



**NACHI**

**BUSINESS REPORT  
2013**

December 1, 2012 to November 30, 2013

**NACHI-FUJIKOSHI CORP.**

Securities Code: 6474

# TO OUR SHAREHOLDERS

I hope you are in the best of spirits as our valued shareholders.

I am pleased to report the NACHI-FUJIKO SHI Group's business overview for the fiscal year ended November 2013 (from December 1, 2012 to November 30, 2013).

## Business Environment

The NACHI-FUJIKOSHI Group faced a continued strong sense of economic stagnation throughout the fiscal year. In the first half, the demand in the automotive and industrial machinery sector, our main business, declined due to economic adjustment in emerging countries including China. However, in the second half, following the recovery in emerging markets and the growth in the North American market, the demand has been on the upward trend, showing a strong sign that the economy has bottomed out and started recovering.

## 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 tools, machine tools, robots, bearings, hydraulic equipment, and special steel businesses.

In addition, our efforts extended to find new customers, mainly local clients in other countries, deploy new products, and expand the existing product range. As a result, sales reached 175.6 billion yen, up 2.0% over the previous period. Of this, sales in the Japanese market were 105.7 billion yen, down 4.1% from the previous period, while overseas sales totaled 69.9 billion yen, up 12.9%.

Looking at each business sector, in the machinery tool business, in addition to capturing domestic and overseas demand in the

automotive, aircraft and industrial machinery sectors, the deployment of new products such as tools and robots was successful, achieving total industrial tool sales of 63.8 billion yen, up 2.3% over the previous period. In the parts business, following the recovery of demand in the automotive and construction machinery sectors, total parts sales were 98.2 billion yen, up 2.8%. The sales in other sectors were 13.6 billion yen, down 4.8%, due to the influence of the delay in adjusting the distribution stock.

In terms of profitability, although there was an influence from the decline of operation capacity, the fall of sales prices, and the increase in raw material costs during the first half, the prospect of profit in export was improved thanks to the correction in the value of the yen, and the effective "total cost down" approach, such as efforts to improve productivity. This resulted in 12.3 billion yen in operating income (16.0% increase from the previous period), 11.6 billion yen in ordinary income (28.4% increase), and 6.7 billion yen in net income for this period (46.3% increase).

## 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, the demand in the automotive, construction machinery, and aircraft sectors is expected to expand centering on the North American and emerging markets. It is also expected that economic recovery will advance in the industrial machinery/commercial sector.

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 the North American/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, the improvement of processes, and fundamental cost reform.

By these means, the company will work to improve business results and secure a stable profit structure.

In anticipation of the realization of the Group's long-term vision, we have formulated a new three-year mid-term business plan that ends in the 2016 fiscal year, and started its implementation. We shall strive to further improve our management practices and business performances.

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



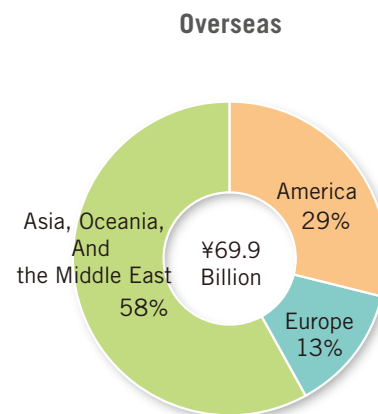
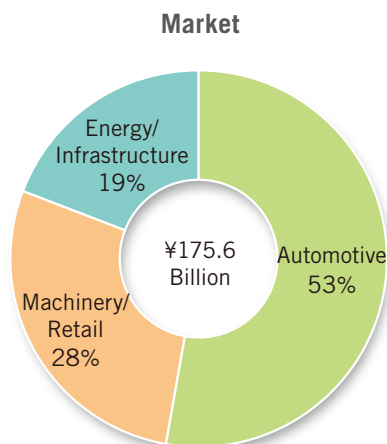
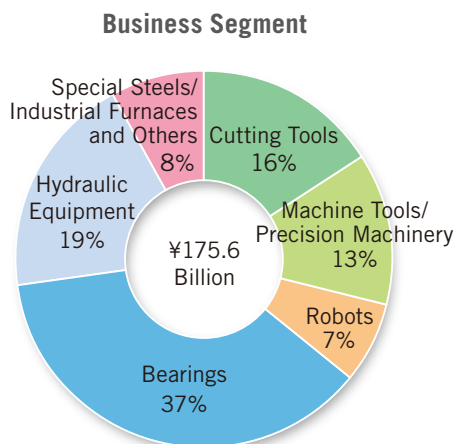
President and Representative Director

