

NS Solutions Corporation

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CONSOLIDATED FINANCIAL RESULTS (From April 1, 2013 to March 31, 2014)

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NS Solutions

- In this material, figures have been rounded down to the nearest millions of yen.
- The financial results have been translated from the Japanese Consolidated Financial Statements, which have been audited in Japan, for reference purposes only.

Contents:

Consolidated Balance Sheets	1
Consolidated Statements of Income.....	3
Consolidated Statements of Comprehensive Income	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	9
1. Nature of Operations	9
2. Basis of Presenting Consolidated Financial Statements	10
3. U.S. Dollar Amounts.....	10
4. Summary of Significant Accounting Policies	11
5. Notes to Consolidated Balance Sheets.....	16
6. Notes to Consolidated Statements of Income	17
7. Notes to Consolidated Statements of Comprehensive Income	18
8. Notes to Consolidated Statements of Changes in Net Assets.....	19
9. Notes to Consolidated Statements of Cash Flows.....	21
10. Leases	21
11. Financial Instruments	23
12. Investment Securities.....	33
13. Derivative Instruments	36
14. Retirement Benefits.....	36
15. Income Taxes.....	39
16. Application of Accounting Standards for Asset Retirement Obligations ..	40
17. Segment Information.....	41
18. Related Party Transactions.....	43
19. Per Share Information.....	45
20. Subsequent Events	45

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED BALANCE SHEETS
March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	2013	2014	(Note 3) 2014
Assets			
Current assets:			
Cash and deposits	¥3,321	¥1,971	\$19,152
Deposits paid	22,832	36,874	358,278
Notes and accounts receivable-trade	39,041	41,086	399,204
Securities	7,999	8,000	77,730
Work in process (Note 5)	12,673	17,043	165,598
Raw materials and supplies	321	226	2,202
Current portion of long-term loans receivable from subsidiaries and affiliates	—	12,000	116,595
Deferred tax assets.....	2,954	3,084	29,968
Other	1,213	1,066	10,362
Allowance for doubtful accounts	(32)	(33)	(321)
Total current assets	90,324	121,318	1,178,769
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures, net.....	13,406	12,345	119,953
Tools, furniture and fixtures, net.....	3,386	3,871	37,615
Land (Note 5)	2,778	2,778	26,995
Leased assets, net.....	628	1,969	19,140
Construction in progress.....	559	244	2,380
Other.....	1	1	11
Total property, plant and equipment (Note 5).....	20,760	21,211	206,094
Intangible assets:			
Software.....	1,396	1,497	14,546
Goodwill	2,517	2,453	23,840
Other	46	43	424
Total intangible assets	3,959	3,994	38,810
Investments and other assets:			
Investment securities (Note 5)	8,491	5,629	54,700
Long-term loans receivable from subsidiaries and affiliates	12,000	—	—
Deferred tax assets	5,711	6,377	61,961
Guarantee deposits	3,486	3,804	36,967
Other	474	521	5,070
Allowance for doubtful accounts	(86)	(68)	(669)
Total investments and other assets	30,077	16,264	158,029
Total noncurrent assets	54,797	41,469	402,934
Total assets	¥145,121	¥162,788	\$1,581,702

The accompanying notes are an integral part of these financial statements.

	Millions of yen		Thousands of U.S. dollars
			(Note 3)
	2013	2014	2014
Liabilities			
Current liabilities:			
Notes and accounts payable-trade	¥12,891	¥16,241	\$157,803
Lease obligations	75	524	5,092
Accounts payable-other	4,456	4,928	47,884
Income taxes payable	1,974	3,949	38,379
Advances received	8,258	12,020	116,797
Provision for bonuses	5,796	5,948	57,800
Provision for loss on order received (Note 5).....	302	337	3,276
Allowance for program product warranty	156	162	1,575
Other	409	379	3,687
Total current liabilities	<u>34,321</u>	<u>44,491</u>	<u>432,294</u>
Noncurrent liabilities:			
Lease obligations	604	1,623	15,774
Provision for retirement benefits	14,396	—	—
Provision for directors' retirement benefits	185	164	1,599
Net defined benefit liability.....	—	15,467	150,289
Other	41	81	796
Total noncurrent liabilities	<u>15,228</u>	<u>17,337</u>	<u>168,458</u>
Total liabilities	<u>49,550</u>	<u>61,829</u>	<u>600,752</u>
Net assets			
Shareholders' equity:			
Capital stock	12,952	12,952	125,853
Capital surplus	9,950	9,950	96,681
Retained earnings	70,544	75,496	733,547
Treasury shares	(4)	(4)	(43)
Total shareholders' equity	<u>93,443</u>	<u>98,395</u>	<u>956,038</u>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	72	133	1,300
Revaluation reserve for land (Note 5).....	(1,276)	(1,276)	(12,407)
Foreign currency translation adjustment	(3)	88	855
Total accumulated other comprehensive income	<u>(1,208)</u>	<u>(1,055)</u>	<u>(10,252)</u>
Minority interests	<u>3,335</u>	<u>3,619</u>	<u>35,164</u>
Total net assets	<u>95,571</u>	<u>100,959</u>	<u>980,950</u>
Total liabilities and net assets	<u>¥145,121</u>	<u>¥162,788</u>	<u>\$1,581,702</u>

The accompanying notes are an integral part of these financial statements.

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
For the fiscal years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
Net sales	¥172,005	¥179,953	\$1,748,480
Cost of sales (Note 6)	140,676	145,491	1,413,640
Gross profit	31,328	34,461	334,841
Selling, general and administrative expenses (Note 6)	20,196	22,043	214,181
Operating income	11,131	12,418	120,659
Non-operating income:			
Interest income	241	260	2,533
Dividends income	149	149	1,452
Gain on sales of investment securities	97	22	218
Subsidy income.....	70	91	885
Other	21	40	397
Total non-operating income	581	564	5,485
Non-operating expenses:			
Interest expenses	25	120	1,168
Share of loss of entities accounted for using equity method	2	21	207
Loss on retirement of non-current assets	27	18	179
Foreign exchange losses	9	40	391
Other	21	2	26
Total non-operating expenses	86	202	1,972
Ordinary income	11,626	12,779	124,173
Income before income taxes and minority interests	11,626	12,779	124,173
Income taxes-current	4,739	6,151	59,766
Income taxes-deferred	(76)	(830)	(8,066)
Total income taxes	4,662	5,320	51,700
Income before minority interests	6,963	7,458	72,473
Minority interests in income	370	387	3,763
Net income	¥6,592	¥7,071	\$68,710

The accompanying notes are an integral part of these financial statements.

	Yen		U.S. dollars (Note 3)
	2013	2014	2014
Net income per share	¥124.40	¥133.43	\$1.30

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the fiscal years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
Income before minority interests	¥6,963	¥7,458	\$72,473
Other comprehensive income:			
Valuation difference on available-for-sale securities	128	61	600
Foreign currency translation adjustment	24	99	967
Total other comprehensive income (Note 7)	153	161	1,568
Comprehensive income	¥7,117	¥7,620	\$74,041
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	6,743	7,224	70,199
Comprehensive income attributable to minority interests	¥373	¥395	\$3,842

The accompanying notes are an integral part of these financial statements.

