

INTERIM REPORT 2020

December 1, 2019 to May 31, 2020



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 offer our prayers for the victims of COVID-19 and express our heartfelt sympathy for those affected by the disease. We would also like to express our deepest gratitude to everyone who is working to support healthcare professionals and social infrastructures.

We report the interim results for the NACHI-FUJIKOSHI Group for the period from December 1, 2019 to May 31, 2020.

Business Environment

The impact of the US-China trade issues, combined with the slowdown in the global economy caused by the spread of COVID-19, created a highly challenging operating environment for the group during the interim period.

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 - both within Japan and around the world - and by introducing new products to the market, thereby acquiring both orders and sales. We also strengthened our sales and development systems and streamlining our production systems aiming for expansion of mid-term business operations and improvement of profit structures.

However, the impacts of COVID-19 on the automotive and industrial machinery sectors, both in Japan and abroad had major effects. This resulted in consolidated net sales in the interim term remaining at 103.7 billion yen, down 18.4% year-on-year. This includes domestic sales of 56.4 billion yen (down 18.5% YoY) and overseas sales of 47.3 billion yen (down 18.3% YoY). In terms of profitability, mainly due to a decrease in capacity utilization caused by the decline in sales, this term's operating income, ordinary income, and quarterly net income attributable to the parent company shareholders were 2.6 billion yen (down 64.8% YoY), 1.6 billion yen (down 75.7% YoY), 0.4 billion yen (down 89.4% YoY).

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

Future Initiatives

The outlook for the business environment is unclear due to the spread of COVID-19 and the ongoing trade issues between the US

and China expected to create difficulties for our company's performance. However, we are working to improve productivity and reduce costs, ensuring that we can maintain a profit.

On the other hand, our company's business environment is changing drastically over the medium to long term. These changes are due to the accelerated adoption of EVs and automated driving in the automotive field, which is our company's main area of demand, and progress with factory automation and the use of IoT in manufacturing.

The NACHI-FUJIKOSHI Group will enhance the nature of all aspects of sales and service, manufacturing and procurement, and research and development under the business operations slogan of "Leading in manufacturing innovations through technologies at the highest global standards, with its core business in robotics" We will also leverage our unique strengths in diverse businesses, technology, and manufacturing knowhow in robotics and otherwise to create new business opportunities, along with striving to further improve our performance by carrying out structural reforms such as developing new products, automating/digitizing factories, and creating structural reforms with a focus on building organizations and systems. These reforms are designed to meet future structures of demand.

