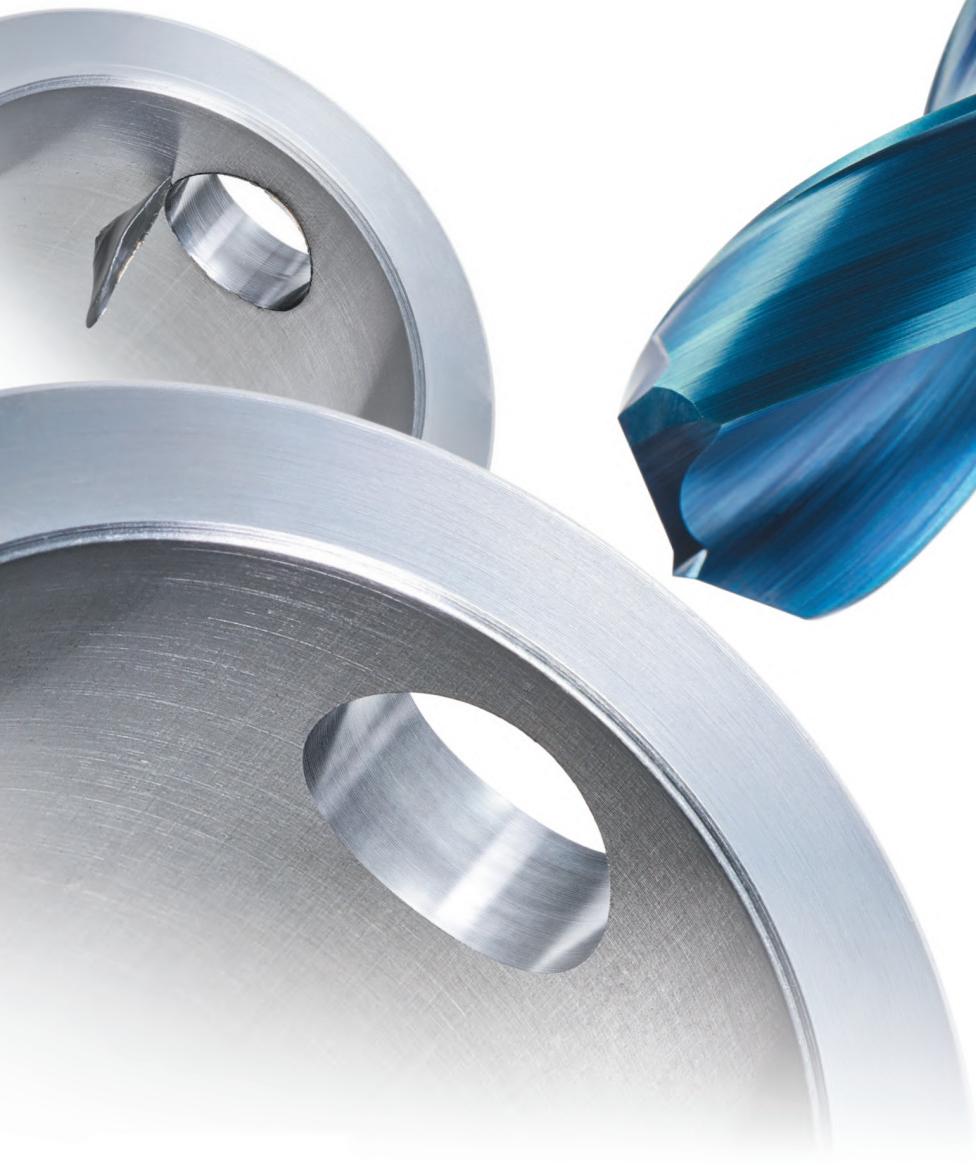


BUSINESS REPORT 2023

From December 1, 2022 to November 30, 2023



NACHI

NACHI-FUJIKOSHI CORP.

Securities Code: 6474

TO OUR SHAREHOLDERS

We would like to express our deepest condolences to those who lost their lives in the 2024 Noto Peninsula earthquake and their bereaved families, and our deepest sympathies to all others who suffered.

We would also like to express our sincere gratitude to our shareholders for your continued support and cooperation. We hereby report the results for the NACHI-FUJIKOSHI Group for the period from December 1, 2022 to November 30, 2023.

