

NS Solutions Corporation

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CONSOLIDATED FINANCIAL RESULTS (From April 1, 2012 to March 31, 2013)

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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.

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NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED BALANCE SHEETS
 March 31, 2012 and 2013

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|------------------------------|
| | 2012 | 2013 | (Note 3) 2013 |
| Assets | | | |
| Current assets: | | | |
| Cash and deposits | ¥3,582 | ¥3,321 | \$35,314 |
| Deposits paid | 23,390 | 22,832 | 242,766 |
| Notes and accounts receivable-trade | 34,986 | 39,041 | 415,115 |
| Securities | 11,906 | 7,999 | 85,053 |
| Work in process (Note 5)..... | 11,363 | 12,673 | 134,753 |
| Raw materials and supplies | 102 | 321 | 3,419 |
| Deferred tax assets | 3,289 | 2,954 | 31,411 |
| Other | 872 | 1,213 | 12,901 |
| Allowance for doubtful accounts | (16) | (32) | (348) |
| Total current assets | 89,478 | 90,324 | 960,383 |
| Noncurrent assets: | | | |
| Property, plant and equipment : | | | |
| Buildings and structures, net..... | 7,926 | 13,406 | 142,546 |
| Machinery, equipment and vehicles, net..... | 2 | 1 | 19 |
| Tools, furniture and fixtures, net..... | 3,096 | 3,386 | 36,009 |
| Land (Note 5)..... | 2,778 | 2,778 | 29,540 |
| Lease assets, net..... | 860 | 628 | 6,679 |
| Construction in progress..... | 4,201 | 559 | 5,950 |
| Total property, plant and equipment (Note 5)... | 18,865 | 20,760 | 220,743 |
| Intangible assets: | | | |
| Software..... | 1,223 | 1,396 | 14,843 |
| Goodwill | 2,682 | 2,517 | 26,765 |
| Lease assets..... | 174 | — | — |
| Other | 57 | 46 | 490 |
| Total intangible assets | 4,137 | 3,959 | 42,098 |
| Investments and other assets: | | | |
| Investment securities (Note 5) | 6,821 | 8,491 | 90,283 |
| Long-term loans receivable from subsidiaries and affiliates | 12,000 | 12,000 | 127,592 |
| Deferred tax assets | 5,370 | 5,711 | 60,726 |
| Guarantee deposits | 3,496 | 3,486 | 37,075 |
| Other | 384 | 474 | 5,044 |
| Allowance for doubtful accounts | (79) | (86) | (917) |
| Total investments and other assets | 27,994 | 30,077 | 319,803 |
| Total noncurrent assets | 50,997 | 54,797 | 582,644 |
| Total assets | ¥140,475 | ¥145,121 | \$1,543,027 |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|------------------------------|
| | | | (Note 3) |
| | 2012 | 2013 | 2013 |
| Liabilities | | | |
| Current liabilities: | | | |
| Notes and accounts payable-trade | ¥13,874 | ¥12,891 | \$137,072 |
| Lease obligations | 468 | 75 | 805 |
| Accounts payable-other | 3,932 | 4,456 | 47,383 |
| Income taxes payable | 3,199 | 1,974 | 20,990 |
| Advances received | 7,548 | 8,258 | 87,815 |
| Deposits received | 418 | 404 | 4,305 |
| Provision for bonuses | 5,762 | 5,796 | 61,631 |
| Provision for loss on order received (Note 5)..... | 462 | 302 | 3,216 |
| Allowance for program product warranty | 151 | 156 | 1,668 |
| Other | 4 | 4 | 47 |
| Total current liabilities | 35,823 | 34,321 | 364,932 |
| Noncurrent liabilities: | | | |
| Lease obligations | 669 | 604 | 6,432 |
| Provision for retirement benefits | 13,123 | 14,396 | 153,070 |
| Provision for directors' retirement benefits | 183 | 185 | 1,972 |
| Other | 21 | 41 | 445 |
| Total noncurrent liabilities | 13,997 | 15,228 | 161,919 |
| Total liabilities | 49,821 | 49,550 | 526,851 |
| Net assets | | | |
| Shareholders' equity: | | | |
| Capital stock | 12,952 | 12,952 | 137,722 |
| Capital surplus | 9,950 | 9,950 | 105,799 |
| Retained earnings | 66,071 | 70,544 | 750,079 |
| Treasury stock | (4) | (4) | (45) |
| Total shareholders' equity | 88,970 | 93,443 | 993,555 |
| Accumulated other comprehensive income: | | | |
| Valuation difference on available-for-sale securities | (56) | 72 | 766 |
| Revaluation reserve for land (Note 5)..... | (1,276) | (1,276) | (13,578) |
| Foreign currency translation adjustment | (25) | (3) | (36) |
| Total accumulated other comprehensive income ... | (1,359) | (1,208) | (12,848) |
| Minority interests | 3,042 | 3,335 | 35,469 |
| Total net assets | 90,654 | 95,571 | 1,016,177 |
| Total liabilities and net assets | ¥140,475 | ¥145,121 | \$1,543,027 |

