

Business Report for the Fiscal Year Ended March 31, 2015

▶ April 1, 2014 to March 31, 2015



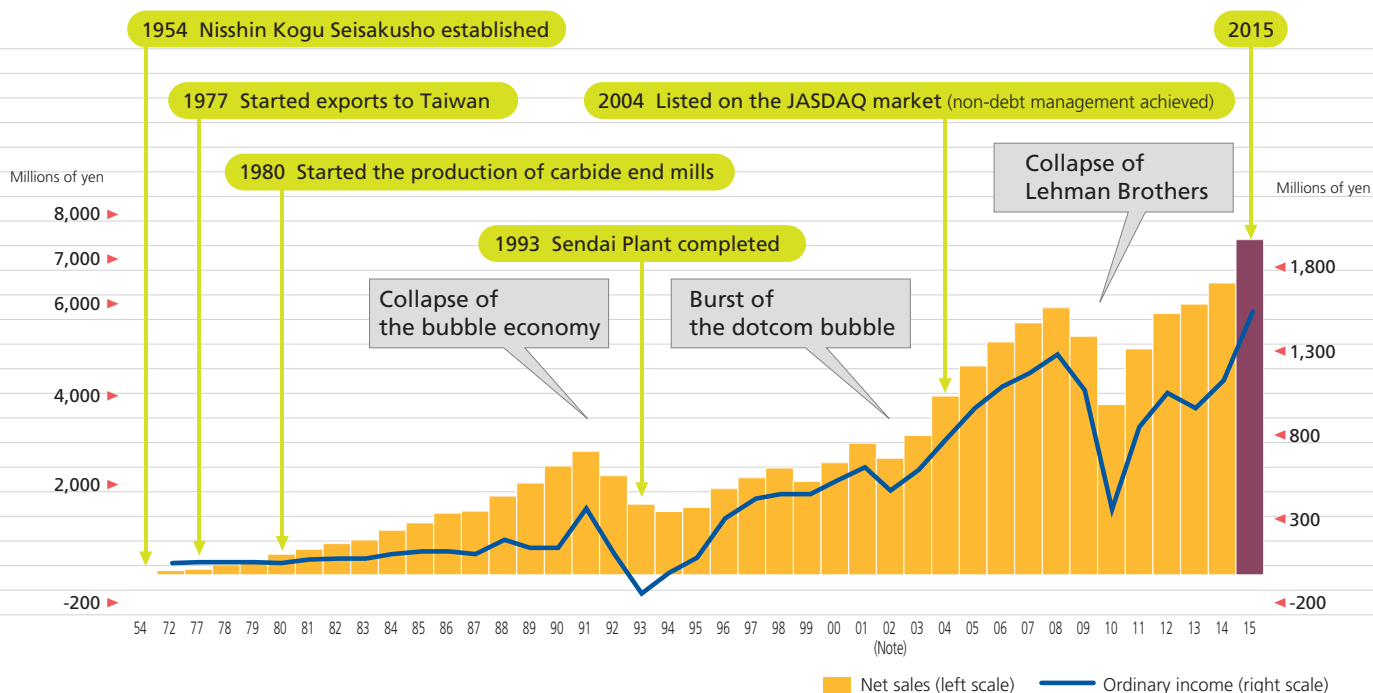
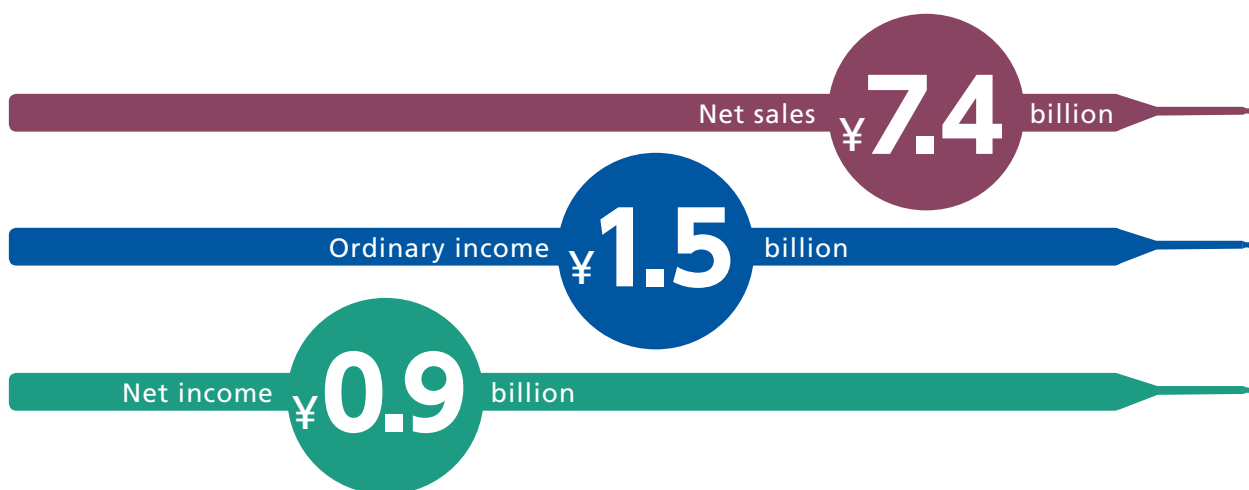
We are **the cutting edge** of technology

NS NS TOOL CO.,LTD.

