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Summary of Business Results for the Third Quarter Ended December 31, 2021 [Japan GAAP] (Consolidated)

January 31, 2022

Company **NS TOOL CO., LTD.** Listed on the TSE
 Stock Code 6157 URL: <https://www.ns-tool.com>
 Representative Hiroji Goto, President & CEO
 Contact Satoru Toda, Director, General Manager of Corporate Planning Office and General Manager of Administration Division TEL: +81-3-6423-1135
 Expected date of filing of quarterly report: February 9, 2022
 Expected starting date of dividend payment: -
 Preparation of quarterly supplementary financial document: Yes
 Quarterly results briefing: None

(Rounded down to million yen)

1. Consolidated business results for the nine months ended December 2021 (April 1, 2021 through December 31, 2021)

(1) Consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Dec. 2021	7,279	24.8	1,673	79.4	1,707	52.0	1,181	55.4
Nine months ended Dec. 2020	5,835	-20.3	933	-49.0	1,123	-38.7	760	-38.0

(Note) Comprehensive income:

Nine months ended December 2021: 1,200 million yen (59.3%)

Nine months ended December 2020: 753 million yen (-38.1%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended Dec. 2021	47.23	46.83
Nine months ended Dec. 2020	30.41	30.20

(Notes) 1. The Company conducted a 2-for-1 stock split effective on April 1, 2021. Therefore, "Basic earnings per share" and "Diluted earnings per share" are calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.

2. "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of the first quarter of the fiscal year, and the figures for the third quarter of the fiscal year ending March 2022 are after the application of the said accounting standard, etc.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 2021	17,415	15,919	90.2	628.90
As of Mar. 2021	16,936	15,326	89.4	605.44

(Reference) Equity:

As of December 2021: 15,704 million yen

As of March 2021: 15,142 million yen

(Notes) 1. The Company conducted a 2-for-1 stock split effective on April 1, 2021. Therefore, "Net assets per share" is calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.

2. "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of the first quarter of the fiscal year, and the figures for the third quarter of the fiscal year ending March 2022 are after the application of the said accounting standard, etc.

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 2021	-	10.00	-	25.00	35.00
Year ending Mar. 2022	-	10.00	-		
Year ending Mar. 2022 (forecast)				12.50	22.50

(Note) Revisions to dividend forecast for the current quarter: Yes

The Company conducted a 2-for-1 stock split effective on April 1, 2021. The amount of dividends for the fiscal year ended March 2021 is the actual amount before the stock split.

3. Forecast of consolidated business results for the fiscal year ending March 2022**(April 1, 2021 through March 31, 2022)****(% change from the previous corresponding period)**

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending Mar. 2022	9,520	17.5	2,150	42.1	2,190	27.9	1,530	26.0	61.18

(Note) Revisions to business forecast for the current quarter: Yes

***Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Application of accounting procedures specific to preparation of the quarterly consolidated financial statements: Yes

(Note) Application of accounting procedures specific to preparation of the quarterly consolidated financial statements. For more details, please refer to "Application of accounting procedures specific to preparation of the quarterly consolidated financial statements" on page 7 of the attached material.

(3) Changes in accounting policies, accounting estimates and restatement

- ① Changes in accounting policies associated with revision of accounting standards: : Yes
- ② Changes in accounting policies other than ① : None
- ③ Changes in accounting estimates : None
- ④ Restatement : None

(Note) For more details, please refer to "(3) Notes to Quarterly Consolidated Financial Statements, (Changes in accounting policies)" of "2. Quarterly Consolidated Financial Statements and Significant Notes Thereto" on page 7 of the attached material.

(4) Shares outstanding (common stock)

① Number of shares outstanding at the end of period (treasury stock included)

As of December 2021 25,035,034 shares

As of March 2021 25,011,254 shares

② Treasury stock at the end of period:

As of December 2021 64,438 shares

As of March 2021 1,038 shares

③ Average number of stock during period (quarterly cumulative period)

Nine months ended December 2021 25,020,587 shares

Nine months ended December 2020 25,009,222 shares

(Note) The Company conducted a 2-for-1 stock split effective on April 1, 2021. Therefore, "Number of shares outstanding at the end of period (treasury stock included)," "Treasury stock at the end of period" and "Average number of stock during period" are calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.

