Financial Results for the Fiscal Year Ended March 31, 2022

NS TOOL CO., LTD.

May 16, 2022

(Securities Code: 6157)

Contents

1. Consolidated Financial Results for FY3/22

2. Consolidated Financial Forecasts for FY3/23

Consolidated Financial Results for FY3/22

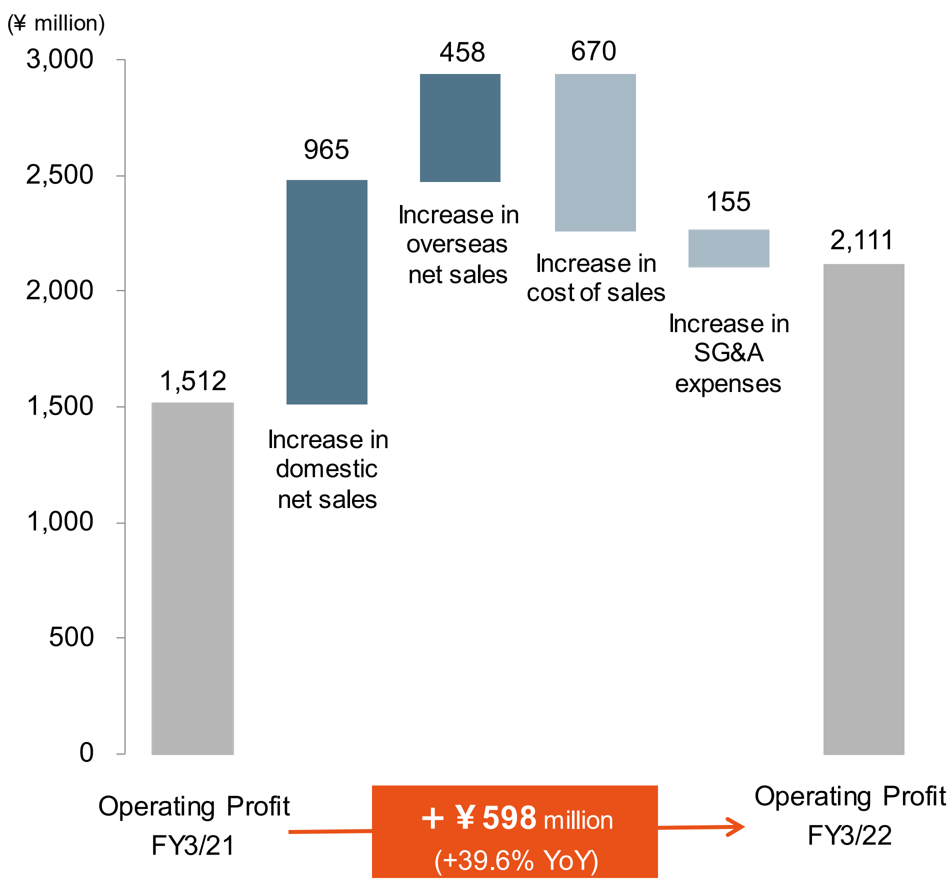
Financial Results Summary

Although slightly below full-year forecasts,
it recovered to the business level of FY3/20

(Unit: ¥ million)	FY3/22 Forecasts	FY3/22 Actual	Changes vs. Forecasts
Net Sales	9,520	9,524	4
YoY changes	+17.5%	+17.6%	+0.1%
Operating profit	2,150	2,111	-39
YoY changes	+42.1%	+39.6%	-1.8%
Ordinary profit	2,190	2,156	-34
YoY changes	+27.9%	+25.9%	-1.5%
Profit attributable to owners of parent	1,530	1,522	-8
YoY changes	+26.0%	+25.4%	-0.5%

- The trend of economic recovery from the COVID-19 continued, and semiconductor-related industry continued to be particularly robust. In the automotive industry, due to the stalled semiconductor and parts supply, demodulation has not been reached. Consolidated net sales were ¥9,524 million, up 17.6% YoY.
- Consolidated operating profit was ¥2,111 million, up 39.6% YoY. Consolidated ordinary profit was ¥2,156 million, up 25.9%. However, both were slightly below the forecasts revised in January.
- Operating profit margin was 22.2%, up 3.5pp YoY. Ordinary profit margin was 22.6%, up 1.5pp YoY.

Factors for Increase in Operating Profit



- Domestic net sales rose by ¥965 million, up 17.2% YoY and overseas net sales rose by ¥458 million, up 18.4% YoY, while overall net sales rose by ¥1,424 million, up 17.6%.
- Cost of sales rose by ¥670 million, up 16.9% YoY, which was a lower rate of increase than net sales. Successful efforts to improve production system at manufacturing sites, which the Company has focused on since previous fiscal year, led to a reduction in cost of sales, and the gross profit margin was 51.4%.
- Overall SG&A expenses increased by ¥155 million, up 5.9% YoY. While personnel expenses was up by 7.3% YoY due to an increased in employees' bonuses and provision for bonuses for directors (and other officers), other SG&A expenses remained at only 4.0% YoY increase despite of gained sales promotion costs such as exhibition costs and advertising expenses, mainly due to reduction of real estate acquisition tax from previous year.
- As a result, operating profit rose by ¥598 million, up 39.6% YoY to ¥2,111, and operating profit margin was 22.2%, up 3.5pp YoY.

