Financial Results for the Fiscal Year Ended March 31, 2024

NS TOOL CO., LTD.

May 13, 2024
(Securities Code: 6157)

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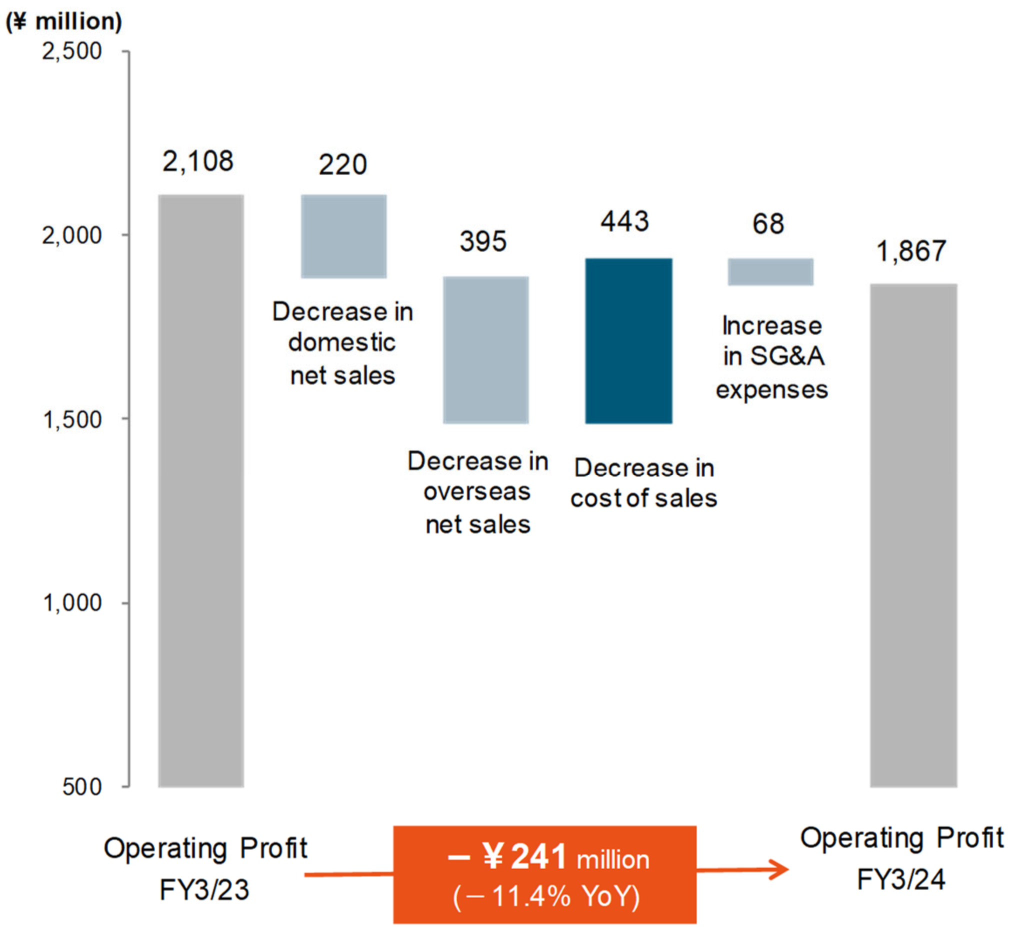
Financial Results Summary

Decreased in net sales and profits year on year, while achieved full-year financial forecasts

(Unit: ¥ million)	FY3/24 Forecasts	FY3/24 Actual	Changes vs. Forecasts
Net Sales	9,000	9,040	40
YoY changes	-6.8%	-6.4%	+0.4%
Operating profit	1,600	1,867	267
YoY changes	-24.1%	-11.4%	+16.7%
Ordinary profit	1,610	1,908	298
YoY changes	-24.5%	-10.5%	+18.6%
Profit attributable to owners of parent	1,100	1,320	220
YoY changes	-25.4%	-10.5%	+20.0%

- Although production volume in the automotive industry showed signs of recovery as semiconductor and parts shortages were resolved, there was a delay in the recovery of demand for tools for molds. The market of semiconductor and electronic components and devices was sluggish overall. Sales to Greater China, in particular, was stagnant.
- Consolidated net sales were ¥9,040 million, down 6.4% YoY.
- Consolidated operating profit was ¥1,867 million, down 11.4% YoY, and consolidated ordinary profit was ¥1,908 million, down 10.5% YoY.
- Operating profit margin was 20.7% and ordinary profit margin was 21.1%.

Factors for Decrease in Operating Profit



- Domestic net sales decreased by ¥220 million, down 3.4%, while overseas net sales decreased by ¥395 million, down 12.7%. Overall net sales decreased by ¥616 million, down 6.4% YoY.
- Cost of products manufactured including material costs and outsourcing expenses decreased due to narrowing down of production volume because sales decreased. Cost of sales decreased by ¥443 million, down 9.8% YoY, while gross profit margin was 54.7%.
- While selling expenses decreased slightly YoY, personnel expenses increased by 3.0% YoY caused by wage increases. Overall SG&A expenses increased by ¥68 million, up 2.3% YoY.
- As a result, operating profit decreased by ¥241 million, down 11.4% YoY, to ¥1,867 million, while operating profit margin decreased by 1.1 pp to 20.7%.

