



# Financial Results for the 1<sup>st</sup> Quarter of Fiscal Year Ending March 31, 2023



**NS TOOL CO., LTD.**

July 29, 2022  
(Securities Code: 6157)

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**Consolidated Financial Results for  
1Q FY3/23**



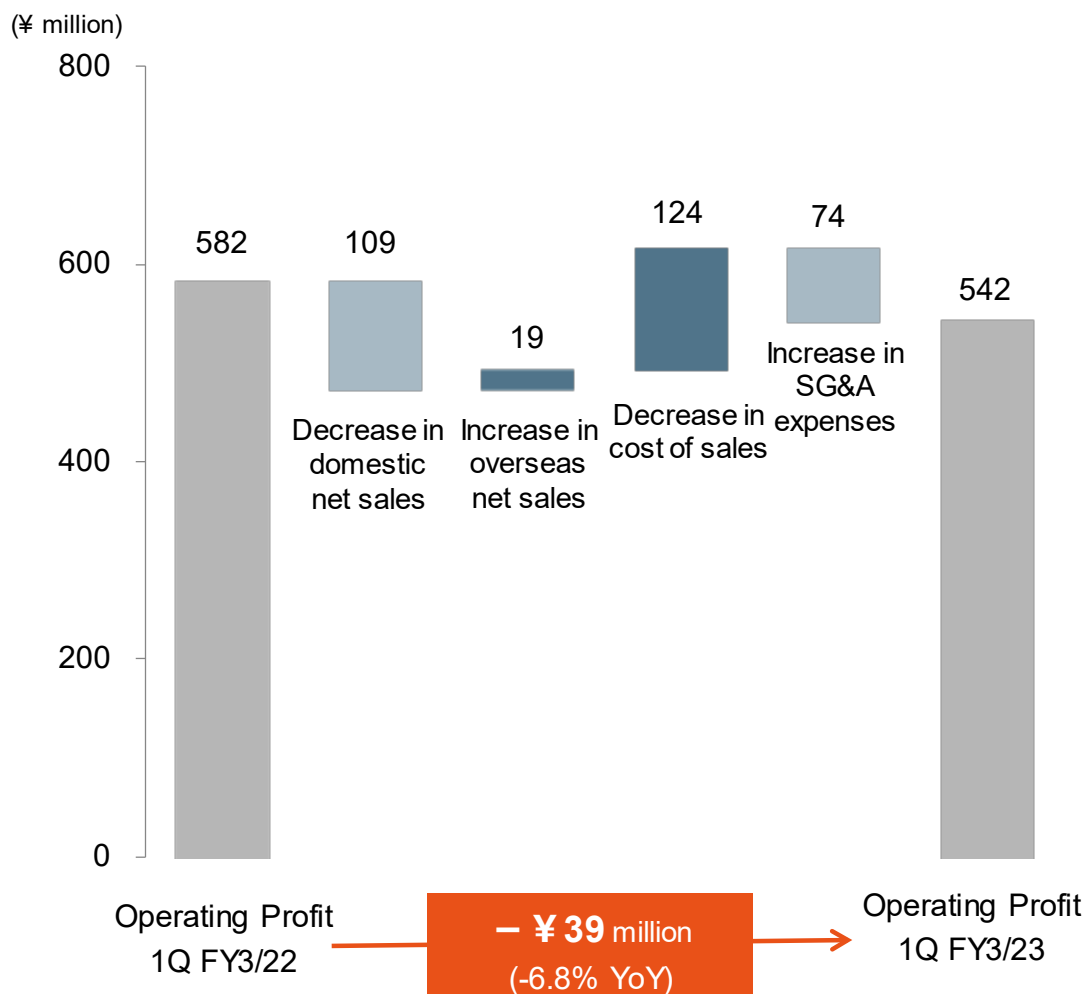
# Financial Results Summary for 1Q FY3/23

Decreased in net sales and profits year on year,  
but generally as planned

(Unit: ¥ million)	1Q FY3/22	1Q FY3/23	1H FY3/23	Progress
	Actual	Actual	Forecasts	Rate
<b>Net Sales</b>	2,445	2,355	4,770	49.4%
YoY changes	+26.4%	-3.7%	-1.1%	
<b>Operating profit</b>	582	542	1,080	50.2%
YoY changes	+65.5%	-6.8%	-3.1%	
<b>Ordinary profit</b>	589	540	1,090	49.6%
YoY changes	+66.8%	-8.3%	-3.6%	
<b>Profit attributable to owners of parent</b>	392	322	720	44.8%
YoY changes	+68.7%	-17.8%	-6.6%	

- The automotive industry continued to experience weak demand due to production cutbacks affected by global shortage of parts supplies. 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. Consolidated net sales in 1Q were ¥2,355 million, down 3.7% YoY.
- Consolidated ordinary profit was ¥540 million, down 8.3% YoY. Ordinary profit margin was 23.0%, down 1.1 pp YoY.
- Due to the posting of a valuation loss on unlisted shares held by the Company, extraordinary losses of ¥24 million was generated.