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the fiscal years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	2013	2014	(Note 3) 2014
Shareholders' equity:			
Capital stock			
Balance at the beginning of current period	¥12,952	¥12,952	\$125,853
Changes of items during period			
Total changes of items during period	—	—	—
Balance at the end of current period	12,952	12,952	125,853
Capital surplus			
Balance at the beginning of current period	9,950	9,950	96,681
Changes of items during period			
Total changes of items during period	—	—	—
Balance at the end of current period	9,950	9,950	96,681
Retained earnings			
Balance at the beginning of current period	66,071	70,544	685,434
Changes of items during period			
Dividends from surplus	(2,119)	(2,119)	(20,598)
Net income	6,592	7,071	68,710
Total changes of items during period	4,472	4,951	48,113
Balance at the end of current period	70,544	75,496	733,547
Treasury shares			
Balance at the beginning of current period	(4)	(4)	(41)
Changes of items during period			
Purchase of treasury shares.....	(0)	(0)	(1)
Total changes of items during the period	(0)	(0)	(1)
Balance at the end of current period	(4)	(4)	(43)
Total shareholders' equity			
Balance at the beginning of current period	88,970	93,443	907,927
Changes of items during period			
Dividends from surplus	(2,119)	(2,119)	(20,598)
Net income	6,592	7,071	68,710
Purchase of treasury shares	(0)	(0)	(1)
Total changes of items during period	4,472	4,951	48,111
Balance at the end of current period	¥93,443	¥98,395	\$956,038

The accompanying notes are an integral part of these financial statements.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	(Note 3)
			2014
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities			
Balance at the beginning of current period	(¥56)	¥72	\$700
Changes of items during period			
Net changes of items other than shareholders' equity ...	128	61	600
Total changes of items during period	128	61	600
Balance at the end of current period	72	133	1,300
Revaluation reserve for land			
Balance at the beginning of current period	(1,276)	(1,276)	(12,407)
Changes of items during period			
Net changes of items other than shareholders' equity ...	—	—	—
Total changes of items during period	—	—	—
Balance at the end of current period	(1,276)	(1,276)	(12,407)
Foreign currency translation adjustment.....			
Balance at the beginning of current period	(25)	(3)	(33)
Changes of items during period			
Decrease (increase) in notes and accounts receivable-trade ..	21	91	888
Total changes of items during period	21	91	888
Balance at the end of current period	(3)	88	855
Total accumulated other comprehensive income			
Balance at the beginning of current period	(1,359)	(1,208)	(11,740)
Changes of items during period			
Net changes of items other than shareholders' equity ...	150	153	1,489
Total changes of items during period	150	153	1,489
Balance at the end of current period	(1,208)	(1,055)	(10,252)
Minority interests:			
Balance at the beginning of current period	3,042	3,335	32,412
Changes of items during period			
Net changes of items other than shareholders' equity	293	283	2,752
Total changes of items during period	293	283	2,752
Balance at the end of current period	3,335	3,619	35,164
Total net assets:			
Balance at the beginning of current period.....	90,654	95,571	928,599
Changes of items during period			
Dividends from surplus	(2,119)	(2,119)	(20,598)
Net income	6,592	7,071	68,710
Purchase of treasury shares	(0)	(0)	(1)
Net changes of items other than shareholders' equity	444	436	4,240
Total changes of items during period	4,917	5,388	52,351
Balance at the end of current period	¥95,571	¥100,959	\$980,950

The accompanying notes are an integral part of these financial statements.

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the fiscal years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
Net cash provided by (used in) operating activities:			
Income before income taxes and minority interests	¥11,626	¥12,779	\$124,173
Depreciation and amortization	3,219	3,740	36,346
Amortization of goodwill	165	166	1,619
Increase (decrease) in allowance for doubtful accounts	23	(17)	(165)
Increase (decrease) in provision for bonuses	33	152	1,481
Increase (decrease) in provision for retirement benefits	1,272	—	—
Increase (decrease) in net defined benefit liability.....	—	1,071	10,411
Increase (decrease) in provision for directors' retirement benefits	2	(20)	(203)
Increase (decrease) in other provision	(154)	40	389
Interest and dividends income	(391)	(410)	(3,985)
Interest expenses	25	120	1,168
Loss (gain) on sales of investment securities.....	(97)	(22)	(218)
Equity in (earnings) losses of affiliates	2	21	207
Loss on retirement of noncurrent assets.....	27	18	179
Decrease (increase) in notes and accounts receivable-trade	(4,041)	(1,981)	(19,248)
Decrease (increase) in inventories	(1,506)	(4,220)	(41,011)
Decrease (increase) in other current assets	(336)	152	1,482
Increase (decrease) in notes and accounts payable-trade ..	(990)	3,317	32,229
Increase (decrease) in other current liabilities	1,302	4,194	40,755
Other, net	3	(4)	(43)
Subtotal	10,186	19,098	185,566
Interest and dividends income received	398	409	3,983
Interest expenses paid	(25)	(120)	(1,169)
Income taxes paid	(6,063)	(4,181)	(40,632)
Net cash provided by (used in) operating activities	4,495	15,206	147,747
Net cash provided by (used in) investing activities:			
Purchase of securities	(7,998)	(3,000)	(29,149)
Proceeds from redemption of securities	11,000	6,000	58,298
Purchase of property, plant and equipment and intangible assets	(5,109)	(2,332)	(22,660)
Purchase of investment securities	(2,498)	(2,060)	(20,019)
Proceeds from sales of investment securities	116	334	3,249
Proceeds from redemption of investment securities	—	700	6,801
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(145)	(1,414)
Payments for guarantee deposits	(34)	(334)	(3,249)
Proceeds from collection of guarantee deposits	44	22	216
Other, net	(72)	(30)	(298)
Net cash provided by (used in) investing activities	(¥4,552)	(¥846)	(\$8,225)

The accompanying notes are an integral part of these financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
Net cash provided by (used in) financing activities:			
Purchase of treasury shares	(¥0)	(¥0)	(\$1)
Cash dividends paid	(2,119)	(2,119)	(20,598)
Cash dividends paid to minority shareholders	(80)	(113)	(1,105)
Repayments of lease obligations	(473)	(507)	(4,932)
Net cash provided by (used in) financing activities	(2,673)	(2,741)	(26,637)
Effect of exchange rate change on cash and cash equivalents ...	10	74	723
Net increase (decrease) in cash and cash equivalents	(2,720)	11,692	113,608
Cash and cash equivalents at beginning of period	30,872	28,152	273,538
Cash and cash equivalents at end of period (Note 9)	¥28,152	¥39,845	\$387,146

The accompanying notes are an integral part of these financial statements.

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations

NS Solutions Corporation (referred to as the “Company”) was incorporated on October 1, 1980 as Nippon Steel Computer Systems Co., Ltd., a wholly owned subsidiary of Nippon Steel Corporation. The Company changed its name in 1988 to Nippon Steel Information & Communication Systems Inc, or ENICOM. Effective April 1, 2001, the Company acquired part of the business of the Electronics & Information Systems Division of Nippon Steel (“EI Division”) and changed its name to NS Solutions Corporation on that date. On October 11, 2002, the Company was successfully listed on the First Section of the Tokyo Stock Exchange. The parent company holds 67.0% of the Company’s voting rights, as of March 31, 2014.

*On October 1, 2012, Nippon Steel Corporation and Sumitomo Metal Industries, Ltd. merged to become Nippon Steel & Sumitomo Metal Corporation.

