

Final Financial Results for the Fiscal Year Ended Nov.2006

Conference : January 30, 2007



Contents

Part 1 Outline of the Closing

- | | |
|------------------------------------|---------|
| 1 . Final Accounts for Fiscal 2006 | 2 to 8 |
| 2 . Plans for Fiscal 2007 | 9 to 14 |

Part 2

- | | |
|---------------------------|----------|
| Prospects for Fiscal 2007 | 15 to 25 |
|---------------------------|----------|

Outline : Consolidated Final Results Ended Nov.2006

06 Performance

(unit: 100 million Yen)

	Fiscal 2005 (A) Performance	Fiscal 2006 (B) Performance	Changes (%) (B) - (A)
Sales	1,760	1,867	(+6.1%) +107
Business Profit	(7.5%) 132	(8.3%) 155	(+17.4%) +23
Current Earnings	(6.8%) 120	(7.6%) 141	(+17.7%) +21
Special Profit	3	6	+3
Extraordinary Loss	28	16	△12
Current Net Profit	51	73	(+41.0%) +21

2

Managerial Data

06 Performance

(unit: 100 million Yen)

	Fiscal 2005 (A) Performance	Fiscal 2006 (B) Performance	Changes (B) - (A)
Collective Assets	1,639	1,861	+221
Total Equity	(27.7%) 454	(28.6%) 532	(+0.9 point) +77
Debt with Interest	469	604	+135
D/E ratio	1.0 multiplied	1.1 multiplied	
Capital Expenditures	141	180	+39
Depreciation Cost	76	87	+10
Human Resources	5,383 jobs	5,613 jobs	+230 jobs

3

Summaries by Geographical Locations

06 Performance

○Sales

(unit: 100 million Yen)

○Sales Profit

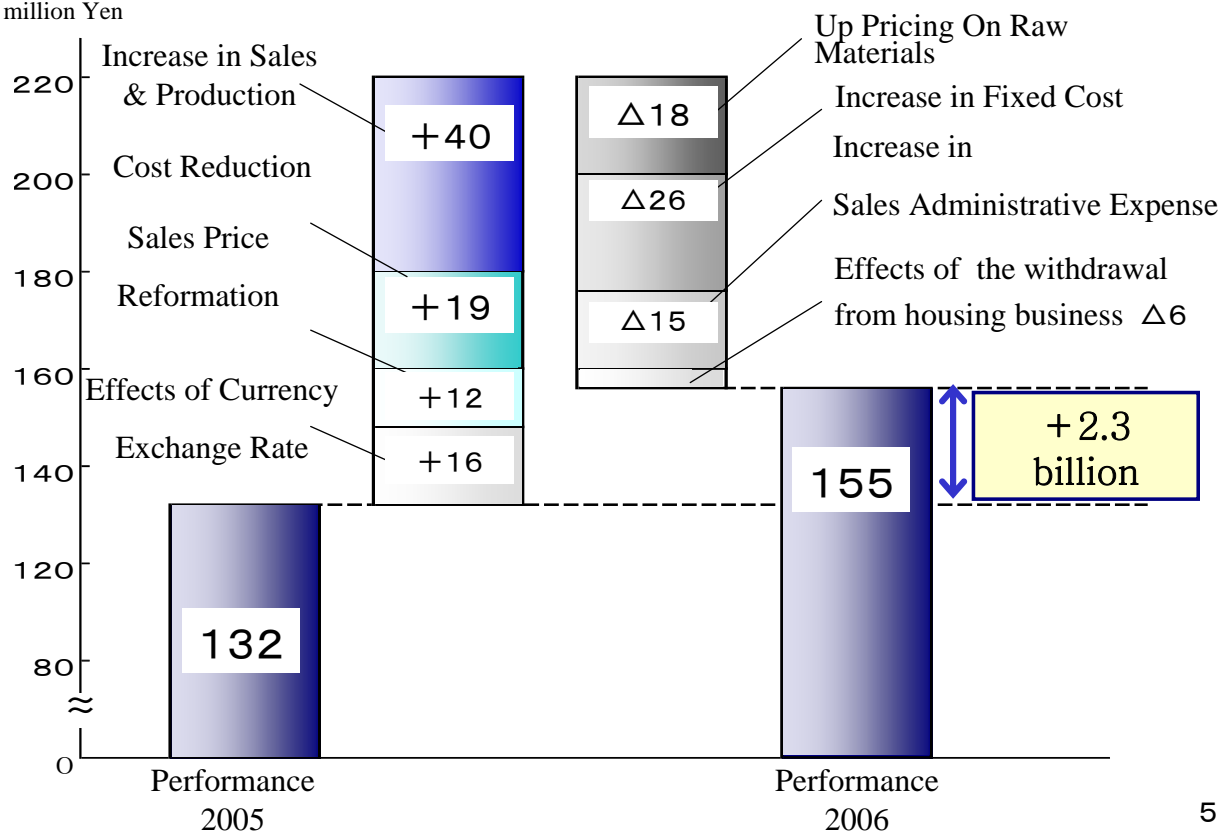
(unit: 100 million Yen)

