Financial Results for the 2nd Quarter of Fiscal Year Ending March 31, 2022

NS TOOL CO., LTD.

October 29, 2021

(Securities Code: 6157)

Contents

1. Consolidated Financial Results for 2Q FY3/22

2. Consolidated Financial Forecasts for FY3/22

Consolidated Financial Results for 2Q FY3/22

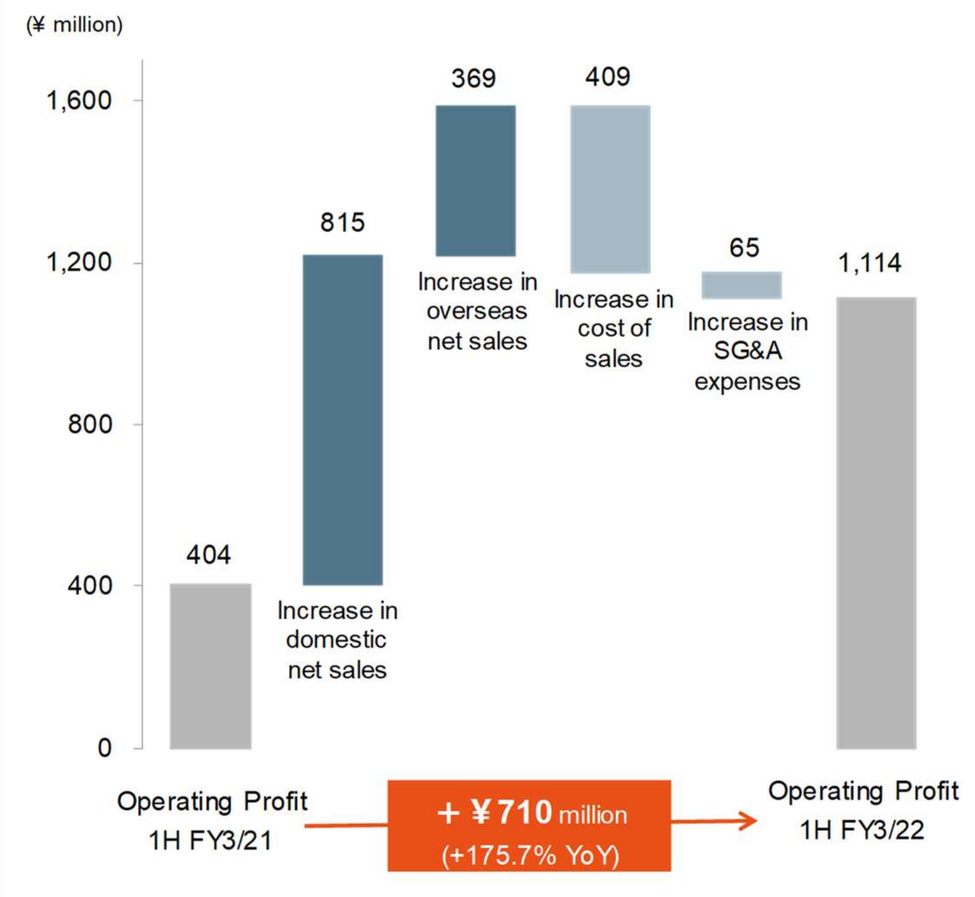
Financial Results Summary for 1H FY3/22

Cleared 1H financial forecast

(Unit: ¥ million)	1H FY3/21 Actual	1H FY3/22 Actual	1H FY3/22 Forecasts	Progress Rate
Net Sales	3,635	4,821	4,650	103.7%
YoY changes	-26.3%	+32.6%	+27.9%	
Operating profit	404	1,114	980	113.7%
YoY changes	-68.0%	+175.7%	+142.5%	
Ordinary profit	444	1,130	990	114.2%
YoY changes	-64.9%	+154.6%	+122.9%	
Profit attributable to owners of parent	275	770	670	115.1%
YoY changes	-67.0%	+180.2%	+143.5%	

- 1H financial results improved significantly from the same period of the previous fiscal year, which was affected by the global COVID-19 pandemic. Due to the ongoing boom in electronic parts and semiconductor-related, as well as strong sales of machinery-related including semiconductor manufacturing equipment, 1H consolidated net sales was ¥4,821 million, up 32.6% YoY, nearly recovering to the same level as FY3/19 prior to COVID-19.
- Consolidated ordinary profit was ¥1,130 million, up 154.6% YoY.
- Ordinary profit margin was 23.5%, up 11.3pp YoY.
- Progress rate to the revised financial forecasts for 1H announced in July were 103.7% in net sales and 114.2% in ordinary profit.

