

NS Solutions Corporation

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CONSOLIDATED FINANCIAL RESULTS (From April 1, 2015 to March 31, 2016)

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NS Solutions

- In this material, figures have been rounded down to the nearest millions of yen.
- The financial results have been translated from the Japanese Consolidated Financial Statements for reference purposes only.

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

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NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED BALANCE SHEETS
March 31, 2015 and March 31, 2016

	Millions of yen		Thousands of U.S. dollars
	Mar. 31, 2015	Mar. 31, 2016	(Note 3) Mar. 31, 2016
Assets			
Current assets:			
Cash and deposits	¥2,070	¥2,308	\$20,490
Deposits paid	31,875	40,824	362,306
Notes and accounts receivable - trade	45,196	42,722	379,151
Securities	2,000	—	—
Work in process (Note 6)	18,350	20,616	182,962
Raw materials and supplies	124	97	868
Short-term loans receivable from subsidiaries and associates	12,000	12,000	106,496
Deferred tax assets.....	3,232	3,126	27,745
Other	1,167	1,499	13,304
Allowance for doubtful accounts	(35)	(18)	(166)
Total current assets	115,981	123,176	1,093,155
Non-current assets:			
Property, plant and equipment			
Buildings and structures, net	11,980	11,103	98,543
Tools, furniture and fixtures, net	4,037	4,191	37,203
Land (Note 6)	2,778	2,778	24,656
Leased assets, net	1,573	1,525	13,536
Construction in progress	275	1,442	12,804
Other	3	3	31
Total property, plant and equipment (Note 6)	20,649	21,045	186,773
Intangible assets:			
Software	1,335	1,399	12,423
Goodwill	2,280	2,082	18,483
Other	26	14	126
Total intangible assets	3,641	3,496	31,033
Investments and other assets:			
Investment securities (Note 6).....	19,676	20,547	182,356
Deferred tax assets	2,168	3,203	28,434
Guarantee deposits	3,720	3,794	33,679
Other	494	479	4,256
Allowance for doubtful accounts	(48)	(49)	(435)
Total investments and other assets	26,010	27,977	248,290
Total non-current assets	50,302	52,519	466,096
Total assets	¥166,283	¥175,696	\$1,559,252

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

	Millions of yen		Thousands of U.S. dollars
			(Note 3)
	Mar. 31, 2015	Mar. 31, 2016	Mar. 31, 2016
Liabilities			
Current liabilities:			
Notes and accounts payable - trade	¥15,972	¥16,734	\$148,510
Lease obligations	569	623	5,535
Accounts payable-other	7,243	6,740	59,823
Income taxes payable	4,572	4,012	35,610
Advances received	14,485	14,159	125,658
Provision for bonuses	6,775	7,633	67,747
Provision for loss on order received (Note 6)	572	140	1,246
Allowance for program product warranty	180	208	1,850
Provision for loss on business withdrawal.....	—	116	1,037
Other	348	361	3,208
Total current liabilities	<u>50,720</u>	<u>50,731</u>	<u>450,223</u>
Non-current liabilities:			
Lease obligations	1,179	837	7,434
Provision for directors' retirement benefits	159	145	1,289
Net defined benefit liability	16,658	18,923	167,940
Other	122	46	415
Total non-current liabilities	<u>18,119</u>	<u>19,953</u>	<u>177,078</u>
Total liabilities	<u>68,840</u>	<u>70,684</u>	<u>627,301</u>
Net assets			
Shareholders' equity:			
Capital stock	12,952	12,952	114,952
Capital surplus	9,950	9,950	88,307
Retained earnings	82,489	90,634	804,357
Treasury shares	(20,004)	(20,006)	(177,555)
Total shareholders' equity	<u>85,387</u>	<u>93,531</u>	<u>830,060</u>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	9,191	8,296	73,631
Revaluation reserve for land (Note 6)	(1,276)	(1,276)	(11,333)
Foreign currency translation adjustment	252	170	1,515
Total accumulated other comprehensive income	<u>8,167</u>	<u>7,190</u>	<u>63,813</u>
Non-controlling interests	<u>3,888</u>	<u>4,290</u>	<u>38,077</u>
Total net assets	<u>97,443</u>	<u>105,012</u>	<u>931,951</u>
Total liabilities and net assets	<u>¥166,283</u>	<u>¥175,696</u>	<u>\$1,559,252</u>