		Fiscal 2005 Performance (A)	Fiscal 2006 Performance (B)	Changes (B) - (A)	Fiscal 2005 Performance (A)	Fiscal 2006 Performance (B)	Changes (B) - (A)
Non-consolidated		1,449	1,547	+97	96	117	+21
Subsidiaries	Sales	235	239	+4	8	9	+1
	Production	357	349	△8	16	12	△4
	Domestic	592	588	△4	24	21	△3
	Americas	195	238	+43	15	19	+4
	Europe	82	94	+12	△1	0	+1
	Asia	91	126	+35	4	4	0
	Overseas	368	459	+91	18	23	+5
	Total	960	1,047	+87	42	44	+2
Subtotal		2,410	2,594	+184	138	161	+23
Adjustment		△650	△727	△77	△6	△6	0
Consolidated Net Sales		1,760	1,867	+107	132	155	+23

Factors Fluctuate Business Profit

06 Performance

100 million Yen



Sales & Operating Profits by Business Segments

(Unit: 100 million Yen)

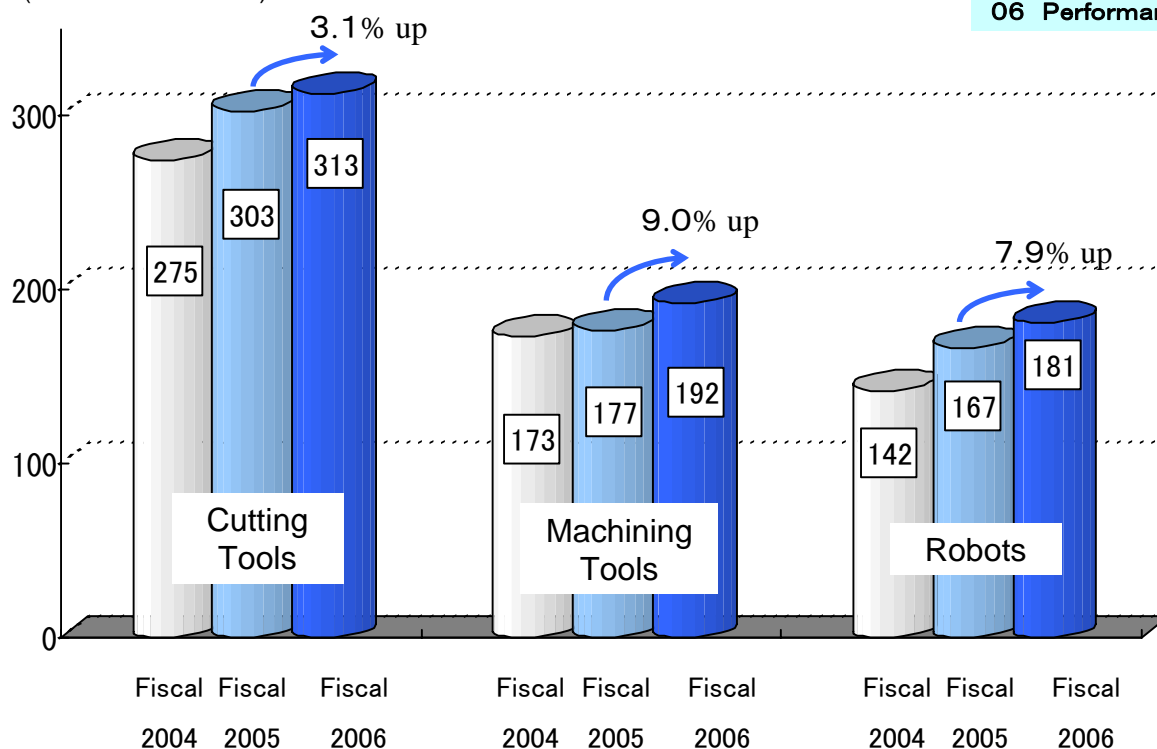
06 Performance		Fiscal 2005(A) Performance	Fiscal 2006 (B) Performance	Changes (%) (B) - (A)
Tools & Machine	Sales	Cutting Tool	303	313 (+3.1%) +10
		Machine Tool	177	192 (+9.0%) +15
		R o b o t	167	181 (+7.9%) +13
		T o t a l	648	687 (+6.0%) +38
	Business Profit	(8.9%) 57	(9.8%) 67 (+17.7%) +10	
Components	Sales	B e a r i n g	591	634 (+7.3%) +42
		Hydraulic Equipment	322	363 (+12.8%) +41
		T o t a l	913	997 (+9.2%) +84
	Business Profit	(7.2%) 66	(8.2%) 82 (+24.2%) +16	
Materials etc	Sales	Special Steels	137	139 (+1.0%) +2
		O t h e r	60	43 (Δ28.5%) Δ17
		T o t a l	198	182 (Δ8.0%) Δ15
	Business Profit	(4.7%) 9	(3.0%) 5 (Δ40.8%) Δ3	
Gross Sales Figures		1,760	1,867 (+6.1%) +107	
Gross Business Profits		(7.5%) 132	(8.3%) 155 (+17.4%) +23	

6

Sales Figures by Main Business (Machining & Cutting Tools)

