

CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

**NS Solutions Corporation and Consolidated Subsidiaries
For the six-month period ended September 30, 2005**



NS Solutions

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Consolidated Balance Sheets (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

September 30, 2004 and 2005, and March 31, 2005

	Millions of yen			Thousands of U.S. dollars (Note 4)
	September 30, 2004	March 31, 2005	September 30, 2005	September 30, 2005
Assets				
Current assets:				
Cash and bank deposits (Note 5)	¥11,681	¥ 11,478	¥11,199	\$98,936
Deposited money (Note 5).....	6,676	11,621	12,951	114,420
Trade notes and accounts receivable	23,311	37,265	25,955	229,301
Inventories.....	10,456	7,502	12,599	111,312
Deferred tax assets-current.....	2,736	3,004	2,867	25,326
Others	689	480	438	3,870
Allowance for doubtful accounts	(17)	(23)	(16)	(140)
Total current assets	55,532	71,327	65,993	583,025
Property and equipment (Note 3 (10));				
Buildings and structures	1,493	1,366	1,523	13,456
Machinery and equipment	6	9	8	67
Tools, furniture and fixtures	2,355	2,166	1,998	17,659
Land.....	883	883	883	7,800
Construction in progress	23	75	143	1,263
Total property and equipment	4,760	4,499	4,555	40,245
Intangible fixed assets:				
Software	635	540	542	4,785
Others.....	224	129	116	1,026
Total intangible fixed assets	859	669	658	5,811
Investments and other assets:				
Investments in securities (Note 6).....	4,638	4,496	4,387	38,756
Long-term prepaid expenses	42	21	28	246
Deferred tax assets-non-current.....	2,787	3,265	3,614	31,928
Guarantee deposits.....	1,702	1,837	2,039	18,014
Long term loan-related party.....	12,000	12,000	12,000	106,017
Others.....	338	309	289	2,563
Allowance for doubtful accounts.....	(51)	(51)	(54)	(481)
Total investments and other assets	21,456	21,877	22,303	197,043
Total assets	¥ 82,607	¥ 98,372	¥ 93,509	\$ 826,124

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

	Millions of yen			Thousands of U.S. dollars (Note 4)
	September 30, 2004	March 31, 2005	September 30, 2005	September 30, 2005
Liabilities and Shareholders' Equity				
Current liabilities;				
Trade notes and accounts payable	¥ 10,672	¥ 17,341	¥ 12,141	\$107,264
Non-trade accounts payable.....	749	1,498	678	5,992
Accrued income taxes	1,933	3,767	2,133	18,849
Accrued expenses.....	1,976	2,826	2,369	20,927
Accrued bonuses to employees.....	5,565	5,713	5,584	49,337
Advance receipts.....	3,252	4,236	5,128	45,301
Deposits.....	212	177	217	1,916
Others.....	1			
Total current liabilities	24,360	35,558	28,250	249,586
Non-current liabilities;				
Allowance for employees' retirement benefits.....	6,318	6,939	7,305	64,535
Allowance for directors' retirement benefits	263	287	191	1,689
Allowance for loss on guarantees (Note 11)	69	69	69	609
Total non-current liabilities.....	6,650	7,295	7,565	66,833
Total liabilities.....	31,010	42,853	35,815	316,419
Minority interests in consolidated subsidiaries.....	1,252	1,415	1,453	12,833
Shareholders' equity;				
Common stock (Note 10)	12,953	12,953	12,953	114,434
Authorized: 96,000,000 shares at September 30, 2004 and 192,000,000 shares at March 31, 2005 and September 30, 2005; Issued: 52,999,120 shares at September 30, 2004 and 2005 and March 31, 2005.				
Additional paid-in capital (Note 10)	9,950	9,950	9,950	87,909
Retained earnings.....	27,396	31,266	33,487	295,844
Reserve for revaluation of land.....	(757)	(757)	(757)	(6,691)
Valuation gain on available-for-sale securities	809	700	614	5,425
Foreign currency translation adjustment	(4)	(6)	(4)	(31)
Treasury stock, 523 shares at September 30, 2004 and 643 shares at March 31, 2005 and September 30, 2005.....	(2)	(2)	(2)	(18)
Total shareholders' equity.....	50,345	54,104	56,241	496,872
Total liabilities, minority interests and shareholders' equity.....	¥ 82,607	¥ 98,372	¥ 93,509	\$826,124

