

NS Solutions Corporation

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May 15, 2015

CONSOLIDATED FINANCIAL RESULTS (From April 1, 2014 to March 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, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars
	2014	2015	(Note 3) 2015
Assets			
Current assets:			
Cash and deposits	¥1,971	¥2,070	\$17,229
Deposits paid	36,874	31,875	265,255
Notes and accounts receivable-trade	41,086	45,196	376,108
Securities.....	8,000	2,000	16,643
Work in process (Note 6).....	17,043	18,350	152,704
Raw materials and supplies	226	124	1,033
Short-term loans receivable from subsidiaries and associates	—	12,000	99,859
Current portion of long-term loans receivable from subsidiaries and associates	12,000	—	—
Deferred tax assets	3,084	3,232	26,902
Other	1,066	1,167	9,713
Allowance for doubtful accounts	(33)	(35)	(299)
Total current assets	121,318	115,981	965,148
Non-current assets:			
Property, plant and equipment			
Buildings and structures, net	12,345	11,980	99,697
Tools, furniture and fixtures, net	3,871	4,037	33,596
Land (Note 6)	2,778	2,778	23,120
Leased assets, net	1,969	1,573	13,095
Construction in progress	244	275	2,296
Other	1	3	29
Total property, plant and equipment (Note 6)	21,211	20,649	171,832
Intangible assets:			
Software	1,497	1,335	11,110
Goodwill	2,453	2,280	18,974
Other	43	26	222
Total intangible assets	3,994	3,641	30,307
Investments and other assets:			
Investment securities (Note 6).....	5,629	19,676	163,735
Deferred tax assets	6,377	2,168	18,049
Guarantee deposits	3,804	3,720	30,957
Other	521	494	4,117
Allowance for doubtful accounts	(68)	(48)	(406)
Total investments and other assets	16,264	26,010	216,451
Total non-current assets	41,469	50,302	418,590
Total assets	¥162,788	¥166,283	\$1,383,739

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

	Millions of yen		Thousands of U.S. dollars
			(Note 3)
	2014	2015	2015
Liabilities			
Current liabilities:			
Notes and accounts payable - trade	¥16,241	¥15,972	\$132,917
Lease obligations	524	569	4,743
Accounts payable-other	4,928	7,243	60,275
Income taxes payable	3,949	4,572	38,050
Advances received	12,020	14,485	120,540
Provision for bonuses	5,948	6,775	56,381
Provision for loss on order received (Note 6).....	337	572	4,767
Allowance for program product warranty	162	180	1,505
Other	379	348	2,898
Total current liabilities	44,491	50,720	422,075
Non-current liabilities:			
Lease obligations	1,623	1,179	9,816
Provision for directors' retirement benefits	164	159	1,323
Net defined benefit liability	15,467	16,658	138,623
Other	81	122	1,023
Total non-current liabilities	17,337	18,119	150,785
Total liabilities	61,829	68,840	572,860
Net assets			
Shareholders' equity:			
Capital stock	12,952	12,952	107,787
Capital surplus	9,950	9,950	82,803
Retained earnings	75,496	82,489	686,436
Treasury shares	(4)	(20,004)	(166,471)
Total shareholders' equity	98,395	85,387	710,555
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	133	9,191	76,486
Revaluation reserve for land (Note 6).....	(1,276)	(1,276)	(10,626)
Foreign currency translation adjustment	88	252	2,104
Total accumulated other comprehensive income	(1,055)	8,167	67,964
Minority interests	3,619	3,888	32,360
Total net assets	100,959	97,443	810,879
Total liabilities and net assets	¥162,788	¥166,283	\$1,383,739

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, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
Net sales	¥179,953	¥206,295	\$1,716,695
Cost of sales (Note 7)	145,491	166,953	1,389,313
Gross profit	34,461	39,341	327,383
Selling, general and administrative expenses (Note 7)	22,043	23,126	192,451
Operating income	12,418	16,214	134,932
Non-operating income:			
Interest income	260	223	1,862
Dividend income	149	140	1,173
Subsidy income	91	42	357
Other	63	58	486
Total non-operating income	564	466	3,878
Non-operating expenses:			
Interest expenses	120	91	761
Share of loss of entities accounted for using equity method	21	40	336
Loss on retirement of non - current assets	18	60	504
Commission for purchase of treasury shares.....	—	25	210
Other	42	7	62
Total non-operating expenses	202	225	1,873
Ordinary income	12,779	16,455	136,937
Income before income taxes and minority interests	12,779	16,455	136,937
Income taxes-current	6,151	7,328	60,982
Income taxes-deferred	(830)	(346)	(2,884)
Total income taxes	5,320	6,981	58,098
Income before minority interests	7,458	9,474	78,839
Minority interests in income	387	396	3,302
Net income	¥7,071	¥9,077	\$75,537

