



NACHI

**BUSINESS REPORT
2010**

December 1, 2009 to November 30, 2010

NACHI-FUJIKOSHI CORP.

Securities Code: 6474

TO OUR SHAREHOLDERS

I trust that all is well for our valued shareholders.

I am pleased to report the results for the NACHI-FUJIKOSHI Group for the fiscal year ended November 30, 2010 (from December 1, 2009 to November 30, 2010).

Business Environment

The business environment surrounding the NACHI-FUJIKOSHI Group during the fiscal year showed a gradual recovery with the robust economies of emerging nations as the backdrop, as evidenced by the turnaround in the auto industry and the increasingly clear signs of the recovery in industrial machinery and consumer markets.

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 strength generated by the Group's position in the machining, robotics, functional parts, and material businesses.

As a result, sales for the fiscal year totaled 134.8 billion yen, up 25.3% over the previous fiscal year. Of this, sales in the Japan market were 84.1 billion yen, up 20.0% over the previous fiscal year, while overseas sales totaled 50.6 billion yen, up 35.2%.

In terms of profitability, although affected by such factors as deteriorating export margins due to the appreciation of the yen and declining sales prices, improved capacity utilization as the result of the recovery in sales and manufacturing as well as efforts to curb overall costs including a fundamental review of cost structures enabled us to secure 8.2 billion yen in operating profits

and 6.4 billion yen in ordinary income. Extraordinary gains and losses such as gains on sales of investment securities and losses on sales of fixed assets, as well as corporate tax and other such items, brought net income for the fiscal year to 5.5 billion yen.

Cash Dividends

With regard to the fiscal year's-end dividend, since the NACHI-FUJIKOSHI Group was able to record more profit than initially forecast, the group is expressing its appreciation for the support of its shareholders and paying 4 yen in dividends per share, up 2.5 yen from the previous fiscal year.

Future Initiatives

As for the outlook moving forward, we believe that the global market will be driven by continued high economic growth in China and other emerging nations. However, concerns about declining sales prices due to increasing competition and rising costs as the result of the appreciation of the yen, rising oil and other natural resource prices lead to expectations of an uncertain future.

In the future, the NACHI-FUJIKOSHI Group will endeavor to cultivate emerging markets as well as the energy and infrastructure segments, where long-term growth is anticipated. The company will also move forward with thoroughgoing improvement and cost reduction focused on manufacturing, sales, and research and development. 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.



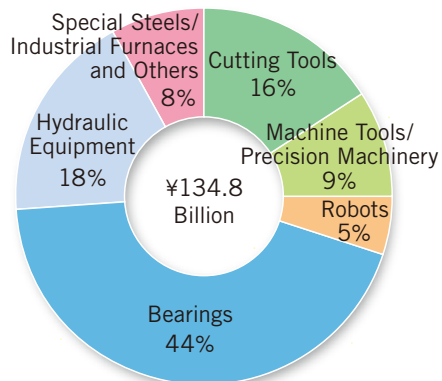
President and
Representative Director

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

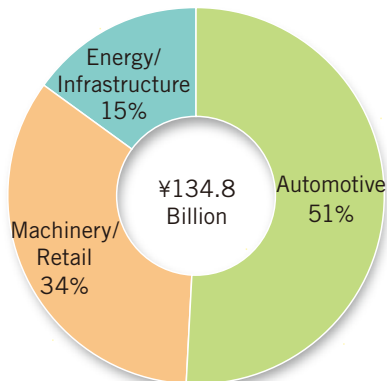
February 2011

RESULTS OF OPERATIONS (Consolidated)