Securities Code: 6157

NS TOOL celebrated its 60th anniversary since its foundation

NS TOOL will continue to achieve growth, remaining the top manufacturer of small-diameter carbide end mills.



Note: Although the year 2002 was a seven-month accounting period, the results thereof are restated in order to present figures for a twelve-month period.

To Our Shareholders



President

Shinji Goto

NS TOOL was founded in 1954 and listed on the JASDAQ market in 2004. Last year, we celebrated the 60th anniversary of our foundation and our 10th year of listing on the JASDAQ. We owe all this to our shareholders and stakeholders who have supported us.

Japan's manufacturing industry has been experiencing increased price competitiveness due to such factors as the recent yen depreciation and lower oil prices. Also, because of rising wages in the emerging nations, some of the companies conducting offshore production are beginning to return their manufacturing operations to Japan. NS TOOL believes that "Made in Japan" is the best manufacturing policy and has adhered to 100% domestic production. By doing so and achieving steady results in the field of high-value-added products for ultra-micro and precision machining, we have increased sales from overseas customers.

The automobile market has seen the increasing popularity of hybrid and electric vehicles and even the launch of fuel cell vehicles. This has promoted the enhancement of safety features and the development of automated driving technologies, resulting in a growing volume of information and electronic equipment. High-function mobile terminals, including smartphones and wearable devices, have become smaller and lighter with a wider range of applications, which is expected to promote higher integration and miniaturization of components and products in the foreseeable future. The manufacturing of precision components, including electronic components, used in these products constitute a central part of Japan's monozukuri(manufacturing) and requires a high level of micro and precision machining technologies. NS TOOL has endeavored to offer unsurpassed technologies, quality and services, thereby continually raising its corporate value. As a result, we were able to achieve many prizes due to our technical and development capabilities. During the 54th term, we won the Mechanical Components Prize under the 2014 'CHO' MONODZUKURI Innovative Parts and Components Award for our PCD end mill series.

In the 54th term, or the fiscal year ended March 31, 2015, NS TOOL achieved record results in sales and profits, benefitting from the resurgence of automobile-related businesses at home and abroad, the booming smartphone-related markets overseas and increased sales of our high-value-added products, mainly CBN (cubic boron nitride) products. As a result, consolidated net sales increased 15.3% from a year earlier to ¥7,402 million, consolidated operating income jumped 38.5% to ¥1,481 million, consolidated ordinary income advanced 38.6% to ¥1,534 million and consolidated net income soared 40.1% to ¥973 million.

On October 1, 2014, we conducted a 2-for-1 stock split to improve "liquidity," which we have long recognized as an important managerial issue. This will surely benefit our shareholders and investors. Regarding dividends, we make it a basic policy to return our profits to our shareholders according to our business results, while ensuring stable business foundations and keeping sufficient internal reserves for the development of business operations. In regard to the year-end dividend per share for the fiscal year ended March 31, 2015, we have decided to pay ¥40 per share, which represents a ¥10 increase per share, compared with the previous year's year-end dividend of ¥30 per share (after adjustment to reflect the stock split), which included a commemorative dividend to celebrate our 60th anniversary.

As a public company, we are actively engaged in investor relations (IR) activities to fulfill our accountability to our shareholders and investors and to raise the recognition of NS TOOL in the stock market and gain an appropriate evaluation. To provide timely IR information, we ensure that our financial results and presentation materials are available on our Web site and that the online IR information is updated as appropriate. These activities will be continued consistently as part of our efforts to enhance corporate value.

We will continue to make concerted efforts across the company to move forward and would appreciate your continued support and cooperation.

NS TOOL will achieve sustainable growth by closely monitoring market trends and properly responding to social needs.

NS TOOL achieved record sales and profits for the fiscal year ended March 31, 2015. Through an interview with President Hiroji Goto, we would like to present the business performance and focus strategies for the fiscal year under review. Please read through the interview, and your continued support would be greatly appreciated.



Q Please describe the business performance for the fiscal year ended March 31, 2015.

A Due to demand expansion mainly in the smartphone and automobile markets, we achieved a net sales increase and significant income growth.

Throughout the fiscal year ended March 31, 2015, we enjoyed a favorable business environment at home and abroad, including brisk demand for smartphone components from the electronics-related industry and the continued growth in car production in the automobile-related industry. There were also active moves by automakers toward the trial production of new vehicle models.

