

Business Result for FY2017 Mid-term Management Plan

Jan. 25, 2018

NACHI 株式会社 不二越

Outline

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Business Overview of FY2017

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Consolidated Financial Highlights of FY2017

FY2017

(Billion yen)

	FY2016 (A)		FY2017 (B)		Year on Year (%) (B) - (A)	
Net Sales		211.4		237.4	(+12.3%)	+26.0
Operating Income	(5.3%)	11.1	(6.8%)	16.1	(+44.8%)	+4.9
Ordinary Income	(3.7%)	7.7	(6.2%)	14.6	(+89.2%)	+6.9
Net Income		3.9		9.7	(× 2.5)	+5.8

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Consolidated Financial Data

FY2017

(Billion yen)

	FY2016 (A)	FY2017 (B)	Year on Year (%) (B) - (A)
ROE	3.9%	9.2%	+5.3 points
Total Assets	269.4	299.1	+29.7
Stockholder's equity (stockholder's equity ratio)	(36.4%) 98.0	(37.7%) 112.8	+14.8
Interest-bearing debt (Net D/E ratio)	(×0.6) 82.4	(×0.5) 83.4	+0.9
Facility Investment	21.7	18.7	-3.0
Depreciation and amortization	13.7	14.8	+1.0
Number of Employees(man)	6,775	7,202	+427
Exchange rate (USD)	109 yen	112 yen	3 yen depreciation
(Euro)	121 yen	125 yen	4 yen depreciation
(RMB)	16.5 yen	16.5 yen	-

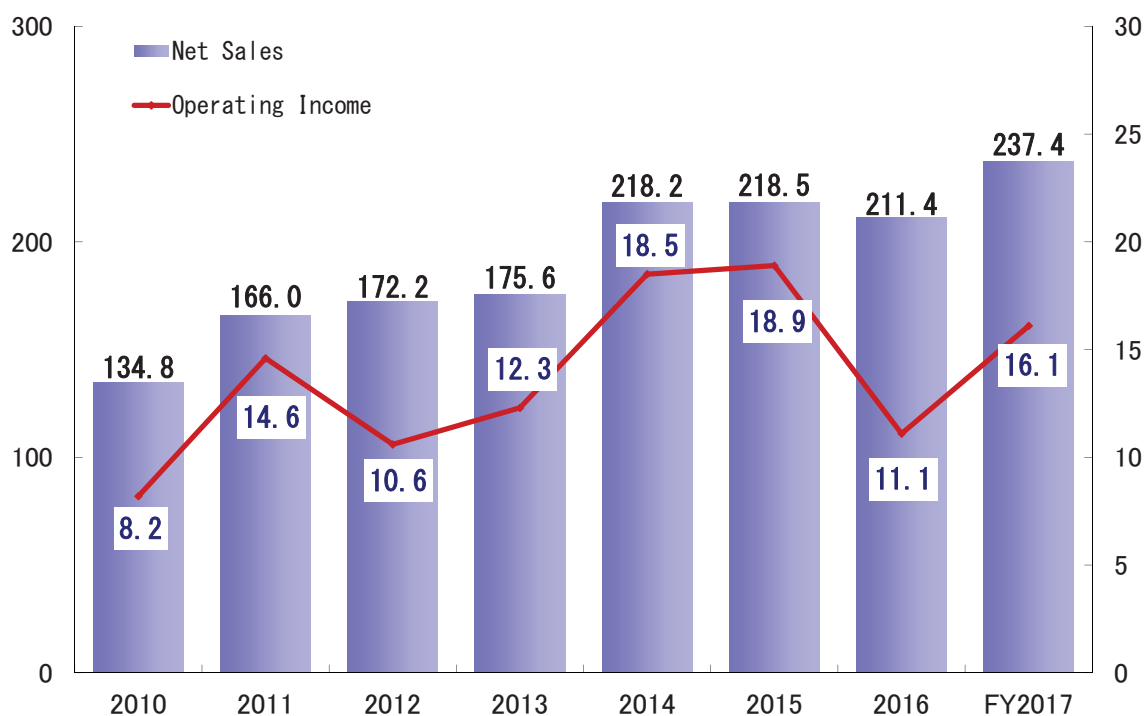
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History of Consolidated Sales and Income

FY2017

Net Sales(Billion yen)

