

NACHI

INTERIM BUSINESS REPORT 2015

December 1, 2014 to May 31, 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.

We report the interim results for the NACHI-FUJIKOSHI Group for the period from December 1, 2014 to May 31, 2015.

Business Environment

As for the business environment surrounding the NACHI-FUJIKOSHI Group during the interim period under review, signs of a weak economy were observed in some regions, including sluggish consumption in Japan and the slowdown in economic growth in emerging economies such as China. Nonetheless, economic recovery proceeded at a moderate pace, supported by the continued upswing in the economies of developed countries led by the United States, coupled with the steady increase in automotive production overseas.

Business Progress and Results

Given this environment, the NACHI-FUJIKOSHI Group worked to expand its business by playing to the strengths of the Group as a comprehensive machinery manufacturer that encompasses the machining, robotics, functional parts, and materials businesses and can provide a wide range of solutions for our customers.

As of the previous consolidated fiscal year, the end date of the fiscal period for our overseas subsidiaries changed from September 30 to November 30. The following compares the results for the interim period with those for the same period of the previous

year (December 2013 to May 2014), adjusted to exclude the impacts of the aforementioned change.

With regard to sales, as a result of our efforts to deploy new products, to expand the existing product range, and to find new customers, mainly clients in other countries, sales for the interim period under review totaled 107.3 billion yen, up 7.2% over the same interim period of the previous fiscal year. Of this, sales in the Japanese market reached 58.2 billion yen, down 0.4% from the same interim period of the previous fiscal year, while overseas sales totaled 49.1 billion yen, up 17.8%.

In terms of profitability, with the effect of the total cost reduction efforts, such as improvement of productivity, operating income totaled 9.6 billion yen, up 1.2% over the same interim period of the previous fiscal year, ordinary income 9 billion yen, up 0.9%, and interim net income 5.7 billion yen, up 32.3%.

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

Future Initiatives

As for the future outlook, it is expected that the demand in the automotive, construction machinery and aircraft sectors will increase, mainly in North America and emerging markets, including China, which is believed to contribute to steady growth in general.

The Group will continue to make improvements to our practices in each section such as sales and services, production and procurement, and research and development,

while having our base in the North American / emerging markets where the mid- and long-term growth of demand is expected. By doing this, we will work on the expansion of merchandise and product range, the creation of new business opportunities, and fundamental cost reform.

The company will work to improve business results and secure a stable profit structure with the purpose of fulfilling our Long-Term Vision and the Mid-Term Business Plan 2016.

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



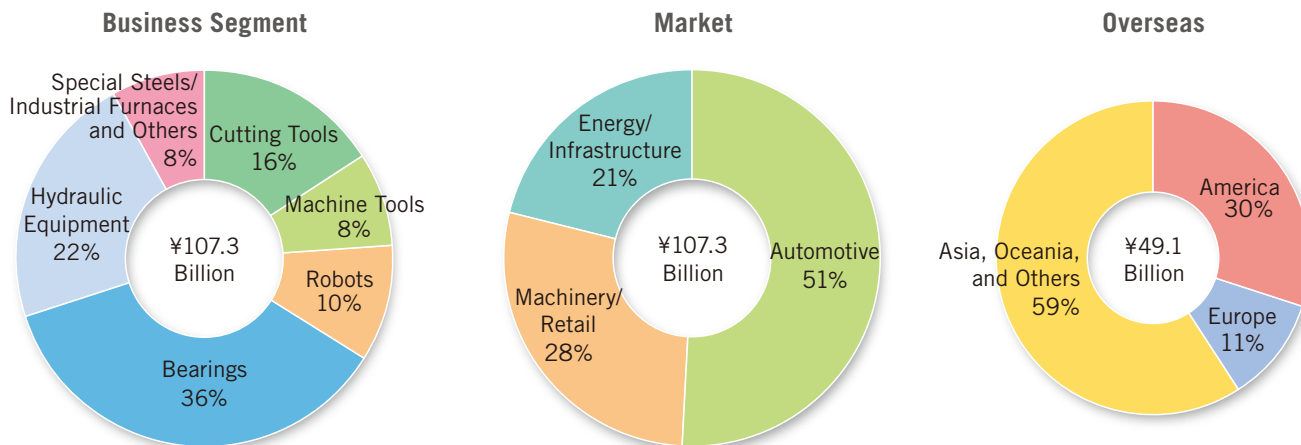
President and
Representative Director

A handwritten signature in black ink, appearing to read 'Hiroo Isonaka', written in a cursive style.