Under these circumstances, we swiftly responded to the growing demand for cutting tools, thereby growing sales of our products, including the mainstay small-diameter carbide end mills. Due to the increased production of these products, our plant's capacity utilization rate maintained high levels, leading to significant improvement of profitability for the year under review. As a result, we achieved an ordinary income ratio exceeding our target level of 20%.

Overseas, we continued to improve our delivery to the Chinese market through the Honk Kong base, which was established in January 2013, by addressing the local demand for cutting tools. We also made persistent efforts to acquire customers by strengthening relationships with local distributing agents and holding technical seminars for users of our tools. As a result, NS TOOL's overseas sales achieved a significant increase of 34.2% from the previous year, although the overseas sales ratio stood at 23.0% (19.8% in the previous year), falling short of the 30% target, because domestic sales also expanded.

Q Please describe your ongoing efforts to achieve continued growth in the future.

A We have decided to enlarge the Sendai Plant to enhance productivity, while ensuring the high quality and stable supply of our products.

To increase our earning power for continued growth, we have engaged in focused efforts at "reinforcing high-value-added products." Such efforts have been led by our involvement in CBN(Cubic Boron Nitride) cutting tools. For the CBN tools, which are used to meet highly precise and complicated cutting requirements, we have gradually become capable of offering a greater variety of products with mass production systems in place, leading to growing sales in recent years. Similar efforts are being made to increase sales of PCD(Polycrystalline Diamond) tools, another high-value-added product we offer in addition to the CBN tools.

To increase our earning power, "reinforcement of cost-reduction efforts" is another important task. To achieve that, we will continue to introduce our self-developed production lines to promote automated production and thereby achieve lower production costs as well as higher production efficiency. For sales expansion in overseas markets, our primary task is to improve our delivery to those markets. Following the example of the Hong Kong base mentioned earlier, we will reinforce measures toward local distributing agents in our focus markets, including the ASEAN region and Europe, while considering the establishment of our own distributing bases according to the needs of each market. At the same time, we will increase participation in trade shows and other opportunities to raise the

recognition of our products, thereby promoting the branding of NS TOOL products in overseas markets. As the last task for continued growth, let me mention “enhancement of the appeal of NS TOOL products” by achieving greater differentiation and higher competitiveness. This requires the ability to ensure a stable supply of high-quality products, while enhancing our marketing capabilities to enable the development of products that better address market moves.

As part of our efforts to achieve that, in May 2015, we commenced the construction of facilities to enlarge our Sendai Plant. The construction is scheduled to be completed in March 2016. This enlargement is expected to boost the plant’s production capacity by 20% to 30%.

Please describe the outlook for the fiscal year ending March 31, 2016, and give us your message for our shareholders.

We will achieve continued growth by offering high-value-added products and thereby supporting the outstanding manufacturing operations of Japanese companies.

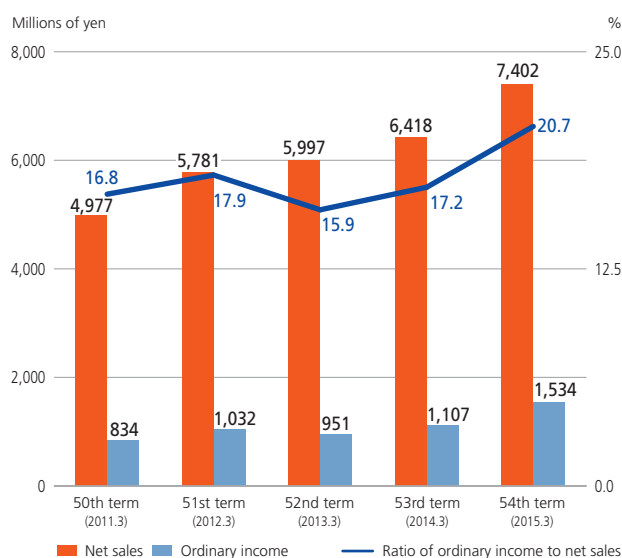
We expect the current favorable business conditions of the automobile-related and smartphone-related industries to continue for the time being. In such an environment, seeking greater profitability and a sales

increase to maintain an ordinary margin of at least 20% is our major theme for the fiscal year ending March 31, 2016. We will make continued efforts to develop better customers and offer high-value-added products, thereby supporting the outstanding manufacturing operations of Japanese companies, because customers’ business development will surely lead to our own growth.

