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, 2025 [Japan GAAP] (Consolidated)

May 15, 2025

Company	**NS TOOL CO., LTD.**	Listed on the TSE
Stock Code	6157 URL: https://www.ns-tool.com/en/	
Representative	Hiroji Goto, President	
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 24, 2025
Expected date of filing of annual securities report: June 25, 2025
Expected starting date of dividend payment: June 25, 2025
Preparation of supplementary financial document: Yes
Results briefing: Yes

(Rounded down to million yen)

1. Consolidated business results for the fiscal year ended March 2025 (April 1, 2024 through March 31, 2025)

(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. 2025	9,431	4.3	1,767	-5.4	1,779	-6.8	1,264	-4.2
Year ended Mar. 2024	9,040	-6.4	1,867	-11.4	1,908	-10.5	1,320	-10.5

(Note) Comprehensive income:
Year ended March 2025: 1,316 million yen (-2.4%)
Year ended March 2024: 1,348 million yen (-11.5%)

	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. 2025	50.80	50.40	7.1	9.1	18.7
Year ended Mar. 2024	53.03	52.59	7.7	10.0	20.7

(Reference) Share of profit (loss) of entities accounted for using equity method
Year ended March 2025: – million yen
Year ended March 2024: – 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. 2025	19,941	18,415	91.4	731.24
As of Mar. 2024	19,241	17,729	91.1	705.25

(Reference) Equity:
As of March 2025: 18,221 million yen
As of March 2024: 17,525 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. 2025	2,011	-392	-684	9,768
Year ended Mar. 2024	1,834	-575	-883	8,793

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. 2024	–	15.00	–	12.50	27.50	683	51.9	3.9
Year ended Mar. 2025	–	15.00	–	15.00	30.00	747	59.1	4.1
Year ending Mar. 2026 (forecast)	–	15.00	–	15.00	30.00		62.2	

3. Forecast of consolidated business results for the fiscal year ending March 2026 (April 1, 2025 through March 31, 2026)

(% 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. 2025	4,800	3.1	920	13.2	920	12.9	620	9.0	24.90
Year ending Mar. 2026	9,680	2.6	1,740	-1.5	1,750	-1.7	1,200	-5.1	48.20

***Notes**

(1) Significant changes in the scope of consolidation during the period: 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

(Note) For more details, please refer to “Notes on changes in accounting policies” on page 18 of the attached material.

(3) Shares outstanding (common stock)

① Number of shares outstanding at the end of period (treasury stock included)
As of March 2025 25,035,034 shares
As of March 2024 25,035,034 shares

② Treasury stock at the end of period:
As of March 2025 116,163 shares
As of March 2024 185,138 shares

③ Average number of stock during period
Year ended March 2025 24,896,763 shares
Year ended March 2024 24,899,207 shares

(Reference) Summary of non-consolidated business results

1. Non-consolidated business results for the fiscal year ended March 2025 (April 1, 2024 through March 31, 2025)

(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. 2025	8,070	2.0	1,439	-9.6	1,563	-9.9	1,144	-8.9
Year ended Mar. 2024	7,913	-3.9	1,592	-3.7	1,735	-5.9	1,256	-5.6

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Year ended Mar. 2025	45.96	45.60
Year ended Mar. 2024	50.47	50.05

(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. 2025	17,044	15,721	91.1	623.12
As of Mar. 2024	16,538	15,205	90.7	603.70

(Reference) Equity:
As of March 2025: 15,527 million yen
As of March 2024: 15,001 million yen

2. Forecast of non-consolidated business results for the fiscal year ending March 2026 (April 1, 2025 through March 31, 2026)

(% 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. 2025	4,180	3.2	880	17.9	620	13.3	24.90
Year ending Mar. 2026	8,300	2.8	1,560	-0.2	1,090	-4.7	43.78

*** 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.

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, 2025, the Japanese economy showed a gradual recovery trend throughout, despite the effects of fluctuations in exchange rates, persistently high raw material and energy prices, rising prices of goods, and geopolitical problems in Ukraine and the Middle East.

As for the situation of the major consumers for the products of the Company group (the "Group"), the market of semiconductor and electronic components and devices performed solidly, driven by AI-related demand, while demand for tools remained sluggish in the automotive industry due to little development of new vehicle models, despite a recovery in production volume toward the second half of the period. 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.

