

# BUSINESS REPORT 2021

December 1, 2020 to November 30, 2021

# 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, 2020 to November 30, 2021.

## Business Environment

The operating environment for the group during the current period has been on a gradual recovery trend in general, as economic activity has continued to normalize, and the economics of developed nations such as Japan and western countries have continued to recover. Nevertheless, the outlook remains uncertain due to the re-expansion of COVID-19, the global shortage of semiconductors which has led to a decline in automotive manufacturing, concerns over a slowdown in the economy of China, and so on.

## Business Progress and Results

Under the circumstances, the NACHI-FUJIKOSHI Group has been making full use of its strength as a comprehensive machinery manufacturer focused on the robotics business, and also encompassing 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 working on the construction and streamlining of our production systems so as to flexibly respond to fluctuations in demand, aiming to improve profitability. We are furthermore proceeding with structural reform across overall businesses with a view to industrial structure changes in the medium to long term, including decarbonization and the shift to EVs.

As a result, consolidated net sales in the current period reached 229.1 billion yen, an increase 14.0% year-on-year, due to the recovery in demand primarily in the automotive and construction machinery sectors, as well as industrial machinery and sales sectors. This includes domestic sales of 116.7 billion yen (increase 11.8% YoY) and overseas sales of 112.3 billion yen (increase 16.3% YoY). In terms of profitability, we have achieved overall cost reductions through measures implemented since last year, including improved productivity from automation and streamlined operations, expanded in-sourcing of manufacturing, and savings on selling, general and administrative expenses from improved operational efficiency, while also improving capacity utilization through increased sales and manufacturing. Hence, this term's operating income, ordinary income, and the period net income attributable to the parent company shareholders were 14.7 billion yen (2.1 times YoY), 14.4 billion yen (2.6 times YoY), and 9.9 billion yen (4.1 times YoY) respectively.

## Dividends

With regard to the fiscal year-end dividends, taking into account the profit and the future business development, it has been decided that the dividends will be 100 yen per share.

## Future Initiatives

Regarding the outlook for the business environment, while we still see impact from the re-expansion of COVID-19 and the global shortage of semiconductors, demand in the automotive, industrial machinery, construction machinery, and commercial sectors are all expected to recovery moderately. On the other hand, our group's business environment is changing drastically, including the acceleration of initiatives for the adoption of EVs toward realizing a decarbonized society in the automotive field, which is our company's main area of business, and business reorganization. Furthermore it contains progress in the digital transformation of manufacturing, and response towards social and environmental challenges including 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 service, manufacturing and procurement, and research and development. 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 the 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.

