Financial Results for the Fiscal Year Ended March 31, 2023

NS TOOL CO., LTD.

May 12, 2023

(Securities Code: 6157)

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Financial Results Summary

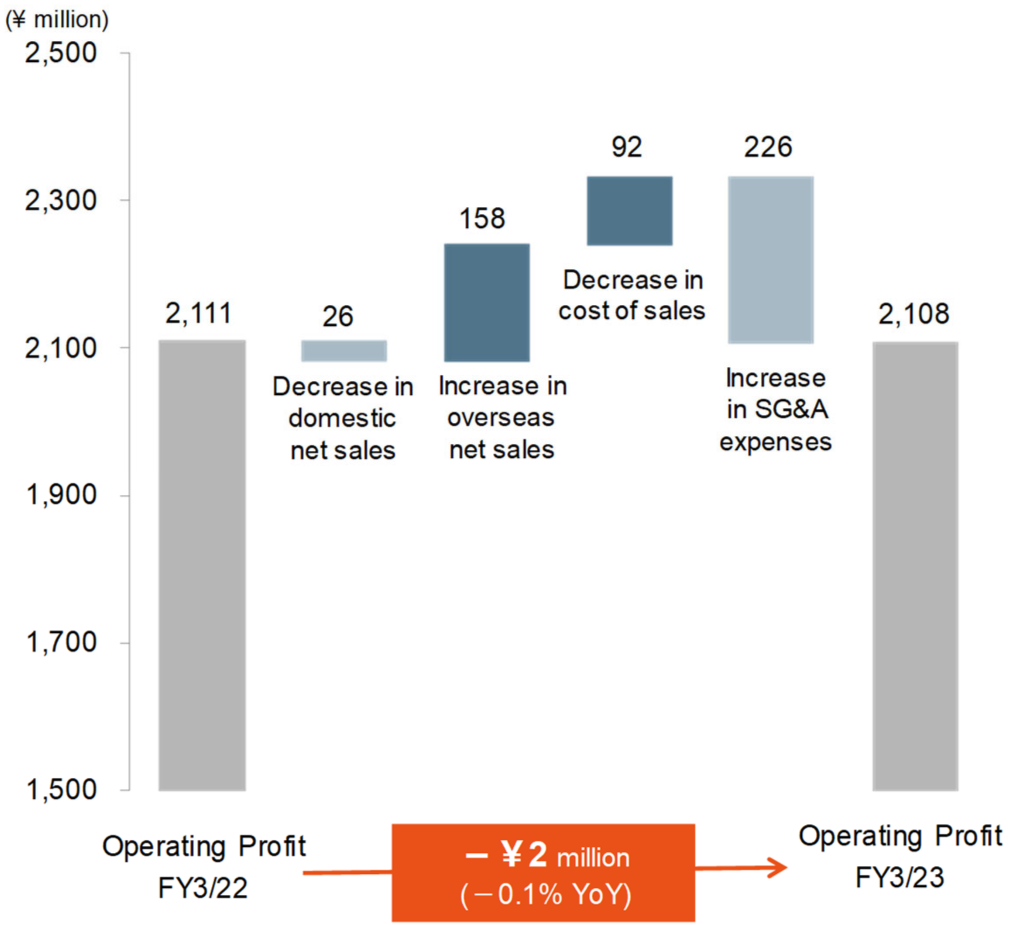
Increased in net sales and decreased slightly in profits YoY

Achieved full-year financial forecasts

(Unit: ¥ million)	FY3/23 Forecasts	FY3/23 Actual	Changes vs. Forecasts
Net Sales	9,370	9,656	286
YoY changes	-1.6%	+1.4%	+3.1%
Operating profit	1,790	2,108	318
YoY changes	-15.2%	-0.1%	+17.8%
Ordinary profit	1,790	2,131	341
YoY changes	-17.0%	-1.2%	+19.1%
Profit attributable to owners of parent	1,210	1,475	265
YoY changes	-20.5%	-3.1%	+21.9%

- Automotive industry remained sluggish amid continued production cutbacks due to semiconductor and parts shortages. On the other hand, the market of semiconductor and electronic components and devices generally remained strong, despite declining demand for smartphones and PCs.
- Although costs increased caused by inflation, both net sales and profits exceeded the full-year financial forecasts due to our ongoing cost reductions and the impact of price increases starting from November orders.
- Consolidated net sales were ¥9,656 million, up 1.4% YoY.
- Consolidated operating profit was ¥2,108 million, down 0.1% YoY. Consolidated ordinary profit was ¥2,131 million, down 1.2% YoY.
- Operating profit margin was 21.8% and ordinary profit margin was 22.1%.

Factors for Decrease in Operating Profit



- Domestic net sales decreased by ¥26 million, down 0.4%, while overseas net sales increased by ¥158 million, up 5.4%. Overall net sales increased by ¥131 million, up 1.4% YoY.
- Cost of sales decreased by ¥92 million, down 2.0% YoY, while gross profit margin was 53.0%. Cost reduction was successful, despite some cost increases.
- In SG&A expenses, exhibition costs and advertising expenses, which are selling expenses, increased due to aggressive sales activities. SG&A expenses excluding personnel expenses increased by 13.7% YoY, overall SG&A expenses increased by ¥226 million, up 8.2% YoY.
- As a result, operating profit decreased by ¥2 million, down 0.1% YoY, to ¥2,108 million. Operating profit margin was 21.8%, down 0.4 pp YoY.

