Summary of Business Results for the Year Ended March 31, 2022 [Japan GAAP] (Consolidated)

May 16, 2022

Company	**NS TOOL CO., LTD.**	Listed on the TSE
Stock Code	6157 URL: https://www.ns-tool.com	
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Expected date of annual shareholders' meeting: June 22, 2022
Expected date of filing of annual securities report: June 23, 2022
Expected starting date of dividend payment: June 23, 2022
Preparation of supplementary financial document: Yes
Results briefing: Yes

(Rounded down to million yen)

1. Consolidated business results for the fiscal year ended March 2022 (April 1, 2021 through March 31, 2022)

(1) Consolidated results of operations

(% indicates year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Mar. 2022	9,524	17.6	2,111	39.6	2,156	25.9	1,522	25.4
Year ended Mar. 2021	8,100	-15.0	1,512	-31.8	1,712	-23.3	1,214	-21.4

(Note) Comprehensive income:
Year ended March 2022: 1,549 million yen (28.8%)
Year ended March 2021: 1,202 million yen (-21.9%)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Year ended Mar. 2022	60.89	60.38	9.8	12.4	22.2
Year ended Mar. 2021	48.55	48.20	8.2	10.4	18.7

(Reference) Share of profit (loss) of entities accounted for using equity method
Year ended March 2022:– million yen
Year ended March 2021:– million yen

(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 current fiscal year, and the figures for the fiscal year ended 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 Mar. 2022	17,874	16,165	89.2	640.58
As of Mar. 2021	16,936	15,326	89.4	605.44

(Reference) Equity:
As of March 2022: 15,950 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 current fiscal year, and the figures for the fiscal year ended March 2022 are after the application of the said accounting standard, etc.

(3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended Mar. 2022	2,261	-348	-763	8,443
Year ended Mar. 2021	2,526	-187	-438	7,274

2. Dividends

	Annual dividend					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions yen	%	%
Year ended Mar. 2021	-	10.00	-	25.00	35.00	437	36.0	2.9
Year ended Mar. 2022	-	10.00	-	12.50	22.50	561	37.0	3.6
Year ending Mar. 2023 (forecast)	-	10.00	-	12.50	22.50		38.9	

(Note) 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 2023 (April 1, 2022 through March 31, 2023)

(% indicates year-on-year change)

	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
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

***Notes**

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

(2) Changes in accounting policies, accounting estimates and restatement
①Changes in accounting policies associated with revision of accounting standards: : Yes
②Changes in accounting policies other than ① : None
③Changes in accounting estimates : None
④Restatement : None

(3) Shares outstanding (common stock)
① Number of shares outstanding at the end of period (treasury stock included)
As of March 2022 25,035,034 shares
As of March 2021 25,011,254 shares
② Treasury stock at the end of period:
As of March 2022 135,138 shares
As of March 2021 1,038 shares
③ Average number of stock during period
Year ended March 2022 25,003,496 shares
Year ended March 2021 25,009,468 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.

(Reference) Summary of non-consolidated business results

1. Non-consolidated business results for the fiscal year ended March 2022 (April 1, 2021 through March 31, 2022)

(1) Non-consolidated results of operations (% indicates year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Mar. 2022	8,201	16.8	1,640	25.4	1,766	10.0	1,278	9.2
Year ended Mar. 2021	7,018	-14.6	1,308	-26.5	1,606	-17.5	1,170	-16.8

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Year ended Mar. 2022	51.12	50.69
Year ended Mar. 2021	46.82	46.48

(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 current fiscal year, and the figures for the fiscal year ended March 2022 are after the application of the said accounting standard, etc.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 2022	15,304	13,925	89.6	550.60
As of Mar. 2021	14,803	13,356	89.0	526.66

(Reference) Equity:
As of March 2022: 13,709 million yen
As of March 2021: 13,171 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 current fiscal year, and the figures for the fiscal year ended March 2022 are after the application of the said accounting standard, etc.

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

(% indicates year-on-year change)

	Net sales		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending Sept. 2022	4,170	-0.1	1,040	6.9	730	5.8	29.32
Year ending Mar. 2023	8,450	3.0	1,880	6.4	1,320	3.3	53.01

*** Financial summary is not subject to auditing 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.

Contents of Attached Materials

1. Overview of operating results and others

(1) Overview of operating results for the fiscal year

In the Japanese economy during the fiscal year ended March 31, 2022, although there was progress in vaccinations for the novel coronavirus disease (COVID-19), the number of infected individuals fluctuated largely due to a resurgence in infections prompted by new variants, and economic activity remained inconsistent throughout the year. Additionally, the persistent shortage of certain parts and materials due to the disruption of supply chains and the continued rise in raw materials prices globally also put a damper on the recovery in economic conditions.

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, but remained sluggish due to the stalled supply of semiconductors and parts. On the contrary, the electronic device industry remained strong due to the brisk semiconductor market and strong demand for electronic components. Molds related to containers for food and daily necessities were also strong due to growing demand for staying at home due to the impact of the novel coronavirus disease (COVID-19).

Amid such an environment, the Group approached users through its exhibit at the INTERMOLD TOKYO (2021), its first offline exhibition in a long time. In addition, the Group deployed various sales measures that included a redesign of its general catalogue. Additionally, in November 2021, anticipating an increase in demand of precision and micro-machining, the Group established "NS TOOL USA, INC.," a local corporation based in the United States, as a foothold into expanding sales in the future.

On the product front, the Group released "MSBSH330-5X," a 3-Flute Ball End Mill that supports dramatic increases in productivity by enabling higher precision, higher efficiency 5-axis machining. With this product, the Group introduced "NS Connect," a new service. With NS Connect, it is possible to connect to a dedicated site and access a variety of information on products, including its features and machining conditions, by scanning a two-dimensional code imprinted on the back side of tool cases. As a result of cooperation between the Group's development and sales departments, NS Connect was recognized for its service aspects in addition to product performance, resulting the product receiving the Machine and Robots Part Award under the "Super" *Monozukuri* Parts Award (organized by Monozukuri Nippon Conference/NIKKAN KOGYO SHIMBUN, LTD.) for two consecutive years.

In terms of production, we have continued to promote small group activities to improve product precision and productivity and have realized cost reductions 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 fiscal year ended March 31, 2022 were ¥9,524 million (up 17.6% year on year), operating profit was ¥2,111 million (up 39.6% year on year), ordinary profit was ¥2,156 million (up 25.9% year on year), and profit attributable to owners of parent was ¥1,522 million (up 25.4% year on year).