Factors for Increase in Operating Profit



- Domestic net sales rose by ¥815 million, up 32.7% YoY, and overseas net sales rose by ¥369 million, up 32.4% YoY, while overall net sales rose by ¥1,185 million, up 32.6% YoY.
- Cost of sales rose by ¥409 million, up 21.6% 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 52.1%, up 4.4pp YoY.
- SG&A expenses increased only by ¥65 million, up 4.9% YoY. While personnel expenses rose by 12.0% YoY due to the increase in provision for bonuses for employees, operating expenses, down 4.6% YoY, continued to be held down despite the increase in exhibition costs, helped by the disappearance of the real estate acquisition tax incurred in the previous fiscal year.
- As a result, operating profit rose by ¥710 million, up 175.7% YoY, to ¥1,114 million, and operating profit margin was 23.1%, up 12.0pp YoY.

Summary of Statement of Income

(Unit: ¥ million)	1H FY3/21 Actual	1H FY3/22 Actual	YoY Changes
Net Sales	3,635	4,821	+32.6%
Gross profit	1,735	2,511	+44.7%
Ratio to net sales	47.7%	52.1%	
SG&A expenses	1,331	1,396	+4.9%
Ratio to net sales	36.6%	29.0%	
Operating profit	404	1,114	+175.7%
Ratio to net sales	11.1%	23.1%	
Ordinary profit	444	1,130	+154.6%
Ratio to net sales	12.2%	23.5%	
Profit attributable to owners of parent	275	770	+180.2%
Ratio to net sales	7.6%	16.0%	
Capital investment	150	173	+14.9%
Depreciation	352	332	-5.7%
No. of employees (persons)	344	349	+1.5%

- Net sales were ¥4,821 million, up 32.6% YoY. While demand for small-diameter tools remained firm due to the continued strong trend in semiconductors, electronic parts and devices-related, companies were forced to cut automobile-related production due to shortages of semiconductors and components.
- Gross profit was ¥2,511 million, up 44.7% YoY. As a result of cost of sales only increasing by ¥409 million YoY through cost reduction, the gross profit margin was 52.1%, up 4.4pp YoY.
- SG&A expenses increased by 4.9% YoY, as personnel expenses increased while general expenses decreased. SG&A expenses ratio was 29.0%, down 7.6pp YoY.
- As a result, operating profit was ¥1,114 million, up 175.7% YoY, and operating profit margin was 23.1%, up 12.0pp YoY.
- Capital expenditures were ¥173 million, up 14.9% YoY. Depreciation declined by 5.7% YoY due to controlled machinery and equipment investment in the previous fiscal year.

Summary of Balance Sheet

(Unit: ¥ million)	FY3/21-End	Composition Ratio	1H FY3/22-End	Composition Ratio	VS FY3/21-End
(Assets)					
I Current assets	10,895	64.3%	11,587	66.4%	+6.3%
Cash and deposits	7,674	45.3%	8,417	48.2%	+9.7%
Notes and accounts receivable - trade	1,312	7.7%	1,393	8.0%	+6.2%
Inventories	1,758	10.4%	1,703	9.8%	-3.1%
II Non-current assets	6,040	35.7%	5,861	33.6%	-3.0%
Property, plant and equipment	5,477	32.3%	5,296	30.4%	-3.3%
Intangible assets	34	0.2%	35	0.2%	+4.2%
Investments and other assets	529	3.1%	529	3.0%	-0.0%
Total assets	16,936	100.0%	17,448	100.0%	+3.0%
(Liabilities)					
I Current liabilities	1,385	8.2%	1,369	7.8%	-1.1%
Accounts payable - trade	220	1.3%	291	1.7%	+32.2%
II Non-current liabilities	224	1.3%	224	1.3%	–
Total liabilities	1,609	9.5%	1,594	9.1%	-1.0%
(Net assets)					
Total equity	15,142	89.4%	15,638	89.6%	+3.3%
Total net assets	15,326	90.5%	15,854	90.9%	+3.4%
Total liabilities and net assets	16,936	100.0%	17,448	100.0%	+3.0%

Current assets

Increased by 6.3% from the end of the previous fiscal year as a result of the increase in cash and deposits due to the earnings recovery.

Non-current assets

Decreased by 3.0% from the end of the previous fiscal year due to lack of major capital expenditures and excess of depreciation over capital expenditures.

