

A close-up, low-angle shot of a blue metal drill bit, showing its sharp cutting edges and the spiral flutes. The lighting is dramatic, highlighting the metallic texture and the precision of the tool. The background is a soft, out-of-focus white.

**NACHI**

**INTERIM BUSINESS REPORT  
2012**

December 1, 2011 to May 31, 2012

**NACHI-FUJIKOSHI CORP.**

Securities Code: 6474

# ■ TO OUR SHAREHOLDERS

We wish to express our happiness over the ever greater fortune that has been bestowed on our shareholders.

We report the interim results for the NACHI-FUJIKOSHI Group for the period from December 1, 2011 to May 31, 2012.

## Business Environment

The business environment surrounding the NACHI-FUJIKOSHI Group during the interim period under review was difficult overall, with the emerging economies undergoing adjustment and the Japanese yen appreciated to historical high in addition to the financial and debt crises in Europe.

## 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 encompassing the machining, robotics, functional parts and materials businesses and capable of providing a wide range of solutions for our customers.

As a result, sales for the interim period under review totaled 85.1 billion yen, up 7.9% over the same interim period of the previous fiscal year. Of this, sales in the Japanese market reached 53.8 billion yen, up 13.2% over the same interim period of the previous fiscal year, while overseas sales totaled 31.3 billion yen, down 0.1%.

In terms of profitability, although we improved rate of operation increasing sales and production, and continued to promote cost cutting through such means as overseas sourcing, deteriorating export margins due to the strong yen, growing overhead costs due to the expansion of our overseas operations, falling sales prices and other factors had a major impact, and operating profits decreased to 5.9 billion yen, down 17.1% from the same interim period of the previous fiscal year, while ordinary profits were at 5.0 billion yen, down 19.8%, and interim net income at 2.6 billion yen, down 48.5%.

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

## Future Initiatives

As for the outlook moving forward, an uncertain future awaits us with regard to currency exchange rates and the situation in the developing economies in addition to the financial and debt crises in Europe, but we do expect production and fixed investments in aeronautics and power generation and other energy infrastructure sectors to continue on a robust trajectory.

The NACHI-FUJIKOSHI Group will endeavor to promote the expansion of our product lineup, create new business opportunities, and undertake thoroughgoing cost reduction in sales, services, manufacturing, procurement, research and development, while anchoring our business in the developing economies, where mid- to long-term growth in demand can be expected.

By these means, the company will work to improve business results and secure a stable profit structure with the purpose of fulfilling our Long-term Vision and Mid-term Business Plan.

Our company was subjected to an on-site inspection on July 26, 2012 by the Fair Trade Commission under the suspicion of violating the Antimonopoly Act concerning ball bearings transactions. In addition, EUROPE GmbH, one of our subsidiaries, was subjected to an investigation on November 8, 2011 (local time) by the European Commission under the suspicion of violating the competition law of the European Union concerning ball bearings transactions.

In addition, our company and former directors of our company and other people were accused by the Fair Trade Commission and were charged by the Tokyo District Public Prosecutor's Office on June 14, 2012 of violating the Antimonopoly Act concerning ball bearings transactions.

Our company and Our Group have fully cooperated with the investigation, etc. by the relevant authorities in Japan and overseas.

We offer our heartfelt apologies for having caused a great amount of distress for our shareholders, customers and all relevant parties with regard to this series of events.

Our company has taken this turn of events seriously and sincerely to heart and has newly established the "Compliance Committee" on June 4, 2012 with the aim of further reinforcing our compliance system. The Committee is chaired by the president of our company and includes in its membership a lawyer from the outside. It formulates policies concerning compliance for the whole Group and conducts planning and promotion of various measures and supervision and instruction regarding the state of activities.

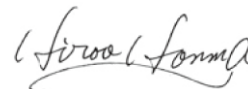
Also, the Compliance Promotion Department has been newly established as the implementation organization of the policies and measures that the Compliance Committee formulates, and a Compliance Promotion Group has been newly established under each of the sales, manufacturing and management departments. They shall conduct the thoroughgoing indoctrination of the policies to and education and instruction of all our Group employees including overseas personnel.

Our Group shall strive to achieve thoroughgoing compliance with laws and regulations, and the recovery of public trust through the current reinforcement and reconstruction of its compliance system.

