



Financial Results for the 3rd Quarter of Fiscal Year Ending March 31, 2024



NS TOOL CO., LTD.

January 31, 2024
(Securities Code: 6157)

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Consolidated Financial Results for 3Q FY3/24



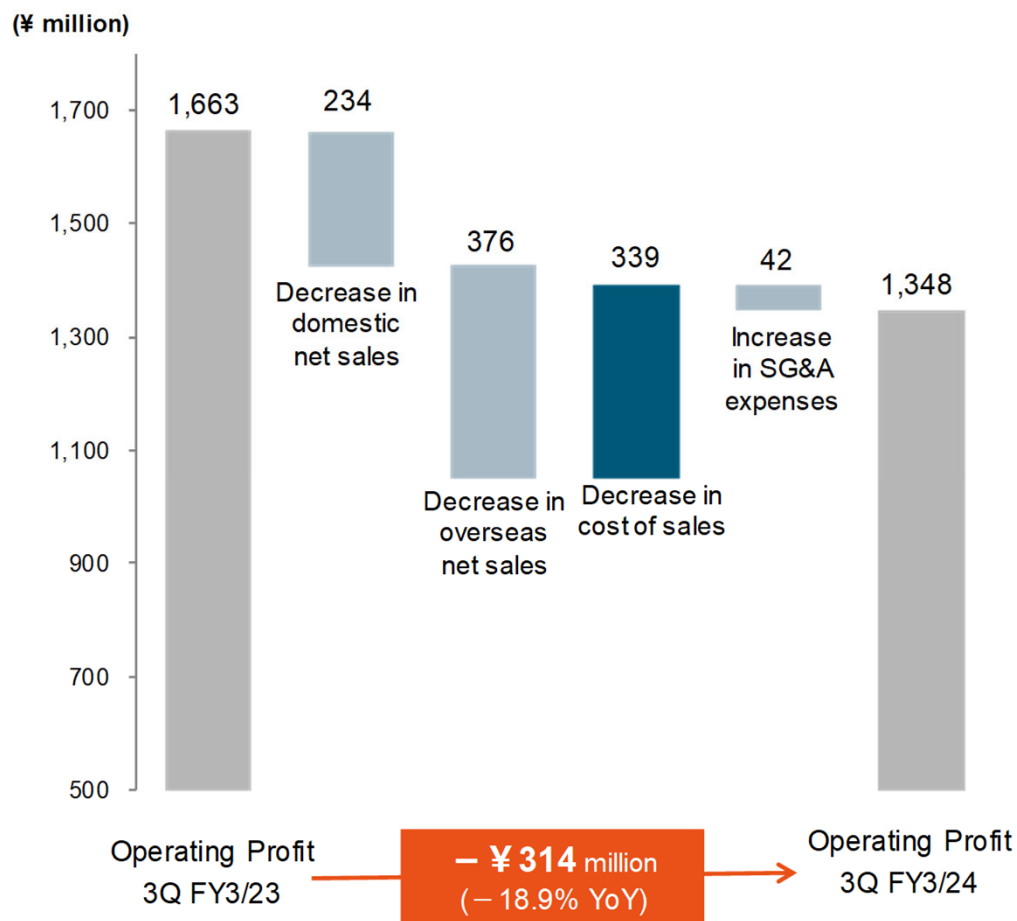
Financial Results Summary for 3Q YTD FY3/24

Decreased in net sales and profits year on year, but progress rate for full-year financial forecasts was steady

(Unit: ¥ million)	3Q YTD FY3/23 Actual	3Q YTD FY3/24 Actual	Full-year FY3/24 Forecasts	Progress Rate
Net Sales	7,360	6,749	9,000	75.0%
YoY changes	+1.1%	-8.3%	-6.8%	
Operating profit	1,663	1,348	1,600	84.3%
YoY changes	-0.6%	-18.9%	-24.1%	
Ordinary profit	1,653	1,362	1,610	84.6%
YoY changes	-3.1%	-17.6%	-24.5%	
Profit attributable to owners of parent	1,120	928	1,100	84.4%
YoY changes	-5.2%	-17.1%	-25.4%	

- 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. The market of semiconductor and electronic components and devices was sluggish overall. Sales to Greater China in particular continued stagnant.
- Consolidated net sales in 3Q YTD were ¥6,749 million, down 8.3% YoY.
- Consolidated ordinary profit was ¥1,362 million, down 17.6% YoY. Ordinary profit margin was 20.2%, down 2.3 pp YoY.
- Progress rate relative to full-year financial forecasts was 75.0% for net sales and 84.6% for ordinary profit.