Liabilities

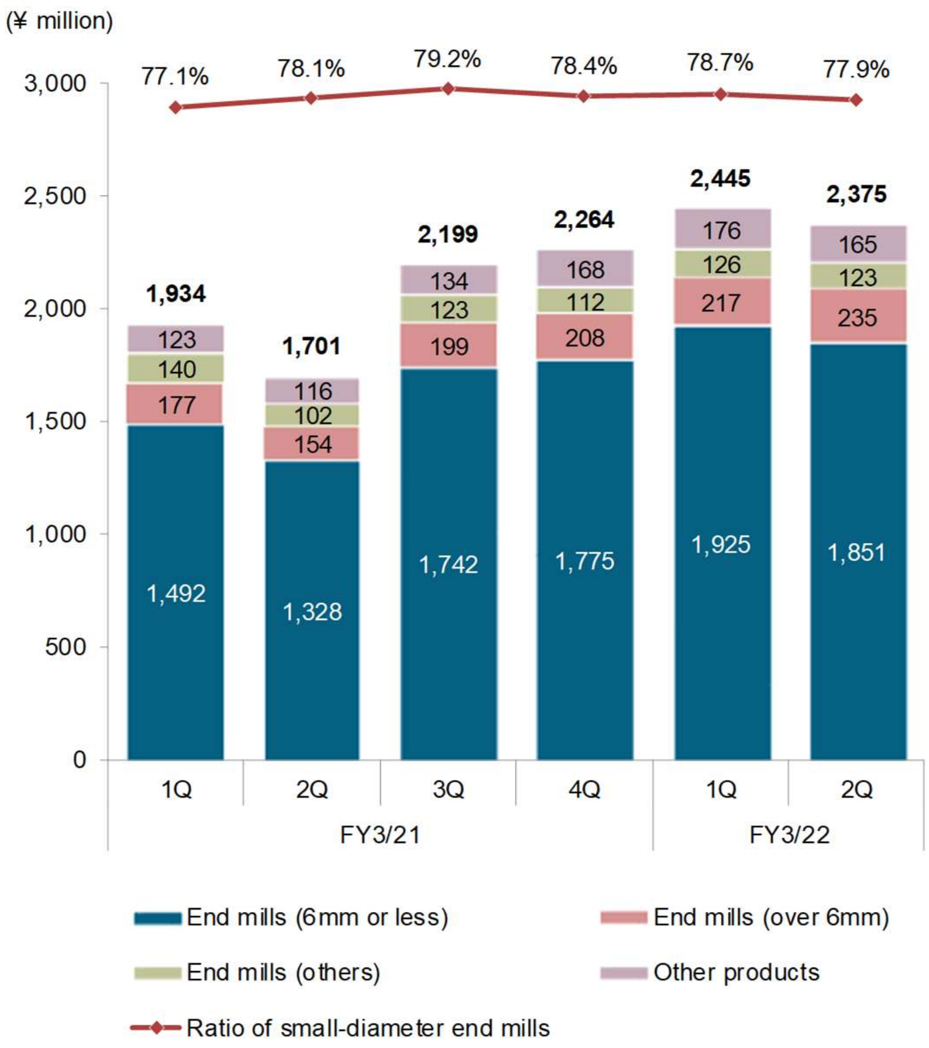
Decreased by 1.0% from the end of the previous fiscal year mainly due to the decrease in accrued consumption taxes and provision for bonuses for directors and senior officers despite the increase in income taxes payable.

Net assets

Increased by 3.4% from the end of the previous fiscal year mainly due to the increase in retained earnings. The shareholders' equity ratio was 89.6%, up 0.2pp from the end of the previous fiscal year.

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

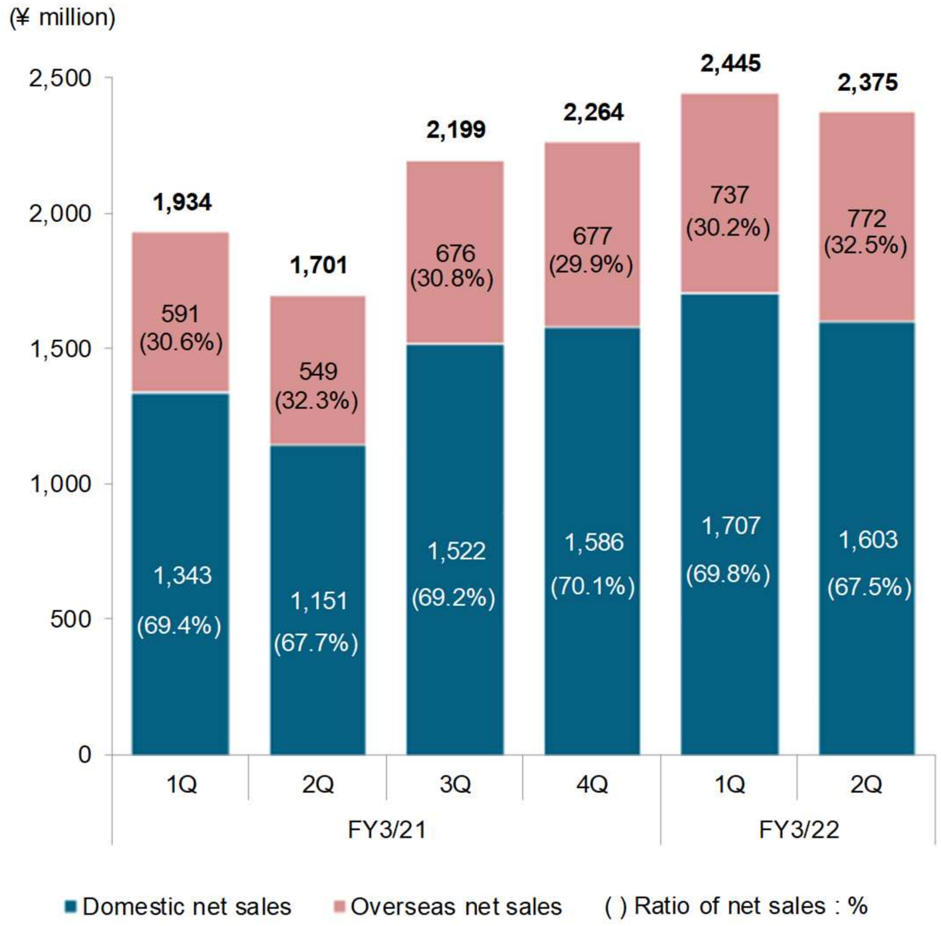
Trend of net sales by product and ratio of small-diameter end mills