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

	Yen		U.S. dollars (Note 3)
	2014	2015	2015
Net income per share	¥133.43	¥174.68	\$1.47

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the fiscal years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
Income before minority interests	¥7,458	¥9,474	\$78,839
Other comprehensive income:			
Valuation difference on available-for-sale securities	61	9,057	75,372
Foreign currency translation adjustment	99	168	1,404
Total other comprehensive income (Note 8).....	161	9,226	76,776
Comprehensive income	¥7,620	¥18,700	\$155,615
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	7,224	18,299	152,281
Comprehensive income attributable to minority interests	¥395	¥400	\$3,334

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, 2014 and 2015

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 31, 2013	¥12,952	¥9,950	¥70,544	(¥4)	¥93,443
Changes of items during period					
Dividends of surplus			(2,119)		(2,119)
Net income			7,071		7,071
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	4,951	(0)	4,951
Balance at March 31, 2014	¥12,952	¥9,950	¥75,496	(¥4)	¥98,395
Cumulative effects of changes in accounting policies			167		167
Restated balance	12,952	9,950	75,664	(4)	98,563
Changes of items during period					
Dividends of surplus			(2,252)		(2,252)
Net income			9,077		9,077
Purchase of treasury shares				(20,000)	(20,000)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	6,824	(20,000)	(13,175)
Balance at March 31, 2015	¥12,952	¥9,950	¥82,489	(¥20,004)	¥85,387

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at March 31, 2013	¥72	(¥1,276)	(¥3)	(¥1,208)	¥3,335	¥95,571
Changes of items during period						
Dividends of surplus						(2,119)
Net income						7,071
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	61		91	153	283	436
Total changes of items during period	61	—	91	153	283	5,388
Balance at March 31, 2014	¥133	(¥1,276)	¥88	(¥1,055)	¥3,619	¥100,959
Cumulative effects of changes in accounting policies					(10)	157
Restated balance	133	(1,276)	88	(1,055)	3,608	101,116
Changes of items during period						
Dividends of surplus						(2,252)
Net income						9,077
Purchase of treasury shares						(20,000)
Net changes of items other than shareholders' equity	9,057		164	9,222	279	9,502
Total changes of items during period	9,057	—	164	9,222	279	(3,673)
Balance at March 31, 2015	¥9,191	(¥1,276)	¥252	¥8,167	¥3,888	¥97,443

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the fiscal years ended March 31, 2014 and 2015

Thousands of U.S. dollars (Note 3)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 31, 2013	\$107,787	\$82,803	\$587,043	(\$35)	\$777,597
Changes of items during period					
Dividends of surplus			(17,641)		(17,641)
Net income			58,847		58,847
Purchase of treasury shares				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	41,206	(1)	41,205
Balance at March 31, 2014	\$107,787	\$82,803	\$628,249	(\$36)	\$818,802
Cumulative effects of changes in accounting policies			1,394		1,394
Restated balance	107,787	82,803	629,642	(36)	820,196
Changes of items during period					
Dividends of surplus			(18,743)		(18,743)
Net income			75,537		75,537
Purchase of treasury shares				(166,434)	(166,434)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	56,794	(166,434)	(109,641)
Balance at March 31, 2015	\$107,787	\$82,803	\$686,436	(\$166,471)	\$710,555

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at March 31, 2013	\$600	(\$10,626)	(\$28)	(\$10,055)	\$27,760	\$795,302
Changes of items during period						
Dividends of surplus						(17,641)
Net income						58,847
Purchase of treasury shares						(1)
Net changes of items other than shareholders' equity	514		761	1,275	2,357	3,632
Total changes of items during period	514	—	761	1,275	2,357	44,837
Balance at March 31, 2014	\$1,114	(\$10,626)	\$732	(\$8,780)	\$30,116	\$840,138
Cumulative effects of changes in accounting policies					(86)	1,308
Restated balance	1,114	(10,626)	732	(8,780)	30,030	841,446
Changes of items during period						
Dividends of surplus						(18,743)
Net income						75,537
Purchase of treasury shares						(166,434)
Net changes of items other than shareholders' equity	75,372		1,372	76,744	2,330	79,073
Total changes of items during period	75,372	—	1,372	76,744	2,330	(30,567)
Balance at March 31, 2015	\$76,486	(\$10,626)	\$2,104	\$67,964	\$32,360	\$810,879

