

BUSINESS REPORT 2020

December 1, 2019 to November 30, 2020



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, 2019 to November 30, 2020.

Business Environment

Although there were some improvements in the environment surrounding our group during this period, such as China swiftly resuming its economic activities and the automotive and construction machinery sectors, the global economy including Japan continued its severe slowdown due to the infection spread of COVID-19.

Business Progress and Results

Under these environments, the NACHI-FUJIKOSHI Group has been making full use of its strength as a comprehensive machine manufacturer with robotics business at its core, and also encompassing cutting tools, machine tools, bearings, hydraulic equipment, and special steel businesses, to introduce new products matching user needs to the market, thereby securing both orders and sales by developing sales adapted to the COVID-19 crisis. We also built up and rationalized our manufacturing systems responding to sudden changes in demand toward improvement of profitability.

However, the impacts of COVID-19 caused a major slump in demand in the automotive and industrial machinery sectors, both in Japan and abroad. This resulted in consolidated net sales in the fiscal year remaining at 201 billion yen, down 19.3% year-on-year. This includes domestic sales of 104.4 billion yen (down 22.6% YoY) and overseas sales of 96.5 billion yen (down 15.3% YoY). In terms of profitability, mainly due to a decrease in capacity utilization caused by the decline in sales, this term's operating income, ordinary income, and net income attributable to the parent company shareholders were respectively 6.8 billion yen (down 48.7% YoY), 5.5 billion yen (down 55.0% YoY), 2.4 billion yen (down 70.2% YoY).

Dividends

With regard to the fiscal year-end dividend, taking into account the profit and the future business development, unfortunately it has been decided that the dividend will be 50 yen per share.

Future Initiatives

The outlook for the business environment is unclear due to the

spread of COVID-19 and the ongoing trade issues between the US and China. At the present time, it is difficult to forecast demand trends in the automotive, industrial machinery, construction machinery, and retail sectors. In addition, our group's business environment is changing drastically, including the accelerated initiatives for the adoption of EVs in the automotive field, which is our company's main area of demand, toward realizing a carbon-free society, and progress with factory automation and the use of IoT in manufacturing.

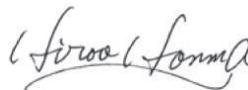
The NACHI-FUJIKOSHI Group will strengthen the constitution of all aspects of sales and service, manufacturing and procurement, and research and development under the business operations slogan of "Leading in manufacturing innovations through technologies at the highest global standards, with its core business in robotics." We will also leverage our unique strengths in various businesses, technology, and manufacturing knowhow in robotics and other areas as a comprehensive machine manufacturer to create new business opportunities, along with striving to further improve our performance by grasping trends and needs in the market, expanding sales of products and services that link and integrate technologies in all divisions, and improving productivity.

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

February 2021



Chairman and
Representative Director

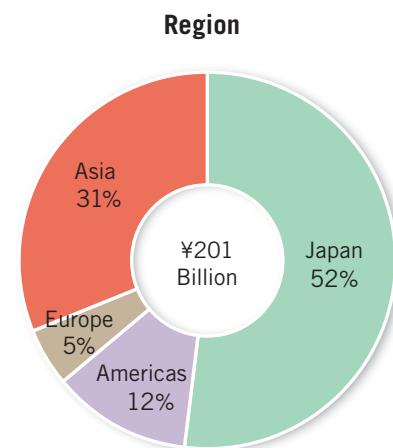
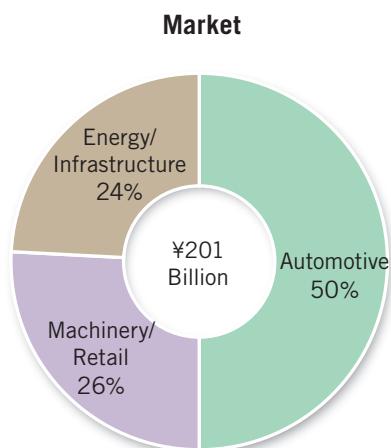
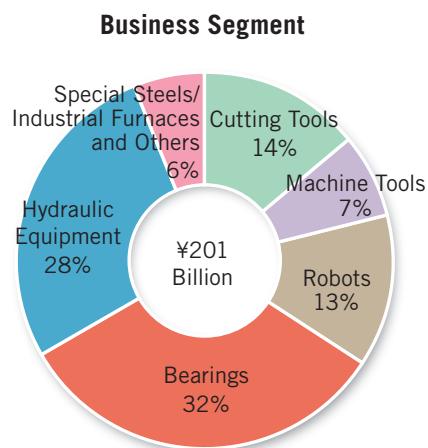


