



Financial Results for the 1st Quarter of Fiscal Year Ending March 31, 2022



NS TOOL CO., LTD.

July 30, 2021
(Securities Code: 6157)

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Consolidated Financial Results for 1Q FY3/22



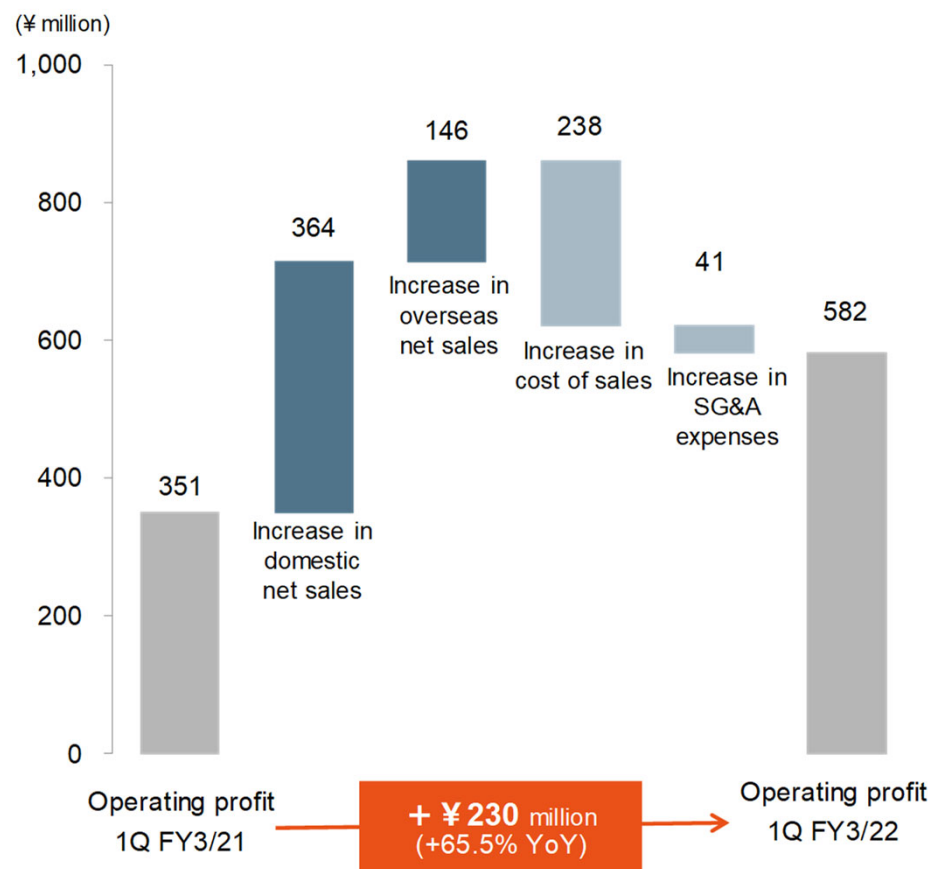
Financial Results Summary for 1Q FY3/22

The recovery trend from the 2H of the previous fiscal year continued.

(Unit: ¥ million)	1Q FY3/21 Actual	1Q FY3/22 Actual	1H FY3/22 Forecasts	Progress Rate
Net Sales	1,934	2,445	4,650	52.6%
YoY changes	-21.6%	+26.4%	+27.9%	
Operating profit	351	582	980	59.4%
YoY changes	-53.2%	+65.5%	+142.5%	
Ordinary profit	353	589	990	59.6%
YoY changes	-53.0%	+66.8%	+122.9%	
Profit attributable to owners of parent	232	392	670	58.5%
YoY changes	-51.7%	+68.7%	+143.5%	

- The current fiscal year is on a recovery trend compared to the same period of the previous fiscal year, which was significantly affected by the global spread of COVID-19 pandemic. Consolidated net sales for 1Q were ¥2,445 million, an increase of 26.4% YoY.
- Consolidated ordinary profit was ¥589 million, an increase of 66.8% YoY.
- Ordinary profit margin was 24.1%, an increase of 5.8pp YoY.
- 1Q progress ratio to the revised financial forecasts for the 1H announced on July 30, 2021 were net sales 52.6% and ordinary profit 59.6%.

