

# Interim Business Results for Fiscal Year 2017

July 20, 2017



## Outline

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# Business Overview of FY2017

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## FY2017 1<sup>st</sup> Half Results & Full Year Forecast

### Overview

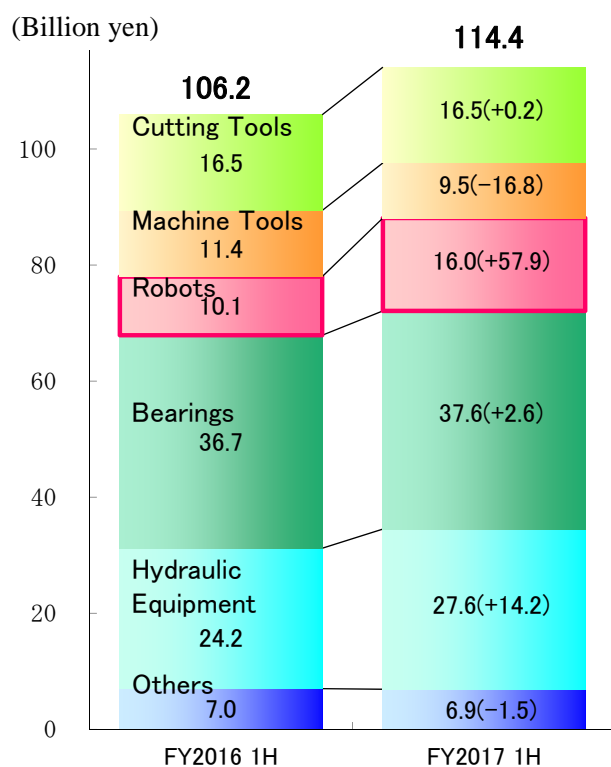
(Billion yen)

	FY2016		FY2017	
	1 <sup>st</sup> half	Full Year	1 <sup>st</sup> half	Full Year forecast
<i>(rate of increase)</i>			<i>(+7.8%)</i>	<i>(+8.8%)</i>
Net sales	106.2	211.4	114.4	230.0
Operating income	(6.1%) 6.4	(5.3%) 11.1	(+19.8%) (6.7%) 7.7	(+43.6%) (7.0%) 16.0
Ordinary income	(4.1%) 4.3	(3.7%) 7.7	(+55.9%) (5.9%) 6.7	(+80.3%) (6.1%) 14.0
Net income	2.7	3.9	(+71.8%) 4.6	(×2.3) 9.0
USD	114 yen	109 yen	113 yen	111 yen
Euro	126 yen	121 yen	121 yen	120 yen
RMB	17.5 yen	16.5 yen	16.4 yen	16.5 yen

