Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Summary of Business Results for the Year Ended March 31, 2024 [Japan GAAP] (Consolidated)

May 13, 2024

Company	**NS TOOL CO., LTD.**	Listed on the TSE
Stock Code	6157 URL: https://www.ns-tool.com/en/	
Representative	Hiroji Goto, President & CEO	
Contact	Satoru Toda, Director, General Manager of Corporate Planning Office and General Manager of Administration Division	TEL: +81-3-6423-1135

Expected date of annual shareholders' meeting: June 21, 2024
Expected date of filing of annual securities report: June 24, 2024
Expected starting date of dividend payment: June 24, 2024
Preparation of supplementary financial document: Yes
Results briefing: Yes

(Rounded down to million yen)

1. Consolidated business results for the fiscal year ended March 2024 (April 1, 2023 through March 31, 2024)

(1) Consolidated results of operations

(% indicates year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Mar. 2024	9,040	-6.4	1,867	-11.4	1,908	-10.5	1,320	-10.5
Year ended Mar. 2023	9,656	1.4	2,108	-0.1	2,131	-1.2	1,475	-3.1

(Note) Comprehensive income:
Year ended March 2024: 1,348 million yen (-11.5%)
Year ended March 2023: 1,524 million yen (-1.6%)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Year ended Mar. 2024	53.03	52.59	7.7	10.0	20.7
Year ended Mar. 2023	59.16	58.64	9.0	11.6	21.8

(Reference) Share of profit (loss) of entities accounted for using equity method
Year ended March 2024: – million yen
Year ended March 2023: – million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 2024	19,241	17,729	91.1	705.25
As of Mar. 2023	18,857	17,200	90.1	680.51

(Reference) Equity:
As of March 2024: 17,525 million yen
As of March 2023: 16,984 million yen

(3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended Mar. 2024	1,834	-575	-883	8,793
Year ended Mar. 2023	1,614	-1,137	-560	8,397

2. Dividends

	Annual dividend					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended Mar. 2023	–	10.00	–	12.50	22.50	561	38.0	3.4
Year ended Mar. 2024	–	15.00	–	12.50	27.50	683	51.9	3.9
Year ending Mar. 2025 (forecast)	–	15.00	–	15.00	30.00		62.6	

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

(% indicates year-on-year change)

	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
Six months ending Sept. 2024	4,670	5.7	840	11.7	840	9.2	560	10.3	22.54
Year ending Mar. 2025	9,430	4.3	1,730	-7.4	1,740	-8.8	1,190	-9.9	47.89

***Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Changes in accounting policies, accounting estimates and restatement

①Changes in accounting policies associated with revision of accounting standards : None

②Changes in accounting policies other than ① : None

③Changes in accounting estimates : None

④Restatement : None

(3) Shares outstanding (common stock)

① Number of shares outstanding at the end of period (treasury stock included)

As of March 2024	25,035,034 shares
As of March 2023	25,035,034 shares

② Treasury stock at the end of period:

As of March 2024	185,138 shares
As of March 2023	75,866 shares

③ Average number of stock during period

Year ended March 2024	24,899,207 shares
Year ended March 2023	24,937,664 shares

(Reference) Summary of non-consolidated business results

1. Non-consolidated business results for the fiscal year ended March 2024 (April 1, 2023 through March 31, 2024)

(1) Non-consolidated results of operations (% indicates year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Mar. 2024	7,913	-3.9	1,592	-3.7	1,735	-5.9	1,256	-5.6
Year ended Mar. 2023	8,231	0.4	1,653	0.8	1,844	4.4	1,331	4.2

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Year ended Mar. 2024	50.47	50.05
Year ended Mar. 2023	53.40	52.94

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 2024	16,538	15,205	90.7	603.70
As of Mar. 2023	16,219	14,768	89.7	583.06

(Reference) Equity:

As of March 2024: 15,001 million yen

As of March 2023: 14,552 million yen

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

(% indicates year-on-year change)

	Net sales		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending Sept. 2024	4,020	3.7	790	6.0	550	1.7	22.13
Year ending Mar. 2025	8,150	3.0	1,540	-11.3	1,080	-14.1	43.46

*** Financial summary is not subject to auditing 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.

Contents of Attached Materials

1. Overview of operating results and others

(1) Overview of operating results for the fiscal year

During the fiscal year ended March 31, 2024, while the Japanese economy continued to recover as economic activities normalized, the recovery trend was moderate due to the impact of factors such as 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 volume in the automotive industry showed signs of recovery as semiconductor and parts shortages were resolved through the second half of the fiscal year, there was a delay in the recovery of demand for tools, primarily for molds, due in part to the effects of the certification fraud issue. In addition, the market of semiconductor and electronic components and devices was sluggish overall due to inventory adjustments. For overseas sales, sales to Greater China in particular, was stagnant.

In this environment, the Group's sales and marketing efforts focused on cultivating new demand by participating in exhibitions such as "INTERMOLD 2023" and "MECT 2023" in Japan and "EMO Hannover 2023" in Germany, presenting new products and proposing tools that meet users' needs. In October and February, we also held the "Seminar for 5-axis precision and micro machining" for users at the R&D Center to disseminate and exchange technical information on 5-axis machining.

In terms of products, in January we launched the High Efficiency Lens Form 3-Flute End Mill "MLFH330" and the High Efficient 3-Flute Corner Radius End Mill for Aluminum "AL3D-345R." In addition, we have added specifications of the PCD Ball End Mill "PCDRB" and the Square End Mills for Hardened Steel "MHDSH445" and "MHDSH645."

In terms of production, the Group continued to work on improving production efficiency and reducing costs in order to cover the increased costs of raw materials, electricity, etc. and it also worked to enhance its wide-ranging product inventory through proper-quantity production of various types of products.

As a result, net sales for the fiscal year ended March 31, 2024 were ¥9,040 million (down 6.4% year on year), operating profit was ¥1,867 million (down 11.4% year on year), ordinary profit was ¥1,908 million (down 10.5% year on year), and profit attributable to owners of parent was ¥1,320 million (down 10.5% year on year).

