

BUSINESS REPORT 2017

December 1, 2016 to November 30, 2017

NACHI



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, 2016 to November 30, 2017.

Business Environment

The environment surrounding the NACHI-FUJIKOSHI Group during the present term has, overall, been a gentle recovery resulting from the rally of the economies of the developed countries led by Europe and the United States and of the Chinese economy.

Business Progress and Results

Given this environment, the NACHI-FUJIKOSHI Group has been making full use of its strength as a comprehensive machinery manufacturer with robotics business at its core, and also encompassing cutting tools, machine tools, bearings, hydraulic equipment, and special steel businesses, to expand its sales, by finding new customers, mainly new users in overseas countries, releasing new products into the market, and establishing technical centers globally.

Thanks to the initiatives mentioned above, consolidated sales in the current term reached 237.4 billion yen, up 12.3% compared with the previous period. This includes domestic sales of 119.1 billion yen (similarly increased by 5.5%) and overseas sales of 118.2 billion yen (similarly increased by 20.0%). In terms of profitability, operating income, ordinary income and current term net income attributable to owners of the parent were 16.1 billion yen (similarly increased by 44.8% compared with the previous period), 14.6 billion yen (similarly increased by 89.2%) and 9.7 billion yen (similarly increased by 2.5 times), 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 demand structure surrounding NACHI-FUJIKOSHI Corp. is expected to go through a significant change due to the acceleration in the deployment of FA (Factory Automation) system for manufacturing, accompanied by the advancement of AI (Artificial Intelligence) and IoT (Internet of Things) technology, in addition to the declining birthrate and aging population and the declining labor force.

Seizing this change in the demand structure as a major opportunity, the NACHI-FUJIKOSHI Group will enhance the nature of all aspects of sales and service, manufacturing and procurement, and research and development. We intend to do this by focusing on the robot business in which demand is expected to grow further, and establishing a medium-term management policy, "Innovate in manufacturing worldwide with advanced FA systems and mechatronics." We will also strive to further improve our performance by working to expand product lineup, create new business opportunities, carry out fundamental cost reform, and strengthen and develop human resources.