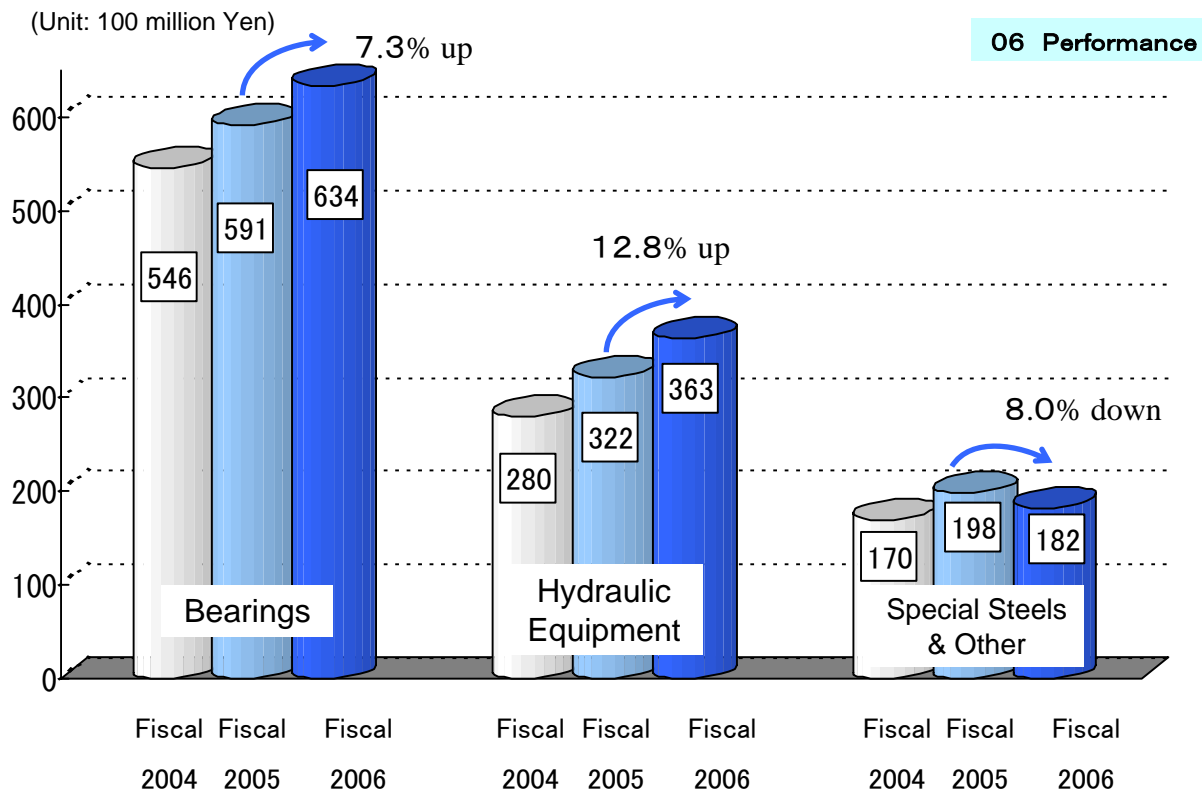
(Unit: 100 million Yen)

06 Performance



7

Sales Figures by Main Businesses (Components & Special Steels)



8

Profit Planning : as of Nov. 2007

(unit: 100 million Yen)

07 Plan	Fiscal 2006 (A) Performance		Fiscal 2007 (B) Projection		Change (%) (B) - (A)	
Sales		1,867		1,880	(+0.7%)	+13
Business Profit	(8.3%)	155	(8.8%)	165	(+6.1%)	+10
Current Earnings	(7.6%)	141	(8.0%)	150	(+5.9%)	+9
Special Profit		6		3		△3
Extraordinary Loss		16		14		△2
Current Net Profit		73		75	(+2.7%)	+2

9

Managerial Data

07 Plan

(unit: 100 million Yen)

	Fiscal 2006 (A) Performance	Fiscal 2007 (B) Projection	Changes (B) - (A)
Collective Assets	1,861	1,900	+39
Total Equity	(28.6%) 532	(30.9%) 587	(+2.3 point) +55
Debt with Interest	604	660	+55
D/E ratio	1.1 multiplied	1.1 multiplied	
Capital Expenditures	180	200	+20
Depreciation Cost	87	97	+10
Human Resources	5,613 jobs	5,650 jobs	+37 jobs

10

Projection by Geographical Locations

07 Plan

○Sales

(unit: 100 million Yen)

	Fiscal 2006 Performance (A)	Fiscal 2007 Projection (B)	Changes (B) - (A)	
Non-consolidated	1,547	1,550	+3	
Subsidiaries	Sales	239	248	+9
	Production	349	330	△19
	Domestic	588	578	△10
	Americas	238	253	+15
	Europe	94	92	△2
	Asia	126	136	+10
	Overseas	459	482	+23
	Total	1,047	1,060	+13
Subtotal	2,594	2,610	+16	
Adjustment	△727	△730	△3	
Consolidated Net Sales	1,867	1,880	+13	

○Sales Profit

(unit: 100 million Yen)

	Fiscal 2006 Performance (A)	Fiscal 2007 Projection (B)	Changes (B) - (A)	
Non-consolidated	117	122	+4	
Subsidiaries	Sales	9	11	+2
	Production	12	16	+4
	Domestic	21	27	+6
	Americas	19	21	+2
	Europe	0	2	+2
	Asia	4	7	+2
	Overseas	23	30	+7
	Total	44	57	+13
Subtotal	161	179	+17	
Adjustment	△6	△14	△7	
Consolidated Net Sales	155	165	+10	