Summary of Statement of Income

(Unit: ¥ million)	FY3/22	FY3/23	YoY Changes
Net Sales	9,524	9,656	+1.4%
Gross profit	4,891	5,115	+4.6%
Ratio to net sales	51.4%	53.0%	
SG&A expenses	2,780	3,007	+8.2%
Ratio to net sales	29.2%	31.1%	
Operating profit	2,111	2,108	-0.1%
Ratio to net sales	22.2%	21.8%	
Ordinary profit	2,156	2,131	-1.2%
Ratio to net sales	22.6%	22.1%	
Profit attributable to owners of parent	1,522	1,475	-3.1%
Ratio to net sales	16.0%	15.3%	
Capital investment	659	686	+4.1%
Depreciation	692	669	-3.2%
No. of employees (persons)	348	352	+1.1%

- Net sales increased by ¥9,656 million, up 1.4% YoY, due to the effect of the price increase, despite slightly sluggish trend in January-March due to the reaction to some rush demand prior to the price increase for some products implemented from November orders.
- Gross profit was ¥5,115 million, up 4.6% YoY. Cost of sales decreased by 2.0% YoY, mainly due to the success of cost reduction by improvement activities, and gross profit margin was 53.0%, up 1.6 pp YoY.
- Overall SG&A expenses increased by 8.2% YoY in line with the rise in expenses from sales activities such as exhibition costs. SG&A expenses ratio was 31.1%, up 1.9 pp YoY.
- As a result, operating profit decreased by 0.1% YoY to ¥2,108 million and operating profit margin was 21.8%, down 0.4 pp YoY.
- Capital expenditures were ¥686 million, up 4.1% YoY, falling short of initial forecasts, due to a delay in the facility planning. Depreciation decreased by 3.2% YoY.

Summary of Balance Sheet

(Unit: ¥ million)	FY3/22-End	Composition Ratio	FY3/23-End	Composition Ratio	VS FY3/22-End
(Assets)					
Ⅰ Current assets	11,807	66.1%	12,298	65.2%	+4.2%
Cash and deposits	8,543	47.8%	8,497	45.1%	-0.5%
Notes and accounts receivable - trade	1,322	7.4%	1,355	7.2%	+2.5%
Inventories	1,840	10.3%	2,320	12.3%	+26.0%
Ⅱ Non-current assets	6,066	33.9%	6,559	34.8%	+8.1%
Property, plant and equipment	5,435	30.4%	5,412	28.7%	-0.4%
Intangible assets	32	0.2%	28	0.2%	-13.1%
Investments and other assets	598	3.4%	1,118	5.9%	+86.8%
Total assets	17,874	100.0%	18,857	100.0%	+5.5%
(Liabilities)					
Ⅰ Current liabilities	1,483	8.3%	1,432	7.6%	-3.5%
Accounts payable - trade	249	1.4%	303	1.6%	+21.9%
Ⅱ Non-current liabilities	224	1.3%	224	1.2%	—
Total liabilities	1,708	9.6%	1,657	8.8%	-3.0%
(Net assets)					
Total equity	15,950	89.2%	16,984	90.1%	+6.5%
Total net assets	16,165	90.4%	17,200	91.2%	+6.4%
Total liabilities and net assets	17,874	100.0%	18,857	100.0%	+5.5%

Current assets

Increased by 4.2% from the end of previous fiscal year due to an increase in inventories such as finished goods and raw materials.

Non-current assets

Investments and other assets increased by 86.8% YoY mainly due to an increase in insurance funds resulting from the new insurance contracts. Overall Non-current assets increased by 8.1% YoY.