Factors for Increase in Operating Profit



- Domestic net sales rose by ¥364 million, an increase of 27.1% YoY, and overseas net sales rose by ¥146 million, an increase of 24.8% YoY, while overall net sales rose by ¥510 million, an increase of 26.4% YoY.
- Variable costs such as materials cost and outsourcing expenses increased significantly due to an increase in production, and labor costs also increased slightly due to an increase in provision for bonuses for employees, while manufacturing expenses decreased slightly. Cost of sales rose by ¥238 million, an increase of 25.2% YoY.
- Regarding SG&A expenses, while personnel expenses rose by 19.1% YoY due to factors such as the increase in provision for bonuses for employees, total general expenses declined by 6.9% YoY because the decrease in real estate acquisition tax from the previous fiscal year outweighed the increase in exhibition costs, resulting in an overall increase of only ¥41 million or 6.6% YoY.
- As a result, operating profit rose by ¥230 million, an increase of 65.5% YoY, to ¥582 million, and operating profit margin was 23.8%, an increase of 5.6pp YoY.

Summary of Statement of Income

(Unit: ¥ million)	1Q FY3/21 Actual	1Q FY3/22 Actual	YoY Changes
Net Sales	1,934	2,445	+26.4%
Gross profit	988	1,260	+27.5%
Ratio to net sales	51.1%	51.6%	
SG&A expenses	636	678	+6.6%
Ratio to net sales	32.9%	27.8%	
Operating profit	351	582	+65.5%
Ratio to net sales	18.2%	23.8%	
Ordinary profit	353	589	+66.8%
Ratio to net sales	18.3%	24.1%	
Profit attributable to owners of parent	232	392	+68.7%
Ratio to net sales	12.0%	16.0%	
Capital investment	118	95	-19.2%
Depreciation	175	161	-7.7%
No. of employees (persons)	345	350	+1.4%

- Net sales were ¥2,445 million, an increase of 26.4% YoY. Although automobile-related business slowed due to the shortage of semiconductor, demand for small-diameter tools is on a recovery trend due to the strong performance of semiconductor and electronic components.
- Gross profit was ¥1,260 million, an increase of 27.5% YoY, but cost of sales also increased by 25.2% YoY, and gross profit margin was 51.6%, an increase of only 0.5pp YoY.
- SG&A expenses increased by 6.6% YoY, as personnel expenses increased while general expenses decreased. SG&A expenses ratio was 27.8%, a decrease of 5.1pp YoY.
- As a result, operating profit was ¥582 million, an increase of 65.5% YoY, and operating profit margin was 23.8%, an increase of 5.6pp YoY.
- Capital expenditures were ¥95 million, a decrease of 19.2% YoY, due to fewer equipment installation in the 1Q due to a slight squeeze in the previous fiscal year. Depreciation declined by 7.7% YoY accordingly.

Summary of Balance Sheet

(Unit: ¥ million)	FY3/21-End	Composition Ratio	1Q FY3/22-End	Composition Ratio	VS FY3/21-End
(Assets)					
I Current assets	10,895	64.3%	10,843	64.7%	-0.5%
Cash and deposits	7,674	45.3%	7,670	45.8%	-0.0%
Notes and accounts receivable - trade	1,312	7.7%	1,412	8.4%	+7.6%
Inventories	1,758	10.4%	1,645	9.8%	-6.4%
II Non-current assets	6,040	35.7%	5,912	35.3%	-2.1%
Property, plant and equipment	5,477	32.3%	5,354	32.0%	-2.2%
Intangible assets	34	0.2%	33	0.2%	-3.2%
Investments and other assets	529	3.1%	524	3.1%	-0.9%
Total assets	16,936	100.0%	16,755	100.0%	-1.1%
(Liabilities)					
I Current liabilities	1,385	8.2%	1,108	6.6%	-19.9%
Accounts payable - trade	220	1.3%	280	1.7%	+27.2%
II Non-current liabilities	224	1.3%	224	1.3%	0.0%
Total liabilities	1,609	9.5%	1,333	8.0%	-17.2%
(Net assets)					
Total equity	15,142	89.4%	15,259	91.1%	+0.8%
Total net assets	15,326	90.5%	15,421	92.0%	+0.6%
Total liabilities and net assets	16,936	100.0%	16,755	100.0%	-1.1%

Current assets

Decreased by 0.5% from the end of previous fiscal year mainly due to a decrease in inventories.

Non-current assets

Decreased by 2.1% from the end of previous fiscal year due to lack of major capital investment and increase in depreciation.

