

INTERIM REPORT 2022

December 1, 2021 to May 31, 2022



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 hereby report the results for the NACHI-FUJIKOSHI Group for the period from December 1, 2021 to May 31, 2022.

Business Environment

The operating environment for the group during the interim period generally continued to see a gradual recovery, as economic activity continued to normalize, and the economies of developed nations such as Japan and Western countries continued to recover. Nevertheless, the Japanese economic outlook remains uncertain due to factors such as the impact of automotive production cutbacks due to semiconductor shortages, COVID-19 lockdowns of cities in China, prolongation of the Ukraine crisis, and sharp price rises for raw materials and energy accompanying the rapid depreciation of the yen.

Business Progress and Results

Under these circumstances, the NACHI-FUJIKOSHI Group has been making full use of its strength as a comprehensive machinery manufacturer while taking into account major industrial structural changes in the medium to long term such as the shift toward decarbonization and increased adoption of EVs. The group is leveraging its strengths in the robotics business, as well as the 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 proceeding with structural reform across our overall business, including reorganization and streamlining of our plants around the world, and the expansion of in-sourcing of manufacturing so as to respond to changes in demand, aiming to improve profitability.

Despite factors such as production adjustments in the automotive sector, consolidated net sales in the interim period reached 122.0 billion yen (increase 9.0% YoY), due to the recovery and expansion of demand in the construction machinery, industrial machinery, and retail sectors. This includes domestic sales of 60.5 billion yen (increase 5.6% YoY) and overseas sales of 61.5 billion yen (increase 12.5% YoY). In terms of profitability, profits increased as a result of the passing on of raw materials price increases to sales prices, improved productivity from automation and streamlined operations of production lines, efforts to reduce procurement costs, and the weakening yen exchange rate, alongside improved 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 8.1 billion yen (increase 25.9% YoY), 8.7 billion yen (increase 34.8% YoY), and 5.8 billion yen (increase 30.3% YoY) respectively.

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

Future Initiatives

Regarding the outlook for the business environment, demand in the industrial machinery, construction machinery, and commercial sectors are all expected to grow, and a moderate recovery is also expected in the automotive sector. On the other hand, our group's business environment is changing drastically, including the acceleration of initiatives for the adoption of EVs toward carbon neutrality in the automotive field, which is our company's main area of business, and business reorganization, as well as the continued digital transformation of manufacturing, and the need to respond to social and environmental challenges such as the SDGs

The NACHI-FUJIKOSHI Group will leverage its unique strengths possessing diverse business, technological, and manufacturing knowhow, including those related to robotics, and will create new business opportunities. We will strengthen all aspects of sales and services, manufacturing and procurement, and research and development, with a focus on overseas markets with significant growth potential. We will catch market movements and needs to promote sales of products and services that cooperate and integrate technologies of all our departments, and strive to further enhance our performance by improving productivity from automation and streamlining. Furthermore, with the goal of achieving sustainable business growth, we will commit to challenges such as the environment, society, and governance.

