

NACHI

BUSINESS REPORT 2015

December 1, 2014 to November 30, 2015



NACHI-FUJIKOSHI CORP.

Securities Code: 6474

TO OUR SHAREHOLDERS

We would like to express our sincere gratitude to our shareholders for your continued support and patronage.

I am pleased to report that the NACHI-FUJIKOSHI Group's business overview for the fiscal year ended November 2015 (from December 1, 2014 to November 30, 2015).

Business Environment

In terms of the business environment surrounding the NACHI-FUJIKOSHI Group during this period under review, signs of a weak economy were observed in some regions, including uncertainty over the Japanese economy and the slowdown in economic growth in emerging economies such as China and the ASEAN countries. Nonetheless, economic recovery has continued at a moderate pace, supported by the upswing in the economies of developed countries led by the United States, coupled with a steady increase in automotive production overseas.

Business Progress and Results

Given this environment, the NACHI-FUJIKOSHI Group has been making full use of its strength as a comprehensive machinery manufacturer encompassing cutting tools, machine tools, robots, bearings, hydraulic equipment, and special steel businesses to promote initiatives to find new customers, mainly new users in overseas countries, to deploy new products, and to expand its existing product range. As a result, sales in the current consolidated fiscal year reached 218.5 billion yen, up 0.1% over the previous period. Of this, sales in the Japanese market

were 115.9 billion yen, down 2.2% over the previous period, while overseas sales totaled 102.6 billion yen, up 2.9%.

In terms of profitability, with the success of the total cost reduction effort, such as improvement of operation capacity and productivity, operating income totaled 18.9 billion yen, up 2.0% over the same period of the previous fiscal year, ordinary income 17.3 billion, down 6.0%, and net income 11.5 billion yen, up 16.7%.

Dividends

The NACHI-FUJIKOSHI Group considers redistribution of profits to our shareholders as one of the most important tasks, and our basic policy is to provide stable dividends based on the comprehensive consideration on consolidated operating results and dividend payout ratio. The internal reserves will be allocated to the future business development and strengthening of financial structure.

With regard to the fiscal year-end dividend, based on the above policy and taking into account the operating results of this fiscal year, it has been decided that 10 yen in dividends would be paid per share, an increase of 2 yen per share over the previous period, to show our appreciation to the support from our shareholders.

Future Initiatives

In terms of future outlook, although there are mixed prospects for economic development in emerging countries and a concern that the economy in Japan is slowing down, it is expected that the demand in the automotive,

industrial machinery and aircraft sectors will increase in the mid to long-term period in advanced countries, mainly the North American and emerging markets including China, and that this will contribute to steady growth in general.

The Group will place our focus on the volume zones inside and outside Japan to enhance sales/service framework and expand our merchandise and product range, while strengthening our procurement framework, and reducing costs by innovation on the production line.

The company will work to improve operating results and secure a stable profit structure.

I would like to express my sincerest appreciation to all of our shareholders for their continued support and understanding.



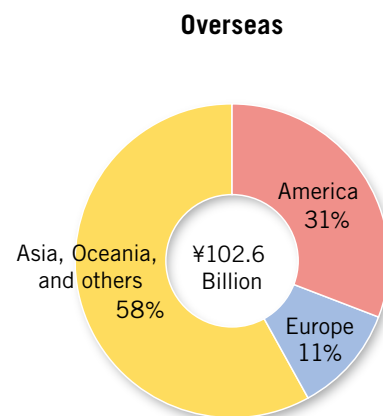
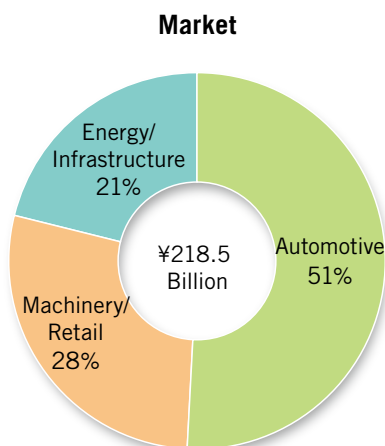
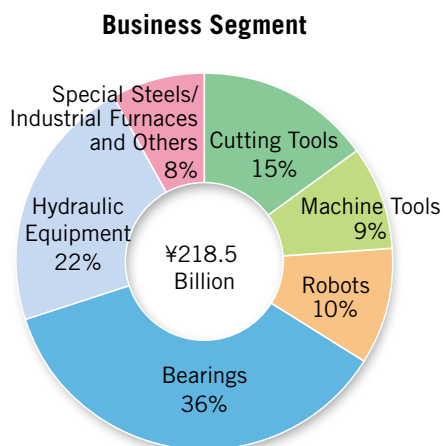
President and
Representative Director

A handwritten signature in black ink, which appears to read "Hiroo Isonaka". The signature is written in a cursive, flowing style.