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, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2016	2016
Net sales	¥206,295	218,685	\$1,940,765
Cost of sales (Note 7)	166,953	174,981	1,552,905
Gross profit	39,341	43,704	387,860
Selling, general and administrative expenses (Note 7)	23,126	24,435	216,853
Operating income	16,214	19,269	171,007
Non-operating income:			
Interest income	223	160	1,425
Dividend income	140	326	2,902
Share of profit of entities accounted for using equity method.....	—	57	510
Other	101	41	373
Total non-operating income	466	587	5,210
Non-operating expenses:			
Interest expenses	91	60	538
Share of loss of entities accounted for using equity method	40	—	—
Loss on retirement of non - current assets	60	63	563
Foreign exchange losses	—	77	690
Impairment loss.....	—	122	1,089
Provision for loss on business withdrawal.....	—	116	1,037
Other	32	47	422
Total non-operating expenses	225	488	4,339
Ordinary income	16,455	19,367	171,877
Extraordinary losses:			
Loss on valuation of investment securities.....	—	498	4,426
Total extraordinary losses	—	498	4,426
Profit before income taxes	16,455	18,868	167,450
Income taxes-current	7,328	7,391	65,595
Income taxes-deferred	(346)	(197)	(1,754)
Total income taxes	6,981	7,193	63,841
Profit	9,474	11,674	103,609
Profit attributable to non-controlling interests	396	505	4,490
Profit attributable to owners of parent	¥9,077	¥11,168	\$99,119

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

	Yen		U.S. dollars (Note 3)
	2015	2016	2016
Net income per share	¥87.34	¥120.08	\$1.07

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

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the fiscal years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2016	2016
Profit	¥9,474	¥11,674	\$103,609
Other comprehensive income:			
Valuation difference on available-for-sale securities	9,057	(894)	(7,939)
Foreign currency translation adjustment	168	(84)	(751)
Total other comprehensive income (Note 8)	9,226	(979)	(8,690)
Comprehensive income	¥18,700	¥10,695	\$94,920
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	18,299	10,191	90,451
Comprehensive income attributable to non-controlling interests ..	¥400	¥503	\$4,469

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, 2015 and 2016

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
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)
Profit attributable to owners of parent			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
Cumulative effects of changes in accounting policies					—
Restated balance	12,952	9,950	82,489	(20,004)	85,387
Changes of items during period					
Dividends of surplus			(3,022)		(3,022)
Profit attributable to owners of parent			11,168		11,168
Purchase of treasury shares				(2)	(2)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	8,145	(2)	8,143
Balance at March 31, 2016	¥12,952	¥9,950	¥90,634	(¥20,006)	¥93,531

	Accumulated other comprehensive income				Non-controlling 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, 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)
Profit attributable to owners of parent						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
Cumulative effects of changes in accounting policies						—
Restated balance	9,191	(1,276)	252	8,167	3,888	97,443
Changes of items during period						
Dividends of surplus						(3,022)
Profit attributable to owners of parent						11,168
Purchase of treasury shares						(2)
Net changes of items other than shareholders' equity	(894)	—	(82)	(976)	401	(574)
Total changes of items during period	(894)	—	(82)	(976)	401	7,568
Balance at March 31, 2016	¥8,296	(¥1,276)	¥170	¥7,190	¥4,290	¥105,012

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the fiscal years ended March 31, 2015 and 2016

Thousands of U.S. dollars (Note 3)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 31, 2014	\$114,952	\$88,307	\$670,009	(\$39)	\$873,229
Cumulative effects of changes in accounting policies			1,486		1,490
Restated balance	114,952	88,307	671,496	(39)	874,719
Changes of items during period					
Dividends of surplus			(19,989)		(19,989)
Profit attributable to owners of parent			80,558		80,558
Purchase of treasury shares				(177,497)	(177,497)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	60,569	(177,497)	(116,928)
Balance at March 31, 2015	\$114,952	\$88,307	\$732,064	(\$177,536)	\$757,787
Cumulative effects of changes in accounting policies					—
Restated balance	114,952	88,307	732,064	(177,536)	757,787
Changes of items during period					
Dividends of surplus			(26,826)		(26,826)
Profit attributable to owners of parent			99,119		99,119
Purchase of treasury shares				(19)	(19)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	72,293	(19)	72,274
Balance at March 31, 2016	\$114,952	\$88,307	\$804,357	(\$177,555)	\$830,060

