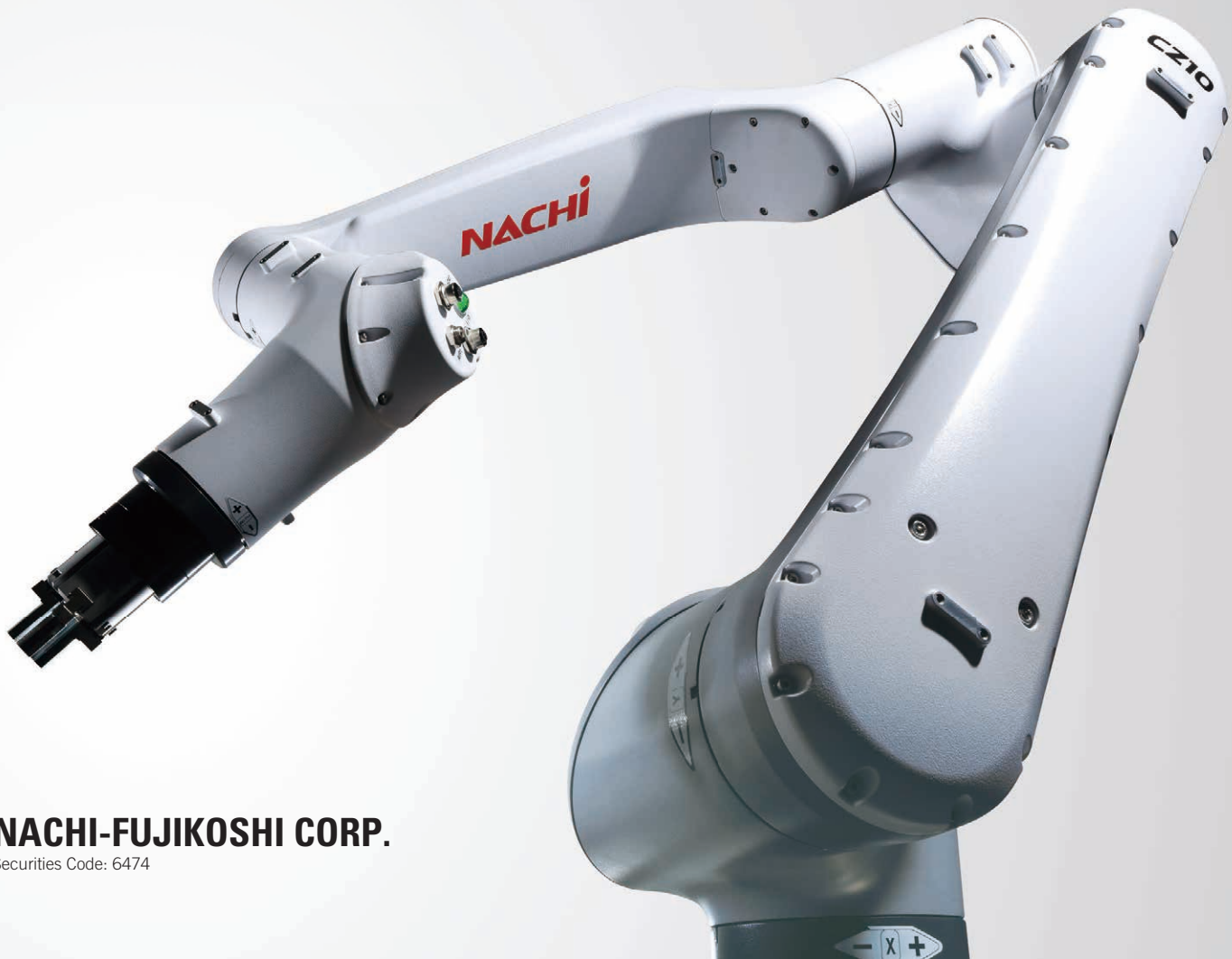


INTERIM REPORT 2019

December 1, 2018 to May 31, 2019

NACHI



NACHI-FUJIKOSHI CORP.

Securities Code: 6474

TO OUR SHAREHOLDERS

We would like to express our sincere gratitude to our shareholders for your continued support and patronage.

We report the interim results for the NACHI-FUJIKOSHI Group for the period from December 1, 2018 to May 31, 2019.

Business Environment

The environment surrounding NACHI-FUJIKOSHI Group during the interim period is affected by US-China trade issues and by the slowdown in the global economy especially in China. In addition, the business environment as a whole is becoming unclear due to market downturn mainly in industrial machinery despite the fact that the domestic economy is slowly heading for recovery.

