

NACHI

INTERIM REPORT 2017

December 1, 2016 to May 31, 2017



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 interim results for the NACHI-FUJIKOSHI Group for the period from December 1, 2016 to May 31, 2017.

Business Environment

The environment surrounding the NACHI-FUJIKOSHI Group during the interim term has, overall, been a gentle recovery resulting from the rally of the economies of the developed countries led by 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 robots as its core product, 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, deploying new products, and expanding its existing product range. It has also strengthened its earning structure through increased in-house production and improved productivity, and other measures, and expanded its sales and production systems aiming for future business growth.

Thanks to these initiatives, consolidated sales in the interim term reached 114.4 billion yen, up 7.8% over the same period of the previous year. This includes domestic sales of 57.1 billion (similarly increased by 1.6%) and overseas sales of 57.3 billion (similarly increased by 14.8%). The overseas sales share exceeded 50% for the first time.

In terms of profitability, operating income, ordinary income and quarterly net income attributable to owners of the parent were 7.7 billion yen (similarly increased by 19.8% over the same interim period of the previous fiscal year), 6.7 billion yen (similarly increased by 55.9%) and 4.6 billion yen (similarly increased by 71.8%), respectively.

We wish to forego the payment of interim dividends for this interim period.

Future Initiatives

The Group announced a long-term vision, “Becoming a growing company and fulfilling aspirations as a manufacturing company”.

Since then we have been taking initiatives aiming to achieve our performance target of 400 billion yen in sales and 60 billion yen in operating income, by looking ahead to change of the medium and long-term demand environment, hammering out a business policy that positions robots as our core business and steadily expanding the scale of our business.

As part of our efforts, in August 2017, we replaced the Toyama - Tokyo two head office system by integrating our head office in Tokyo, which is a personnel, corporate, and informational collection and distribution center, in order to obtain superior personnel from inside and outside of Japan, strengthen our links with industry, academia, and government, and transform the consciousness of our employees to deal with our globalization.

We will continue initiatives to further improve the performance of NACHI-FUJIKOSHI Group, to prioritize volume zones inside and outside of Japan, and to unite the group in efforts to increase the essential strength of the Group in R&D, sales and services, and in manufacturing and procurement.

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

August 2017



Chairman and
Representative Director



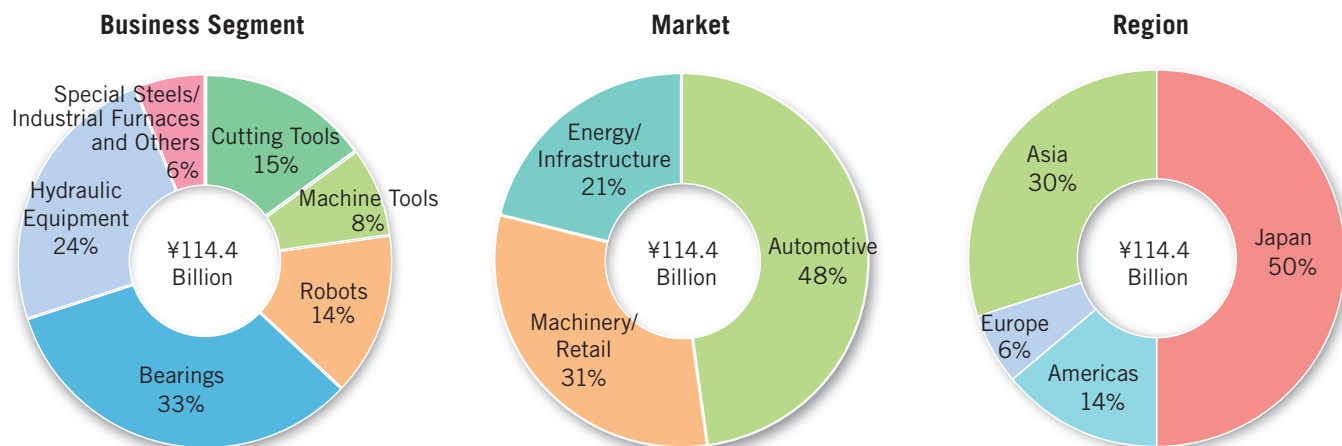
President and
Representative Director

A handwritten signature in black ink, appearing to read "Hiroaki Sonoma".

