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## Summary of Business Results for the Second Quarter Ended September 30, 2023 [Japan GAAP] (Consolidated)

October 31, 2023

Company **NS TOOL CO., LTD.** Listed on the TSE  
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 Expected date of filing of quarterly report: November 10, 2023  
 Expected starting date of dividend payment: December 1, 2023  
 Preparation of quarterly supplementary financial document: Yes  
 Quarterly results briefing: Yes

(Rounded down to million yen)

### 1. Consolidated business results for the six months ended September 2023 (April 1, 2023 through September 30, 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	%
Six months ended Sept. 2023	4,416	-7.4	751	-21.7	769	-19.5	507	-18.2
Six months ended Sept. 2022	4,768	-1.1	960	-13.8	955	-15.5	620	-19.6

(Note) Comprehensive income:

Six months ended September 2023: 545 million yen (-19.6%)

Six months ended September 2022: 677 million yen (-13.9%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Sept. 2023	20.34	20.17
Six months ended Sept. 2022	24.88	24.67

## (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sept. 2023	18,586	17,286	91.9	687.74
As of Mar. 2023	18,857	17,200	90.1	680.51

(Reference) Equity:

As of September 2023: 17,082 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: Yes

**\*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 8 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 September 2023 25,035,034 shares
  - As of March 2023 25,035,034 shares
- ② Treasury stock at the end of period:
  - As of September 2023 196,038 shares
  - As of March 2023 75,866 shares
- ③ Average number of stock during period (quarterly cumulative period)
  - Six months ended September 2023 24,952,151 shares
  - Six months ended September 2022 24,919,576 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.

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## 1. Qualitative Information Regarding Results for the First Six Months

### (1) Explanation of Operating Results

During the six months ended September 30, 2023, while the Japanese economy saw normalization of economic activities primarily in non-manufacturing industries, recovery of economic activity slowed 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 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. Moreover, the market of semiconductor and electronic components and devices was sluggish overall as demand for smartphones and PCs, etc. continued to weaken. There were also a slowdown in the global economy and the impact of US-China tensions, with sales to Greater China in particular slumping significantly.

Amid such an environment, the Group proactively participated in various large and small exhibitions and carried out PR activities for the Company’s products. In September, we were present at EMO Hannover 2023 held in Hannover, Germany. The event is one of the three biggest machine tools exhibitions in the world. We showcased new products and proposed processing technology to users of precision and micro-machining tools in various industries including the automotive and medical industries. We also acquired opportunities to develop new sales channels in countries without sales agents.

In terms of products, we expanded specifications of our mainstay product MUGEN COATING PREMIUM 4-Flute Long Neck Corner Radius End Mill for Hardened Steel “MHRH430R,” adding 114 sizes to offer a total of 450 sizes.

In terms of production, the Group continued to work on improving production efficiency and reducing costs, primarily through “Orange FC Activities,” which are “NS TOOL Group improvement activities that take on challenges for the future,” in order to cover the increased costs of raw materials and electricity. Furthermore, the Group enhanced its wide-ranging product inventory through proper-quantity production of various types of products in line with the promotion of production efficiency improvement.

As a result, net sales for the six months ended September 30, 2023 were ¥4,416 million (down 7.4% year on year), operating profit was ¥751 million (down 21.7% year on year), ordinary profit was ¥769 million (down 19.5% year on year), and profit attributable to owners of parent was ¥507 million (down 18.2% year on year).

By product category, sales of “End mills (diameter 6 mm or less)” were ¥3,469 million (down 6.4% year on year), sales of “End mills (diameter over 6 mm)” were ¥378 million (down 12.2% year on year), sales of “End mills (other)” were ¥228 million (down 13.8% year on year), and sales of “Other” were ¥340 million (down 6.8% 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 September 30, 2023, total assets decreased by ¥271 million compared to the end of the previous fiscal year to ¥18,586 million. This was mainly due to a decrease in cash and deposits for the payment of income taxes and bonuses.

Furthermore, liabilities decreased by ¥357 million compared to the end of the previous fiscal year to ¥1,299 million. This was mainly due to decreases in income taxes payable, provision for bonuses and provision for bonuses for directors (and other officers).

Net assets increased by ¥86 million compared to the end of the previous fiscal year to ¥17,286 million due to an increase in retained earnings, etc. Equity-to-asset ratio as of September 30, 2023 amounted to 91.9%.