Factors for Decrease in Operating Profit



- Domestic net sales decreased by ¥234 million, down 4.7% YoY and overseas net sales decreased by ¥376 million, down 16.0% YoY. Overall net sales decreased by ¥610 million, down 8.3% YoY.
- Cost of products manufactured including material costs and outsourcing expenses decreased due to narrowing down of production volume because sales decreased. In addition, valuation loss on finished goods decreased due to appropriate proper-quantity production of various types of products in line with inventory status. Cost of sales decreased by ¥339 million, down 9.9% YoY.
- Selling expenses decreased by 4.8% YoY, due to higher expenses of exhibiting at large-scale exhibitions and revising catalogues in the same period of the previous fiscal year. On the other hand, personnel expenses increased 4.3% caused by wage increases. Overall SG&A expenses increased by ¥42 million, up 1.9% YoY.
- As a result, operating profit decreased by ¥314 million, down 18.9% YoY to ¥1,348 million, while operating profit margin decreased by 2.6 pp YoY to 20.0%.

Summary of Statement of Income

(Unit: ¥ million)	3Q YTD FY3/23 Actual	3Q YTD FY3/24 Actual	YoY Changes
Net Sales	7,360	6,749	-8.3%
Gross profit	3,941	3,669	-6.9%
Ratio to net sales	53.6%	54.4%	
SG&A expenses	2,278	2,321	+1.9%
Ratio to net sales	31.0%	34.4%	
Operating profit	1,663	1,348	-18.9%
Ratio to net sales	22.6%	20.0%	
Ordinary profit	1,653	1,362	-17.6%
Ratio to net sales	22.5%	20.2%	
Profit attributable to owners of parent	1,120	928	-17.1%
Ratio to net sales	15.2%	13.8%	
Capital investment	523	467	-10.6%
Depreciation	495	463	-6.6%
No. of employees (persons)	351	352	+0.3%

- Net sales were ¥6,749 million, down 8.3% YoY. Although the economic activity is recovering moderately, demand for tools was unable to improve significantly. Net sales decreased due to sluggish performance by overseas sales in particular.
- Gross profit was ¥3,669 million, down 6.9% YoY. Gross profit margin was 54.4%, up 0.8 pp YoY, while cost of sales was down 9.9% YoY.
- SG&A expenses increased by 1.9% YoY, associated with the increase in personnel expenses, while SG&A expenses ratio rose by 3.4 pp YoY to 34.4%.
- As a result, operating profit decreased by 18.9% YoY to ¥1,348 million and operating profit margin decreased by 2.6 pp YoY to 20.0%.
- Capital expenditures decreased by 10.6% YoY to ¥467 million due to the start of operations of some equipments installed is delayed. Depreciation decreased by 6.6% YoY.

Summary of Balance Sheet

(Unit: ¥ million)	FY3/23-End	Composition Ratio	3Q FY3/24-End	Composition Ratio	VS FY3/23-End
(Assets)					
I Current assets	12,298	65.2%	11,930	64.3%	-3.0%
Cash and deposits	8,497	45.1%	8,205	44.2%	-3.4%
Notes and accounts receivable - trade	1,355	7.2%	1,228	6.6%	-9.4%
Inventories	2,320	12.3%	2,378	12.8%	+2.5%
II Non-current assets	6,559	34.8%	6,615	35.7%	+0.9%
Property, plant and equipment	5,412	28.7%	5,443	29.4%	+0.6%
Intangible assets	28	0.2%	26	0.1%	-6.3%
Investments and other assets	1,118	5.9%	1,145	6.2%	+2.4%
Total assets	18,857	100.0%	18,546	100.0%	-1.7%
(Liabilities)					
I Current liabilities	1,432	7.6%	961	5.2%	-32.9%
Accounts payable - trade	303	1.6%	186	1.0%	-38.7%
II Non-current liabilities	224	1.2%	224	1.2%	—
Total liabilities	1,657	8.8%	1,186	6.4%	-28.4%
(Net assets)					
Total equity	16,984	90.1%	17,155	92.5%	+1.0%
Total net assets	17,200	91.2%	17,359	93.6%	+0.9%
Total liabilities and net assets	18,857	100.0%	18,546	100.0%	-1.7%

