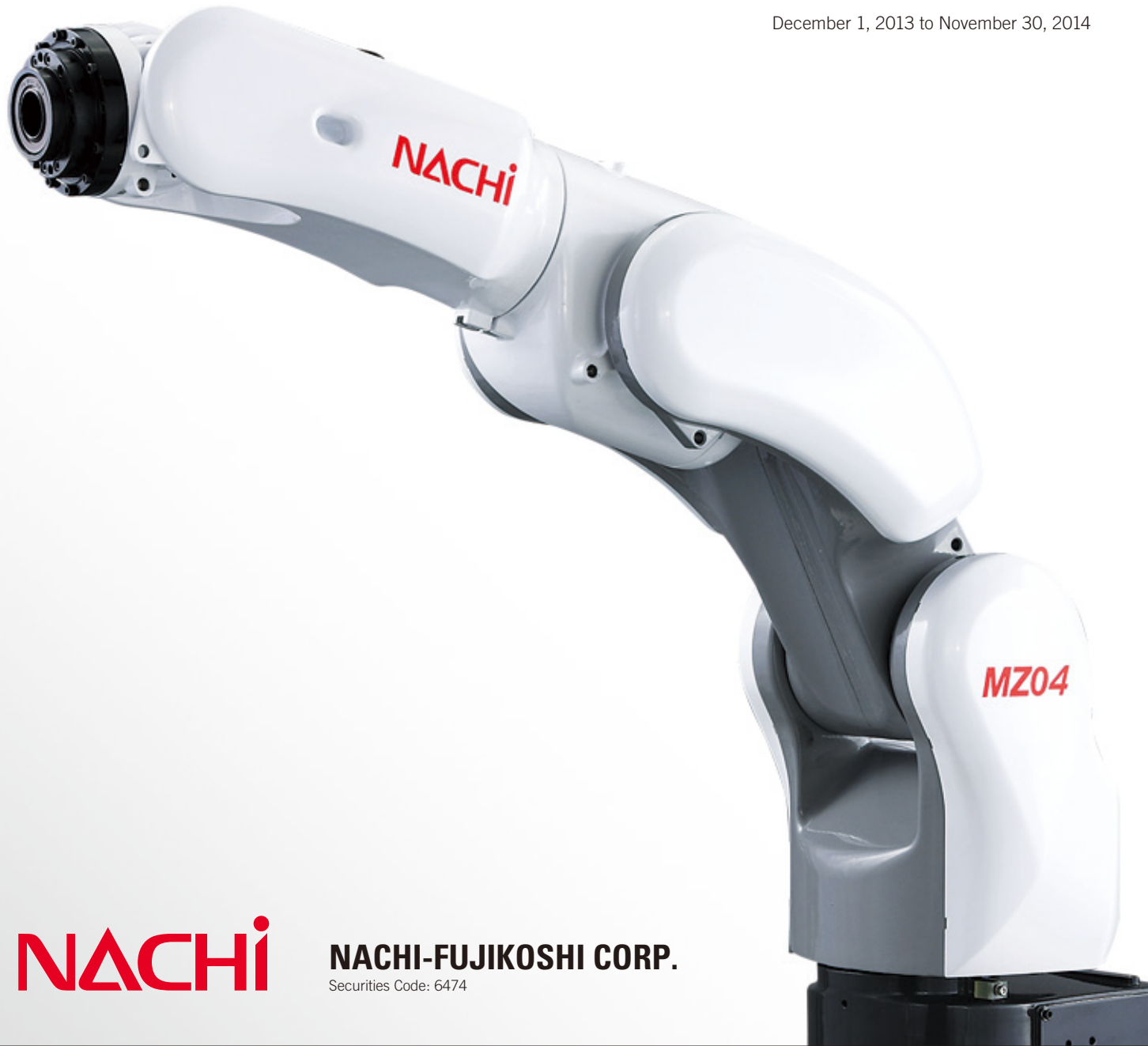


BUSINESS REPORT 2014

December 1, 2013 to November 30, 2014



NACHI

NACHI-FUJIKOSHI CORP.

