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Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]



November 14, 2023

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 Stock exchange listing: Tokyo Stock Exchange
 Securities code: 6167
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 Scheduled date of filing quarterly securities report: November 14, 2023
 Scheduled date of commencing dividend payments: –
 Availability of supplementary briefing material on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Scheduled (for securities analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results (Cumulative) (% indicates changes 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 September 30, 2023	8,210	(1.9)	441	(23.6)	501	(24.1)	380	(16.4)
Six months ended September 30, 2022	8,367	0.0	578	(14.7)	661	(7.7)	454	(10.1)

(Note) Comprehensive income: Six months ended September 30, 2023: ¥543 million [(14.1)%]
 Six months ended September 30, 2022: ¥632 million [11.4%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	19.15	–
Six months ended September 30, 2022	22.93	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2023	26,629	20,325	76.3
As of March 31, 2023	26,253	20,392	77.7

(Reference) Equity: As of September 30, 2023: ¥20,325 million
 As of March 31, 2023: ¥20,392 million

2. Cash Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2023	Yen –	Yen 0.00	Yen –	Yen 32.00	Yen 32.00
Fiscal year ending March 31, 2024	–	0.00			
Fiscal year ending March 31, 2024 (Forecast)			–	22.00	22.00

(Note) Revision to the dividends forecast announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% indicates changes 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
Full year	17,800	3.6	1,170	1.7	1,230	0.4	890	(31.1)	44.87

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2023 (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly included: – () Excluded: – ()

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

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

1) Changes in accounting policies due to the revisions to accounting standards and other regulations: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2023: 20,000,000 shares

March 31, 2023: 20,000,000 shares

2) Total number of treasury shares at the end of the period:

September 30, 2023: 127,902 shares

March 31, 2023: 164,998 shares

3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):

Six months ended September 30, 2023: 19,847,164 shares

Six months ended September 30, 2022: 19,812,264 shares

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The financial results forecasts and other forward-looking statements herein are based on information available to the Company and certain assumptions that are deemed reasonable as of the date of publication of this document. Therefore, these statements do not constitute a guarantee that the Company will achieve these forecasts or other forward-looking

statements. For the assumptions underlying the forecasts herein and cautionary notes on the use of these financial results forecasts, please refer to “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Forward-Looking Information, including Consolidated Earnings Forecasts” on page 4.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Japanese economy during the six months ended September 30, 2023 experienced further normalization of economic activities mainly due to the easing of movement restrictions related to COVID-19, and saw gradual recovery. However, the economic outlook remained uncertain due to factors such as a surge in resource and energy prices and a global rise in prices impacted by the situation in Ukraine, rapid fluctuation of exchange rates due to global financial tightening, and slowdown in Chinese economy.

Amid this environment, the Group has laid out a fiscal year goal of “innovation (be brave and daring),” striving to achieve higher quality, lower cost, shorter delivery time, and excellent service.

The Group has formulated the medium-term management plan for three years from the fiscal year ended March 31, 2022, aiming at “converting to a robust corporate structure and building a foundation for medium- to long-term growth,” and, during the fiscal year ending March 31, 2024, the final year of the plan, has also been implementing various measures with the followings as priority measures:

1. Productivity improvement / Business efficiency improvement
2. Respond to next-generation vehicles / Sales expansion
3. Creation of new growth engines
4. Strengthening of overseas business

In concrete terms, in the field of “Productivity improvement / Business efficiency improvement,” the Group revised the cost-rate reduction target upward to 4.4% from the initial target of 3.0%, both of which are compared to the second quarter of the fiscal year ended March 31, 2020, and has worked on initiatives such as the introduction of automated conveying equipment and automated robots in our model factories and optimization of processing conditions and facility layout in our production bases.

For “Respond to next-generation vehicles / Sales expansion,” the Group has focused on expanding sales of the new material of “VG48,” which was launched for trimming die for motor core of automotive application, and developing new materials for further expansion of our material lineup.

For “Creation of new growth engines,” the Group has worked on initiatives to build a new foundation for sustainable growth, including the launch of “ST60,” a new material for which a significantly reduced amount of tungsten and cobalt, main raw materials for cemented carbide, are used. The Group also started a full-fledged effort on sales expansion of the high thermal expansion alloy “TR05/TR30,” which is suitable for molds forming high performance lenses required for surveillance cameras and sensors.

For “Strengthening of overseas business,” in July 2023, the Group established the Overseas Business Division and assigned an officer in charge of it to build a more agile structure to implement measures, and has worked on preparation for the expansion of overseas bases and other initiatives.

As a result, net sales for the six months ended September 30, 2023 totaled ¥8,210 million (down 1.9% year on year).

For carbide tools, although slumping demand from some semiconductor-related sectors due primarily to changes in market conditions resulted in sluggish sales of related tools, sales of grooved rolls for overseas markets and some drawing tools for steel pipes were strong. As a result, net sales were ¥2,353 million (up 9.4% year on year).

For carbide molds, although sales of molds for optical elements were strong, sales of molds for automotive parts were sluggish impacted by inventory adjustment of the parts manufacturers, and as a result, net sales were ¥1,894 million (down 8.8% year on year).

