Financial Results for the 2nd Quarter of Fiscal Year Ending March 31, 2024

NS TOOL CO., LTD.

October 31, 2023

(Securities Code: 6157)

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Consolidated Financial Results for 2Q FY3/24

Financial Results Summary for 1H FY3/24

Decreased in net sales and profits year on year
Revised the full-year forecasts downward

(Unit: ¥ million)	1H FY3/23 Actual	1H FY3/24 Actual	Full-year Forecasts	Progress Rate
Net Sales	4,768	4,416	9,000	49.1%
YoY changes	-1.1%	-7.4%	-6.8%	
Operating profit	960	751	1,600	47.0%
YoY changes	-13.8%	-21.7%	-24.1%	
Ordinary profit	955	769	1,610	47.8%
YoY changes	-15.5%	-19.5%	-24.5%	
Profit attributable to owners of parent	620	507	1,100	46.1%
YoY changes	-19.6%	-18.2%	-25.4%	

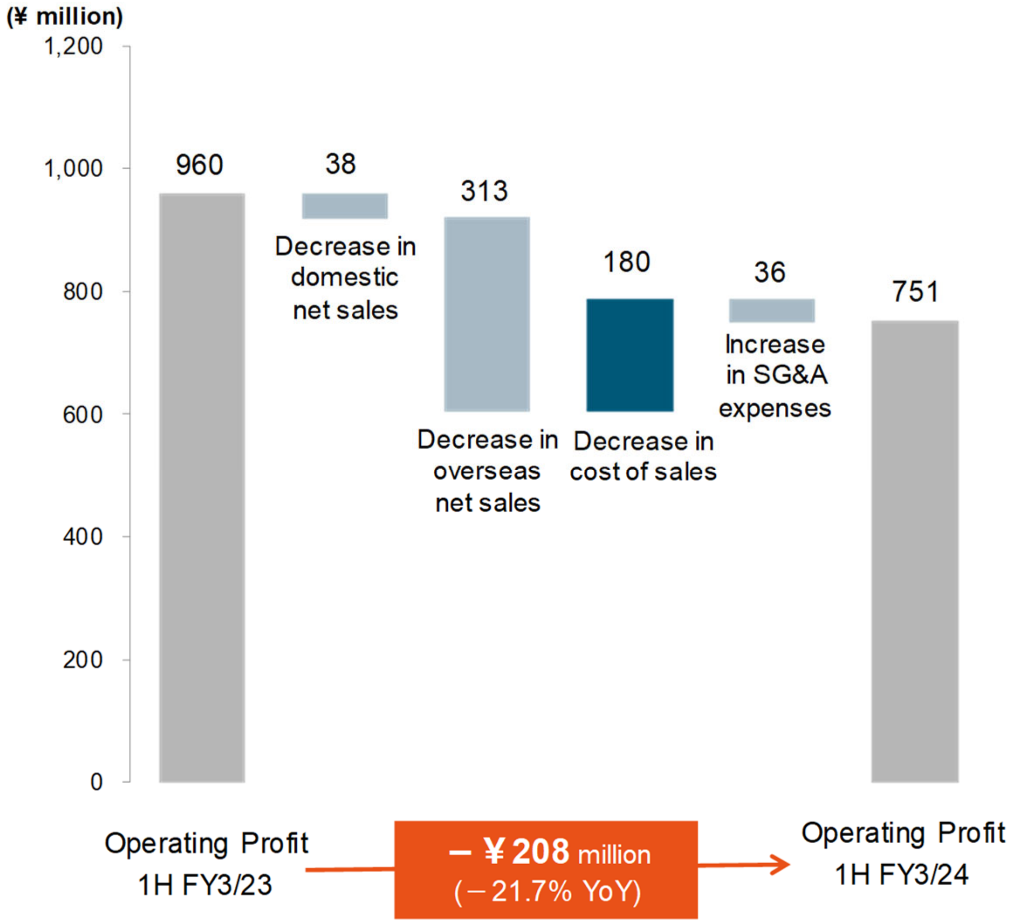
- Although production in the automotive industry showed signs of recovery as semiconductor and parts shortages were resolved, demand for tools, primarily for molds, was unable to recover. The market of semiconductor, electronic components and devices was sluggish overall as demand for smartphones and PCs, etc. continued to weaken. The trends had a significantly negative impact on the sales for Greater China.

- Consolidated net sales in 1H were ¥4,416 million, down 7.4% YoY.

- Consolidated ordinary profit was ¥769 million, down 19.5% YoY. Ordinary profit margin was 17.4%, down 2.6 pp YoY.