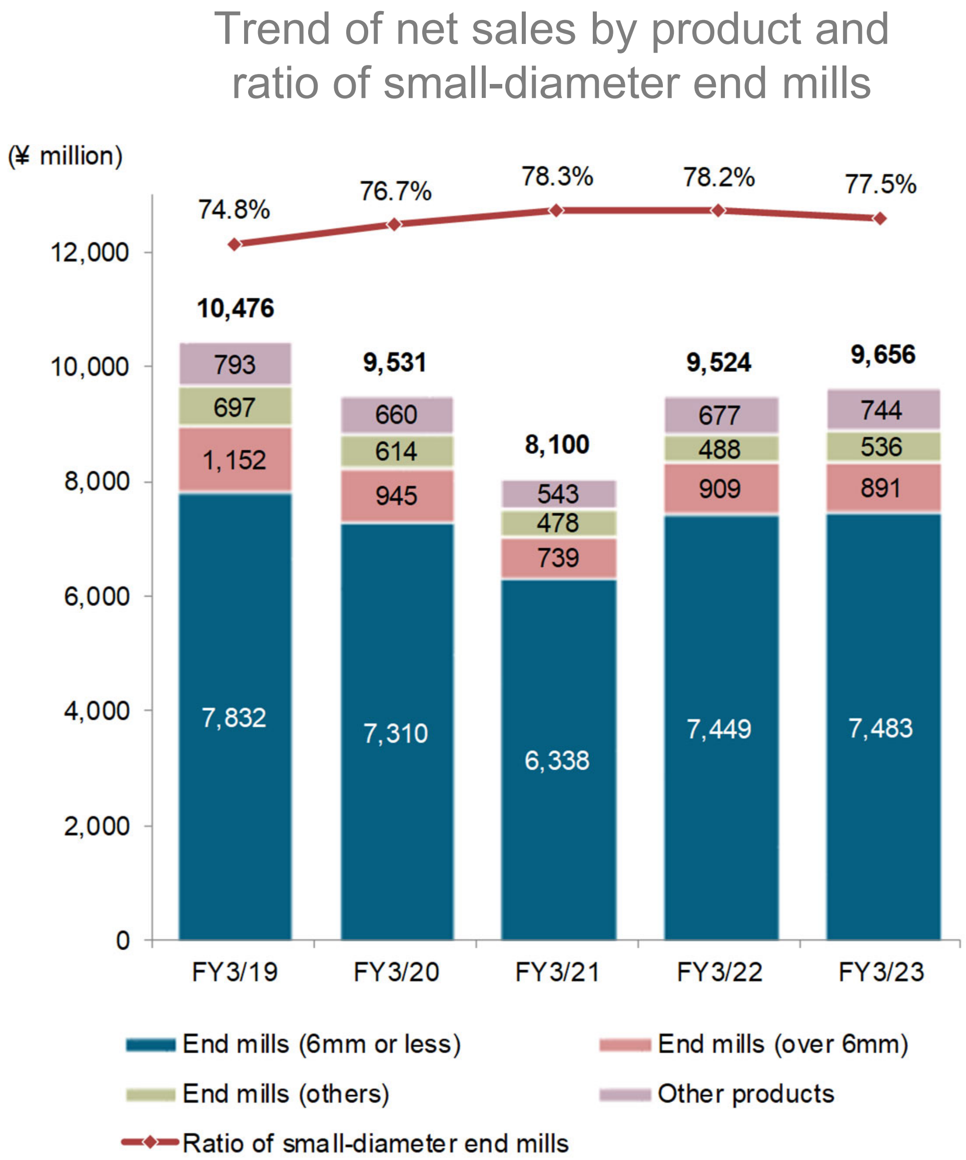
Liabilities

Decreased by 3.0% YoY due to a decrease in income taxes payable and accrued consumption taxes.

Net assets

Increased by 6.4% YoY due to an increase in retained earnings, etc. Equity ratio was 90.1%, up 0.9 pp YoY.

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



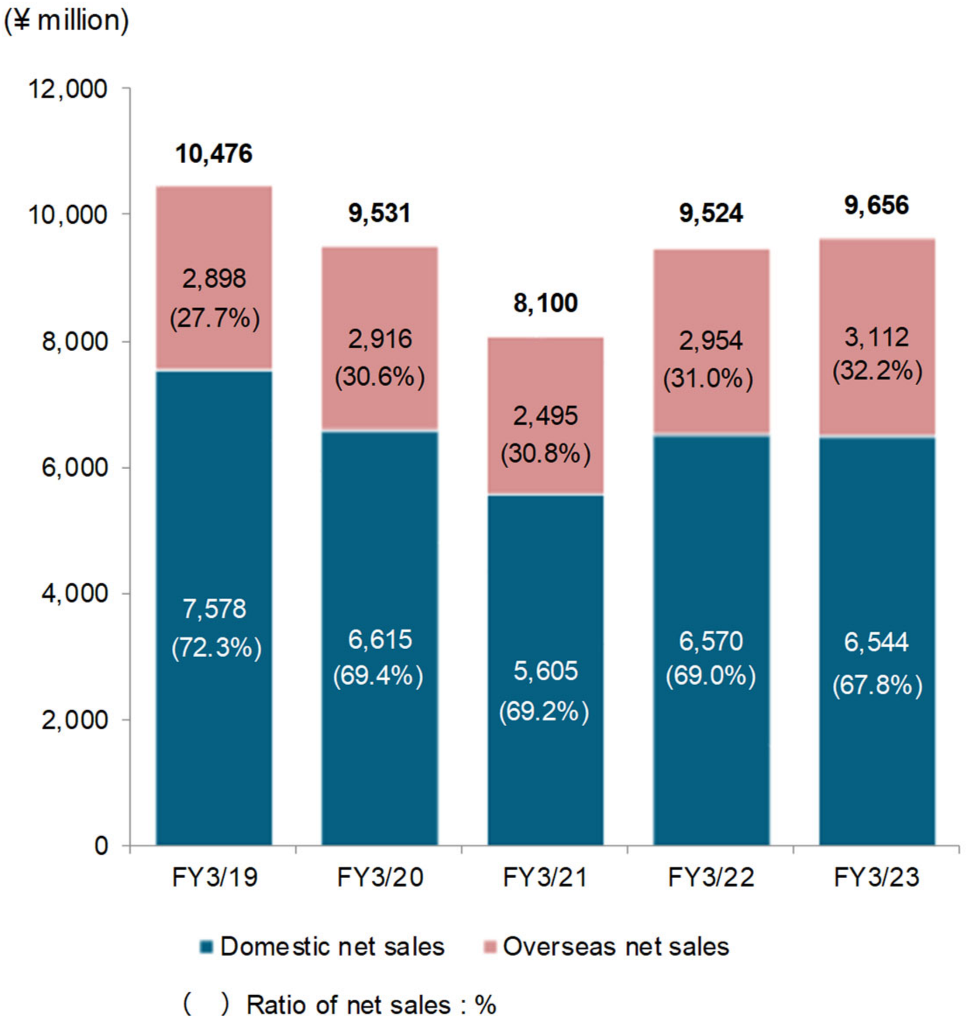
- The automotive industry remained sluggish as the production volume stagnated due to the effects of semiconductor and parts supply shortages. On the other hand, the market of semiconductor and electronic components and devices generally remained strong, although they stabilized toward the latter half of the year, reflecting declining demand for smartphones and PCs that had been brisk.

- There was some rush demand prior to the price increases for some products from November orders. As a reactionary to this, net sales for full-year were ¥ 9,656 million, up 1.4% YoY, although it was somewhat sluggish in January-March.

- Net sales for mainstay end mills (diameter 6mm or less) increased by 0.5% YoY, and end mills (diameter over 6mm), which has a larger diameter, decreased by 2.0% YoY, and end mills (other), mainly special products custom-made to users, increased by 9.8% YoY. Other products such as tool cases also increased by 10.0% YoY. The ratio of small-diameter end mills declined by 0.7 pp YoY to 77.5%.