The Group achieved the KPI target of 20% ordinary profit margin on net sales with an actual result of 21.1% for the fiscal year ended March 31, 2024 (although this was down 1.0 percentage point year on year). While the effect of the November 2022 price increase for major products contributed, the ordinary profit margin on net sales declined slightly due to an increase in personnel costs due to wage increases and selling expenses due to the resumption of sales activities. With regard to the other target of 10% ROE, profit attributable to owners of parent fell by 10.5% year on year, causing ROE to fall to 7.7%, which was below the target.

By product category, sales of "End mills (diameter 6 mm or less)" were ¥7,153 million (down 4.4% year on year), sales of "End mills (diameter over 6 mm)" were ¥785 million (down 11.9% year on year), sales of "End mills (other)" were ¥438 million (down 18.2% year on year), and sales of "Other" were ¥662 million (down 11.1% 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 fiscal year

As for the consolidated financial position at the end of the fiscal year ended March 31, 2024, total assets came to ¥19,241 million (an increase of ¥383 million over the end of the previous fiscal year), total liabilities came to ¥1,512 million (a decrease of ¥144 million over the end of the previous fiscal year) and total net assets came to ¥17,729 million (an increase of ¥528 million over the end of the previous fiscal year). The factors behind increases and decreases in each asset and liability account are as follows.

<Current assets>

The balance of current assets at the end of the fiscal year ended March 31, 2024 was ¥12,719 million, an increase of ¥421 million, or 3.4%, over the previous fiscal year. This was mainly due to an increase in cash and deposits resulting from a decrease in capital investment.

<Non-current assets>

The balance of non-current assets at the end of the fiscal year ended March 31, 2024 was ¥6,521 million, a decrease of ¥37 million, or 0.6%, over the previous fiscal year. This was mainly due to depreciation that exceeded capital investment.

<Total assets>

Due to the above, total assets came to ¥19,241 million, an increase of ¥383 million, or 2.0%, over the previous fiscal year.

<Total liabilities>

The balance of liabilities at the end of the fiscal year ended March 31, 2024 was ¥1,512 million, a decrease of ¥144 million, or 8.7%, over the previous fiscal year. This was mainly due to decreases in accounts payable - trade and income taxes payable.

<Total net assets>

The balance of net assets at the end of the fiscal year ended March 31, 2024 was ¥17,729 million, an increase of ¥528 million, or 3.1%, over the previous fiscal year. This was due to an increase in retained earnings resulting from the posting of profit attributable to owners of parent, among other factors.

(3) Overview of cash flows for the fiscal year

The status of each type of cash flows in the fiscal year ended March 31, 2024 and accompanying factors are as follows. Cash and cash equivalents (“cash”) on a consolidated basis came to ¥8,793 million, an increase of ¥396 million, or 4.7%, over the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities came to ¥1,834 million, up 13.6% year on year. This mainly reflects an increase in cash resulting from ¥1,906 million in profit before income taxes, an increase in cash from depreciation, and outflow of cash resulting from a decrease in trade payables and the payment of income taxes.

(Cash flows from investing activities)

Net cash used in investing activities came to ¥575 million, down 49.4% year on year. This mainly reflected expenditures due to the acquisition of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities came to ¥883 million, up 57.6% year on year. This mainly reflects the payment of dividends and the acquisition of treasury stock.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Equity-to-asset ratio (%)	89.2	90.1	91.1
Equity-to-asset ratio based on market value (%)	202.0	137.8	127.2
Interest-bearing debt to cash flow ratio	–	–	–
Interest coverage ratio (x)	–	–	–

Equity-to-asset ratio: Equity/Total assets
Equity-to-asset ratio based on market value: Total market capitalization/Total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt/Operating cash flow
Interest coverage ratio: Operating cash flow/Interest paid

* Each indicator is calculated based on consolidated financial data.
* Total market capitalization is calculated based on the share closing price at the end of the fiscal year multiplied by the total number of outstanding shares at the end of the fiscal year.
* Cash flows from operating activities on the consolidated statement of cash flows is used for operating cash flows. Interest-bearing debts include all of those debts reported on the consolidated balance sheet on which interest is paid.

(4) Outlook for the next fiscal year

	Net sales (Millions of yen)	Operating profit (Millions of yen)	Ordinary profit (Millions of yen)	Profit attributable to owners of parent (Millions of yen)
Fiscal year ending March 31, 2025 (forecast)	9,430	1,730	1,740	1,190
Fiscal year ended March 31, 2024 (actual)	9,040	1,867	1,908	1,320
Change (%)	4.3	-7.4	-8.8	-9.9

In the next fiscal year, we expect further normalization of economic activities, but there are concerns about the impact on the economy of the continuing trend of yen depreciation, high energy prices, the unstable global situation in the Middle East and Ukraine, and the slowdown of the Chinese economy. We expect various costs such as raw materials, labor costs, and electricity costs continue to rise, and we expect the business environment surrounding the Group to remain harsh.

In such an environment, in terms of the trend among major customers, for automobiles, the recovery of production volume is expected to get into full swing as supply restrictions are resolved. While the rapid global shift to electric vehicles (EV) is slowing down due to reductions in subsidies and other factors, demand for hybrid vehicles (HV) and fuel cell vehicles (FCV) is expected to increase. We expect that the need for precision and micro-machining for molds and components due to the development of new models and other factors will continue to be strong. The semiconductors and electronic components, which had been stagnant due to declining demand for smartphones and PCs, are expected to gradually recover as inventory adjustments run their course. Digital transformation (DX) is steadily expanding with a focus on generative AI, and we expect communication, information, and computational processing to further advance. As the development of new devices is expected to spill over from smartphones in the future, demand for tools for precision and micro-machining is expected to continue to grow in the future.

The Group will actively conduct sales activities, including participating in exhibitions in Japan and overseas such as “JIMTOF2024” to be held in Japan and “IMTS2024” in the US, and strive to collect information and develop new projects. In addition, we will continue to hold the “Seminar for 5-axis precision and micro machining,” which has been held at the R&D Center since 2023, to closely exchange technical information with users. In the development department, we will launch new products and lineup expansion of mainstay products throughout the year to develop products that meet customer needs. In the production department, we will continue to promote business improvement and cost reduction, mainly focused on the “Orange FC Activities” that we have been carrying out continuously since 2018, and we will work to further improve quality and reduce cost, and also work to reduce environmental impacts.

