

# INTERIM BUSINESS REPORT 2016

December 1, 2015 to May 31, 2016



# NACHI

**NACHI-FUJIKOSHI CORP.**

Securities Code: 6474

# TO OUR SHAREHOLDERS

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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, 2015 to May 31, 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 the interim period under review has been under a tough situation as a whole due to the slowdown in economic growth in emerging economies such as China and the impact of rapid and significant fluctuations in currency exchange rates.

## 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. Despite these efforts, sales in the current consolidated fiscal year reached 106.2 billion yen, down 1.1% over the same period of the previous year. Of this, sales in the Japanese market were 56.2 billion yen, down 3.4% over the previous period, while overseas sales

totaled 49.9 billion yen, up 1.7%.

In terms of profitability, operating profit, current profit and the quarter net profit of the parent company shareholders were 6.4 billion yen (decreased by 33.4% over the same interim period of the previous fiscal year), 4.3 billion yen (similarly decreased by 51.6%) and 2.7 billion yen (similarly decreased by 52.5%), respectively. This was due to increased upfront investment cost including the expansion of sales and the production system for business expansion in the future, as well as the influence of the appreciation of the yen against the dollar.

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

## Future Initiatives

As for the future outlook, while uncertain situations such as the strengthening of the yen and the slowdown of emerging economies may continue for the time being, increased needs for automation and systemization mainly in the robotics sector are expected in the mid-to-long-term due to a drastic change in the demand structure such as the spread of green-cars and the soaring needs of streamlining in manufacturing sites.

With our axis shifted to the robotics business with promising expansion and taking this structural change as a good opportunity, the Group has determined that it will promote internal reform in various sections including sales, services, manufacturing, procurement as well as research development as a

comprehensive machinery manufacturer with robotics at its core. By doing this, we will work on the expansion of merchandise and product range, the creation of new business opportunities, and fundamental cost reform.