Current assets

Decreased by 3.0% 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

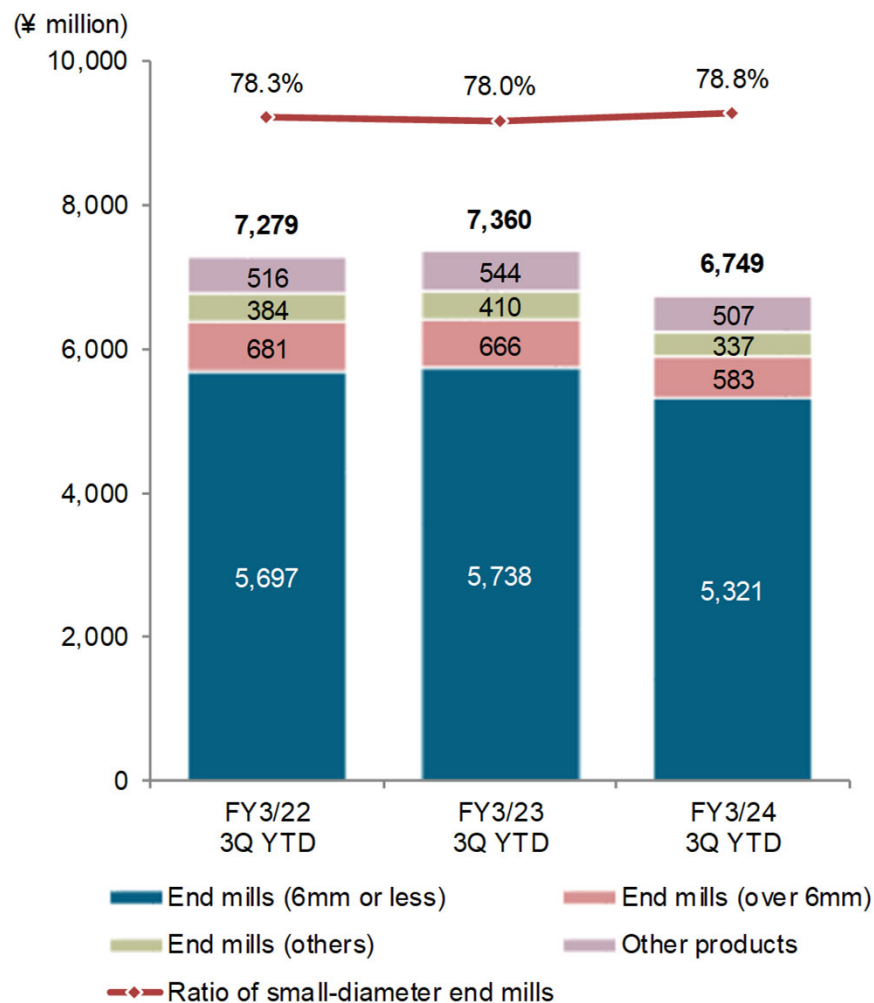
Decreased by 28.4% from the end of previous fiscal year due to decreases in accounts payable – trade, income taxes payable and provision for bonuses.

Net assets

Increased by 0.9% from the end of previous fiscal year mainly due to an increase in retained earnings. Partly due to a decrease in liabilities, equity-to-asset ratio was 92.5%, up 2.4 pp from the end of previous fiscal year.