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

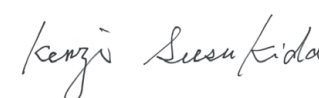
February 2018



Chairman and
Representative Director

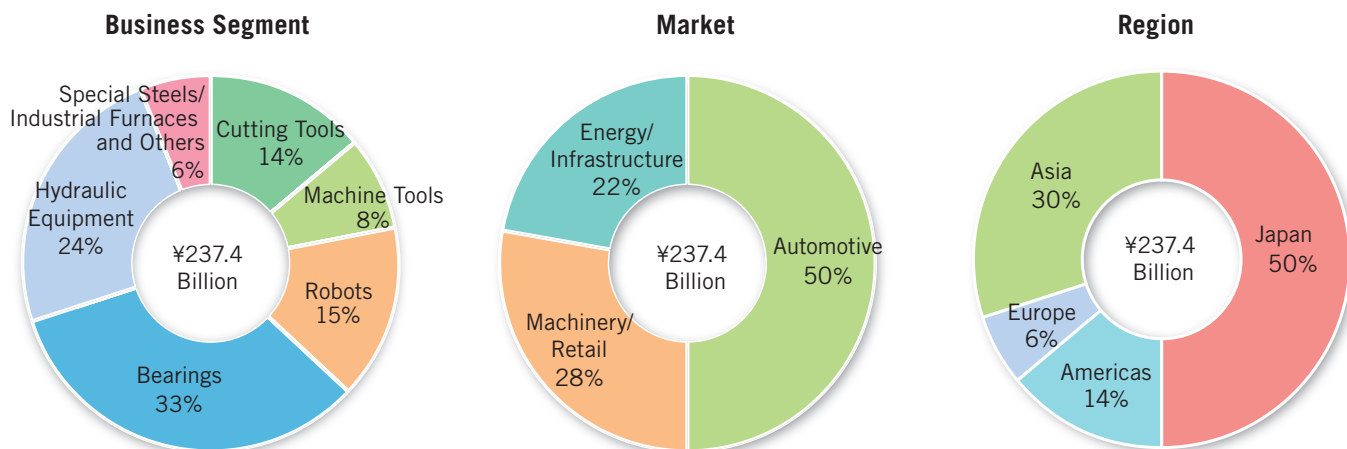


President and
Representative Director



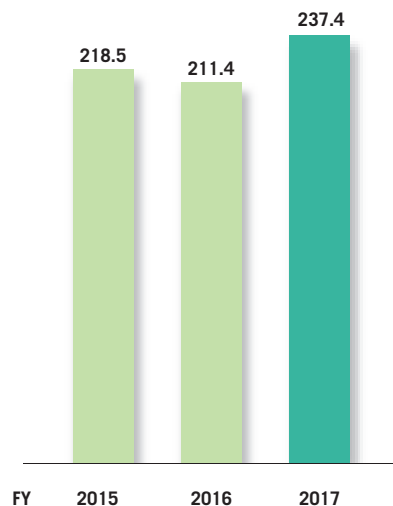
RESULTS OF OPERATIONS (Consolidated)

Composition of Sales

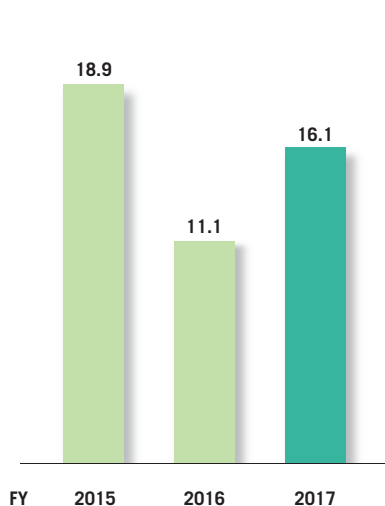


Trend in Business Results

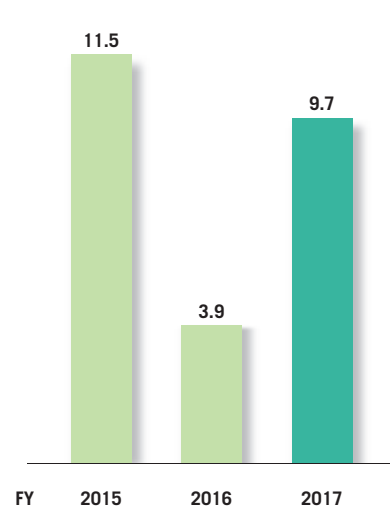
Net Sales (billion yen)



Operating Income (billion yen)



Net Income Attributable to Owners of the Parent (billion yen)



Launch of New Medium-term Management Plan

NACHI-FUJIKOSHI Corp. has formulated a new medium-term management plan covering up to FY2020 as a milestone for realizing our long-term vision, and begun taking steps to achieve further expansion of our operations.

*For more information on the medium-term management plan, please visit our website.

Long-term vision performance goals

Sales at 400 billion yen
Operating income at 60 billion yen
Operating income margin at 15%

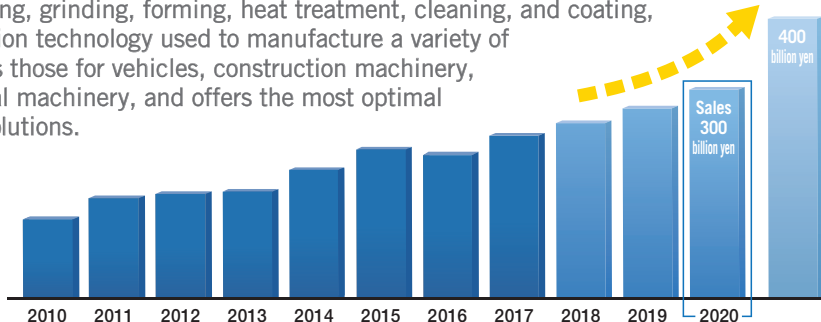
Performance goals in FY2020

Sales at 300 billion yen
Operating income at 27 billion yen
Operating income margin at 9%