Liabilities

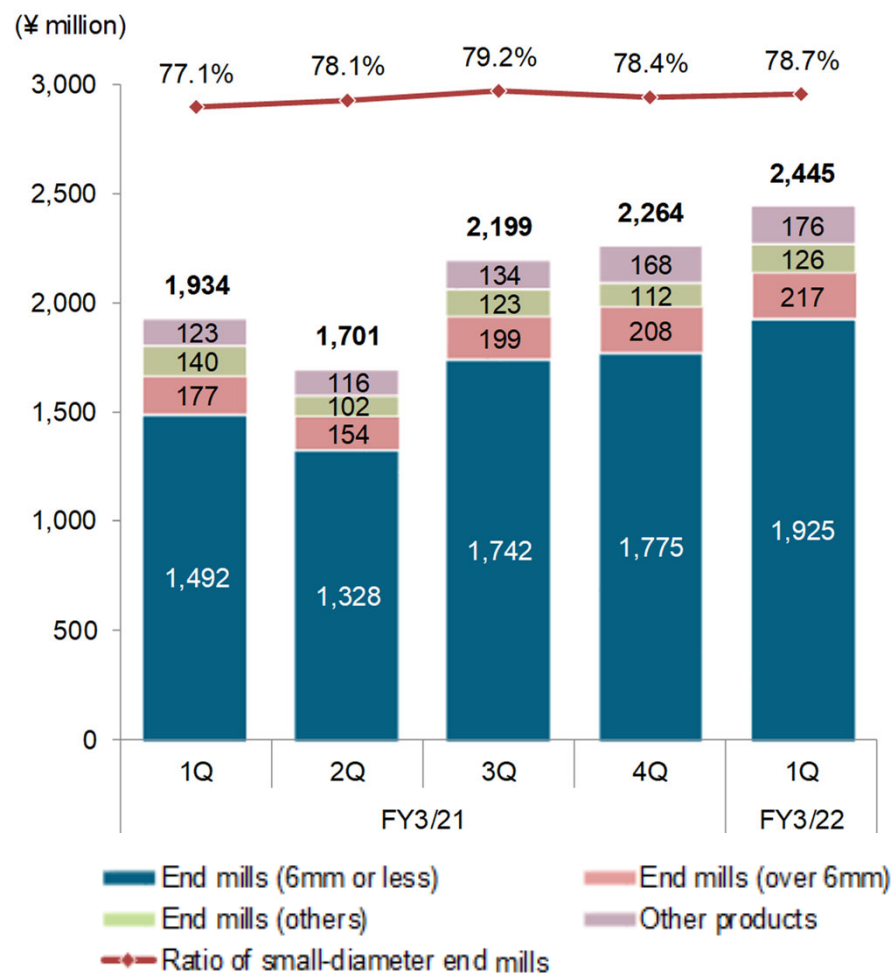
Decreased by 17.2% from the end of previous fiscal year mainly due to a decrease in accrued consumption taxes and provision for bonuses for employees.

Net assets

Increased by 0.6% from the end of previous fiscal year mainly due to an increase in retained earnings. Equity ratio was 91.1%, an increase of 1.7pp from the end of previous fiscal year, partly due to a decrease in liabilities.

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

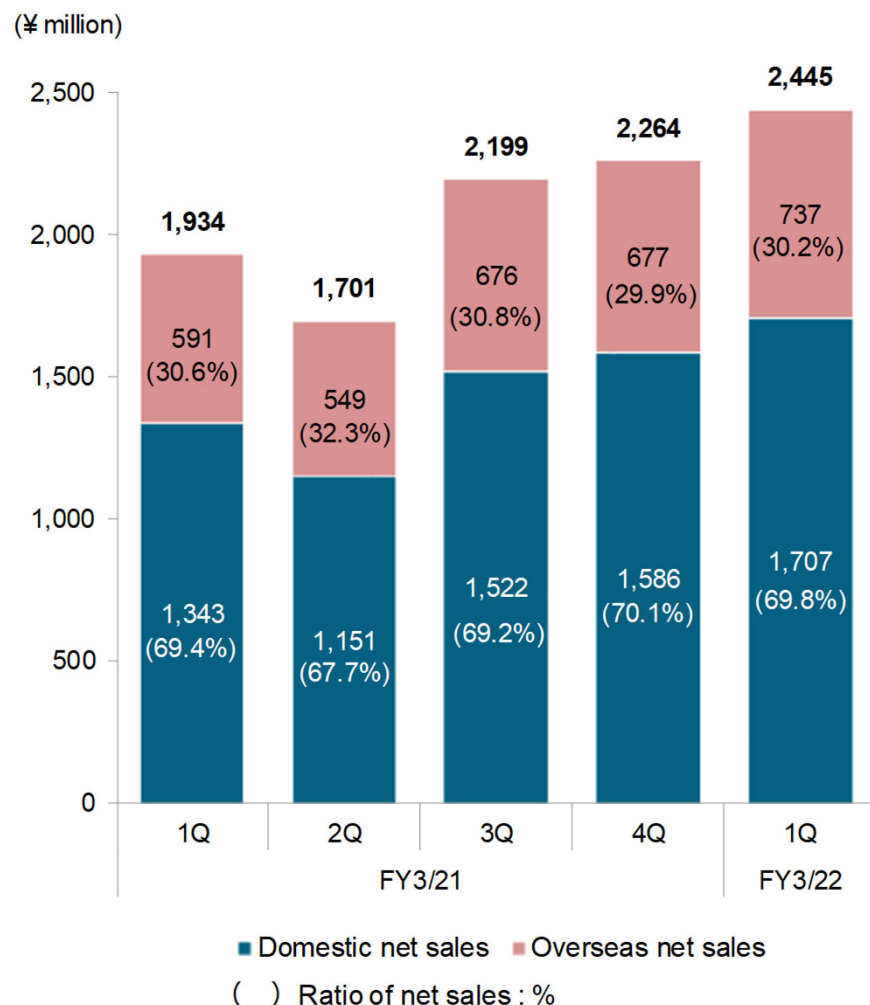
Trend of net sales by product and ratio of small-diameter end mills