In this environment, the Group's sales and marketing efforts focused on cultivating new demand by participating in exhibitions such as "INTERMOLD2024" and "JIMTOF2024" in Japan and "IMTS2024" in the United States, presenting new products and proposing technologies that meet users' needs.

In terms of products, in November we launched the Long Neck Ball End Mill "XRBH230" with a newly developed MPX coating that is specialized for machining SUS420, hardened steels. The "XRBH230," which demonstrates higher machining accuracy by limiting the work material, is a product development that is typical of our pursuit of high value-added products.

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. However, we were not able to absorb rising manufacturing costs, such as labor costs.

As a result, net sales for the fiscal year ended March 31, 2025 were ¥9,431 million (up 4.3% year on year), operating profit was ¥1,767 million (down 5.4% year on year), ordinary profit was ¥1,779 million (down 6.8% year on year), and profit attributable to owners of parent was ¥1,264 million (down 4.2% year on year).

The Group did not achieved the KPI target of 20% ordinary profit margin on net sales with an actual result of 18.9% for the fiscal year ended March 31, 2025 (this was down 2.2 percentage point year on year). While selling prices remained unchanged in light of market conditions at the destination of demand, both manufacturing costs and SG&A expenses increased due to higher personnel costs resulting from wage hikes and higher expenses resulting from rising prices, resulting in lower ordinary profit margin on net sales. With regard to the other target of 10% ROE, profit attributable to owners of parent fell by 4.2% year on year, causing ROE to fall to 7.1%, which was below the target.

By product category, sales of "End mills (diameter 6 mm or less)" were ¥7,539 million (up 5.4% year on year), sales of "End mills (diameter over 6 mm)" were ¥798 million (up 1.6% year on year), sales of "End mills (other)" were ¥430 million (down 1.9% year on year), and sales of "Other" were ¥662 million (up 0.0% 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 Fiscal Year

As for the consolidated financial position at the end of the fiscal year ended March 31, 2025, total assets came to ¥19,941 million (an increase of ¥700 million over the end of the previous fiscal year), total liabilities came to ¥1,526 million (an increase of ¥13 million over the end of the previous fiscal year) and total net assets came to ¥18,415 million (an increase of ¥686 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, 2025 was ¥13,791 million, an increase of ¥1,071 million, or 8.4%, 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, 2025 was ¥6,150 million, a decrease of ¥371 million, or 5.7%, 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 ¥19,941 million, an increase of ¥700 million, or 3.6%, over the previous fiscal year.

<Total liabilities>

The balance of liabilities at the end of the fiscal year ended March 31, 2025 was ¥1,526 million, an increase of 13 million, or 0.9%, over the previous fiscal year. This was mainly due to increases 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, 2025 was ¥18,415 million, an increase of ¥686 million, or 3.9%, 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, 2025 and accompanying factors are as follows. Cash and cash equivalents ("cash") on a consolidated basis came to ¥9,768 million, an increase of ¥974 million, or 11.1%, over the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities came to ¥2,011 million, up 9.6% year on year. This mainly reflects an increase in cash resulting from ¥1,778 million in profit before income taxes, an increase in cash from depreciation, and outflow of cash resulting from the payment of income taxes.

(Cash flows from investing activities)

Net cash used in investing activities came to ¥392 million, down 31.7% year on year. This mainly reflects expenditures due to the acquisition of property, plant and equipment and expenditures due to insurance funds related to new insurance contracts.

(Cash flows from financing activities)

Net cash used in financing activities came to ¥684 million, down 22.6% year on year. This is mainly due to the payment of dividends.

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Equity-to-asset ratio (%)	90.1	91.1	91.4
Equity-to-asset ratio based on market value (%)	137.8	127.2	93.2
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, 2026 (forecast)	9,680	1,740	1,750	1,200
Fiscal year ended March 31, 2025 (actual)	9,431	1,767	1,779	1,264
Change (%)	2.6	-1.5	-1.7	-5.1

In the next fiscal year, we initially expected a gradual recovery in sales, based on the following trends in major customers: in the automotive industry, supply constraints such as the certification fraud issue are expected to be resolved and production of hybrid vehicles (HV) and fuel cell vehicles (FCV) is expected to increase as the shift to electric vehicles (EV) comes to a halt; in the semiconductor and electronic components industry, demand for AI-related products is expected to be strong and inventory adjustments have run their course, leading to a gradual recovery in overall demand.

