

# BUSINESS REPORT 2019

December 1, 2018 to November 30, 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 results for the NACHI-FUJIKOSHI Group for the period from December 1, 2018 to November 30, 2019.

## Business Environment

The environment surrounding the NACHI-FUJIKOSHI Group during the present term has been generally difficult because the global economy slowed down further as the consequence of the U.S.-China trade dispute, Brexit, and other factors.

## Business Progress and Results

Given these circumstances, the NACHI-FUJIKOSHI Group has been making full use of its strength as a comprehensive machinery manufacturer with robotics business at its core and encompassing cutting tools, machine tools, bearings, hydraulic equipment, and special steel businesses to expand orders and sales by finding new users in Japan and overseas and to develop and introduce to the market game-changing new products. We have also promoted the strengthening and expansion of our development, sales and production systems aiming for the immediate improvement of profit structures and the mid- and long-term expansion of business operations.

However, domestically, automobiles and industrial machinery showed weakness while overseas markets, China in particular, also slowed down. As the result, consolidated net sales in the current term remained at 249.0 billion yen, down 1.2% year-on-year. This includes domestic sales of 135.0 billion yen (up 3.1% YoY) and overseas sales of 114.0 billion yen (down 5.9% YoY). In terms of profitability, although we undertook productivity improvement and cost reduction, in addition to a strong yen, persistently high raw material, energy, and distribution costs as well as rising personnel expenses and other increasing costs put pressure on profits. This period's operating income and ordinary income and net income attributable to the parent company shareholders were 13.3 billion yen (down 12.8% YoY), 12.2 billion yen (down 11.9% YoY), and 8.2 billion yen (down 7.8% YoY), respectively.

## Dividends

With regard to the fiscal year-end dividend, taking into account the profit and the future business development, it has been decided that the dividend would remain the same as the previous period and 100 yen per share would be paid.

## Future Initiatives

The outlook for the business environment is unclear, beginning with the U.S.-China trade dispute. It is difficult to determine at this point where demand is headed in automobiles, industrial machinery, construction machinery, and the retail markets. The management environment is also changing around us with the acceleration of the shift towards electric vehicles (EVs) and automated driving well as the progress in manufacturing with factory automation and the internet-of-things (IoT).

Seizing this structural change as a major opportunity, the NACHI-FUJIKOSHI Group will enhance the nature of all aspects of sales and service, manufacturing and procurement, and research and development under the new medium-term slogan of "Innovate in manufacturing worldwide with our advanced FA systems and mechatronics." We will also leverage our unique strengths in diverse businesses, technology, and manufacturing knowhow in robotics and otherwise to create new products and business opportunities, along with striving to further improve our performance by carrying out structural reforms including thoroughgoing cost reform and strengthening and developing human resources.

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

February 2020



Chairman and  
Representative Director

A handwritten signature in black ink, appearing to read "Shiro Isona".

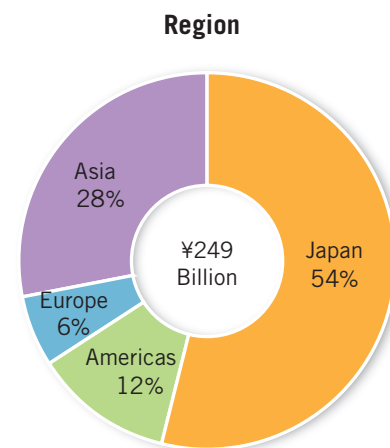
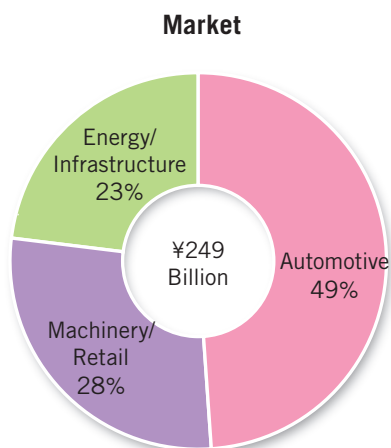
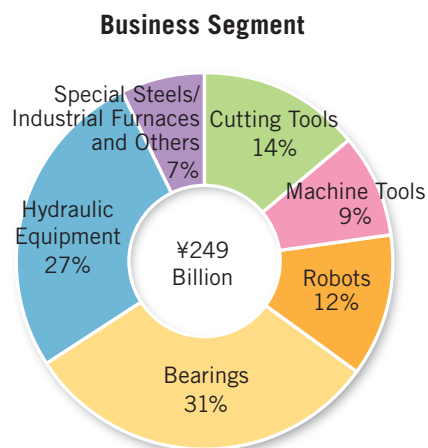


President and  
Representative Director

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

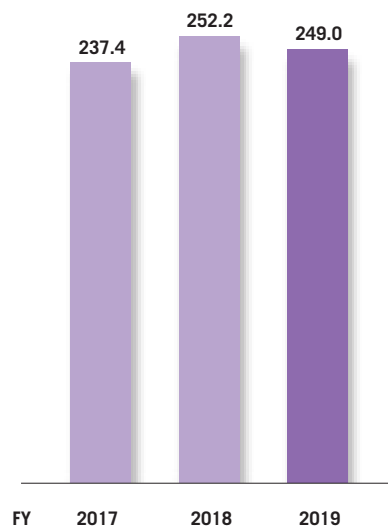
# RESULTS OF OPERATIONS (Consolidated)