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, 2012 and 2013

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|--|-----------------|----------|--|
| | 2012 | 2013 | 2013 |
| Net sales | ¥161,579 | ¥172,005 | \$1,828,871 |
| Cost of sales (Note 6) | 130,826 | 140,676 | 1,495,765 |
| Gross profit | 30,752 | 31,328 | 333,105 |
| Selling, general and administrative expenses (Note 6) | 19,997 | 20,196 | 214,745 |
| Operating income | 10,755 | 11,131 | 118,360 |
| Non-operating income: | | | |
| Interest income | 226 | 241 | 2,572 |
| Dividends income | 150 | 149 | 1,588 |
| Gain on sales of investment securities | — | 97 | 1,034 |
| Subsidy income | 70 | 70 | 754 |
| Other | 89 | 21 | 234 |
| Total non-operating income | 536 | 581 | 6,181 |
| Non-operating expenses: | | | |
| Interest expenses | 51 | 25 | 275 |
| Loss on valuation of investment securities..... | 20 | — | — |
| Equity in losses of affiliates..... | 17 | 2 | 22 |
| Loss on retirement of noncurrent assets | 13 | 27 | 292 |
| Foreign exchange losses | — | 9 | 100 |
| Office transfer expenses..... | — | 14 | 149 |
| Other | 40 | 7 | 84 |
| Total non-operating expenses | 142 | 86 | 921 |
| Ordinary income | 11,149 | 11,626 | 123,620 |
| Income before income taxes and minority interests | 11,149 | 11,626 | 123,620 |
| Income taxes-current | 5,701 | 4,739 | 50,388 |
| Income taxes-deferred | 33 | (76) | (812) |
| Total income taxes | 5,734 | 4,662 | 49,576 |
| Income before minority interests | 5,414 | 6,963 | 74,044 |
| Minority interests in income | 229 | 370 | 3,944 |
| Net income | ¥5,185 | ¥6,592 | \$70,100 |

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

| | Yen | | U.S. dollars (Note 3) |
|-----------------------------|--------|---------|--------------------------|
| | 2012 | 2013 | 2013 |
| Net income per share | ¥97.84 | ¥124.40 | \$1.32 |

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the fiscal years ended March 31, 2012 and 2013

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|--|-----------------|--------|--|
| | 2012 | 2013 | 2013 |
| Income before minority interests | ¥5,414 | ¥6,963 | \$74,044 |
| Other comprehensive income: | | | |
| Valuation difference on available-for-sale securities..... | (22) | 128 | 1,371 |
| Foreign currency translation adjustment..... | (1) | 24 | 262 |
| Total other comprehensive income (Note 7)..... | (23) | 153 | 1,633 |
| Comprehensive income | ¥5,390 | ¥7,117 | \$75,677 |
| Comprehensive income attributable to: | | | |
| Comprehensive income attributable to owners of the parent..... | 5,161 | 6,743 | 71,704 |
| Comprehensive income attributable to minority interests..... | ¥229 | ¥373 | \$3,973 |

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, 2012 and 2013

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|-----------------|---------|--|
| | 2012 | 2013 | 2013 |
| Shareholders' equity: | | | |
| Capital stock | | | |
| Balance at the beginning of current period..... | ¥12,952 | ¥12,952 | \$137,722 |
| Changes of items during the period | | | |
| Total changes of items during the period | — | — | — |
| Balance at the end of current period | 12,952 | 12,952 | 137,722 |
| Capital surplus | | | |
| Balance at the beginning of current period..... | 9,950 | 9,950 | 105,799 |
| Changes of items during the period | | | |
| Total changes of items during the period | — | — | — |
| Balance at the end of current period | 9,950 | 9,950 | 105,799 |
| Retained earnings | | | |
| Balance at the beginning of current period..... | 63,006 | 66,071 | 702,519 |
| Changes of items during the period | | | |
| Dividends from surplus | (2,119) | (2,119) | (22,540) |
| Net income | 5,185 | 6,592 | 70,100 |
| Total changes of items during the period | 3,065 | 4,472 | 47,559 |
| Balance at the end of current period | 66,071 | 70,544 | 750,079 |
| Treasury stock | | | |
| Balance at the beginning of current period..... | (4) | (4) | (45) |
| Changes of items during the period | | | |
| Purchase of treasury stock | (0) | (0) | (0) |
| Total changes of items during the period | (0) | (0) | (0) |
| Balance at the end of current period | (4) | (4) | (45) |
| Total shareholders' equity | | | |
| Balance at the beginning of current period..... | 85,905 | 88,970 | 945,996 |
| Changes of items during the period | | | |
| Dividends from surplus | (2,119) | (2,119) | (22,540) |
| Net income | 5,185 | 6,592 | 70,100 |
| Purchase of treasury stock | (0) | (0) | (0) |
| Total changes of items during the period | 3,065 | 4,472 | 47,559 |
| Balance at the end of current period | ¥88,970 | ¥93,443 | \$993,555 |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|------------------------------|
| | 2012 | 2013 | (Note 3) 2013 |
| Accumulated other comprehensive income: | | | |
| Valuation difference on available-for-sale securities | | | |
| Balance at the beginning of current period..... | (¥34) | (¥56) | (\$604) |
| Changes of items during the period | | | |
| Net changes of items other than shareholders' equity ... | (22) | 128 | 1,371 |
| Total changes of items during the period | (22) | 128 | 1,371 |
| Balance at the end of current period | (56) | 72 | 766 |
| Revaluation reserve for land | | | |
| Balance at the beginning of current period..... | (1,276) | (1,276) | (13,578) |
| Changes of items during the period | | | |
| Net changes of items other than shareholders' equity ... | — | — | — |
| Total changes of items during the period | — | — | — |
| Balance at the end of current period | (1,276) | (1,276) | (13,578) |
| Foreign currency translation adjustment | | | |
| Balance at the beginning of current period..... | (23) | (25) | (270) |
| Changes of items during the period | | | |
| Net changes of items other than shareholders' equity ... | (1) | 21 | 233 |
| Total changes of items during the period | (1) | 21 | 233 |
| Balance at the end of current period | (25) | (3) | (36) |
| Total accumulated other comprehensive income | | | |
| Balance at the beginning of current period..... | (1,335) | (1,359) | (14,452) |
| Changes of items during the period | | | |
| Net changes of items other than shareholders' equity ... | (23) | 150 | 1,604 |
| Total changes of items during the period | (23) | 150 | 1,604 |
| Balance at the end of current period | (1,359) | (1,208) | (12,848) |
| Minority interests: | | | |
| Balance at the beginning of current period..... | 2,880 | 3,042 | 32,350 |
| Changes of items during the period | | | |
| Net changes of items other than shareholders' equity | 161 | 293 | 3,119 |
| Total changes of items during the period | 161 | 293 | 3,119 |
| Balance at the end of current period | 3,042 | 3,335 | 35,469 |
| Total net assets: | | | |
| Balance at the beginning of current period..... | 87,451 | 90,654 | 963,895 |
| Changes of items during the period | | | |
| Dividends from surplus | (2,119) | (2,119) | (22,540) |
| Net income | 5,185 | 6,592 | 70,100 |
| Purchase of treasury stock | (0) | (0) | (0) |
| Net changes of items other than shareholders' equity | 138 | 444 | 4,723 |
| Total changes of items during the period | 3,203 | 4,917 | 52,282 |
| Balance at the end of current period | ¥90,654 | ¥95,571 | \$1,016,177 |