### (3) Explanation of Consolidated Business Results Forecast and Other Forward-looking Statements

In the second half of the fiscal year, there are expectations of global economic stagnation due to inflation, monetary tightening policies, etc., and there is particular concern about a delayed recovery in the Chinese

market. It is expected that demand for tools will remain weak as we do not expect the situation for customers of the Group's products to rebound greatly in the third quarter or later.

We have chosen to lower our forecast of business results for the full year compared to our previous announcement (May 12, 2023).

For details on the revisions, please refer to the "Notice of Revisions to the Forecast of Business Results" announced today (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 September 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	8,497,445	8,115,544
Notes and accounts receivable - trade	1,355,962	1,319,781
Merchandise and finished goods	1,382,932	1,384,842
Work in process	287,258	217,378
Raw materials and supplies	650,308	815,812
Other	124,444	121,065
Total current assets	12,298,351	11,974,424
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,538,963	2,487,645
Machinery, equipment and vehicles, net	1,432,706	1,320,050
Land	800,483	800,483
Construction in progress	496,119	680,501
Other, net	144,092	154,275
Total property, plant and equipment	5,412,365	5,442,956
Intangible assets	28,370	25,789
Investments and other assets		
Investment securities	28,365	32,355
Insurance funds	473,748	474,546
Deferred tax assets	485,816	485,564
Other	130,620	150,706
Allowance for doubtful accounts	—	(9)
Total investments and other assets	1,118,550	1,143,163
Total non-current assets	6,559,285	6,611,909
<b>Total assets</b>	<b>18,857,636</b>	<b>18,586,334</b>

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	303,739	211,667
Income taxes payable	364,470	263,998
Provision for bonuses	282,037	213,174
Provision for bonuses for directors (and other officers)	102,927	38,102
Other	378,892	347,628
Total current liabilities	1,432,066	1,074,570
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	1,299,522
<b>Net assets</b>		
Shareholders' equity		
Share capital	455,330	455,330
Capital surplus	418,223	418,223
Retained earnings	16,168,839	16,343,641
Treasury shares	(112,713)	(227,164)
Total shareholders' equity	16,929,679	16,990,030
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,855	7,646
Foreign currency translation adjustment	50,449	85,211
Total accumulated other comprehensive income	55,304	92,858
Share acquisition rights	215,634	203,923
Total net assets	17,200,618	17,286,811
Total liabilities and net assets	18,857,636	18,586,334

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

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	4,768,806	4,416,701
Cost of sales	2,285,721	2,104,949
Gross profit	2,483,085	2,311,751
Selling, general and administrative expenses	1,522,976	1,559,755
Operating profit	960,108	751,995
Non-operating income		
Interest income	26	36
Dividend income	493	343
Subsidy income	1,004	–
Gain on sale of scraps	9,070	12,248
Foreign exchange gains	–	5,560
Other	5,543	5,407
Total non-operating income	16,138	23,597
Non-operating expenses		
Rental expenses	4,227	5,354
Foreign exchange losses	16,056	–
Other	31	934
Total non-operating expenses	20,315	6,288
Ordinary profit	955,931	769,304
Extraordinary income		
Gain on sale of non-current assets	1,131	1,637
Total extraordinary income	1,131	1,637
Extraordinary losses		
Loss on retirement of non-current assets	31	0
Loss on valuation of investment securities	24,289	–
Total extraordinary losses	24,321	0
Profit before income taxes	932,741	770,942
Income taxes	312,683	263,444
Profit	620,057	507,497
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	620,057	507,497



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

(Thousands of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	620,057	507,497
Other comprehensive income		
Valuation difference on available-for-sale securities	2,413	2,791
Foreign currency translation adjustment	55,442	34,762
Total other comprehensive income	57,855	37,553
Comprehensive income	677,913	545,051
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	677,913	545,051
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 second quarter of the current fiscal year.

**Additional information***Changes in presentation*Consolidated statement of cash flows

“Purchase of treasury shares,” which was included in “Other, net” under “Cash flows from financing activities” in the six months ended September 30, 2022, has been separately presented from the six months ended September 30, 2023, due to increased financial materiality. To reflect this change in presentation, the quarterly consolidated financial statements for the six months ended September 30, 2022 has been reclassified.

As a result, ¥(41) thousand presented in “Other, net” under “Cash flows from financing activities” in the quarterly consolidated statement of cash flows for the six months ended September 30, 2022, has been reclassified as “Purchase of treasury shares” of ¥(41) thousand.