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July 28, 2005

Outline of Consolidated Financial Results for the First Quarter

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Consolidated Results for Three Months ended Jun.30, 2005

Consolidated operating results

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

	Three Months ended Jun.30, 2004	2005	Difference	Fiscal Year ended Mar. 31, 2005
Sales	¥29,692	¥27,188	△8.4%	¥146,526
Operating income	1,710	1,659	△3.0	11,710
Recurring profit	1,736	1,718	△1.0	11,791
Net income	937	956	2.0	6,621
Net income per share of common stock *				
—Basic	¥35.37	¥18.04		¥124.52
—Diluted	—	—		—

* Average shares used for computation of net income per share of common stock for the three-month period ended June. 30, 2004 and 2005, and for the fiscal year ended Mar. 31, 2005 are shown in the chart below.

(Thousands of shares)

	Three Months ended Jun.30, 2004	2005	Fiscal Year ended Mar. 31, 2005
Net income per share of common stock—Basic	26,499	52,998	52,999

Sales of Business Solutions and others for the three-month period ended June 30, 2005 decreased compared with the three-month period of the last fiscal year. However, we steadily received inquiries and orders from the customers especially in manufacturing and distribution industries for such period.

That is, sales decreased by ¥2,504 million to ¥27,188 million and recurring profit decreased by ¥18 million to ¥1,718 million, compared with the three-month period of the last fiscal year.

Consolidated financial condition

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

	Jun.30, 2004	Jun.30, 2005	Mar. 31, 2005
Total assets	¥79,028	¥88,032	¥98,372
Shareholders' equity	49,419	54,489	54,104
Shareholders' equity ratio	62.5%	61.9%	55.0%
Shareholders' equity per share of common stock*	¥1,864.91	¥1,028.12	¥1,020.46

*The number of shares at the end of the periods (used for computation of shareholders' equity per share of common stock) for the three-month period ended Jun. 30, 2004 and 2005, and for the fiscal year ended Mar. 31, 2005 is shown in the chart below.

(Thousands of shares)

	Three Months ended Jun. 30,		Fiscal Year ended
	2004	2005	Mar. 31, 2005
Number of issued shares at end of period	26,500	52,999	52,999
Number of own shares at end of period	0	1	1

Ref. Consolidated cash flow

(Millions of yen)

	Three Months ended Jun.30,			Fiscal Year ended
	2004	2005	Difference	Mar.2005
Cash flow from operating activities	¥1,353	¥3,585	¥+2,232	¥9,188
Cash flow from investing activities	(561)	(251)	+310	(12,634)
Cash flow from financing activities	(509)	(510)	△1	(974)
Cash and cash equivalents at end of period	27,802	25,925	△1,877	23,099

Cash and cash equivalents at the end of the first quarter of this fiscal year increased by ¥2,827 million to ¥25,925 million compared with the end of the last fiscal year. Cash flows by activities are as follows:

Operating Activities: Operating activities generated ¥3,586 million cash. This is mainly due to income before income taxes of ¥1,729 million and improvements in inter-company credit of ¥12,787 million, while negatively impacted by income taxes paid of ¥3,823 million and an increase in inventories of ¥6,853 million.

Investing Activities: Investing activities used ¥251 million cash. This is mainly due to payments for purchase of property and equipment and intangible fixed assets of ¥262 million.

Financing Activities: Financing activities used ¥510 million. This is due to dividends paid.

Consolidated outlook for the Fiscal Year ending March 31, 2006 (FY2005)

Business results for the three-month period ended June 30, 2005 have been moving steadily as forecasted before. Accordingly, there is no change in our outlook both for the first half of the current fiscal year and for the current fiscal year, as mentioned below.

Current outlook (Millions of yen)

	Sales	Recurring profit	Net income
First half of FY2005	64,000	4,000	2,100
FY2005	¥150,000	12,000	6,700

Ref. Net income per share forecast (full-year) 126.02 yen*

Adoption of Concise Accounting Procedure for the Quarterly Period

None.

Accounting Procedure Differences between the Quarters ended Jun. 30, 2004 and 2005, and the Fiscal Year ended March 31, 2005

The Company adopted "Accounting Standard for Impairment of Fixed Assets" and "Application Guideline for Accounting Standard for Impairment of Fixed Assets" from the fiscal year ended March 31,2006.