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

August 2022



Chairman and
Representative Director

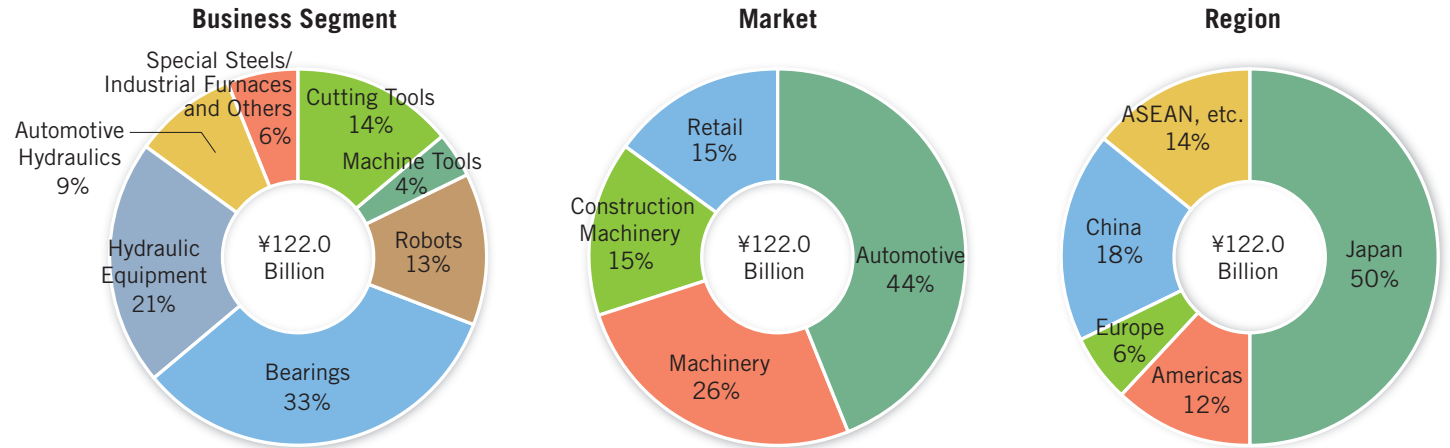


President and
Representative Director



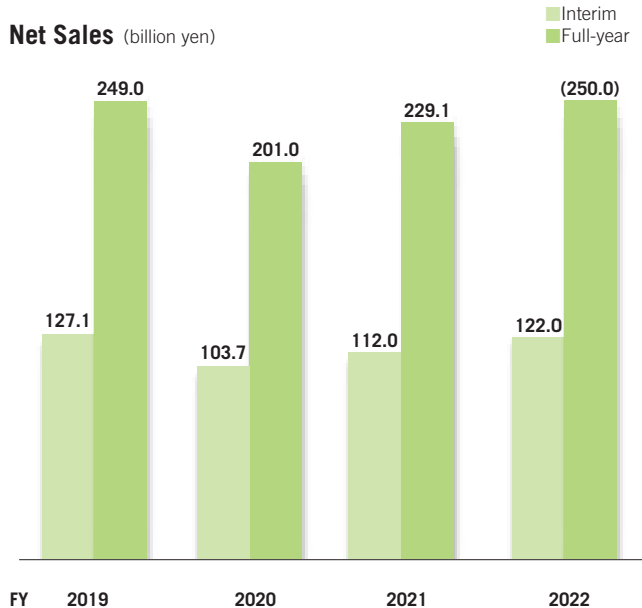
RESULTS OF OPERATIONS (Consolidated Operating Result for Six Months Ended May 31, 2022)

Composition of Sales

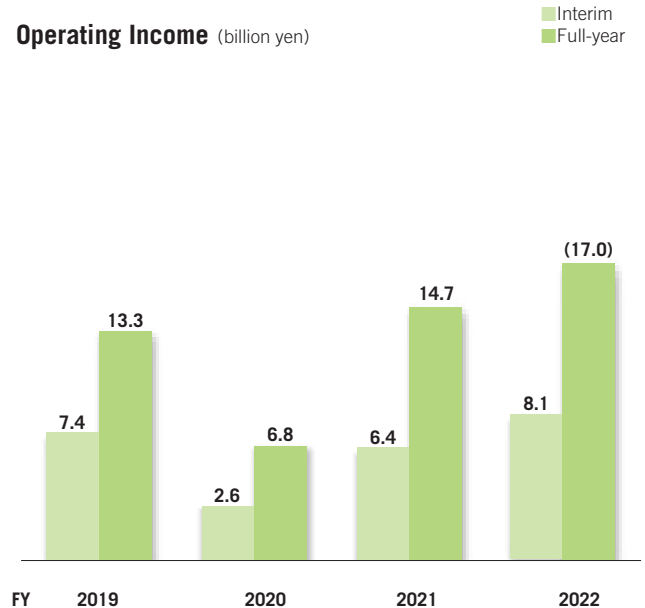


Trend in Business Results

Net Sales (billion yen)



Operating Income (billion yen)



TOPICS

1. Develop the potential demand of the industrial machinery sector

We will cultivate new demand in the electrical, electronic and general industrial machinery fields, where demand is expected to expand, and bring new products to market.