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



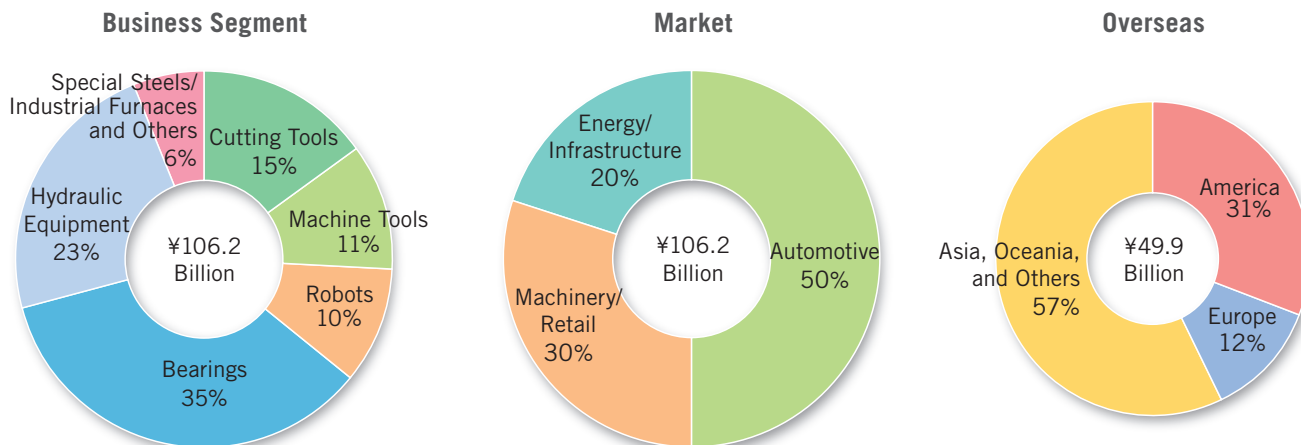
President and  
Representative Director

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

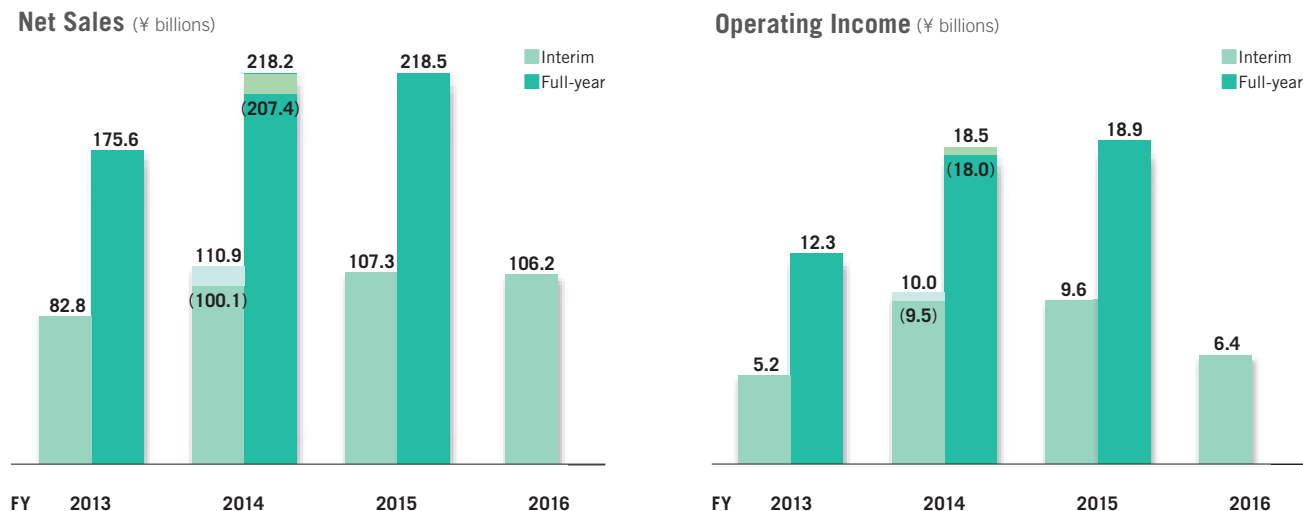
August 2016

# RESULTS OF OPERATIONS (Consolidated Operating Result for Second Quarter of Fiscal 2016)

## Breakdown of Net 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).

## Becoming a Comprehensive Machinery Manufacturer with Robotics at Its Core

Keeping firmly in mind the mid-to-long-term changes in demand structure that surround us, such as the trend of new kind of vehicle except having engine in the automotive sector and a lack of laborers at manufacturing sites led by the global falling birth rate and aging population, we will make efforts to establish a stance as a comprehensive machinery manufacturer with the robotics business at its core in which an expansion of demand is expected in the future.

### ○ Expansion of Merchandise



"WING SLICER" Type "EZ series" robot

### Expansion of Our Compact Robot Lineup

We released a "WING SLICER" Type "EZ series" robot to the market targeting the electric and electronic fields which have increased needs for automation.

We realized space-saving, ultrafast operation and minimizing of dead space by adopting our unique Z-axis moving structure and 6-axis model.

### Provision of a Wide Range Of System Designs

A wider range of system designs are available with the combination of the EZ and MZ series.

We provide more compact and high-speed robotic solutions for machine processing, transportation, as well as the assembly process.

The world's fastest and lightweight compact robots, the MZ series



### ○ Strengthening system response capabilities



Toyama Head Office ROBOT FA Exhibition Hall

### Construction of the new ROBOT FA Exhibition Hall

The ROBOT FA Exhibition Hall has been opened in the Toyama Head Office as a venue for solution proposal for automation needs from clients.



The facility consists of a showroom in which many system examples in various business types are displayed and a demonstration and testing area where the automation concept is implemented it can be also used for a robot training course.

## ○ Global Expansion of Robot Technical Centers

Based on the concept of the ROBOT FA Exhibition Hall, Robot Technical Centers will be newly opened at 10 locations across China, North America, Europe and ASEAN. Various case studies will be prepared to meet local demands as well as the growing needs for automation.