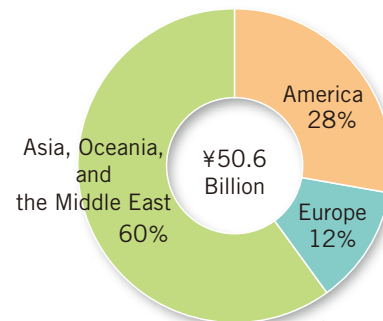
Sales by Business Segment



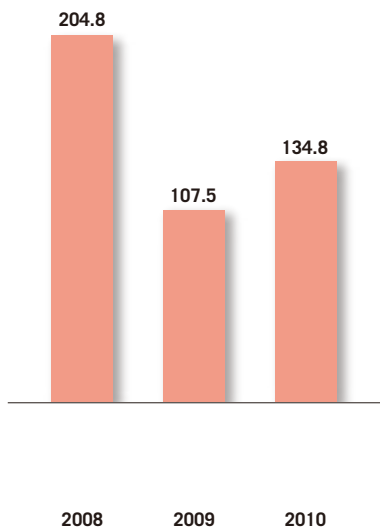
Sales by Market



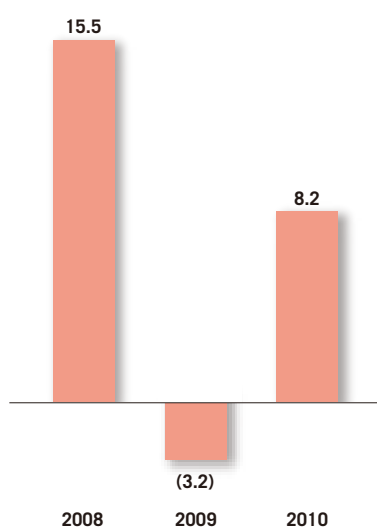
Overseas Sales



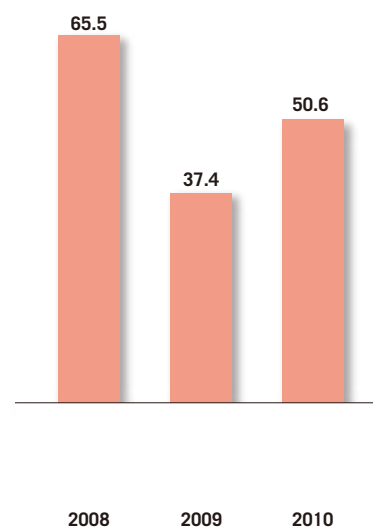
Net Sales (¥ billions)



Operating Income (¥ billions)



Overseas Sales (¥ billions)



Expanding into Emerging Markets

NACHI-FUJIKOSHI places its main emphasis on emerging nations—China, India and other nations in ASEAN, the Middle East, South America, and elsewhere. NACHI-FUJIKOSHI is expanding its presence there by expanding its sales and service coverage and enhancing production capacity.



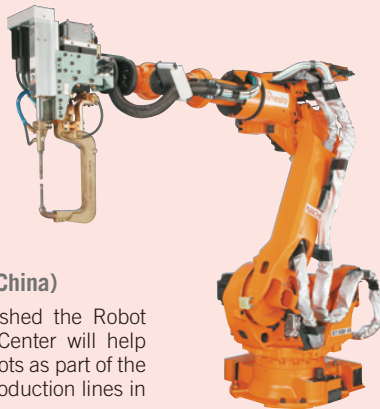
Nachi (Shanghai) Co., Ltd. (Shanghai, China)
Nachi (Shanghai) Precision Tools Co., Ltd. (Shanghai, China)

In order to meet demand from Japanese and local manufacturers, our Group undertook a massive expansion of its sales force and reinforced its technical and business development capacities. Our Group also expanded its bearing manufacturing capacity in Shanghai and Dongguan in order to keep pace with the increase in demand for automobiles.



Robot Business Center (Shanghai, China)

In March 2010, our Group established the Robot Business Center (Shanghai). The Center will help introduce and expand the use of robots as part of the modernization and automation of production lines in the Chinese market.



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

We enhanced our local production structure for hydraulic equipment to capitalize on growing demand for construction machinery and machine tools.



