

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



Summary of Business Results for the Second Quarter Ended September 30, 2021 [Japan GAAP] (Consolidated)

October 29, 2021

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: November 10, 2021
 Expected starting date of dividend payment: December 1, 2021
 Preparation of quarterly supplementary financial document: Yes
 Quarterly results briefing: Yes

(Rounded down to million yen)

1. Consolidated business results for the six months ended September 2021 (April 1, 2021 through September 30, 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	%
Six months ended Sept. 2021	4,821	32.6	1,114	175.7	1,130	154.6	770	180.2
Six months ended Sept. 2020	3,635	-26.3	404	-68.0	444	-64.9	275	-67.0

(Note) Comprehensive income:

Six months ended September 2021: 787 million yen (189.7%)

Six months ended September 2020: 271 million yen (-67.1%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Sept. 2021	30.81	30.55
Six months ended Sept. 2020	11.00	10.93

(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 second 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 Sept. 2021	17,448	15,854	89.6	624.69
As of Mar. 2021	16,936	15,326	89.4	605.44

(Reference) Equity:

As of September 2021: 15,638 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 second 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)	-	-	-	10.00	20.00

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

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	9,170	13.2	1,920	26.9	1,930	12.7	1,330	9.5	53.14

(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 8 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 8 of the attached material.

(4) Shares outstanding (common stock)

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

As of September 2021 25,035,034 shares
 As of March 2021 25,011,254 shares

② Treasury stock at the end of period:

As of September 2021 1,038 shares
 As of March 2021 1,038 shares

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

Six months ended September 2021 25,023,211 shares
 Six months ended September 2020 25,008,722 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.

Attached Material

1. Qualitative Information Regarding Results for the First Six Months	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Business Results Forecast and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Significant Notes Thereto	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	6
Quarterly Consolidated Statement of Income (Cumulative).....	6
Quarterly Consolidated Statement of Comprehensive Income (Cumulative).....	7
(3) Notes to Quarterly Consolidated Financial Statements	8
Notes on uncertainties of entity's ability to continue as going concern.....	8
Notes when there are significant changes in amounts of shareholders' equity	8
Application of accounting procedures specific to preparation of the quarterly consolidated financial statements	8
Changes in accounting policies.....	8

1. Qualitative Information Regarding Results for the First Six Months

(1) Explanation of Operating Results

During the six months ended September 30, 2021, the Japanese economy continued to face a difficult environment, with the renewed declaration of a state of emergency due to the spread of the novel coronavirus disease (COVID-19). However, there were signs of a recovery, mainly in the manufacturing sector, driven by overseas demand from the U.S. and China, where the economy is recovering thanks to large-scale economic measures and progress in vaccinations. Nevertheless, from the summer onward, the manufacturing sector also experienced a downturn, with some exceptions, due to the fifth wave of the spread of COVID-19, and as automotive manufacturers were forced to drastically reduce production due to the global shortage of semiconductors and parts supply shortages caused by the spread of COVID-19 in Southeast Asia, as well as due to rising prices of raw materials and energy.

As for the situation of the major customers for the products of the Company group (the “Group”), the automotive industry faced a severe situation as they were forced to drastically reduce production from the summer due to the shortage of semiconductors and parts. On the other hand, semiconductor and market of electronic components and devices remained strong, and in particular, semiconductor manufacturing equipment and molds for semiconductors continued to be extremely busy against the backdrop of a shortage of semiconductors.

Amid such an environment, the Group exhibited at INTERMOLD TOKYO (2021), its first physical trade shows and exhibition in a while, and announced 3-Flute Ball End Mill for 5-axis machining “MSBSH330-5X,” which achieves high-precision, high-efficiency machining with a highly rigid ball-shaped 3-flute design that takes advantage of the features of 5-axis machining. In addition to the “MSBSH330-5X,” the product lineup has been expanded to 142 sizes from a minimum flute diameter of 0.1 mm of CBN 4-Flute Radius End Mill “SHPR400” to a flute diameter of 3.0 mm.

On the sales front, we reinforced our workforce to strengthen our sales capabilities, and also focused on in-house technical training in the face of difficulties in conducting sales visits. In addition, in order to strengthen sales in the U.S., we have decided for and are currently preparing the establishment of a local sales subsidiary.

In terms of production, we continued to promote small group activities to improve product precision and productivity, and as a result, we are seeing the results of cost reduction as production recovers. In addition, project teams have been established for each theme to be addressed in the medium term, and activities are underway.