Although we expect net sales to increase slightly compared to the fiscal year ended March 31, 2024 based on these economic conditions, demand trends, and the Company’s activity policies, we anticipate increases in both manufacturing costs and SG&A expenses due to assumed increases in electricity costs and depreciation expense resulting from the startup of new facilities, as well as higher labor costs across the Group.

Based on the above, the Company estimates that it will post consolidated net sales of ¥9,430 million (up 4.3% year on year), operating profit of ¥1,730 million (down 7.4% year on year), ordinary profit of ¥1,740 million (down 8.8% year on year), and profit attributable to owners of parent of ¥1,190 million (down 9.9% year on year).

(Note) The above business performance forecast includes future forecasts based on information available to the Company and the Group at this juncture. Accordingly, there may be gaps between actual business performance and the forecast figures indicated due to factors such as future changes in the economic environment or business operation.

(5) Basic policy on the distribution of profits and dividends for the current and next fiscal years

The Company places one of the highest priorities on returning profits to shareholders. Its basic policy is to deliver shareholder returns based on business results while taking into account the earnings to be reserved internally for solid management infrastructures and future expansion of businesses. However, the Company also considers requests from investors and capital markets, and operates with capital efficiency in mind in addition to the above.

Based on the above policy, dividends will be determined in consideration of stability and continuity, while comprehensively taking into account performance trends, capital efficiency, dividend payout ratio, and other factors, and with a conscious view toward distributing dividends in line with growth, based on the assumption of maintaining on-hand liquidity at the level necessary for medium-term business execution.

For the fiscal year ended March 31, 2024, the Company has set a year-end dividend of ¥12.5 per share for a combined annual dividend of ¥27.5 to be paid when the interim dividend of ¥15.0 per share is included (including a commemorative dividend of ¥2.5 per share for the 70th anniversary of our founding, paid at the same time as the interim dividend). Additionally, for the fiscal year ending March 31, 2025, in light of the above policy, its anticipated business performance forecast and financial plan for said fiscal year, the Company is planning on paying an interim dividend of ¥15.0 per share and a year-end dividend of ¥15.0 per share for an annual dividend of ¥30.0.

2. Status of the Corporate Group

The Group is comprised of six companies that includes the Company and five consolidated subsidiaries. It engages in its businesses with a particular focus on the manufacture and sales of end mills, cutting tools installed on machining centers (machine tools) to work metal and other materials. The Group distinguishes itself by focusing on end mills that are made of particularly carbide materials and have especially small diameters (blade edge diameter of 6 mm or less). These products account for approx. 70% of its business volume in terms of monetary amount.

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.

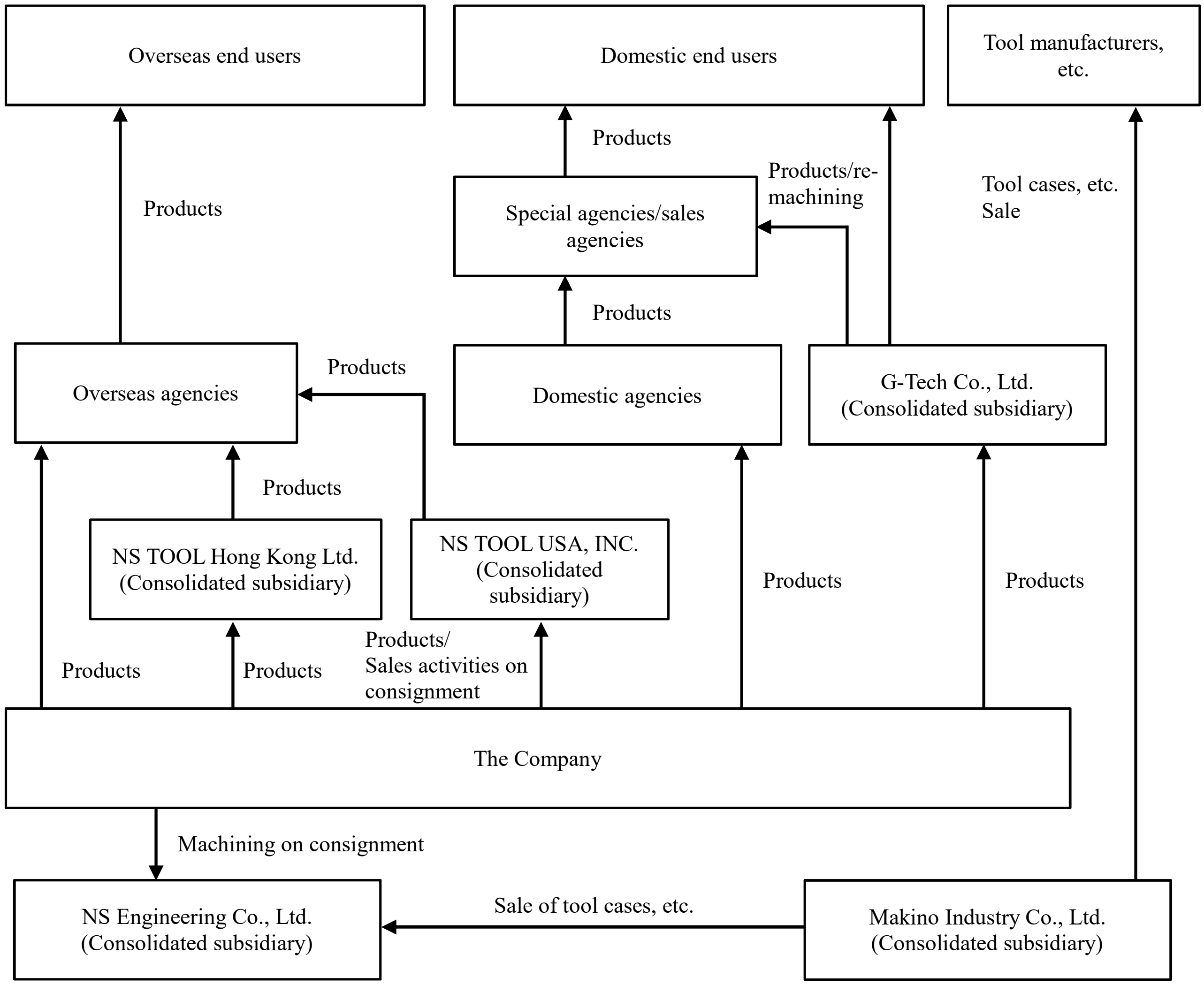
(1) The Company

The Company produces cutting tools centered on small-diameter cemented carbide end mills that it sells to agencies and three of its consolidated subsidiaries: G-Tech Co., Ltd., NS TOOL Hong Kong Ltd., and NS TOOL USA, INC.

