

CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

**NS Solutions Corporation and Consolidated Subsidiaries
For the six-month period ended September 30, 2003**



NS Solutions

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Consolidated Balance Sheets (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

September 30, 2002 and 2003, and March 31, 2003

	Millions of yen			Thousands of U.S. dollars (Note 4)
	September 30, 2002	March 31, 2003	September 30, 2003	September 30, 2003
Assets				
Current assets:				
Cash and bank deposits (Note 5)	¥6,404	¥ 20,956	¥13,025	\$117,068
Deposited money (Notes 5)	3,228	4,699	9,236	83,024
Trade notes and accounts receivable	22,173	38,319	25,049	225,162
Inventories (Note 6)	10,790	9,110	12,332	110,852
Deferred tax assets-current	2,239	2,224	2,684	24,128
Others	797	1,165	957	8,601
Allowance for doubtful accounts	(37)	(31)	(22)	(196)
Total current assets	45,594	76,442	63,261	568,639
Property and equipment:				
Buildings and structures	1,922	1,806	1,724	15,497
Machinery and equipment	8	6	5	49
Tools, furniture and fixtures	1,770	1,760	1,677	15,069
Land	883	883	883	7,936
Construction in progress	11	59	698	6,274
Total property and equipment	4,594	4,514	4,987	44,825
Intangible fixed assets:				
Software	800	762	711	6,391
Others	277	267	260	2,337
Total intangible fixed assets	1,077	1,029	971	8,728
Investments and other assets:				
Investments in securities (Note 7)	3,022	3,027	3,415	30,697
Long-term prepaid expenses	91	70	63	570
Deferred tax assets-non-current	3,032	2,834	2,807	25,235
Guarantee deposits	2,179	2,145	2,136	19,203
Others	315	304	356	3,191
Allowance for doubtful accounts	(37)	(41)	(59)	(533)
Total investments and other assets	8,602	8,339	8,718	78,363
Total assets	¥59,867	¥ 90,324	77,937	\$700,555

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

	Millions of yen			Thousands of U.S. dollars (Note 4)
	September 30, 2002	March 31, 2003	September 30, 2003	September 30, 2003
Liabilities and Shareholders' Equity				
Current liabilities;				
Trade notes and accounts payable	¥9,475	¥ 23,478	¥ 10,190	\$91,597
Short-term loans.....	400			
Non-trade accounts payable.....	904	1,665	959	8,618
Accrued income taxes	2,653	2,608	2,092	18,806
Accrued expenses.....	2,846	3,659	3,753	33,737
Accrued bonuses to employees.....	5,138	5,118	4,846	43,557
Advance receipts.....	3,706	3,221	3,564	32,037
Deposits.....	203	193	222	1,999
Others.....	1	2	1	7
Total current liabilities	25,326	39,944	25,627	230,358
Non-current liabilities;				
Allowance for employees' retirement benefits.....	5,185	5,478	5,822	52,329
Allowance for directors' retirement benefits	233	239	211	1,898
Allowance for loss on guarantees (Note 12)	69	69	69	619
Long-term deposits	13	13		
Total non-current liabilities.....	5,500	5,799	6,102	54,846
Total liabilities.....	30,826	45,743	31,729	285,204
Minority interests in consolidated subsidiaries.....	907	1,076	1,106	9,939
Shareholders' equity;				
Common stock (Note 11).....	6,838	12,953	12,953	116,429
Authorized: 96,000,000 shares at September 30, 2002 and 2003 and March 31, 2003; Issued: 24,159,560 shares at September 30, 2002 and 26,499,560 shares at March 31, 2003 and September 30, 2003, respectively				
Additional paid-in capital (Note 11)	3,838	9,950	9,950	89,442
Retained earnings.....	18,107	21,273	22,660	203,690
Reserve for revaluation of land.....	(740)	(755)	(755)	(6,785)
Valuation gain on available-for-sale securities	91	84	294	2,637
Foreign currency translation adjustment		(0)	(0)	(1)
Total shareholders' equity.....	28,134	43,505	45,102	405,412
Total liabilities, minority interests and shareholders' equity.....	¥59,867	¥ 90,324	¥ 77,937	\$700,555

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

Consolidated Statements of Income (Unaudited)