11

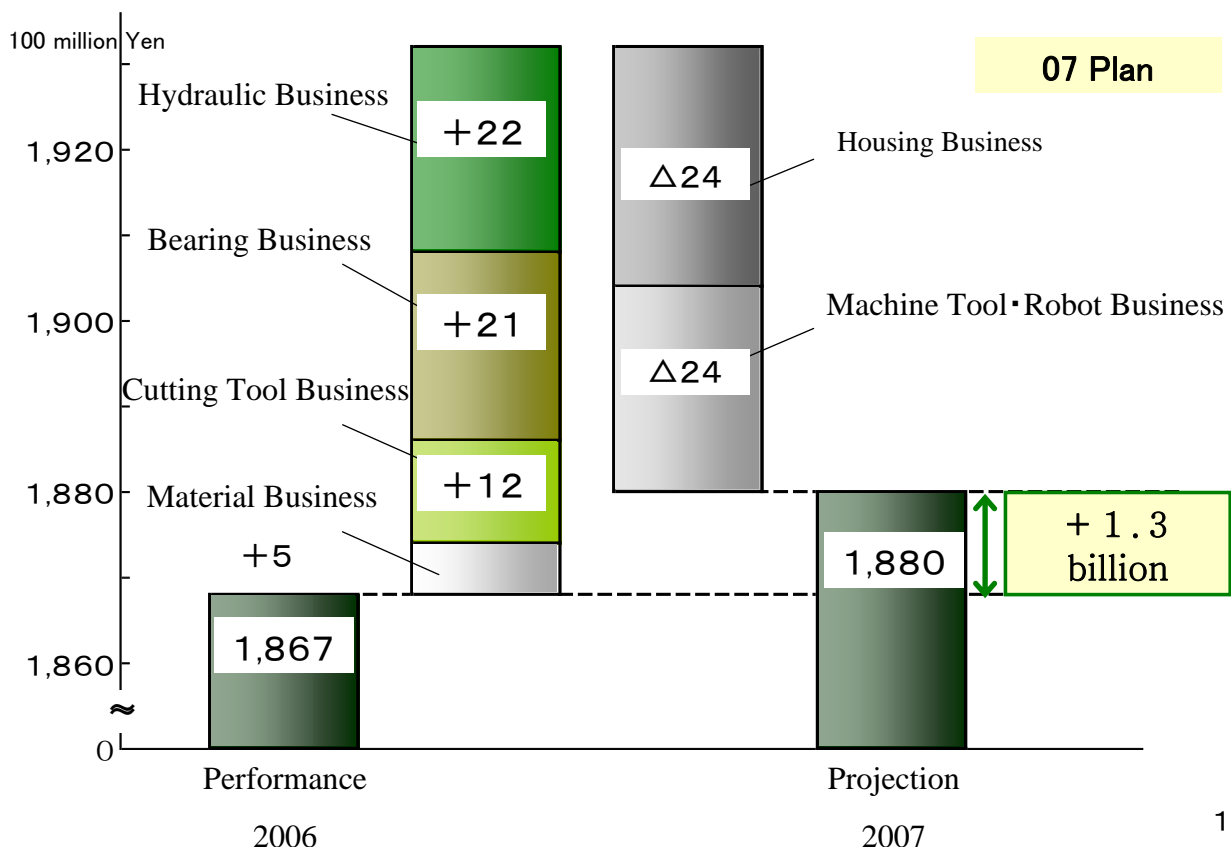
Prospects by Business Segments (sales & business profit)

(unit:100 million Yen)

07 Plan		Fiscal 2006(A) Performance	Fiscal 2007(B) Projection	Changes (%) (B)-(A)		
Tools & Machines	Sales	Cutting Tool	313	325	(+3.8%)	+12
		Machine Tool	192	180	(Δ6.7%)	Δ13
		R o b o t	181	170	(Δ6.1%)	Δ11
		T o t a l	687	675	(Δ1.8%)	Δ12
Business Profit		(9.8%) 67	(9.9%) 67	(-)	-	
Components	Sales	Bearing	634	655	(+3.2%)	+21
		Hydraulic Equipment	363	385	(+6.0%)	+22
		T o t a l	997	1,040	(+4.2%)	+43
	Business Profit		(8.2%) 82	(8.6%) 89	(+7.3%)	+6
Materials etc.	Sales	Special Steels	139	144	(+3.5%)	+5
		O t h e r	43	21	(Δ51.2%)	Δ22
		T o t a l	182	165	(Δ9.4%)	Δ17
	Business Profit		(3.0%) 5	(5.5%) 9	(+80.0%)	+4
Gross Sales Figures		1,867	1,880	(+0.7%)	+13	
Gross Business Profits		(8.3%) 155	(8.8%) 165	(+6.1%)	+10	