(2) Subsidiaries

G-Tech Co., Ltd. engages in the sales and partial re-machining of products.
NS TOOL Hong Kong Ltd. engages in the sale of products in the China area.
NS TOOL USA, INC. engages in the sale of products in the United States.
Makino Industry Co., Ltd. engages in the manufacture and sale of plastic-molded products centered on tool cases.
NS Engineering Co., Ltd. is a machining consignee of the Company.

[Business System Diagram] (As of Mar. 31, 2024)



3. Management Policy

(1) Basic Policy on Company Management

The Group creates “Software (technology),” “Hardware (machines)” and “Heart (humanity).” It contributes to society by developing eco- and human-friendly products. Based on this management philosophy, over time, the Group has been involved in the development, manufacture and sale of cutting tools and other products that serve to improve productivity. Additionally, having espoused “For Crafting Tomorrow” as its brand statement, the Group has set forth the creation of high value-added products that meet the needs of its customers and society and the cultivation of the dreams and possibilities of *monozukuri* (manufacturing) as its basic management policy.

In addition, the Group has formulated its “Basic Policy on Sustainability” that synchronizes social coexistence with the sustainable growth of the Group. In order to tackle the medium- to long-term challenges of the Group, coexist with society, and maintain and continue its sustained growth as a corporation, while placing its focus on small-diameter cemented carbide end mills, the Group will “produce eco- and human-friendly products using minimum resources and endeavor to lower its environmental footprint.” In doing so, it will aim to become the number-one company in the precision and micro-machining tool sector by an overwhelming margin.

(2) Targeted Management Indicators

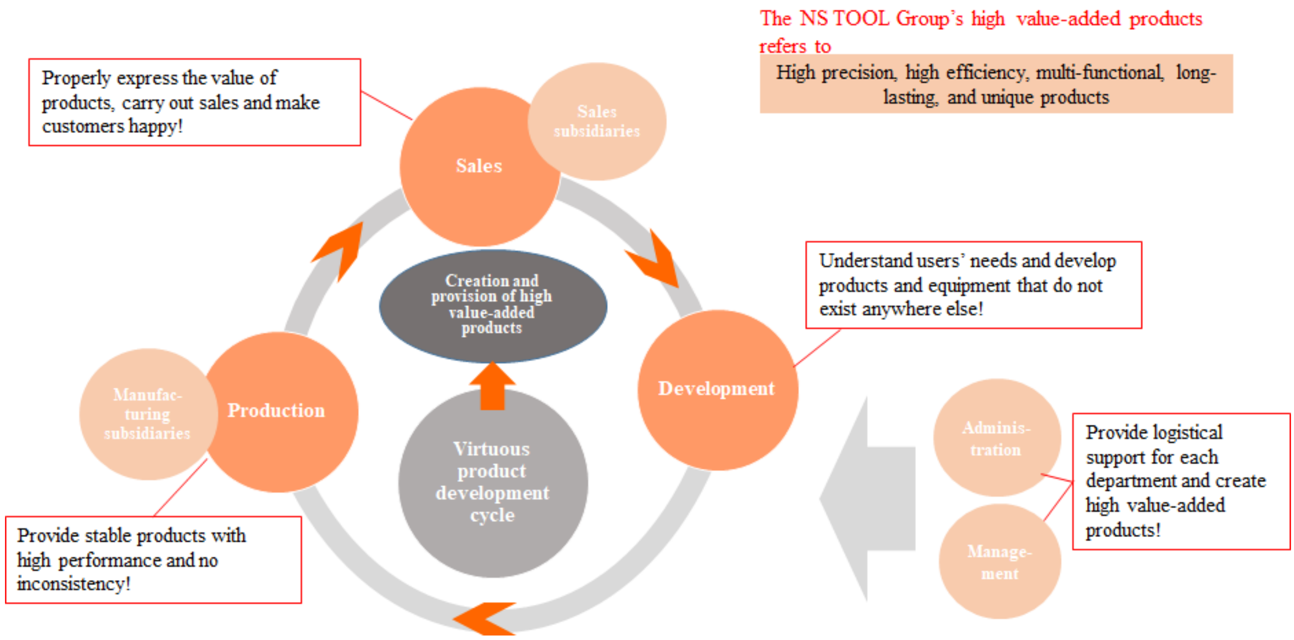
Practicing management that priorities profit over sales, the Group has adopted the securing of a ratio of ordinary profit margin on net sales of 20% as a medium- to long-term target. The Group met this target with a ratio of ordinary profit to net sales of 21.1% for the fiscal year ended March 31, 2024 (although this was down 1.0 points year on year). In November 2022, we raised the prices of our major products to pass on a portion of the cost increases, and the full effect of these price increases contributed to a 1.7 percentage point improvement in the gross profit margin for the fiscal year ended March 31, 2024, but this was more than offset by a higher expense ratio due to further increases in labor and selling expenses. For the next fiscal year, we expect the ordinary profit margin on net sales to be 18.5%, 2.6 percentage points below the level of the fiscal year ended March 31, 2024. This is because the outlook for sales and cost reductions is difficult due to uncertainty over the economy and inflation trends, while steady price increases in costs and expenses are expected to continue due to rising labor costs and other factors. Additionally, although the Group places emphasis on the management indicator of securing a return on equity (ROE) ratio of 10% from the viewpoint of the efficient utilization of shareholders’ equity, it remained at only 7.7% for the fiscal year ended March 31, 2024. While the business environment continues to be harsh, by promoting medium-term management strategies and measures, we will secure profit growth opportunities through creating and providing high added value, and aim to achieve both indicators in the medium term.