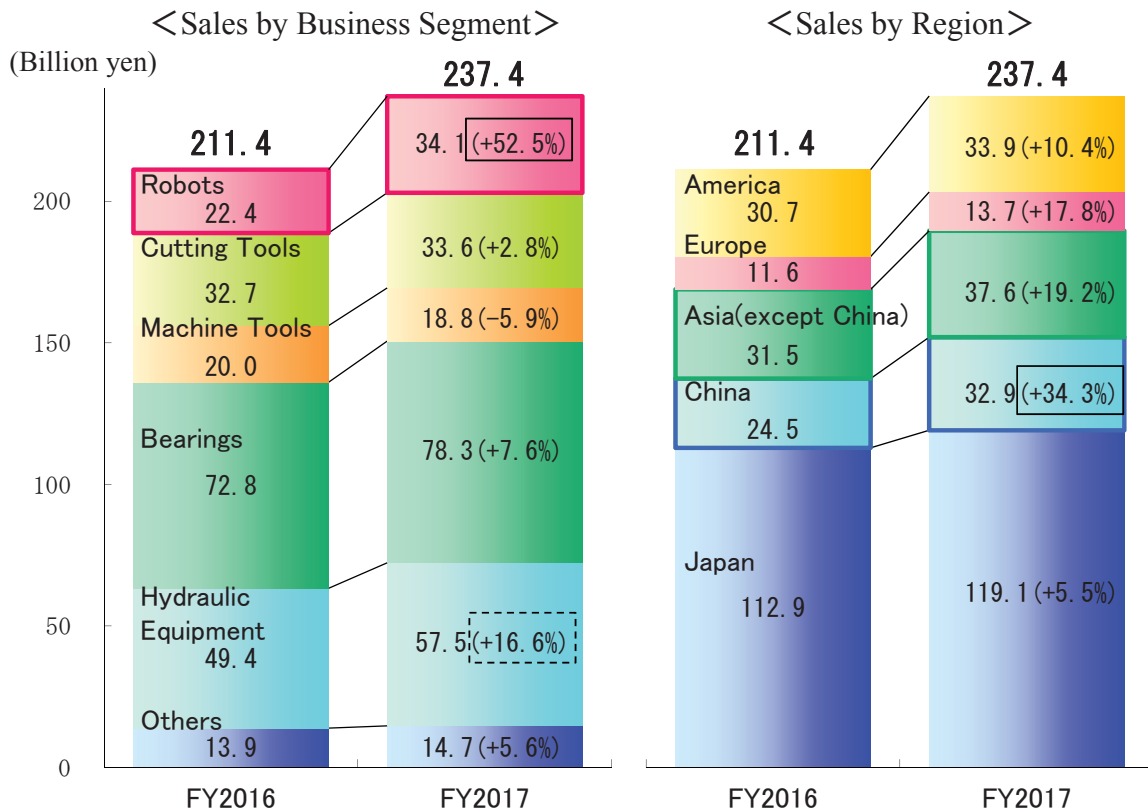
Operating Income(Billion yen)



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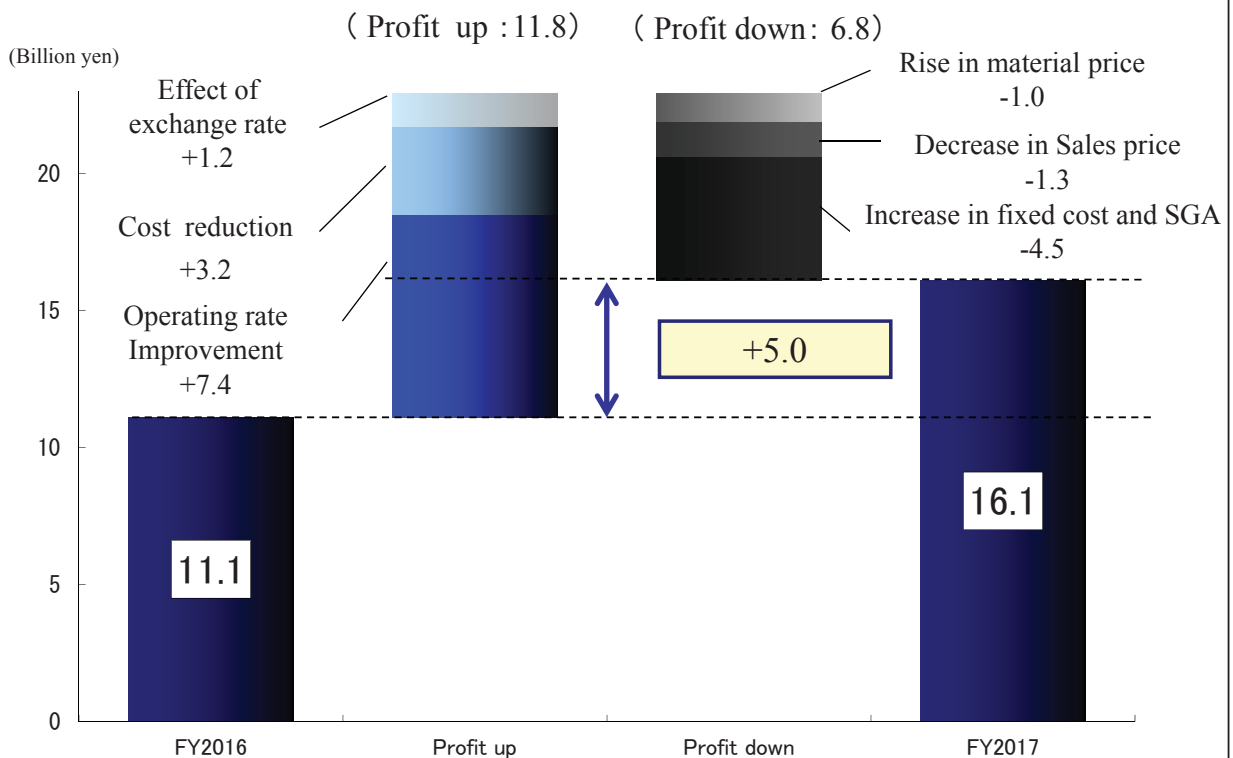
Sales by Business Segment and Region

