

CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

**NS Solutions Corporation and Consolidated Subsidiaries
For the six-month period ended September 30, 2004**



NS Solutions

Contents

Consolidated Balance Sheets (Unaudited).....	1
Consolidated Statements of Income (Unaudited).....	3
Consolidated Statements of Shareholders' Equity (Unaudited)...	4
Consolidated Statements of Cash Flows (Unaudited).....	6
Notes to Consolidated Financial Statements (Unaudited).....	8

Consolidated Balance Sheets (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

September 30, 2003 and 2004, and March 31, 2004

	Millions of yen			Thousands of U.S. dollars (Note 4)
	September 30, 2003	March 31, 2004	September 30, 2004	September 30, 2004
Assets				
Current assets;				
Cash and bank deposits (Note 5)	¥13,025	¥ 14,605	¥11,681	\$105,192
Deposited money (Notes 5)	9,236	12,914	6,676	60,116
Trade notes and accounts receivable	25,049	37,462	23,311	209,912
Inventories.....	12,332	7,035	10,456	94,157
Deferred tax assets-current.....	2,684	2,859	2,736	24,639
Others	957	682	689	6,199
Allowance for doubtful accounts	(22)	(30)	(17)	(150)
Total current assets.....	63,261	75,527	55,532	500,065
Property and equipment (Note 3(10));				
Buildings and structures	1,724	1,606	1,493	13,448
Machinery and equipment	5	7	6	55
Tools, furniture and fixtures	1,677	2,236	2,355	21,204
Land.....	883	883	883	7,951
Construction in progress	698	277	23	204
Total property and equipment.....	4,987	5,009	4,760	42,862
Intangible fixed assets;				
Software	711	745	635	5,719
Others.....	260	237	224	2,014
Total intangible fixed assets.....	971	982	859	7,733
Investments and other assets;				
Investments in securities (Note 6).....	3,415	3,633	4,638	41,764
Long-term prepaid expenses	63	43	42	381
Deferred tax assets-non-current.....	2,807	2,887	2,787	25,095
Guarantee deposits.....	2,136	2,271	1,702	15,323
Long term loan-related party.....			12,000	108,059
Others.....	356	323	338	3,051
Allowance for doubtful accounts	(59)	(50)	(51)	(457)
Total investments and other assets.....	8,718	9,107	21,456	193,216
Total assets	¥ 77,937	¥ 90,625	¥ 82,607	\$ 743,876

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

	Millions of yen			Thousands of U.S. dollars (Note 4)
	September 30, 2003	March 31, 2004	September 30, 2004	September 30, 2004
Liabilities and Shareholders' Equity				
Current liabilities;				
Trade notes and accounts payable	¥ 10,190	¥ 17,232	¥ 10,672	\$96,100
Non-trade accounts payable	959	1,544	749	6,746
Accrued income taxes	2,092	3,060	1,933	17,404
Accrued expenses	3,753	4,732	1,976	17,791
Accrued bonuses to employees	4,846	5,520	5,565	50,112
Advance receipts	3,564	2,588	3,252	29,286
Deposits	222	230	212	1,911
Others	1	0	1	10
Total current liabilities	25,627	34,906	24,360	219,360
Non-current liabilities;				
Allowance for employees' retirement benefits	5,822	6,042	6,318	56,891
Allowance for directors' retirement benefits	211	229	263	2,373
Allowance for loss on guarantees (Note 11)	69	69	69	620
Total non-current liabilities	6,102	6,340	6,650	59,884
Total liabilities	31,729	41,246	31,010	279,244
Minority interests in consolidated subsidiaries	1,106	1,234	1,252	11,278
Shareholders' equity;				
Common stock (Note 10)	12,953	12,953	12,953	116,639
Authorized: 96,000,000 shares at September 30, 2003 and 2004 and March 31, 2004; Issued: 26,499,560 shares at September 30, 2003 and 26,499,560 shares at March 31, 2004 and 52,999,120 shares at September 30, 2004.				
Additional paid-in capital (Note 10)	9,950	9,950	9,950	89,603
Retained earnings	22,660	25,586	27,396	246,700
Reserve for revaluation of land	(755)	(757)	(757)	(6,820)
Valuation gain on available-for-sale securities	294	417	809	7,284
Foreign currency translation adjustment	(0)	(4)	(4)	(37)
Treasury stock, 31 shares at March 31, 2004 and 523 shares at September 30, 2004.		(0)	(2)	(15)
Total shareholders' equity	45,102	48,145	50,345	453,354
Total liabilities, minority interests and shareholders' equity	¥ 77,937	¥ 90,625	¥ 82,607	\$743,876