Business Environment

The environment surrounding the Group during the fiscal year continued to experience a gradual recovery overall, with the normalization of economic activity progressing in response to the recovery in automobile production and other factors. On the other hand, the outlook remains uncertain due to several factors, including the continued high prices of raw materials and energy resulting from the protracted conflict in Ukraine, the slowdown of the Chinese economy due to a downturn in the real estate market, escalating tensions in the Middle East region, and the impact of financial tightening in Europe and the United States.

Business Progress and Results

Under these circumstances, the 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 construction machinery sector, net sales in the fiscal year reached 265.4 billion yen (increase 2.9% YoY), due to a recovery and expansion of sales for machine tools and bearings on the back of a recovery in automobile production, strong demand in the industrial machinery and retail sectors, and a recovery in equipment demand. This includes domestic sales of 125.3 billion yen (increase 3.1% YoY) and overseas sales of 140.0 billion yen (increase 2.7% YoY).

In terms of profitability, 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 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 fiscal year's operating profit, ordinary profit, and net profit attributable to the parent company shareholders were 11.8 billion yen (decrease 30.3% YoY), 11.0 billion yen (decrease 35.5% YoY), and 6.4 billion yen (decrease 47.1% YoY) respectively.

Dividends

With regard to the year-end dividends, considering the profit status and future business developments, we have decided to allocate 110 yen per share.

Future Initiatives

Regarding the future business environment, the outlook is generally difficult to forecast. In the automotive sector, which is the Group's main business area, production is recovering. However, in the industrial machinery, construction machinery and retail sectors, demand recovery is delayed due to economic stagnation in China and Europe, and raw material and energy prices remain high. Furthermore, in the automotive sector, which is moving in the direction of carbon neutrality, full-scale EV conversion and business restructuring are accelerating, while in the manufacturing sector (including industrial machinery), there is increasing demand for product development and productivity improvement through digital transformation and AI, and for responding to social and environmental challenges such as meeting SDGs.

In response to these major changes in the structure of industry, the NACHI-FUJIKOSHI Group will take advantage of our unique strength in having diverse business, technology, and production know-how, including robot technology, to shift to a business structure centered on EVs and industrial machinery, and to develop new business opportunities. In overseas markets, we will strengthen all aspects of our sales and service operations, manufacturing and procurement, and research and development to further improve our business performance. Along with this, we will stay focused on market trends and capture demand, strive to expand sales of competitive products and services that collaborate and bring together the technologies of all divisions, and improve productivity through automation and streamlining. Furthermore, with the goal of achieving sustainable business growth, we will commit to challenges such as the environment, society, and governance through our business activities.

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

February 2024



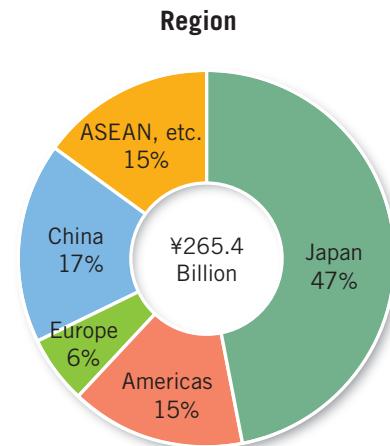
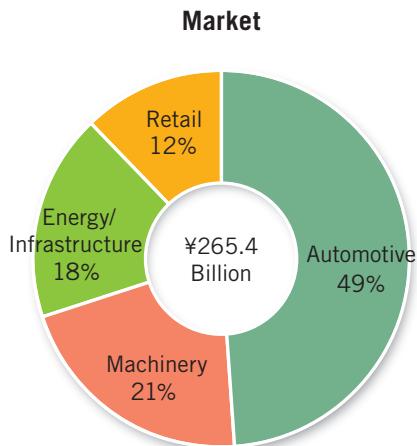
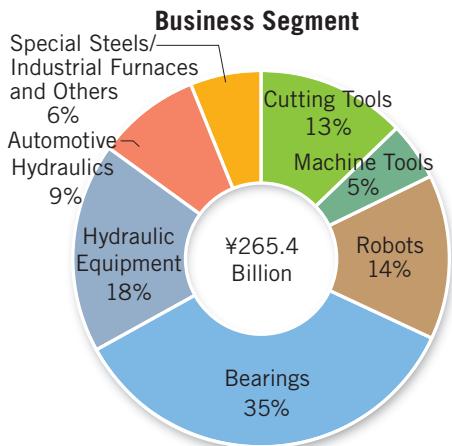
Director,
Chairman