- Demand for electronic parts and semiconductor-related remained robust due to continuous demand for IT-related equipment and industrial machinery. Semiconductor manufacturing equipment and molds for semiconductors in particular also maintained strong performance. At the same time, companies were forced to cut automobile-related production due to shortages of semiconductors and components.
- While 2Q consolidated net sales were ¥2,375 million, up 39.6% YoY, they declined by 2.9% QoQ due to the impact of production cuts in the automobile industry.
- By product, net sales for mainstay end mills (diameter 6mm or less) rose by 39.4% YoY, end mills (diameter over 6mm) rose by 52.7% YoY, and end mills (others), mainly special products custom-made to users, increased by 20.3% YoY. Other products such as tool cases also increased by 42.1% YoY. Since there was strong growth in tools other than small-diameter end mills, the ratio of small-diameter end mills declined by 0.2pp YoY to 77.9%.

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

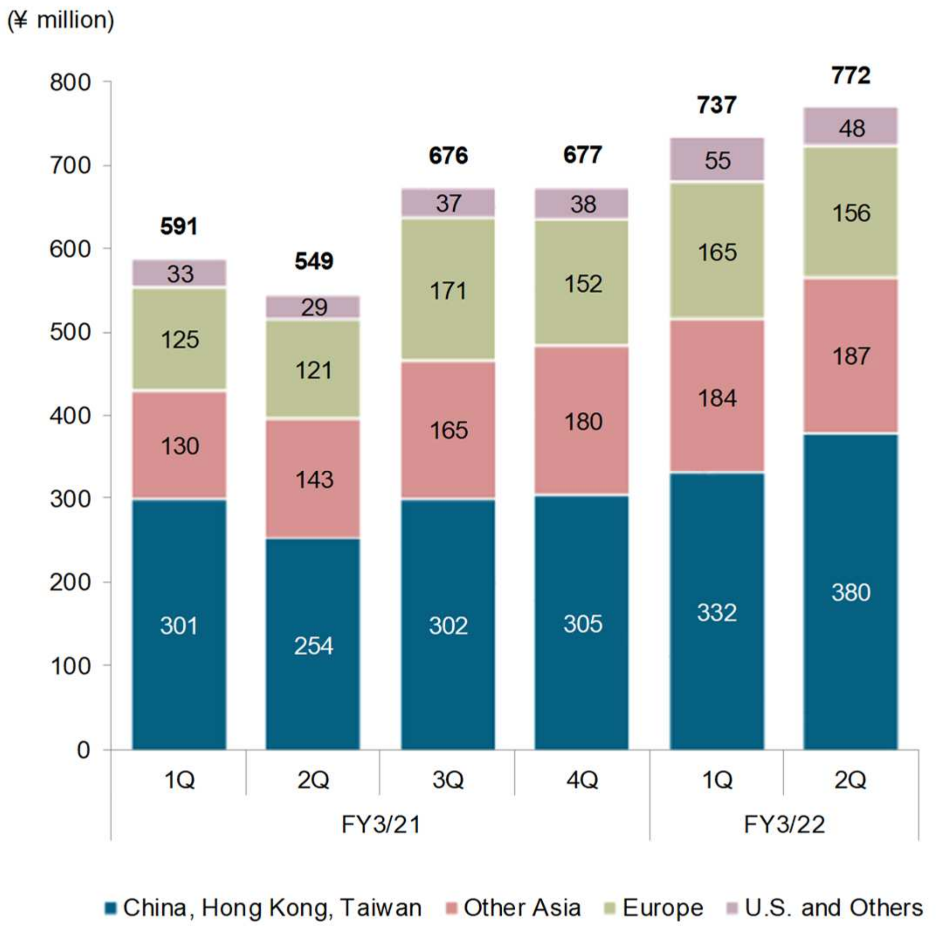
Trend of domestic and overseas net sales



- Domestic net sales were ¥1,603 million, an increase of ¥451 million (39.2%) YoY, and overseas net sales were ¥772 million, an increase of ¥222 million (40.6%) YoY. Domestic sales sharply declined during the same period of the previous fiscal year due to the depressed final demand and movement to reduce market distribution inventories, but the gradual recovery has been seen since 2H of the previous fiscal year.
- Overseas net sales recovered mainly in Greater China, increasing by 4.7% QoQ, and the overseas net sales ratio increased by 2.3pp QoQ to 32.5%.
- The overseas net sales ratio was less than 20% a decade ago and in lower twenties five 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.