Summary of Statement of Income

(Unit: ¥ million)	FY3/21	FY3/22	YoY Changes
Net Sales	8,100	9,524	+17.6%
Gross profit	4,137	4,891	+18.2%
Ratio to net sales	51.1%	51.4%	
SG&A expenses	2,624	2,780	+5.9%
Ratio to net sales	32.4%	29.2%	
Operating profit	1,512	2,111	+39.6%
Ratio to net sales	18.7%	22.2%	
Ordinary profit	1,712	2,156	+25.9%
Ratio to net sales	21.1%	22.6%	
Profit attributable to owners of parent	1,214	1,522	+25.4%
Ratio to net sales	15.0%	16.0%	
Capital investment	462	659	+42.7%
Depreciation	707	692	-2.2%
No. of employees (persons)	339	348	+2.7%

- Net sales were ¥9,524 million, up 17.6% YoY. While demand for semiconductors and electronic components has stayed robust and molds related to containers for food and daily necessities were also strong due to growing demand for staying at home due to the impact of COVID-19. On the other hand, automotive industry remained sluggish due to the impact of stalled semiconductor and parts supply.
- Gross profit was ¥4,891 million, up 18.2% YoY. Due to cost reduction, cost of sales only rose by ¥670 million, up 16.9% YoY and the gross profit margin was 51.4%, up 0.3pp YoY.
- SG&A expenses increased by 5.9% as a whole due to the increase in operating expenses, but net sales increased significantly, and SG&A expenses ratio declined 3.2 pp 29.2% YoY.
- As a result, operating profit was ¥2,111 million, up 39.6% YoY, and operating profit margin was 22.2%, up 3.5pp YoY.
- Capital expenditures were ¥659 million, up 42.7% YoY. Depreciation declined by 2.2% YoY due to controlled machinery and equipment investment in the previous fiscal year.

Summary of Balance Sheet

(Unit: ¥ million)	FY3/21-End	Composition Ratio	FY3/22-End	Composition Ratio	VS FY3/21-End
(Assets)					
Ⅰ Current assets	10,895	64.3%	11,807	66.1%	+8.4%
Cash and deposits	7,674	45.3%	8,543	47.8%	+11.3%
Notes and accounts receivable - trade	1,312	7.7%	1,322	7.4%	+0.8%
Inventories	1,758	10.4%	1,840	10.3%	+4.7%
Ⅱ Non-current assets	6,040	35.7%	6,066	33.9%	+0.4%
Property, plant and equipment	5,477	32.3%	5,435	30.4%	-0.8%
Intangible assets	34	0.2%	32	0.2%	-5.3%
Investments and other assets	529	3.1%	598	3.4%	+13.1%
Total assets	16,936	100.0%	17,874	100.0%	+5.5%
(Liabilities)					
Ⅰ Current liabilities	1,385	8.2%	1,483	8.3%	+7.1%
Accounts payable - trade	220	1.3%	249	1.4%	+12.9%
Ⅱ Non-current liabilities	224	1.3%	224	1.3%	—
Total liabilities	1,609	9.5%	1,708	9.6%	+6.1%
(Net assets)					
Total equity	15,142	89.4%	15,950	89.2%	+5.3%
Total net assets	15,326	90.5%	16,165	90.4%	+5.5%
Total liabilities and net assets	16,936	100.0%	17,874	100.0%	+5.5%

Current assets

Increased by 8.4% from the end of previous fiscal year as a result of the increase in cash and deposits due to the earnings recovery.

Non-current assets

Total capital expenditures were slightly lower than depreciation, but due to an increase in deferred tax assets, fixed assets as a whole increased 0.4% YoY.