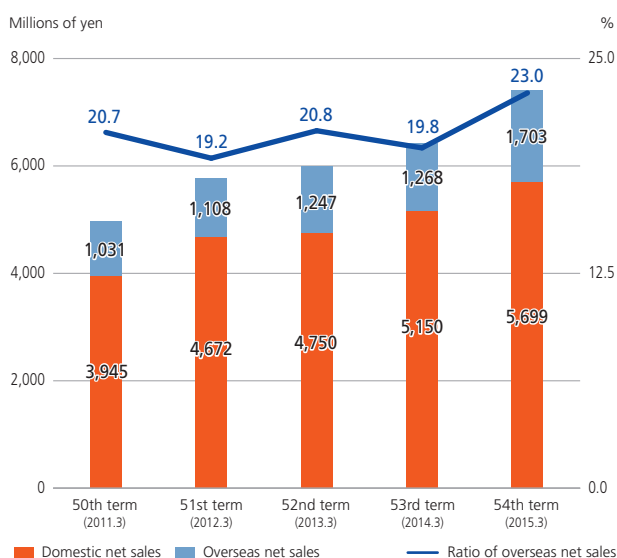
Regarding the year-end dividends for the year under review, we have decided to offer a per share dividend of ¥40, which represents an increase from the previous year. We return profits to shareholders according to our business results while keeping sufficient internal reserves for business development. The above amount of dividends was determined upon consideration of our dividend-paying capacity after investing ¥1.0 billion in the enlargement of the Sendai Plant. To improve the liquidity of our shares and promote shareholding by a greater number of investors, we conducted a 2-for-1 stock split with September 30, 2014 as the record date. We will continue to promote distribution of profits and offer greater shareholder benefits.

NS TOOL has engaged in the manufacturing and sales of micro and precision cutting tools for more than 60 years since its establishment, always responding to changing social needs for continued growth. We will make continued efforts to enhance our corporate value by closely monitoring market trends and properly responding to social needs.

Transition of Ordinary Income and Ratio of Ordinary Income to Net Sales



Transition of Net Sales and Ratio of Overseas Net Sales





Takashi Goto
Executive Vice President

NS TOOL will continue to support the unrivalled quality of the genuine “Made in Japan” products enabled by the spirit of monodzukuri (manufacturing) and their global development.

NS TOOL’s development and manufacturing functions are fulfilled by its 22-year-old Sendai Plant and the Development Center, which was established in 2001.

To acquire a better understanding of NS TOOL’s manufacturing operations, a source of unrivalled creativity and product strength, we interviewed Executive Vice President Takashi Goto, who supervises the company’s manufacturing and development activities.

Q First, please give us a brief profile of yourself.

A **Having joined NS TOOL, I initially engaged in the design of machines and jigs. Afterward, I was given an opportunity to take charge of the first U.S. grinding machines imported to Japan.**

I was born in 1963, and after graduating from college of machine design, I joined NS TOOL, which was managed by my family, in 1984. At first, I was assigned to the Special Machinery Department, where I engaged in the design of machines and jigs for one year. Then I was transferred to a factory that once stood in Shinagawa Ward, Tokyo, where I was given an opportunity to take charge of the first U.S. grinding machines imported to Japan. Thereafter, I worked in the company’s manufacturing and sales departments for six years each before serving as the officer in charge of development at the Sendai Plant in 1997, which was 18 years ago. Then I assumed the position as General Manager of the Sendai Plant to take charge of the manufacturing operations, and I now supervise both development and manufacturing there. Looking back on the past 30 years since I joined the company, I am amazed at the incredible expansion of

its businesses, which started with a small family-run business. I recall the introduction of the U.S. grinding machines, which must have been a bold investment at that time, and I am sure that was a great turning point for business expansion.

Throughout my career at NS TOOL, I have kept thinking about how we could make the Company’s core products, or end mills, gain more attention and enable their outstanding development, although they would likely remain unnoticed in the larger society.

Q Please describe the distinct features of monodzukuri (manufacturing) of NS TOOL.

A **The major features include the extensively automated and labor-saving equipment of the production lines and the employment of internal design and a product-oriented development style.**

The manufacturing of NS TOOL’s major products is done exclusively by the Sendai Plant in Kurokawa-gun, Miyagi Prefecture, whereas development work is conducted at the Development Center next to the plant.

Because end mills are consumable tools, they are required to offer stable quality and performance at all times at the customers’ production sites. To ensure that, we have been promoting the automation and labor saving of production lines at the Sendai Plant

Development and production system

because that could reduce human-induced variance in product quality and achieve higher productivity. As another large distinctive feature of our manufacturing processes, we have promoted the customization of machining and measuring equipment and now we even employ our own designs for the lines' major equipment. By doing so, we have made it possible to offer highly precise and stable machining services in a shorter period of time. As a notable feature of our development activities, I would cite our product-oriented style of development activities without being subject to the degree of demand, which will encourage the creation of new value. By taking on challenging tasks such as developing tools for machining harder materials and ceaselessly pursuing smaller diameter mills, we aim to expand the range of ideas to be proposed to customers and the market opportunities to be created, while raising our level of mass manufacturing technologies. Of course, it is equally important to address customer needs in the process of developing products. I believe ensuring a good balance between product-oriented and market-oriented development styles is important. At the Development Center, we installed actual equipment designed for the production of metal molds, etc., and hold seminars targeted at our customers to identify their needs and develop new applications of our products.



