

NS Solutions Corporation

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February 9, 2015

CONSOLIDATED FINANCIAL RESULTS (From April 1, 2014 to December 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.
- In the event of any discrepancy between the audited Japanese version and the English translation, the audited Japanese version will prevail.

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

	Millions of yen		Thousands of U.S. dollars
	Mar. 31, 2014	Dec. 31, 2014	(Note 2) Dec. 31, 2014
Assets			
Current assets:			
Cash and deposits	¥1,971	¥24,988	\$207,285
Deposits paid	36,874	21,761	180,520
Notes and accounts receivable-trade	41,086	32,707	271,321
Securities.....	8,000	4,300	35,670
Work in process	17,043	21,546	178,736
Raw materials and supplies	226	172	1,428
Short-term loans receivable from subsidiaries and associates	—	12,000	99,544
Current portion of long-term loans receivable from subsidiaries and associates	12,000	—	—
Other	4,150	4,328	35,905
Allowance for doubtful accounts	(33)	(26)	(220)
Total current assets	121,318	121,778	1,010,188
Non-current assets:			
Property, plant and equipment	21,211	20,800	172,543
Intangible assets:			
Goodwill	2,453	2,319	19,240
Other	1,540	1,326	11,007
Total intangible assets	3,994	3,646	30,247
Investments and other assets:			
Investment securities	5,629	17,271	143,270
Other	10,703	6,302	52,283
Allowance for doubtful accounts	(68)	(68)	(571)
Total investments and other assets	16,264	23,505	194,982
Total non-current assets	41,469	47,951	397,772
Total assets	¥162,788	¥169,729	\$1,407,960

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

	Millions of yen		Thousands of U.S. dollars
			(Note 2)
	Mar. 31, 2014	Dec. 31, 2014	Dec. 31, 2014
Liabilities			
Current liabilities:			
Notes and accounts payable - trade	¥16,241	¥11,636	\$96,527
Income taxes payable	3,949	1,423	11,807
Advances received	12,020	13,795	114,440
Provision for bonuses	5,948	3,274	27,166
Other provision	499	640	5,315
Other	5,831	8,089	67,104
Total current liabilities	<u>44,491</u>	<u>38,860</u>	<u>322,359</u>
Non-current liabilities:			
Provision for directors' retirement benefits	164	153	1,276
Net defined benefit liability	15,467	15,912	131,998
Other	1,705	1,364	11,318
Total non-current liabilities	<u>17,337</u>	<u>17,430</u>	<u>144,592</u>
Total liabilities	<u>61,829</u>	<u>56,290</u>	<u>466,950</u>
Net assets			
Shareholders' equity:			
Capital stock	12,952	12,952	107,447
Capital surplus	9,950	9,950	82,542
Retained earnings	75,496	80,114	664,576
Treasury shares	(4)	(4)	(38)
Total shareholders' equity	<u>98,395</u>	<u>103,013</u>	<u>854,527</u>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	133	7,837	65,014
Revaluation reserve for land	(1,276)	(1,276)	(10,593)
Foreign currency translation adjustment	88	134	1,115
Total accumulated other comprehensive income	<u>(1,055)</u>	<u>6,694</u>	<u>55,537</u>
Minority interests	3,619	3,730	30,946
Total net assets	<u>100,959</u>	<u>113,438</u>	<u>941,009</u>
Total liabilities and net assets	<u>¥162,788</u>	<u>¥169,729</u>	<u>\$1,407,960</u>

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

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
For the nine months ended December 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2014	2014
Net sales	¥121,747	¥143,217	\$1,188,034
Cost of sales (Note 9)	98,562	115,273	956,233
Gross profit	23,184	27,943	231,802
Selling, general and administrative expenses (Note 9)	16,235	17,160	142,352
Operating income	6,949	10,783	89,450
Non-operating income:			
Interest income	197	190	1,580
Dividend income	137	130	1,084
Other	49	92	768
Total non-operating income	385	413	3,431
Non-operating expenses:			
Interest expenses	92	71	592
Share of loss of entities accounted for using equity method	15	18	150
Loss on retirement of non - current assets	10	52	437
Other	4	3	27
Total non-operating expenses	123	145	1,207
Ordinary income	7,210	11,051	91,675
Income before income taxes and minority interests	7,210	11,051	91,675
Income taxes	3,037	4,106	34,068
Income before minority interests	4,173	6,944	57,607
Minority interests in income	234	241	2,004
Net income	¥3,938	¥6,702	\$55,602

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

	Yen		U.S. dollars (Note 2)
	2013	2014	2014
Net income per share	¥74.32	¥126.48	\$1.05

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the nine months ended December 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2014	2014
Income before minority interests	¥4,173	¥6,944	\$57,607
Other comprehensive income:			
Valuation difference on available-for-sale securities	78	7,703	63,904
Foreign currency translation adjustment	36	47	392
Total other comprehensive income	115	7,750	64,296
Comprehensive income	¥4,289	¥14,695	\$121,903
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	4,049	14,452	119,891
Comprehensive income attributable to minority interests	¥239	¥242	\$2,012

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

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of NS Solutions Corporation and its consolidated subsidiaries (together, referred to as 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.

2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers. The rate of ¥120.55= U.S. \$1, the effective rate of exchange prevailing on December 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.

3. Going Concern Assumption

None

4. Notes in case of significant changes to shareholders' equity

None

5. Change in Scope of Consolidated Subsidiaries and Applications of the Equity Method

The Company has added PT. NSSOL SYSTEMS INDONESIA to the scope of consolidation from the second quarter of the fiscal year ending March 31, 2015 as a result of establishment.