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

August 2020



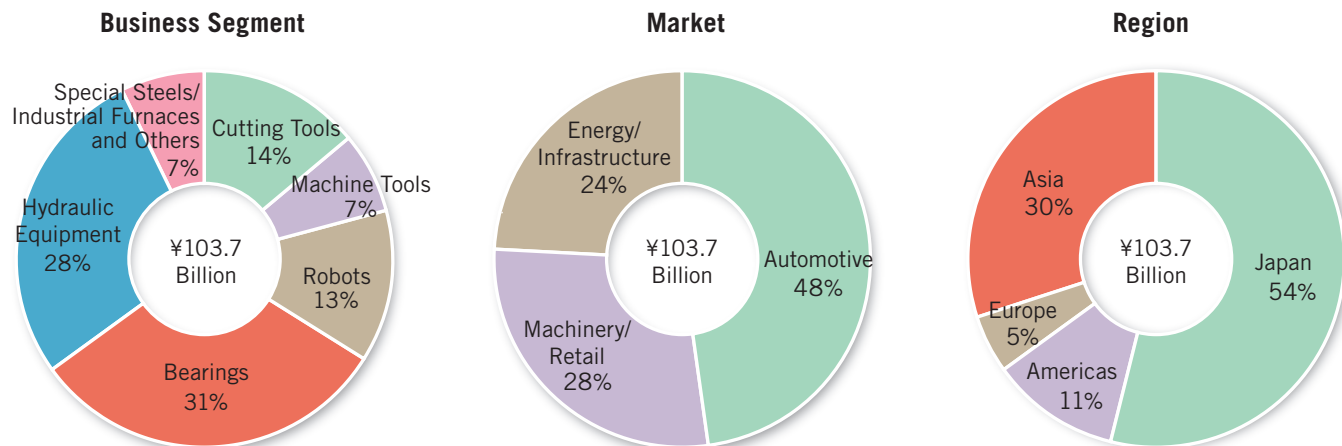
Chairman and
Representative Director



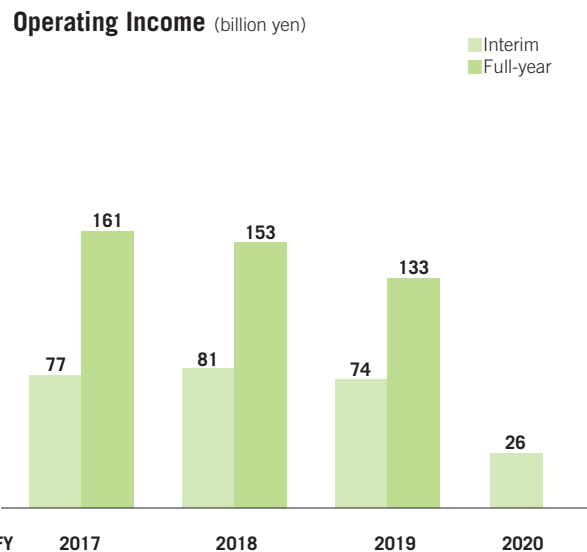
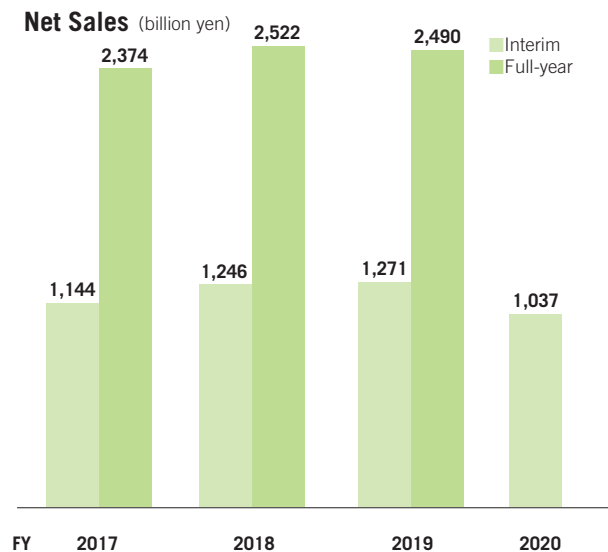
President and
Representative Director

RESULTS OF OPERATIONS (Consolidated Operating Result for Six Months Ended May 31, 2020)

Composition of Sales



Trend in Business Results



TOPICS

1. Promoting Structural Reform for Medium-and Long-Term Growth

The automotive industry is facing a period of significant change said to be the biggest in a century, which have been caused by technological innovations related to automated driving, electrification, and car-sharing. Furthermore, there is also a growing need for automation and factory automation in manufacturing due to shifting industrial structures. Our company is therefore working to develop new products and digitize/automate our factories, allowing for mid to long-term growth. We are also creating structural reforms that are designed to meet future structures of demand with a focus on building organizations and systems.

2. Expanding the Field of Industrial Machinery, using the Automotive Industry as a Base

We will solving the problems our customers face by establishing industry-specific development teams. We will continue to work on developing breakthrough products by linking technologies possessed by each division.