Note that the Group posted a ratio of ordinary profit to net sales of 22.6%, thereby achieving its target of 20% that it established as a KPI. This figure improved from the previous fiscal year's figure of 21.1% in line with the increase in sales resulting from a recovery from the COVID-19 pandemic and healthy demand for semiconductors and electronic parts. Regarding ROE of 10%, which constitutes another Group target, although profit attributable to owners of parent increased considerably by 25.4% year on year, ROE halted at 9.8%, falling slightly below the ROE target of 10% despite improving over the previous fiscal year's figure of 8.2%.

By product category, sales of "End mills (diameter 6 mm or less)" were ¥7,449 million (up 17.5% year on year), sales of "End mills (diameter over 6 mm)" were ¥909 million (up 23.0% year on year), sales of "End mills (other)" were ¥488 million (up 2.0% year on year), and sales of "Other" were ¥677 million (up 24.7% 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) Overview of financial position for the fiscal year

As for the consolidated financial position as of March 31, 2022, total assets came to ¥17,874 million (an increase of ¥937 million over the end of the previous fiscal year), total liabilities came to ¥1,708 million (an increase of ¥98 million over the end of the previous fiscal year) and total net assets came to ¥16,165 million (an increase of ¥839 million over the end of the previous fiscal year). The factors behind increases and decreases in each asset and liability account are as follows.

<Current assets>

The balance of current assets at the end of the fiscal year ended March 31, 2022 was ¥11,807 million, an increase of ¥912 million, or 8.4%, over the previous fiscal year. This was mainly due to an increase in cash and deposits in line with a recovery in business performance and an increase in inventories generated from a buildup of stock.

<Non-current assets>

The balance of non-current assets at the end of the fiscal year ended March 31, 2022 was ¥6,066 million, an increase of ¥25 million, or 0.4%, over the previous fiscal year. This was mainly due to capital investment that slightly exceeded depreciation.

<Total assets>

Due to the above, total assets came to ¥17,874 million, an increase of ¥937 million, or 5.5%, over the previous fiscal year.

<Total liabilities>

The balance of liabilities at the end of the fiscal year ended March 31, 2022 was ¥1,708 million, an increase of ¥98 million, or 6.1%, over the previous fiscal year. This was mainly due to an increase in income taxes payable.

<Total net assets>

The balance of net assets at the end of the fiscal year ended March 31, 2022 was ¥16,165 million, an increase of ¥839 million, or 5.5%, over the previous fiscal year. This was due to an increase in retained earnings resulting from the posting of profit attributable to owners of parent, among other factors.

(3) Overview of cash flows for the fiscal year

The status of each type of cash flows in the fiscal year ended March 31, 2022 and accompanying factors are as follows. Cash and cash equivalents (“cash”) on a consolidated basis came to ¥8,443 million, an increase of ¥1,169 million, or 16.1% over the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities came to ¥2,261 million, down 10.5% year on year. This mainly reflects an increase in cash resulting from ¥2,147 million in profit before income taxes and an outflow of cash resulting from the payment of income taxes.

Cash flows from investing activities

Net cash used in investing activities came to ¥348 million, up 86.3% year on year. This mainly reflects an increase in capital investment and a refund of time deposits.

Cash flows from financing activities

Net cash used in financing activities came to ¥763 million, up 74.1% year on year. This mainly reflects the payment of dividends and the acquisition of treasury stock.

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Equity-to-asset ratio (%)	89.7	89.4	89.2
Equity-to-asset ratio based on market value (%)	190.0	246.2	202.0
Interest-bearing debt to cash flow ratio	–	–	–
Interest coverage ratio (x)	–	–	–

Equity-to-asset ratio: Equity/Total assets
Equity-to-asset ratio based on market value: Total market capitalization/Total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt/Operating cash flow
Interest coverage ratio: Operating cash flow/Interest paid

* Each indicator is calculated based on consolidated financial data.
* Total market capitalization is calculated based on the share closing price at the end of the fiscal year multiplied by the total

number of outstanding shares at the end of the fiscal year.

* Cash flows from operating activities on the consolidated statement of cash flows is used for operating cash flows. Interest-bearing debts include all of those debts reported on the consolidated balance sheet on which interest is paid.

(4) Outlook for the next fiscal year

	Net sales (Millions of yen)	Operating profit (Millions of yen)	Ordinary profit (Millions of yen)	Profit attributable to owners of parent (Millions of yen)
Fiscal year ending March 31, 2023 (forecast)	9,690	2,110	2,120	1,440
Fiscal year ended March 31, 2022 (actual)	9,524	2,111	2,156	1,522
Change (%)	1.7	-0.1	-1.7	-5.4

In the Japanese economy during the fiscal year ending March 31, 2023, it was believed that COVID-19 infections would gradually subside and that supply chains that had been thrown into turmoil and disrupted around the world would slowly but surely return to normal. On the contrary, the Russian invasion of Ukraine in February and the response of Western nations to the invasion caused significant matters of concern from a security perspective to arise, placing a heavy burden on the global economy. In particular, the rise in resource prices starting with crude oil, natural gas, mineral resources, etc. has accelerated inflation on a worldwide basis. Due to this, several events that could not have been envisioned are taking place. An example of this is the United States moving towards discontinuing monetary easing and raising interest rates at a faster-than-expected speed, which has caused significant progression in the depreciation of the Japanese yen. Economic slowdown in China due to the prolonging of lockdowns based on the zero-COVID-19 policy will also exert downward pressure on Japan's economy. The sense of uncertainty surrounding the future of the economy in the fiscal year ending March 31, 2023 has risen further, creating a situation of high unpredictability. Meanwhile, the steady rise in the price of tungsten, which is a raw material, and power and logistics costs cannot be ignored as factors that will increase costs in said fiscal year.

Amid such an environment, as a trend among major customers, it is believed that the automotive industry will require some time to normalize the procurement of semiconductors and certain parts. Based on this, while it will be difficult to anticipate a sizeable recovery in units produced in the immediate term, given that “decarbonization” is being taken up as a major theme globally, the shift to electrification, automation and smart systems will likely pick up speed, and demand for new devices and parts required for precision and micro-machining may expand. The semiconductor and electric parts industries are exhibiting a gradual fall in the sense of constraint on supply and demand. However, as information, communication and arithmetic processing continue to become progressively advanced in various sectors due to digital transformation (DX), strong receipts of orders from a wide range of sectors, from automobiles to home appliances, communication devices and even PCs and smartphones, are continuing to buoy the semiconductor and electric parts industries, and it is expected that those industries can be anticipated to further expand in the future.