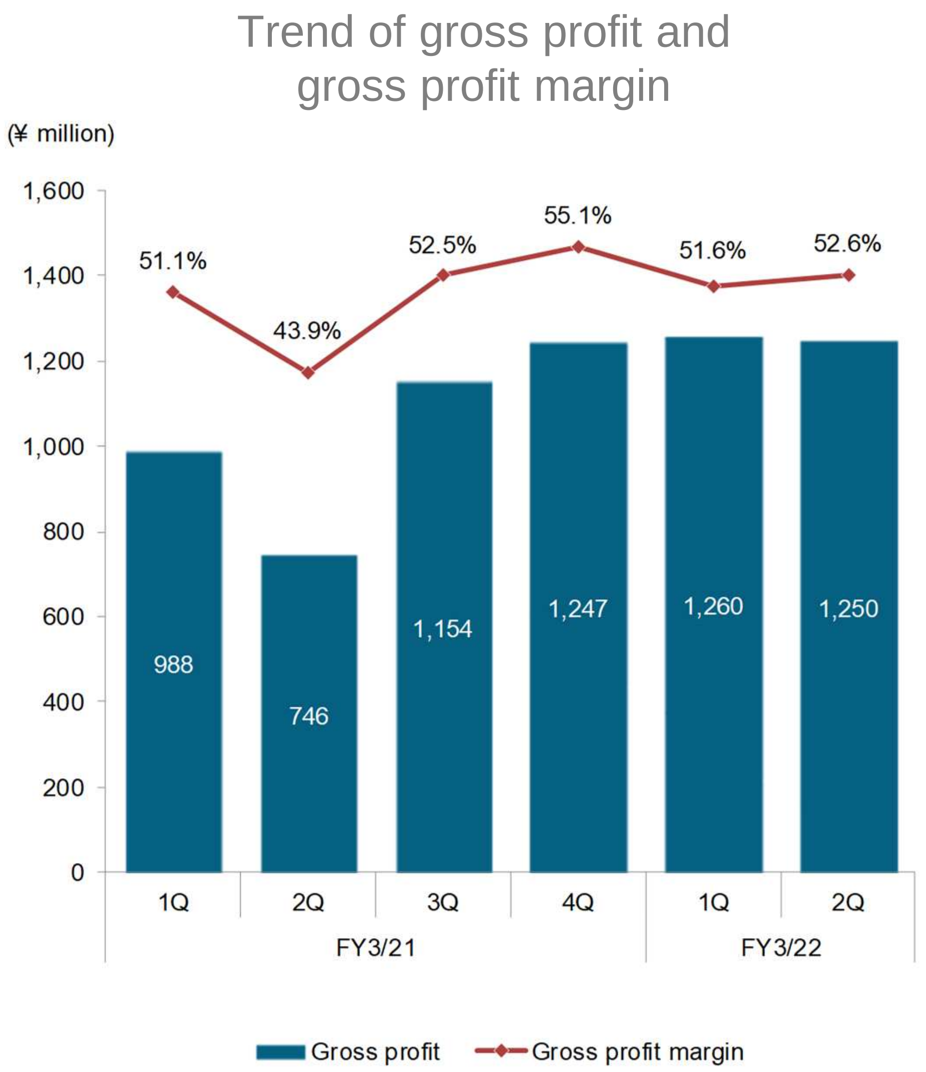
Business Performance (Trend of net sales (3) By overseas region)