Mid-term Management Policy

“Innovate in manufacturing worldwide with advanced FA system and mechatronics”

NACHI-FUJIKOSHI Corp. utilizes robot technology to connect processing technology such as cutting, grinding, forming, heat treatment, cleaning, and coating, with production technology used to manufacture a variety of parts such as those for vehicles, construction machinery, and industrial machinery, and offers the most optimal FA system solutions.



Our Robot Business Initiatives

Going forward, demand for robots is expected to further expand in various fields and uses, in addition to the fields of automobile, industrial machinery, electronics, electron, and electronics manufacturing service (EMS). NACHI-FUJIKOSHI Corp. provides the latest and easy-to-use robots and systems in order to satisfy our customers’ FA needs.



MZ12

○ Enhancement of compact robot MZ series

We have introduced “MZ12” to the market. MZ12 has base features of MZ series (compact, light weight, and rigidity) and is capable of transporting 12kg, which is the biggest demand in the fields of electronics, electron, and EMS.

We will continue to make efforts in expanding the compact robot market.

○ Worldwide deployment of Technical Centers

NACHI-FUJIKOSHI Corp. has established technical centers, where visitors can experience the latest robotics system, in 10 locations worldwide with high demand for robots, including Shanghai in China. The centers propose a user-friendly FA system to customers in each location.



Guangzhou Technical Center

Expansion of Merchandise

NACHI-FUJIKOSHI Corp. develops and provides high precision, high efficiency, and long-life merchandise to the extensive industrial machinery field to realize productivity enhancements for our customers.



PZH-3B

○ High-pressure hydraulic equipment

We have released the high-pressure type variable volume piston pump for press machine “PZH-3B,” which is compact and offers the highest level of high pressure, targeting the high-pressure hydraulics field where hydraulic equipment is used for a variety of purposes such as press processing of electronics and electron parts. This piston pump helps meet the needs for energy saving and more compact industrial machinery.

○ Introducing screw parts for fluoro resin to the market

We have added to our lineup NPR-FX25, screw parts compatible with injection molding of fluoro resin parts, which is in increasing demand in the automotive field. It contributes to the stable mass production of fluoro resin parts.



NPR-FX25

○ Enhancement of the Tap series lineup



The lineup of Hyper Z Tap series, which realized stable processing accuracy and longer tool life, has been expanded. This series achieves stable processing of difficult-to-cut materials, mainly stainless, significantly improving productivity.

Hyper Z Tap series

Hyper Z Tap series won the Machinery Component Award of the Nikkan Kogyo Shimbun “Cho” Monodzukuri Innovative Parts and Components Award



This award recognized the significant improvements made in wear resistance and fracture resistance, achieved by integrating seeds technology with materials, heat treatment and surface treatment.

Strengthening Cost Competitiveness in Global Contexts



China Plant (manufacturing of robots, hydraulic equipment, and tools)



Mexico Plant (manufacturing of bearings)

Toyama Plant (mother plant) will work on the mechanization and rationalization of the production line, expansion of the inhouse production of core components, and the building of FA systems that incorporate robot and information technology. These improvements will be sequentially deployed to overseas plants to strengthen our cost competitiveness in global contexts.

At the Mexico Plant, an integrated production line for grinding and assembling has entered full-scale operation. In addition, a robotics automatic assembly line will be introduced at the China Plant.

