

NACHI



BUSINESS REPORT 2008

December 1, 2007 to November 30, 2008

NACHI-FUJIKOSHI CORP.

Securities Code: 6474

TO OUR SHAREHOLDERS

I am delighted to report to you about NACHI-FUJIKOSHI's business performance for the fiscal year ended November 30, 2008.

Business Environment

The operating environment of the NACHI-FUJIKOSHI Group during the period under review saw the slowdown of the world economy grow increasingly severe. In addition to rising crude oil and raw material prices and the ongoing dramatic appreciation of the yen, the turmoil in the financial markets spread to the real economies. From the second half of the fiscal year, capital expenditure was curbed in Japan and overseas in such major industries as automobiles, electric appliances and industrial machinery, and the trend to reduce production levels strengthened.

Business Progress and Results

In this environment, the NACHI-FUJIKOSHI Group worked to vigorously promote the "NACHI Business," which offers total support for our customers' manufacturing activities. The NACHI business enabled us to provide linked products, technologies and services based on our unique engineering business.

Net sales for the year under review amounted to ¥204.8 billion, up 5.8% from the previous fiscal year. Sales to the Japanese market accounted for ¥139.3 billion (up 7.5% year on year), while overseas sales rose 2.2% to ¥65.5 billion.

About the Cover Design

The triangle 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.

Turning to earnings, operating income decreased ¥1.2 billion to ¥15.5 billion, down 7.4% year on year, with ordinary income down 8.7% to ¥13.9 billion. With a gain on sales of fixed assets and a loss on valuation of investment securities as extraordinary income and losses, net income for the year under review improved 6.2% to ¥8.3 billion. This downturn in operating income was caused by rising raw material and component prices, higher fixed expenses due to expansion of the production system and the ongoing sharp appreciation of the yen during the year. These concerns outweighed improved capacity utilization stemming from increased sales and production, as well as enhanced productivity and other total cost reduction efforts.

Cash Dividends

In recognition of business performance during the year and of projected business management in the future, the Company paid a cash dividend of ¥8 per share, the same amount as in the previous fiscal year.

Future Action

Looking ahead, markets are further shrinking due to the deepening slowdowns and

recessions of the global economy. Major customers of the NACHI-FUJIKOSHI Group, especially those in the automobile and industrial machinery sectors, are likely to continue to experience an unprecedented level of severity in their business environments.

The NACHI-FUJIKOSHI Group is building a strong business framework that can withstand changes in demand. To this end, we are identifying new markets, particularly in newly emerging countries, and improving a wide range of operating activities, including manufacturing, procurement, logistics, R&D, and personnel and organizational matters.

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.

Moreover, we will strive to boost corporate value by upholding the NACHI brand, a name trusted across the globe in the manufacturing field.

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

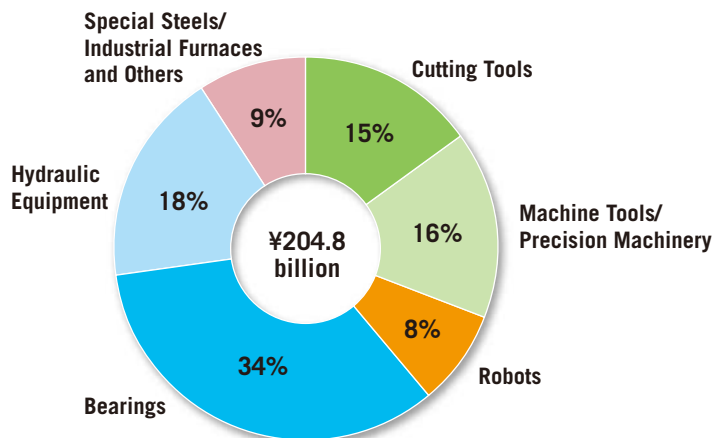
February 2009



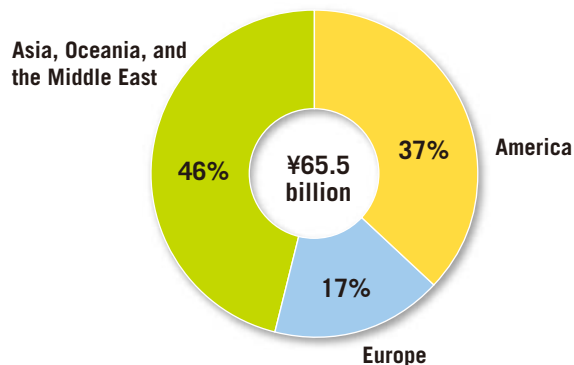
Kensuke Imura Chairman and CEO, Representative Director (Left)
Hiroo Honma President and COO, Representative Director (Right)