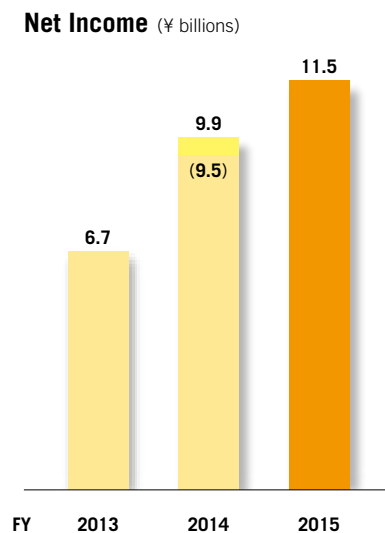
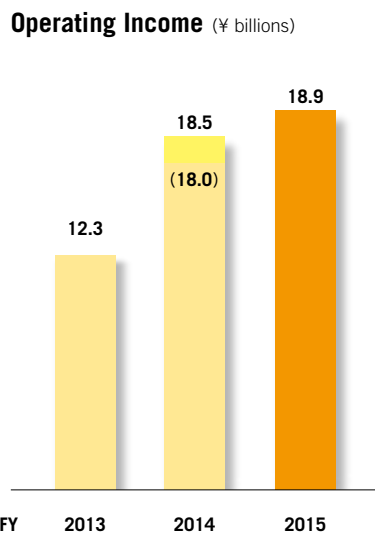
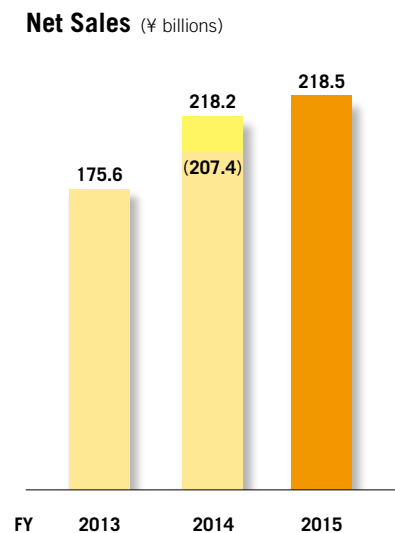
February 2016

RESULTS OF OPERATIONS (Consolidated)

Composition of Sales



Trend in Business Results



*The figure in parenthesis in 2014 shows the actual record reflecting the influence of the change of the fiscal term in our overseas subsidiaries (for two months from October to November 2013).

TOPICS

Promoting Overseas Sales Expansion

We will further enhance our local sales function and promote local production for local consumption, through the improvement and expansion of sales channels (bases) in the overseas market, the establishment of the new technical center as well as the recruitment of local people for sales.

○ Operations in the North American market

Increasing local production of bearings in Mexico

A new plant will start operation in October 2016 in Mexico, where the automobile industries have been integrated, to promote local production for local consumption.



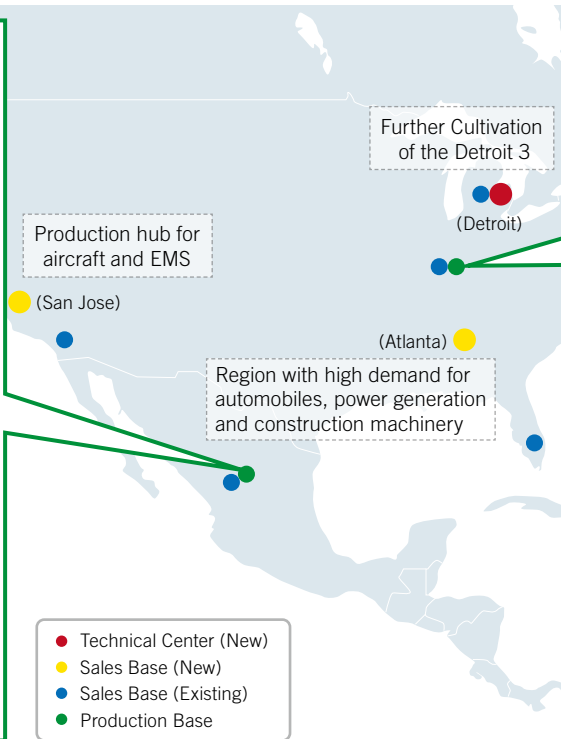
NACHI TECHNOLOGY MEXICO S.A. DE C.V.