NS Solutions Corporation and its consolidated subsidiaries (together, referred to as the “Companies”) are leading information technology solution providers in Japan. The Companies provide integrated solutions, which address their customers’ needs for both business applications and system platforms. The Companies provide end-to-end services, including system consulting, planning, design, development, deployment, operation, and maintenance, and total end-to-end outsourcing services. The Companies are proficient in providing multi-vendor and mission critical systems solutions, as well as incorporating best-of-breed products and technologies to address customer needs.

The Companies’ principal business lines are:

- Business Solutions

The Companies provide solutions for industry-specific business applications to corporate enterprises, government agencies and public organizations.

- Platform Solutions

The Companies provide solutions for system platforms including middleware, databases, operating systems, networking systems, storage systems, security systems, and services which enable systems running on diverse platforms to collaborate with each other.

- Business Services

The Companies provide system operation and maintenance services and total end-to-end outsourcing services.

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of the Companies have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Companies prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers. The rate of ¥102.92 = U.S. \$1, the effective rate of exchange prevailing at March 31, 2014, has been used in translation of yen amounts to U.S. dollar amounts. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this or any other rate.

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

4. Summary of Significant Accounting Policies

(1) Principles of consolidation

The consolidated financial statements for the fiscal year ended March 31, 2014, include the accounts of the Company and its 18 subsidiaries, as listed below:

Hokkaido NS Solutions Corporation
Tohoku NS Solutions Corporation
NS Solutions Tokyo Corporation
NS Solutions Kansai Corporation
NS Solutions Chubu Corporation
NS Solutions Nishinohon Corporation
Oita NS Solutions Corporation
NS SLC Service Corporation
NS FMC Corporation
Financial Engineering Group, Inc.
NCI Systems Integration, Inc.
Nittetsu Hitachi Systems Engineering, Inc.
NS Solutions Software (Shanghai) Co., Ltd.
NS Solutions USA Corporation
NS Solutions Asia Pacific Pte. Ltd.
Thai NS Solutions Co., Ltd.
NS Solutions IT Consulting Europe Ltd.
PALSYS Software Co., Ltd.

PALSYS Software Co., Ltd. in the scope of consolidation from forth quarter of the fiscal year ended March 31, 2014, as a result of an acquisition the shares on October, 2013.

As the deemed acquisition date was December 31, 2013, the financial results of the acquired company that included in the consolidated financial statements for the fiscal year ended March 31, 2014, is only the balance sheet.

All significant inter-company accounts and transactions and unrealized inter-group profit, if any, have been eliminated on consolidation.

The Company's overseas subsidiaries, NS Solutions Software (Shanghai) Co., Ltd., NS Solutions USA Corporation, NS Solutions Asia Pacific Pte. Ltd., Thai NS Solutions Co., Ltd., NS Solutions IT Consulting Europe Ltd., and PALSYS Software Co., Ltd. have a fiscal year ending December 31, which differ from that of the Company. These subsidiaries do not prepare financial statements at any date after December 31 or on or before March 31 in the following year. Any material transactions occurring in the period, January 1 to March 31, are adjusted for in these consolidated financial statements.

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(2) Investments in affiliates

The Company's investment in the affiliate was accounted for using the equity method for the fiscal year ended March 31, 2014 as listed below:

Hokkaido High Information Technology Center Co., Ltd.
Himawari Operation Enterprise Corporation.

(3) Translation of foreign currency

Assets and liabilities denominated in foreign currencies are translated into yen at the exchange rate prevailing at the relevant balance sheet date.

Assets, liabilities and all income and expense accounts of foreign subsidiaries are translated into Japanese yen at the exchange rate prevailing at the relevant balance sheet date. Shareholders' equity accounts of foreign subsidiaries are translated at historical rates.

The net difference arising from translation of the financial statements of the foreign subsidiary is recorded as "Foreign currency translation adjustment" in the accompanying consolidated balance sheets.

(4) Investment securities

Investment securities consist of held-to-maturity investments, available-for-sale securities with market quotation, available-for-sale securities without market quotation.

Held-to-maturity investments are valued at cost, adjusted for the amortization of premium or the accretion of discounts based on straight line method.

Available-for-sale securities with market quotation are valued at market value. Unrealized holding gains, net of tax, are recognized in "Valuation difference on available-for-sale securities" as a separate component of net assets.

Available-for-sale securities without market quotation are stated at cost.

The cost of available-for-sale securities sold is principally based on the moving average method.

(5) Inventories

Inventories are valued at cost as determined by the following methods:

Work in process..... Individual cost method, which reduces the book value of inventories based on the decrease in profitability.

Merchandise and supplies primarily, the average method, which reduces the book value of inventories based on the decrease in profitability.

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(6) Property, Plant and Equipment

Depreciation on property, plant and equipment is computed principally using the declining-balance method over the estimated useful lives of the assets. However, depreciation of buildings (excluding structures attached to the buildings) acquired on or after April 1, 1998, has been computed using the straight-line method.

(7) Intangible fixed assets

Amortization of intangible fixed assets is computed using the straight-line method over the estimated useful lives of the assets. Software costs for internal use are amortized over their estimated useful lives (less than 5 years) on a straight-line basis.

(8) Leased assets

The finance lease assets that do not transfer ownership are depreciated by the straight-line method over the lease period, with no residual value at the end of the lease period.

(9) Allowance for doubtful accounts

Receivables are required to be categorized into “normal receivables” and “doubtful receivables” for the purpose of providing an allowance for doubtful accounts under prevailing accounting practice in Japan. Allowance for normal receivables is provided based on the Companies’ historical write-off experiences. Allowance for doubtful receivables is provided based on an estimate of uncollectible amount on an individual doubtful receivables.

(10) Provision for bonuses

Provision for bonuses is provided at the estimated amount, which the Companies are obliged to pay employees after fiscal year-end, based on their service for the fiscal year ended on the relevant balance sheet date.

(11) Provision for loss on order received

Provision for loss on order received is provided based on the excess of estimated costs over contract revenue.

(12) Allowance for program product warranty

Allowance for program product warranty is provided at the estimated amount computed by the actual rate of the past expenditure.

(13) Provision for directors' retirement benefits

Provision for directors' retirement benefits of the Companies are calculated based on the Companies’ internal rules and the estimated amount, which would be payable if all directors and corporate auditors retired at the relevant balance sheet date.

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(14) Method for Accounting for Retirement benefits

(a) Method of attributing expected retirement benefits to periods

When calculating retirement benefit obligations, the straight-line method is used for attributing expected retirement benefits to periods through March 31, 2014.

(b) Method of expenses for actuarial differences and prior service costs

Actuarial gain or loss and prior service costs are charged to income or expense as incurred.

(c) Adoption of the simplified method in some consolidated subsidiaries

Some consolidated subsidiaries adopt the simplified method to determine net defined benefit liability.

(15) Revenues and costs recognition of Made-to-order-software

The Companies have been applying the percentage of completion method in case that the outcome of the construction activity is deemed certain (the degree of completion of construction is estimated by the cost-to-cost method). In other case, the Companies have been applying the completed-contract method in case that the outcome of the construction activity is deemed uncertain.

(16) Goodwill

Goodwill arising from mergers, which represents the excess of the purchase price over the fair value of net assets acquired, have been amortized on a straight line basis over the respective estimated useful lives. When its amount is not material, it is charged to expense as incurred.

(17) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturity of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(18) Accounting for consumption tax

Consumption tax is excluded from the figures of the accompanying financial statements.