Representative Director,
President

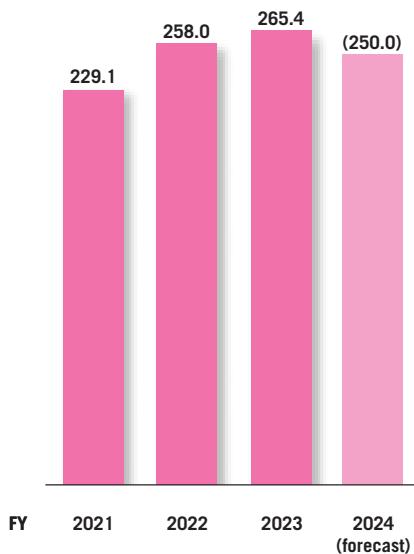
RESULTS OF OPERATIONS (Consolidated)

Composition of Sales

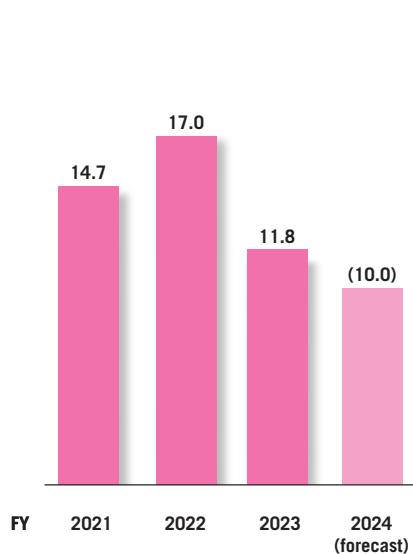


Trend in Business Results

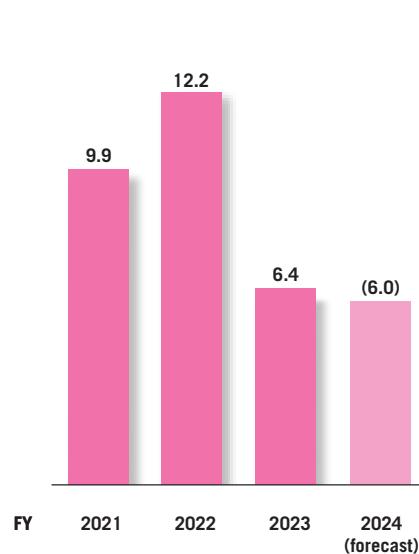
Net Sales (billions of yen)



Operating Profit (billions of yen)



Net Profit Attributable to Owners of the Parent (billions of yen)



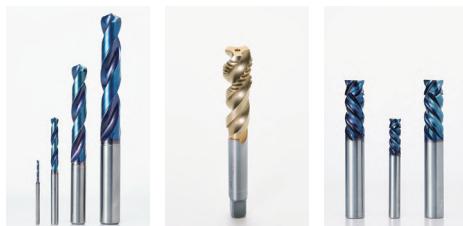
Toward Medium- to Long-term Growth

As a comprehensive machinery manufacturer that has a diverse array of businesses including robotics, we aim to achieve medium- to long-term business growth by developing groundbreaking new products that are unavailable from other companies and strengthening our production system.

1. Development and sales expansion of unique products

We have launched the “Burrless Series”, which overturns the conventional wisdom that it is normal for burrs to appear during cutting and eliminates the need for a deburring process.

The newly developed shape minimizes the occurrence of burrs, contributing to dramatic productivity improvements in various fields such as EVs.

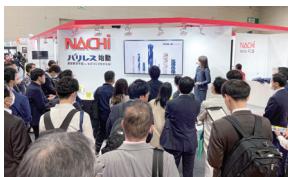


Burrless Series (drills, taps, and end mills)



Launched on December 21, 2023

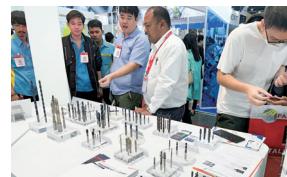
Starting with the announcement at Mechatronics Technology Japan 2023, we have displayed the Series at exhibitions around the world, attracting significant attention from customers. We will continue to promote efforts to expand sales of the Burrless Series.