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

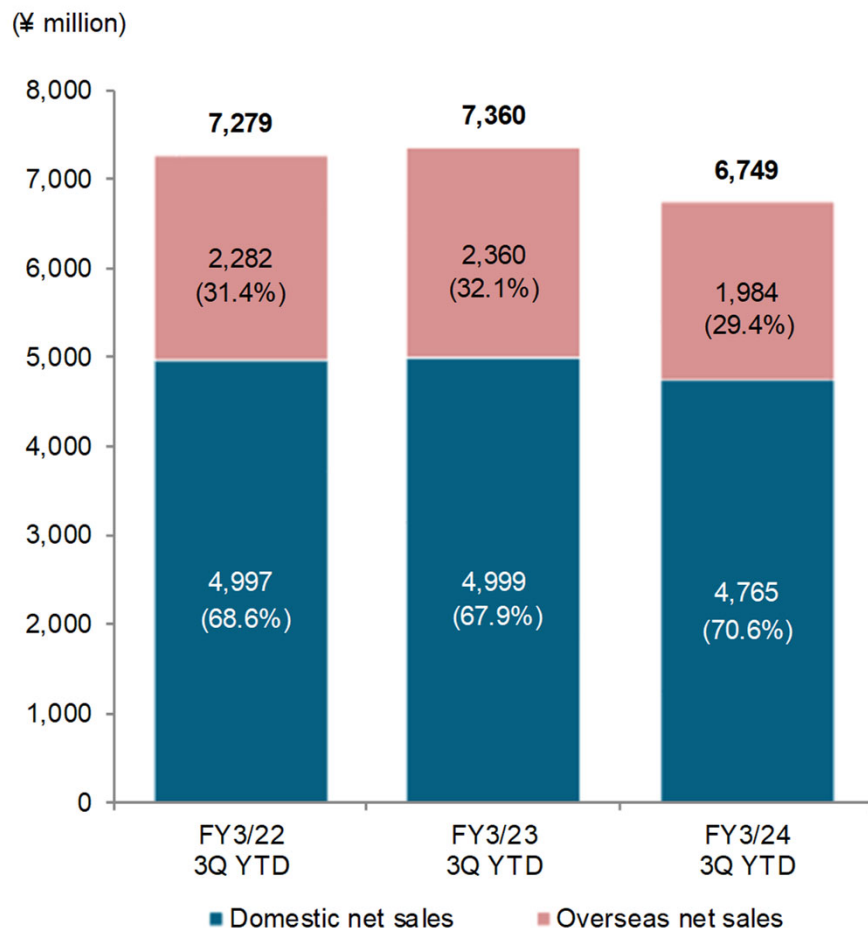
Trend of net sales by product and ratio of small-diameter end mills



- Regarding the automotive industry, the production volume recovered due to the elimination of semiconductor and part shortage, however, demand for tools, primarily for molds, did not recover significantly. For semiconductors and electronic components and devices, affected by the slump in the semiconductor industry, overall sales were sluggish. Consolidated net sales were ¥6,749 million, down 8.3% YoY.
- By product, net sales for mainstay end mills (diameter 6 mm or less) decreased by 7.3% YoY, end mills (diameter over 6 mm) decreased by 12.3% YoY, end mills (other), mainly special tools custom-made to users, decreased by 17.9% YoY, and other products such as tool cases also decreased by 6.9% YoY. The ratio of small-diameter end mills was 78.8%, up 0.8 pp YoY.