# Factors for Decrease in Operating Profit



- Domestic net sales decreased by ¥109 million, down 6.4% YoY, while overseas net sales increased by ¥19 million, up 2.6% YoY. Overall net sales decreased by ¥89 million, down 3.7% YoY.
- Material costs and outsourcing expenses increased slightly, labor costs increased mainly in provision for bonuses, and manufacturing expenses increased mainly in manufacturing power costs, while cost of products manufactured increased by 6.2% YoY. Cost of sales decreased by ¥124 million, down 10.5% YoY, due to product inventory, which had been decreasing in the same period of previous fiscal year as sales recovered, increased in this quarter.
- SG&A expenses increased by 5.9% YoY in personnel expenses due to an increase in provision for bonuses, and selling expenses increased by 34.7% YoY due to an increase in travel expenses and advertising expenses due to the resumption of sales activities. Overall SG&A expenses increased by ¥74 million, up 11.0% YoY.
- As a result, operating profit decreased by ¥39 million, down 6.8% YoY, to ¥542 million, and operating profit margin was 23.0%, down 0.8 pp YoY.

# Summary of Statement of Income

(Unit: ¥ million)	1Q FY3/22 Actual	1Q FY3/23 Actual	YoY Changes
<b>Net Sales</b>	2,445	2,355	-3.7%
<b>Gross profit</b>	1,260	1,295	+2.7%
Ratio to net sales	51.6%	55.0%	
<b>SG&amp;A expenses</b>	678	753	+11.0%
Ratio to net sales	27.8%	32.0%	
<b>Operating profit</b>	582	542	-6.8%
Ratio to net sales	23.8%	23.0%	
<b>Ordinary profit</b>	589	540	-8.3%
Ratio to net sales	24.1%	23.0%	
<b>Profit attributable to owners of parent</b>	392	322	-17.8%
Ratio to net sales	16.0%	13.7%	
<b>Capital investment</b>	95	214	+124.2%
<b>Depreciation</b>	161	163	+1.2%
<b>No. of employees</b> (persons)	350	359	+2.6%

- Net sales were ¥2,355 million, down 3.7% YoY. The automotive industry continued to experience weak demand due to production cutbacks affected by the parts supply shortage. On the other hand, the semiconductor and market of electronic components generally remained strong.
- Gross profit was ¥1,295 million, up 2.7% YoY. Cost of sales decreased by 10.5% due to increased product inventories, and gross profit margin was 55.0%, up 3.4 pp YoY.
- SG&A expenses increased by 11.0% YoY in line with the rise in selling expenses, and SG&A expenses ratio was 32.0%, up 4.2 pp YoY.
- As a result, operating profit decreased by 6.8% YoY to ¥542 million, and operating profit margin was 23.0%, down 0.8 pp YoY.
- Capital expenditures were ¥214 million, up 124.2% YoY due to the expansion of production facilities based on the initial forecast. Depreciation increased by 1.2% YoY as capital expenditures, which had been kept down in FY3/21, was carried out as usual in FY3/22.

# Summary of Balance Sheet

(Unit: ¥ million)	FY3/22-End	Composition Ratio	1Q FY3/23-End	Composition Ratio	VS FY3/22-End
<b>(Assets)</b>					
I Current assets	11,807	66.1%	11,480	65.4%	-2.8%
Cash and deposits	8,543	47.8%	8,076	46.0%	-5.5%
Notes and accounts receivable - trade	1,322	7.4%	1,288	7.3%	-2.6%
Inventories	1,840	10.3%	1,918	10.9%	+4.2%
II Non-current assets	6,066	33.9%	6,069	34.6%	+0.1%
Property, plant and equipment	5,435	30.4%	5,467	31.2%	+0.6%
Intangible assets	32	0.2%	30	0.2%	-7.0%
Investments and other assets	598	3.4%	572	3.3%	-4.4%
<b>Total assets</b>	17,874	100.0%	17,549	100.0%	-1.8%
<b>(Liabilities)</b>					
I Current liabilities	1,483	8.3%	1,129	6.4%	-23.9%
Accounts payable - trade	249	1.4%	284	1.6%	+14.3%
II Non-current liabilities	224	1.3%	224	1.3%	—
<b>Total liabilities</b>	1,708	9.6%	1,354	7.7%	-20.7%
<b>(Net assets)</b>					
<b>Total equity</b>	15,950	89.2%	15,979	91.1%	+0.2%
<b>Total net assets</b>	16,165	90.4%	16,195	92.3%	+0.2%
<b>Total liabilities and net assets</b>	17,874	100.0%	17,549	100.0%	-1.8%

## Current assets

Decreased by 2.8% from the end of previous fiscal year due to a decrease in cash and deposits for the payment of income taxes and bonuses.

## Non-current assets

Increased by 0.1% from the end of previous fiscal year due to a slight increase of property, plant and equipment, and a decrease of investments and other assets due to the posting of a valuation loss on investment securities.

