

NS Solutions Corporation

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CONSOLIDATED FINANCIAL RESULTS (From April 1, 2013 to September 30, 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.

Contents:

Consolidated Balance Sheets	1
Consolidated Statements of Income.....	3
Consolidated Statements of Comprehensive Income	4
Consolidated Statements of Cash Flows.....	5
Notes to Consolidated Financial Statements	7
1. Basis of Presenting Consolidated Financial Statements	7
2. U.S. Dollar Amounts.....	7
3. Going Concern Assumption	7
4. Notes in case of significant changes to shareholders' equity	7
5. Change in Scope of Consolidated Subsidiaries and Applications of the Equity Method.....	7
6. Change in accounting policy.....	7
7. Special Accounting Treatment for the Quarterly Consolidated Financial Statements	7
8. Notes to Consolidated Balance Sheets.....	8
9. Notes to Consolidated Statements of Income	8
10. Notes to Consolidated Statements of Cash Flows	8
11. Net Assets.....	9
12. Consolidated Segment Information.....	9
13. Per Share Information	10
14. Subsequent Events	10

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED BALANCE SHEETS
March 31, 2013 and September 30, 2013

	Millions of yen		Thousands of U.S. dollars
	Mar. 31, 2013	Sep. 30, 2013	(Note 2) Sep. 30, 2013
Assets			
Current assets:			
Cash and deposits	¥3,321	¥1,341	\$13,720
Deposits paid	22,832	33,066	338,281
Notes and accounts receivable-trade	39,041	28,795	294,586
Securities	7,999	7,000	71,611
Work in process.....	12,673	16,544	169,248
Raw materials and supplies	321	305	3,129
Current portion of long-term loans receivable from subsidiaries and affiliates	—	12,000	122,762
Other	4,167	4,124	42,192
Allowance for doubtful accounts	(32)	(23)	(237)
Total current assets	90,324	103,154	1,055,294
Noncurrent assets:			
Property, plant and equipment	20,760	21,995	225,014
Intangible assets:			
Goodwill	2,517	2,434	24,907
Other	1,442	1,728	17,680
Total intangible assets	3,959	4,162	42,588
Investments and other assets:			
Long-term loans receivable from subsidiaries and affiliates	12,000	—	—
Other	18,163	17,981	183,954
Allowance for doubtful accounts	(86)	(79)	(810)
Total investments and other assets	30,077	17,902	183,145
Total noncurrent assets	54,797	44,060	450,747
Total assets	¥145,121	¥147,215	\$1,506,041

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	Mar. 31, 2013	Sep. 30, 2013	Sep. 30, 2013
	Liabilities		
Current liabilities:			
Notes and accounts payable-trade	¥12,891	¥9,413	\$96,298
Income taxes payable	1,974	2,118	21,676
Advances received	8,258	11,131	113,880
Provision for bonuses	5,796	5,903	60,391
Other provision	459	478	4,890
Other	4,941	4,186	42,833
Total current liabilities	<u>34,321</u>	<u>33,231</u>	<u>339,968</u>
Noncurrent liabilities:			
Provision for retirement benefits	14,396	14,831	151,732
Provision for directors' retirement benefits	185	150	1,544
Other	646	1,874	19,177
Total noncurrent liabilities	<u>15,228</u>	<u>16,857</u>	<u>172,453</u>
Total liabilities	<u>49,550</u>	<u>50,089</u>	<u>512,421</u>
Net assets			
Shareholders' equity:			
Capital stock	12,952	12,952	132,509
Capital surplus	9,950	9,950	101,795
Retained earnings	70,544	71,963	736,202
Treasury stock	(4)	(4)	(44)
Total shareholders' equity	<u>93,443</u>	<u>94,862</u>	<u>970,462</u>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	72	101	1,035
Revaluation reserve for land	(1,276)	(1,276)	(13,064)
Foreign currency translation adjustment	(3)	36	372
Total accumulated other comprehensive income	<u>(1,208)</u>	<u>(1,139)</u>	<u>(11,656)</u>
Minority interests	<u>3,335</u>	<u>3,403</u>	<u>34,815</u>
Total net assets	<u>95,571</u>	<u>97,126</u>	<u>993,620</u>
Total liabilities and net assets	<u>¥145,121</u>	<u>¥147,215</u>	<u>\$1,506,041</u>