○ Expansion and enhancement of lineup of compact robots to meet demand for greater speed and precision, and launch of one of the world's smallest controllers



"MZ F Series" of high-speed, high-precision small robots/
"CFDq" ultra-compact controllers

○ Market launch of new energy-saving hydraulic equipment for industrial machinery such as machine tools and forging machinery, for which demand is robust



Energy saving solenoid valve



High pressure variable
volume piston pump

2. Expanding adoption to EVs

We have expanded adoption of our products to EV motors, reduction gears, electric compressors, and parts used in lock mechanisms. We will also expand sales of robots, robot systems, machine tools, and other products used in EV production facilities.



Ball screw support bearings



Actuator
(Used in parking lock mechanisms)



Spot welding robots
(Used in the machining of EV bodies, etc.)



Precision roll forming machines
(Used in the machining of
EV components, etc.)

ESG Initiatives

○ Initiatives toward carbon neutrality

We offer products that meet the energy-saving and environmental conservation-related needs of our customers, with a focus on hydraulic and other equipment.

As part of our efforts to convert to renewable energy, we have installed a solar power generation system on the roof of the No. 3 Robot Factory at the Toyama Plant, and are developing such systems at other plants.

We are also pursuing the consolidation and more efficient operation of production facilities, the conversion of liquid fuel into gas and electricity, and a transition to LED lighting fixtures.



The solar power generation system
on the roof of the No. 3 Robot Factory

3. Strengthening sales in overseas markets

Towards achieving an overseas sales ratio 60%, we will work to expand sales of high performance HSS drills, precision bearings for industrial machinery, hydraulic equipment for construction machinery, robots, and other products for which local needs are increasing, especially in China and Western countries, where there is significant potential for expansion.



High performance HSS drills
(Used widely in the industrial machinery and electrical and electronic sectors)



Bearings for ball screw supports
for industrial machinery



Hydraulic equipment for
construction machinery

4. Strengthening our manufacturing system domestically and overseas

We have boosted local production capacity in China and other countries where demand is growing. Additionally, a new plant producing standard radial bearings in Thailand is in full operation. Based on the concept of local production for local consumption, we will build a highly competitive production system through the promotion of intensive production at the optimal locations worldwide, automation, and streamlining.



NACHI (JIANGSU) INDUSTRIES CO., LTD. (China)
(Increased production of hydraulic equipment, precision bearings, robots, and other products in China)



Standard radial bearing



New factory in Thailand

○ Social contribution

We are working to promote diversity and contribute to society through such efforts as training technical personnel at Fujikoshi Technical High School, accepting local children at the Fujikoshi Ajsai Preschool, and providing COVID-19 vaccinations at Fujikoshi Hospital.

○ Strengthening our corporate governance system

We were listed on the Tokyo Stock Exchange's new Prime Market following its market restructuring in April 2022. We will continue to strengthen our governance framework and strive to enhance our corporate value.



Fujikoshi Hospital

FINANCIAL STATEMENTS

Consolidated Balance Sheets

(million yen)

Item	November 30, 2021 (for your reference)	May 31, 2022
ASSETS:		
Current assets	159,258	165,151
Cash and cash equivalents	41,771	33,401
Notes and accounts receivable	55,100	—
Notes and accounts receivable, and contract assets	—	59,703
Inventories	57,381	66,892
Other	5,005	5,153
Fixed assets	160,053	167,193
Property, plant and equipment	114,260	120,733
Buildings and structures	29,254	31,492
Machinery and equipment	63,811	69,093
Other	21,194	20,146
Intangible fixed assets	2,861	3,154
Investments and advances	42,931	43,305
Total assets	319,312	332,345

(million yen)

Item	November 30, 2021 (for your reference)	May 31, 2022
LIABILITIES:		
Current liabilities	103,344	106,439
Notes and accounts payable	47,826	49,359
Short-term loans	29,208	32,402
Other	26,309	24,677
Long-term liabilities	77,755	77,391
Long-term debt	56,266	54,577
Allowance for retirement benefits	9,754	9,702
Other	11,734	13,111
Total liabilities	181,100	183,830
NET ASSETS:		
Shareholders' equity	119,427	123,223
Common stock	16,074	16,074
Additional paid-in capital	11,401	11,401
Retained earnings	96,875	100,351
Treasury stock	- 4,924	- 4,604
Revaluations and translation adjustments	10,676	17,942
Non-controlling interests	8,107	7,349
Total net assets	138,211	148,514
Total liabilities and net assets	319,312	332,345