What direction of development and manufacturing activities do you foresee?



We will maximize the advantages, including high efficiency, low cost and maintenance of high quality, available through centralized production.

In terms of development, we will continue to focus on enhancing the technological levels and developing applications for the CBN(Cubic Boron Nitride) and PCD(Polycrystalline Diamond) tools—the core high-value-added products of NS TOOL. To distinguish ourselves from other tool manufacturers, we will pursue our original manufacturing approaches through the provision and improvement of CAD/CAM systems and other equipment peripheral to end mills. In parallel with these efforts, we will enhance the

strengths of our products by promoting the higher stability of quality, a longer useful life and the advancement of product specifications, while encouraging the automation and labor-saving of production lines and increasing production capacity through enlargement of factory footage so that higher earning power can be generated from the production sites.

Because our production forces are currently centralized on the Sendai Plant, one might be concerned about the risk of discontinuation of business in the event of disasters or other contingencies. However, the Sendai Plant is well-prepared for swift restoration from any occurrence of such contingencies based on the conventional measures against earthquake damage and the lessons learned from the Great East Japan Earthquake to become “the world’s most resilient plant to disasters.” While maximizing the advantages available through our centralized production, including high efficiency, low cost and maintenance of high quality, we are fully prepared for any risks involving such production.

We will continue to achieve steady growth on a step-by-step basis, and in doing so, we will support the unrivalled quality of the genuine “Made in Japan” products enabled by Japan’s traditional diligence in seeking the spirit of monodzukuri(manufacturing), and their global development.



As part of its marketing strategies, the Company has participated actively in trade shows of various sizes. Even at a large show, our exhibition booth is comparable to those of leading manufacturers within the same industry and attracts many visitors. Our exhibits include new products and advanced machining technologies featuring the accumulated expertise of the Company as a cutting tool manufacturer specializing in the field of micro and precision machining. They are attractively displayed, accompanied by our sales staff who provide detailed information enthusiastically. These trade shows provide a prime opportunity to meet directly with potential users who are seeking information on cutting-edge tools and machining technologies and offer information on our products and technologies. This leads to the development of new users and the strengthening of our relationships with existing users. In the Special Feature section, let us briefly describe some of the trade shows in which we participate.

JIMTOF (Japan International Machine Tool Fair)

JIMTOF 2014

Organized by the Japan Machine Tool Builders' Association, JIMTOF is one of the world's largest trade fairs of machine tools and peripherals, on par with the IMTS (United States) and EMO (Europe). Since it was launched in 1962 in Osaka, the show had been held every two years in Osaka and Tokyo alternately until 2000, and the 20th and subsequent shows have been held only in Tokyo. Currently, JIMTOF is held at Tokyo Big Sight, using the entire site including the east and west buildings. During the show period, various seminars are held, and around half of the visitors spend more than one day viewing the exhibition (JIMTOF 2014 had a six-day period).

Since it first participated in the 18th fair in 1996, the Company has continuously participated in JIMTOF, and the 27th fair in 2014 marked our 10th year of participation. During the fair period, onsite staff consisting of employees from all the Company's offices attend to visitors from inside and outside Japan.

We have also offered workshops at a separate room in the venue each time. At the past two events, we offered streaming video of the fair and a mini-seminar at our booth. These new attempts were received favorably.

We will continue to participate in these trade fairs, offering attractions that will satisfy visitors.



▲ NS TOOL booth ▼ NS TOOL products on display



▲ Streaming video in 2012



▲ Mini-seminar at the booth in 2014



▲ Workshop

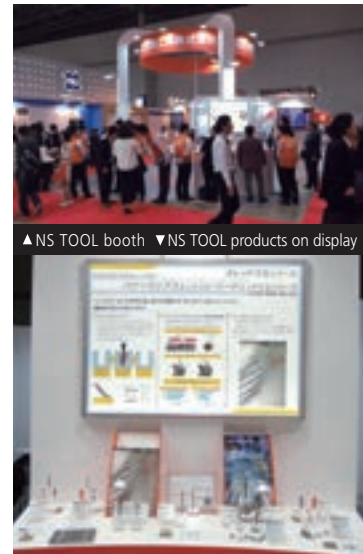
Period	Six days from Thursday, October 30, 2014 to Tuesday, November 4, 2014
Number of exhibitors	865 companies (including 254 foreign companies)
Number of visitors	136,000 (including 10,000 visitors from overseas)
Next fair	JIMTOF 2016 will be held from Thursday, November 17, 2016 to Tuesday, November 22, 2016

INTERMOLD (Exhibition on Die & Mold Manufacturing Technologies)

INTERMOLD 2015

Organized by the Japan Die & Mold Industry Association, INTERMOLD has been held every year in Osaka and Tokyo alternately since it was launched in 1990 in Osaka, except for the 2011 event which was cancelled due to the effects of the Great East Japan Earthquake.