- Demand for tools recovered, as electronic components and semiconductor-related business continued to be brisk due to the demand for IT equipment such as PCs and smartphones, as well as in-vehicle / industrial / data centers use, and machinery-related business, particularly semiconductor manufacturing equipment, also remained busy, while automobile-related business slowed due to the shortage of semiconductors. Consolidated quarterly net sales were ¥2,445 million, an increase of 26.4% YoY, and an increase of 8.0% QoQ.
- By product, net sales for mainstay end mills (diameter 6mm or less) rose by 29.0% YoY, and end mills (diameter over 6mm) also rose by 22.3% YoY, while end mills (others), mainly special products custom-made to users, decreased by 10.3% YoY. Other products such as tool cases, which fell deep in the same period of the previous fiscal year, increased by 42.7% YoY, partly due to the recovery of the entire tool industry. Ratio of small-diameter end mills was 78.7%, an increase of 1.6pp YoY, due to the large growth in small-diameter tools.

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

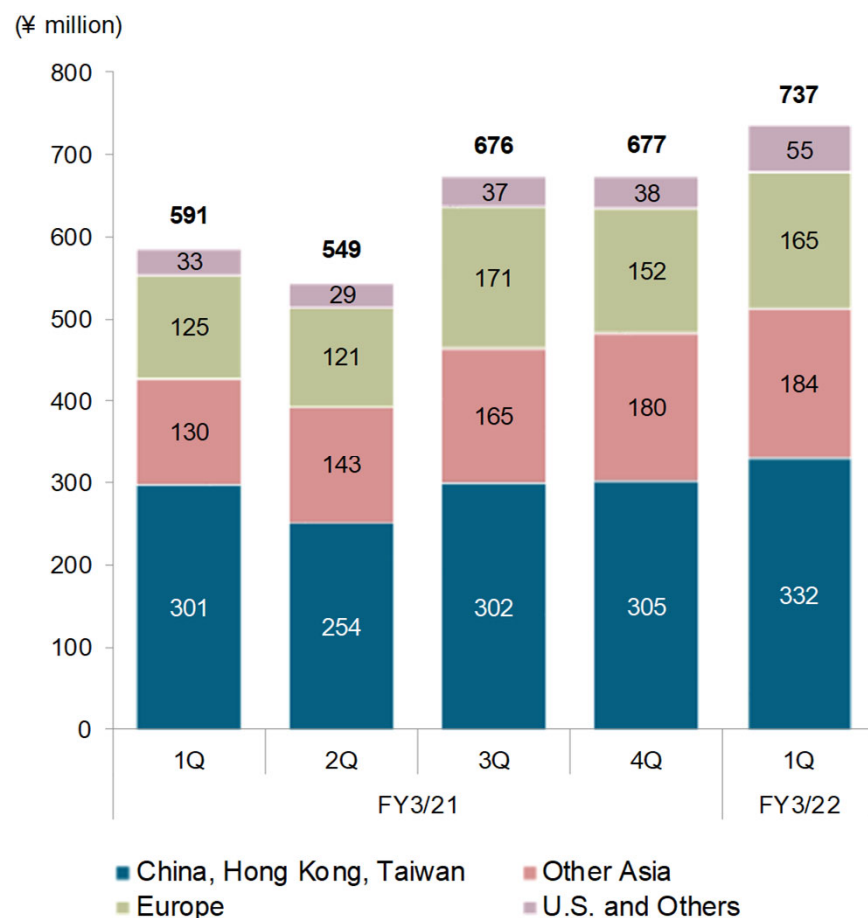
Trend of domestic and overseas net sales