Construction Machinery

Demand for small construction machinery grows as the infrastructure development continues to move forward. Our Group is responding to the increase in demand from local manufacturers for traction motors and rotation motors.

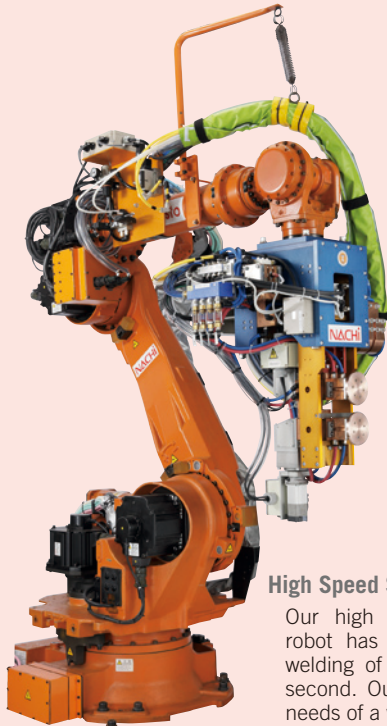
Industrial Machinery

As the Chinese machine tools market shifts up the performance scale, our Group is working to expand its sales of energy-efficient hydraulic units there.



New Product Releases

NACHI-FUJIKOSHI is developing new products and expanding its product lines in order to capitalize on opportunities in the energy and infrastructure sectors.



High Speed Seam Welding Robots

Our high speed seam welding robot has achieved high speed welding of up to 20 meters per second. Our robot can meet the needs of a wide variety of applications in industrial machinery in general as well as welding automobile body parts.

Strengthening the Product Development Structure

For the development of new products, our Group is reviewing the organizational and management structure of its research and development activities in order to establish a process that integrates the identification of new development opportunities, the development of basic technology and new products, and the establishment of manufacturing technology.

Developing Robot Systems that Can Adapt to Multiple Manufacturing Processes.



Flex-hand

This product performs well in a broad range of areas including industrial machinery, providing flexible responses to changes in work requirements.

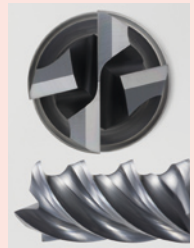


Hyper Dual SP and GP Hobs

This product contributes to enhancing efficiency and productivity in processing lines for gears in the automobile and industrial machinery sectors, where there is growing demand, led by the emerging nations.

Vibration Resistant Superhard End Mills “GSX MILL VL Series”

This product can be used in the aircraft manufacturing sector and power generation and other energy infrastructure sectors to handle the processing of difficult-to-machine materials and to achieve high-efficiency processing.



Superhard roughing end mill “GSX MILL Roughing”

This product can be used to handle difficult-to-machine materials such as stainless steel and heat-resistant metals and makes possible a wide range of cutting processes from grooving to pocket fluting.

FINANCIAL STATEMENTS

Consolidated Balance Sheets

Item	2010 (as of November 30, 2010)	2009 (as of November 30, 2009)
ASSETS:		
Current assets	78,468	80,802
Cash and cash equivalents	18,868	28,373
Notes and accounts receivable	30,861	23,655
Inventories	25,473	23,629
Other	3,265	5,143
Fixed assets	92,047	95,445
Property, plant and equipment	77,057	81,072
Buildings and structures	29,482	31,211
Machinery and equipment	34,044	35,380
Land	7,315	7,320
Other	6,215	7,159
Intangible fixed assets	308	391
Investments and advances	14,681	13,981
Total assets	170,516	176,248

Consolidated Statements of Income

(¥ millions)

Item	2010 (for the year ended November 30, 2010)	2009 (for the year ended November 30, 2009)
Net sales	134,807	107,586
Operating income	8,245	(3,217)
Ordinary income	6,499	(5,051)
Extraordinary income	1,201	740
Extraordinary losses	283	1,351
Income before income taxes and minority interests	7,417	(5,661)
Net income	5,562	(7,449)