FY2017



Factors for Change in Operating Income

FY2017



Sales and Operating Income by Business Segments

FY2017

(Billion yen)

		FY2016 (A)	FY2017 (B)	Year on Year (%) (B) – (A)	
Machinery & tools	Cutting Tools	32.7	33.6	(+2.8%)	+0.9
	Machine Tools	20.0	18.8	(- 5.9%)	- 1.1
	Robots	22.4	34.1	(+52.5%)	+11.7
	Net Sales	75.2	86.7	(+15.3%)	+11.5
	Operating Income	(6.2%) 4.6	(7.6%) 6.6	(+43.2%)	+2.0
Components	Bearings	72.8	78.3	(+7.6%)	+5.5
	Hydraulic Equipment	49.4	57.5	(+16.6%)	+8.1
	Net Sales	122.2	135.9	(+11.2%)	+13.7
	Operating Income	(4.5%) 5.5	(6.4%) 8.6	(+56.0%)	+3.1
Others	Net Sales	13.9	14.7	(+5.6%)	+0.7
	Operating Income	(6.7%) 0.9	(5.3%) 0.7	(- 16.6%)	- 0.1
Total Net Sales		211.4	237.4	(+12.3%)	+26.0
Total Operating Income		(5.3%) 11.1	(6.8%) 16.1	(+44.8%)	+4.9

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Business Forecast for FY2018

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Consolidated Financial Highlights of FY2018 Plan

FY2018 e

(Billion yen)

	FY2017 (A)	FY2018 Forecast(B)	Year on Year (%) (B) – (A)
Net Sales	237.4	250.0	(+5.3%) +12.5
Operating Income	(6.8%) 16.1	(7.2%) 18.0	(+11.6%) +1.8
Ordinary Income	(6.2%) 14.6	(6.6%) 16.5	(+12.3%) +1.8
Net Income	9.7	11.0	(+12.8%) +1.2

