

NACHI

**BUSINESS REPORT
2012**

December 1, 2011 to November 30, 2012



NACHI-FUJIKOSHI CORP.

Securities Code: 6474

TO OUR SHAREHOLDERS

I trust that all is well for our valued shareholders.

I am pleased to report that the NACHI-FUJIKOSHI Group's business overview for the fiscal year ended November 2012 (from December 1, 2011 to November 30, 2012).

Business Environment

The NACHI-FUJIKOSHI Group faced a challenging business environment overall during the fiscal year. This was due to such factors as the economic adjustment in emerging countries and fixing the appreciation of the yen, in addition to the financial and debt crisis in Europe.

Business Progress and Results

Within such an environment, the NACHI-FUJIKOSHI Group has made an effort to expand its business by proposing a wide range of solutions to its customers, making full use of its strengths as a comprehensive machinery manufacturer combining machining, robotics, functional parts, and material businesses.

As a result, sales for the fiscal year totaled 172.2 billion yen, up 3.8% over the previous fiscal year. Of this, sales in the Japanese market reached 110.2 billion yen, up 8.2% over the previous fiscal year, while overseas sales totaled 61.9 billion yen, down 3.3%.

Looking at each business sector in the machinery tool business, the automotive area continued to remain steady, and the energy/infrastructure area including aircraft and power generation related products grew, leading to sales reaching 62.3 billion yen, up 12.6% over the previous period. In the parts business, the automotive area remained strong while its sales were 95.5 billion yen, down 0.1% in comparison with the previous fiscal year. This was due to the influence from the stagnation of the industrial machinery/commercial area, and the construction machinery market in China. The sales in other sectors were 14.3 billion yen, which was down 4.4% from the previous fiscal year. This was due to decreased sales in the

special steel area and for other reasons.

In terms of profitability, we made efforts towards continuous cost cutting such as the enhancement of operational levels through an increase in sales and production, as well as the promotion of overseas procurement. However, factors such as deteriorating export margins due to the appreciation of the yen, an increase in the fixed costs associated with the expansion of overseas business, and a decline in sales price seriously affected the business. This resulted in 10.6 billion yen in operating income (27.3% decrease from the previous fiscal year), 9.1 billion yen in ordinary income (29.4% decrease), and 4.5 billion yen in net income for this period (54.2% decrease).

Cash Dividends

With regard to the fiscal year-end dividend, taking into account the earning situation and future business development, it has been decided that 6 yen in dividends would be paid per share, which is the same amount as the previous fiscal year.

Future Initiatives

As for the future outlook, production and capital investment in the automotive area and the energy/infrastructure area including aircraft and power generation related production are expected to remain strong. However, the overall situation will continue to be tough due to financial and debt insecurity in Europe, and the uncertain condition of the economic trend in emerging countries as well as in China.

The Group will continue to advance reforms in each section such as sales and services, production and procurement, and research and development, while having our base in emerging markets where growth for the mid- and long-term 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. We shall strive to further improve our performance and estab-

lish a stable foundation for income in order to realize the long-term vision of the Group.

On December 28, 2012, the NACHI -FUJIKOSHI Group and two employees were convicted in the Tokyo District Court for violation of the Antimonopoly Law regarding bearing transactions.

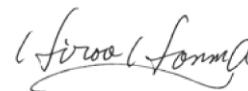
Taking this state of affairs solemnly and seriously, the Group has established the "Compliance Committee" for formulating policies regarding compliance issues for the entire Group to further strengthen the compliance system. The Committee is comprehensively informing all employees in the entire Group including its overseas offices of the Group's policy, as well as carrying out education and awareness building activities.

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 sincerely apologize to all our shareholders for the great deal of worry caused by this situation. At the same time, I would like to express my gratitude for your continued support.



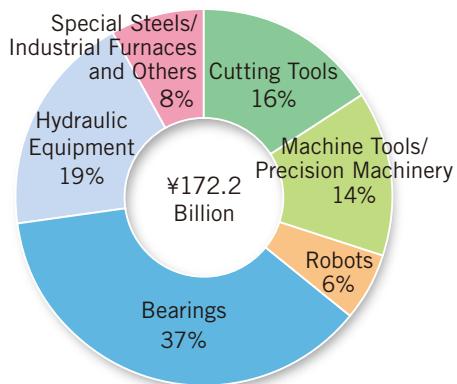
President and
Representative Director



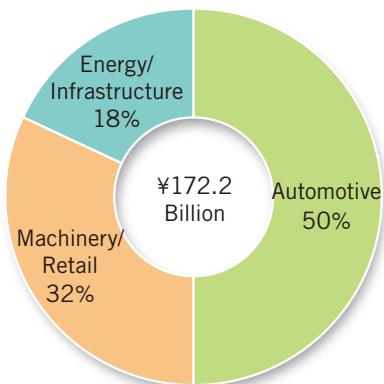
February 2013

RESULTS OF OPERATIONS (Consolidated)