Summary of Statement of Income

(Unit: ¥ million)	FY3/23	FY3/24	YoY Changes
Net Sales	9,656	9,040	-6.4%
Gross profit	5,115	4,942	-3.4%
Ratio to net sales	53.0%	54.7%	
SG&A expenses	3,007	3,075	+2.3%
Ratio to net sales	31.1%	34.0%	
Operating profit	2,108	1,867	-11.4%
Ratio to net sales	21.8%	20.7%	
Ordinary profit	2,131	1,908	-10.5%
Ratio to net sales	22.1%	21.1%	
Profit attributable to owners of parent	1,475	1,320	-10.5%
Ratio to net sales	15.3%	14.6%	
Capital investment	686	563	-18.0%
Depreciation	669	627	-6.3%
No. of employees (persons)	352	350	-0.6%

- Net sales were ¥9,040 million, down 6.4% 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 ¥4,942 million, down 3.4% YoY, but cost of sales decreased by 9.8% YoY, exceeding the decrease rate in net sales, resulting in a gross profit margin of 54.7%, up 1.7 pp YoY.
- SG&A expenses increased by 2.3% YoY, associated with the increase in personnel expenses, while SG&A expenses ratio rose by 2.9 pp YoY to 34.0%.
- As a result, operating profit decreased by 11.4% YoY to ¥1,867 million and operating profit margin decreased by 1.1 pp YoY to 20.7%.
- Capital expenditures decreased by 18.0% YoY to ¥563 million, falling short of the initial plan, due to a delay in facility planning because of a decrease in production volume. As a result, depreciation decreased by 6.3% YoY.

Summary of Balance Sheet

(Unit: ¥ million)	FY3/23-End	Composition Ratio	FY3/24-End	Composition Ratio	VS FY3/23-End
(Assets)					
Ⅰ Current assets	12,298	65.2%	12,719	66.1%	+3.4%
Cash and deposits	8,497	45.1%	8,893	46.2%	+4.7%
Notes and accounts receivable - trade	1,355	7.2%	1,305	6.8%	-3.7%
Inventories	2,320	12.3%	2,381	12.4%	+2.6%
Ⅱ Non-current assets	6,559	34.8%	6,521	33.9%	-0.6%
Property, plant and equipment	5,412	28.7%	5,361	27.9%	-0.9%
Intangible assets	28	0.2%	24	0.1%	-12.3%
Investments and other assets	1,118	5.9%	1,135	5.9%	+1.5%
Total assets	18,857	100.0%	19,241	100.0%	+2.0%
(Liabilities)					
Ⅰ Current liabilities	1,432	7.6%	1,287	6.7%	-10.1%
Accounts payable - trade	303	1.6%	173	0.9%	-43.0%
Ⅱ Non-current liabilities	224	1.2%	224	1.2%	–
Total liabilities	1,657	8.8%	1,512	7.9%	-8.7%
(Net assets)					
Total equity	16,984	90.1%	17,525	91.1%	+3.2%
Total net assets	17,200	91.2%	17,729	92.1%	+3.1%
Total liabilities and net assets	18,857	100.0%	19,241	100.0%	+2.0%

Current assets

Increased by 3.4% from the end of previous fiscal year due to an increase in cash and deposits as capital expenditures decreased.