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



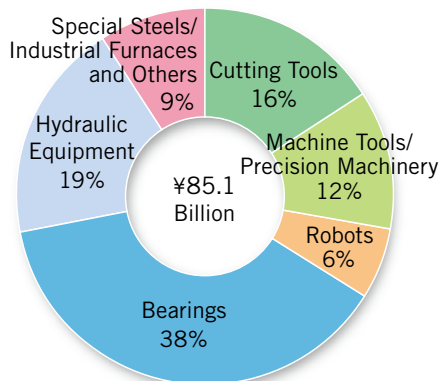
President and  
Representative Director



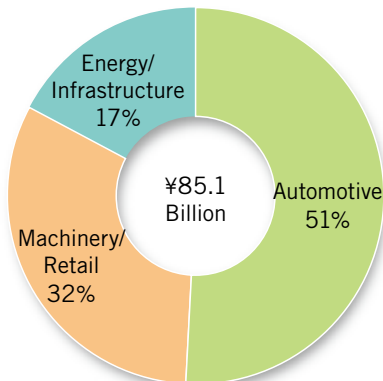
August 2012

# RESULTS OF OPERATIONS (Consolidated Operating Result for Second Quarter of Fiscal 2012)

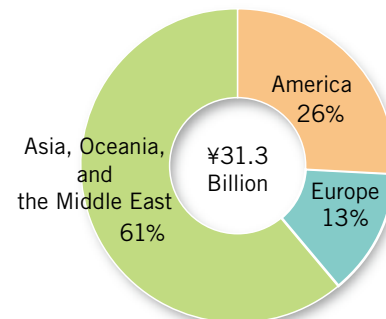
### Sales by Business Segment



### Sales by Market

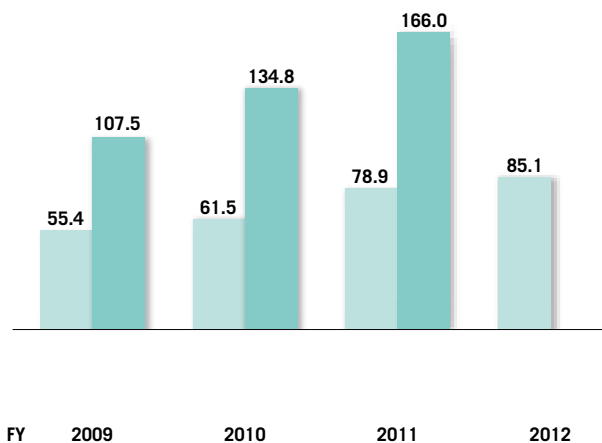


### Overseas Sales



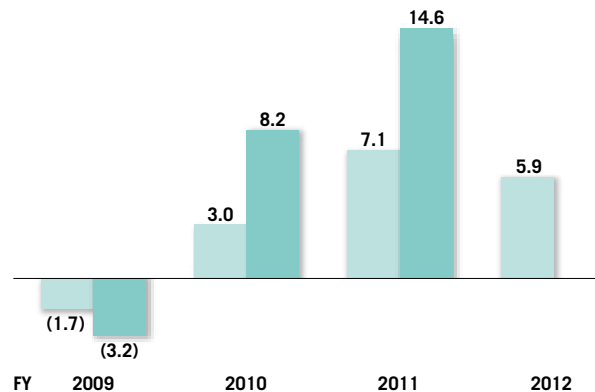
### Net Sales (¥ billions)

■ Interim ■ Full-year



### Operating Income (¥ billions)

■ Interim ■ Full-year



## ◆ Expanding Our Presence in the Chinese Market

Our Group is undertaking the expansion of our business in the Chinese market, where sustained economic growth is expected over the medium- and long-term, by establishing new manufacturing bases and expanding our sales and services framework.

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



Scheduled for completion in January 2013

Our Group is establishing a manufacturing base in Zhangjiagang, Jiangsu, that will serve as the core of our Chinese business and moving forward with local production of hydraulic equipment, car control valves and high precision tools.

Through this, Our Group is further reinforcing its supply system in China and expanding demand for its products among the customer base in the automobile, construction equipment and machine tools sectors, which continue to grow.

<Production Items>



Hydraulic equipment for construction machines



Hydraulic equipment for automobiles

### NACHI (SHANGHAI) CO., LTD.



Our Group has moved its Shanghai sales base from Jiading to Putou (near Hongqiao Airport) in view of the reinforcement of the local staff and of transport access. It is promoting the development of local Chinese customers.

## ◆ Developing the Indian Market



### NACHI KG TECHNOLOGY INDIA PTE. LTD.

Embarking on local production of bearings for automobiles and industrial machinery to meet rapidly growing demand in the Indian market, which is seeing the conspicuous rise of market entries by Japanese and other global corporations and the development of local firms.

Scheduled for completion in March 2013



Deep groove radial bearings

## ◆ Increasing Products and Expanding Markets

Our Group is developing innovative new products and working to increase our share in the automotive market the energy and infrastructure markets.

### ◆ World Class Speed Robot SRA



Our Group has developed the world's fastest spot welding robot by simultaneously reducing the weight and increasing the rigidity of the robot body and combining that with new control technology. The robot responds to the need to enhance productivity by speeding up the welding process for automotive bodies, and has been well received since it went on sale worldwide in November 2011.