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, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2003	2004	2004
Net sales	¥ 64,574	¥ 65,723	\$591,837
Cost of sales	51,939	52,810	475,551
Gross profit	12,635	12,913	116,286
Selling, general and administrative expenses (Notes 9,10)	8,977	8,701	78,356
Operating income	3,658	4,212	37,930
Other income (expenses);			
Interest income	3	13	116
Dividend income.....	7	6	51
Interest expense.....	(0)		
Exchange gain (loss)	4	(5)	(44)
Equity in net income of affiliated companies	24	77	695
Loss on cancellation of leases	(1)	(0)	(1)
Loss on revaluation of investments in securities		(10)	(90)
Loss on disposal of fixed assets	(9)	(9)	(78)
Loss on disposal of inventories.....		(22)	(197)
Gain on reversal of allowance for doubtful accounts		14	124
Other, net.....	5	(0)	(3)
Income before income taxes and minority interests	3,691	4,276	38,503
Income taxes;			
Current	2,252	1,970	17,737
Deferred.....	(578)	(44)	(395)
Income before minority interests	2,017	2,350	21,161
Minority interests	(82)	(63)	(564)
Net income	¥1,935	¥2,287	\$20,597
Net income per share	¥73.01	¥43.16	\$0.39

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, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2003	2004	2004
Common stock;			
Balance at beginning of the six-month period ended			
September 30	¥12,953	¥12,953	\$116,639
Balance at end of the six-month period ended			
September 30	12,953	12,953	116,639
Additional paid-in capital;			
Balance at beginning of the six-month period ended			
September 30	9,950	9,950	89,603
Balance at end of the six-month period ended			
September 30	9,950	9,950	89,603
Retained earnings;			
Balance at beginning of the six-month period ended			
September 30	21,273	25,586	230,400
Net income.....	1,935	2,287	20,597
Dividends.....	(530)	(464)	(4,176)
Bonuses to directors.....	(18)	(13)	(121)
Balance at end of the six-month period ended			
September 30	22,660	27,396	246,700
Reserve for revaluation of land;			
Balance at beginning of the six-month period ended			
September 30	(755)	(757)	(6,820)
Balance at end of the six-month period ended			
September 30	(755)	(757)	(6,820)
Valuation gain on available-for-sale securities;			
Balance at beginning of the six-month period ended			
September 30	84	417	3,759
Net change during the six-month period.....	210	392	3,525
Balance at end of the six-month period ended			
September 30	294	809	7,284

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

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2003	2004	2004
Foreign currency translation adjustments;			
Balance at beginning of the six-month period ended			
September 30	(0)	(4)	(40)
Net change during the six-month period	(0)	0	3
Balance at end of the six-month period ended			
September 30	(0)	(4)	(37)
Treasury stock;			
Balance at beginning of the six-month period ended			
September 30		(0)	(2)
Net change during the six-month period		(2)	(13)
Balance at end of the six-month period ended			
September 30		(2)	(15)
Total shareholders' equity at end of the six-month period ended September 30.....	¥45,102	¥50,345	\$453,354

