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Summary of Business Results for the Third Quarter Ended December 31, 2023 [Japan GAAP] (Consolidated)

January 31, 2024

Company **NS TOOL CO., LTD.** Listed on the TSE
 Stock Code 6157 URL: <https://www.ns-tool.com/en/>
 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: February 9, 2024
 Expected starting date of dividend payment: -
 Preparation of quarterly supplementary financial document: Yes
 Quarterly results briefing: None

(Rounded down to million yen)

1. Consolidated business results for the nine months ended December 2023 (April 1, 2023 through December 31, 2023)

(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 | % |
| Nine months ended Dec. 2023 | 6,749 | -8.3 | 1,348 | -18.9 | 1,362 | -17.6 | 928 | -17.1 |
| Nine months ended Dec. 2022 | 7,360 | 1.1 | 1,663 | -0.6 | 1,653 | -3.1 | 1,120 | -5.2 |

(Note) Comprehensive income:

Nine months ended December 2023: 979 million yen (-18.3%)

Nine months ended December 2022: 1,197 million yen (-0.2%)

| | Basic earnings per share | Diluted earnings per share |
|-----------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Nine months ended Dec. 2023 | 37.27 | 36.96 |
| Nine months ended Dec. 2022 | 44.93 | 44.54 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio | Net assets per share |
|-----------------|--------------|-------------|-----------------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of Dec. 2023 | 18,546 | 17,359 | 92.5 | 690.37 |
| As of Mar. 2023 | 18,857 | 17,200 | 90.1 | 680.51 |

(Reference) Equity:

As of December 2023: 17,155 million yen

As of March 2023: 16,984 million yen

2. Dividends

| | Annual dividend | | | | |
|----------------------------------|-----------------|-----------|-----------|----------|-------|
| | End of 1Q | End of 2Q | End of 3Q | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Year ended Mar. 2023 | - | 10.00 | - | 12.50 | 22.50 |
| Year ending Mar. 2024 | - | 15.00 | - | - | - |
| Year ending Mar. 2024 (forecast) | - | - | - | 12.50 | 27.50 |

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

3. Forecast of consolidated business results for the fiscal year ending March 2024**(April 1, 2023 through March 31, 2024)**

(% 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. 2024 | 9,000 | -6.8 | 1,600 | -24.1 | 1,610 | -24.5 | 1,100 | -25.4 | 44.08 |

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

***Notes**

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

(2) Application of accounting procedures specific to preparation of the quarterly consolidated financial statements: Yes

(Note) Application of accounting procedures specific to preparation of the quarterly consolidated financial statements. For more details, please refer to "Application of accounting procedures specific to preparation of the quarterly consolidated financial statements" on page 7 of the attached material.

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

- ① Changes in accounting policies associated with revision of accounting standards : None
- ② Changes in accounting policies other than ① : None
- ③ Changes in accounting estimates : None
- ④ Restatement : None

(4) Shares outstanding (common stock)

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

As of December 2023 25,035,034 shares
As of March 2023 25,035,034 shares

② Treasury stock at the end of period:

As of December 2023 185,138 shares
As of March 2023 75,866 shares

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

Nine months ended December 2023 24,915,524 shares
Nine months ended December 2022 24,930,626 shares

*** Quarterly financial summary is not subject to the quarterly review procedures by certified public accountants or auditing firms***** Explanation regarding appropriate use of business forecasts and other special instructions**

Above forecasts are based on information currently available to the company and certain assumptions that the company deems to be reasonable at the time this report was prepared. Actual results may differ significantly from the forecasts due to various factors.

Attached Material

| | |
|--|---|
| 1. Qualitative Information Regarding Results for the First Nine 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 | 2 |
| 2. Quarterly Consolidated Financial Statements and Significant Notes Thereto | 3 |
| (1) Quarterly Consolidated Balance Sheet | 3 |
| (2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income | 5 |
| Quarterly Consolidated Statement of Income (Cumulative)..... | 5 |
| Quarterly Consolidated Statement of Comprehensive Income (Cumulative)..... | 6 |
| (3) Notes to Quarterly Consolidated Financial Statements | 7 |
| Notes on uncertainties of entity's ability to continue as going concern..... | 7 |
| Notes when there are significant changes in amounts of shareholders' equity | 7 |
| Application of accounting procedures specific to preparation of the quarterly consolidated financial statements | 7 |
| Additional information | 7 |

1. Qualitative Information Regarding Results for the First Nine Months

(1) Explanation of Operating Results

During the nine months ended December 31, 2023, while the Japanese economy saw normalization of economic activities primarily in non-manufacturing industries, the recovery of economic activity was moderate in the manufacturing industry due to the impact of factors such as raw material and energy prices being stuck at a high level, the continuation of geopolitical issues, and the slowdown of the Chinese economy.