President and
Representative Director



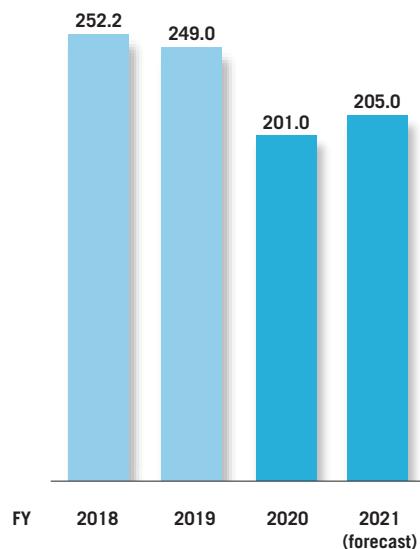
RESULTS OF OPERATIONS (Consolidated)

Composition of Sales

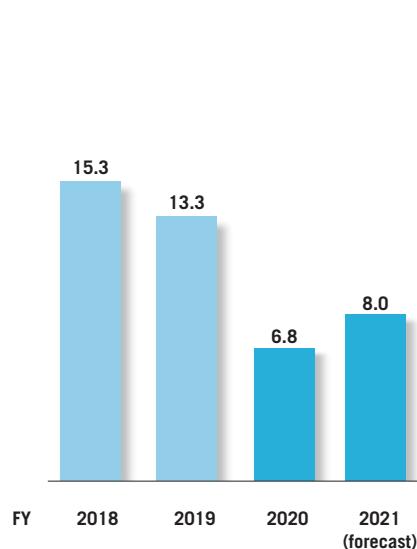


Trend in Business Results

Net Sales (billion yen)

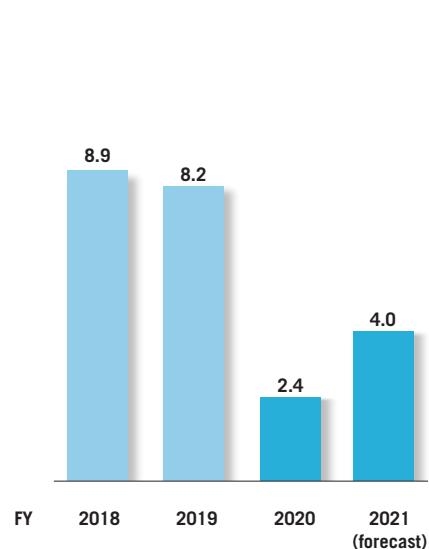


Operating Income (billion yen)



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

(billion yen)



TOPICS

1. Toward expansion of orders received

As a comprehensive machine manufacturer with a variety of businesses including robotics, we will accelerate the development of new products by grasping market trends and needs as well as linking and combining various technologies, and expand sales of products for EVs and industrial machinery worldwide.

<Major turning point for industrial structures>

- Decarbonization
- FA and digitalization



<Market changes>

- Automobiles: spread of EVs
- Industrial machinery: development of streamlining, etc.

Leading in manufacturing innovations through technologies at the highest global standards, with its core business in robotics



[Global sales expansion of products for EVs and industrial machinery based on automobiles]

2. Sales expansion of products for EVs and eco-friendly cars

We will respond to the accelerating trend toward EVs by linking and integrating technologies in all divisions cultivated for automobiles.



Vane pump



Actuator



Thin-walled deep groove ball bearing for electric units

3.Expansion of sales of products for the industrial machinery sector

We will expand sales of products that contribute to customers' productivity improvement and energy savings, such as hydraulic equipment used in battery manufacturing facilities for which demand is expected to grow, carbide round tools, and a various lineup of small robots.



POWER MEISTER
energy-saving hydraulic system



Carbide endmill
AquaREVO Mills



The system for assemble electronic substrate



Compact robots MZ Series

A promotional graphic for an online seminar. It features a 3D rendering of a trade show booth with various NACHI products. Text includes: "工具・工作機械・ロボットなど", "いつでもどこでもNACHI体験!", "オンラインセミナー", "2020年11月16日(火)～27日(水)", "毎日開催!!", "NACHI TECHNOLOGY PARK 開設", "NACHI 株式会社", "〒419-0292 静岡県浜松市東区新田 1-1-1", "TEL: 053-461-1111", "URL: https://www.nachi-tech-park.jp/".