Trend of net sales by overseas region



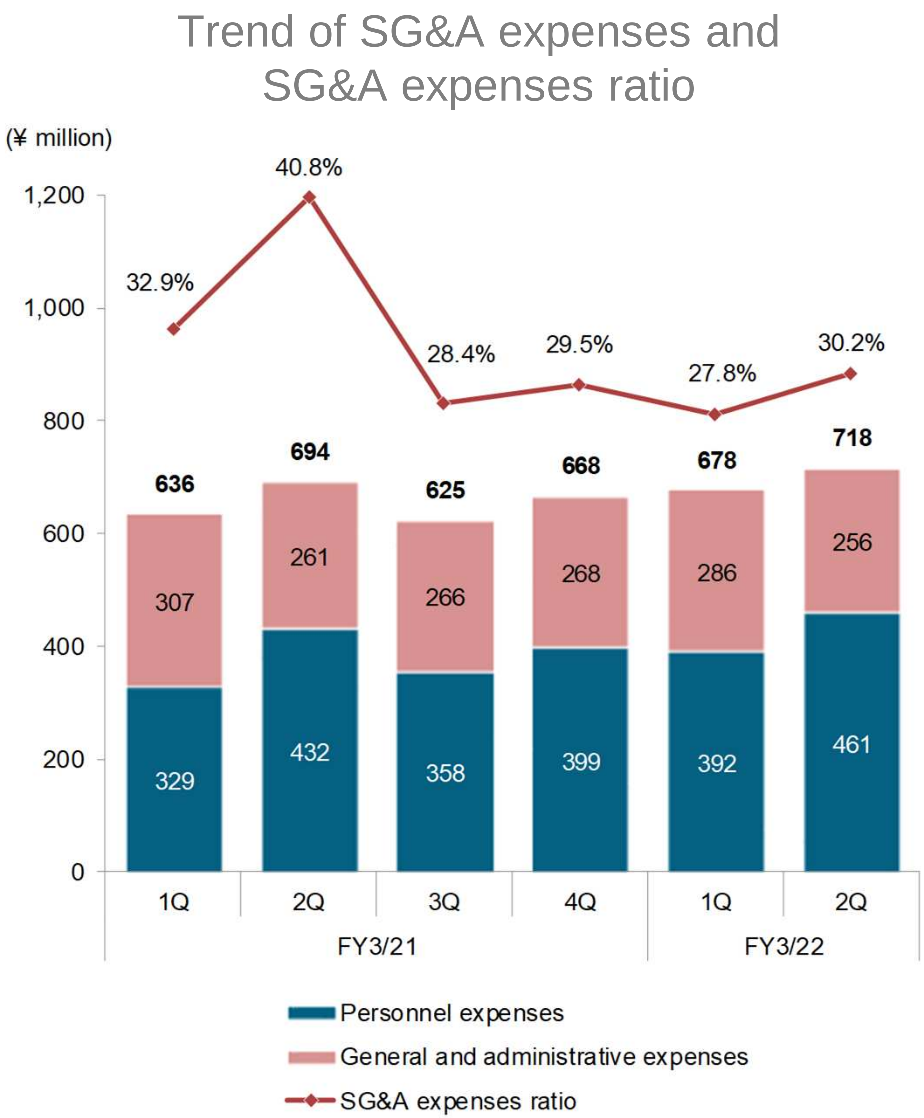
- Combined sales of China, Hong Kong, Taiwan increased by 49.6% YoY to ¥380 million. In the account consolidation of NS TOOL Hong Kong Ltd., into 2Q results, figures for April-June are combined. Net sales declined sharply in the same period of the previous fiscal year due to the impact of COVID-19, however in normal years, April-June is seasonally a period of rising demand for smartphones in China, so 2Q net sales this fiscal year increased significantly.
- Other Asia net sales also declined sharply in the same period of the previous fiscal year due to the impact of COVID-19, and the result of this fiscal year increased by 30.9% YoY to ¥187 million.
- While Europe experienced a similar trend in the previous fiscal year, and rose by 28.0% YoY this fiscal year to ¥156 million, the impact of the semiconductor shortage on the automobile industry began to prevail, resulting in a 5.8% decline QoQ.
- The U.S. and Others increased by 61.4% YoY to ¥48 million, helped by the increase in medical care-related orders. As for U.S. market, while the impact on financial results for the current fiscal year is minimal, the Company recently announced to aim to strengthen sales by establishing a U.S. subsidiary.

Business Performance (Trend of gross profit)