- Full-year financial forecasts were revised downward in October, because the demand for tools was expected to be sluggish in the 2H FY3/24 as well. (Please see p.14)

Factors for Decrease in Operating Profit



- Domestic net sales decreased by ¥38 million, down 1.2% YoY and overseas net sales decreased by ¥313 million, down 19.7% YoY. Overall net sales decreased by ¥352 million, down 7.4% YoY.
- Cost of products manufactured including material costs and outsourcing expenses decreased due to narrowing down of production volume because sales decreased, and the cost of sales decreased by ¥180 million, down 7.9%. Proper-quantity production of various types of products was employed with the purpose of enhancing its wide-ranging product inventory.
- In SG&A expenses, selling expenses increased by 10.3% YoY due to an increase in travel expenses associated with the resumption of sales activities and exhibition costs. Overall SG&A expenses increased by ¥36 million, up 2.4% YoY.
- As a result, operating profit decreased by ¥208 million, down 21.7% YoY, to ¥751 million, and operating profit margin decreased by 3.1 pp to 17.0%.

Summary of Statement of Income

(Unit: ¥ million)	1H FY3/23 Actual	1H FY3/24 Actual	YoY Changes
Net Sales	4,768	4,416	-7.4%
Gross profit	2,483	2,311	-6.9%
Ratio to net sales	52.1%	52.3%	
SG&A expenses	1,522	1,559	+2.4%
Ratio to net sales	31.9%	35.3%	
Operating profit	960	751	-21.7%
Ratio to net sales	20.1%	17.0%	
Ordinary profit	955	769	-19.5%
Ratio to net sales	20.0%	17.4%	
Profit attributable to owners of parent	620	507	-18.2%
Ratio to net sales	13.0%	11.5%	
Capital investment	313	337	+7.6%
Depreciation	328	303	-7.7%
No. of employees (persons)	353	350	-0.8%

- Net sales were ¥4,416 million, down 7.4% YoY. Business conditions did not recover significantly, and net sales decreased due in part to sluggish performance by overseas sales amid slower movement in tool demand.
- Gross profit was ¥2,311 million, down 6.9% YoY. Cost of sales decreased by 7.9% YoY, while gross profit margin was 52.3%, up 0.2 pp YoY.
- SG&A expenses increased by 2.4% YoY, associated with the increase in selling expenses, while SG&A expenses ratio rose by 3.4 pp YoY to 35.3%.
- As a result, operating profit decreased by 21.7% YoY to ¥751 million and operating profit margin decreased by 3.1 pp YoY to 17.0%.
- Capital expenditures increased by 7.6% YoY to ¥337 million, following the facility planning for the current fiscal year. Depreciation decreased by 7.7% YoY.

Summary of Balance Sheet

(Unit: ¥ million)	FY3/23-End	Composition Ratio	1H FY3/24-End	Composition Ratio	VS FY3/23-End
(Assets)					
Ⅰ Current assets	12,298	65.2%	11,974	64.4%	-2.6%
Cash and deposits	8,497	45.1%	8,115	43.7%	-4.5%
Notes and accounts receivable - trade	1,355	7.2%	1,319	7.1%	-2.7%
Inventories	2,320	12.3%	2,418	13.0%	+4.2%
Ⅱ Non-current assets	6,559	34.8%	6,611	35.6%	+0.8%
Property, plant and equipment	5,412	28.7%	5,442	29.3%	+0.6%
Intangible assets	28	0.2%	25	0.1%	-9.1%
Investments and other assets	1,118	5.9%	1,143	6.2%	+2.2%
Total assets	18,857	100.0%	18,586	100.0%	-1.4%
(Liabilities)					
Ⅰ Current liabilities	1,432	7.6%	1,074	5.8%	-25.0%
Accounts payable - trade	303	1.6%	211	1.1%	-30.3%
Ⅱ Non-current liabilities	224	1.2%	224	1.2%	—
Total liabilities	1,657	8.8%	1,299	7.0%	-21.6%
(Net assets)					
Total equity	16,984	90.1%	17,082	91.9%	+0.6%
Total net assets	17,200	91.2%	17,286	93.0%	+0.5%
Total liabilities and net assets	18,857	100.0%	18,586	100.0%	-1.4%

Current assets

Decreased by 2.6% from the end of previous fiscal year, because cash and deposits decreased due to payment of income taxes and bonuses, purchase of treasury shares, etc.

Non-current assets

Remained almost flat due to a slight increase of property, plant and equipment and investments and other assets.

