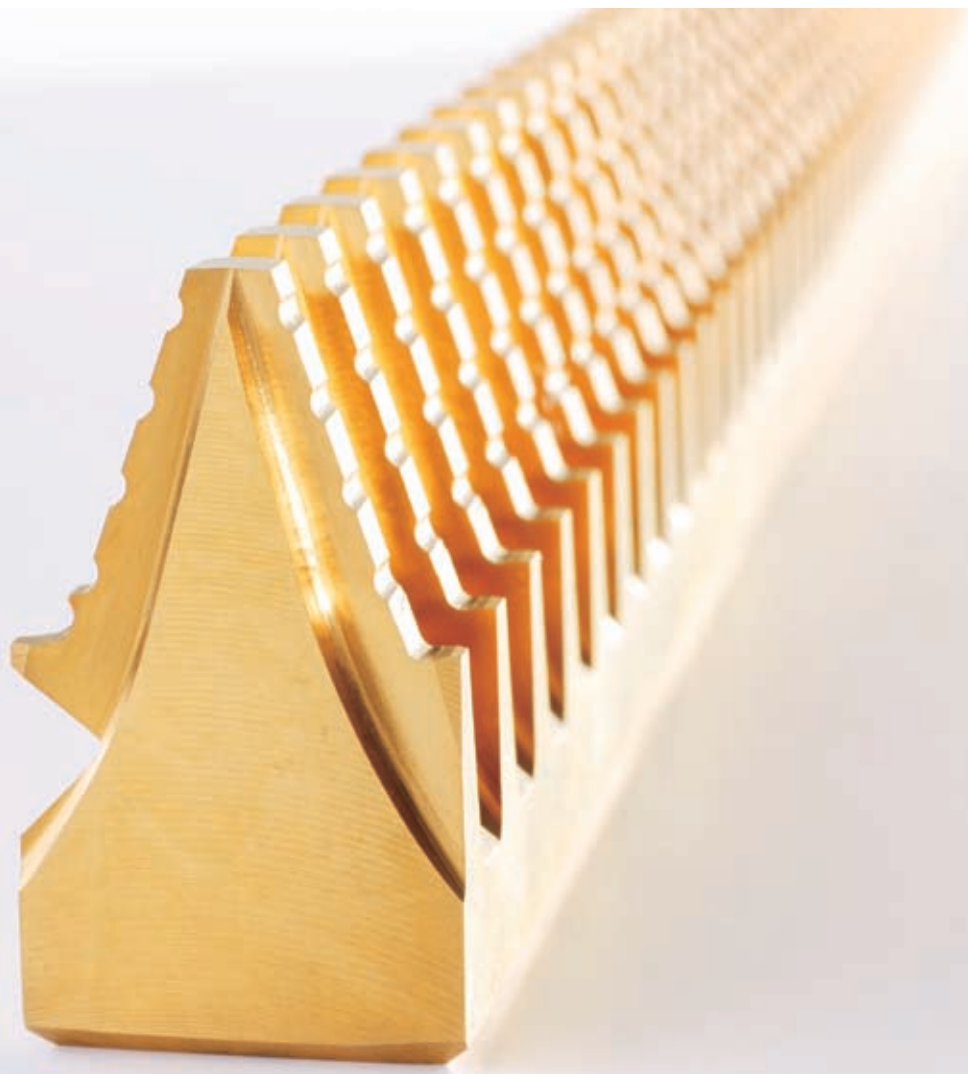


NACHI

INTERIM BUSINESS REPORT 2008

December 1, 2007 to May 31, 2008



NACHI-FUJIKOSHI CORP.

Stock Code: 6474

TO OUR SHAREHOLDERS

I am delighted to report to you about NACHI-FUJIKOSHI's interim business performance for the interim period from December 1, 2007 to May 31, 2008.

Business Environment

The operating environment of the NACHI-FUJIKOSHI Group during the interim period under review raised new concerns about how this environment will impact business performance. Although production of automobiles and industrial machinery continued to increase, as did capital expenditure, turmoil in the financial markets triggered a slowdown in the U.S. economy, crude oil and raw material prices rose, and the yen's dramatic appreciation continued.

Business Progress and Results

In this environment, the NACHI-FUJIKOSHI Group improved and augmented its systems on the marketing, manufacturing and development fronts, and vigorously promoted "NACHI Business." The latter enabled us to provide linked products, technologies and services in response both to increasing worldwide automobile production centered on Japanese manufacturers and to the growing markets of the industrial machinery sectors, including construction equipment and aircraft.