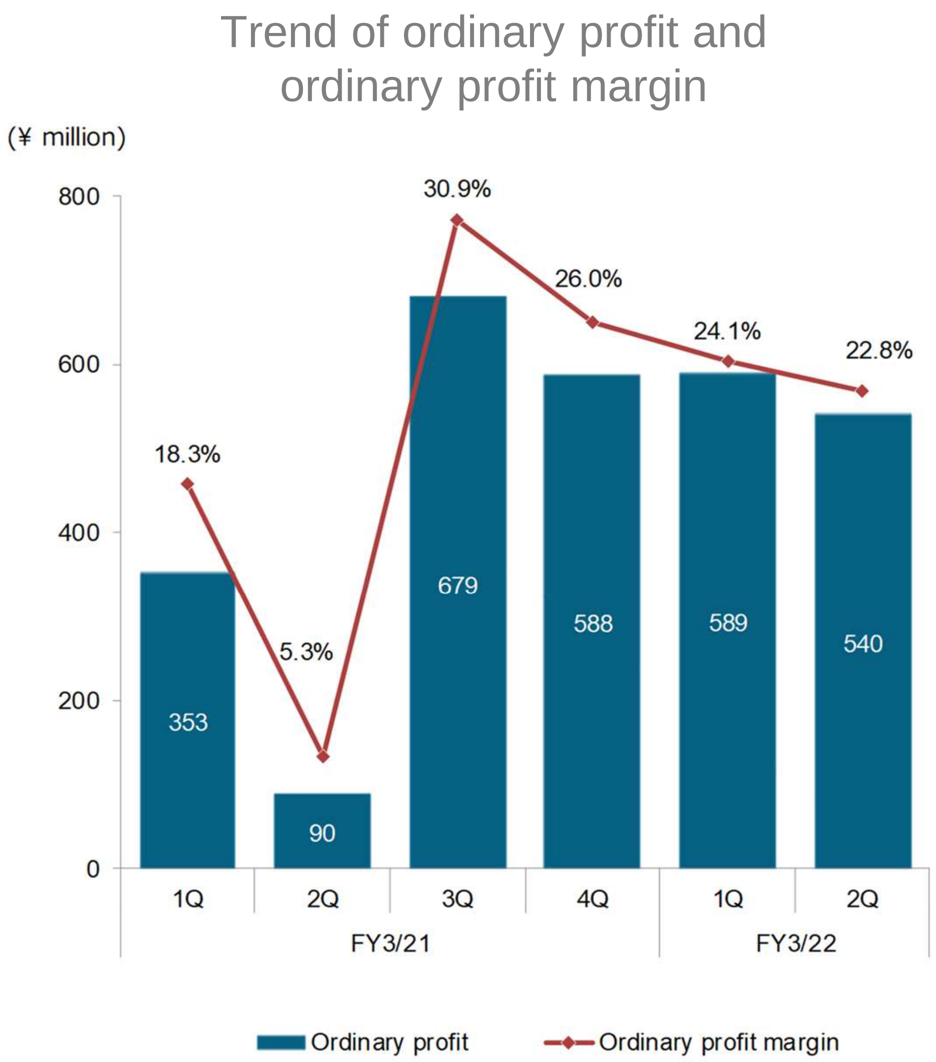
- Against the 39.6% YoY increase in net sales, cost of sales remained 17.9% increase YoY. Production volume was hiked in response to the recovery in net sales, but cost-cutting measures from the previous fiscal year are successfully materializing to a reduction in cost of sales.
- Variable costs rose sharply; due to materials cost up 110.3% YoY and outsourcing expenses up 89.5% YoY, while labor costs rose by 21.0% YoY and manufacturing expenses by 11.1% YoY, respectively, still increased but not as much as those for variable costs.
- Finished goods inventories decreased by ¥211 million QoQ as a result of production cuts through temporary leave in response to the decline in final demand and the move to reduce market distribution inventories at the end of 2Q of the previous fiscal year; however, in 2Q of the current fiscal year, they rose by ¥75 million QoQ versus the end of 1Q. Cost of sales was ¥1,125 million, up 17.9% YoY.
- As a result, gross profit rose 67.4% YoY to ¥1,250 million and gross profit margin increased by 8.7pp YoY to 52.6%.

Business Performance (Trend of SG&A expenses)



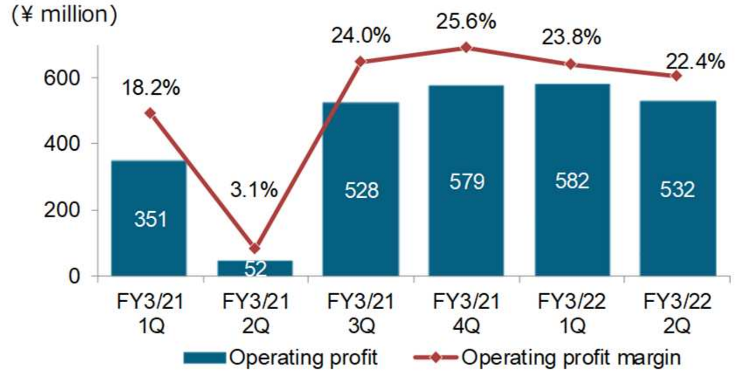
- Amid the backdrop of ongoing curtailed activities, general expenses declined by 1.9% YoY to ¥256 million as operating expenses remained at a low level, with only one large-scale domestic trade exhibition. In addition to a decline in depreciation due to restrained capital expenditures in FY3/21 and a decline in insurance premiums due to canceled policies for executive officers.
- Personnel expenses rose by 6.6% YoY to ¥461 million due to the increase in provision for bonuses for employees in response to the recovery in performance. Since the Company disburses stock-based compensation in July every year, personnel expenses seasonably tend to be higher than other quarters in 2Q.
- Overall SG&A expenses rose by 3.4% YoY to ¥718 million, but SG&A expenses ratio declined by 10.6pp YoY to 30.2%, thanks to significant increase of net sales.