	Accumulated other comprehensive income				Non-controlling 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, 2014	\$1,188	(\$11,333)	\$781	(\$9,364)	\$32,118	\$895,983
Cumulative effects of changes in accounting policies					(91)	1,395
Restated balance	1,188	(11,333)	781	(9,364)	32,027	897,378
Changes of items during period						
Dividends of surplus						(19,989)
Profit attributable to owners of parent						80,558
Purchase of treasury shares						(177,497)
Net changes of items other than shareholders' equity	80,382		1,463	81,845	2,484	84,330
Total changes of items during period	80,382	—	1,463	81,845	2,484	(32,599)
Balance at March 31, 2015	\$81,570	(\$11,333)	\$2,244	\$72,481	\$34,511	\$864,779
Cumulative effects of changes in accounting policies						—
Restated balance	81,570	(11,333)	2,244	72,481	34,511	864,779
Changes of items during period						
Dividends of surplus						(26,826)
Profit attributable to owners of parent						99,119
Purchase of treasury shares						(19)
Net changes of items other than shareholders' equity	(7,939)		(729)	(8,668)	3,566	(5,102)
Total changes of items during period	(7,939)	—	(729)	(8,668)	3,566	67,171
Balance at March 31, 2016	\$73,631	(\$11,333)	\$1,515	\$63,813	\$38,077	\$931,951

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the fiscal years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2016	2016
Cash flows from operating activities:			
Profit before income taxes.....	¥16,455	¥18,868	\$167,450
Depreciation	3,847	3,916	34,757
Impairment loss.....	—	122	1,089
Amortization of goodwill	188	218	1,941
Increase (decrease) in allowance for doubtful accounts	(17)	(16)	(151)
Increase (decrease) in provision for bonuses	826	858	7,618
Increase (decrease) in net defined benefit liability	1,434	2,265	20,103
Increase (decrease) in provision for directors' retirement benefits	(5)	(13)	(122)
Increase (decrease) in other provision	254	(288)	(2,556)
Interest and dividend income	(364)	(487)	(4,327)
Interest expenses	91	60	538
Loss (gain) on sales of investment securities	—	498	4,426
Share of (profit) loss of entities accounted for using equity method	40	(57)	(510)
Loss on retirement of non-current assets	60	63	563
Decrease (increase) in notes and accounts receivable-trade ...	(4,064)	2,449	21,743
Decrease (increase) in inventories	(1,183)	(2,264)	(20,094)
Decrease (increase) in other current assets	(93)	(345)	(3,067)
Increase (decrease) in notes and accounts payable-trade	(297)	775	6,885
Increase (decrease) in other current liabilities	4,556	(843)	(7,482)
Other, net	32	96	860
Subtotal	21,761	25,878	229,666
Interest and dividend income received	366	490	4,350
Interest expenses paid	(91)	(60)	(538)
Income taxes paid	(6,738)	(8,060)	(71,538)
Net cash provided by (used in) operating activities	15,298	18,247	161,940
Cash flows from investing activities:			
Payments into time deposits.....	(183)	—	—
Proceeds from withdrawal of time deposits.....	—	167	1,482
Purchase of securities	(2,000)	—	—
Proceeds from redemption of securities	7,300	2,000	17,749
Purchase of property, plant and equipment and intangible assets	(2,792)	(3,935)	(34,924)
Purchase of investment securities	(1,000)	(3,006)	(26,679)
Payments of loans receivable from subsidiaries and associates	(12,000)	—	—
Collection of loans receivable from subsidiaries and associates	12,000	—	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation.....	—	(14)	(128)
Payments for guarantee deposits	(64)	(81)	(720)
Proceeds from collection of guarantee deposits	152	13	121
Other, net	35	16	150
Net cash provided by (used in) investing activities	¥1,448	(¥4,839)	(\$42,949)

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2016	2016
Cash flows from financing activities:			
Purchase of treasury shares	(¥20,025)	(¥2)	\$(19)
Cash dividends paid	(2,252)	(3,022)	(26,826)
Dividends paid to non-controlling interests.....	(120)	(123)	(1,096)
Repayments of lease obligations	(541)	(864)	(7,676)
Net cash provided by (used in) financing activities	(22,940)	(4,013)	(35,617)
Effect of exchange rate change on cash and cash equivalents	111	(23)	(212)
Net increase (decrease) in cash and cash equivalents	(6,082)	9,370	83,163
Cash and cash equivalents at beginning of period	39,845	33,762	299,633
Cash and cash equivalents at end of period (Note 10)	¥33,762	¥43,133	\$382,796

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, 2016.

*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 information systems solutions for specific industries and businesses
- Service Solutions
The Companies provide building of system infrastructure to meet mission-critical requirements and operations services, and full outsourcing services related to information systems .