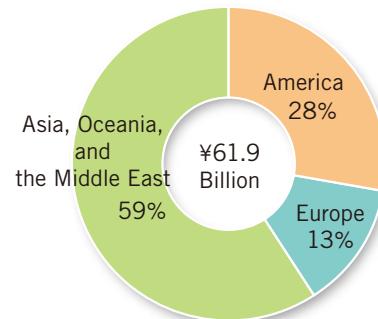
Sales by Business Segment



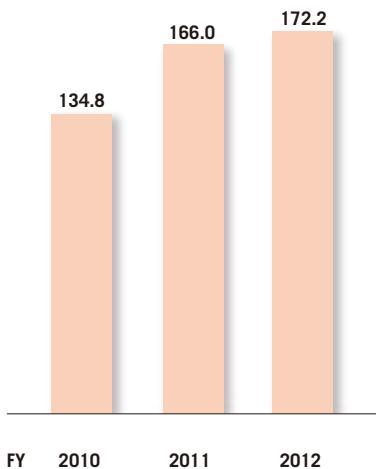
Sales by Market



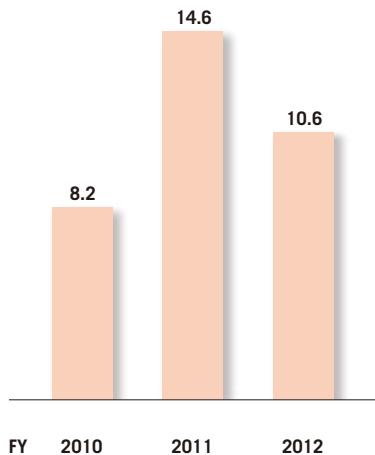
Overseas Sales



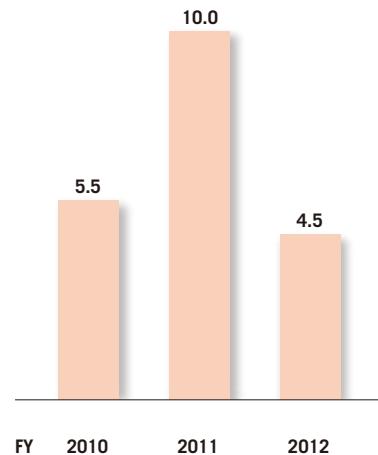
Net Sales (¥ billions)



Operating Income (¥ billions)



Net Income for Fiscal Year (¥ billions)



◆ Expanding the business in emerging economies

The Group works on the expansion of the business by promoting an increase in the local production items and enhancement of the sales/service system in Chinese and Indian markets, which are expected to achieve long-term growth.

■ The China market



NACHI (JIANGSU) INDUSTRIES CO., LTD.

The Group has founded a core base of Chinese production in Zhangjiagang City in Jiangsu Province and begun local production of robots, hydraulic equipment, automotive hydraulics, and precision-tools since February 2013. We aim to obtain the demand in areas including automobiles, construction machineries, industrial machineries, and general industry.

— Establishment of a technical center —

We will advance the development of new products matching the market needs by launching the technical center, which accommodates the R&D function and a showroom.

■ The India market



NACHI KG TECHNOLOGY INDIA PTE. LTD.

In the Indian market, where the demand for automotive and industrial machinery sectors has been increasing, we will start local production of bearings from July 2013.



NACHI (SHANGHAI) CO., LTD.

Due to the rising labor cost and shortage of manpower, the needs for robotization have grown. Therefore, the Group launched a service base in Changchun and Guangzhou in addition to Shanghai, Beijing, Shenyang and Tianjin in order to enhance its sales structure.



LONG TERM CORPORATE VISION 2020

Accepting the challenges to grow the enterprise that achieve the aspiration of our customers, associates and society.

MID TERM POLICY

1. Focus on emerging countries

Expand in all existing markets and develop business in emerging markets in China, India, ASEAN, Central and South America.

2. Creation of new products and new business

Create new products by cultivating seed technologies that will generate new business for future growth.

3. Enhance and train associates

Provide an environment to invigorate associate development and growth.
Develop international skills and utilize them.

◆ Introducing new products to expand the markets

The Group makes efforts to develop new products and enhance merchandise, as well as work on the expansion of the automotive, industrial machinery, and energy/infrastructure areas.



Integrated process type gear machining equipment “Gear Shape Machining”

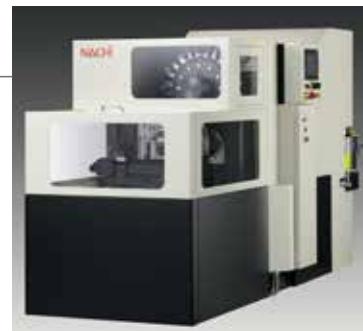
Three essential processes for gear cutting - namely lathe turning, drilling, and gear cutting - are gathered together in one machine.

Reduction of the initial cost for installing the equipment and space-saving has been realized.

