

NACHI

BUSINESS REPORT 2016

December 1, 2015 to November 30, 2016



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.

We report the results for the NACHI-FUJIKOSHI Group for the period from December 1, 2015 to November 30, 2016.

Business Environment

In spite of the economic recovery observed in the developed countries led by the United States, the business environment surrounding the NACHI-FUJIKOSHI Group during this fiscal year has been under a tough situation as a whole due to factors such as the slowdown in economic growth in emerging economies including China.

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 with the aim of increasing sales. In addition, we have been continuously making effort to reduce the total cost through initiatives to improve productivity, while strengthening the framework for development, sales and production focusing on the robots department, with an eye toward the future expansion of business.

However, sales in the current consolidated fiscal year were 211.4 billion yen (down 3.2% from the previous period), as the yen continued to be strong. Of this, sales in the Japanese market were 112.9 billion yen (down 2.6%), while overseas sales totaled 98.5 billion yen (down 4.0%).

In terms of profitability, operating profit, ordinary income and net income attributable to owners of the parent were 11.1 billion yen (down 41.2%), 7.7 billion yen (down 55.2%) and 3.9 billion yen (down 66.1%), respectively.

Dividends

With regard to the fiscal year-end dividend, taking into account the profit and the future business development, it has been decided that the dividend would remain the same as the previous period and 10 yen per share would be paid.

Future Initiatives

The Group announced a long-term vision with the slogan "Becoming a growing company and fulfilling aspirations as a

manufacturing company" in 2011. Since then we have been taking initiatives to strengthen operational foundations in the aim to achieve our 2020 performance target of 400 billion yen in sales and 60 billion yen in operating income.

In terms of the future prospects, it is expected that mid- to long-term demand would decrease for some of the existing products as environmentally friendly vehicles become more widely available. In addition, against the background of an aging population with fewer children and decreasing working population, it is assumed that the demand structure around the Group will significantly change, with demand for labor saving and automation in manufacturing rising.


The Group considers this structural change in demand as a major opportunity, and has decided to shift our focus on the robot business, whose demand is expected to increase globally in the mid- to long-term, while strengthening the framework and developing human resources in various fields including research and development, sales, services, manufacturing and procurement. Moreover, we will work on the expansion of merchandise, the creation of new business opportunities, and fundamental cost reform in order to further improve our performance.