February 2022



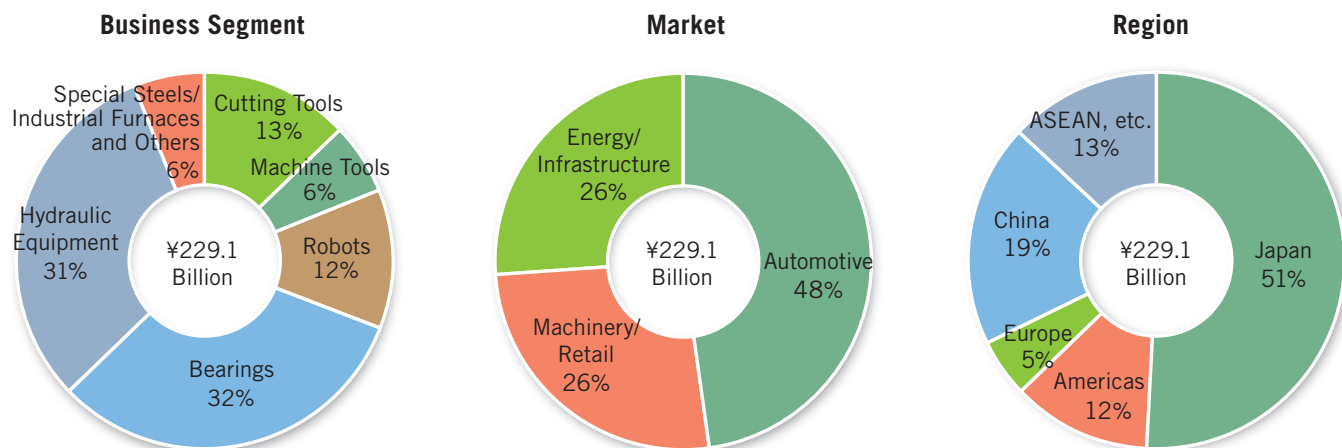
Chairman and  
Representative Director



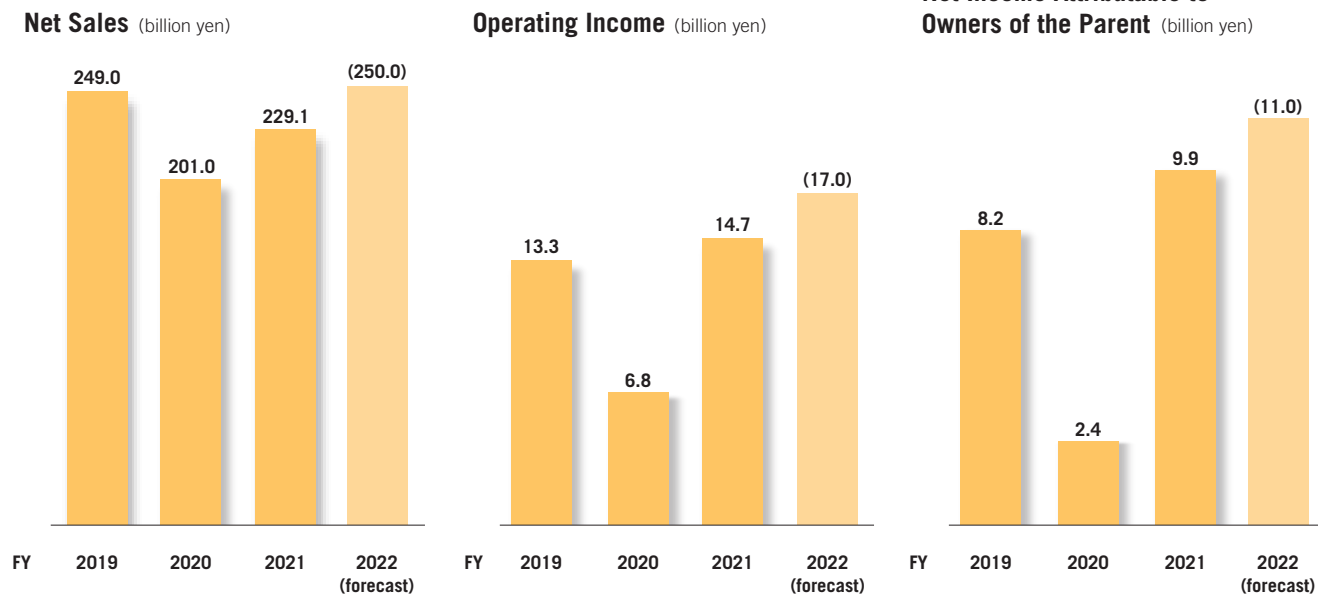
President and  
Representative Director

# RESULTS OF OPERATIONS (Consolidated)

## Composition of Sales



## Trend in Business Results

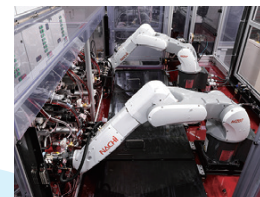


# TOPICS

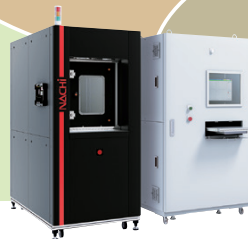
## Towards Achieve Sustainable Growth

As the industrial structure changes drastically such as decarbonization and the shift to EVs, we will leverage our technological strength in general manufacturing to develop proprietary new products targeting for growth sectors including EVs and industrial machinery promote sales expansion all around the world.