## Liabilities

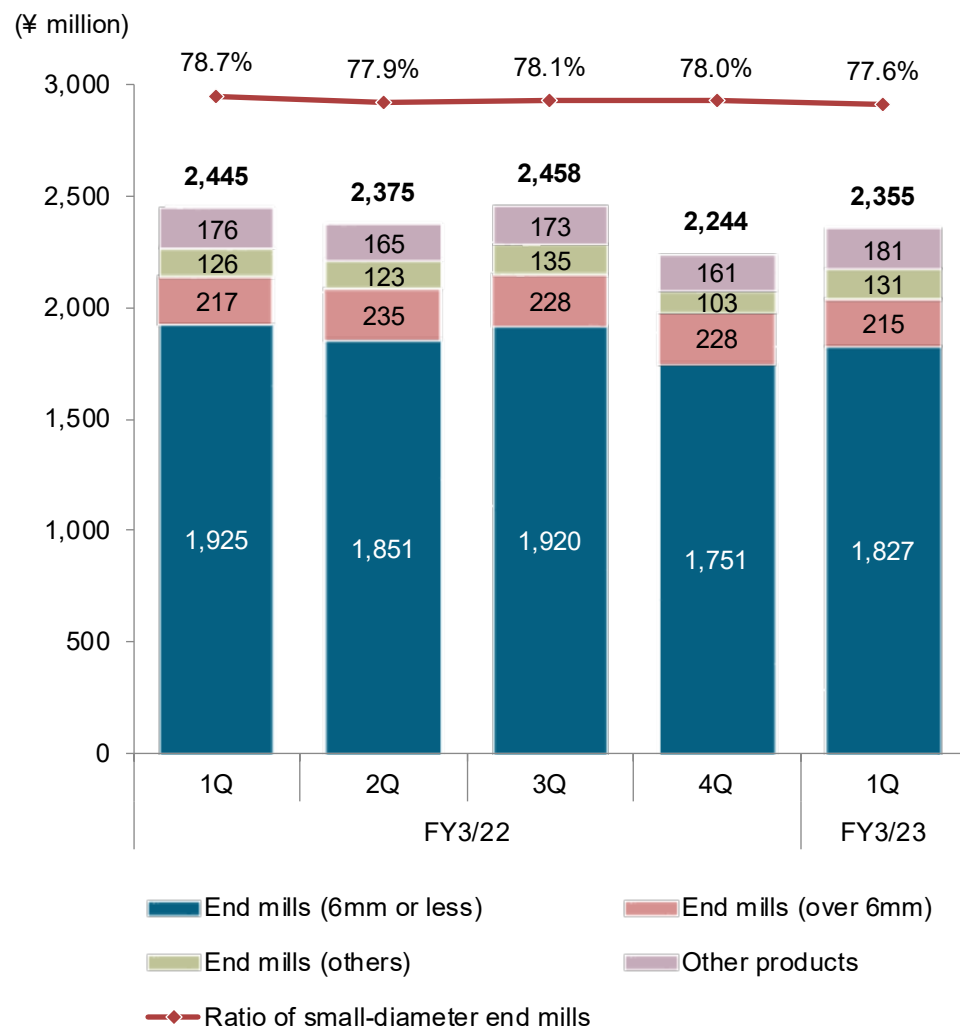
Decreased by 20.7% from the end of previous fiscal year due to decreases in income taxes payable and provision for bonuses.

## Net assets

Increased by 0.2% from the end of previous fiscal year due to an increase in retained earnings and a decrease due to the payment of dividends, etc. Equity ratio was 91.1%, up 1.9 pp from the end of previous fiscal year, partly due to a decrease in liabilities.