Securities Code: 6474

TO OUR SHAREHOLDERS

We would like to express our sincere gratitude to our shareholders for their continued support and patronage.

I am pleased to report that the NACHI-FUJIKOSHI Group's business overview for the fiscal year ended November 2014 (from December 1, 2013 to November 30, 2014).

I would like to inform you that the end date of the fiscal period for our overseas subsidiaries has been changed from September 30 to November 30 as of the current consolidated fiscal year. For this reason, the consolidated cumulative period of the fiscal year ended November 2014 is our overseas subsidiaries 14 months, from October 2013 to November 2014.

Business Environment

As for the business environment surrounding the NACHI-FUJIKOSHI Group during the period under review, a gradual recovery is underway in general. Although there were some signs of economic weakness due to the impact of the consumption tax rate increase in Japan and the slowdown in economic growth in emerging economies including China, advanced economies have continued to show signs of recovery, driven by the United States, and automotive production in overseas countries is showing steady increase.

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 the 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 the existing product range, as well as changing the fiscal term of our overseas subsidiaries as of the first quarter. As a result, sales in the current consolidated fiscal year reached 218.2 billion yen, up 24.2% over the previous period. Of this, sales in the Japanese market were 118.4 billion yen, up 12.0% over the previous period, while overseas sales totaled 99.7 billion yen, up 42.6%.

In terms of profitability, with the success of the total cost reduction effort, such as improvement of operation capacity and productivity, operating income totaled 18.5 billion yen, up 50.5% over the same period of the previous fiscal year, ordinary income 18.4 billion, up 57.5%, and net income 9.9 billion yen, up 48.1%.

Dividends

The NACHI-FUJIKOSHI Group considers redistribution of profits to our shareholders as one of the most important tasks, and our basic policy is to provide stable dividends based on the comprehensive consideration on consolidated operating results and dividend payout ratio. The internal reserves will be allocated to the future business development and strengthening of financial structure.

With regard to the fiscal year-end dividend, based on the above policy and taking into account the operating results of this fiscal year, it has been decided that 8 yen in dividends would be paid per share, an increase of 2 yen per share over the previous period, to show our appreciation to the support from our shareholders.

Future Initiatives

As for the future outlook, although there is a concern that the economy in Japan is slowing down, it is expected that the demand in the

automotive, industrial machinery, construction machinery, and aircraft sectors will increase in the mid to long-term period, mainly in the North American and emerging markets, which will contribute to a steady growth in general.

The Group will place our focus on the volume zones inside and outside Japan to enhance sales/service framework and expand our merchandise and product range, while strengthening procurement framework, and reducing costs by innovation of production line.

The company will work to improve operating results and secure a stable profit structure with the purpose of fulfilling our Long-Term Vision and the Mid-Term Business Plan 2016 that was formulated in January 2014.

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



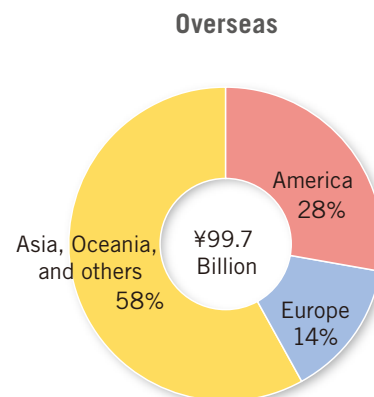
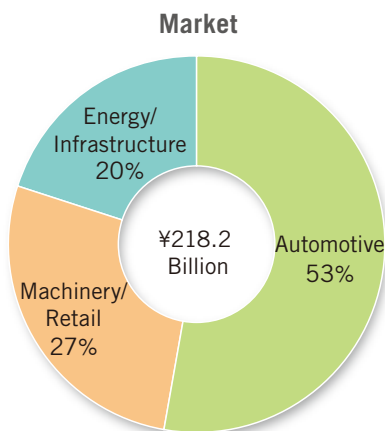
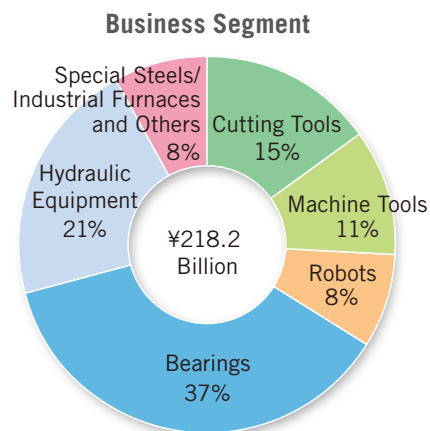
President and
Representative Director