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, 2012 and 2013

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|-----------------|------------------------------|
| | 2012 | 2013 | (Note 3) |
| Net cash provided by (used in) operating activities: | | | |
| Income before income taxes and minority interests ... | ¥11,149 | ¥11,626 | \$123,620 |
| Depreciation and amortization | 2,440 | 3,219 | 34,229 |
| Amortization of goodwill | 165 | 165 | 1,755 |
| Increase (decrease) in allowance for doubtful accounts | 0 | 23 | 247 |
| Increase (decrease) in provision for bonuses | (116) | 33 | 361 |
| Increase (decrease) in provision for retirement benefits | 1,279 | 1,272 | 13,531 |
| Increase (decrease) in provision for directors' retirement benefits | 8 | 2 | 22 |
| Increase (decrease) in other provision | (70) | (154) | (1,640) |
| Interest and dividends income | (376) | (391) | (4,159) |
| Interest expenses | 51 | 25 | 275 |
| Loss (gain) on sales of investment securities | — | (97) | (1,034) |
| Loss (gain) on valuation of investment securities | 20 | — | — |
| Equity in (earnings) losses of affiliates | 17 | 2 | 22 |
| Loss on retirement of noncurrent assets | 13 | 27 | 292 |
| Decrease (increase) in notes and accounts receivable-trade | (603) | (4,041) | (42,972) |
| Decrease (increase) in inventories | (1,360) | (1,506) | (16,016) |
| Decrease (increase) in other current assets | (212) | (336) | (3,577) |
| Increase (decrease) in notes and accounts payable-trade..... | 1,163 | (990) | (10,532) |
| Increase (decrease) in other current liabilities | 1,281 | 1,302 | 13,854 |
| Other, net | 49 | 3 | 33 |
| Subtotal | 14,900 | 10,186 | 108,309 |
| Interest and dividends income received | 414 | 398 | 4,237 |
| Interest expenses paid | (51) | (25) | (275) |
| Income taxes paid | (5,336) | (6,063) | (64,473) |
| Net cash provided by (used in) operating activities | 9,927 | 4,495 | 47,798 |
| Net cash provided by (used in) investing activities: | | | |
| Purchase of securities | (10,007) | (7,998) | (85,045) |
| Proceeds from redemption of securities | 7,000 | 11,000 | 116,959 |
| Purchase of property, plant and equipment and intangible assets | (6,290) | (5,109) | (54,322) |
| Purchase of investment securities | (1,221) | (2,498) | (26,570) |
| Proceeds from sales of investment securities | — | 116 | 1,236 |
| Proceeds from redemption of investment securities ... | 1,000 | — | — |
| Payments for guarantee deposits | (18) | (34) | (369) |
| Proceeds from collection of guarantee deposits | 66 | 44 | 478 |
| Other, net | (27) | (72) | (771) |
| Net cash provided by (used in) investing activities | (¥9,498) | (¥4,552) | (\$48,405) |

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

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|--|-----------------|----------------|--|
| | 2012 | 2013 | 2013 |
| Net cash provided by (used in) financing activities: | | | |
| Purchase of treasury stock | (¥0) | (¥0) | (\$0) |
| Cash dividends paid | (2,119) | (2,119) | (22,540) |
| Cash dividends paid to minority shareholders | (67) | (80) | (854) |
| Repayments of lease obligations | (451) | (473) | (5,036) |
| Net cash provided by (used in) financing activities | (2,639) | (2,673) | (28,431) |
| Effect of exchange rate change on cash and cash equivalents ... | (0) | 10 | 116 |
| Net increase (decrease) in cash and cash equivalents | (2,211) | (2,720) | (28,923) |
| Cash and cash equivalents at beginning of period | 33,084 | 30,872 | 328,259 |
| Cash and cash equivalents at end of period (Note 9) | ¥30,872 | ¥28,152 | \$299,336 |

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, 2013.