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

Trend of domestic and overseas net sales

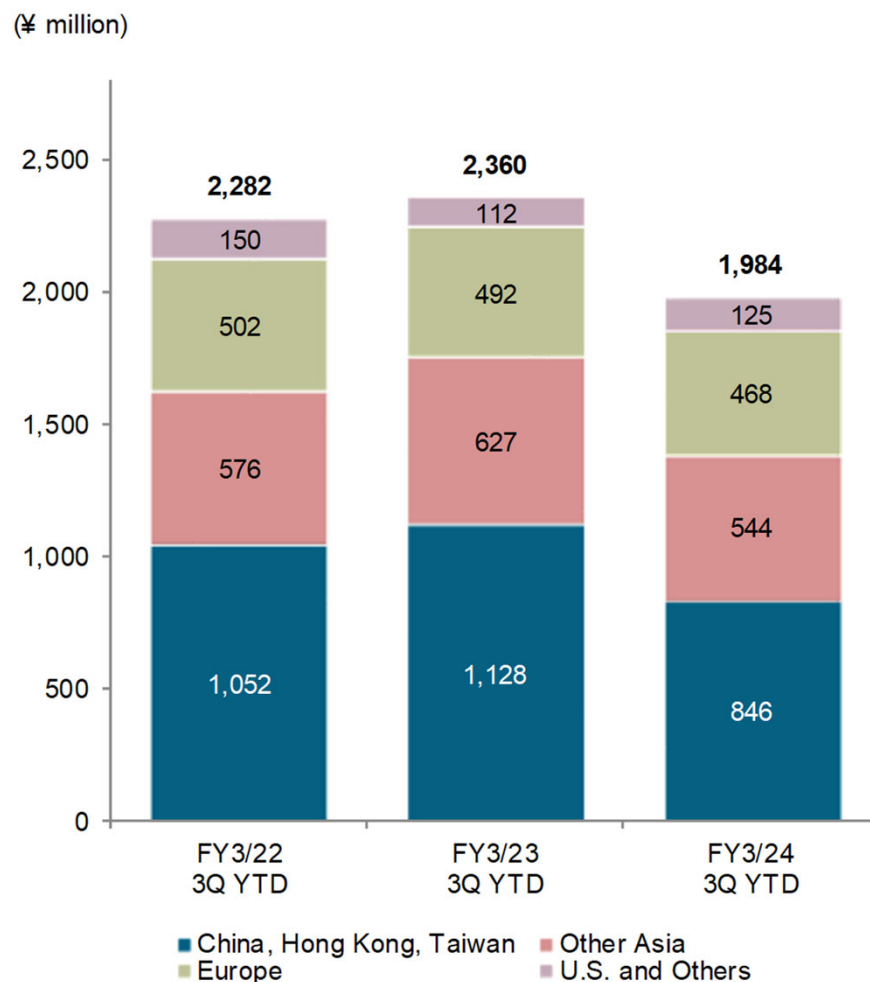


() Ratio of net sales : %

- Domestic net sales decreased by ¥234 million, down 4.7% YoY, to ¥4,765 million. Overseas net sales decreased by ¥376 million, down 16.0% YoY, to ¥1,984 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 2.7 pp YoY to 29.4%. Went below 30% following the 2Q.

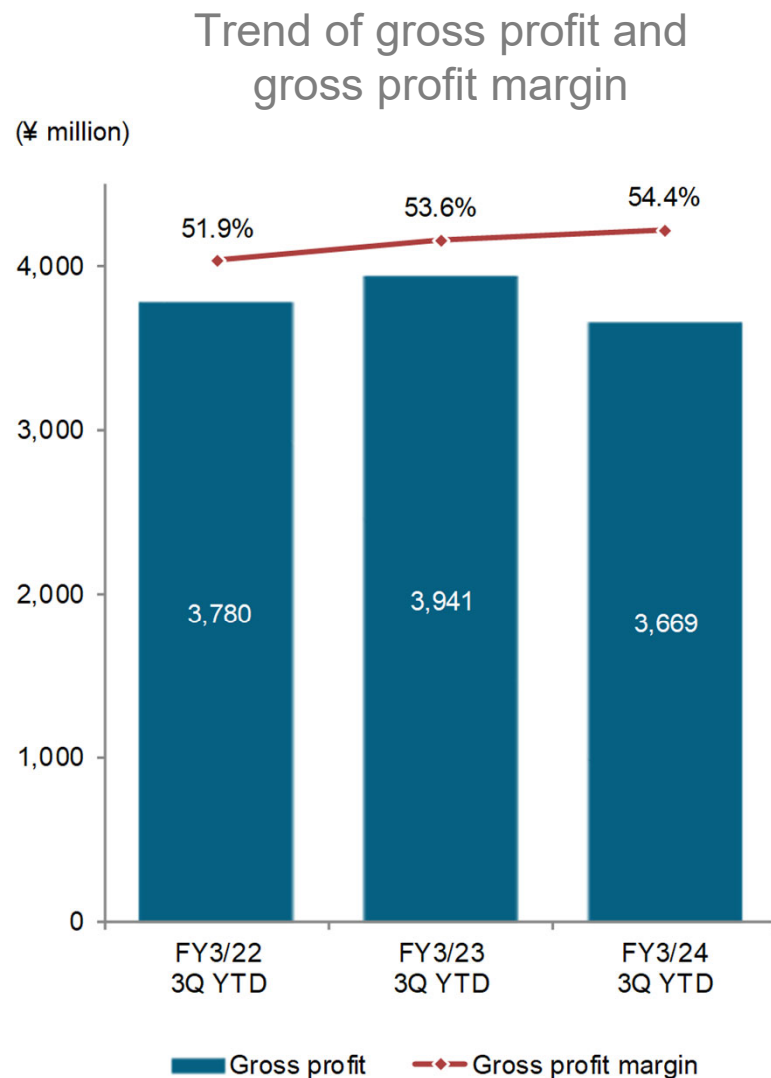
Business Performance (Trend of net sales (3) By overseas region)