Business Progress and Results

Given this environment, the NACHI-FUJIKOSHI Group has been making full use of its strength as a comprehensive machinery manufacturer with robotics business at its core, and also encompassing cutting tools, machine tools, bearings, hydraulic equipment, and special steel businesses, to expand sales by finding new customers, mainly overseas, and by introducing of new products to the market. We also strengthened our development, sales and production systems aiming for expansion of mid-term business operations and improvement of profit structures.

Thanks to these initiatives mentioned above, consolidated net sales in the interim term reached 127.1 billion yen, up 2.0% over the same period of the previous year. This includes domestic sales of 69.2 billion yen (up 8.9% YoY) and overseas sales of 57.9 billion yen (down 5.2% YoY). In terms of profitability, the sales price was increased and cost reduction efforts were made. However, in addition to the yen' s continued appreciation, sudden price increases in raw materials and energy costs, personnel expenses, and other increasing costs put pressure on profits, and operating income, ordinary income and quarterly net income attributable to owners of the parent were 7.4 billion yen (down 7.8% YoY), 6.6 billion yen (down 6.6% YoY) and 4.2 billion yen (down 6.3% YoY), respectively.

We wish to forego the payment of interim dividends for this interim period.

Future Initiatives

In the medium and long term, it is expected that the business environment surrounding our company and industrial structure will change significantly due to the automotive market' s movement towards EV, and factory automation in manufacturing caused by the decline in the global labor force, and advancements in AI and IoT.

Under the given circumstances, the NACHI-FUJIKOSHI Group is committed to improving and strengthening its various sections, including sales and services, manufacturing and resourcing, and research and development, under the slogan of “Innovate in manufacturing worldwide with advanced FA systems and mechatronics” in order to meet new demands brought by changes in industrial structure.

On the other hand, while the uncertainty brought about by US-China trade issues, etc. continues, NACHI-FUJIKOSHI Group strives to improve its performance by leveling production, reducing procurement cost, rationalization of production lines, reducing human resources costs through automation and radical cost reduction.

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

August 2019



Chairman and
Representative Director

A handwritten signature in black ink, appearing to read "Hiroo Sonma".