Non-current assets

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

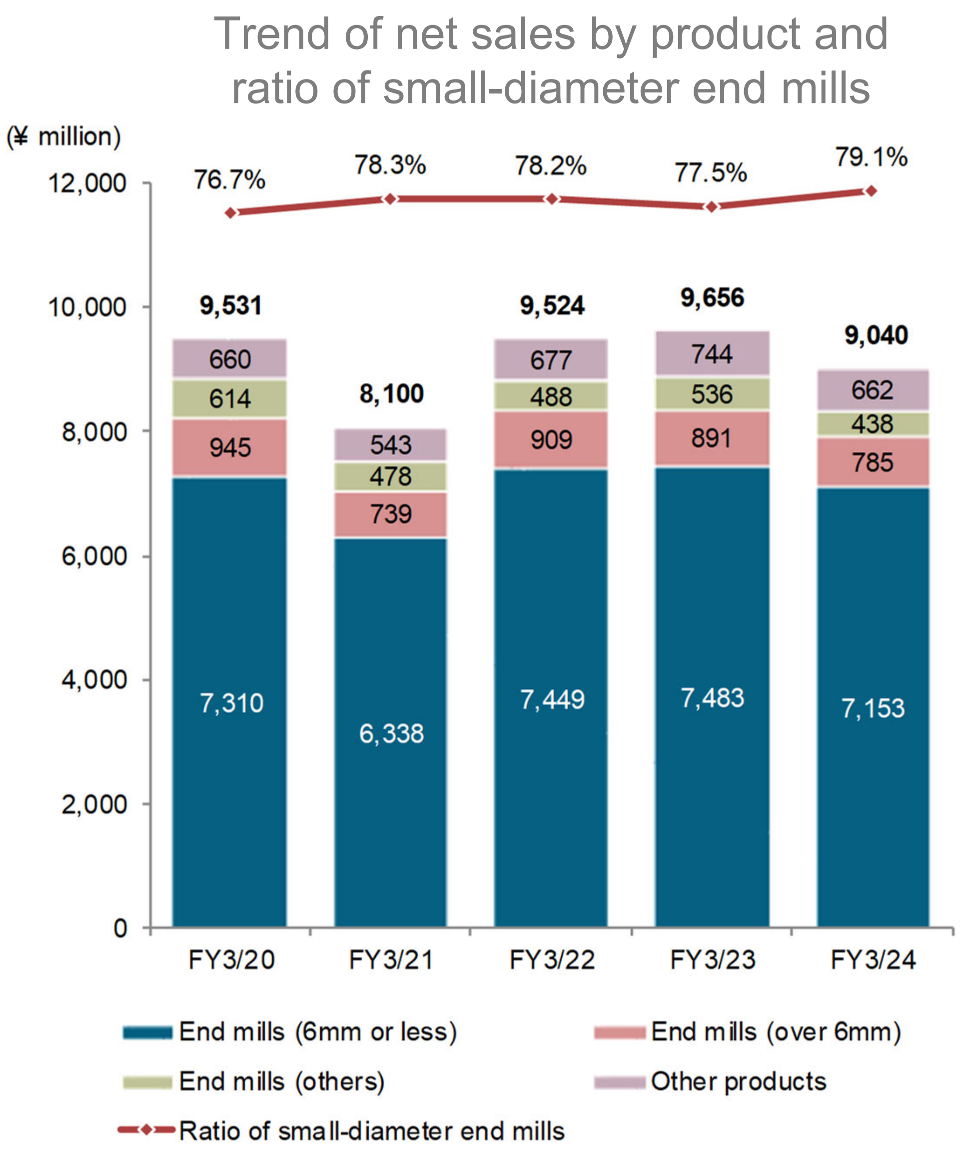
Liabilities

Decreased by 8.7% from the end of previous fiscal year due to decreases in accounts payable - trade and income taxes payable.

Net assets

Increased by 3.1% from the end of previous fiscal year mainly due to an increase in retained earnings. Equity-to-asset ratio was 91.1%, up 1.0 pp from the end of previous fiscal year.

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

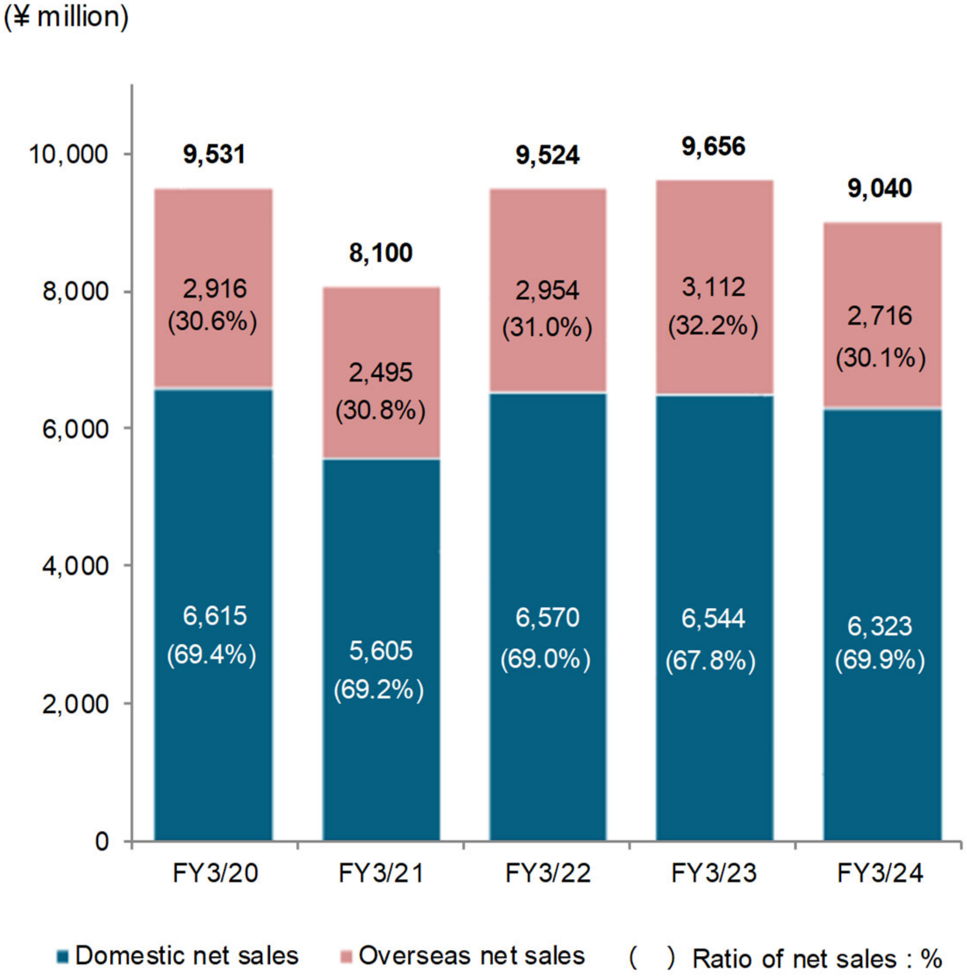


- Although production volume in the automotive industry showed signs of recovery as semiconductor and parts shortages were resolved through the second half of the fiscal year, the demand for tools did not recover significantly due in part to the effects of the certification fraud issue. The market of semiconductor and electronic components and devices was sluggish overall due to inventory adjustments amid slowing demand for finished products such as PCs and smartphones. Consolidated net sales were ¥9,040 million, down 6.4% YoY.