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

Trend of domestic and overseas net sales



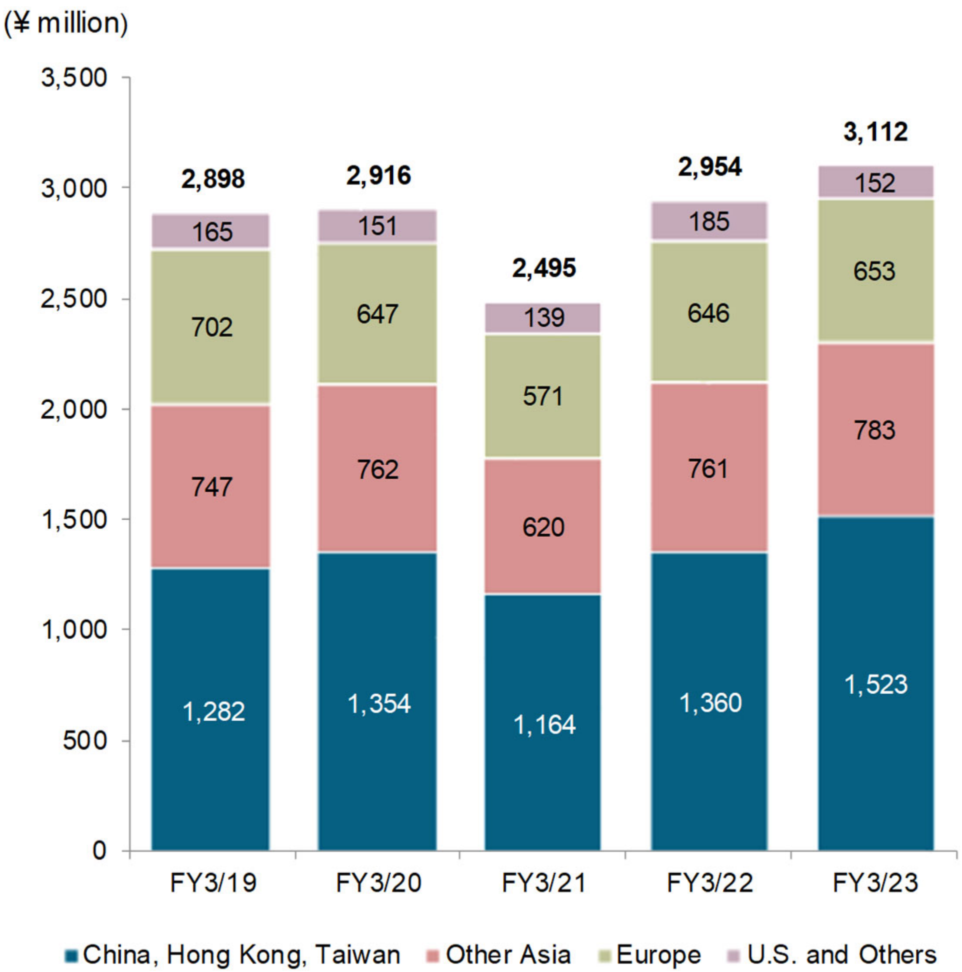
- Domestic net sales decreased by ¥26 million, down 0.4% to ¥6,544 million YoY. It was at the same level as previous fiscal year.

- Overseas net sales increased by ¥158 million, up 5.4% YoY to a record high of ¥3,112 million. In Greater China, which accounts for a large proportion, there were moves to secure inventories in anticipation of demand, such as lockdown measures in China in April-June and some rush prior to price increases in July-September, net sales generally remained strong.

- The overseas net sales ratio rose by 1.2pp YoY to 32.2%. Ten years ago, it was less than 20%, but after the establishment of NS Tool Hong Kong Ltd., the ratio has increased every fiscal year since FY3/14. It has been above 30% since FY3/20.

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

Trend of net sales by overseas region



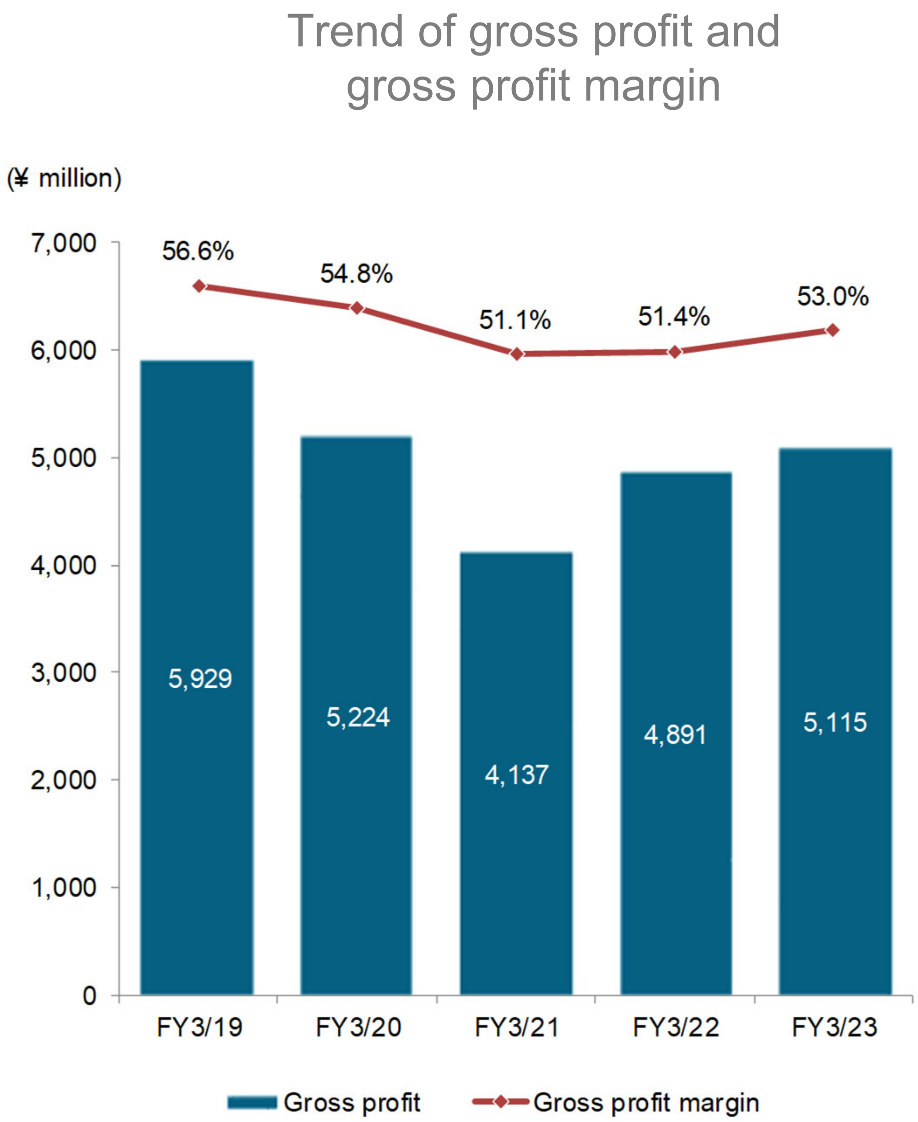
- Combined net sales of China, Hong Kong and Taiwan increased by 12.0% YoY to ¥1,523 million. Figures for China in account consolidation of NS Tool Hong Kong Ltd. are for January to December 2022. Net sales reached a record high due to moves to secure inventory through lockdown measures and some rush demand prior to the price increases.

