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Summary of Business Results for the Third Quarter Ended December 31, 2024 [Japan GAAP] (Consolidated)

January 31, 2025

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 Expected starting date of dividend payment: –
 Preparation of supplementary financial document: Yes
 Results briefing: None

(Rounded down to million yen)

1. Consolidated business results for the nine months ended December 2024 (April 1, 2024 through December 31, 2024)

(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. 2024	7,042	4.3	1,297	-3.8	1,302	-4.3	918	-1.1
Nine months ended Dec. 2023	6,749	-8.3	1,348	-18.9	1,362	-17.6	928	-17.1

(Note) Comprehensive income:

Nine months ended December 2024: 923 million yen (-5.7%)

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended Dec. 2024	36.90	36.61
Nine months ended Dec. 2023	37.27	36.96

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 2024	19,318	18,023	92.3	715.48
As of Mar. 2024	19,241	17,729	91.1	705.25

(Reference) Equity:

As of December 2024: 17,829 million yen

As of March 2024: 17,525 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. 2024	–	15.00	–	12.50	27.50
Year ending Mar. 2025	–	15.00	–		
Year ending Mar. 2025 (forecast)				15.00	30.00

(Note) Revisions to dividend forecast for the period: None

3. Forecast of consolidated business results for the fiscal year ending March 2025**(April 1, 2024 through March 31, 2025)**

(% 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. 2025	9,430	4.3	1,730	-7.4	1,740	-8.8	1,190	-9.9	47.89

(Note) Revisions to business forecast for the period: None

***Notes**

- (1) Significant changes in the scope of consolidation during the period: 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 “Notes on 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 : Yes
- 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 2024 25,035,034 shares
- As of March 2024 25,035,034 shares
- ② Treasury stock at the end of period:
- As of December 2024 116,163 shares
- As of March 2024 185,138 shares
- ③ Average number of stock during period (quarterly cumulative period)
- Nine months ended December 2024 24,889,527 shares
- Nine months ended December 2023 24,915,524 shares

*** Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or auditing firms: None**

*** 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.

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1. Overview of Operating Results and Others

(1) Overview of Operating Results for the First Nine Months

During the nine months ended December 31, 2024, the Japanese economy was on a path of gradual recovery. But due to fluctuations in exchange rates, persistently high raw material and energy prices, rising prices of goods, geopolitical problems in Ukraine and the Middle East, concerns over a shift in government policies due to the change in U.S. presidents and other factors, the outlook remains uncertain.

As for the situation of the major consumers for the products of the Company group (the “Group”), in Japan, the market of semiconductor and electronic components and devices performed solidly, driven by AI-related demand. However, in the automotive industry, production volume did not reach recovery levels amid little development of new vehicle models, and as a result, the demand for tools did not recover. On the other hand, performance overseas was strong due to securing orders in electric vehicles (EV) and the electronic components markets for smartphones in Greater China.

Amid such an environment, the Group exhibited at “JIMTOF2024,” Japan’s largest machine tool fair, in November, and introduced products that meet various needs of users, including the release in November of the “XRBH230” Long Neck Ball End Mill for 420 Hardened Stainless Steels that uses MPX coating.

In terms of products, the MUGEN COATING PREMIUM High Efficiency Lens Form 3-Flute End Mill “MLFH330,” which was released in January 2024, received the “Environment, Resources and Energy Related Component Award” of the 21st/2024 Super MONODZUKURI Innovative Parts and Components Awards sponsored by the Monodzukuri Nihon Conference and The Nikkan Kogyo Shimbun, Ltd.

In terms of production, we have continued our efforts to improve production efficiency while aiming for higher precision, mainly through the “Orange FC Activities,” the Group’s improvement activities conducted in small groups, and we have reduced costs by shortening processing time and other measures.

As a result, net sales for the nine months ended December 31, 2024 were ¥7,042 million (up 4.3% year on year), operating profit was ¥1,297 million (down 3.8% year on year), ordinary profit was ¥1,302 million (down 4.3% year on year), and profit attributable to owners of parent was ¥918 million (down 1.1% year on year).

By product category, sales of “End mills (diameter 6 mm or less)” were ¥5,614 million (up 5.5% year on year), sales of “End mills (diameter over 6 mm)” were ¥600 million (up 2.8% year on year), sales of “End mills (other)” were ¥330 million (down 2.0% year on year), and sales of “Other” were ¥497 million (down 2.0% 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) Overview of Financial Position for the First Nine Months

As for the consolidated financial position as of December 31, 2024, total assets increased by ¥76 million compared to the end of the previous fiscal year to ¥19,318 million. This was mainly due to an increase in cash and deposits resulting from a decrease in capital investment.

Furthermore, liabilities decreased by ¥217 million compared to the end of the previous fiscal year to ¥1,295 million. This was mainly due to payment of income taxes payable and a decrease in provision for bonuses.

Net assets increased by ¥294 million compared to the end of the previous fiscal year to ¥18,023 million due to an increase in retained earnings, etc. Equity-to-asset ratio as of December 31, 2024 amounted to 92.3%.