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

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

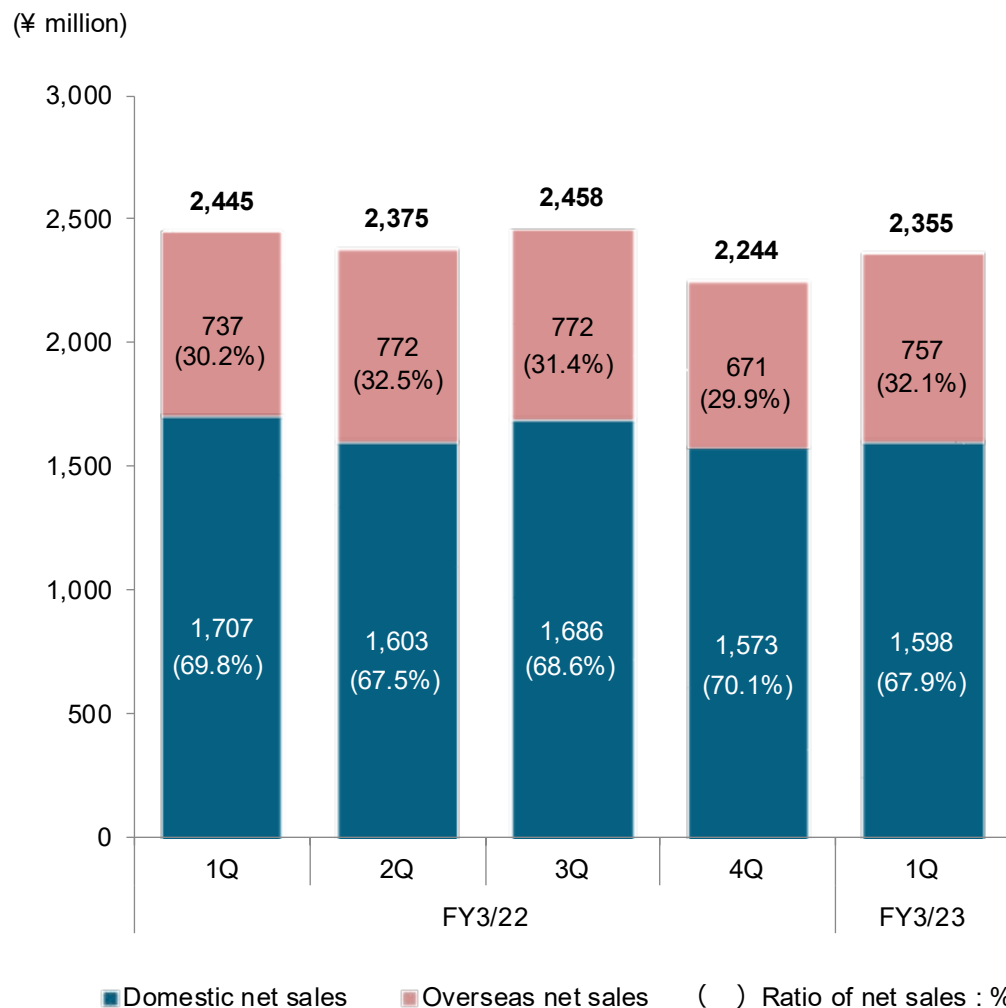


- The automotive industry continued to experience weak demand and was forced production cutbacks, due to unresolved parts supply shortage from the previous fiscal year, which was affected by Russian invasion of Ukraine and lockdown in China. The semiconductor and market of electronic components and devices generally remained strong, although demand for some electronic components, which had been brisk, showed signs of stabilizing. 1Q consolidated net sales were ¥2,355 million, down 3.7% YoY, but up 4.9% QoQ.
- By product, net sales for mainstay end mills (diameter 6mm or less) decreased by 5.1% YoY, end mills (diameter over 6mm) also decreased by 1.0% YoY, on the other hand, end mills (other), mainly special products custom-made to users, increased by 3.9% YoY. Other products such as tool cases also increased by 2.6% YoY. The ratio of small-diameter end mills declined by 1.1 pp YoY to 77.6%.



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

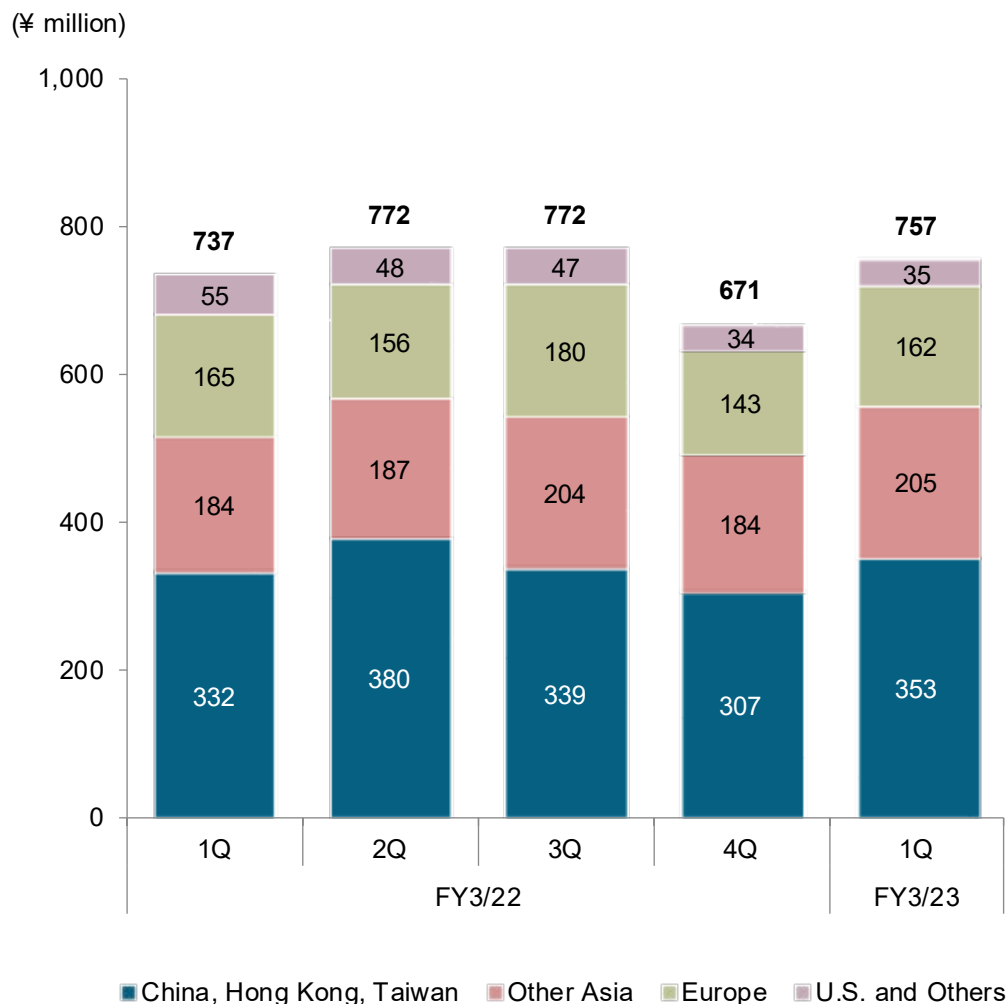
## Trend of domestic and overseas net sales



- Domestic net sales decreased by ¥109 million, down 6.4% YoY, to ¥1,598 million. On the other hand, overseas net sales increased by ¥19 million, up 2.6% YoY, to ¥757 million.
- Overseas net sales increased mainly in Greater China. In the account consolidation of NS TOOL Hong Kong Ltd., into 1Q results, figures for January-March, when the effect of the lockdown was not yet significant, are combined
- The overseas net sales ratio rose by 1.9 pp YoY to 32.1%.