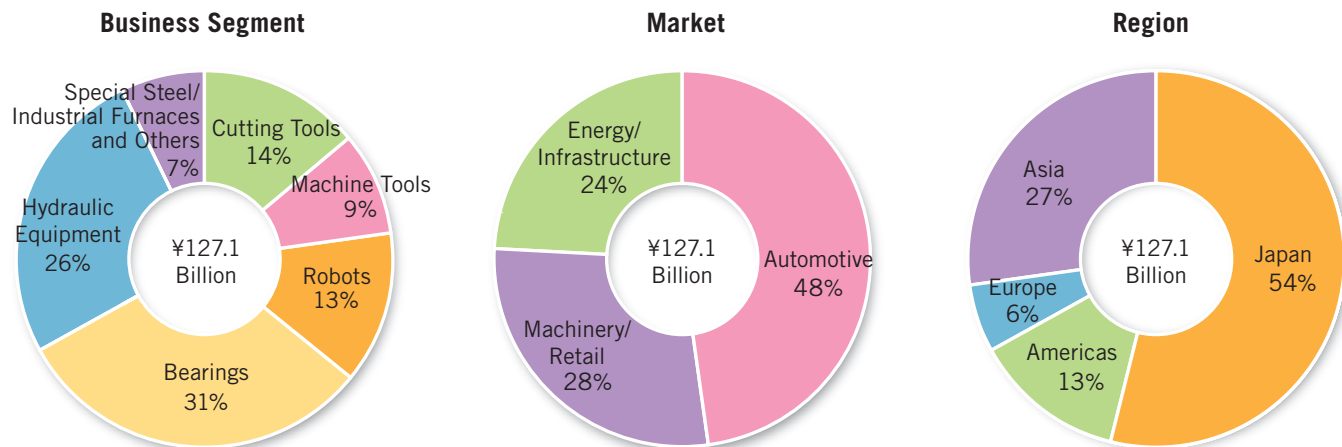


President and
Representative Director

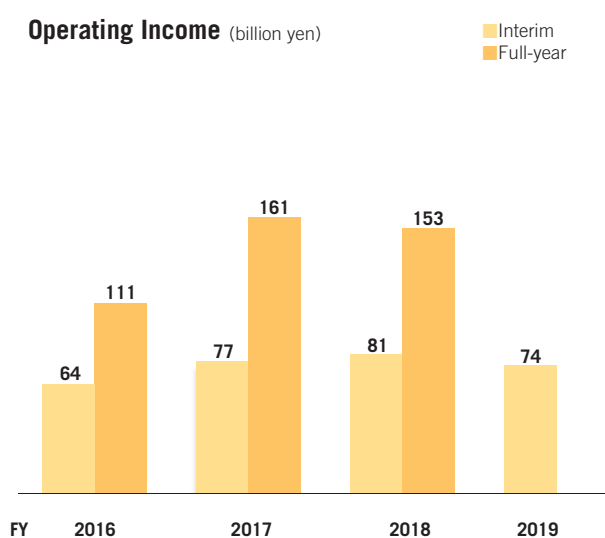
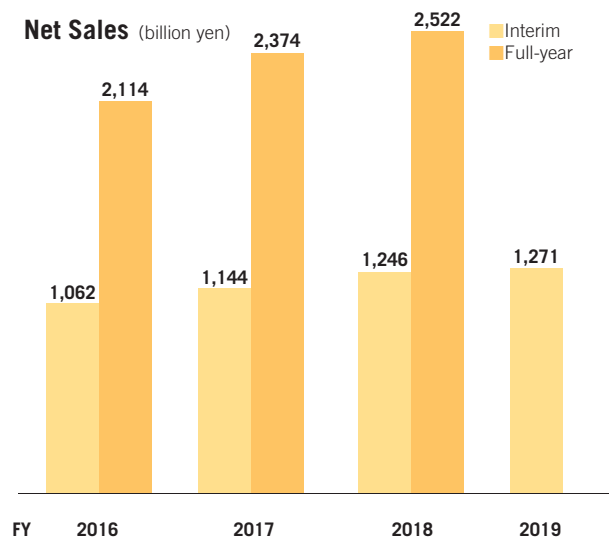
A handwritten signature in black ink, appearing to read "Jun Sakamoto".

RESULTS OF OPERATIONS (Consolidated Result for Six Months Ended May 31, 2019)

Composition of Sales



Trend in Business Results



TOPICS

1. Expansion of Merchandise

We provide high-performance and high-quality products or the shift to EVs and automation of production lines.

○ Expanding our robot lineup

A medium-sized robot with payloads of up to 25 kg will soon be introduced to the market under the MZ series, which has been mainly a small-sized robot lineup.

We will meet the demands for automation and staff reduction in automobile parts and general industrial machinery sectors.

○ Expanding our carbide drill series

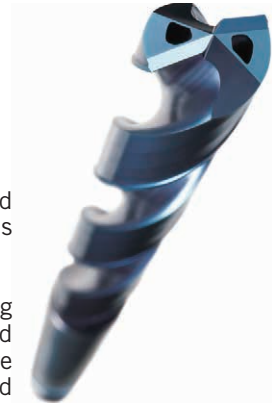
The AquaREVO Drills Oil-Hole, an internally-developed product produced in-house from carbide materials, is added to our AquaREVO drill lineup.

With the newly developed oil-hole technology, resulting in long tool life, it contributes to cost reduction and productivity enhancement of our customers who require highly efficient processing, such as automobile and automotive parts manufacturers The GMS200.



Payload 1kg Payload 4kg Payload 7kg Payload 12kg

MZ series of Compact Robots



AquaREVO Drill Oil-Hole



Compact Skiving
Machining Center

○ Expanding products for EV and eco-friendly cars

The GMS200, a compact skiving machining center achieves high-efficiency and multiple high-precision machining in a compact space. It meets the needs for high-mix low-volume production and compact production lines.

We are working to expand lineup of lightweight and downsized products, such as bearings, for EVs and eco-friendly vehicles.



Thin-walled deep groove ball
bearing for electric units

○ The CZ10 wins the Machinery Industry Design Award

The "CZ10 collaborative robot won Machinery Industry Design Award from the Japan Robot Industry Association, sponsored by the Nikkan Kogyo Shimibun. Its international standard certified safety design, high operability and high precision location control function were recognized.

We are committed to contributing to the automation demands in a wide range of fields including customers who are not familiar with robots.



CZ10
Collaborative Robot

2. Strengthening Manufacturing Structures

We established smart factories with the latest robots and factory automation systems. We will utilize IoT technology and push forward with productivity, improvement, rationalization, and cost reduction.

○ Establishment of Factories in Japan and Increasing Capacities

We will establish our Robot Factory 3 and our Automotive Hydraulics Factory 4 in Toyama. Both will be completed by the end of 2019. In addition, we are working on enhancing production capacity mainly for hydraulic equipment for construction machinery which are in high demand.