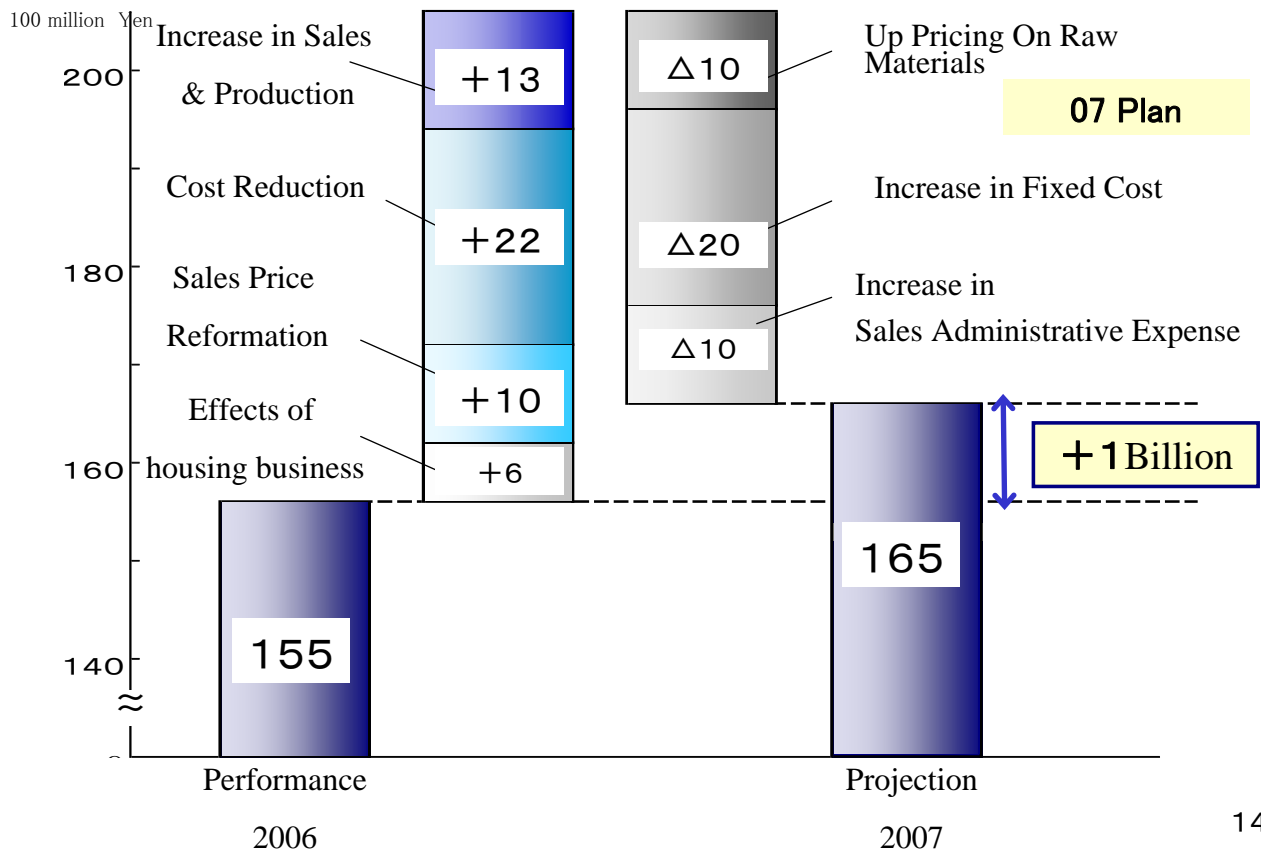
12

Plan : Factors Fluctuate Sales Figures



13

Plan : Factors Fluctuate Business Profit



Prospects for Fiscal 2007

Part 2

- | | |
|--|----------|
| 1. Midrange Outlook for Fiscal 2007 | 16 to 17 |
| 2. Future Outlook and Stance for Nachi-Fujikoshi | 18 |
| 3. Management Strategies | 19 |
| ① Expanding Capabilities | 20 to 21 |
| ② Promoting Engineering Business | 22 |
| ③ Policies for Investment in the Future | 23 to 24 |
| 4. Management Goals | 25 |

