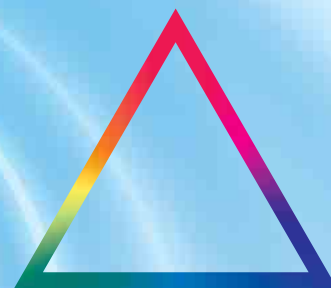


NACHI



INTERIM BUSINESS REPORT 2007

December 1, 2006 to May 31, 2007

NACHI-FUJIKOSHI CORP.

Stock Code: 6474

TO OUR SHAREHOLDERS

It's our pleasure to report to you on NACHI-FUJIKOSHI's business performance for the interim period from December 1, 2006 to May 31, 2007.

Business Environment

Japan's economy continued to post a modest recovery during the period under review despite supply and demand adjustments and the postponement of capital expenditure in certain sectors. The economy was chiefly supported by growth in corporate earnings backed by healthy exports, coupled with signs of an upturn in domestic demand due to an improved employment picture. Looking overseas, although the U.S. economy has slowed, the global economy remained firm overall largely atop expansion in Asian markets and a rebounding economy in Europe.

Business Progress and Results

In this environment, the NACHI-FUJIKOSHI Group worked on the marketing, manufacturing and development fronts to promote the "NACHI Business" concept in the global market, capitalizing on the sophisticated, interconnected business management that has become a Group trademark. We improved and augmented the Group's production framework and equipment, both at home and abroad, and took steps to enhance productivity and bolster supply capabilities. We also responded to flourishing demand in the automobile and industrial

machinery sectors by supplying reliable products and technologies offering high performance and high precision.

These actions resulted in net sales of ¥92.6 billion, virtually unchanged from the same period a year earlier. Sales to the Japanese market accounted for ¥61.8 billion (down 5.0% year on year), while overseas sales were ¥30.7 billion (up 10.1%).

Turning to earnings, operating income was ¥7.9 billion, up 4.6% year on year, with ordinary income up 4.4% to ¥7.2 billion. This improvement came despite rising raw material and component prices, higher fixed expenses due to improvement of the production framework and other factors during the period. These concerns were largely offset by improved profitability with respect to exports, as well as enhanced productivity and other total cost reduction efforts. After accounting for extraordinary income due mainly to gains from the sale of investment securities, net income for the interim period under review was ¥4.1 billion, an improvement of ¥0.8 billion year on year.

We have decided, however, to postpone the payment of interim dividends for the time being.

Future Action

Looking ahead, firm growth is expected to continue in the industrial machinery sector. Capital expenditure trends in the automobile,

electrical and electronic device sectors, however, are somewhat less certain. Meanwhile, issues fueling future uncertainty also abound: high prices for crude oil and raw materials, economic slowdown in the U.S., and fluctuations in the currency exchange markets all contribute to a business environment that will continue to warrant guarded optimism for the time being.

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

In closing, I would like to thank all of our shareholders for your continued support and understanding.