Mechatronics Technology Japan 2023
October 2023



China International Import Expo (China)
November 2023



METALEX (Thailand)
November 2023

○ Winning of the Nikkan Kogyo Shimbun's 'CHO' MONODZUKURI Innovative Parts Awards and Ten Best New Products Award

The carbide end mill “Aqua REVO Mills for Stainless Steel” received the “'CHO' MONODZUKURI Innovative Parts Awards - Encouragement Award”, and the small collaborative robot “CMZ05” and the easy robot teaching system “Nachi Tablet TP” were winners of the “Ten Best New Products Award”.

We will continue to work on developing innovative products to solve the challenges facing our customers.



Aqua REVO Mills for Stainless Steel



CMZ05 and Nachi Tablet TP

2. Capturing demand for in EV market

We have expanded the adoption of our products to EV motors, reduction gears, etc.
We will also work to expand sales of robots, cutting tools, and machine tools that are ideal for EV production.



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



Electric actuator
(Used in the parking lock mechanism)



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



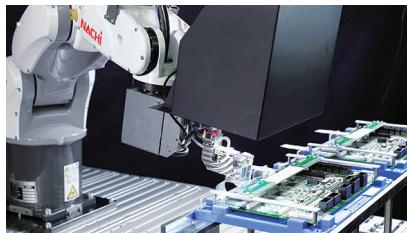
Skiving Multi-function Machine
(Used in the machining of EV components, etc.)

3. Develop the potential demand of the industrial machinery sector

We are working to capture growing demand in the industrial machinery field, including the production of collaborative robots and robot automation applications that meet the automation needs of various industries and energy-saving hydraulic equipment that address the growing need for carbon neutrality.



Collaborative robot "CMZ05"
(Supports to automation in a wide range of industries)



Robot automation applications
(Automating connector insertion in the electrical and electronic fields)



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

4. Strengthening our manufacturing system

We are improving production capabilities for carbide drills in North America and for high performance HSS drills in China to capture growing demand. In Japan, a new full-automated hydraulic plant in operation will show improved productivity through automation and greater equipment intensity.



NACHI TOOL AMERICA INC.



Carbide drills



NACHI (JIANGSU)
INDUSTRIES CO., LTD.



High performance
HSS drills



New hydraulic traveling motor plant
(operation started in April 2023)



Hydraulic
traveling motor

SUMMARY OF FINANCIAL STATEMENTS

Consolidated Balance Sheets

(millions of yen)

Item	November 30, 2022 (for your reference)	November 30, 2023
ASSETS:		
Current assets	187,363	189,406
Cash and deposits	36,042	34,619
Notes and accounts receivable, and contract assets	60,365	58,805
Electronically recorded monetary claims -operating	7,600	8,337
Inventories	76,919	80,130
Other	6,435	7,513
Fixed assets	170,094	180,917
Property, plant and equipment	123,508	127,620
Buildings and structures	31,321	33,457
Machinery , equipment and vehicles	71,782	72,573
Land	9,941	10,228
Other	10,463	11,361
Intangible fixed assets	3,497	3,672
Investments and other assets	43,088	49,625
Total assets	357,457	370,324

Consolidated Statements of Profit

(millions of yen)

Item	Year Ended November 30, 2022	Year Ended November 30, 2023
Net sales	258,097	265,464
Operating Profit	17,025	11,873
Ordinary Profit	17,100	11,028
Extraordinary income	350	46
Extraordinary losses	150	75
Profit before Income taxes and minority interests	17,301	10,999
Quarterly net Profit attributable to owners of the parent	12,237	6,469

(millions of yen)

