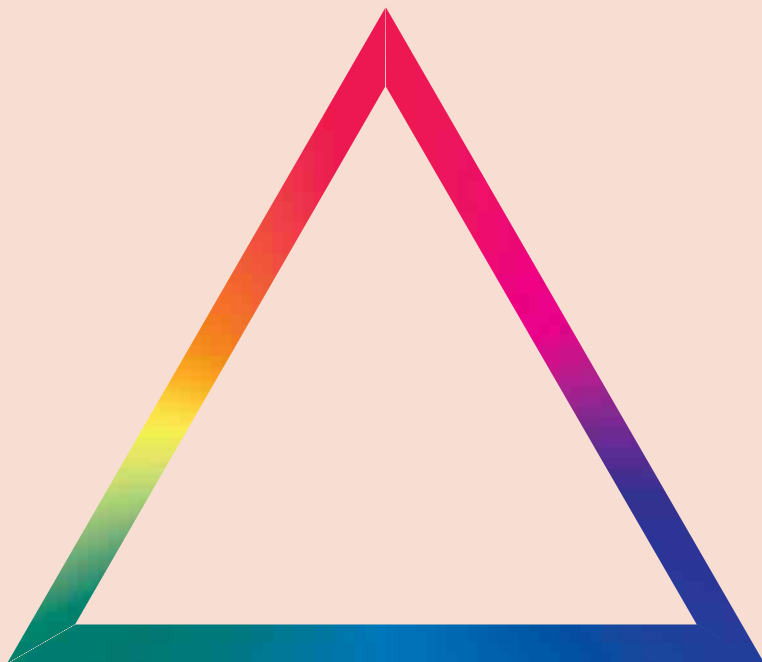


NACHI

BUSINESS REPORT 2005

December 1, 2004 to November 30, 2005



NACHI-FUJIKOSHI CORP.

TO OUR SHAREHOLDERS

It's our pleasure to report to you about NACHI-FUJIKOSHI's business performance for the fiscal year ended November 30, 2005

Business Environment

The business climate in Japan held to a recovery track during the fiscal year under review. Led by strong production and capital expenditure in the automobile and industrial machinery sectors, the economy saw improvements in corporate performance, particularly in the manufacturing sector, as well as firm consumer spending and other gains. Overseas economic growth was also robust overall despite steep price hikes of crude oil and raw materials worldwide. In addition to solid private-sector demand in the U.S. economy, growth was spurred by market expansion in China and other Asian nations and a rebounding European market.

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 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 needs in the automobile and industrial machinery sectors by providing high-performance, high-precision and reliable products and technologies.

These actions resulted in net sales of ¥176.0 billion, up 10.8% from the previous fiscal year. Sales to the Japanese market accounted for ¥126.4 billion (up 12.7% year on year), while overseas sales rose 6.2% to ¥49.5 billion.

Turning to earnings, ordinary income climbed ¥3.5 billion, or 42.1% year on year, to ¥12.0 billion. This improvement was posted despite escalating raw material and component prices, higher fixed expenses due to expansion and upgrade of production capacity and other factors during the year. These concerns were largely offset by improved capacity utilization stemming from increased sales and production, as well as enhanced productivity and other total cost reduction efforts. After accounting for an extraordinary loss due to a loss on the sale and disposal of fixed assets, net income was ¥5.1 billion.

Cash Dividends

In recognition of business performance during the year and as a token of appreciation to shareholders for their dedicated support and to meet their expectations, the Company intends to pay a cash dividend of ¥7 per share, an increase of ¥2 from the previous fiscal year.

Future Prospects

Looking ahead, while relatively firm growth in the automotive and industrial machinery sectors is expected to continue, issues fueling future uncertainty also abound. Among these, sharply higher prices for crude oil and raw materials, the specter of an economic

slowdown in the U.S. and China, and fluctuations in the yen-dollar exchange market, are potential issues of concern. In short, the business environment will continue to warrant guarded optimism for the time being.

Given this climate, the NACHI-FUJIKOSHI Group will pursue management that fosters growth opportunities on a variety of fronts, whether in marketing, manufacturing, procurement, development, human resources or finance. In establishing a dependable earnings base, we are determined to take profit growth yet another step forward. 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.

