

The logo for NACHI, featuring the word "NACHI" in a bold, red, sans-serif font. The letter "i" has a red dot above it.

BUSINESS REPORT 2018

December 1, 2017 to November 30, 2018

A close-up, artistic photograph of several drill bits of various sizes, arranged in a row and slightly overlapping. The bits are made of dark metal and have a sharp, polished appearance. The background is a soft, out-of-focus light blue and white, creating a clean and professional look.

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, 2017 to November 30, 2018.

Business Environment

The environment surrounding the NACHI-FUJIKOSHI Group during the present term has, overall, transitioned to a bullish market amidst the gentle recovery of Japan's economy as well as continuing worldwide economic growth centered on Europe, the United States, and Asia.

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 development and market introduction of pioneering new products. We have also promoted strengthening and expansion of our development, sales and production systems aiming for expansion of mid-term business operations and improvement of profit structures.

Thanks to these initiatives mentioned above, consolidated net sales in the current term reached 252.2 billion yen, up 6.2% over the same period of the previous year. This includes domestic sales of 131 billion yen (up 9.9% YoY) and overseas sales of 121.1 billion yen (up 2.4% YoY). In terms of profitability, in addition to sudden price increases in raw materials, energy and distribution costs, personnel expenses, and other increasing costs put pressure on profits, and operating income, ordinary income and this period's net income attributable to owners of the parent were 15.3 billion yen (down 5.1% YoY), 13.9 billion yen (down 5.4% YoY) and 8.9 billion yen (down 8.2% 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.

Furthermore, on June 1, 2018, NACHI-FUJIKOSHI Corp. had a share consolidation such that 10 shares were consolidated to one share.

Future Initiatives

With regard to the future outlook, in the near future there will be a

transition to bullish demand in the automobile and construction machinery fields, and it is expected that rationalization and automation needs will further rise centered on the industrial machinery field. On the other hand, with regard to the future, it is expected that there will be major changes in the management environment surrounding NACHI-FUJIKOSHI Group, including opacity of the economic climate including the trade issue between the United States and China, the strengthening movement for electric vehicles (EV) in the automobile market, the decreasing worldwide workforce, and acceleration of factory automation (FA) due to the progress of AI and the IoT.

Seizing this change in the demand structure 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. We intend to do this by focusing on the robot business in which demand is expected to grow further, and establishing a medium-term slogan of "Innovate in manufacturing worldwide with advanced FA systems and mechatronics." We will also leverage our unique strengths in diverse business including robotics, technology, and manufacturing knowhow and create new products and business opportunities that respond to EV and manufacturing FA needs, along with striving to further improve our performance by carrying out fundamental cost reform, and strengthening and developing human resources.

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

February 2019



Chairman and
Representative Director

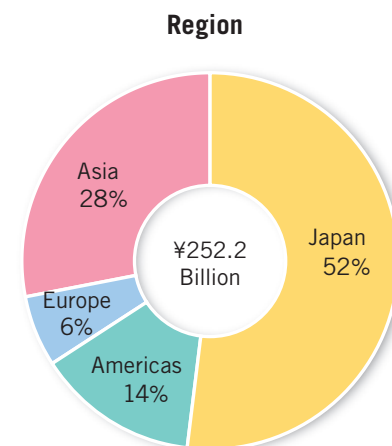
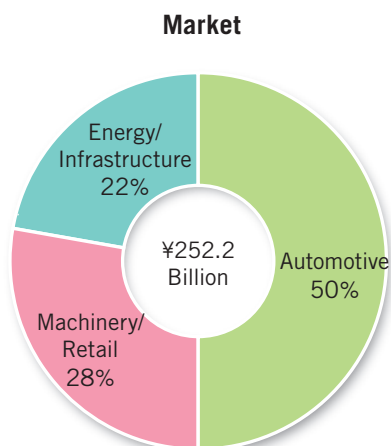
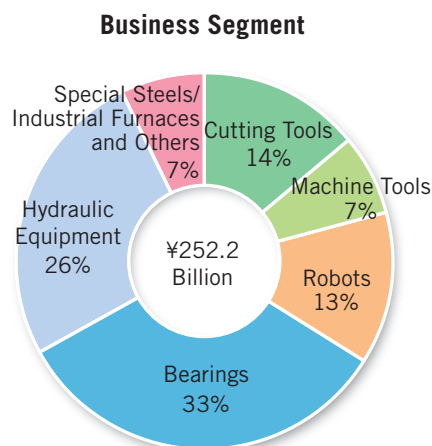