NS Solutions and Consolidated Subsidiaries

For the six-month period ended September 30, 2002 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2002	2003	2003
Net sales	¥68,756	¥ 64,574	\$580,437
Cost of sales	54,171	51,939	466,863
Gross profit	14,585	12,635	113,574
Selling, general and administrative expenses (Note 9)	9,142	8,977	80,688
Operating income	5,443	3,658	32,886
Other income (expenses);			
Interest income	1	3	26
Dividend income.....	3	7	64
Interest expense.....	(0)	(0)	(2)
Exchange gain.....	3	4	33
Equity in net income of affiliated companies	15	24	214
Loss on cancellation of leases.....	(7)	(1)	(9)
Loss on revaluation of investments in securities	(142)		
Loss on disposal of fixed assets.....	(9)	(9)	(84)
Gain on reversal of allowance for doubtful accounts	5		
Other, net.....	4	5	53
Income before income taxes and minority interests	5,316	3,691	33,181
Income taxes;			
Current	2,764	2,252	20,253
Deferred.....	(274)	(578)	(5,197)
Income before minority interests	2,826	2,017	18,125
Minority interests	(108)	(82)	(735)
Net income	¥2,718	¥1,935	\$17,390
Net income per share	¥112.52	¥73.01	\$0.66

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

Consolidated Statements of Shareholders' Equity (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

For the six-month period ended September 30, 2002 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2002	2003	2003
Common stock;			
Balance at beginning of the six-month period ended			
September 30	¥6,838	¥12,953	\$116,429
Balance at end of the six-month period ended			
September 30	6,838	12,953	116,429
Additional paid-in capital;			
Balance at beginning of the six-month period ended			
September 30	3,838	9,950	89,442
Balance at end of the six-month period ended			
September 30	3,838	9,950	89,442
Retained earnings;			
Balance at beginning of the six-month period ended			
September 30	15,863	21,273	191,222
Net income.....	2,718	1,935	17,390
Dividends.....	(453)	(530)	(4,764)
Bonuses to directors.....	(21)	(18)	(158)
Balance at end of the six-month period ended			
September 30	18,107	22,660	203,690
Reserve for revaluation of land;			
Balance at beginning of the six-month period ended			
September 30	(740)	(755)	(6,785)
Balance at end of the six-month period ended			
September 30	(740)	(755)	(6,785)
Valuation gain (loss) on available-for-sale securities;			
Balance at beginning of the six-month period ended			
September 30	236	84	746
Net change during the six-month period.....	(145)	210	1,891
Balance at end of the six-month period ended			
September 30	91	294	2,637

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

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2002	2003	2003
Foreign currency translation adjustment;			
Balance at beginning of the six-month period ended			
September 30		(0)	(0)
Net change during the six-month period		(0)	(1)
Balance at end of the six-month period ended			
September 30		(0)	(1)
Total shareholders' equity at end of the six-month period ended September 30.....	¥28,134	¥45,102	\$405,412

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

Consolidated Statements of Cash Flows (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

For the six-month period ended September 30, 2002 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2002	2003	2003
Cash flows from operating activities;			
Income before income taxes.....	¥5,316	¥3,691	\$33,181
Adjustments to reconcile income before income taxes to net cash provided by operating activities;			
Depreciation.....	604	553	4,973
Increase (decrease) in allowance for doubtful accounts.....	(5)	10	88
Increase in allowance for employees' retirement benefits, net of payments.....	216	343	3,087
Increase (decrease) in allowance for directors' retirement benefits, net of payments.....	38	(28)	(251)
Interest and dividend income.....	(5)	(10)	(90)
Interest expense.....	0	0	2
Loss on revaluation of investments in securities ...	142		
Equity in net income of affiliated companies.....	(15)	(24)	(214)
Loss on disposal of fixed assets.....	9	9	84
Decrease in accounts receivable.....	4,175	13,230	118,922
Increase in inventories.....	(2,467)	(3,223)	(28,968)
Decrease (increase) in other current assets.....	(233)	209	1,881
Decrease in accounts payable.....	(4,712)	(13,288)	(119,442)
Increase (decrease) in accrued bonuses to employees.....	61	(273)	(2,450)
Decrease in other current liabilities.....	(875)	(82)	(741)
Decrease in long-term deposits.....		(13)	(116)
Bonuses to directors.....	(21)	(18)	(158)
Others, net.....	27	(25)	(243)
Sub total.....	2,255	1,061	9,545
Proceeds from interest and dividend income.....	14	22	197
Interest paid.....	(0)	(0)	(2)
Income taxes paid.....	(5,345)	(2,769)	(24,889)
Net cash used for operating activities.....	¥(3,076)	¥(1,686)	\$ (15,149)