Item	November 30, 2022 (for your reference)	November 30, 2023
LIABILITIES:		
Current liabilities	125,072	119,569
Notes and accounts payable	24,967	19,094
Electronically recorded obligations - operating	30,093	26,021
Short-term borrowings	41,123	45,190
Other	28,887	29,263
Long-term liabilities	76,018	81,234
Long-term borrowings	53,703	54,578
Provision for retirement benefits	9,533	9,317
Other	12,780	17,338
Total liabilities	201,090	200,804
NET ASSETS:		
Shareholders' equity	128,349	131,395
Share capital	16,074	16,074
Capital surplus	11,408	11,408
Retained earnings	106,758	110,593
Treasury stock	- 5,892	- 6,681
Accumulated other Comprehensive income	20,556	31,319
Non-controlling interests	7,460	6,804
Total net assets	156,367	169,520
Total liabilities and net assets	357,457	370,324

Consolidated Statements of Cash Flows

(millions of yen)

Item	Year Ended November 30, 2022	Year Ended November 30, 2023
Cash flows from operating activities	11,212	12,030
Cash flows from investing activities	- 20,831	- 17,774
Cash flows from financing activities	2,113	3,125
Net decrease in cash and cash equivalents	- 5,620	- 1,929
Cash and cash equivalents at beginning of the year	40,374	34,754
Cash and cash equivalents at end of the year	34,754	32,824

SHAREHOLDER INFORMATION (As of November 30, 2023)

Number of Shares Issued: 24,919,343

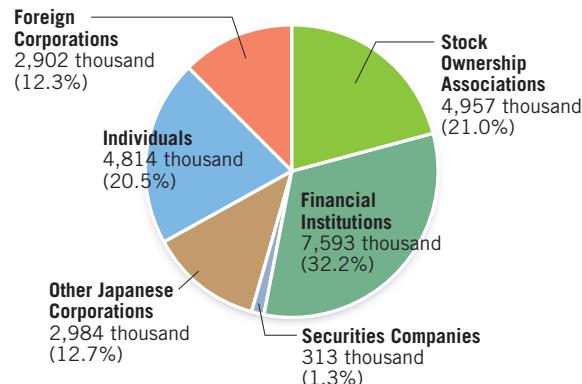
Number of Shareholders: 17,944

Major Shareholders (top five):

Note: Shareholding ratios are calculated after subtracting treasury stock (1,353 thousand shares).

Shareholders	Number of shares held (thousand)	Shareholding ratio (%)
NACHI WANEI Stockholding	2,591	10.99
The Master Trust Bank of Japan, Ltd. (trust accounts)	1,926	8.18
Employees' Stock Ownership Plan	1,414	6.00
Nachi Distributor Stock Ownership Association	948	4.03
MUFG Bank, Ltd.	925	3.93

Breakdown of Shareholders



MANAGEMENT STRUCTURE (As of February 27, 2024)

Director, Chairman Hiroo Honma	Director, Managing Corporate Officer Yuichi Sawasaki	Director (Full-time Member of the Audit & Supervisory Committee) Masayuki Kobayashi	Corporate Officer Akira Kunisaki	Corporate Officer Kazutaka Arai	Corporate Officer Katsuyuki Enomoto
Representative Director, President Tutomu Kurosawa	Director, Corporate Officer Shirou Hatasaki	Director (Member of the Audit & Supervisory Committee) Masakazu Yamazaki*	Corporate Officer Masato Usui	Corporate Officer Noritsugu Sasaki	Corporate Officer Katsuhiro Matsumoto
Representative Director, Senior Managing Director Hideaki Hara	Director, Corporate Officer Naozumi Yoshida	Director (Member of the Audit & Supervisory Committee) Yasuaki Sawachika*	Corporate Officer Naritoshi Nakamura	Corporate Officer Masahisa Miyabukuro	Corporate Officer Hironaga Kitagawa
Director, Managing Corporate Officer Tetsu Furusawa	Director Yo Okabe*	Director (Member of the Audit & Supervisory Committee) Emi Goto*	Corporate Officer Kohei Anada	Corporate Officer Toru Kuramoto	

*Outside director.

CORPORATE INFORMATION (As of November 30, 2023)

Foundation:	December 21, 1928
Capital:	¥16 billion
Number of Employees:	3,151 (Group employees 7,204)
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 (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/ 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
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

Aqua REVO Drill Burrless, a carbide drill that eliminates the deburring process. The newly developed shape minimizes the occurrence of burrs and eliminates any drill cap remaining. It makes a dramatic contribution to improved customer productivity.