(note) From the fiscal year ending March 31, 2016, the classification of the company’s services changes from “Business solutions”, “Platform solutions” and “Business services” to “Business solutions“ and “Services solutions”.

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 generally accepted accounting principles 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 ¥112.68 = U.S. \$1, the effective rate of exchange prevailing at March 31, 2016, 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, 2016, 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 Chubu Corporation
NS Solutions Kansai Corporation
Kyushu 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 Asia Pacific Pte. Ltd.
Thai NS Solutions Co., Ltd.
PALSYS Software Co., Ltd.
PT. NSSOL SYSTEMS INDONESIA
PT. SAKURA SYSTEM SOLUTIONS
NS Solutions USA Corporation
NS Solutions IT Consulting Europe Ltd.

NS Solutions Nishinohon Corporation has absorbed Oita NS Solutions Corporation and changed its business name to Kyushu NS Solutions Corporation. Furthermore, Oita NS Solutions Corporation has been dissolved and thus removed from the scope of consolidation.

The Company has added PT. SAKURA SYSTEM SOLUTIONS to the scope of consolidation from second quarter of the fiscal year ending March 31, 2016 as a result of an acquisition the shares.

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 Asia Pacific Pte. Ltd., Thai NS Solutions Co., Ltd., PALSYS Software Co., Ltd., PT. NSSOL SYSTEMS INDONESIA, PT. SAKURA SYSTEM SOLUTIONS, NS Solutions USA Corporation, 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

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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, 2016 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.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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.

(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.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(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.

(14) Provision for loss on business withdrawal

Provision for loss on business withdrawal is provided based on the estimated costs expected to occur in the withdrawal of the business.

(15) 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, 2016.

(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.

(16) 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.

(17) 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.

(18) 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.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(19) Accounting for consumption tax

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

(20) Change in Accounting Principles Accompanying Revision in Accounting Standards

(Accounting Standard for Business Combinations, Etc.)

“Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21 revised on September 13, 2013, hereinafter referred to as the “Business Combinations Accounting Standard”), the “Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 revised on September 13, 2013, hereinafter referred to as the “Consolidated Financial Statements Accounting Standard”), and the “Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7 revised on September 13, 2013, hereinafter referred to as the “Business Divestitures Accounting Standard”) have been applied from the consolidated fiscal year under review. As a result, for subsidiaries the Company continues to control, differences arising due to changes in the equity portion are entered in capital surplus and costs associated with the acquisition of shares are now treated as expenses in the consolidated fiscal year in which they are incurred.

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

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

In the consolidated cash flow statements for the consolidated fiscal year under review, the following changes have been made in the method of classification. Cash flows related to purchases or sales of shares of subsidiaries that are not accompanied by a change in the scope of consolidation have been included in “Cash flows from financing activities.” Cash flows related to expenses arising due to purchases of shares of subsidiaries accompanied by a change in the scope of consolidation or cash flows related to expenses due to purchases or sales of shares of subsidiaries that are not accompanied by a change in the scope of consolidation have been included in “Cash flows from operating activities.”

The Company has applied these standards in accordance with the transitional treatment prescribed in Section 58-2 (4) of the Business Combinations Accounting Standard, Section 44-5 (4) of the Consolidated Financial Statements Accounting

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Standard, and Section 57-4 (4) of the Business Divestitures Accounting Standard, and will continue to apply these standards from the beginning of the consolidated fiscal year under review into the future.

The effect of these changes in accounting standards on the consolidated financial statements for the consolidated fiscal year under review was not material.

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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 ¥19,874 million and ¥22,291 million (\$197,830 thousand) at March 31, 2015 and 2016, respectively.

(2) Investment in non-consolidated subsidiaries and affiliates

Investment in non-consolidated subsidiaries and affiliates were ¥20 million and ¥20 million (\$184 thousand) on March 31, 2015 and 2016, 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, 2015 and 2016 were ¥181 million and ¥181 million (\$1,613 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 ¥426 million and ¥112 million (\$1,002 thousand) on March 31, 2015 and 2016, 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, 2015 and 2016 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2016	2016
Salaries and allowances	¥ 8,069	¥ 8,361	\$ 74,202
Provision for bonuses.....	1,247	1,335	11,849
Retirement benefit expenses	746	860	7,636
Provision for directors' retirement benefits	32	33	296
Depreciation	148	150	1,334
Amortization of goodwill.....	188	218	1,941
Business consignment expenses.....	3,063	2,661	23,617
Operating expense for acceptance of orders	3,366	3,981	35,332
Provision of allowance for doubtful accounts	¥ 2	(¥ 17)	(\$ 158)