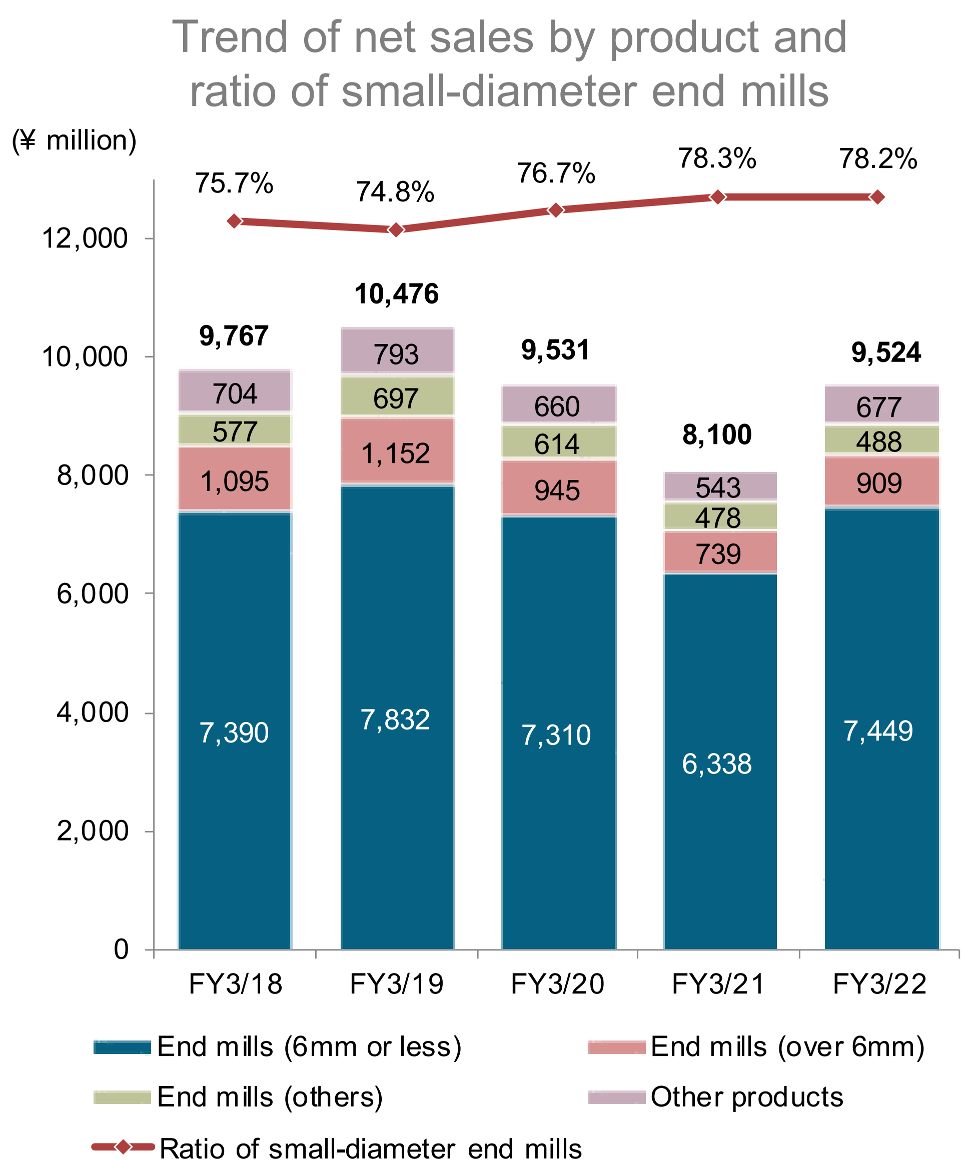
Liabilities

Increased by 6.1% due to increase in income taxes payable and provision for bonuses.

Net assets

Increased by 5.5% YoY due to an increase in retained earnings, etc. The equity-to-asset ratio declined to 90.4%, down 0.1pp.

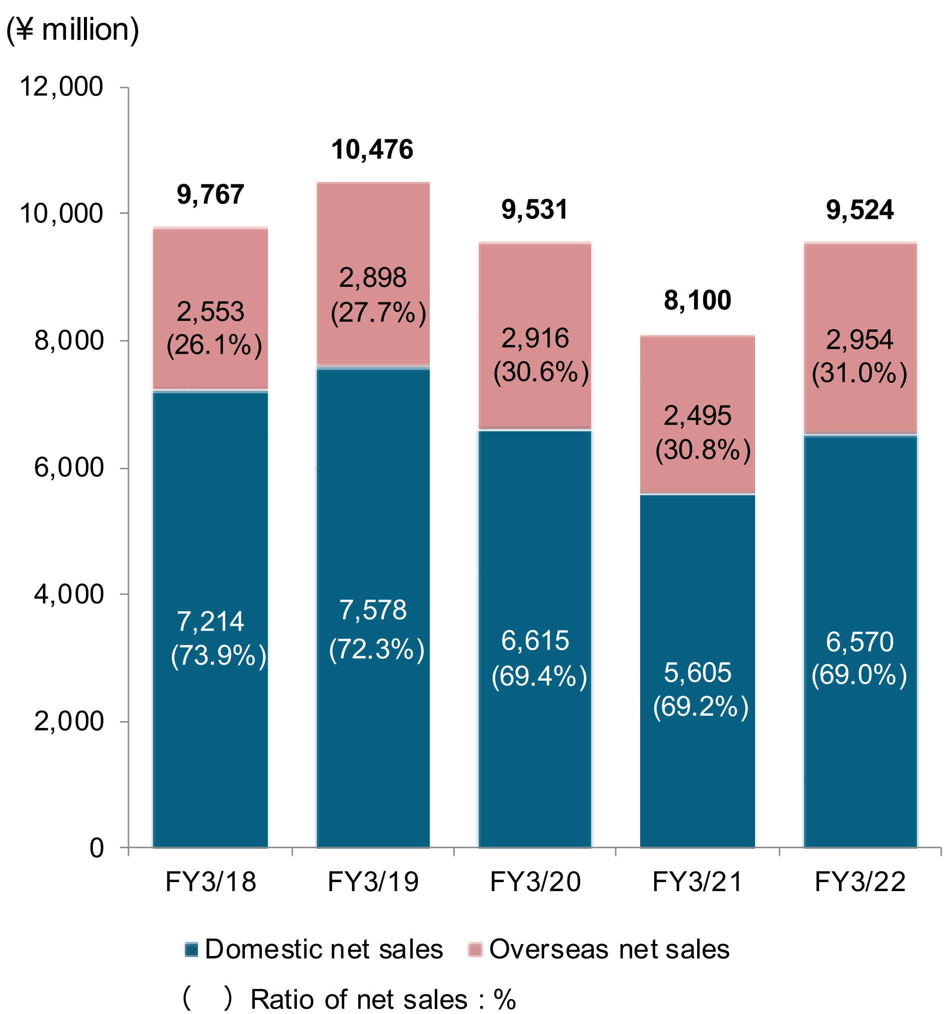
Business Performance (Trend of net sales (1) By product)



- As for electronic components and semiconductor industry, demand for IT equipment and industrial machinery continued and remained robust. In addition, molds related to containers for food and daily necessities were also strong due to growing demand for staying at home due to the impact of COVID-19. At the same time, automotive industry continued to face severe conditions due to production cuts caused by semiconductor and component shortages. As a result of these factors, it recovered steadily from the drop in tool demand in the previous fiscal year, but growth was sluggish in 4Q. The decline in the previous year was significant, therefore, net sales increased by 17.6% YoY to ¥9,524 million.
- Net sales for mainstay end mills (diameter 6mm or less) increased by 17.5% YoY, and end mills (diameter over 6mm) increased by 23.0% YoY, and end mills (others), mainly special products custom-made to users, increased by 2.0% YoY. Other tools such as tool cases also increased by 24.7% YoY. Net sales of end mills (diameter 6mm or less) and other products exceeded that of two fiscal years ago. The ratio of small-diameter end mills declined 0.1pp YoY to 78.2%.