- Other Asia increased by 2.8% YoY to ¥783 million. Production was increasing in automotive industry due to the elimination of parts shortages, but there were differences among regions.

- Europe increased by 1.1% YoY to ¥653 million. While fuel prices remained high due to the situation in Ukraine, automotive industry recovered in some areas, but remained sluggish overall.

- U.S. and Others decreased by 17.8% YoY to ¥152 million. In the previous fiscal year, there was an increase in orders, mainly in the medical care industry, but in the current fiscal year, user activity slowed down due to inflation and cost reduction. Going forward, the Company aims to expand sales mainly at its newly established U.S. subsidiary.

Business Performance (Trend of gross profit)

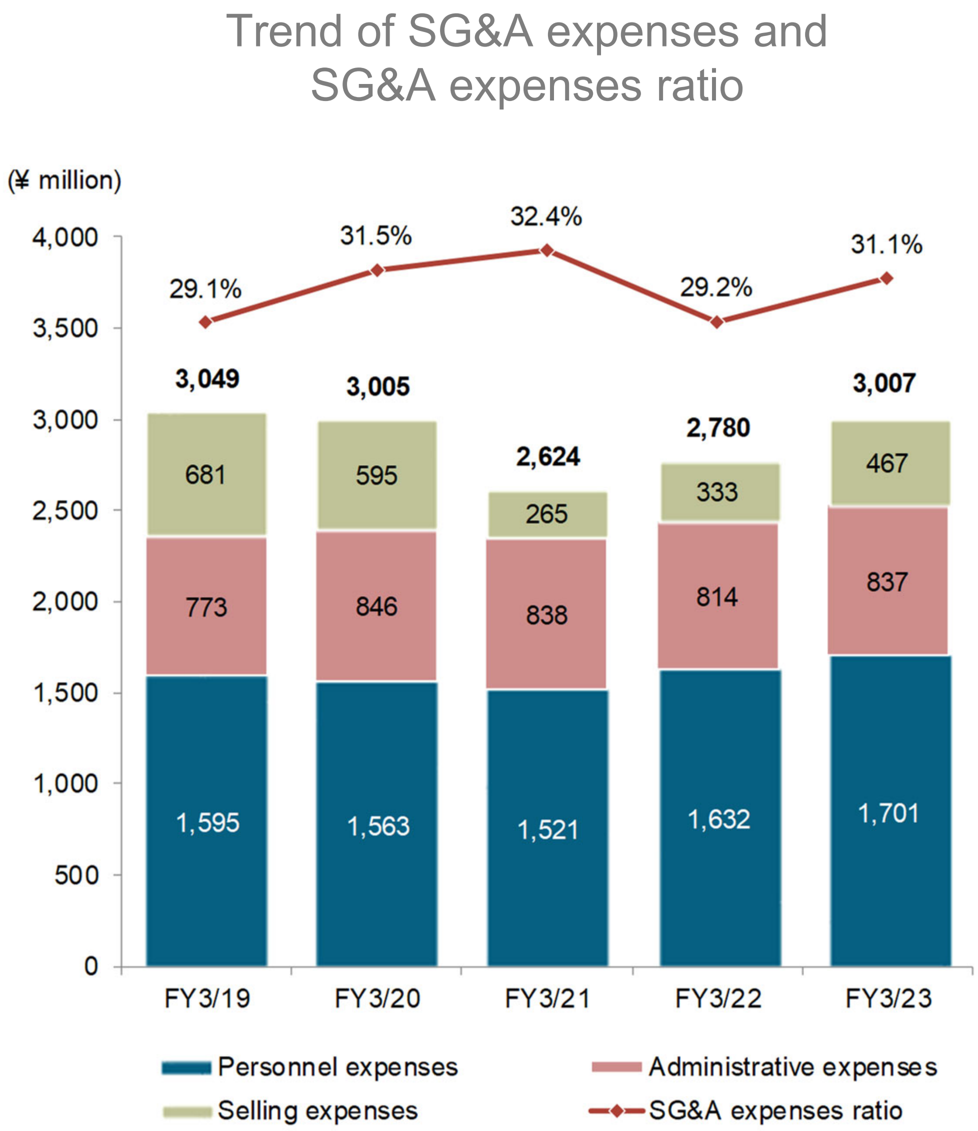


- Raw material cost decreased slightly YoY and outsourcing expenses decreased by 8.8% YoY, due to production planning according to demand and promotion of manufacturing internalization. Meanwhile, labor costs increased by 7.8%. Electricity power costs increased by more than 30% YoY, but manufacturing expenses increased only 1.4% YoY due to the success of ongoing cost reduction efforts on the manufacturing frontlines.