- Net sales for mainstay end mills (diameter 6mm or less) decreased by 4.4% YoY, and end mills (diameter over 6mm), which has a larger diameter, decreased by 11.9% YoY, and end mills (other), mainly special products custom-made to users, decreased by 18.2% YoY. Other products such as tool cases also decreased by 11.1% YoY. The ratio of small-diameter end mills increased by 1.6 pp YoY to 79.1%.

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

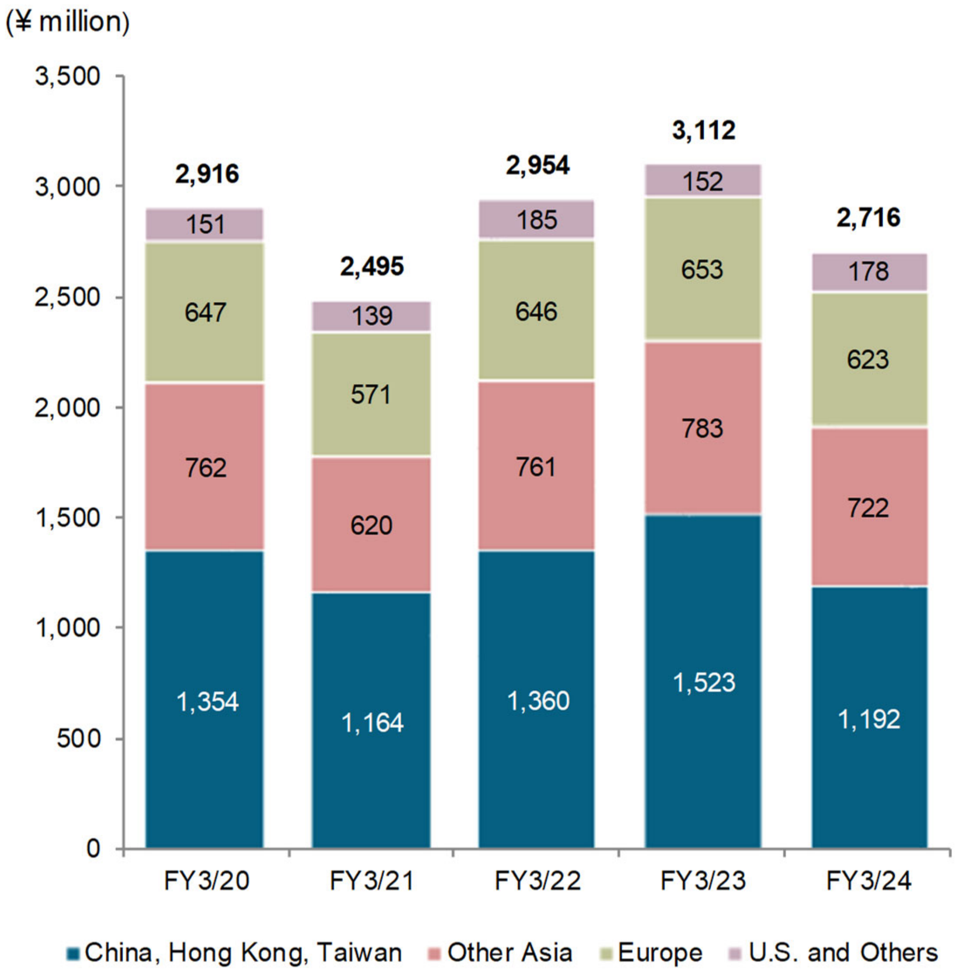
Trend of domestic and overseas net sales



- Domestic net sales decreased by ¥220 million, down 3.4% YoY to ¥6,323 million. Overseas net sales decreased by ¥395 million, down 12.7% YoY to ¥2,716 million.
- Overseas net sales fell significantly, following decreased sales in Greater China and Asia in particular.
- Overseas net sales ratio decreased by 2.1 pp YoY to 30.1%.

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 21.7% YoY to ¥1,192 million, because market conditions continued to deteriorate due to the slowdown in the Chinese economy. Production is shifting from Greater China to Southeast Asia, India, and Japan due to the moves to avoid China risk. In account consolidation of NS TOOL Hong Kong Ltd., figures for China are for the period from January to December.