Based on the prospect that economic activities will gradually gravitate towards normalization, as it resumes its sales activities based on exhibits at exhibitions and domestic and overseas business trips, the Group will also continue to focus on the enhancement of its “NS Connect” service (which enables access to a data screen containing machining examples, cutting conditions, etc. using the two-dimensional codes affixed to product cases) that it commenced last year and communications over the Internet and social media, and will put a framework that is capable of immediately accommodating customer needs in place. In the development department, in addition to the April announcement of a long neck radius end mill that uses MUGEN COATING PREMIUM Plus, which was met with praise upon its release two years ago, to handle high-hardness materials (MHRSH430RSF), new products are scheduled for continuous release. In the production department, preexisting small-group improvement activities were deployed as “Orange FC Activities” (with “FC” meaning “Future Challenge”), and efforts will be made to further improve quality and lower costs going forward. Additionally, the Group also anticipates an increase in capital investment and R&D expenses in line with these activities.

Based on such economic conditions, demand trends, the activity policy of the Company and other factors, the Company is anticipating a slight increase in net sales over the fiscal year ended March 31, 2022. Also, on the production front, while it will continue endeavoring to bring down costs, the Company anticipates a slight rise in its cost ratio in line with the rise in the prices of materials, etc. On the sales front, it envisions that exhibitions that had been successively deferred due to the COVID-19 pandemic will resume, and estimates that selling, general and administrative expenses will also increase due to greater exhibition and other operating expenses. Additionally, as subsidies, the cancellation of insurance policies and other elements present in the fiscal year ended March 31, 2022 will no longer be present, the Company is anticipating a decrease in non-operating income.

Based on the above, the Company estimates that it will post consolidated net sales of ¥9,690 million (up 1.7% year on year), operating profit of ¥2,110 million (down 0.1% year on year), ordinary profit of ¥2,120 million (down 1.7% year on year), and profit attributable to owners of parent of ¥1,440 million (down 5.4% year on year).

(Note) The above business performance forecast includes future forecasts based on information available to the Company and the Group at this juncture. Accordingly, there may be gaps between actual business performance and the forecast figures indicated due to factors such as future changes in the economic environment or business operation.

(5) Basic policy on the distribution of profits and dividends for the current and next fiscal years

The Company places one of the highest priorities on returning profits to shareholders. Its basic policy is to deliver shareholder returns based on business results while taking into account the earnings to be reserved internally for solid management infrastructures and future expansion of businesses.

As for its dividend policy, the Company takes a holistic approach by evaluating business performance and dividend payout ratio while paying attention to stability and sustainability of shareholder returns.

For the fiscal year ended March 31, 2022, the Company has set a year-end dividend of ¥12.5 per share for a combined annual dividend of ¥22.5 to be paid when the interim dividend of ¥10 per share is included. Additionally, for the fiscal year ending March 31, 2023, in light of the above basic policy and its anticipated business performance forecast for said fiscal year, the Company is planning on paying an interim dividend of ¥10 per share and a year-end dividend of ¥12.5 per share for an annual dividend of ¥22.5, which is identical to that for the fiscal year ended March 31, 2022.

(6) Business and other risks

The main items with the potential to become risk factors in the Group’s business development and the Company’s status of engagement in those risks are stated below. Note that matters pertaining to the future in the following text represent judgments by the Group as of the day that these materials were prepared.

(i) Impact of novel coronavirus (COVID-19) infections, etc.

In cases where employees become infected or buildings are sealed off due to the occurrence of a pandemic similar to the recent COVID-19 pandemic, supplies of products to the market may experience delays due to an inability to ship product inventory or an impact on production networks may occur.

As a means of responding to the COVID-19 pandemic, from the standpoint of securing the safety of its employees and their families and continuing to stably supply products, the Group has established internal regulations and introduced a split shift framework and telecommuting framework based on the division of teams, and has simultaneously prepared antigen testing kits at its head office, plants and various offices and endeavored to prevent the occurrence of internal clusters. At the same time, by opening its Sendai inventory center, the Group has split the holding of its inventory across Sendai and Tokyo with a portion of it held by an overseas subsidiary. Other multipronged measures being taken by the Group include augmenting production capacity at its Sendai Plant to promote a split production network that spans Sendai and Niigata.

(ii) Regarding concentration of production and development bases

Until now, the Group has concentrated its production and development bases in the Northern Sendai Hub Industrial Park in Miyagi Prefecture to establish an efficient production and development framework and, in doing so, enhance the quality, precision, price-competitiveness and other aspects of its products. At the same time, it is also focusing on reinforcing and enforcing seismic countermeasures at those bases. Additionally, the Group concurrently took measures to disperse risk, including the aforementioned holding of inventory across multiple bases and the enhancement of production at the Niigata Plant as mentioned above. However, in cases where a large earthquake or other disaster occurs in the regions in question, in addition to the possibility that the entire production and development framework of the Group will be impacted, there is a possibility that in some cases, the supply of products to the market will experience delays.

The Group has placed the focus of related endeavors on seismic countermeasures at its Sendai Plant in particular. In addition to a further level of ideas and enforcement for regular countermeasures on the frontlines, the Group has incorporated new techniques, such as the all-round seismically isolated structure employed at the new development center, to make more advanced seismic countermeasures possible. Consequently, upon both of the earthquakes with a seismic intensity of 6-over that occurred in the Tohoku region in February 2021 and March 2022, the Group managed to fully recover production in a day or two, and believes that it has produced a certain level of results in that area. The Group will continue to promote multipronged initiatives based on the enhancement of seismic countermeasures and the dispersion of its inventory and production bases in the Sendai district.

(iii) Regarding concentration of small-diameter end mills

The Group focuses its management resources on the manufacture and sale of small-diameter cemented carbide end mills. Small-diameter cemented carbide end mills are widely used predominantly in the production of precision molds for the likes of electronic devices, consumer devices and automobile parts and in precision and micro-machining for parts. The Company believes that demand for parts, materials and molds using precision and micro-machining will continue to increase considerably in various sectors going forward. While the standard method of precision and micro-machining is cutting using small-diameter cemented carbide end mills, in the future, this may be replaced with products containing other materials or new machining methods. In such cases, the businesses of the Company are expected to be impacted.