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

February 2017



Chairman and
Representative Director

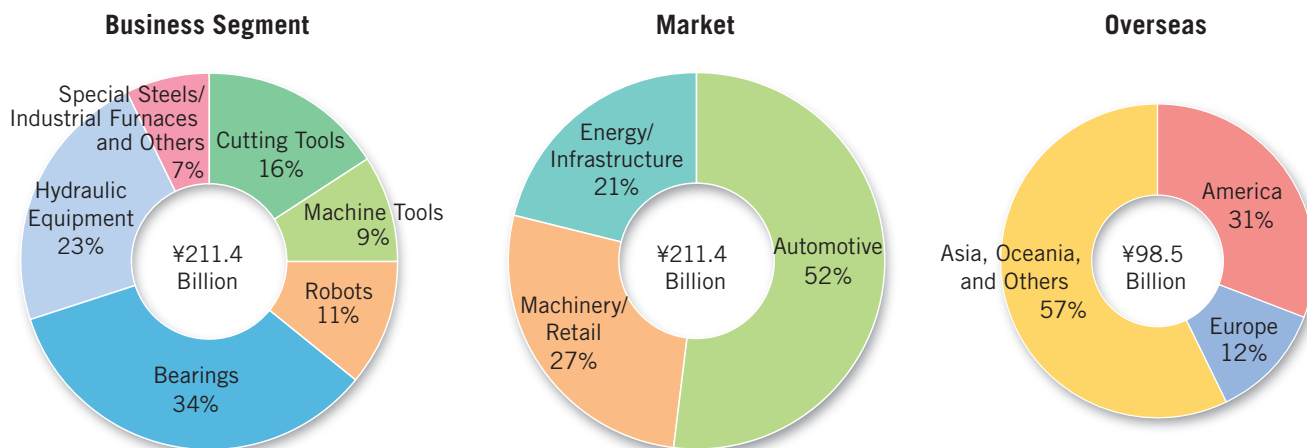


President and
Representative Director

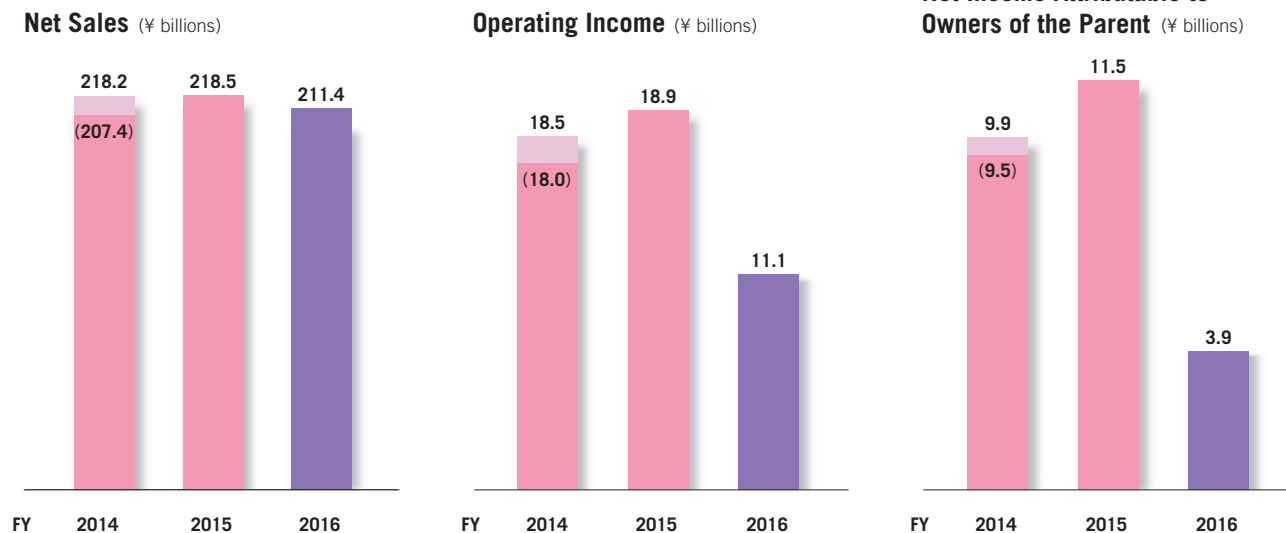


RESULTS OF OPERATIONS (Consolidated)

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).

To Realize Our Long-Term Vision

Under the new mid-term management policy, we will make the core business of our company the robot business, whose demand is expected to increase globally, while taking initiative to improve our performance.

Mid-term Management Policy

1. Fully develop growing markets

Aiming to become a “comprehensive machinery manufacturer with a focus on robots,” establish operational foundations in growing fields/areas.

2. Strengthen production system

Implement TPM to gain confidence in the global market.

3. Create new products and new businesses

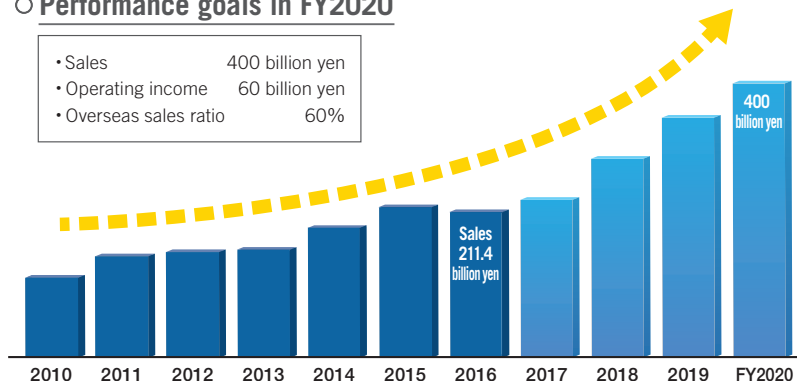
Enhance the basic technologies to create new demand and business models.

4. Bolster and educate human resources

Based on TQC, pursue a higher goal from a global perspective.

Performance goals in FY2020

- Sales 400 billion yen
- Operating income 60 billion yen
- Overseas sales ratio 60%



Expansion of Our Robot Business

We will focus our investment of management resources on sales, development and production to strengthen our competitiveness in the global market.