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, 2004 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2004	2005	2005
Net sales	¥ 65,723	¥ 64,764	\$572,167
Cost of sales	52,810	51,335	453,524
Gross profit	12,913	13,429	118,643
Selling, general and administrative expenses (Notes 8,9)	8,701	8,840	78,101
Operating income	4,212	4,589	40,542
Other income (expenses);			
Interest income	13	67	593
Dividend income.....	6	9	80
Exchange loss	(5)	(5)	(42)
Equity in net income of affiliated companies	77	92	814
Loss on cancellation of leases	(0)		
Loss on revaluation of investments in securities	(10)		
Loss on disposal of fixed assets	(9)	(9)	(79)
Loss on disposal of inventories.....	(22)	(5)	(44)
Gain on reversal of allowance for doubtful accounts	14	3	31
Other, net.....	(0)	15	122
Income before income taxes and minority interests	4,276	4,756	42,017
Income taxes;			
Current	1,970	2,113	18,670
Deferred.....	(44)	(145)	(1,280)
Income before minority interests	2,350	2,788	24,627
Minority interests	(63)	(82)	(720)
Net income	¥2,287	¥2,706	\$23,907
Net income per share (Note 3 (17))	¥43.16	¥51.06	\$0.45

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, 2004 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2004	2005	2005
Common stock (Note 10);			
Balance at beginning of the six-month period ended			
September 30	¥12,953	¥12,953	\$114,434
Balance at end of the six-month period ended			
September 30	12,953	12,953	114,434
Additional paid-in capital (Note 10);			
Balance at beginning of the six-month period ended			
September 30	9,950	9,950	87,909
Balance at end of the six-month period ended			
September 30	9,950	9,950	87,909
Retained earnings (Note 10);			
Balance at beginning of the six-month period ended			
September 30	25,586	31,266	276,224
Net income.....	2,287	2,706	23,907
Dividends.....	(464)	(464)	(4,097)
Bonuses to directors.....	(13)	(21)	(190)
Balance at end of the six-month period ended			
September 30	27,396	33,487	295,844
Reserve for revaluation of land;			
Balance at beginning of the six-month period ended			
September 30	(757)	(757)	(6,691)
Balance at end of the six-month period ended			
September 30	(757)	(757)	(6,691)
Valuation gain on available-for-sale securities;			
Balance at beginning of the six-month period ended			
September 30	417	700	6,187
Net change during the six-month period.....	392	(86)	(762)
Balance at end of the six-month period ended			
September 30	809	614	5,425

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

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2004	2005	2005
Foreign currency translation adjustments;			
Balance at beginning of the six-month period ended			
September 30	(4)	(6)	(50)
Net change during the six-month period	0	2	19
Balance at end of the six-month period ended			
September 30	(4)	(4)	(31)
Treasury stock;			
Balance at beginning of the six-month period ended			
September 30	(0)	(2)	(18)
Net change during the six-month period	(2)		
Balance at end of the six-month period ended			
September 30	(2)	(2)	(18)
Total shareholders' equity at end of the six-month period ended September 30	¥50,345	¥56,241	\$496,872

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, 2004 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2004	2005	2005
Cash flows from operating activities;			
Income before income taxes.....	¥4,276	¥4,756	\$42,017
Adjustments to reconcile income before income taxes to net cash provided by operating activities;			
Depreciation.....	638	626	5,537
Decrease in allowance for doubtful accounts.....	(14)	(3)	(31)
Increase in allowance for employees' retirement benefits, net of payments.....	276	364	3,224
Increase (decrease) in allowance for directors' retirement benefits, net of payments.....	35	(95)	(844)
Interest and dividend income.....	(19)	(76)	(674)
Loss on revaluation of investments in securities.....	10		
Equity in net income of affiliated companies.....	(77)	(92)	(814)
Loss on disposal of fixed assets.....	9	9	78
Decrease in accounts receivable.....	14,151	11,310	99,928
Increase in inventories.....	(3,421)	(5,097)	(45,031)
Decrease (increase) in other current assets.....	(3)	42	368
Decrease in accounts payable.....	(6,560)	(5,200)	(45,939)
Increase (decrease) in accrued bonuses to employees ..	45	(128)	(1,134)
Decrease in other current liabilities.....	(2,556)	(312)	(2,755)
Bonuses to directors.....	(13)	(21)	(190)
Others, net.....	14	105	928
Sub total.....	6,791	6,188	54,668
Proceeds from interest and dividend income.....	39	104	918
Income taxes paid.....	(3,098)	(3,844)	(33,960)
Net cash provided by operating activities.....	¥3,732	¥2,448	\$21,626