RESULTS OF OPERATIONS (Consolidated)

Sales by Business Segments

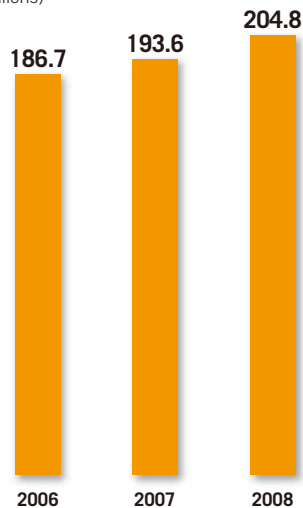


Overseas Sales



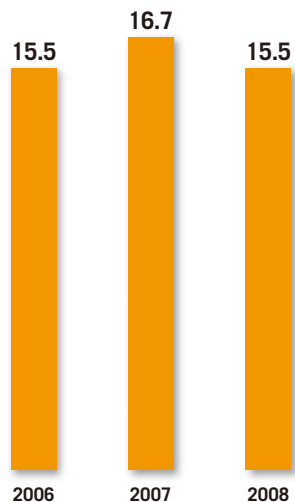
Net Sales

(¥ billions)



Operating Income

(¥ billions)



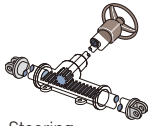
Overseas Sales

(¥ billions)



THE NACHI BUSINESS NETWORK—Contributing to the Progress of the

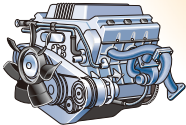
Automobiles Products for a safe and comfortable ride with high fuel efficiency



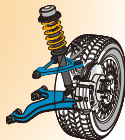
Steering



Engines



Transmissions



Constant-velocity (CV) joints

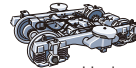
Aircraft Achieving high productivity and high-precision processing for jet engine components



Turbine discs and blades

Bullet Trains

Ensuring high speed, safety and comfort



Undercarriages

Utility (Small Shovels)

Massive power in an energy efficient, compact package



Products used in everything from automobiles, aircraft, bullet trains, small — Technologies that create, handle and drive everything. And there's

Machining & Robots

Supporting production line automation with the required high performance and high precision



Precision tools



Machine tools



Ultra-precise processing machinery with nano-level precision



Space-saving new platform robots

Components

In pursuit of energy-saving and greater safety



High-performance bearings



Hydraulic equipment for construction and industrial machines

World of Product Manufacturing

Industrial Machinery

Realizing outstanding energy-saving, precision and efficiency



Machine tools



Injection molding machines

Homes & Lifestyle

Familiar parts of everyday life



Seismic isolator



DIY products



Moveable roof domes

Electrical & Electronic Devices

From home appliances to IT



Aspheric lenses used in digital equipment



shovels, and machine tools to mobile phones, digital cameras and LCD TVs always something new on the horizon. "Wonders from NACHI, Art in NACHI"

Materials & Heat Treatment

Supporting high performance and superb quality



Special steels



Regrinding and Recoating of cutting tools



Maintenance, Overhaul of robots and machine tools



Coating, carburizing and other surface modification technologies



Energy and Resource-saving systems



Thermotech and Coating services

FINANCIAL STATEMENTS

Consolidated Balance Sheets

Item	2008 (As of November 30, 2008)	2007 (As of November 30, 2007)
ASSETS:		
Current assets	90,617	99,833
Cash and cash equivalents	13,001	20,996
Notes and accounts receivable	38,507	41,149
Inventories	32,787	31,326
Deferred tax assets	2,705	3,660
Other	3,843	2,979
Allowance for doubtful accounts	(228)	(279)
Fixed assets	101,827	101,946
Property, plant and equipment	87,395	82,024
Buildings and structures	31,858	28,643
Machinery and equipment	45,922	43,229
Land	7,376	7,659
Construction in progress	741	1,018
Other	1,496	1,473
Intangible fixed assets	403	402
Software	333	335
Other	70	66
Investments and advances	14,027	19,519
Investment securities	9,801	16,255
Long-term loans receivable	108	149
Deferred tax assets	1,901	837
Other	2,216	2,305
Allowance for doubtful accounts	(0)	(28)
Total assets	192,444	201,779

(¥ millions)

