

# NS Solutions Corporation

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## Consolidated Financial Results for the Second Quarter of FY2008 (From April 1, 2008 to September 30, 2008)

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### Consolidated Results for Six Months ended Sep. 30, 2008

#### *Consolidated operating results*

(Millions of yen, except per share amounts)

	<b>Six Months ended Sep. 30,</b>	
	<b>2007</b>	<b>2008</b>
Sales	¥75,955	¥76,444
Operating income	6,347	4,315
Recurring profit	6,528	4,576
Net income	3,538	2,338
Net income per share of common stock *		
—Basic	¥66.76	¥44.12
—Diluted	—	—

\* Average shares used for computation of net income per share of common stock for the six-month period ended Sep. 30, 2007 and 2008 are shown in the chart below.

(Thousands of shares)

	<b>Six Months ended Sep. 30,</b>	
	<b>2007</b>	<b>2008</b>
Number of average shares	52,998	52,998

#### • Consolidated Operating Results

During the first half of the fiscal year ending March 31, 2009, the Japanese economy exhibited weakened business investment and export, decreased production, fallen corporate profits due to the slowdown in the US economy, and large fluctuations in the stock and foreign exchange markets.

In the information services industry, our corporate customers took a cautious attitude toward investment in IT due to the uncertain economic outlook.

Faced with this circumstance, NS Solutions focused on making the most of Group capabilities to ensure ongoing orders from existing customers and create business opportunities through attracting new customers. It did this by offering SLC (system life cycle) total solutions that integrate planning, developing, operation and maintenance of computing systems.

One of the Company's strategies for expanding and strengthening its earnings capabilities involved creating business intelligence (BI) solutions to perform timely analysis of complex and large-scale data using different analytical methods. Our business divisions cooperating with the Corporate IT Consulting Center promoted it. The Company also supplied virtualization technology-applied IT infrastructure optimization solutions to customers faced with issues; for instance, IT cost reduction, improvement of the operating efficiency, and enhancement of the ability to adapt to change. We generated and deployed integrated platform solutions that utilize grid/utility computing technology and other advanced IT technologies.

To strengthen our business infrastructure, the Company launched the "Software Development Center," founded in April 2008, and worked on implementing the "SI Support System" at work sites, along with expanding its functionality to improve system development power & productivity. In addition, we undertook measures such as personnel rotation and training to assist our employees, who are vital business resources, with their career development.

Consolidated sales for the first half of the fiscal year ending March 31, 2009 increased to ¥76,445 million, up ¥489 million from the corresponding period of the preceding year (¥75,955 million). However, recurring profit decreased to ¥4,576 million, down ¥1,952 million from the corresponding period of the preceding year (¥6,528 million), due to project cost over-runs and SG&A expenses.

Our overview of consolidated operations by service segment (Business Solutions, Platform Solutions, Business Services) for the first half of the fiscal year ending March 31, 2009, is as follows:

#### (Business Solutions)

Consolidated sales in Business Solutions for the first half of the fiscal year ending March 31, 2009, decreased to ¥44,033 million, down ¥657 million from the corresponding period of the preceding year (¥44,691 million).

#### Manufacturing, distribution and service industries

Our customers took a cautious attitude toward IT investment in the manufacturing, distribution and service industries. Inquiries from new customers remained sluggish for solutions such as PLM, SCM, and SCE, which are our strong service areas. On a positive note, the Company worked as an IT partner to support a leading cosmetics manufacturer in the implementation of a real-time marketing system, which applied advanced BI solutions on a large-scale basis. In addition, we secured orders and executed steady development and maintenance from companies

such as a leading automobile manufacturer and a major electrical manufacturer in Japan.

