

INTERIM REPORT NACHI 2018

December 1, 2017 to May 31, 2018



NACHI

NACHI-FUJIKOSHI CORP.

Securities Code: 6474

MZ12

TO OUR SHAREHOLDERS

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

We wish to express our sincere condolences to everyone who has suffered from the recent torrential rains in Western Japan, and we sincerely pray for the earliest recovery of the affected areas.

We report the interim results for the NACHI-FUJIKOSHI Group for the period from December 1, 2017 to May 31, 2018.

Business Environment

The environment surrounding the NACHI-FUJIKOSHI Group during the interim term has, overall, been a gentle recovery resulting from the steady performance of the economies of the developed countries led by Europe and the United States and the rally of the economies of developing nations.

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 its sales by finding new customers, mainly new users in overseas countries, and releasing new products. We have also strengthened our earning structure through increased in-house production and improved productivity, and other measures, and expanded our development, sales and production systems aiming for future business growth.

Thanks to these initiatives mentioned above, consolidated net sales in the interim term reached 124.6 billion yen, up 8.9% over the same period of the previous year. This includes domestic sales of 63.5 billion yen (up 11.2% YoY) and overseas sales of 61.1 billion yen (up 6.5% YoY).

In terms of profitability, operating income, ordinary income and quarterly net income attributable to owners of the parent were 8.1 billion yen (up 5.1% YoY), 7.0 billion yen (up 4.1% YoY) and 4.4 billion yen (down 3.3% YoY), respectively.

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

Future Initiatives

The NACHI-FUJIKOSHI Group has formulated a medium-term management plan ending in FY2020 to achieve performance targets with net sales of 300 billion yen and operating income of 27 billion yen, by strengthening the robot business, which is growing in demand worldwide, and Electric Vehicles (EVs) that are expected to be popular in the medium to long term. We are also expanding our management base to support a wide range of industrial machinery fields.

In the future, we will continue to focus on the robot business, encourage improvement in all aspects of R&D, sales and services, manufacturing and procurement, promote marketing of innovative new products, local production of overseas demand areas, and we will strive to further improve business performance by such efforts as pursuit of streamlining production lines, and reducing costs by expanding in-house production of key components.