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

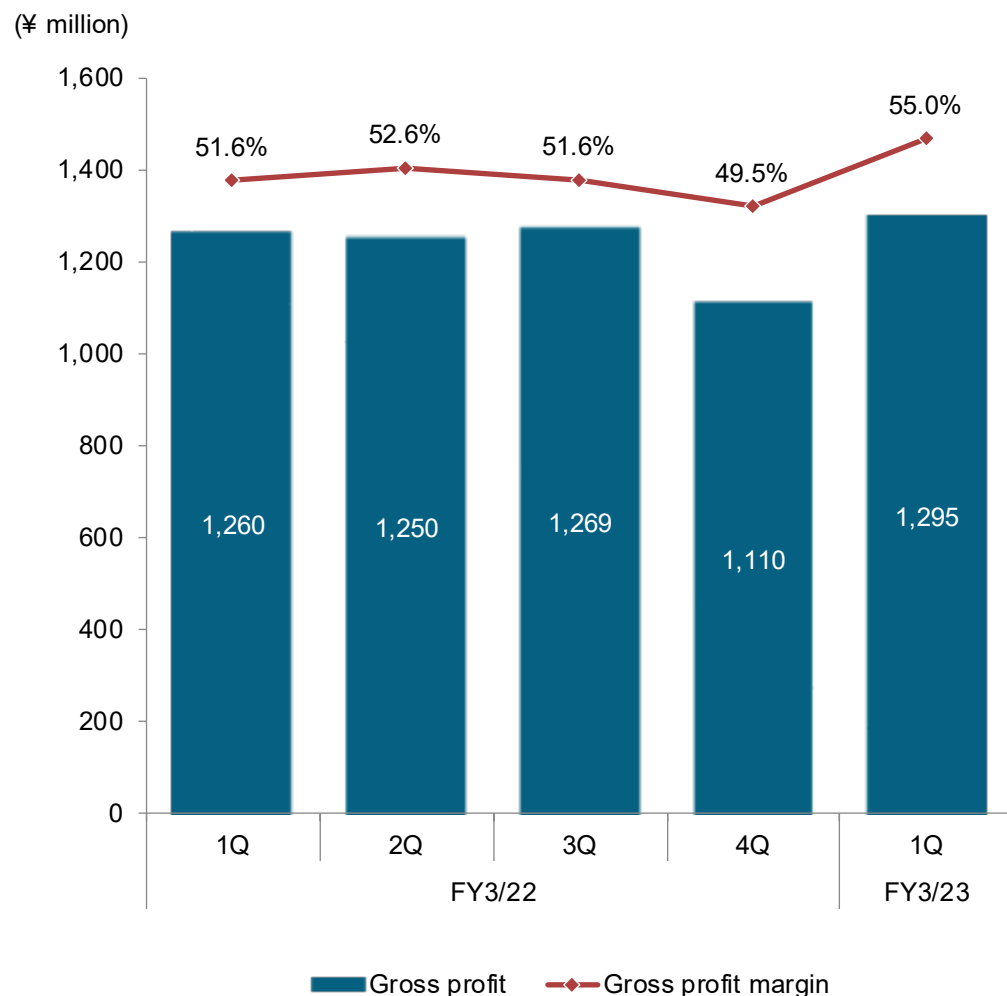
Trend of net sales by overseas region



- Combined net sales of China, Hong Kong and Taiwan increased by 6.2% YoY to ¥353 million. In the account consolidation of NS TOOL Hong Kong Ltd., into 1Q results, figures for January-March are combined. Strong performance due to increased demand related to VR equipment and moves by users to secure inventory on hand in preparation for lockdowns. In addition, sales to Taiwan increased due to semiconductor-related demand.
- Other Asia increased by 11.3% YoY to ¥205 million. Demand for automotive industry is returning, but the effect of parts supply shortage is concerned in the future.
- Europe decreased by 1.9% YoY to ¥162 million due to sales of automotive industry were sluggish.
- U.S. and Others decreased by 34.7% YoY to ¥35 million, partly due to the receipt of large orders for automobiles in the same period of the previous fiscal year. Taking the opportunity of exhibiting at the largest machine tool exhibition “IMTS” in the U.S. to be held in September this year, the Company aims to expand sales.