*On October 1, 2012, Nippon Steel Corporation and Sumitomo Metal Industries, Ltd. have 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 ¥94.05 = U.S. \$1, the effective rate of exchange prevailing at March 29, 2013, 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, 2013, include the accounts of the Company and its 17 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.

Thai NS Solutions Co., Ltd. and NS Solutions IT Consulting Europe Ltd. were established and included in the scope of consolidation from forth quarter of the fiscal year ended March 31, 2013.

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., and NS Solutions IT Consulting Europe 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.

(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, 2013 as listed below:

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

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(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.

(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.

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(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) Retirement benefits

(a) Provision for retirement benefits

The employees of the Company and its major consolidated subsidiaries are generally covered by defined benefit pension plan under which retiring employees are entitled to lump-sum payments determined by reference to current rates of pay, length of service and conditions under which the termination occurs.

Accrued employees’ retirement benefits of the Company and its major consolidated subsidiaries are provided based on the estimated present value of projected benefit obligations.

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Net obligation at translation on the employees' retirement benefits plan is charged to income or expense as incurred.

Actuarial gains (losses) are charged to income or expense as incurred.

(b) 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.

(14) 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.

(15) 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.

(16) 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.

(17) Accounting for consumption tax

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

(18) 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)

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

2. Scheduled date for adoption

The Companies expects to apply the accounting standard and relevant regulations from the fiscal year ending March 31, 2014. However, The Companies expects 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.

(19) Changes in presentation

(Consolidated Balance Sheets)

At the fiscal year ended March 31, 2013, the Companies reclassified the balance of accrued expenses and accounts payable-other due to the merger of the parent company.

As a result of this reclassification, "Accrued expenses" is included in "Other" for the fiscal year ended March 31, 2013 due to decrease in materiality.

Additionally, ¥2,705 million included in "Accrued expenses" in the consolidated balance sheets for the fiscal year ended March 31, 2012 was presented as "Accounts payable-other" of ¥2,700 million and "Other" of ¥4 million.

(20) Change in accounting policies

(Changes in accounting principles that are difficult to distinguish from changes in accounting estimates)

In accordance with the amendment of the Corporation Tax Law, effective from the first quarter of fiscal year ended March 31, 2013, the Companies have changed their depreciation method for those property and equipment acquired on or after April 1, 2012.

As a result of this change, operating income, ordinary income and income before income taxes and minority interests increased by ¥183 million (\$1,947 thousand).

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 ¥13,464 million and ¥14,861 million (\$158,017 thousand) at March 31, 2012 and 2013, respectively.

(2) Investment in non-consolidated subsidiaries and affiliates

Investment in non-consolidated subsidiaries and affiliates were ¥15 million and ¥17 million (\$190 thousand) on March 31, 2012 and 2013, 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, 2012 and 2013 amounted to ¥183 million and ¥186 million (\$1,986 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 ¥233 million and ¥225 million (\$2,395 thousand) on March 31, 2012 and 2013, respectively.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

6. Notes to Consolidated Statements of Income

(1) Reductions in book value from reduced profitability of inventory assets

The cost of sales for the fiscal year ended March 31, 2012 included ¥802 million of inventory write-down. It was omitted for the fiscal year ended March 31, 2013 due to decrease in materiality.

(2) Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the fiscal years ended March 31, 2012 and 2013 were as follows:

| March 31, | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|-----------------|---------|--|
| | 2012 | 2013 | 2013 |
| Salaries and allowances | ¥ 7,346 | ¥ 7,333 | \$ 77,970 |
| Provision for bonuses | 1,132 | 1,111 | 11,814 |
| Retirement benefit expenses | 619 | 654 | 6,963 |
| Provision for directors' retirement benefits..... | 37 | 30 | 325 |
| Depreciation and amortization | 175 | 139 | 1,483 |
| Amortization of goodwill..... | 165 | 165 | 1,755 |
| Operating expense for acceptance of orders | 3,284 | 3,113 | 33,102 |
| Provision of allowance for doubtful accounts | ¥ 0 | ¥ 15 | \$ 165 |

(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, 2012 and 2013 amounting to ¥1,551 million and ¥1,531 million (\$16,280 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, 2012 and 2013 amounting to ¥462 million and ¥302 million (\$3,216 thousand), respectively.