FINANCIAL STATEMENTS

Consolidated Balance Sheets

(million yen)

| Item | 2016(For Your Reference) (as of November 30, 2016) | 2017 (as of November 30, 2017) |
|--------------------------------------|---|-----------------------------------|
| ASSETS: | | |
| Current assets | 123,736 | 139,308 |
| Cash and cash equivalents | 20,796 | 23,436 |
| Notes and accounts receivable | 48,423 | 53,561 |
| Inventories | 44,351 | 51,925 |
| Other | 10,164 | 10,385 |
| Fixed assets | 145,702 | 159,846 |
| Property, plant and equipment | 110,011 | 114,867 |
| Buildings and structures | 30,940 | 31,598 |
| Machinery and equipment | 62,574 | 64,177 |
| Land | 8,053 | 9,483 |
| Other | 8,442 | 9,608 |
| Intangible fixed assets | 1,233 | 2,654 |
| Investments and advances | 34,457 | 42,324 |
| Total assets | 269,438 | 299,155 |

Consolidated Statements of Income

(million yen)

| Item | 2016(For Your Reference) (Year ended November 30, 2016) | 2017 (Year ended November 30, 2017) |
|--|--|--|
| Net sales | 211,449 | 237,461 |
| Operating income | 11,139 | 16,130 |
| Ordinary income | 7,765 | 14,690 |
| Extraordinary income | 280 | 31 |
| Extraordinary losses | 226 | 641 |
| Income before income taxes and minority interests | 7,819 | 14,080 |
| Net income attributable to owners of the parent | 3,929 | 9,747 |

(million yen)

| Item | 2016(For Your Reference) (as of November 30, 2016) | 2017 (as of November 30, 2017) |
|--|---|-----------------------------------|
| LIABILITIES: | | |
| Current liabilities | 90,423 | 99,083 |
| Notes and accounts payable | 41,414 | 48,105 |
| Short-term loans | 32,705 | 29,534 |
| Other | 16,303 | 21,443 |
| Long-term liabilities | 74,599 | 80,671 |
| Long-term debt | 49,782 | 53,925 |
| Allowance for retirement benefits | 10,792 | 10,866 |
| Other | 14,024 | 15,879 |
| Total liabilities | 165,023 | 179,755 |
| NET ASSETS: | | |
| Shareholders' equity | 95,519 | 102,785 |
| Common stock | 16,074 | 16,074 |
| Additional paid-in capital | 11,121 | 11,137 |
| Retained earnings | 68,562 | 75,824 |
| Treasury stock | - 239 | - 251 |
| Revaluations and translation adjustments | 2,551 | 10,113 |
| Non-controlling interests | 6,344 | 6,500 |
| Total net assets | 104,415 | 119,399 |
| Total liabilities and net assets | 269,438 | 299,155 |

Consolidated Statements of Cash Flows

(million yen)

| Item | 2016(For Your Reference) (Year ended November 30, 2016) | 2017 (Year ended November 30, 2017) |
|---|--|--|
| Cash flows from operating activities | 15,866 | 25,958 |
| Cash flows from investing activities | - 23,418 | - 19,527 |
| Cash flows from financing activities | 7,137 | - 3,874 |
| Net decrease in cash and cash equivalents | - 1,394 | 2,443 |
| Cash and cash equivalents at beginning of the year | 21,487 | 20,093 |
| Cash and cash equivalents at end of the year | 20,093 | 22,537 |

SHAREHOLDER INFORMATION (As of November 30, 2017)

Number of Shares Issued: 249,193,436

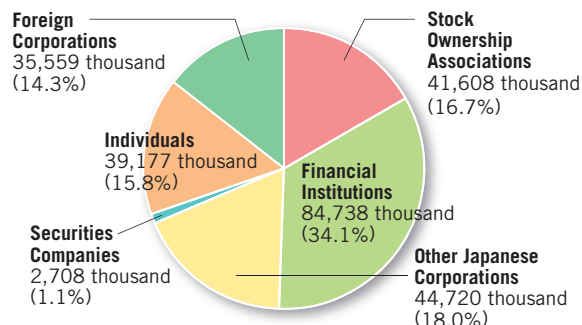
Number of Shareholders: 20,096

Major Shareholders (top five):