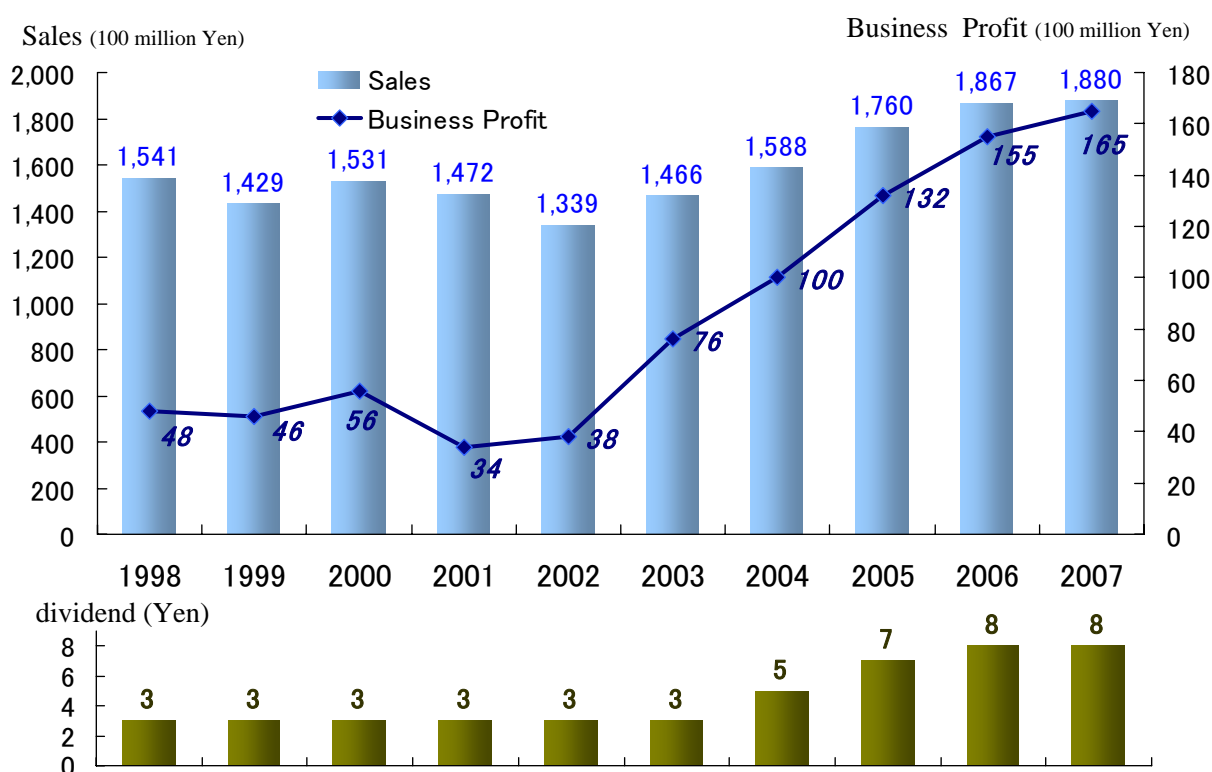
1. Performance for Fiscal 2006 and 2007

(Unit: 100 million yen)

	Fiscal 2005 Performance	Fiscal 2006 Performance	Fiscal 2007 Projection
Net sales	1,760	1,867	1,880
Operating income	(7.5%) 132	(8.3%) 155	(8.8%) 165
Ordinary income	(6.8%) 120	(7.6%) 141	(8.0%) 150
Net income	51	73	75
Net income per share	20.44 yen	29.38 yen	30.16 yen
Dividend per share	7 yen	8 yen	8 yen
Dividend payout ratio	34.2%	27.2%	26.5%

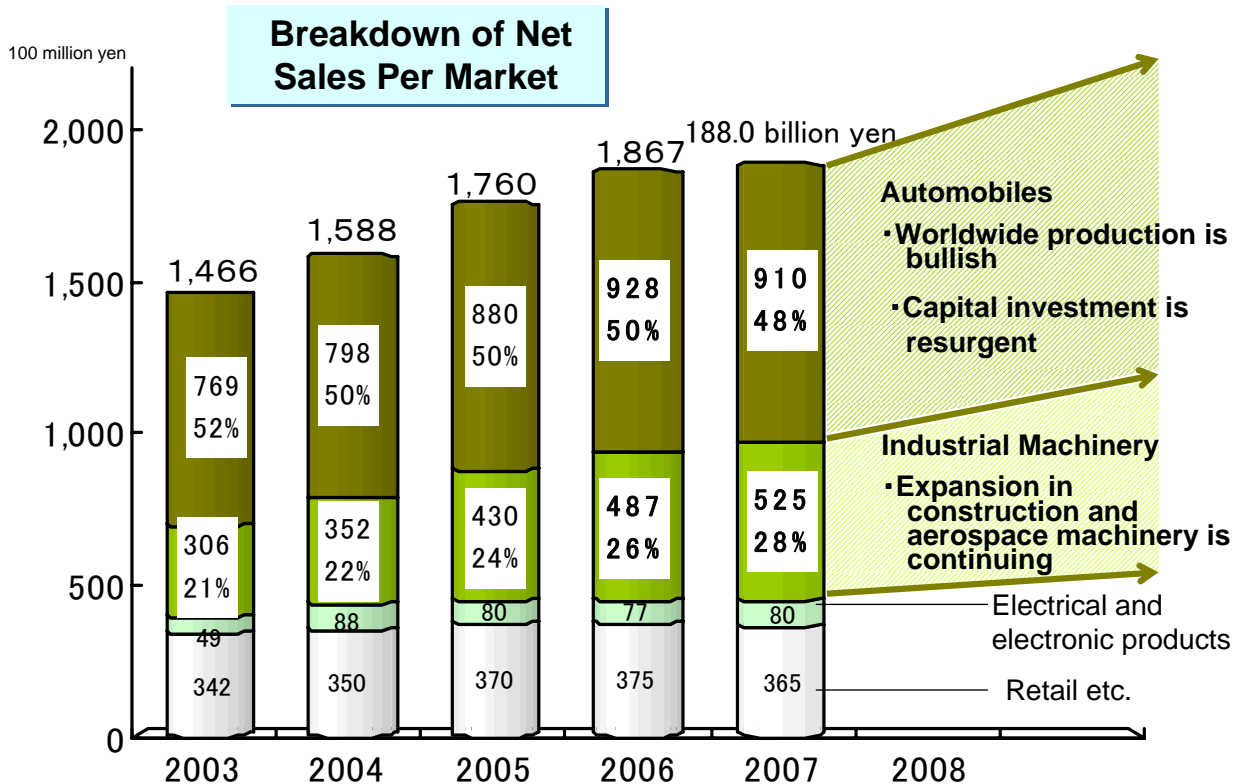
16

Transition in the Current Decade



17

2. Future Outlook and Stance



18

3. Management Strategies

(1) Expanding Capabilities

- Strengthening relationships with suppliers, allied companies, distributors and dealers.

