



NACHI

INTERIM BUSINESS REPORT 2011

December 1, 2010 to May 31, 2011

NACHI-FUJIKOSHI CORP.

Securities Code: 6474

TO OUR SHAREHOLDERS

We wish to express our deepest gratitude to our shareholders for the exceptional support that they have always extended to us.

We also wish to extend our utmost sympathies to the victims of the Great East Japan Earthquake and to offer our heartfelt prayers for the most expeditious of recoveries in the disaster-stricken areas.

We hereby report the interim results for the NACHI-FUJIKOSHI Group for the period from December 1, 2010 to May 31, 2011.

Business Environment

The business environment surrounding the NACHI-FUJIKOSHI Group during the interim period under review saw production cutbacks by automobile manufacturers as well as weak overall demand as the result of the Great East Japan Earthquake that occurred on March 11 this year. However, economic recovery has steadily gained a solid foothold overall, as evidenced by increasingly clear signs of a turnaround in the consumer and industrial machinery markets against the backdrop of the robust expansion of the emerging economies.

Business Progress and Results

Given this environment, the NACHI-FUJIKOSHI Group moved forward with initiatives to cultivate new markets and revitalize existing ones by playing to the strengths generated by the Group's position in the machining, robotics, functional parts and materials businesses.

As a result, sales for the interim period under review totaled 78.9 billion yen, up 28.3% over the same interim period of the previous fiscal year. Of this, sales in the Japanese market reached 47.5 billion yen, up 24.1% over the same interim period of the previous fiscal year, while overseas

sales totaled 31.3 billion yen, up 35.3%.

In terms of profitability, although affected by such factors as surging material costs and deteriorating export margins due to the appreciation of the yen, efforts to curb overall costs including continued efforts to promote cost cutting as well as improved capacity utilization as the result of the recovery in sales and manufacturing enabled us to secure 7.1 billion yen in operating profits, 2.3 times higher than in the same interim period of the previous fiscal year, 6.3 billion yen in ordinary profits, 2.8 times higher, and 5.1 billion yen in net income, also 2.8 times higher.

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

Future Initiatives

As for the outlook moving forward, we believe that the gradual recovery will continue, driven by the emerging economies. However, concerns such as further rises in material costs and decline in the profitability of exports as the result of the appreciation of the yen lead to continued expectations of an uncertain future.

The NACHI-FUJIKOSHI Group will endeavor to cultivate new markets in the emerging economies as well as the energy and infrastructure segments, where long-term growth is anticipated. The company will also move forward with reinforcement of research and development and thoroughgoing improvement and continuous cost reduction in all areas of manufacturing and sales. By these means, the company will develop a stable profit structure and work to improve business results.

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



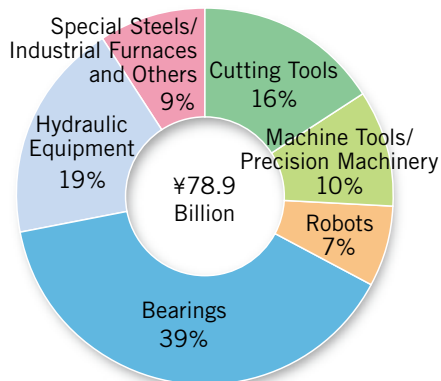
President and
Representative Director

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

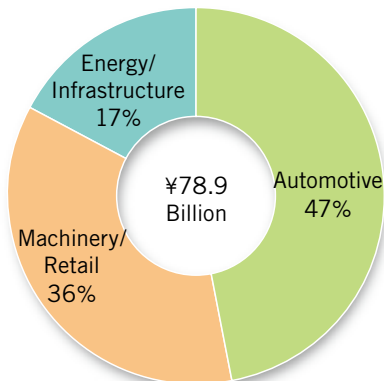
August 2011

RESULTS OF OPERATIONS (Consolidated)