President and
Representative Director



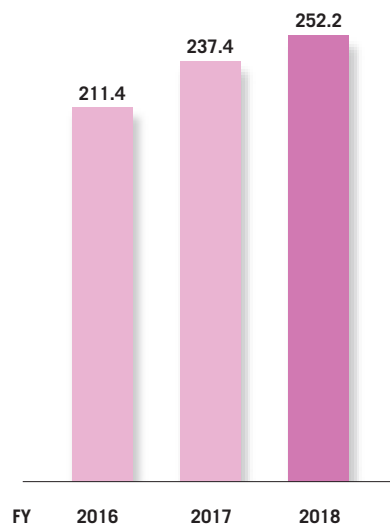
RESULTS OF OPERATIONS (Consolidated)

Composition of Sales

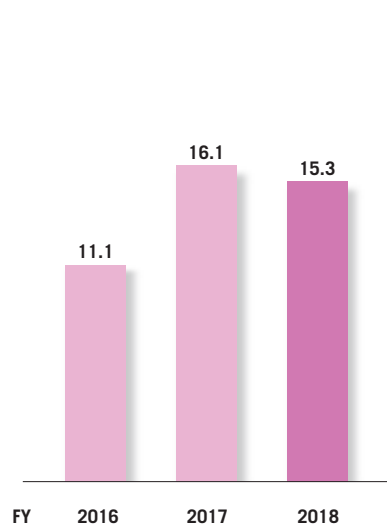


Trend in Business Results

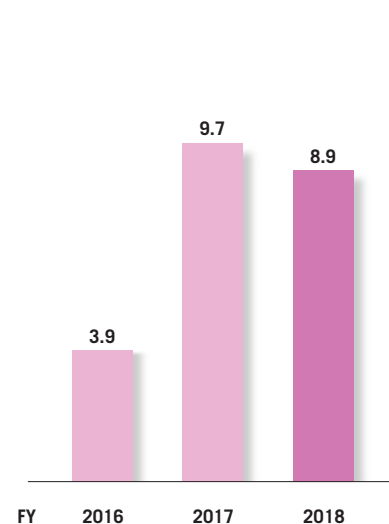
Net Sales (billion yen)



Operating Income (billion yen)



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



TOPICS

1. Expansion of Merchandise

We respond to our customers' advanced needs with our proprietary technology and knowhow for the development of EV and manufacturing FA.

○ Expansion of our compact robot lineup

We introduced the compact robot “MZ01” to the market. We realized the world's smallest body for a vertical, multijointed robot in the 1kg movable class, and respond to needs for shrinking spaces of facilities in fields such as electrical machinery, electronics, and EMS that handle many small parts.

○ Introduction of New Carbide Drill to the Market



Carbide Drill “AquaRevo Drill”

We released the innovative carbide drill “AquaREVO drill,” made with developed carbide materials, coating, and a newly-designed cutting edge.

The automated line leveraging NACHI-FUJIKOSHI Corp.'s robot system was introduced to the carbide materials production line, and combined quality stabilization and enhanced productivity.



Carbide materials production line



Compact Robot MZ01

○ Expansion of products for EV and autonomous driving

We will accelerate product development responding to EV and autonomous driving technology.

Through optimization of the cage shape and reduction of the bearing width, the thin-walled deep groove ball bearing for electric units contributes to making electric units more compact and lighter.

The electric actuator based on solenoid technology is available with a high-powered lock mechanism that contributes to electronic control of the powertrain.



Thin-walled deep groove ball bearing for electric units



Electric actuator

2.Promotion of Initiatives toward Globalization

We are promoting overseas business expansion toward realizing our overseas sales ratio becoming 60% of our overall sales, raised with our long-term vision.

○ Business Expansion in China

We changed the company name of our Chinese sales subsidiary to NACHI-FUJIKOSHI (CHINA) CO., LTD. and We have strengthened our unification functions in China. In addition, we attended the China International Import Expo, which is led by the Chinese government, and the exhibited robots and IoT caught visitors' attention.

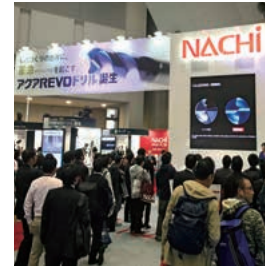


China International Import Expo November 2018

○ Proactive Exhibits at Worldwide Exhibitions



IMTS (United States) September 2018



JIMTOF (Japan) November 2018

3.Strengthening Manufacturing Structures

We establish factories with the latest robot and FA systems, and construct slim, flexible manufacturing systems.

○ Establishment of Factories in Japan

We will establish our 3rd robot factory (for manufacturing compact robots) and our 4th automotive hydraulics factory. Both will be in operation in 2019.



New factory for compact robots

○ Introduction of unmanned automated lines

We are promoting introduction of unmanned automated lines in all factories towards rationalization and lowering personnel for making products with machines and equipment.



