

INTERIM REPORT 2021

December 1, 2020 to May 31, 2021



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, 2020 to May 31, 2021.

Business Environment

The operating environment for the group during the interim period has been on a gradual recovery trend in general, reflecting the expansion of the Chinese economy and the recovery in advanced economies. Nevertheless, the outlook remains uncertain due to concerns over the re-expansion of COVID-19, the global shortage of semiconductors, and the prolonged U.S.-China Conflict.

Business Progress and Results

Under the circumstances, the NACHI-FUJIKOSHI Group has been making full use of its strength as a comprehensive machinery manufacturer with various businesses encompassing robotics, cutting tools, machine tools, bearings, hydraulic equipment, and special steel businesses to realize the expansion of orders and sales by developing new products and offering technical proposals that contribute to users' manufacturing. We have also been working on the reconstruction and streamlining of our flexible production system to fluctuations in demand, aiming to improve profitability.

During the interim period, despite the equipment-related orders remaining at a low level, consolidated net sales in the interim reached 112.0 billion yen, increase 8.0% year-on-year, due to the recovery in demand primarily in the automotive and construction machinery sectors. This includes domestic sales of 57.3 billion yen (increase 1.7% YoY) and overseas sales of 54.6 billion yen (increase 15.4% YoY). In terms of profitability, we have achieved overall cost reductions through measures implemented since last year, including improved productivity from streamlined operations, in-sourcing of manufacturing, and reduced selling and administrative expenses from improved operational efficiency, while also improving capacity utilization through increased sales and manufacturing. As a result, this term's operating income, ordinary income, and quarterly net income attributable to the parent company shareholders were 6.4 billion yen (2.4 times YoY), 6.5 billion yen (4 times YoY), and 4.4 billion yen (10 times YoY) respectively.

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

Future Initiatives

The outlook for the business environment remains unclear due to the global shortage of semiconductors, the re-expansion of COVID-19, and other factors, while demand in the automotive, industrial machinery, construction machinery, and commercial sectors are all on a recovery trend. In addition, our group's business environment is changing drastically, including the acceleration of initiatives for the adoption of EVs toward realizing a decarbonized society in the automotive field, which is our company's main area of business, and progress in factory automation and the digitization of manufacturing.

The NACHI-FUJIKOSHI Group will leverage its unique strengths as a comprehensive machinery manufacturer that possesses diverse business, technological, and manufacturing knowhow, including those related to robotics, and will create new business opportunities. While maintaining the automotive sector as the foundation of our business, we will also carry out structural reforms in all aspects of sales and service, manufacturing and procurement, and research and development, in order to further improve our business quality to realize the development and expansion of the industrial machinery sector, which has an extensive base. In addition, we will strive to further enhance our performance by not overlooking market movements and changes, responding to them flexibly, and promoting efforts to further improve productivity, such as cost reduction, streamlining, and automation.