March 2006

Kensuke Imura, President

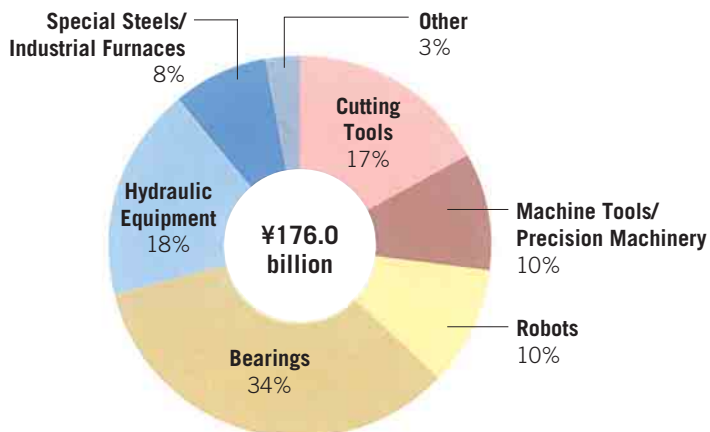


About the Cover Design

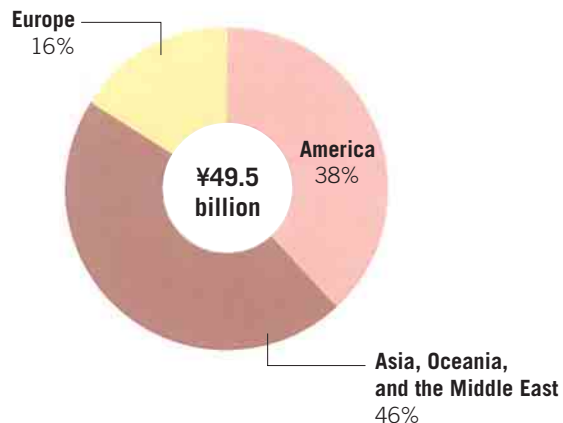
The colorful triangle symbolizes the notion of "Sei-Han-Go," or "Fusing discrete and opposing ideas into one," the Group corporate philosophy implicit in the meaning of "Fuji" in our name.

RESULTS OF OPERATIONS

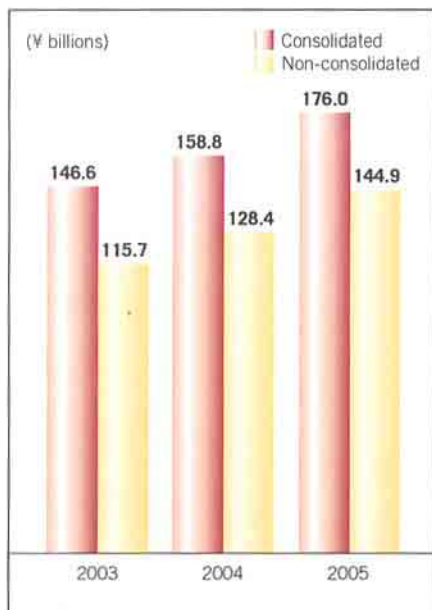
Sales by Business Segments (Consolidated)



