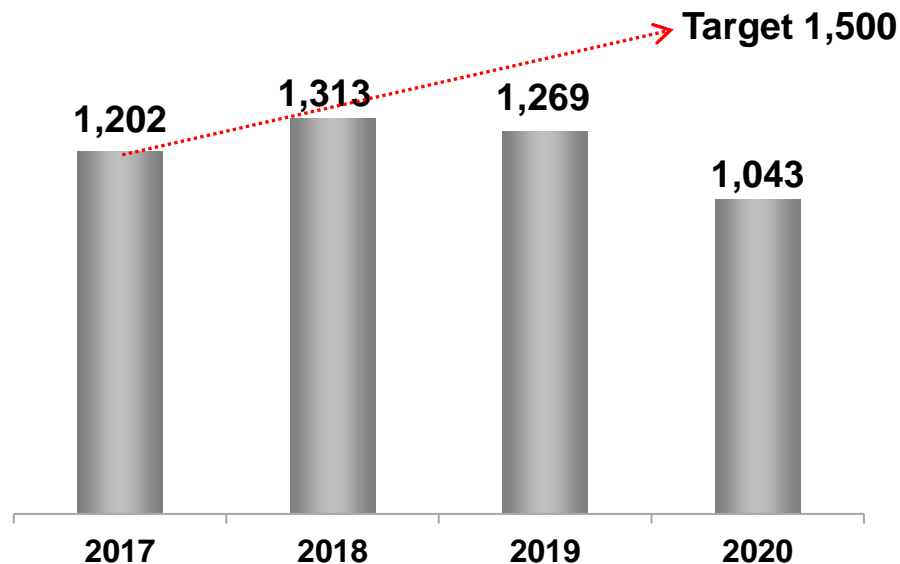


「The Next Stage 17」 Medium-term Management (2017~2020) Summary

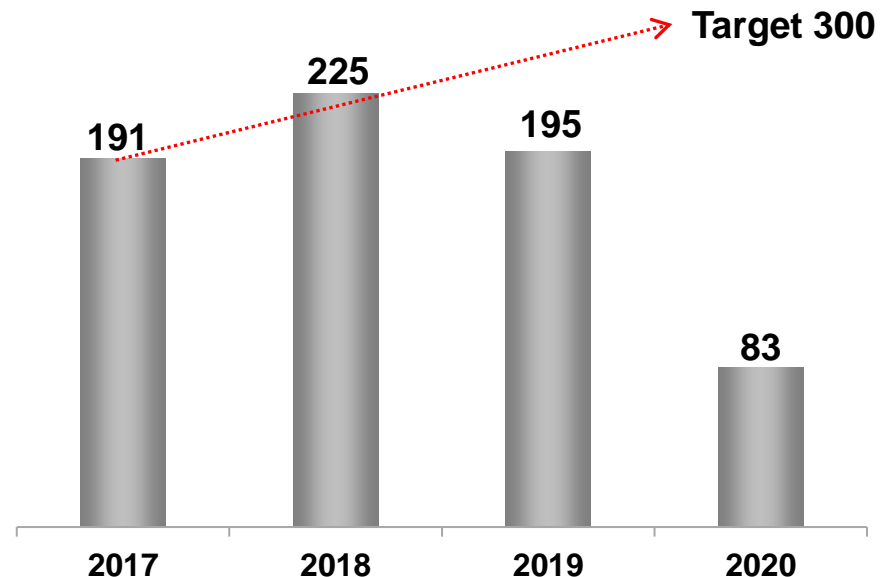
「The Next Stage 17」 Medium-term Management

- ✓ Sales of automobile and aviation industries demonstrated good performance, and our plan was on schedule until 2018.
- ✓ The trend slowed due to the U.S.-China trade friction in 2019, and global car production passed the peak.
- ✓ Demand for cutting tools decreased dramatically due to Covid-19 in 2020, but it bottomed out after 3Q.

【Net Sales】 (billion yen)



【Operating Profit】 (billion yen)



「The Next Stage 17」 Medium-term Management

Major End-users

- ✓ Focuses on the automotive industry
- ✓ Position aviation as the second pillar after the automotive industry
- ✓ Develop new end-users in future fields
- “Best delivery time” and “Cost competitiveness
- Expand technical centers globally
- M&A (maximize synergy effect)

Result and Progress

Focused on the aircraft industry through M&A in Europe and the United States. The sales from the aircraft industry accounts for 10 percent of the total sales.

Position the aviation as a key industry, however stagnated due to the influence of COVID-19. Construction of a new factory and expansion of the technical center has completed. Developing a production system (Smart Line) that enables ultra-high-mix low-volume production.

