

INTERIM REPORT 2023

December 1, 2022 to May 31, 2023



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 interim results for the NACHI-FUJIKOSHI Group for the period from December 1, 2022 to May 31, 2023.

Business Environment

The operating environment for the group during the interim period continued to moderately recover in general, although weaknesses were seen in some regions and industries. Nevertheless, although the impact of automotive production cutbacks due to semiconductor shortages is easing, the Japanese economic outlook remains uncertain due to factors such as the prolonged situation in Ukraine, persistently high prices for raw materials and energy, global inflation, and concerns of an economic recession due to rising policy interest rates in various countries.

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 cutting tools, machine tools, robotics, 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.

As a result of the above, despite factors such as the impact of production adjustments in some areas of the automotive and construction machinery sectors, consolidated net sales in the interim period reached 135.264 billion yen (increase 10.8% YoY), due to the strong demand in the industrial machinery and retail sectors and in particular due to expanded sales of robots in North America and China and the recovery and expansion of demand for machine tools and bearings, etc. in response to a recovery in equipment demand. This includes domestic sales of 61.211 billion yen (increase 1.0% YoY) and overseas sales of 74.053 billion yen (increase 20.4% YoY).

In terms of profitability, alongside improved capacity utilization through increased sales and manufacturing, we have worked on transferring raw material price increases onto sales prices, automating and streamlining the operations of production lines, and reducing procurement costs, and the yen exchange rate is also weakening. However, due to an increase in fixed costs and the impact of soaring raw material and energy prices that have continued from the previous fiscal year, this term's operating income was 7.612 billion yen (decrease 6.0% YoY). Ordinary income was 7.047 billion yen (decrease 19.6% YoY) due to foreign exchange losses and an increase in interest payments during the period, and quarterly net income attributable to the parent company shareholders was 4.727 billion yen (decrease 18.9% YoY).

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

Future Initiatives

Regarding the outlook for the business environment, while the outlook remains difficult to predict, for the automotive sector, which is our group's main area of business, we expect a gradual recovery in automotive production due to the resolution of the global semiconductor shortage and issues with the supply of components. Furthermore, we expect continued high levels of demand in the industrial machinery and commercial sectors. On the other hand, the business environment is changing drastically, including the acceleration of initiatives for the adoption of EVs and business restructuring toward carbon neutrality in the automotive sector, the continued digital transformation of manufacturing including the industrial machinery sector, and the need to respond to social and environmental challenges such as the SDGs.

The NACHI-FUJIKOSHI Group, in order to respond to these major changes in the structure of industry, will develop new products and services that coordinate and integrate its diverse business, technological, and manufacturing methods, including those related to robotics, with the aim of transitioning towards a business structure centered on the EV and industrial machinery sectors, and will strive to further improve our business performance amidst the changing environment. 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 2023