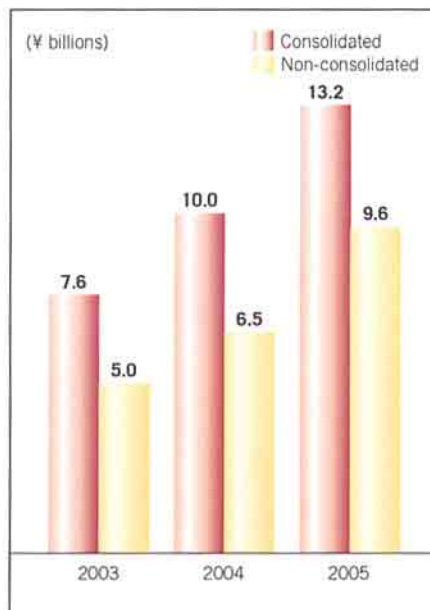
Overseas Sales



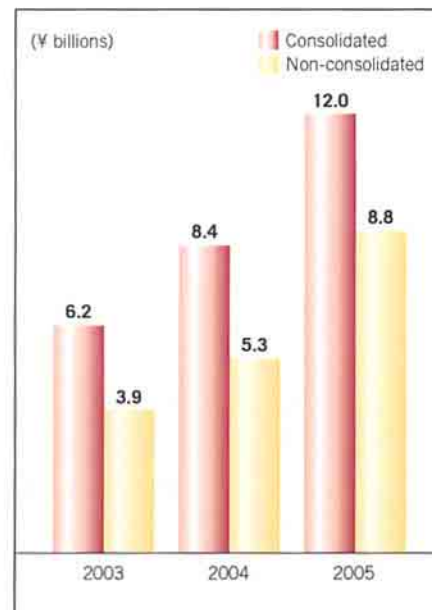
Net Sales



Operating Income

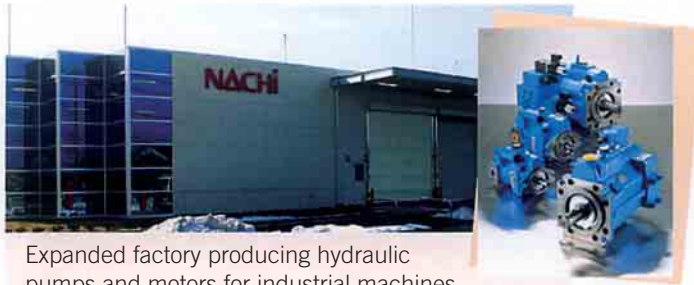


Ordinary Income



TOPICS

● Production Framework



Expanded factory producing hydraulic pumps and motors for industrial machines



New factory for large-sized robots



New main factory for precise broach production

● Awarded the “Machine Part Award” of the “Manufacturing Parts Grand Prize”



High-precision carbide end mills
("Mold Meister Ball")

● Opened the Fujikoshi School of Manufacturing



● Enhanced Capabilities at a Base in Europe (Germany)



● President Interviewed for *Weekly Toyo Keizai* (October 22, 2005)

● Brands

In giving new brand names for each product group, NACHI-FUJIKOSHI is highlighting the superior features of its products and bringing a new flare to the manufacturing world.

Machining

Symbio

Fruitful, Sustaining

High-function round tools

Anchor

Precise, Enduring

Precision cutting tools

Tornado

Keen, Prolific

Metal band saws



Symbio
AG mill square



Symbio
GS mill hardball

Components

Quest

Fundamental, Reliable

High-function bearings for industrial machines



Quest
Non-contact sealed ball
screw support bearings

Legato

Bold, Lithe

High-function hydraulic equipment for industrial machines



Legato
Solenoid control valves
with monitoring switch

Robots

Presto

Quick, Rigorous

Welding and general handling robots

Forte

Dignified, Strong

Heavy duty/payload handling robots

Artis

Exquisite, Masterful

Clean robots



Artis
Glass substrate handling robot
SJ120C



Forte
SC700

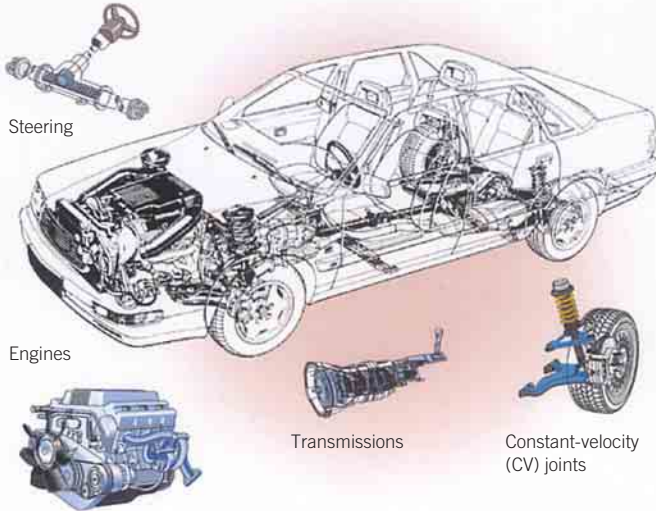


Presto
ST series

THE NACHI BUSINESS NETWORK—Contributing to the Progress of the World

Automobiles

Products for a safe, comfortable and smooth ride



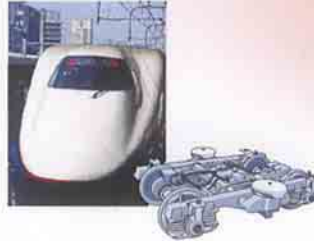
Aircraft

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



Bullet Trains

Ensuring high speed, safety and comfort



Undercarriages

Small Shovels

Massive power in an energy efficient, compact package



Wheel drive motors and swing motors

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



Ultra-precise processing machinery with nano-level precision



Large-sized glass substrate transfer robot



High-performance bearings

Components

In pursuit of greater safety and

of Product Manufacturing

Industrial Machinery

Realizing outstanding 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 cameras and DVD players