Robot Factory 3 (new)



4th automotive hydraulics factory (new)



Hydraulic motor factory
(increasing production capacity)

3. Expanding Research and Development Structure

We are enhancing our research and development structure in order to develop innovative products that can be of use in the global market.

○ Relocation and Expansion of Robot R&D Center

Our Robot R&D Center in Tokyo was relocated to Hamarikyu and expanded. We will accelerate research on software, systems and applications, and work on development of innovative robots.

○ Establishment of IoT Business Headquarters

We established an IoT Business Headquarters to enhance productivity applying IoT and AI to internal factories and production lines. In the future, we will expand new business based on the knowledge and successful cases collected internally, and develop an unique systems to provide to customers.



Robot R&D Center (Tokyo)



○ Relocation and Expansion of the Robot Technical Center in USA

The Robot Technical Center was relocated and expanded in Michigan, USA.

We contribute to factory automation and downsizing of production lines of the customers in industrial machinery and electrical and electronics fields by proposing various applications in combination with various products, such as compact robots and machine tools.



FINANCIAL STATEMENTS

Consolidated Balance Sheets

(million yen)

Item	November 30, 2018 (for your reference)	May 31, 2019
ASSETS:		
Current assets	142,249	141,063
Cash and cash equivalents	22,363	22,061
Notes and accounts receivable	58,378	57,332
Inventories	56,337	57,015
Other	5,170	4,653
Fixed assets	153,300	151,375
Property, plant and equipment	113,634	114,055
Buildings and structures	30,582	29,635
Machinery and equipment	66,239	67,271
Other	16,812	17,147
Intangible fixed assets	2,749	2,955
Investments and advances	36,916	34,365
Total assets	295,550	292,439

Consolidated Statements of Income

(million yen)

Item	Six Months Ended May 31, 2018	Six Months Ended May 31, 2019
Net sales	124,638	127,165
Operating income	8,115	7,481
Ordinary income	7,072	6,604
Extraordinary income	11	3
Extraordinary losses	577	533
Quarterly income before income taxes and minority interests	6,506	6,074
Quarterly net income attributable to owners of the parent	4,494	4,212

(million yen)

Item	November 30, 2018 (for your reference)	May 31, 2019
LIABILITIES:		
Current liabilities	104,195	106,330
Notes and accounts payable	49,923	48,974
Short-term loans	34,403	39,617
Other	19,867	17,738
Long-term liabilities	70,278	66,957
Long-term debt	49,178	47,647
Allowance for retirement benefits	10,543	10,394
Other	10,557	8,916
Total liabilities	174,473	173,287
NET ASSETS:		
Shareholders' equity	109,571	111,293
Common stock	16,074	16,074
Additional paid-in capital	11,221	11,221
Retained earnings	82,537	84,264
Treasury stock	- 262	- 266
Revaluations and translation adjustments	4,968	1,446
Non-controlling interests	6,536	6,410
Total net assets	121,076	119,151
Total liabilities and net assets	295,550	292,439

Consolidated Statements of Cash Flows

(million yen)

Item	Six Months Ended May 31, 2018	Six Months Ended May 31, 2019
Cash flows from operating activities	7,821	9,506
Cash flows from investing activities	- 9,129	- 11,201
Cash flows from financing activities	2,461	1,361
Net decrease in cash and cash equivalents	889	- 805
Cash and cash equivalents at beginning of period	22,537	21,778
Cash and cash equivalents at end of period	23,426	20,972

SHAREHOLDER INFORMATION (As of May 31, 2019)

Number of Shares Issued: 249,193,436 (24,919,343 shares after share consolidation, as of June 1, 2018)

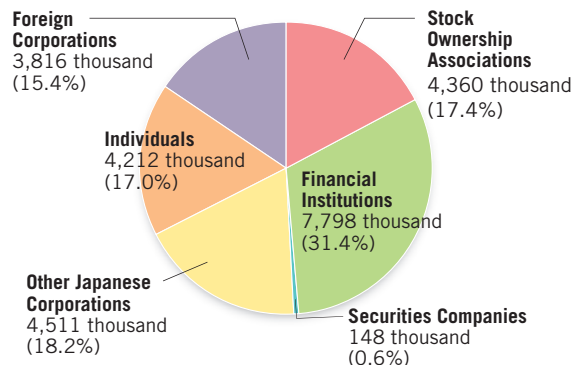
Number of Shareholders: 22,797

Major Shareholders (top five):

Note: Shareholding ratios are calculated after subtracting treasury stock (71 thousand shares).