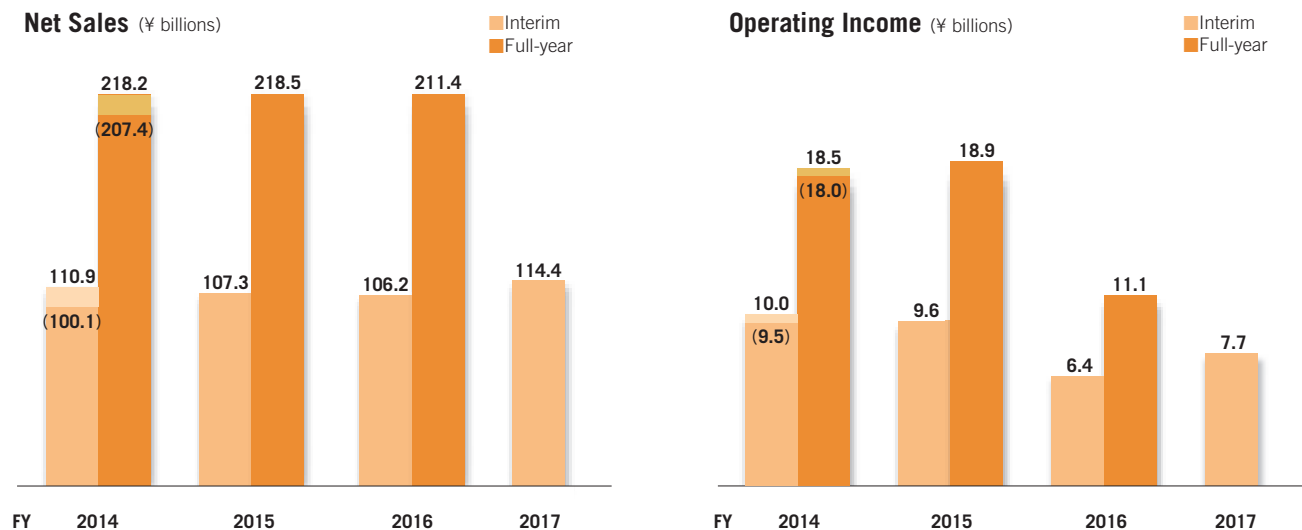
A handwritten signature in black ink, appearing to read "Kenji Susu Kida".

RESULTS OF OPERATIONS (Consolidated Operating Result for Second Quarter of Fiscal 2017)

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).

Expanding the scale of our business in the world market

Based on the philosophy, “local production for local supply”, centered on rapidly growing overseas markets, we will reinforce sales personnel and expand technical centers in order to develop new customers overseas, as we also expand local production and local procurement to expand our international business.

○ Worldwide deployment of Technical Centers

Guided by the concept of the ROBOT FA Exhibition Hall at the Toyama Plant, we will open Technical Centers at 10 overseas locations in China, North America, Europe, and the ASEAN sphere.



Toyama Plant - ROBOT FA Exhibition Hall



Guangzhou Technical Center (from May 2017)

At the Technical Centers, in addition to exhibits of robots and other products, we will exhibit many diverse systems designed to overcome customers' problems, and by, for example, performing trials hypothesizing actual production, concretely demonstrate our ideas for automating our customers' operations.

○ Strengthening local production systems overseas

We will expand our initiatives such as automated unmanned lines which have succeeded in Japan to our overseas factories, improving productivity and strengthening our supply capability.



Factory in Thailand (from March 2017)

We achieved integrated local production in Thailand by operating bearing forging and turning factories. And as a base that supplies forged and turned products to bearing factories in other parts of the world, it will strengthen our global cost competitiveness.



Factory in Mexico (from March 2017)

We operate a bearing production factory in Mexico. This will increase our capacity to supply bearings in the Americas.

○ Integrating our Head Office in Tokyo



Head Office



Toyama Plant

In August 2017, we integrated our Head Office in Tokyo in order to obtain personnel skilled in robotics and other advanced technologies, to strengthen exchanges and links with powerful corporations, universities, and research institutes inside and outside of Japan, and to transform the consciousness of our employees to promote globalization.