Net sales for the interim period amounted to ¥104.8 billion, up 13.2% from the previous fiscal year. Sales to the Japanese market accounted for ¥72.1 billion (up 16.6% over the same period last year), while overseas sales climbed 6.4% to ¥32.7 billion.

Turning to earnings, operating income was ¥9.5 billion, up 20.6% over the same period last year, with ordinary income up 19.2% to ¥8.6 billion. Net income for the interim period under review was ¥4.8 billion, an improvement of 16.0% over the same period last year. These improvements came despite rising raw material prices and energy costs, and higher fixed expenses due to expansion of the production system and other factors during the period. These concerns were outweighed by enhanced productivity and other total cost reduction efforts.

We have decided, however, to postpone the payment of interim dividends at this time.

Future Action

Looking ahead, comparatively firm demand is expected in the automobile and industrial machinery sectors on the back of the multipolarization of the world market, especially into newly emerging countries. However, issues fueling future uncertainty also abound: high

prices for crude oil and raw materials and other inflationary developments, and an economic slowdown in the U.S., as well as concern that this will spread to economies worldwide. All these factors contribute to a business environment that necessitates an attitude of caution with respect to management.

Given these circumstances, the NACHI-FUJIKOSHI Group will strive to establish a stable earnings base by reinforcing the linkage between every aspect of our operations.

I thank all of our shareholders for your continued support and understanding.

August 2008



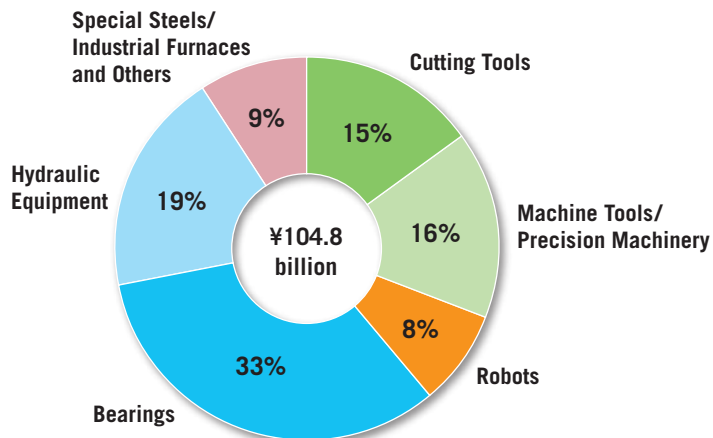
Kensuke Imura,
President



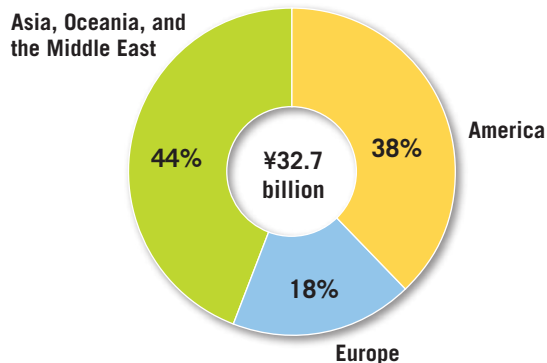
The colorful triangle on the lower right of the front cover symbolizes the notion of "Sei-Han-Go," or "Fusing discrete and opposing ideas into one," the Group corporate philosophy implicit in the meaning of "Fuji" in our name.

RESULTS OF OPERATIONS (Consolidated)

Sales by Business Segment



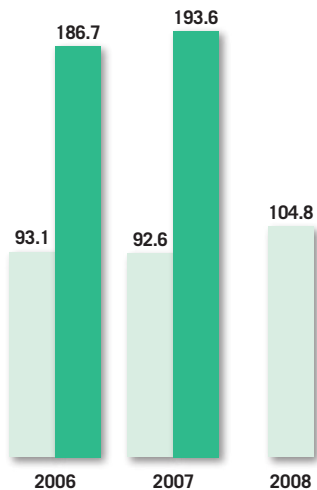
Overseas Sales



Net Sales

(¥ billions)