(3) Medium- to Long-Term Management Strategy of the Company

To achieve sustainable growth of the Group and coexistence with society, the Company’s various departments and the Group conglomerate will cooperate with each other to fashion a virtuous product development cycle and, in doing so, endeavor to realize the sustained creation and provision of high value-added products.

➢ To Create and Provide High Value-Added Products

The Group will realize the **creation and provision of high value-added products** by fashioning a company-wide **virtuous product development cycle** from "sales to development to production."



To achieve the above objectives, the Group will proceed to implement the following strategies in each of its development, production and sales departments.

(i) Development department

In new product development, we will further strengthen and enhance our extensive product lineup, which is the strengths of the Group, and aim to develop unique products that are conscious of the "distinction" between our products and those of other companies. In addition to promoting the development of tools made with new materials and the improvement of machining methods and coating techniques for new tools, the Group will utilize the Internet and social media in its endeavors to gather and share information pertaining to product development conducted internally and externally, and will proceed to develop products supported by sales agencies and users. Additionally, in production technique development, with the innovation of existing techniques through initiatives geared towards next-generation machining techniques as its basic policy, the Group will endeavor to further improve the functions of its in-house development tool grinders and expand the scope of automated measurement through image processing technology.

(ii) Production department

While taking the "Manufacturing Action Guidelines" formulated at the Sendai Factory as the basis for its production activities, the Group will continue to promote labor-saving and power-saving largely through the augmentation of automated lines using equipment developed in-house and the expansion of the scope of automation, and will deepen its framework capable of stably supplying high value-added products with high performance, uniformed and price-competitiveness. In addition, the Group will proceed to further strengthen the improvement activities conducted in small groups "Orange FC Activities" (with "FC" meaning "Future Challenge") for quality improvement. The Group will also continue to diversify risks of the small-diameter end mill production system through production at subsidiary plants, and reduce electricity consumption to promote efficient and environmentally-friendly production activities, among others.

(iii) Sales department

For domestic sales, the Company will again focus on building a framework to expand product sales, and will work to develop the sales network and fully stock inventory in order to deliver all products to users in a timely and efficient manner, while implementing measures in consideration of dealers, and providing users with strengthened technical support services through a toll-free number and online, as well as providing product information and data analysis through the use of digital technology, such as the already released "NS Connect" web service and in-house "owned media" information sites. Overseas, based on our regional strategies, we will work to develop and expand the precision and micro-machining market through approaches tailored to regional characteristics.

(4) Challenges that the Company Must Cope With

Japanese *monozukuri* (manufacturing) boasts an overwhelming advantage in the field of precision and micro-machining. The Group views the provision of continual support to that field from the aspect of cutting technology using small-diameter tools. The Group feels that the most important thing in fulfilling that mission is stably providing at reasonable prices, high value-added products with high-performance and stable quality through our sales agencies, that users can feel safe in using to take on new machining challenges. Based on the above mission, as immediate issues to be addressed by the Group, we will further enhance our sales network through domestic and overseas distributors and dealers, and we will promote our business operations with an emphasis on re-establishing our presence in the small-diameter tool market through supplying unique new products in the field of small-diameter tools that are conscious of "distinction" from competitors and ample inventory to the distribution market and further improving our product lineup by increasing variations of existing products.

(5) Regarding Operating Environment

The cemented carbide end mills that constitute the mainstay offerings of the Group are a type of cutting tool that is installed on machine tools and mainly used in the production of molds and various parts as well as in the working of metals and other materials. As those molds and parts are used in a myriad of industrial products, the business performance of the Group is considerably affected by trends in the production of those products. The Company, which specializes in small-diameter end mills with a blade edge diameter of 6 mm or less, supplies its products to numerous industries that include automobiles, semiconductors, electronic parts, optical devices, daily commodities and medical equipment. In the medium term, the development of digital devices in line with the steady progress of digital transformation (DX) and the steady increase in demand for semiconductors, electronic components, and other products that support this development are expected to lead to a steady increase in opportunities to use cutting tools for precision and micro-machining, in which the Group's products excel, and we believe that the market for small-diameter cutting tools, in which the Group specializes, is expected to expand steadily.

(6) Current State of Management Strategy and Outlook

As described in "Medium- to Long-Term Management Strategy of the Company" for product development, we have developed and launched products with "distinction" in mind, such as specialized tools for 5-axis machining, radius end mills for aluminum, and lens-shaped end mills, etc.; at production sites, we are working to improve our own grinders and measurement technology, while promoting automation to reduce costs; in the Sales department, we are maximizing sales opportunities both domestically and internationally to enhance the system to deliver a wide variety of products to users without delay; and for a stable supply of products, we have a system in which products are supplied from four locations: the Sendai inventory center, the Tokyo headquarters, the Hong Kong subsidiary, and the US subsidiary.

Regarding the future outlook, since we expect the precision and micro-machining market to expand steadily along with the development of information and communication technology, we will continue to specialize in the manufacture and sale of small-diameter tools and achieve sustainable profit growth by formulating and implementing measures based on our medium-term strategy to grow with the market while pursuing "distinction" from competitors.

(7) Sustainability Concept and Initiatives

(i) Basic Policy on Sustainability and Materiality

From the standpoint of striving for its sustained growth while coexisting with society, in November 2021, the Group formulated its "Basic Policy on Sustainability," which it has disclosed alongside its priority challenges (materiality). Each of the Group's production, development, sales and administration departments have established KPI based on this "Basic Policy on Sustainability," and aim to establish a favorable cycle for the creation and provision of high value-added products going forward.