### Further Cultivation of the Chinese Market

To meet the huge demand in the Chinese Market, Robot Technical Centers will be opened at three locations in China (Shanghai, Qingdao and Guangzhou), which is the biggest point of demand for robots, and one location in Taiwan (Taipei), where the headquarters of EMS manufacturers are concentrated.

#### ■ Enhancement of Sales Organization

We will significantly increase the number of sales personnel, as well as sales bases, and expand local production capacities to promote local production for local consumption in China.



**NACHI (JIANGSU) INDUSTRIES CO., LTD.**



#### ■ The Shanghai Technical Center will be opened in China's largest exhibition hall, the National Exhibition and Convention Center

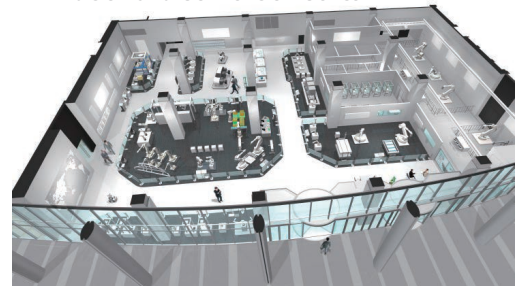


Diagram of Shanghai Technical Center

In November of 2016, the Shanghai Technical Center, which is twice as large as the Toyama Head Office ROBOT FA Exhibition Hall, will be newly established to meet the growing needs for automation.

### Held the opening ceremony for the Qingdao Technical Center (April 15, 2016)



A big opening ceremony was held, which was attended by over 100 people, including Qingdao government officials, to give a tour and to fully experience the various case studies.

# FINANCIAL STATEMENTS

## Consolidated Balance Sheets

Item	Interim 2016 (as of May 31, 2016)	Previous (as of November 30, 2015)
<b>ASSETS:</b>		
<b>Current assets</b>	<b>124,052</b>	<b>126,695</b>
Cash and cash equivalents	23,944	22,116
Notes and accounts receivable	47,012	48,584
Inventories	44,095	45,879
Other	9,000	10,114
<b>Fixed assets</b>	<b>142,925</b>	<b>141,416</b>
<b>Property, plant and equipment</b>	<b>108,901</b>	<b>103,606</b>
Buildings and structures	30,528	29,017
Machinery and equipment	60,400	54,255
Other	17,972	20,332
<b>Intangible fixed assets</b>	<b>1,218</b>	<b>1,051</b>
<b>Investments and advances</b>	<b>32,805</b>	<b>36,758</b>
<b>Total assets</b>	<b>266,978</b>	<b>268,112</b>

## Consolidated Statements of Income

(¥ millions)

Item	Interim 2016 (December 1, 2015 to May 31, 2016)	Interim 2015 (December 1, 2014 to May 31, 2015)
<b>Net sales</b>	<b>106,201</b>	<b>107,357</b>
<b>Operating income</b>	<b>6,445</b>	<b>9,683</b>
<b>Ordinary income</b>	<b>4,358</b>	<b>9,010</b>
Extraordinary income	273	12
Extraordinary losses	171	20
Income before income taxes and minority interests	4,460	9,002
<b>Net income</b>	<b>2,705</b>	<b>5,700</b>

(¥ millions)

Item	Interim 2016 (as of May 31, 2016)	Previous (as of November 30, 2015)
<b>LIABILITIES:</b>		
<b>Current liabilities</b>	<b>100,719</b>	<b>98,407</b>
Notes and accounts payable	40,251	41,988
Bonds and short-term bank loans	43,347	37,827
Other	17,120	18,591
<b>Long-term liabilities</b>	<b>63,528</b>	<b>60,398</b>
Long-term debt	38,636	35,026
Allowance for retirement benefits	10,776	11,006
Other	14,115	14,365
<b>Total liabilities</b>	<b>164,247</b>	<b>158,805</b>
<b>NET ASSETS:</b>		
<b>Shareholders' equity</b>	<b>94,649</b>	<b>93,911</b>
Common stock	16,074	16,074
Additional paid-in capital	11,650	11,650
Retained earnings	67,338	67,118
Treasury stock	△ 414	△ 932
Revaluations and translation adjustments	1,686	8,641
<b>Minority interests</b>	<b>6,394</b>	<b>6,752</b>
<b>Total net assets</b>	<b>102,730</b>	<b>109,306</b>
<b>Total liabilities and net assets</b>	<b>266,978</b>	<b>268,112</b>