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(19) Accounting standards and relevant regulations that are not yet adopted

1. Overview

- The “Accounting Standard for Retirement Benefits” (ASBJ Statement No.26, May 17, 2012)
- The “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25, May 17, 2012)

2. Scheduled date for adoption

The Companies expect to apply the revision for the calculation method of retirement benefit obligation and services costs from the fiscal year beginning on or after April 1, 2014.

3. Effects of adoption of new accounting standards and relevant regulations

Effects of the adoption of the new accounting standards and relevant regulations on consolidated financial statements when preparing those statements are currently under assessment.

(20) Change in accounting principles

(Application of Accounting Standard for Retirement Benefits)

From the year ended March 31, 2014, the Companies have applied the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and the “Implementation Guidance for the Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012) (excluding, however, the provisions found in the body text of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Implementation Guidance for the Accounting Standard for Retirement Benefits).

Under the new standard, the Company revised its method of accounting for retirement benefit obligations, recording the amount deducting the plan assets from these obligations as net defined benefit liability.

The Companies have applied the Accounting Standard for Retirement Benefits, in accordance with the provisions on transitional implementation indicated in Paragraph 37 of the Accounting Standard for Retirement Benefits.

The effect of this change was none.

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

5. Notes to Consolidated Balance Sheets

(1) Depreciation on Property, Plant and Equipment

Property, plant and equipment were recorded at cost, net of accumulated depreciation of ¥14,861 million and ¥17,597 million (\$170,984 thousand) at March 31, 2013 and 2014, respectively.

(2) Investment in non-consolidated subsidiaries and affiliates

Investment in non-consolidated subsidiaries and affiliates were ¥17 million and ¥19 million (\$188 thousand) on March 31, 2013 and 2014, respectively.

(3) Revaluation of Land

Land used for business purposes was revalued in accordance with the “Law Concerning the Revaluation of Land” as at March 31, 2000. Under the law, Japanese companies were allowed to revalue the land used for business purposes to fair value only for the limited period during the year ended March 31, 1998 to March 31, 2001. Unrealized gains and losses were charged directly to net assets, rather than to the income statement. Application of the law was voluntary, but permitted only one time during the three-year period.

The detail of the revaluation is as follows:

- Method of revaluation

The calculations were made in accordance with the “Law Concerning the Revaluation of Land”.

- Date of revaluation

The companies revalued based on the fair value as of March 31, 2000.

- The difference between the fair value and book value as of March 31, 2013 and 2014 amounted to ¥186 million and ¥186 million (\$1,813 thousand), respectively.

(4) Work in process and provision for contract loss for the same Made-to-order software

With respect to the work in process and the provision for contract loss for the same made-to-order software, the Companies are not offset but individually reported .

The amount of the provision for contract loss in the inventories offset were ¥225 million and ¥251 million (\$2,444 thousand) on March 31, 2013 and 2014, respectively.

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

6. Notes to Consolidated Statements of Income

(1) Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the fiscal years ended March 31, 2013 and 2014 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
Salaries and allowances	¥ 7,333	¥ 7,749	\$ 75,299
Provision for bonuses.....	1,111	1,152	11,200
Retirement benefit expenses	654	669	6,502
Provision for directors' retirement benefits.....	30	28	273
Depreciation and amortization	139	125	1,223
Amortization of goodwill.....	165	166	1,619
Business consignment expenses	1,961	2,699	26,229
Operating expense for acceptance of orders	3,113	3,635	35,321
Provision of allowance for doubtful accounts	¥ 15	¥ 0	\$ 1

(3) Research and Development Costs

Research and development costs are charged to expense as incurred. The expense was recorded as general and administrative expenses and manufacturing costs for the fiscal years ended March 31, 2013 and 2014 amounting to ¥1,531 million and ¥1,488 million (\$14,464 thousand), respectively.

(4) Provision for loss on order received

Provision for loss on order received was recorded as Cost of sales for the fiscal years ended March 31, 2013 and 2014 amounting to ¥302 million and ¥337 million (\$3,276 thousand), respectively.

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

7. Notes to Consolidated Statements of Comprehensive Income

Amount of recycling and amount of income tax effect associated with other comprehensive income for the fiscal year ended March 31, 2013 and 2014 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
Valuation difference on available-for-sale securities:			
Amount recognized in the period under review	¥ 297	¥ 118	\$ 1,149
Amount of recycling	(97)	(22)	(217)
Before income tax effect adjustment.....	200	95	933
Amount of income tax effect	(71)	(34)	(332)
Valuation difference on available-for-sale securities	128	61	600
Foreign currency translation adjustment:			
Amount recognized in the period under review	24	99	967
Amount of recycling	—	—	—
Before income tax effect adjustment.....	24	99	967
Amount of income tax effect	—	—	—
Foreign currency translation adjustment.....	24	99	967
Total other comprehensive income	¥ 153	¥ 161	\$ 1,568

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

8. Notes to Consolidated Statements of Changes in Net Assets
(For the fiscal year ended March 31, 2013)

(1) Information on issued shares

The number of shares as follows:

Kind of stock	As of March 31, 2012	Increase	Decrease	As of March 31, 2013
Common stock	52,999,120	—	—	52,999,120

(2) Information on treasury shares

The number of shares as follows:

Kind of stock	As of March 31, 2012	Increase	Decrease	As of March 31, 2013
Common stock	1,521	33	—	1,554

(Reason for increase or decrease treasury shares)

• Increase

Odd lot shares purchases: 33

(3) Information on acquisition rights

None

(4) Information on dividends

The Company paid cash dividends as follows:

Date of board resolution	Class of stock	Total dividend amount	Dividend per share	Reference date	Effective date
May 15, 2012	Common stock	¥1,059 million	¥20.00	March 31, 2012	June 1, 2012
October 26, 2012	Common stock	¥1,059 million	¥20.00	September 30, 2012	December 4, 2012

Approval of dividends payments for which the record date is in the fiscal year and effective date is in the following fiscal year is planned as follows:

Date of board resolution	Class of stock	Source of dividends	Total dividend amount	Dividend per share	Reference date	Effective date
May 14, 2013	Common stock	Retained earnings	¥1,059 million	¥20.00	March 31, 2013	June 3, 2013

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(For the fiscal year ended March 31, 2014)

(1) Information on issued shares

The number of shares as follows:

Kind of stock	As of March 31, 2013	Increase	Decrease	As of March 31, 2014
Common stock	52,999,120	—	—	52,999,120

(2) Information on treasury shares

The number of shares as follows:

Kind of stock	As of March 31, 2013	Increase	Decrease	As of March 31, 2014
Common stock	1,554	75	—	1,629

(Reason for increase or decrease treasury shares)

• Increase

Odd lot shares purchases: 75

(3) Information on acquisition rights

None

(4) Information on dividends

The Company paid cash dividends as follows:

Date of board resolution	Class of stock	Total dividend amount	Dividend per share	Reference date	Effective date
May 14, 2013	Common stock	¥1,059 million	¥20.00	March 31, 2013	June 3, 2013
October 29, 2013	Common stock	¥1,059 million	¥20.00	September 30, 2013	December 3, 2013

Approval of dividends payments for which the record date is in the fiscal year and effective date is in the following fiscal year is planned as follows:

Date of board resolution	Class of stock	Source of dividends	Total dividend amount	Dividend per share	Reference date	Effective date
May 13, 2014	Common stock	Retained earnings	¥1,059 million	¥20.00	March 31, 2014	June 2, 2014

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

9. Notes to Consolidated Statements of Cash Flows

(1) Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2013 and 2014 were as follows:

March 31,	Millions of yen		Thousands of U.S.
	2013	2014	dollars (Note 3)
Cash and deposits	¥ 3,321	¥ 1,971	\$ 19,152
Deposits paid	22,832	36,874	358,278
Securities (maturing in less than three months from acquisition date)...	1,999	1,000	9,716
Cash and cash equivalents	¥ 28,152	¥ 39,845	\$ 387,146

(2) Non-Cash investing and financing transactions

Assets and liabilities related to finance lease transactions newly recognized for the fiscal year ended March 31, 2014, were ¥1,882 million (\$18,291 thousand) and ¥1,976 million (\$19,205 thousand), respectively.