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

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2002	2003	2003
Cash flow from investing activities;			
Payments for purchase of property and equipment and intangible fixed assets	(933)	(1,136)	(10,207)
Payments for purchase of investments in securities .	(1,030)	(40)	(360)
Others, net.....	(300)	50	441
Net cash used for investing activities	(2,263)	(1,126)	(10,126)
Cash flows from financing activities;			
Increase in short-term loans	400		
Dividends paid	(453)	(530)	(4,764)
Dividends paid to minority shareholders	(48)	(52)	(469)
Net cash used for financing activities	(101)	(582)	(5,233)
Effect of exchange rate changes on cash and cash equivalents.....		(0)	(1)
Net decrease in cash and cash equivalents.....	(5,440)	(3,394)	(30,509)
Cash and cash equivalents at beginning of year	15,072	25,655	230,601
Cash and cash equivalents at end of year.....	¥9,632	¥22,261	\$200,092

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

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

1. Nature of Operations

NS Solutions Corporation (referred to as the “Company”) was incorporated on April 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. As a result, the parent company’s, Nippon Steel Corporation’s, equity share percentage of the Company was 72%.

The Company 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 adept at 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 systems operation and maintenance services and total end-to-end outsourcing services.

2. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by the Company and its consolidated subsidiaries in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law of Japan, and in conformity with accounting principles and practices generally accepted and applied in Japan, which are different in certain

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

respects from the application and disclosure requirements of International Accounting Standards and of accounting principles and practices generally accepted and applied in the United States. The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. However, certain reclassifications are incorporated in order to present the financial statements in a form which is more familiar to readers outside Japan. Such reclassifications have no effect on net income or retained earnings.

3. Summary of Significant Accounting Policies

(1) Principles of consolidation

Effective April 1, 2002, NS Solutions Osaka Corporation was integrated with NS Solutions Kansai Corporation and wound up at that date. The assets, liabilities and shareholder's equity of NS Solutions Osaka Corporation were transferred to NS Solutions Kansai Corporation. This integration did not affect the Company's consolidated financial statements. As a result, the consolidated financial statements for the six-month period ended September 30, 2002 include the accounts of the Company and its 10 significant 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 Nishinihon Corporation
- NS Solutions Kanto Corporation
- NS Solutions Oita Corporation
- Nittetsu Hitachi Systems Engineering, Inc.
- NCI Systems Integration, Inc.

The Company acquired a 70% interest in the shares of NS Solutions Software (Shanghai) Co., Ltd. at its incorporation on October 17, 2002. The Company's consolidated financial statements include the accounts of this entity from that date.

As a result, the consolidated financial statements for the fiscal year ended March 31, 2003 and the six-month period ended September 30, 2003 include the accounts of the Company and its 11 significant subsidiaries, as listed below:

- Hokkaido NS Solutions Corporation
- Tohoku NS Solutions Corporation
- NS Solutions Tokyo Corporation

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

NS Solutions Kansai Corporation
NS Solutions Chubu Corporation
NS Solutions Nishinohon Corporation
NS Solutions Kanto Corporation
NS Solutions Oita Corporation
Nittetsu Hitachi Systems Engineering, Inc.
NCI Systems Integration, Inc.
NS Solutions Software (Shanghai) Co., Ltd.

The assets and liabilities of NS Solutions USA Corporation, a wholly-owned subsidiary, have been deconsolidated from April 1, 2001, due to a decrease in its importance as a result of suspension of its business operations. The investment in this subsidiary is stated at cost, after recognition of impairment losses, for periods following the deconsolidation date on the Company's consolidated balance sheets. The total assets, net sales, net income and surplus of NS Solutions USA Corporation are not significant to the Company's consolidated financial statements.

All significant inter-company accounts and transactions and unrealized inter-group profit, if any, have been eliminated on consolidation.