Liabilities

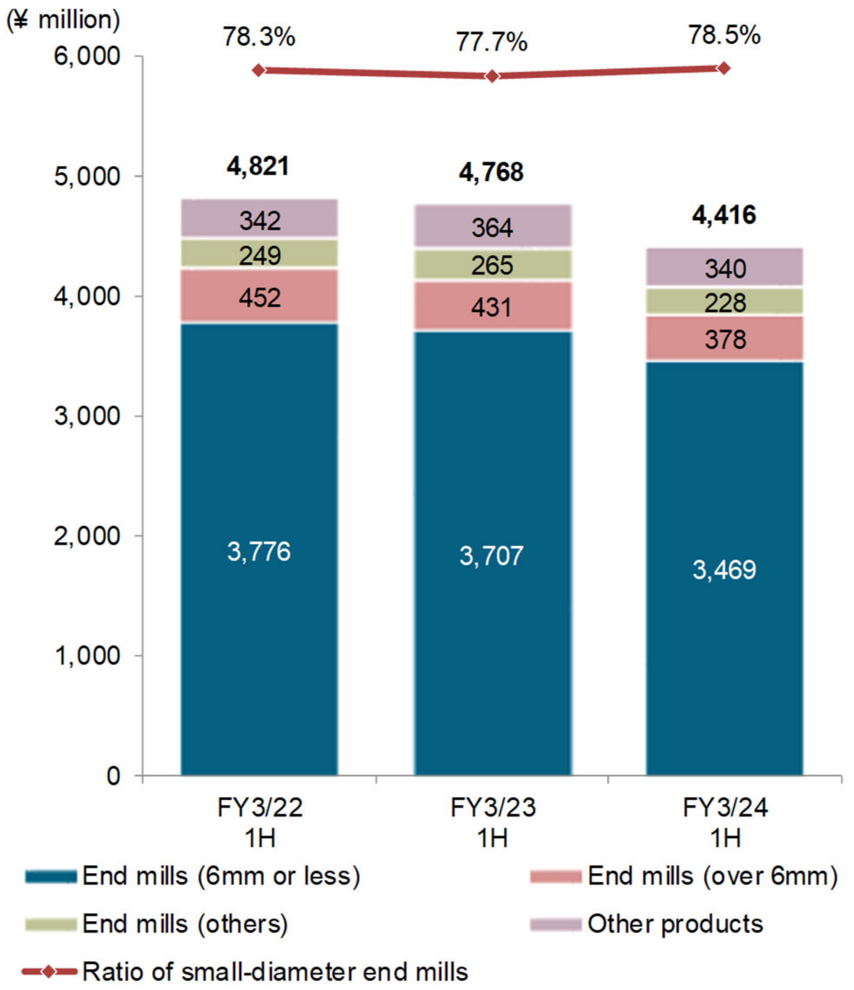
Decreased by 21.6% from the end of previous fiscal year due to decreases in income taxes payable, provision for bonuses and provision of bonuses for directors (and other officers).

Net assets

Increased by 0.6% from the end of previous fiscal year mainly due to an increase in retained earnings. Partly due to a decrease in liabilities, equity ratio was 91.9%, up 1.8 pp from the end of previous fiscal year.

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

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

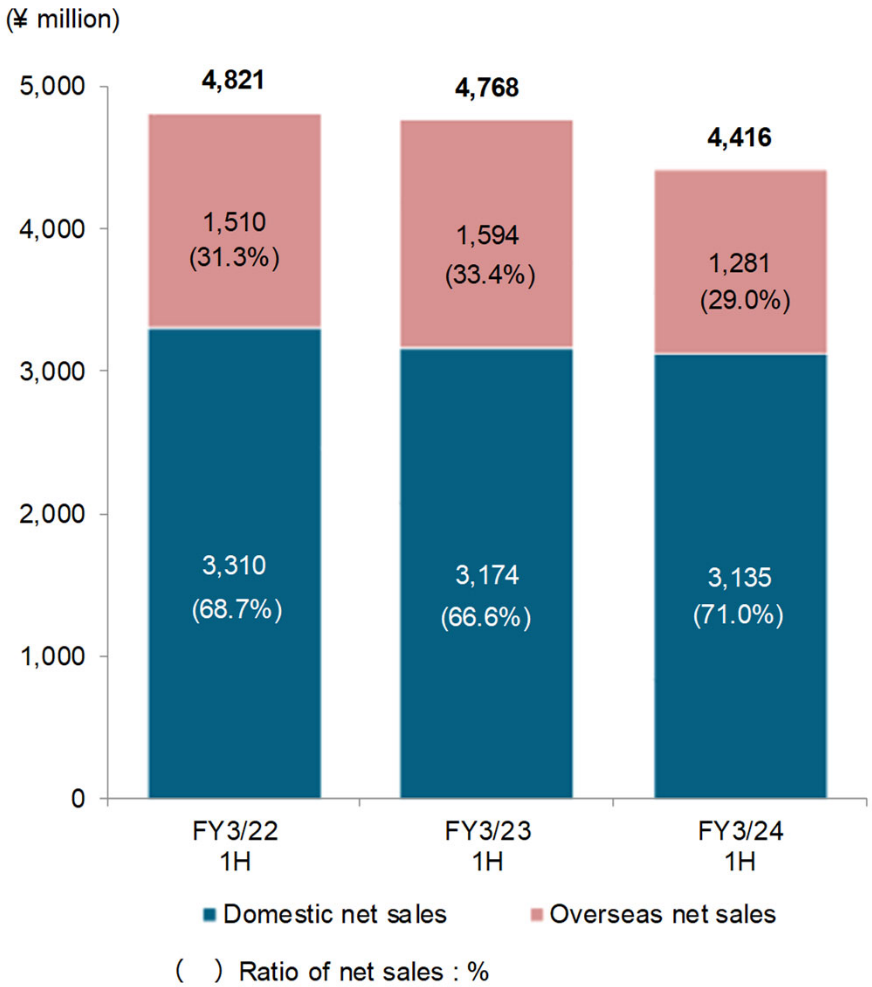


- Regarding the automotive industry, the production was on a track to recovery due to the elimination of semiconductor and part shortage, however, since the environment surrounding the industry changed (i.e. shift to EVs), demand for tools, primarily for molds, remained sluggish. For semiconductors and electronic components and devices, reduced demand for smartphones and PCs continued, resulting in the slow sales as a whole. Consolidated net sales were ¥4,416 million, down 7.4% YoY.