August 2007



Kensuke Imura,
President

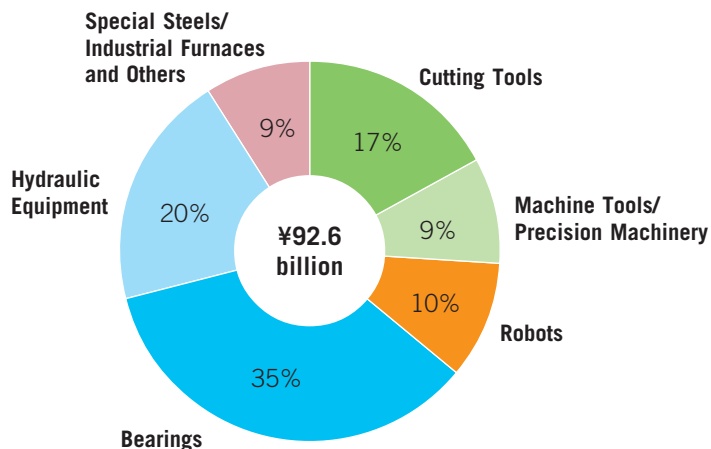


About the Cover Design

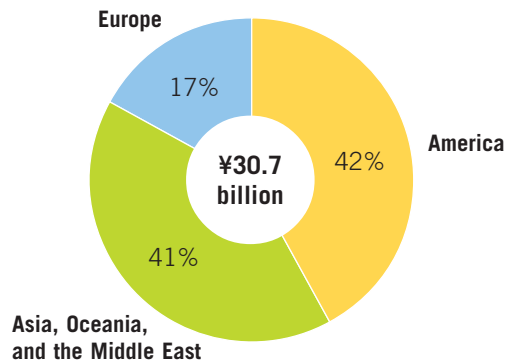
The triangle symbolizes the notion of "Sei-Han-Go," or "Fusing discrete and opposing ideas into one," the Group corporate philosophy implicit in the meaning of "Fuji" in our name.

RESULTS OF OPERATIONS

Sales by Business Segments (Consolidated)



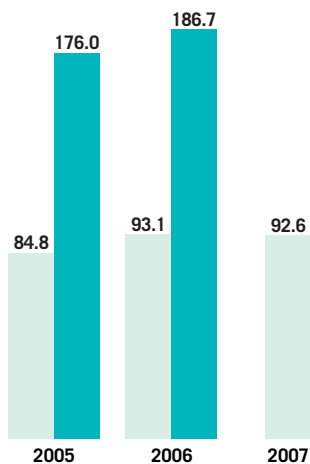
Overseas Sales



Net Sales

(¥ billions)

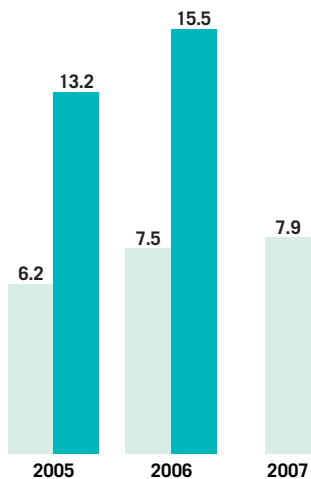
Interim
Full-year



Operating Income

(¥ billions)

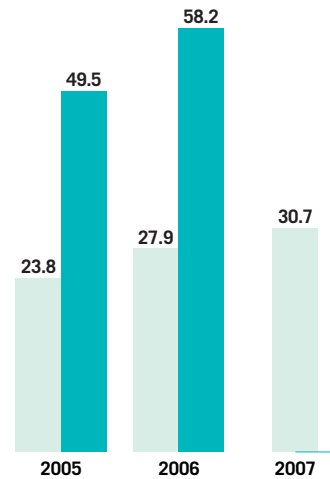
Interim
Full-year



Overseas Sales

(¥ billions)

Interim
Full-year



FINANCIAL STATEMENTS

Consolidated Balance Sheets

Item	Interim 2007 (as of May 31, 2007)	Interim 2006 (as of May 31, 2006)
ASSETS:		
Current assets	91,116	82,438
Cash and cash equivalents	16,133	9,295
Notes and accounts receivable	41,412	38,681
Inventories	29,164	29,413
Other	4,405	5,048
Fixed assets	99,006	90,843
Property, plant and equipment	77,182	69,301
Buildings and structures	24,491	20,975
Machinery and equipment	41,368	37,936
Land	7,576	7,098
Other	3,746	3,290
Intangible fixed assets	398	448
Investments and advances	21,425	21,093
Total assets	190,123	173,282

(¥ millions)

Item	Interim 2007 (as of May 31, 2007)	Interim 2006 (as of May 31, 2006)
LIABILITIES:		
Current liabilities	94,101	94,975
Notes and accounts payable	36,442	37,284
Short-term bank loans	36,144	33,160
Other accounts payable	9,017	9,244
Other	12,498	15,286
Long-term liabilities	37,836	28,716
Bonds and long-term debt	24,896	15,123
Allowance for retirement benefits	7,687	8,506
Other	5,253	5,087
Total liabilities	131,938	123,692
NET ASSETS:		
Shareholders' equity	52,113	45,651
Common stock	16,074	16,074
Additional paid-in capital	11,455	11,444
Retained earnings	24,772	18,274
Treasury stock	(189)	(142)
Revaluations and translation adjustments	3,868	2,700
Minority interests	2,201	1,238
Total net assets	58,184	49,590
Total liabilities and net assets	190,123	173,282