- Cost of sales was ¥4,540 million, down 2.0% YoY, since product inventory increased by 16.1% YoY due to inventory expansion.

- Gross profit increased by 4.6% YoY to ¥5,115 million and gross profit margin was 53.0%, up 1.6 pp YoY.

Business Performance (Trend of SG&A expenses)

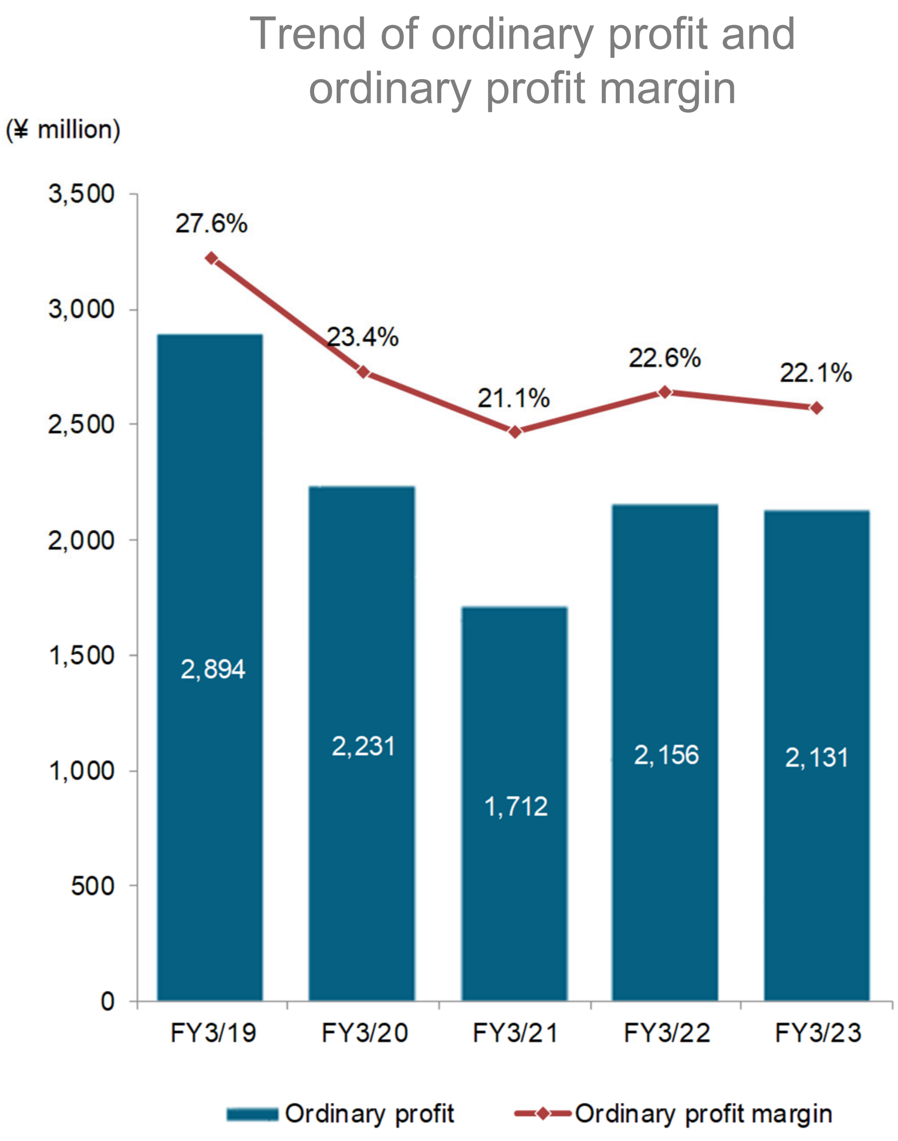


- In selling expenses, exhibition costs increased due to participation in large-scale exhibitions such as JIMTOF and INTERMOLD in Japan and IMTS in the United States, and advertising expenses also increased due to the production of catalogues and pamphlets. In addition, travel expenses increased due to the resumption of sales activities, selling expenses increased by 40.4% YoY to ¥467 million.

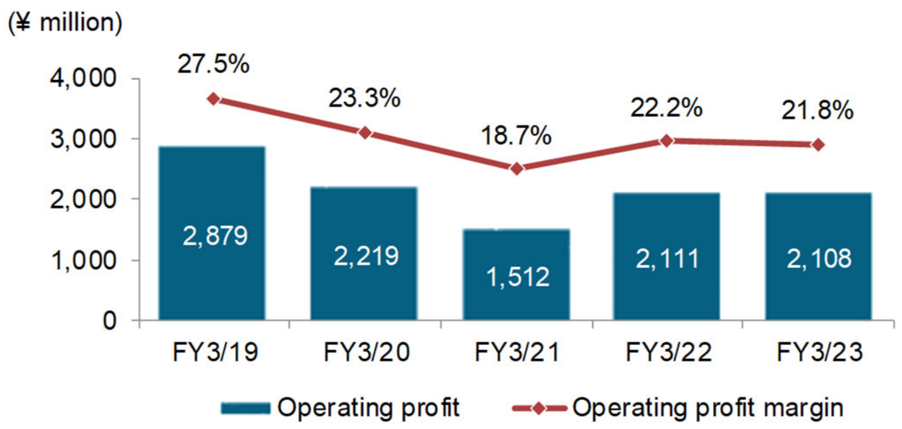
- Personnel expenses increased by 4.2% YoY to ¥1,701 million due to an increase in employee salaries and provision for bonuses.