(¥ millions)

Item	2010 (as of November 30, 2010)	2009 (as of November 30, 2009)
LIABILITIES:		
Current liabilities	73,869	69,501
Notes and accounts payable	28,952	18,147
Short-term bank loans	34,755	43,061
Other	10,161	8,292
Long-term liabilities	42,153	57,219
Bonds and long-term debt	29,241	44,264
Allowance for retirement benefits	7,107	6,339
Other	5,804	6,615
Total liabilities	116,022	126,720
NET ASSETS:		
Shareholders' equity	57,455	52,426
Common stock	16,074	16,074
Additional paid-in capital	11,560	11,561
Retained earnings	30,001	24,967
Treasury stock	(181)	(176)
Revaluations and translation adjustments	(5,461)	(5,232)
Minority interests	2,500	2,332
Total net assets	54,493	49,527
Total liabilities and net assets	170,516	176,248

Consolidated Statements of Cash Flows

(¥ millions)

Item	2010 (for the year ended November 30, 2010)	2009 (for the year ended November 30, 2009)
Cash flows from operating activities	20,803	(2,161)
Cash flows from investing activities	(6,008)	(8,376)
Cash flows from financing activities	(24,040)	26,493
Net increase (decrease) in cash and cash equivalents	(9,506)	15,428
Cash and cash equivalents at beginning of the year	28,262	12,833
Cash and cash equivalents at end of the year	18,756	28,262

SHAREHOLDER INFORMATION (As of November 30, 2010)

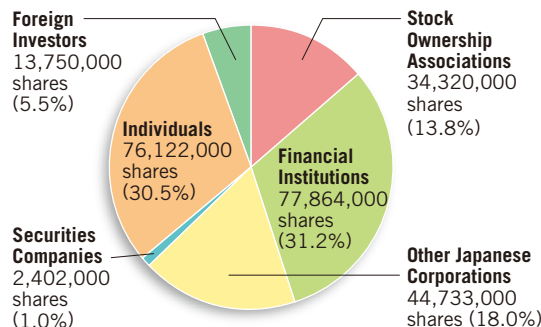
Number of Shares Issued: 249,193,436

Number of Shareholders: 33,505

Major Shareholders:

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding	16,186	6.49
Toyota Motor Corporation	13,182	5.29
Employees' Stock Ownership Plan	12,492	5.01
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	11,888	4.77
The Hokuriku Bank, Ltd.	8,659	3.47

Breakdown of Shareholders



DIRECTORS AND AUDITORS (As of February 23, 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 February 23, 2011)

Corporate Officer
Toshio Sugiura

Corporate Officer
Yasuo Hatakeyama

Corporate Officer
Kiyoshi Meguro

Corporate Officer
Isao Hori

Corporate Officer
Kazuhiro 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 November 30, 2010)

Foundation: December 21, 1928

Capital: ¥16 billion

Number of Employees: 5,491 (Consolidated) 2,618 (Non-consolidated)

Major Products:

Machining	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 & 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 / Bearings / Robots]	+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 [Hydraulic Equipment / Automotive Hydraulics / Precision Machinery / Coating / Industrial Furnaces]	+81-76-471-2320

Major Overseas Offices and Plants: NACHI AMERICA INC. NACHI EUROPE GmbH (Germany) NACHI TECHNOLOGY (THAILAND) CO., LTD. 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, 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.

Cover photography features screws used in injection molding for automobile, electric and electronic, and super-precision parts. Our Group has kept pace with advances in injection molding technology towards ever higher speeds and pressures and has extended service life by improving corrosion and abrasion resistance. The pursuit of our own distinctive alloy designing and melting technology leads to the creation of parts that are not only high-function, but also aesthetically pleasing.

Technology pushed to its limits becomes art. NACHI-FUJIKOSHI endeavors to create art in the world of manufacturing.