



**NACHI**

## **INTERIM BUSINESS REPORT 2010**

December 1, 2009 to May 31, 2010



**NACHI-FUJIKOSHI CORP.**

Securities Code: 6474

## ◆ TO OUR SHAREHOLDERS

I am pleased to report the interim results for the NACHI-FUJIKOSHI Group for the half-year period from December 1, 2009 to May 31, 2010.

### **Business Environment**

The business environment surrounding the NACHI-FUJIKOSHI Group during the interim period under review showed signs, albeit gradual, that economic recovery has steadily formed a solid foothold, as evidenced by a turnaround in the auto industry underpinned by the robust economies of emerging nations and signs of a 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 using its proprietary engineering business.

As a result, consolidated net sales for the interim period under review totaled 61.5 billion yen, up 11% on a year-over-year

basis. Of this, net sales in the Japan market were 38.3 billion yen, up 4.7% over the previous interim period, while overseas net sales totaled 23.1 billion yen, up 23.2%.

In terms of profitability, although affected by increasing raw materials costs and lower sales prices, improved capacity utilization, attributed to a recovery in sales and manufacturing, as well as efforts to curb overall costs, including a fundamental review of cost structures, helped us recover from a 1.7 billion yen operating loss in the previous interim period to an operating profit of 3 billion yen. In addition, we were also successful in bringing ordinary income back into the black at 2.2 billion yen, a recovery from the 2.9 billion yen ordinary loss seen in the same period last year. Finally, net income for the interim period under review totaled 1.8 billion, marking a strong turnaround from the 4.7 billion yen net loss of the previous interim period.

### **Future Initiatives**

As for the outlook moving forward, we believe emerging nations will become key

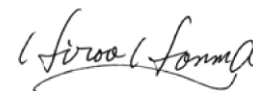
growth drivers that will gradually push recovery forward, but soaring raw materials prices and deteriorating profitability from exports attributed to the appreciation of the yen remain concerns, indicating that we are not out of the woods just yet.

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. We will also enhance our R&D structures and competencies and implement cost reduction initiatives focused on manufacturing and procurement as a means to developing a stable profit structure and improve our business results.

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

August 2010

President and Representative Director

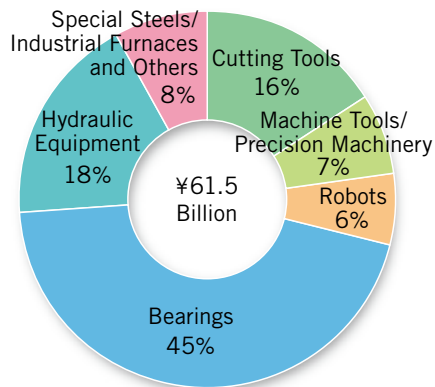


The colorful triangle on the lower right of the front cover symbolizes the notion of “Sei-Han-Go,” or “Fusing discrete and opposing ideas into one,” the Group corporate philosophy implicit in the meaning of “Fuji” in our name.