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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, 2012 and 2013 were as follows:

| | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|-----------------|--------------|--|
| | 2012 | 2013 | 2013 |
| March 31, | | | |
| Valuation difference on available-for-sale securities: | | | |
| Amount recognized in the period under review | (¥ 30) | ¥ 297 | \$ 3,164 |
| Amount of recycling | — | (97) | (1,034) |
| Before income tax effect adjustment..... | (30) | 200 | 2,130 |
| Amount of income tax effect | 7 | (71) | (759) |
| Valuation difference on available-for-sale securities | (22) | 128 | 1,371 |
| Foreign currency translation adjustment: | | | |
| Amount recognized in the period under review | (1) | 24 | 262 |
| Amount of recycling | — | — | — |
| Before income tax effect adjustment..... | (1) | 24 | 262 |
| Amount of income tax effect | — | — | — |
| Foreign currency translation adjustment..... | (1) | 24 | 262 |
| Total other comprehensive income | (¥ 23) | ¥ 153 | \$ 1,633 |

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

8. Notes to Consolidated Statements of Changes in Net Assets
(For the fiscal year ended March 31, 2012)

(1) Information on issued shares

The number of shares as of March 31, 2012 was as follows:

| Kind of stock | As of March 31, 2011 | Increase | Decrease | As of March 31, 2012 |
|---------------|----------------------|----------|----------|----------------------|
| Common stock | 52,999,120 | — | — | 52,999,120 |

(2) Information on treasury stock

The number of shares as of March 31, 2012 was as follows:

| Kind of stock | As of March 31, 2011 | Increase | Decrease | As of March 31, 2012 |
|---------------|----------------------|----------|----------|----------------------|
| Common stock | 1,476 | 45 | — | 1,521 |

(Reason for increase or decrease treasury stock)

• Increase

Odd lot stock purchases: 45

(3) Information on acquisition rights

None

(4) Information on dividends

The Company paid cash dividends on June 2, 2011 and December 2, 2011 as follows:

| Date of board resolution | Class of stock | Total dividend amount | Dividend per share | Reference date | Effective date |
|--------------------------|----------------|-----------------------|--------------------|--------------------|------------------|
| May 17, 2011 | Common stock | ¥1,059 million | ¥20.00 | March 31, 2011 | June 2, 2011 |
| October 26, 2011 | Common stock | ¥1,059 million | ¥20.00 | September 30, 2011 | December 2, 2011 |

The Company decided to pay cash dividends at the board of directors' meeting held on May 15, 2012 as follows:

| Date of board resolution | Class of stock | Source of dividends | Total dividend amount | Dividend per share | Reference date | Effective date |
|--------------------------|----------------|---------------------|-----------------------|--------------------|----------------|----------------|
| May 15, 2012 | Common stock | Retained earnings | ¥1,059 million | ¥20.00 | March 31, 2012 | June 1, 2012 |

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(For the fiscal year ended March 31, 2013)

(1) Information on issued shares

The number of shares as of March 31, 2013 was 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 stock

The number of shares as of March 31, 2013 was 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 stock)

• Increase

Odd lot stock purchases: 33

(3) Information on acquisition rights

None

(4) Information on dividends

The Company paid cash dividends on June 1, 2012 and December 4, 2012 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 |

The Company decided to pay cash dividends at the board of directors' meeting held on May 14, 2013 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

9. Notes to Consolidated Statements of Cash Flows

Cash and cash equivalents at March 31, 2012 and 2013 were as follows:

| March 31, | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|-----------------|----------|---------------------------------------|
| | 2012 | 2013 | 2013 |
| Cash and deposits | ¥ 3,582 | ¥ 3,321 | \$ 35,314 |
| Deposits paid | 23,390 | 22,832 | 242,766 |
| Securities (maturing in less than three months from acquisition date)... | 3,899 | 1,999 | 21,257 |
| Cash and cash equivalents | ¥ 30,872 | ¥ 28,152 | \$ 299,336 |

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.

(2) Operating lease transactions

(Leases as lessee)

Operating lease payments under non-cancelable lease contracts at March 31, 2012 and 2013 were as follows:

| March 31, | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|-----------------------|-----------------|---------|--|
| | 2012 | 2013 | 2013 |
| Within one year | ¥ 1,550 | ¥ 1,380 | \$ 14,677 |
| Over one year | 2,152 | 771 | 8,203 |
| Total | ¥ 3,702 | ¥ 2,151 | \$ 22,880 |

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Leases as lessor)

Future minimum lease obligations under non-cancellable operating leases at March 31, 2012 and 2013 were as follows:

| March 31, | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|-----------------------|-----------------|------|--|
| | 2012 | 2013 | 2013 |
| Within one year | ¥ 20 | ¥ 20 | \$ 214 |
| Over one year | 31 | 11 | 125 |
| Total | ¥ 52 | ¥ 31 | \$ 339 |

11. Financial Instruments

(For the fiscal year ended March 31, 2012)

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, 2012 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, 2012 | Millions of yen | | |
|---|-----------------|-----------------|-------------|
| | Carrying amount | Fair value | Differences |
| Assets: | | | |
| (1) Cash and deposits | ¥ 3,582 | ¥ 3,582 | ¥ — |
| (2) Deposits paid | 23,390 | 23,390 | — |
| (3) Notes and accounts receivable-trade | 34,986 | 34,986 | — |
| (4) Securities and Investment securities: | | | |
| ①Held-to-maturity debt securities | 13,906 | 13,841 | (64) |
| ②Marketable and investment securities | 634 | 634 | — |
| (5) Long-term loans receivable from subsidiaries and affiliates | 12,000 | 12,144 | 144 |
| Total | ¥ 88,500 | ¥ 88,580 | ¥ 80 |
| Liabilities: | | | |
| (6) Notes and accounts payable-trade | 13,874 | 13,874 | — |
| (7) Accounts payable-other | 3,932 | 3,932 | — |
| (8) Income taxes payable | 3,199 | 3,199 | — |
| (9) Deposits received | 418 | 418 | — |
| (10) Lease obligations(*) | 1,017 | 1,042 | 25 |
| Total | ¥ 22,443 | ¥ 22,468 | ¥ 25 |

*Lease obligations calculated by the simplified method (¥120 million) were excluded.