*** Quarterly financial summary is not subject to the quarterly review procedures by certified public accountants or auditing firms**

*** Explanation regarding appropriate use of business forecasts and other special instructions**

Above forecasts are based on information currently available to the company and certain assumptions that the company deems to be reasonable at the time this report was prepared. Actual results may differ significantly from the forecasts due to various factors.

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1. Qualitative Information Regarding Results for the First Nine Months

(1) Explanation of Operating Results

During the nine months ended December 31, 2021, the Japanese economy saw signs of recovery in economic activities mainly due to progressing the novel coronavirus disease (COVID-19) vaccinations and the easing of restrictions on activities. However, with the global resurgence in infections caused by variants starting in fall, surging crude oil prices, inflation, etc., the future has become uncertain.

As for the situation of the major customers for the products of the Company group (the “Group”), the automotive industry saw a return of demand for certain parts manufacturers but remained sluggish due to production adjustments caused by stalled semiconductor and parts supply. On the other hand, in the semiconductor and electronic component and device industry, demand for semiconductors and electronic components has stayed robust, and the semiconductor manufacturing equipment industry has also been strong.

Amid such an environment, the Group exhibited at some of the first physical trade shows and exhibitions reopening from COVID-19 restrictions, one of which was “MECHATRONICS TECHNOLOGY JAPAN 2021 (MECT2021)” in Nagoya in October. MECT2021 had more visitors than expected, and the Group was able to approach many users directly. Furthermore, together with MECT2021, the Group updated its general catalogue for the first time in three years. The Group also launched sales of “MRBSH330,” the MUGEN COATING PREMIUM Plus High Efficient 3-Flute small-diameter Long Neck Ball End Mill for Hardened Steel that optimizes the shape of the central edge and enables a high depth of cutting and high feed rate.

On the sales front, opportunities for sales visits gradually increased, and through on-site visits, we have gathered detailed customer needs and provided technical advice. At the same time, we have continued to provide online product briefings and to hold online meetings, depending on the situation.

In terms of production, we have continued to promote small group activities to improve product precision and productivity and have realized cost reduction as production recovered. In addition, project teams established for each theme to be addressed in the medium term have continued their activities.

As a result, net sales for the nine months ended December 31, 2021 were ¥7,279 million (up 24.8% year on year), operating profit was ¥1,673 million (up 79.4% year on year), ordinary profit was ¥1,707 million (up 52.0% year on year), and profit attributable to owners of parent was ¥1,181 million (up 55.4% year on year).

By product category, sales of “End mills (diameter 6 mm or less)” were ¥5,697 million (up 24.9% year on year), sales of “End mills (diameter over 6 mm)” were ¥681 million (up 28.3% year on year), sales of “End mills (other)” were ¥384 million (up 5.0% year on year), and sales of “Other” were ¥516 million (up 37.6% year on year).

(Note) Since there is only one reportable segment, the information is presented by product category. The “Other” business segment is included in “Other” by product category.

(2) Explanation of Financial Position

As for the consolidated financial position as of December 31, 2021, total assets increased by ¥478 million compared to the end of the previous fiscal year to ¥17,415 million. This was mainly due to an increase in cash and deposits due to the recovery of business results.

Furthermore, liabilities decreased by ¥114 million compared to the end of the previous fiscal year to ¥1,495 million. This was mainly due to an increase in income taxes payable and a decrease in provision for bonuses.

Net assets increased by ¥593 million compared to the end of the previous fiscal year to ¥15,919 million due to an increase in retained earnings, etc. Equity-to-asset ratio as of December 31, 2021 amounted to 90.2%.

(3) Explanation of Consolidated Business Results Forecast and Other Forward-looking Statements

With respect to the forecast of business results for the fiscal year ending March 31, 2022, considering recent trends in our business results and other factors, we have revised the forecast announced on July 30, 2021

For details on the revisions, please refer to the “Notice of Revisions to the Forecast of Business Results and Dividend Forecast” announced today (January 31, 2022).

