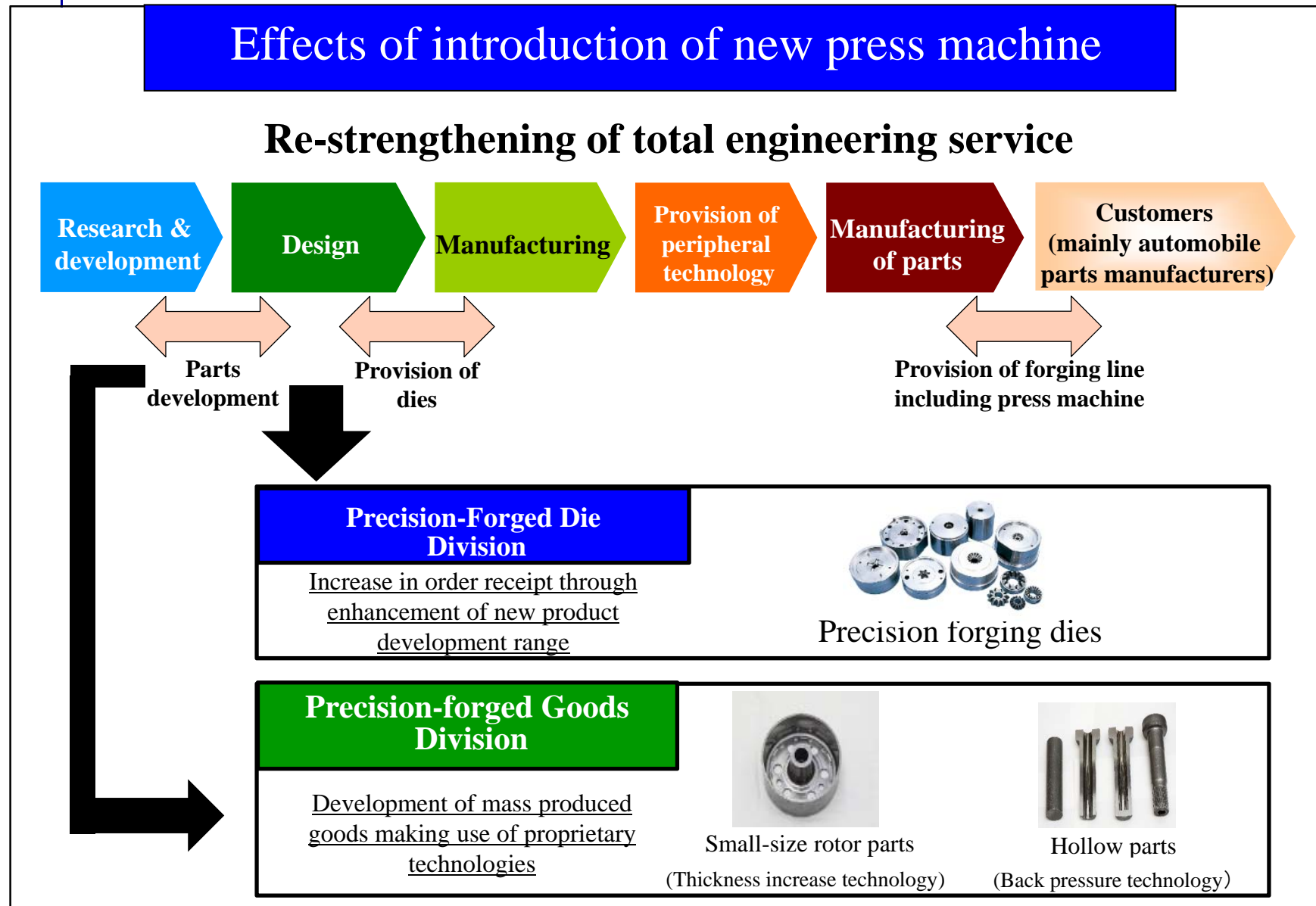
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## New Press Machine for Research & Development Projects – Operation to Start in December 2016



NFD1000

## II. Progress status of the Medium-term Management Strategy ~ Business strategy in Net-Shape Business



# III. Full-Year Forecasts for the Fiscal Year Ending March 2017

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### III. Full-Year Forecasts for the Fiscal Year Ending March 2017 - P/L: Sales and Profit -

➤ Full-year earnings forecast was revised on October 25.