- By product, net sales for mainstay end mills (diameter 6 mm or less) decreased by 6.4% YoY, end mills (diameter over 6 mm) decreased by 12.2% YoY, end mills (other), mainly special products custom-made to users, decreased by 13.8% YoY, and other products such as tool cases also decreased by 6.8% YoY. The ratio of small-diameter end mills was 78.5%, up 0.8 pp YoY.

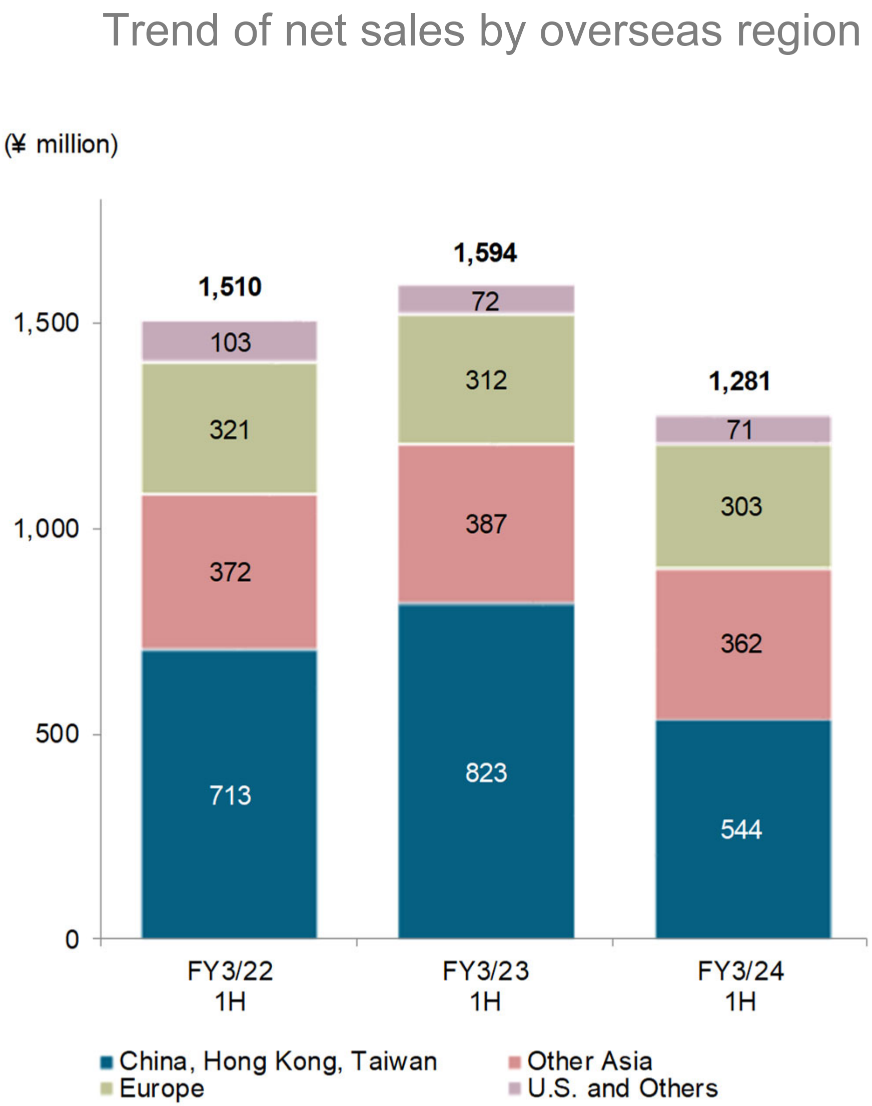
Business Performance (Trend of net sales (2) Domestic and overseas)

Trend of domestic and overseas net sales



- Domestic net sales decreased by ¥38 million, down 1.2% YoY, to ¥3,135 million. Overseas net sales decreased by ¥313 million, down 19.7% YoY, to ¥1,281 million.
- Overseas net sales were affected by worldwide deterioration of business conditions, with sales to Greater China in particular slumping significantly.
- Overseas net sales ratio decreased by 4.4 pp YoY to 29.0%. Went below 30% following the 1Q.