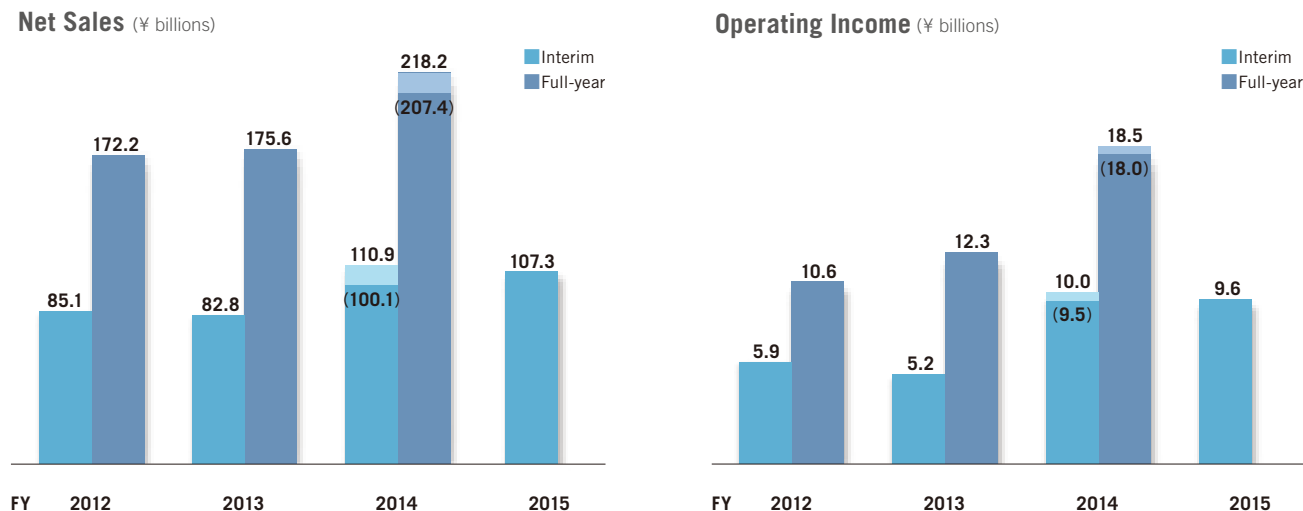
August 2015

RESULTS OF OPERATIONS (Consolidated Operating Result for Second Quarter of Fiscal 2015)

Breakdown of Net Sales



Trend in Business Results



*The amounts inside parentheses for FY2014 represent results excluding the impacts from the change to the end date of the fiscal period for our overseas subsidiaries (during the two-month period of October-November 2013).

TOPICS

Expanding Overseas Markets

We will expand our capacities for sales, services and production in overseas markets where growth in demand is anticipated in the mid- to long-term, including the North American and Asian markets, in order to further strengthen our business base.

○ Enhancement of Sales and Service Capacities

To expand our businesses in overseas markets, we will significantly increase the number of sales and technical personnel, promote the recruitment of local people for executive and staff positions at our overseas subsidiaries, and expand our showroom and presentation facilities.

■ Major distributors in overseas areas



NACHI (SHANGHAI) CO., LTD.
(China hub)



NACHI AMERICA INC.
(America hub)



NACHI EUROPE GmbH
(Europe hub)



NACHI SINGAPORE PTE. LTD.
(ASEAN hub)

○ Expansion of Production Capacities

We will expand our overseas production capacities for cutting tools, bearings, hydraulic equipment, and robots in order to swiftly meet the diverse needs of our customers.

■ The China market



NACHI (JIANGSU) INDUSTRIES CO., LTD.

■ The North American market



NACHI TECHNOLOGY MEXICO S.A. DE C.V.
(To be completed in December 2015)



NACHI TOOL AMERICA INC.
(Indiana, U.S.A.)