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

February 2014

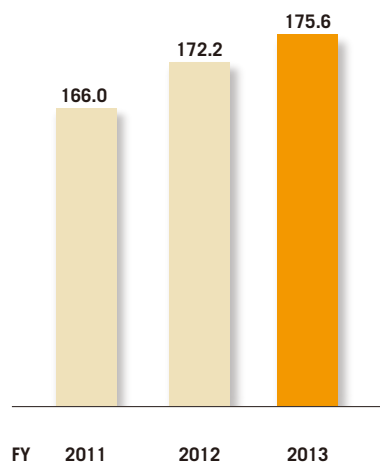
# RESULTS OF OPERATIONS (Consolidated)

## Composition of Sales

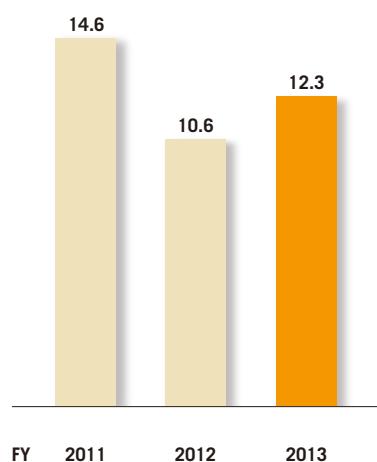


## Trend in Business Results

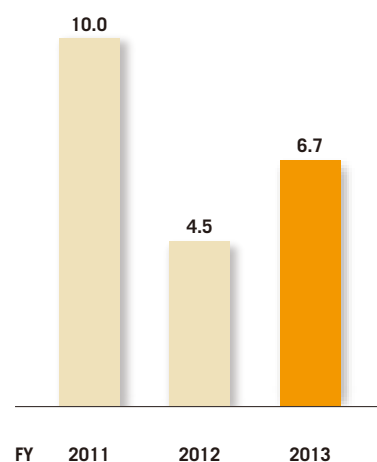
**Net Sales** (¥ billions)



**Operating Income** (¥ billions)



**Net Income** (¥ billions)

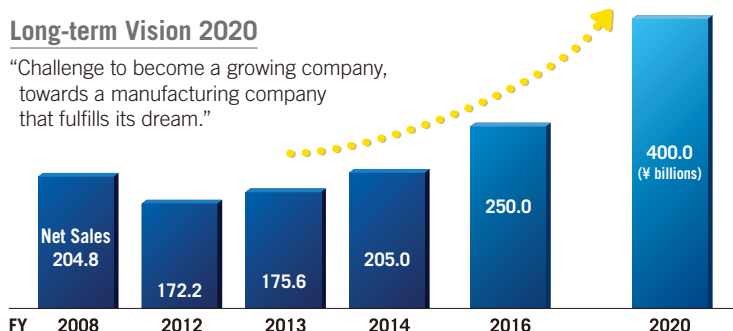


## Formulation of Mid-term Business Plan 2016

In anticipation of the realization of our Long-term Vision 2020, we have set up a new milestone, the mid-term business plan covering up to the fiscal year 2016, and have started its implementation. The Group shall strive to make an all-out effort to further improve our management practices and business performances.

### Long-term Vision 2020

“Challenge to become a growing company, towards a manufacturing company that fulfills its dream.”



### Outline of the Mid-term Business Plan 2016

#### ○ Business plan

1. Deep cultivation of growth markets
2. Creation of new products and new business
3. Enhance and train associates

#### ○ Business performance targets in the fiscal year 2016

· Net Sales	¥250.0 billion
· Operating Income	¥25 billion
· Operating profit margin	10%
· Net Income	¥16 billion

## Deep Cultivation of Growth Markets

In addition to the domestic and western markets, we will focus our investment of management resources on emerging markets including China, ASEAN, and India, in order to establish our business base in the growing markets that are expected to expand over the long term.



NACHI (JIANGSU) INDUSTRIES CO., LTD.

### Expansion of our business base in China

Our core base for business in China started full-scale operations in February 2013, and local production of robots, hydraulic equipments, car control valves, and high precision tools has started.

### Full-scale local production in India

In July 2013, local production of bearings has started in the Indian market, where the demand in the automotive and industrial machinery sector is increasing.



NACHI KG TECHNOLOGY INDIA PTE. LTD.



NACHI TECHNOLOGY (THAILAND) CO., LTD.



NACHI TECHNOLOGY INC.

### Enhancement of our business base in the ASEAN/North American market

We will enhance our production capacity of bearings and tools, as the local demand has been increasing.

## Creation of new products and new businesses

We will deploy innovative new products and improved products into markets to create new demand and expand our business.

### ○ Entering a new market



### The World's Fastest Lightweight, Compact Robot MZ07 was launched simultaneously worldwide

We have deployed an easy-to-handle and easy-to-install compact robot into markets, which plays an active role in any application in manufacturing.

Our focus will be placed not only the traditional automotive/industrial machinery sector but also the development of new markets such as electrical/electronics, food, and chemistry sectors.