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

6. Change in accounting policy

(Accounting Standard for Retirement Benefits)

From April 1, 2014, the Companies have applied the provisions found in the body text of Paragraph 35 of the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and Paragraph 67 of the “Implementation Guidance for the Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012) .

Under the new standard, the calculation method for retirement benefit obligations and service costs is revised, with the method of determination of the discount rate revised to a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and the method of attributing benefits to accounting periods changed from the straight-line method to the standard pension benefit formula basis.

In accordance with transitional accounting as stipulated in paragraph 37 of the Accounting Standard for Retirement Benefits, the amount of financial impact resulting from changes of the calculation method for retirement benefit obligations and service costs was added to, or deducted from, retained earnings at the beginning of the fiscal year.

As a result, as of 1st April, 2014, ¥244 million was decreased as net defined benefit liability and retained earnings increased by ¥167 million . In addition, operating income, ordinary income and income before income taxes and minority interests for the quarterly period ended December 31, 2014 decreased by ¥70 million (\$582 thousand).

7. Special Accounting Treatment for the Quarterly Consolidated Financial Statements

Income taxes were computed by multiplying consolidated quarterly income before income taxes and minority interests by a rational estimate of the effective tax rate on consolidated income before income taxes and minority interests for the fiscal year including the quarterly period under review after adjustments for the application of tax-effect accounting.

8. Notes to Consolidated Balance Sheets

None

9. Notes to Consolidated Statements of Income

Research and Development Costs

Research and development costs are charged to expense as incurred. The expense were recorded as general and administrative expenses and manufacturing costs for the nine months ended December 31, 2013 and 2014 amounting to ¥1,037 million and ¥1,124 million (\$9,326 thousand), respectively.

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

10. Notes to Consolidated Statements of Cash Flows

Depreciation and Amortization of goodwill

The Companies do not prepare a cumulative Quarterly Consolidated Statement of Cash Flows for the third quarter of the fiscal year.

Depreciation (including intangible fixed assets amortization other than goodwill) and Amortization of goodwill on December 31, 2013 and 2014 were as follows:

December 31,	Millions of yen		Thousands of U.S.
	2013	2014	dollars (Note 2)
December 31,			2014
Depreciation.....	¥ 2,695	¥ 2,833	\$ 23,505
Amortization of goodwill	¥ 125	¥ 139	\$ 1,156

11. Net Assets

(For the nine months ended December 31, 2013)

The Company paid cash dividends as follows:

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

(For the nine months ended December 31, 2014)

The Company paid cash dividends as follows:

Date of board resolution	Class of stock	Total dividend amount	Dividend per share	Reference date	Effective date	Source of dividends
May 13, 2014	Common stock	¥1,059 million	¥20.00	March 31, 2014	June 2, 2014	Retained earnings
October 28, 2014	Common stock	¥1,192 million	¥22.50	September 30, 2014	December 2, 2014	Retained earnings

12. Consolidated Segment Information

Based on the similarities in the type and nature of business, business of the Companies constitutes a single segment and accordingly, segment information is not disclosed.

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

13. Per Share Information

December 31,	yen		U.S. dollars
	2013	2014	(Note 2)
Net income per share.....	¥ 74.32	¥ 126.48	\$ 1.05

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

December 31,	Millions of yen		Thousands of
	2013	2014	U.S. dollars
Net income.....	¥ 3,938	¥ 6,702	\$ 55,602
Net income attributable to common stock.....	¥ 3,938	¥ 6,702	\$ 55,602
The average number of common stocks (shares).....	52,997,533	52,997,451	

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

14. Subsequent Events

(Regarding share repurchases and tender offer for share repurchase)

The company has resolved to acquire its own shares and to conduct a tender offer for such acquisition of its own shares (hereinafter referred to as the “Tender Offer”) at the meeting of the Board of Directors held on December 3, 2014, as outlined below, using the acquisition method specified under Article 156, Paragraph 1 of the Companies Act (Act No. 86 of 2005 as amended; the same applies hereafter) which is to be read pursuant to Article 459, Paragraph 1 of the same act as applied and the provisions of the Company’s Articles of Incorporation.

1. Purpose of tender offer and method of acquisition

In order to further enhance the profit distribution to shareholders, the Company has concluded that the acquisition of its own shares through a tender offer will contribute to the enhancement of the Company’s capital efficiency, leading to further profit distribution to shareholders. When acquiring its own shares, it is necessary for the Company to consider the viewpoint of not impairing the market liquidity of its own shares. So the Company has decided to acquire its common shares mainly from its parent company, Nippon Steel & Sumitomo Metal Corporation (holds 35,510,400 of the Company’s common shares (as of December 3, 2014), equivalent to 67.00%). The Company concluded that the method of a tender offer would be most suitable from the viewpoints of the equitable treatment of shareholders and the transparency of the transaction.

2. Outline of the Tender Offer

(1) Share class	Common shares
(2) Total number of shares purchased	6,493,500 shares Note: Shares accounted for in the total number of issued shares: 12.25%
(3) Total amount of shares purchased	19,999,980,000 yen Note: Fees payable to the tender offer agent and other expenses are not included in the above amount
(4) Period of tender offer	From December 4, 2014 to January 8, 2015
(5) Settlement commencement date	February 2, 2015

Reference: Resolution regarding the acquisition of the Company’s own shares at the meeting of the Board of Directors held on December 3, 2014

(1) Class of shares to be acquired	Common shares
(2) Total number of shares to be acquired	Up to 7,143,000 shares Note: Shared accounted for in the total number of issued shares: 13.48%
(3) Total amount of shares to be acquired	Up to 22,000,440,000 yen
(4) Period of share acquisition	From December 4, 2014 to February 28, 2015