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# Sales by Business Segment

## Overview

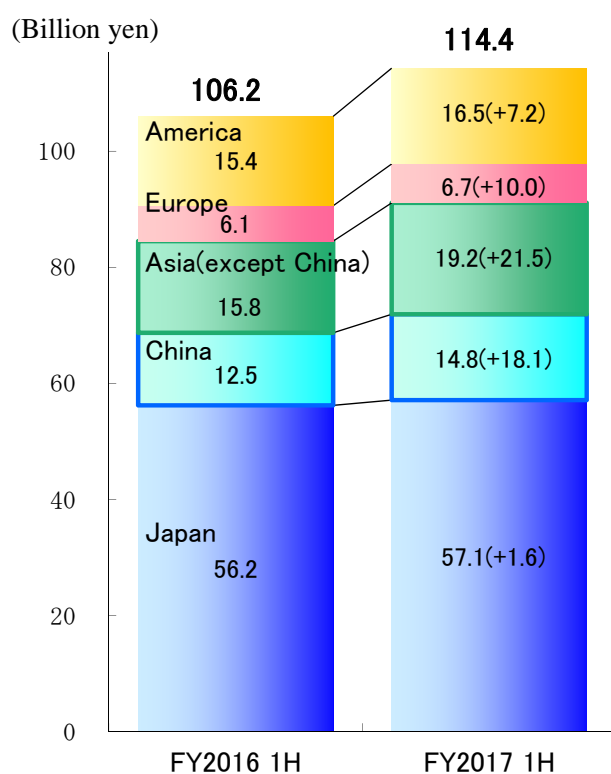


	FY2016 1 <sup>st</sup> half A	FY2017 1 <sup>st</sup> half B	increase/ decrease % B/A
Cutting Tools	16.5	16.5	+0.2
Machine Tools	11.4	9.5	-16.8
Robots	10.1	16.0	-57.9
Bearings	36.7	37.6	+2.6
Hydraulic Equipment	24.2	27.6	+14.2
Others	7.0	6.9	-1.5
<b>Total</b>	<b>106.2</b>	<b>114.4</b>	<b>+7.8</b>

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# Sales by Region

## Overview

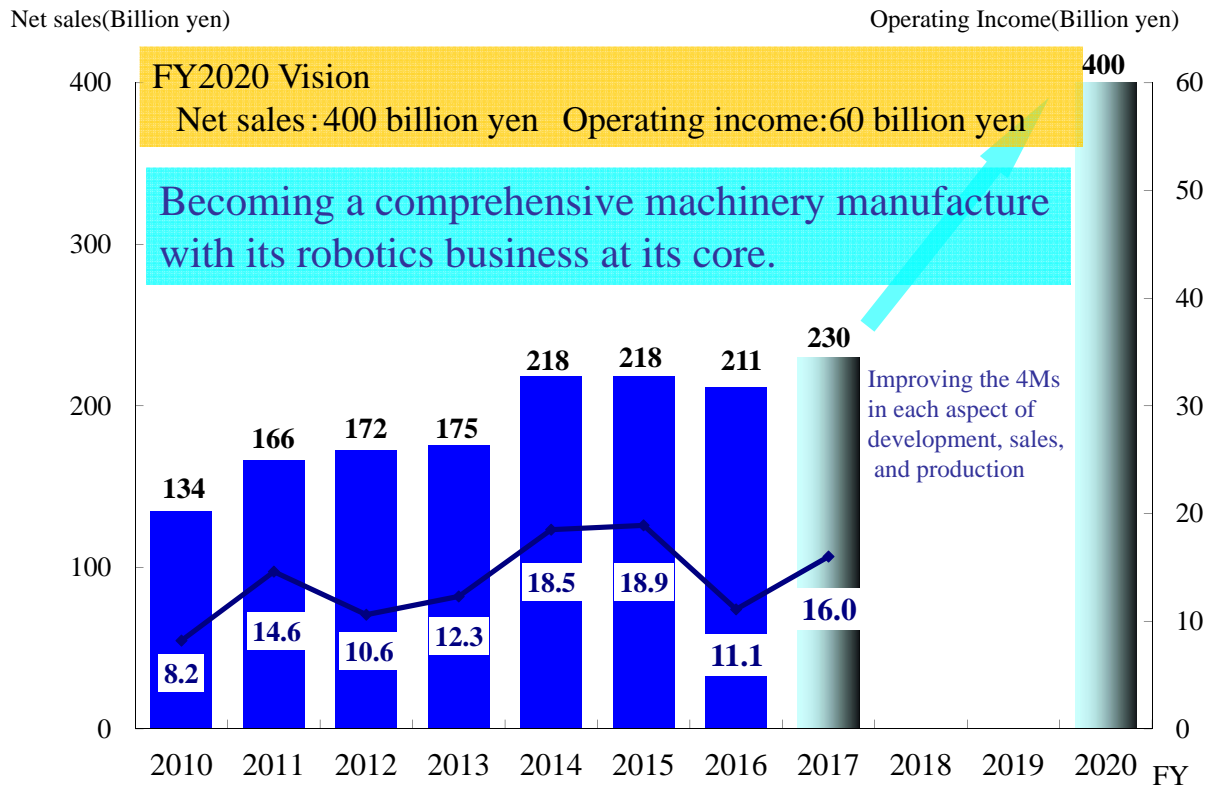


	FY2016 1 <sup>st</sup> half A	FY2017 1 <sup>st</sup> half B	increase/ decrease % B/A
Overseas (%)	49.9 (47.0%)	57.3 (50.1%)	+14.8
America	15.4	16.5	+7.2
Europe	6.1	6.7	+10.0
Asia	28.3	34.0	+20.0
(China)	(12.5)	(14.8)	(+18.1)
Japan	56.2	57.1	+1.6
<b>Total</b>	<b>106.2</b>	<b>114.4</b>	<b>+7.8</b>