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the fiscal years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥12,779	¥16,455	\$136,937
Depreciation	3,740	3,847	32,020
Amortization of goodwill	166	188	1,567
Increase (decrease) in allowance for doubtful accounts	(17)	(17)	(143)
Increase (decrease) in provision for bonuses	152	826	6,878
Increase (decrease) in net defined benefit liability	1,071	1,434	11,939
Increase (decrease) in provision for directors' retirement benefits	(20)	(5)	(46)
Increase (decrease) in other provision	40	254	2,116
Interest and dividend income	(410)	(364)	(3,035)
Interest expenses	120	91	761
Share of (profit) loss of entities accounted for using equity method	21	40	336
Loss on retirement of non-current assets	18	60	504
Decrease (increase) in notes and accounts receivable-trade ...	(1,981)	(4,064)	(33,826)
Decrease (increase) in inventories	(4,220)	(1,183)	(9,848)
Decrease (increase) in other current assets	152	(93)	(776)
Increase (decrease) in notes and accounts payable-trade	3,317	(297)	(2,479)
Increase (decrease) in other current liabilities	4,194	4,556	37,919
Other, net	(26)	32	271
Subtotal	19,098	21,761	181,093
Interest and dividend income received	409	366	3,051
Interest expenses paid	(120)	(91)	(761)
Income taxes paid	(4,181)	(6,738)	(56,075)
Net cash provided by (used in) operating activities	15,206	15,298	127,308
Cash flows from investing activities:			
Payments into time deposits.....	—	(183)	(1,527)
Purchase of securities	(3,000)	(2,000)	(16,643)
Proceeds from redemption of securities	6,000	7,300	60,747
Purchase of property, plant and equipment and intangible assets	(2,332)	(2,792)	(23,234)
Purchase of investment securities	(2,060)	(1,000)	(8,322)
Proceeds from sales of investment securities	334	—	—
Proceeds from redemption of investment securities	700	—	—
Payments of loans receivable from subsidiaries and associates	—	(12,000)	(99,859)
Collection of loans receivable from subsidiaries and associates	—	12,000	99,859
Purchase of shares of subsidiaries resulting in change in scope of consolidation.....	(145)	—	—
Payments for guarantee deposits	(334)	(64)	(538)
Proceeds from collection of guarantee deposits	22	152	1,272
Other, net	(30)	35	297
Net cash provided by (used in) investing activities	(¥846)	¥1,448	\$12,052

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

	Millions of yen		Thousands of U.S. dollars
			(Note 3)
	2014	2015	2015
Cash flows from financing activities:			
Purchase of treasury shares	(¥0)	(¥20,025)	(\$166,645)
Cash dividends paid	(2,119)	(2,252)	(18,743)
Cash dividends paid to minority shareholders	(113)	(120)	(1,005)
Repayments of lease obligations	(507)	(541)	(4,508)
Net cash provided by (used in) financing activities	(2,741)	(22,940)	(190,901)
Effect of exchange rate change on cash and cash equivalents	74	111	925
Net increase (decrease) in cash and cash equivalents	11,692	(6,082)	(50,615)
Cash and cash equivalents at beginning of period	28,152	39,845	331,573
Cash and cash equivalents at end of period (Note 10)	¥39,845	¥33,762	\$280,957

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 62.4% of the Company’s voting rights, as of March 31, 2015.

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

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

The Companies’ principal business lines are:

- **Business Solutions**
The Companies provide solutions for industry-specific business applications to corporate enterprises, government agencies and public organizations.
- **Platform Solutions**
The Companies provide solutions for system platforms including middleware, databases, operating systems, networking systems, storage systems, security systems, and services which enable systems running on diverse platforms to collaborate with each other.
- **Business Services**
The Companies provide system operation and maintenance services and total end-to-end outsourcing services.

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of Presenting Consolidated Financial Statements

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

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

3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers. The rate of ¥120.17 = U.S. \$1, the effective rate of exchange prevailing at March 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.

4. Going Concern Assumption

None

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

5. Summary of Significant Accounting Policies

(1) Principles of consolidation

The consolidated financial statements for the fiscal year ended March 31, 2015, include the accounts of the Company and its 19 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
NSSLC Service Corporation
NSFMC Corporation
Financial Engineering Group, Inc.
NCI Systems Integration, Inc.
Nittetsu Hitachi Systems Engineering, Inc.
NS Solutions (Shanghai) Co., Ltd.
NS Solutions USA Corporation
NS Solutions Asia Pacific Pte. Ltd.
Thai NS Solutions Co., Ltd.
NS Solutions IT Consulting Europe Ltd.
PALSYS Software Co., Ltd.
PT. NSSOL SYSTEMS INDONESIA

PT. NSSOL SYSTEMS INDONESIA was established and included in the scope of consolidation from the fiscal year ended March 31, 2015.