Note: Shareholding ratios are calculated after subtracting treasury stock (681 thousand shares).

| Shareholders | Number of shares held (thousand) | Shareholding ratio (%) |
|--|----------------------------------|------------------------|
| NACHI WANEI Stockholding Employees' Stock Ownership Plan | 20,746 | 8.35 |
| Toyota Motor Corporation | 13,470 | 5.42 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 13,182 | 5.30 |
| The Hokuriku Bank, Ltd. | 11,888 | 4.78 |
| | 8,659 | 3.48 |

Breakdown of Shareholders



DIRECTORS AND AUDITORS (As of February 21, 2018)

| | | | | | |
|--|--|-------------------------------------|-------------------------------------|---|---|
| <i>Chairman and Representative Director</i> Hiroo Honma | <i>Managing Director</i> Masayuki Kobayashi | <i>Director</i> Toru Inoue | <i>Director</i> Noritsugu Sasaki | <i>Director</i> Kazuo Tsukahara* | <i>Standing Corporate Auditor</i> Masashi Hori |
| <i>President and Representative Director</i> Kenji Susukida | <i>Managing Director</i> Kouichi Watanabe | <i>Director</i> Tetsu Furusawa | <i>Director</i> Noboru Miura | <i>Director</i> Shinjiro Iwata* | <i>Standing Corporate Auditor</i> Masakazu Yamazaki* |
| <i>Executive Vice President</i> Hidenori Hayashi | <i>Managing Director</i> Shigeru Togashi | <i>Director</i> Shinichi Urata | <i>Director</i> Jun Sakamoto | <i>Standing Corporate Auditor</i> Hiroshi Yamada | <i>Corporate Auditor</i> Somuku Iimura* |
| | | <i>Director</i> Yutaka Tsukamoto | <i>Director</i> Hideaki Hara | | |

*Outside director or outside corporate auditor.

CORPORATE OFFICERS (As of February 21, 2018)

| | | | |
|---|---|---|--|
| <i>Senior Corporate Officer</i> Satoshi Hamamoto | <i>Corporate Officer</i> Yusaburo Nomura | <i>Corporate Officer</i> Shigemitsu Tochtani | <i>Corporate Officer</i> Kazuyuki Tsunekawa |
| <i>Senior Corporate Officer</i> Ryohei Nobetani | <i>Corporate Officer</i> Tetsuo Koshihama | <i>Corporate Officer</i> Kazuho Tanimoto | <i>Corporate Officer</i> Naritoshi Nakamura |
| <i>Senior Corporate Officer</i> Akira Kunisaki | <i>Corporate Officer</i> Hiroyuki Ushimaru | <i>Corporate Officer</i> Yuzo Aburamoto | |
| <i>Senior Corporate Officer</i> Tsumoto Kurosawa | <i>Corporate Officer</i> Tetsuyuki Onoda | | |

CORPORATE INFORMATION (As of November 30, 2017)

| | |
|---|---|
| Foundation: | December 21, 1928 |
| Capital: | ¥16 billion |
| Number of Employees: | 3,072 (Group employees 7,202) |
| 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, Robotics Systems Bearings, Hydraulic Equipment, Automotive Hydraulics Special Steels, Coating, Industrial Furnaces |
| Head Office | Shiodome Sumitomo Bldg. 17F, 1-9-2, Higashi-Shinbashi, Minato-ku, Tokyo 105-0021, Japan |
| Toyama Plant | 1-1-1, Fujikoshi-Honmachi, Toyama 930-8511, Japan [Cutting Tools / Machine Tools / Bearings / Robots] |
| 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 |
| 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 TECHNOLOGY (THAILAND) CO., LTD. NACHI SINGAPORE PTE. LTD. (Singapore) |

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

These are cutting tools called "Taps," which are used during the final process of creating threaded screw holes.

The Hyper Z Tap series brings together NACHI's seeds technology to achieve stable processing accuracy and longer tool life. This series helps improve productivity at machining sites.