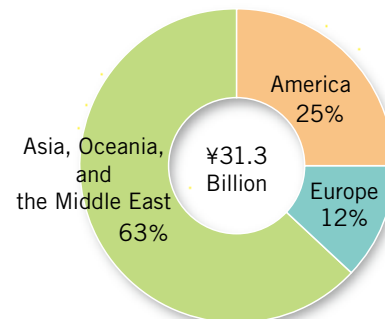
Sales by Business Segment



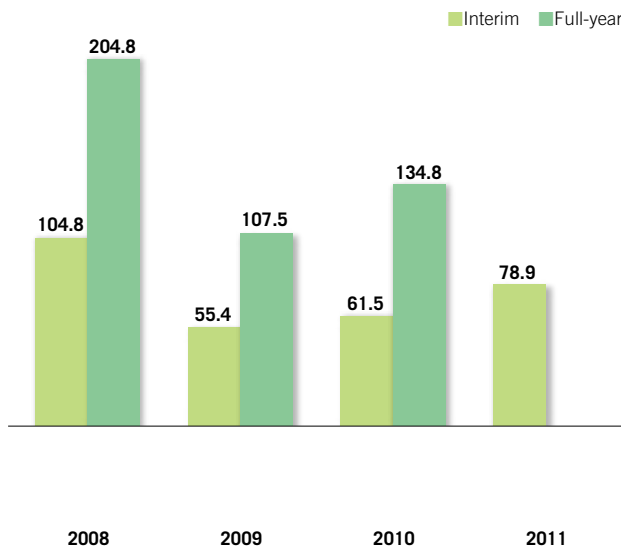
Sales by Market



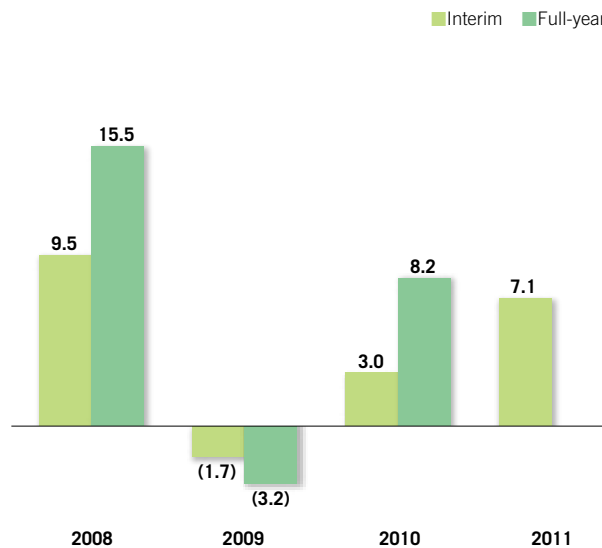
Overseas Sales



Net Sales (¥ billions)



Operating Income (¥ billions)



Accelerating Development of Emerging Economy Markets

We at NACHI-FUJIKOSHI are working to expand our presence in fast-growing China and India by expanding our sales and service coverage and enhancing production capacity there.



Expanding Our Presence in the Chinese Market

We undertook a massive expansion of our local staff in order to develop the Chinese market. We established new sales operations in Shenyang and Chongqing in addition to existing operations in Shanghai, and reinforced our business development, technical and servicing capacities. We are also cultivating local customers in the automobile, machine tools, construction machinery and other sectors.

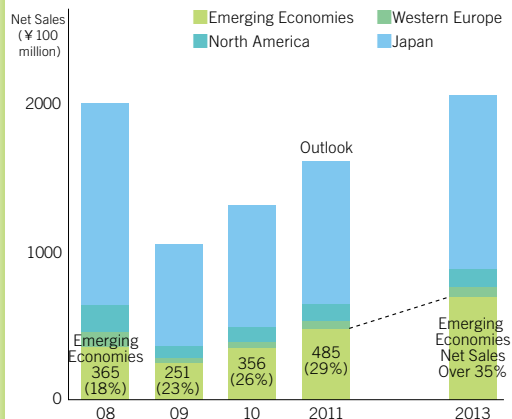


NACHI MOTHERSON PRECISION LIMITED (India)

We established a manufacturing subsidiary for precision tools and began operations there in June, 2011, in order to fully develop our tools, machine tools and other machining businesses in India's rapidly modernizing industrial market. We are working to develop new local customers in addition to subsidiaries and affiliates of Japanese businesses and other existing customers.