Processing and  
Robot technologies



Materials  
and Coating  
Technologies



Elemental and  
industrial technologies



Expanding Adoption to EVs

... We will leverage our suite of general manufacturing technologies, including material technologies to increase customer case studies

Develop potential demand of the industrial machinery sector

... We will develop the potential demand of the prospective expansion market, such as construction machinery and electrical and electric small parts.

## 1. Expanding Adoption to EVs

We will continue to develop parts, materials and production equipment and expand sales of our products for EVs. We will also expand adoption our products to EV motors, reduction gears, electric compressors, and parts used in lock mechanisms.



Thin-walled deep groove ball bearing  
for electric units



Skiving Multi-function Machine GMS100(Released February,  
used for processing of EV and other component parts)



Actuator  
(Used in parking lock mechanisms)

## 2. Develop the potential demand of the industrial machinery sector

### ○ Expanding Sales of New Products

In response to automation needs, we will improve our lineup of small-size robots, and introduce the micro-drill targeting small-bore drilling processing into the market. We are furthermore expanding sales of environmentally friendly products which have increasing needs corresponding to carbon neutrality.



SCARA robot and Compact robot (Extensive lineup supporting the full customer manufacturing process)



AquaREVO Drills Micro (Used for small-bore drilling in the electrical machinery and electronics sectors)



Energy saving solenoid valve (Used in machine tools, forging machines, etc.)

### ○ Strengthening our Manufacturing system

We will increase our production capacity of bearings for industrial machinery and hydraulic equipment for construction machinery in Japan and China, to creating a pillar of future revenue source. We will furthermore transfer the production bases of standard radial bearings to Thailand to create a manufacturing system that can overcome the global competition through integrated local production.



Ball screw support bearings



Hydraulic equipment for construction machinery



NACHI (JIANGSU) INDUSTRIES CO., LTD. (China) (Increased production of hydraulic equipment in China)



New standard radial bearing plant in Thailand (Operations started this spring)

### ○ Winner of the Ten Best New Products Award by Nikkan Kogyo Shimbun

Our assembly automation solution Robot Connector Insertion Application was winner of the Ten Best New Products Award by Nikkan Kogyo Shimbun.

This achieved automation of the cable insertion process, a huge demand for electrical and electric manufacturing.

The product was awarded for both its high-speed and high-accuracy support of a variety of insertion tasks utilizing new visual control technology leveraging our uniquely algorithm, and the convenience offered by its easy setup.



# FINANCIAL STATEMENTS

## Consolidated Balance Sheets

(million yen)

Item	November 30, 2020 (for your reference)	November 30, 2021
<b>ASSETS:</b>		
<b>Current assets</b>	<b>137,960</b>	<b>159,258</b>
Cash and cash equivalents	40,118	41,771
Notes and accounts receivable	45,938	55,100
Inventories	48,151	57,381
Other	3,752	5,005
<b>Fixed assets</b>	<b>155,099</b>	<b>160,053</b>
<b>Property, plant and equipment</b>	<b>113,085</b>	<b>114,260</b>
Buildings and structures	29,603	29,254
Machinery and equipment	65,650	63,811
Land	9,473	9,465
Other	8,358	11,728
<b>Intangible fixed assets</b>	<b>2,828</b>	<b>2,861</b>
<b>Investments and advances</b>	<b>39,185</b>	<b>42,931</b>
<b>Total assets</b>	<b>293,060</b>	<b>319,312</b>

## Consolidated Statements of Income

(million yen)

Item	Year Ended November 30, 2020	Year Ended November 30, 2021
<b>Net sales</b>	<b>201,055</b>	<b>229,117</b>
<b>Operating income</b>	<b>6,850</b>	<b>14,718</b>
<b>Ordinary income</b>	<b>5,508</b>	<b>14,457</b>
Extraordinary income	30	400
Extraordinary losses	677	247
Income before income taxes and minority interests	4,861	14,610
<b>Net income attributable to owners of the parent</b>	<b>2,458</b>	<b>9,993</b>