Trend of net sales by overseas region



- Combined net sales for China, Hong Kong and Taiwan decreased by 25.0% YoY to ¥846 million, because market conditions continued to deteriorate due to the slowdown in the Chinese economy. Production is shifting from Greater China to other countries due to the risk-aversion caused by US China tensions and the deteriorating relations with Taiwan. In account consolidation of NS TOOL Hong Kong Ltd. into 3Q results, figures for China are for January-September.
- Other Asia decreased by 13.2% YoY to ¥544 million. In Southeast Asia, automotive industry remained sluggish.
- Europe decreased by 5.0% YoY to ¥468 million. Sluggish economy due to inflation and escalating energy prices. The slump in automotive industry continued.
- U.S. and Others increased by 11.5% YoY to ¥125 million. Changed the local transaction from via NS TOOL to NS TOOL USA. Entered into general agency agreements with major agents and aim to strengthen our sales framework.

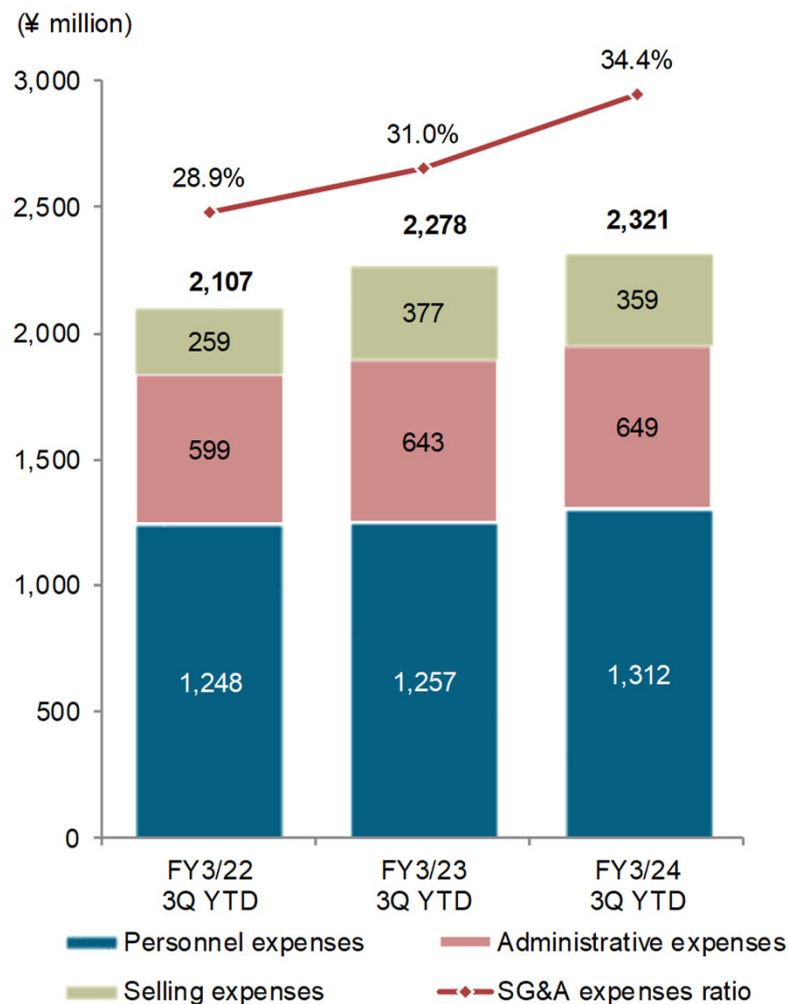
Business Performance (Trend of gross profit)



- Materials cost decreased by 12.4% YoY, outsourcing expenses decreased by 16.5% YoY, and labor costs decreased by 1.1% YoY, because production volume was narrowed down due to a decrease in sales and ongoing efforts of cost reduction. Manufacturing expenses also decreased overall.
- In addition to the decrease in cost of products manufactured of the current fiscal year due to the above, valuation loss on finished goods decreased due to appropriate proper-quantity production of various types of products in line with inventory status. Cost of sales decreased by 9.9% YoY.
- Gross profit was ¥3,669 million, down 6.9% YoY due to the decrease of net sales, but gross profit margin increased by 0.8 pp YoY to 54.4% because of the decrease of the cost of sales and price increases from the orders received in November 2022.