### Wins the Grand Prize at the Nikkei Sangyo Shimbun Advertising Award

The newspaper advertisement of "MZ07" has won the Grand Prize at the Nikkei Sangyo Shimbun Advertising Award.



### ○ Expansion and improvement of products



Inverter drive hydraulic unit "NSPi"

### Improved energy saving functions of hydraulic units

Power consumption is significantly reduced while maintaining the same size as previous products, in order to respond to the needs for saving energy in emerging countries.

### Expansion of product range of industrial machinery bearings

We will respond to various needs in the industrial machinery market, such as improving load bearing and ensuring high rigidity.



Bearings for supporting small ball screws "XY type"

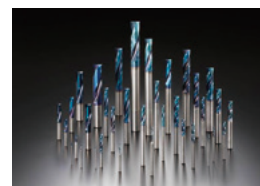
### Wins multiple awards

- MZ07 won the Best 10 New Products Award, selected by Nikkan Kogyo Shimbun.



A scene from the award ceremony

- AQUA Drill EX FLAT series won Grand Award at the "CHO" MONODZUKURI Innovative Parts and Components Award, selected by the MONODZUKURI Nippon Conference and Nikkan Kogyo Shimbun.



AQUA Drill EX FLAT series

# FINANCIAL STATEMENTS

## Consolidated Balance Sheets

(¥ millions)

Item	2013 (as of November 30, 2013)	2012 (as of November 30, 2012)
<b>ASSETS:</b>		
<b>Current assets</b>	<b>101,135</b>	<b>92,704</b>
Cash and cash equivalents	18,591	15,901
Notes and accounts receivable	39,896	38,612
Inventories	35,448	33,611
Other	7,199	4,578
<b>Fixed assets</b>	<b>106,780</b>	<b>94,476</b>
<b>Property, plant and equipment</b>	<b>82,354</b>	<b>78,295</b>
Buildings and structures	28,803	27,018
Machinery and equipment	38,472	35,774
Land	7,108	7,103
Other	7,970	8,399
<b>Intangible fixed assets</b>	<b>716</b>	<b>448</b>
<b>Investments and advances</b>	<b>23,709</b>	<b>15,732</b>
<b>Total assets</b>	<b>207,916</b>	<b>187,181</b>

## Consolidated Statements of Income

(¥ millions)

Item	2013 (as of November 30, 2013)	2012 (as of November 30, 2012)
<b>Net sales</b>	<b>175,697</b>	<b>172,259</b>
<b>Operating income</b>	<b>12,338</b>	<b>10,639</b>
<b>Ordinary income</b>	<b>11,698</b>	<b>9,111</b>
Extraordinary income	400	36
Extraordinary losses	1,240	365
Income before income taxes and minority interests	10,858	8,782
<b>Net income</b>	<b>6,706</b>	<b>4,585</b>

(¥ millions)

Item	2013 (as of November 30, 2013)	2012 (as of November 30, 2012)
<b>LIABILITIES:</b>		
<b>Current liabilities</b>	<b>79,292</b>	<b>66,154</b>
Notes and accounts payable	38,918	33,979
Bonds and short-term bank loans	23,795	18,595
Other	16,579	13,578
<b>Long-term liabilities</b>	<b>47,263</b>	<b>55,802</b>
Bonds and long-term debt	31,328	42,189
Allowance for retirement benefits	6,626	6,463
Other	9,308	7,149
<b>Total liabilities</b>	<b>126,556</b>	<b>121,956</b>
<b>NET ASSETS:</b>		
<b>Shareholders' equity</b>	<b>75,964</b>	<b>70,756</b>
Common stock	16,074	16,074
Additional paid-in capital	11,561	11,561
Retained earnings	48,527	43,312
Treasury stock	△ 199	△ 192
Revaluations and translation adjustments	1,157	△ 8,855
<b>Minority interests</b>	<b>4,238</b>	<b>3,324</b>
<b>Total net assets</b>	<b>81,360</b>	<b>65,224</b>
<b>Total liabilities and net assets</b>	<b>207,916</b>	<b>187,181</b>

## Consolidated Statements of Cash Flows

(¥ millions)

Item	2013 (as of November 30, 2013)	2012 (as of November 30, 2012)
<b>Cash flows from operating activities</b>	<b>20,737</b>	<b>11,819</b>
<b>Cash flows from investing activities</b>	<b>△ 10,413</b>	<b>△ 11,916</b>
<b>Cash flows from financing activities</b>	<b>△ 9,188</b>	<b>2,725</b>
<b>Net decrease in cash and cash equivalents</b>	<b>2,467</b>	<b>2,683</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>15,761</b>	<b>13,078</b>
<b>Cash and cash equivalents at end of the year</b>	<b>18,229</b>	<b>15,761</b>