10. Leases

(1) Finance lease transactions

Leased assets, and related expenses in respect of the Companies' finance leases, other than those which transfer ownership of the leased assets, are accounted for using a method similar to that used for operating leases.

Depreciation is computed using the straight-line method over the lease period of leased assets, with no residual value at the end of the lease period. The interest expense portion is determined by subtracting an amount equivalent to the acquisition cost from the total lease fee. Total interest payments over the lease period are allocated to each period using the interest method.

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(2) Operating lease transactions

(Leases as lessee)

Operating lease payments under non-cancelable lease contracts at March 31, 2013 and 2014 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
Within one year	¥ 1,380	¥ 1,593	\$ 15,483
Over one year	771	5,506	53,500
Total	¥ 2,151	¥ 7,099	\$ 68,983

(Leases as lessor)

Future minimum lease obligations under non-cancellable operating leases at March 31, 2013 and 2014 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
Within one year	¥ 20	¥ 22	\$ 222
Over one year	11	38	374
Total	¥ 31	¥ 61	\$ 596

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

11. Financial Instruments

(For the fiscal year ended March 31, 2013)

1. Status of financial instruments

(1) Management policy

The Companies are mainly financed by their own funds for operating funds, and manage fund surpluses through financial assets that have high levels of safety.

(2) Financial instruments, risk, and risk management

“Notes and accounts receivable-trade” is exposed to credit risk in relation to customers and trading partners. For such risk, pursuant to criteria for managing credit exposure, the Companies have systems enabling the management of due dates and balances of each customer and trading partner as well as the regularly analysis of credit status.

“Deposits paid” is deposited to the Parent Company’s Group, based on fund policy.

“Securities” is mainly "held-to-maturity debt securities" and there is little credit risk because the Companies invest in only securities which are high credit ratings based on fund policy.

“Investment securities”, which is mainly stock in relation to customers and trading partners for the purpose of the partnership business and capital alliance, is exposed to credit risk and market price fluctuation risk. For such risk, the Companies continuously review the analysis of fair value, customer’s financial situation, and relation to customers.

“Long-term loans receivable from subsidiaries and affiliates” is loaned to Parent Company, based on fund policy.

Almost of “Notes and accounts payable-trade” and “Accounts payable-other” have payment due dates within three months. “Lease obligations” related to finance lease transactions have no fluctuation risk because it adopts fix interest rate.

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

2. Fair value of financial instruments

The carrying amounts on the consolidated balance sheets, fair value, and differences as of March 31, 2013 were as follows. In addition, financial instruments, of which it is extremely difficult to measure the fair value, were not included (Please see “Note2. Financial instruments of which the fair value is extremely difficult to measure”).

March 31, 2013	Millions of yen		
	Carrying amount	Fair value	Differences
Assets:			
(1) Cash and deposits.....	¥ 3,321	¥ 3,321	¥ —
(2) Deposits paid.....	22,832	22,832	—
(3) Notes and accounts receivable-trade.....	39,041	39,041	—
(4) Securities and Investment securities:			
①Held-to-maturity debt securities.....	10,999	10,994	(5)
②Marketable and investment securities	696	696	—
(5) Long-term loans receivable from subsidiaries and affiliates.....	12,000	12,110	110
Total.....	¥ 88,890	¥ 88,996	¥ 105
Liabilities:			
(6) Notes and accounts payable-trade.....	12,891	12,891	—
(7) Accounts payable-other	4,456	4,456	—
(8) Income taxes payable	1,974	1,974	—
(9) Deposits received	404	404	—
(10) Lease obligations(*)	599	640	40
Total.....	¥ 20,326	¥ 20,367	¥ 40

*Lease obligations calculated by the simplified method (¥80 million) were excluded.

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note1. Fair value measurement of financial instruments

- (1) Cash and deposits, (2) Deposits paid, and (3) Notes and accounts receivable-trade

The carrying amount approximates fair value because of the short maturity of these instruments.

- (4) Securities and Investment securities

The fair value of equity securities equals quoted market price or the price provided by a financial institution. The fair value of debt security approximates fair value because of the short maturity of these instruments.

(Please see “Note 12. Investment Securities”)

- (5) Long-term loans receivable from subsidiaries and affiliates

The fair value of “Long-term loans receivable from subsidiaries and affiliates” is estimated based on the discounted amounts of future cash flows using appropriate measures in which credit spread is added.

- (6) Notes and accounts payable-trade, (7) Accounts payable-other, (8) Income taxes payable, (9) Deposits received

The carrying amount approximates fair value because of the short maturity of these instruments.

- (10) Lease obligations

Fair value equals to the present value of future cash flows discounted using the current interest rate for similar lease contracts of comparable maturities and contract conditions.

Note2. Financial instruments of which the fair value is extremely difficult to measure

	Millions of yen
March 31,	2013
Non listed securities.....	¥ 4,711
Investment in funds.....	82
Guarantee deposits.....	¥ 3,486

It is recognized that these do not have market values and that it is extremely difficult to estimate future cash flows.

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note3. The redemption schedule for monetary assets and held-to-maturity debt securities after the balance sheet date

March 31,	Millions of yen
	2013
Within one year	
Cash and deposits.....	¥ 3,321
Deposits paid	22,832
Notes and accounts receivable-trade.....	39,041
Securities and Investment securities	
Held-to-maturity debt securities	
(Government bond)	—
Held-to-maturity debt securities	
(Corporate bond)	3,000
Held-to-maturity debt securities	
(Commercial paper)	999
Held-to-maturity debt securities	
(Cash in trust)	3,000
Held-to-maturity debt securities	
(Certificate of deposit)	1,000
Over one year within five years	
Held-to-maturity debt securities	
(Corporate bond)	3,000
Long-term loans receivable from	
subsidiaries and affiliates	¥ 12,000

Note4. The repayment schedule for lease obligations after the balance sheet date

March 31,	Millions of yen
	2013
Within one year	¥ 75
Over one year within two years	50
Over two years within three years	41
Over three years within four years	38
Over four years within five years	36
Over five years	¥ 438

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(For the fiscal year ended March 31, 2014)

1. Status of financial instruments

(1) Management policy

The Companies are mainly financed by their own funds for operating funds, and manage fund surpluses through financial assets that have high levels of safety.

(2) Financial instruments, risk, and risk management

A Part of the cash and cash equivalent is a foreign currency account and is exposed to foreign currency risk.

“Notes and accounts receivable-trade” is exposed to credit risk in relation to customers and trading partners. For such risk, pursuant to criteria for managing credit exposure, the Companies have systems enabling the management of due dates and balances of each customer and trading partner as well as the regularly analysis of credit status.

“Deposits paid” is deposited to the Parent Company, based on fund policy.