(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, 2015 and 2016 amounting to ¥1,546 million and ¥1,598 million (\$14,183 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, 2015 and 2016 amounting to ¥532 million and ¥123 million (\$1,096 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, 2015 and 2016 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2016	2016
Valuation difference on available-for-sale securities:			
Amount recognized in the period under review	¥ 13,376	(¥ 2,124)	(\$ 18,858)
Amount of recycling	—	498	4,426
Before income tax effect adjustment.....	13,376	(1,626)	(14,432)
Amount of income tax effect	(4,319)	731	6,493
Valuation difference on available-for-sale securities	9,057	(894)	(7,939)
Foreign currency translation adjustment:			
Amount recognized in the period under review	168	(84)	(751)
Amount of recycling	—	—	—
Before income tax effect adjustment.....	168	(84)	(751)
Amount of income tax effect	—	—	—
Foreign currency translation adjustment.....	168	(84)	(751)
Total other comprehensive income	¥ 9,226	(¥ 979)	(\$ 8,690)

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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, 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 are as follows:

Date of board resolution	Class of stock	Total dividend amount	Dividend per share	Record 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

Dividends of which record date belong to in the fiscal year, and the effective date is in the following fiscal year are as follows:

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

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(For the fiscal year ended March 31, 2016)

(1) Information on issued shares

The number of shares as follows:

Kind of stock	As of March 31, 2015	Increase	Decrease	As of March 31, 2016
Common stock	52,999,120	52,999,120	—	105,998,240

(Reason for increase or decrease issued shares)

• Increase

Implementation of a stock split of its common stock at a ratio of 2 shares for each 1 share, on January 1, 2016 : 52,999,120

(2) Information on treasury shares

The number of shares as follows:

Kind of stock	As of March 31, 2015	Increase	Decrease	As of March 31, 2016
Common stock	6,495,262	6,496,062	—	12,991,324

(Reason for increase or decrease treasury shares)

• Increase

Odd lot shares purchases (Before stock split) : 98
 Implementation of a stock split of its common stock at a ratio of 2 shares for each 1 share, on January 1, 2016 : 6,495,360
 Odd lot shares purchases (After stock split) : 604

(3) Information on acquisition rights

None

(4) Information on dividends

The Company paid cash dividends are as follows:

Date of board resolution	Class of stock	Total dividend amount	Dividend per share	Record date	Effective date
May 12, 2015	Common stock	¥1,046 million	¥22.50	March 31, 2015	June 1, 2015
October 27, 2015	Common stock	¥1,976 million	¥42.50	September 30, 2015	December 2, 2015

Dividends of which record date belong to in the fiscal year, and the effective date is in the following fiscal year are as follows:

Date of board resolution	Class of stock	Source of dividends	Total dividend amount	Dividend per share	Record date	Effective date
May 13, 2016	Common stock	Retained earnings	¥1,976 million	¥21.25	March 31, 2016	June 1, 2016

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, 2015 and 2016 were as follows:

March 31,	Millions of yen		Thousands of U.S.
	2015	2016	dollars (Note 3)
Cash and deposits	¥ 2,070	¥ 2,308	\$ 20,490
Deposits paid	31,875	40,824	362,306
Time deposits (deposits term of more than three months)	(183)	—	—
Cash and cash equivalents	¥ 33,762	¥ 43,133	\$ 382,796

(2) Non-Cash investing and financing transactions

(For the fiscal year ended March 31, 2015)

None

(For the fiscal year ended March 31, 2016)

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.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(2) Operating lease transactions

(Leases as lessee)

Operating lease payments under non-cancelable lease contracts at March 31, 2015 and 2016 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2016	2016
Within one year	¥ 1,548	¥ 1,402	\$ 12,447
Over one year	4,823	3,535	31,377
Total	¥ 6,372	¥ 4,938	\$ 43,824

(Leases as lessor)

Future minimum lease obligations under non-cancellable operating leases at March 31, 2015 and 2016 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2016	2016
Within one year	¥ 22	¥ 22	\$ 202
Over one year	56	31	280
Total	¥ 78	¥ 54	\$ 482

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

12. Financial Instruments

(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.

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.