○ Holding online seminars

In conjunction with our participation in the Japan International Machine Tool Fair (JIMTOF), which was held online, we launched a special website called “NACHI TECHNOLOGY PARK.” On the site, in addition to introducing our products, we held online seminars using videos to promote the appeal of our products to customers in various industries and areas.

FINANCIAL STATEMENTS

Consolidated Balance Sheets

(million yen)

Item	November 30, 2019 (for your reference)	November 30, 2020
ASSETS:		
Current assets	141,930	137,960
Cash and cash equivalents	21,512	40,118
Notes and accounts receivable	56,777	45,938
Inventories	59,301	48,151
Other	4,339	3,752
Fixed assets	158,820	155,099
Property, plant and equipment	116,838	113,085
Buildings and structures	30,466	29,603
Machinery and equipment	68,087	65,650
Land	9,615	9,473
Other	8,668	8,358
Intangible fixed assets	3,144	2,828
Investments and advances	38,837	39,185
Total assets	300,751	293,060

Consolidated Statements of Income

(million yen)

Item	Year Ended November 30, 2019	Year Ended November 30, 2020
Net sales	249,077	201,055
Operating income	13,348	6,850
Ordinary income	12,241	5,508
Extraordinary income	9	30
Extraordinary losses	437	677
Income before income taxes and minority interests	11,813	4,861
Net income attributable to owners of the parent	8,245	2,458

(million yen)

Item	November 30, 2019 (for your reference)	November 30, 2020
LIABILITIES:		
Current liabilities	104,879	92,926
Notes and accounts payable	51,906	33,509
Short-term loans	35,572	48,272
Other	17,400	11,144
Long-term liabilities	71,074	75,874
Long-term debt	50,810	54,852
Allowance for retirement benefits	10,501	10,148
Other	9,762	10,873
Total liabilities	175,953	168,800
NET ASSETS:		
Shareholders' equity	113,354	113,302
Common stock	16,074	16,074
Additional paid-in capital	11,252	11,243
Retained earnings	88,297	88,123
Treasury stock	- 2,269	- 2,139
Revaluations and translation adjustments	4,878	3,591
Non-controlling interests	6,563	7,366
Total net assets	124,797	124,259
Total liabilities and net assets	300,751	293,060

Consolidated Statements of Cash Flows

(million yen)

Item	Year Ended November 30, 2019	Year Ended November 30, 2020
Cash flows from operating activities	24,226	19,258
Cash flows from investing activities	- 23,792	- 13,996
Cash flows from financing activities	- 1,706	13,858
Net decrease in cash and cash equivalents	- 1,620	18,778
Cash and cash equivalents at beginning of the year	21,778	20,157
Cash and cash equivalents at end of the year	20,157	38,936

SHAREHOLDER INFORMATION (As of November 30, 2020)

Number of Shares Issued: 24,919,343

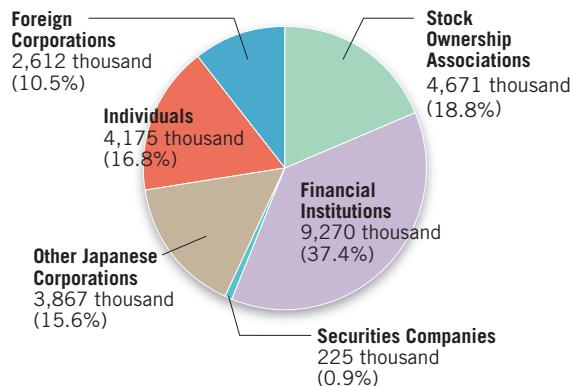
Number of Shareholders: 18,366

Major Shareholders (top five):

Note: Shareholding ratios are calculated after subtracting treasury stock (94 thousand shares).

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding Employees' Stock Ownership Plan	2,357	9.49
MUFG Bank, Ltd.	1,475	5.94
The Master Trust Bank of Japan, Ltd. (trust accounts)	1,188	4.79
Custody Bank of Japan, Ltd. (trust accounts)	1,108	4.46
	1,086	4.38

Breakdown of Shareholders



DIRECTORS AND AUDITORS (As of February 19, 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
Yo 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 November 30, 2020)

Foundation: December 21, 1928
Capital: ¥16 billion
Number of Employees: 3,307 (Group employees 7,242)

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:	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

Electric actuator developed based on solenoid technology fostered by our company. We are expanding sales in diverse areas such as EVs, eco-friendly cars, and automated driving.