## Composition of Sales

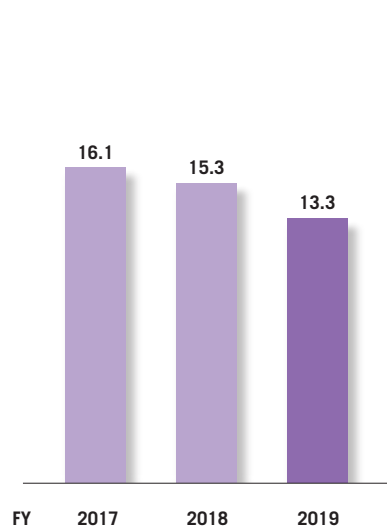


## Trend in Business Results

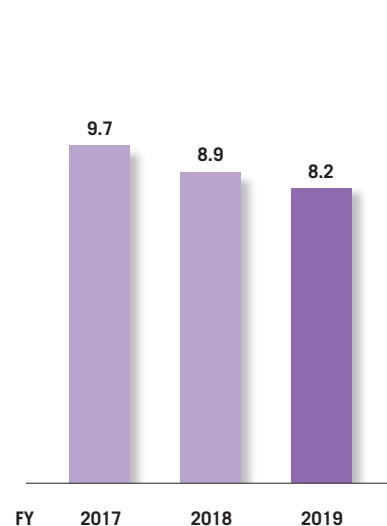
**Net Sales** (billion yen)



**Operating Income** (billion yen)



**Net Income Attributable to Owners of the Parent** (billion yen)



# TOPICS

## 1. Renew Company-wide Mid-term Slogan

**Leading innovation in manufacturing with the world's most advanced technology, with a focus on our robotics business**

We, as a comprehensive machinery manufacturer with robotics business at its core, will respond to market trends and needs, and develop the world's most advanced products and technology. We will also contribute to the product and manufacturing innovation by our customers by making every possible improvement in production efficiency and quality of products and providing production systems and operating methods as solutions to our customers.

## 2. Expansion of Merchandise Responding to the Needs of Market and Customers

We will provide merchandise that contribute to the rationalization and automatization of production lines and achieve cost reduction and productivity improvement.

### ○ Expansion of compact robot lineup

We expanded the MZ series lineup to cover from compact robots from 1-kg up to 25-kg payloads.

We will continue to contribute to the automatization needs of our customers by expanding our product lineup such as SCARA robots (introduction scheduled for this spring) and collaborative robots and developing and providing systems and applications incorporating robots.



### ○ Standardization of robot systems

Introduction of the NS-Platform Deburring Cell to the market, which systemizes and standardizes the deburring process.

We will continue to develop and market standardized systems across a wide range of production processes.



NS-Platform Deburring Cell

### ○ Expanding carbide round tool series

The AquaREVO Drills Oil-Hole and The AquaREVO Mill carbide end mill newly added to the AquaREVO series.

We will continue to amplify our product lineup in order to contribute to the improvement of the productivity of our customers through long tool life and high efficiency.



AquaREVO Mill

## 3.Strengthening Manufacturing Structures

### Start up smart factories utilizing IoT

We will continue to increase production capacity for products for automization and EVs.  
New factories will be smart factories with thoroughgoing productivity improvement, rationalization, and cost reduction.



Robot factory 3 (completed December 2019)

### ○ New establishment of small-robot factory

Fully automated production lines for the MZ series compact robots will be installed at the newly built robot factory 3 at the Toyama Plant.

Production capacity will increase by 150% over current capacity in order to respond to the automization needs of our customers.

### ○ Increase production capacity for products for EVs and autonomous driving

Automotive hydraulics factory 4 newly built at our Namerikawa Plant.

We will strengthen production capacity to meet the growing future demand for actuators and vane pumps for EVs and autonomous driving.



Actuator



Vane pump



Automotive hydraulics factory 4 (completed November 2019)

### ○ Received awards including the Nikkan Kogyo Shimbun's The Best 10 New Products Award

The MZ01 compact robot received the Top Prize for the Best 10 New Products Awards.

It was recognized for its contribution to space saving and for its universal utility to be installed anywhere and convenience in adapting to a wide range of applications.

Our new carbide AquaREVO Drill received an encouragement award at the "CHO" MONODZUKURI Innovative Parts and Components Award.

A tool life more than twice as long as that of existing products of competitors and the technological innovation that enables high-quality processing on a wide variety of materials received high recognition.