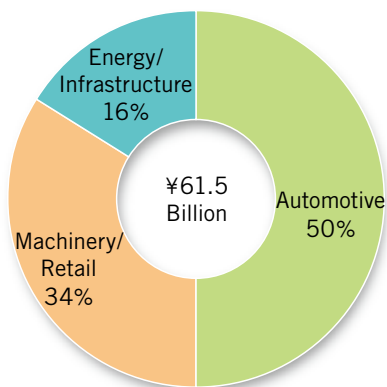


# RESULTS OF OPERATIONS (Consolidated)

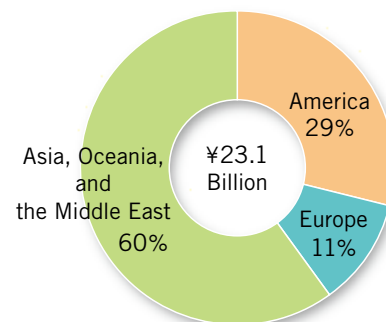
## Sales by Business Segment



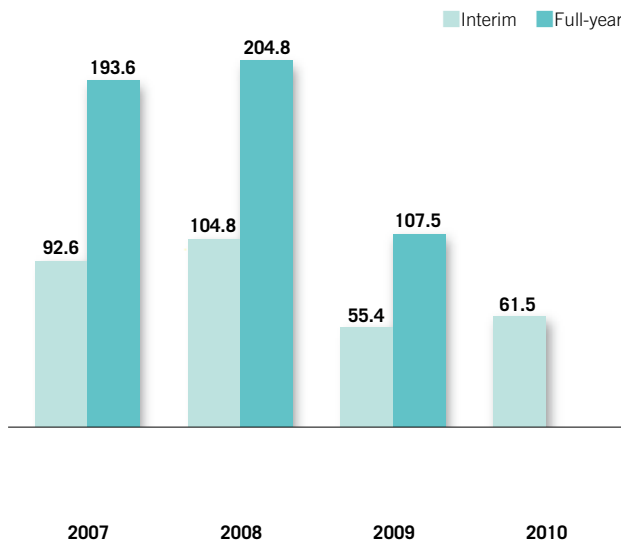
## Sales by Market



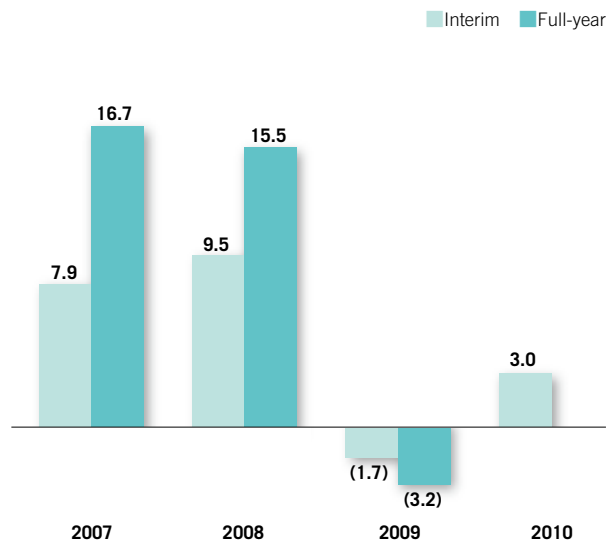
## Overseas Sales



## Net Sales (¥ billions)



## Operating Income (¥ billions)



## Cultivating Emerging Markets

NACHI-FUJIKOSHI has shifted its focus to emerging nations, including China, ASEAN countries, India, the Middle East and South America. NACHI-FUJIKOSHI is expanding its presence by augmenting production structures and expanding its sales coverage for manufacturing equipment in these key growth markets going forward.

### China



#### Nachi (Shanghai) Co., Ltd. (Shanghai, China)

In March 2010, we established the Robot Business Center in Nachi (Shanghai) with an aim to capture growing demand for robots used in the automotive and industrial machinery sectors in China.



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

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



#### Dongguan Nachi C.Y. Corporation (Guangzhou, China)

We augmented our production capacity for bearings used in constant velocity joints to meet expanding demand from the automotive market in China.

### ASEAN

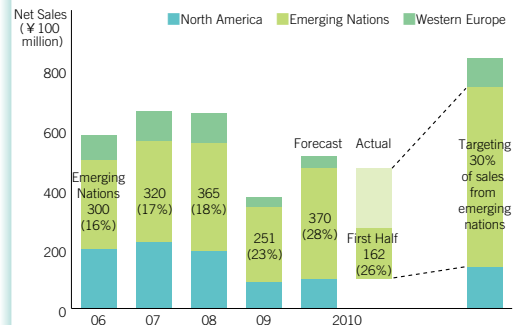


#### Nachi Technology (Thailand) Co., Ltd. (Rayong, Thailand)

In addition to enhancing our production structure for vehicle and motorcycle bearings, we established a new cutting tool production line and launched local production. Through these initiatives, we aim to meet growing demand from infrastructure projects.

### Net Sales in Emerging Nations

We will aim to increase the percentage of sales from emerging nations from 23% in fiscal 2009 to 30%.



## New Product Releases

During the interim period under review, NACHI-FUJIKOSHI launched a series of products aimed at capitalizing on opportunities in the energy, infrastructure, industrial machinery and electronic equipment sectors.



**7-Axis Robotic Arm [MR35 / 50]  
Powerful and Compact Robotic Arm  
[MR35 / 50 / 70]**

We expanded our product lineup for multipurpose robots to meet the increasing needs for the automation and streamlining of machining processes, assembly and transfers.



**High Performance Zinc Oxide Coating  
Machine Z-TOPS**

We released a new coating machine for transparent conductive films required in photovoltaic power systems, organic EL displays and touch panel screens, each of which are expected to see robust growth going forward. The machine was co-developed together with HEMMI Slide Rule Co., Ltd.

### Offering a Complete Lineup of Hole Drilling Solutions



**AG Starting Drills**

Provides high positioning accuracy during centering.