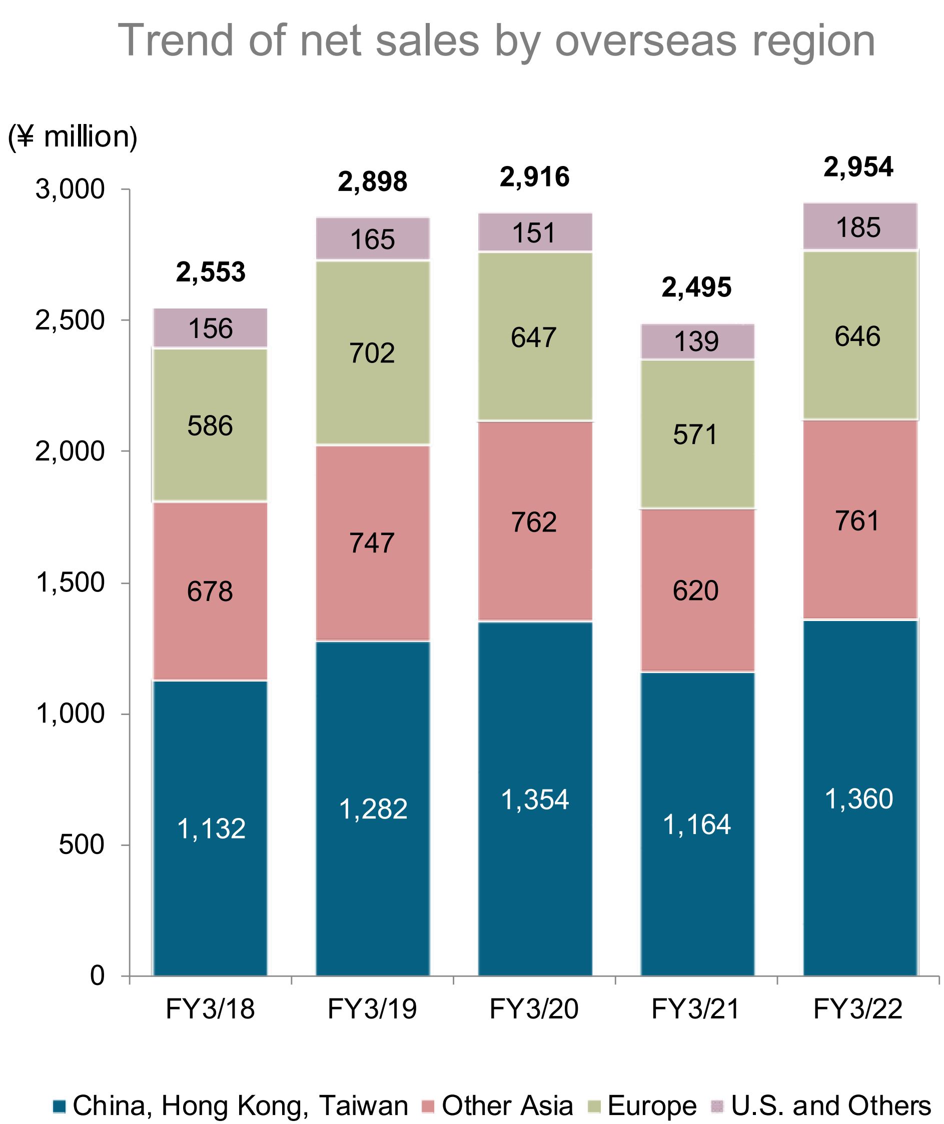
Business Performance (Trend of net sales (2) Domestic and overseas)

Trend of domestic and overseas net sales



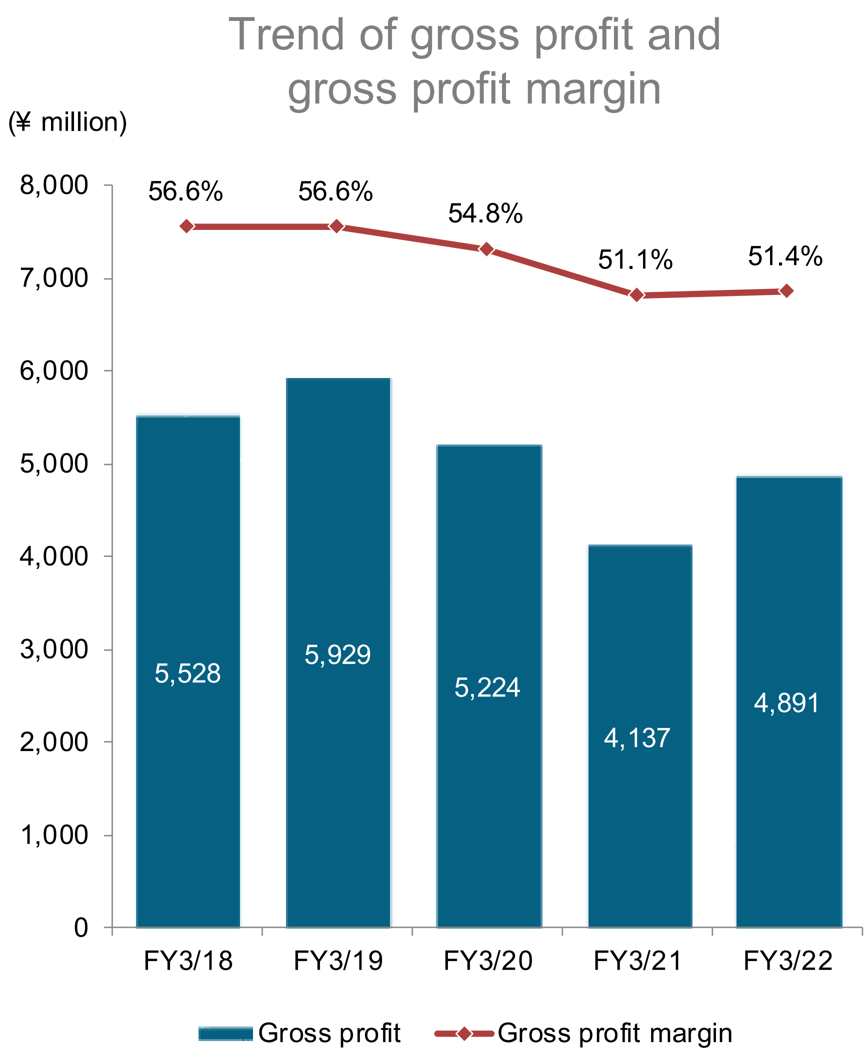
- Domestic net sales rose by ¥965 million YoY, an increase of 17.2% YoY, to ¥6,570 million. Recovered to the level of FY3/20 prior to COVID-19.
- Overseas net sales showed varying recovery patterns from the COVID-19 depending on the region, but the recovery trend continued on the whole. In some countries, demand was increasing due to the resumption of factory operations and new projects, and overseas net sales rose by ¥458 million YoY, up 18.4% YoY, to a record high of ¥2,954 million. The overseas net sales ratio increased by 0.2pp YoY to 31.0%.
- The overseas net sales ratio was slightly less than 20% 10 years ago and in the low 20% range even 5 years ago, however it reached 34.3%, topping 30%, during the July-September period of 2019 due to increased sales to China and has remained around 30% since then.