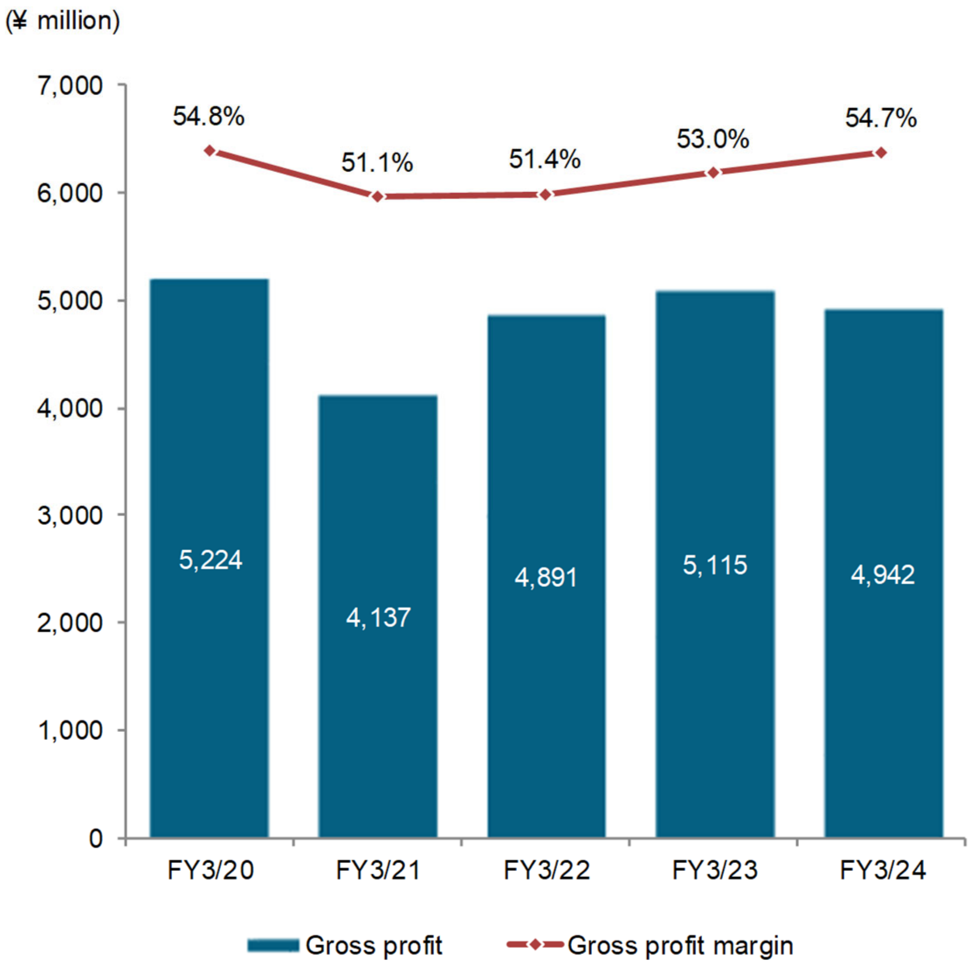
- Other Asia decreased by 7.7% YoY to ¥722 million. In Southeast Asia, automotive industry remained sluggish.

- Europe decreased by 4.6% YoY to ¥623 million. Economic stagnation continues due to inflation and escalating energy prices. In particular, net sales were greatly affected by the slump in automotive industry.

- U.S. and Others increased by 17.3% YoY to ¥178 million. Changed all local transactions in the U.S. and Mexico 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)

Trend of gross profit and
gross profit margin



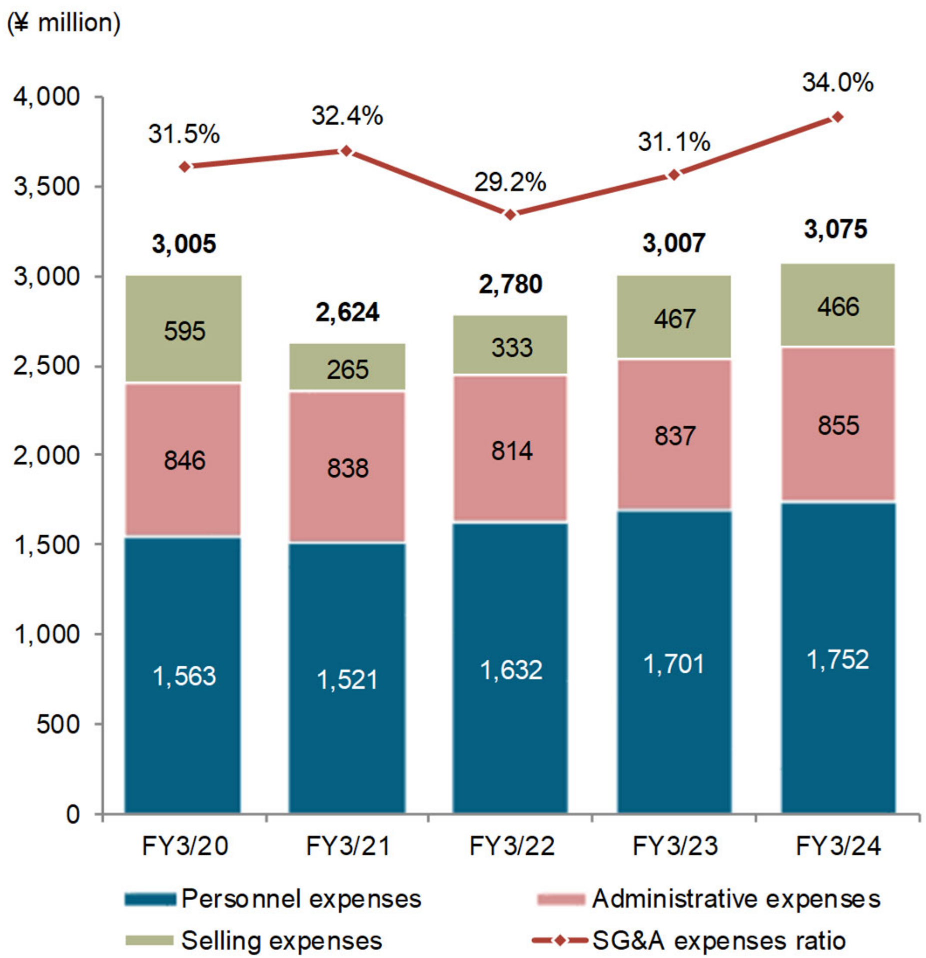
- Materials cost decreased by 14.4% YoY, outsourcing expenses decreased by 17.9% YoY, and labor costs decreased by 1.8% YoY, because production volume was narrowed down due to a decrease in sales and ongoing efforts of cost reduction. Manufacturing expenses also decreased by 8.7% YoY, as a result of overall decrease in manufacturing depreciation, etc.