This machine achieves high-mix, low-volume production by a medium-large gear cutter used for construction machinery and power generators.

MQL Power Cell “DH314”

The MQL power cell series, which is a highly efficient and space-saving type crankshaft specializing in deep-hole drilling, welcomed “DH314,” which was created with the pursuit of miniaturization as a new line-up. It responds to the downsizing in the automobile production line.



Duty Handling Robots “MC350”

While light-weight and high rigidity solutions have been advanced, the Group has introduced the latest control technology to develop the fastest robot within the same class. It significantly shortens the transportation time in automobile production lines, and contributes to an improvement in overall productivity.

High-performance Drill “SG-ESR Drill”

Using the high alloy powder metallurgy HSS and SG coating, which is excellent against heat and wear resistance, longer life has been achieved.

With the enhanced chip evacuation quality, high-precision machining was made possible.

This drill is ideal for machining a variety of materials including carbon steel and alloy steel, as well as structural steel, stainless steel, and titanium alloy.



FINANCIAL STATEMENTS

Consolidated Balance Sheets

(¥ millions)

Item	2012 (as of November 30, 2012)	2011 (as of November 30, 2011)
ASSETS:		
Current assets	92,704	89,443
Cash and cash equivalents	15,901	13,118
Notes and accounts receivable	38,612	38,192
Inventories	33,611	32,790
Other	4,578	5,342
Fixed assets	94,476	90,347
Property, plant and equipment	78,295	76,235
Buildings and structures	27,018	27,939
Machinery and equipment	35,774	34,550
Land	7,103	7,022
Other	8,399	6,722
Intangible fixed assets	448	391
Investments and advances	15,732	13,720
Total assets	187,181	179,791

(¥ millions)

Item	2012 (as of November 30, 2012)	2011 (as of November 30, 2011)
LIABILITIES:		
Current liabilities	66,154	75,377
Notes and accounts payable	33,979	36,758
Short-term bank loans	18,595	25,216
Other	13,578	13,403
Long-term liabilities	55,802	43,456
Bonds and long-term debt	42,189	30,556
Allowance for retirement benefits	6,463	6,553
Other	7,149	6,346
Total liabilities	121,956	118,834
NET ASSETS:		
Shareholders' equity	70,756	67,664
Common stock	16,074	16,074
Additional paid-in capital	11,561	11,560
Retained earnings	43,312	40,218
Treasury stock	△ 191	△ 189
Revaluations and translation adjustments	△ 8,855	△ 9,465
Minority interests	3,324	2,758
Total net assets	65,224	60,957
Total liabilities and net assets	187,181	179,791

Consolidated Statements of Income

(¥ millions)

Item	2012 (as of November 30, 2012)	2011 (as of November 30, 2011)
Net sales	172,259	166,023
Operating income	10,639	14,643
Ordinary income	9,111	12,913
Extraordinary income	36	45
Extraordinary losses	365	734
Income before income taxes and minority interests	8,782	12,223
Net income	4,585	10,016

Consolidated Statements of Cash Flows

(¥ millions)

Item	2012 (as of November 30, 2012)	2011 (as of November 30, 2011)
Cash flows from operating activities	11,819	12,825
Cash flows from investing activities	△ 11,916	△ 8,383
Cash flows from financing activities	2,725	△ 9,742
Net decrease in cash and cash equivalents	2,683	△ 5,677
Cash and cash equivalents at beginning of the year	13,078	18,756
Cash and cash equivalents at end of the year	15,761	13,078

SHAREHOLDER INFORMATION (As of November 30, 2012)

Number of Shares Issued: 249,193,436

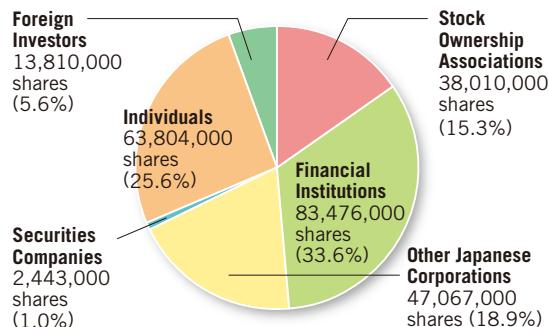
Number of Shareholders: 30,052

Major shareholders (top five):

Note: Shareholding ratio is calculated after subtracting treasury stock (580,000 shares).

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding	18,071	7.27
Employees' Stock Ownership Plan	13,435	5.40
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 20, 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
Nishiki Seto

Director
Isao Hori

Corporate Auditor
Eiichi Fukushima*

*Outside director or outside corporate auditor.

CORPORATE OFFICERS

(As of February 20, 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 November 30, 2012)

Foundation: December 21, 1928

Capital: ¥16 billion

Number of Employees: 2,675 (Group employees 5,845)

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
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 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: 0120-78-2031 (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 photo shows a hydraulic component mounted on a small construction machine.

It produces a large amount of power from its compact body and is used globally as one of the key parts for moving construction machinery.