Business Performance (Trend of net sales (3) By overseas region)



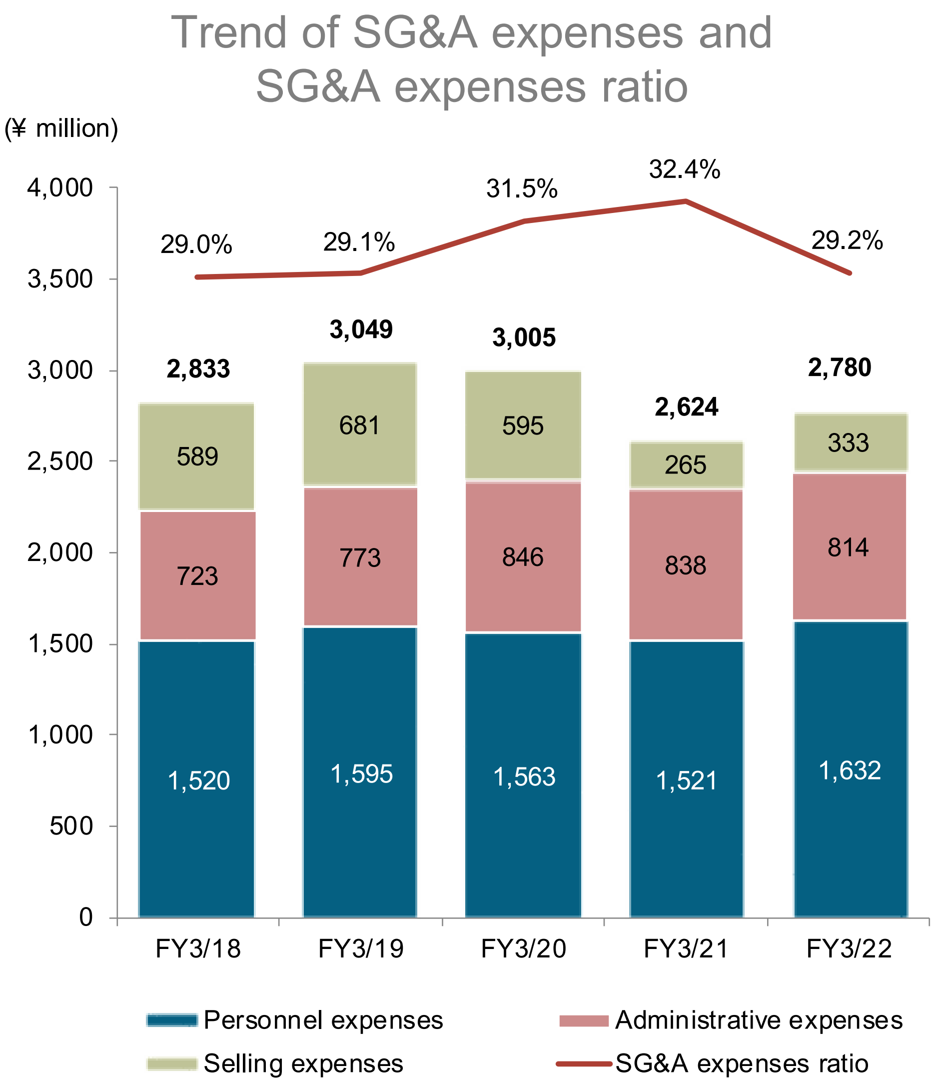
- Combined net sales of China, Hong Kong and Taiwan increased by 16.9% YoY to ¥1,360 million. In account consolidation of NS TOOL Hong Kong Ltd., figures for China are from January to December 2021, but demand for smartphone during the April-June period was strong and the recovery from COVID-19, it became the highest net sales ever.
- Other Asia, net sales also increased with plant utilization rates of local users improving, increasing by 22.8% YoY to ¥761 million.
- In Europe, demand is growing mainly in countries that moved to deregulate COVID-19, and it increased by 13.2% YoY to ¥646 million. However, future outlook is uncertain, such as rising energy prices and supply chain disruptions due to the situation in Ukraine.
- The U.S. and Others increased by 32.9% YoY to ¥185 million, helped by the increase in medical care industry orders. The expansion of sales is aimed through the newly established U.S. subsidiary.