- Domestic net sales were ¥1,707 million, an increase of ¥364 million (27.1%) YoY, and overseas net sales were ¥737 million, an increase of ¥146 million (24.8%) YoY.
- Both net sales increased YoY, but overseas net sales ratio declined by 0.4pp YoY to 30.2% due to the higher rate of domestic net sales growth.
- The overseas net sales ratio was less than 20% a decade ago and was in the low 20% range even 5 years ago, however it exceeded 30% to 34.3% in the July-September period of 2019, mainly due to an increase in sales to China and has continued to stay at around 30% since then.

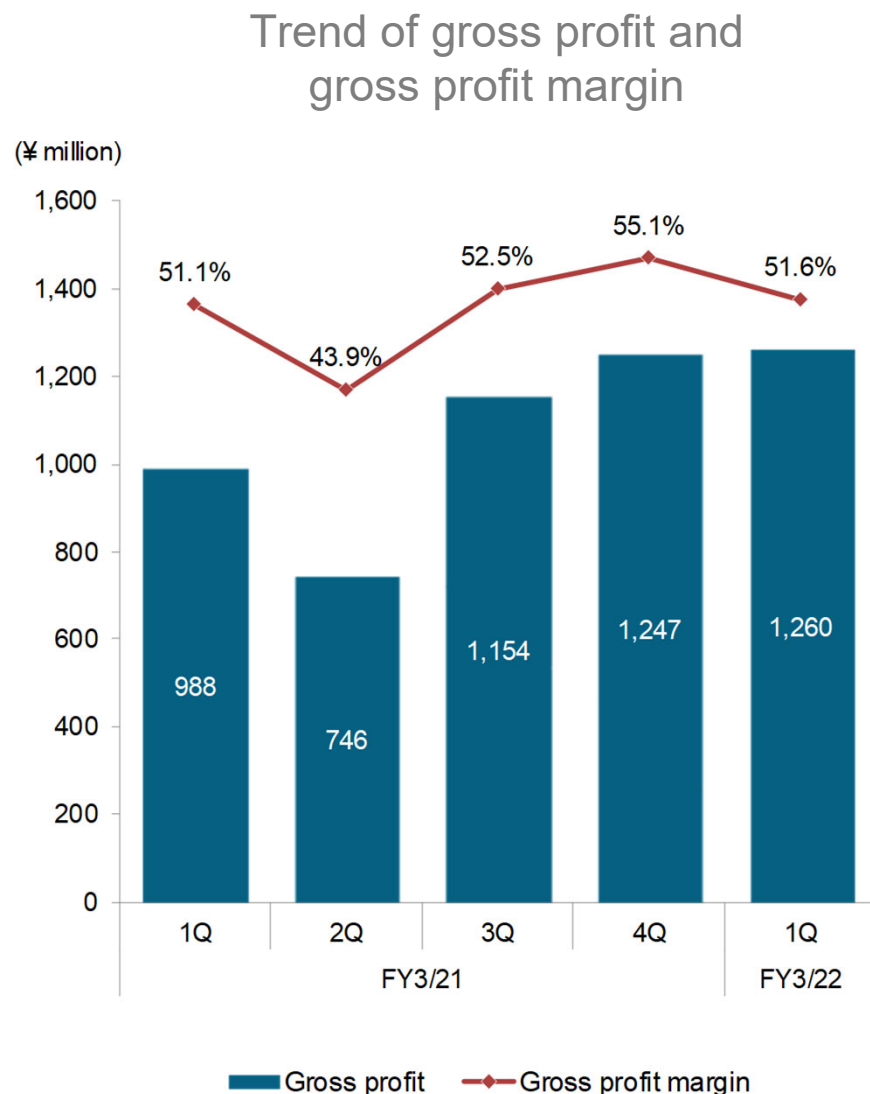
Business Performance (Trend of net sales (3) By overseas region)