For other carbide products, sales of materials for China were lackluster due to a continued slowdown in the economy since the zero-Covid policy was implemented, although sales of related molds remained steady due to the continued expansion in demand from some semiconductor-related sectors. As a result, net sales were ¥1,958 million (down 6.7% year on year).

In non-carbide products, as a result of sluggish sales of drawn steel pipes, net sales were ¥2,003 million (down 1.7% year on year), despite solid sales of some steel tools and molds for automotive parts.

On the profit front, operating profit was ¥441 million (down 23.6% year on year), ordinary profit was ¥501

million (down 24.1% year on year), and profit attributable to owners of parent was ¥380 million (down 16.4% year on year), impacted by a surge in prices of raw materials, electricity and fuel as well as a temporary increase of expenses associated with construction of metallurgy building in Kumamoto manufacturing plant, although certain favorable results were accomplished primarily in the measure of Productivity improvement / Business efficiency improvement and in revising prices in accordance with the surging cost of raw materials, etc.

Segment information has been omitted because the Group is comprised of a single business segment, the wear-resistant tool-related business.

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the six months ended September 30, 2023 increased by ¥376 million to ¥26,629 million (¥26,253 million at the end of the previous fiscal year). Current assets decreased by ¥363 million to ¥15,361 million (¥15,724 million at the end of the previous fiscal year). This is primarily attributable to decreases of ¥386 million in notes and accounts receivable - trade and ¥184 million in raw materials and supplies. Non-current assets increased by ¥740 million to ¥11,268 million (¥10,528 million at the end of the previous fiscal year). This is mainly attributable to increases of ¥1,373 million in buildings and structures, net and ¥223 million in machinery, equipment and vehicles, net, despite a decrease of ¥1,083 million in construction in progress.

(Liabilities)

Total liabilities at the end of the six months ended September 30, 2023 increased by ¥444 million to ¥6,304 million (¥5,860 million at the end of the previous fiscal year). Current liabilities increased by ¥453 million to ¥4,650 million (¥4,197 million at the end of the previous fiscal year). This is mainly attributable to increases of ¥510 million in provision for bonuses and ¥420 million in accounts payable - other, despite a decrease of ¥482 million in accrued expenses. Non-current liabilities decreased by ¥9 million to ¥1,653 million (¥1,662 million at the end of the previous fiscal year).

(Net assets)

Total net assets at the end of the six months ended September 30, 2023 decreased by ¥67 million to ¥20,325 million (¥20,392 million at the end of the previous fiscal year). This is mainly attributable to an increase of ¥380 million in retained earnings due to the recording of profit attributable to owners of parent, offset by a decrease of ¥634 million in retained earnings due to dividends of surplus, and an increase of ¥139 million in foreign currency translation adjustment.

(Status of Cash Flows)

Cash and cash equivalents at the end of the six months ended September 30, 2023 decreased by ¥92 million from the end of the previous fiscal year to ¥7,101 million.

The following is the status and factors of each of the cash flow categories for the six months ended September 30, 2023.

(Cash flows from operating activities)

Net cash provided by operating activities in the six months ended September 30, 2023 amounted to ¥1,216 million (¥116 million provided in the same period of the previous fiscal year) mainly due to the recording of ¥542 million in profit before income taxes and ¥451 million in depreciation, an increase of ¥509 million in provision for bonuses, and a decrease of ¥483 million in accrued expenses.

(Cash flows from investing activities)

Net cash used in investing activities in the six months ended September 30, 2023 amounted to ¥724 million (¥1,010 million used in the same period of the previous fiscal year) mainly due to ¥671 million in purchase of property, plant and equipment. As a result, free cash flow was an inflow of ¥491 million (an outflow of ¥894

million for the same period of the previous fiscal year).

(Cash flows from financing activities)

Net cash used in financing activities in the six months ended September 30, 2023 amounted to ¥641 million (¥444 million used in the same period of the previous fiscal year) mainly due to dividends paid of ¥633 million.

(3) Explanation of Forward-Looking Information, including Consolidated Earnings Forecasts

There is no revision to the earnings forecasts for the full year announced in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2023” dated May 15, 2023.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	6,572	6,511
Notes and accounts receivable - trade	3,110	2,723
Electronically recorded monetary claims - operating	1,387	1,435
Securities	1,000	1,000
Merchandise and finished goods	201	348
Work in process	1,741	1,716
Raw materials and supplies	1,521	1,336
Other	193	292
Allowance for doubtful accounts	(2)	(3)
Total current assets	15,724	15,361
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,598	4,972
Machinery, equipment and vehicles, net	2,013	2,236
Tools, furniture and fixtures, net	226	300
Land	2,713	2,729
Construction in progress	1,173	89
Total property, plant and equipment	9,724	10,328
Intangible assets		
Other	85	205
Total intangible assets	85	205
Investments and other assets		
Investment securities	279	308
Long-term loans receivable	10	7
Deferred tax assets	382	373
Other	46	44
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	718	735
Total non-current assets	10,528	11,268
Total assets	26,253	26,629