Business Performance (Trend of gross profit)



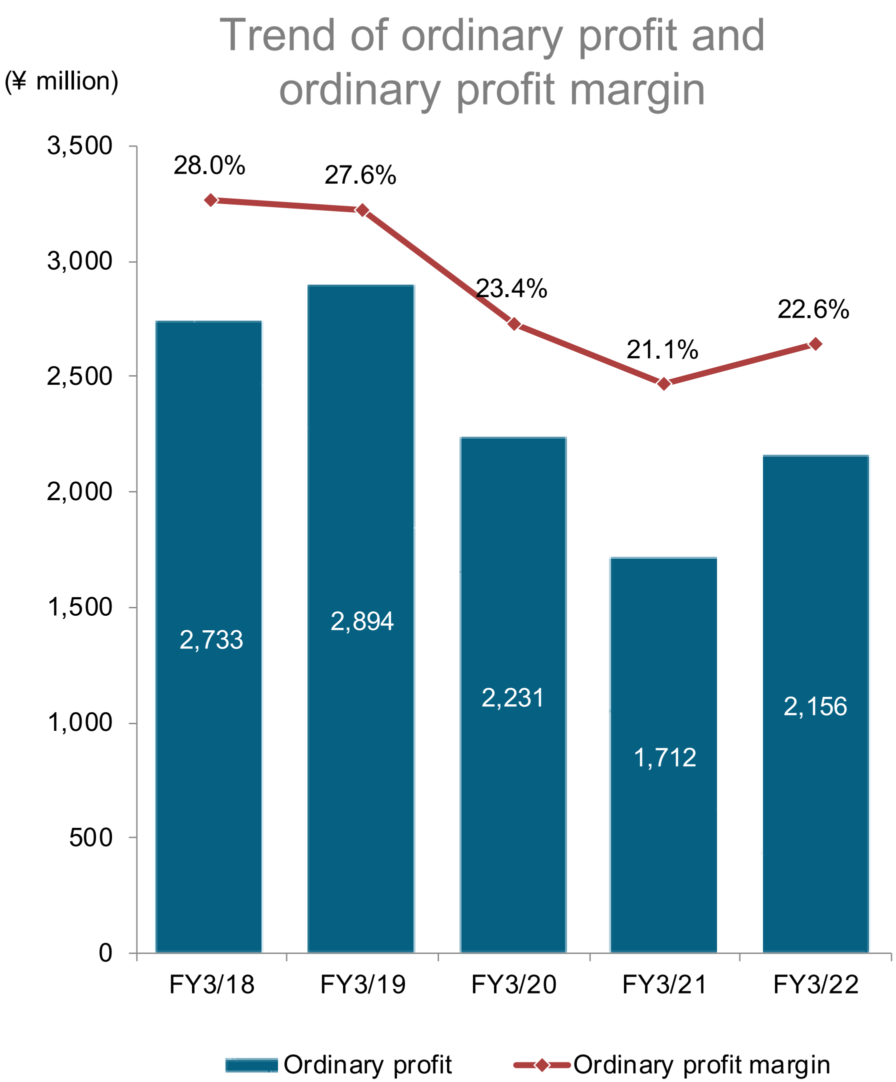
- As production volume increased due to the recovery in net sales, materials cost as well as outsourcing expenses increased significantly by 41.7% YoY and 51.7% YoY respectively. Labor costs and manufacturing expenses also increased by 7.3% YoY and 12.0% YoY respectively, successfully holding down the increase even as production volumes increased.
- Finished goods inventories increased by 14.1% YoY, partly because production volumes were suppressed in the previous fiscal year. The cost of sales was ¥4,633 million, up 16.9% YoY.
- Manufacturing costs were held down due to the success of cost reduction at manufacturing sites continued from the previous fiscal year, and gross profit increased by 18.2% YoY to ¥4,891 million and the gross profit margin increased by 0.3pp YoY to 51.4%.

Business Performance (Trend of SG&A expenses)

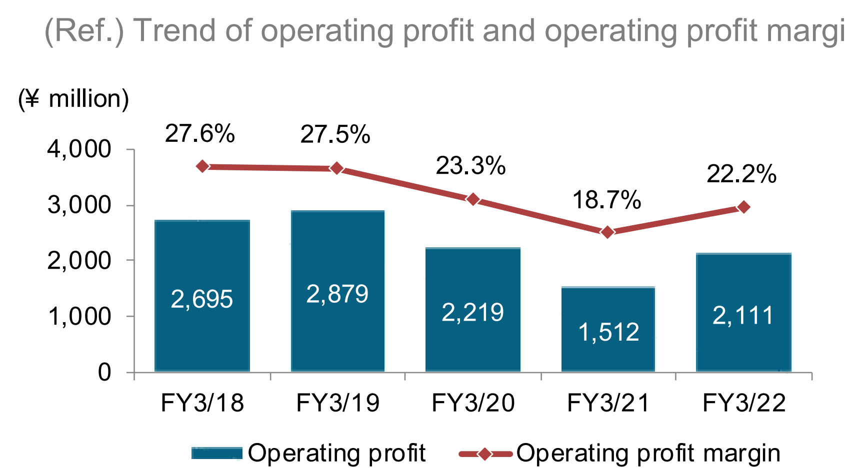


- Selling expenses increased by 25.6% YoY to ¥333 million due to the increased exhibition costs and advertising expenses for participation in exhibitions and the production of general catalogue, in addition to the slight increase in operating expenses due to the easing of restrictions on activities.
- Personnel expenses increased by 7.3% YoY to ¥1,632 million due to the increase in employees' bonuses and provision for bonuses for directors (and other officers) in response to the recovery in performance.
- Overall SG&A expenses increased 5.9% YoY to ¥2,780 million. Net sales recovered to the level of FY3/20, but SG&A expenses ratio declined 3.2pp to 29.2%, due to selling expenses such as exhibition costs and business trip expenses being kept down.

