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Summary of Business Results for the First Quarter Ended June 30, 2022 [Japan GAAP] (Consolidated)

July 29, 2022

Company **NS TOOL CO., LTD.** Listed on the TSE
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 Expected date of filing of quarterly report: August 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 three months ended June 2022 (April 1, 2022 through June 30, 2022)

(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	%
Three months ended Jun. 2022	2,355	-3.7	542	-6.8	540	-8.3	322	-17.8
Three months ended Jun. 2021	2,445	26.4	582	65.5	589	66.8	392	68.7

(Note) Comprehensive income:

Three months ended June 2022: 340 million yen (-16.5%)

Three months ended June 2021: 408 million yen (75.3%)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended Jun. 2022	12.94		12.83	
Three months ended Jun. 2021	15.68		15.55	

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 2022	17,549	16,195	91.1	641.77
As of Mar. 2022	17,874	16,165	89.2	640.58

(Reference) Equity:

As of June 2022: 15,979 million yen

As of March 2022: 15,950 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 2022	-	10.00	-	12.50	22.50
Year ending Mar. 2023	-	-	-	-	-
Year ending Mar. 2023 (forecast)	-	10.00	-	12.50	22.50

(Note) Revisions to dividend forecast for the current quarter: None

3. Forecast of consolidated business results for the fiscal year ending March 2023**(April 1, 2022 through March 31, 2023)**

(% 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
For the six months ending Sept. 2022	4,770	-1.1	1,080	-3.1	1,090	-3.6	720	-6.6	28.92
Year ending Mar. 2023	9,690	1.7	2,110	-0.1	2,120	-1.7	1,440	-5.4	57.83

(Note) Revisions to business forecast for the current quarter: None

***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 June 2022 25,035,034 shares

As of March 2022 25,035,034 shares

② Treasury stock at the end of period:

As of June 2022 135,166 shares

As of March 2022 135,138 shares

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

Three months ended June 2022 24,899,872 shares

Three months ended June 2021 25,012,307 shares

*** 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 Three Months

(1) Explanation of Operating Results

During the three months ended June 30, 2022, the Japanese economy experienced a delay in the recovery of production activities in the manufacturing sector, mainly due to the effects of the ongoing global shortage of parts supplies from the Russian invasion of Ukraine and supply chain disruptions caused by the lockdown in China. In addition, the ongoing depreciation of the yen and rising costs, including the soaring prices of raw materials due to the rise in resource prices, have become a cause for concern.

As for the situation of the major customers for the products of the Company group (the “Group”), the automotive industry continued to experience weak demand due to continued production cutbacks affected by the parts supply shortage that has been continuing since last year. On the other hand, the semiconductor and market of electronic components and devices generally remained strong, although demand for some electronic components, which had been brisk, showed signs of stabilizing.

Amid such an environment, the Group interacted directly with many users at INTERMOLD 2022 held in Osaka in April, and announced a new product, the MUGEN COATING PREMIUM Plus 4-Flute Long Neck Corner Radius End Mill with short shank for Hardened Steel and High Accuracy Cutting “MHRSH430RSF,” which increases accuracy for cutting hardened steels. With regard to overseas sales activities, we have resumed some overseas business trips in line with the easing of movement restrictions. While continuing to provide a wide range of support remotely, we are implementing meticulous services such as visiting local users and making technical proposals.

In terms of production, the NS TOOL Group continues to promote “Orange FC Activities,” which are “NS TOOL Group improvement activities that take on challenges for the future,” to further improve product precision and productivity, and addressing cost reduction to cover rising manufacturing costs, including electricity rates.

As a result, net sales for the three months ended June 30, 2022 were ¥2,355 million (down 3.7% year on year), operating profit was ¥542 million (down 6.8% year on year), ordinary profit was ¥540 million (down 8.3% year on year), and profit attributable to owners of parent was ¥322 million (down 17.8% year on year).

By product category, sales of “End mills (diameter 6 mm or less)” were ¥1,827 million (down 5.1% year on year), sales of “End mills (diameter over 6 mm)” were ¥215 million (down 1.0% year on year), sales of “End mills (other)” were ¥131 million (up 3.9% year on year), and sales of “Other” were ¥181 million (up 2.6% 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 June 30, 2022, total assets decreased by ¥324 million compared to the end of the previous fiscal year to ¥17,549 million. This was mainly due to a decrease in cash and deposits for the payment of income taxes and bonuses.