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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 13. Investment Securities”)

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

(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,	2015
Non listed securities.....	¥ 1,050
Investment in funds.....	54
Guarantee deposits.....	¥ 3,720

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 2015
Within one year	
Cash and deposits.....	¥ 2,070
Deposits paid	31,875
Notes and accounts receivable-trade.....	45,196
Securities and Investment securities	
Held-to-maturity debt securities	
(Government bond)	—
Held-to-maturity debt securities	
(Corporate bond)	2,000
(5) Short-term loans receivable from	
subsidiaries and associates	¥ 12,000
Over one year within five years	
Held-to-maturity debt securities	
(Corporate bond)	¥ 1,000

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

March 31,	Millions of yen 2015
Within one year	¥ 569
Over one year within two years	601
Over two years within three years	71
Over three years within four years	66
Over four years within five years	40
Over five years	¥ 400

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(For the fiscal year ended March 31, 2016)

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, 2016 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, 2016	Millions of yen		
	Carrying amount	Fair value	Differences
Assets:			
(1) Cash and deposits.....	¥ 2,308	¥ 2,308	¥ —
(2) Deposits paid.....	40,824	40,824	—
(3) Notes and accounts receivable-trade.....	42,722	42,722	—
(4) Securities and Investment securities:			
①Held-to-maturity debt securities.....	4,000	3,985	(14)
②Marketable and investment securities....	16,224	16,224	—
(5) Short-term loans receivable from subsidiaries and associates	12,000	12,000	—
Total.....	118,080	118,066	(14)
Liabilities:			
(6) Notes and accounts payable-trade	16,734	16,734	—
(7) Accounts payable-other	6,740	6,740	—
(8) Income taxes payable	4,012	4,012	—
(9) Lease obligations(*)	1,029	1,092	63
Total.....	¥ 28,516	¥ 28,580	¥ 63

*Lease obligations calculated by the simplified method (¥431 million) were excluded.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016	Thousands of U.S. dollars (Note 3)		
	Carrying amount	Fair value	Differences
Assets:			
(1) Cash and deposits	\$ 20,490	\$ 20,490	\$ —
(2) Deposits paid.....	362,306	362,306	—
(3) Notes and accounts receivable-trade.....	379,151	379,151	—
(4) Securities and Investment securities:			
①Held-to-maturity debt securities.....	35,499	35,371	(128)
②Marketable and investment securities	143,991	143,991	—
(5) Short-term loans receivable from subsidiaries and associates.....	106,496	106,496	—
Total.....	1,047,932	1,047,804	(128)
Liabilities:			
(6) Notes and accounts payable-trade	148,510	148,510	—
(7) Accounts payable-other	59,823	59,823	—
(8) Income taxes payable	35,610	35,610	—
(9) Lease obligations (*)	9,136	9,698	563
Total.....	\$ 253,078	\$ 253,641	\$ 563

*Lease obligations calculated by the simplified method (\$3,833 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,
- (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 2016	Thousands of U.S. dollars (Note 3) 2016
Non listed securities.....	¥ 291	\$ 2,586
Investment in funds.....	31	280
Guarantee deposits.....	¥ 3,794	\$ 33,679

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.
	2016	dollars (Note 3) 2016
Within one year		
Cash and deposits.....	¥ 2,308	\$ 20,490
Deposits paid	40,824	362,306
Notes and accounts receivable-trade.....	42,722	379,151
Securities and Investment securities		
Held-to-maturity debt securities		
(Government bond)	—	—
Held-to-maturity debt securities		
(Corporate bond)	—	—
Short-term loans receivable from subsidiaries and associates	12,000	106,496
Over one year within five years		
Held-to-maturity debt securities		
(Corporate bond)	¥ 4,000	\$ 35,499

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

March 31,	Millions of yen	Thousands of U.S.
	2016	dollars (Note 3) 2016
Within one year	¥ 623	\$ 5,535
Over one year within two years	95	849
Over two years within three years	90	806
Over three years within four years	64	574
Over four years within five years	61	545
Over five years	¥ 525	\$ 4,660

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

13. Investment Securities

Investment securities as of March 31, 2015 and 2016 were as follows:

(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)

(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

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, 2016)

(1) Held-to-maturity debt securities

Held-to-maturity debt securities for which carrying amount did not exceed fair value as of March 31, 2016 were as follows:

March 31, 2016	Millions of yen		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Government bond.....	¥ —	¥ —	¥ —
Corporate bond.....	4,000	3,985	(14)
Commercial paper	—	—	—
Cash in trust	—	—	—
Certificate of deposit.....	—	—	—
Total.....	¥ 4,000	¥ 3,985	(¥ 14)