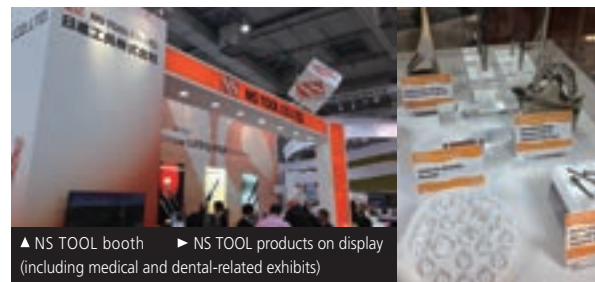
The Company first participated in INTERMOLD in 1997 and has since participated every year. Compared to JIMTOF, INTERMOLD is relatively small but specifically targets the die and mold industry in which the major users of our products operate. For that reason, this exhibition is extremely important as part of our marketing strategies. The Company employees mainly from the sales offices near the venue serve as the onsite staff to provide product advertisements and technological proposals.



▲ NS TOOL booth ▼ NS TOOL products on display

Period	Four days from Wednesday, April 15, 2015 to Saturday, April 18, 2015
Number of exhibitors	350 companies
Number of visitors	47,000
Next fair	INTERMOLD 2016/Die & Mold Asia 2016/Japan Metal Stamping Technology Exhibition 2016 will be held from Wednesday, April 20, 2016 to Saturday, April 23, 2016

EMO



▲ NS TOOL booth ▶ NS TOOL products on display (including medical and dental-related exhibits)

EMO is one of the world's largest trade fairs for the metalworking industry held every two years in Hannover, Germany or Milan, Italy.

Since it first participated in 2001, the Company has continuously participated in EMO. Participation in trade fairs held outside Japan mostly takes the form of exhibiting products to cooperate with the Company's overseas distributing agents and machine manufacturers, and the Company's overseas sales department's employees in charge of the nation where such fair is held serve as the onsite staff. Due to the scale and importance of EMO, however, the Company participates in it by contracting and installing its own booth and the entire overseas sales department is involved to provide product advertisements and technological proposals at the venue.

Period	Six days from Monday, September 16, 2013 to Saturday, September 21, 2013
Number of exhibitors	2,100 companies
Number of visitors	145,000
Next fair	EMO Milano 2015 will be held from Monday, October 5, 2015 to Saturday, October 10, 2015

Other trade shows in which NS TOOL participated during the fiscal year ended March 31, 2015

Domestic

MEDTEC JAPAN 2014, 5th Fine Process Technology Expo, 18th Mechanical Components & Materials Technology Expo
Cooperative participation: About 10 exhibitions organized by our distributing agents and machine manufacturers

Overseas

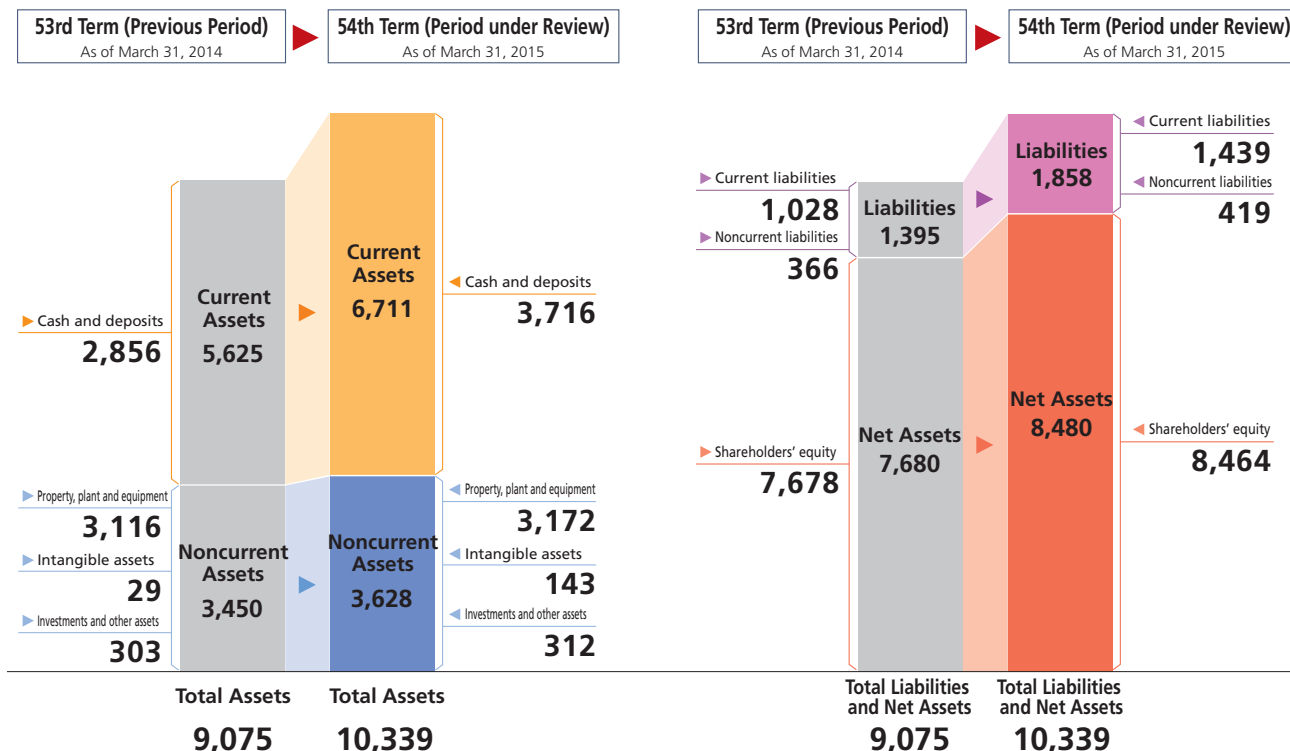
Cooperative participation: IMTS2014 (United States), DMP2014 (China), METALEX2014 (Thailand) and 20 other exhibitions