The synergy effect of M&A is insufficient.

Catalogue Item Sales

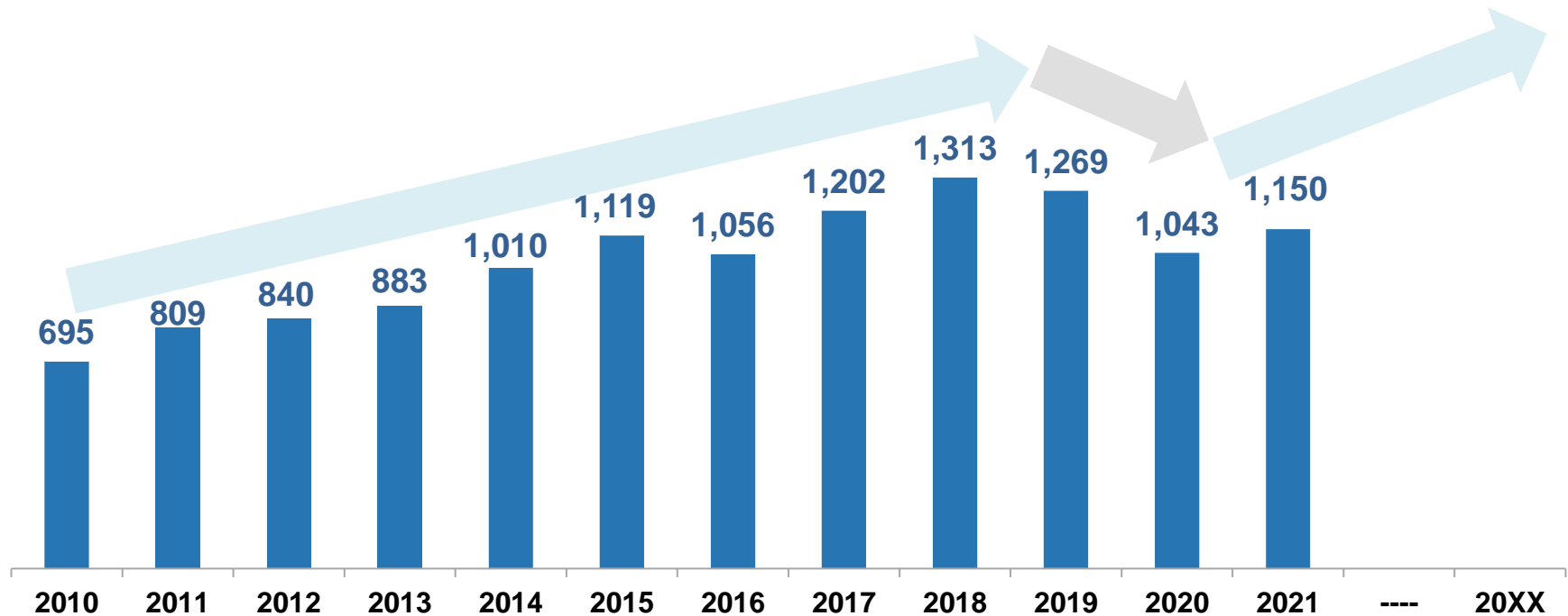
- ✓ For more customers in the industry of general engineering and mold & die all over the world
- Expand carbide items range
- Establish strong “A-Club” distribution networks in each region
- Strengthen inventory policy and supply chain

Result and Progress

Capture the market share by launching new A Brand products and expanding globally. Contributing to sales expansion of A Brand products by expanding A-Club overseas. Strengthened the overseas shipping system and started inventory management globally by outsourcing domestic logistics.

New Medium-term Management Plan

Considering the business environment caused by the impact of the COVID-19, we will proceed with the formulation of a new medium-term management plan with our new management.



Management Policy for FY2021

Basic Strategies of FY2021

- Increase the market share of standard products by **expanding sales of “The A Brand” products.**
- Looking ahead **to the EV era, we will develop markets** such as molds, IT products, and medical.
- By utilizing the NEO Shinshiro factory, we will review the **production method** drastically of **carbide taps and drills.**
- Win orders through global collaborations and activities that integrate sales, engineering and manufacturing.
- Prioritizing orders in **PMI with companies that have joined the group through M & A.**

Management Targets of FY2021

- **Net Sales of 115 billion yen**
Operating Profit of 11.5 billion yen
- **Operating Profit Ratio over 10%**
- **CAPEX 6.0 billion**
- **Free Cash Flow of 110 billion yen**