PLM: Product Lifecycle Management

SCM: Supply Chain Management

SCE: Supply Chain Execution

#### Financial industries

Reflecting uncertainty in the industry in general, financial institutions took a cautious stance toward IT investment. The Company increased its efforts to make sales of market systems and information systems to existing megabank customers. As a result, we were able to secure and execute steady orders for development and maintenance projects. In addition, we were able to secure and execute steady orders for market risk management solutions, integrated revenue management and integrated risk management solutions, etc. for major regional banks.

Through the Company also enhanced risk management of retail banking and customer data mining in financial institutions, with the aim of attaining the leading vendor position in the risk management field, the Company acquired the entire shares of Financial Engineering Group, Inc. and made the company a subsidiary in May 2008.

#### Government and public sectors

The company faces intensifying competition following the tender system reform in the government procurement system. We successfully used its large-scale system implementation capabilities to obtain large-scale network optimization and information security reinforcement projects from central government ministries and agencies. The Company also succeeded in securing orders and executing steadily for a variety of system implementation projects by making the most of its expertise in high performance computing.

#### (Platform Solutions)

Consolidated sales in Platform Solutions for the first half of the fiscal year ending March 31, 2009, decreased to ¥8,789 million, down ¥1,392 million from the corresponding period of the preceding year (¥10,181 million). This was mainly due to sluggish sales of servers and other hardware products.

Our Platform Solutions, centering on system platforms that require high performance and high reliability, secured orders and supplied infrastructure for web service systems for leading internet and online companies, and sales information management systems for chemical companies.

In addition, the Company deployed competitive solutions that differentiated it from its competitors. These include NSGRANDIR, which is an IT infrastructure design and implementation method utilizing grid computing technology, and “absonne,” which achieves high-performance, high-function, and high-reliability utility services for the data center with virtualized and integrated control.

(Business Services)

Consolidated sales in Business Services for the first half of the fiscal year ending March 31, 2009, increased to ¥23,622 million, up ¥2,539 million from the corresponding period of the preceding year (¥21,084 million), due to favorable transactions with Nippon Steel Corporation.

The Company secured orders and increased sales centered on planning and developing systems for Nippon Steel Corporation's steel plant facility expansion projects.

We have more than 40 years' experience supporting large-scale systems at steel plants that need to operate non-stop for 24 hours a day, 7 days a week. With this experience, NSSLC Service Corporation, a subsidiary of the Company, was able to provide high value-added data center services in the general business field.

\* Sales amounts for the corresponding period of the preceding year are provided for reference only.

## Consolidated financial condition

(Millions of yen, except per share amounts and percentages)

	Sep. 30, 2008	Mar. 31, 2008
Total assets	¥115,939	¥120,080
Net assets	75,894	74,675
Equity ratio	63.4%	60.3%
Net assets per share of common stock*	¥1,386.87	¥1,365.71

\* The number of shares at the end of the periods (used for computation of shareholders' equity per share of common stock) for the six-month period ended Sep. 30 2008 and for the fiscal year ended Mar. 31, 2008 is shown in the chart below.

	(Thousands of shares)	
	Six Months ended Sep. 30, 2008	Fiscal Year ended Mar. 31, 2008
Number of issued shares at end of period	52,999	52,999
Number of own shares at end of period	1	1

### • Assets, liabilities and net assets

#### 1) Total Assets

Total assets at the end of the first half of the fiscal year ending March 31, 2009, decreased by ¥4,141 million from ¥120,080 million at the end of the previous fiscal year to ¥115,939 million. The principal factors were a decrease of ¥7,122 million in deposited money, a decrease of ¥6,929 million in trade notes and accounts receivable, a rise of ¥3,260 million in goodwill, an increase of ¥2,196 million in work in process, and an increase of ¥2,067 million in short-term investments.

#### 2) Liabilities

Total liabilities decreased by ¥5,359 million from ¥45,405 million to ¥40,045 million. Major factors were a decrease of ¥4,495 million in trade notes and accounts payable, a drop of ¥2,368 million in income tax payable, and an increase of ¥517 million in the allowance for retirement benefits.

