

NS Solutions Corporation

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CONSOLIDATED FINANCIAL RESULTS (From April 1, 2015 to December 31, 2015)

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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 for reference purposes only.

In the event of any discrepancy between the Japanese version and the English translation, the Japanese version will prevail.

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NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED BALANCE SHEETS
 March 31, 2015 and December 31, 2015

	Millions of yen		Thousands of U.S. dollars
	Mar. 31, 2015	Dec. 31, 2015	(Note 2) Dec. 31, 2015
Assets			
Current assets:			
Cash and deposits	¥2,070	¥2,312	\$19,176
Deposits paid	31,875	39,950	331,238
Notes and accounts receivable - trade	45,196	29,737	246,557
Securities	2,000	—	—
Work in process	18,350	23,074	191,313
Raw materials and supplies	124	113	940
Short-term loans receivable from subsidiaries and associates	12,000	12,000	99,494
Other	4,400	4,724	39,168
Allowance for doubtful accounts	(35)	(23)	(197)
Total current assets	115,981	111,888	927,689
Non-current assets:			
Property, plant and equipment	20,649	20,969	173,866
Intangible assets:			
Goodwill	2,280	2,132	17,678
Other	1,361	1,319	10,940
Total intangible assets	3,641	3,451	28,617
Investments and other assets:			
Investment securities	19,676	19,812	164,273
Other	6,383	6,749	55,963
Allowance for doubtful accounts	(48)	(49)	(406)
Total investments and other assets	26,010	26,513	219,829
Total non-current assets	50,302	50,935	422,312
Total assets	¥166,283	¥162,823	\$1,350,001

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

	Millions of yen		Thousands of U.S. dollars
			(Note 2)
	Mar. 31, 2015	Dec. 31, 2015	Dec. 31, 2015
Liabilities			
Current liabilities:			
Notes and accounts payable - trade	¥15,972	¥12,782	\$105,982
Income taxes payable	4,572	1,871	15,521
Advances received	14,485	15,152	125,631
Provision for bonuses	6,775	3,594	29,800
Other provision	753	384	3,188
Other	8,161	7,561	62,693
Total current liabilities	<u>50,720</u>	<u>41,346</u>	<u>342,813</u>
Non-current liabilities:			
Provision for directors' retirement benefits	159	136	1,131
Net defined benefit liability	16,658	17,368	144,006
Other	1,302	1,079	8,950
Total non-current liabilities	<u>18,119</u>	<u>18,584</u>	<u>154,086</u>
Total liabilities	<u>68,840</u>	<u>59,931</u>	<u>496,900</u>
Net assets			
Shareholders' equity:			
Capital stock	12,952	12,952	107,394
Capital surplus	9,950	9,950	82,501
Retained earnings	82,489	88,321	732,294
Treasury shares	(20,004)	(20,005)	(165,868)
Total shareholders' equity	<u>85,387</u>	<u>91,219</u>	<u>756,320</u>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	9,191	8,622	71,493
Revaluation reserve for land.....	(1,276)	(1,276)	(10,588)
Foreign currency translation adjustment	252	151	1,260
Total accumulated other comprehensive income	<u>8,167</u>	<u>7,497</u>	<u>62,165</u>
Non-controlling interests	3,888	4,174	34,616
Total net assets	<u>97,443</u>	<u>102,892</u>	<u>853,101</u>
Total liabilities and net assets	<u>¥166,283</u>	<u>¥162,823</u>	<u>\$1,350,001</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, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2015	2015
Net sales	¥143,217	¥156,586	\$1,298,291
Cost of sales (Note 9)	115,273	124,354	1,031,050
Gross profit	27,943	32,231	267,241
Selling, general and administrative expenses (Note 9)	17,160	17,961	148,918
Operating income	10,783	14,270	118,323
Non-operating income:			
Interest income	190	119	992
Dividend income	130	326	2,711
Other	92	23	198
Total non-operating income	413	470	3,901
Non-operating expenses:			
Interest expenses	71	48	402
Share of loss of entities accounted for using equity method	18	0	2
Loss on retirement of non - current assets	52	46	382
Bad debts expenses	-	38	320
Other	3	50	419
Total non-operating expenses	145	183	1,525
Ordinary income	11,051	14,557	120,700
Income before income taxes	11,051	14,557	120,700
Income taxes	4,106	5,310	44,030
Profit	6,944	9,247	76,669
Profit attributable to non-controlling interests	241	391	3,245
Profit attributable to owners of parent	¥6,702	¥8,855	\$73,424

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

	Yen		U.S. dollars (Note 2)
	2014	2015	2015
Net income per share	¥63.24	¥95.21	\$0.79

January 1, 2016, the Company implemented a stock split of its common stock at a ratio of 2 shares for each 1 share. Net income per share is calculated on the assumption that the said stock split was implemented at the beginning of the previous fiscal year.

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the nine months ended December 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars
	2014	2015	(Note 2) 2015
Profit	¥6,944	¥9,247	\$76,669
Other comprehensive income:			
Valuation difference on available-for-sale securities	7,703	(568)	(4,714)
Foreign currency translation adjustment	47	(104)	(865)
Total other comprehensive income.....	7,750	(672)	(5,578)
Comprehensive income	¥14,695	¥8,574	\$71,091
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	14,452	8,186	67,874
Comprehensive income attributable to non-controlling interests ...	¥242	¥388	\$3,217

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 ¥120.61= U.S. \$1, the effective rate of exchange prevailing on December 31, 2015, 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

NS Solutions Nishinohon Corporation has absorbed Oita NS Solutions Corporation and changed its business name to Kyushu NS Solutions Corporation. Furthermore, Oita NS Solutions Corporation has been dissolved and thus removed from the scope of consolidation. The Company has added PT. SAKURA SYSTEM SOLUTIONS to the scope of consolidation from second quarter of the fiscal year ending March 31, 2015 as a result of an acquisition the shares.