However, with the outcome of negotiations over the U.S. tariff issue still uncertain, and the unpredictability of economic activities in Japan and around the world still not guaranteed, it is difficult to make a reasonable estimate of sales amounts at this time, and costs, especially material and personnel costs, are expected to rise. Therefore, the business environment surrounding the Group is expected to become even more challenging.

Despite this environment, the Group will continue to actively engage in sales activities, including participation in domestic and international exhibitions such as “EMO2025” in Europe, to gather information and develop new projects. Additionally, 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.

In light of the above economic conditions, demand trends, and the Company’s activity policy, the sales forecast for the next fiscal year based on the initial market forecast remains unchanged, as it is difficult to reasonably estimate the impact of the U.S. tariff issue on the Group’s performance at this time. However, due to expected increases in material costs, labor costs, and personnel costs, both manufacturing costs and SG&A expenses are expected to increase compared to the current fiscal year.

Based on the above, at present, the Company estimates that it will post consolidated net sales of ¥9,680 million (up 2.6% year on year), operating profit of ¥1,740 million (down 1.5% year on year), ordinary profit of ¥1,750 million (down 1.6% year on year), and profit attributable to owners of parent of ¥1,200 million (down 5.1% 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. With respect to the forecast of business results for the fiscal year ending March 31, 2026, we will make any necessary corrections and disclosures in light of the future situation.

(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 implement flexible shareholder return policies in accordance with our business performance, based on the premise of securing sufficient retained earnings to ensure a stable management base and business development, and maintaining sufficient liquidity on hand for medium-term business execution, while comprehensively considering performance trends, capital efficiency, total return ratio, and other factors. Dividends are also determined with an emphasis on stability and continuity.

For the fiscal year ended March 31, 2025, the Company has set a year-end dividend of ¥15.0 per share for a combined annual dividend of ¥30.0 to be paid when the interim dividend of ¥15.0 per share is included. Additionally, for the fiscal year ending March 31, 2026, 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.