# Business Performance (Trend of gross profit)

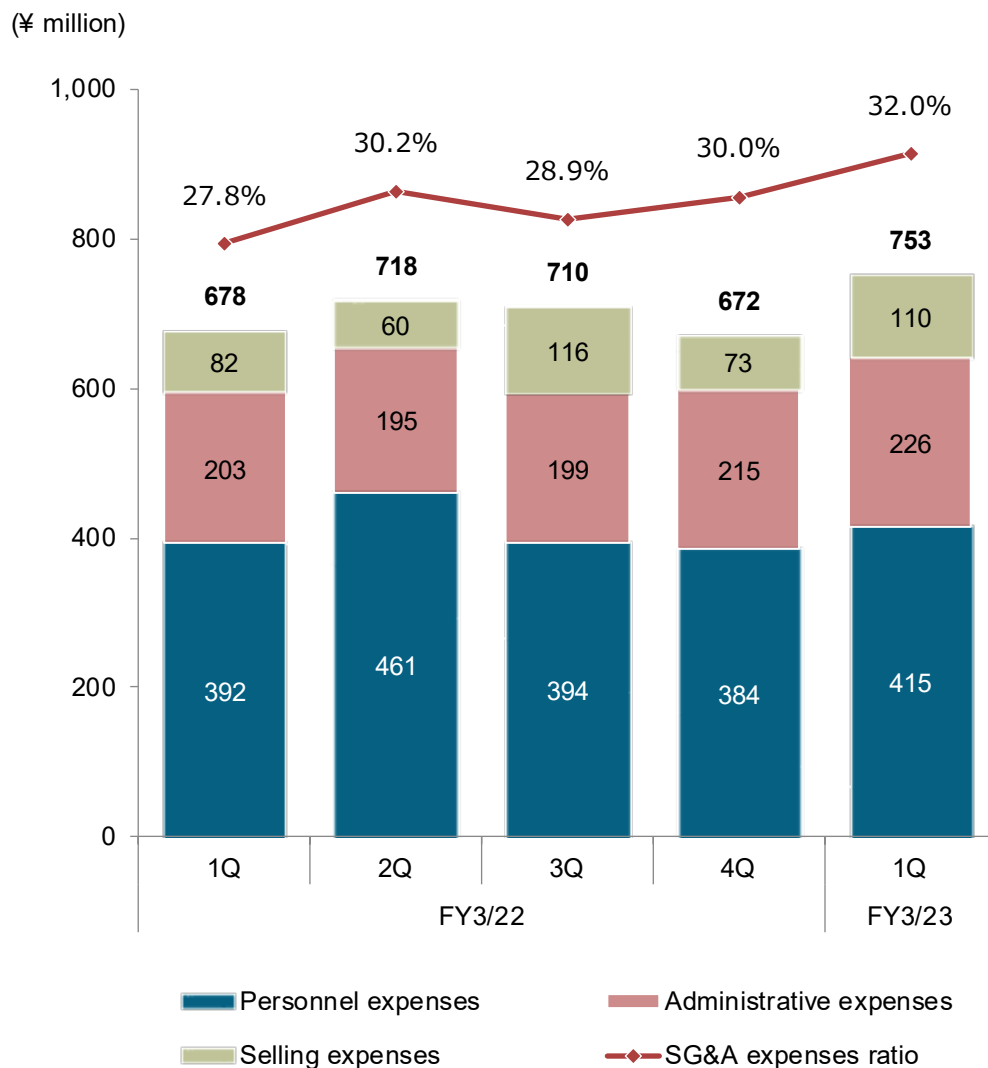
Trend of gross profit and gross profit margin



- Material costs and outsourcing expenses increased slightly year on year; labor costs increased by 14.1% YoY due to an increase of provision for bonuses; manufacturing expenses increased by 8.8% YoY due to an increase of manufacturing power costs; and cost of products manufactured increased by 6.5% YoY. However, while product inventory decreased by ¥48 million in the same period of the previous fiscal year, it increased by ¥55 million in this quarter, and the cost of sales decreased by 10.5% YoY.
- As a result, gross profit increased by 2.7% YoY to ¥1,295 million and gross profit margin rose by 3.4 pp YoY to 55.0%, and rose by 5.5 pp QoQ.