Item	2008 (As of November 30, 2008)	2007 (As of November 30, 2007)
LIABILITIES:		
Current liabilities	91,892	100,815
Notes and accounts payable	40,093	38,830
Short-term bank loans	36,687	33,789
Other accounts payable	5,406	10,982
Other	9,705	17,211
Long-term liabilities	37,020	39,523
Bonds and long-term debt	27,730	28,201
Allowance for retirement benefits	6,081	7,226
Other	3,208	4,096
Total liabilities	128,913	140,338
NET ASSETS:		
Shareholders' equity	62,439	56,223
Common stock	16,074	16,074
Additional paid-in capital	11,567	11,571
Retained earnings	34,972	28,760
Treasury stock	(175)	(183)
Revaluations and translation adjustments	(1,681)	2,854
Unrealized gains on available-for-sale securities	2,029	6,067
Translation adjustments	(3,710)	(3,212)
Minority interests	2,772	2,362
Total net assets	63,530	61,440
Total liabilities and net assets	192,444	201,779

Consolidated Statements of Income

(¥ millions)

Item	2008	2007
	(For the year ended November 30, 2008)	(For the year ended November 30, 2007)
Net sales	204,844	193,670
Operating income	15,532	16,774
Ordinary income	13,953	15,286
Extraordinary income	955	1,045
Extraordinary losses	978	2,765
Income before income taxes and minority interests	13,931	13,567
Net income	8,347	7,858

Consolidated Statements of Cash Flows

(¥ millions)

Item	2008	2007
	(For the year ended November 30, 2008)	(For the year ended November 30, 2007)
Cash flows from operating activities	14,730	20,769
Cash flows from investing activities	(23,647)	(11,060)
Cash flows from financing activities	1,126	(1,469)
Net increase (decrease) in cash and cash equivalents	(8,131)	8,322
Cash and cash equivalents at beginning of the year	20,965	12,643
Cash and cash equivalents at end of the year	12,833	20,965

Consolidated Statement of Changes in Shareholders' Equity (For the year ended November 30, 2008)

(¥ millions)

Item	Shareholders' equity					Revaluations and translation adjustments			Minority interests	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on available-for-sale securities	Translation adjustments	Total revaluations and translation adjustments		
Balance as of November 30, 2007	16,074	11,571	28,760	(183)	56,223	6,067	(3,212)	2,854	2,362	61,440
Changes during the fiscal year										
Dividends from retained earnings			(1,989)		(1,989)					(1,989)
Net income			8,347		8,347					8,347
Acquisition of treasury stock				(33)	(33)					(33)
Disposal of treasury stock		(4)		41	37					37
Net decrease due to consolidation of equity method affiliates			(1)		(1)					(1)
Minimum pension liability adjustments of overseas subsidiary			(123)		(123)					(123)
Other			(19)		(19)					(19)
Net changes in items other than shareholders' equity						(4,037)	(498)	(4,535)	409	(4,125)
Total changes during the fiscal year	-	(4)	6,212	7	6,216	(4,037)	(498)	(4,535)	409	2,090
Balance as of November 30, 2008	16,074	11,567	34,972	(175)	62,439	2,029	(3,710)	(1,681)	2,772	63,530

1. Expansion of Engineering Business

We respond actively to a wide range of engineering-related needs in our four major technical fields of the regrinding and recoating of cutting tools, the maintenance, overhaul of robots and machine tools, energy and resource-saving systems, and thermotech and coating services.



Regrinding and Recoating of cutting tools/ Tool engineering service

Toyama, Kanagawa (Japan), China, America, etc.
GPA Engineering Co., Ltd.



Maintenance, Overhaul of robots and machine tools
NACHI Robot Engineering Co., Ltd.
NACHI Machinery Engineering Co., Ltd.

(Filtration system for cutting and grinding coolant)



(Metal sludge recycling system)



Energy and Resource-saving systems

NACHI Industrial Service Co., Ltd.
(Established August 2008)



Thermotech and Coating services

NACHI Thermotech Co., Ltd.
(Established August 2008)

2. Contributing to the Environment, Energy and Resource-saving



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)



Cutting tools booth



Machine tools booth



We presented eco-machining and environmentally friendly manufacturing applications of our products and technology at the 24th Japan International Machine Tool Fair. In particular, we showcased the appeal of our automation technology using space-saving robots, the hybrid broaching machine "Mi5010PA" with our built-in energy-saving hydraulic system "POWER Meister" that halves conventional power consumption, and the filtration system. (November 2008)

7-axis
multipurpose robot



Broaching
machine
"Mi5010PA"



Energy-saving hydraulic
system "POWER Meister"

3. Identifying Newly Emerging Markets



Southeast Asia: Thailand
NACHI TECHNOLOGY (THAILAND) CO., LTD.
Expanded engineering service functions as
ASEAN Business Center

(September 2008)

(Engineering Center)



Mexico
NACHI MEXICANA ENGINEERING CENTER
Opened an engineering base for re-
sharpening of precision tools and main-
tenance of robots

(April 2008)



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)



Brazil
NACHI BRASIL LTDA.
Expanded production capabilities for bear-
ings in response to increased demand for
automobiles and motorcycles

4. Activating Human Resource Development and Exchange



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

The center gives 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.