With regard to materials, while the Company believes that the possibility of materials appearing that fully replace tungsten cemented carbides is low at this juncture, there is a possibility that they will be replaced with other materials in the future.

For some time, the Group has also been developing, manufacturing and otherwise addressing products made with materials other than cemented carbide materials such as CBN (cubic boron nitride) and PCD (polycrystalline diamond), and is pursuing diligent research on other materials as well.

As for machining methods, 3D printers have become progressively prolific in the past several years, with products that enable SLS Additive Manufacturing also becoming available. There is also the possibility that new precision and micro-machining techniques that do not use end mills whatsoever, such as laser machining, will be developed through technological innovation.

The Group will continue to highlight the superiority of precision and micro-machining that uses end mills by providing environmentally-friendly small-diameter end mills, ones that are high performance (high precision, high efficiency, multi-functional and long-lasting) and have no disparity among them, for reasonable prices.

(iv) Regarding competition

In the small-diameter end mill market in which the Group is developing its business, major domestic tool and ultra-hard material manufacturers have turned their attention to that growth and have been reinforcing their production and sales framework. In the Chinese and other markets as well, given the gradual circulation of products manufactured within the country, competition will likely further intensify going forward.

The Group believes that by focusing its management resources on small-diameter end mills and reinforcing and enhancing the in-house development of dedicated machining tools as well as its development, production and sales framework that specializes in small-diameter end mills, it has successfully constructed a business model to create and provide high value-added products at a low cost, and will proceed to work towards a further level of framework reinforcement.

(v) Regarding procurement of raw materials and rise in resource prices

The primary materials in the cemented carbide end mills that serve as the main products of the Group are cemented carbide. Tungsten, the primary component of cemented carbide, is an international market commodity, with China accounting for slightly over 80% of supply volumes. Based on this, the price of tungsten could be significantly affected by global supply-and-demand relationships and the speculation, etc. of producer countries. Also, cobalt, which is used as a binding agent in the cemented carbide, is also used in smartphones and electric vehicles (EV). There are concerns about tight supply and demand of cobalt due to growth in its demand. In addition, as “conflict minerals,” both tungsten and cobalt have for some time been accompanied by the issue of human rights violations based on underage labor and overwork in the mining process in certain regions of production.

Firstly, the Group enforces the traceability of raw materials, and while eliminating the intermingling of conflict materials using methods such as having suppliers submit certificates and receiving explanations on means of raw material procurement, it selects suppliers who are capable of long-term, stable supply as it engages in the procurement of materials. Additionally, regarding the rise in the price of materials and power, freight and other costs in line with the recent rise in the price of resources, as materials costs account for a relatively small percentage of product costs for the small-diameter products that constitutes its mainstay offerings, the Group believes that it can absorb said rise in the price of materials to a certain degree through cost-lowering activities that include the pursuit of greater efficiency in production processes and the reduction of manufacturing expenses.

(vi) Regarding dependence on specific suppliers and partner companies

The Group purchases the majority of cemented carbide that constitutes the primary material of cemented carbide end mills from specific suppliers. Additionally, for coating, which constitutes one of the main processes in the production of cemented carbide end mills, although it is pursuing the internalization of that process, the Company consigns a part of it to specific partner companies. The aim behind doing so is largely to accommodate increased production or mitigate potential impact when certain risks materialize.

The Group and the suppliers and partner companies in question have a highly close relationship that spans many years, and it is the policy of the Group to continue preserving and developing its preexisting business relationships going forward. However, to safeguard against turmoil, etc. in supply chains caused by a disaster or unforeseen circumstances, the Group has taken measures from the standpoint of the stable supply of its products, including building up secure inventory and raising its internalization ratio by enhancing equipment.

(vii) Regarding quality assurance for products

By allocating dedicated equipment developed by the Group to its manufacturing process and fashioning unique manufacturing processes, the Group has established its own distinctive production framework, and is conducting the stable production of high-performance, high value-added products with no disparity among them as a result. However, as its manufacturing line is unique to the Group, it cannot be replaced with the likes of commercially-available manufacturing equipment. Accordingly, the Group needs to handle quality maintenance and assurance for of its products solely on its own without depending on external parties.

In addition to manufacturing products in accordance with globally recognized quality control and environment management standards such as ISO9001 and ISO14001, based on its unique "Code of Conduct on *Monozukuri*," the Group will maintain and develop a firm framework to ensure high quality by having its employees personally and constantly conduct internal revisions and improvements of in-house development equipment and manufacturing processes.

(viii) Regarding environmental issues

In accordance with ISO environment management standards and its "Basic Policy on Sustainability," the Group engages in its activities while espousing the following objective: "We will produce eco- and human-friendly products using minimum resources and endeavor to lower our environmental footprint." At the same time, social demands for environmental consideration are growing by the day, and the Group is being called upon by its customers, suppliers, shareholders and other various stakeholders to respond from an even higher line of sight, including reducing greenhouse gases, pursuing the 3Rs for resources and using renewable energy. Should it prove difficult for the Group to accommodate the various requests and expectations of its shareholders, the Group's social credit gained as a corporation and the growth of its businesses may be affected.

The Group has established a sustainability committee to regularly discuss environmental issues in the Group and prepare reports that are then deliberated by the Board of Directors. The Group also has a policy of addressing the environment by incorporating it in its management targets through formulating KPI for various departments based on the "Basic Policy on Sustainability." As for the accommodation of climate change, going forward, the Group will commence the disclosure of information based on TCFD, and will proceed to examine and disclose measures with a particular focus on the 2 degree scenario as part of those efforts.

2. Status of the Corporate Group

The Group is comprised of six companies that includes the Company and five consolidated subsidiaries. It engages in its businesses with a particular focus on the manufacture and sales of end mills, cutting tools installed on machining centers (machine tools) to work metal and other materials. The Group distinguishes itself by focusing on end mills that are made of particularly carbide materials and have especially small diameters (blade edge diameter of 6mm or less). These products account for approx. 70% of its business volume in terms of monetary amount.