March 31, 2016	Thousands of U.S. dollars (Note 3)		
	Carrying amount	Fair value	Gross unrealized gains (losses)
Government bond.....	\$ —	\$ —	\$ —
Corporate bond.....	35,499	35,371	(128)
Commercial paper	—	—	—
Cash in trust	—	—	—
Certificate of deposit.....	—	—	—
Total.....	\$ 35,499	\$ 35,371	(\$128)

(2) Marketable and investment securities

Marketable and investment securities for which carrying amount exceeded or else not exceeded fair value as of March 31, 2016 were as follows:

March 31, 2016	Millions of yen		
	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities (gains)	¥ 16,224	¥ 4,256	¥ 11,967
Equity securities (losses)	—	—	—
Total.....	¥ 16,224	¥ 4,256	¥ 11,967

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March 31, 2016	Thousands of U.S. dollars (Note 3)		
	Carrying amount	Acquisition cost	Gross unrealized gains (losses)
Equity securities (gains)	\$ 143,984	\$ 37,774	\$ 106,209
Equity securities (losses)	—	—	—
Total.....	\$ 143,984	\$ 37,774	\$ 106,209

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) Securities for which impairment loss is recognized

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2016	2016
Impairment loss on investment securities...	—	¥ 498	\$ 4,426

14. Derivative Instruments

None

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15. Retirement Benefits

1. Summary of a retirement benefit scheme

The Company and its consolidated 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.
	2015	2016	dollars (Note 3)
Retirement benefit obligations, beginning of year....	¥ 14,255	¥ 15,293	\$ 135,727
Cumulative effects of changes in accounting policies.....	(244)	—	—
Restated balance.....	14,011	15,293	135,727
Service costs.....	1,202	1,277	11,341
Interest costs.....	129	94	842
Accrued of the actuarial gain or loss.....	717	1,419	12,594
Payment of retirement benefits.....	(767)	(727)	(6,459)
Accrued of the prior service cost.....	—	—	—
Other.....	—	—	—
Retirement benefit obligations, ending of year.....	¥ 15,293	¥ 17,357	\$ 154,046

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

March 31,	Millions of yen		Thousands of U.S.
	2015	2016	dollars (Note 3)
Net defined benefit liability, beginning of year.....	¥ 1,212	¥ 1,364	\$ 12,110
Retirement benefit expense.....	200	237	2,104
Payment of retirement benefits.....	(48)	(36)	(320)
Net defined benefit liability, ending of year.....	¥ 1,364	¥ 1,565	\$ 13,894

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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)
	2015	2016	2016
Funded retirement obligations.....	¥ —	¥ —	\$ —
Pension assets.....	—	—	—
Unfunded retirement obligations.....	16,658	18,923	167,940
Net amount of liabilities and assets on the consolidated balance sheet.....	16,658	18,923	167,940
Net defined benefit liability.....	16,658	18,923	167,940
Net defined benefit asset.....	—	—	—
Net amount of liabilities and assets on the consolidated balance sheet.....	¥ 16,658	¥ 18,923	\$ 167,940

*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)
	2015	2016	2016
Service costs.....	¥ 1,202	¥ 1,277	\$ 11,341
Interest costs.....	129	94	842
Amortization of actuarial gain (loss).....	717	1,419	12,594
Amortization of prior service costs.....	—	—	—
Retirement benefit expense calculated by the simplified method.....	200	237	2,104
Other.....	—	—	—
Retirement benefit expense of defined benefit plan.....	¥ 2,250	¥ 3,029	\$ 26,882

(5) The assumptions used in the actuarial computation

March 31,	2015	2016
Discount rate.....	0.61~0.72%	0.06%~0.10%

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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, 2015 and 2016 were ¥529 million and ¥532 million (\$4,725 thousand), respectively.

16. Income Taxes

At the fiscal years ended March 31, 2015 and 2016, the significant components of deferred tax assets were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2016	2016
Deferred tax assets:			
Net defined benefit liability.....	¥ 5,415	¥ 5,839	\$ 51,827
Provision for bonuses.....	2,281	2,250	19,977
Amortization of software costs.....	933	773	6,868
Accrued enterprise tax.....	369	320	2,847
Elimination of unrealized profits on consolidation.....	155	162	1,442
Loss on valuation of investment securities.....	1	153	1,364
Others.....	829	780	6,923
Subtotal deferred tax assets.....	9,985	10,281	91,248
Valuation allowance.....	(190)	(289)	(2,573)
Total deferred tax assets.....	¥ 9,795	¥ 9,991	\$ 88,675
Deferred tax liabilities:			
Valuation difference on available-for-sale securities.....	(4,393)	(3,661)	(32,496)
Total deferred tax liabilities.....	(4,393)	(3,661)	(32,496)
Net deferred tax assets.....	¥ 5,401	¥ 6,330	\$ 56,179