Consolidated Statements of Income

(million yen)

Item	Six Months Ended May 31, 2021	Six Months Ended May 31, 2022
Net sales	112,047	122,092
Operating income	6,435	8,100
Ordinary income	6,505	8,769
Extraordinary income	347	282
Extraordinary losses	111	153
Quarterly income before income taxes and minority interests	6,741	8,897
Quarterly net income attributable to owners of the parent	4,474	5,830

Consolidated Statements of Cash Flows

(million yen)

Item	Six Months Ended May 31, 2021	Six Months Ended May 31, 2022
Cash flows from operating activities	20,698	3,980
Cash flows from investing activities	- 5,564	- 10,775
Cash flows from financing activities	- 16,500	- 3,421
Net decrease in cash and cash equivalents	- 368	- 8,688
Cash and cash equivalents at beginning of period	38,936	40,374
Cash and cash equivalents at end of period	38,568	31,685

SHAREHOLDER INFORMATION (As of May 31, 2022)

Number of Shares Issued: 24,919,343

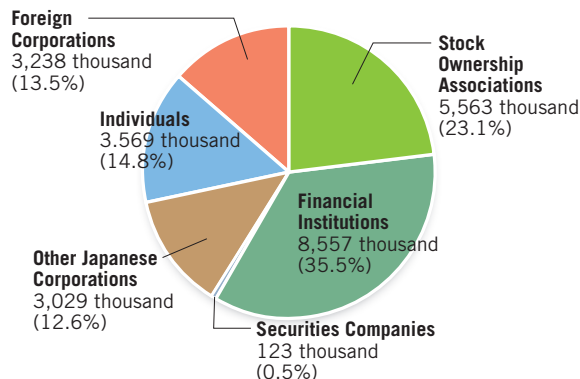
Number of Shareholders: 18,139

Major Shareholders (top five):

Note: Shareholding ratios are calculated after subtracting treasury stock (836 thousand shares).

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding	2,450	10.18
The Master Trust Bank of Japan, Ltd. (trust accounts)	2,220	9.22
Employees' Stock Ownership Plan	1,459	6.06
MUFG Bank, Ltd.	1,188	4.94
Nachi Distributor Stock Ownership Association	890	3.70

Breakdown of Shareholders



DIRECTORS AND AUDITORS (As of August 2022)

Chairman and Representative Director
Hiroo Honma

Managing Director
Hideaki Hara

Director
Kyo Kitayama

Director
Yuichi Sawasaki

Director
Junichi Kodama*

Standing Corporate Auditor
Masayuki Kobayashi

President and Representative Director
Jun Sakamoto

Director
Tetsu Furusawa

Director
Tetsuo Koshihama

Director
Tutomu Kurosawa

Director
Yo Okabe*

Standing Corporate Auditor
Masashi Hori

Executive Vice President
Hidenori Hayashi

Director
Akira Kunisaki

Director
Shuichi Hirose

Director
Hiroyuki Ushimaru

Standing Corporate Auditor
Masakazu Yamazaki*

Director
Kazuyoshi Ichikawa

Director
Noboru Miura

Corporate Auditor
Tokuhiro Matsunaga*

*Outside director or outside corporate auditor.

CORPORATE INFORMATION (As of May 31, 2022)

Foundation: December 21, 1928
Capital: ¥16 billion
Number of Employees: 3,337 (Group employees 7,297)

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-FUJIKOSHI (CHINA) CO., LTD.
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:	Annual General Meeting of Shareholders on November 30 Year-end dividend on November 30 Interim dividend on May 31
Unit:	100 shares
Shareholder registry administrator/	1-4-1, Marunouchi, Chiyoda-ku, Tokyo, 100-8233, Japan
Administrator for Special Accounts:	Sumitomo Mitsui Trust Bank, Limited
Administrative Office/	2-8-4, Izumi, Suginami-ku, Tokyo 168-0063, Japan
Mailing Address:	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Department
Inquiry contact:	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, secure, 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 ZT Forming Tap, used for machining internal threads.

Newly developed materials, shapes, and coatings provide overwhelmingly longer life performance and higher precision, contributing to customer productivity enhancement.