“Securities” is mainly "held-to-maturity debt securities" and there is little credit risk because the Companies invest in only securities which are high credit ratings based on fund policy.

“Investment securities”, which is mainly stock in relation to customers and trading partners for the purpose of the partnership business and capital alliance, is exposed to credit risk and market price fluctuation risk. For such risk, the Companies continuously review the analysis of fair value, customer’s financial situation, and relation to customers.

“Current portion of long-term loans receivable from subsidiaries and affiliates” is loaned to Parent Company, based on fund policy.

Almost of “Notes and accounts payable-trade” and “Accounts payable-other” have payment due dates within three months. “Lease obligations” related to finance lease transactions have no fluctuation risk because it adopts fix interest rate.

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

2. Fair value of financial instruments

The carrying amounts on the consolidated balance sheets, fair value, and differences as of March 31, 2014 were as follows. In addition, financial instruments, of which it is extremely difficult to measure the fair value, were not included (Please see “Note2. Financial instruments of which the fair value is extremely difficult to measure”).

March 31, 2014	Millions of yen		
	Carrying amount	Fair value	Differences
Assets:			
(1) Cash and deposits	¥ 1,971	¥ 1,971	¥ —
(2) Deposits paid	36,874	36,874	—
(3) Notes and accounts receivable-trade	41,086	41,086	—
(4) Securities and Investment securities:			
①Held-to-maturity debt securities	8,300	8,299	(0)
②Marketable and investment securities	486	486	—
(5) Current portion of long-term loans receivable from subsidiaries and affiliates	12,000	12,000	—
Total	¥ 100,717	¥ 100,716	(¥ 0)
Liabilities:			
(6) Notes and accounts payable-trade	16,241	16,241	—
(7) Accounts payable-other	4,928	4,928	—
(8) Income taxes payable	3,949	3,949	—
(9) Lease obligations(*)	2,042	2,075	32
Total	¥ 27,161	¥ 27,194	¥ 32

*Lease obligations calculated by the simplified method (¥104 million) were excluded.

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2014	Thousands of U.S. dollars (Note 3)		
	Carrying amount	Fair value	Differences
Assets:			
(1) Cash and deposits	\$ 19,152	\$ 19,152	\$ —
(2) Deposits paid.....	358,278	358,278	—
(3) Notes and accounts receivable-trade.....	399,204	399,204	—
(4) Securities and Investment securities:			
①Held-to-maturity debt securities.....	80,645	80,641	(4)
②Marketable and investment securities	4,724	4,724	—
(5) Current portion of long-term loans receivable from subsidiaries and affiliates	116,595	116,595	—
Total.....	\$ 978,598	\$ 978,594	(\$ 4)
Liabilities:			
(6) Notes and accounts payable-trade	157,803	157,803	—
(7) Accounts payable-other	47,884	47,884	—
(8) Income taxes payable	38,379	38,379	—
(9) Lease obligations (*)	19,847	20,166	319
Total.....	\$ 263,913	\$ 264,232	\$ 319

*Lease obligations calculated by the simplified method (\$1,019 thousand) were excluded.

Note 1. Fair value measurement of financial instruments

(1) Cash and deposits, (2) Deposits paid, and (3) Notes and accounts receivable-trade
The carrying amount approximates fair value because of the short maturity of these instruments.

(4) Securities and Investment securities

The fair value of equity securities equals quoted market price or the price provided by a financial institution. The fair value of debt security approximates fair value because of the short maturity of these instruments.

(Please see “Note 12. Investment Securities”)

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(5) Current portion of long-term loans receivable from subsidiaries and affiliates

The fair value of “Current portion of long-term loans receivable from subsidiaries and associates” is estimated based on the discounted amounts of future cash flows using appropriate measures in which credit spread is added.

(6) Notes and accounts payable-trade, (7) Accounts payable-other, (8) Income taxes payable

The carrying amount approximates fair value because of the short maturity of these instruments.

(10) Lease obligations

Fair value equals to the present value of future cash flows discounted using the current interest rate for similar lease contracts of comparable maturities and contract conditions.

Note2. Financial instruments of which the fair value is extremely difficult to measure

March 31,	Millions of yen	Thousands of U.S.
	2014	dollars (Note 3) 2014
Non listed securities.....	¥ 4,770	\$ 46,353
Investment in funds.....	72	706
Guarantee deposits.....	¥ 3,804	\$ 36,967

It is recognized that these do not have market values and that it is extremely difficult to estimate future cash flows.

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note3. The redemption schedule for monetary assets and held-to-maturity debt securities after the balance sheet date

March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
	2014	2014
Within one year		
Cash and deposits.....	¥ 1,971	\$ 19,152
Deposits paid	36,874	358,278
Notes and accounts receivable-trade.....	41,086	399,204
Securities and Investment securities		
Held-to-maturity debt securities		
(Government bond)	—	—
Held-to-maturity debt securities		
(Corporate bond)	6,000	58,298
Held-to-maturity debt securities		
(Cash in trust)	1,000	9,716
Held-to-maturity debt securities		
(Certificate of deposit)	1,000	9,716
Current portion of long-term loans receivable from subsidiaries and affiliates.....	12,000	116,595
Over one year within five years		
Held-to-maturity debt securities		
(Corporate bond)	300	2,915

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note4. The repayment schedule for lease obligations after the balance sheet date

March 31,	Millions of yen	Thousands of U.S.
	2014	dollars (Note 3) 2014
Within one year	¥ 524	\$ 5,092
Over one year within two years	547	5,321
Over two years within three years	579	5,627
Over three years within four years	48	474
Over four years within five years	44	430
Over five years	¥ 403	\$ 3,922

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

12. Investment Securities

Investment securities as of March 31, 2013 and 2014 were as follows:

(As of March 31, 2013)

(1) Held-to-maturity debt securities

Held-to-maturity debt securities for which carrying amount did not exceed fair value as of March 31, 2013 were as follows:

March 31, 2013	Millions of yen		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Government bond.....	¥ —	¥ —	¥ —
Corporate bond.....	6,000	5,995	(5)
Commercial paper	999	999	—
Cash in trust	3,000	3,000	—
Certificate of deposit.....	1,000	1,000	—
Total.....	¥ 10,999	¥ 10,994	(¥ 5)

(2) Marketable and investment securities

Marketable and investment securities for which carrying amount exceeded or else not exceeded fair value as of March 31, 2013 were as follows:

March 31, 2013	Millions of yen		
	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities (gains)	¥ 696	¥ 625	¥ 70
Equity securities (losses)	—	—	—
Total.....	¥ 696	¥ 625	¥ 70

Because it is recognized that Non listed securities and Investment in funds did not have market values and that the market values were extremely difficult to determine, they were not included in the chart above.