A handwritten signature in black ink, which appears to read "Hiroaki Sonoda". The signature is fluid and cursive, written over a light-colored background.

February 2015

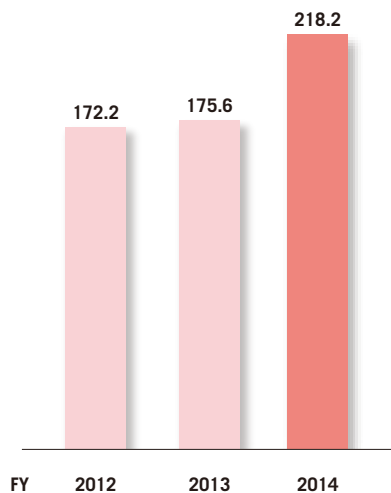
RESULTS OF OPERATIONS (Consolidated)

Composition of Sales

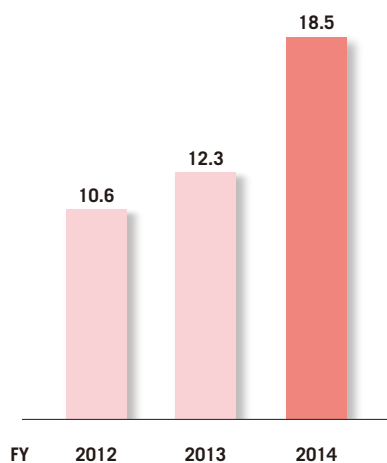


Trend in Business Results

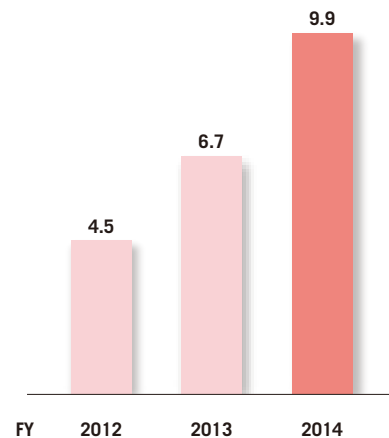
Net Sales (¥ billions)



Operating Income (¥ billions)



Net Income (¥ billions)



*The fiscal year 2014 includes the impact (sales: 10.7 billion yen, operating income, 500 million yen, net income: 400 million yen) due to the change to the fiscal period for our overseas subsidiaries (changed from September 30 to November 30, consolidated fiscal period of 14 months).

Expanding Business in the Growing Market

Our Group is undertaking the expansion of our business in the North American and Asian markets, where mid and long-term demand growth is expected, by expanding local production and improving our sales and services framework.

○ Strengthening operations in the North American market

New production base of bearings will open in Mexico



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

A new production base will open in Mexico, where automotive production is expected to increase. We will deploy our bearings business in full-scale.



Roller bearings for constant velocity joints



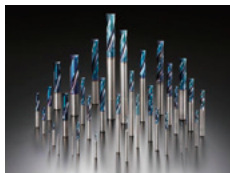
Bearings for transmissions

Increasing the local production of cutting tools in America



NACHI TOOL AMERICA INC.