SHAREHOLDER INFORMATION (As of November 30, 2008)

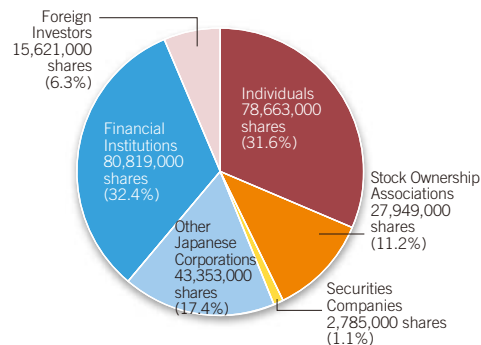
Number of Shares Issued: 249,193,436

Number of Shareholders: 35,642

Major Shareholders:

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
Toyota Motor Corporation	13,182	5.29
NACHI WANEI Stockholding	12,335	4.95
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	11,888	4.77
Employees' Stock Ownership Plan	11,684	4.69
THE HOKURIKU BANK, LTD.	8,659	3.48

Breakdown of Shareholders



DIRECTORS AND AUDITORS (As of February 20, 2009)

*Chairman and CEO,
Representative Director*
Kensuke Imura

*President and COO,
Representative Director*
Hiroo Honma

Executive Vice President
Kenji Ishiguro

Managing Director
Yukihiko Tanaka

Managing Director
Makoto Sasaki

Managing Director
Kiyoshi Nakagawa

Managing Director
Noriyasu Shiba

Director
Atsushi Seki*

Director
Zenshiro Kaneko

Director
Naoshi Katayama

Director
Hideo Terakoshi

Director
Keiichi Ogino

Standing Corporate Auditor
Naoto Nakano

Standing Corporate Auditor
Atsushi Saguchi*

Corporate Auditor
Teruo Akashi

Corporate Auditor
Eiichi Fukushima*

* Outside director or outside corporate auditor

CORPORATE OFFICERS (As of February 20, 2009)

Corporate Officer
Kiyoshi Meguro

Corporate Officer
Masayuki Kobayashi

Corporate Officer
Nishiki Seto

Corporate Officer
Nobuo Segawa

Corporate Officer
Sachio Tanaka

Corporate Officer
Toshio Sugiura

Corporate Officer
Tadashi Yamazaki

Corporate Officer
Hirokazu Kubota

Corporate Officer
Shigeki Miwa

► Origin of the Corporate Name “FUJIKOSHI”

NACHI-FUJIKOSHI CORP. was founded in the city of Toyama in 1928. Kohki Imura, the founder, named the company FUJIKOSHI in order to give concrete expression to his creed that self sufficiency in machine tool supply is indispensable to Japan's economic prosperity.

The first two characters “不二” which read “Fuji” were picked from the Buddhist scriptures. A passage in the scriptures says “Justice and injustice appear to be different things. The truth is that they are “Fuji” (not two). They are one and the same.” In other words, the true comprehension of objects is attainable only through penetrating observation from high above, ignoring the superficial appearances of such objects.

The third Chinese character “越” which reads “koshi,” has the same pronunciation as “高志” which means the general area along the Japan Sea since old days, and leads to the “Art” at which we are aiming.

With these words, we are also aiming to improve technologies and to enhance corporate value.

► Origin of the Trademark “NACHI”

The NACHI brand name comes from “KUMANO-NACHI-TAISHA,” the Grand Shrine, that is the origin of Japan. It expresses strong entrepreneurial will.

In 1929, the Emperor Showa made a tour of the Kansai district to inspect industries as part of the encouragement of domestic production, and personally inspected a FUJIKOSHI hacksaw blade that was on display as an example of an outstanding domestic product at the Osaka Prefectural Office.