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Consolidated Financial Data

FY2018 e

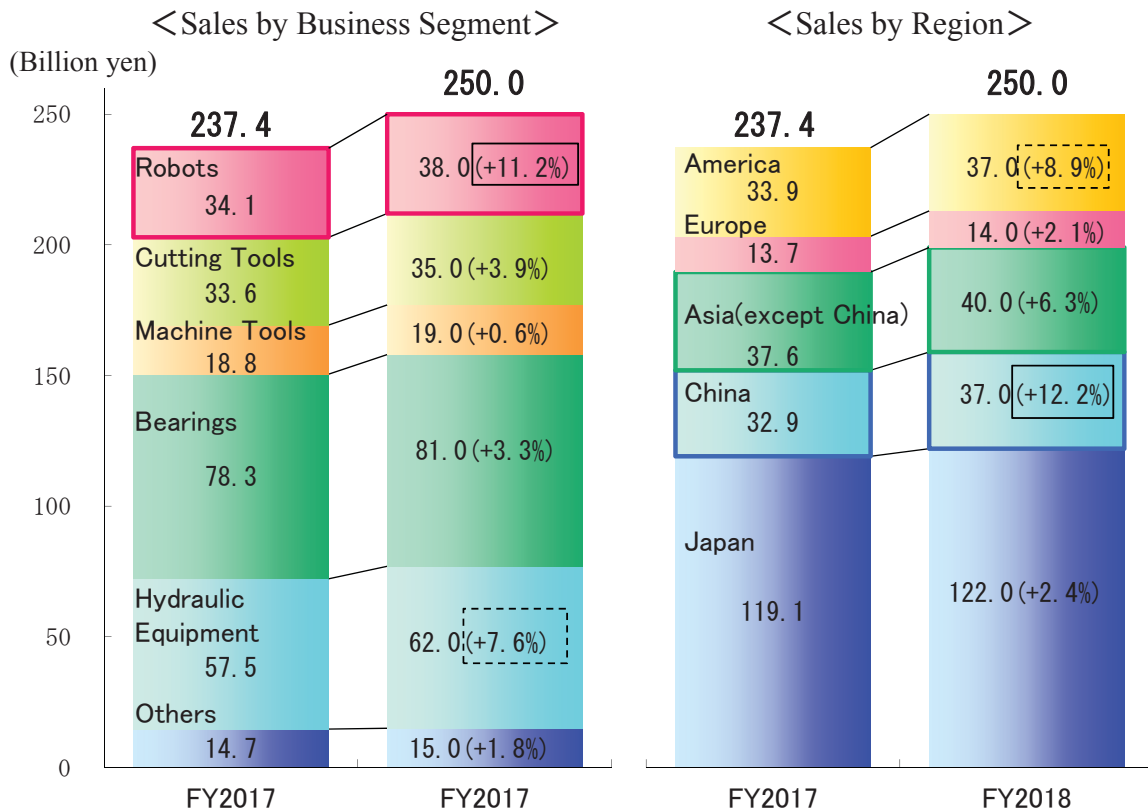
(Billion yen)

	FY2017 (A)	FY2018 Forecast(B)	Year on Year (%) (B) – (A)
ROE	9.2%	9.4%	+0.2 points
Total Assets	299.1	311.0	+11.8
Stockholder's equity (stockholder's equity ratio)	(37.7%) 112.8	(39.1%) 121.5	+8.6
Interest-bearing debt (Net D/E ratio)	(×0.5) 83.4	(×0.5) 87.0	+3.5
Facility Investment	18.7	23.0	+4.2
Depreciation and amortization	14.8	16.0	+1.1
Number of Employees(man)	7,202	7,500	+298
Exchange rate (USD)	112 yen	110 yen	2 yen appreciation
(Euro)	125 yen	125 yen	–
(RMB)	16.5 yen	16.5 yen	–

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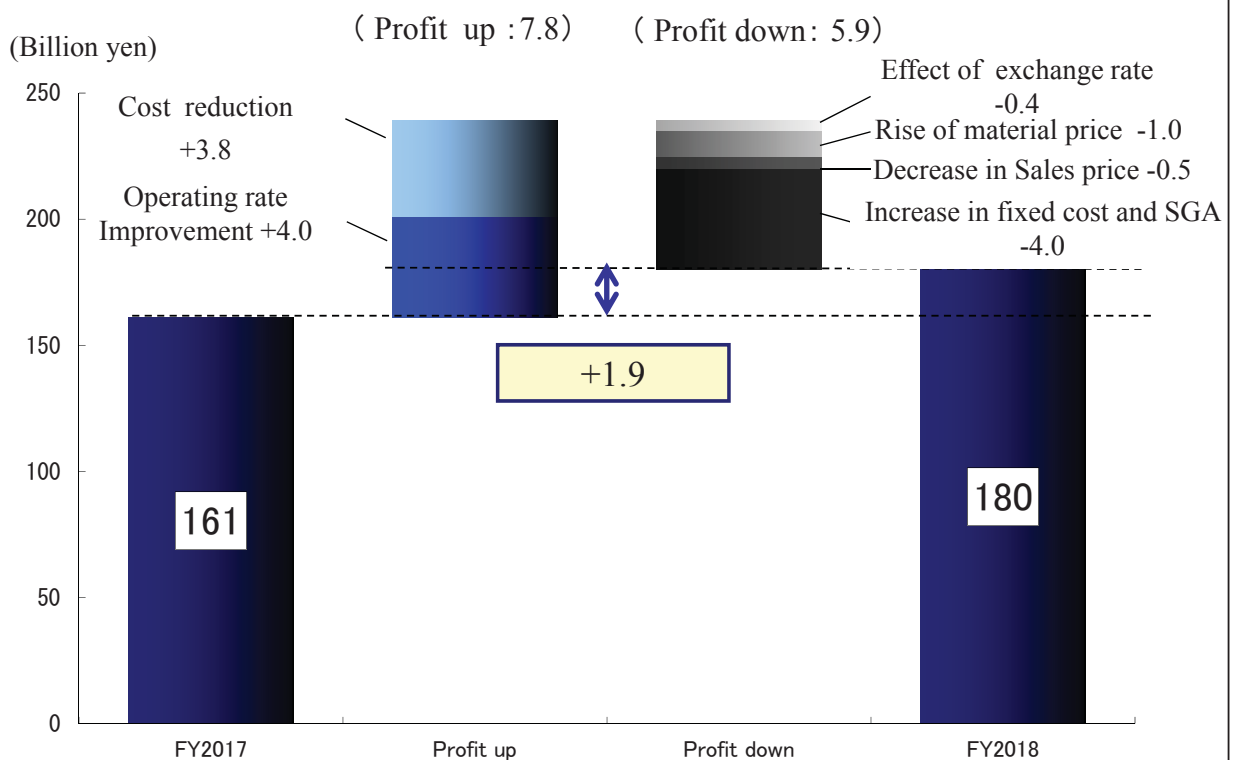
Sales by Business Segment and Region