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



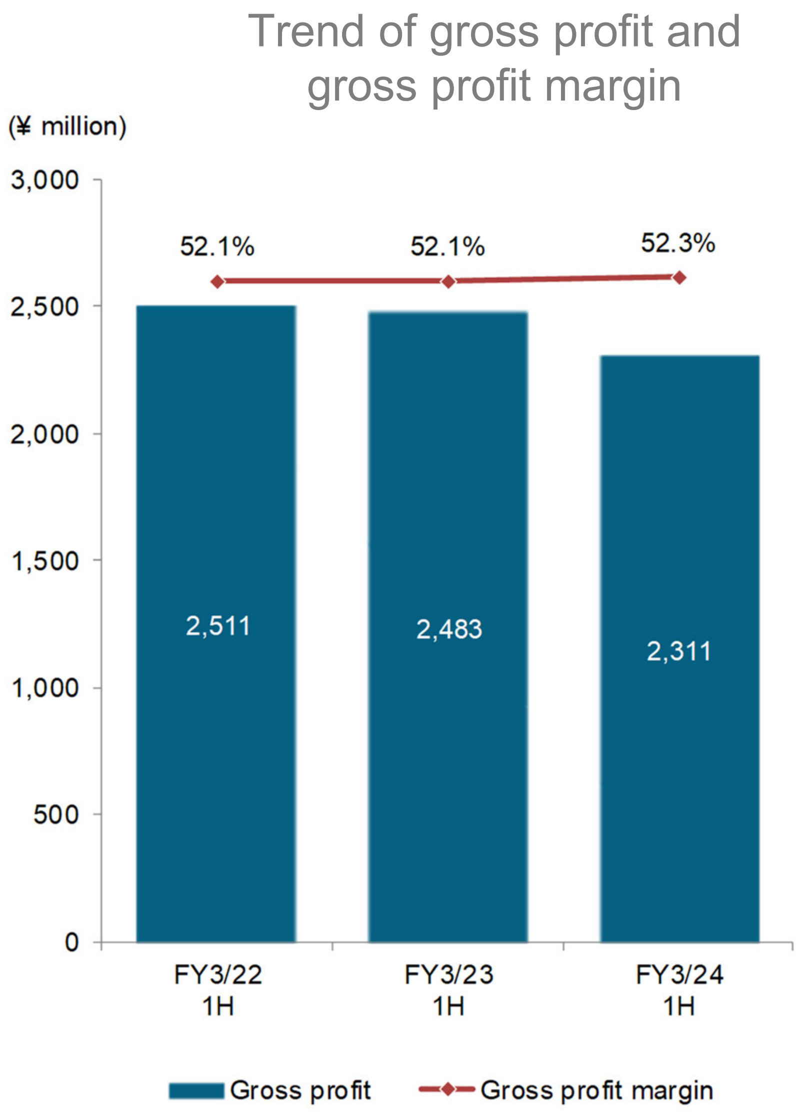
- Combined net sales for China, Hong Kong and Taiwan decreased by 33.9% YoY to ¥544 million, because market conditions deteriorated due to the slowdown in the Chinese economy. In China, demand for the smartphone industry decreased and there was a production shift of foreign capital companies to other countries. In Taiwan, both semiconductor and optical-related markets were sluggish. In account consolidation of NS TOOL Hong Kong Ltd. into 1H results, figures for China are for January-June.

- Other Asia decreased by 6.3% YoY to ¥362 million. In Southeast Asia, mold-related sales for automobiles remained sluggish.

- Europe decreased by 2.8% YoY to ¥303 million. The entire manufacturing sector is clouded by the economic slowdown aspect because inflation and escalating energy prices continue.

- U.S. and Others decreased by 1.0% YoY to ¥71 million. Changing the local transaction from via NS TOOL to NS TOOL USA.

Business Performance (Trend of gross profit)