The Group conducts its business activities having established a strategy for each product department with a systematic division of modes of manufacture, markets and customers for its products. Accordingly, the Group is comprised of two business segments that are divided according to product department: “End mills” and “Other.” “End mills” constitutes the mainstay business operated by the Group, and is engaged in the manufacture and sale of cutting tools centered on small-diameter cemented carbide end mills. “Other” includes businesses engaged in the manufacture and sale of plastic-molded products centered on tool cases. “End mills” is further divided in the following manner according to the size and other aspects of the products: “End mills (Diameter 6 mm or less),” “End mills (Diameter over 6 mm)” and “End mills (Other).”

Note that as both the amount of net sales and profit (loss) and amount of assets of the business segments under “Other” make up less than 10% of the total amount for all business segments, the Group has rendered them into a single reporting segment.

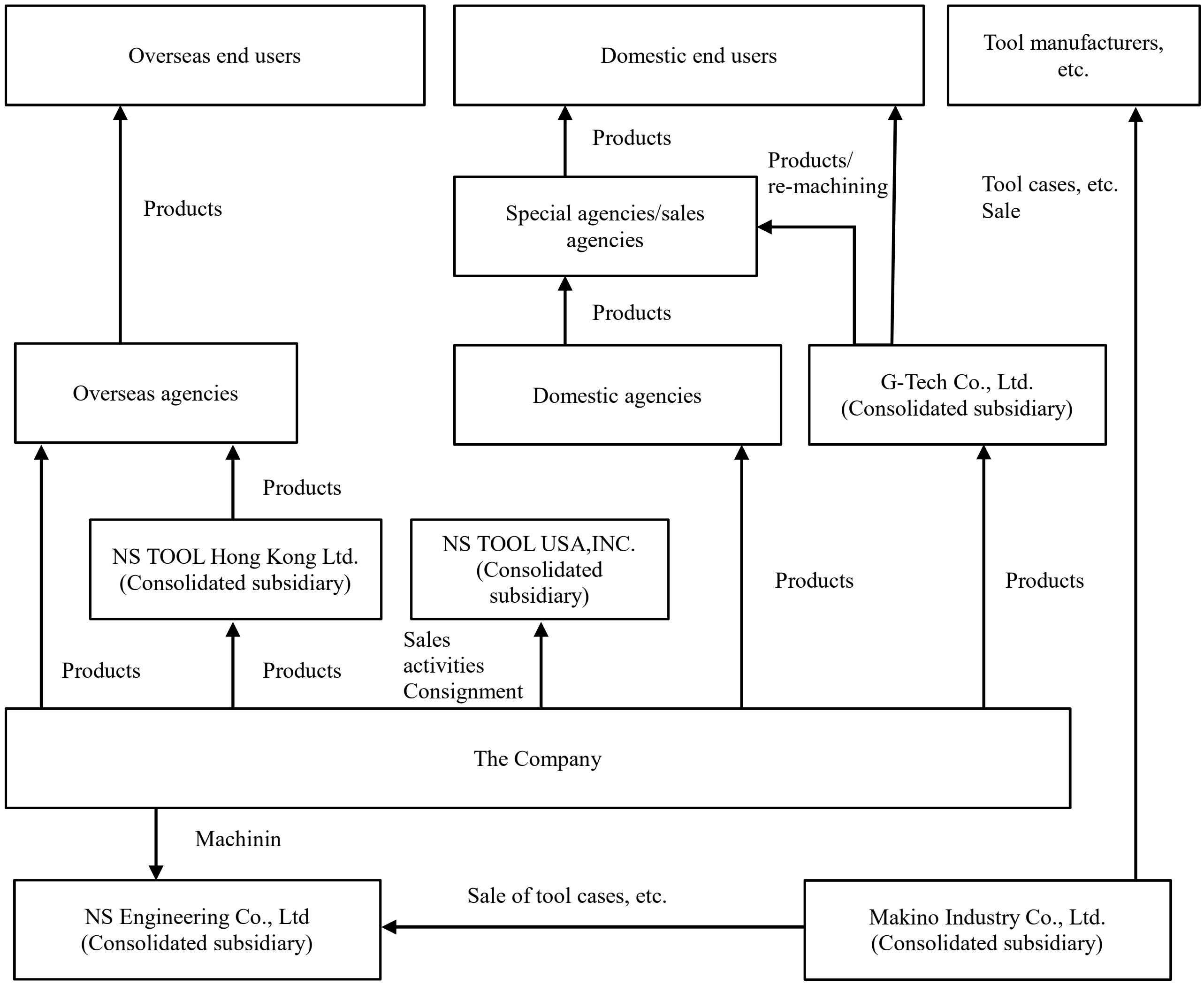
(1) The Company

The Company produces cutting tools centered on small-diameter cemented carbide end mills that it sells to agencies and two of its consolidated subsidiaries: G-Tech Co., Ltd. and NS TOOL Hong Kong Ltd.

(2) Subsidiaries

G-Tech Co., Ltd. engages in the sales and partial re-machining of products.
NS TOOL Hong Kong Ltd. engages in the sale of products in the China area.
NS TOOL USA, INC. conducts sales activities in the United States.
Makino Industry Co., Ltd. engages in the manufacture and sale of plastic-molded products centered on tool cases.
NS Engineering Co., Ltd. is a machining consignee of the Company.

[Business System Diagram] (As of Mar. 31, 2022)



3. Management Policy

(1) Basic Policy on Company Management

The Group creates “Software (technology),” “Hardware (machines)” and “Heart (humanity). It contributes to society by developing eco- and human-friendly products. Based on this management philosophy, over time, the Group has been involved in the development, manufacture, and sale of cutting tools and other products that serve to improve productivity. Additionally, having espoused “For Crafting Tomorrow” as its brand statement, the Group has set forth the creation of high value-added products that meet the needs of its customers and society and the cultivation of the dreams and possibilities of *monozukuri* (manufacturing) as its basic management policy.

Additionally, from the standpoint of striving for its sustained growth while coexisting with society, in November 2021, the Group formulated its “Basic Policy on Sustainability,” which it has disclosed alongside its priority challenges (materiality). Each of the Group’s production, development, sales and administration departments have established KPI based on this “Basic Policy on Sustainability,” and aim to establish a favorable cycle for the creation and provision of high value-added products going forward.

[Basic Policy on Sustainability]

NS TOOL creates “Software (technology),” “Hardware (machines)” and “Heart (humanity).” We contribute to society by developing eco- and human-friendly products. Through implementing this management policy and providing precise small-diameter end mills to the entire world, we support innovation by corporations and engineers. We also acquired ISO14000 certification in 2004, and have implemented various initiatives over time with awareness of the importance of consideration for the environment. Going forward, the NS TOOL Group will continue to do its part for the development of a sustainable society with harmony among people, society and the environment.