- Cost of sales decreased by 9.8% YoY because the cost of products manufactured of the current fiscal year decreased.

- Gross profit was ¥4,942 million, down 3.4% YoY due to a decrease of net sales, but gross profit margin increased by 1.7 pp YoY to 54.7% because of a 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



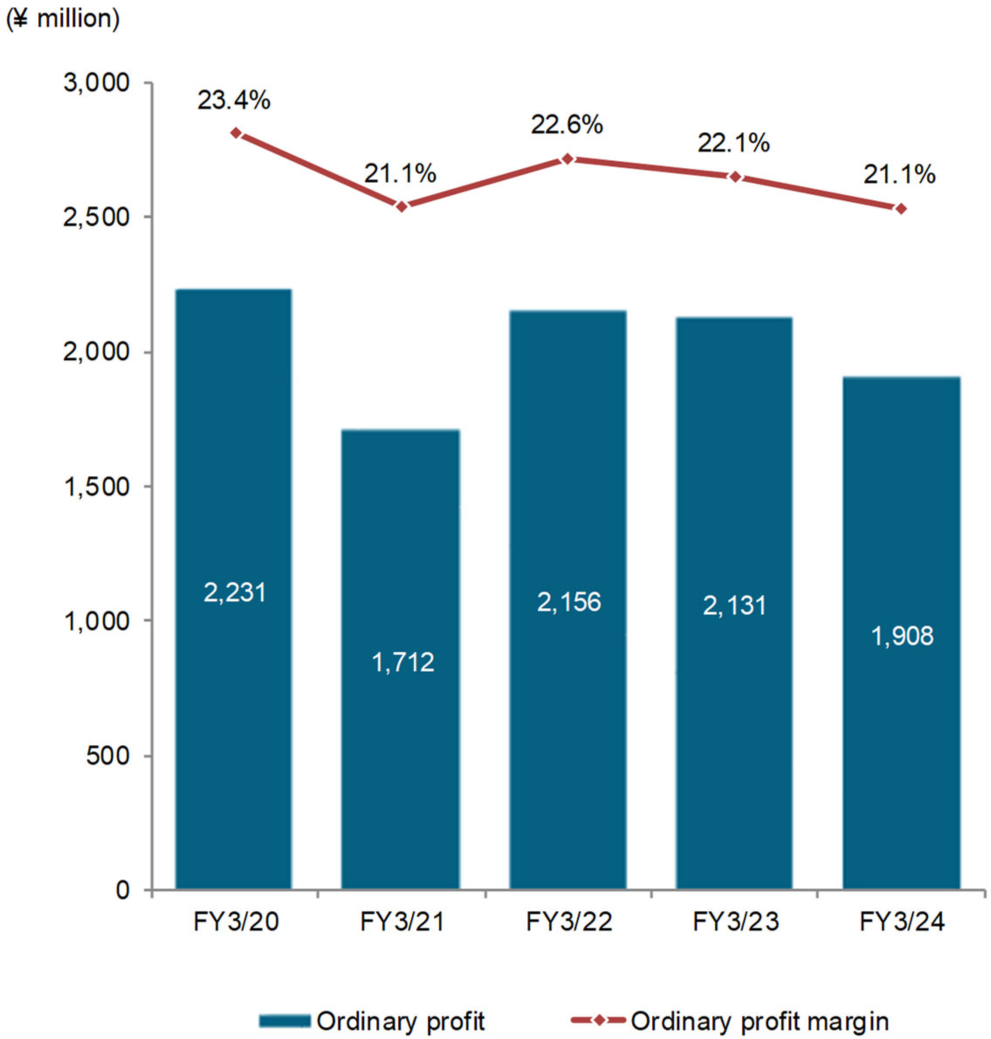
- Selling expenses were ¥466 million, almost unchanged from the previous fiscal year. While domestic/overseas travel expenses increased due to the resumption of sales activities, advertising expenses decreased due to the absence of higher expenses of revising catalog during the current financial year, which had been significant during the previous financial year.

- Personnel expenses increased by 3.0% YoY to ¥1,752 million due to an increase in employee salaries and provision for bonuses.

- Overall SG&A expenses increased by 2.3% to ¥3,075 million, while SG&A expenses ratio rose by 2.9 pp YoY to 34.0%.