The Company's overseas subsidiary, NS Solutions Software (Shanghai) Co., Ltd., has a fiscal year ending December 31 and the six-month period ending June 30, which differ from those of the Company. This subsidiary does not prepare financial statements at any date after December 31 and June 30 or on or before March 31 and September 30 in the following year and six-month, respectively. Any material transactions occurring in the respective periods, January 1 to March 31 and July 1 to September 30, are adjusted for in these consolidated financial statements.

(2) Investments in affiliates

The Company's investments in three significant affiliates were accounted for using the equity method for the six-month period ended September 30, 2002 and 2003 and the fiscal year ended March 31, 2003 as listed below:

NS&I System Service Corporation
Solnet Co., Ltd.
Hokkaido High Information Technology Center Co., Ltd.

For the six-month period ended September 30, 2002 and for the fiscal year ended March 31, 2003, the Company's investments in two other affiliates, RM Solutions Co. Ltd. and iTrust Inc., remained at their respective acquisition costs.

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

For the six-month period ended September 30, 2003, the Company's investments in two other affiliates, iTrust Inc. and Japan Maintenance and Operation Service Co. Ltd., remained at their respective acquisition costs.

The total assets, net sales, net income and capital surplus of these two affiliates are not significant to the Company's consolidated financial statements.

(3) Remeasurement of assets and liabilities of subsidiaries

For consolidated subsidiaries and affiliated companies where the Company exercises control or influence, assets and liabilities of those companies are fully marked to their respective fair values at the date of acquisition of control or influence.

(4) 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 and affiliates are translated into Japanese yen at the exchange rate prevailing at the relevant balance sheet date. Shareholders' equity accounts of foreign subsidiaries and affiliates are translated at historical rates.

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

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which have a minor risk of fluctuation in value.

(6) 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. An allowance for doubtful accounts is provided for normal receivables based on the Company's historical write-off experience, plus an estimate of irrecoverable amounts on an individual account basis.

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

(7) Allowance for loss contingencies on guarantees

An allowance for loss contingencies on guarantees is provided at the estimated amount of future losses likely to occur from guaranteeing the indebtedness of other parties, based on the Company's analysis of the other parties' financial condition and results of operations.

(8) Inventories

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

Work-in-process..... the individual cost method

Merchandise and supplies..... primarily, the gross average method

(9) Investments in securities

Available-for-sale securities with a market quotation on a stock exchange are valued at market value. Unrealized holding gains and losses, net of tax, are recognized in "Valuation gain on available-for-sale securities" as a separate component of shareholders' equity.

Available-for-sale securities without a market quotation are recorded at cost. The cost of available-for-sale securities sold is principally based on the moving average cost method.

(10) Property and Equipment

Property and equipment is recorded at cost, net of accumulated depreciation of ¥3,760 million and ¥4,538 million (\$40,794 thousand) at September 30, 2002 and 2003 and ¥4,168 million at March 31, 2003, respectively. Depreciation of property and equipment is computed principally using the declining-balance method at rates based on the estimated useful lives of the assets. However, depreciation of buildings (except for building improvements) acquired on or after April 1, 1998, is computed using the straight-line method.

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(11) Intangible fixed assets and long-term prepaid expenses

Amortization of intangible fixed assets and long-term prepaid expenses 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.

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

(12) Goodwill

Goodwill arising from mergers, which represents the excess of the purchase price over the fair value of net assets acquired, is amortized on a straight-line basis over five years unless a more appropriate period of amortization can be identified.

(13) Income taxes

Income taxes consist of corporate income taxes, local inhabitants taxes and enterprise taxes. The Company calculates and records income taxes currently payable based on taxable income determined in accordance with the applicable tax laws.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

(14) Allowance for retirement benefits

(a) Retirement benefits for employees

The employees of the Company are generally covered by retirement benefit plans under which retiring employees are entitled to lump-sum payments determined by reference to current rates of pay, length of service and conditions under which the termination occurs.

An allowance for retirement benefits to employees of the Company and its major consolidated subsidiaries is provided based on the estimated present value of projected benefit obligations. For some minor consolidated subsidiaries, an allowance for retirement benefits to employees is provided using a simple method, as permitted by "Opinion Concerning Establishment of Accounting Standard for Retirement Benefits", based on the estimated amount which would be payable if all employees voluntarily retired at the relevant balance sheet date.

Actuarial gains (losses) are charged as income or expense in the year they arise.