Director,
Chairman



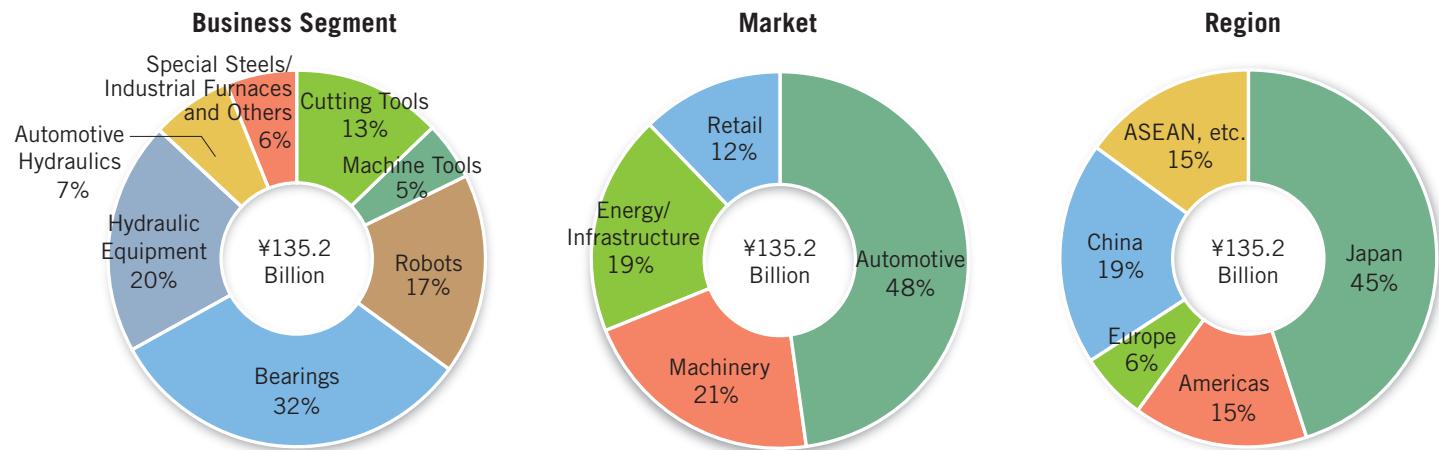
Representative Director,
President

(Signature)

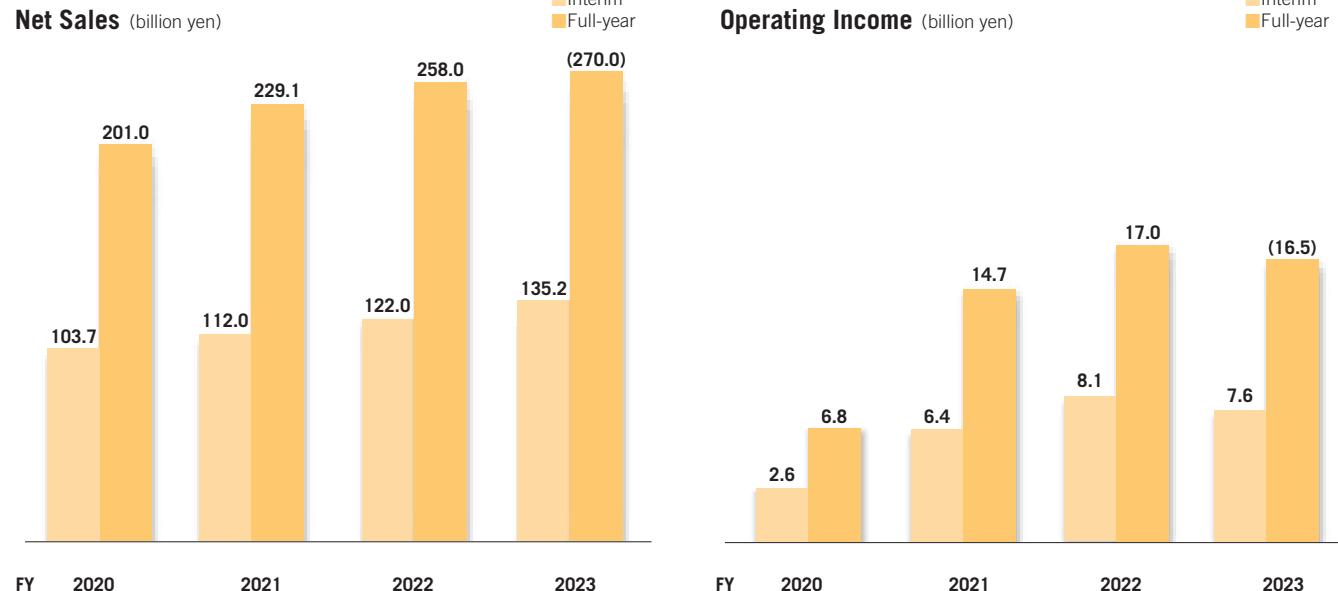
Tutomu Kurosawa

RESULTS OF OPERATIONS (Consolidated Operating Result for Six Months Ended May 31, 2023)

Composition of Sales



Trend in Business Results



TOPICS

○ Leading innovations in manufacturing using world-class technologies with robotics at its core

- As a comprehensive machinery manufacturer that adroitly perceives market trends and needs, and develops a diverse array of businesses, including robotics, we develop world-class products and technologies to strengthen our business foundation in growing markets such as the EV and industrial machinery sectors.
- We will contribute to our customers' the product and manufacturing innovations by making every possible improvement in production efficiency and quality of products and by providing our customers with production systems and operating methods as solutions.