Expansion of Our Compact Robot Lineup



“WING SLICER” Type “EZ03” robot

We released a “WING SLICER” Type “EZ series” robot to the market in the electric and electronic sectors which have increased needs for automation.

“EZ03” won the Japan Power (Japan Brand) Award of the Best 10 New Products Award, selected by Nikkan Kogyo Shimbun

“EZ03” was evaluated highly in terms of adopting the original structure that is very different from the conventional SCARA robot, saving space and significantly reducing cycle time.



Global Expansion of Robot Technical Centers

Based on the concept of the ROBOT FA Exhibition Hall at Toyama Plant, Robot Technical Centers will be newly opened across China, North America and ASEAN, where demand for robots is increasing. By presenting robot systems that meet local demands, we will help our customers realize their automation initiative.



Shanghai Robot Technical Center

Expansion of Merchandise

Making full use of our strength as a comprehensive machinery manufacturer, we will actively deploy our new products into the market.



Skiving machining center for Gears "GMS450"

○ Approach to Skiving Machining

We have released multi-functional skiving machines in which three processes necessary for gear machining, namely gear cutting, turning and drilling, are combined into one. Utilizing our extensive design and control technologies, we realized high performance, high accuracy and space-saving products.

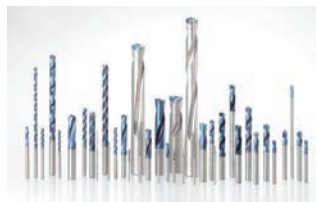


Example of machining using an integrated compact robot

Skiving cutters are also provided. Our system proposal includes compact robots so that it will help improve the productivity of our customers.

○ Expansion of Carbide Drill and Tap Lineups

We have released sophisticated products one after another that contribute to improving productivity in machining processes. We expect that selling drills and taps together will produce a synergetic effect that contributes to expanding our market share.



"Aqua Drill EX series"



"SG Tap series"

Strengthen Production System

We will increase local production at overseas locations where demand exists, as well as take the "local production for local consumption" approach.



Nachi Forging Technology (Thailand)



Roller bearings for constant velocity joints

In March 2017, a plant for forging and turning bearings will start full-scale operation in Thailand, realizing a fully integrated local production. This will significantly strengthen our competitiveness in the ASEAN region.

In addition, we will make enhancements to the plant, making it the supply base for other bearings plants across the world.

FINANCIAL STATEMENTS

Consolidated Balance Sheets

(¥ millions)

Item	Previous (For Your Reference) (as of November 30, 2015)	2016 (as of November 30, 2016)
ASSETS:		
Current assets	126,695	123,736
Cash and cash equivalents	22,116	20,796
Notes and accounts receivable	48,584	48,423
Inventories	45,879	44,351
Other	10,114	10,164
Fixed assets	141,416	145,702
Property, plant and equipment	103,606	110,011
Buildings and structures	29,017	30,940
Machinery and equipment	54,255	62,574
Land	8,152	8,053
Other	12,180	8,442
Intangible fixed assets	1,051	1,233
Investments and advances	36,758	34,457
Total assets	268,112	269,438

Consolidated Statements of Income

(¥ millions)

Item	Previous (For Your Reference) (Year ended November 30, 2015)	2016 (Year ended November 30, 2016)
Net sales	218,535	211,449
Operating income	18,945	11,139
Ordinary income	17,316	7,765
Extraordinary income	16	280
Extraordinary losses	464	226
Income before income taxes and minority interests	16,868	7,819
Net income attributable to owners of the parent	11,593	3,929

(¥ millions)

Item	Previous (For Your Reference) (as of November 30, 2015)	2016 (as of November 30, 2016)
LIABILITIES:		
Current liabilities	98,407	90,423
Notes and accounts payable	41,988	41,414
Short-term loans	37,827	32,705
Other	18,591	16,303
Long-term liabilities	60,398	74,599
Long-term debt	35,026	49,782
Allowance for retirement benefits	11,006	10,792
Other	14,365	14,024
Total liabilities	158,805	165,023
NET ASSETS:		
Shareholders' equity	93,911	95,519
Common stock	16,074	16,074
Additional paid-in capital	11,650	11,121
Retained earnings	67,118	68,562
Treasury stock	△ 932	△ 239
Revaluations and translation adjustments	8,641	2,551
Non-controlling interests	6,752	6,344
Total net assets	109,306	104,415
Total liabilities and net assets	268,112	269,438