Appx.1 Selected Financial Data (Consolidated)

		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net sales	(mil.yen)	53,325	69,513	80,959	84,083	88,378	101,031	111,917	105,561	120,198	131,368	126,964	104,388
Sales growth	(%)	-45%	30%	16%	4%	5%	14%	11%	-6%	14%	9%	-3%	-18%
Cost of sales	(mil.yen)	39,203	44,605	48,439	49,381	52,777	58,061	61,865	59,179	69,711	74,833	73,281	65,715
Gross profit	(mil.yen)	14,122	24,907	32,519	34,702	35,601	42,970	50,051	46,382	50,486	56,535	53,682	38,673
SG&A expenses	(mil.yen)	16,857	17,383	20,214	20,747	22,774	25,554	28,454	28,135	31,349	34,015	34,128	30,276
Operating income	(mil.yen)	-2,735	7,524	12,305	13,954	12,827	17,415	21,597	18,246	19,137	22,520	19,554	8,396
Ordinary income	(mil.yen)	-2,703	6,699	11,374	13,695	13,910	17,568	21,510	17,813	19,144	22,567	19,710	8,950
Net income	(mil.yen)	-3,769	3,772	5,904	7,138	8,619	9,989	12,518	10,134	13,993	14,710	13,686	5,639
Gross profit margin	(%)	26.5%	35.8%	40.2%	41.3%	40.3%	42.5%	44.7%	43.9%	42.0%	43.0%	42.3%	37.0%
SG&A as % of sales	(%)	31.6%	25.0%	25.0%	24.7%	25.8%	25.3%	25.4%	26.7%	26.1%	25.9%	26.9%	29.0%
Operating income	(%)	-5.1%	10.8%	15.2%	16.6%	14.5%	17.2%	19.3%	17.3%	15.9%	17.1%	15.4%	8.0%
Ordinary income	(%)	-5.1%	9.6%	14.0%	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%	17.2%	15.5%	8.6%
Net income	(%)	-7.1%	5.4%	7.3%	8.5%	9.8%	9.9%	11.2%	9.6%	11.6%	11.2%	10.8%	5.4%
Average FX rate: 1USD	(yen)	94.94	89.29	80.71	78.89	93.16	102.98	121.03	109.78	112.33	110.53	109.36	106.94
Average FX rate: 1Euro	(yen)	128.83	120.65	112.80	102.63	122.62	139.37	134.92	121.39	126.20	130.68	122.53	121.60
Total assets	(mil.yen)	113,382	105,635	104,373	121,689	134,503	142,302	155,129	156,081	166,712	178,020	190,414	200,112
Total shareholders' equity	(mil.yen)	55,931	57,117	59,367	64,482	80,024	91,458	102,566	92,216	115,810	125,332	129,078	129,338
Net income	(yen)	-39.22	39.34	62.18	75.16	90.76	105.20	131.78	110.59	153.70	150.47	140.06	57.94
Cash dividends (end of Q2)	(yen)	0.00	4.00	6.00	10.00	10.00	14.00	26.00	22.00	21.00	22.00	23.00	11.00
(year-end)	(yen)	3.00	8.00	12.00	13.00	20.00	20.00	20.00	28.00	25.00	25.00	24.00	11.00
Total shareholders' equity	(yen)	582.19	601.44	625.14	679.01	842.71	963.15	1,079.12	1,024.34	1,191.65	1,279.29	1,328.08	1,327.22
Average number of shares	(ths)	96,130	95,904	94,967	94,966	94,963	94,959	94,991	91,640	91,044	97,176	97,716	97,335
ROE	(%)	-6.3%	6.7%	10.1%	11.5%	11.9%	11.7%	12.9%	10.4%	13.5%	12.2%	10.8%	4.4%
Equity ratio	(%)	49.3%	54.1%	56.9%	53.0%	59.5%	64.3%	66.1%	59.1%	69.5%	70.4%	67.8%	64.6%
Operating CF	(mil.yen)	6,049	14,095	11,344	12,286	16,171	19,688	19,588	16,333	20,820	20,310	19,261	17,038
Investing CF	(mil.yen)	-4,633	-5,522	-8,195	-19,746	-2,972	-3,119	-16,976	-16,843	-7,566	-13,351	-20,314	-17,133
Financing CF	(mil.yen)	5,470	-15,562	-5,855	8,643	-9,423	-12,813	-6,216	-778	-11,137	-4,723	3,465	9,658
Cash flow margin	(%)	11.3%	20.3%	14.0%	14.6%	18.3%	19.5%	17.5%	15.5%	17.3%	15.3%	15.1%	16.3%