FY2018 e



Factors for Change in Operating Income

FY2018 e



Sales and Operating Income by Business Segments

FY2018 e

(Billion yen)

		FY2017 (A)	FY2018 Forecast (B)	Year on Year (%) (B) – (A)	
Machinery & tools	Cutting Tools	33.6	35.0	(+3.9%)	+1.3
	Machine Tools	18.8	19.0	(+0.6%)	+0.1
	Robots	34.1	38.0	(+11.2%)	+3.8
	Net Sales	86.7	92.0	(+6.1%)	+5.2
	Operating Income	(7.6%) 6.6	(7.6%) 7.0	(+5.6%)	+0.3
Components	Bearings	78.3	81.0	(+3.3%)	+2.6
	Hydraulic Equipment	57.5	62.0	(+7.6%)	+4.4
	Net Sales	135.9	143.0	(+5.2%)	+7.0
	Operating Income	(6.4%) 8.6	(7.0%) 10.0	(+15.8%)	+1.3
Others	Net Sales	14.7	15.0	(+1.8%)	+0.2
	Operating Income	(5.3%) 0.7	(6.7%) 1.0	(+27.9%)	+0.2
Total Net Sales		237.4	250.0	(+5.3%)	+12.5
Total Operating Income		(6.8%) 16.1	(7.2%) 18.0	(+11.6%)	+1.8

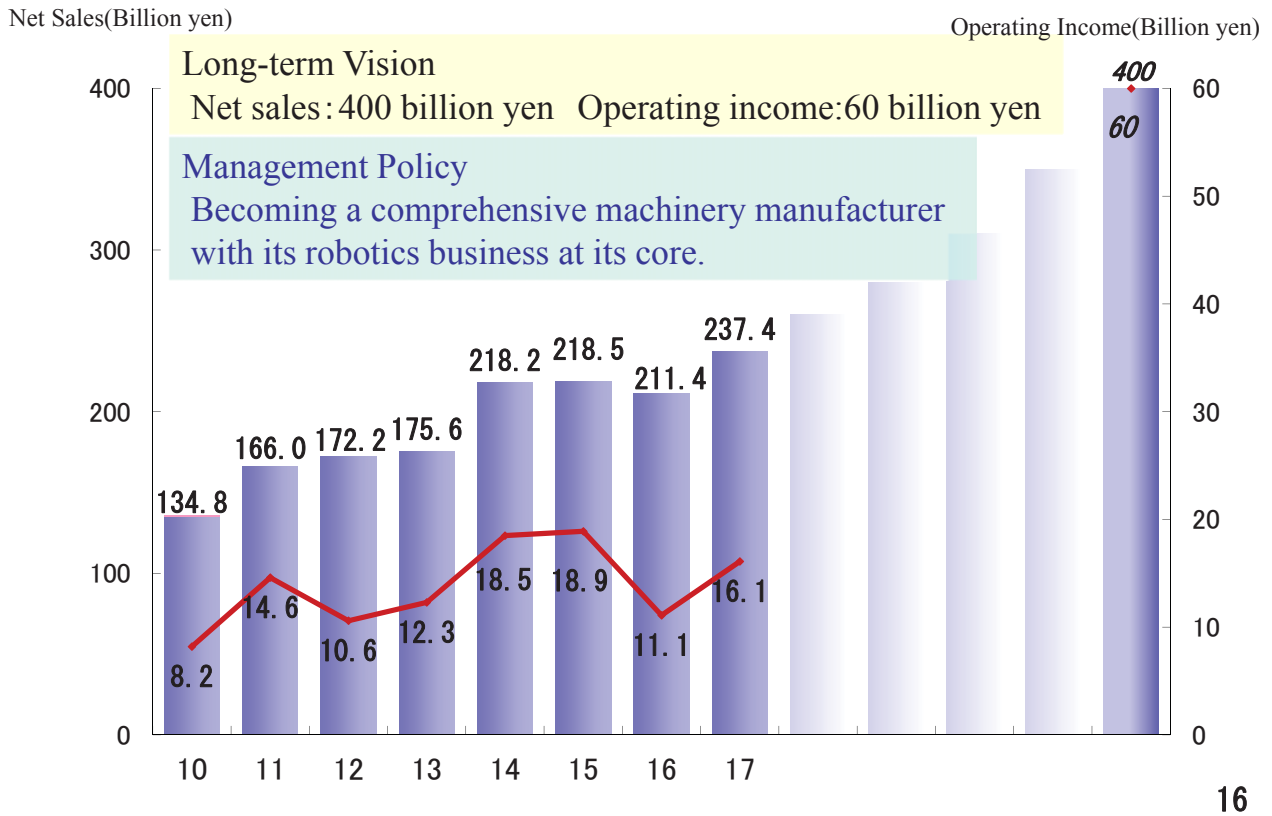
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Mid-term Management Plan