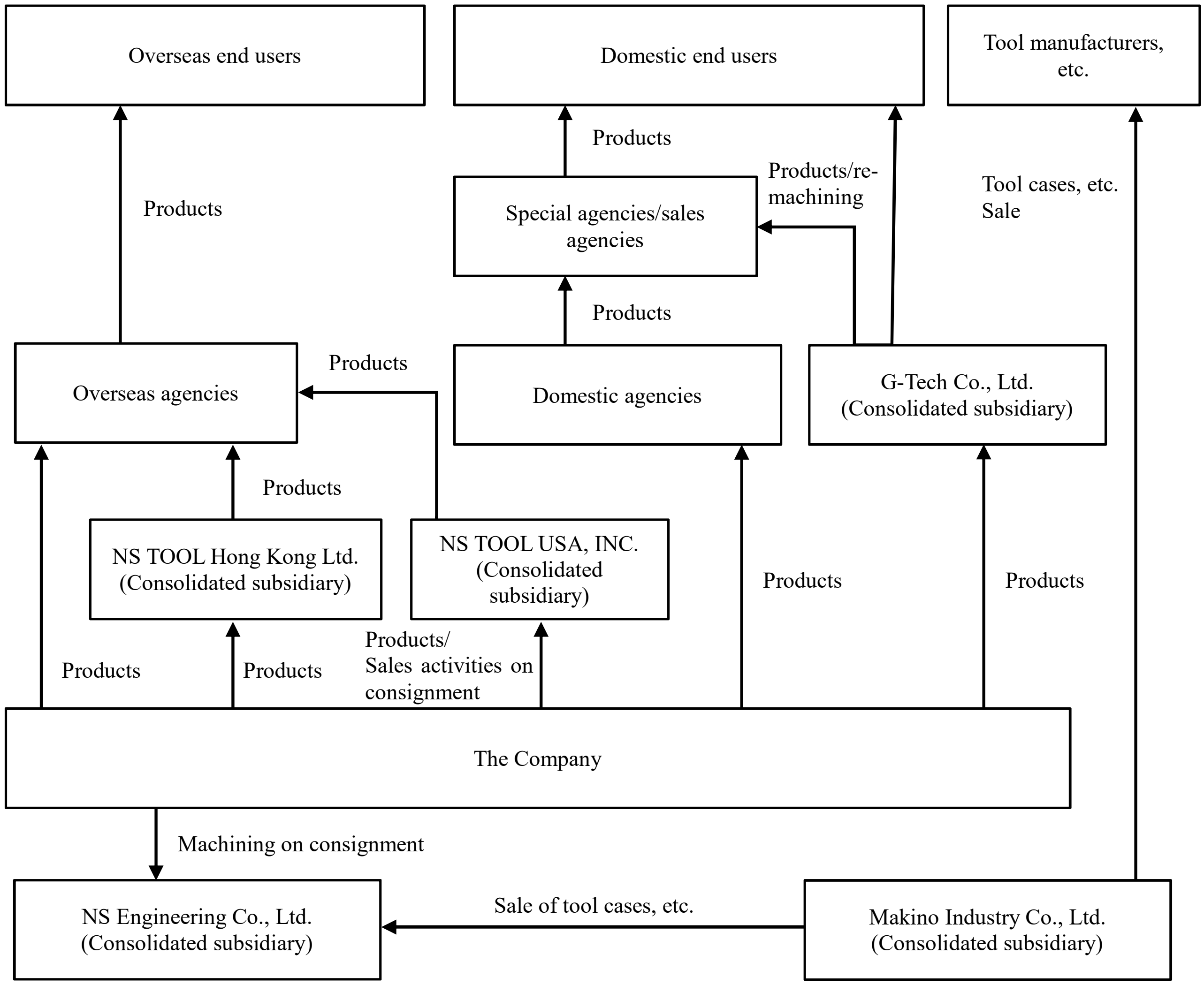
(1) The Company

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, 2025)



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 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 for an overwhelming presence in the precision and micro-machining tool sector by an overwhelming margin.