[Basic Policy on Sustainability]

NS TOOL creates “Software (technology),” “Hardware (machines)” and “Heart (humanity).” We contribute to society by developing eco- and human-friendly products. Through implementing this management policy and providing precise small-diameter end mills to the entire world, we support innovation by corporations and engineers. We also acquired ISO14000 certification in 2004, and have implemented various initiatives over time with awareness of the importance of consideration for the environment. Going forward, the NS TOOL Group will continue to do its part for the development of a sustainable society with harmony among people, society and the environment.

Sustainability Policy
As a leading company in small-diameter end mills,
by providing unprecedented high value-added products,
we will coexist with society and strive for sustained growth.

Materiality

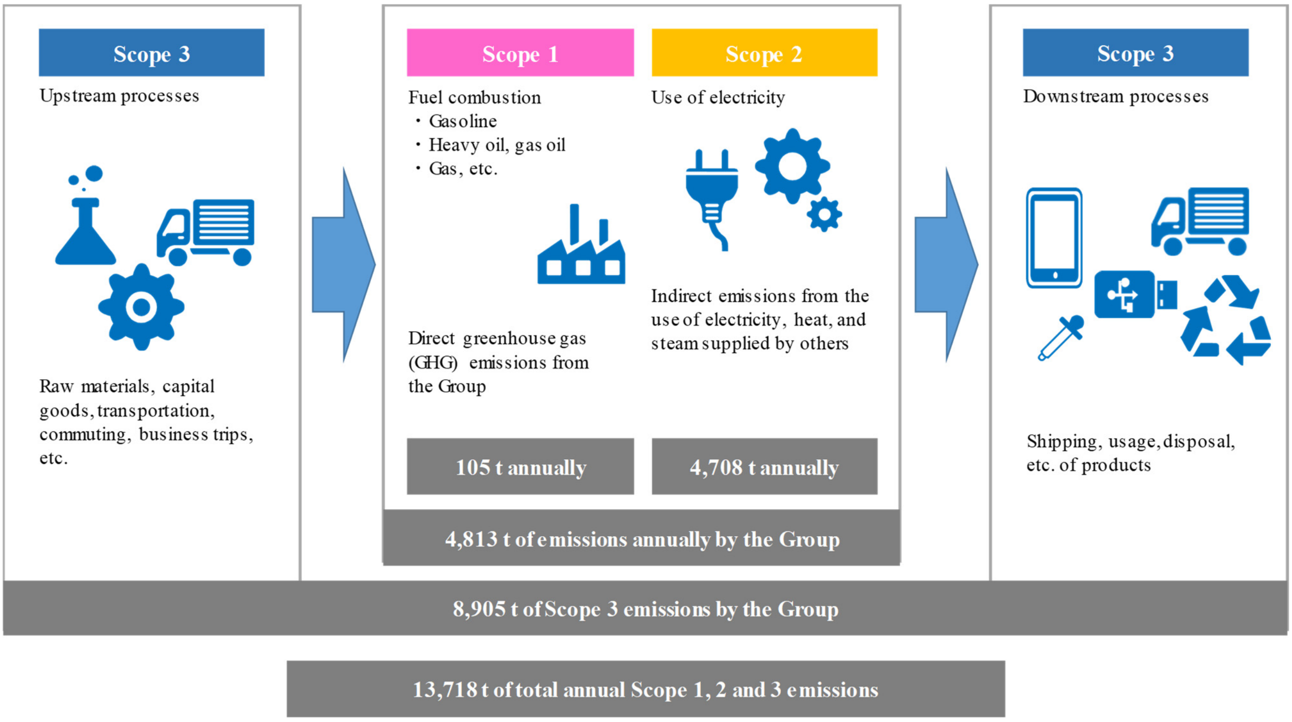
1. Responding to the environmental issues	We will produce eco- and human-friendly products using minimum resources and endeavor to lower our environmental footprint.
2. Respect for human rights	We will conduct ourselves with respect for human rights in our corporate activities.
3. Contributions to community and society	We will practice activities with public benefit for communities and society through our small-diameter end mill business.
4. Employee job satisfaction	We will provide a workplace environment where all employees are satisfied with their jobs.
5. Partnerships with suppliers and distributors	We will deepen mutual understanding with suppliers and strive for a sustained society through fair business activities.
6. Crisis management for accidents, etc.	We will build a framework that enables the stable supply of products regardless of the situation.

(ii) Sustainability Promotion Structure

	Governance	Strategy	Risk Management	Indicators and Objectives
Common	・A Sustainability Committee was established as a subcommittee of the General Managers Meeting ・The General Managers Meeting (Sustainability Committee) discusses management issues on a monthly basis, reports to the Board of Directors at least twice a year on strategies for the sustainable growth of the company, including climate change and human capital	・Set six materialities as key elements for the Group's sustainable growth ・Analyze initiatives related to materiality from the perspective of sustainable growth, draft company-wide issues at the General Managers Meeting (Sustainability Committee), and discuss them at the Board of Directors meeting	・PDCA for ISO activities is linked with the promotion of sustainability ・Each department sets specific KPI targets related to materiality every year, which are monitored by the ISO Secretariat and report to the Board of Directors ・The Sustainability Committee also conducts a review and summary at the end of the fiscal year	・During ISO activities, each department sets KPIs, which are specific numerical targets, each year, including issues related to materiality. ・Disclose a summary of KPI achievement status in the annual securities report
Climate Change	・The Sustainability Committee regularly considers climate change-related issues and the Board of Directors discusses them ・Obtain opinions from outside experts as needed	・Setting materiality for "Responding to the environmental issues" ・We have set a worldview based on the 2°C and 4°C scenarios, extracted risks and opportunities, and considered the medium-term strategy based on them ・The financial impact has not been calculated	・In ISO activities, each department sets specific targets for challenges related to "Responding to the environmental issues" when setting KPIs each year, and implements the PDCA cycle. ・Sustainability Committee reports results of initiatives to the Board of Directors	・Annual GHG emissions are managed and Scope 1, 2 and 3 emissions are calculated and disclosed annually ・Scope 1 and 2 are being monitored by setting internal indicators mainly for electricity consumption.
Human Capital	・Establishment of a "Human Resources Committee" including Outside Directors to deliberate on promotion of management ・The Human Resources System Construction Committee, consisting of internal directors and HR officers, is held monthly to monitor and evaluate the HR system ・Human resource exchanges between departments are discussed at the General Managers Meeting and proposed to the Board of Directors	・Setting materiality for "Employee job satisfaction" ・Focus on respecting diversity, especially promoting active roles for women ・We have formulated and announced the "Human Resources Development Policy" and "Workplace Environment Development Policy" based on the company motto "MEI-RAKU-SO (Cheerful, Comfortable and Creative)" ・Reviewed and announced "General Employer Action Plan"	・Each year at the time of setting KPIs, each department sets specific targets for issues related to "Employee Job Satisfaction" and implements PDCA cycle ・Working with outside consultants, CSP training, coaching training, and individual interviews are being conducted as needed, starting at the management level	・Increase the percentage of female employees by 1% each year ・Acquisition of "Kurumin" Certification ・Make efforts to improve the indicators of "ratio of female managers," "male childcare leave acquisition rate," and "wage gap between men and women," which are disclosure items