(million yen)

Item	November 30, 2020 (for your reference)	November 30, 2021
<b>LIABILITIES:</b>		
<b>Current liabilities</b>	<b>92,926</b>	<b>103,344</b>
Notes and accounts payable	33,509	47,826
Short-term loans	48,272	29,208
Other	11,144	26,309
<b>Long-term liabilities</b>	<b>75,874</b>	<b>77,755</b>
Long-term debt	54,852	56,266
Allowance for retirement benefits	10,148	9,754
Other	10,873	11,734
<b>Total liabilities</b>	<b>168,800</b>	<b>181,100</b>
<b>NET ASSETS:</b>		
<b>Shareholders' equity</b>	<b>113,302</b>	<b>119,427</b>
Common stock	16,074	16,074
Additional paid-in capital	11,243	11,401
Retained earnings	88,123	96,875
Treasury stock	- 2,139	- 4,924
Revaluations and translation adjustments	3,591	10,676
<b>Non-controlling interests</b>	<b>7,366</b>	<b>8,107</b>
<b>Total net assets</b>	<b>124,259</b>	<b>138,211</b>
<b>Total liabilities and net assets</b>	<b>293,060</b>	<b>319,312</b>

## Consolidated Statements of Cash Flows

(million yen)

Item	Year Ended November 30, 2020	Year Ended November 30, 2021
<b>Cash flows from operating activities</b>	<b>19,258</b>	<b>33,080</b>
<b>Cash flows from investing activities</b>	<b>- 13,996</b>	<b>- 14,172</b>
<b>Cash flows from financing activities</b>	<b>13,858</b>	<b>- 18,608</b>
<b>Net decrease in cash and cash equivalents</b>	<b>18,778</b>	<b>1,438</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>20,157</b>	<b>38,936</b>
<b>Cash and cash equivalents at end of the year</b>	<b>38,936</b>	<b>40,374</b>

## SHAREHOLDER INFORMATION (As of November 30, 2021)

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

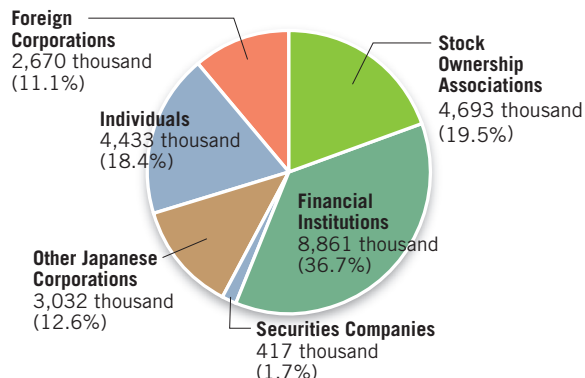
**Number of Shareholders:** 18,395

**Major Shareholders (top five):**

Note: Shareholding ratios are calculated after subtracting treasury stock (810 thousand shares).

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding	2,380	9.87
The Master Trust Bank of Japan, Ltd. (trust accounts)	2,130	8.84
Employees' Stock Ownership Plan	1,445	6.00
MUFG Bank, Ltd.	1,188	4.93
Custody Bank of Japan, Ltd. (trust accounts)	869	3.61

### Breakdown of Shareholders



## DIRECTORS AND AUDITORS (As of February 22, 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 November 30, 2021)

**Foundation:** December 21, 1928  
**Capital:** ¥16 billion  
**Number of Employees:** 3,266 (Group employees 7,205)

**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>	Annual General Meeting of Shareholders on November 30 Year-end dividend on November 30 Interim dividend on May 31
<b>Unit:</b>	100 shares
<b>Shareholder registry administrator/ 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>Inquiry contact:</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, 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 Robot Connector Insertion Application used in electrical and electronic parts manufacturing. Offers high-speed and high-accuracy cable insertion for high-growth products in the future such as smartphones, tablets and automotive displays by new visual control technology leveraging our proprietary algorithm.