Sustainability Policy
As a leading company in small-diameter end mills,
by providing unprecedented high value-added products,
we will coexist with society and strive for sustained growth.

Materiality

1. Addressing of the environment	We will produce eco- and human-friendly products using minimum resources and endeavor to lower our environmental footprint.
2. Respect for human rights	We will conduct ourselves with respect for human rights in our corporate activities.
3. Contributions to community and society	We will practice activities with public benefit for communities and society through our small-diameter end mill business.
4. Employee job satisfaction	We will provide a workplace environment where all employees are satisfied with their jobs.
5. Partnerships with suppliers	We will deepen mutual understanding with suppliers and strive for a sustained society through fair business activities.
6. Crisis management for accidents, etc.	We will build a framework that enables the stable supply of products regardless of the situation.

(2) Targeted Management Indicators

Practicing management that priorities profit over sales, the Group has adopted the securing of a ratio of ordinary profit to net sales of 20% as a medium- to long-term target. The Group met this target with a ratio of ordinary profit to net sales of 22.6% for the fiscal year ended March 31, 2022 (up 1.5 points year on year). Buoyed by healthy demand for semiconductors and electronic parts in semiconductor and electronic/device industries, demand for small-diameter tools suitable for precision and micro-machining progressed on a steady note. As a result, in addition to an increase in net sales, efforts to develop resilience on the manufacturing frontlines, which had been a focus since the previous fiscal year, proved successful, allowing the Group to realize lower costs. Additionally, while there was a significant increase in certain selling, general and administrative expenses due to the resumption of exhibits at exhibitions and the first redesign of the general catalogue in three years, the growth rate of selling, general and administrative expenses as a whole was kept in check relative to net sales, which led to an improved ratio of ordinary profit to net sales. For the fiscal year ending March 31, 2023, the view of the Group is that the sense of uncertainty surrounding its operating environment will further rise due to factors such as the persistent shortage of parts, materials and semiconductors on the user side combined with developments in the situation in Ukraine, resource prices and trends in China. This makes it difficult to establish sales forecasts. Meanwhile, the Group predicts a ratio of ordinary profit to net sales of 21.9%, down 0.7% from the fiscal year ended March 31, 2022, due to certain costs and expenses anticipated to steadily rise. Additionally, although the Group had also prioritized the management indicator of securing a return on equity (ROE) ratio of 10% from the standpoint of the efficient utilization of shareholders' equity, it anticipates a figure of 9.8% for the fiscal year ended March 31, 2022. For the fiscal year ending March 31, 2023, the Group plans to increase its capital investment and R&D expenses, and will endeavor to improve its ROE through aggressive investment.

(3) Medium- to Long-Term Management Strategy of the Company

Amid its uncertain operating environment, the Group formulated its new "Basic Policy on Sustainability" that synchronizes coexistence with society and the sustainability of the Group. In order to tackle the medium- to long-term challenges of the Group and continue its sustained growth as a corporation, while placing its focus on small-diameter cemented carbide end mills, the Group will "produce eco- and human-friendly products using minimum resources and endeavor to lower its environmental footprint." In doing so, it will aim to become the number-one company in the precision and micro-machining tool sector by an overwhelming margin. To achieve this target, the Company's various departments and the Group conglomerate will cooperate with each other to fashion a virtuous product development cycle and, in doing so, endeavor to realize the sustained creation and provision of high value-added products.

The Group will proceed to implement the following strategies in each of its development, production and sales departments.

(i) Development department

In new product development, the Group will strive to develop competitive products that its competitors cannot, the kind that cause existing machining methods to transform. In addition to promoting the development of tools made with new materials and the improvement of machining methods and coating techniques for new tools, the Group will utilize the Internet and social media in its endeavors to gather and share information pertaining to product development conducted internally and externally, and will proceed to develop products supported by users. Additionally, in production technique development, with the innovation of existing techniques through initiatives geared towards next-generation machining techniques as its basic policy, the Group will endeavor to further improve the functions of its in-house development tool grinders and expand the scope of automated measurement through image processing technology.

(ii) Production department

The Group will continue to promote labor-saving and power-saving largely through the augmentation of automated lines using equipment developed in-house and the expansion of the scope of automation, and will further fortify its framework capable of stably supplying high performance (high precision, high efficiency, and long-lasting), price-competitive products with no disparity among them. Having dubbed its preexisting activities conducted in small groups "Orange FC Activities" (with "FC" meaning "Future Challenge"), the Group will proceed to further bolster activities to improve quality. The Group will also continue to pursue the establishment of a risk dispersion framework for small-diameter end mills largely through reinforced production at subsidiary plants and reductions of power consumption to promote environmentally-friendly production activities, among other efforts.

(iii) Sales department

The Group will push forward with the visualization of sales activities using digital platforms, information-sharing and data analysis to facilitate the cultivation of new users and the expansion of sales of Company products among existing users. As parts of its sales roll out to accommodate changes in the environment, in addition to efforts such as sending information over Web seminars and social media and creating easy-to-use digital catalogues, the Group will add spread of information using the Internet such as the "NS Connect" service (which enables access to a data screen containing machining examples, cutting conditions, etc. using QR codes affixed to product cases) that it commenced last year, machining consultations conducted online and more to the services that it offers. By rolling out a multilateral user approach, the Group will proceed to conduct activities that correctly convey the value of the Company's products to those users. Additionally, the Group will conduct activities with the aim of cultivating and expanding precision and micro-machining markets overseas as it moves forward.

(4) Challenges that the Company Must Cope With

Japanese *monozukuri* (manufacturing) boasts an overwhelming advantage in the field of precision and micro-machining. The Group views the provision of support to that field from the aspect of tools as its mission. The Group feels that the most important thing in fulfilling that mission is stably providing at reasonable prices, high-performance, high value-added products with stable quality, that users can feel safe in using to take on new machining challenges.

Regarding challenges that the Group must cope with, based on its medium- to long-term management strategy steeped in the above mission and its “Basic Policy on Sustainability,” each department and Group company has formed KPI and is implementing PDCA cycles.