Hydraulic equipment
for construction machinery



Automotive hydraulics



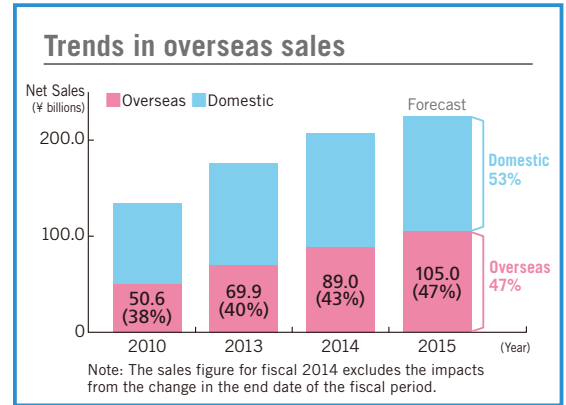
Bearings for automobiles



Carbide drills



Large-diameter helical broaches



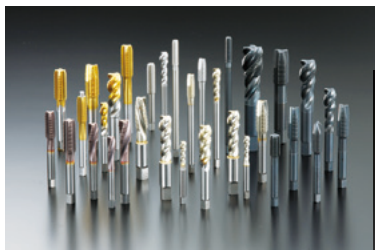
Expansion of Merchandise and Product Range

We will harness our strength as a comprehensive machinery manufacturer in actively deploying new and improved products into the market, and thereby, generate new demand and expand our businesses.

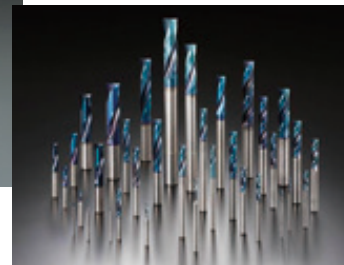
○ Full-scale Entry into the Tap Business

We have launched on the market a new series of taps, which are cutting tools for screw hole processing. We have achieved both stable processing performance and significantly longer life by taking full advantage of our seed technologies ranging from our in-house materials development to heat treatment, coating and shape design.

Combined with our “AQUA Drill EX Series” carbide drills that are utilized before screw hole processing, we offer highly accurate and highly efficient processing to customers.



“SG and N Tap Series.” They meet the needs of various screw hole processing.



The highly acclaimed “AQUA Drill EX Series”

○ Further Cultivation of the Small Robot Market

Our small robots that boast world-leading speeds and optimal maneuverability will meet the expanding demand for robots in the manufacturing, non-manufacturing, service and other markets across the world.



“The world’s fastest” lightweight, compact robots “MZ07” and “MZ04”

Complete Renovation of the Toyama Plant Exhibition Space

We will appeal our products to our customers through a more hands-on approach featuring demonstrations of our diverse automated lines for processing, assembly, and other processes, especially for robots. The exhibition space is scheduled to be completed in October 2015.



Diagram of the new exhibition space



Double arm robot

FINANCIAL STATEMENTS

Consolidated Balance Sheets

Item	Interim 2015 (as of May 31, 2015)	Previous (as of November 30, 2014)
ASSETS:		
Current assets	129,196	127,328
Cash and cash equivalents	25,674	23,932
Notes and accounts receivable	48,567	49,906
Inventories	45,995	44,345
Other	8,959	9,144
Fixed assets	139,220	128,351
Property, plant and equipment	99,319	94,566
Buildings and structures	29,619	29,422
Machinery and equipment	52,289	46,190
Other	17,410	18,954
Intangible fixed assets	950	932
Investments and advances	38,950	32,852
Total assets	268,416	255,680

Consolidated Statements of Income

(¥ millions)

Item	Interim 2015 (December 1, 2014 to May 31, 2015)	Previous (December 1, 2013 to May 31, 2014)
Net sales	107,357	110,907
Operating income	9,683	10,076
Ordinary income	9,010	9,468
Extraordinary income	12	1
Extraordinary losses	20	1,244
Income before income taxes and minority interests	9,002	8,225
Net income	5,700	4,736

(¥ millions)

Item	Interim 2015 (as of May 31, 2015)	Previous (as of November 30, 2014)
LIABILITIES:		
Current liabilities	102,666	103,331
Notes and accounts payable	45,015	47,483
Bonds and short-term bank loans	36,949	32,765
Other	20,702	23,082
Long-term liabilities	59,784	54,779
Long-term debt	34,557	31,392
Net defined benefit liability	11,240	11,062
Other	13,986	12,324
Total liabilities	162,451	158,111
NET ASSETS:		
Shareholders' equity	87,708	83,188
Common stock	16,074	16,074
Additional paid-in capital	11,561	11,561
Retained earnings	61,224	56,970
Treasury stock	△ 1,152	△ 1,418
Revaluations and translation adjustments	11,945	8,357
Minority interests	6,311	6,023
Total net assets	105,965	97,569
Total liabilities and net assets	268,416	255,680