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

August 2018



Chairman and
Representative Director

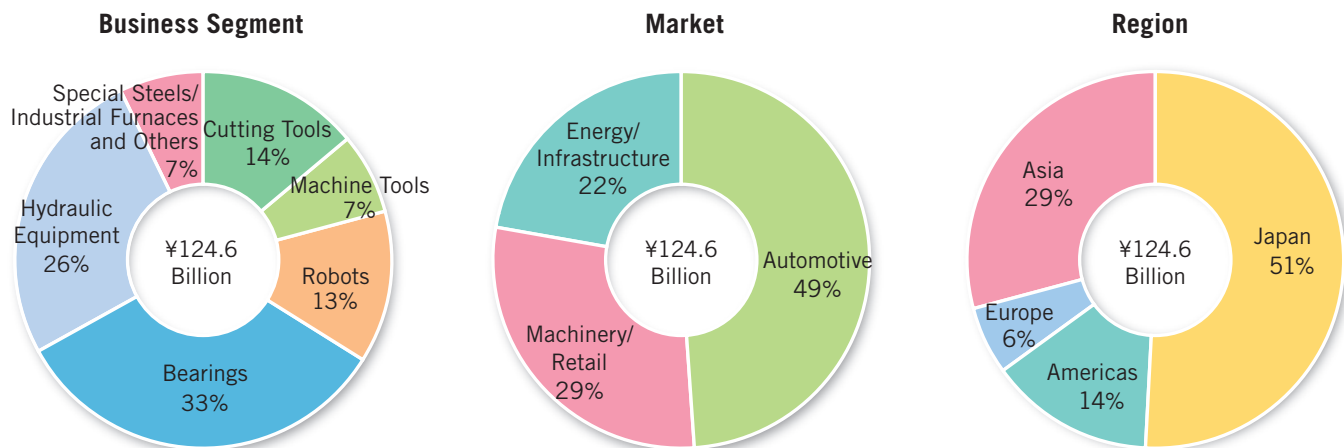


President and
Representative Director

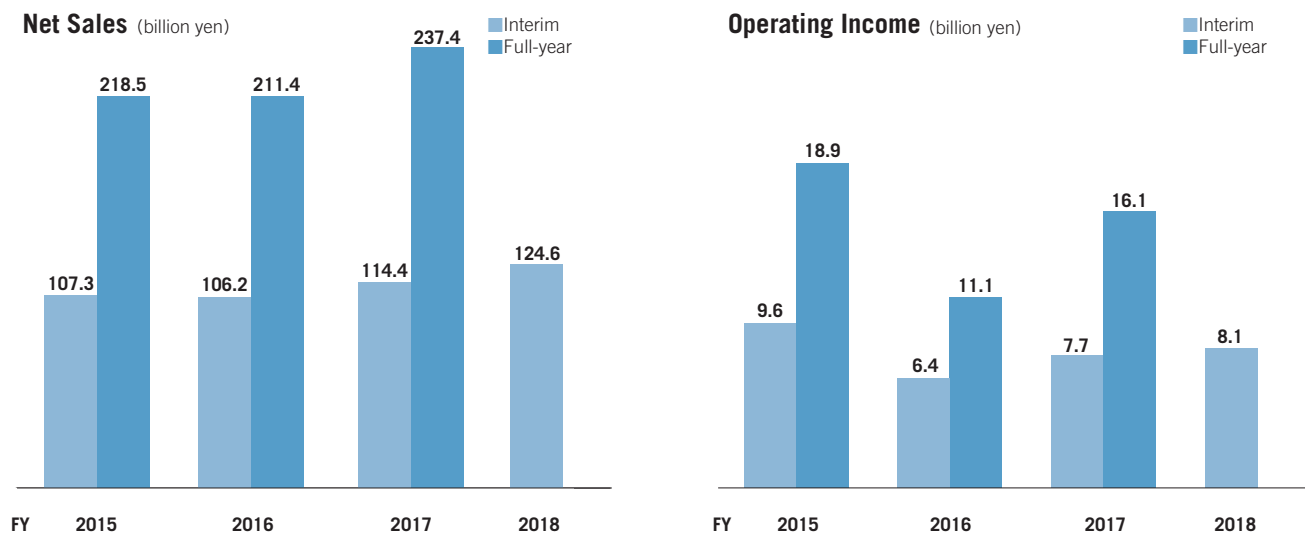


RESULTS OF OPERATIONS (Consolidated Operating Result for Six Months Ended May 31, 2018)

Composition of Sales



Trend in Business Results



TOPICS

Achieving the Medium-term Management Plan

NACHI-FUJIKOSHI Corp. has formulated a medium-term management plan covering up to FY2020 as a milestone toward realizing our long-term vision, and begun taking steps to achieve further expansion of our operations. In order to achieve the medium-term management plan, we have established and are moving forward with three priority measures.

Long-term vision Slogan

Challenging growth in business to fulfill aspirations as a manufacturing company

Management Policy

Innovate in manufacturing worldwide with advanced FA system and mechatronics

Medium-Term Business Plan

Performance goals

Sales at 300 billion yen
Operating income at 27 billion yen
Operating income margin at 9%

Important Policies

1. Expansion of our robot business
2. Strengthening response to the shifts to EVs
3. Deepening industrial machinery field

1. Expansion of Our Robot Business

NACHI-FUJIKOSHI Corp. develops and provides the latest robots and FA systems in order to satisfy our customers' automation needs.

○ Expanding the Robot Development System

We will develop and introduce to the market new robots that have never before existed, by opening a robot R&D center in Tokyo and incorporating state-of-the-art software technology.

In addition, we will establish a robot R&D center in China, where there is the world's largest demand for robots, and will respond to local needs locally.