Robots



Tools & Machinery



Components



Materials



1. Capturing Demand for EVs

We have expanded adoption of our products to EV motors and reduction gears.

We will also expand sales of robots, tools, and machine tools used in EV production.



Thin-walled, deep-groove ball bearings for electrical units



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



Forming Rack



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

2. Develop the potential demand of the industrial machinery sector

We are working to capture growing demand in the industrial machinery field by producing a diverse array of products such as robot systems in response to automation needs, carbide drills, and environmentally friendly products which have become increasingly necessary to support carbon neutrality.



"MZ F Series" of high-speed, high-precision small robots
(Contributing to automation in a wide range of industries)



AquaREVO Drills
(Widely used for industrial machinery)



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

3. Strengthening our manufacturing system

We started operation of a new plant in Japan to expand our business in the construction machinery sector. Additionally, we have improved production of carbide drills in North America and of high performance HSS drills in China. We will aim for further growth by steadily capturing rising demand.



New hydraulic traveling motor plant



Hydraulic traveling motor



NACHI TOOL AMERICA INC.



Carbide drills



NACHI (JIANGSU) INDUSTRIES CO., LTD.



High performance HSS drill

NACHI NACHI Hydraulic DIGITAL PLATFORM **OPEN!**

会員制油圧機器
情報サイトはこちら

Note: Currently only Japanese version

○ Opening of the Hydraulic DIGITAL PLATFORM

We opened the "Hydraulic DIGITAL PLATFORM" on our website to expand sales of hydraulic equipment.

The platform lets customers simulate hydraulic units and also introduces hydraulic equipment products. Through this platform, we are aiming to improve convenience for our customers and to increase the market share of our products.

SUMMARY OF FINANCIAL STATEMENTS

Consolidated Balance Sheets

(million yen)

Item	November 30, 2022 (for your reference)	May 31, 2023
ASSETS:		
Current assets	187,363	187,774
Cash and cash equivalents	36,042	34,238
Notes and accounts receivable	60,365	60,090
Electronically recorded monetary claims-operating	7,600	7,487
Inventories	76,919	79,558
Other	6,435	6,399
Fixed assets	170,094	171,028
Property, plant and equipment	123,508	125,049
Buildings and structures	31,321	33,366
Machinery and equipment	71,782	71,201
Other	20,404	20,480
Intangible fixed assets	3,497	3,202
Investments and advances	43,088	42,776
Total assets	357,457	358,802

Consolidated Statements of Income

(million yen)

Item	Six Months Ended May 31, 2022	Six Months Ended May 31, 2023
Net sales	122,092	135,264
Operating income	8,100	7,612
Ordinary income	8,769	7,047
Extraordinary income	282	41
Extraordinary losses	153	42
Quarterly income before income taxes and minority interests	8,897	7,046
Quarterly net income attributable to owners of the parent	5,830	4,727

Item	November 30, 2022 (for your reference)	May 31, 2023
LIABILITIES:		
Current liabilities	125,072	122,886
Notes and accounts payable	24,967	20,962
Electronically recorded obligations-operating	30,093	27,778
Short-term loans	41,123	45,769
Other	28,887	28,376
Long-term liabilities	76,018	77,248
Long-term debt	53,703	54,451
Allowance for retirement benefits	9,533	9,280
Other	12,780	13,516
Total liabilities	201,090	200,135
NET ASSETS:		
Shareholders' equity	128,349	129,609
Common stock	16,074	16,074
Additional paid-in capital	11,408	11,408
Retained earnings	106,758	108,832
Treasury stock	- 5,892	- 6,706
Revaluations and translation adjustments	20,556	22,318
Non-controlling interests	7,460	6,739
Total net assets	156,367	158,667
Total liabilities and net assets	357,457	358,802

Consolidated Statements of Cash Flows

(million yen)