Trend of net sales by overseas region



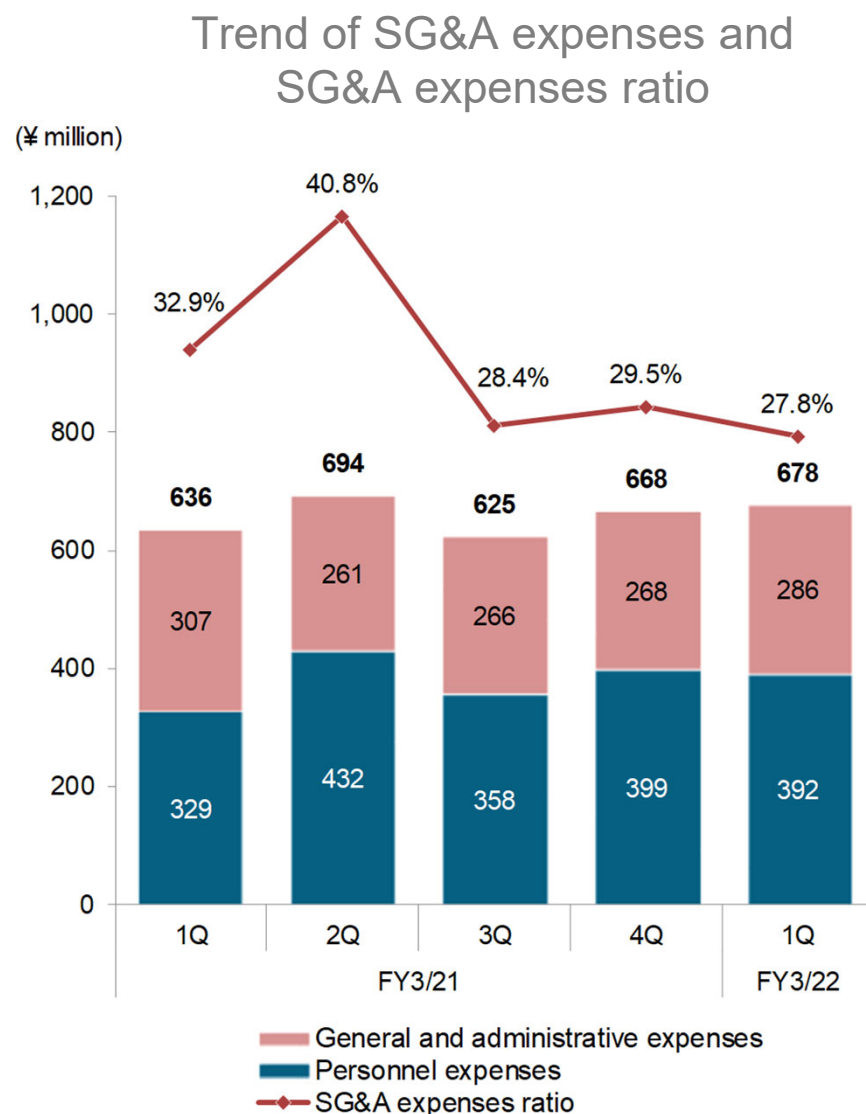
- Combined sales of China, Hong Kong, Taiwan increased by 10.2% YoY to ¥332 million. In the account consolidation of NS TOOL Hong Kong Ltd., into 1Q results, figures for January-March are combined. Although it usually tends to be lower than in other periods due to Chinese New Year in part, it declined significantly from impact of COVID-19 in the April-June period of 2020 and has been recovering gradually since then.
- Other Asia rose by 41.0% YoY to ¥184 million, partly due to a sharp drop from impact of COVID-19 in the same period of the previous fiscal year.
- Europe also rose by 32.1% YoY to ¥165 million.
- Inquiries for new precision machining such as medical equipment has been recently received from U.S. and other regions, where net sales rose by 66.1% YoY to ¥55 million. Although the absolute amount is still small, we will continue to focus on expanding sales.

Business Performance (Trend of gross profit)



- Since production volume has increased along with the recovery in net sales, variable costs increased; materials cost by 49.1% YoY and outsourcing expenses by 27.1% YoY, while labor costs also rose by 6.1% YoY due to the increase of provision for bonuses for employees, etc. On the other hand, manufacturing expenses declined by 4.0% YoY due to the decline in depreciation, and cost of products manufactured for 1Q rose by 14.7% YoY. However, cost of sales increased by 25.2% YoY partly because finished goods inventories decreased by ¥48 million YoY while those for 1Q FY3/21 increased by ¥100 million YoY.
- As a result, gross profit rose by 27.5% YoY to ¥1,260 million and gross profit margin increased only by 0.5pp YoY to 51.6%.