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(3) Other securities sold

Other securities sold for the fiscal year ended March 31, 2013 were as follows:

March 31, 2013	Millions of yen		
	Amount of sale	Total gain on sale	Total loss on sale
Equity securities	¥ 116	¥ 97	¥ —
Total.....	¥ 116	¥ 97	¥ —

(As of March 31, 2014)

(1) Held-to-maturity debt securities

Held-to-maturity debt securities for which carrying amount did not exceed fair value as of March 31, 2014 were as follows:

March 31, 2014	Millions of yen		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Government bond.....	¥ —	¥ —	¥ —
Corporate bond.....	6,300	6,299	(0)
Commercial paper	—	—	—
Cash in trust	1,000	1,000	—
Certificate of deposit.....	1,000	1,000	—
Total.....	¥ 8,300	¥ 8,299	(¥ 0)

March 31, 2014	Thousands of U.S. dollars (Note 3)		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Government bond.....	\$ —	\$ —	\$ —
Corporate bond.....	61,213	61,208	(4)
Commercial paper	—	—	—
Cash in trust	9,716	9,716	—
Certificate of deposit.....	9,716	9,716	—
Total.....	\$ 80,645	\$ 80,641	(\$ 4)

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(2) Marketable and investment securities

Marketable and investment securities for which carrying amount exceeded or else not exceeded fair value as of March 31, 2014 were as follows:

March 31, 2014	Millions of yen		
	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities (gains)	¥ 449	¥ 325	¥ 123
Equity securities (losses)	36	59	(22)
Total.....	¥ 486	¥ 385	¥ 100

March 31, 2014	Thousands of U.S. dollars (Note 3)		
	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities (gains)	\$ 4,366	\$ 3,167	\$ 1,200
Equity securities (losses)	357	578	(221)
Total.....	\$ 4,724	\$ 3,745	\$ 979

Because it is recognized that Non listed securities and Investment in funds did not have market values and that the market values were extremely difficult to determine, they were not included in the chart above.

(3) Other securities sold

Other securities sold for the fiscal year ended March 31, 2014 were as follows:

March 31, 2014	Millions of yen		
	Amount of sale	Total gain on sale	Total loss on sale
Equity securities	¥ 322	¥ 22	¥ —
Total.....	¥ 322	¥ 22	¥ —

March 31, 2014	Thousands of U.S. dollars (Note 3)		
	Amount of sale	Total gain on sale	Total loss on sale
Equity securities	\$ 3,133	\$ 217	\$ —
Total.....	\$ 3,133	\$ 217	\$ —

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

13. Derivative Instruments

None

14. Retirement Benefits

(For the fiscal year ended March 31, 2013)

The Company and its consolidated domestic subsidiaries have unfunded defined benefit plans covering substantially all employees. In addition, the Company and certain consolidated subsidiaries have defined contribution pension plans covering all employees.

The projected benefit obligations at March 31, 2013 were ¥14,396 million. Accrued employees' retirement benefits are equal to the projected benefit obligation since there are no balances in plan assets and unrecognized items.

The net periodic pension costs for the fiscal years ended March 31, 2013 were as follows:

March 31,	Millions of yen 2013
Service costs.....	¥ 1,164
Interest costs.....	204
Amortization of actual gain (loss).....	509
Amortization of prior service costs.....	—
Accrued employees' retirement benefits.....	¥ 1,877
Costs of defined contribution pension plan.....	503
Total.....	¥ 2,381

The assumptions used in the actuarial computation for the fiscal years ended March 31, 2013 were as follows:

March 31,	2013
Method of attributing the projected benefits to periods of service.....	Straight line basis
Discount rate.....	1.30~1.40%
Period of amortization of unrecognized actuarial gain or loss	1 year
Period of amortization of prior service benefits	1 year

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(For the fiscal year ended March 31, 2014)

(1) Summary of a retirement benefit scheme

The Company and its consolidated domestic subsidiaries have unfunded defined benefit plans covering substantially all employees. In addition to the plans, an extra retirement payment may be provided. Some consolidated subsidiaries adopt the simplified method to determine net defined benefit liability.

The Company and its certain consolidated subsidiaries have defined contribution pension plans. In addition, some consolidated subsidiaries have subscribed to the employees' pension fund by multi-employer plans.

(2) Defined benefit plan

The adjustment sheet of retirement benefit obligations (excluding simplified method)

March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
	2014	2014
Retirement benefit obligations, beginning of year....	¥ 13,329	\$ 129,511
Service costs.....	1,050	10,210
Interest costs.....	185	1,801
Accrued of the actuarial gain or loss.....	569	5,536
Payment of retirement benefits.....	(879)	(8,549)
Accrued of the prior service cost.....	—	—
Other.....	—	—
Retirement benefit obligations, ending of year.....	¥ 14,255	\$ 138,509

The adjustment sheet of net defined benefit liability that calculated by the simplified method

March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
	2014	2014
Net defined benefit liability, beginning of year.....	¥ 1,066	\$ 10,367
Retirement benefit expense.....	179	1,743
Payment of retirement benefits.....	(33)	(330)
Net defined benefit liability, ending of year.....	¥ 1,212	\$ 11,781

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The adjustment sheet that ending balance of retirement benefit obligations and pension assets, amount of net defined benefit liability and asset

March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
	2014	2014
Unfunded retirement obligations.....	¥ 15,467	\$ 150,289
Net amount of liabilities and assets on the the consolidated balance sheet.....	¥ 15,467	\$ 150,289
Net defined benefit liability.....	¥ 15,467	\$ 150,289
Net defined benefit asset.....	—	—
Net amount of liabilities and assets on the the consolidated balance sheet.....	¥ 15,467	\$ 150,289

*Net defined benefit liability calculated by the simplified method is included.

Break down of retirement benefit expenses

March 31,	Millions of yen	Thousands of U.S. dollars (Note 3)
	2014	2014
Service costs.....	¥ 1,050	\$ 10,210
Interest costs.....	185	1,801
Amortization of actual gain (loss).....	569	5,536
Amortization of prior service costs.....	—	—
Retirement benefit expense calculated by the simplified method.....	179	1,743
Other.....	—	—
Retirement benefit expense of defined benefit plan.....	¥ 1,985	\$ 19,290

The assumptions used in the actuarial computation for the fiscal years ended March 31, 2014 were as follows:

March 31,	2014
Discount rate.....	1.20%

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(3) Defined contribution plan

Annual contribution to the defined contribution plan (included the employees' pension fund by multi -employer plans) at March 31, 2014 were ¥510 million (\$4,957 thousand).

15. Income Taxes

The Company and its domestic consolidated subsidiaries were subject to several types of taxes based on income, which in aggregate resulted in a statutory tax rate of approximately 38.0% for the fiscal years ended March 31, 2013 and 2014.

Foreign consolidated subsidiaries are subject to income and other taxes based on tax rates applicable in their countries of incorporation.

At the fiscal years ended March 31, 2013 and 2014, the significant components of deferred tax assets were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
Deferred tax assets:			
Provision for retirement benefits	¥ 5,140	¥ —	\$ —
Net defined benefit liability	—	5,523	53,669
Provision for bonuses	2,222	2,142	20,821
Amortization of software costs	457	791	7,691
Accrued enterprise tax	212	316	3,078
Elimination of unrealized profits on consolidation.....	140	177	1,728
Others	695	758	7,368
Subtotal deferred tax assets.....	8,869	9,710	94,354
Valuation allowance	(163)	(175)	(1,704)
Total deferred tax assets	¥ 8,705	¥ 9,535	\$ 92,650
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(39)	(74)	(720)
Total deferred tax liabilities.....	(¥ 39)	(¥ 74)	(\$ 720)
Net deferred tax assets.....	¥ 8,665	¥ 9,461	\$ 91,930

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

At the fiscal years ended March 31, 2013 and 2014, the significant differences between the statutory tax rate and the company's effective tax rate was as follows:

March 31,	Percent	
	2013	2014
Effective statutory tax rate	38.0%	38.0%
Adjustments:		
Non-deductible expenses	1.9	1.7
Dividend income not taxable.....	(0.2)	(0.2)
Inhabitants tax per capita.....	0.4	0.4
Amortization of goodwill.....	0.5	0.5
Tax deductions.....	(0.9)	(0.9)
Decrease in deferred tax assets due to tax rate changes.....	—	1.6
Others.....	0.4	0.6
Effective income tax rate.....	40.1%	41.6%

Cabinet order for the Partial Revision of the cabinet order of special corporate tax for reconstruction was promulgated on March 31, 2014, and as such, special corporate tax for reconstruction will not be imposed for fiscal years beginning on or after April 1, 2014.