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History of Consolidated Sales and Income

Mid-term Plan



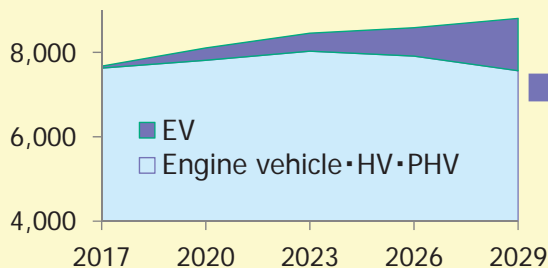
Change of Managerial Environment

Mid-term Plan

Automobiles

Shift to EVs & autonomous driving

< Automobiles demand forecast(Nachi 's estimate)>



Automobiles with internal combustion engine and transmission will decline

- Electronic motor & deceleration mechanism
- Lightweight & compact
- Quietness

Industrial machinery & manufacturing

- Shortage of manpower, low birthrate and longevity
- Rising labor wages, work-style reforms

Expanding demand for automatic and unmanned production line

- Shift to robotics
- Utilizing IT
- Shift from one product to system

For progress of automobile and manufacturing,
Innovate in manufacturing worldwide

with advanced FA systems and mechatronics.

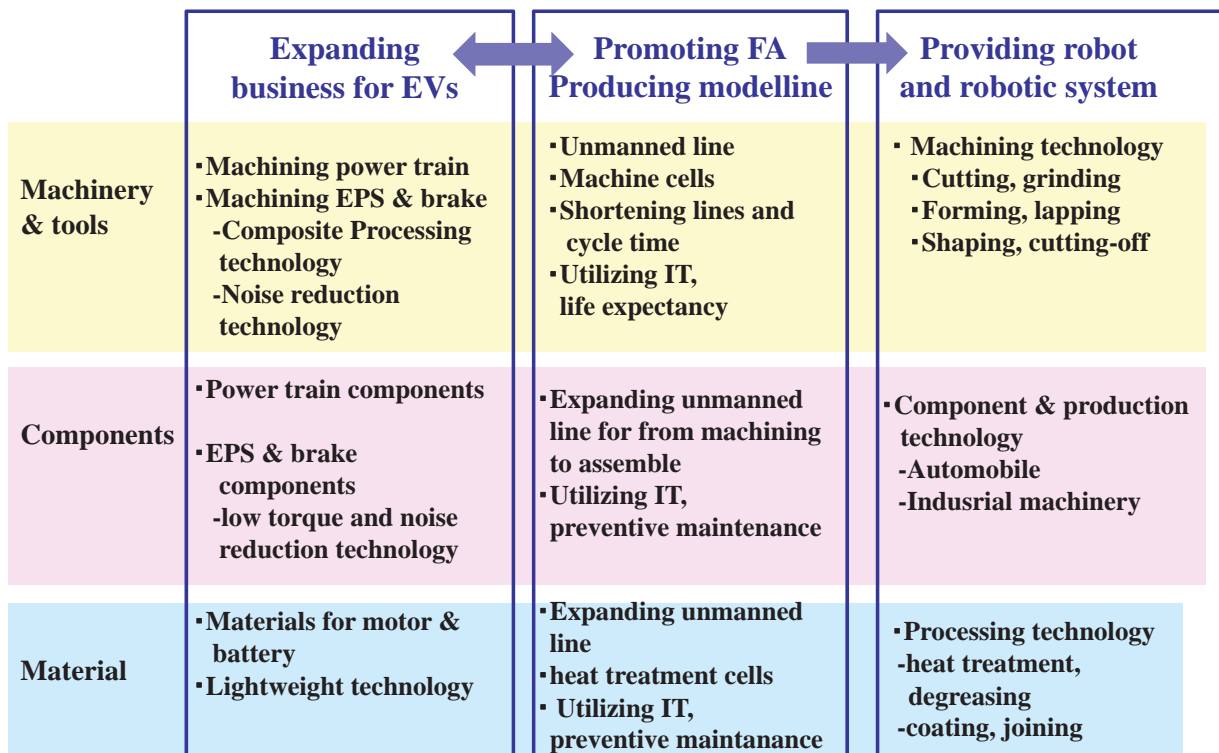
Robotics technology + Machining technology + component&production technology