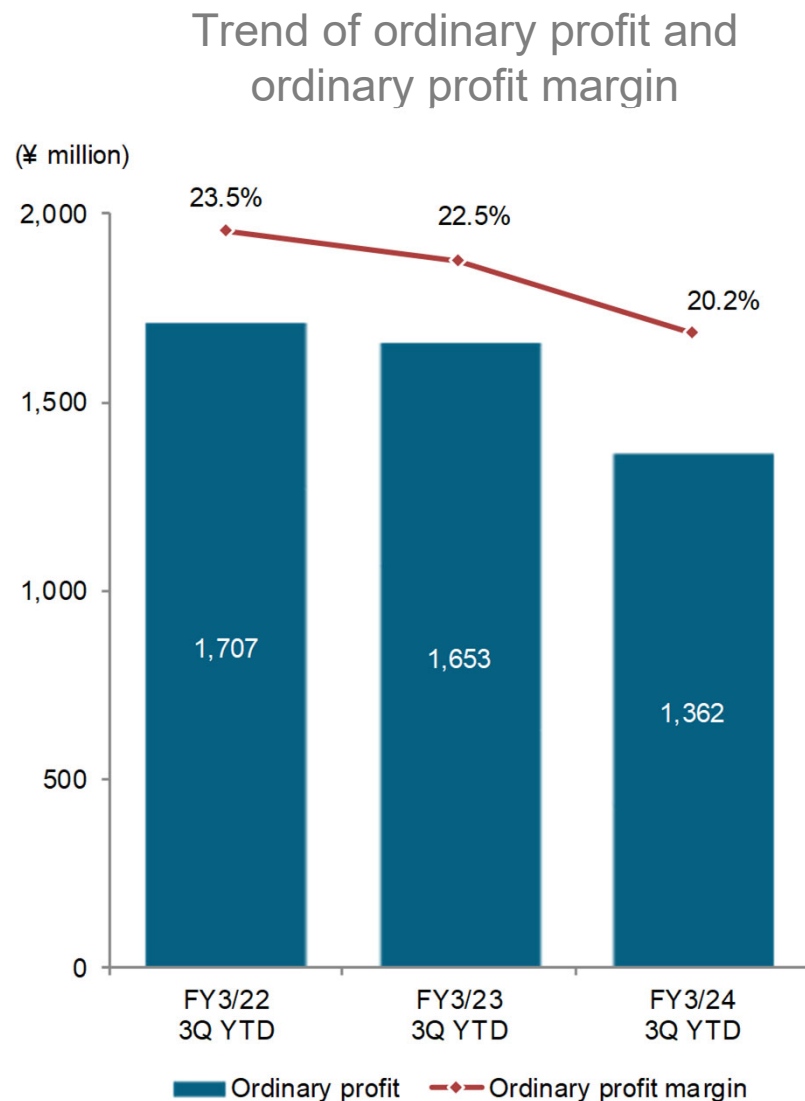
Business Performance (Trend of SG&A expenses)

Trend of SG&A expenses and SG&A expenses ratio



- Selling expenses decreased by 4.8% YoY to ¥359 million. While domestic/overseas travel expenses increased due to the resumption of sales activities, exhibition costs and advertising expenses decreased due to higher expenses of exhibiting at large-scale exhibitions and revising catalogues in the same period of the previous fiscal year.
- Personnel expenses increased by 4.3% YoY to ¥1,312 million due to an increase in employee salaries caused by wage increase.
- Overall SG&A expenses increased by 1.9% to ¥2,321 million, while SG&A expenses ratio rose by 3.4 pp YoY to 34.4%.

Business Performance (Trend of ordinary profit)



- Operating profit decreased by 18.9% YoY to ¥1,348 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 ¥13 million due to gain on sales of scraps, etc. Ordinary profit was ¥1,362 million, down 17.6% YoY.
- Ordinary profit margin was 20.2%, down 2.3 pp YoY, but up 2.8 pp QoQ.