(5) Regarding Operating Environment

The cemented carbide end mills that constitute the mainstay offerings of the Group are a type of cutting tool that is installed on machine tools and mainly used in the production of molds and various parts as well as in the working of metals and other materials. As those molds and parts are used in a myriad of industrial products, the business performance of the Group is considerably affected by trends in the production of those products. The Company, which specializes in small-diameter end mills with a blade edge diameter of 6mm or less, supplies its products to numerous industries that include automobiles, semiconductors, electronic parts, optical devices, daily commodities and medical equipment.

The spreading of COVID-19 from two years prior significantly impacted manufacturing industries around the world, disrupting supply chains and shrinking demand through regulations on venturing outdoors, etc. However, the economic outlook for the next fiscal year has become even more uncertain and unpredictable due to serious security concerns arising from Russia's invasion of Ukraine, as well as the impact of the prolonging of lockdowns in China on the economy. On the contrary, factors such as the steady increase in tungsten prices, electricity costs, and logistics costs, which are raw materials for the Company, cannot be ignored as factors that will increase costs in the next fiscal year.

Based on such conditions, the view of the Group is that its grim operating environment will persist. However, there are still economic sectors that are comparatively robust, mainly semiconductors and electronic parts. Propped up by the effects of the devalued yen, manufacturing industries, particularly those in business categories with a high proportion of exports, are believed to perform on a steady note. Also, with COVID-19 infections gradually subsiding, service and other industries are also envisioned to enter a business recovery.

In addition, amid the recent COVID-19 pandemic, conventional wisdom surrounding work styles and ways of conducting work have been largely revisited. Rapid developments in so-called digital transformation (DX) are expected. 5G, for which service commenced in Japan as well, is undoubtedly taking on increasing importance as a form of infrastructure for smoothly implementing various elements whose necessity has been recently placed at the forefront, such as remote work, medicine and classes. Combined with this popularization of 5G, IoT and AI are also expected to be aggressively utilized. As such, demand for the likes of semiconductors and electronic parts is anticipated to further grow going forward. In line with that, demand for tools for precision and micro-machining, areas where Company products have a proven advantage, is also expected to grow. Also, the automobile industry is experiencing a once-in-a century transformative phase, with progress being made in electrification, automation and connectivity. The shift of drive trains from engines to motors means that some areas require less cutting, but more parts such as sensors, cameras and communication modules newly require it as a result of the aforementioned electrification, automation and connectivity. Precision and micro-machining, the Company’s forte, is therefore anticipated to increase going forward, and the Group believes that the use of micro-diameter tools will become more prevalent.

(6) Current State of Management Strategy and Outlook

Regarding the Group’s products, as stated under “Company’s Management Strategy over the Medium Term,” the Group is endeavoring to elevate its machining and measuring techniques on the production frontlines while simultaneously promoting automation and lowering costs, and we are realizing faster product development, and higher-level sales capability, and more. Simultaneously, the Group is also focusing on the development of high value-added products made with CBN (cubic boron nitride) and PCD (polycrystalline diamond) and proposals of machining techniques using those materials. As the utility of CBN products has been gradually recognized, the Group has expanded sales of those products, and intends to continue expanding domains of use through means such as launching new products and improving durability and precision. With PCD products, while their use is still limited, the Group will endeavor to expand the market for those products as it works towards improving their performance.

As for the stable supply of products, the Group opened the Sendai inventory center in 2020, giving it a framework through which it secures product inventory across the three bases: that center, the Tokyo Head Office and its subsidiary in Hong Kong. In the near future, the Group also plans on holding product inventory at the U.S. subsidiary that was established in the fiscal year ended March 31, 2022.

(7) Other Important Matters from the Perspective of Company Management

(i) State of establishment and operation of internal control framework

The Group has established internal regulations and a system for approval via internal memos, and operates its business based on established rules. Additionally, regarding the accommodation of a system for internal controls reporting, the Group has established a “Internal Controls Committee” with the Company’s Managing Director as its Chairman. This Committee promotes and evaluates the establishment and operation of internal controls as well as accommodates internal control audits performed by audit corporations.

(ii) Establishment of Nomination and Remuneration Committee

The Nomination and Remuneration Committee is a voluntary advisory committee on which Independent Outside Directors account for the majority of Committee members and whose chairman is elected from among the Independent Outside Directors. The Nomination and Remuneration Committee is consulted by the Board of Directors regarding the nomination of candidates for Director and other posts (excluding Directors who are Audit and Supervisory Committee members) and remuneration for Directors and other executives (excluding Directors who are Audit and Supervisory Committee members) and reports the results of their review. This serves to elevate the independence of the Board of Directors.

(iii) Other

Other initiatives conducted by the Group include hearings with the heads of each department by the Audit and Supervisory Committee members and internal audits of each department by the internal audit department. The officer in charge of compliance spearheads efforts to promote compliance. By covering it in officers’ and employees’ workshops, emails and magazines as a companywide training theme, the Group is endeavoring to realize widespread internal awareness of compliance. The Group has also established a “Compliance Consultation Desk” that functions as a counter for its whistleblowing system.

4. Basic Rationale for Selection of Accounting Standards

The Group applies Japanese accounting standards.

Note that the Group will examine the application of international accounting standards as appropriate after taking various domestic and international circumstances into consideration.

5. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	7,674,235	8,543,254
Notes and accounts receivable - trade	1,312,344	1,322,918
Merchandise and finished goods	1,043,915	1,191,205
Work in process	333,365	304,224
Raw materials and supplies	381,356	345,547
Other	150,200	100,391
Total current assets	10,895,417	11,807,542
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,180,370	4,280,039
Accumulated depreciation	(1,464,114)	(1,605,581)
Buildings and structures, net	2,716,255	2,674,457
Machinery, equipment and vehicles	7,748,680	8,083,252
Accumulated depreciation	(6,063,829)	(6,366,260)
Machinery, equipment and vehicles, net	1,684,851	1,716,992
Land	692,528	800,483
Construction in progress	223,665	66,367
Other	1,511,922	1,554,085
Accumulated depreciation	(1,352,155)	(1,377,271)
Other, net	159,766	176,813
Total property, plant and equipment	5,477,067	5,435,114
Intangible assets	34,498	32,663
Investments and other assets		
Investment securities	49,655	50,765
Deferred tax assets	346,481	412,829
Other	133,162	135,271
Total investments and other assets	529,299	598,865
Total non-current assets	6,040,865	6,066,644
Total assets	16,936,283	17,874,187