○ Expansions of Industrial Machinery Products



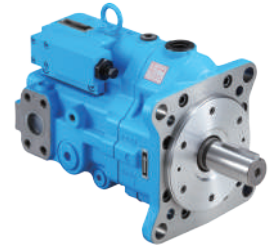
Mid-size Robot
MZ25



AquaREVO
Drill Oil-Hole



Compact Skiving Machining Center
GMS200



High-Pressure Variable
Piston Pump

○ Expanding products for Evs and eco-friendly cars

We will leverage our strengths gained through various businesses and technologies to develop and expand products for EVs and eco-cars, for which demand is expected to grow in the future.



Solenoid valve
for automobile

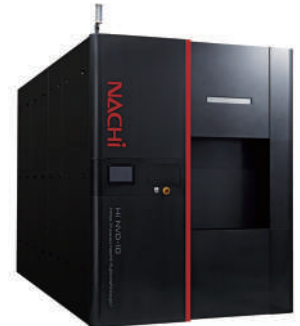


Thin-walled deep groove ball
bearing for electric units

○ Bringing New Cleaning Equipment to Market

We have recently begun selling the hybrid vacuum degreaser Hi NVD-10.

The product enables high-quality cleaning with a reduced environmental impact, providing benefits to customers in the fields of heat treatment, automotive machinery, and industrial machinery.



Hybrid vacuum degreasing equipment
Hi NVD-10

3.Factory Automation and Digitization

We will promote smart factories that utilize automation and IoT technologies.

○ Expansion of Production Structures at Small Robot Factory

We are proceeding with automation and the introduction of automatic production lines at our dedicated small robot factory in Toyama. We will utilize IoT to increase our production capacity while improving productivity, streamlining our processes, and reducing costs.

○ Utilization of Robots in Factories

We are promoting productivity and reduced costs by introducing automated robotic lines.

We will work to standardize our robot systems based on our accumulated know-how and experience, thereby meeting our customers' factory automation needs.



Robot factory 3 (Toyama)



Production line for automotive hydraulic equipment



Production line for carbide materials

○ Integration of Information Systems Subsidiary

We will merge and integrate our information systems subsidiary (Fujikoshi Information Systems Co, Ltd.) in September. We will also further promote the systematization and streamlining of all operations and the automation/digitization of our factories, improving our group's productivity as a whole.

— <Business Operations Slogan> —

Leading in manufacturing innovations through technologies at the highest global standards, with its core business in robotics

○ Establishment of a Robot Technology Research Cooperative

We established the “ROBOT Industrial Basic Technology Collaborative Innovation Partnership” (ROBOCIP) with five industrial robot manufacturers and our company (July 2020). The group conducts fundamental technology research to strengthen the foundation for technological innovations in industrial robots and share knowledge with universities and companies through industry-academic collaboration.

We will contribute to the further spread of industrial robots, which are expected to see market growth.

ROBOCIP 

FINANCIAL STATEMENTS

Consolidated Balance Sheets

(million yen)

Item	November 30, 2019 (for your reference)	May 31, 2020
ASSETS:		
Current assets	141,930	149,392
Cash and cash equivalents	21,512	41,380
Notes and accounts receivable	56,777	45,846
Inventories	59,301	57,889
Other	4,339	4,276
Fixed assets	158,820	155,070
Property, plant and equipment	116,838	115,126
Buildings and structures	30,466	30,262
Machinery and equipment	68,087	66,694
Other	18,284	18,169
Intangible fixed assets	3,144	3,028
Investments and advances	38,837	36,915
Total assets	300,751	304,463

Consolidated Statements of Income

(million yen)

Item	Six Months Ended May 31, 2019	Six Months Ended May 31, 2020
Net sales	127,165	103,792
Operating income	7,481	2,636
Ordinary income	6,604	1,606
Extraordinary income	3	13
Extraordinary losses	533	321
Quarterly income before income taxes and minority interests	6,074	1,298
Quarterly net income attributable to owners of the parent	4,212	445

(million yen)

