

BUSINESS REPORT 2022

December 1, 2021 to November 30, 2022



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 hereby report the results for the NACHI-FUJIKOSHI Group for the period from December 1, 2021 to November 30, 2022.

Business Environment

The operating environment for the group during the current period generally continued to see a gradual recovery, as economic activity continued to normalize, and the economies of developed nations such as Japan and Western countries continued to recover. Nevertheless, the Japanese economic outlook remains uncertain due to factors such as the impact of automotive production cutbacks due to semiconductor shortages, COVID-19 lockdowns of cities in China, sharp price rises for raw materials and energy in the wake of the prolongation of the Ukraine crisis, and dramatic fluctuations in foreign exchange rates as a result of the US government policy of raising interest rates.

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 production adjustments in the automotive sector, consolidated net sales in the current period reached 258.0 billion yen (increase 12.6% YoY), due to the recovery and expansion of demand in the industrial machinery and retail sectors as well as the steady performance of the construction machinery sector. This includes domestic sales of 121.6 billion yen (increase 4.2% YoY) and overseas sales of 136.4 billion yen (increase 21.4% YoY). In terms of profitability, profits increased as a result of the transferring of raw material price increases onto sales prices, improved productivity from automation and streamlined operations of production lines, efforts to reduce procurement costs, and the weakening yen exchange rate, alongside improved capacity utilization through increased sales and manufacturing. As a result, this term's operating income, ordinary income, and net income attributable to the parent company shareholders were 17.0 billion yen (increase 15.7% YoY), 17.1 billion yen (increase 18.3% YoY), and 12.2 billion yen (increase 22.5% 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, since a proper level of profitability has been successfully secured, the dividends will be 110 yen per share, 10 yen higher than in the previous period.

Future Initiatives

Regarding the outlook for the business environment, the forecast for the automotive sector which is our group's main area of business remains unclear, although the global semiconductor shortage and issues with the supply of components are expected to resolve. In addition, although demand in the industrial machinery, construction machinery, and commercial sectors remains at a high level, some adjustments are being seen in certain areas, and the overall outlook is hard to predict. Furthermore, the business environment is changing drastically over the mid to long term including the acceleration of initiatives for the adoption of EVs and business restructuring toward carbon neutrality in the automotive field, 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 will leverage its unique strengths possessing diverse business, technological, and manufacturing knowhow, including those related to robotics, to create new business opportunities with the aim of transitioning towards a business structure centered on the EV and industrial machinery sectors, in order to respond to these major changes in the structure of industry. We will strengthen all aspects of sales and services, manufacturing and procurement, and research and development, with a focus on overseas markets with significant growth potential. 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 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 2023



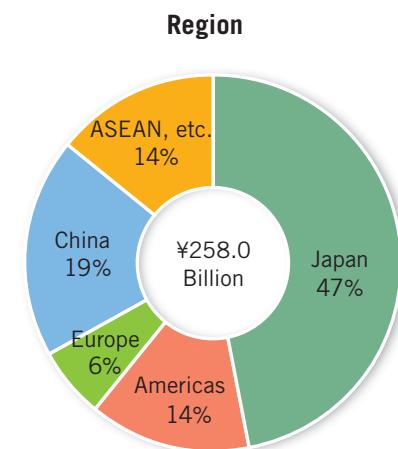
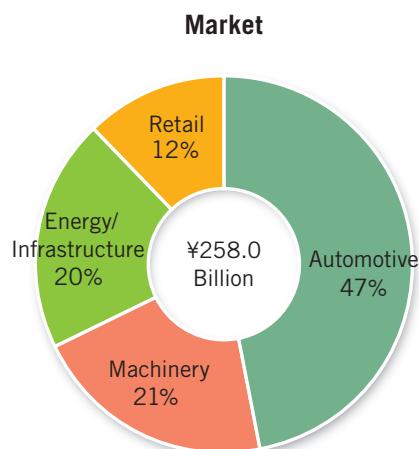
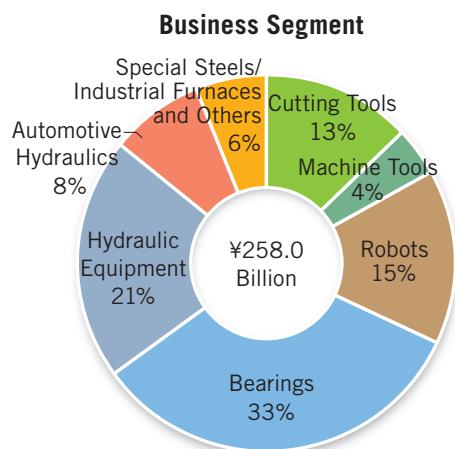
Director,
Chairman