Consolidated Statements of Cash Flows

(¥ millions)

Item	Interim 2015 (December 1, 2014 to May 31, 2015)	Previous (December 1, 2013 to May 31, 2014)
Cash flows from operating activities	7,233	8,071
Cash flows from investing activities	△ 10,112	△ 8,105
Cash flows from financing activities	4,452	1,103
Net decrease in cash and cash equivalents	1,540	1,396
Cash and cash equivalents at beginning of the year	23,469	18,229
Cash and cash equivalents at end of the year	25,010	19,625

SHAREHOLDER INFORMATION (As of May 31, 2015)

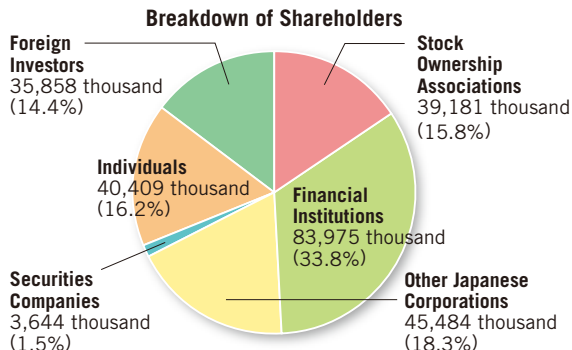
Number of Shares Issued: 249,193,436

Number of Shareholders: 23,882

Major Shareholders (top five):

Note: Shareholding ratio is calculated after subtracting treasury stock (638 thousand shares).

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding	19,231	7.74
Toyota Motor Corporation	13,182	5.30
Employees' Stock Ownership Plan	13,172	5.30
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	11,888	4.78
The Hokuriku Bank, Ltd.	8,659	3.48



DIRECTORS AND AUDITORS (As of August, 2015)

<i>President and Representative Director</i>	<i>Managing Director</i>	<i>Director</i>	<i>Director</i>	<i>Standing Corporate Auditor</i>
Hiroo Honma	Isao Hori	Kazuo Tsukahara*	Fumio Honda	Masakazu Yamazaki*
<i>Managing Director</i>	<i>Managing Director</i>	<i>Director</i>	<i>Director</i>	<i>Standing Corporate Auditor</i>
Noriyasu Shiba	Hidenori Hayashi	Toru Inoue	Tadataka Hori	Hiroshi Yamada
<i>Managing Director</i>	<i>Managing Director</i>	<i>Director</i>	<i>Standing Corporate Auditor</i>	<i>Corporate Auditor</i>
Kenji Susukida	Masayuki Kobayashi	Tetsu Furusawa	Nobuo Okada	Eiichi Fukushima*

*Outside director or outside corporate auditor.

CORPORATE OFFICERS (As of August, 2015)

Shinichi Urata	Shigeru Togashi	Masatoshi Akagawa	Yusaburo Nomura	Tetsuo Koshihama	Tsutomu Kurosawa	Toru Uegaki	Noboru Miura
Hideaki Hara	Hiroshi Goto	Takihiro Hirasaki	Satoshi Hamamoto	Jun Sakamoto	Akira Kunisaki	Yutaka Tsukamoto	

CORPORATE INFORMATION (As of May 31, 2015)

Foundation:	December 21, 1928
Capital:	¥16 billion
Number of Employees:	2,839 (Group employees 6,409)
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, Filtration 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. NACHI EUROPE GmbH NACHI SINGAPORE PTE. LTD. NACHI TECHNOLOGY (THAILAND) CO., LTD. NACHI (SHANGHAI) CO., LTD. NACHI (JIANGSU) INDUSTRIES 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 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

The cover photograph is of the taps from the new “SG Tap” series, which are cutting tools for screw hole processing.

Combined with the carbide drills used for hole processing, these taps propose to omit processes from hole processing to screw hole processing and help increase productivity at processing sites.