Consolidated Financial Forecasts for FY3/24



Financial Forecasts

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

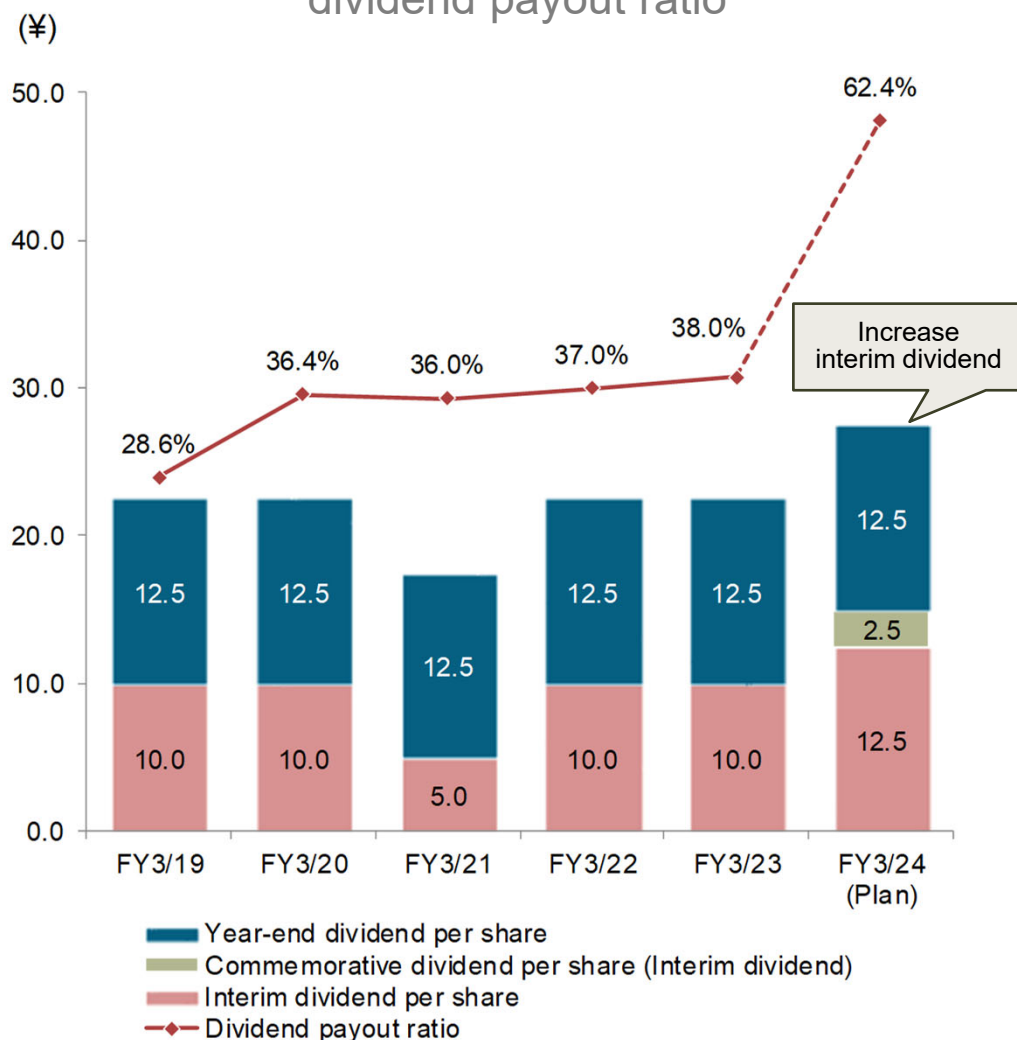
- In the second half of the fiscal year, too, it is expected that demand for tools remain sluggish as there are concerns about the global economic stagnation, especially a delayed recovery in the Chinese market, due to inflation and monetary tightening policies, etc., therefore, the full-year financial forecasts were revised downward in October.
- Compared to the previous fiscal year, 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% YoY 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.

Financial Forecasts for 2H FY3/24 and Progress Rate

(Unit: ¥ million)	FY3/24								
	2H				Full-year				
	2H Forecasts	Ratio to net sales	3Q Actual	Ratio to net sales	2H Progress Rate	Full-year Forecasts	Ratio to net sales	3Q YTD Actual	Full-year Progress Rate
Net Sales	4,583	—	2,333	—	50.9%	9,000	—	6,749	75.0%
YoY Changes	-6.2%		-10.0%			-6.8%		-8.3%	
Operating profit	848	18.5%	596	25.6%	70.4%	1,600	17.8%	1,348	84.3%
YoY Changes	-26.2%		-15.1%			-24.1%		-18.9%	
Ordinary profit	840	18.3%	592	25.4%	70.5%	1,610	17.9%	1,362	84.6%
YoY Changes	-28.5%		-15.1%			-24.5%		-17.6%	
Profit attributable to owners of parent	592	12.9%	421	18.0%	71.1%	1,100	12.2%	928	84.4%
YoY Changes	-30.7%		-15.8%			-25.4%		-17.1%	

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 for three years or more* 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).

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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.