Information on the trade shows in which the Company participated is available on our Web site as well as that of the respective organizers. Many manufacturers in the machine tools industry participate in these shows to exhibit their latest products and offer up-to-date information on them. Because these fairs provide a good opportunity to better understand NS TOOL and its products, please visit any of them upon application if you have time.

Consolidated Financial Highlights

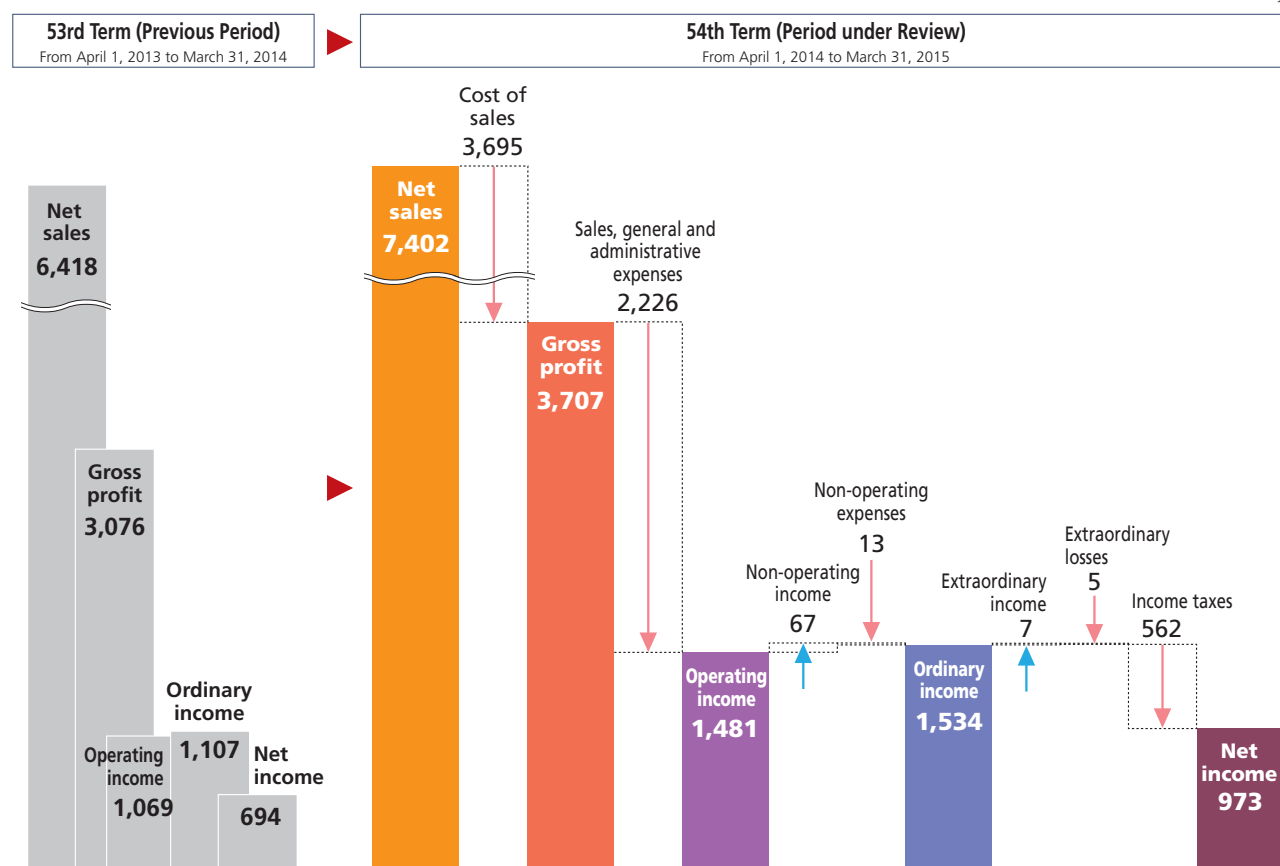
Outline of Consolidated Balance Sheets

Millions of yen



Outline of Consolidated Statements of Income

Millions of yen

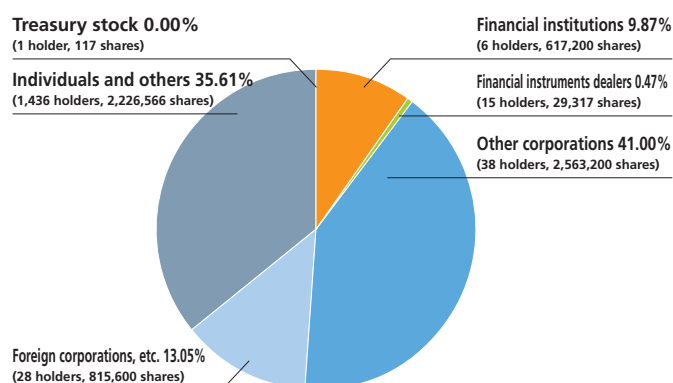


Stock Data/Corporate Data

Stock Data (as of March 31, 2015)

Number of authorized shares	9,600,000
Number of issued shares	6,252,000
Number of shareholders	1,524

Composition of Shareholders (as of March 31, 2015)



Top 10 Major Shareholders (as of March 31, 2015)

Shareholder name	Number of shares held (thousand shares)	Shareholding ratio (%)
M.Y. CORPORATION, Inc.	824	13.19
Solpty Co., Ltd.	804	12.87
TI Road Co., Ltd.	615	9.85
State Street Bank and Trust Company 505224	583	9.34
Japan Trustee Services Bank, Ltd. (trust account)	385	6.16
Hiroji Goto	187	3.00
Takashi Goto	187	3.00
Isamu Goto	187	3.00
NS TOOL Employees' Shareholding Association	143	2.30
The Master Trust Bank of Japan, Ltd. (trust account)	120	1.92

Note: The number of shares less than a thousand is truncated.

Corporate Data (as of June 26, 2015)

Company name	NS TOOL CO., LTD.
URL	http://www.ns-tool.com/
Representative	Hiroji Goto
Head office	13-5, Minamioi 1-chome, Shinagawa-ku, Tokyo
Established	December 1954
Capital	¥442,900,000
Business	Manufacture and sale of cutting tools
Products	Carbide end mills for automobiles and digital home appliances
Banks	The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mizuho Bank, Ltd.

Board of Directors and Audit & Supervisory Board Members (as of June 26, 2015)

President	Hiroji Goto
Executive Vice President	Takashi Goto
Chairman	Isamu Goto
Managing Director (General Affairs/Administrative Management)	Yuko Adachi
Director (President of G-Tech Co., Ltd.)	Masahiko Fukumoto
Director (Plant Manager)	Takashi Ono