Photo of award ceremony for MZ01 (courtesy of Nikkan Kogyo Shimbun)

# FINANCIAL STATEMENTS

## Consolidated Balance Sheets

(million yen)

Item	November 30, 2018 (for your reference)	November 30, 2019
<b>ASSETS:</b>		
<b>Current assets</b>	<b>142,249</b>	<b>141,930</b>
Cash and cash equivalents	22,363	21,512
Notes and accounts receivable	58,378	56,777
Inventories	56,337	59,301
Other	5,170	4,339
<b>Fixed assets</b>	<b>153,300</b>	<b>158,820</b>
<b>Property, plant and equipment</b>	<b>113,634</b>	<b>116,838</b>
Buildings and structures	30,582	30,466
Machinery and equipment	66,239	68,087
Land	9,441	9,615
Other	7,370	8,668
<b>Intangible fixed assets</b>	<b>2,749</b>	<b>3,144</b>
<b>Investments and advances</b>	<b>36,916</b>	<b>38,837</b>
<b>Total assets</b>	<b>295,550</b>	<b>300,751</b>

## Consolidated Statements of Income

(million yen)

Item	Year Ended November 30, 2018	Year Ended November 30, 2019
<b>Net sales</b>	<b>252,209</b>	<b>249,077</b>
<b>Operating income</b>	<b>15,306</b>	<b>13,348</b>
<b>Ordinary income</b>	<b>13,901</b>	<b>12,241</b>
Extraordinary income	20	9
Extraordinary losses	596	437
Income before income taxes and minority interests	13,325	11,813
<b>Net income attributable to owners of the parent</b>	<b>8,945</b>	<b>8,245</b>

(million yen)

Item	November 30, 2018 (for your reference)	November 30, 2019
<b>LIABILITIES:</b>		
<b>Current liabilities</b>	<b>104,195</b>	<b>104,879</b>
Notes and accounts payable	49,923	51,906
Short-term loans	34,403	35,572
Other	19,867	17,400
<b>Long-term liabilities</b>	<b>70,278</b>	<b>71,074</b>
Long-term debt	49,178	50,810
Allowance for retirement benefits	10,543	10,501
Other	10,557	9,762
<b>Total liabilities</b>	<b>174,473</b>	<b>175,953</b>
<b>NET ASSETS:</b>		
<b>Shareholders' equity</b>	<b>109,571</b>	<b>113,354</b>
Common stock	16,074	16,074
Additional paid-in capital	11,221	11,252
Retained earnings	82,537	88,297
Treasury stock	- 262	- 2,269
Revaluations and translation adjustments	4,968	4,878
<b>Non-controlling interests</b>	<b>6,536</b>	<b>6,563</b>
<b>Total net assets</b>	<b>121,076</b>	<b>124,797</b>
<b>Total liabilities and net assets</b>	<b>295,550</b>	<b>300,751</b>

## Consolidated Statements of Cash Flows

(million yen)

Item	Year Ended November 30, 2018	Year Ended November 30, 2019
<b>Cash flows from operating activities</b>	<b>20,207</b>	<b>24,226</b>
<b>Cash flows from investing activities</b>	<b>- 18,110</b>	<b>- 23,792</b>
<b>Cash flows from financing activities</b>	<b>- 2,582</b>	<b>- 1,706</b>
<b>Net decrease in cash and cash equivalents</b>	<b>- 758</b>	<b>- 1,620</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>22,537</b>	<b>21,778</b>
<b>Cash and cash equivalents at end of the year</b>	<b>21,778</b>	<b>20,157</b>

## SHAREHOLDER INFORMATION (As of November 30, 2019)

**Number of Shares Issued:** 24,919,343

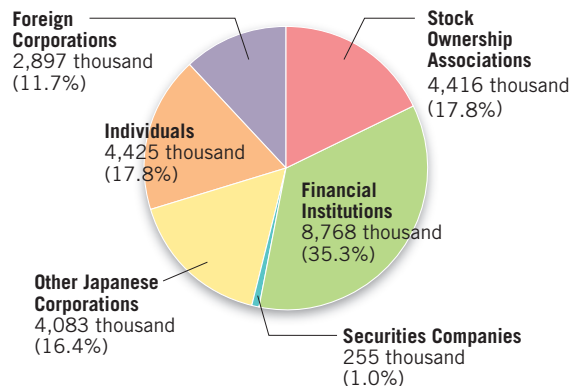
**Number of Shareholders:** 19,066

**Major Shareholders (top five):**

Note: Shareholding ratios are calculated after subtracting treasury stock (70 thousand shares).

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding Employees' Stock Ownership Plan	2,206	8.88
Toyota Motor Corporation	1,418	5.71
MUFG Bank, Ltd.	1,188	4.78
The Master Trust Bank of Japan, Ltd. (trust accounts)	916	3.69
	901	3.63

### Breakdown of Shareholders



## DIRECTORS AND AUDITORS (As of February 19, 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*  
Tokuhiko Matsunaga\*

\*Outside director or outside corporate auditor.

## CORPORATE INFORMATION (As of November 30, 2019)

**Foundation:** December 21, 1928  
**Capital:** ¥16 billion  
**Number of Employees:** 3,173 (Group employees 7,456)

**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

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

## 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 MZ01 compact robot.

Small enough to carry around by hand, at 10 kg, adapts easily to changes in equipment layout.

Responds to the customer's every space-saving and automation needs.