(Thousands of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	220,848	249,230
Income taxes payable	238,989	445,948
Provision for bonuses	249,478	241,481
Provision for bonuses for directors (and other officers)	86,340	102,034
Other	589,355	444,576
Total current liabilities	1,385,011	1,483,270
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	1,708,222
Net assets		
Shareholders’ equity		
Share capital	444,372	455,330
Capital surplus	407,272	418,223
Retained earnings	14,312,278	15,271,863
Treasury shares	(925)	(200,791)
Total shareholders’ equity	15,162,998	15,944,625
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,756	3,532
Foreign currency translation adjustment	(23,692)	2,171
Total accumulated other comprehensive income	(20,936)	5,704
Share acquisition rights	184,258	215,634
Total net assets	15,326,320	16,165,964
Total liabilities and net assets	16,936,283	17,874,187

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	8,100,276	9,524,936
Cost of sales	3,962,752	4,633,029
Gross profit	4,137,523	4,891,907
Selling, general and administrative expenses	2,624,700	2,780,352
Operating profit	1,512,823	2,111,555
Non-operating income		
Interest income	86	54
Dividend income	480	743
Commission income	2,032	1,164
Subsidy income	67,367	19,120
Gain on sale of scraps	8,519	14,764
Surrender value of insurance policies	122,030	13,430
Other	3,151	12,652
Total non-operating income	203,668	61,929
Non-operating expenses		
Foreign exchange losses	4,045	14,591
Other	19	2,453
Total non-operating expenses	4,064	17,044
Ordinary profit	1,712,427	2,156,439
Extraordinary income		
Gain on sale of non-current assets	1,936	3,689
Total extraordinary income	1,936	3,689
Extraordinary losses		
Loss on sale of non-current assets	139	2,083
Loss on retirement of non-current assets	3,386	10,321
Total extraordinary losses	3,526	12,404
Profit before income taxes	1,710,838	2,147,725
Income taxes - current	519,021	691,850
Income taxes - deferred	(22,456)	(66,678)
Total income taxes	496,564	625,172
Profit	1,214,273	1,522,553
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	1,214,273	1,522,553

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	1,214,273	1,522,553
Other comprehensive income		
Valuation difference on available-for-sale securities	1,836	776
Foreign currency translation adjustment	(13,680)	25,863
Total other comprehensive income	(11,844)	26,640
Comprehensive income	1,202,429	1,549,193
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,202,429	1,549,193
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2021

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	442,900	405,800	13,535,643	(925)	14,383,417
Changes during period					
Dividends of surplus			(437,638)		(437,638)
Profit attributable to owners of parent			1,214,273		1,214,273
Exercise of share acquisition rights	1,472	1,472			2,945
Purchase of treasury shares					–
Net changes in items other than shareholders' equity					
Total changes during period	1,472	1,472	776,635	–	779,580
Balance at end of period	444,372	407,272	14,312,278	(925)	15,162,998

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	919	(10,011)	(9,091)	123,675	14,498,001
Changes during period					
Dividends of surplus					(437,638)
Profit attributable to owners of parent					1,214,273
Exercise of share acquisition rights					2,945
Purchase of treasury shares					–
Net changes in items other than shareholders' equity	1,836	(13,680)	(11,844)	60,583	48,738
Total changes during period	1,836	(13,680)	(11,844)	60,583	828,319
Balance at end of period	2,756	(23,692)	(20,936)	184,258	15,326,320

Fiscal year ended March 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	444,372	407,272	14,312,278	(925)	15,162,998
Changes during period					
Dividends of surplus			(562,967)		(562,967)
Profit attributable to owners of parent			1,522,553		1,522,553
Exercise of share acquisition rights	10,957	10,950			21,908
Purchase of treasury shares				(199,866)	(199,866)
Net changes in items other than shareholders' equity					
Total changes during period	10,957	10,950	959,585	(199,866)	781,627
Balance at end of period	455,330	418,223	15,271,863	(200,791)	15,944,625

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	2,756	(23,692)	(20,936)	184,258	15,326,320
Changes during period					
Dividends of surplus					(562,967)
Profit attributable to owners of parent					1,522,553
Exercise of share acquisition rights					21,908
Purchase of treasury shares					(199,866)
Net changes in items other than shareholders' equity	776	25,863	26,640	31,375	58,016
Total changes during period	776	25,863	26,640	31,375	839,643
Balance at end of period	3,532	2,171	5,704	215,634	16,165,964

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	1,710,838	2,147,725
Depreciation	707,662	692,314
Increase (decrease) in allowance for doubtful accounts	(49)	–
Increase (decrease) in provision for bonuses	32,619	(7,997)
Increase (decrease) in provision for bonuses for directors (and other officers)	(38,939)	15,694
Interest and dividend income	(566)	(797)
Surrender value of insurance policies	(122,030)	(13,430)
Loss (gain) on sale of non-current assets	(1,796)	(1,606)
Loss on retirement of non-current assets	3,386	10,321
Decrease (increase) in trade receivables	46,821	3,902
Decrease (increase) in inventories	442,455	(82,340)
Decrease (increase) in other current assets	43,051	49,914
Increase (decrease) in trade payables	17,236	19,070
Increase (decrease) in other current liabilities	174,476	(133,218)
Increase (decrease) in other non-current liabilities	(29,784)	–
Other, net	63,561	53,260
Subtotal	3,048,942	2,752,811
Interest and dividends received	566	797
Income taxes paid	(523,387)	(492,127)
Net cash provided by (used in) operating activities	2,526,121	2,261,481
Cash flows from investing activities		
Payments into time deposits	(400,000)	(100,000)
Proceeds from withdrawal of time deposits	400,000	400,000
Purchase of property, plant and equipment	(458,576)	(650,571)
Proceeds from sale of property, plant and equipment	2,346	4,391
Purchase of intangible assets	(3,535)	(8,965)
Proceeds from cancellation of insurance funds	278,413	13,541
Other, net	(5,901)	(7,257)
Net cash provided by (used in) investing activities	(187,253)	(348,860)
Cash flows from financing activities		
Purchase of treasury shares	–	(199,866)
Dividends paid	(438,382)	(563,324)
Other, net	1	23
Net cash provided by (used in) financing activities	(438,380)	(763,166)
Effect of exchange rate change on cash and cash equivalents	(10,614)	19,565
Net increase (decrease) in cash and cash equivalents	1,889,874	1,169,019
Cash and cash equivalents at beginning of period	5,384,360	7,274,235
Cash and cash equivalents at end of period	7,274,235	8,443,254