CZ10: human-friendly collaborative robot without a safety barrier

○ Strengthening FA System Proposal Capability

We provide advanced FA systems with automation technology developed in NACHI's own production lines and Technical Centers deployed in 10 locations around the world.



Production line using small robots (NACHI's hydraulic equipment factory)



Technical Center in Shanghai



Technical Center in Detroit

2. Strengthening Response to the Shifts to EVs

We are developing new products and responding to the move towards the shifts to EVs.

○ Deployment of Skiving Combined Processing Systems

Introducing GMS200, a multi-function skiving machining center, to the market. It provides higher efficiency and higher precision processing, combined with a skiving cutter. In addition, it deploys a system that combines small robots, responding to the need to make production lines more compact, and for small-lot production of many kinds.

○ Development of Electric Actuators

Based on solenoid technology developed from car control valves, we commercialized an electric actuator that can be used as a locking mechanism with high power, contributing to electronic control of the powertrain.



GMS200



Electric actuators

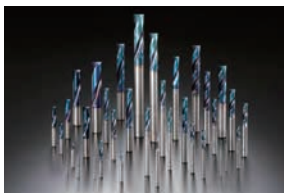


Skiving Cutter

3. Deepening Industrial Machinery Field

We will develop and introduce high-precision, high-efficiency products for the broadly based industrial machinery field.

○ Expansion of Carbide Drill Lineup



AQUA Drill EX Series carbide drills

We will introduce high-performance carbide drills with new materials, shapes, and coatings to the market this autumn. This will greatly contribute to the improvement of our customers' productivity.

○ Increasing Manufacturing Capacity for Thin-walled Bearings



Thin-walled bearings for precision speed reducers

In response to the vigorous demand for precision speed reducers to be incorporated in industrial robots and machine tools, we are expanding production capacity of thin-walled bearings for precision speed reducers.

Efforts toward Globalization



Training at the Showroom



Nachi Toyama Dormitory

We conduct practical training corresponding to the issues and tasks of our overseas subsidiaries to promote the recruitment of locally employed executives, for the localization of our overseas subsidiaries.

The Nachi Toyama Dormitory was completely renovated last year, and we use it for training and accommodation, as well as for exchanges with our residents.

FINANCIAL STATEMENTS

Consolidated Balance Sheets

(million yen)

Item	November 30, 2017 (for your reference)	May 31, 2018
ASSETS:		
Current assets	139,308	140,959
Cash and cash equivalents	23,436	24,050
Notes and accounts receivable	53,561	55,211
Inventories	51,925	53,252
Other	10,385	8,445
Fixed assets	159,846	156,742
Property, plant and equipment	114,867	113,589
Buildings and structures	31,598	30,607
Machinery and equipment	64,177	64,363
Other	19,091	18,619
Intangible fixed assets	2,654	2,536
Investments and advances	42,324	40,616
Total assets	299,155	297,702

Consolidated Statements of Income

(million yen)

Item	Six Months Ended May 31, 2017	Six Months Ended May 31, 2018
Net sales	114,485	124,638
Operating income	7,723	8,115
Ordinary income	6,793	7,072
Extraordinary income	5	11
Extraordinary losses	578	577
Quarterly income before income taxes and minority interests	6,220	6,506
Quarterly net income attributable to owners of the parent	4,647	4,494

(million yen)

Item	November 30, 2017 (for your reference)	May 31, 2018
LIABILITIES:		
Current liabilities	99,083	102,394
Notes and accounts payable	48,105	47,449
Short-term loans	29,534	37,294
Other	21,443	17,650
Long-term liabilities	80,671	76,253
Long-term debt	53,925	50,992
Allowance for retirement benefits	10,866	10,845
Other	15,879	14,415
Total liabilities	179,755	178,648
NET ASSETS:		
Shareholders' equity	102,785	104,790
Common stock	16,074	16,074
Additional paid-in capital	11,137	11,137
Retained earnings	75,824	77,834
Treasury stock	- 251	- 256
Revaluations and translation adjustments	10,113	7,588
Non-controlling interests	6,500	6,675
Total net assets	119,399	119,054
Total liabilities and net assets	299,155	297,702