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

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2004	2005	2005
Cash flow from investing activities;			
Payments for purchase of property and equipment and intangible fixed assets	(625)	(714)	(6,310)
Payments for purchase of investments in securities .	(305)	(1)	(5)
Proceeds from sale of investments in securities.....	4		
Payments for long term loan-related party	(12,000)		
Others, net.....	542	(175)	(1,552)
Net cash used for investing activities	(12,384)	(890)	(7,867)
Cash flows from financing activities;			
Payment for purchase of treasury stock	(2)		
Dividends paid	(464)	(464)	(4,097)
Dividends paid to minority shareholders	(44)	(46)	(406)
Net cash used for financing activities	(510)	(510)	(4,503)
Effect of exchange rate changes on cash and cash equivalents.....	0	3	30
Net increase (decrease) in cash and cash equivalents...	(9,162)	1,051	9,286
Cash and cash equivalents at beginning of the six-month period ended September 30	27,519	23,099	204,070
Cash and cash equivalents at end of the six-month period ended September 30	¥18,357	¥24,150	\$213,356

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, 2004 and March 31, 2005 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 Nishinohon Corporation
- NS Solutions Oita Corporation
- Nittetsu Hitachi Systems Engineering, Inc.
- NCI Systems Integration, Inc.
- NS Solutions Software (Shanghai) Co., Ltd.

The Company added NSSLC Service Corporation to the scope of consolidation from the fiscal year ended March 31, 2006. NSSLC Service Corporation was established by a spin-off from NS Solutions Tokyo Corporation on April 1, 2005.

As a result, the consolidated financial statements for the six-month period ended September 30, 2005 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 Oita Corporation

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

NSSLC Service 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, 2004 and 2005 and the fiscal year ended March 31, 2005 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, 2004	March 31, 2005 and September 30, 2005
Japan Maintenance and Operation Service Co. Ltd.	_____

(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 ¥5,268 million and ¥5,750 million (\$50,796 thousand) at September 30, 2004 and 2005 and ¥5,437 million at March 31, 2005, 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.

Depreciation of the 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 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. 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 52,999 thousand for the six-month period ended September 30, 2004 and 2005, 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 asset or a liability and is not included in the respective account items on the consolidated statements of income.

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

(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) Accounting standard for impairment of fixed assets

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets." The standard requires that fixed 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 income statement by reducing the carrying amount of impaired assets or group of assets to the recoverable amount to be measured as the higher of net selling price and value in use. The standard shall be effective for fiscal years beginning April 1, 2005, or thereafter, with early adoption possible for fiscal years ended March 31, 2004, or thereafter.

The Company adopted this standard with effect from the year beginning April 1, 2005. The adoption of this standard had no effect on the Company's consolidated financial statements for the six-month period ended September 30, 2005.

4. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers. The rate of ¥113.19=U.S. \$1, the effective rate of exchange prevailing at September 30, 2005, 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, 2004 and 2005 and March 31, 2005 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 4)
	September 30, 2004	March 31, 2005	September 30, 2005	September 30, 2005
Cash and bank deposits.....	¥11,681	¥11,478	¥11,199	\$98,936
Deposited money.....	6,676	11,621	12,951	114,420
Cash and cash equivalents.....	¥18,357	¥23,099	¥24,150	\$213,356

6. Investments in Securities

Investments in securities at September 30, 2004 and 2005 and March 31, 2005 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, 2004 and 2005 and March 31, 2005 are as follows:

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

March 31, 2005	Millions of yen		
	Acquisition cost	Net unrealized gains	Carrying amount
Equity securities.....	¥415	¥1,182	¥1,583
Total	¥415	¥1,182	¥1,583