### ■ Beefing Up Our Product Lineup

#### SRA100 for lightweight spot welding guns

Our Group has developed a 100kg payload robot highly suitable for light (up to 100 kg) spot welding guns. It offers a significant reduction of automobile body welding process cycle time compared to previous models and contributes to the enhancement of productivity.



**Shelf-mounted Type SRA166T/210T  
Long Arm Type SRA166L  
Shelf-mounted Long Arm Type SRA166TL**

Our Group has expanded our series of products that meet the requirements of a wide variety of situations on the production line, including shelf-mounted types for welding by approaching from above and long arm types for avoiding obstacles.

### ◆ Flat Drills



A newly shaped drill with a 180° flat edge.

The flat edge eliminates the necessity for pre-stage machining of inclined and curved surfaces, and makes single-procedure processing of back facing holes and blind holes possible. The drill has been introduced successively since 2010.

### ■ Expanding Our Flat Drill Lineup

#### Aqua Drill EX Flat

Long service life has been achieved by employing ultrafine particle high-strength cemented carbides and Aqua EX Coating, which has superior heat and wear and abrasion resistance qualities.

This drill series are the most appropriate for high precision, high efficiency processing of high volume products.

Small diameter versions have been newly added to the lineup in order to meet the processing needs of high precision electronic parts.

#### SG Flat Drills

Large diameter types have been added to our flat drill line. They secure high rigidity in the large diameter domain.

This contributes to the improvement of productivity for large parts that are used in construction machinery and power generators.



# FINANCIAL STATEMENTS

## Consolidated Balance Sheets

(¥ millions)

Item	Interim 2012 (as of May 31, 2012)	Previous (as of November 30, 2011)
<b>ASSETS:</b>		
<b>Current assets</b>	<b>104,805</b>	<b>89,443</b>
Cash and cash equivalents	27,259	13,118
Notes and accounts receivable	36,855	38,192
Inventories	35,706	32,790
Other	4,984	5,342
<b>Fixed assets</b>	<b>92,391</b>	<b>90,347</b>
<b>Property, plant and equipment</b>	<b>77,724</b>	<b>76,235</b>
Buildings and structures	27,495	27,939
Machinery and equipment	35,779	34,550
Land	7,173	7,022
Other	7,276	6,722
<b>Intangible fixed assets</b>	<b>366</b>	<b>391</b>
<b>Investments and advances</b>	<b>14,300</b>	<b>13,720</b>
<b>Total assets</b>	<b>197,197</b>	<b>179,791</b>

(¥ millions)

Item	Interim 2012 (as of May 31, 2012)	Previous (as of November 30, 2011)
<b>LIABILITIES:</b>		
<b>Current liabilities</b>	<b>70,887</b>	<b>75,377</b>
Notes and accounts payable	33,819	36,758
Short-term bank loans	23,953	25,216
Other	13,114	13,403
<b>Long-term liabilities</b>	<b>62,011</b>	<b>43,456</b>
Bonds and long-term debt	49,629	30,556
Allowance for retirement benefits	6,172	6,553
Other	6,209	6,346
<b>Total liabilities</b>	<b>132,898</b>	<b>118,834</b>
<b>NET ASSETS:</b>		
<b>Shareholders' equity</b>	<b>68,814</b>	<b>67,664</b>
Common stock	16,074	16,074
Additional paid-in capital	11,561	11,560
Retained earnings	41,369	40,218
Treasury stock	△ 191	△ 189
Accumulated other comprehensive income	△ 7,585	△ 9,465
<b>Minority interests</b>	<b>3,070</b>	<b>2,758</b>
<b>Total net assets</b>	<b>64,298</b>	<b>60,957</b>
<b>Total liabilities and net assets</b>	<b>197,197</b>	<b>179,791</b>

## Consolidated Statements of Income

(¥ millions)

Item	Interim 2012 (December 1, 2011 to May 31, 2012)	Interim 2011 (December 1, 2010 to May 31, 2011)
<b>Net sales</b>	<b>85,173</b>	<b>78,918</b>
<b>Operating income</b>	<b>5,950</b>	<b>7,175</b>
<b>Ordinary income</b>	<b>5,091</b>	<b>6,348</b>
Extraordinary income	18	53
Extraordinary losses	39	144
Income before income taxes and minority interests	5,070	6,256
<b>Net income</b>	<b>2,643</b>	<b>5,129</b>

## Consolidated Statements of Cash Flows

(¥ millions)