Item	November 30, 2019 (for your reference)	May 31, 2020
LIABILITIES:		
Current liabilities	104,879	113,979
Notes and accounts payable	51,906	40,945
Short-term loans	35,572	58,741
Other	17,400	14,293
Long-term liabilities	71,074	72,402
Long-term debt	50,810	51,949
Allowance for retirement benefits	10,501	10,479
Other	9,762	9,973
Total liabilities	175,953	186,381
NET ASSETS:		
Shareholders' equity	113,354	110,956
Common stock	16,074	16,074
Additional paid-in capital	11,252	11,222
Retained earnings	88,297	86,111
Treasury stock	-2,269	-2,451
Revaluations and translation adjustments	4,878	724
Non-controlling interests	6,563	6,399
Total net assets	124,797	118,081
Total liabilities and net assets	300,751	304,463

Consolidated Statements of Cash Flows

(million yen)

Item	Six Months Ended May 31, 2019	Six Months Ended May 31, 2020
Cash flows from operating activities	9,506	6,678
Cash flows from investing activities	-11,201	-7,138
Cash flows from financing activities	1,361	21,493
Net decrease in cash and cash equivalents	-805	20,416
Cash and cash equivalents at beginning of period	21,778	20,157
Cash and cash equivalents at end of period	20,972	40,574

SHAREHOLDER INFORMATION (As of May 31, 2020)

Number of Shares Issued: 24,919,343

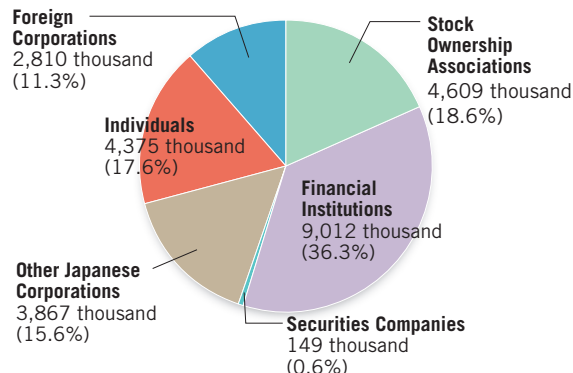
Number of Shareholders: 19,191

Major Shareholders (top five):

Note: Shareholding ratios are calculated after subtracting treasury stock (94 thousand shares).

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding	2,308	9.30
Employees' Stock Ownership Plan	1,454	5.86
MUFG Bank, Ltd.	1,188	4.79
Japan Trustee Services Bank, Ltd. (trust accounts)	1,082	4.36
The Master Trust Bank of Japan, Ltd. (trust accounts)	1,049	4.23

Breakdown of Shareholders



DIRECTORS AND AUDITORS (As of August 2020)

Chairman and Representative Director
Hiroo Honma

Executive Vice President
Shigeru Togashi

Director
Toru Inoue

Director
Noboru Miura

Director
Junichi Kodama*

Standing Corporate Auditor
Masayuki Kobayashi

President and Representative Director
Jun Sakamoto

Managing Director
Hideaki Hara

Director
Tetsu Furusawa

Director
Masatoshi Akagawa

Director
Yo Okabe*

Standing Corporate Auditor
Masashi Hori

Executive Vice President
Hidenori Hayashi

Managing Director
Yutaka Tsukamoto

Director
Shinichi Urata

Director
Satoshi Hamamoto

Standing Corporate Auditor
Masakazu Yamazaki*

Director
Noritsugu Sasaki

Director
Akira Kunisaki

Corporate Auditor
Tokuhiro Matsunaga*

*Outside director or outside corporate auditor.

CORPORATE INFORMATION (As of May 31, 2020)

Foundation: December 21, 1928
Capital: ¥16 billion
Number of Employees: 3,208 (Group employees 7,301)

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

This is the MZ25 medium-sized robot.

It contributes to a wide range of customers' automation needs by through features such as high versatility, high speed, and high accuracy, along with its ability to be used in various applications.