Millions of Yen

	16/3 Results 15/4-16/3	17/3 Original Plan 16/4-17/3 (Announced 16/5)	17/3 Revisional Plan 16/4-17/3 (Announce 16/10)	Growth Rate
Net sales	14,264	14,000	14,000	△ 1.9%
Gross income from sales	2,923	2,975	2,630	△ 10.0%
S.G.&A. expense	2,094	2,090	2,060	△ 1.6%
Operating income	828	885	570	△ 31.2%
Non-operating income	62	15	70	12.9%
Ordinary income	766	870	500	△ 34.7%
Net income attributable to Owners of the Parent	485	575	325	△ 33.1%

\* Rounded down to the nearest million yen

### III. Full-Year Forecasts for the Fiscal Year Ending March 2017 - Segment Net Sales -

Millions of Yen

Business	16/3 Results 15/4-16/3	17/3 Original Plan 16/4-17/3 Announced 16/5	17/3 Revisional Plan 16/4-17/3 Announced 16/10	Growth Rate
Net-Shape	7,307	7,100	6,800	△ 6.9%
Assembly	4,882	4,900	5,300	8.5%
Filter	2,074	2,000	1,900	△ 8.4%
Consolidated Total	14,264	14,000	14,000	△ 1.9%

Outlook for the 2<sup>nd</sup> half year

**Forging Die Division:**

➤ Although recovery is expected at home and abroad, the initial plan will not be achieved.

Precision-forged Goods Division

➤ Expected to remain almost the same level as planned.

Outlook for the 2<sup>nd</sup> half year

➤ Recovery is expected mainly in overseas production.

Outlook for the 2<sup>nd</sup> half year

➤ Oil drilling filters will slow down, resulting in a shortfall in the initial plan.

### III. Full-Year Forecasts for the Fiscal Year Ending March 2017 - 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

\* Rounded down to the nearest million yen

\* Since the fiscal year ending March 2017, depreciation method has been changed from declining balance method to straight-line method.

### III. Full-Year Forecasts for the Fiscal Year Ending March 2016

- 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(Plan)	10.00	10.00(Plan)	20.00(Plan)



**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	Initial Forecast for FY March 31, 2017	Situation of the first half of the year	Forecast of the second half of the year
<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 region are expected to grow.</li> <li>• NDT: Expand production varieties to promote sales expansion 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 is expected to grow.</li> </ul>	<p><b>Forging Die Division</b></p> <ul style="list-style-type: none"> <li>• Sales in the Asian region fell short of the plan.</li> <li>• Thailand Sales of NDT's forging die division also fell below the initial plan.</li> </ul> <p><b>Precision-forged Goods Division</b></p> <ul style="list-style-type: none"> <li>• Overseas production of scroll forged goods 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>• Strengthen sale expansion for China and South Korea.</li> <li>• Respond continuously to the expansion of production variety at NDT.</li> </ul> <p><b>Precision-forged Goods Division</b></p> <ul style="list-style-type: none"> <li>• Scroll production at NDT will increase. Sales are expected to grow compared to the previous year.</li> </ul>
<b>New business/ Technological development</b>	<p><b>Forging Die Division</b></p> <ul style="list-style-type: none"> <li>• Keep looking for new demand making use of accumulated technologies. Continue to promote technological development of hollow method and small-size rotor part.</li> </ul> <p><b>Precision-forged Goods Division</b></p> <ul style="list-style-type: none"> <li>• Explore opportunities for launching new mass production business.</li> </ul>	<p><b>Forging Die Division</b></p> <ul style="list-style-type: none"> <li>• Development activities are continuing.</li> <li>• New press machine for research and development purpose was introduced.</li> </ul> <p><b>Precision-forged Goods Division</b></p> <ul style="list-style-type: none"> <li>• Continue with development activities.</li> </ul>	<p><b>Forging Die Division</b></p> <ul style="list-style-type: none"> <li>• The new press machine for research and development purpose is to operate.</li> <li>• Along with development activities, strengthen sales expansion of dies.</li> </ul> <p><b>Precision-forged Goods Division</b></p> <ul style="list-style-type: none"> <li>• Continue with development activities.</li> </ul>