(2) Targeted Management Indicators

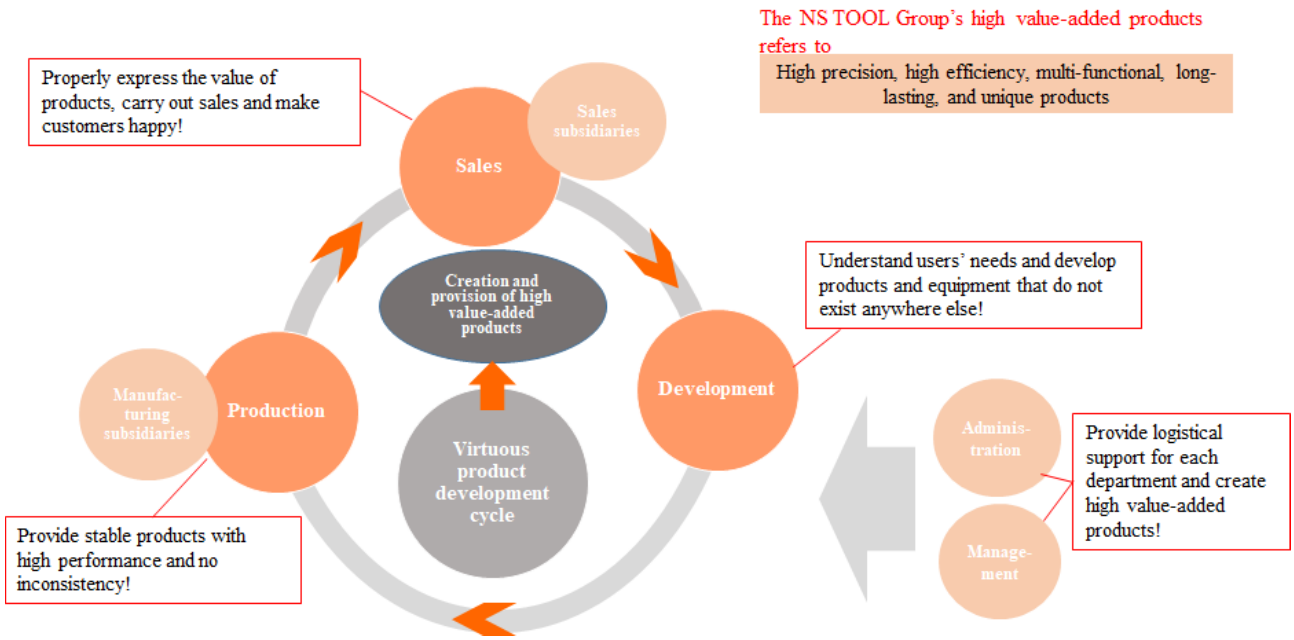
Practicing management that priorities profit over sales, the Group has adopted the securing of a ratio of ordinary profit margin on net sales of 20% as a management indicator. However, the ordinary profit margin on net sales for this fiscal year was 18.9%, down 2.2 percentage points year on year, falling below our indicator for the first time in 11 fiscal years. While we responded to the stagnant small-diameter tool market in Japan by keeping selling prices unchanged, higher cost and expense ratios due to increased personnel costs and other expenses put pressure on profits. For the next fiscal year, we expect the ordinary profit margin on net sales to be 18.0%, 0.9 percentage points below the level of the fiscal year ended March 31, 2025. This is because the outlook for sales and cost reductions is difficult due to the uncertainty surrounding the global situation and economic trends, while increases in costs and expenses such as personal costs are expected to continue. Additionally, although the Group sets 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 7.1% for the fiscal year ended March 31, 2025. While the business environment continues to be harsh, we are currently focused on achieving the planned level of ordinary profit margin and recovering ROE above the cost of capital by steadily implementing measures for the next fiscal year. Concurrently, we are working to re-secure profit growth opportunities by advancing our medium-term management strategy and these measures, with the aim of achieving 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 endeavor to gather and share information pertaining to product development in cooperation with the sales department, 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 and cost reduction. The Group will also continue to diversify risks of the small-diameter end mill production system by expanding production at subsidiary plants, and reduce electricity consumption to promote production efficiency 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 enhanced tool search function on its website through the use of digital technology, providing product information through the use of in-house "owned media" information sites as well as promoting marketing based on data analysis. 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

The Group recognizes that our mission is to continue to support the precision and micro-machining fields, where Japanese *monozukuri* (manufacturing) has an overwhelming advantage, from the aspect of cutting technology using small-diameter tools, and to stably supply high-value-added products with high performance and stable quality at reasonable prices through our sales agencies so that users can take on new precision and micro-machining challenges with confidence. In light of this, as immediate issues to be addressed by the Group, we will further enhance our domestic and overseas sales network, 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 supplying ample inventory to the distribution market by further improving our product lineup of existing products.

(5) Regarding Operating Environment

The small diameter cutting tools that constitute the mainstay offerings of the Group are attached to machine tools and primarily used in the manufacture of molds and various parts that require precision and micro-machining. Since those molds and parts are used in a myriad of industrial products, our products are used in many industries such as automobiles, semiconductors, electronic parts, optical devices, daily commodities and medical equipment, and the Group's performance is considerably affected by the production trends of these products. Demand for products in the smartphone and automotive sectors, which had been growth drivers for the past few years, has slowed down, and the domestic market has remained flat. In the medium term, however, we expect that the market for small-diameter cutting tools will continue to grow as demand for semiconductors and electronic parts, which support the development of DX, will steadily increase, and there will be more opportunities for our precision and micro-machining technology, in which our products excel, to be used in fields where new growth is expected, such as medical care and aerospace.

(6) Current State of Management Strategy and Outlook

As described in "Medium- to Long-Term Management Strategy of the Company," as the growth of the market has reached a plateau over the past few years, we have been working to enhance our product lineup in product development, while developing and launching products with new coatings for hardened steels and unique lens-shaped end mills, etc. In production, we are improving our own grinders and measurement technology, and promoting automation to reduce costs. In the Sales department, we are working to enhance the system to deliver a wide variety of products to users without delay by utilizing our domestic and overseas sales networks.

