



INTERIM BUSINESS REPORT 2013

December 1, 2012 to May 31, 2013



NACHI-FUJIKOSHI CORP.

Securities Code: 6474

TO OUR SHAREHOLDERS

I trust that all is well for our valued shareholders.

We report the interim results for the NACHI-FUJIKOSHI Group for the period from December 1, 2012 to May 31, 2013.

Business Environment

The business environment surrounding the NACHI-FUJIKOSHI Group during the interim period under review was overall difficult, with the continuous adjustment in emerging economies and the prolonged financial and debt crises that were originally started in Europe, even though there were sign of recovery in export thanks to the depreciating yen.

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 by providing a wide range of solutions for our customers.

However, due to the major impact from the weakening demand in industrial machinery/retail sector, sales for the interim period under review totaled only 82.8 billion yen, down 2.7% from the same interim period of the previous fiscal year. Of this, sales in the Japanese market reached 50.4 billion yen, down 6.3% from the same interim period of the previous fiscal year, while overseas sales totaled 32.3 billion yen, up 3.4%.

In terms of profitability, despite our efforts to improve productivity by promoting continuous cost cutting, the decrease in the rate of operation due to drop in sales/production and falling sales prices had a major impact, and as a result, operating profits

decreased to 5.2 billion yen, down 11.7% from the same interim period of the previous fiscal year. Meanwhile ordinary profits were at 5.3 billion yen, up 5.0%, and interim net income at 2.2 billion yen, down 14.3%.

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

Future Initiatives

As for the outlook moving forward, in addition to the recovery in production in the automobile sector and fixed investments, a partial recovery was seen in the industrial machinery/retail sector. However, it is expected that the trend in emerging economies, led by China, will continue to remain uncertain.

The NACHI-FUJIKOSHI Group will endeavor to promote further internal reform in sales, services, manufacturing, procurement, research and development, as well as expanding our product lineup, creating new business opportunities, and undertaking thoroughgoing cost reduction, 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.

In December 2012, our company and two employees were convicted in the Tokyo District Court on suspicion of violation of the Antimonopoly Act concerning bearings transactions. In March 2013, the Fair Trade Commission issued a cease and desist order, and an order for payment of surcharge against us based on the Antimonopoly Act.

Our Group has taken this turn of events

seriously, and has been conducting the thorough indoctrination of compliance, education, and instruction for all our Group employees including overseas personnel.

The Group shall work on improvement of the management style focused towards the realization of the long-term vision, and endeavor to ensure thorough legal compliance as well as improving credibility.

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

Outline of our Long-term Vision

2020 Consolidated sales

¥400 Billion

Operating profit margin

15%



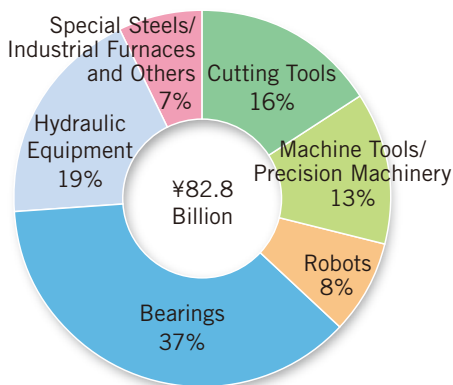
President and
Representative Director

A handwritten signature in black ink, which appears to read "Hiroaki Sonoda". The signature is written in a cursive, flowing style.

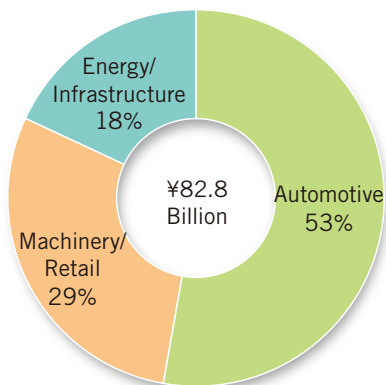
August 2013

RESULTS OF OPERATIONS (Consolidated Operating Result for Second Quarter of Fiscal 2013)