(iii) Indicators on climate change

Based on the GHG Protocol Standard, the Group calculates Scope 1, 2, and 3 greenhouse gas emissions throughout the supply chain. Scope 1 and 2 emissions for the entire Group totaled 4,813 tons in the fiscal year ended March 31, 2023, an increase of 30 tons from the prior fiscal year ended March 31, 2022 due to an increase in emissions counts, despite a year on year reduction in total electricity consumption. The Group has been working on energy conservation by setting targets for reducing power usage, and will continue to work on reducing Scope 1 and 2 emissions.



(8) Other Important Matters from the Perspective of Company Management

(i) State of establishment and operation of internal control framework

The Group has established internal regulations and a system for approval via internal memos, and operates its business based on established rules. Additionally, regarding the accommodation of a system for internal controls reporting, the Group has established a “Internal Controls Committee” with the Company’s Managing Director as its Chairman. This Committee promotes and evaluates the establishment and operation of internal controls as well as accommodates internal control audits performed by audit corporations.

(ii) Establishment of Nomination and Remuneration Committee

The Group has established a voluntary Nomination and Remuneration Committee to strengthen governance. The Nomination and Remuneration Committee is an advisory committee on which Independent Outside Directors account for the majority of Committee members and whose chairman is elected from among the Independent Outside Directors. The Nomination and Remuneration Committee is consulted by the Board of Directors regarding the nomination of candidates for Director and other posts (excluding Directors who are Audit & Supervisory Committee members) and remuneration for Directors and other executives (excluding Directors who are Audit & Supervisory Committee members) and reports the results of their review. This serves to elevate the independence of the Board of Directors.

(iii) Measures to promote management with an awareness of cost of capital and share price

The Group has long assumed that its consolidated cost of capital would be approximately 8.6%, and has set a management target of 10% return on equity (ROE) in order to achieve capital efficiency that exceeds this cost of capital. In order to achieve this ROE target, we are addressing our business with another management goal of maintaining an ordinary profit margin on net sales of 20%.

ROE for the fiscal year ended March 31, 2024 was 7.7% and the ordinary profit margin on net sales was 21.1%, however the indicators are expected to deteriorate in the business results forecast for the fiscal year ending March 31, 2025. We have been comprehensively taking measures to address the Company’s medium-term issues for some time, but we plan to reorganize these issues and take concerted action to address them in order to achieve the next stage of sustainable growth.

(iv) Other

Other initiatives conducted by the Group include hearings with the heads of each department by the Audit & Supervisory Committee members and internal audits of each department by the internal audit department. For internal audits, we have adopted a dual reporting system that reports to both the President and the Board of Directors. The officer in charge of compliance spearheads efforts to promote compliance. By covering it in employee workshops and internal operation communications as a companywide training theme, the Group is endeavoring to realize widespread internal awareness of compliance. The Group has also established a “Compliance Consultation Desk” that functions as a counter for its whistleblowing system.

4. Basic Rationale for Selection of Accounting Standards

The Group applies Japanese accounting standards.

Note that the Group will examine the application of international accounting standards as appropriate after taking various domestic and international circumstances into consideration.

5. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	8,497,445	8,893,791
Notes and accounts receivable - trade	1,355,962	1,305,381
Merchandise and finished goods	1,382,932	1,299,036
Work in process	287,258	325,111
Raw materials and supplies	650,308	757,835
Other	124,444	138,620
Total current assets	12,298,351	12,719,776
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,292,783	4,358,634
Accumulated depreciation	(1,753,819)	(1,896,504)
Buildings and structures, net	2,538,963	2,462,129
Machinery, equipment and vehicles	8,187,386	8,258,183
Accumulated depreciation	(6,754,679)	(7,102,261)
Machinery, equipment and vehicles, net	1,432,706	1,155,922
Land	800,483	800,483
Construction in progress	496,119	775,904
Other	1,567,297	1,627,284
Accumulated depreciation	(1,423,205)	(1,460,584)
Other, net	144,092	166,699
Total property, plant and equipment	5,412,365	5,361,139
Intangible assets	28,370	24,891
Investments and other assets		
Investment securities	28,365	29,835
Insurance funds	473,748	475,896
Deferred tax assets	485,816	478,667
Other	130,620	151,301
Allowance for doubtful accounts	–	(9)
Total investments and other assets	1,118,550	1,135,690
Total non-current assets	6,559,285	6,521,721
Total assets	18,857,636	19,241,498

(Thousands of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	303,739	173,043
Income taxes payable	364,470	240,215
Provision for bonuses	282,037	278,147
Provision for bonuses for directors (and other officers)	102,927	89,425
Other	378,892	506,500
Total current liabilities	1,432,066	1,287,331
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	1,512,283
Net assets		
Shareholders’ equity		
Share capital	455,330	455,330
Capital surplus	418,223	418,223
Retained earnings	16,168,839	16,782,461
Treasury shares	(112,713)	(214,531)
Total shareholders’ equity	16,929,679	17,441,483
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,855	5,883
Foreign currency translation adjustment	50,449	77,924
Total accumulated other comprehensive income	55,304	83,807
Share acquisition rights	215,634	203,923
Total net assets	17,200,618	17,729,214
Total liabilities and net assets	18,857,636	19,241,498