Director serving as an Audit Supervisory Committee Member	Kazuo Fukuda
Independent director serving as an Audit Supervisory Committee Member	Masashige Tsuji
Independent director serving as an Audit Supervisory Committee Member	Yoshiteru Enomoto

Shareholder Memo

Fiscal Year	From April 1 to March 31 of the following year
General Shareholders' Meeting	1. An ordinary general meeting of shareholders is held in June every year. 2. An extraordinary general meeting of shareholders is held as needed.
Administrator of the Shareholder Registry	Manager of the Special Account Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Business Office of the Administrator	Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Contact/Mailing Address of the Administrator	Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation 10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081 0120-232-711 (toll free)
Method of Public Notice	Public notice from the Company shall be given by electronic means; provided, however, that in the event accidents or other unavoidable reasons prevent public notice by electronic means, the notice shall be given in the <i>Nihon Keizai Shimbun</i> .

Information

- (1) Various requests from the Company's shareholders, including those for change of address and purchase of shares, are basically handled by the account managers (securities firms, etc.) with which the respective shareholders hold accounts. Accordingly, contact these managers for the aforementioned services, which are not provided by the Administrator of the Shareholder Registry (Mitsubishi UFJ Trust and Banking Corporation).
- (2) Mitsubishi UFJ Trust and Banking Corporation is responsible for various procedures regarding the stocks recorded at the special account. For these procedures, contact the above-stated manager of the special account (Mitsubishi UFJ Trust and Banking Corporation) or any of its branch offices throughout Japan.
- (3) The payment of dividends receivable is conducted at any of the head and branch offices of Mitsubishi UFJ Trust and Banking Corporation.

NS TOOL Web Site

NS TOOL publishes various information on its Web site.

<http://www.ns-tool.com/english/index.html>



This Business Report is an English translation of the Business Report for shareholders in Japan.