Regarding the future outlook, since we assume that the precision and micro-machining market to be expected to expand steadily in the medium to long term, we will continue to specialize in the manufacture and sale of small-diameter tools and again aim to realize sustainable profit growth by formulating and implementing measures based on our medium-term strategy to grow with the market.

(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).

[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.

Materiality

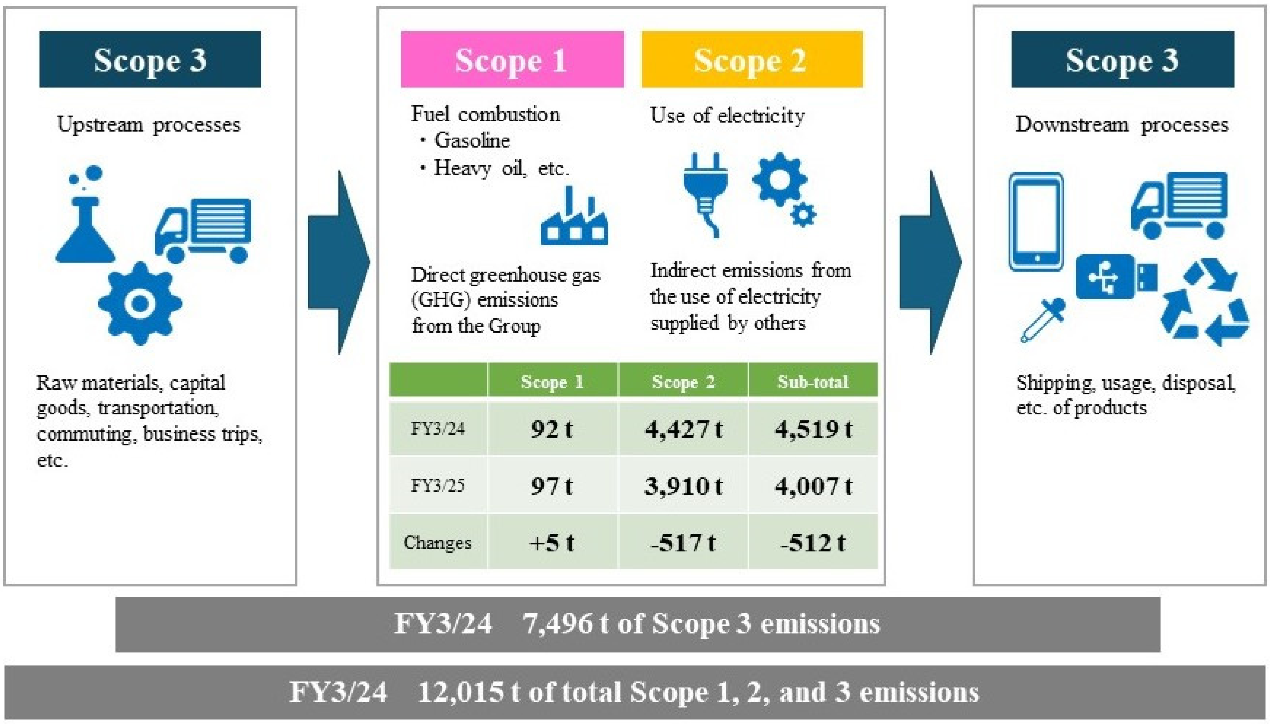
1. Responding to the environmental issues	We will produce eco- and human-friendly products using minimum resources and endeavor to lower our environmental footprint.
2. Respect for human rights	We will conduct ourselves with respect for human rights in our corporate activities.
3. Contributions to community 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 Sustainability Committee discusses strategies for the sustainable growth of the company, including climate change and human capital at least twice a year, and provides reports and recommendations to the Board of Directors (held four times for the fiscal year ended March 31, 2025).	・ Set six materialities as key elements for the Group's sustainable growth ・ Consider initiatives and policies related to materiality from the perspective of sustainable growth, draft them at the 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 disclosed	・ 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 supporting childcare and nursing care, and 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	・ Acquisition of "Kurumin" Certification in one year from now ・ Raise the paid leave rate to 30%, enhance the childcare leave system, and raise the ratio of female employees by 1%, as set forth in "General Employer Action Plan" ・ 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. The total Scope 1 and 2 emissions of the entire Group for the fiscal year ended March 31, 2025 decreased by 512 tons from the previous fiscal year to 4,007 tons. This is because the average electric power emission coefficient for the fiscal year ended March 31, 2025 decreased by 19.8% from the previous period, despite an increase in energy consumption, mainly electric power, due to increased production volume. Total greenhouse gas emissions for the previous fiscal year (ending March 31, 2024), including Scope 3, were 12,015 tons, a decrease of 1,703 tons from the previous two fiscal years, due to lower capital investment compared to the previous two fiscal years. 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.