#### 3) Net assets

Net assets increased by ¥1,218 million from ¥74,675 million to ¥75,894 million. Key factors were net income of ¥2,338 million and dividends paid of ¥1,060 million. The equity ratio was 63.4%.

- **Credit lines from financial institutions**

The Company has overdraft facilities of ¥4,800 million at major banks. In addition, the Company has an overdraft facility of ¥4,600 million at Nittetsu Finance Co., Ltd. a consolidated subsidiary of Nippon Steel Corporation. Total overdraft facilities are therefore ¥9,400 million.

- **Cash management system (CMS)**

The Company uses the CMS of Nittetsu Finance Co., Ltd. and had deposited ¥16,859 million as of the first half of the fiscal year ending March 31, 2009.

- **Cash flows**

- 1) Statement of cash flows

Net cash and cash equivalents as of the end of the first half of the fiscal year ending March 31, 2009, were ¥29,145 million. Cash flows from each activity category are as follows:

- Cash flows from operating activities

During the first half of the fiscal year ending March 31, 2009, the Company generated ¥2,551 million of net cash from operating activities. Principal factors were income before income taxes of ¥4,560 million, depreciation of ¥881 million, inter-company credits of ¥2,427 million, while negative factors were income taxes paid of ¥4,330 million and an increase in inventories of ¥2,146 million.

- Cash flows from investing activities

The Company used ¥6,312 million in investing activities during the first half of the fiscal year ending March 31, 2009. The Company spent ¥3,470 million to purchase of investments in subsidiaries resulting in change in scope of consolidation, ¥3,001 million to acquire investments in securities, ¥2,000 million to acquire short-term investments, and gained ¥3,000 million from the redemption of short-term investments.

- Cash flows from financing activities

During the first half of the fiscal year ending March 31, 2009, the Company spent ¥1,258 million on financing activities, mainly on dividends paid.

## *Outlooks for the Fiscal Year ending March 31, 2009 (FY2008)*

The Japanese economy is expected to face even more difficult conditions in the decelerating world economy. In the information services industry, it is anticipated that our corporate customers will take a cautious stance toward IT investment amid the deteriorating business circumstance, which contains aspects such as declining corporate revenues and downward business fluctuation risk.

Since the difficult circumstance is expected to continue, the Company has revised downward its outlooks for the fiscal year ending March 31, 2009, as follows:

<b>·Consolidated outlook</b>	<b>(Millions of yen, except per share amounts)</b>	
	<b>Previous outlook in July 2008</b>	<b>Revised outlook</b>
Sales	¥170,000	¥165,000
Operating income	15,600	12,600
Recurring profit	16,000	13,000
Net income	¥8,900	¥7,000
Net income per share	¥167.93	¥132.08

<b>·Non-consolidated outlook</b>	<b>(Millions of yen, except per share amounts)</b>	
	<b>Previous outlook in July 2008</b>	<b>Revised outlook</b>
Sales	¥151,500	¥145,000
Operating income	12,300	9,100
Recurring profit	13,000	9,800
Net income	¥7,700	¥5,800
Net income per share	¥145.29	¥109.44

(Note) Figures in this material have been rounded.

**The above statements were prepared, based on the materials available as of the release date. Actual results may vary from the outlook figures by various factors in the future.**

**NS SOLUTIONS CORPORATION**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**  
**As of Mar. 31, 2008 and Sep. 30, 2008**