Item	Interim 2012 (December 1, 2011 to May 31, 2012)	Interim 2011 (December 1, 2010 to May 31, 2011)
<b>Cash flows from operating activities</b>	<b>4,095</b>	<b>7,394</b>
<b>Cash flows from investing activities</b>	<b>△ 6,119</b>	<b>△ 4,143</b>
<b>Cash flows from financing activities</b>	<b>15,801</b>	<b>△ 211</b>
<b>Net increase in cash and cash equivalents</b>	<b>14,140</b>	<b>3,135</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>13,078</b>	<b>18,756</b>
<b>Cash and cash equivalents at end of interim of the year</b>	<b>27,219</b>	<b>21,891</b>

## ■ SHAREHOLDER INFORMATION (As of May 31, 2012)

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

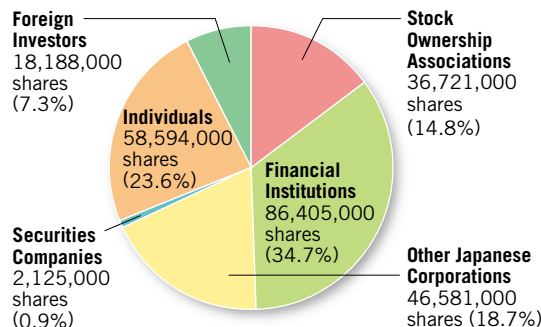
**Number of Shareholders:** 29,298

**Major shareholders (top five):**

(Note) Shareholding ratio has been calculated after deducting treasury shares (576 thousand shares).

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding	17,448	7.02
Toyota Motor Corporation	13,182	5.30
Employees' Stock Ownership Plan	12,910	5.19
Japan Trustee Services Bank, Ltd. (holder of trust units)	12,575	5.06
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	11,888	4.78

### Breakdown of Shareholders



## ■ DIRECTORS AND AUDITORS (As of August 2012)

<i>President and Representative Director</i>	<i>Managing Director</i>	<i>Director</i>	<i>Standing Corporate Auditor</i>
Hiroo Honma	Naoshi Katayama	Nobuo Segawa	Naoto Nakano
<i>Managing Director</i>	<i>Managing Director</i>	<i>Director</i>	<i>Standing Corporate Auditor</i>
Yukihiko Tanaka	Hideo Terakoshi	Nishiki Seto	Atsushi Saguchi*
<i>Managing Director</i>	<i>Director</i>	<i>Director</i>	<i>Standing Corporate Auditor</i>
Noriyasu Shiba	Hideo Oba*	Sachio Tanaka	Hiroshi Yamada
<i>Managing Director</i>	<i>Director</i>	<i>Director</i>	<i>Corporate Auditor</i>
Makoto Sasaki	Kenji Susukida	Masayuki Kobayashi	Eiichi Fukushima*

\*Outside director or outside corporate auditor.

## ■ CORPORATE OFFICERS

(As of August 2012)

<i>Corporate Officer</i>	<i>Corporate Officer</i>
Toshio Sugiura	Yasuo Hatakeyama
<i>Corporate Officer</i>	<i>Corporate Officer</i>
Kiyoshi Meguro	Isao Hori
<i>Corporate Officer</i>	<i>Corporate Officer</i>
Kazuhito Yoshida	Yusaburo Nomura
<i>Corporate Officer</i>	<i>Corporate Officer</i>
Katsumi Nishijima	Satoshi Hamamoto
<i>Corporate Officer</i>	<i>Corporate Officer</i>
Shinichi Urata	Hidenori Hayashi

## ■ CORPORATE INFORMATION (As of May 31, 2012)

**Foundation:** December 21, 1928  
**Capital:** ¥16 billion  
**Number of Employees:** 5,834 (Consolidated) 2,735 (Non-consolidated)

**Major Products:**  
 Machining business: Cutting Tools, Forming Tools, Cutting Saws, Machine Tools, Precision Machinery, Machining Systems  
 Robots: Robots, Robot Systems, Electronic Equipment  
 Components: Bearings, Hydraulic Equipment, Automotive Hydraulics, Seismic Isolation Systems, Filtration Systems  
 Materials 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 / Precision Machinery / Coating / Industrial Furnaces]

**Major Overseas Offices and Plants:** NACHI AMERICA INC. NACHI EUROPE GmbH (Germany) NACHI SINGAPORE PRIVATE LIMITED  
 NACHI (SHANGHAI) CO., LTD.

# INVESTOR INFORMATION

<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: 0120-78-2031 (Toll-free in Japan)
<b>(Any question may be forwarded to the competent department.)</b>	Transactions are handled by Sumitomo Mitsui Trust Bank, Limited and its branches nationwide and the head office of Japan Securities Agents, Ltd. and its branches nationwide.
<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.

**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.

## Cover photograph

The cover photograph captures an image of a NACHI-FUJIKOSHI flat drill.

By adopting a new design with a 180° flat angle for the drill edge,

a dramatic reduction in burr is achieved to the great delight of our customers.