Automated production line leveraging the robot system

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

The CZ10 slim collaborative robot was highly evaluated for its excellent safety, ease of use, and highly precise work performance, and received a Ten Best New Products Award.

NPR-FX25, screw parts for injection molding machines for fluoro resin was highly evaluated for its technological creativity combining longevity and high strength, and was awarded the Machinery and Robot Parts Award of the "Cho" Monodzukuri Innovative Parts and Components Award.



The award ceremony for the CZ10



NPR-FX25

FINANCIAL STATEMENTS

Consolidated Balance Sheets

(million yen)

Item	November 30, 2017 (for your reference)	November 30, 2018
ASSETS:		
Current assets	139,308	144,109
Cash and cash equivalents	23,436	22,363
Notes and accounts receivable	53,561	58,378
Inventories	51,925	56,337
Other	10,385	7,030
Fixed assets	159,846	153,090
Property, plant and equipment	114,867	113,634
Buildings and structures	31,598	30,582
Machinery and equipment	64,177	66,239
Land	9,483	9,441
Other	9,608	7,370
Intangible fixed assets	2,654	2,749
Investments and advances	42,324	36,706
Total assets	299,155	297,200

Consolidated Statements of Income

(million yen)

Item	Year Ended November 30, 2017	Year Ended November 30, 2018
Net sales	237,461	252,209
Operating income	16,130	15,306
Ordinary income	14,690	13,901
Extraordinary income	31	20
Extraordinary losses	641	596
Income before income taxes and minority interests	14,080	13,325
Net income attributable to owners of the parent	9,747	8,945

(million yen)

Item	November 30, 2017 (for your reference)	November 30, 2018
LIABILITIES:		
Current liabilities	99,083	104,240
Notes and accounts payable	48,105	49,923
Short-term loans	29,534	34,403
Other	21,443	19,912
Long-term liabilities	80,671	71,833
Long-term debt	53,925	49,178
Allowance for retirement benefits	10,866	10,543
Other	15,879	12,162
Total liabilities	179,755	176,124
NET ASSETS:		
Shareholders' equity	102,785	109,571
Common stock	16,074	16,074
Additional paid-in capital	11,137	11,221
Retained earnings	75,824	82,537
Treasury stock	- 251	- 262
Revaluations and translation adjustments	10,113	4,968
Non-controlling interests	6,500	6,536
Total net assets	119,399	121,076
Total liabilities and net assets	299,155	297,200

Consolidated Statements of Cash Flows

(million yen)

Item	Year Ended November 30, 2017	Year Ended November 30, 2018
Cash flows from operating activities	25,958	20,207
Cash flows from investing activities	- 19,527	- 18,110
Cash flows from financing activities	- 3,874	- 2,582
Net decrease in cash and cash equivalents	2,443	- 758
Cash and cash equivalents at beginning of the year	20,093	22,537
Cash and cash equivalents at end of the year	22,537	21,778

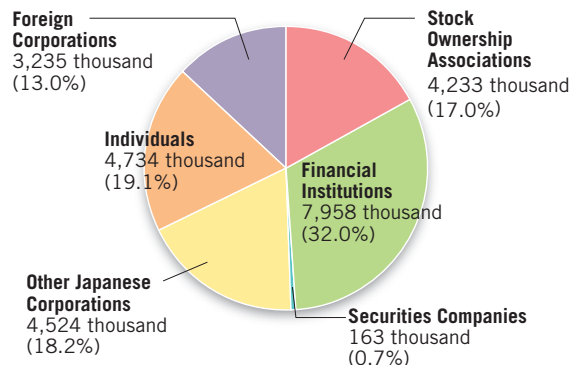
SHAREHOLDER INFORMATION (As of November 30, 2018)

Number of Shares Issued: 24,919,343
Number of Shareholders: 21,127
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	2,112	8.50
Toyota Motor Corporation	1,366	5.50
MUFG Bank, Ltd.	1,318	5.30
The Hokuriku Bank, Ltd.	1,188	4.78
	865	3.48

Breakdown of Shareholders



DIRECTORS AND AUDITORS (As of February 19, 2019)

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

*Outside director or outside corporate auditor.

CORPORATE INFORMATION (As of November 30, 2018)

Foundation:	December 21, 1928
Capital:	¥16 billion
Number of Employees:	3,147 (Group employees 7,484)
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
Toyama Plant	1-1-1, Fujikoshi-Honmachi, Toyama 930-8511, Japan
	(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)

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:	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 carbide drill "AquaREVO Drill." It is an innovative drill that realizes high precision and longevity by using newly developed carbide materials, coating, and a newly-designed cutting edge.

It contributes to enhanced productivity at the production site and lowering costs.