Difference in Consolidation and Equity Method Scope between the Quarters ended Jun. 30, 2004 and 2005, and the Fiscal Year ended March 31, 2005.

The Company added NSSLC Service Corporation to the consolidation scope from the fiscal year ended March 31,2006.

Non-consolidated Results Information

Non-consolidated operating results

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

	Three Months ended Jun. 30, 2004	2005	Difference	Fiscal Year ended Mar. 2005
Sales	¥26,981	¥24,784	△8.1%	¥131,889
Operating income	1,510	1,597	5.8	9,603
Recurring profit	1,727	1,863	7.9	9,737
Net income	1,006	1,112	10.6	5,721
Net income per share of common stock				
—Basic	¥37.97	¥20.99		¥107.54
—Diluted	—	—		—

* Average shares used for computation of net income per share of common stock for the three-month period ended Jun. 30, 2004 and 2005, and for the fiscal year ended Mar. 31, 2005 are shown in the chart below.

(Thousands of shares)

	Three Months ended Jun. 30, 2004	2005	Fiscal Year ended Mar. 31, 2005
Net income per share of common stock—Basic	26,499	52,998	52,999

Non-consolidated financial condition

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

	Jun. 30, 2004	Jun. 30, 2005	Mar. 31, 2005
Total assets	¥73,408	¥82,199	¥91,467
Shareholders' equity	44,895	49,147	48,607
Shareholders' equity ratio	61.2%	59.8%	53.1%
Shareholders' equity per share of common stock*	¥1,694.20	¥927.33	¥916.74

*The number of shares at the end of the periods (used for computation of shareholders' equity per share of common stock) for the three-month period ended Jun.30, 2004 and 2005, and for the fiscal year ended Mar. 31, 2005 is shown in the chart below.

(Thousands of shares)

	Three Months ended Jun 30, 2004	2005	Fiscal Year ended Mar. 31, 2005
Number of issued shares at end of period	26,500	52,999	52,999
Number of own shares at end of shares	0	1	1

Non-consolidated Outlook for the Fiscal Year ending March 31, 2006 (FY2005)

Business results for the three-month period ended June 30, 2005 have been moving steadily as forecasted before. Accordingly, there is no change in our outlook both for the first half of the current fiscal year and for the current fiscal year, as mentioned below.

Current outlook (Millions of yen)

	Sales	Recurring profit	Net income
First half of FY2005	57,000	3,300	1,900
FY2004	¥135,000	9,800	5,800

Ref. Net income per share forecast (full-year) 109.04yen*

(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 CONDENSED CONSOLIDATED BALANCE SHEETS

As of Jun. 30, 2004, Mar. 31, 2005 and Jun. 30, 2005

	Millions of yen			Thousands of U.S. dollars (Note 3)
	Jun. 30, 2004	Mar. 31, 2005	Jun. 30, 2005	Jun. 30, 2005
Assets				
Current assets				
Cash and bank deposits	¥13,811	¥11,477	¥12,021	$108,669
Deposited money	13,990	11,621	13,904	125,696
Trade notes and accounts receivable	19,693	37,265	17,269	156,115
Inventories	12,063	7,502	14,355	129,769
Deferred tax assets-current	2,892	3,004	3,100	28,025
Others	704	481	567	5,120
Allowance for doubtful accounts	(14)	(23)	(11)	(100)
Total current assets	63,139	71,327	61,205	553,294
Property and equipment（Note 2(7)）	4,882	4,499	4,444	40,176
Intangible fixed assets	965	669	614	5,550
Investments and other assets				
Long term loan-related party	—	12,000	12,000	108,479
Others	10,042	9,877	9,769	88,303
Total assets	¥79,028	¥98,372	¥88,032	$795,802
Liabilities and Shareholders' Equity				
Current liabilities				
Trade notes and accounts payable	9,393	17,341	10,132	91,590
Accrued expenses	3,109	2,826	3,034	27,424
Accrued income taxes	882	3,767	915	8,273
Accrued bonuses to employees	2,924	5,713	3,092	27,953
Others	5,538	5,911	7,611	68,804
Total current liabilities	21,846	35,558	24,784	224,044
Allowance for employees' retirement benefits	6,283	6,940	7,197	65,057
Other long-term liabilities （Note 7）	314	355	245	2,215
Minority interest in consolidated subsidiaries	1,166	1,415	1,317	11,909
Shareholders' equity				
Common stock	12,953	12,953	12,953	117,092
Additional paid-in capital	9,950	9,950	9,950	89,951
Retained earnings	26,046	31,266	31,736	286,896
Reserve for revaluation of land	(757)	(757)	(757)	(6,847)
Valuation gain on available-for-sale securities and others	1,233	700	613	5,541
Foreign currency translation adjustment	(5)	(6)	(4)	(38)
Treasury stock	(1)	(2)	(2)	(18)
Total shareholders' equity	49,419	54,104	54,489	492,577
Total liabilities, minority interests and shareholders' equity	¥79,028	¥98,372	¥88,032	$795,802