Consolidated Statements of Cash Flows

(million yen)

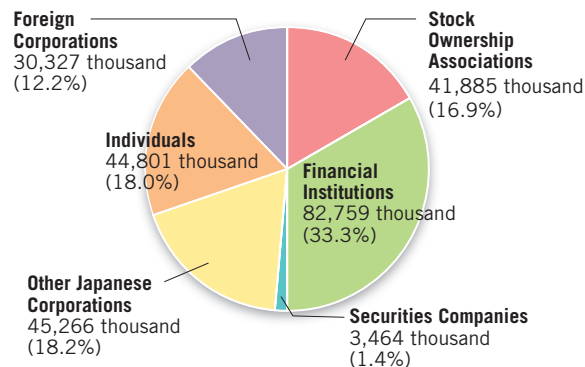
Item	Six Months Ended May 31, 2017	Six Months Ended May 31, 2018
Cash flows from operating activities	14,175	7,821
Cash flows from investing activities	- 10,652	- 9,129
Cash flows from financing activities	- 4,402	2,461
Net decrease in cash and cash equivalents	- 946	889
Cash and cash equivalents at beginning of period	20,093	22,537
Cash and cash equivalents at end of period	19,146	23,426

SHAREHOLDER INFORMATION (As of May 31, 2018)

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 (689 thousand shares).

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding	20,800	8.37
Employees' Stock Ownership Plan	13,508	5.44
Toyota Motor Corporation	13,182	5.30
MUFG Bank, Ltd.	11,888	4.78
The Hokuriku Bank, Ltd.	8,659	3.48

Breakdown of Shareholders



DIRECTORS AND AUDITORS (As of August 2018)

<i>Chairman and Representative Director</i> Hiroo Honma	<i>Managing Director</i> Masayuki Kobayashi	<i>Director</i> Toru Inoue	<i>Director</i> Noritsugu Sasaki	<i>Director</i> Kazuo Tsukahara*	<i>Standing Corporate Auditor</i> Hiroshi Yamada
<i>President and Representative Director</i> Kenji Susukida	<i>Managing Director</i> Kouichi Watanabe	<i>Director</i> Tetsu Furusawa	<i>Director</i> Noboru Miura	<i>Director</i> Shinjiro Iwata*	<i>Standing Corporate Auditor</i> Masashi Horii
<i>Executive Vice President</i> Hidenori Hayashi	<i>Managing Director</i> Shigeru Togashi	<i>Director</i> Shinichi Urata	<i>Director</i> Jun Sakamoto		<i>Standing Corporate Auditor</i> Masakazu Yamazaki*
		<i>Director</i> Yutaka Tsukamoto	<i>Director</i> Hideaki Hara		<i>Corporate Auditor</i> Somuku Iimura*

*Outside director or outside corporate auditor.

CORPORATE INFORMATION (As of May 31, 2018)

Foundation:	December 21, 1928
Capital:	¥16 billion
Number of Employees:	3,213 (Group employees 7,433)
Major Products:	Machinery and tools business Components business Other business
Major Domestic Offices and Plants:	Cutting Tools, Forming Tools, Cutting Saws, Machine Tools, Machining Systems, Robots, Robotics Systems Bearings, Hydraulic Equipment, Automotive Hydraulics Special Steels, Coating, Industrial Furnaces
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)

Notice of Changes in Share Units and Share Consolidation

Effective as of June 1, 2018, the Company changed the number of shares constituting one unit and consolidated shares as follows.

● Changes in Share Units

We changed from 1,000 shares to 100 shares.

● Share Consolidation

10 shares of common shares have been consolidated to 1 share.

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:	1,000 shares (100 shares from June 1, 2018 onwards)
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 MZ12 robot meets the needs of automation in a wide range of industrial fields.

Providing both weight reduction and high rigidity, it achieves high-speed, high-precision operation at the top-class level.

In addition to assembling and moving small parts, it contributes to greatly improved productivity in various applications such as machining.