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	9,656,612	9,040,349
Cost of sales	4,540,866	4,097,517
Gross profit	5,115,746	4,942,831
Selling, general and administrative expenses	3,007,131	3,075,465
Operating profit	2,108,615	1,867,366
Non-operating income		
Interest income	49	86
Dividend income	1,073	695
Commission income	1,143	1,043
Rental income	6,000	4,300
Subsidy income	1,613	–
Gain on sale of scraps	31,049	22,373
Surrender value of insurance policies	12,390	11,653
Other	5,647	9,062
Total non-operating income	58,967	49,215
Non-operating expenses		
Rental expenses	8,458	6,771
Commission expenses	7	934
Foreign exchange losses	27,445	–
Other	44	100
Total non-operating expenses	35,955	7,807
Ordinary profit	2,131,627	1,908,774
Extraordinary income		
Gain on sale of non-current assets	3,655	1,828
Total extraordinary income	3,655	1,828
Extraordinary losses		
Loss on sale of non-current assets	–	444
Loss on retirement of non-current assets	718	3,975
Loss on valuation of investment securities	24,289	–
Total extraordinary losses	25,008	4,420
Profit before income taxes	2,110,274	1,906,182
Income taxes - current	708,591	579,155
Income taxes - deferred	(73,519)	6,707
Total income taxes	635,072	585,863
Profit	1,475,202	1,320,319
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	1,475,202	1,320,319

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit	1,475,202	1,320,319
Other comprehensive income		
Valuation difference on available-for-sale securities	1,322	1,028
Foreign currency translation adjustment	48,277	27,474
Total other comprehensive income	49,600	28,503
Comprehensive income	1,524,802	1,348,822
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,524,802	1,348,822
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	455,330	418,223	15,271,863	(200,791)	15,944,625
Changes during period					
Dividends of surplus			(560,741)		(560,741)
Profit attributable to owners of parent			1,475,202		1,475,202
Purchase of treasury shares				(41)	(41)
Disposal of treasury shares		(17,485)		88,119	70,634
Transfer of loss on disposal of treasury shares		17,485	(17,485)		–
Net changes in items other than shareholders' equity					–
Total changes during period	–	–	896,975	88,078	985,054
Balance at end of period	455,330	418,223	16,168,839	(112,713)	16,929,679

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	3,532	2,171	5,704	215,634	16,165,964
Changes during period					
Dividends of surplus					(560,741)
Profit attributable to owners of parent					1,475,202
Purchase of treasury shares					(41)
Disposal of treasury shares					70,634
Transfer of loss on disposal of treasury shares					–
Net changes in items other than shareholders' equity	1,322	48,277	49,600	–	49,600
Total changes during period	1,322	48,277	49,600	–	1,034,654
Balance at end of period	4,855	50,449	55,304	215,634	17,200,618

Fiscal year ended March 31, 2024

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	455,330	418,223	16,168,839	(112,713)	16,929,679
Changes during period					
Dividends of surplus			(684,574)		(684,574)
Profit attributable to owners of parent			1,320,319		1,320,319
Purchase of treasury shares				(199,938)	(199,938)
Disposal of treasury shares		(22,122)		98,119	75,996
Transfer of loss on disposal of treasury shares		22,122	(22,122)		–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	613,622	(101,818)	511,803
Balance at end of period	455,330	418,223	16,782,461	(214,531)	17,441,483

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	4,855	50,449	55,304	215,634	17,200,618
Changes during period					
Dividends of surplus					(684,574)
Profit attributable to owners of parent					1,320,319
Purchase of treasury shares					(199,938)
Disposal of treasury shares					75,996
Transfer of loss on disposal of treasury shares					–
Net changes in items other than shareholders' equity	1,028	27,474	28,503	(11,711)	16,792
Total changes during period	1,028	27,474	28,503	(11,711)	528,595
Balance at end of period	5,883	77,924	83,807	203,923	17,729,214

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	2,110,274	1,906,182
Depreciation	669,912	627,527
Increase (decrease) in provision for bonuses	40,556	(3,890)
Increase (decrease) in provision for bonuses for directors (and other officers)	893	(13,502)
Interest and dividend income	(1,122)	(782)
Surrender value of insurance policies	(12,390)	(11,653)
Loss (gain) on sale of non-current assets	(3,655)	(1,383)
Loss on retirement of non-current assets	718	3,975
Loss (gain) on valuation of investment securities	24,289	–
Decrease (increase) in trade receivables	(9,231)	62,559
Decrease (increase) in inventories	(479,520)	(61,484)
Decrease (increase) in other current assets	(22,765)	(18,892)
Increase (decrease) in trade payables	39,455	(137,261)
Increase (decrease) in other current liabilities	(18,539)	116,027
Other, net	60,848	57,979
Subtotal	2,399,723	2,525,402
Interest and dividends received	1,122	782
Income taxes paid	(786,491)	(691,610)
Net cash provided by (used in) operating activities	1,614,354	1,834,573
Cash flows from investing activities		
Payments into time deposits	(100,000)	–
Proceeds from withdrawal of time deposits	100,000	–
Purchase of property, plant and equipment	(684,059)	(554,465)
Proceeds from sale of property, plant and equipment	4,523	1,930
Purchase of intangible assets	(2,490)	(8,801)
Proceeds from cancellation of insurance funds	12,560	12,929
Purchase of insurance funds	(469,457)	(1,596)
Other, net	1,670	(25,244)
Net cash provided by (used in) investing activities	(1,137,251)	(575,247)
Cash flows from financing activities		
Purchase of treasury shares	(41)	(199,938)
Dividends paid	(560,820)	(683,951)
Other, net	–	11
Net cash provided by (used in) financing activities	(560,861)	(883,877)
Effect of exchange rate change on cash and cash equivalents	37,949	20,897
Net increase (decrease) in cash and cash equivalents	(45,809)	396,345
Cash and cash equivalents at beginning of period	8,443,254	8,397,445
Cash and cash equivalents at end of period	8,397,445	8,793,791