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,013	1,838
Short-term borrowings	33	37
Lease liabilities	16	15
Accounts payable - other	586	1,006
Accrued expenses	667	185
Income taxes payable	132	174
Provision for bonuses	209	719
Provision for bonuses for directors (and other officers)	39	–
Other	498	672
Total current liabilities	4,197	4,650
Non-current liabilities		
Lease liabilities	38	33
Deferred tax liabilities	10	9
Provision for retirement benefits for directors (and other officers)	2	2
Retirement benefit liability	1,610	1,606
Other	0	0
Total non-current liabilities	1,662	1,653
Total liabilities	5,860	6,304
Net assets		
Shareholders' equity		
Share capital	164	164
Capital surplus	1	1
Retained earnings	19,821	19,566
Treasury shares	(107)	(83)
Total shareholders' equity	19,879	19,649
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	120	142
Foreign currency translation adjustment	338	477
Remeasurements of defined benefit plans	53	55
Total accumulated other comprehensive income	513	676
Total net assets	20,392	20,325
Total liabilities and net assets	26,253	26,629

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
(For the six months ended September 30)

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	8,367	8,210
Cost of sales	6,217	6,110
Gross profit	2,149	2,099
Selling, general and administrative expenses	1,571	1,658
Operating profit	578	441
Non-operating income		
Interest income	4	4
Dividend income	7	5
Rental income	13	11
Foreign exchange gains	50	27
Subsidy income	6	8
Other	4	5
Total non-operating income	86	64
Non-operating expenses		
Interest expenses	1	1
Donations	1	1
Other	0	0
Total non-operating expenses	3	4
Ordinary profit	661	501
Extraordinary income		
Gain on sale of non-current assets	3	41
Total extraordinary income	3	41
Extraordinary losses		
Loss on sale of non-current assets	–	0
Loss on retirement of non-current assets	20	0
Impairment losses	1	0
Total extraordinary losses	21	0
Profit before income taxes	643	542
Income taxes	189	162
Profit	454	380
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	454	380

Quarterly Consolidated Statements of Comprehensive Income

(For the six months ended September 30)

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit	454	380
Other comprehensive income		
Valuation difference on available-for-sale securities	(23)	22
Foreign currency translation adjustment	197	139
Remeasurements of defined benefit plans, net of tax	4	1
Total other comprehensive income	178	162
Comprehensive income	632	543
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	632	543
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	643	542
Depreciation	453	451
Impairment losses	1	0
Increase (decrease) in provision for bonuses	346	509
Increase (decrease) in provision for bonuses for directors (and other officers)	(75)	(39)
Increase (decrease) in retirement benefit liability	13	(4)
Interest and dividend income	(12)	(10)
Subsidy income	(6)	(8)
Interest expenses	1	1
Loss (gain) on sale of non-current assets	(3)	(41)
Loss on retirement of non-current assets	20	0
Decrease (increase) in trade receivables	(69)	356
Decrease (increase) in inventories	(407)	68
Increase (decrease) in trade payables	57	(187)
Increase (decrease) in accounts payable - other	(35)	235
Increase (decrease) in accrued expenses	(501)	(483)
Other, net	(37)	(80)
Subtotal	390	1,311
Interest and dividends received	12	10
Interest paid	(1)	(1)
Subsidies received	6	8
Income taxes paid	(290)	(131)
Income taxes refund	–	19
Net cash provided by (used in) operating activities	116	1,216
Cash flows from investing activities		
Payments into time deposits	(361)	(385)
Proceeds from withdrawal of time deposits	280	376
Purchase of investment securities	(0)	(1)
Purchase of property, plant and equipment	(919)	(671)
Proceeds from sale of property, plant and equipment	5	43
Purchase of intangible assets	(2)	(89)
Payments for retirement of non-current assets	(13)	–
Proceeds from collection of loans receivable	0	2
Other, net	(0)	(0)
Net cash provided by (used in) investing activities	(1,010)	(724)
Cash flows from financing activities		
Proceeds from short-term borrowings	4	4
Repayments of short-term borrowings	(4)	(4)
Repayments of lease liabilities	(9)	(7)
Dividends paid	(435)	(633)
Net cash provided by (used in) financing activities	(444)	(641)
Effect of exchange rate change on cash and cash equivalents	113	57
Net increase (decrease) in cash and cash equivalents	(1,224)	(92)
Cash and cash equivalents at beginning of period	7,518	7,193
Cash and cash equivalents at end of period	6,293	7,101

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Notes in the Event of Significant Changes in the Amount of Shareholders' Equity)

There is no relevant information.

(Accounting Policies Adopted Specially for the Preparation of Quarterly Consolidated Financial Statements)

For the six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)

(Calculation of tax expense)

The Company has adopted the method of calculating tax expenses based on a rational estimate of the effective tax rate, determined after applying tax effect accounting on profit before income taxes for the consolidated fiscal year including the six months ended September 30, 2023, and multiplying the quarterly profit before income taxes with said estimate of the effective tax rate.