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

6. Change in accounting policy

(Accounting Standard for Business Combinations, Etc.)

“Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, hereinafter referred to as the “Business Combinations Accounting Standard”), the “Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, hereinafter referred to as the “Consolidated Financial Statements Accounting Standard”), and the “Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7, hereinafter referred to as the “Business Divestitures Accounting Standard”) have been applied from the first quarter of fiscal 2015. As a result, for subsidiaries the Company continues to control, differences arising due to changes in the equity portion are entered in capital surplus and costs associated with the acquisition of shares are now treated as expenses in the consolidated fiscal year in which they are incurred.

In addition, for business combinations that are implemented after the beginning of the first quarter of fiscal 2015, the allocation of the cost of acquisitions, as determined after review of provisional accounting treatment, is reflected in the quarterly consolidated financial statements for the quarter in which the business combination took place.

Additionally, the Company has changed the method of presenting consolidated quarterly net income and moved “minority interests ” to “non-controlling interests ”. To reflect these changes, the Company has reclassified its quarterly consolidated financial statements for the third quarter of the previous fiscal year and consolidated financial statements for the previous fiscal year.

The Company has applied these standards in accordance with the transitional treatment prescribed in Section 58-2 (4) of the Business Combinations Accounting Standard, Section 44-5 (4) of the Consolidated Financial Statements Accounting Standard, and Section 57-4 (4) of the Business Divestitures Accounting Standard, and will continue to apply these standards from the beginning of the first quarter of fiscal 2015 into the future.

The effect of these changes in accounting standards had no effect on the quarterly consolidated financial statements for the third quarter of fiscal 2015.

7. Special Accounting Treatment for the Quarterly Consolidated Financial Statements

Income taxes were computed by multiplying consolidated quarterly income before income taxes by a rational estimate of the effective tax rate on consolidated income before income taxes 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

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

9. Notes to Consolidated Statements of Income

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 nine months ended December 31, 2014 and 2015 amounting to ¥1,124 million and ¥1,179 million (\$9,777 thousand), respectively.

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, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S.
	2014	2015	dollars (Note 2)
December 31,			2015
Depreciation and amortization	¥ 2,833	¥ 2,901	\$ 24,056
Amortization of goodwill	¥ 139	¥ 171	\$ 1,420

11. Net Assets

(For the nine months ended December 31, 2014)

Dividends paid were 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

(For the nine months ended December 31, 2015)

Dividends paid were as follows:

Date of board resolution	Class of stock	Total dividend amount	Dividend per share	Reference date	Effective date	Source of dividends
May 12, 2015	Common stock	¥1,046 million	¥22.50	March 31, 2015	June 1, 2015	Retained earnings
October 27, 2015	Common stock	¥1,976 million	¥42.50	September 30, 2015	December 2, 2015	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
	2014	2015	(Note 2) 2015
Net income per share.....	¥ 63.24	¥ 95.21	\$ 0.79

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

December 31,	Millions of yen		Thousands of U.S. dollars
	2014	2015	(Note 2) 2015
Profit attributable to owners of parent	¥ 6,702	¥ 8,855	\$ 50,249
Profit attributable to owners of parent related to common stock	¥6,702	¥ 8,855	\$ 50,249
The average number of common stocks (shares).....	105,994,901	93,007,683	

(Notes) January 1, 2016, the Company implemented a stock split of its common stock at a ratio of 2 shares for each 1 share. Net income per share is calculated on the assumption that the said stock split was implemented at the beginning of the previous fiscal year.

14. Subsequent Events

Pursuant to a resolution made at a meeting of the Board of Directors, held on November 25, 2015, the Company implemented a stock split as of January 1, 2016.

1. Purpose of stock split

The purpose of the stock split is to expand the Company's investor base and to enhance the liquidity of its stock by reducing the price per unit of shares.

2. Overview of stock split

(1) Method of stock split

The Company implemented a stock split of its common stock at a ratio of 2 shares for each 1 share owned by shareholders listed or recorded in the closing register of shareholders, with Thursday, December 31, 2015 (practically Wednesday, December 30, 2015, since that day was a holiday of the administrator of the register of shareholders) as the record date.

(2) Increase in the number of shares as a result of stock split

1) Total number of shares outstanding prior to stock split	52,999,120 shares
2) Increase in the number of shares as a result of stock split	52,999,120 shares
3) Total number of shares outstanding after stock split	105,998,240 shares
4) Total number of shares authorized to be issued after stock split	423,992,000 shares

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(3) Increase in the number of shares as a result of stock split

1) Public announcement of record date Thursday, December 17, 2015

2) Record date Thursday, December 31, 2015

 *Practically Wednesday, December 30, 2015, since that day is a holiday of the
 administrator of the register of shareholders

3) Effective date Friday, January 1, 2016

(4) Increase in the number of shares as a result of stock split

The impact of the stock split on per share information is reflected in Per Share
Information.