The former Toyama Head Office will continue to grow as the Toyama Plant, now positioned as the central factory that will serve as the model for our production centers in Japan and around the world.

Expansion of Merchandise

Our aim is to expand merchandise for the industrial machinery field, where growing demand is predicted, and to increase our market share in a wide range of industries.

○ Deep plowing the compact robot market

We will expand our lineup of compact robots, which can be used in many ways. We will strive to meet the industrial machinery field's growing need for automation by introducing a series of new uniquely specialized compact robots to the market.



MZ series



EZ series

○ Expanding our lineup of bearings

We introduced the TAF-X Series of bearings which provide higher load capacity and service life about 1.5 times longer than conventional products. They will ensure the longer service life and higher speed now required by the motorization of injection molding machines and other equipment.



TAF-X series

○ Strengthening sales of sets of carbide drills and taps

We introduced a new series of carbide drills and taps to the market. They achieve higher precision and higher efficiency processing than previously possible at every step in hole drilling from the pilot hole drilling to internal thread processing. Introducing drill and tap sets will boost our customers' productivity.



AQUA Drills EX Power Feed



Hyper Z Tap series

Opening of the renovated Nachi Toyama Dormitory and the Fujikoshi Ajisai Preschool



Nachi Toyama Dormitory

To prepare for an increase in employees from outside the prefecture and in foreign trainees, we have expanded the existing single employees apartments and lodging facilities and have opened the Nachi Toyama Dormitory. With its exterior designed in a style reminiscent of Southern France, it has 370 rooms, a large bath, restaurant and other amenities, and creates an environment guaranteeing a pleasant experience for both residents and visitors.



Fujikoshi Ajisai Preschool

The Fujikoshi Ajisai Preschool has reopened at a new location to serve the needs of employees and to contribute to the life of the region. Its 3,000m² site includes gardens conveying the feelings of the four seasons and a 300m² recreation room where children can play in the winter. Its complete educational program includes English conversation classes led by foreign teachers and nutritional instruction utilizing a vegetable garden on the preschool grounds.

FINANCIAL STATEMENTS

Consolidated Balance Sheets

Item	Previous (For Your Reference) (as of November 30, 2016)	Interim 2017 (as of May 31, 2017)
ASSETS:		
Current assets	123,736	125,034
Cash and cash equivalents	20,796	19,759
Notes and accounts receivable	48,423	50,566
Inventories	44,351	46,560
Other	10,164	8,149
Fixed assets	145,702	149,596
Property, plant and equipment	110,011	112,407
Buildings and structures	30,940	31,504
Machinery and equipment	62,574	62,169
Other	16,495	18,733
Intangible fixed assets	1,233	1,631
Investments and advances	34,457	35,558
Total assets	269,438	274,631

(¥ millions)

Item	Previous (For Your Reference) (as of November 30, 2016)	Interim 2017 (as of May 31, 2017)
LIABILITIES:		
Current liabilities	90,423	88,473
Notes and accounts payable	41,414	43,820
Short-term loans	32,705	27,373
Other	16,303	17,279
Long-term liabilities	74,599	78,455
Long-term debt	49,782	53,943
Allowance for retirement benefits	10,792	10,749
Other	14,024	13,763
Total liabilities	165,023	166,928
NET ASSETS:		
Shareholders' equity	95,519	97,773
Common stock	16,074	16,074
Additional paid-in capital	11,121	11,220
Retained earnings	68,562	70,724
Treasury stock	△ 239	△ 246
Revaluations and translation adjustments	2,551	3,714
Non-controlling interests	6,344	6,214
Total net assets	104,415	107,702
Total liabilities and net assets	269,438	274,631

Consolidated Statements of Income

(¥ millions)

Item	Interim 2016 (For Your Reference) (December 1, 2015 to May 31, 2016)	Interim 2017 (December 1, 2016 to May 31, 2017)
Net sales	106,201	114,485
Operating income	6,445	7,723
Ordinary income	4,358	6,793
Extraordinary income	273	5
Extraordinary losses	171	578
Quarterly income before income taxes and minority interests	4,460	6,220
Quarterly net income attributable to owners of the parent	2,705	4,647