	Millions of yen		Thousands of U.S. dollars (Note 2)
	Mar. 31, 2008	Sep. 30, 2008	Sep. 30, 2008
<b>Assets</b>			
Current assets:			
Cash and bank deposits .....	¥6,365	¥5,419	\$52,320
Deposited money.....	23,981	16,859	162,782
Trade notes and accounts receivable.....	34,733	27,805	268,461
Short-term investments .....	8,810	10,877	105,022
Merchandise.....	0	—	—
Materials.....	135	132	1,270
Work in process.....	10,239	12,435	120,068
Current portion of long-term loans receivable from subsidiaries and affiliates .....	—	12,000	115,864
Others.....	4,239	4,290	41,423
Allowance for doubtful accounts.....	(200)	(190)	(1,837)
Total current assets .....	88,302	89,627	865,373
Fixed assets:			
Property and equipment .....	9,665	9,753	94,170
Intangible fixed assets:			
Goodwill.....	—	3,260	31,476
Others .....	423	426	4,116
Total intangible fixed assets .....	423	3,686	35,592
Investments and other assets:			
Long term loan receivable to affiliated company .....	12,000	—	—
Others.....	9,751	12,934	124,877
Allowance for doubtful accounts .....	(61)	(61)	(586)
Total investments and other assets.....	21,690	12,873	124,291
Total fixed assets .....	31,778	26,312	254,053
<b>Total assets .....</b>	<b>¥120,080</b>	<b>¥115,939</b>	<b>\$1,119,426</b>



	Millions of yen		Thousands of U.S. dollars (Note 2)
	Mar. 31, 2008	Sep. 30, 2008	Sep. 30, 2008
<b>Liabilities</b>			
Current liabilities:			
Trade notes and accounts payable .....	¥15,770	¥11,276	\$108,869
Current portion of long-term loans payable ...	—	22	211
Income tax payable .....	4,500	2,132	20,582
Accrued bonuses to employees .....	5,978	6,165	59,529
Allowance for program product warranty.....	376	380	3,671
Others .....	9,353	9,991	96,469
Total current liabilities.....	35,977	29,966	289,331
Non-current liabilities:			
Long-term loans payable .....	—	4	37
Accrued employees' retirement benefits .....	9,121	9,638	93,057
Allowance for directors' retirement benefits...	307	238	2,299
Other long-term liabilities .....	—	199	1,926
Total non-current liabilities .....	9,428	10,079	97,319
<b>Total liabilities</b> .....	<b>¥45,405</b>	<b>¥40,045</b>	<b>\$386,650</b>
<b>Net Assets</b>			
Shareholders' equity:			
Common stock .....	¥12,953	¥12,953	\$125,063
Additional paid-in capital .....	9,950	9,950	96,074
Retained earnings .....	50,565	51,843	500,558
Treasury stock .....	(4)	(4)	(36)
Total shareholders' equity .....	73,464	74,742	721,659
Valuation and translation adjustments:			
Unrealized loss on available-for-sale securities.....	188	26	250
Unrealized gain on revaluation of land .....	(1,277)	(1,277)	(12,330)
Foreign currency translation adjustment.....	5	10	97
Total valuation and translation adjustments .....	(1,084)	(1,241)	(11,983)
Minority interests .....	2,295	2,393	23,100
Total net assets.....	74,675	75,894	732,776
<b>Total liabilities and net assets</b> .....	<b>¥ 120,080</b>	<b>¥115,939</b>	<b>\$1,119,426</b>

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

**NS SOLUTIONS CORPORATION**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**  
**For the Six Months Ended Sep. 30, 2008 (Note 3)**

	Millions of yen	Thousands of U.S. dollars (Note 2)
	2008	2008
Net sales .....	¥76,444	\$738,095
Cost of sales .....	61,071	589,661
Gross profit.....	15,373	148,434
Selling, general and administrative expenses .....	11,058	106,772
Operating income.....	4,315	41,662
Other income (expenses) .....	245	2,363
Income before income taxes and minority interests .....	4,560	44,025
Income Taxes .....	2,032	19,617
Income before minority interests .....	2,528	24,408
Minority interests.....	190	1,831
Net income.....	¥2,338	\$22,577

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**NS SOLUTIONS CORPORATION**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**  
**For the Three Months Ended Sep. 30, 2008 (Note 3)**