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# To Achieve the Long-Term Vision

## Overview



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# Strengthening Robotics Business

## Overview

### ○Expanding product lineup for industrial machinery market

- Expanding the series of small-sized robots
- Developing and launching innovative products onto the market

### ○Strengthening sales organization:

#### providing robotics systems

- Opening seven Technical Centers around the world (ex.Shanghai, Guangzh, Qingdao, Bangkok, Detroit and other locations)
- Increasing the number of sales people in Japan and overseas
- Expanding demand for automation by using sales channels of cutting tools, bearings and hydarulic equipment ,etc



MZO4

Technical Center in Shaghai



### ○Improvement of production system

- Expanding production capacity in Japan and China
- Promoting establish of smooth, unmanned and flexible manpower line

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### ○Expanding industrial machinery and distribution market

- Developing new products to help customers improve productivity and save energy
  - Expanding product lineup of taps and carbide drills
  - Expanding the range of energy-saving hydraulic equipment to higher pressure and capacity
  - Launching skiving gear shaping machine onto the markets
- Activating distribution
  - Expanding association of overseas sales agents



### ○Cultivating automobile market

- Approaching to overseas automobile manufacturers
- Approaching to automobile manufacturers so that they will start adapting NACHI's embedded products and actuator for fuel-efficient cars such as EVs



## Improvement of Production System

### ○Expanding production capacity

- Expanding production capacity and in-house production of hydraulic equipment and CCV in Japan and China
- Strengthening automation and flexible manpower line of cutting tools and bearings
- Starting operation of new plants in Thailand and Mexico

### ○Improvement activities at overseas plants



#### <China>

- Expanding production capacity and in-house production of hydraulic equipment and CCV

#### <Thailand>

- Starting integrated production of bearings from forging to shipment (in March, 2017)



#### <Mexico>

- Starting full-scale operation of the bearing factory (in March, 2017)

# Overview of FY2017 1<sup>st</sup> half year results

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## Consolidated Financial Highlights of FY2017 1<sup>st</sup> half

**FY2017 1<sup>st</sup> Half**

(Billion yen)

	FY2016 1 <sup>st</sup> half (A)		FY2017 1 <sup>st</sup> half (B)		Increase/Decrease (%) (B) – (A)	
Net sales		106.2		114.4	(+7.8%)	+8.2
Operating Income	(6.1%)	6.4	(6.7%)	7.7	(+19.8%)	+1.2
Ordinary Income	(4.1%)	4.3	(5.9%)	6.7	(+55.9%)	+2.4
Net Income		2.7		4.6	(+71.8%)	+1.9

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# Consolidated Financial Data