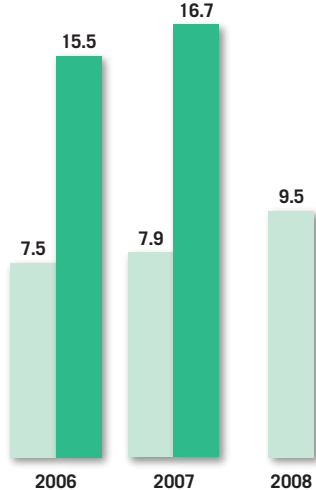
■ Interim
■ Full-year



Operating Income

(¥ billions)

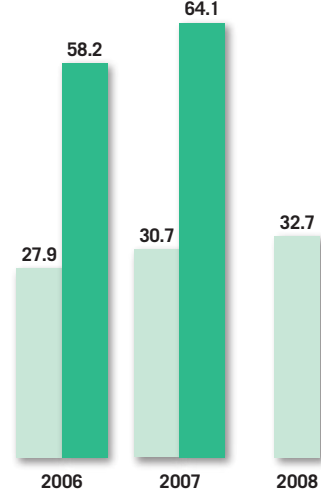
■ Interim
■ Full-year



Overseas Sales

(¥ billions)

■ Interim
■ Full-year



1 Identifying Newly Emerging Markets



Eastern Europe: Czech Republic
NACHI CZECH S.R.O.

Expanded production system for high-function bearings for automobiles



Southeast Asia: Thailand
NACHI TECHNOLOGY (THAILAND) CO., LTD.

Expanded functions as ASEAN Business Center



China: Shanghai
SHANGHAI NACHI BEARINGS CO., LTD.
NACHI (SHANGHAI) PRECISION TOOLS CO., LTD.

Started production of hydraulic equipment as well as bearings and cutting tools
(April 2008)



Mexico
NACHI MEXICANA ENGINEERING CENTER

Opened an engineering base for re-sharpening of precision tools and maintenance of robots
(April 2008)



Brazil NACHI BRASIL LTDA.

Expanded production capabilities for bearings in response to increased demand for automobiles and motorcycles

2 Launch of New Products



New ultrahard end mill
GSX MILL series

Achieved high-precision, high-efficiency processing through joint development with Sumitomo Electric Hardmetal Corp.

(May 2008)



Presto MC20



Presto MR20

Expanded series of new platform robots for the industrial machinery sector

(June 2008)



Inverter drive variable displacement pump hydraulic unit
Compared with hydraulic units of standard machine tools, automated control of inverters yields energy savings of about 60%.

Awarded the Chairman's Commendation at the 28th Commendations for Superior Energy-saving Machines held by the Japan Machinery Federation.

(February 2008)



3 Developing NACHI Business From New Base in Kyushu



(Artist's impression of the completed Kyushu Plant, scheduled to open in summer 2009)

Concluded agreement with Kurume City, Fukuoka Prefecture regarding location of base

We will establish a core base for conducting NACHI business targeting East Asia, ASEAN countries and the western Japan region

(June 2008)

4 Invested Business Resources in Highly Competitive Products



Established dedicated plant for precision bearings

Expanded production system for bearings for industrial machinery (Toyama Plant, December 2007)



Established heat treatment plant for bearings

Expanded production capabilities for high-function bearings for automobiles and industrial machinery and improved productivity (Mizuhashi Plant, February 2008)



Established dedicated plant for hydraulic solenoid valves for automobile transmissions

Expanded production capabilities for high-function direct-operated linear solenoid valves (Namerikawa Plant, December 2007)

5 Promoting Personnel Training and Exchanges



Established "Nachi-Fujikoshi Selva", a composite multi-functional training and recreation center

The center offers our dealers and customers around the world opportunities to get together and participate in workshops or other events.

It also supports the career development of our group associates. (Toyama Plant, March 2008)

Selva: The name indicates the Amazon Basin and other tropical rainforests, namely environments where a variety of life forms coexist. We hope the center nurtures the coexistence of a variety of participants.