Representative Director,
President

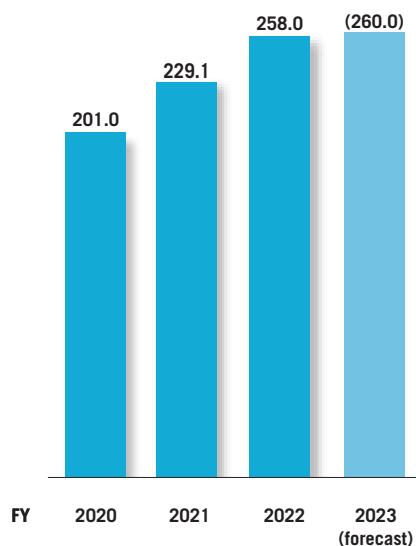
RESULTS OF OPERATIONS (Consolidated)

Composition of Sales

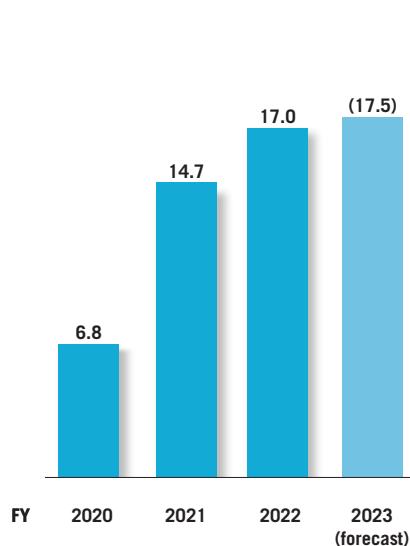


Trend in Business Results

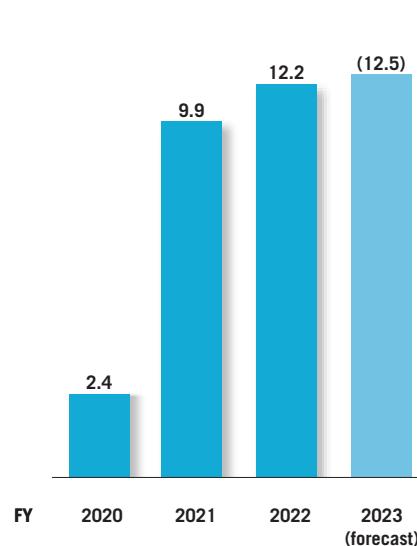
Net Sales (billion yen)



Operating Income (billion yen)



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



TOPICS

○ Structure of our business foundation for the future

As we look ahead to the major changes taking place in the structure of industry, we will build business platforms in growth sectors such as EVs and industrial machinery, through working to develop new products and expand our market share in order to expand sales and profits, strengthening our manufacturing system, driving forward profit improvement.

1. Expanding adoption to EVs

Components to be incorporated into eAxles, motors, reduction gears, electric compressors and lock mechanisms and the like, as well as robots used in EV manufacturing facilities, are greatly adding to our sales.

We continue to develop ground-breaking new products and promote increased sales in the EV sector.



Deep groove ball bearings for electric units



Actuator (Used in parking lock mechanisms)



Full-sized robots: The SRA (Used in the machining of EV bodies, etc.)



Skiving Multi-function Machine GMS100 (Used in the machining of EV components, etc.)

2. Develop the potential demand of the industrial machinery sector

We will cultivate new demand in the electrical, electronic and general industrial machinery fields, where demand is expected to expand, bring new products to market, and build our business foundation in the industrial machinery sector.



AquaREVO Mills for Stainless Steel (Used in the machining of difficult-to-cut materials such as stainless steel)



Robot connector insertion applications (to enable automated/high-speed insertion of cables for applications such as smartphones and tablets)



High pressure variable volume piston pump (Used in forging equipment)

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

The “MZ F Series” of high-speed, high-precision small robots, and our ultra-compact controller CFDq are winners of the Ten Best New Products Award by Nikkan Kogyo Shimbun.

The MZ F Series has won praise for its top-of-its-class capabilities for high-speed, high precision work and its high level of versatility, while CFDq is highly commended for its easy-to-use operability and its size as the world's smallest controller.



3. Strengthening our manufacturing system and improving profitability

Based on the concept of local production for local consumption, we will build up our production capabilities both domestically and abroad for round tools, bearings for industrial machinery and hydraulic equipment used in construction machinery, for which demand is steady. At the same time, we will promote intensive production, automation, and streamlining, with the aim of strengthening our manufacturing system and boosting its efficiency.

We will also make strong efforts to transfer the rising costs of raw materials and energy onto sales prices, in order to improve profitability.