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

comfort

Materials & Heat Treatment

Supporting high performance and superb quality



Hydraulic equipment for construction and industrial machines



Solenoid valves for automobiles



Special steels



Coating, carburizing and other surface modification technologies



CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

Item	2005 (As of November 30, 2005)	2004 (As of November 30, 2004)
ASSETS:		
Current assets	79,544	75,375
Cash and cash equivalents	10,027	14,060
Notes and accounts receivable	36,850	32,620
Inventories	28,336	23,697
Other	4,329	4,996
Fixed assets	84,427	75,923
Property, plant and equipment	63,360	57,456
Buildings and structures	19,444	16,241
Machinery and equipment	34,714	31,193
Land	6,967	6,893
Other	2,233	3,128
Intangible fixed assets	532	2,082
Investments and advances	20,534	16,384
Investment securities	17,405	11,817
Other	3,128	4,567
Total assets	163,972	151,299

(¥ million)

Item	2005 (As of November 30, 2005)	2004 (As of November 30, 2004)
LIABILITIES:		
Current liabilities	88,548	77,904
Notes and accounts payable	36,334	32,274
Short-term bank loans	28,916	31,633
Other accounts payable	8,715	6,054
Other	14,581	7,941
Long-term liabilities	29,364	34,918
Bonds and long-term debt	15,983	21,577
Allowance for retirement benefits	8,969	9,379
Other	4,411	3,961
Total liabilities	117,913	112,822
Minority interests	564	605
SHAREHOLDERS' EQUITY:		
Common stock	16,074	16,074
Additional paid-in capital	11,435	11,420
Retained earnings	16,747	13,037
Profit on valuation of stock	6,732	3,305
Translation adjustments	(5,382)	(5,881)
Treasury stock	(112)	(85)
Total shareholders' equity	45,495	37,871
Total liabilities, minority interests and shareholders' equity	163,972	151,299

Consolidated Statements of Income

(¥ million)

Item	2005 (For the year ended November 30, 2005)	2004 (For the year ended November 30, 2004)
Net sales	176,014	158,891
Operating income	13,252	10,021
Ordinary income	12,032	8,464
Extraordinary income	310	51
Extraordinary losses	2,850	1,648
Income before income taxes and minority interests	9,492	6,867
Net income	5,179	4,105

Consolidated Statements of Cash Flows

(¥ million)

Item	2005 (For the year ended November 30, 2005)	2004 (For the year ended November 30, 2004)
Cash flows from operating activities	14,674	13,929
Cash flows from investing activities	(11,062)	(8,558)
Cash flows from financing activities	(7,779)	(2,072)
Net (decrease) increase in cash and cash equivalents	(4,009)	3,346
Cash and cash equivalents at beginning of the year	13,191	9,844
Cash and cash equivalents at end of the year	9,231	13,191

NON-CONSOLIDATED FINANCIAL STATEMENTS

Non-Consolidated Balance Sheets

Item	2005 (As of November 30, 2005)	2004 (As of November 30, 2004)
ASSETS:		
Current assets	52,316	49,040
Cash and cash equivalents	5,123	8,834
Notes and accounts receivable	28,341	25,120
Inventories	15,930	11,973
Other	2,922	3,112
Fixed assets	82,781	72,750
Property, plant and equipment	46,722	40,720
Buildings and structures	14,503	11,888
Machinery and equipment	24,816	22,640
Land	5,753	4,674
Other	1,648	1,517
Intangible fixed assets	378	284
Investments and advances	35,679	31,744
Investment securities	16,554	11,003
Equity and investments in subsidiaries	16,309	15,967
Other	2,815	4,773
Total assets	135,098	121,790

(¥ million)