As for the situation of the major consumers for the products of the Company group (the “Group”), although production volume in the automotive industry showed signs of recovery as semiconductor and parts shortages were resolved, the demand for tools for molds was unable to improve significantly. In addition, the market of semiconductor and electronic components and devices was sluggish overall. For overseas sales, sales to Greater China in particular continued stagnant.

Amid such an environment, the Group held a “Seminar for 5-axis precision and micro machining” in the R&D Center in October, and 150 users participated over three days. Through lectures and machining demonstration on precision and micro machining using small-diameter end mills in the 5-axis CNC Machining Center, we presented and exchanged technical information.

In terms of products, we added a specification of MUGEN COATING PREMIUM Plus 2-Flute Long Neck Ball End Mill for Hardened Steel and High Accuracy Cutting “MRBSH230SF.”

In terms of production, the Group continued to work on improving production efficiency and reducing costs in order to cover the increased costs of raw materials and electricity, and it also worked to enhance its wide-ranging product inventory through proper-quantity production of various types of products.

As a result, net sales for the nine months ended December 31, 2023 were ¥6,749 million (down 8.3% year on year), operating profit was ¥1,348 million (down 18.9% year on year), ordinary profit was ¥1,362 million (down 17.6% year on year), and profit attributable to owners of parent was ¥928 million (down 17.1% year on year).

By product category, sales of “End mills (diameter 6 mm or less)” were ¥5,321 million (down 7.3% year on year), sales of “End mills (diameter over 6 mm)” were ¥583 million (down 12.3% year on year), sales of “End mills (other)” were ¥337 million (down 17.9% year on year), and sales of “Other” were ¥507 million (down 6.9% 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 December 31, 2023, total assets decreased by ¥311 million compared to the end of the previous fiscal year to ¥18,546 million. This was mainly due to a decrease in cash and deposits for the payment of income taxes and bonuses.

Furthermore, liabilities decreased by ¥470 million compared to the end of the previous fiscal year to ¥1,186 million. This was mainly due to decreases in income taxes payable and provision for bonuses.

Net assets increased by ¥158 million compared to the end of the previous fiscal year to ¥17,359 million due to an increase in retained earnings, etc. Equity-to-asset ratio as of December 31, 2023 amounted to 92.5%.

(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 31, 2024, there is no change from the business results forecast announced on October 31, 2023.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

| | As of March 31, 2023 | As of December 31, 2023 |
|--|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 8,497,445 | 8,205,281 |
| Notes and accounts receivable - trade | 1,355,962 | 1,228,082 |
| Merchandise and finished goods | 1,382,932 | 1,354,049 |
| Work in process | 287,258 | 250,565 |
| Raw materials and supplies | 650,308 | 773,921 |
| Other | 124,444 | 118,160 |
| Total current assets | 12,298,351 | 11,930,062 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 2,538,963 | 2,498,273 |
| Machinery, equipment and vehicles, net | 1,432,706 | 1,233,477 |
| Land | 800,483 | 800,483 |
| Construction in progress | 496,119 | 729,128 |
| Other, net | 144,092 | 182,268 |
| Total property, plant and equipment | 5,412,365 | 5,443,631 |
| Intangible assets | 28,370 | 26,593 |
| Investments and other assets | | |
| Investment securities | 28,365 | 30,405 |
| Insurance funds | 473,748 | 474,945 |
| Deferred tax assets | 485,816 | 485,109 |
| Other | 130,620 | 155,283 |
| Allowance for doubtful accounts | — | (9) |
| Total investments and other assets | 1,118,550 | 1,145,734 |
| Total non-current assets | 6,559,285 | 6,615,958 |
| Total assets | 18,857,636 | 18,546,020 |