In line with the change, the effective statutory tax rate used to calculate deferred tax assets and liabilities will be changed from 38.0% to 35.6% for deductible temporary differences in fiscal years beginning on or after April 1, 2014.

As a result of this change, deferred tax assets (net of deferred tax liabilities) decreased by ¥202 million (\$1,967 thousand), income taxes-deferred at fiscal year-end increased by ¥202 million (\$1,967 thousand).

16. Application of Accounting Standards for Asset Retirement Obligations

The Companies have obligations to restore original conditions mainly to the corporate head quarter buildings under the rental contracts. However, the useful period of those are unclear and the Companies have no relocation plan. Therefore, it is difficult to estimate the asset retirement obligations reasonably, and the asset retirement obligations were not recorded at the period ended March 31, 2013 and 2014.

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

17. Segment Information

(For the fiscal year ended March 31, 2013 and 2014)

(1) Segment information

The Companies respond to customer needs through the supply of a variety of information services ranging from information system planning through software development, hardware selection, system operation and system support. Based on the similarities in the type and nature of business, the Companies' business constitutes a single segment and accordingly, industry segment information was not disclosed.

(2) Related information

① Sales of each business line

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
Business Solutions	¥ 95,875	¥ 107,678	\$ 1,046,237
Platform Solutions	18,617	21,303	206,989
Business Services	57,513	50,971	495,254
Total	¥ 172,005	¥ 179,953	\$ 1,748,480

② Geographic segment information

1) Sales

The domestic proportion in relation to all segments was in excess of 90% in terms of net sales. Accordingly, geographic segment information was not separately disclosed.

2) Property, Plant and Equipment

Property, plant and equipment information by geographic segment was not separately disclosed since property, plant and equipment in Japan accounted for over 90% of property, plant and equipment on the consolidated balance sheets.

③ Information by major customers

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
Nippon Steel & Sumitomo Metal Corporation ..	¥ 30,818	¥ 29,648	\$ 288,074

*On October 1, 2012, Nippon Steel Corporation and Sumitomo Metal Industries, Ltd. merged to become Nippon Steel & Sumitomo Metal Corporation. Accordingly, figures until the Second Quarter of the fiscal year 2012 indicate sales to Nippon Steel Corporation, and figures from the Third Quarter of the fiscal year indicate sales to Nippon steel & Sumitomo Metal Corporation.

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(3) Information on impairment loss in noncurrent assets by business segment

None

(4) Information on amortization of goodwill and unamortized balance by business segment

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2014	2014
Amortization of goodwill.....	¥ 165	¥ 166	\$ 1,619
Balance at end of period	¥ 2,517	¥ 2,453	\$ 23,840

(5) Information on negative goodwill by business segment

None

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

18. Related Party Transactions

Related party transactions during the years ended March 31, 2013 and 2014 were as follows:

(1) Parent company

March 31,	2013	2014
Name of the company	Nippon Steel & Sumitomo Metal Corporation	Nippon Steel & Sumitomo Metal Corporation
Address.....	Chiyoda-ku Tokyo	Chiyoda-ku Tokyo
Common stock amount.....	¥ 419,524 million	¥ 419,524 million
Type of business	Manufacturing and selling steel products	Manufacturing and selling steel products
Equity share percentage of the Company	67% (direct)	67% (direct)
Relationship.....	Sales of systems integration services, Loan, Directors and auditors who have a position in both companies	Sales of systems integration services, Deposit of funds ,Loan, Directors and auditors who have a position in both companies
Transaction amounts:		
Sales of systems integration services.....	¥ 29,343 million	¥ 28,095 million (\$ 272,986 thousand)
Money deposited.....	—	¥ 59,571 million (\$ 578,809 thousand)
Money refunded.....	—	¥ 45,601 million (\$ 443,072 thousand)
Interest income of deposits	—	¥ 71 million (\$ 699 thousand)
Interest income of loans	¥ 127 million	¥ 126 million (\$ 1,224 thousand)
Balances at fiscal year-end:		
Accounts receivable	¥ 2,827 million	¥ 2,419 million (\$ 23,509 thousand)
Advanced receipts.....	¥ 3,685 million	¥ 6,054 million (\$ 58,823 thousand)
Long-term loans receivable from subsidiaries and affiliates	¥ 12,000 million	—
Deposited money.....	—	¥ 36,874 million (\$ 358,278 thousand)
Current portion of long-term loans receivable from subsidiaries and affiliates.....	—	¥ 12,000 million (\$ 116,595 thousand)

* The terms and conditions applicable to the above transactions were determined on an arm's length basis and with reference to normal market prices.

*On October 1, 2012, Nippon Steel Corporation and Sumitomo Metal Industries, Ltd. merged to become Nippon Steel & Sumitomo Metal Corporation. Accordingly, figures until the Second Quarter of the fiscal year 2012 indicate transaction amounts to Nippon Steel Corporation, and figures from the Third Quarter of the fiscal year indicate transaction amounts to Nippon Steel & Sumitomo Metal Corporation.

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(2) Subsidiary of Nippon Steel & Sumitomo Metal Corporation

March 31,	2013	2014
Name of the company	Nittetsu Finance Co., Ltd	—
Address.....	Chiyoda-ku Tokyo	—
Common stock amount.....	¥ 1,000 million	—
Type of business.....	Financing	—
Relationship	Deposit of funds	—
Transaction amounts:		
Interest income.....	¥ 41 million	—
Money deposited.....	¥ 27,400 million	—
Money refunded.....	¥ 28,000 million	—
Balances at fiscal year-end:		
Deposited money	¥ 22,832 million	—

* The terms and conditions applicable to the above transactions were determined on an arm's length basis and with reference to normal market prices.

March 31,	2013	2014
Name of the company	Nippon Steel & Sumikin Engineering Co., Ltd	—
Address.....	Shinagawa-ku Tokyo	—
Common stock amount.....	¥ 15,000 million	—
Type of business.....	Manufacturing and marketing of industrial machinery and equipment as well as steel structures, performance of construction work under contract, waste processing and recycling, and supplying electricity, gas, and heat	—
Relationship	Data center construction	—
Transaction amounts:		
Data center construction.....	¥ 2,451 million	—

* The terms and conditions applicable to the above transactions were determined on an arm's length basis and with reference to normal market prices.

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

19. Per Share Information

March 31,	yen		U.S. dollars
	2013	2014	(Note 3) 2014
Net assets per share.....	¥ 1,740.37	¥ 1,836.70	\$ 17.85
Net income per share.....	¥ 124.40	¥ 133.43	\$ 1.30

(Notes) The basis for calculating net income per share were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2014	(Note 3) 2014
Net income.....	¥ 6,592	¥ 7,071	\$ 68,710
Net income attributable to common stock.....	¥ 6,592	¥ 7,071	\$ 68,710
The average number of common stocks (shares).....	52,997,572	52,997,522	

20. Subsequent Events

There have been no material events subsequent to March 31, 2014.