Consolidated Statements of Cash Flows

(¥ millions)

Item	Interim 2016 (For Your Reference) (December 1, 2015 to May 31, 2016)	Interim 2017 (December 1, 2016 to May 31, 2017)
Cash flows from operating activities	8,204	14,175
Cash flows from investing activities	△ 12,804	△ 10,652
Cash flows from financing activities	7,508	△ 4,402
Net decrease in cash and cash equivalents	1,991	△ 946
Cash and cash equivalents at beginning of the year	21,487	20,093
Cash and cash equivalents at the end of the quarter	23,479	19,146

SHAREHOLDER INFORMATION (As of May 31, 2017)

Number of Shares Issued: 249,193,436

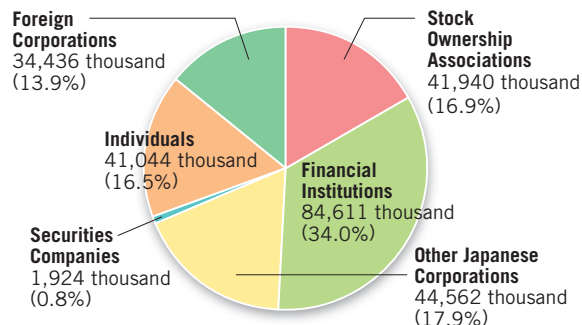
Number of Shareholders: 20,570

Major Shareholders (top five):

Note: Shareholding ratios are calculated after subtracting treasury stock (673 thousand shares).

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding Employees' Stock Ownership Plan	20,955	8.43
Toyota Motor Corporation	13,629	5.48
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 August 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 August 2017)

Corporate Officer Hideaki Hara

Corporate Officer Yukihiro Shoji

Corporate Officer Shigemi Tochitani

Corporate Officer Naritoshi Nakamura

Corporate Officer Yusaburou Nomura

Corporate Officer Ryohei Nobetani

Corporate Officer Kazuho Tanimoto

Corporate Officer Satoshi Hamamoto

Corporate Officer Hiroyuki Ushimaru

Corporate Officer Yuzo Aburamoto

Corporate Officer Tetsuo Koshihama

Corporate Officer Tetsuyuki Onoda

Corporate Officer Kazuyuki Tsunekawa

CORPORATE INFORMATION (As of August 2017)

Foundation: December 21, 1928

Capital: ¥16 billion

Number of Employees: 3,076 (Group employees 7,009)* As of May 31, 2017

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:

Head Office
Toyama Plant

Shiodome Sumitomo Bldg. 17F, 1-9-2, Higashi-Shinbashi, Minato-ku, Tokyo 105-0021, Japan Tel:+81-3-5568-5111
1-1-1, Fujikoshi-Honmachi, Toyama 930-8511, Japan
[Cutting Tools / Machine Tools / Bearings / Robots] Tel:+81-76-423-5111

Eastern Japan Main Branch
Central Japan Main Branch
Western Japan Main Branch

Shiodome Sumitomo Bldg. 17F, 1-9-2, Higashi-Shinbashi, Minato-ku, Tokyo 105-0021, Japan
Nachi Nagoya Bldg. 2-120-3, Takayashiro, Meitou-ku, Nagoya 465-0095, Japan
Sumitomo Nakanoshima Bldg. 5F, 3-2-18, Nakanoshima, Kita-ku, Osaka 530-0005, Japan

Higashi-Toyama Plant
Namerikawa Plant

3-1-1, Yoneda-machi, Toyama 931-8511, Japan [Special Steels] / 3-2-1, Nakada, Toyama 931-8453, Japan [Hydraulic Equipment]
176, Ogake, Namerikawa 936-0802, Japan [Hydraulic Equipment / Automotive Hydraulics / Coating / Industrial Furnaces]
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.

Major Overseas Offices and Plants:

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

Bearings that are installed in industrial machinery.

The advancing performance of industrial machinery demands bearings that can also bear higher load at faster speed.

NACHI-FUJIKOSHI offers a wide lineup of products with the world's finest performance.