As a result, net sales for the six months ended September 30, 2021 were ¥4,821 million (up 32.6% year on year), operating profit was ¥1,114 million (up 175.7%), ordinary profit was ¥1,130 million (up 154.6%), and profit attributable to owners of parent was ¥770 million (up 180.2%).

By product category, sales of “End mills (diameter 6 mm or less)” were ¥3,776 million (up 33.9% year on year), sales of “End mills (diameter over 6 mm)” were ¥452 million (up 36.5% year on year), sales of “End mills (other)” were ¥249 million (up 2.6% year on year), and sales of “Other” were ¥342 million (up 42.4% 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 September 30, 2021, total assets increased by ¥512 million compared to the end of the previous fiscal year to ¥17,448 million. This was mainly due to an increase in cash and deposits due to the recovery of business results.

Furthermore, liabilities decreased by ¥15 million compared to the end of the previous fiscal year to ¥1,594 million. This was mainly due to decreases in provision for bonuses and provision for bonuses for directors (and other officers).

Net assets increased by ¥527 million compared to the end of the previous fiscal year to ¥15,854 million due to an increase in retained earnings, etc. Equity-to-asset ratio as of September 30, 2021 amounted to 89.6%.

(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 2022, there is no change from the business results forecast announced on July 30, 2021.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	7,674,235	8,417,125
Notes and accounts receivable - trade	1,312,344	1,393,299
Merchandise and finished goods	1,043,915	1,072,268
Work in process	333,365	290,685
Raw materials and supplies	381,356	340,707
Other	150,200	72,974
Total current assets	10,895,417	11,587,060
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,716,255	2,660,266
Machinery, equipment and vehicles, net	1,684,851	1,702,109
Land	692,528	692,528
Construction in progress	223,665	67,060
Other, net	159,766	174,448
Total property, plant and equipment	5,477,067	5,296,413
Intangible assets	34,498	35,962
Investments and other assets		
Investment securities	49,655	50,285
Deferred tax assets	346,481	346,172
Other	133,162	132,781
Total investments and other assets	529,299	529,239
Total non-current assets	6,040,865	5,861,615
Total assets	16,936,283	17,448,676

(Thousands of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	220,848	291,975
Income taxes payable	238,989	369,691
Provision for bonuses	249,478	241,792
Provision for bonuses for directors (and other officers)	86,340	52,282
Other	589,355	413,800
Total current liabilities	1,385,011	1,369,541
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	1,594,493
Net assets		
Shareholders' equity		
Share capital	444,372	455,330
Capital surplus	407,272	418,223
Retained earnings	14,312,278	14,770,510
Treasury shares	(925)	(925)
Total shareholders' equity	15,162,998	15,643,138
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,756	3,197
Foreign currency translation adjustment	(23,692)	(7,787)
Total accumulated other comprehensive income	(20,936)	(4,590)
Share acquisition rights	184,258	215,634
Total net assets	15,326,320	15,854,182
Total liabilities and net assets	16,936,283	17,448,676

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

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	3,635,890	4,821,243
Cost of sales	1,900,469	2,310,096
Gross profit	1,735,421	2,511,147
Selling, general and administrative expenses	1,331,242	1,396,741
Operating profit	404,179	1,114,405
Non-operating income		
Interest income	20	24
Dividend income	123	353
Subsidy income	35,792	60
Gain on sale of scraps	3,539	7,930
Surrender value of insurance policies	–	13,430
Other	2,863	1,887
Total non-operating income	42,339	23,686
Non-operating expenses		
Foreign exchange losses	2,347	6,541
Other	19	718
Total non-operating expenses	2,366	7,260
Ordinary profit	444,152	1,130,831
Extraordinary income		
Gain on sale of non-current assets	–	253
Total extraordinary income	–	253
Extraordinary losses		
Loss on sale of non-current assets	45	2,083
Loss on retirement of non-current assets	2,310	632
Total extraordinary losses	2,356	2,715
Profit before income taxes	441,796	1,128,369
Income taxes	166,668	357,509
Profit	275,127	770,859
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	275,127	770,859

Quarterly Consolidated Statement of Comprehensive Income (Cumulative)

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit	275,127	770,859
Other comprehensive income		
Valuation difference on available-for-sale securities	755	440
Foreign currency translation adjustment	(4,136)	15,905
Total other comprehensive income	(3,380)	16,345
Comprehensive income	271,746	787,205
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	271,746	787,205
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 second 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 six months ended September 30, 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 six 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.