FY2017 1st Half

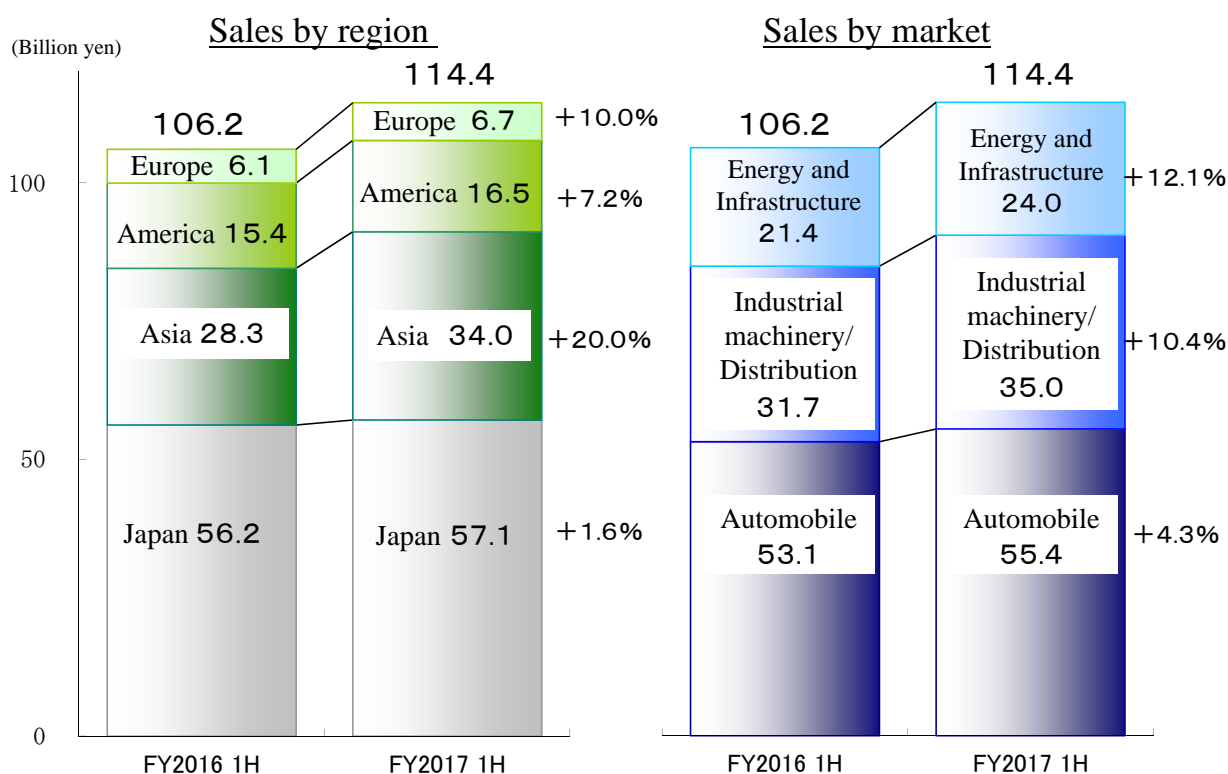
(Billion yen)

	FY2016 1st half (A)		FY2017 1st half (B)		Increase/Decrease (B) – (A)
ROE	5.4%		9.3%		+3.9points
Total Assets	266.9		274.6		+7.6
Stockholder's equity (stockholder's equity ratio)	(36.1%)	96.3	(37.0%)	101.5	+5.2
Interest-bearing debt (Net D/E ratio)	(× 0.6)	81.9	(× 0.6)	81.3	-0.6
Capacity investment	13.1		10.0		-3.1
Depreciation and amortization	6.6		7.2		+0.6
Number of employees	6,794		7,009		+215
Exchange rate (USD)	114 yen		113 yen		1 yen appreciation
(Euro)	126 yen		121 yen		5 yen appreciation
(RMB)	17.5 yen		16.4 yen		1.1 yen appreciation

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# Sales by Region and Market Segment

FY2017 1st Half



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## Sales and Operating Income by Business Segments

FY2017 1st Half

(Billion yen)