Item	2005 (As of November 30, 2005)	2004 (As of November 30, 2004)
LIABILITIES:		
Current liabilities	68,286	57,522
Notes and accounts payable	38,425	31,570
Short-term bank loans	14,987	17,278
Other accounts payable	5,865	3,980
Other	9,008	4,692
Long-term liabilities	22,427	26,362
Bonds and long-term debt	12,830	16,890
Allowance for retirement benefits	7,314	8,231
Other	2,283	1,240
Total liabilities	90,714	83,884
SHAREHOLDERS' EQUITY:		
Common stock	16,074	16,074
Additional paid-in capital	11,435	11,420
Retained earnings	10,429	7,252
Profit on valuation of stock	6,539	3,227
Treasury stock	(95)	(68)
Total shareholders' equity	44,383	37,905
Total liabilities, minority interests and shareholders' equity	135,098	121,790

Non-Consolidated Statements of Income

(¥ million)

Item	2005 (For the year ended November 30, 2005)	2004 (For the year ended November 30, 2004)
Net sales	144,929	128,406
Operating income	9,664	6,500
Ordinary income	8,841	5,304
Extraordinary income	90	53
Extraordinary losses	1,498	1,404
Income before income taxes	7,433	3,953
Net income	4,480	2,294
Retained earnings brought forward	3,395	2,404
Unappropriated retained earnings	7,876	4,699

Appropriation of Retained Earnings

(¥ million)

Item	2005
Unappropriated retained earnings	7,876
This was appropriated as follows.	
Dividends (¥7 per share)	1,741
Directors' bonuses	95
Earnings carried forward to the following year	6,039

SHAREHOLDER INFORMATION (As of November 30, 2005)

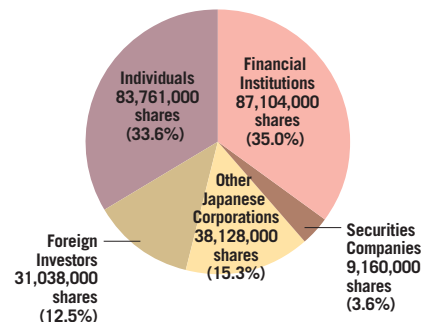
Number of Outstanding Shares: 249,193,436

Number of Shareholders: 32,216

Major Shareholders:

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
TOYOTA MOTOR CORPORATION	13,182	5.29
The Master Trust Bank of Japan, Ltd.	12,137	4.87
UFJ Bank Limited	11,159	4.48
Employees Stock Ownership Plan	10,545	4.23
NACHI WANEI Stockholding	10,088	4.05
Japan Trustee Services Bank, Ltd.	9,117	3.66
The Hokuriku Bank, Ltd.	6,509	2.61

Breakdown of Shareholders



DIRECTORS (As of February 22, 2006)

President and Representative Director
Kensuke Imura

Executive Vice President
Teruo Akashi

Executive Vice President
Hiroo Honma

Managing Director
Hideki Kasahara

Managing Director
Masahiro Nagao

Managing Director
Yukihiko Tanaka

Managing Director
Fumihide Hidano

Managing Director
Noriyasu Shiba

Managing Director
Satoshi Nomiyama

Director
Shohei Itoh

Director
Kenji Ishiguro

Director
Makoto Sasaki

Director
Hideo Terakoshi

Director
Kiyoshi Nakagawa

Director
Masao Itoh

Director
Masayuki Higeukon

Standing Corporate Auditor
Naoto Nakano

Standing Corporate Auditor
Atsushi Saguchi

Corporate Auditor
Kunitame Isaki

Corporate Auditor
Eiichi Fukushima

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" which we are aiming.

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

Origin of the Trademark "NACHI"

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 February 22, 2006)

Foundation: December 21, 1928
Capital: ¥16,000 million
Number of Employees: 5,383 (Consolidated) 2,543 (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