Business Performance (Trend of ordinary profit)



- While operating profit increased by ¥2,111 million, up 39.6% YoY, subsequent to the increase in net sales, the operating profit margin increased by 3.5pp YoY to 22.2% since SG&A expenses were held down.
- For non-operating income and expenses, non-operating income was ¥61 million due to subsidy income such as corporate location incentives, and cancellation of insurance policies due to retirement of directors, etc., and ¥17 million of non-operating expenses occurred due to foreign exchange losses, etc. at NS TOOL Hong Kong Ltd.
- Ordinary profit margin increased by 1.5pp YoY to 22.6%



Consolidated Financial Forecasts for FY3/23

Financial Forecasts

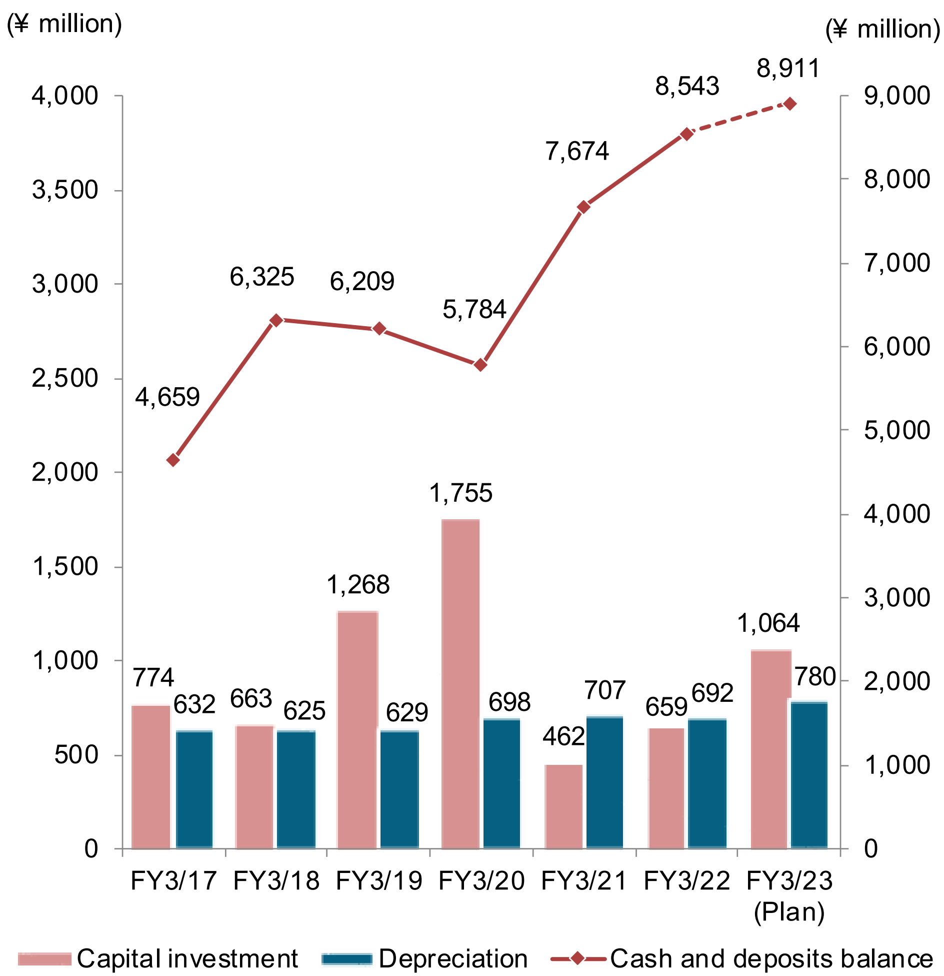
(Unit: ¥ million)	FY3/22 Actual	FY3/23 Forecasts	YoY Changes
Net Sales	9,524	9,690	+1.7%
Operating profit	2,111	2,110	-0.1%
Ordinary profit	2,156	2,120	-1.7%
Profit attributable to owners of parent	1,522	1,440	-5.4%
Capital investment	659	1,064	+61.4%
Depreciation	692	780	+12.8%
EPS (¥)	60.89	57.83	-5.0%
Dividend per share (¥)	22.50	22.50	—

*The impact of the stock split on April 1, 2021 was considered.

- COVID-19 are expected to gradually converge, but the lockdown, in China, is a cause of concern. In addition, the rise in energy prices due to Russian invasion of Ukraine and the depreciation of the Japanese yen are expected to increase in raw materials and logistics costs. As for tool demand, it is expected that semiconductors and electronic components will continue to remain strong.
- Net sales are expected to remain strong, but due to the expected increase in manufacturing costs, net sales are forecast to increase 1.7% YoY to ¥9,690 million, and operating profit is forecast to decrease 0.1% YoY to ¥2,110 million, and ordinary profit is forecasts to decrease 1.7% YoY to ¥2,120 million.
- Capital expenditures were the same as usual in the previous fiscal year, but this fiscal year we plan to invest aggressively, mainly in the expansion of production facilities.
- The year-end dividend per share is planned to be ¥12.5. The annual dividends per share are planned to be ¥22.5, including interim dividend of ¥10.