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

August 2021



Chairman and
Representative Director

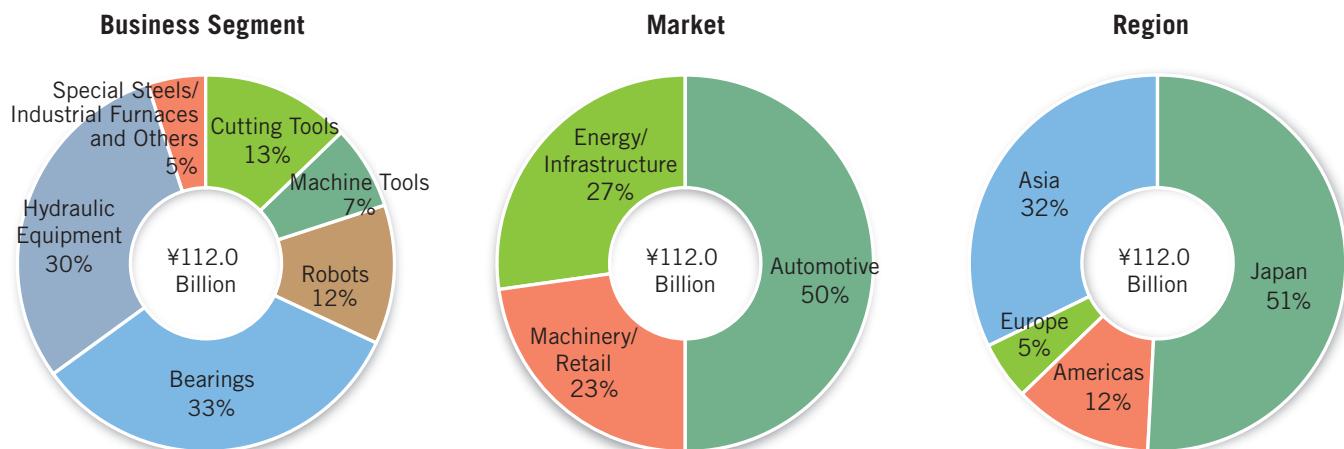


President and
Representative Director

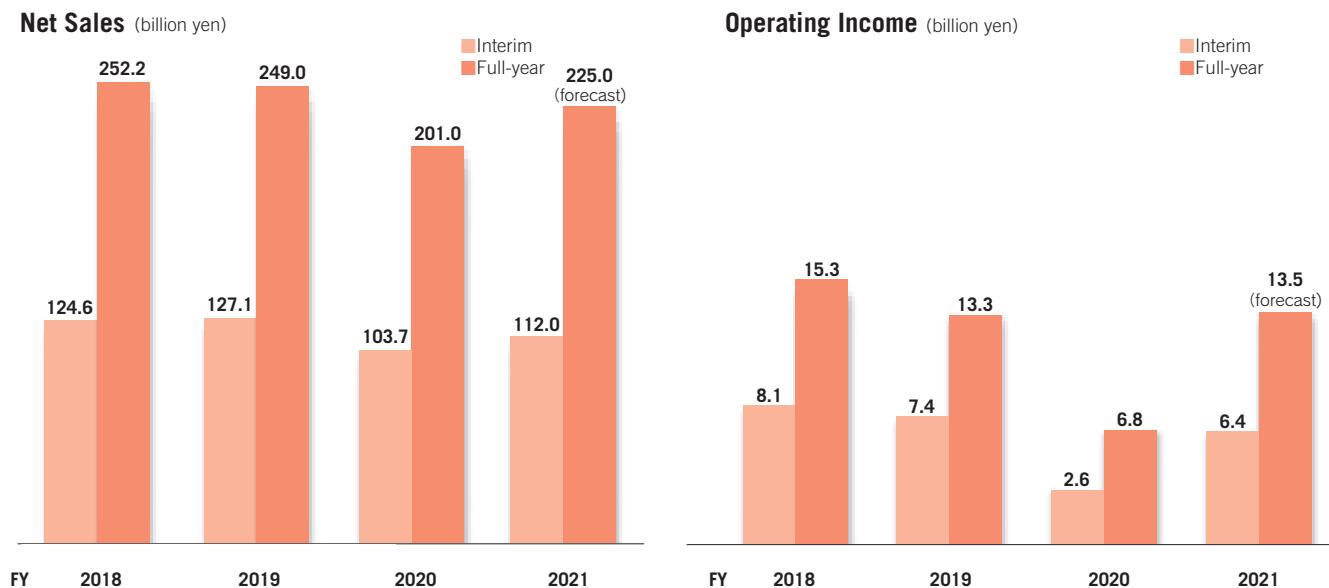


RESULTS OF OPERATIONS (Consolidated Operating Result for Six Months Ended May 31, 2021)

Composition of Sales



Trend in Business Results



TOPICS

1. Further Enhancing Products to Meet Market and Customer Needs

○ Expansions of Industrial Machinery Products

We will contribute to improving customer productivity by expanding the lineup of carbide round tools and taps for which demand is expected to grow, and increasing the number of products for the industrial machinery sector, such as small robots for various uses including the MZ series and SCARA robots.



Carbide round tools
AquaREVO series



SCARA robot
EC06



Ball screw support bearings
for industrial machinery

○ Expansion of Environmentally Friendly Products

Amid growing calls for decarbonization and reduced energy consumption to prevent from global warming, we will expand our lineup of products that meet the environmental conservation needs of our customers.



Energy saving solenoid valve for industrial machinery
(Approximately 25% reduction in power consumption compared to conventional products)



Actuator
(Compatible with EVs and eco-friendly cars)



Thin-walled deep groove ball bearing
for electric units
(Compatible with EVs and eco-friendly cars)

2.Enhancing Manufacturing System

○ Consolidation of standard radial bearing manufacturing

We are establishing a new factory in Thailand into which the manufacturing of radial bearings will be consolidated in order to increase our competitiveness through integrated local manufacturing and automation. Meanwhile, Toyama Plant will continue to produce high value-added bearings mainly to meet the needs of our customers.



○ Improvement of manufacturing efficiency

We will build a manufacturing system that is capable of flexibly responding to fluctuations in demand by introducing unmanned production lines and automated assembly processes. In addition, we will also revamp our core information system and promote operational efficiency and global collaboration so that we can respond to our customer needs in a timely manner.



Production line for automotive hydraulic equipment
(Utilizing our robots)



Hydraulic motor factory
(Automation of the assembly process of
hydraulic equipment for construction machinery)



Hydraulic equipment for
construction machinery

3.Implementation of Organizational Reform

As part of our structural reforms, we abolished the branch manager system in this March. We implemented organizational reforms to enhance our system and ensure all divisions operate with a focus on customers, taking unified sales and product strategies domestically and abroad under the direction of the General Managers of the relevant divisions.

○ Main changes to the company organization

- Newly established the Strategy Headquarters for each business type at their respective divisions to formulate and promote domestic and overseas sales strategies. At the same time, sales units in each domestic area have been incorporated under the direct control of the General Managers of the relevant divisions.
- Reorganized the technology and development department in each division into groups for each core product or element to strengthen product and technological capabilities.
- Newly established the Sales Headquarters at the Head Office to manage and guide the strategies and tactics at the Strategy Headquarters.