Roller bearings for constant velocity joints



Bearings for transmissions



Boosting production capacity for cutting tools and bearings

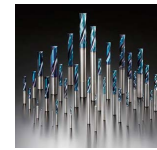
In order to aim for expansion in the automotive and aircraft sectors, we will strengthen production capacity for cutting tools and bearings to take advantage of increasing demand.



NACHI TOOL AMERICA INC.
NACHI TECHNOLOGY INC.



Large-diameter helical broaches



Carbide drills



Bearings for automobile air conditioners

Expansion of Merchandise



EXS1 Series

Expansion of Spherical Roller Bearing Product Line-up

To fulfill the high performance needs within the industrial machinery sector, including speed reducers and injection molding machines, we have introduced the world's highest load bearing to our product line-up.



EZ03

Expansion of Small Robot Market

With the aim of entering new business fields such as food, pharmaceutical, and cosmetics, we added the SCARA robot to our small robot series to meet the growing need for automation.

○ Operations in China

Central production base in China



NACHI (JIANGSU) INDUSTRIES CO., LTD.



Hydraulic equipment for construction machinery



Automotive hydraulics



Small robot MZ04

Regions with high demand for automobiles, and electric and electronic devices

- Technical Center (New)
- Sales Base (New)
- Sales Base (Existing)
- Production Base

Establishment of New Technical Centers

To take advantage of the increasing demand for robots, we have opened new technical centers along the coast of China, in Shanghai, Guangzhou and Qingdao. Various automated lines, from processing to assembly, are being shown in order to appeal to customers in a pragmatic way, while striving to provide greater customer satisfaction and increase sales orders.



Diagram of the new technical center

Fully integrated bearing production, from forging and turning, scheduled to start in Thailand



NACHI FORGING TECHNOLOGY (THAILAND) CO.,LTD. (To be completed in September 2016)



We will open a new forging and turning plant to provide pre-processes for manufacturing in Thailand to develop an integrated local production system, as well as further strengthen cost competitiveness. In addition, we will reduce costs globally by supplying forged and turned parts to our overseas plants for bearing manufacturing. With an eye to a future increase in the number of product items, this also leaves sufficient room for expansion.

FINANCIAL STATEMENTS

Consolidated Balance Sheets

(¥ millions)

Item	2015 (as of November 30, 2015)	2014 (as of November 30, 2014)
ASSETS:		
Current assets	126,695	127,328
Cash and cash equivalents	22,116	23,932
Notes and accounts receivable	48,584	49,906
Inventories	45,879	44,345
Other	10,114	9,144
Fixed assets	141,416	128,351
Property, plant and equipment	103,606	94,566
Buildings and structures	29,017	29,422
Machinery and equipment	54,255	46,190
Land	8,152	7,845
Other	12,180	11,109
Intangible fixed assets	1,051	932
Investments and advances	36,758	32,852
Total assets	268,112	255,680

Consolidated Statements of Income

(¥ millions)

Item	2015 (Year ended November 30, 2015)	2014 (Year ended November 30, 2014)
Net sales	218,535	218,225
Operating income	18,945	18,574
Ordinary income	17,316	18,419
Extraordinary income	16	28
Extraordinary losses	464	1,748
Income before income taxes and minority interests	16,868	16,699
Net income	11,593	9,934

(¥ millions)