Business Performance (Trend of ordinary profit)

Trend of ordinary profit and ordinary profit margin



- Operating profit decreased by 11.4% YoY to ¥1,867 million due to a decrease in net sales and an increase in SG&A expenses. Operating profit margin was 20.7%, down 1.1 pp YoY.
- In non-operating income and expenses, non-operating income exceeded non-operating expenses by ¥41 million due to gain on sales of scraps, etc. Ordinary profit was ¥1,908 million, down 10.5% YoY.
- Ordinary profit margin was 21.1%, down 1.0 pp YoY.

Consolidated Financial Forecasts for FY3/25

Financial Forecasts

(Unit: ¥ million)	FY3/24 Actual	FY3/25 Forecasts	YoY Changes
Net Sales	9,040	9,430	+4.3%
Operating profit	1,867	1,730	-7.4%
Ordinary profit	1,908	1,740	-8.8%
Profit attributable to owners of parent	1,320	1,190	-9.9%

Capital investment	563	454	-19.3%
Depreciation	627	691	+10.2%
EPS (¥)	53.03	47.89	-9.7%
Dividend per share (¥)	27.50	30.00	+9.1%

- In the automotive industry, the recovery of production volume is expected to get into full swing as supply restrictions are resolved, and demand for tools for molds and components due to the development of new models are expected to increase. The semiconductors and electronic components are expected to gradually recover as inventory adjustments due to declining demand for finished products run their course.

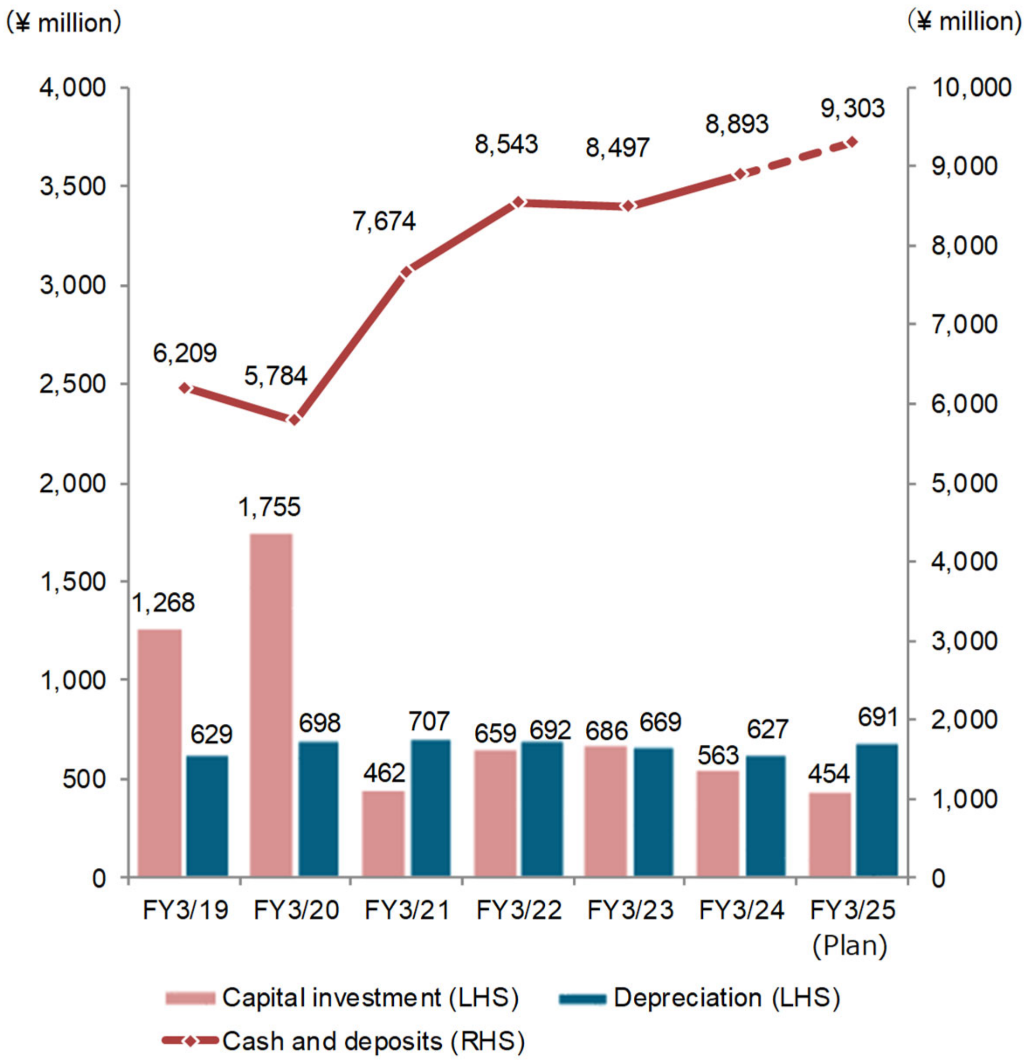
- Although net sales are expected to increase slightly due to the recovery of the market and the launch of new products, operating profit and ordinary profit are both expected to decrease due to increases in electricity costs, depreciation expense resulting from the start-up of new facilities, as well as higher personnel expenses due to wage increases.

- As for capital investment, continuous renewal of production facilities is mainly planned. Capital expenditures are planned to decrease by 19.3% YoY.

- The annual dividend per share is planned to increase to ¥30.0, consisting of an interim dividend of ¥15.0 and a year-end dividend of ¥15.0.