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At the fiscal years ended March 31, 2015 and 2016, the significant differences between the statutory tax rate and the company's effective tax rate was as follows:

March 31,	Percent	
	2015	2016
Effective statutory tax rate	35.6%	33.1%
Adjustments:		
Permanent non-deductible expenses.....	1.2%	1.3%
Permanent non-taxable income.....	(0.1)%	(0.1)%
Inhabitants tax per capita.....	0.3%	0.2%
Amortization of goodwill.....	0.4%	0.4%
Tax deductions.....	(0.7)%	(0.7)%
Decrease in deferred tax assets due to tax rate changes.....	5.2%	2.9%
Valuation allowance.....	0.2%	0.6%
Others.....	0.3%	0.5%
Effective income tax rate.....	42.4%	38.1%

In accordance with the enactment on March 29, 2016, 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 32.3% 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, 2016) has been revised from 32.3% utilized in the previous consolidated fiscal year to 30.9% for assets and liabilities to be recovered or settled during the period of April 1, 2016, to March 31, 2018, and to 30.6% for assets and liabilities to be recovered or settled from April 1, 2018, and thereafter.

As a result of this change, deferred tax assets (net of deferred tax liabilities) decreased by ¥343 million (\$3,053 thousand), income taxes-deferred at fiscal year-end increased by ¥540 million (\$4,793 thousand), and valuation difference on available-for-sale securities increased by ¥196 million (\$1,740 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, 2015 and 2016.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

18. Segment Information

(For the fiscal year ended March 31, 2015 and 2016)

(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)
	2015	2016	2016
Business Solutions	¥ 139,311	¥ 142,515	\$ 1,264,776
Services Solutions	66,983	76,170	675,988
Total	¥ 206,295	¥ 218,685	\$ 1,940,765

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)
	2015	2016	2016
Nippon Steel & Sumitomo Metal Corporation ..	¥ 35,649	¥ 46,883	\$ 416,077

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	(Note 3) 2016
March 31,			
Impairment loss.....	—	¥ 122	\$ 1,089

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	(Note 3) 2016
March 31,			
Amortization of goodwill.....	¥ 188	¥ 218	\$ 1,941
Balance at end of period	¥ 2,280	¥ 2,082	\$ 18,483

(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, 2015 and 2016 were as follows:

(1) Parent company

March 31,	2015	2016
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	62.40% (direct)	62.40% (direct)
Relationship.....	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	Sales of systems integration services, Deposit of funds, Loan, Directors and auditors who have a position in both companies,
Transaction amounts:		
Sales of systems integration services.....	¥ 33,956 million	¥ 45,376 million (\$ 402,699 thousand)
Money deposited.....	¥ 66,850 million	¥ 72,950 million (\$ 647,409 thousand)
Money refunded.....	¥ 71,950 million	¥ 64,100 million (\$ 568,868 thousand)
Interest income of deposits.....	¥ 101 million	¥ 98 million (\$ 877 thousand)
Interest income of loans	¥ 84 million	¥ 45 million (\$ 400 thousand)
Purchase of treasury shares	¥ 19,999 million	—
Balances at fiscal year-end:		
Accounts receivable.....	¥ 2,750 million	¥ 3,489 million (\$ 30,967 thousand)
Advanced receipts	¥ 8,638 million	¥ 8,376 million (\$ 74,337 thousand)
Deposits paid.....	¥ 31,875 million	¥ 40,824 million (\$ 362,306 thousand)
Short-term loans receivable from subsidiaries and associates.....	¥ 12,000 million	¥ 12,000 million (\$ 106,496 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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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

20. Per Share Information

March 31,	yen		U.S. dollars
	2015	2016	(Note 3) 2016
Net assets per share.....	¥ 1,005.88	¥1,082.95	\$ 9.61
Net income per share.....	¥ 87.34	¥ 120.08	\$ 1.07

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

March 31,	Millions of yen		Thousands of
	2015	2016	U.S. dollars (Note 3) 2016
Profit attributable to owners of parent	¥ 9,077	¥ 11,168	\$ 99,119
Profit attributable to owners of parent related to common stock	¥ 9,077	¥ 11,168	\$ 99,119
The average number of common stocks (shares)...	103,931,196	93,007,509	

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

21. Subsequent Events

There have been no material events subsequent to March 31, 2016.