## Consolidated Statements of Cash Flows

(¥ millions)

Item	Interim 2016 (December 1, 2015 to May 31, 2016)	Interim 2015 (December 1, 2014 to May 31, 2015)
<b>Cash flows from operating activities</b>	<b>8,204</b>	<b>7,233</b>
<b>Cash flows from investing activities</b>	<b>△ 12,804</b>	<b>△ 10,112</b>
<b>Cash flows from financing activities</b>	<b>7,508</b>	<b>4,452</b>
<b>Net decrease in cash and cash equivalents</b>	<b>1,991</b>	<b>1,540</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>21,487</b>	<b>23,469</b>
<b>Cash and cash equivalents at end of the year</b>	<b>23,479</b>	<b>25,010</b>

## SHAREHOLDER INFORMATION (As of May 31, 2016)

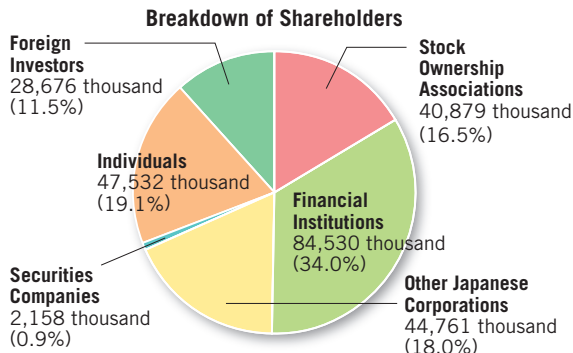
**Number of Shares Issued:** 249,193,436

**Number of Shareholders:** 24,953

**Major Shareholders (top five):**

Note: Shareholding ratio is calculated after subtracting treasury stock (654 thousand shares).

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding Employees' Stock Ownership Plan	20,189	8.12
Toyota Motor Corporation	13,475	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



## DIRECTORS AND AUDITORS (As of August 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>	<small>*Outside director or outside corporate auditor.</small>
Isao Hori	Kazuo Tsukahara*	Tadataka Hori	Masatoshi Akagawa	Masashi Hori	

## CORPORATE OFFICERS (As of August, 2016)

Hideaki Hara Yusaburo Nomura Tetsuo Koshihama Noboru Miura Yukihiro Shoji Noritsugu Sasaki Hiroyuki Hanato Tetsuyuki Onoda  
Shigeru Togashi Satoshi Hamamoto Tsutomu Kurosawa Kouichi Watanabe Ryohei Nobetani Jun Sakamoto Hiroyuki Ushimaru

## CORPORATE INFORMATION (As of May 31, 2016)

<b>Foundation:</b>	December 21, 1928
<b>Capital:</b>	¥16 billion
<b>Number of Employees:</b>	2,958 (Group employees 6,794)
<b>Major Products:</b>	Machinery and tools business Components business Other business
<b>Major Domestic Offices and Plants:</b>	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]
<b>Major Overseas Offices and Plants:</b>	NACHI AMERICA INC. NACHI EUROPE GmbH NACHI (SHANGHAI) CO., LTD. NACHI (JIANGSU) INDUSTRIES CO., LTD. NACHI SINGAPORE PTE. LTD. NACHI TECHNOLOGY (THAILAND) CO., LTD.

# INVESTOR INFORMATION

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

## 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 front cover shows a

“WING SLICER” Type “EZ02” robot.

We realized space-saving, ultrafast operation and minimizing of dead space

by adopting unique own mechanism.

This robot contributes to space-saving and productivity improvement at production sites.