(Thousands of yen)

| | As of March 31, 2023 | As of December 31, 2023 |
|--|----------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 303,739 | 186,089 |
| Income taxes payable | 364,470 | 85,155 |
| Provision for bonuses | 282,037 | 148,042 |
| Provision for bonuses for directors (and other officers) | 102,927 | 60,856 |
| Other | 378,892 | 481,401 |
| Total current liabilities | 1,432,066 | 961,543 |
| Non-current liabilities | | |
| Long-term accounts payable - other | 224,952 | 224,952 |
| Total non-current liabilities | 224,952 | 224,952 |
| Total liabilities | 1,657,018 | 1,186,495 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 455,330 | 455,330 |
| Capital surplus | 418,223 | 418,223 |
| Retained earnings | 16,168,839 | 16,390,715 |
| Treasury shares | (112,713) | (214,531) |
| Total shareholders' equity | 16,929,679 | 17,049,737 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 4,855 | 6,282 |
| Foreign currency translation adjustment | 50,449 | 99,581 |
| Total accumulated other comprehensive income | 55,304 | 105,864 |
| Share acquisition rights | 215,634 | 203,923 |
| Total net assets | 17,200,618 | 17,359,525 |
| Total liabilities and net assets | 18,857,636 | 18,546,020 |

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

(Thousands of yen)

| | Nine months ended December 31, 2022 | Nine months ended December 31, 2023 |
|--|--|--|
| Net sales | 7,360,585 | 6,749,712 |
| Cost of sales | 3,418,957 | 3,079,946 |
| Gross profit | 3,941,627 | 3,669,765 |
| Selling, general and administrative expenses | 2,278,451 | 2,321,159 |
| Operating profit | 1,663,176 | 1,348,605 |
| Non-operating income | | |
| Interest income | 37 | 62 |
| Dividend income | 863 | 695 |
| Subsidy income | 1,412 | - |
| Gain on sale of scraps | 13,037 | 15,451 |
| Other | 8,215 | 7,250 |
| Total non-operating income | 23,566 | 23,459 |
| Non-operating expenses | | |
| Rental expenses | 6,340 | 6,771 |
| Foreign exchange losses | 26,534 | 2,279 |
| Other | 32 | 935 |
| Total non-operating expenses | 32,908 | 9,986 |
| Ordinary profit | 1,653,834 | 1,362,078 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 1,848 | 1,646 |
| Total extraordinary income | 1,848 | 1,646 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 381 | 794 |
| Loss on valuation of investment securities | 24,289 | - |
| Total extraordinary losses | 24,671 | 794 |
| Profit before income taxes | 1,631,010 | 1,362,931 |
| Income taxes | 510,952 | 434,357 |
| Profit | 1,120,058 | 928,573 |
| Profit attributable to non-controlling interests | - | - |
| Profit attributable to owners of parent | 1,120,058 | 928,573 |

Quarterly Consolidated Statement of Comprehensive Income (Cumulative)

(Thousands of yen)

| | Nine months ended December 31, 2022 | Nine months ended December 31, 2023 |
|--|--|--|
| Profit | 1,120,058 | 928,573 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,269 | 1,427 |
| Foreign currency translation adjustment | 76,414 | 49,132 |
| Total other comprehensive income | 77,684 | 50,559 |
| Comprehensive income | 1,197,742 | 979,133 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,197,742 | 979,133 |
| 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 third quarter of the current fiscal year.

Additional information*Changes in presentation*Consolidated statement of income

“Rental expenses,” which was included in “Other” under “Non-operating expenses” in the nine months ended December 31, 2022, has been separately presented from the nine months ended December 31, 2023, since the amount exceeded 20% of the total amount of non-operating expenses. To reflect this change in presentation, the quarterly consolidated financial statements for the nine months ended December 31, 2022 has been reclassified.

As a result, ¥6,373 thousand presented in “Other” under “Non-operating expenses” in the quarterly consolidated statement of income for the nine months ended December 31, 2022, has been reclassified as “Rental expenses” of ¥6,340 thousand and “Other” of ¥32 thousand.