# Business Performance (Trend of SG&A expenses)

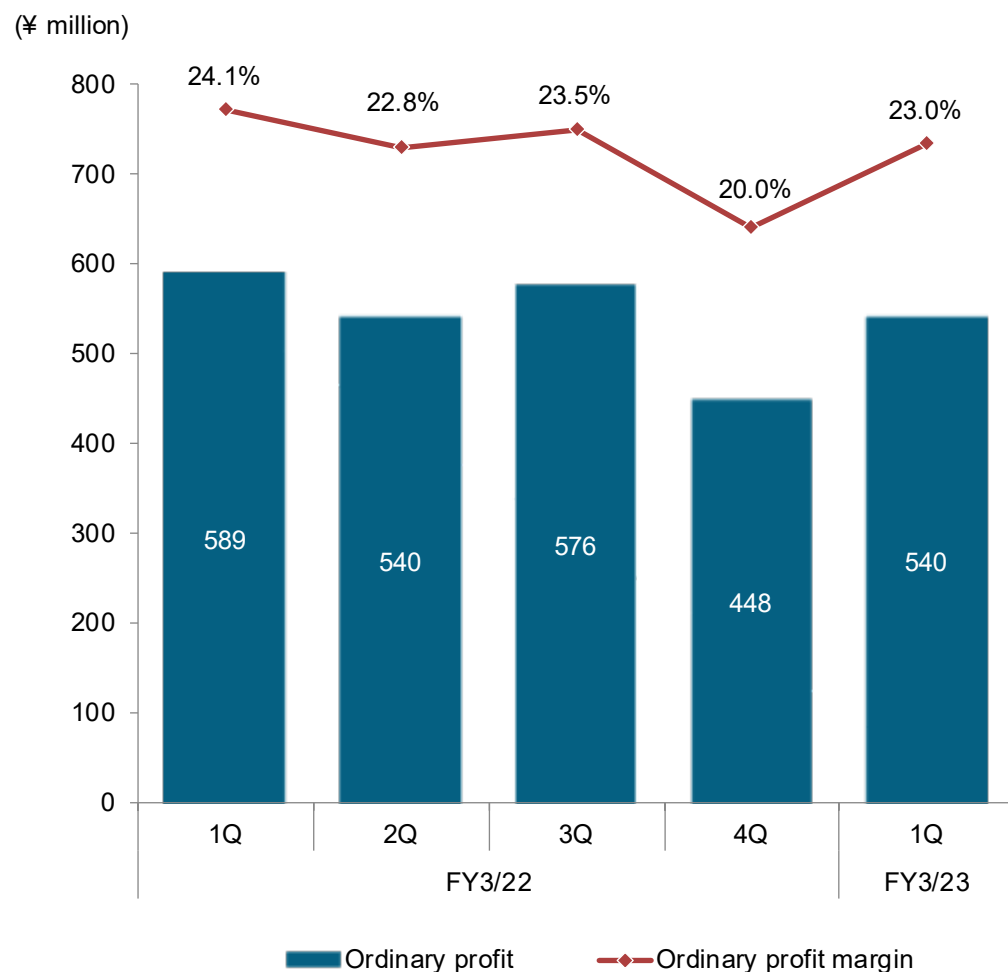
Trend of SG&A expenses and  
SG&A expenses ratio



- Selling expenses increased by 34.7% YoY to ¥110 million due to an increase in travel expenses accompanying the resumption of sales activities and an increase in advertising expenses due to aggressive PR activities.
- Personnel expenses increased by 5.9% YoY to ¥415 million due to an increase in provision for bonuses.
- Overall SG&A expenses increased by 11.0% YoY to ¥753 million, while SG&A expenses ratio rose by 4.2 pp YoY to 32.0%.

# Business Performance (Trend of ordinary profit)

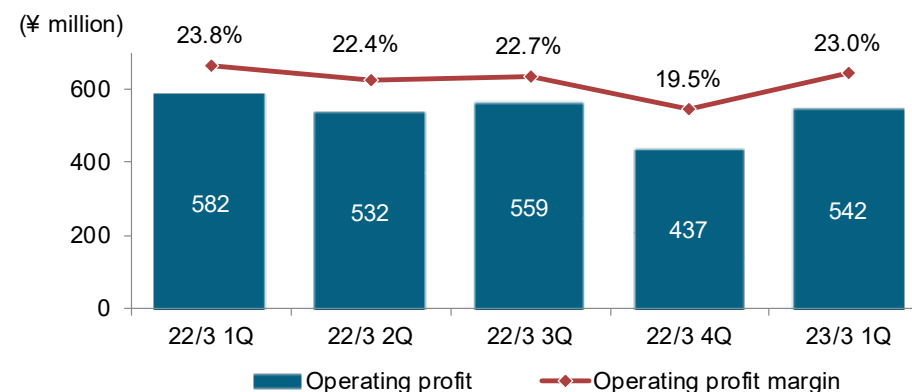
Trend of ordinary profit and ordinary profit margin



Operating profit decreased by 6.8% YoY to ¥542 million due to a decrease in net sales and an increase in SG&A expenses.

For non-operating income and expenses, non-operating expenses exceeded non-operating income by ¥1 million. In the same period of the previous fiscal year, non-operating income exceeded non-operating expenses by ¥7 million thanks to ¥13 million of gain on surrender value of insurance policies following the resignation of an executive officer, etc. which was generated. Ordinary profit was ¥540 million, down 8.3% YoY.

Ordinary profit margin was 23.0%, declined by 1.1 pp YoY, but rose by 3.0 pp QoQ.



# **Consolidated Financial Forecasts for FY3/23**



# Financial Forecasts

(Unit: ¥ million)	FY3/22 Actual	FY3/23 Forecasts	YoY Changes
Net Sales	9,524	9,690	+1.7%
Operating profit	2,111	2,110	-0.1%
Ordinary profit	2,156	2,120	-1.7%
Profit attributable to owners of parent	1,522	1,440	-5.4%
Capital investment	659	1,064	+61.4%
Depreciation	692	780	+12.8%
EPS (¥)	60.89	57.83	-5.0%
Dividend per share (¥)	22.50	22.50	—

\*The impact of the stock split on April 1, 2021 was considered.