Net Sales in Emerging Nations

We will aim to increase the percentage of net sales in emerging economies from 26% in fiscal year 2010 to over 35% in fiscal year 2013.



Showroom(India)

Aggressively Introducing New Products

We are working to pursue further opportunities in the automobile and industrial machinery sectors and to develop our business in the energy and infrastructure sectors by developing and releasing new products.



Press Tending Robot

High speed transfer is achieved through the lightweight and highly rigid design of the robot and control technologies such as cutting edge motor drive and vibration suppression control. We are expanding sales of the press tending robot mainly in the emerging economy markets, where there is a growing need for automation.



FLEX-hand

The FLEX-hand is capable of flexible handling workpieces in a wide range of types and shapes. The FLEX-hand helps to automate transfer processes and reduce manpower.



AC Servo Motor Drive Energy Saving Hydraulic Unit “Power Fit”

Electricity consumption is reduced by 80% by adopting an energy conserving function that reduces rotation of the hydraulic pump to the absolutely necessary minimum by optimally controlling the cylinder rotation speed and force of the press.



Vacuum Degreasing System The New “Clean Master J” Series

A massive improvement in cleaning performance has been achieved by equipping the system with four cleaning functions—jet, spray, shower, and vapor—that enable the user to choose the optimal cleaning method for a wide variety of parts and components in automobile, industrial machinery and electric machinery sectors.

Opened Mobile Movies Website

You can see NACHI robots in action in a wide range of working environments on your smartphones and other mobile phones.

Precautionary Statement

Large packet transmission charges may be incurred by accessing mobile movies. We recommend that you select “flat rate packet services” and similar payment systems before you access our website.



FINANCIAL STATEMENTS

Consolidated Balance Sheets

(¥ millions)

Item	Interim 2011 (as of May 31, 2011)	Interim 2010 (as of May 31, 2010)
ASSETS:		
Current assets	88,664	83,708
Cash and cash equivalents	21,921	29,419
Notes and accounts receivable	33,618	25,995
Inventories	29,067	24,349
Other	4,055	3,943
Fixed assets	92,652	94,242
Property, plant and equipment	77,338	79,398
Buildings and structures	28,882	30,813
Machinery and equipment	34,564	35,320
Land	7,321	7,348
Other	6,570	5,916
Intangible fixed assets	316	342
Investments and advances	14,997	14,501
Total assets	181,317	177,951

(¥ millions)

Item	Interim 2011 (as of May 31, 2011)	Interim 2010 (as of May 31, 2010)
LIABILITIES:		
Current liabilities	73,912	72,011
Notes and accounts payable	32,624	24,434
Short-term bank loans	24,037	39,466
Other	17,250	8,110
Long-term liabilities	48,082	53,984
Bonds and long-term debt	35,059	41,103
Allowance for retirement benefits	6,827	6,674
Other	6,195	6,206
Total liabilities	121,994	125,996
NET ASSETS:		
Shareholders' equity	61,582	53,870
Common stock	16,074	16,074
Additional paid-in capital	11,560	11,560
Retained earnings	34,136	26,415
Treasury stock	(189)	(180)
Revaluations and translation adjustments	(4,941)	(4,342)
Minority interests	2,681	2,426
Total net assets	59,322	51,954
Total liabilities and net assets	181,317	177,951

Consolidated Statements of Income

(¥ millions)

Item	Interim 2011 (December 1, 2010 -May 31, 2011)	Interim 2010 (December 1, 2009 -May 31, 2010)
Net sales	78,918	61,513
Operating income	7,175	3,059
Ordinary income	6,348	2,271
Extraordinary income	53	19
Extraordinary losses	144	44
Income before income taxes and minority interests	6,256	2,246
Net income	5,129	1,820

Consolidated Statements of Cash Flows

(¥ millions)