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, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2003	2004	2004
Cash flows from operating activities;			
Income before income taxes.....	¥3,691	¥4,276	\$38,503
Adjustments to reconcile income before income taxes to net cash provided by operating activities;			
Depreciation.....	553	638	5,750
Increase (decrease) in allowance for doubtful accounts.....	10	(14)	(124)
Increase in allowance for employees' retirement benefits, net of payments.....	343	276	2,483
Increase (decrease) in allowance for directors' retirement benefits, net of payments.....	(28)	35	313
Interest and dividend income.....	(10)	(19)	(168)
Interest expense.....	0		
Loss on revaluation of investments in securities ...		10	90
Equity in net income of affiliated companies.....	(24)	(77)	(695)
Loss on disposal of fixed assets.....	9	9	78
Decrease in accounts receivable.....	13,230	14,151	127,429
Increase in inventories.....	(3,223)	(3,421)	(30,807)
Decrease (increase) in other current assets.....	209	(3)	(31)
Decrease in accounts payable.....	(13,288)	(6,560)	(59,077)
Increase (decrease) in accrued bonuses to employees.....	(273)	45	405
Decrease in other current liabilities.....	(82)	(2,556)	(23,019)
Decrease in long-term deposits.....	(13)		
Bonuses to directors.....	(18)	(13)	(121)
Others, net.....	(25)	14	128
Sub total.....	1,061	6,791	61,137
Proceeds from interest and dividend income.....	22	39	358
Interest paid.....	(0)		
Income taxes paid.....	(2,769)	(3,098)	(27,888)
Net cash provided by (used for) operating activities.....	¥(1,686)	¥3,732	\$33,607

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

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2003	2004	2004
Cash flow from investing activities;			
Payments for purchase of property and equipment and intangible fixed assets	(1,136)	(625)	(5,632)
Payments for purchase of investments in securities .	(40)	(305)	(2,749)
Proceeds from sale of investments in securities.....		4	38
Payments for long term loan-related party		(12,000)	(108,059)
Others, net.....	50	542	4,880
Net cash used for investing activities	(1,126)	(12,384)	(111,522)
Cash flows from financing activities;			
Payment for purchase of treasury stock		(2)	(14)
Dividends paid	(530)	(464)	(4,176)
Dividends paid to minority shareholders	(52)	(44)	(398)
Net cash used for financing activities	(582)	(510)	(4,588)
Effect of exchange rate changes on cash and cash equivalents.....	(0)	0	4
Net decrease in cash and cash equivalents.....	(3,394)	(9,162)	(82,499)
Cash and cash equivalents at beginning of the six-month period ended September 30	25,655	27,519	247,807
Cash and cash equivalents at end of the six-month period ended September 30	¥22,261	¥18,357	\$165,308

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%.

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 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 in Japan, which are different in certain respects from

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

the application and disclosure requirements of International Financial Reporting 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

The consolidated financial statements for 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
- 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.

Effective October 1, 2003, NS Solutions Kanto Corporation was integrated with NS Solutions Tokyo Corporation. The assets, liabilities and shareholder's equity of NS Solutions Kanto Corporation were transferred to NS Solutions Tokyo Corporation. This integration did not affect the Company's consolidated financial statements.

As a result, the consolidated financial statements for the fiscal year ended March 31, 2004 and the six-month period ended September 30, 2004 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

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

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

Due to a decrease in its importance as a result of suspension of its business operations, the investment in NS Solutions USA Corporation, a wholly-owned subsidiary, is stated at cost, after recognition of impairment losses, 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, 2003 and 2004 and the fiscal year ended March 31, 2004 as listed below:

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

The Company's investments in other affiliates remained at their respective acquisition costs. The net income and surplus of these affiliates are not significant to the Company's consolidated financial statements.

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

Other affiliates are as follows:

September 30,2003	March 31,2004 and September 30,2004
Japan Maintenance and Operation Service Co. Ltd.	Japan Maintenance and Operation Service Co. Ltd.
iTrust Inc.	