(b) Retirement benefits for directors

An allowance for retirement benefits to directors and corporate auditors of the Company and its consolidated subsidiaries is provided based on the Companies' internal rules and is based on the estimated amount which would be payable if all directors and corporate auditors retired at the relevant balance sheet date.

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

(15) Accrued bonuses to employees

Accrued bonuses to employees are provided at the estimated amount which the Company is obliged to pay to employees after the respective period-ends, based on their service for the fiscal year and the six-month period ended on the relevant balance sheet date.

(16) Accounting for finance lease transactions

Finance lease transactions, except for those which are deemed to transfer ownership of the leased assets to lessees, are accounted for using a method similar to that used for regular operating lease transactions.

(17) Net income per share

Net income per share of common stock is computed based on the weighted average number of outstanding shares of common stock during the respective periods. Since no convertible bonds or warrants were issued and outstanding, there was no dilutive effect on net income per share during these periods.

The average number of shares used in the computation was 24,160 thousand and 26,450 thousand for the six-month period ended September 30, 2002 and 2003, respectively. Each of the Company's shares was divided into 4 shares on June 29, 2002 and the weighted average number of outstanding shares adjusted retroactively for the stock splits to the beginning of the year was used in computing net income per share for the six-month period ended September 30, 2002.

Effective from the six-month period ended September 30, 2002, the Company adopted the Statement of Financial Accounting Standard No. 2 "Net income per Share" issued by the Accounting Standards Board of Japan. Prior to adopting the new statement, net income per share was computed based on the net income shown on the statement of income. The net income per share computation therefore excluded bonuses to directors and statutory auditors, since under the Japanese Commercial Code, these are recognized as an appropriation of retained earnings, in the statement of shareholders' equity, rather than as expenses in the statement of income. However, the new statement requires that net income should be adjusted by deducting bonuses paid to directors and statutory auditors as well as the payment of dividends to shareholders of preferred stocks to be recognized as an appropriation of retained earnings, from net income shown in the statement of income, and the computation of net income per share be made on that adjusted net income basis. The accounting change did not have a material effect on the net income per share computation.

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

(18) Accounting for consumption tax

Consumption tax withheld by the Company on revenues and consumption tax paid by the Company on the purchase of goods and on expenses is recorded as an asset or a liability and is not included in the respective account items on the consolidated statements of income.

(19) Appropriation of retained earnings

Under the Japanese Commercial Code and the Articles of Incorporation of the Company, any appropriation of retained earnings proposed by the Board of Directors is subject to approval by the shareholders at a meeting which must be held within three months of the end of each fiscal year. Therefore the appropriations of retained earnings reflected in the accompanying consolidated financial statements include the results of such appropriations applicable to the immediately preceding fiscal year, as approved at the shareholders' meeting and effected during the relevant year. Dividends are paid to shareholders whose names appear on the shareholders' register as at the end of each fiscal year. As is customary practice in Japan, the payment of bonuses to directors and corporate auditors is made out of retained earnings through an appropriation, instead of being charged to the income for the relevant fiscal year.

The Japanese Commercial Code provides that interim cash dividends may be paid as part of the annual dividend, following approval by the Board of Directors. The Company pays such interim dividends to those shareholders who are listed on the shareholders' register at September 30 of the relevant fiscal year.

4. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers. The rate of ¥111.25=U.S. \$1, the effective rate of exchange prevailing at September 30, 2003, 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.

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

5. Cash and Cash Equivalents

Cash and cash equivalents at September 30, 2002 and 2003 and March 31, 2003 are as follows:

	Millions of Yen			Thousands of U.S. dollars (Note 4)
	September 30, 2002	March 31, 2003	September 30, 2003	September 30, 2003
	Cash and bank deposits.....	¥6,404	¥20,956	¥13,025
Deposited money (Note 19).....	3,228	4,699	9,236	83,024
Cash and cash equivalents.....	¥9,632	¥25,655	¥22,261	\$200,092

6. Inventories

Inventories at September 30, 2002 and 2003 and March 31, 2003 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 4)
	September 30, 2002	March 31, 2003	September 30, 2003	September 30, 2003
	Work-in-process.....	¥9,887	¥7,851	¥11,477
Merchandise and supplies.....	903	1,259	855	7,686
Total.....	¥10,790	¥9,110	¥12,332	\$110,852

7. Investments in Securities

Investments in securities at September 30, 2002 and 2003 and March 31, 2003 are as follows:

(1) Marketable securities classified as available-for-sale securities

The aggregate acquisition cost, gross unrealized gains and losses and carrying amount on the balance sheet, which were re-valued to the related fair value, of available-for-sale securities with market quotations at September 30, 2002 and 2003 and March 31, 2003 are as follows:

September 30, 2002	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Carrying amount
Equity securities.....	¥146	¥154	¥0	¥301
Total.....	¥146	¥154	¥0	¥301

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

March 31, 2003	Millions of yen			Carrying amount
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	
Equity securities	¥133	¥142	¥	¥275
Total	¥133	¥142	¥	¥275

September 30, 2003	Millions of yen			Carrying amount
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	
Equity securities	¥133	¥496	¥	¥629
Total	¥133	¥496	¥	¥629

September 30, 2003	Thousands of U.S. dollars (Note 4)			Carrying amount
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	
Equity securities	\$1,193	\$4,461	\$	\$5,654
Total	\$1,193	\$4,461	\$	\$5,654

(2) Non-marketable securities classified as available-for-sale securities

The following is a summary of non-marketable securities:

September 30, 2002	Millions of yen
	Carrying amount
Equity securities of unconsolidated subsidiary	¥ 11
Equity securities of affiliates	1,375
Others (unlisted equity securities)	1,335
Total	¥2,721

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

March 31, 2003	Millions of yen
	Carrying amount
Equity securities of unconsolidated subsidiary	¥ 11
Equity securities of affiliates	1,423
Others (unlisted equity securities)	1,318
Total	¥2,752

September 30, 2003	Millions of yen	Thousands of U.S. dollars (Note 4)
	Carrying amount	
Equity securities of unconsolidated subsidiary	¥ 11	\$ 97
Equity securities of affiliates	1,457	13,095
Others (unlisted equity securities)	1,318	11,851
Total	¥2,786	\$25,043

8. Leases

Leased assets, and related expenses in respect of the Company's finance leases, other than those which transfer ownership of the leased assets, are accounted for using a method similar to that used for regular operating leases. Finance lease charges of the Companies were ¥922 million and ¥657 million (\$5,906 thousand) for the six-month period ended September 30, 2002 and 2003 and ¥1,770 million for the fiscal year ended March 31, 2003, respectively. Had they been capitalized, the following items would have been recognized on the consolidated balance sheets and the consolidated statements of income as at and for the six-month period ended September 30, 2002 and 2003 and the fiscal year ended March 31, 2003:

September 30, 2002	Millions of yen		
	Acquisition Cost	Accumulated Depreciation	Net balance
Buildings and structures	¥	¥	¥
Machinery and equipment	80	25	55
Tools, furniture and fixtures	7,292	4,849	2,443
Others	1,459	824	635
Total	¥8,831	¥5,698	¥3,133

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

March 31, 2003	Millions of yen		
	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
Machinery and equipment	¥ 80	¥ 34	¥ 46
Tools, furniture and fixtures	7,075	5,235	1,840
Others	1,438	923	515
Total	¥8,593	¥6,192	¥2,401

September 30, 2003	Millions of yen		
	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
Machinery and equipment	¥ 97	¥ 43	¥ 54
Tools, furniture and fixtures	4,877	3,482	1,395
Others	1,600	1,203	397
Total	¥6,574	¥4,728	¥1,846

September 30, 2003	Thousands of U.S. dollars (Note 4)		
	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
Machinery and equipment	\$ 875	\$ 392	\$ 483
Tools, furniture and fixtures	43,835	31,296	12,539
Others	14,381	10,814	3,567
Total	\$59,091	\$42,502	\$16,589

	Millions of Yen			Thousands of U.S. dollars (Note 4)
	September	March	September	September
	30, 2002	31, 2003	30, 2003	30, 2003
Depreciation expense	¥861	¥1,653	¥629	\$5,654
Interest expense	49	86	28	253

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

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.