(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, 2025, there is no change from the business results forecast announced on May 13, 2024.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	8,893,791	9,355,589
Notes and accounts receivable - trade	1,305,381	1,353,824
Merchandise and finished goods	1,299,036	1,342,078
Work in process	325,111	255,358
Raw materials and supplies	757,835	641,020
Other	138,620	85,244
Total current assets	12,719,776	13,033,116
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,462,129	2,357,311
Machinery, equipment and vehicles, net	1,155,922	1,369,183
Land	800,483	800,483
Construction in progress	775,904	312,563
Other, net	166,699	149,930
Total property, plant and equipment	5,361,139	4,989,473
Intangible assets	24,891	17,799
Investments and other assets		
Investment securities	29,835	32,775
Insurance funds	475,896	626,749
Deferred tax assets	478,667	473,152
Other	151,301	145,440
Allowance for doubtful accounts	(9)	(9)
Total investments and other assets	1,135,690	1,278,107
Total non-current assets	6,521,721	6,285,380
Total assets	19,241,498	19,318,496

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	173,043	231,295
Income taxes payable	240,215	116,043
Provision for bonuses	278,147	148,357
Provision for bonuses for directors (and other officers)	89,425	64,966
Other	506,500	509,637
Total current liabilities	1,287,331	1,070,299
Non-current liabilities		
Long-term accounts payable - other	224,952	224,952
Total non-current liabilities	224,952	224,952
Total liabilities	1,512,283	1,295,251
Net assets		
Shareholders' equity		
Share capital	455,330	455,330
Capital surplus	418,223	418,223
Retained earnings	16,782,461	17,001,060
Treasury shares	(214,531)	(134,548)
Total shareholders' equity	17,441,483	17,740,065
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,883	7,940
Foreign currency translation adjustment	77,924	81,055
Total accumulated other comprehensive income	83,807	88,995
Share acquisition rights	203,923	194,184
Total net assets	17,729,214	18,023,245
Total liabilities and net assets	19,241,498	19,318,496

(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, 2023	Nine months ended December 31, 2024
Net sales	6,749,712	7,042,802
Cost of sales	3,079,946	3,310,834
Gross profit	3,669,765	3,731,967
Selling, general and administrative expenses	2,321,159	2,434,763
Operating profit	1,348,605	1,297,204
Non-operating income		
Interest income	62	78
Dividend income	695	805
Gain on sale of scraps	15,451	13,023
Other	7,250	2,946
Total non-operating income	23,459	16,853
Non-operating expenses		
Rental expenses	6,771	-
Foreign exchange losses	2,279	11,128
Other	935	26
Total non-operating expenses	9,986	11,154
Ordinary profit	1,362,078	1,302,903
Extraordinary income		
Gain on sale of non-current assets	1,646	1,165
Total extraordinary income	1,646	1,165
Extraordinary losses		
Loss on sale of non-current assets	-	444
Loss on retirement of non-current assets	794	2,203
Total extraordinary losses	794	2,648
Profit before income taxes	1,362,931	1,301,421
Income taxes	434,357	382,963
Profit	928,573	918,458
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	928,573	918,458

Quarterly Consolidated Statement of Comprehensive Income (Cumulative)

(Thousands of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Profit	928,573	918,458
Other comprehensive income		
Valuation difference on available-for-sale securities	1,427	2,056
Foreign currency translation adjustment	49,132	3,130
Total other comprehensive income	50,559	5,187
Comprehensive income	979,133	923,645
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	979,133	923,645
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements**Notes on changes in accounting policies***Application of Accounting Standard for Current Income Taxes and other relevant ASBJ regulations*

The Company has applied the “Accounting Standard for Current Income Taxes” (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the “Revised Accounting Standard of 2022”) and other relevant ASBJ regulations from the beginning of the first quarter of the current fiscal year.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and to the transitional treatment in the proviso of paragraph 65-2 (2) “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022, hereinafter referred to as the “Revised Guidance of 2022”). This change in accounting policy will have no impact on the quarterly consolidated financial statements.

Concerning amendments relating to reviews of the treatment in consolidated financial statements in the case of deferring gain and loss arising from the sale of subsidiary stock, etc. between consolidated companies for tax purposes, the Revised Guidance of 2022 has been applied from the beginning of the first quarter of the current fiscal year. This change in accounting policy has been applied retrospectively. Therefore, the new accounting policy was reflected in the quarterly consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year. This change in accounting policy will have no impact on the quarterly consolidated financial statements for the same period of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

Notes on 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.

Notes on segment information, etc.

[Segment information]

Nine months ended December 31, 2023 and Nine months ended December 31, 2024

The reportable segments of the Group are components of the Group for which discrete financial information is available and regularly reviewed by the Board of Directors to make decisions about allocation of managerial resources and to assess their performance.

The Group conducts its business activities having established a strategy for each product department with a systematic division of modes of manufacture, markets and customers for its products.

Accordingly, the Group is comprised of two business segments that are divided according to product department: “End mills” and “Other.” “End mills” constitutes the mainstay business operated by the Group, and is engaged in the manufacture and sale of cutting tools centered on small-diameter cemented carbide end mills. “Other” includes businesses engaged in the manufacture and sale of plastic-molded products centered on tool cases. “End mills” is further divided in the following manner according to the size and other aspects of the products: “End mills (diameter 6 mm or less),” “End mills (diameter over 6 mm)” and “End mills (Other).”

Note that as both the amount of net sales and profit (loss) and amount of assets of the business segments under “Other” make up less than 10% of the total amount for all business segments, the Group has rendered them into a single reporting segment.

Notes when there are significant changes in amounts of shareholders’ equity

Not applicable.

Notes on uncertainties of entity's ability to continue as going concern

Not applicable.

Notes on quarterly consolidated statement of cash flows

Quarterly consolidated statement of cash flows is not prepared for the nine months ended December 31, 2024. Depreciation (including amortization of intangible assets) for the nine months ended December 31, 2023 and 2024 is as follows.

	(Thousands of yen)	
	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Depreciation	463,080	473,601