	Millions of yen	Thousands of U.S. dollars (Note 2)
	2008	2008
Net sales .....	¥41,627	\$401,919
Cost of sales .....	33,498	323,430
Gross profit.....	8,129	78,489
Selling, general and administrative expenses .....	5,223	50,430
Operating income.....	2,906	28,059
Other income (expenses) .....	74	716
Income before income taxes and minority interests .....	2,980	28,775
Income Taxes .....	1,235	11,926
Income before minority interests .....	1,745	16,849
Minority interests.....	168	1,620
Net income.....	¥1,577	\$15,229

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**NS SOLUTIONS CORPORATION**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Six Months Ended Sep. 30, 2008 (Note 3)**

	Millions of yen	Thousands of U.S. dollars (Note 2)
	2008	2008
<b>Cash flows from operating activities:</b>		
Income before income taxes and minority interests .....	¥4,560	\$44,025
Adjustments to reconcile income before income taxes to net cash provided by operating activities		
Depreciation .....	881	8,506
Amortization of goodwill.....	41	398
Increase in allowance for doubtful accounts .....	(10)	(100)
Interest and dividend income.....	(249)	(2,401)
Decrease in accrued bonuses to employees .....	153	1,482
Increase in accrued employees' retirement benefits, net of payments .....	494	4,767
Interest expenses .....	0	2
Equity in net income of affiliated companies .....	(0)	(1)
Decrease in accounts receivable.....	6,988	67,475
Increase in inventories .....	(2,146)	(20,721)
Decrease in accounts payable.....	(4,562)	(44,046)
Others, net.....	494	4,759
Sub total.....	6,644	64,145
Interests and dividends received .....	237	2,291
Interests paid .....	(0)	(2)
Income taxes paid .....	(4,330)	(41,803)
Net cash provided by operating activities .....	2,551	24,631
<b>Cash flow from investing activities:</b>		
Acquisition of short-term investments .....	(2,000)	(19,311)
Proceeds from redemption of short-term investments .....	3,000	28,966
Purchase of property and equipment and intangible fixed assets .....	(737)	(7,112)
Acquisition of investments in securities .....	(3,001)	(28,972)
Purchase of investments in subsidiaries resulting in change in scope of consolidation .....	(3,470)	(33,507)
Others, net .....	(104)	(1,008)
Net cash used in investing activities .....	(6,312)	(60,944)
<b>Cash flows from financing activities:</b>		
Repayment of long-term loans payable .....	(7)	(65)
Payment for purchase of treasury stock.....	(0)	(1)
Dividends paid .....	(1,060)	(10,234)
Dividends paid to minority shareholders.....	(94)	(905)
Repayments of lease obligations.....	(97)	(941)
Net cash used in financing activities.....	(1,258)	(12,146)
Effect of exchange rate changes on cash and cash equivalents.....	9	89
Net decrease in cash and cash equivalents .....	(5,010)	(48,370)
<b>Cash and cash equivalents at beginning of period.....</b>	<b>34,155</b>	<b>329,775</b>
<b>Cash and cash equivalents at end of period .....</b>	<b>¥29,145</b>	<b>\$281,405</b>

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

# NS SOLUTIONS CORPORATION

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of Presenting Consolidated Financial Statements

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

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

### 2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers. The rate of ¥103.57 = U.S. \$1, the effective rate of exchange prevailing at September 30, 2008, has been used in translation of yen amounts to U.S. dollar amounts. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this or any other rate.

### 3. Consolidated Statements of Income and Cash Flows

In the past, the Company prepared interim consolidated financial statements in accordance with the “Rules for Interim Consolidated Financial Statements”. From this fiscal year, however, the Company has begun to prepare quarterly consolidated financial statements in accordance with the “Rules for Quarterly Consolidated Financial Statements”.

Since these financial statements were prepared in accordance with different accounting rules, the consolidated statements of income and cash flows for this term are presented without a parallel presentation of the results for the corresponding period of the preceding fiscal year.