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.

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(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, | 2012 |
| Non listed securities..... | ¥ 4,103 |
| Investment in funds..... | 83 |
| Guarantee deposits..... | ¥ 3,496 |

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 2012 |
|--|-------------------------|
| Within one year | |
| Cash and deposits..... | ¥ 3,582 |
| Deposits paid | 23,390 |
| Notes and accounts receivable-trade..... | 34,986 |
| Securities and Investment securities | |
| Held-to-maturity debt securities | |
| (Government bond) | 599 |
| Held-to-maturity debt securities | |
| (Corporate bond) | 5,006 |
| Held-to-maturity debt securities | |
| (Cash in trust) | 3,000 |
| Held-to-maturity debt securities | |
| (Certificate of deposit) | 3,300 |
| Over one year within five years | |
| Held-to-maturity debt securities | |
| (Corporate bond) | 2,000 |
| 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 2012 |
|------------------------------------|-------------------------|
| Within one year | ¥ 468 |
| Over one year within two years | 73 |
| Over two years within three years | 47 |
| Over three years within four years | 39 |
| Over four years within five years | 37 |
| Over five years | ¥ 471 |

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(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.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

| March 31, 2013 | Thousands of U.S. dollars (Note 3) | | |
|--|------------------------------------|-------------------|-----------------|
| | Carrying amount | Fair value | Differences |
| Assets: | | | |
| (1) Cash and deposits | \$ 35,314 | \$ 35,314 | \$ — |
| (2) Deposits paid..... | 242,766 | 242,766 | — |
| (3) Notes and accounts receivable-trade..... | 415,115 | 415,115 | — |
| (4) Securities and Investment securities: | | | |
| ①Held-to-maturity debt securities..... | 116,951 | 116,897 | (53) |
| ②Marketable and investment securities | 7,403 | 7,403 | — |
| (5) Long-term loans receivable from subsidiaries and affiliates..... | 127,592 | 128,770 | 1,178 |
| Total..... | \$ 945,140 | \$ 946,264 | \$ 1,125 |
| Liabilities: | | | |
| (6) Notes and accounts payable-trade | 137,072 | 137,072 | — |
| (7) Accounts payable-other | 47,383 | 47,383 | — |
| (8) Income taxes payable | 20,990 | 20,990 | — |
| (9) Deposits received | 4,305 | 4,305 | — |
| (10) Lease obligations (*) | 6,378 | 6,809 | 431 |
| Total..... | \$ 216,129 | \$ 216,560 | \$ 431 |

*Lease obligations calculated by the simplified method (\$858 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) 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

| March 31, | Millions of yen | Thousands of U.S. dollars (Note 3) |
|----------------------------|-----------------|---------------------------------------|
| | 2013 | 2013 |
| Non listed securities..... | ¥ 4,711 | \$ 50,098 |
| Investment in funds..... | 82 | 881 |
| Guarantee deposits..... | ¥ 3,486 | \$ 37,075 |

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. |
|--|-----------------|--------------------------|
| | 2013 | dollars (Note 3) 2013 |
| Within one year | | |
| Cash and deposits..... | ¥ 3,321 | \$ 35,314 |
| Deposits paid | 22,832 | 242,766 |
| Notes and accounts receivable-trade..... | 39,041 | 415,115 |
| Securities and Investment securities | | |
| Held-to-maturity debt securities | | |
| (Government bond) | — | — |
| Held-to-maturity debt securities | | |
| (Corporate bond) | 3,000 | 31,898 |
| Held-to-maturity debt securities | | |
| (Commercial paper) | 999 | 10,624 |
| Held-to-maturity debt securities | | |
| (Cash in trust) | 3,000 | 31,898 |
| Held-to-maturity debt securities | | |
| (Certificate of deposit) | 1,000 | 10,633 |
| Over one year within five years | | |
| Held-to-maturity debt securities | | |
| (Corporate bond) | 3,000 | 31,898 |
| Long-term loans receivable from | | |
| subsidiaries and affiliates | ¥ 12,000 | \$ 127,592 |

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. |
|------------------------------------|-----------------|--------------------------|
| | 2013 | dollars (Note 3) 2013 |
| Within one year | ¥ 75 | \$ 805 |
| Over one year within two years | 50 | 532 |
| Over two years within three years | 41 | 438 |
| Over three years within four years | 38 | 412 |
| Over four years within five years | 36 | 392 |
| Over five years | ¥ 438 | \$ 4,657 |

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

12. Investment Securities

Investment securities as of March 31, 2012 and 2013 were as follows:

(As of March 31, 2012)

(1) Held-to-maturity debt securities

Held-to-maturity debt securities for which carrying amount did not exceed fair value as of March 31, 2012 were as follows:

| March 31, 2012 | Millions of yen | | |
|-----------------------------|-----------------|-----------------|---------------------------------|
| | Carrying amount | Fair value | Gross unrealized gains (losses) |
| Government bond..... | ¥ 599 | ¥ 599 | ¥ — |
| Corporate bond..... | 7,006 | 6,941 | (64) |
| Cash in trust | 3,000 | 3,000 | — |
| Certificate of deposit..... | 3,300 | 3,300 | — |
| Total..... | ¥ 13,906 | ¥ 13,841 | (¥ 64) |