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

NS SOLUTIONS CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Nine Months Ended Jun. 30, 2004 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2005	2005
Net sales	¥29,692	¥27,188	$245,777
Cost of sales	23,602	21,059	190,367
Gross profit	6,090	6,129	55,410
Selling, general and administrative expenses (Note 5,6)	4,380	4,470	40,412
Operating income	1,710	1,659	14,998
Other income (expenses)	42	70	632
Income before income taxes and minority interest	1,752	1,729	15,630
Income Taxes	838	826	7,463
Income before minority interest	914	903	8,167
Minority interest	(23)	(53)	(475)
Net income	¥937	¥956	$8,642

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

NS SOLUTIONS CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended Jun. 30, 2004 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2005	2005
Cash flows from operating activities;			
Income before income taxes			
Adjustments to reconcile income before income taxes to net cash provided by operating activities	¥1,752	¥1,729	$15,630
Depreciation	315	305	2,761
Decrease in allowance for doubtful accounts	(2,596)	(2,621)	(23,690)
Increase in allowance for employees' retirement benefits, net of payments	241	257	2,323
Decrease in accounts receivable	17,769	19,996	180,762
Increase in inventories	(5,028)	(6,853)	(61,951)
Decrease in accounts payable	(7,839)	(7,209)	(65,172)
Others, net	(256)	1,764	15,949
Sub total	4,358	7,368	66,612
Income taxes paid	(3,037)	(3,823)	(34,560)
Others, net	31	40	362
Net cash provided by operating activities	1,352	3,585	32,414
Cash flow from investing activities;			
Payments for purchase of property and equipment and intangible fixed assets	(420)	(262)	(2,850)
Others, net	(140)	11	582
Net cash used for investing activities	(560)	(251)	(2,268)
Cash flows from financing activities;			
Payments for purchase of treasury stock	(1)	—	—
Dividends paid	(464)	(464)	(4,192)
Dividends paid to minority shareholders	(44)	(46)	(416)
Net cash used for financing activities	(509)	(510)	(4,608)
Effect of exchange rate changes on cash and cash equivalents	(0)	2	16
Net increase in cash and cash equivalents	283	2,826	25,554
Cash and cash equivalents at beginning of period	27,519	23,099	208,811
Cash and cash equivalents at end of period	¥27,802	¥25,925	$234,365

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

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. **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 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.

2. **Summary of Significant Accounting Policies**

(1) Principles of consolidation

The consolidated financial statements for the fiscal year ended March 31, 2005 and the three-month period ended June 30, 2004 and 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 Nishinihon Corporation
NS Solutions Oita Corporation
NSSLC Service Corporation
Nittetsu Hitachi Systems Engineering, Inc.
NCI Systems Integration, Inc.
NS Solutions Software (Shanghai) Co., Ltd.

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

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 June 30 and the three-month period ending March 31, which differ from those of the Company. The company incorporated this subsidiary's accounts for the three-month period ended March 31, 2005 into these unaudited condensed consolidated financial statements for the three-month period ended June 30, 2005. Any material transactions occurring in the period, April 1 to June 30 are adjusted for in these unaudited condensed consolidated financial statements.

(2) Investments in affiliates

The Company's investments in three significant affiliates were accounted for using the equity method for the three-month period ended June 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.