## SHAREHOLDER INFORMATION (As of November 30, 2013)

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

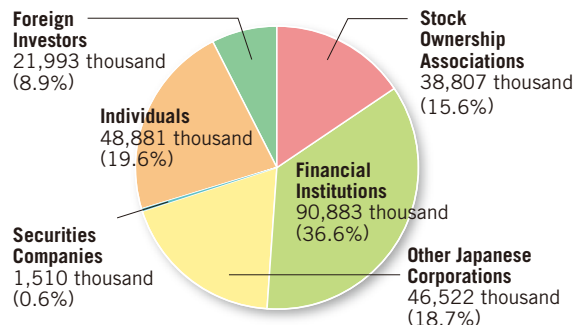
**Number of Shareholders:** 25,976

**Major Shareholders (top five):**

Note: Shareholding ratio is calculated after subtracting treasury stock (595 thousand shares).

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding	18,715	7.53
Employees' Stock Ownership Plan	13,396	5.39
Toyota Motor Corporation	13,182	5.30
Japan Trustee Services Bank, Ltd. (holder of trust units)	12,011	4.83
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	11,888	4.78

### Breakdown of Shareholders



## DIRECTORS AND AUDITORS (As of February 19, 2014)

*President and Representative Director*  
Hiroo Honma

*Managing Director*

Kenji Susukida

*Managing Director*

Kazuhito Yoshida

*Managing Director*

Isao Hori

*Managing Director*

Hidenori Hayashi

*Managing Director*  
Noriyasu Shiba

*Managing Director*  
Naoshi Katayama

*Director*  
Hideo Oba\*

*Director*

Masayuki Kobayashi

*Director*

Katsumi Nishijima

*Director*

Toru Inoue

*Director*

Tetsu Furusawa

*Standing Corporate Auditor*  
Nobuo Okada

*Standing Corporate Auditor*

Atsushi Saguchi\*

*Standing Corporate Auditor*

Hiroshi Yamada

*Corporate Auditor*

Eiichi Fukushima\*

\*Outside director or outside corporate auditor.

## CORPORATE OFFICERS

(As of February 19, 2014)

*Corporate Officer*  
Kiyoshi Meguro

*Corporate Officer*  
Shinichi Urata

*Corporate Officer*  
Fumio Honda

*Corporate Officer*  
Atsushi Umezawa

*Corporate Officer*  
Shigemi Tochtani

*Corporate Officer*  
Hideaki Hara

*Corporate Officer*  
Tadataka Hori

*Corporate Officer*  
Shigeru Togashi

*Corporate Officer*  
Hiroshi Goto

*Corporate Officer*  
Masatoshi Akagawa

## CORPORATE INFORMATION (As of November 30, 2013)

**Foundation:** December 21, 1928

**Capital:** ¥16 billion

**Number of Employees:** 2,767 (Group employees 6,072)

**Major Products:**

Machining business

Robots

Components

Materials & Heat Treatment

Cutting Tools, Forming Tools, Cutting Saws, Machine Tools, Precision Machinery, Machining Systems

Robots, Robot Systems, Electronic Equipment

Bearings, Hydraulic Equipment, Automotive Hydraulics, Seismic Isolation Systems, Filtration Systems

Special Steels, Coating, Industrial Furnaces

**Major Domestic Offices and Plants:**

Toyama Head Office

Tokyo Head Office

1-1-1, Fujikoshi-Honmachi, Toyama 930-8511, Japan

Shiodome Sumitomo Bldg. 17F, 1-9-2, Higashi-Shinbashi, Minato-ku, Tokyo 105-0021, Japan

Tel: +81-76-423-5111

+81-3-5568-5111

Eastern Japan Main Branch

Central Japan Main Branch

Western Japan Main Branch

Shiodome Sumitomo Bldg. 17F, 1-9-2, Higashi-Shinbashi, Minato-ku, Tokyo 105-0021, Japan

Nachi Nagoya Bldg. 2-120-3, Takayashiro, Meitou-ku, Nagoya 465-0095, Japan

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 NACHI SINGAPORE PTE. LTD.

NACHI TECHNOLOGY (THAILAND) CO., LTD. NACHI (SHANGHAI) CO., LTD. NACHI (JIANGSU) INDUSTRIES CO., LTD.

# INVESTOR INFORMATION

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**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/** 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan

**Administrator for Special Accounts:** Sumitomo Mitsui Trust Bank, Limited

**Administrative Office/** 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan

**Mailing Address:** Sumitomo Mitsui Trust Bank, Limited

Stock Transfer Agency Department

Toll-free: 0120-782-031 (Toll-free in Japan)

**Inquiries:** 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.  
(Any question may be forwarded to the competent department.)

**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 MZ07.

Featuring the world's fastest moving function realized by the lightweight and highly rigid body and unique control technology, MZ07 dramatically improves productivity.