(2) Marketable and investment securities

Marketable and investment securities for which carrying amount exceeded fair value as of March 31, 2012 were as follows:

| March 31, 2012 | Millions of yen | | |
|----------------------------------|-----------------|------------------|---------------------------------|
| | Carrying amount | Acquisition cost | Gross unrealized gains (losses) |
| Equity securities (gains) | ¥ 316 | ¥ 250 | ¥ 66 |
| Equity securities (losses) | 318 | 394 | (76) |
| Total..... | ¥ 634 | ¥ 644 | (¥ 10) |

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.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(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) |

| March 31, 2013 | Thousands of U.S. dollars (Note 3) | | |
|------------------------|------------------------------------|-------------------|---------------------------------|
| | Carrying amount | Fair value | Gross unrealized gains (losses) |
| Government bond..... | \$ — | \$ — | \$ — |
| Corporate bond..... | 63,796 | 63,743 | (53) |
| Commercial paper | 10,624 | 10,624 | — |
| Cash in trust | 31,898 | 31,898 | — |
| Others | 10,633 | 10,633 | — |
| Total..... | \$ 116,951 | \$ 116,897 | (\$ 53) |

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(2) Marketable and investment securities

Marketable and investment securities for which carrying amount 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 |

| March 31, 2013 | Thousands of U.S. dollars (Note 3) | | |
|----------------------------------|------------------------------------|------------------|---------------------------------|
| | Carrying amount | Acquisition cost | Gross unrealized gains (losses) |
| Equity securities (gains) | \$ 7,403 | \$ 6,656 | \$ 747 |
| Equity securities (losses) | — | — | — |
| Total..... | \$ 7,403 | \$ 6,656 | \$ 747 |

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, 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 | ¥ — |

| March 31, 2013 | Thousands of U.S. dollars (Note 3) | | |
|-------------------------|------------------------------------|--------------------|--------------------|
| | Amount of sale | Total gain on sale | Total loss on sale |
| Equity securities | \$ 1,236 | \$ 1,034 | \$ — |
| Total..... | \$ 1,236 | \$ 1,034 | \$ — |

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13. Derivative Instruments

None

14. Retirement Benefits

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, 2012 and 2013 were ¥13,123 million and ¥14,396 million (\$153,070 thousand), respectively. 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, 2012 and 2013 were as follows:

| March 31, | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|-----------------|----------------|--|
| | 2012 | 2013 | 2013 |
| Service costs..... | ¥ 1,113 | ¥ 1,164 | \$ 12,380 |
| Interest costs..... | 216 | 204 | 2,172 |
| Amortization of actual gain (loss)..... | 665 | 509 | 5,412 |
| Amortization of prior service costs..... | (195) | — | — |
| Accrued employees' retirement benefits..... | ¥ 1,800 | ¥ 1,877 | \$ 19,965 |
| Costs of defined contribution pension plan..... | 499 | 503 | 5,357 |
| Total..... | ¥ 2,300 | ¥ 2,381 | \$ 25,322 |

The assumptions used in the actuarial computation for the fiscal years ended March 31, 2012 and 2013 were as follows:

| March 31, | 2012 | 2013 |
|---|---------------------|---------------------|
| Method of attributing the projected benefits to periods of service..... | Straight line basis | Straight line basis |
| Discount rate..... | 1.50~1.70% | 1.30~1.40% |
| Period of amortization of unrecognized actuarial gain or loss | 1 year | 1 year |
| Period of amortization of prior service benefits | 1 year | 1 year |

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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 40.7% for the fiscal years ended March 31, 2012 and 38.0% for the fiscal years ended March 31, 2013.

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, 2012 and 2013, the significant components of deferred tax assets were as follows:

| March 31, | Millions of yen | | Thousands of U.S. dollars (Note 3) |
|---|-----------------|---------|--|
| | 2012 | 2013 | 2013 |
| Deferred tax assets: | | | |
| Provision for retirement benefits | ¥ 4,685 | ¥ 5,140 | \$ 54,653 |
| Provision for bonuses | 2,208 | 2,222 | 23,629 |
| Amortization of software costs | 499 | 457 | 4,867 |
| Accrued enterprise tax | 224 | 212 | 2,257 |
| Valuation difference on available-for-sale securities | 31 | — | — |
| Elimination of unrealized profits on consolidation..... | 136 | 140 | 1,497 |
| Others | 1,065 | 695 | 7,399 |
| Subtotal deferred tax assets..... | 8,851 | 8,869 | 94,302 |
| Valuation allowance | (190) | (163) | (1,742) |
| Total deferred tax assets | ¥ 8,660 | ¥ 8,705 | \$ 92,561 |
| Deferred tax liabilities: | | | |
| Valuation difference on available-for-sale securities | — | (39) | (424) |
| Total deferred tax liabilities | ¥ — | (¥ 39) | (\$ 424) |
| Net deferred tax assets..... | ¥ 8,660 | ¥ 8,665 | \$ 92,136 |

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At the fiscal years ended March 31, 2012 and 2013, the significant differences between the statutory tax rate and the company's effective tax rate was as follows:

| March 31, | Percent | |
|--|---------|-------|
| | 2012 | 2013 |
| Effective statutory tax rate..... | 40.7% | 38.0% |
| Adjustments: | | |
| Non-deductible expenses..... | 1.9 | 1.9 |
| Dividend income not taxable..... | (0.3) | (0.2) |
| Inhabitants tax per capita..... | 0.4 | 0.4 |
| Amortization of goodwill..... | 0.6 | 0.5 |
| Tax deductions..... | (1.0) | (0.9) |
| Decrease in deferred tax assets due to tax rate changes..... | 8.4 | — |
| Others..... | 0.7 | 0.4 |
| Effective income tax rate..... | 51.4% | 40.1% |

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, 2012 and 2013.