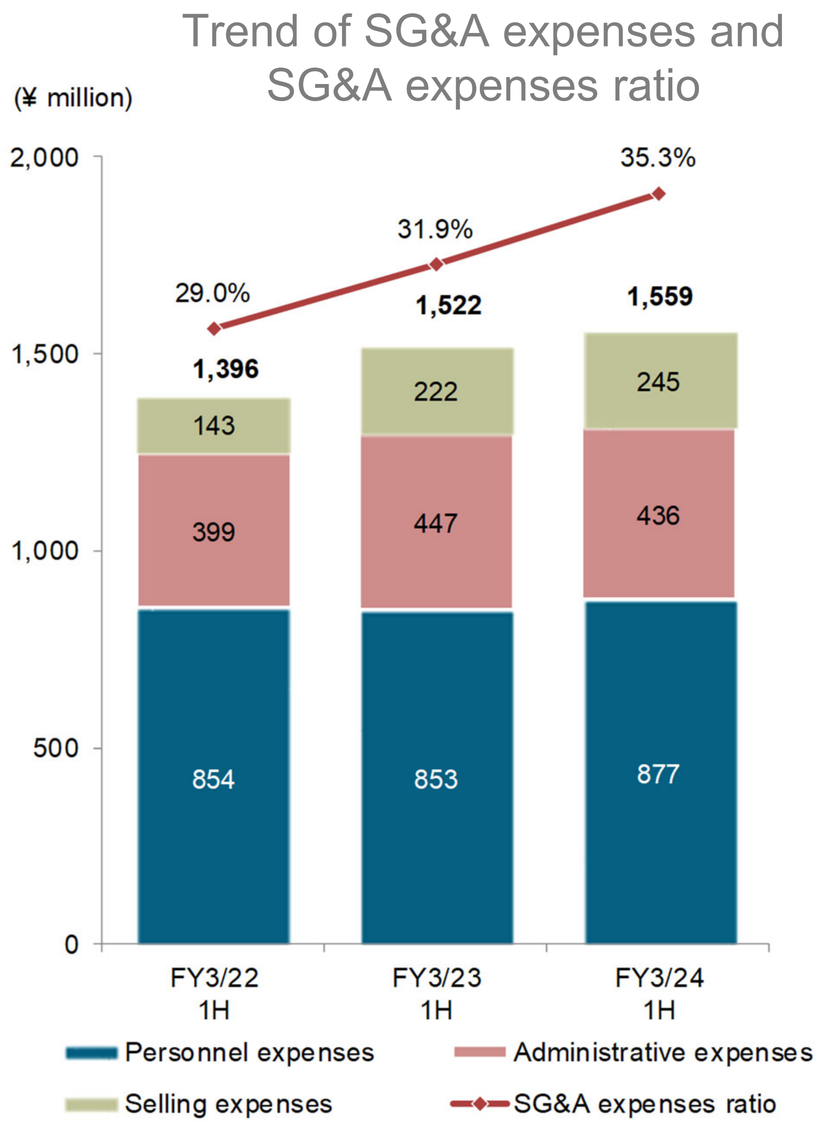


- Materials cost decreased by 9.3% YoY, outsourcing expenses decreased by 12.5% YoY, and labor costs decreased by 3.6% YoY, because production volume was narrowed down due to a decrease in sales and ongoing efforts of cost reduction. Manufacturing expenses, too, decreased overall, and the cost of products manufactured of the current fiscal year went below the same period of the previous fiscal year. Proper-quantity production of various types of products was employed with the purpose of enhancing its wide-ranging product inventory.

- Cost of sales decreased by 7.9% YoY because the cost of products manufactured of the current fiscal year decreased.

- Gross profit was ¥2,311 million, down 6.9% YoY due to the decrease of net sales, but gross profit margin increased by 0.2 pp YoY to 52.3% because of the decrease of the cost of sales and price increases from the orders received in November 2022.

Business Performance (Trend of SG&A expenses)