Consolidated Statements of Cash Flows

(¥ millions)

Item	Previous (For Your Reference) (Year ended November 30, 2015)	2016 (Year ended November 30, 2016)
Cash flows from operating activities	13,855	15,866
Cash flows from investing activities	△ 22,017	△ 23,418
Cash flows from financing activities	6,777	7,137
Net decrease in cash and cash equivalents	△ 1,982	1,394
Cash and cash equivalents at beginning of the year	23,469	21,487
Cash and cash equivalents at end of the year	21,487	20,093

SHAREHOLDER INFORMATION (As of November 30, 2016)

Number of Shares Issued: 249,193,436

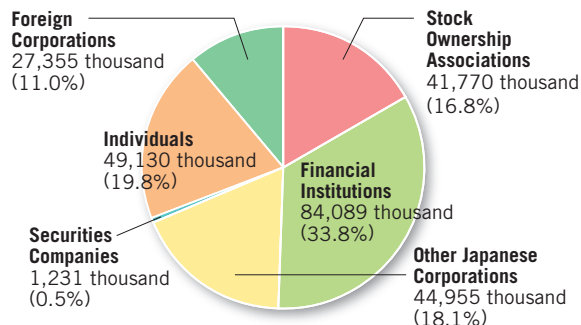
Number of Shareholders: 24,630

Major Shareholders (top five):

Note: Shareholding ratios are calculated after subtracting treasury stock (661 thousand shares).

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding	20,563	8.27
Employees' Stock Ownership Plan	13,808	5.56
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 22, 2017)

Chairman and Representative Director
Hiroo Honma

Managing Director
Kouichi Watanabe

Director
Tetsu Furusawa

Director
Shigeru Togashi

Director
Jun Sakamoto

Standing Corporate Auditor
Masashi Hori

President and Representative Director
Kenji Susukida

Managing Director
Hidenori Hayashi

Director
Shinichi Urata

Director
Noritsugu Sasaki

Director
Kazuo Tsukahara*

Standing Corporate Auditor
Masakazu Yamazaki*

Managing Director
Masayuki Kobayashi

Director
Toru Inoue

Director
Yutaka Tsukamoto

Director
Noboru Miura

Standing Corporate Auditor
Hiroshi Yamada

Corporate Auditor
Somuku Iimura*

*Outside director or outside corporate auditor.

CORPORATE OFFICERS (As of February 22, 2017)

Corporate Officer Hideaki Hara

Corporate Officer Yukihiko Shoji

Corporate Officer Tetsuyuki Onoda

Corporate Officer Yuzo Aburamoto

Corporate Officer Yusaburou Nomura

Corporate Officer Ryohei Nobetani

Corporate Officer Tetsuhiko Takata

Corporate Officer Kazuyuki Tsunekawa

Corporate Officer Satoshi Hamamoto

Corporate Officer Hiroyuki Hanato

Corporate Officer Shigemi Tochitani

Corporate Officer Naritoshi Nakamura

Corporate Officer Tetsuo Koshihama

Corporate Officer Hiroyuki Ushimaru

Corporate Officer Kazuho Tanimoto

CORPORATE INFORMATION (As of November 30, 2016)

Foundation: December 21, 1928

Capital: ¥16 billion

Number of Employees: 2,945 (Group employees 6,775)

Major Products:

Machinery and tools business
Components business
Other business

Cutting Tools, Forming Tools, Cutting Saws, Machine Tools, Machining Systems, Robots, Robot Systems
Bearings, Hydraulic Equipment, Automotive Hydraulics
Special Steels, Coating, Industrial Furnaces

Major Domestic Offices and Plants:

Toyama Head Office
Tokyo Head Office

1-1-1, Fujikoshi-Honmachi, Toyama 930-8511, Japan

Shiodome Sumitomo Bldg. 17F, 1-9-2, Higashi-Shinbashi, Minato-ku, Tokyo 105-0021, Japan

Tel:+81-76-423-5111

+81-3-5568-5111

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
Timing of 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 Sumitomo Mitsui Trust Bank, Limited
Administrative Office/ Mailing Address:	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

In recent years skiving machining is gaining more attention as a highly-efficient gear machining method.

The cover photograph is a "skiving cutter," a key tool to improve accuracy and speed of machining.