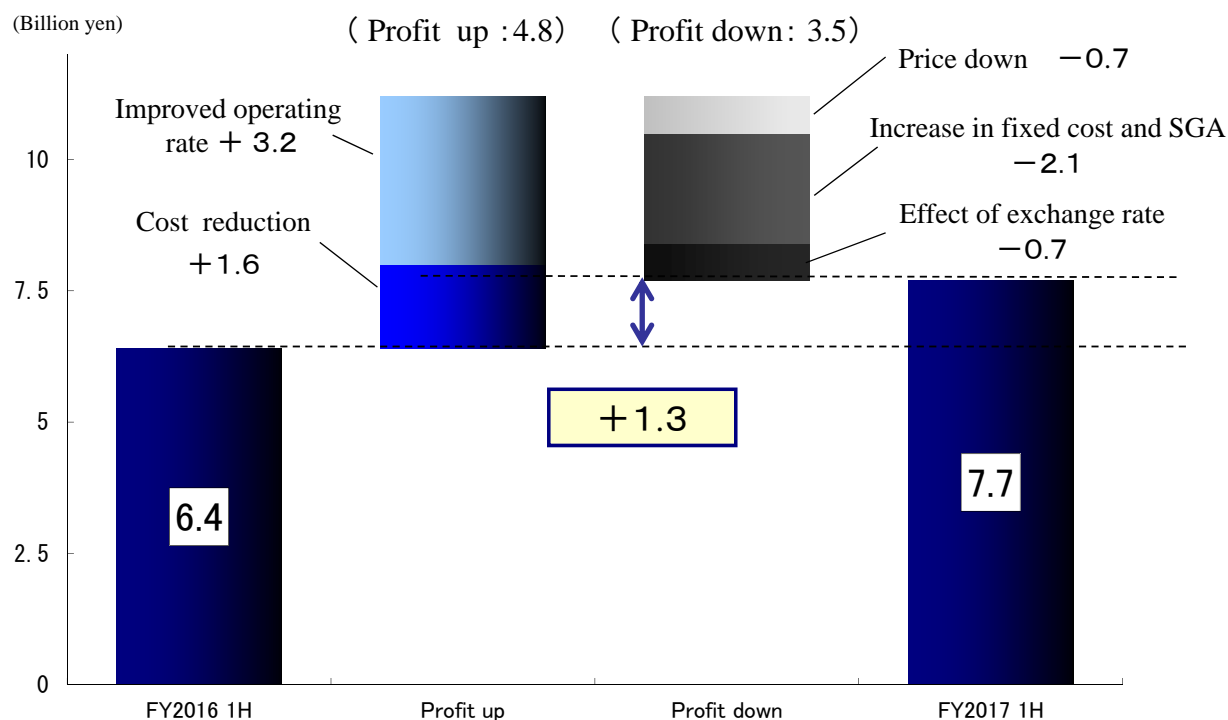
		FY2016 1st half (A)	FY2017 1st half (B)	(B) - (A)	
M A C H I N E R Y & T O O L S	Cutting Tools	16.5	16.5	(+0.2%)	+0
	Machine Tools	11.4	9.5	(-16.8%)	-1.9
	Robots	10.1	16.0	(+57.9%)	+5.8
	Net Sales	<b>38.1</b>	<b>42.1</b>	<b>(+10.4%)</b>	<b>+3.9</b>
	Operating Income	<b>(7.4%) 2.8</b>	<b>(7.5%) 3.1</b>	<b>(+13.3%)</b>	<b>+0.3</b>
C o m p o n e n t s	Bearings	36.7	37.6	(+2.6%)	+0.9
	Hydraulic Equipment	24.2	27.6	(+14.2%)	+3.4
	Net Sales	<b>60.9</b>	<b>65.3</b>	<b>(+7.2%)</b>	<b>+4.4</b>
	Operating Income	<b>(5.1%) 3.1</b>	<b>(6.3%) 4.1</b>	<b>(+32.3%)</b>	<b>+1.0</b>
O t h e r s	Net Sales	7.0	6.9	(-1.5%)	-0.1
	Operating Income	<b>(7.0%) 0.4</b>	<b>(5.6%) 0.3</b>	<b>(-21.8%)</b>	<b>-0.1</b>
Net Sales		106.2	114.4	<b>(+7.8%)</b>	<b>+8.2</b>
Total Operating Income		<b>(6.1%) 6.4</b>	<b>(6.7%) 7.7</b>	<b>(+19.8%)</b>	<b>+1.2</b>

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## Factors for Change in Operating Income

FY2017 1st Half

(Billion yen)



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# Outlook for FY2017 full year

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## Consolidated Financial Highlights of FY2017 Plan

**FY2017 e**

(Billion yen)

	FY2016 (A)	FY2017 Forecast(B)	Increase/Decrease (%) (B) – (A)
Net Sales	211.4	230.0	(+8.8%) +18.5
Operating Income	(5.3%) 11.1	(7.0%) 16.0	(+43.6%) +4.8
Ordinary Income	(3.7%) 7.7	(6.1%) 14.0	(+80.3%) +6.2
Net Income	3.9	9.0	(×2.3) +5.0

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# Consolidated Financial Data