**Aqua Drill EX Flat**

Represents an optimal solution for flat bottom boring and counter boring.



**Aqua Drill EX Oil Hole**

Delivers consistent highly efficient boring over a broad range of work materials.

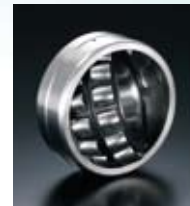
## A Look at NACHI-FUJIKOSHI's Competitively Superior Products



**Energy Efficient Variable Displacement Pump  
Inverter Drive NSP**

The Inverter Drive NSP, which replaces the hydraulic units installed in machine tools and industrial machinery, achieves a high level of energy efficiency cutting electricity consumption by 60% compared to the previous models.\* The Inverter Drive NSP comes in a standard 20-liter type and compact 10-liter version to meet the needs of various machining layouts.

\*NACHI-FUJIKOSHI comparison



**EX-V Series Spherical Roller Bearings  
for Vibration Environments**

The EX-V Series features bearings that deliver high reliability even in the harshest work environments, such as mining equipment or recycling machinery.

# ◆ FINANCIAL STATEMENTS

## Consolidated Balance Sheets

(¥ millions)

Item	Interim 2010 (As of May 31, 2010)	Interim 2009 (As of May 31, 2009)
<b>ASSETS:</b>		
<b>Current assets</b>	<b>83,708</b>	<b>79,662</b>
Cash and cash equivalents	29,419	22,567
Notes and accounts receivable	25,995	22,882
Inventories	24,349	30,037
Other	3,943	4,175
<b>Fixed assets</b>	<b>94,242</b>	<b>99,574</b>
<b>Property, plant and equipment</b>	<b>79,398</b>	<b>84,622</b>
Buildings and structures	30,813	31,919
Machinery and equipment	35,320	38,667
Land	7,348	7,334
Other	5,916	6,701
<b>Intangible fixed assets</b>	<b>342</b>	<b>423</b>
<b>Investments and advances</b>	<b>14,501</b>	<b>14,529</b>
<b>Total assets</b>	<b>177,951</b>	<b>179,237</b>

Item	Interim 2010 (As of May 31, 2010)	Interim 2009 (As of May 31, 2009)
<b>LIABILITIES:</b>		
<b>Current liabilities</b>	<b>72,011</b>	<b>68,124</b>
Notes and accounts payable	24,434	18,175
Short-term bank loans	39,466	41,473
Other	8,110	8,474
<b>Long-term liabilities</b>	<b>53,984</b>	<b>56,002</b>
Bonds and long-term debt	41,103	43,465
Allowance for retirement benefits	6,674	5,091
Other	6,206	7,445
<b>Total liabilities</b>	<b>125,996</b>	<b>124,126</b>
<b>NET ASSETS:</b>		
<b>Shareholders' equity</b>	<b>53,870</b>	<b>55,649</b>
Common stock	16,074	16,074
Additional paid-in capital	11,560	11,562
Retained earnings	26,415	28,184
Treasury stock	(180)	(172)
Revaluations and translation adjustments	(4,342)	(3,019)
<b>Minority interests</b>	<b>2,426</b>	<b>2,480</b>
<b>Total net assets</b>	<b>51,954</b>	<b>55,110</b>
<b>Total liabilities and net assets</b>	<b>177,951</b>	<b>179,237</b>

## Consolidated Statements of Income

(¥ millions)

Item	Interim 2010 (December 1, 2009 -May 31, 2010)	Interim 2009 (December 1, 2008 -May 31, 2009)
<b>Net sales</b>	<b>61,513</b>	<b>55,422</b>
<b>Operating income</b>	<b>3,059</b>	<b>(1,789)</b>
<b>Ordinary income</b>	<b>2,271</b>	<b>(2,924)</b>
Extraordinary income	19	13
Extraordinary losses	44	372
Income before income taxes and minority interests	2,246	(3,283)
<b>Net income</b>	<b>1,820</b>	<b>(4,760)</b>

## Consolidated Statements of Cash Flows

(¥ millions)

Item	Interim 2010 (December 1, 2009 -May 31, 2010)	Interim 2009 (December 1, 2008 -May 31, 2009)
<b>Cash flows from operating activities</b>	<b>12,282</b>	<b>(9,319)</b>
<b>Cash flows from investing activities</b>	<b>(3,965)</b>	<b>(4,991)</b>
<b>Cash flows from financing activities</b>	<b>(7,405)</b>	<b>24,397</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,049</b>	<b>9,601</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>28,262</b>	<b>12,833</b>
<b>Cash and cash equivalents at end of the year</b>	<b>29,311</b>	<b>22,435</b>