Item	Six Months Ended May 31, 2022	Six Months Ended May 31, 2023
Cash flows from operating activities	3,980	902
Cash flows from investing activities	- 10,775	- 8,278
Cash flows from financing activities	- 3,421	5,521
Net decrease in cash and cash equivalents	- 8,688	- 1,412
Cash and cash equivalents at beginning of period	40,374	34,754
Cash and cash equivalents at end of period	31,685	33,342

SHAREHOLDER INFORMATION

(As of May 31, 2023)

Number of Shares Issued: 24,919,343

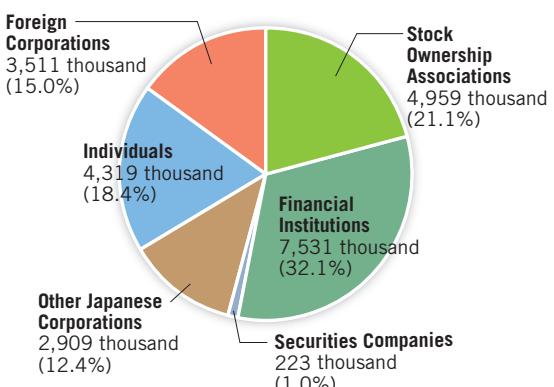
Number of Shareholders: 17,486

Major Shareholders (top five):

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding	2,564	10.93
The Master Trust Bank of Japan, Ltd. (trust accounts)	1,867	7.96
Employees' Stock Ownership Plan	1,461	6.23
Nachi Distributor Stock Ownership Association	930	3.97
MUFG Bank, Ltd.	925	3.94

Note: Shareholding ratios are calculated after subtracting treasury stock (1,463 thousand shares).

Breakdown of Shareholders



MANAGEMENT STRUCTURE

(As of August 2023)

Director,
Chairman
Hiroo Honma

Representative Director,
President
Tsutomu Kurosawa

Director,
Vice President
Hidenori Hayashi

Director,
Managing Corporate Officer
Hideaki Hara

Director,
Managing Corporate Officer
Tetsu Furusawa

Director,
Managing Corporate Officer
Yuichi Sawasaki

Director,
Managing Corporate Officer
Hiroyuki Ushimaru

Director
Yo Okabe*

Director (Full-time Member of the
Audit & Supervisory Committee)
Masayuki Kobayashi

Director (Member of the Audit &
Supervisory Committee)
Masakazu Yamazaki*

Director (Member of the Audit &
Supervisory Committee)
Yasuaki Sawachika*

Director (Member of the Audit &
Supervisory Committee)
Emi Goto*

Corporate Officer
Akira Kunisaki

Corporate Officer
Shuichi Hirose

Corporate Officer
Kazuyoshi Ichikawa

Corporate Officer
Noboru Miura

Corporate Officer
Hitoshi Nagase

Corporate Officer
Masato Usui

Corporate Officer
Shirou Hatasaki

Corporate Officer
Naritoshi Nakamura

Corporate Officer
Naozumi Yoshida

Corporate Officer
Yasushi Goshima

*Outside director.

CORPORATE INFORMATION

(As of May 31, 2023)

Foundation:

December 21, 1928

Capital:

¥16 billion

Number of Employees:

3,237 (Group employees 7,245)

Major Products:

Machinery and tools business

Components business

Other business

Cutting Tools, Forming Tools, Cutting Saws, Machine Tools, Machining Systems, Robots, Robotics Systems

Bearings, Hydraulic Equipment, Automotive Hydraulics

Special Steels, Coating, Industrial Furnaces

Major Domestic Offices and Plants:

Head Office

Toyama Plant

Shiodome Sumitomo Bldg. 17F, 1-9-2, Higashi-Shinbashi, Minato-ku, Tokyo 105-0021, Japan

1-1-1, Fujikoshi-Honmachi, Toyama 930-8511, Japan

(Cutting Tools / Machine Tools / Bearings / Robots)

Tel:+81-3-5568-5111

+81-76-423-5111

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 (Cutting Tools / 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 AquaREVO Mills, which are used for processing difficult-to-cut materials such as stainless steel. Newly developed shapes provide overwhelmingly longer life performance and higher efficiency, contributing to customer productivity enhancement.