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

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
For the six months ended September 30, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2013	2013
Net sales	¥81,675	¥81,453	\$833,280
Cost of sales (Note 9)	66,404	65,953	674,719
Gross profit	15,271	15,499	158,561
Selling, general and administrative expenses (Note 9)	9,846	10,973	112,262
Operating income	5,424	4,525	46,299
Non-operating income:			
Interest income	119	130	1,332
Dividends income	131	132	1,355
Equity in earnings of affiliates	1	—	—
Gain on sales of investment securities	97	22	230
Other	17	13	139
Total non-operating income	366	298	3,056
Non-operating expenses:			
Interest expenses	16	63	649
Equity in losses of affiliates.....	—	11	114
Loss on retirement of noncurrent assets	5	1	20
Other	8	9	96
Total non-operating expenses	30	85	879
Ordinary income	5,760	4,738	48,476
Income before income taxes and minority interests	5,760	4,738	48,476
Income taxes	2,392	2,084	21,324
Income before minority interests	3,368	2,654	27,152
Minority interests in income	199	175	1,793
Net income	¥3,169	¥2,478	\$25,359

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

	Yen		U.S. dollars (Note 2)
	2012	2013	2013
Net income per share	¥59.80	¥46.77	\$0.48

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the six months ended September 30, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars
	2012	2013	(Note 2) 2013
Income before minority interests	¥3,368	¥2,654	\$27,152
Other comprehensive income:			
Valuation difference on available-for-sale securities.....	(27)	29	298
Foreign currency translation adjustment.....	4	45	466
Total other comprehensive income	(23)	74	764
Comprehensive income	¥3,345	¥2,728	\$27,916
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent.....	3,145	2,547	26,064
Comprehensive income attributable to minority interests.....	¥199	¥181	\$1,852

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

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended September 30, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2013	2013
Net cash provided by (used in) operating activities:			
Income before income taxes and minority interests	¥5,760	¥4,738	\$48,476
Depreciation and amortization	1,482	1,744	17,846
Amortization of goodwill	82	82	844
Increase (decrease) in allowance for doubtful accounts	3	(16)	(170)
Increase (decrease) in provision for bonuses	57	106	1,093
Increase (decrease) in provision for retirement benefits ...	451	435	4,456
Interest and dividends income	(251)	(262)	(2,687)
Interest expenses	16	63	649
Equity in (earnings) losses of affiliates	(1)	11	114
Loss (gain) on sales of investment securities.....	(97)	(22)	(230)
Loss on retirement of noncurrent assets.....	5	1	20
Decrease (increase) in notes and accounts receivable-trade	1,550	10,269	105,060
Decrease (increase) in inventories	(3,092)	(3,845)	(39,337)
Increase (decrease) in notes and accounts payable-trade ..	(4,379)	(3,494)	(35,747)
Other, net	1,972	1,845	18,878
Sub total	3,561	11,658	119,265
Interest and dividends income received	255	261	2,679
Interest expenses paid	(16)	(63)	(649)
Income taxes paid	(3,249)	(2,039)	(20,869)
Net cash provided by (used in) operating activities	552	9,816	100,426
Net cash provided by (used in) investing activities:			
Purchase of securities	(4,000)	(3,000)	(30,691)
Proceeds from redemption of securities	4,000	4,000	40,921
Purchase of property, plant and equipment and intangible assets	(3,144)	(1,407)	(14,404)
Purchase of investment securities	(498)	(1,060)	(10,848)
Proceeds from sales of investment securities	116	326	3,337
Other, net	(34)	(28)	(295)
Net cash provided by (used in) investing activities	(¥3,561)	(¥1,170)	(\$11,979)