Item	Interim 2011 (December 1, 2010 -May 31, 2011)	Interim 2010 (December 1, 2009 -May 31, 2010)
Cash flows from operating activities	7,394	12,282
Cash flows from investing activities	(4,143)	(3,965)
Cash flows from financing activities	(211)	(7,405)
Net increase in cash and cash equivalents	3,135	1,049
Cash and cash equivalents at beginning of the year	18,756	28,262
Cash and cash equivalents at end of interim of the year	21,891	29,311

SHAREHOLDER INFORMATION (As of May 31, 2011)

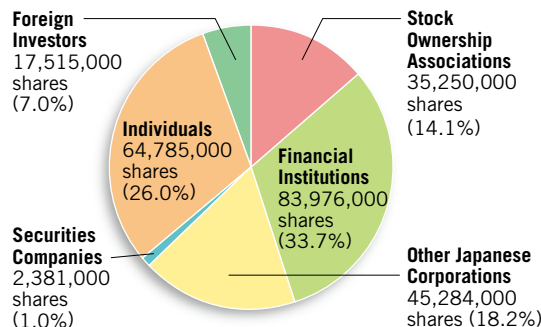
Number of Shares Issued: 249,193,436

Number of Shareholders: 30,882

Major Shareholders:

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding	16,746	6.72
Toyota Motor Corporation	13,182	5.29
Employees' Stock Ownership Plan	12,603	5.06
Japan Trustee Services Bank, Ltd.	12,081	4.85
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	11,888	4.77

Breakdown of Shareholders



DIRECTORS AND AUDITORS (As of August, 2011)

President and Representative Director

Hiroo Honma

Managing Director

Naoshi Katayama

Director

Kenji Susukida

Director

Masayuki Kobayashi

Managing Director
Yukihiko Tanaka

Managing Director
Hideo Terakoshi

Director
Nobuo Segawa

Standing Corporate Auditor
Naoto Nakano

Managing Director
Noriyasu Shiba

Managing Director
Keiichi Ogino

Director
Nishiki Seto

Standing Corporate Auditor
Atsushi Saguchi*

Managing Director
Makoto Sasaki

Director
Hideo Oba*

Director
Sachio Tanaka

Corporate Auditor
Eiichi Fukushima*

*Outside director or outside corporate auditor.

CORPORATE OFFICERS

(As of August, 2011)

Corporate Officer
Toshio Sugiura

Corporate Officer
Yasuo Hatakeyama

Corporate Officer
Kiyoshi Meguro

Corporate Officer
Isao Hori

Corporate Officer
Kazuhito Yoshida

Corporate Officer
Yusaburo Nomura

Corporate Officer
Katsumi Nishijima

Corporate Officer
Satoshi Hamamoto

Corporate Officer
Shinichi Urata

Corporate Officer
Hidenori Hayashi

CORPORATE INFORMATION (As of May 31, 2011)

Foundation: December 21, 1928

Capital: ¥16 billion

Number of Employees: 5,601 (Consolidated) 2,615 (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 Nachi Osaka Bldg., 2-3-7, Honjo-nishi, Higashi-Osaka 578-8522, 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

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: 3-33-1, Shiba, Minato-ku, Tokyo 105-8574, Japan
Administrative Office/Mailing Address: The Chuo Mitsui Trust and Banking Company, Ltd.
2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan
The Chuo Mitsui Trust and Banking Company, Ltd.
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 Chuo Mitsui Trust and Banking Co., Ltd. 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 Chuo Mitsui Trust and Banking Co., Ltd., which is the account administrator for special accounts.

2. **Questions regarding Payments of Accrued Dividends and Other General Administrative Matters regarding Shares**

Please contact Chuo Mitsui Trust and Banking Co., Ltd., which administers the shareholders registry.

Art in NACHI.

The cover photograph captures an image of a NACHI-FUJIKOSHI large diameter helical broach, which is used for machining internal automobile transmission gears.

The broach features a continuous helical cutting lip that enables it to achieve high speed, high precision machining of inner gears.

This helps to make shifting gears in automobiles a seamless experience.

Pursuing the ultimate in gear machining, NACHI-FUJIKOSHI has created a high precision cutting lip that is worthy of a beautiful work of art.

Technology pushed to its limits becomes art.

NACHI-FUJIKOSHI endeavors to create art in the world of manufacturing.