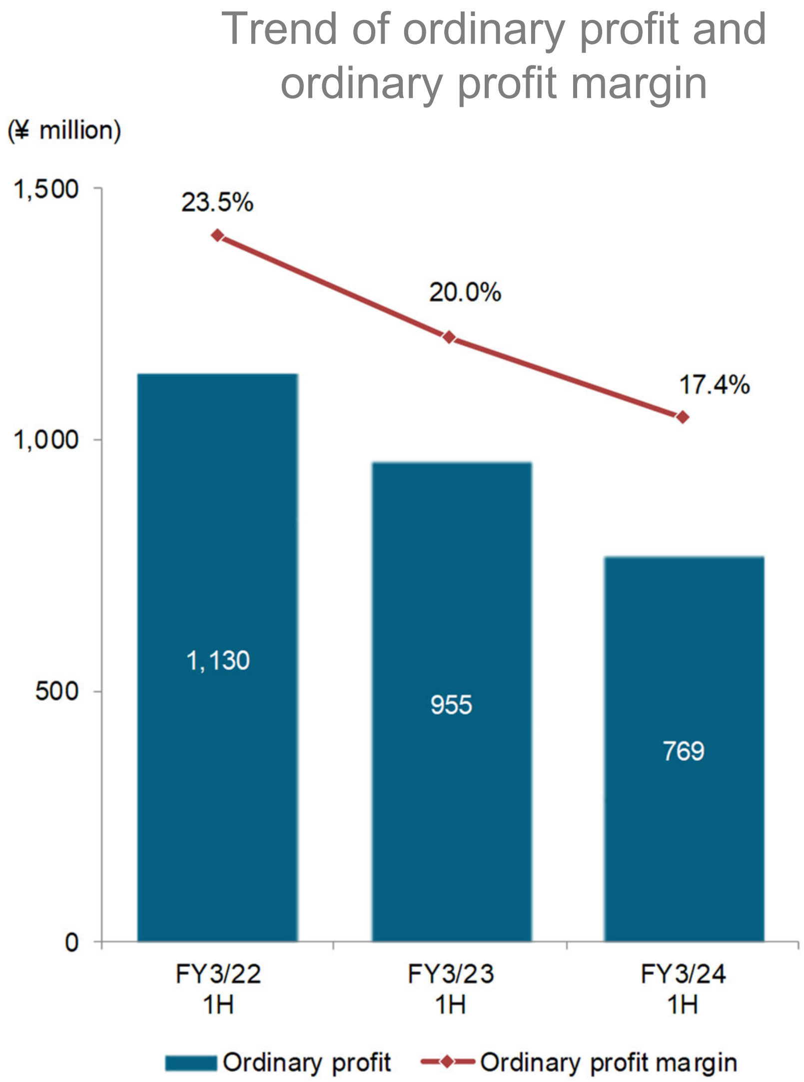


- Selling expenses increased by 10.3% YoY to ¥245 million due to an increase in domestic/overseas travel expenses because sales activities resumed and also an increase in exhibition costs from active participation in exhibitions such as "INTERMOLD" in Japan, “EMO” held in Germany, etc.

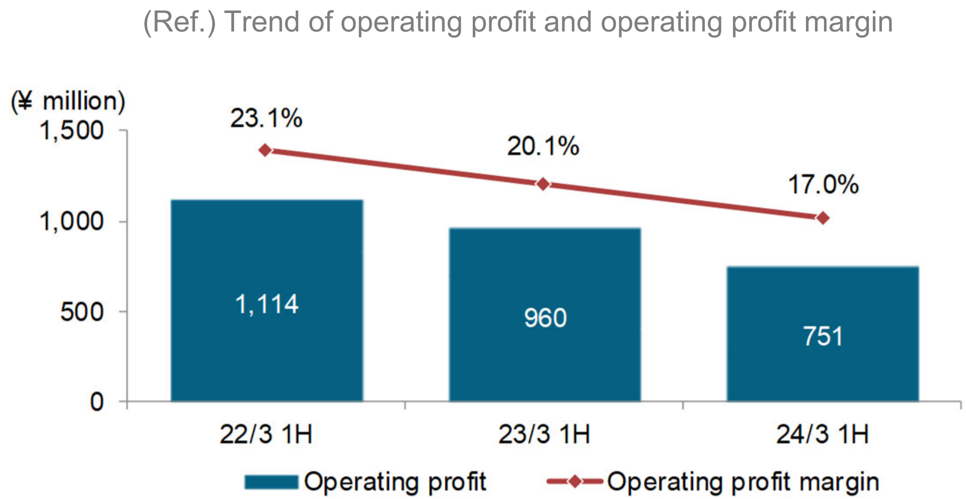
- Personnel expenses increased by 2.9% YoY to ¥877 million due to an increase in employee salaries caused by wage increase.

- Overall SG&A expenses increased by 2.4% to ¥1,559 million, while SG&A expenses ratio rose by 3.4 pp YoY to 35.3%.

Business Performance (Trend of ordinary profit)



- Operating profit decreased by 21.7% YoY to ¥751 million due to a decrease in net sales and an increase in SG&A expenses.
- In non-operating income and expenses, non-operating income exceeded non-operating expenses by ¥17 million due to gain on sales of scraps, etc. Ordinary profit was ¥769 million, down 19.5% YoY.
- Ordinary profit margin was 17.4%, down 2.6 pp YoY.