Item	2015 (as of November 30, 2015)	2014 (as of November 30, 2014)
LIABILITIES:		
Current liabilities	98,407	103,331
Notes and accounts payable	41,988	47,483
Bonds and short-term bank loans	37,827	32,765
Other	18,591	23,082
Long-term liabilities	60,398	54,779
Long-term debt	35,026	31,392
Allowance for retirement benefits	11,006	11,062
Other	14,365	12,324
Total liabilities	158,805	158,111
NET ASSETS:		
Shareholders' equity	93,911	83,188
Common stock	16,074	16,074
Additional paid-in capital	11,650	11,561
Retained earnings	67,118	56,970
Treasury stock	△ 932	△ 1,418
Revaluations and translation adjustments	8,641	8,357
Minority interests	6,752	6,023
Total net assets	109,306	97,569
Total liabilities and net assets	268,112	255,680

Consolidated Statements of Cash Flows

(¥ millions)

Item	2015 (Year ended November 30, 2015)	2014 (Year ended November 30, 2014)
Cash flows from operating activities	13,855	18,699
Cash flows from investing activities	△ 22,017	△ 19,159
Cash flows from financing activities	6,777	4,416
Net decrease in cash and cash equivalents	△ 1,982	5,240
Cash and cash equivalents at beginning of the year	23,469	18,229
Cash and cash equivalents at end of the year	21,487	23,469

SHAREHOLDER INFORMATION (As of November 30, 2015)

Number of Shares Issued: 249,193,436

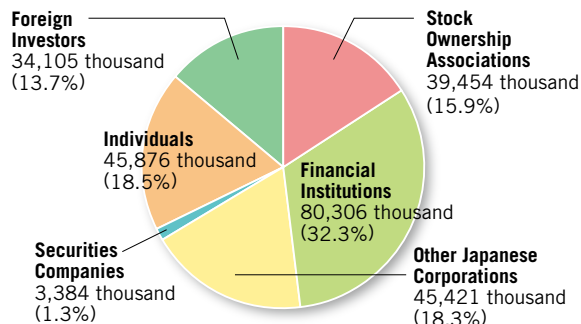
Number of Shareholders: 24,285

Major Shareholders (top five):

Note: Shareholding ratios are calculated after subtracting treasury stock (645 thousand shares).

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding	19,392	7.80
Employees' Stock Ownership Plan	13,186	5.31
Toyota Motor Corporation	13,182	5.30
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	11,888	4.78
The Hokuriku Bank, Ltd.	8,659	3.48

Breakdown of Shareholders



DIRECTORS AND AUDITORS (As of February 24, 2016)

<i>President and Representative Director</i>	<i>Managing Director</i>	<i>Director</i>	<i>Director</i>	<i>Director</i>	<i>Standing Corporate Auditor</i>
Hiroo Honma	Hidenori Hayashi	Toru Inoue	Shinichi Urata	Akira Kunisaki	Masakazu Yamazaki*
<i>Managing Director</i>	<i>Managing Director</i>	<i>Director</i>	<i>Director</i>	<i>Standing Corporate Auditor</i>	<i>Corporate Auditor</i>
Kenji Susukida	Masayuki Kobayashi	Tetsu Furusawa	Yutaka Tsukamoto	Hiroshi Yamada	Eiichi Fukushima*
<i>Managing Director</i>	<i>Director</i>	<i>Director</i>	<i>Director</i>	<i>Standing Corporate Auditor</i>	
Isao Hori	Kazuo Tsukahara*	Tadataka Hori	Masatoshi Akagawa	Masashi Hori	

*Outside director or outside corporate auditor.

CORPORATE OFFICERS (As of February 24, 2016)

<i>Corporate Officer</i>	Hideaki Hara	<i>Corporate Officer</i>	Satoshi Hamamoto	<i>Corporate Officer</i>	Noboru Miura	<i>Corporate Officer</i>	Noritsugu Sasaki
<i>Corporate Officer</i>	Shigeru Togashi	<i>Corporate Officer</i>	Tetsuo Koshihama	<i>Corporate Officer</i>	Yukihiro Shoji		
<i>Corporate Officer</i>	Yusaburo Nomura	<i>Corporate Officer</i>	Tsutomu Kurosawa	<i>Corporate Officer</i>	Ryohei Nobetani		

CORPORATE INFORMATION (As of November 30, 2015)