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

September 30, 2005	Millions of yen		
	Acquisition cost	Net unrealized gains	Carrying amount
Equity securities	¥416	¥1,005	¥1,421
Total	¥416	¥1,005	¥1,421

September 30, 2005	Thousands of U.S. dollars (Note 4)		
	Acquisition cost	Net unrealized gains	Carrying amount
Equity securities	\$3,672	\$8,878	\$12,550
Total	\$3,672	\$8,878	\$12,550

(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, 2004	March 31, 2005	September 30, 2005	
Equity securities of unconsolidated subsidiary	¥ 11	¥ 11	¥ 11	\$ 96
Equity securities of affiliates	1,587	1,646	1,721	15,206
Others (unlisted equity securities)	1,265	1,255	1,234	10,904
Total	¥2,863	¥2,912	¥2,966	\$26,206

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 ¥481 million and ¥271 million (\$2,398 thousand) for the six-month period ended September 30, 2004 and 2005 and ¥807 million for the fiscal year ended March 31, 2005, 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, 2004 and 2005 and the fiscal year ended March 31, 2005:

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

September 30, 2004	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net balance
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

March 31, 2005	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net balance
Machinery and equipment	¥ 97	¥ 75	¥ 22
Tools, furniture and fixtures	3,092	2,387	705
Software	777	569	208
Total	¥3,966	¥3,031	¥ 935

September 30, 2005	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net balance
Machinery and equipment	¥ 78	¥ 65	¥ 13
Tools, furniture and fixtures	1,884	1,293	591
Software	605	455	150
Total	¥2,567	¥1,813	¥754

September 30, 2005	Thousands of U.S. dollars (Note 4)		
	Acquisition cost	Accumulated depreciation	Net balance
Machinery and equipment	\$ 693	\$ 571	\$ 122
Tools, furniture and fixtures	16,644	11,420	5,224
Software	5,342	4,016	1,326
Total	\$22,679	\$16,007	\$6,672

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, 2004	31, 2005	30, 2005	30, 2005
Depreciation expense	¥448	¥748	¥253	\$2,232
Interest expense	19	33	11	97

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, 2004 and 2005 and March 31, 2005 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 4)
	September	March	September	September
	30, 2004	31, 2005	30, 2005	30, 2005
Within one year	¥637	¥437	¥257	\$ 2,273
Over one year	729	550	538	4,757
Total.....	¥1,366	¥987	¥795	\$7,030

Future operating lease payments under non-cancelable lease contracts at September 30, 2004 and 2005 and March 31, 2005 are as follows;

	Millions of yen			Thousands of U.S. dollars (Note 4)
	September	March	September	September
	30, 2004	31, 2005	30, 2005	30, 2005
Within one year	¥2	¥2	¥2	\$14
Over one year	4	2	2	14
Total.....	¥6	¥4	¥4	\$28

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, 2004 and 2005 are as follows:

September 30,	Millions of yen		Thousands of U.S. dollars (Note 4)
	2004	2005	2005
Payroll and bonuses	¥3,522	¥3,649	\$32,233
Allowance for employees' retirement benefits	132	187	1,654
Allowance for directors' retirement benefits.....	35	34	299
Depreciation expense.....	70	80	706
Operating expense for acceptance of orders	1,405	1,421	12,556

9. Research and Development Costs

Research and development costs charged to income for the six-month period ended September 30, 2004 and 2005 were ¥500 million and ¥582 million (\$5,145 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 ¥226 million and ¥247 million (\$2,181 thousand) at September 30, 2004 and 2005, and ¥226 million, at March 31, 2005, 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, 2005, was proposed by the Board of Directors and approved at the shareholders' meeting held on June 24, 2005.

Appropriation;	Millions of yen
March 31,	2005
Cash dividends.....	¥464
(Cash dividends at ¥8.75 per share for 2005.)	
Directors' bonuses for services rendered	21
Reversal of special tax purpose reserve into retained earnings	(178)

Those appropriations applicable to the fiscal year ended March 31, 2005 were not recorded in the consolidated financial statements for the fiscal year ended March 31, 2005, but are recorded in the consolidated financial statements for the six-month period ended September 30, 2005.

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 ¥44 million and ¥16 million (\$142 thousand) at September 30, 2004 and 2005, and ¥30 million at March 31, 2005, 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, 2005.