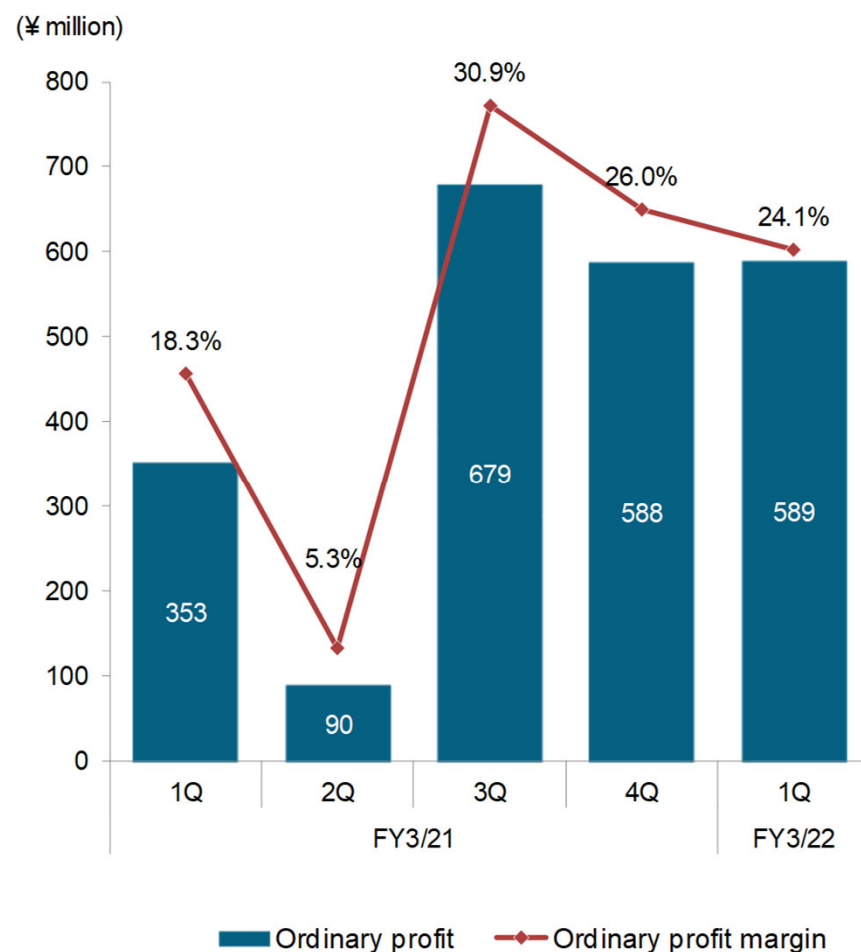
Business Performance (Trend of SG&A expenses)



- General expenses decreased by 6.9% YoY to ¥286 million due to the absence of real estate acquisition tax for the new R&D center, which was booked in the same period of the previous fiscal year, although exhibition costs and travel expenses increased slightly due to resumption of participation in exhibitions and customer visiting activities, which were refrained last year.
- Personnel expenses rose by 19.1% YoY to ¥392 million on the back of higher provision for bonuses for employees as earnings recovered.
- Overall SG&A expenses rose by 6.6% YoY to ¥678 million, but net sales increased significantly, and SG&A expenses ratio declined by 5.1pp YoY to 27.8%.

Business Performance (Trend of ordinary profit)

Trend of ordinary profit and ordinary profit margin



- Operating profit rose by 65.5% YoY to ¥582 million due to a 26.4% YoY increase in net sales.
- For non-operating income and expenses, there were ¥13 million gain on surrender value of insurance policies following the resignation of an executive officer and ¥10 million foreign exchange losses of NS TOOL Hong Kong Ltd. and ordinary profit increased by ¥589 million, an increase of 66.8% YoY. Ordinary profit for 3Q FY3/21 was larger at ¥679 million, due to a significant amount of temporary non-operating income led by employment adjustment government subsidies and other subsidy income of ¥25 million and surrender value of insurance policies of ¥122 million.
- Ordinary profit margin was 24.1%, an increase of 5.8pp YoY.

Consolidated Financial Forecasts for FY3/22



Financial Forecasts

(Unit: ¥ million)	FY3/21 Actual	FY3/22 Forecasts	YoY Changes
Net Sales	8,100	9,170	+13.2%
Operating profit	1,512	1,920	+26.9%
Ordinary profit	1,712	1,930	+12.7%
Profit attributable to owners of parent	1,214	1,330	+9.5%
Capital investment	462	589	+27.6%
Depreciation	707	713	+0.9%
EPS (¥)	48.55	53.14	+9.5%
Dividend per share (¥)	17.50	20.00	+14.3%