**FY2017 e**

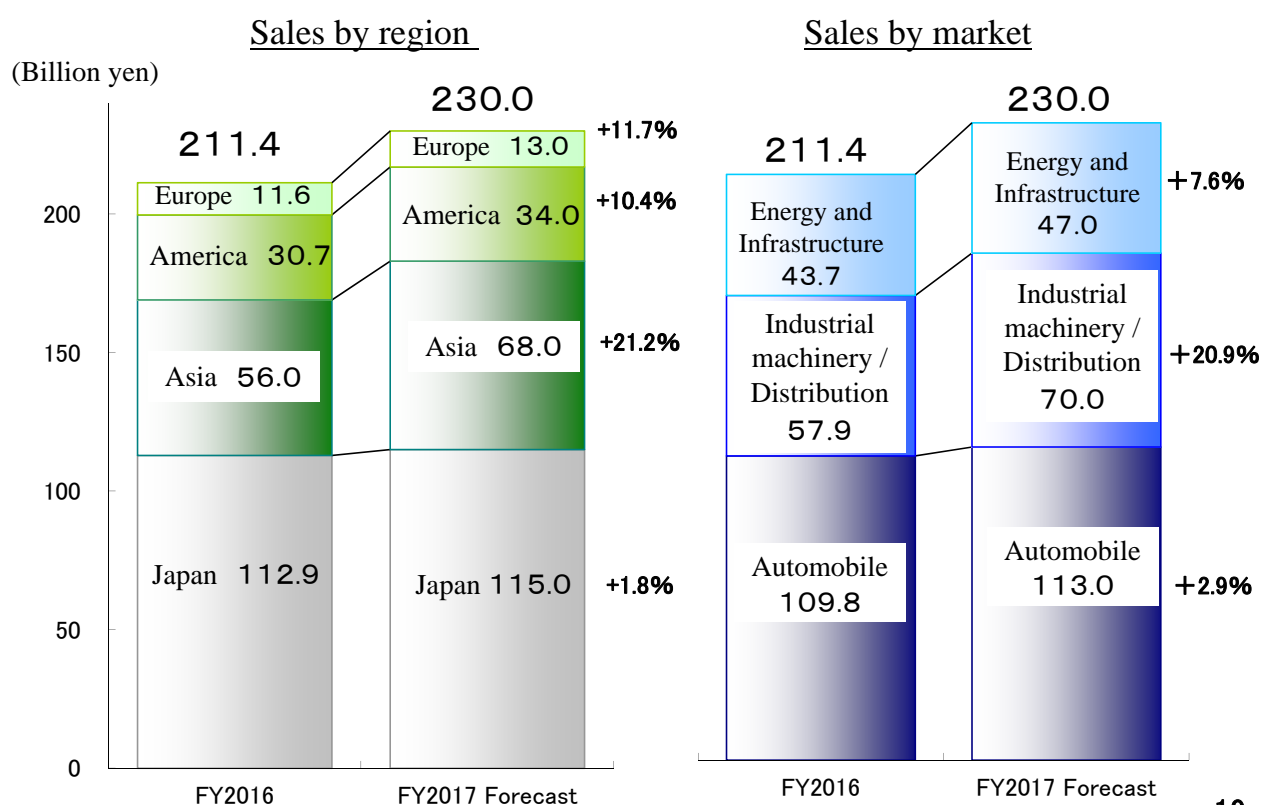
(Billion yen)

	FY2016 (A)	FY2017 Forecast(B)	Increase/ Decrease (B) – (A)
Total Assets	269.4	277.3	+7.8
Stockholder's equity (stockholder's equity ratio)	(36.4%) 98.0	(38.2%) 105.9	+7.8
Interest-bearing debt (Net D/E ratio)	(× 0.6) 82.4	(× 0.6) 82.5	+0
Capacity investment	21.7	21.5	-0.2
Depreciation and amortization	13.7	14.5	+0.7
Number of employees	6,775	7,100	+325
Exchange rate (USD)	109 yen	111 yen	2 yen depreciation
(Euro)	121 yen	120 yen	1 yen appreciation
(RMB)	16.5 yen	16.5 yen	—

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# Sales by Region and Market Segment

**FY2017 e**



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## Sales and Operating Income by Business Segments