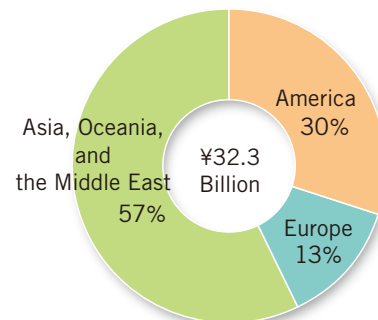
Sales by Business Segment



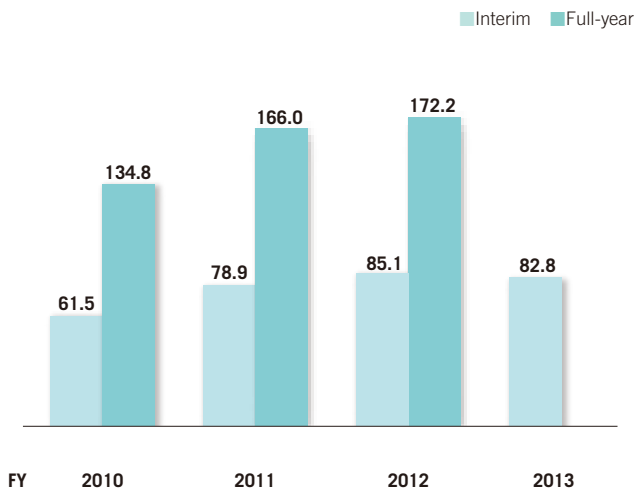
Sales by Market



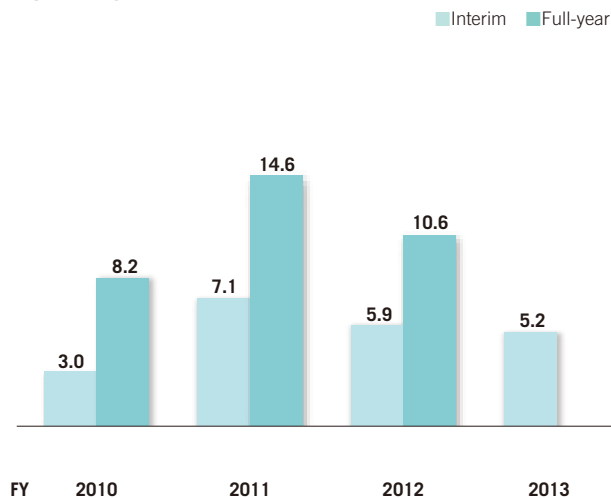
Overseas Sales



Net Sales (¥ billions)



Operating Income (¥ billions)



Hub for Business in China Started Full-scale Operations

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 expanding local production and improving our sales and services framework.



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

Our Group has newly established our largest manufacturing base abroad in Zhangjiagang, Jiangsu. Local production of robots, hydraulic equipments, car control valves, and high precision tools started in full-scale in February 2013.

Established the Adjacent Technical Center

Our showroom and R&D Center have been opened to respond to the local needs for improving performance.



Showroom



R&D Center



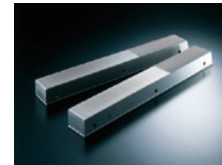
Robot SRA series



Hydraulic equipment for construction machines



Car control valves



Forming racks

Ceremony to Mark Opening of NJI Was Held on May 15, 2013



More than 300 participants attended this grand ceremony, including officials of the government bodies in Zhangjiagang City, our major customers and suppliers.

Enhancing Production Capacity in the Area of Demand

Based on the production in the area of demand, our production capacity in bearings and tools has been expanding globally.

■ The India market



NACHI KG TECHNOLOGY INDIA PTE. LTD.



In July 2013, our Group started local production of bearings in the Indian market, where automobiles and industrial machinery sector is rapidly growing.

■ The ASEAN market



NACHI TECHNOLOGY (THAILAND) CO., LTD.

■ The North America market



NACHI TECHNOLOGY INC.



NACHI SINGAPORE PTE. LTD.

■ The China market



NACHI (SHANGHAI) CO., LTD.

Our Group has expanded the production capacity of bearings for automobiles and cutting tools, for which demand is increasing in the ASEAN, North America, and China markets.

Enhancing our Cemented Carbide Drill Lineup

The machining area of Aqua Drill EX series, which is highly acclaimed in the market, has been significantly expanded to achieve high precision and high efficiency in difficult machining operations such as large-diameter/deep-hole drilling.



AQUA Drill EX VF (Indexable Type)

The combination of high rigid body and cemented carbide chip realizes both high accuracy and performance for large-diameter drilling.

AQUA Drill EX Oil-Hole Long

The significant improvement in the ability to remove chips enables highly efficient deep-hole drilling.



FINANCIAL STATEMENTS

Consolidated Balance Sheets

(¥ millions)

Item	Interim 2013 (as of May 31, 2013)	Previous (as of November 30, 2012)
ASSETS:		
Current assets	104,910	92,704
Cash and cash equivalents	31,951	15,901
Notes and accounts receivable	33,671	38,612
Inventories	33,325	33,611
Other	5,961	4,578
Fixed assets	104,783	94,476
Property, plant and equipment	82,024	78,295
Buildings and structures	28,666	27,018
Machinery and equipment	37,409	35,774
Other	15,948	15,502
Intangible fixed assets	586	448
Investments and advances	22,172	15,732
Total assets	209,694	187,181

(¥ millions)