Consolidated Financial Forecasts for FY3/24

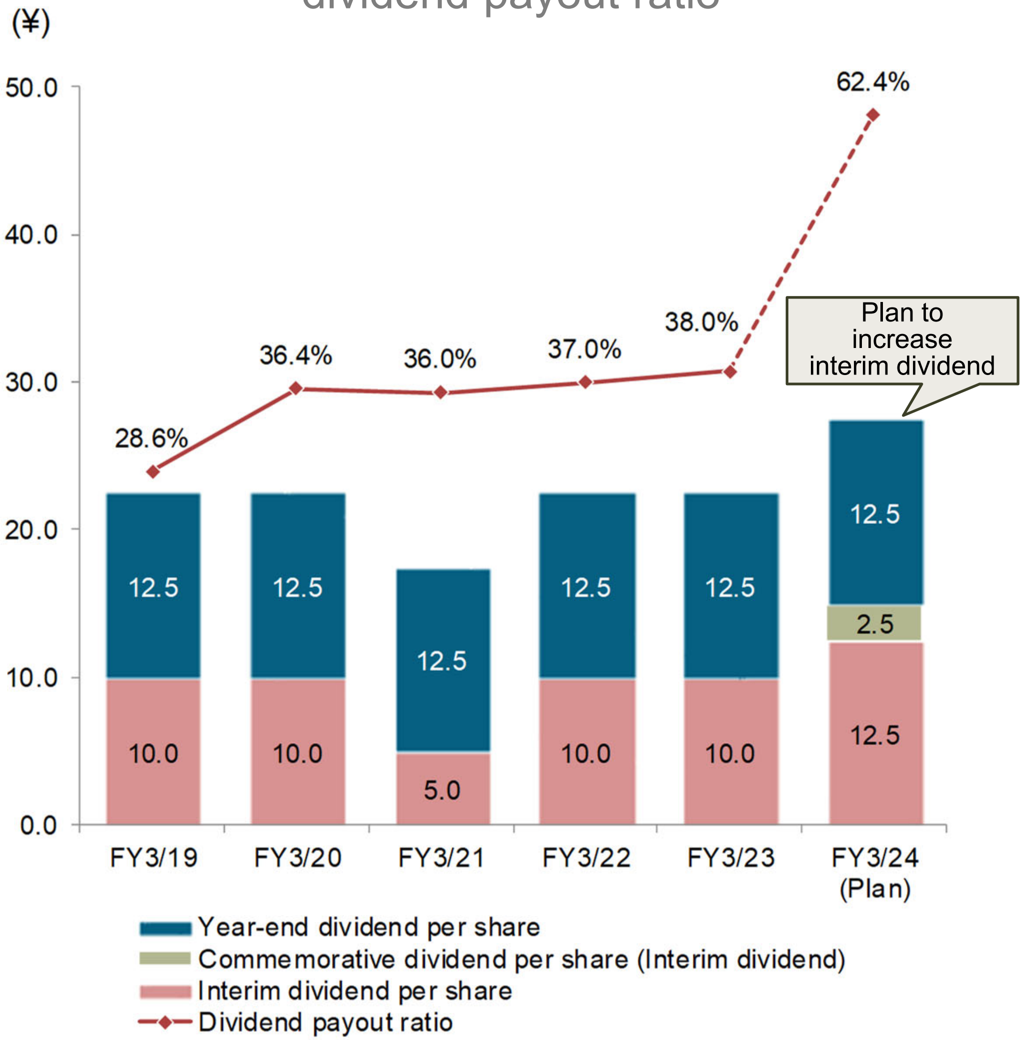
Financial Forecasts

(Unit: ¥ million)	FY3/23 Actual	FY3/24 Forecasts	YoY Changes	Initial Forecasts
Net Sales	9,656	9,000	-6.8%	9,870
Operating profit	2,108	1,600	-24.1%	1,820
Ordinary profit	2,131	1,610	-24.5%	1,830
Profit attributable to owners of parent	1,475	1,100	-25.4%	1,220
Capital investment	686	1,037	+51.1%	1,037
Depreciation	669	654	-2.3%	714
EPS (¥)	59.16	44.08	-25.5%	48.88
Dividend per share (¥)	22.50	27.50	+22.2%	25.00

- In the second half of the fiscal year, too, it is expected that demand for tools remain sluggish as there are concerns about the global economic stagnation, especially a delayed recovery in the Chinese market, due to inflation and monetary tightening policies, etc. Therefore, the full-year financial forecasts were revised downward.
- After revision, net sales are forecast to decrease by 6.8% YoY to ¥9,000 million, operating profit to decrease by 24.1% YoY to ¥1,600 million, and ordinary profit to decrease by 24.5% YoY to ¥1,610 million.
- It is expected that operating profit and ordinary profit decrease because of an increase in personnel expenses caused by wage increase, an increase in selling expenses caused by resumed sales activities, in addition to the decreased net sales.
- Capital expenditures remain unchanged from the initial forecast. It is expected to increase by 51.1% due in part to a delay in facility planning from the previous fiscal year.
- The annual dividend per share is planned to increase to ¥27.5. To be specific, interim dividend is ¥15.0 after addition of commemorative dividend ¥2.5; and year-end dividend is ¥12.5.

Dividend Forecasts (Shareholder Returns)

Trend of Dividends per share and dividend payout ratio



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

We take holistic approach by evaluating business performance and dividend payout ratio, while paying attention to stability and sustainability of shareholders return

- Annual dividend per share for FY3/23 was ¥22.5.
  Interim dividend: ¥10.0; Year-end dividend: ¥12.5
  Dividend payout ratio to the business performance: 38.0%

- Annual dividend per share for FY3/24 is planned to be increased to ¥27.5.
  Celebrating the 70th year of founding, commemorative dividend of ¥2.5 is paid.
  Interim dividend: ¥15.0
  (ordinary dividend: ¥12.5, commemorative dividend: ¥2.5)
  Year-end dividend: ¥12.5
  Dividend payout ratio to the financial forecasts: 62.4%

- Shareholders' benefits
  An original QUO card, worth ¥2,000, is presented to every shareholder who holds one share unit (100 shares) or more <u>for three years or more</u>* and whose name is registered in the shareholder list as of March 31 of each year.

*Holding for 3 years or more means that the holding record of 100 shares or more under the same shareholder number is listed or recorded in the shareholder list 7 times or more consecutively on record date of shareholder list (March 31 and September 30).

Contact us:

NS TOOL CO., LTD.

Corporate Planning Office

E-mail：ir@ns-tool.com

Note: The descriptions concerning the future and projections are based on targets and forecasts, and do not constitute an assurance or guarantee. Please note that the results may differ from the projections.