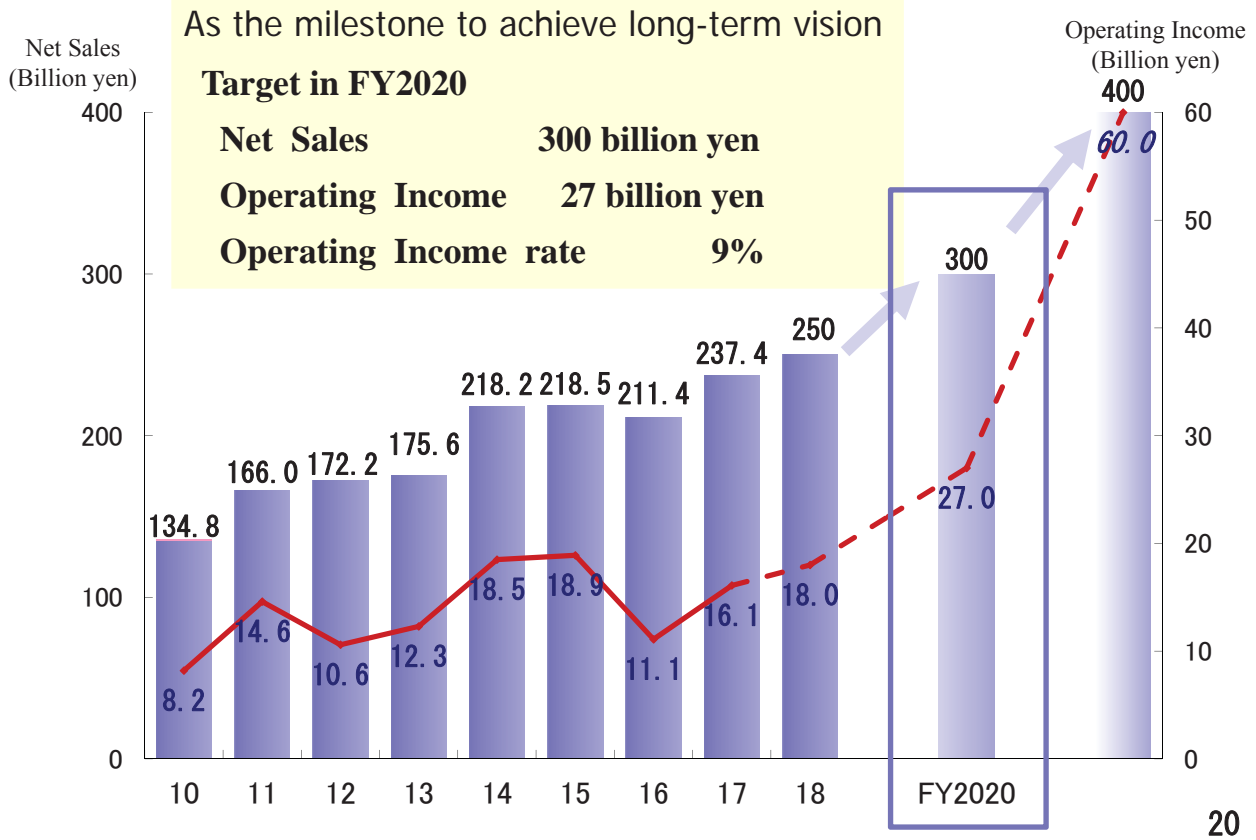


- Cutting, grinding, forming, lapping
- Shaping, cutting-off, heat treatment
- Degreasing, coating, etc.