Theme	Initial Forecast for FY March 31, 2017	Situation of the first half of the year	Forecast of the second half of the year
<b>Further improvement of QDC</b>	<ul style="list-style-type: none"> <li>Domestic sales are expected to remain sluggish.</li> <li>Promote prototyping that will raise efficiency of in-house component parts production.</li> </ul>	<ul style="list-style-type: none"> <li>Domestic: Sales were according to the initial plan. Sales of turbocharger parts for gasoline-powered vehicles increased. Production efficiency is being increased.</li> <li>In-house component parts production increased. Efficiency is being raised.</li> </ul>	<ul style="list-style-type: none"> <li>Domestic: Sales will be almost the same level as the initial plan in the second half year.</li> </ul>
<b>Strengthen of the overseas development</b>	<ul style="list-style-type: none"> <li>Decrease of turbocharger parts for diesel-powered vehicles will be covered by turbocharger parts for gasoline-powered vehicles.</li> </ul>	<ul style="list-style-type: none"> <li>Over seas : Sales remained almost the same level as the previous year. In terms of Yen, sales dropped due partly to the impact of foreign exchange conversion.</li> <li>As estimated, sales of turbocharger parts for gasoline-powered vehicles increased.</li> </ul>	<ul style="list-style-type: none"> <li>Over seas : Sales will exceed the initial plan in the second half year. Compared with the first half, profitability is expected to rise.</li> </ul>
<b>New business/ Technological development</b>	<ul style="list-style-type: none"> <li>Promote streamlining of in-house production of component parts of turbocharger parts for gasoline-powered vehicles.</li> <li>Domestic development division of the Assembly Business should continue providing backup to acquire new product orders.</li> </ul>	<ul style="list-style-type: none"> <li>Streamlining of in-house production of component parts, production quantity of which was increased, continued.</li> <li>Activities to acquire orders of new products to be launched after FY March 2018.</li> </ul>	<ul style="list-style-type: none"> <li>Continue with in-house production measures and development for the acquisition of new product orders.</li> </ul>

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

### -Filter Business-

Theme	Initial Forecast for FY March 31, 2017	Situation of the first half of the year	Forecast of the second half of the year
<b>Strengthen of the overseas development</b>	<ul style="list-style-type: none"> <li>• TSM's oil drilling filters will remain at low levels.</li> </ul>	<ul style="list-style-type: none"> <li>• TSM's oil drilling filters remained at low levels as estimated.</li> <li>• Overseas sales increased thanks to the special sale items for the Asian region.</li> </ul>	<ul style="list-style-type: none"> <li>• TSM's oil drilling filters are expected to remain sluggish, exerting impact on income.</li> </ul>
<b>New business/ Technological development</b>	<ul style="list-style-type: none"> <li>• Sales of large-size seawater strainers increased.</li> <li>• MM (Metal Mesh) catalytic filter: Proceed with development with an eye on mounting it on exhaust gas purification device for motorcycles.</li> </ul>	<ul style="list-style-type: none"> <li>• Toward commercialization of MM (Metal Mesh) catalytic filter, sales activities to manufacturers were carried out.</li> </ul>	<ul style="list-style-type: none"> <li>• Large-size seawater strainers are expected to be as planned.</li> <li>• Continue with sales activities of exhaust gas filters.</li> </ul>
<b>Further improvement of QDC</b>	<ul style="list-style-type: none"> <li>• Production of large-size seawater strainers are expected to be the same level as FY March 2016. Promote measures to improve production.</li> </ul>	<ul style="list-style-type: none"> <li>• Activities to improve production started.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue with the activities.</li> </ul>