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	7,674,235	8,377,289
Notes and accounts receivable - trade	1,312,344	1,332,958
Merchandise and finished goods	1,043,915	1,160,772
Work in process	333,365	262,032
Raw materials and supplies	381,356	359,031
Other	150,200	82,923
Total current assets	10,895,417	11,575,008
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,716,255	2,633,087
Machinery, equipment and vehicles, net	1,684,851	1,608,016
Land	692,528	692,528
Construction in progress	223,665	172,461
Other, net	159,766	165,823
Total property, plant and equipment	5,477,067	5,271,918
Intangible assets	34,498	34,493
Investments and other assets		
Investment securities	49,655	49,910
Deferred tax assets	346,481	349,196
Other	133,162	134,734
Total investments and other assets	529,299	533,841
Total non-current assets	6,040,865	5,840,253
Total assets	16,936,283	17,415,261

(Thousands of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	220,848	249,502
Income taxes payable	238,989	279,912
Provision for bonuses	249,478	134,760
Provision for bonuses for directors (and other officers)	86,340	76,849
Other	589,355	529,569
Total current liabilities	1,385,011	1,270,593
Non-current liabilities		
Long-term accounts payable - other	224,952	224,952
Total non-current liabilities	224,952	224,952
Total liabilities	1,609,963	1,495,545
Net assets		
Shareholders' equity		
Share capital	444,372	455,330
Capital surplus	407,272	418,223
Retained earnings	14,312,278	14,930,957
Treasury shares	(925)	(98,280)
Total shareholders' equity	15,162,998	15,706,230
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,756	2,934
Foreign currency translation adjustment	(23,692)	(5,083)
Total accumulated other comprehensive income	(20,936)	(2,148)
Share acquisition rights	184,258	215,634
Total net assets	15,326,320	15,919,716
Total liabilities and net assets	16,936,283	17,415,261

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income**Quarterly Consolidated Statement of Income (Cumulative)**

(Thousands of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	5,835,602	7,279,962
Cost of sales	2,945,985	3,498,973
Gross profit	2,889,617	3,780,989
Selling, general and administrative expenses	1,956,599	2,107,418
Operating profit	933,017	1,673,571
Non-operating income		
Interest income	36	35
Dividend income	480	743
Subsidy income	61,215	19,020
Gain on sale of scraps	5,857	11,816
Surrender value of insurance policies	122,030	13,430
Other	3,925	2,605
Total non-operating income	193,547	47,650
Non-operating expenses		
Foreign exchange losses	2,970	12,429
Other	19	1,275
Total non-operating expenses	2,989	13,705
Ordinary profit	1,123,575	1,707,516
Extraordinary income		
Gain on sale of non-current assets	-	1,326
Total extraordinary income	-	1,326
Extraordinary losses		
Loss on sale of non-current assets	52	2,083
Loss on retirement of non-current assets	2,334	650
Total extraordinary losses	2,387	2,733
Profit before income taxes	1,121,188	1,706,109
Income taxes	360,701	524,462
Profit	760,487	1,181,646
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	760,487	1,181,646

Quarterly Consolidated Statement of Comprehensive Income (Cumulative)

(Thousands of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	760,487	1,181,646
Other comprehensive income		
Valuation difference on available-for-sale securities	1,595	178
Foreign currency translation adjustment	(8,328)	18,609
Total other comprehensive income	(6,732)	18,787
Comprehensive income	753,754	1,200,434
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	753,754	1,200,434
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements**Notes on uncertainties of entity's ability to continue as going concern**

Not applicable.

Notes when there are significant changes in amounts of shareholders' equity

Not applicable.

Application of accounting procedures specific to preparation of the quarterly consolidated financial statements

With regard to the Company and certain subsidiaries, tax expenses are calculated by multiplying the profit before income taxes by the reasonably estimated effective tax rates after the application of tax effect accounting to the profit before income taxes for the fiscal year including the third quarter of the current fiscal year.

Changes in accounting policiesApplication of Accounting Standard for Revenue Recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the first quarter of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

By applying the alternative accounting treatment stipulated in paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition," revenue is recognized at the time of shipment when the period from the time of shipment to the transfer of control of the goods or products to the customer is normal period in case of domestic sale of the goods or products.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year was added to or deducted from the opening balance of retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy was applied from such opening balance.

This does not result in any impact on profit and loss for the nine months ended December 31, 2021. In addition, there is no impact on the opening balance of retained earnings of the current fiscal year.

Furthermore, the information on disaggregation of revenue from contracts with customers during the first nine months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

Application of the Accounting Standard for Fair Value Measurement, etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). There is no impact on the quarterly consolidated financial statements.