Item	Interim 2013 (as of May 31, 2013)	Previous (as of November 30, 2012)
LIABILITIES:		
Current liabilities	76,019	66,154
Notes and accounts payable	30,345	33,979
Bonds and short-term bank loans	29,983	18,595
Other	15,690	13,578
Long-term liabilities	58,633	55,802
Bonds and long-term debt	42,252	42,189
Allowance for retirement benefits	6,621	6,463
Other	9,758	7,149
Total liabilities	134,652	121,956
NET ASSETS:		
Shareholders' equity	71,528	70,756
Common stock	16,074	16,074
Additional paid-in capital	11,561	11,561
Retained earnings	44,087	43,312
Treasury stock	△ 194	△ 192
Revaluations and translation adjustments	△ 391	△ 8,855
Minority interests	3,905	3,324
Total net assets	75,042	65,224
Total liabilities and net assets	209,694	187,181

Consolidated Statements of Income

(¥ millions)

Item	Interim 2013 (December 1, 2012 to May 31, 2013)	Interim 2012 (December 1, 2011 to May 31, 2012)
Net sales	82,834	85,173
Operating income	5,257	5,950
Ordinary income	5,346	5,091
Extraordinary income	396	18
Extraordinary losses	1,149	39
Income before income taxes and minority interests	4,592	5,070
Net income	2,266	2,643

Consolidated Statements of Cash Flows

(¥ millions)

Item	Interim 2013 (December 1, 2012 to May 31, 2013)	Interim 2012 (December 1, 2011 to May 31, 2012)
Cash flows from operating activities	12,455	4,095
Cash flows from investing activities	△ 6,188	△ 6,119
Cash flows from financing activities	8,457	15,801
Net increase in cash and cash equivalents	16,049	14,140
Cash and cash equivalents at beginning of the year	15,761	13,078
Cash and cash equivalents at end of interim of the year	31,811	27,219

SHAREHOLDER INFORMATION (As of May 31, 2013)

Number of Shares Issued: 249,193,436

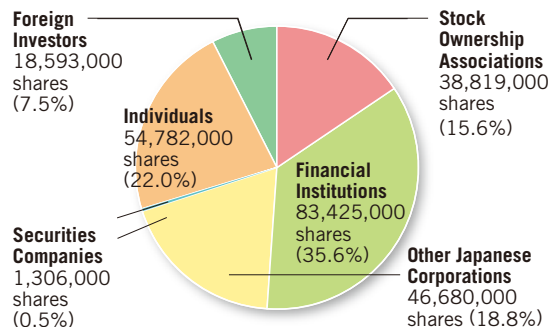
Number of Shareholders: 27,722

Major shareholders (top five):

Note: Shareholding ratio is calculated after subtracting treasury stock (585,000 shares).

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding Employees' Stock Ownership Plan	18,634	7.50
Toyota Motor Corporation	13,461	5.41
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,182	5.30
Japan Trustee Services Bank, Ltd. (holder of trust units)	11,888	4.78
	9,114	3.67

Breakdown of Shareholders



DIRECTORS AND AUDITORS (As of August, 2013)

President and Representative Director
Hiroo Honma

Managing Director
Naoshi Katayama

Director
Masayuki Kobayashi

Standing Corporate Auditor
Nobuo Okada

Managing Director
Yukihiko Tanaka

Director
Hideo Oba*

Director
Kazuhito Yoshida

Standing Corporate Auditor
Atsushi Saguchi*

Managing Director
Noriyasu Shiba

Director
Kenji Susukida

Director
Katsumi Nishijima

Standing Corporate Auditor
Hiroshi Yamada

Managing Director
Makoto Sasaki

Director
Sachio Tanaka

Director
Isao Hori

Corporate Auditor
Eiichi Fukushima*

*Outside director or outside corporate auditor.

CORPORATE OFFICERS

(As of August, 2013)

Corporate Officer
Toshio Sugiura

Corporate Officer
Atsushi Umezawa

Corporate Officer
Kiyoshi Meguro

Corporate Officer
Tetsu Furusawa

Corporate Officer
Shinichi Urata

Corporate Officer
Shigemi Tochtani

Corporate Officer
Fumio Honda

Corporate Officer
Hideaki Hara

Corporate Officer
Toru Inoue

CORPORATE INFORMATION (As of May 31, 2013)

Foundation: December 21, 1928
Capital: ¥16 billion
Number of Employees: 2,723 (Group employees 6,010)

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 & Heat Treatment: 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 +81-3-5568-5111
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 / Precision Machinery / Coating / Industrial Furnaces]

Major Overseas Offices and Plants: NACHI AMERICA INC. NACHI EUROPE GmbH (Germany) NACHI SINGAPORE PTE. LTD. NACHI (SHANGHAI) 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
Administrative Office/ Mailing Address:	Sumitomo Mitsui Trust Bank, Limited 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)
(Any question may be forwarded to the competent department.)	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.
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 photograph captures an image of a bearing built into a major part of an automobile. It dramatically reduces rolling resistance and contributes to improve fuel efficiency of cars.