	Scope 1	Scope 2	Sub-total
FY3/24	92 t	4,427 t	4,519 t
FY3/25	97 t	3,910 t	4,007 t
Changes	+5 t	-517 t	-512 t

(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 8.6%, and has set a management target of achieving a return on equity (ROE) of 10% in order to achieve capital efficiency that exceeds this cost of capital. In order to achieve this ROE target, we were 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, 2025 was 7.1% and the ordinary profit margin on net sales was 18.9%, both well below the targeted indicators. Under the severe business environment, we expect not to achieve the target indicators in the business results forecast for the fiscal year ending March 31, 2026. We have completed a comprehensive review of the Company's medium-term issues and have begun implementing countermeasures. For now, we will steadily implement our next plan to first reverse the gradual decline in ordinary profit and ordinary profit margins. At the same time, we will work as a Group to face and resolve medium-term issues in order to achieve our next stage of sustainable growth and restore ROE to a level that exceeds our cost of capital.

(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, the Group is endeavoring for in-house education. The Group has also established a "Compliance Consultation Desk" with an external lawyer as the liaison office 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, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	8,893,791	9,868,215
Notes and accounts receivable - trade	1,305,381	1,393,362
Merchandise and finished goods	1,299,036	1,408,719
Work in process	325,111	239,620
Raw materials and supplies	757,835	659,722
Other	138,620	221,890
Total current assets	12,719,776	13,791,530
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,358,634	4,364,969
Accumulated depreciation	(1,896,504)	(2,042,122)
Buildings and structures, net	2,462,129	2,322,846
Machinery, equipment and vehicles	8,258,183	8,821,164
Accumulated depreciation	(7,102,261)	(7,486,648)
Machinery, equipment and vehicles, net	1,155,922	1,334,516
Land	800,483	800,483
Construction in progress	775,904	244,181
Other	1,627,284	1,670,792
Accumulated depreciation	(1,460,584)	(1,530,760)
Other, net	166,699	140,031
Total property, plant and equipment	5,361,139	4,842,059
Intangible assets	24,891	15,923
Investments and other assets		
Investment securities	29,835	31,515
Insurance funds	475,896	628,718
Deferred tax assets	478,667	490,151
Other	151,301	142,011
Allowance for doubtful accounts	(9)	–
Total investments and other assets	1,135,690	1,292,396
Total non-current assets	6,521,721	6,150,379
Total assets	19,241,498	19,941,910

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	173,043	213,984
Income taxes payable	240,215	270,394
Provision for bonuses	278,147	282,541
Provision for bonuses for directors (and other officers)	89,425	95,162
Other	506,500	438,985
Total current liabilities	1,287,331	1,301,067
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	1,526,019
Net assets		
Shareholders’ equity		
Share capital	455,330	455,330
Capital surplus	418,223	418,223
Retained earnings	16,782,461	17,347,302
Treasury shares	(214,531)	(134,548)
Total shareholders’ equity	17,441,483	18,086,307
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,883	7,058
Foreign currency translation adjustment	77,924	128,339
Total accumulated other comprehensive income	83,807	135,398
Share acquisition rights	203,923	194,184
Total net assets	17,729,214	18,415,890
Total liabilities and net assets	19,241,498	19,941,910