Other affiliates are as follows:

June 30, 2004	March 31, 2005 and June 30, 2005
Japan Maintenance and Operation Service Co. Ltd.	—

(3) 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.

(4) 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.

(5) 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

(6) 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.

(7) Property and equipment

Property and equipment is recorded at cost, net of accumulated depreciation of ¥5,072 million and ¥5,603 million ($50,652 thousand) at June 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.

The Company launched a new business of leasing property and equipment to clients from October 1, 2004. 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.

(8) 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.

(9) 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.

(10) 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 period-end, based on their service for the three-month period ended on the relevant balance sheet date.

(11) 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.

(12) 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 26,500 thousand and 52,999 thousand for the three-month period ended June 30, 2004 and 2005, respectively. Each of the Company’s shares was divided into 2 shares on August 19, 2005 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 three-month period ended June 30, 2005.

Assuming that the above stock split had occurred at the beginning of the fiscal year ended March 31, 2005, for the three-month period ended June 30, 2004, the net income per share would be ¥17.69.

3. Change in accounting principle

The Company adopted “Accounting Standard for Impairment of Fixed Assets” and “Application Guideline for Accounting Standard for Impairment of Fixed Assets” effective for the fiscal years begining April 1, 2005 or thereafter.

There were no effects on the Companys’ consolidated financial statements during the three-month ended June 30, 2005.

4. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers. The rate of ¥110.62=U.S. $1, the effective rate of exchange prevailing at June 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.

5. 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 ¥259 million and ¥138 million ($1,251 thousand) for the three-month period ended June 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 three-month period ended June 30, 2004 and 2005 and the fiscal year ended March 31, 2005:

	Millions of yen		
June 30, 2004	Acquisition Cost	Accumulated Depreciation	Net balance
Machinery and equipment	¥ 97	¥ 60	¥ 38
Tools, furniture and fixtures	3,515	2,395	1,120
Software	1,026	672	353
Total	¥4,638	¥3,127	¥1,511

	Millions of yen		
March 31, 2005	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

	Millions of yen		
June 30, 2005	Acquisition Cost	Accumulated Depreciation	Net balance
Machinery and equipment	¥ 78	¥ 60	¥ 18
Tools, furniture and fixtures	1,894	1,230	664
Software	648	469	179
Total	¥2,620	¥1,759	¥861

	Thousands of U.S. dollars (Note 3)		
June 30, 2005	Acquisition Cost	Accumulated Depreciation	Net balance
Machinery and equipment	$ 709	$ 546	$ 163
Tools, furniture and fixtures	17,121	11,116	6,005
Software	5,857	4,238	1,619
Total	$23,687	$15,900	$7,787

	Millions of Yen			Thousands of U.S. dollars (Note 3)
	June 30, 2004	March 31, 2005	June 30, 2005	June 30, 2005
Depreciation expense	¥241	¥748	¥129	$1,164
Interest expense	11	33	6	53

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 June 30, 2004 and 2005 and March 31, 2005 are as follows:

	Millions of Yen			Thousands of U.S. dollars (Note 3)
	June 30, 2004	March 31, 2005	June 30, 2005	June 30, 2005
Within one year	¥702	¥437	¥406	$ 3,669
Over one year	768	550	502	4,538
Total	¥1,470	¥987	¥908	$8,207

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

	Millions of Yen			Thousands of U.S. dollars (Note 3)
	June 30, 2004	March 31, 2005	June 30, 2005	June 30, 2005
Within one year	¥2	¥2	¥2	$19
Over one year	4	2	2	15
Total	¥6	¥4	¥4	$34

6. Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the three-month period ended June 30, 2004 and 2005 are as follows:

	Millions of Yen		Thousands of U.S. dollars (Note 3)
June 30	2004	2005	2005
Payroll and bonuses	¥1,779	¥1,859	$16,807
Allowance for employees' retirement benefits	72	110	994
Allowance for directors' retirement benefits	16	19	174
Depreciation expense	35	40	364
Operating expense for acceptance of orders	672	754	6,812

7. Research and Development Costs

Research and development costs charged to income for the three-month period ended June 30, 2004 and 2005 were ¥226 million and ¥277 million ($2,501 thousand), respectively.

8. 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 ¥51 million and ¥23 million ($208 thousand) at June 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.