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

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(2) Investments in affiliates

The Company's investment in the affiliate was accounted for using the equity method for the fiscal year ended March 31, 2015 as listed below:

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

(3) Translation of foreign currency

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

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

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

(4) Investment securities

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

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

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

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

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

(5) Inventories

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

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

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

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(6) Property, Plant and Equipment

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

(7) Intangible fixed assets

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

(8) Leased assets

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

(9) Allowance for doubtful accounts

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

(10) Provision for bonuses

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

(11) Provision for loss on order received

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

(12) Allowance for program product warranty

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

(13) Provision for directors’ retirement benefits

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

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(14) Method for Accounting for Retirement benefits

(a) Method of attributing expected retirement benefits to periods

When calculating retirement benefit obligations, the benefit formula basis is used for attributing expected retirement benefits to periods through March 31, 2015.

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

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

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

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

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

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

(16) Goodwill

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

(17) Cash and cash equivalents

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

(18) Accounting for consumption tax

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

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(19) Change in Accounting Principles Accompanying Revision in Accounting Standards (Application of 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, March 26, 2015) .

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 April 1, 2014, net defined benefit liabilities decreased by ¥244 million and retained earnings increased by ¥167 million. In addition, operating income, ordinary income and income before income taxes and minority interests for the fiscal year ended March 31, 2015 decreased by ¥93 million (\$779 thousand). Information concerning the effect of this change on a per share basis is presented in the relevant sections of this report.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

(Accounting Standard for Business Combinations)

“Accounting Standard for Business Combinations” (ASBJ Statement No.21, September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No.7, September 13, 2013), “Accounting Standard for Earnings Per Share” (ASBJ Statement No.2, September 13, 2013), “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, September 13, 2013), and “Revised Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No.4, September 13, 2013).

1. Overview

The main changes to the accounting Standards apply to 1) the handling of changes in equity holdings of a subsidiary by the parent company in the event of ongoing control of additional acquisitions of the subsidiary, 2) the handling of expenses related to the acquisition, 3) the presentation of net income and revision from minority interests to non-controlling interest, and 4) the handling of provisional accounting processes.

2. Scheduled date for adoption

The Companies plans to apply the changes from the start of the fiscal year beginning April 1 , 2015.

In addition, the Companies plans to apply the handling of provisional accounting processes upon the corporate integration from April 1, 2015.

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

The effect on the consolidated financial statements from the application of the accounting standards is currently under assessment.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

6. 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 ¥17,597 million and ¥19,874 million (\$165,387 thousand) at March 31, 2014 and 2015, respectively.

(2) Investment in non-consolidated subsidiaries and affiliates

Investment in non-consolidated subsidiaries and affiliates were ¥19 million and ¥20 million (\$169 thousand) on March 31, 2014 and 2015, 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 excess of the carrying amounts of the revalued land over its fair value at the end of March 31, 2014 and 2015 were ¥186 million and ¥181 million (\$1,512 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 ¥251 million and ¥426 million (\$3,550 thousand) on March 31, 2014 and 2015, respectively.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

7. Notes to Consolidated Statements of Income

(1) Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the fiscal years ended March 31, 2014 and 2015 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
Salaries and allowances	¥ 7,749	¥ 8,069	\$ 67,147
Provision for bonuses	1,152	1,247	10,379
Retirement benefit expenses	669	746	6,214
Provision for directors' retirement benefits	28	32	273
Depreciation	125	148	1,238
Amortization of goodwill	166	188	1,567
Business consignment expenses	2,699	3,063	25,493
Operating expense for acceptance of orders	3,635	3,366	28,014
Provision of allowance for doubtful accounts	¥ 0	¥ 2	\$ 24

(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, 2014 and 2015 amounting to ¥1,488 million and ¥1,546 million (\$12,867 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, 2014 and 2015 amounting to ¥337 million and ¥532 million (\$4,430 thousand), respectively.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

8. 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, 2014 and 2015 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
Valuation difference on available-for-sale securities:			
Amount recognized in the period under review	¥ 118	¥ 13,376	\$ 111,314
Amount of recycling	(22)	—	—
Before income tax effect adjustment.....	95	13,376	111,314
Amount of income tax effect	(34)	(4,319)	(35,942)
Valuation difference on available-for-sale securities	61	9,057	75,372
Foreign currency translation adjustment:			
Amount recognized in the period under review	99	168	1,404
Amount of recycling	—	—	—
Before income tax effect adjustment.....	99	168	1,404
Amount of income tax effect	—	—	—
Foreign currency translation adjustment.....	99	168	1,404
Total other comprehensive income	¥ 161	¥ 9,226	\$ 76,776

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

9. Notes to Consolidated Statements of Changes in Net Assets
(For the fiscal year ended March 31, 2014)

(1) Information on issued shares

The number of shares as follows:

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

(2) Information on treasury shares

The number of shares as follows:

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

(Reason for increase or decrease treasury shares)

• Increase

Odd lot shares purchases: 75

(3) Information on acquisition rights

None

(4) Information on dividends

The Company paid cash dividends as follows:

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

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

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

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(For the fiscal year ended March 31, 2015)

(1) Information on issued shares

The number of shares as follows:

Kind of stock	As of March 31, 2014	Increase	Decrease	As of March 31, 2015
Common stock	52,999,120	—	—	52,999,120

(2) Information on treasury shares

The number of shares as follows:

Kind of stock	As of March 31, 2014	Increase	Decrease	As of March 31, 2015
Common stock	1,629	6,493,633	—	6,495,262

(Reason for increase or decrease treasury shares)

• Increase

Purchase of treasury shares based on the resolution at the meeting of the Board of Directors held on December 3, 2014: 6,493,500

Odd lot shares purchases: 133

(3) Information on acquisition rights

None

(4) Information on dividends

The Company paid cash dividends as follows:

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

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

Date of board resolution	Class of stock	Source of dividends	Total dividend amount	Dividend per share	Reference date	Effective date
May 12, 2015	Common stock	Retained earnings	¥1,046 million	¥22.50	March 31, 2015	June 1, 2015

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

10. Notes to Consolidated Statements of Cash Flows

(1) Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2014 and 2015 were as follows:

March 31,	Millions of yen		Thousands of U.S.
	2014	2015	dollars (Note 3)
Cash and deposits	¥ 1,971	¥ 2,070	\$ 17,229
Deposits paid	36,874	31,875	265,255
Securities (maturing in less than three months from acquisition date)...	1,000	—	—
Time deposits (deposits term of more than three months)	—	(183)	(1,527)
Cash and cash equivalents	¥ 39,845	¥ 33,762	\$ 280,957

(2) Non-Cash investing and financing transactions

(For the fiscal year ended March 31, 2014)

Assets and liabilities related to finance lease transactions newly recognized for the fiscal year ended March 31, 2014, were ¥1,882 million and ¥1,976 million, respectively.

(For the fiscal year ended March 31, 2015)

None.

11. Leases

(1) Finance lease transactions

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

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

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(2) Operating lease transactions

(Leases as lessee)

Operating lease payments under non-cancelable lease contracts at March 31, 2014 and 2015 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
Within one year	¥ 1,593	¥ 1,548	\$ 12,888
Over one year	5,506	4,823	40,138
Total	¥ 7,099	¥ 6,372	\$ 53,025

(Leases as lessor)

Future minimum lease obligations under non-cancellable operating leases at March 31, 2014 and 2015 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
Within one year	¥ 22	¥ 22	\$ 190
Over one year	38	56	468
Total	¥ 61	¥ 78	\$ 657

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

12. Financial Instruments

(For the fiscal year ended March 31, 2014)

1. Status of financial instruments

(1) Management policy

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

(2) Financial instruments, risk, and risk management

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

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

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

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

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

“Current portion of long-term loans receivable from subsidiaries and associates” is loaned to the 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.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

2. Fair value of financial instruments

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

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

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

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note1. Fair value measurement of financial instruments

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

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

- (4) Securities and Investment securities

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

(Please see “Note 13. Investment Securities”)

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

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

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

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

- (9) 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,	2014
Non listed securities.....	¥ 4,770
Investment in funds.....	72
Guarantee deposits.....	¥ 3,804

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

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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 2014
Within one year	
Cash and deposits.....	¥ 1,971
Deposits paid	36,874
Notes and accounts receivable-trade.....	41,086
Securities and Investment securities	
Held-to-maturity debt securities	
(Government bond)	—
Held-to-maturity debt securities	
(Corporate bond)	6,000
Held-to-maturity debt securities	
(Cash in trust)	1,000
Held-to-maturity debt securities	
(Certificate of deposit)	1,000
Current portion of long-term loans receivable from subsidiaries and associates	12,000
Over one year within five years	
Held-to-maturity debt securities	
(Corporate bond)	¥ 300

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

March 31,	Millions of yen 2014
Within one year	¥ 524
Over one year within two years	547
Over two years within three years	579
Over three years within four years	48
Over four years within five years	44
Over five years	¥ 403

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(For the fiscal year ended March 31, 2015)

1. Status of financial instruments

(1) Management policy

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

(2) Financial instruments, risk, and risk management

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

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

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

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

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

“Short-term loans receivable from subsidiaries and associates” is loaned to the 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.