Furthermore, liabilities decreased by ¥353 million compared to the end of the previous fiscal year to ¥1,354 million. This was mainly due to decreases in income taxes payable and provision for bonuses.

Net assets increased by ¥29 million compared to the end of the previous fiscal year to ¥16,195 million due to an increase in retained earnings, etc. Equity-to-asset ratio as of June 30, 2022 amounted to 91.1%.

(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 2023, there is no change from the business results forecast announced on May 16, 2022.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	8,543,254	8,076,400
Notes and accounts receivable - trade	1,322,918	1,288,244
Merchandise and finished goods	1,191,205	1,246,634
Work in process	304,224	249,812
Raw materials and supplies	345,547	422,319
Other	100,391	196,812
Total current assets	11,807,542	11,480,223
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,674,457	2,639,597
Machinery, equipment and vehicles, net	1,716,992	1,650,217
Land	800,483	800,483
Construction in progress	66,367	207,401
Other, net	176,813	169,407
Total property, plant and equipment	5,435,114	5,467,107
Intangible assets	32,663	30,377
Investments and other assets		
Investment securities	50,765	27,390
Deferred tax assets	412,829	410,429
Other	135,271	134,398
Total investments and other assets	598,865	572,217
Total non-current assets	6,066,644	6,069,702
Total assets	17,874,187	17,549,926

(Thousands of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	249,230	284,847
Income taxes payable	445,948	176,951
Provision for bonuses	241,481	127,255
Provision for bonuses for directors (and other officers)	102,034	23,226
Other	444,576	517,171
Total current liabilities	1,483,270	1,129,451
Non-current liabilities		
Long-term accounts payable - other	224,952	224,952
Total non-current liabilities	224,952	224,952
Total liabilities	1,708,222	1,354,403
Net assets		
Shareholders' equity		
Share capital	455,330	455,330
Capital surplus	418,223	418,223
Retained earnings	15,271,863	15,282,821
Treasury shares	(200,791)	(200,833)
Total shareholders' equity	15,944,625	15,955,542
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,532	4,173
Foreign currency translation adjustment	2,171	20,172
Total accumulated other comprehensive income	5,704	24,346
Share acquisition rights	215,634	215,634
Total net assets	16,165,964	16,195,522
Total liabilities and net assets	17,874,187	17,549,926

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

(Thousands of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	2,445,490	2,355,716
Cost of sales	1,184,665	1,060,286
Gross profit	1,260,825	1,295,430
Selling, general and administrative expenses	678,627	753,038
Operating profit	582,198	542,391
Non-operating income		
Interest income	16	14
Dividend income	353	493
Commission income	316	284
Gain on sale of scraps	3,578	5,861
Surrender value of insurance policies	13,430	-
Other	362	2,911
Total non-operating income	18,057	9,565
Non-operating expenses		
Foreign exchange losses	10,371	9,149
Other	50	2,113
Total non-operating expenses	10,422	11,263
Ordinary profit	589,832	540,693
Extraordinary losses		
Loss on sale of non-current assets	2,083	-
Loss on retirement of non-current assets	0	0
Loss on valuation of investment securities	-	24,289
Total extraordinary losses	2,083	24,290
Profit before income taxes	587,749	516,403
Income taxes	195,652	194,196
Profit	392,097	322,206
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	392,097	322,206

Quarterly Consolidated Statement of Comprehensive Income (Cumulative)

(Thousands of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	392,097	322,206
Other comprehensive income		
Valuation difference on available-for-sale securities	(314)	640
Foreign currency translation adjustment	16,377	18,001
Total other comprehensive income	16,062	18,641
Comprehensive income	408,160	340,848
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	408,160	340,848
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 first quarter of the current fiscal year.

Changes in accounting policies

Application of Guidance on Accounting Standard for Measurement of Fair Value

“Guidance on Accounting Standard for Measurement of Fair Value” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Guidance on Accounting Standard for Measurement of Fair Value”) is applied from the beginning of the first quarter the current fiscal year, and the new accounting policy prescribed by the Guidance will be applied prospectively in accordance with the transitional treatment prescribed in Section 27-2 of Guidance on Accounting Standard for Measurement of Fair Value. There is no impact on the quarterly consolidated financial statements.