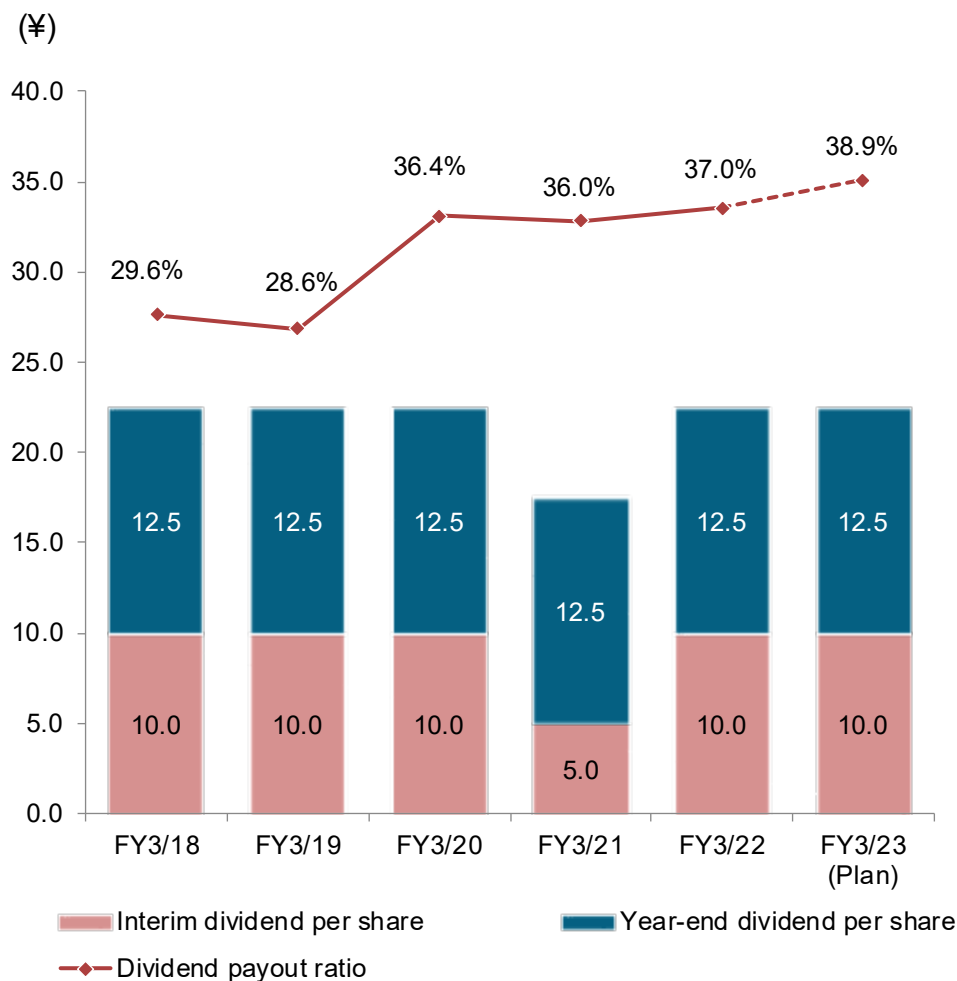
- The effects of Russian invasion of Ukraine and supply chain disruptions caused by lockdown in China seem to continue. In addition, the cost of raw materials is expected to increase due to the global rise in resource prices and the depreciation of the yen. In terms of demand for tools, semiconductor and electronic components related industries are expected to remain strong, but the continued automotive production cutbacks and inventory adjustments of semiconductors have become a cause of concern.
- Net sales are expected to remain strong, but due to the expected increase in manufacturing and sales costs, net sales are forecast to increase by 1.7% YoY to ¥9,690 million, and operating profit is forecast to decrease by 0.1% YoY to ¥2,110 million, and ordinary profit is forecast to decrease by 1.7% YoY to ¥2,120 million.
- Capital expenditures were the same as usual in the previous fiscal year, but this fiscal year we plan to invest aggressively, mainly in the expansion of production facilities.
- The year-end dividend per share is planned to be ¥12.5. The annual dividends per share are planned to be ¥22.5, including interim dividend of ¥10.

# Progress in 1Q FY3/23

(Unit: ¥ million)	FY3/23				
	1Q Actual	1H Forecasts	Progress Rate	Full-year Forecasts	Full-year Progress Rate
<b>Net Sales</b>	2,355	4,770		9,690	
YoY Changes	-3.7%	-1.1%	49.4%	+1.7%	24.3%
<b>Operating profit</b>	542	1,080		2,110	
YoY Changes	-6.8%	-3.1%	50.2%	-0.1%	25.7%
<b>Ordinary profit</b>	540	1,090		2,120	
YoY Changes	-8.3%	-3.6%	49.6%	-1.7%	25.5%
<b>Profit attributable to owners of parent</b>	322	720		1,440	
YoY Changes	-17.8%	-6.6%	44.8%	-5.4%	22.4%



## Dividend Forecasts (Shareholder Returns)



\*The impact of the stock 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 FY3/22 was ¥22.5.  
Interim dividend: ¥10.0; Year-end dividend: ¥12.5  
Dividend payout ratio: 37.0%
- 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 for the financial forecasts: 38.9%
- 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.**

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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.