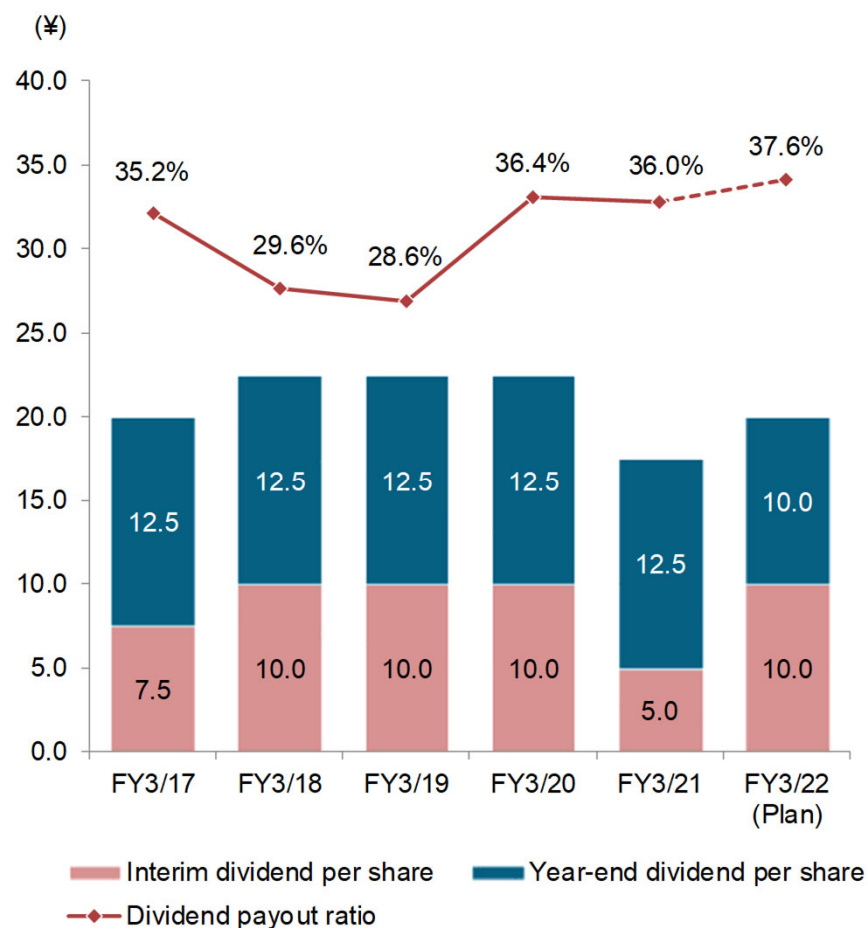
*The impact of the share split on April 1, 2021 was considered.

- After 1Q results exceeded initial forecasts, forecasts for 2Q has also been revised to slightly stronger figures considering the current demand situation. From 3Q onward, due to uncertainties such as the consequences of COVID-19 and the impact of semiconductor shortage, the initial forecasts have generally been left unchanged. As a result, net sales for the full year are forecast to increase by 13.2% YoY to ¥9,170 million, operating profit to increase by 26.9% YoY to ¥1,920 million, and ordinary profit to increase by 12.7% YoY to ¥1,930 million as the boost in temporary non-operating income in the previous fiscal year disappears.
- Capital expenditures are mainly focused on machinery and equipment to improve product quality and productivity. Although in FY3/21, capital expenditures were suppressed because of production cuts, it is expected to return to the normal level in FY3/22.
- Annual dividend per share for FY3/22 is planned to be ¥20.0 with interim dividend of ¥10.0, and yearend dividend of ¥10.0.

Progress in 1Q FY3/22

(Unit: ¥ million)	FY3/22				
	1Q Actual	1H Forecasts	Progress Rate	Full-year Forecasts	Full-year Progress Rate
Net Sales	2,445	4,650	52.6%	9,170	26.7%
YoY Changes	+26.4%	+27.9%		+13.2%	
Operating profit	582	980	59.4%	1,920	30.3%
YoY Changes	+65.5%	+142.5%		+26.9%	
Ordinary profit	589	990	59.6%	1,930	30.6%
YoY Changes	+66.8%	+122.9%		+12.7%	
Profit attributable to owners of parent	392	670	58.5%	1,330	29.5%
YoY Changes	+68.7%	+143.5%		+9.5%	

Dividend Forecasts (Shareholder Returns)



*The impact of the share split on January 1, 2017 and 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 FY3/21 was ¥17.5.
Interim dividend: ¥5.0, Year-end dividend: ¥12.5
Dividend payout ratio: 36.0%
*The impact of the 2-for-1 share split on April 1, 2021 was considered.
- Annual dividend per share for FY3/22 is planned to be ¥20.0.
Interim dividend: ¥10, Year-end dividend: ¥10
Dividend payout ratio for the financial forecasts: 37.6%
- 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.

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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.