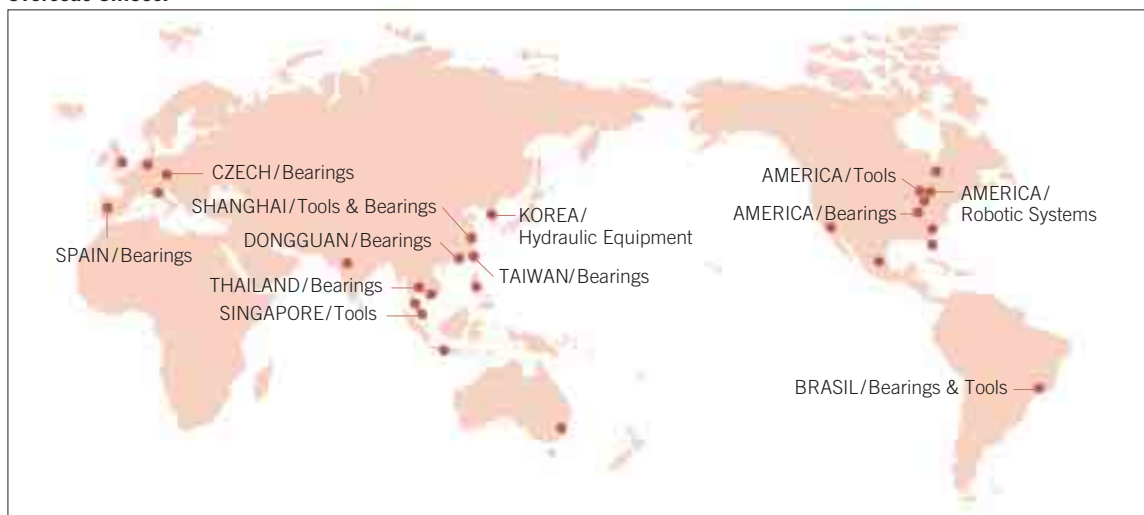
Major Domestic Offices and Plants:

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	Tel: +81-3-5568-5111
Eastern Japan Main Branch	Shiodome Sumitomo Bldg. 17F, 1-9-2, Higashi-Shinbashi, Minato-ku, Tokyo 105-0021, Japan	Tel: +81-3-5568-5280
Central Japan Main Branch	Nachi Nagoya Bldg., 2-120-3, Takayashiro, Meitou-ku, Nagoya 465-0095, Japan	Tel: +81-52-769-6811
Western Japan Main Branch	Nachi Osaka Bldg., 2-3-7, Honjo-nishi, Higashi-Osaka 578-8522, Japan	Tel: +81-6-6748-2510
Toyama Plant	1-1-1, Fujikoshi-Honmachi, Toyama 930-8511, Japan [Cutting Tools / Machine Tools / Robots / Bearings]	Tel: +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]	Tel: +81-76-438-4411 Tel: +81-76-438-8970
Namerikawa Plant	176, Ogake, Namerikawa 936-0802, Japan [Precision Machinery / Automotive Hydraulics / Industrial Furnaces / Coating / Precision Forming]	Tel: +81-76-471-2101

Major Domestic Subsidiaries:

NACHI Kanto Co., Ltd.	Shiodome Sumitomo Bldg. 17F, 1-9-2, Higashi-Shinbashi, Minato-ku, Tokyo 105-0021, Japan	Tel: +81-3-5568-5190
NACHI Kansai Co., Ltd.	Nachi Osaka Bldg., 2-3-7, Honjo-nishi, Higashi-Osaka 578-8522, Japan	Tel: +81-6-6748-2530
NACHI Tokai Co., Ltd.	Nachi Nagoya Bldg., 2-120-3, Takayashiro, Meitou-ku, Nagoya 465-0095, Japan	Tel: +81-52-769-6911

Overseas Offices:



INVESTOR INFORMATION

Fiscal Year-end:	November 30
Ordinary General Meeting of Shareholders:	February
Record Date for Shareholders Entitled to Receive Payment of Dividends:	November 30 (Record date for shareholders entitled to receive payment of interim dividends: May 31)
Transfer Agent and Registrar:	The Chuo Mitsui Trust and Banking Company, Ltd. 3-33-1, Shiba, Minato-ku, Tokyo 105-8574, Japan
Transfer Agent:	The Chuo Mitsui Trust and Banking Company, Ltd. Stock Transfer Agency Department 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan Tel: +81-3-3323-7111 Toll-free: 0120-78-2031 (Toll-free in Japan)
Transfer Agent's 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

Since February 2005, NACHI-FUJIKOSHI has adopted a system that allows the purchase of additional shares for holdings less than the minimum trading unit (*tangen*). This new system now enables shareholders with holdings below one *tangen* (1,000 shares) to purchase the shares needed to meet this minimum requirement.

Shareholders wishing to sell holdings of less than one *tangen* should follow the old procedures for the buyback of shares.

Please contact the transfer agent (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.

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.

NACHI