- Overall SG&A expenses increased by 8.2% to ¥3,007 million, while SG&A expenses ratio rose by 1.9 pp YoY to 31.1%.

Business Performance (Trend of ordinary profit)



- Operating profit decreased by 0.1% YoY to ¥2,108 million due to an increase in SG&A expenses, despite an increase in gross profit. Operating profit margin was 21.8%, down 0.4 pp YoY.
- In non-operating income and expenses, non-operating income was ¥58 million caused by gain on sales of scraps, and non-operating expenses were ¥35 million caused by foreign exchanges losses. Ordinary profit was ¥2,131 million, down 1.2% YoY.
- Ordinary profit margin was 22.1%, down 0.5 pp YoY.



Consolidated Financial Forecasts for FY3/24

Financial Forecasts

(Unit: ¥ million)	FY3/23 Actual	FY3/24 Forecasts	YoY Changes
Net Sales	9,656	9,870	+2.2%
Operating profit	2,108	1,820	-13.7%
Ordinary profit	2,131	1,830	-14.2%
Profit attributable to owners of parent	1,475	1,220	-17.3%
Capital investment	686	1,037	+51.1%
Depreciation	669	714	+6.6%
EPS (¥)	59.16	48.88	-17.4%
Dividend per share (¥)	22.50	25.00	+11.1%

- For automobiles, we expect the shortage of parts dissipate, and production volume to gradually recover. For semiconductors and electronic components, although there are concerns about a decline in some demand, we expect a certain level of demand in a wide range of sectors due to the anticipated advancement of communication and computational processing by the expansion of DX.

- Net sales are expected to increase slightly due to aggressive sales activities in line with the normalization of economic activities and the launch of new product. It is inevitable that costs for materials and electricity will increase continuously, and we also expect the increase in costs due to the increase in wages.

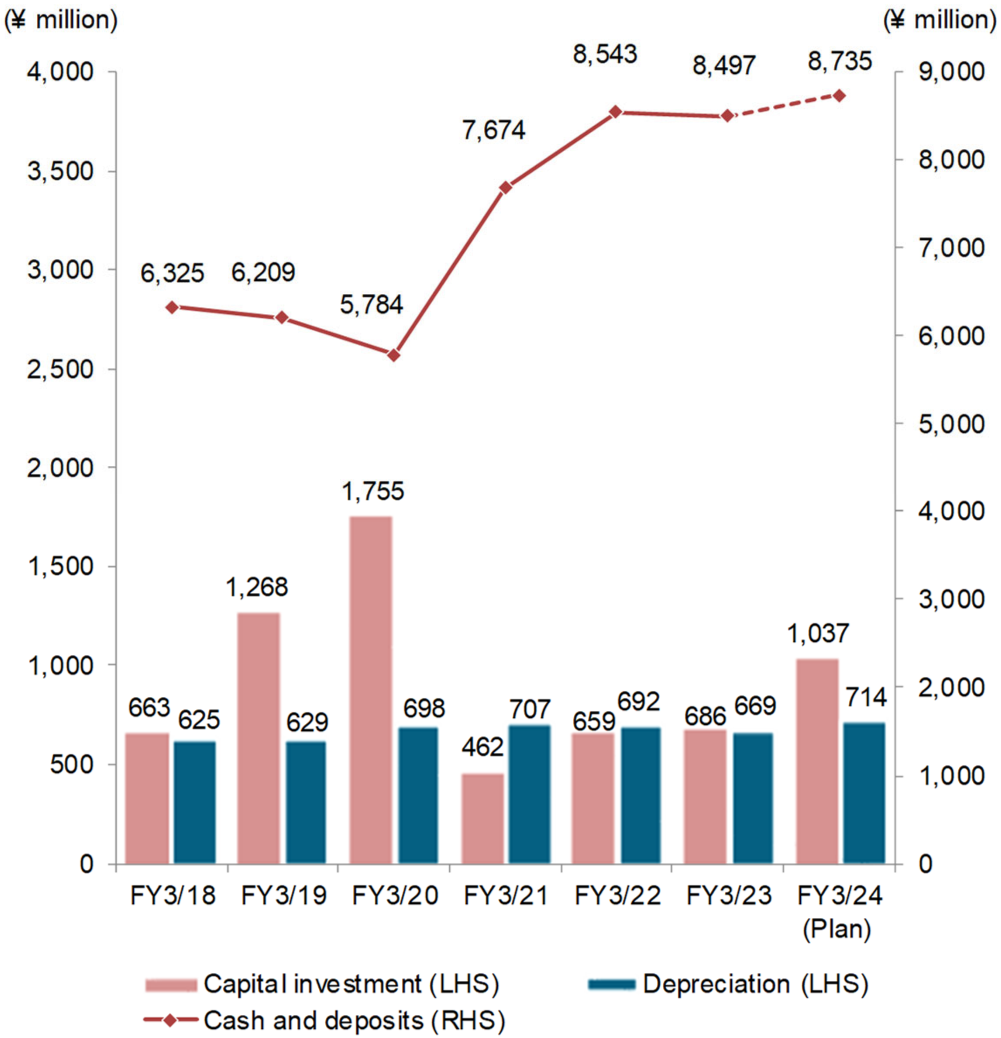
- FY3/24 forecasts are for net sales ¥9,870 million, up 2.2% YoY, operating profit ¥1,820 million, down 13.7% YoY, and ordinary profit ¥1,830 million, down 14.2% YoY.