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

Consolidated Statement of Income

(Thousands of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Net sales	9,040,349	9,431,090
Cost of sales	4,097,517	4,448,073
Gross profit	4,942,831	4,983,017
Selling, general and administrative expenses	3,075,465	3,215,750
Operating profit	1,867,366	1,767,266
Non-operating income		
Interest income	86	473
Dividend income	695	805
Commission income	1,043	951
Rental income	4,300	–
Gain on sale of scraps	22,373	23,379
Surrender value of insurance policies	11,653	–
Other	9,062	5,015
Total non-operating income	49,215	30,624
Non-operating expenses		
Rental expenses	6,771	–
Commission expenses	934	5
Foreign exchange losses	–	17,951
Other	100	20
Total non-operating expenses	7,807	17,977
Ordinary profit	1,908,774	1,779,913
Extraordinary income		
Gain on sale of non-current assets	1,828	1,410
Total extraordinary income	1,828	1,410
Extraordinary losses		
Loss on sale of non-current assets	444	444
Loss on retirement of non-current assets	3,975	2,483
Total extraordinary losses	4,420	2,928
Profit before income taxes	1,906,182	1,778,394
Income taxes - current	579,155	525,682
Income taxes - deferred	6,707	(11,988)
Total income taxes	585,863	513,694
Profit	1,320,319	1,264,700
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	1,320,319	1,264,700

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Profit	1,320,319	1,264,700
Other comprehensive income		
Valuation difference on available-for-sale securities	1,028	1,175
Foreign currency translation adjustment	27,474	50,415
Total other comprehensive income	28,503	51,590
Comprehensive income	1,348,822	1,316,291
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,348,822	1,316,291
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated Statements of Changes in Equity

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

Fiscal year ended March 31, 2025

(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	16,782,461	(214,531)	17,441,483
Changes during period					
Dividends of surplus			(684,223)		(684,223)
Profit attributable to owners of parent			1,264,700		1,264,700
Disposal of treasury shares		(15,635)		79,983	64,347
Transfer of loss on disposal of treasury shares		15,635	(15,635)		–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	564,840	79,983	644,824
Balance at end of period	455,330	418,223	17,347,302	(134,548)	18,086,307

	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	5,883	77,924	83,807	203,923	17,729,214
Changes during period					
Dividends of surplus					(684,223)
Profit attributable to owners of parent					1,264,700
Disposal of treasury shares					64,347
Transfer of loss on disposal of treasury shares					–
Net changes in items other than shareholders' equity	1,175	50,415	51,590	(9,738)	41,851
Total changes during period	1,175	50,415	51,590	(9,738)	686,676
Balance at end of period	7,058	128,339	135,398	194,184	18,415,890

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cash flows from operating activities		
Profit before income taxes	1,906,182	1,778,394
Depreciation	627,527	644,296
Increase (decrease) in provision for bonuses	(3,890)	4,394
Increase (decrease) in provision for bonuses for directors (and other officers)	(13,502)	5,737
Interest and dividend income	(782)	(1,278)
Surrender value of insurance policies	(11,653)	–
Loss (gain) on sale of non-current assets	(1,383)	(965)
Loss on retirement of non-current assets	3,975	2,483
Decrease (increase) in trade receivables	62,559	(65,996)
Decrease (increase) in inventories	(61,484)	73,921
Decrease (increase) in other current assets	(18,892)	41,423
Increase (decrease) in trade payables	(137,261)	27,227
Increase (decrease) in other current liabilities	116,027	(65,698)
Other, net	57,979	54,143
Subtotal	2,525,402	2,498,083
Interest and dividends received	782	1,278
Income taxes paid	(691,610)	(488,114)
Net cash provided by (used in) operating activities	1,834,573	2,011,247
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	(554,465)	(110,224)
Proceeds from sale of property, plant and equipment	1,930	1,448
Purchase of intangible assets	(8,801)	(943)
Proceeds from cancellation of insurance funds	12,929	–
Purchase of insurance funds	(1,596)	(150,204)
Other, net	(25,244)	(132,684)
Net cash provided by (used in) investing activities	(575,247)	(392,609)
Cash flows from financing activities		
Purchase of treasury shares	(199,938)	–
Dividends paid	(683,951)	(684,308)
Other, net	11	10
Net cash provided by (used in) financing activities	(883,877)	(684,297)
Effect of exchange rate change on cash and cash equivalents	20,897	40,083
Net increase (decrease) in cash and cash equivalents	396,345	974,424
Cash and cash equivalents at beginning of period	8,397,445	8,793,791
Cash and cash equivalents at end of period	8,793,791	9,768,215