## ◆ SHAREHOLDER INFORMATION (As of May 31, 2010)

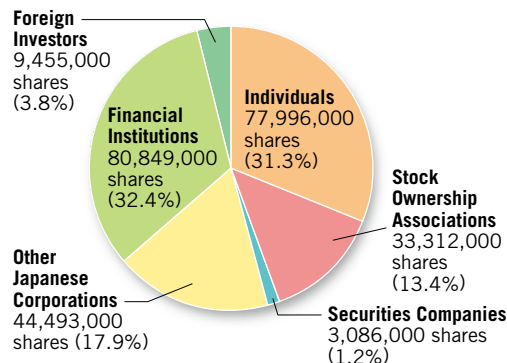
**Number of Shares Issued:** 249,193,436

**Number of Shareholders:** 34,192

**Major Shareholders:**

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding	15,474	6.21
Toyota Motor Corporation	13,182	5.29
Employees' Stock Ownership Plan	12,301	4.94
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	11,888	4.77
The Hokuriku Bank, Ltd.	8,659	3.48

## Breakdown of Shareholders



## ◆ DIRECTORS AND AUDITORS (As of August, 2010)

*President and Representative Director*  
Hiroo Honma

*Managing Director*  
Makoto Sasaki

*Director*  
Zenshiro Kaneko

*Standing Corporate Auditor*  
Atsushi Saguchi\*

*Managing Director*  
Yukihiko Tanaka

*Managing Director*  
Naoshi Katayama

*Director*  
Keiichi Ogino

*Corporate Auditor*  
Teruo Akashi

*Managing Director*  
Noriyasu Shiba

*Director*  
Atsushi Seki\*

*Director*  
Kenji Susukida

*Corporate Auditor*  
Eiichi Fukushima\*

*Managing Director*  
Kiyoshi Nakagawa

*Director*  
Hideo Terakoshi

*Standing Corporate Auditor*  
Naoto Nakano

\*Outside director or outside corporate auditor

## ◆ CORPORATE OFFICERS

(As of August, 2010)

*Corporate Officer*  
Kiyoshi Meguro

*Corporate Officer*  
Sachio Tanaka

*Corporate Officer*  
Masayuki Kobayashi

*Corporate Officer*  
Toshio Sugiura

*Corporate Officer*  
Nishiki Seto

*Corporate Officer*  
Tadashi Yamazaki

*Corporate Officer*  
Nobuo Segawa

*Corporate Officer*  
Shigeki Miwa

## ◆ CORPORATE INFORMATION (As of May 31, 2010)

**Foundation:** December 21, 1928

**Capital:** ¥16 billion

**Number of Employees:** 5,374 (Consolidated) 2,603 (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 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

## ◆ INVESTOR INFORMATION

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<b>Securities Code:</b>	6474
<b>Fiscal Year:</b>	From Dec. 1 of each year to Nov. 30 of the following year
<b>Ordinary General Meeting of Shareholders:</b>	February
<b>Record Date:</b>	Voting rights at General Meeting of Shareholders November 30 Year-end dividend November 30 Interim dividend May 31
<b>Unit:</b>	1,000 shares
<b>Shareholders' Register Custodian:</b>	3-33-1, Shiba, Minato-ku, Tokyo, Japan The Chuo Mitsui Trust and Banking Company, Ltd.
<b>Mailing Address:</b>	2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan The Chuo Mitsui Trust and Banking Company, Ltd. Stock Transfer Agency Department
<b>(Contact via phone):</b>	Toll-free: 0120-78-2031 (Toll-free in Japan) 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.
<b>URL:</b>	<a href="http://www.nachi-fujikoshi.co.jp/eng/">http://www.nachi-fujikoshi.co.jp/eng/</a>

### Notifications of Changes of Address and Requests for Purchase of Additional Shares or Buybacks of Holdings Less Than the Minimum Trading Unit

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.

### Payments of Accrued Dividends

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

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## Wonders from NACHI, Art in NACHI

### Exciting Technology—that's Art.

The cover photograph captures an image of a NACHI-FUJIKOSHI cylinder barrel kit installed in a hydraulic pump at the heart of industrial machinery.

The pumping action of the piston ensures oil flows to every corner of the machine.

Despite its compact size, the unit is a powerful piece of technology that provides stable and precise supplies of oil powering the machines of the manufacturing industry.

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