- As for capital expenditures, continuous expansion of production facilities is planned. It is expected to increase by 51.1% due in part to a delay in facility planning from the previous fiscal year.

- The annual dividend per share is planned to be ¥25 including an interim dividend of ¥12.5 and a year-end dividend of ¥12.5.

Trend of Capital Investment and Depreciation

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



Factors for increase/decrease in capital investment

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.

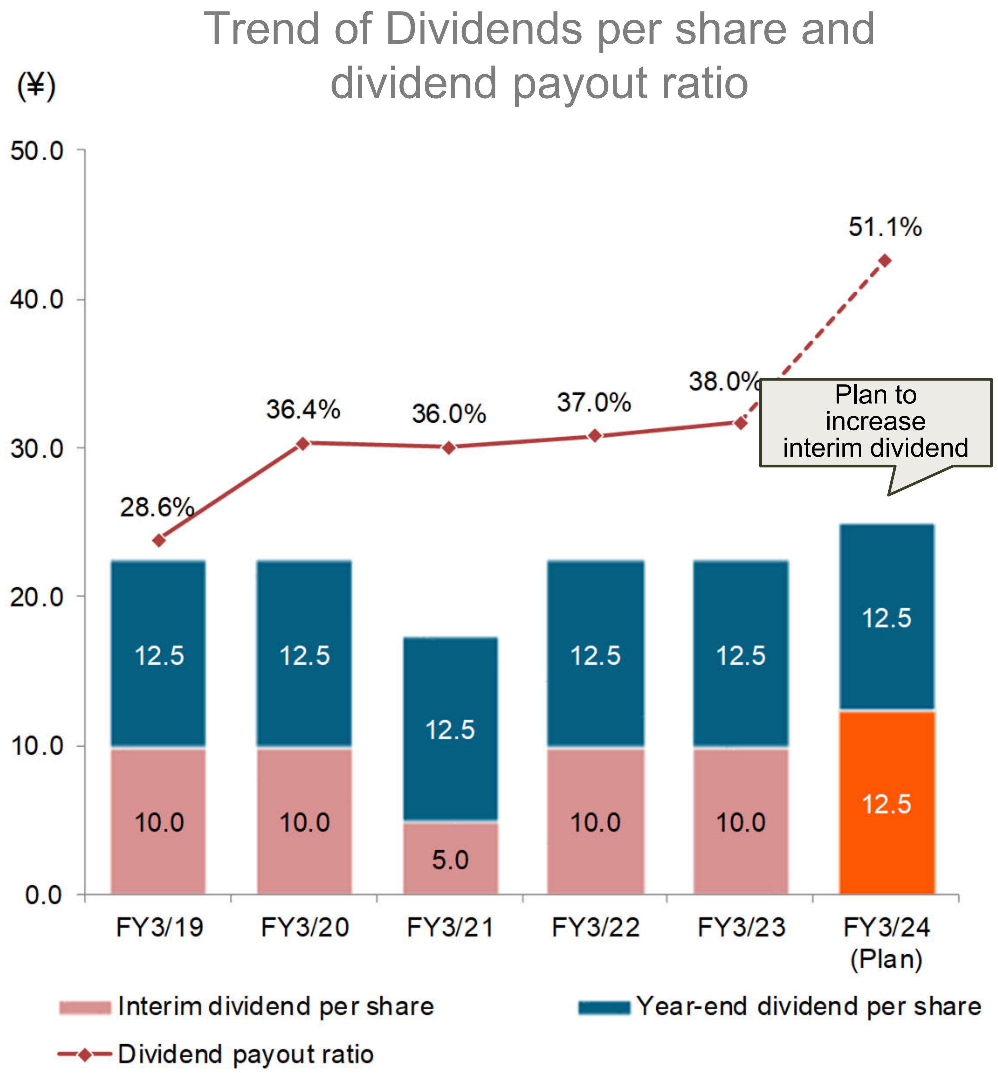
FY3/23

Mainly implemented expansion of production facilities. The introduction of equipment was partially delayed to the next fiscal year, and decreased from the initial plan.

FY3/24 (Plan)

Continuous expansion of production facilities is planned. Includes part of equipment introduction plan scheduled in the previous year.

Dividend Forecasts (Shareholder Returns)



*The impact of the share 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 FY3/23 is planned to be ¥22.5.

Interim dividend: ¥10.0; Year-end dividend: ¥12.5
Dividend payout ratio to the business performance: 38.0%

・Annual dividend per share for FY3/24 is planned to be increased to ¥25 in accordance with the basic policy and with capital efficiency in mind, considering financial forecasts.

Interim dividend: ¥12.5; Year-end dividend: ¥12.5
Dividend payout ratio to the financial forecasts: 51.1%

Regarding Partial Changes to the Shareholders' Benefits Program

From the viewpoint of fairness in returning profits and balancing with shareholder dividends, we have decided to partially change the shareholders’ benefits program in line with the planned dividend increase

Current shareholders’ benefits program

Number of years held	Number of shares held	Contents
Less than 3 years	100 shares or more	Original QUO card worth ¥1,000
3 years or more	100 shares or more	Original QUO card worth ¥2,000

Shareholders’ benefits program after the change (from March 31, 2024)

Number of years held	Number of shares held	Contents
Less than 3 years	Abolition	Abolition
3 years or more(*)	100 shares or more	Original QUO card worth ¥2,000

*Holding period for 3 years or more means that **the holding record of 100 shares or more under the same shareholder number** is listed or recorded in the shareholder list 7 times or more consecutively on record date of shareholder list (March 31 and September 30).

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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.