In the aim to expand sales in the fast-growing automotive and aircraft sectors, we will start local production of carbide drills and broaches to expand our market share.



AQUA Drill EX series



Large-diameter helical broaches for machining the gears for automotive transmissions

○ Further Cultivation of the Chinese Market

We will enhance our production capacity of robots, hydraulic equipment, car control valves, and bearings for automobiles to meet the increasing local demand, in accordance with the “local production for local consumption” concept.



NACHI (JIANGSU) INDUSTRIES CO., LTD.



Robot “SRA”



Hydraulic equipment for construction machines

Expand the sales/service framework for robots

Established a new robot technical center in Guangzhou, following Shanghai.

We will promote efforts to improve customer satisfaction and increase sales orders.



The opening ceremony at the technical center in Guangzhou

Expansion of merchandise and product range

Utilizing our strength as a comprehensive machinery manufacturer, we will actively deploy our new and improved products into the market.



“The World’s fastest”
Lightweight, Compact Robot “MZ07”, “MZ04”



Energy-saving and compact hydraulic unit
“Power Meister”

○ Full-scale entry into the small robot market

“MZ04” has been deployed into the small robot market, targeting the volume zone of 3-4kg transportable robots. Together with MZ07, it enhanced the product range of small robots.

In addition to automotive and industrial machineries, we will promote effort to develop electrical/electronic and chemical/food industries.

○ Strengthened Carbide Drill Lineup

The highly acclaimed AQUA Drill EX series now includes the enhanced lineup of EX 3 Flutes, which achieve high-accuracy drilling with a 3-flute design.

They can be used with a wider range of machine tools, as well as enabling the machining of high-hardness materials.



“AQUA Drill EX 3 Flutes”

○ Saving energy and space for hydraulic units

A “new type of Power Meister,” which is ideal as the driving source of machine tools and press machines, has been deployed into the market. It will meet the increasing needs of saving energy and space.

Held the opening ceremony for the new factory in India.



A scene from the opening ceremony



**NACHI KG TECHNOLOGY
INDIA PTE. LTD.**

The new factory in India, which started operating in July 2013, has started full-scale operation.

A big opening ceremony was held in November 2014, which was attended by a total of more than 200 people including users, agencies, and local parties mainly from automotive sector.

FINANCIAL STATEMENTS

Consolidated Balance Sheets

(¥ millions)

Item	2014 (as of November 30, 2014)	2013 (as of November 30, 2013)
ASSETS:		
Current assets	127,328	101,135
Cash and cash equivalents	23,932	18,591
Notes and accounts receivable	49,906	39,896
Inventories	44,345	35,448
Other	9,144	7,199
Fixed assets	128,351	106,780
Property, plant and equipment	94,566	82,354
Buildings and structures	29,422	28,803
Machinery and equipment	46,190	38,472
Land	7,845	7,108
Other	11,109	7,970
Intangible fixed assets	932	716
Investments and advances	32,852	23,709
Total assets	255,680	207,916

Consolidated Statements of Income

(¥ millions)

Item	2014 (Year ended November 30, 2014)	2013 (Year ended November 30, 2013)
Net sales	218,225	175,697
Operating income	18,574	12,338
Ordinary income	18,419	11,698
Extraordinary income	28	400
Extraordinary losses	1,748	1,240
Income before income taxes and minority interests	16,699	10,858
Net income	9,934	6,706

(¥ millions)