(2) Promoting Engineering Business

- Focusing expansion of the engineering business in the Japanese, North American and Asian markets.

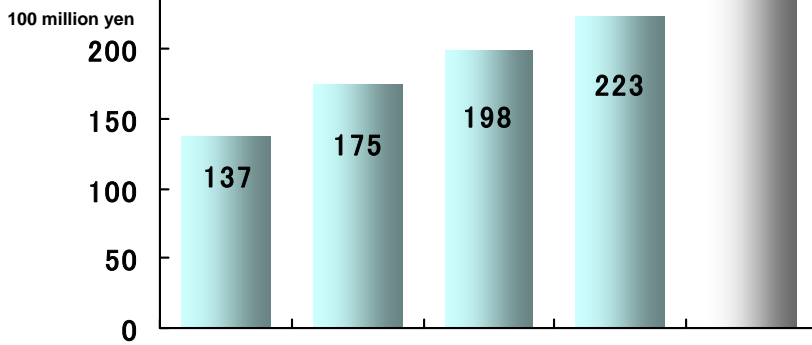
(3) Policies for Investment in the Future

- Proactive investment in research and development, employee education and a production system for products that have a superior competitive advantage.

19

(1) Expanding Capabilities 1

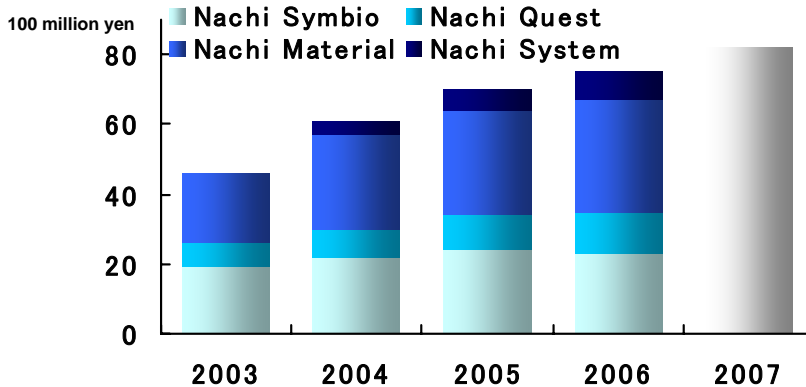
Business Transactions with Allied Companies



Expand Alliances

- Expand into group companies
- Expand into suppliers and peripheral device makers

Business Transactions with NACHI Dealers

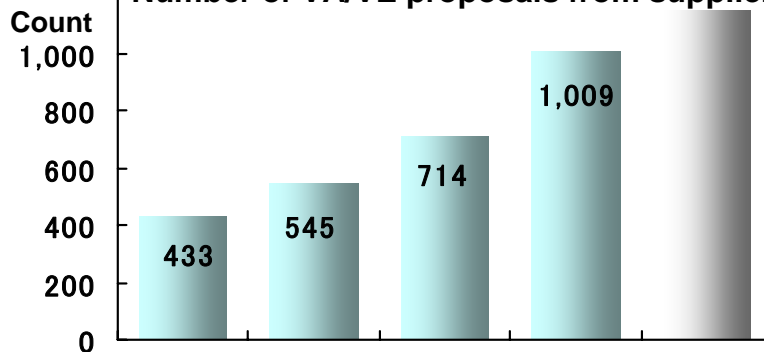


Building Up Distribution Channels

- Distributors
- Domestic NACHI group companies: 148 companies
- Overseas NACHI group companies: 55 companies
- Dealers: 144 companies
- Major NACHI Dealers
- Top dealer in each field

(1) Expanding Capabilities 2

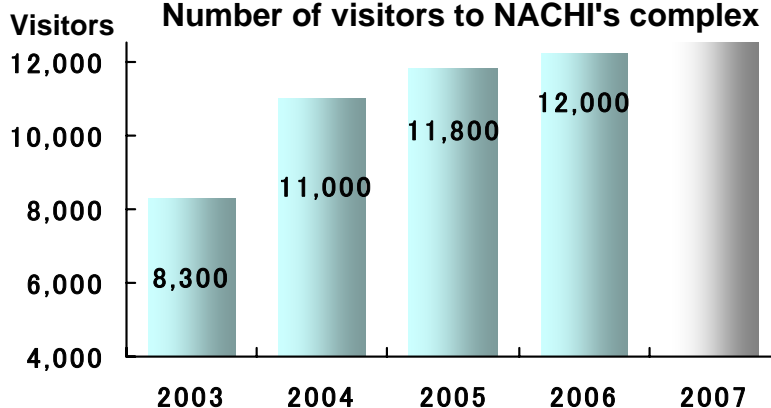
Number of VAVE proposals from suppliers



Bolstering Partnerships

- Suppliers: 1,410 companies
- Expand connections with good suppliers to grow business opportunities

Number of visitors to NACHI's complex



Providing places to do business

- NACHI complex activities
- Providing locations (w/business facilities) for interaction between businesses, industries and regions
- Business information exchange
- Creating hybrid new business models

(2) Developing Engineering Business

Developing engineering as a core business by enlarging engineering service systems domestically and overseas.