FINANCIAL STATEMENTS

Consolidated Balance Sheets

(million yen)

Item	November 30, 2020 (for your reference)	May 31, 2021
ASSETS:		
Current assets	137,960	148,158
Cash and cash equivalents	40,118	39,941
Notes and accounts receivable	45,938	54,298
Inventories	48,151	49,879
Other	3,752	4,039
Fixed assets	155,099	157,177
Property, plant and equipment	113,085	112,687
Buildings and structures	29,603	30,040
Machinery and equipment	65,650	65,893
Other	17,831	16,752
Intangible fixed assets	2,828	2,716
Investments and advances	39,185	41,773
Total assets	293,060	305,335

Consolidated Statements of Income

(million yen)

Item	Six Months Ended May 31, 2020	Six Months Ended May 31, 2021
Net sales	103,792	112,047
Operating income	2,636	6,435
Ordinary income	1,606	6,505
Extraordinary income	13	347
Extraordinary losses	321	111
Quarterly income before income taxes and minority interests	1,298	6,741
Quarterly net income attributable to owners of the parent	445	4,474

(million yen)

Item	November 30, 2020 (for your reference)	May 31, 2021
LIABILITIES:		
Current liabilities	92,926	96,898
Notes and accounts payable	33,509	43,464
Short-term loans	48,272	31,037
Other	11,144	22,396
Long-term liabilities	75,874	77,675
Long-term debt	54,852	56,098
Allowance for retirement benefits	10,148	10,187
Other	10,873	11,388
Total liabilities	168,800	174,574
NET ASSETS:		
Shareholders' equity	113,302	113,567
Common stock	16,074	16,074
Additional paid-in capital	11,243	11,297
Retained earnings	88,123	91,356
Treasury stock	- 2,139	- 5,161
Revaluations and translation adjustments	3,591	9,242
Non-controlling interests	7,366	7,951
Total net assets	124,259	130,761
Total liabilities and net assets	293,060	305,335

Consolidated Statements of Cash Flows

(million yen)

Item	Six Months Ended May 31, 2020	Six Months Ended May 31, 2021
Cash flows from operating activities	6,678	20,698
Cash flows from investing activities	- 7,138	- 5,564
Cash flows from financing activities	21,493	- 16,500
Net decrease in cash and cash equivalents	20,416	- 368
Cash and cash equivalents at beginning of period	20,157	38,936
Cash and cash equivalents at end of period	40,574	38,568

SHAREHOLDER INFORMATION (As of May 31, 2021)

Number of Shares Issued: 24,919,343

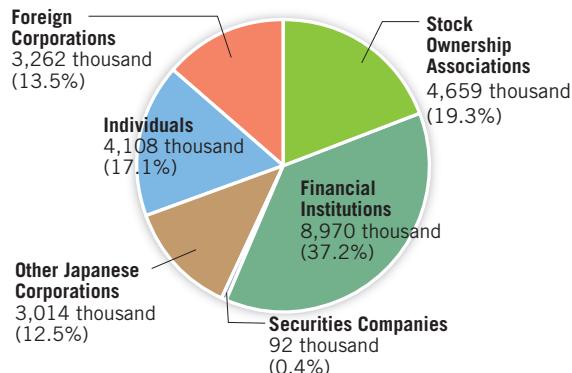
Number of Shareholders: 17,918

Major Shareholders (top five):

Note: Shareholding ratios are calculated after subtracting treasury stock (81 thousand shares).

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding	2,360	9.79
Employees' Stock Ownership Plan	1,443	5.99
MUFG Bank, Ltd.	1,188	4.93
The Master Trust Bank of Japan, Ltd. (trust accounts)	1,182	4.90
Custody Bank of Japan, Ltd. (trust accounts)	963	4.00

Breakdown of Shareholders



DIRECTORS AND AUDITORS (As of August 2021)

Chairman and Representative Director
Hiroo Honma

Executive Vice President
Shigeru Togashi

Director
Shinichi Urata

Director
Tetsuo Koshihama

Director
Tsutomu Kurosawa

Standing Corporate Auditor
Masayuki Kobayashi

President and Representative Director
Jun Sakamoto

Managing Director
Hideaki Hara

Director
Noritsugu Sasaki

Director
Shuichi Hirose

Director
Junichi Kodama*

Standing Corporate Auditor
Masashi Hori

Executive Vice President
Hidenori Hayashi

Director
Tetsu Furusawa

Director
Akira Kunisaki

Director
Kazuyoshi Ichikawa

Director
You Okabe*

Standing Corporate Auditor
Masakazu Yamazaki*

Director
Kyo Kitayama

Director
Yuichi Sawasaki

Corporate Auditor
Tokuhiro Matsunaga*

*Outside director or outside corporate auditor.

CORPORATE INFORMATION (As of May 31, 2021)

Foundation: December 21, 1928
Capital: ¥16 billion
Number of Employees: 3,376 (Group employees 7,282)

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 a flange mounted bearing with a special structure for use in automobile drivetrain units. It is a highly reliable high-performance part that contributes to the optimal design of automobiles.