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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, 2015 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, 2015	Millions of yen		
	Carrying amount	Fair value	Differences
Assets:			
(1) Cash and deposits	¥ 2,070	¥ 2,070	¥ —
(2) Deposits paid	31,875	31,875	—
(3) Notes and accounts receivable-trade	45,196	45,196	—
(4) Securities and Investment securities:			
①Held-to-maturity debt securities	3,000	2,988	(11)
②Marketable and investment securities	17,570	17,570	—
(5) Short-term loans receivable from subsidiaries and associates	12,000	12,000	—
Total	¥ 111,714	¥ 111,702	(¥ 11)
Liabilities:			
(6) Notes and accounts payable-trade	15,972	15,972	—
(7) Accounts payable-other	7,243	7,243	—
(8) Income taxes payable	4,572	4,572	—
(9) Lease obligations(*)	1,552	1,600	48
Total	¥ 29,340	¥ 29,388	¥ 48

*Lease obligations calculated by the simplified method (¥197 million) were excluded.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015	Thousands of U.S. dollars (Note 3)		
	Carrying amount	Fair value	Differences
Assets:			
(1) Cash and deposits	\$ 17,229	\$ 17,229	\$ —
(2) Deposits paid.....	265,255	265,255	—
(3) Notes and accounts receivable-trade.....	376,108	376,108	—
(4) Securities and Investment securities:			
①Held-to-maturity debt securities.....	24,965	24,866	(98)
②Marketable and investment securities	146,217	146,217	—
(5) Short-term loans receivable from subsidiaries and associates.....	99,859	99,859	—
Total.....	\$ 929,633	\$ 929,535	(\$ 98)
Liabilities:			
(6) Notes and accounts payable-trade	132,917	132,917	—
(7) Accounts payable-other	60,275	60,275	—
(8) Income taxes payable	38,050	38,050	—
(9) Lease obligations (*)	12,917	13,319	402
Total.....	\$ 244,158	\$ 244,561	\$ 402

*Lease obligations calculated by the simplified method (\$1,642 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 13. Investment Securities”)

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(5) Short-term loans receivable from subsidiaries and associates

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

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

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

(9) 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)
	2015	2015
Non listed securities.....	¥ 1,050	\$ 8,743
Investment in funds.....	54	454
Guarantee deposits.....	¥ 3,720	\$ 30,957

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

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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.
	2015	dollars (Note 3) 2015
Within one year		
Cash and deposits.....	¥ 2,070	\$ 17,229
Deposits paid	31,875	265,255
Notes and accounts receivable-trade.....	45,196	376,108
Securities and Investment securities		
Held-to-maturity debt securities		
(Government bond)	—	—
Held-to-maturity debt securities		
(Corporate bond)	2,000	16,643
Short-term loans receivable from subsidiaries and associates	12,000	99,859
Over one year within five years		
Held-to-maturity debt securities		
(Corporate bond)	¥ 1,000	\$ 8,322

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

March 31,	Millions of yen	Thousands of U.S.
	2015	dollars (Note 3) 2015
Within one year	¥ 569	\$ 4,743
Over one year within two years	601	5,004
Over two years within three years	71	593
Over three years within four years	66	552
Over four years within five years	40	333
Over five years	¥ 400	\$ 3,334

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

13. Investment Securities

Investment securities as of March 31, 2014 and 2015 were as follows:

(As of March 31, 2014)

(1) Held-to-maturity debt securities

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

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

(2) Marketable and investment securities

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

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

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

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(3) Other securities sold

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

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

(As of March 31, 2015)

(1) Held-to-maturity debt securities

Held-to-maturity debt securities for which carrying amount did not exceed fair value as of March 31, 2015 were as follows:

March 31, 2015	Millions of yen		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Government bond.....	¥ —	¥ —	¥ —
Corporate bond.....	3,000	2,988	(11)
Commercial paper	—	—	—
Cash in trust	—	—	—
Certificate of deposit.....	—	—	—
Total.....	¥ 3,000	¥ 2,988	(¥ 11)

March 31, 2015	Thousands of U.S. dollars (Note 3)		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Government bond.....	\$ —	\$ —	\$ —
Corporate bond.....	24,965	24,866	(98)
Commercial paper	—	—	—
Cash in trust	—	—	—
Certificate of deposit.....	—	—	—
Total.....	\$ 24,965	\$ 24,866	(\$ 98)

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(2) Marketable and investment securities

Marketable and investment securities for which carrying amount exceeded or else not exceeded fair value as of March 31, 2015 were as follows:

March 31, 2015	Millions of yen		
	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities (gains)	¥ 17,570	¥ 4,256	¥ 13,314
Equity securities (losses)	—	—	—
Total.....	¥ 17,570	¥ 4,256	¥ 13,314

March 31, 2015	Thousands of U.S. dollars (Note 3)		
	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities (gains)	\$ 146,217	\$ 35,419	\$ 110,799
Equity securities (losses)	—	—	—
Total.....	\$ 146,217	\$ 35,419	\$ 110,799

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.