(1) Established NACHI Engineering in Ayase, Kanagawa prefecture

- Expanding hybrid engineering services for regrinding and recoating tools, robot, machine tools, heat treatment equipment, bearings, hydraulic equipment and specialty steels



NACHI Engineering (April 2007 open)

(2) Established engineering systems in USA and China for global development



NACHI Precision North Carolina



NACHI (Shanghai) Precision Tools Co., Ltd.

22

(3) Managing for Investment in the Future 1

Investing for the future by educating personnel, expanding overseas, boosting research & development to grow our production system for products with primary competitive advantages.

(1) Establishing a dominant production system for products that have a primary competitive advantage

- Construction machinery and hydraulic equipment for utilities
- Precision machine tools (broaches and gear cutting tools)
- High performance bearings for industrial machinery
- Robots, specialty steels and other products



New Hydraulics Factory (Namerikawa groundbreaking, autumn 2007)

(2) Boosting research and development capabilities

Research and development spending (in real terms)

2005: 5.4, 2006: 6.7, 2007: 8.0 billions of yen

- Growing operations in parts business by applying materials and heat treatment technology
- Product manufacturing using machine tool and robot technology

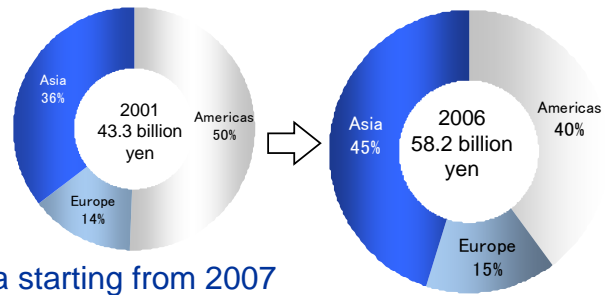
Intra-company sales 2003: 6.3, 2006: 11.0, 2007: 13.0 billions of yen

23

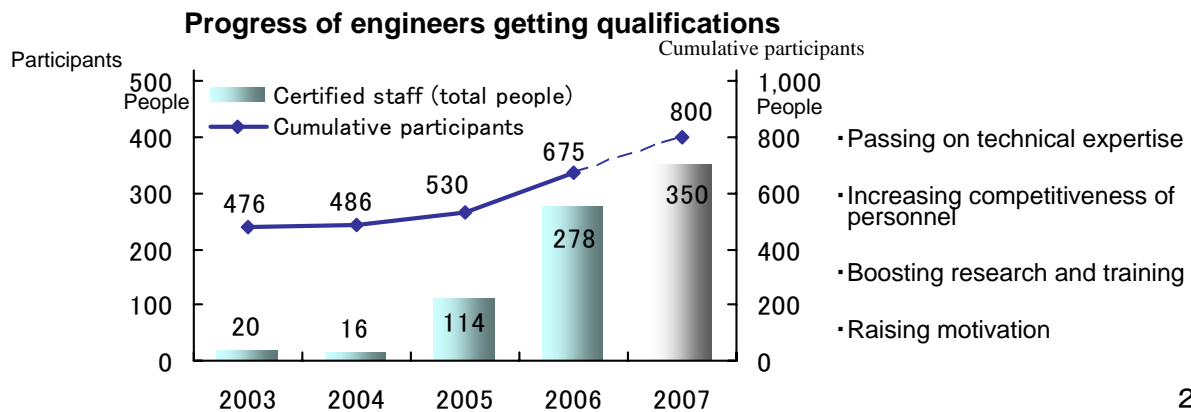
(3) Managing for Investment in the Future 2

(3) Expansion in overseas operations

- Ratio of net sales overseas is 31%
→ in real terms it is 55%
- Overseas networks
2001: 35 → 2006: 46 locations
- Expand overseas operations in Asia starting from 2007



(4) Bolstering personnel Promoting each skill for each person



24

4. Management Goals

	Fiscal 2003 Performance	Fiscal 2006 Performance	Fiscal 2007 Projection	Fiscal 2010 Target
Business Profit (billion Yen)	7.6	15.5	16.5	
Business Profit (%)	5.2%	8.3%	8.8%	⇒ 10% Scale
Dividend/share (Yen)	3	8	8	⇒ ¥10 and above
DOE (%)	2.4%	3.7%	3.4%	⇒ 3% Scale

25

NACHI

<http://www.nachi-fujikoshi.co.jp/>

Contact : Corporate Planning Dept.

TEL 03-5568-5210

FAX 03-5568-5215

E-mail : kikaku@nachi-fujikoshi.co.jp

All the future business outlook and business plans in this presentation are premised on recent economic circumstances and business policy settled currently.

Therefore, please keep in mind that the actual business performance could be differed by plural fluctuating parameters such as seesawing demand change or currency exchange rate.