Consolidated Statements of Income

(¥ millions)

Item	Interim 2007 (December 1, 2006 –May 31, 2007)	Interim 2006 (December 1, 2005 –May 31, 2006)
Net sales	92,657	93,118
Operating income	7,923	7,572
Ordinary income	7,230	6,927
Extraordinary income	907	78
Extraordinary losses	364	1,041
Income before income taxes and minority interests	7,772	5,965
Net income	4,176	3,373

Consolidated Statements of Cash Flows

(¥ millions)

Item	Interim 2007 (December 1, 2006 –May 31, 2007)	Interim 2006 (December 1, 2005 –May 31, 2006)
Cash flows from operating activities	11,051	5,648
Cash flows from investing activities	(4,589)	(10,038)
Cash flows from financing activities	(3,417)	3,408
Net increase (decrease) in cash and cash equivalents	3,097	(858)
Cash and cash equivalents at beginning of the period	12,643	9,231
Cash and cash equivalents at end of the period	15,740	8,598

Consolidated Statement of Changes in Shareholders' Equity Interim 2007 (December 1, 2006–May 31, 2007)

(¥ 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, 2006	16,074	11,452	22,548	(157)	49,918	7,531	(4,247)	3,283	1,656	54,859
Changes during the period										
Dividends from retained earnings			(1,989)		(1,989)					(1,989)
Net income			4,176		4,176					4,176
Acquisition of treasury stock				(31)	(31)					(31)
Disposal of treasury stock		3		3	6					6
Increase/decrease due to consolidation of equity method affiliates			15	(3)	12					12
Other			21		21					21
Net changes in items other than shareholders' equity						(214)	799	584	545	1,129
Total changes during the period	–	3	2,223	(31)	2,195	(214)	799	584	545	3,324
Balance as of May 31, 2007	16,074	11,455	24,772	(189)	52,113	7,316	(3,447)	3,868	2,201	58,184

Non-consolidated Balance Sheets

(¥ millions)

Item	Interim 2007 (as of May 31, 2007)	Interim 2006 (as of May 31, 2006)
ASSETS:		
Current assets	56,892	53,439
Fixed assets	95,470	88,365
Property, plant and equipment	57,954	51,269
Intangible fixed assets	296	336
Investments and advances	37,220	36,759
Total assets	152,363	141,805
LIABILITIES:		
Current liabilities	70,565	73,911
Long-term liabilities	31,803	21,663
Total liabilities	102,368	95,574
NET ASSETS:		
Shareholders' equity	42,815	39,175
Common stock	16,074	16,074
Additional paid-in capital	11,455	11,444
Retained earnings	15,453	11,782
Treasury stock	(168)	(126)
Revaluations and translation adjustments	7,179	7,055
Total net assets	49,994	46,231
Total liabilities and net assets	152,363	141,805

Non-consolidated Statements of Income

(¥ millions)

Item	Interim 2007 (December 1, 2006 –May 31, 2007)	Interim 2006 (December 1, 2005 –May 31, 2006)
Net sales	74,489	76,784
Operating income	5,332	5,843
Ordinary income	5,179	5,479
Extraordinary income	836	88
Extraordinary losses	374	440
Income before income taxes	5,641	5,126
Net income	3,016	3,189

TOPICS

Topics1 Bolstering the Engineering Business

Opening of NACHI Engineering

This newly established base specializes in engineering services, including the re-sharpening and recoating of cutting tools and robot maintenance. The company also offers high-quality consulting services for proposing optimal cutting tools and processing methods for the manufacturing processes of its customers. (Ayase City, Kanagawa Prefecture, May 2007)



Upgrading and Expanding the Mechanical Engineering Business for the Global Market

NACHI (Shanghai) Precision Tools Co., Ltd. (Shanghai, China)

NACHI Precision North Carolina Inc. (North Carolina, USA)

Topics2 Promoting the Development of Materials Technology

Establishment of R&D Material

We have consolidated R&D for materials, heat treatment and coatings at the Higashi-Toyama Plant, and upgraded the facility to company status. Work at the plant is currently focused on the development on magnesium alloys and other new materials, as well as developing potential applications. (Higashi-Toyama Plant, May 2007)



Topics3 Expanding Alliances

Joint Development with Sankyo Tateyama Aluminium, Inc.