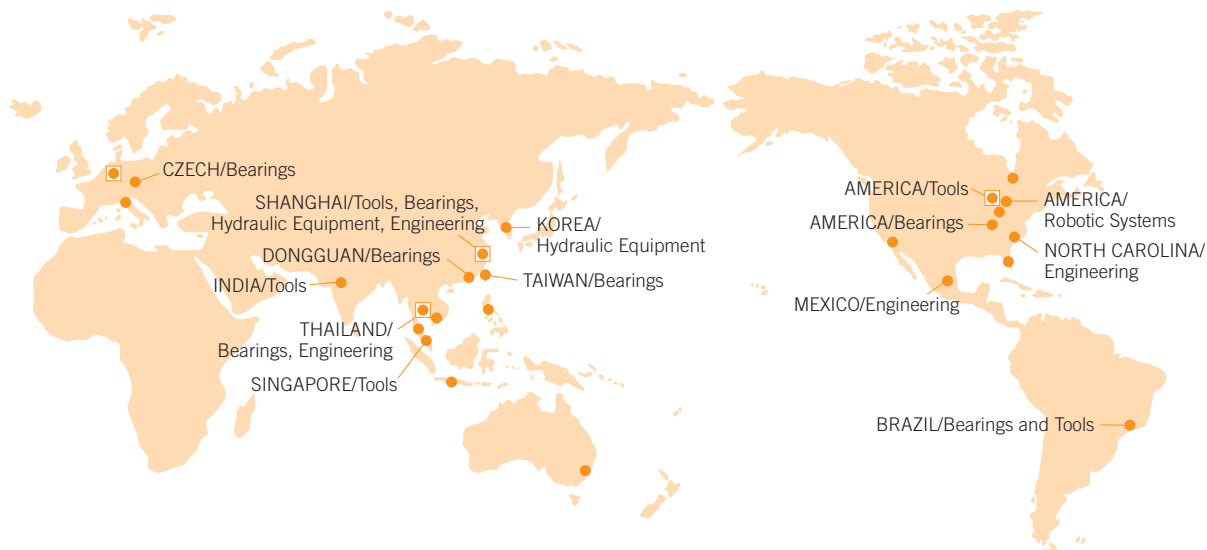
Overjoyed at the honor of entertaining the Emperor's special attention, Kohki Imura decided to name his product “NACHI” after the name of the latest naval cruiser to be made in Japan, the very same vessel that the Emperor was sailing on for his tour.

Fujikoshi, in the early days of Showa, was still a fledging machine tool supplier. For Imura, “NACHI” was the word that best identified FUJIKOSHI products with the dignity of the Emperor.

CORPORATE INFORMATION (As of November 30, 2008)

Foundation:	December 21, 1928	
Capital:	¥16 billion	
Number of Employees:	5,853 (Consolidated)	2,729 (Non-consolidated)
Major Products:	Machining Cutting Tools, Forming Tools, Cutting Saws, Machine Tools, Precision Machinery, Machining Systems Robots Robot Systems, Electronic Equipment Components Bearings, Hydraulic Equipment, Automotive Parts, 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	+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]	+81-76-438-4411
Namerikawa Plant	3-2-1, Nakada, Toyama 931-8453, Japan [Hydraulic Equipment] 176, Ogake, Namerikawa 936-0802, Japan [Precision Machinery / Hydraulic Equipment / Automotive Hydraulics / Coating / Industrial Furnaces / Precision Forming]	+81-76-438-8970 +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

OVERSEAS OFFICES



INVESTOR INFORMATION

Securities 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:	Head office of The Chuo Mitsui Trust and Banking Company, Ltd. 3-33-1, Shiba, Minato-ku, Tokyo 105-8574, Japan Toll-free: 0120-78-2031 (Toll-free in Japan)
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 a trading unit (1,000 shares) to purchase the shares needed to meet this minimum requirement.

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

If your shares are held in an ordinary account at a securities company or similar, please inquire to your company to request purchase of additional shares or buyback for holdings less than the minimum trading unit.

If your shares are held in a special account, please inquire to The Chuo Mitsui Trust and Banking Company, Ltd. using the contact information on the left to request purchase of additional shares or buyback for holdings less than the minimum trading unit.

Wonders from NACHI, Art in NACHI

Exciting Technology - that's Art.

In the dictionary, "Art" means "Work showing inventive ability or skill;" and "A skill that is obtained through study, practice and refined technique." The Latin root word, "ars," includes the idea of yearning for beauty. We want everything we do to be Art. NACHI plays each role in creating the technology, developing the skill and building the expertise. As a producer of high technology, NACHI is fashioning wonders. There is going to be Art in NACHI.

The NACHI logo is displayed in a bold, black, sans-serif font. The letters are closely spaced, and the 'i' at the end has a distinctive dot.