**【Reference】**

**NS SOLUTIONS CORPORATION**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**  
**For the Six Months Ended Sep. 30, 2007**

	Millions of yen	Thousands of U.S. dollars (U.S. \$1=¥115.43 )
	2007	2007
<b>Net sales</b> .....	¥75,955	\$ 658,022
<b>Cost of sales</b> .....	59,424	514,811
<b>Gross profit</b> .....	16,531	143,211
<b>Selling, general and administrative expenses</b> .....	10,184	88,228
<b>Operating income</b> .....	6,347	54,983
<b>Other income (expenses):</b>		
Interest income .....	146	1,265
Dividend income .....	48	414
Exchange loss .....	(15)	(129)
Equity in net income of affiliated companies.....	3	29
Impairment loss of investments in securities .....	(5)	(47)
Loss on disposal of fixed assets.....	(2)	(19)
Other, net .....	1	11
<b>Income before income taxes and minority interests</b> .....	6,523	56,507
<b>Income taxes:</b>		
Current.....	2,679	23,208
Deferred .....	120	1,034
<b>Income before minority interests</b> .....	3,724	32,265
<b>Minority interests</b> .....	(186)	(1,614)
<b>Net income</b> .....	¥3,538	\$30,651

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

**NS SOLUTIONS CORPORATION**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Six Months Ended Sep. 30, 2007**

	Millions of yen	Thousands of U.S. dollars (U.S. \$1=¥115.43 )
	2007	2007
<b>Cash flows from operating activities:</b>		
Income before income taxes and minority interests .....	¥6,523	\$ 56,507
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:		
Depreciation .....	920	7,972
Increase (decrease) in allowance for doubtful accounts..	28	241
Decrease in accrued bonuses to employees .....	(84)	(726)
Increase in accrued employees' retirement benefits .....	429	3,718
Increase (decrease) in allowance for directors' retirement benefits.....	(17)	(147)
Increase (decrease) in other allowances .....	(17)	(144)
Interest and dividend income.....	(194)	(1,679)
Impairment loss of investments in securities .....	5	47
Equity in net income of affiliated companies .....	(3)	(29)
Loss on disposal of fixed assets .....	2	19
Decrease in accounts receivable.....	10,495	90,918
Increase in inventories .....	(1,973)	(17,090)
Increase in other current assets.....	(346)	(2,998)
Decrease in accounts payable.....	(6,059)	(52,492)
Increase in other current liabilities .....	14	124
Others, net.....	28	231
Sub total .....	9,751	84,472
Interest and dividend income.....	184	1,592
Income taxes paid .....	(4,447)	(38,523)
Net cash provided by operating activities .....	¥5,488	\$ 47,541

	Millions of yen	Thousands of U.S. dollars (U.S. \$1=¥115.43 )
	2007	2007
<b>Cash flow from investing activities:</b>		
Payments for time deposits.....	(1,000)	(8,663)
Acquisition of short-term investment.....	(3,006)	(26,042)
Expenditures for purchase of property and equipment and intangible fixed assets .....	(900)	(7,795)
Acquisition of investments in securities .....	(341)	(2,957)
Others, net .....	(395)	(3,425)
Net cash used in investing activities .....	(5,642)	(48,882)
<b>Cash flows from financing activities:</b>		
Payment for purchase of treasury stock.....	(0)	(2)
Dividends paid .....	(927)	(8,035)
Dividends paid to minority shareholders.....	(82)	(694)
Net cash used for financing activities.....	(1,009)	(8,731)
Effect of exchange rate changes on cash and cash equivalents .....	2	16
Net increase (decrease) in cash and cash equivalents .....	(1,161)	(10,056)
<b>Cash and cash equivalents at beginning of the six-month period ended September 30 .....</b>	<b>29,510</b>	<b>255,655</b>
<b>Cash and cash equivalents at end of the six-month period ended September 30 .....</b>	<b>¥28,349</b>	<b>\$ 245,599</b>

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