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17. Segment Information

(For the fiscal year ended March 31, 2012 and 2013)

(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) |
|--------------------------|------------------|------------------|--|
| | 2012 | 2013 | 2013 |
| Business Solutions | ¥ 88,712 | ¥ 95,875 | \$ 1,019,405 |
| Platform Solutions | 19,480 | 18,617 | 197,949 |
| Business Services | 53,385 | 57,513 | 611,518 |
| Total | ¥ 161,579 | ¥ 172,005 | \$ 1,828,871 |

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) |
|--|-----------------|----------|--|
| | 2012 | 2013 | 2013 |
| Nippon Steel & Sumitomo Metal Corporation .. | ¥ 26,784 | ¥ 30,818 | \$ 327,678 |

*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.

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(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) |
|--------------------------------|-----------------|---------|--|
| | 2012 | 2013 | 2013 |
| Amortization of goodwill..... | ¥ 165 | ¥ 165 | \$ 1,755 |
| Balance at end of period | ¥ 2,682 | ¥ 2,517 | \$ 26,765 |

(5) Information on negative goodwill by business segment

None

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18. Related Party Transactions

Related party transactions during the years ended March 31, 2012 and 2013 were as follows:

(1) Parent company

| March 31, | 2012 | 2013 |
|---|--|--|
| Name of the company | Nippon Steel 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, selling and engineering steel products | Manufacturing, selling and engineering 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, Loan, Directors and auditors who have a position in both companies |
| Transaction amounts: | | |
| Sales of systems integration services..... | ¥ 25,308 million | ¥ 29,343 million (\$ 311,994 thousand) |
| Interest income..... | ¥ 125 million | ¥ 127 million (\$ 1,351 thousand) |
| Balances at fiscal year-end: | | |
| Accounts receivable | ¥ 2,368 million | ¥ 2,827 million (\$ 30,065 thousand) |
| Long-term loans receivable from subsidiaries and affiliates | ¥ 12,000 million | ¥ 12,000 million (\$ 127,592 thousand) |
| Advanced received | ¥ 3,584 million | ¥ 3,685 million (\$ 39,189 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.

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(2) Subsidiary of Nippon Steel & Sumitomo Metal Corporation

| March 31, | 2012 | 2013 |
|------------------------------|----------------------------|---|
| Name of the company | Nittetsu Finance Co., Ltd. | Nittetsu Finance Co., Ltd. |
| Address..... | Chiyoda-ku Tokyo | Chiyoda-ku Tokyo |
| Common stock amount..... | ¥ 1,000 million | ¥ 1,000 million |
| Type of business..... | Financing | Financing |
| Relationship | Deposit of funds | Deposit of funds |
| Transaction amounts: | | |
| Interest income..... | ¥ 35 million | ¥ 41 million (\$ 444 thousand) |
| Money deposited..... | ¥ 24,000 million | ¥ 27,400 million (\$ 291,334 thousand) |
| Money refunded..... | ¥ 23,500 million | ¥ 28,000 million (\$ 297,714 thousand) |
| Balances at fiscal year-end: | | |
| Deposited money | ¥ 23,390 million | ¥ 22,832 million (\$ 242,766 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.

| March 31, | 2012 | 2013 |
|-------------------------------|--|--|
| Name of the company | Nippon Steel Engineering Co., Ltd | Nippon Steel & Sumikin Engineering Co., Ltd |
| Address..... | Shinagawa-ku Tokyo | Shinagawa-ku Tokyo |
| Common stock amount..... | ¥ 15,000 million | ¥ 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 | 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 | Data center construction |
| Transaction amounts: | | |
| Data center construction..... | ¥ 4,071 million | ¥2,451 million (\$ 26,065 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.

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19. Per Share Information

| March 31, | yen | | U.S. dollars |
|---------------------------|------------|------------|------------------|
| | 2012 | 2013 | (Note 3) 2013 |
| Net assets per share..... | ¥ 1,653.13 | ¥ 1,740.37 | \$ 18.50 |
| Net income per share..... | ¥ 97.84 | ¥ 124.40 | \$ 1.32 |

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

| March 31, | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|------------|------------------------------|
| | 2012 | 2013 | (Note 3) 2013 |
| Net income..... | ¥ 5,185 | ¥ 6,592 | \$ 70,100 |
| Net income attributable to common stock..... | ¥ 5,185 | ¥ 6,592 | \$ 70,100 |
| The average number of common stocks (shares)..... | 52,997,622 | 52,997,572 | |

20. Subsequent Events

There have been no material events subsequent to March 31, 2013.