14. Derivative Instruments

None

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

15. Retirement Benefits

1. Summary of a retirement benefit scheme

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

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

2. Defined benefit plan

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

March 31,	Millions of yen		Thousands of U.S.
	2014	2015	dollars (Note 3)
Retirement benefit obligations, beginning of year....	¥ 13,329	¥ 14,255	\$ 118,626
Cumulative effects of changes in accounting policies.....	—	(244)	(2,032)
Restated balance.....	13,329	14,011	116,594
Service costs.....	1,050	1,202	10,008
Interest costs.....	185	129	1,080
Accrued of the actuarial gain or loss.....	569	717	5,970
Payment of retirement benefits.....	(879)	(767)	(6,385)
Accrued of the prior service cost.....	—	—	—
Other.....	—	—	—
Retirement benefit obligations, ending of year.....	¥ 14,255	¥ 15,293	\$ 127,268

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

March 31,	Millions of yen		Thousands of U.S.
	2014	2015	dollars (Note 3)
Net defined benefit liability, beginning of year.....	¥ 1,066	¥ 1,212	\$ 10,090
Retirement benefit expense.....	179	200	1,672
Payment of retirement benefits.....	(33)	(48)	(407)
Net defined benefit liability, ending of year.....	¥ 1,212	¥ 1,364	\$ 11,355

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

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
Funded retirement obligations.....	¥ —	¥ —	\$ —
Pension assets.....	—	—	—
Unfunded retirement obligations.....	15,467	16,558	138,623
Net amount of liabilities and assets on the consolidated balance sheet.....	15,467	16,558	138,623
Net defined benefit liability.....	15,467	16,558	138,623
Net defined benefit asset.....	—	—	—
Net amount of liabilities and assets on the consolidated balance sheet.....	¥ 15,467	¥ 16,558	\$ 138,623

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

(4) Break down of retirement benefit expenses

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
Service costs.....	¥ 1,050	¥ 1,202	\$ 10,008
Interest costs.....	185	129	1,080
Amortization of actual gain (loss).....	569	717	5,970
Amortization of prior service costs.....	—	—	—
Retirement benefit expense calculated by the simplified method.....	179	200	1,672
Other.....	—	—	—
Retirement benefit expense of defined benefit plan.....	¥ 1,985	¥ 2,250	\$ 18,731

(5) The assumptions used in the actuarial computation

March 31,	2014	2015
Discount rate.....	1.20%	0.61~0.72%

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3. Defined contribution plan

Annual contribution to the defined contribution plan (included the employees' pension fund by multi-employer plans) at March 31, 2014 and 2015 were ¥510 million and ¥529 million (\$4,409 thousand), respectively.

16. Income Taxes

At the fiscal years ended March 31, 2014 and 2015, the significant components of deferred tax assets were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
Deferred tax assets:			
Net defined benefit liability.....	¥ 5,523	¥ 5,415	\$ 45,067
Provision for bonuses	2,142	2,281	18,983
Amortization of software costs	791	933	7,767
Accrued enterprise tax.....	316	369	3,076
Elimination of unrealized profits on consolidation.....	177	155	1,291
Others	758	830	6,913
Subtotal deferred tax assets.....	9,710	9,985	83,097
Valuation allowance.....	(175)	(190)	(1,587)
Total deferred tax assets	¥ 9,535	¥ 9,795	\$ 81,510
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(74)	(4,393)	(36,559)
Total deferred tax liabilities.....	(74)	(4,393)	(36,559)
Net deferred tax assets.....	¥ 9,461	¥ 5,401	\$ 44,951

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At the fiscal years ended March 31, 2014 and 2015, the significant differences between the statutory tax rate and the company's effective tax rate was as follows:

March 31,	Percent	
	2014	2015
Effective statutory tax rate	38.0%	35.6%
Adjustments:		
Permanent non-deductible expenses.....	1.7%	1.2%
Permanent non-taxable income	(0.2)%	(0.1)%
Inhabitants tax per capita.....	0.4%	0.3%
Amortization of goodwill.....	0.5%	0.4%
Tax deductions.....	(0.9)%	(0.7)%
Decrease in deferred tax assets due to tax rate changes.....	1.6%	5.2%
Others.....	0.6%	0.6%
Effective income tax rate.....	41.6%	42.4%

In accordance with the promulgation on March 31, 2015, of the Act on Partial Revision of the Income Tax Act and the Act on Partial Revision of the Local Tax Act, the effective statutory tax rate of 35.6% utilized in the previous consolidated fiscal year for the computation of deferred tax liabilities for the current consolidated fiscal year (applied only to assets and liabilities to be recovered or settled on or after April 1, 2015) has been revised from 35.6% utilized in the previous consolidated fiscal year to 33.1% for assets and liabilities to be recovered or settled during the period of April 1, 2015, to March 31, 2016, and to 32.3% for assets and liabilities to be recovered or settled from April 1, 2016, and thereafter.