(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 a foreign subsidiary are translated into Japanese yen at the exchange rate prevailing at the relevant balance sheet date. Shareholders' equity accounts of a foreign subsidiary are translated at historical rates.

The net difference arising from translation of the financial statements of the foreign subsidiary 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 on guarantees

An allowance for loss 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 ¥4,538 million and ¥5,268 million (\$47,435 thousand) at September 30, 2003 and 2004 and ¥4,838 million at March 31, 2004, 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.

The Company launched a new business of leasing property and equipment to clients from October 1, 2003. Depreciation of these leased assets is computed using the straight-line method over the period of the lease contract term, with no residual value.

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

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

assets. Software costs for internal use are amortized over their estimated useful lives (less than 5 years) on a straight-line basis.

(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. Under the Statement of Financial Accounting Standard No. 2 "Net income per Share" issued by the Accounting Standards Board of Japan, 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. 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 26,450 thousand and 52,999 thousand for the six-month period ended September 30, 2003 and 2004, respectively. Each of the Company's shares was divided into 2 shares on August 19, 2004 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, 2004.

Assuming that the above stock split had occurred at the beginning of the fiscal year ended March 31, 2004, for the six-month period ended September 30, 2003 and for the fiscal year ended March 31, 2004, each of the net income per share would be ¥36.50 and ¥100.20, respectively.

(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

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

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.

(20) Recent pronouncement

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Non-current Assets". The standard requires that non-current assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the statement of income by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price or value in use. The standard shall be effective for fiscal years beginning April 1, 2005 or thereafter, with possible early adoption for fiscal years ended March 31, 2004 or thereafter. The Company did not adopt this standard for the fiscal year ended March 31, 2004 or for the six-month period ended September 30, 2004. The Company's management does not believe that this standard will have a material effect on the Company's consolidated financial statements.

4. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers. The rate of ¥111.05=U.S. \$1, the effective rate of exchange prevailing at September 30, 2004, has

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

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.

5. Cash and Cash Equivalents

Cash and cash equivalents at September 30, 2003 and 2004 and March 31, 2004 are as follows:

	Millions of Yen			Thousands of U.S. dollars (Note 4)
	September 30, 2003	March 31, 2004	September 30, 2004	September 30, 2004
Cash and bank deposits.....	¥13,025	¥14,605	¥11,681	\$105,192
Deposited money.....	9,236	12,914	6,676	60,116
Cash and cash equivalents.....	¥22,261	¥27,519	¥18,357	\$165,308

6. Investments in Securities

Investments in securities at September 30, 2003 and 2004 and March 31, 2004 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, 2003 and 2004 and March 31, 2004 are as follows:

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

March 31, 2004	Millions of yen		
	Acquisition cost	Net unrealized gains	Carrying amount
Equity securities.....	¥117	¥700	¥817
Total	¥117	¥700	¥817

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

September 30, 2004	Millions of yen		
	Acquisition cost	Net unrealized gains	Carrying amount
Equity securities	¥418	¥1,357	¥1,775
Total	¥418	¥1,357	¥1,775

September 30, 2004	Thousands of U.S. dollars (Note 4)		
	Acquisition cost	Net unrealized gains	Carrying amount
Equity securities	\$3,758	\$12,221	\$15,979
Total	\$3,758	\$12,221	\$15,979

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

The following is a summary of non-marketable securities:

	Carrying amount			Thousands of U.S. dollars (Note 4)
	Millions of yen			
	September 30, 2003	March 31, 2004	September 30, 2004	September 30, 2004
Equity securities of unconsolidated subsidiary	¥ 11	¥ 11	¥ 11	\$ 97
Equity securities of affiliates	1,457	1,530	1,587	14,292
Others (unlisted equity securities)	1,318	1,275	1,265	11,396
Total	¥2,786	¥2,816	¥2,863	\$25,785

7. 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 ¥657 million and ¥481 million (\$4,331 thousand) for the six-month period ended September 30, 2003 and 2004 and ¥1,225 million for the fiscal year ended March 31, 2004, 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, 2003 and 2004 and the fiscal year ended March 31, 2004:

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

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
Software.....	1,600	1,203	397
Total	¥6,574	¥4,728	¥1,846

March 31, 2004	Millions of yen		
	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
Machinery and equipment.....	¥ 97	¥ 54	¥ 43
Tools, furniture and fixtures.....	4,808	3,587	1,221
Software.....	1,247	880	367
Total	¥6,152	¥4,521	¥1,631

September 30, 2004	Millions of yen		
	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
Machinery and equipment.....	¥ 97	¥ 65	¥ 32
Tools, furniture and fixtures.....	3,503	2,550	953
Software.....	986	684	302
Total	¥4,586	¥3,299	¥1,287

September 30, 2004	Thousands of U.S. dollars (Note 4)		
	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
Machinery and equipment.....	\$ 877	\$ 585	\$ 292
Tools, furniture and fixtures.....	31,542	22,964	8,578
Software.....	8,880	6,159	2,721
Total	\$41,299	\$29,708	\$11,591

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

	Millions of Yen			Thousands of U.S. dollars (Note 4)
	September	March	September	September
	30, 2003	31, 2004	30, 2004	30, 2004
Depreciation expense	¥629	¥1,159	¥448	\$4,035
Interest expense	28	50	19	175

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, 2003 and 2004 and March 31, 2004 are as follows:

	Millions of Yen			Thousands of U.S. dollars (Note 4)
	September	March	September	September
	30, 2003	31, 2004	30, 2004	30, 2004
Within one year	¥910	¥817	¥637	\$ 5,735
Over one year	1,063	915	729	6,568
Total.....	¥1,973	¥1,732	¥1,366	\$12,303

Future operating lease payments under non-cancelable lease contracts at September 30, 2003 and 2004 and March 31, 2004 are as follows;

	Millions of Yen			Thousands of U.S. dollars (Note 4)
	September	March	September	September
	30, 2003	31, 2004	30, 2004	30, 2004
Within one year	¥3	¥2	¥2	\$19
Over one year	5	4	4	34
Total.....	¥8	¥6	¥6	\$53

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

8. Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the six-month period ended September 30, 2003 and 2004 are as follows:

September 30	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2003	2004	2004
Payroll and bonuses	¥3,850	¥3,522	\$31,713
Allowance for employees' retirement benefits	171	132	1,187
Allowance for directors' retirement benefits.....	28	35	313
Depreciation expense.....	98	70	629
Operating expense for acceptance of orders	1,310	1,405	12,651

9. Research and Development Costs

Research and development costs charged to income for the six-month period ended September 30, 2003 and 2004 were ¥457 million and ¥500 million (\$4,506 thousand), respectively.

10. 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.

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 is 25% of common stock, less additional paid-in capital, in accordance 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 ¥216 million and ¥226 million (\$2,038 thousand) at September 30, 2003 and 2004, and ¥216 million, at March 31, 2004, respectively.

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

(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, 2004, was proposed by the Board of Directors and approved at the shareholders' meeting held on June 24, 2004.

Appropriation;	Millions of Yen
March 31,	2004
Cash dividends.....	¥464
(Cash dividends at ¥17.50 per share for 2004, before the stock split on August 19, 2004.)	
Directors' bonuses for services rendered	13
Reversal of special tax purpose reserve into retained earnings	(140)

Those appropriations applicable to the fiscal year ended March 31, 2004 were not recorded in the consolidated financial statements for the fiscal year ended March 31, 2004, but are recorded in the consolidated financial statements for the six-month period ended September 30, 2004.

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.

11. 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 ¥72 million and ¥44 million (\$395 thousand) at September 30, 2003 and 2004, and ¥58 million at March 31, 2004, respectively, each of which are Guarantees for bank loans of the Hokkaido High Information Technology Center Co., Ltd.

12. Derivative Transactions

The Companies do not engage in derivative transactions.

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

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.