**FY2017 e**

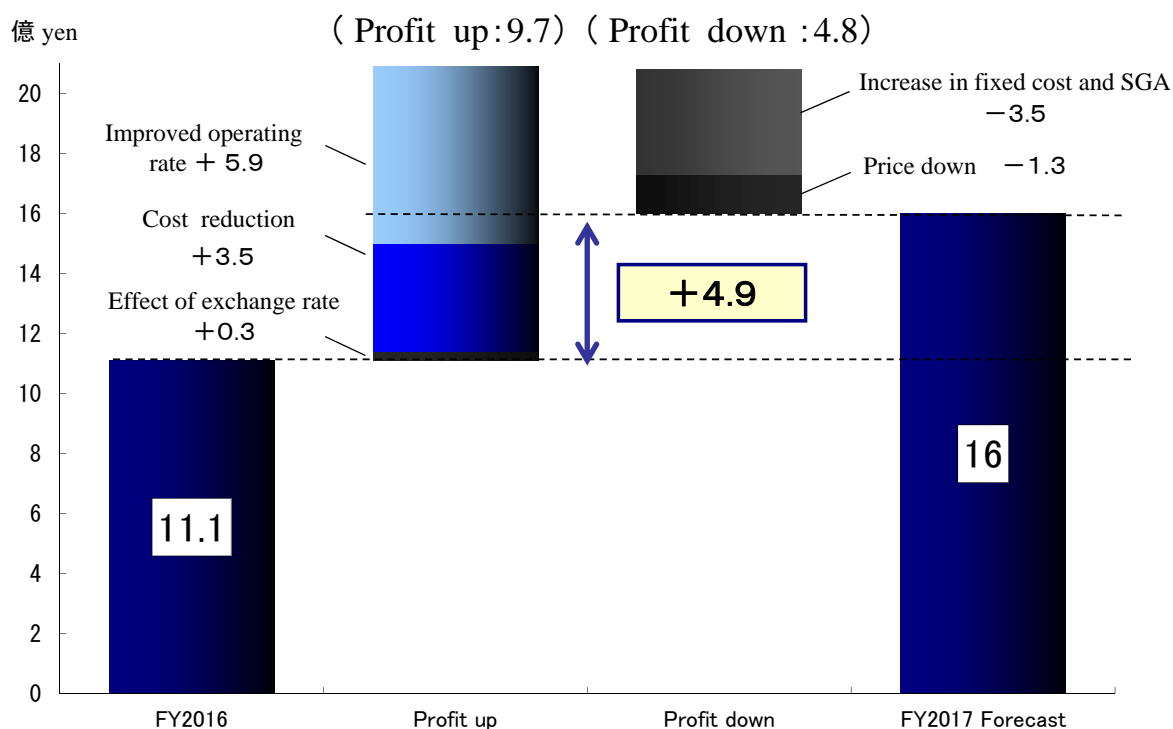
(Billion yen)

		FY2016 (A)	FY2017 Forecast(B)	(B) - (A) (%)	
M A C H I N E R Y & T O O L S	Cutting Tools	32.7	33.0	(+0.7%)	+0.2
	Machine Tools	20.0	18.5	(-7.8%)	-1.5
	Robots	22.4	32.0	(+42.8%)	+9.5
	Net Sales	75.2	83.5	(+11.0%)	+8.2
	Operating Income	(6.2%) 4.6	(7.8%) 6.5	(+40.4%)	+1.8
C o m p o n e n t s	Bearings	72.8	76.0	(+4.3%)	+3.1
	Hydraulic Equipment	49.4	56.5	(+14.4%)	+7.0
	Net Sales	122.2	132.5	(+8.4%)	+10.2
	Operating Income	(4.5%) 5.5	(6.4%) 8.5	(+53.5%)	+2.9
o t h e r s	Net Sales	13.9	14.0	(+0.4%)	+0
	Operating Income	(6.7%) 0.9	(7.1%) 1.0	(+6.6%)	+0
Net Sales		211.4	230.0	(+8.8%)	+18.5
Total Operating Income		(5.3%) 11.1	(7.0%) 16.0	(+43.6%)	+4.8

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## Factors for Change in Operating Income

**FY2017 e**



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These materials describe our future earnings forecasts and business plans, and are based on the assumption of an economic environment and business policies that remain fixed as they are now. Therefore, please note that actual earnings are subject to numerous factors, including market fluctuations and currency fluctuations, which may result in a different earnings forecast.