Item	2014 (as of November 30, 2014)	2013 (as of November 30, 2013)
LIABILITIES:		
Current liabilities	103,331	79,292
Notes and accounts payable	47,483	38,918
Bonds and short-term bank loans	32,765	23,795
Other	23,082	16,579
Long-term liabilities	54,779	47,263
Bonds and long-term debt	31,392	31,328
Allowance for retirement benefits	-	6,626
Liabilities concerning retirement benefits	11,062	-
Other	12,324	9,308
Total liabilities	158,111	126,556
NET ASSETS:		
Shareholders' equity	83,188	75,964
Common stock	16,074	16,074
Additional paid-in capital	11,561	11,561
Retained earnings	56,970	48,527
Treasury stock	△ 1,418	△ 199
Revaluations and translation adjustments	8,357	1,157
Minority interests	6,023	4,238
Total net assets	97,569	81,360
Total liabilities and net assets	255,680	207,916

Consolidated Statements of Cash Flows

(¥ millions)

Item	2014 (Year ended November 30, 2014)	2013 (Year ended November 30, 2013)
Cash flows from operating activities	18,699	20,737
Cash flows from investing activities	△ 19,159	△ 10,413
Cash flows from financing activities	4,416	△ 9,188
Net increase in cash and cash equivalents	5,240	2,467
Cash and cash equivalents at beginning of the year	18,229	15,761
Cash and cash equivalents at end of the year	23,469	18,229

SHAREHOLDER INFORMATION (As of November 30, 2014)

Number of Shares Issued: 249,193,436

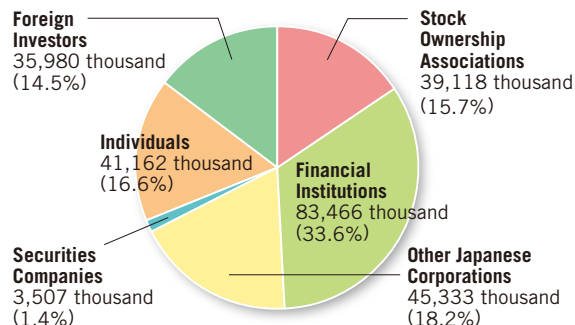
Number of Shareholders: 23,819

Major Shareholders (top five):

Note: Shareholding ratios are calculated after subtracting treasury stock (623 thousand shares).

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding	19,101	7.68
Employees' Stock Ownership Plan	13,233	5.32
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 19, 2015)

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

CORPORATE OFFICERS

<small>(As of February 19, 2015)</small> <i>Corporate Officer</i> Shinichi Urata	<i>Corporate Officer</i> Takihiro Hirasaki
<i>Corporate Officer</i> Hideaki Hara	<i>Corporate Officer</i> Yusaburo Nomura
<i>Corporate Officer</i> Shigeru Togashi	<i>Corporate Officer</i> Satoshi Hamamoto
<i>Corporate Officer</i> Hiroshi Goto	<i>Corporate Officer</i> Tetsuo Koshihama
<i>Corporate Officer</i> Masatoshi Akagawa	<i>Corporate Officer</i> Jun Sakamoto
	<i>Corporate Officer</i> Tsutomu Kurosawa

CORPORATE INFORMATION (As of November 30, 2014)

Foundation: December 21, 1928
Capital: ¥16 billion
Number of Employees: 2,797 (Group employees 6,296)

Major Products:
 Machinery and tools business Cutting Tools, Forming Tools, Cutting Saws, Machine Tools, Machining Systems, Robots, Robot Systems
 Components business Bearings, Hydraulic Equipment, Automotive Hydraulics, Seismic Isolation Systems, Filtration Systems
 Other business Special Steels, Coating, Industrial Furnaces

Major Domestic Offices and Plants:

Toyama Head Office 1-1-1, Fujikoshi-Honmachi, Toyama 930-8511, Japan Tel:+81-76-423-5111
 Tokyo Head Office Shiodome Sumitomo Bldg. 17F, 1-9-2, Higashi-Shinbashi, Minato-ku, Tokyo 105-0021, Japan +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. 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.

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.

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.)

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.)

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 image is the world's fastest lightweight, compact robot MZ04.

The light weight robot arm and the state-of-art control technology have achieved the fastest operating speed in its class.

With its wide range of applications, it will contribute to significantly improve productivity.