- Automobile component
- Industrial machinery component -construction, aircraft, railroads, electric
- Building production lines

Providing diverse FA system and solution





Providing high-performance robot and FA system

Sales & Development

- Utilizing IT and AI.
- Launching collaborative robots and expanding small-sized robots.
 - Opening R&D center(Tokyo)
- Providing robot cells and FA system.
 - Alliance with system integrators. (North America, China, etc.)
 - Expanding Technical Centers and Service Centers around the world.

Collaborative robot C Z



MZ 12



Technical Center in Shanghai

Production

- Building integrated production line with automatic assembly cells.
- Establishing production system at the each area with high demand.
 - Expanding robotic plants(Japan, China ,etc.).
 - Building new plants for robotics system. (North America, ASEAN).



Plant in China (N J I) 21

Providing high-performance Round Tools and multi-functional machining technology

Sales& Development

- Expanding product lineup of taps,carbide drills and end mills.
 - Launching new products made of new material and new coating ingredient onto the market around the world.
- Launching new series of composite processing machine.
 - Composite processing machine for components of EVs and small-sized speed reducers (integrated cutting tools with machine).
 - Machine cells with robots.

Carbide drills
AQUA EX



Hyper Z
Taps



Production

- Establishing unmanned production line for Round Tools.
- Establishing production system at the each area with high demand.
 - Expanding the plants for Round Tools. (Japan, China, North America, and ASEAN)



Integrated skiving
gear shaping machine



Skiving cutter

Expanding product lineup of high-performance components for EVs and industrial machinery

Sales& Development

- Developing new products for fuel-efficient cars such as EVs.
 - Weight-saving,lower-torque, and low noise bearings
 - Electric actuators
- Expanding product lineup for construction and industrial machinery.
 - Constuction machinery: Launching new model
 - Industrial machinery: Expanding high-pressured equipment, preventive maintenance
 - Thin-walled and precision bearings



Bearings for speed
reducer



High-pressure
piston pump

Production

- Establishing automatic production line of bearings.
- Enhancing the production system at each area around the world with high demand.
 - Bearings: Thailand(material and product) and China
 - Hydraulic equipment and car control valves: Japan and China



Plant in Thailand

Consolidated Financial Data

Mid-term Plan

(Billion yen)

	FY2017 (A)	FY2020 Plan (B)	Year on Year (%) (B) – (A)
Net Sales	237.4	300.0	(+26.3%) +62.5
Operating Income	(6.8%) 16.1	(9.0%) 27.0	(+67.4%) +10.8
ROE	9.2%	12% and up	+2.8 points
Stockholder's equity ratio	37.7%	40% and up	+2.3 points
Facility Investment	18.7	(3 years total) 80.0	–
Number of Employees(man)	7,202	8,000	+798
Exchange rate (USD)	112 yen	110 yen	2 yen appreciation
(Euro)	125 yen	125 yen	–
(RMB)	16.5 yen	16.5 yen	–

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Sales and Operating Income by Business Segments

Mid-term Plan

(Billion yen)

		FY2017 (A)	FY2020 Plan(B)	Year on Year (%) (B) – (A)
Machinery & tools	Cutting Tools	33.6	38.0	(+12.8%) +4.3
	Machine Tools	18.8	20.0	(+5.9%) +1.1
	Robots	34.1	65.0	(+90.2%) +30.8
	Net Sales	86.7	123.0	(+41.8%) +36.2
	Operating Income	(7.6%) 6.6	(8.9%) 11.0	(+65.9%) +4.3
Components	Bearings	78.3	90.0	(+14.9%) +11.6
	Hydraulic Equipment	57.5	70.0	(+21.7%) +12.4
	Net Sales	135.9	160.0	(+17.7%) +24.0
	Operating Income	(6.4%) 8.6	(9.1%) 14.5	(+67.9%) +5.8
Others	Net Sales	14.7	17.0	(+15.6%) +2.2
	Operating Income	(5.3%) 0.7	(8.8%) 1.5	(+91.8%) +0.7
Total Net Sales		237.4	300.0	(+26.3%) +62.5
Total Operating Income		(6.8%) 16.1	(9.0%) 27.0	(+67.4%) +10.8

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<http://www.nachi-fujikoshi.co.jp/>

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.