The present values of future lease payments at September 30, 2002 and 2003 and March 31, 2003 are as follows:

	Millions of Yen			Thousands of U.S. dollars (Note 4)
	September	March	September	September
	30, 2002	31, 2003	30, 2003	30, 2003
Within one year	¥1,505	¥1,193	¥910	\$ 8,176
Over one year	1,835	1,355	1,063	9,551
Total.....	¥3,340	¥2,548	¥1,973	\$17,727

Future operating lease payments under non-cancelable lease contracts at September 30, 2002 and 2003 and March 31, 2003 are as follows;

	Millions of Yen			Thousands of U.S. dollars (Note 4)
	September	March	September	September
	30, 2002	31, 2003	30, 2003	30, 2003
Within one year	¥ 4	¥3	¥3	\$30
Over one year	4	3	5	48
Total.....	¥8	¥6	¥8	\$78

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

9. Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the six-month period ended September 30, 2002 and 2003 are as follows:

March 31	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2002	2003	2003
Payroll and bonuses	¥3,560	¥3,850	\$34,610
Allowance for employees' retirement benefits	100	171	1,536
Allowance for directors' retirement benefits.....	38	28	250
Depreciation expense.....	128	98	876
Operating expense for acceptance of orders	1,244	1,310	11,773

10. Research and Development Costs

Research and development costs charged to income for the six-month period ended September 30, 2002 and 2003 were ¥448 million and ¥457 million (\$4,106 thousand), respectively.

11. Shareholders' Equity

(1) Capital increase

Under the Commercial Code of Japan, at least 50% of the issue price of newly issued shares is required to be designated as stated capital.

For the six-month period ended September 30, 2002 and the fiscal year ended March 31, 2003, each of the Company's shares was divided into 4 shares on June 29, 2002. In addition, the Company issued 2,340,000 new shares on October 11, 2002. The issue price of new shares was ¥5,225 per share (excluding the commission fees of issuing) and 50% of this issue price, ¥2,613, was designated as stated capital.

The portion which was to be designated as stated capital was determined by a resolution of the Board of Directors. The remaining 50% was credited to "Additional paid-in capital".

(2) Legal reserve

The Commercial Code of Japan provides that an amount equivalent to at least 10% of any appropriations of retained earnings paid in cash for each fiscal year be appropriated as a legal reserve until such legal reserve reaches a certain limit, which was 25% of common stock for periods prior to October 1, 2001, but changed to 25% of common stock, less additional paid-in capital, effective from that date, in accordance

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

with an amendment to the Commercial Code. The legal reserve is not available for distribution as cash dividends, but may be used to reduce a deficit or may be transferred to common stock.

The legal reserve included in retained earnings was ¥191 million and ¥216 million (\$1,940 thousand) at September 30, 2002 and 2003, and ¥191 million, at March 31, 2003, respectively.

(3) Appropriation of retained earnings

In accordance with the Commercial Code of Japan, appropriations of retained earnings are not reflected in the financial statements for each fiscal year. The following appropriation of retained earnings of the Company, including cash dividends applicable to the fiscal years ended March 31, 2003, was proposed by the Board of Directors and approved at the shareholders' meeting held on June 25, 2003.

Appropriation;	Millions of Yen
	March 31, 2003
Cash dividends.....	¥530
(Cash dividends at ¥20.00 per share for 2003.)	
Directors' bonuses for services rendered	18
Transfer to special tax purpose reserve.....	163
Reversal of special tax purpose reserve into retained earnings	(61)

Those appropriations applicable to the fiscal year ended March 31, 2003 were not recorded in the consolidated financial statements for the fiscal year ended March 31, 2003, but are recorded in the consolidated financial statements for the six-month period ended September 30, 2003.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company, in accordance with the Commercial Code of Japan.

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

12. Contingent Liabilities

The Company's loss contingencies for guaranteeing the indebtedness of other parties, excluding the portion for which a related allowance is provided as a liability on the consolidated balance sheets, were ¥99 million and ¥72 million (\$643 thousand) at September 30, 2002 and 2003, and ¥85 million at March 31, 2003, respectively, each of which are Guarantees for bank loans of the Hokkaido High Information Technology Center Co., Ltd.

13. Segment Information

(1) Industry segment information

The Company responds 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 Company's business constitutes a single segment and accordingly, industry segment information is not disclosed.

(2) Geographic segment information

The domestic proportion in relation to all segments is in excess of 90% in terms of both net income and total assets. Accordingly, geographic segment information is not separately disclosed.

(3) Overseas sales

The overseas share of consolidated net sales is less than 10%. Accordingly, overseas sales information is not separately disclosed.

14. Subsequent Events

There have been no material events subsequent to September 30, 2003.