The respective technologies of both companies enabled the creation of a production method for high-quality magnesium alloy sheets. Going forward, we will strive to spur expansion in the market for magnesium alloys by promoting this material for a wide range of sectors, from electrical and electronic devices and IT, to automobiles and industrial machinery. (May 2007)

Symbio "GS MILL" Series Jointly Developed with Sumitomo Electric HardMetal Corp.



The Symbio GS MILL series of world-class cutting tools, which offer advantages in terms of productivity, and resource and energy conservation, has earned a strong reputation. With Symbio GS MILL, NACHI-FUJIKOSHI has captured this coveted "Monodzukuri Manufacturing Award (Machine Parts Award)" for the third consecutive year.

(Award sponsored by The Nikkan Kogyo Shimibun, March 2007)



Revolutionary Production Method for Special Steels Developed by Tohoku University

Joint Development of the World's Hardest Ultra-fine Wires

This breakthrough emerged by combining the carbide-derived carbon (CDC) process developed by Tohoku University with NACHI-FUJIKOSHI technology for the production of ultra-fine wires with high hardness. Beyond machinery and electronic components, we are identifying applications for CDC process-Micron Hard technology in a wide range of fields, including for use in medical-use components.

(January 2007)

SHAREHOLDER INFORMATION (As of May 31, 2007)

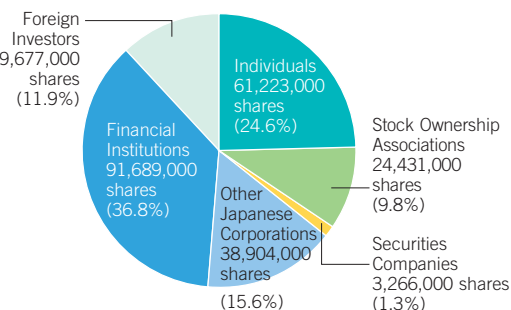
Number of Shares Issued: 249,193,436

Number of Shareholders: 33,188

Major Shareholders:

Shareholders	Number of shares held (thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,978	5.61
Toyota Motor Corporation	13,182	5.29
Japan Trustee Services Bank, Ltd. (Trust Account)	12,140	4.87
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	11,888	4.77
NACHI WANEI Stockholding	10,746	4.31
Employees Stock Ownership Plan	10,543	4.23

Breakdown of Shareholders



DIRECTORS (As of August, 2007)

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
Fumihide Hidano

Managing Director
Noriyasu Shiba

Managing Director
Kenji Ishiguro

Managing Director
Kiyoshi Nakagawa

*Director**
Masao Motobayashi

Director
Makoto Sasaki

Director
Hideo Terakoshi

Director
Masayuki Higeukon

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

Foundation: December 21, 1928

Capital: ¥16 billion

Number of Employees: 5,700 (Consolidated) 2,730 (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, 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	Tel: +81-3-5568-5111
Toyama Plant	1-1-1, Fujikoshi-Honmachi, Toyama 930-8511, Japan	Tel: +81-76-423-5111
Higashi-Toyama Plant	3-1-1, Yoneda-machi, Toyama 931-8511, Japan	Tel: +81-76-438-4411
	3-2-1, Nakada, Toyama 931-8453, Japan	Tel: +81-76-438-8970
	176, Ogake, Namerikawa 936-0802, Japan	Tel: +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	Tel: +49-(0)2151-65046-0
NACHI TECHNOLOGY (THAILAND) CO., LTD.	3/16 M, 2, Rojana Industrial Estate Nongbua, Ban Khai, Rayong, 21120, THAILAND	Tel: +66-38-961-682
NACHI (SHANGHAI) CO., LTD.	Yitong Industry Zone 258, Fengmao Rd. Malu Town, Jiading, Shanghai 201801, CHINA	Tel: +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 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.)

OVERSEAS OFFICES