Foundation:	December 21, 1928
Capital:	¥16 billion
Number of Employees:	2,846 (Group employees 6,557)
Major Products:	Machinery and tools business Components business Other business
Major Domestic Offices and Plants:	Cutting Tools, Forming Tools, Cutting Saws, Machine Tools, Machining Systems, Robots, Robot Systems Bearings, Hydraulic Equipment, Automotive Hydraulics, Seismic Isolation Systems Special Steels, Coating, Industrial Furnaces
Toyama Head Office	1-1-1, Fujikoshi-Honmachi, Toyama 930-8511, Japan
Tokyo Head Office	Shiodome Sumitomo Bldg. 17F, 1-9-2, Higashi-Shinbashi, Minato-ku, Tokyo 105-0021, Japan
Eastern Japan Main Branch	Shiodome Sumitomo Bldg. 17F, 1-9-2, Higashi-Shinbashi, Minato-ku, Tokyo 105-0021, Japan
Central Japan Main Branch	Nachi Nagoya Bldg. 2-120-3, Takayashiro, Meitou-ku, Nagoya 465-0095, Japan
Western Japan Main Branch	Sumitomo Nakanoshima Bldg. 5F, 3-2-18, Nakanoshima, Kita-ku, Osaka 530-0005, Japan
Toyama Plant	1-1-1, Fujikoshi-Honmachi, Toyama 930-8511, Japan [Cutting Tools / Machine Tools / Bearings / Robots]
Higashi-Toyama Plant	3-1-1, Yoneda-machi, Toyama 931-8511, Japan [Special Steels] / 3-2-1, Nakada, Toyama 931-8453, Japan [Hydraulic Equipment]
Namerikawa Plant	176, Ogake, Namerikawa 936-0802, Japan [Hydraulic Equipment / Automotive Hydraulics / Coating / Industrial Furnaces]
Major Overseas Offices and Plants:	NACHI AMERICA INC. (U.S.A.) NACHI EUROPE GmbH (Germany) NACHI (SHANGHAI) CO., LTD. (China) NACHI (JIANGSU) INDUSTRIES CO., LTD. (China) NACHI SINGAPORE PTE. LTD. (Singapore) NACHI TECHNOLOGY (THAILAND) CO., LTD.

INVESTOR INFORMATION

Securities Code:	6474
Fiscal Year:	From Dec. 1 of each year to Nov. 30 of the following year
Ordinary General Meeting of Shareholders:	February
Record Date:	Voting rights at General Meeting of Shareholders November 30 Year-end dividend November 30 Interim dividend May 31
Unit:	1,000 shares
Shareholders' Register Custodian/Administrator for Special Accounts:	1-4-1, Marunouchi, Chiyoda-ku, Tokyo, 100-8233, Japan
Administrative Office/ Mailing Address:	Sumitomo Mitsui Trust Bank, Limited 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department
Inquiries:	Toll-free: 0120-782-031 (Toll-free in Japan)
URL:	http://www.nachi-fujikoshi.co.jp/eng/

Notice regarding the Transfer of Dividends to the Shareholder's Account **We recommend transfer to the shareholder's account as a safe, foolproof, and convenient way to receive dividends.**

Please choose from the following three methods for receiving dividends through transfer to the shareholder's account.

Allocation by Proportion of Shares: Receiving dividends through accounts that the shareholder has with securities firms. (A shareholder who does not have an account at a securities firm may not use this method.)

Registration of a Single Account for Receiving Dividends: Receiving dividends for all categories of stock that the shareholder owns through a single account that the shareholder has with banks, etc. (An account with the Japan Post Bank may not be designated for this purpose.)

Designation by Specific Stock: Assigning an account that the shareholder has with banks, etc. for each category of stock and receiving dividends through such accounts.

Procedures regarding Shares

1. Notification regarding Designation of the Method for Receiving Dividends; the Purchase of Additional Shares or Buyback of Holdings Less Than the Minimum Trading Unit; Change of Address, Name, etc.; and Request for Stock Transfers between Accounts

Please notify the securities company with which you have your account. For those shareholders who do not have an account with a securities company and who have set up a special account instead, please notify Sumitomo Mitsui Trust Bank, Limited which is the account administrator for special accounts.

2. Questions regarding Payments of Accrued Dividends and Other General Administrative Matters regarding Shares

Please contact Sumitomo Mitsui Trust Bank, Limited which administers the shareholders registry.

The Cover Photograph

The cover image is a bearing incorporated into an industrial machine.

The world-class high load capacity and excellent impact performance enables it to withstand harsh environments and support a broad range of industries.