Business Performance (Trend of ordinary profit)



- Profits have been showing steady recovery since 2Q of the previous fiscal year, which was the worst business condition under COVID-19. 2Q operating profit increased sharply by 917.1% YoY to ¥532 million.
- For non-operating income and expenses, gain on sale of scraps was ¥4 million, and foreign exchange losses at NS TOOL Hong Kong Ltd. was ¥3 million. Ordinary profit was ¥540 million, up 497.6% YoY. For reference, in 3Q FY3/21, ordinary profit was boosted by non-operating income of ¥151 million, attributed to subsidy income and gain on surrender value of life insurance policies.
- Ordinary profit margin rose by 17.5pp YoY to 22.8%. However, it declined 1.3pp QoQ due to increased SG&A expenses due to provision for bonuses and stock-based compensation, etc.

(Ref.) Trend of operating profit and operating profit margin



Consolidated Financial Forecasts for FY3/22

Financial Forecasts

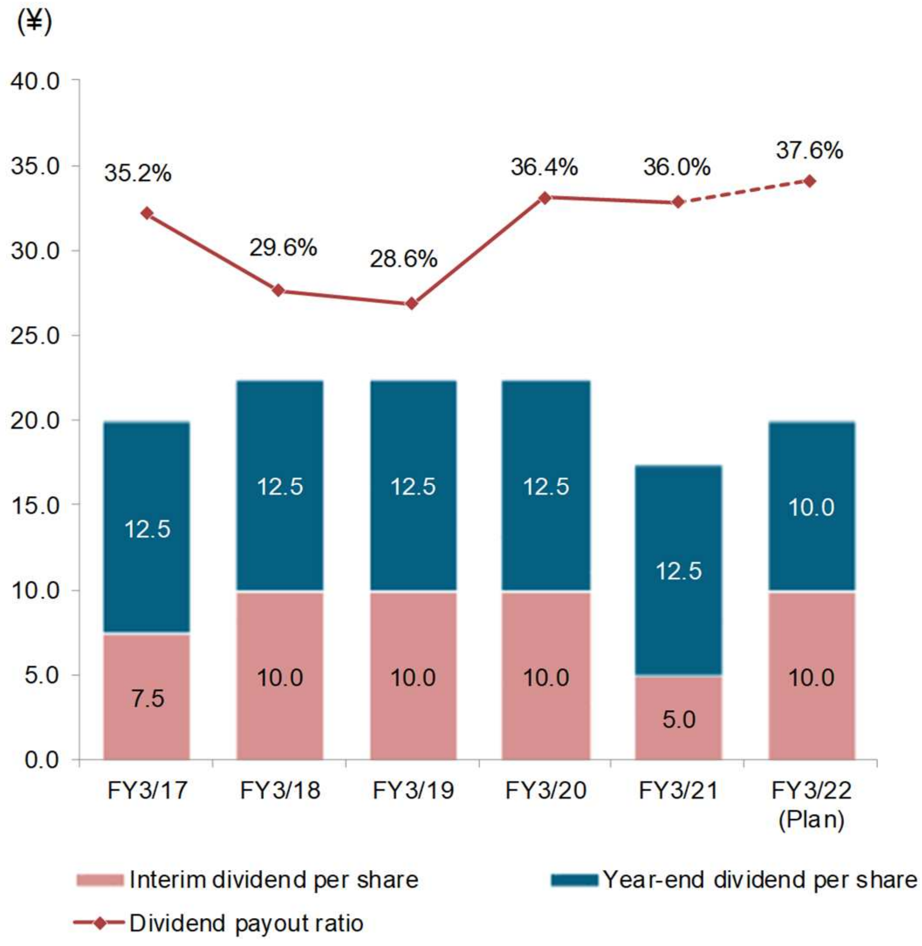
(Unit: ¥ million)	FY3/21 Actual	FY3/22 Forecasts	YoY Changes
Net Sales	8,100	9,170	+13.2%
Operating profit	1,512	1,920	+26.9%
Ordinary profit	1,712	1,930	+12.7%
Profit attributable to owners of parent	1,214	1,330	+9.5%

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.

- While 1H financial results exceeded forecasts, full-year financial forecasts have been left unchanged due to many uncertain factors after 3Q onward, such as the trend of COVID-19, the impact of semiconductor and component shortages on production activities in general, and price competition for certain product categories in the industry, etc.
- Full-year FY3/22 forecasts are for net sales ¥9,170 million, up 13.2% YoY, operating profit ¥1,920 million, up 26.9% YoY, and ordinary profit ¥1,930 million, up 12.7% YoY, lower growth reflecting the disappearance of non-operating income booked in the previous fiscal year.
- Capital expenditures are mainly focused on machinery and equipment to improve product quality and productivity. Capital expenditures were restrained in FY3/21 due to production cuts, however they are expected to return to the level in normal years in FY3/22.
- Annual dividends per share are planned to be ¥20.0 with an interim dividend of ¥10.0 and year-end dividend of ¥10.0.

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: ¥10.0, Year-end dividend: ¥10.0
  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.

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.