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding	2,182	8.78
Employees' Stock Ownership Plan	1,394	5.61
Toyota Motor Corporation	1,318	5.31
MUFG Bank, Ltd.	1,188	4.78
The Hokuriku Bank, Ltd.	865	3.48

Breakdown of Shareholders



DIRECTORS AND AUDITORS (As of August 2019)

<i>Chairman and Representative Director</i> Hiroo Honma	<i>Managing Director</i> Shigeru Togashi	<i>Director</i> Toru Inoue	<i>Director</i> Noritsugu Sasaki	<i>Standing Corporate Auditor</i> Hiroshi Yamada	<i>Standing Corporate Auditor</i> Masakazu Yamazaki*
<i>President and Representative Director</i> Jun Sakamoto	<i>Managing Director</i> Masayuki Kobayashi	<i>Director</i> Tetsu Furusawa	<i>Director</i> Noboru Miura	<i>Standing Corporate Auditor</i> Masashi Hori	<i>Corporate Auditor</i> Somuku Iimura*
<i>Executive Vice President</i> Hidenori Hayashi	<i>Managing Director</i> Hideaki Hara	<i>Director</i> Shinichi Urata	<i>Director</i> Masatoshi Akagawa		
		<i>Director</i> Yutaka Tsukamoto	<i>Director</i> Junichi Kodama*		

*Outside director or outside corporate auditor.

CORPORATE INFORMATION (As of May 31, 2019)

Foundation: December 21, 1928
Capital: ¥16 billion
Number of Employees: 3,213 (Group employees 7,484)

Major Products:

Machinery and tools business Cutting Tools, Forming Tools, Cutting Saws, Machine Tools, Machining Systems, Robots, Robotics Systems
 Components business Bearings, Hydraulic Equipment, Automotive Hydraulics
 Other business Special Steels, Coating, Industrial Furnaces

Major Domestic Offices and Plants:

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 +81-76-423-5111
 (Cutting Tools / Machine Tools / Bearings / Robots)

Eastern Japan Main Branch Shiodome Sumitomo Bldg. 17F, 1-9-2, Higashi-Shinbashi, Minato-ku, Tokyo 105-0021, Japan
 Central Japan Main Branch Nachi Nagoya Bldg. 2-120-3, Takayashiro, Meitou-ku, Nagoya 465-0095, Japan
 Western Japan Main Branch Sumitomo Nakanoshima Bldg. 5F, 3-2-18, Nakanoshima, Kita-ku, Osaka 530-0005, Japan

Higashi-Toyama Plant 3-1-1, Yoneda-machi, Toyama 931-8511, Japan (Special Steels) / 3-2-1, Nakada, Toyama 931-8453, Japan (Hydraulic Equipment)
 Namerikawa Plant 176, Ogake, Namerikawa 936-0802, Japan (Hydraulic Equipment / Automotive Hydraulics / Coating / Industrial Furnaces)
Major Overseas Offices and Plants: NACHI AMERICA INC. (U.S.A.) NACHI EUROPE GmbH (Germany) NACHI (SHANGHAI) CO., LTD. (China)
 NACHI (JIANGSU) INDUSTRIES CO., LTD. (China) NACHI TECHNOLOGY (THAILAND) CO., LTD. (Thailand)
 NACHI SINGAPORE PTE. LTD. (Singapore)

INVESTOR INFORMATION

Securities Code:	6474
Fiscal Year:	From Dec. 1 of each year to Nov. 30 of the following year
Timing of Ordinary General Meeting of Shareholders:	February
Record Date:	Voting rights at General Meeting of Shareholders on November 30 Year-end dividend on November 30 Interim dividend on May 31
Unit:	100 shares
Shareholders' Register Custodian/Administrator for Special Accounts:	1-4-1, Marunouchi, Chiyoda-ku, Tokyo, 100-8233, Japan
Administrative Office/ Mailing Address:	Sumitomo Mitsui Trust Bank, Limited 2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department
Inquiries:	Toll-free: 0120-782-031 (Toll-free in Japan)
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.

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.)

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.)

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.

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 Sumitomo Mitsui Trust Bank, Limited which is the account administrator for special accounts.

2. Questions regarding Payments of Accrued Dividends and Other General Administrative Matters regarding Shares

Please contact Sumitomo Mitsui Trust Bank, Limited which administers the shareholders registry.

The Cover Photograph

The CZ10 collaborative robot.

Contributing to a wide range of our customers' automation needs through its ISO10218-1 certified safety design, high operability and high-accuracy position control.