As a result of this change, deferred tax assets (net of deferred tax liabilities) decreased by ¥403 million (\$3,355 thousand), income taxes-deferred at fiscal year-end increased by ¥851 million (\$7,086 thousand), and valuation difference on available-for-sale securities increased by ¥448 million (\$3,730 thousand), respectively.

17. 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, 2014 and 2015.

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18. Segment Information

(For the fiscal year ended March 31, 2014 and 2015)

(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)
	2014	2015	2015
Business Solutions	¥ 107,678	¥ 128,961	\$ 1,073,155
Platform Solutions	21,303	20,469	170,341
Business Services	50,971	56,864	473,199
Total	¥ 179,953	¥ 206,295	\$ 1,716,695

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)
	2014	2015	2015
Nippon Steel & Sumitomo Metal Corporation ..	¥ 29,648	¥ 35,649	\$ 296,660

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

None

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

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
Amortization of goodwill.....	¥ 166	¥ 188	\$ 1,567
Balance at end of period	¥ 2,453	¥ 2,280	\$ 18,974

(5) Information on negative goodwill by business segment

None

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19. Related Party Transactions

Related party transactions during the years ended March 31, 2014 and 2015 were as follows:

(1) Parent company

March 31,	2014	2015
Name of the company	Nippon Steel & Sumitomo Metal Corporation	Nippon Steel & Sumitomo Metal Corporation
Address.....	Chiyoda-ku Tokyo	Chiyoda-ku Tokyo
Common stock amount.....	¥ 419,524 million	¥ 419,524 million
Type of business	Manufacturing and selling steel products	Manufacturing and selling steel products
Equity share percentage of the Company	67.00% (direct)	62.40% (direct)
Relationship.....	Sales of systems integration services, Deposit of funds ,Loan, Directors and auditors who have a position in both companies	Sales of systems integration services, Deposit of funds, Loan, Directors and auditors who have a position in both companies, Purchase of treasury shares by tender offer
Transaction amounts:		
Sales of systems integration services.....	¥ 28,095 million	¥ 33,956 million (\$ 282,570 thousand)
Money deposited.....	¥ 59,571 million	¥ 66,850 million (\$ 556,295 thousand)
Money refunded.....	¥ 45,601 million	¥ 71,950 million (\$ 598,735 thousand)
Interest income of deposits	¥ 71 million	¥ 101 million (\$ 847 thousand)
Interest income of loans	¥ 126 million	¥ 84 million (\$ 707 thousand)
Purchase of treasury shares	—	¥ 19,999 million (\$ 166,341 thousand)
Balances at fiscal year-end:		
Accounts receivable	¥ 2,419 million	¥ 2,750 million (\$ 22,889 thousand)
Advanced receipts.....	¥ 6,054 million	¥ 8,638 million (\$ 71,882 thousand)
Deposits paid.....	¥ 36,874 million	¥ 31,875 million (\$ 265,255 thousand)
Current portion of long-term loans receivable from subsidiaries and associates.....	¥ 12,000 million	—
Short-term loans receivable from subsidiaries and associates	—	¥ 12,000 million (\$ 99,859 thousand)

* Consumption taxes are not included in the amount of transaction and are included in the amount of balances.

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

* Purchase of treasury shares were conducted by the method of the tender offer with the price as 3,080 yen per common share, based on the resolution at the meeting of the Board of Directors held on December 3, 2014.

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20. Per Share Information

March 31,	yen		U.S. dollars
	2014	2015	(Note 3) 2015
Net assets per share.....	¥ 1,836.70	¥ 2,011.76	\$ 16.74
Net income per share.....	¥ 133.43	¥ 176.48	\$ 1.47

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

March 31,	Millions of yen		Thousands of U.S. dollars
	2014	2015	(Note 3) 2015
Net income.....	¥ 7,071	¥ 9,077	\$ 75,537
Net income attributable to common stock.....	¥ 7,071	¥ 9,077	\$ 75,537
The average number of common stocks (shares).....	52,997,522	51,965,598	

*As described in “Changes in Accounting Principles Accompanying Revisions in Accounting Standards”, the Company applied the Retirement Benefits Accounting Standard, and complied with transitional treatment as prescribed in Section 37 of the Retirement Benefits Accounting Standard. As a result, net assets per share for the fiscal year ended March 31, 2015 increased by ¥2.31 (\$0.02), and net income per share decreased by ¥1.15 (\$0.01), respectively.

21. Subsequent Events

There have been no material events subsequent to March 31, 2015.