FINANCIAL STATEMENTS

Consolidated Balance Sheets

Item	Interim 2008 (as of May 31, 2008)	Interim 2007 (as of May 31, 2007)
ASSETS:		
Current assets	100,490	91,116
Cash and cash equivalents	19,659	16,133
Notes and accounts receivable	43,950	41,412
Inventories	30,816	29,164
Other	6,063	4,405
Fixed assets	106,357	99,006
Property, plant and equipment	87,116	77,182
Buildings and structures	32,232	24,491
Machinery and equipment	44,572	41,368
Land	7,571	7,576
Other	2,739	3,746
Intangible fixed assets	411	398
Investments and advances	18,830	21,425
Total assets	206,848	190,123

(¥ millions)

Item	Interim 2008 (as of May 31, 2008)	Interim 2007 (as of May 31, 2007)
LIABILITIES:		
Current liabilities	105,681	94,101
Notes and accounts payable	43,782	36,442
Short-term bank loans	33,395	36,144
Other accounts payable	8,959	9,017
Other	19,544	12,498
Long-term liabilities	39,278	37,836
Bonds and long-term debt	29,066	24,896
Allowance for retirement benefits	6,699	7,687
Other	3,511	5,253
Total liabilities	144,959	131,938
NET ASSETS:		
Shareholders' equity	59,078	52,113
Common stock	16,074	16,074
Additional paid-in capital	11,572	11,455
Retained earnings	31,604	24,772
Treasury stock	(172)	(189)
Revaluations and translation adjustments	227	3,868
Minority interests	2,582	2,201
Total net assets	61,889	58,184
Total liabilities and net assets	206,848	190,123

Consolidated Statements of Income

(¥ millions)

Item	Interim 2008 (December 1, 2007 –May 31, 2008)	Interim 2007 (December 1, 2006 –May 31, 2007)
Net sales	104,874	92,657
Operating income	9,553	7,923
Ordinary income	8,619	7,230
Extraordinary income	7	907
Extraordinary losses	146	364
Income before income taxes and minority interests	8,481	7,772
Net income	4,843	4,176

Consolidated Statements of Cash Flows

(¥ millions)

Item	Interim 2008 (December 1, 2007 –May 31, 2008)	Interim 2007 (December 1, 2006 –May 31, 2007)
Cash flows from operating activities	8,588	11,051
Cash flows from investing activities	(8,844)	(4,589)
Cash flows from financing activities	(924)	(3,417)
Net increase (decrease) in cash and cash equivalents	(1,590)	3,097
Cash and cash equivalents at beginning of the period	20,965	12,643
Cash and cash equivalents at end of the period	19,375	15,740

SHAREHOLDER INFORMATION (As of May 31, 2008)

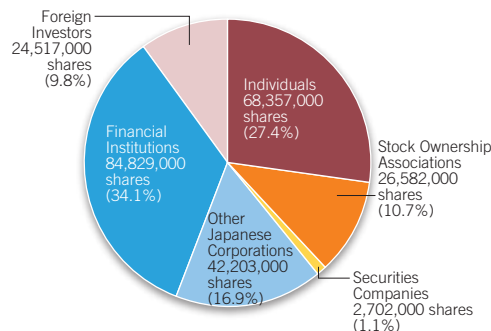
Number of Shares Issued: 249,193,436

Number of Shareholders: 34,425

Major Shareholders:

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
Toyota Motor Corporation	13,182	5.29
Japan Trustee Services Bank, Ltd.	12,561	5.04
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	11,888	4.77
NACHI WANEI Stockholding	11,708	4.70
Employees' Stock Ownership Plan	11,280	4.53

Breakdown of Shareholders



DIRECTORS (As of August 2008)

President and Representative Director
Kensuke Imura

Executive Vice President and Representative Director

Hiroo Honma

Executive Vice President and Representative Director

Masahiro Nagao

Managing Director
Hideki Kasahara

Managing Director
Yukihiko Tanaka

Managing Director
Noriyasu Shiba

Managing Director
Kenji Ishiguro

Managing Director
Kiyoshi Nakagawa

Managing Director
Masayuki Higeukon

Director
Masao Motobayashi*

Director
Makoto Sasaki

Director
Hideo Terakoshi

Director
Zenshiro Kaneko

Director
Hiroshi Yamada

Director
Keiichi Ogino

Standing Corporate Auditor
Naoto Nakano

Standing Corporate Auditor
Atsushi Saguchi*

Standing Corporate Auditor
Teruo Akashi

Corporate Auditor
Eiichi Fukushima*

* Outside director or outside corporate auditor

CORPORATE INFORMATION (As of May 31, 2008)

Foundation: December 21, 1928

Capital: ¥16 billion

Number of Employees: 5,857 (Consolidated) 2,824 (Non-consolidated)

Major Products:

Machining	Cutting Tools, Forming Tools, Cutting Saws, Precision Forming, Machine Tools, Precision Machinery, Machining Systems
Robots	Robot Systems, Electronic Equipment
Components	Bearings, Hydraulic Equipment, Automotive Parts, Seismic Isolation Systems
Materials & Heat Treatment	Special Steels, Industrial Furnaces, Coating

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	+81-3-5568-5280
Central Japan Main Branch	Nachi Nagoya Bldg., 2-120-3, Takayashiro, Meitou-ku, Nagoya 465-0095, Japan	+81-52-769-6811
Western Japan Main Branch	Nachi Osaka Bldg., 2-3-7, Honjo-nishi, Higashi-Osaka 578-8522, Japan	+81-6-6748-2510
Toyama Plant	1-1-1, Fujikoshi-Honmachi, Toyama 930-8511, Japan [Cutting Tools / Machine Tools / Robots / Bearings]	+81-76-423-5111
Higashi-Toyama Plant	3-1-1, Yoneda-machi, Toyama 931-8511, Japan [Special Steels] 3-2-1, Nakada, Toyama 931-8453, Japan [Hydraulic Equipment]	+81-76-438-4411 +81-76-438-8970
Namerikawa Plant	176, Ogake, Namerikawa 936-0802, Japan [Precision Machinery / Hydraulic Equipment / Automotive Hydraulics / Industrial Furnaces / Coating / Precision Forming]	+81-76-471-2101

Major Overseas Subsidiaries:

NACHI AMERICA INC.	17500 Twenty-Three Mile Road, Macomb, Michigan, 48044, U.S.A.	Tel: +1-586-226-5151
NACHI EUROPE GmbH	Bischofstrasse 99, 47809, Krefeld, GERMANY	+49-(0)2151-65046-0
NACHI TECHNOLOGY (THAILAND) CO., LTD.	3/16 M, 2, Rojana Industrial Estate Nongbua, Ban Khai, Rayong, 21120, THAILAND	+66-38-961-682
NACHI (SHANGHAI) CO., LTD.	Yitong Industry Zone 258, Fengmao Rd. Malu Town, Jiading, Shanghai 201801, CHINA	+86-(0)21-6915-2200

INVESTOR INFORMATION

Stock Code:	6474
Record Date:	Voting rights at General Meeting of Shareholders November 30 Year-end dividend November 30 Interim dividend May 31
Ordinary General Meeting of Shareholders:	February
Unit:	1,000 shares
Shareholders' Register Custodian:	The Chuo Mitsui Trust and Banking Company, Ltd. 3-33-1, Shiba, Minato-ku, Tokyo 105-8574, Japan
Shareholders' Register Custodian Administrative Office:	The Chuo Mitsui Trust and Banking Company, Ltd. Stock Transfer Agency Department 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan Toll-free: 0120-78-2031 (Toll-free in Japan)
Shareholders' Register Custodian Handling Office:	The Chuo Mitsui Trust and Banking Company, Ltd., Branches throughout Japan Japan Securities Agents, Ltd., Head office and branches throughout Japan
Stock Transfer Fees:	Free
URL:	http://www.nachi-fujikoshi.co.jp/

To Request Purchase of Additional Shares or Buyback for Holdings Less Than the Minimum Trading Unit

NACHI-FUJIKOSHI has introduced a system that allows the purchase of additional shares for holdings less than the normal trading unit. This system enables shareholders with holdings under trading unit (1,000 shares) to purchase the shares needed to meet this minimum requirement.

Also, shareholders wishing to sell holdings of less than trading unit can follow procedures for the buyback of shares.

Please contact the Shareholders' Register Custodian (see left) for more information. (Please note: Shareholders using the securities depository system should contact their securities firm.)

Wonders from NACHI, Art in NACHI

Exciting Technology—that's Art.

What, you may ask, is this Christmas-tree-like object on our front cover? It is a tool known as a "broach", used to cut grooves in the turbine disks of airplanes and generators. Because turbine disk grooves support blades that rotate at high speeds, they must take complex forms that have been processed with high precision. We pursued the development of the technology needed to accomplish the processing of these grooves in a simple manner, and in so doing created this beautiful object that turned out to be a work of art. In short, when you have truly mastered a technology, you will also have created an artistic masterpiece. In this sense, we at NACHI-FUJIKOSHI are pursuing art in the course of our high-precision manufacturing activities.