Trend of Capital Investment and Depreciation

Trend of capital investment, depreciation, and cash and deposits balance



Factors for increase/decrease in capital investment

FY3/20

Increased due to completion of the new R&D center, introduction of R&D-related equipment, construction of a new building at a subsidiary plant and ongoing renewal of production facilities.

FY3/21

Due in part to the decline in utilization rates, the introduction of some equipment was carried over into the next fiscal year, resulting in a decrease compared to the initial plan.

FY3/23

Mainly implemented expansion of production facilities. The introduction of equipment was partially delayed to the next fiscal year, and decreased from the initial plan.

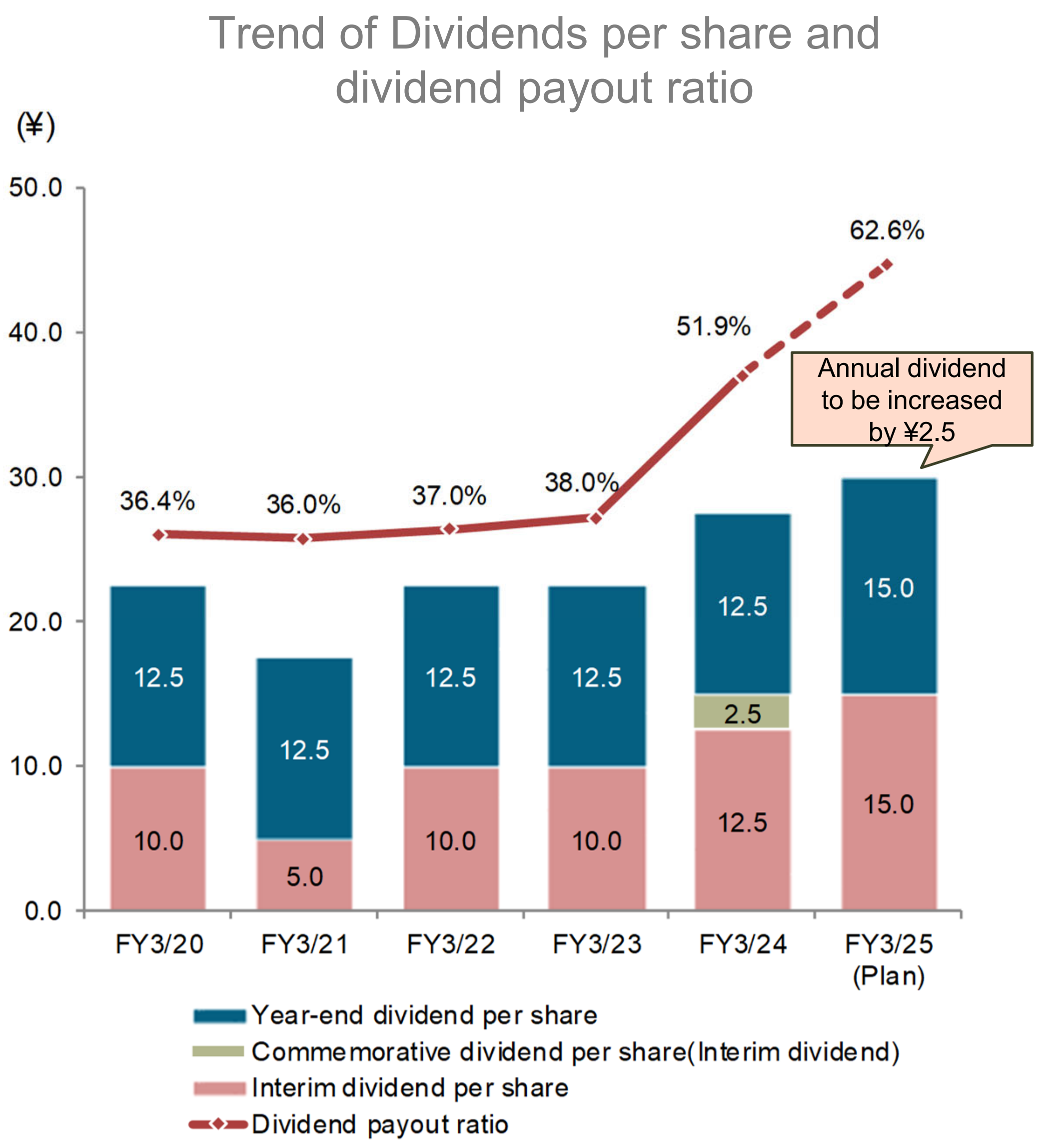
FY3/24

Decreased due to carryover of facility planning, although expansion of production facilities had been planned.

FY3/25 (Plan)

Continuous renewal of production facilities is planned. Depreciation is expected to increase due to the startup of facilities carried over from the previous fiscal year.

Dividend Forecasts (Shareholder Returns)



*The impact of the share 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 FY3/24 is planned to be ¥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 business performance: 51.9%

- Annual dividend per share for FY3/25 is planned to be increased to ¥30.0 per share to strengthen shareholder returns, as liquidity on hand is increasing.
  Interim dividend: ¥15.0; Year-end dividend: ¥15.0
  Dividend payout ratio to the financial forecasts: 62.6%

- 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:

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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.