NACHI (JIANGSU) INDUSTRIES CO., LTD. (China)
(Increased production of cutting tools, hydraulic equipment for construction machinery, and other products)



Bearings for ball screw supports for industrial machinery



High performance drills (Used widely in the industrial machinery and electrical and electronic sectors)

○ Towards Achieve Sustainable Growth

1. Initiatives for achieving carbon neutrality

We are developing new products adapted to the needs of our customers in terms of energy saving and the shift towards EVs, while promoting the utilization of renewable energy and other measures at our factories.

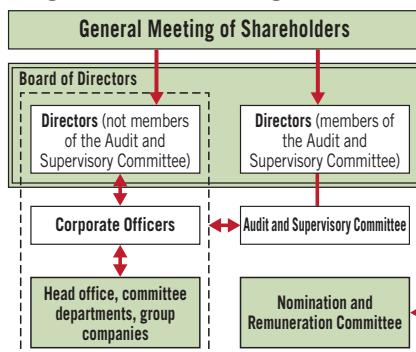
We installed and commenced the operation of a solar power generation system on the roof of the No. 3 Robot Factory at the Toyama Plant last year, and will progressively develop such systems at other plants and factories.



The solar power generation system (installed at our Toyama Plant)

2. Strengthening our corporate governance system

[Diagram of the new management structure]



In February 2023, the company transitioned to a Company with Audit and Supervisory Committee.

In line with this, a corporate officer system has been introduced, and a Nomination and Remuneration Committee has been established on a voluntary basis.

We will enhance our corporate governance our corporate governance still further through the transition to this new management structure.

3. Contributions to society

We will continue making contributions to our local community and society, including the administration of Fujikoshi Ajsai Preschool and Fujikoshi Hospital. We are also working to ensure diversity when hiring and developing human resources.



Fujikoshi Ajsai Preschool

SUMMARY OF FINANCIAL STATEMENTS

Consolidated Balance Sheets

(million yen)

Item	November 30, 2021 (for your reference)	November 30, 2022
ASSETS:		
Current assets	159,258	187,363
Cash and cash equivalents	41,771	36,042
Notes and accounts receivable	55,100	—
Notes and accounts receivable, and contract assets	—	67,966
Inventories	57,381	76,919
Other	5,005	6,435
Fixed assets	160,053	170,094
Property, plant and equipment	114,260	123,508
Buildings and structures	29,254	31,321
Machinery and equipment	63,811	71,782
Land	9,465	9,941
Other	11,728	10,463
Intangible fixed assets	2,861	3,497
Investments and advances	42,931	43,088
Total assets	319,312	357,457

(million yen)

Item	November 30, 2021 (for your reference)	November 30, 2022
LIABILITIES:		
Current liabilities	103,344	125,072
Notes and accounts payable	47,826	55,060
Short-term loans	29,208	41,123
Other	26,309	28,887
Long-term liabilities	77,755	76,018
Long-term debt	56,266	53,703
Allowance for retirement benefits	9,754	9,533
Other	11,734	12,780
Total liabilities	181,100	201,090
NET ASSETS:		
Shareholders' equity	119,427	128,349
Common stock	16,074	16,074
Additional paid-in capital	11,401	11,408
Retained earnings	96,875	106,758
Treasury stock	– 4,924	– 5,892
Revaluations and translation adjustments	10,676	20,556
Non-controlling interests	8,107	7,460
Total net assets	138,211	156,367
Total liabilities and net assets	319,312	357,457

Consolidated Statements of Income

(million yen)

Item	Year Ended November 30, 2021	Year Ended November 30, 2022
Net sales	229,117	258,097
Operating income	14,718	17,025
Ordinary income	14,457	17,100
Extraordinary income	400	350
Extraordinary losses	247	150
Quarterly income before income taxes and minority interests	14,610	17,301
Quarterly net income attributable to owners of the parent	9,993	12,237

Consolidated Statements of Cash Flows

(million yen)

Item	Year Ended November 30, 2021	Year Ended November 30, 2022
Cash flows from operating activities	33,080	11,212
Cash flows from investing activities	– 14,172	– 20,831
Cash flows from financing activities	– 18,608	2,113
Net decrease in cash and cash equivalents	1,438	– 5,620
Cash and cash equivalents at beginning of the year	38,936	40,374
Cash and cash equivalents at end of the year	40,374	34,754

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 “MZ F Series” of high-speed, high-precision robots. Boasting top-of-its-class capabilities for high-speed, high precision work, a level of versatility that ensures compatibility with a wide range of applications, and a varied product lineup, this series is helping to realize automation and streamlining in production locations.