Trend of Capital Investment and Depreciation

Trend of capital investment, depreciation, and cash and deposits balance



(Capital investment/Depreciation(LHS), Cash and deposits balance(RHS))

Factors for increase/decrease in capital investment

FY3/19

Increased due to construction in progress, such as continuous expansion of production facilities and groundbreaking for the new R&D center.

FY3/20

Increased due to completion of the new R&D center, introduction of R&D-related equipment, construction of a new building at a subsidiary plant and ongoing renewal of production facilities.

FY3/21

Due in part to the decline in utilization rates, the introduction of some equipment was carried over into the next fiscal year, resulting in a decrease compared to the initial plan.

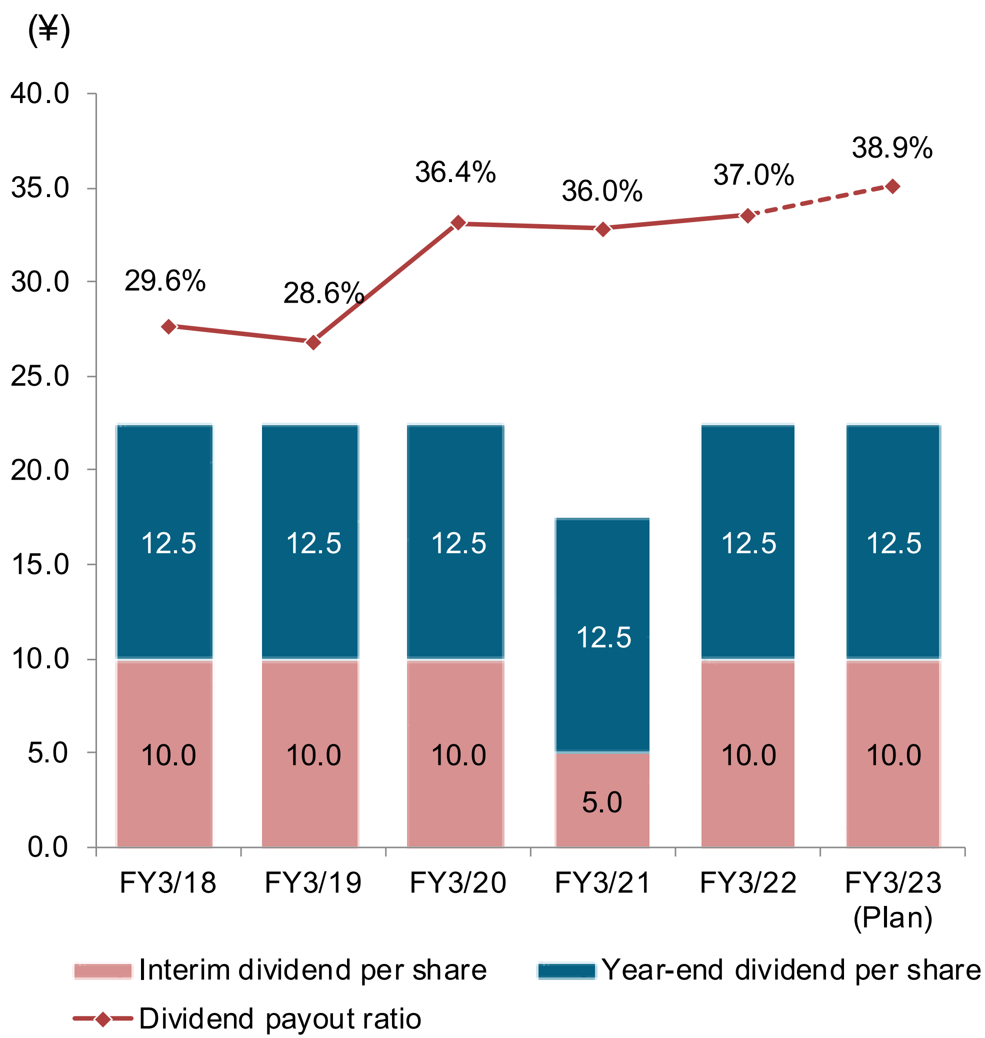
FY3/22

With the recovery of the operating rates, the level is the same as usual, such as continuous installation of production facilities.

FY3/23 (Plan)

Plans to make active investments, mainly in the increasing and improving of production facilities.

Dividend Forecasts (Shareholder Returns)



*The impact of the stock split on April 1, 2021 was considered.

We take holistic approach by evaluating business performance and dividend payout ratio, while paying attention to stability and sustainability of shareholders return

- Annual dividend per share for FY3/22 was ¥22.5.
  Interim dividend: ¥10.0; Year-end dividend: ¥12.5
  Dividend payout ratio: 37.0%

- Annual dividend per share for FY3/23 is planned to be ¥22.5.
  Interim dividend: ¥10.0, Year-end dividend: ¥12.5
  Dividend payout ratio for the financial forecasts: 38.9%

- Shareholders' benefits
  An original QUO card, worth ¥1,000, is presented to every shareholder who holds one share unit (100 shares) or more and whose name is registered in the shareholder list as of March 31 of each year.

  An additional ¥1,000 card is presented to shareholders who hold the shares for three years or more.

Contact us:

NS TOOL CO., LTD.

Corporate Planning Office

E-mail：ir@ns-tool.com

Note: The descriptions concerning the future and projections are based on targets and forecasts, and do not constitute an assurance or guarantee. Please note that the results may differ from the projections.