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2013	2013
Net cash provided by (used in) financing activities:			
Purchase of treasury stock	(¥0)	(¥0)	(\$1)
Cash dividends paid	(1,059)	(1,059)	(10,843)
Cash dividends paid to minority shareholders	(80)	(113)	(1,164)
Repayments of lease obligations	(234)	(247)	(2,537)
Net cash provided by (used in) financing activities	(1,374)	(1,421)	(14,545)
Effect of exchange rate change on cash and cash equivalents ...	1	31	324
Net increase (decrease) in cash and cash equivalents	(4,382)	7,255	74,225
Cash and cash equivalents at beginning of period	30,872	28,152	288,006
Cash and cash equivalents at end of period (Note 10)	¥26,490	¥35,408	\$362,231

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

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presenting Consolidated Financial Statements

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

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

2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers. The rate of ¥97.75 = U.S. \$1, the effective rate of exchange prevailing on September 30, 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.

3. Going Concern Assumption

None

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

None

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

None

6. Change in accounting policy

None

7. Special Accounting Treatment for the Quarterly Consolidated Financial Statements

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

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

8. Notes to Consolidated Balance Sheets

None

9. Notes to Consolidated Statements of Income

(1) Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the six months ended September 30, 2012 and 2013 were as follows:

September 30,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2013	2013
Salaries and allowances	¥ 3,141	¥ 3,331	\$ 34,087
Provision for bonuses	1,155	1,154	11,808
Retirement benefit expenses	260	262	2,682
Provision for directors' retirement benefits.....	13	14	147
Depreciation and amortization	68	58	602
Amortization of goodwill.....	82	82	844
Operating expense for acceptance of orders	¥ 1,548	¥ 1,873	\$ 19,164

(2) Research and Development Costs

Research and development costs are charged to expense as incurred. The expense were recorded as general and administrative expenses and manufacturing costs for the six months ended September 30, 2012 and 2013 amounting to ¥677 million and ¥725 million (\$7,419 thousand), respectively.

10. Notes to Consolidated Statements of Cash Flows

Cash and Cash Equivalents

Cash and cash equivalents on September 30, 2012 and 2013 were as follows:

September 30,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2013	2013
Cash and deposits	¥ 3,681	¥ 1,341	\$ 13,720
Deposits paid.....	18,409	33,066	338,281
Securities (maturing in less than three months from acquisition date)....	4,399	1,000	10,230
Cash and cash equivalents.....	¥ 26,490	¥ 35,408	\$ 362,231

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

11. Net Assets

(For the six months ended September 30, 2012)

The Company paid cash dividends on June 1, 2012 as follows:

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

The company decided to pay cash dividends at the board of directors' meeting held on October 26, 2012 as follows:

Date of board resolution	Class of stock	Total dividend amount	Dividend per share	Reference date	Effective date	Source of dividends
October 26, 2012	Common stock	¥1,059 million	¥20.00	September 30, 2012	December 4, 2012	Retained earnings

(For the six months ended September 30, 2013)

The Company paid cash dividends on June 3, 2013 as follows:

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

The company decided to pay cash dividends at the board of directors' meeting held on October 29, 2013 as follows:

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

12. Consolidated Segment Information

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

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

13. Per Share Information

September 30,	yen		U.S. dollars
	2012	2013	(Note 2) 2013
Net income per share.....	¥ 59.80	¥ 46.77	\$ 0.48

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

September 30,	Millions of yen		Thousands of U.S. dollars
	2012	2013	(Note 2) 2013
Net income.....	¥ 3,169	¥ 2,478	\$ 25,359
Net income attributable to common stock.....	¥ 3,169	¥ 2,478	\$ 25,359
The average number of common stocks (shares).....	52,997,578	52,997,548	

14. Subsequent Events

There have been no material events subsequent to September 30, 2013.