



### ***Consolidated financial condition***

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

	<b>Dec. 31, 2004</b>	<b>Dec. 31, 2005</b>	<b>Mar. 31, 2005</b>
Total assets	¥82,658	¥91,473	¥98,372
Shareholders' equity	51,230	57,358	54,104
Shareholders' equity ratio	62.0%	62.7%	55.0%
Shareholders' equity per share of common stock*	¥966.63	¥1,082.25	¥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 nine-month period ended Dec. 31, 2004 and 2005, and for the fiscal year ended Mar. 31, 2005 is shown in the chart below.

	(Thousands of shares)		Fiscal Year ended Mar. 31, 2005
	<b>Nine Months ended Dec. 31, 2004</b>	<b>2005</b>	
Number of issued shares at end of period	52,999	52,999	52,999
Number of own shares at end of period	1	1	1

### ***Ref. Consolidated cash flow***

(Millions of yen)

	<b>Nine Months ended Dec. 31,</b>			<b>Fiscal Year ended</b>
	<b>2004</b>	<b>2005</b>	<b>Difference</b>	<b>Mar. 31 2005</b>
Cash flow from operating activities	¥4,128	¥2,977	¥ 1,152	¥9,188
Cash flow from investing activities	(12,537)	(195)	+12,342	(12,634)
Cash flow from financing activities	(973)	(1,173)	199	(974)
Cash and cash equivalents at end of period	18,138	24,714	+6,576	23,099

Cash and cash equivalents at the end of the third quarter of this fiscal year increased by ¥1,615 million to ¥24,714 million compared with the end of the last fiscal year. Cash flows by activities are as follows:

**Operating Activities:** Operating activities generated ¥2,977 million cash. This is mainly due to income before income taxes of ¥7,388 million and improvements in inter-company credit of ¥9,811 million, while negatively impacted by income taxes paid of ¥6,112 million and an increase in inventories of ¥8,946 million.

**Investing Activities:** Investing activities used ¥195 million cash. This is mainly due to payments for purchase of property and equipment and intangible fixed assets of ¥900 million and proceeds from sale of investment securities of ¥914 million.

**Financing Activities:** Financing activities used ¥1,172 million. This is due to dividends paid.

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

During the nine-month period ended December 31, 2005, our businesses moved steadily as originally forecasted. Accordingly, we keep our original forecast of sales and recurring profit unchanged. As for net income, we incorporated into our original forecast gain on sale of investment in affiliate NS&I System Service Corporation, and other factors. Therefore, we revise upward our original net income forecast from ¥6,700 million to ¥7,200 million as shown below:

Current outlook	(Millions of yen)		
	Sales	Recurring profit	Net income
FY2005	¥150,000	12,000	7,200

Ref. Net income per share forecast (full-year) 135.45 yen\*

#### **Adoption of Concise Accounting Procedure for the Quarterly Period**

None.

#### **Accounting Procedure Differences between the Quarters ended Dec. 31, 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 Dec. 31, 2004 and 2005, and the Fiscal Year ended March 31, 2005.**

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

The Company excluded NS&I System Service Corporation from the scope of the equity method at the end of the third quarter, due to sales of the stock on December 28, 2005.

## Non-consolidated Results Information

### *Non-consolidated operating results*

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

	Nine Months ended Dec. 31,			Fiscal Year ended
	2004	2005	Difference	Mar. 31 2005
Sales	¥83,276	¥85,264	+2.4%	¥131,889
Operating income	5,228	5,325	+1.9	9,603
Recurring profit	5,453	5,640	+3.4	9,737
Net income	3,196	4,059	+27.0	5,721
Net income per share of common stock				
Basic	¥60.30	¥76.58		¥107.54
Diluted	-	-		-

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

	(Thousands of shares)		Fiscal Year ended Mar.
	Nine Months ended Dec. 31,		31, 2005
	2004	2005	
Number of average shares	52,999	52,998	52,999

### *Non-consolidated financial condition*

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

	Dec. 31, 2004	Dec. 31, 2005	Mar. 31, 2005
Total assets	¥77,121	¥85,655	¥91,467
Shareholders' equity	46,303	51,650	48,607
Shareholders' equity ratio	60.0%	60.3%	53.1%
Shareholders' equity per share of common stock*	¥873.67	¥974.56	¥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 nine-month period ended Dec. 31, 2004 and 2005, and for the fiscal year ended Mar. 31, 2005 is shown in the chart below.

	(Thousands of shares)		Fiscal Year ended Mar.
	Nine Months ended Dec. 31,		31, 2005
	2004	2005	
Number of issued shares at end of period	52,999	52,999	52,999
Number of own shares at end of period	1	1	1

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

During the nine-month period ended December 31, 2005, our businesses moved steadily as originally forecasted. Accordingly, we keep our original forecast of sales and recurring profit unchanged. As for net income, we incorporated into our original forecast gain on sale of investment in affiliate NS&I System Service Corporation, and other factors. Therefore, we revise upward our original net income forecast from ¥5,800 million to ¥6,700 million as shown below:

Current outlook	(Millions of yen)		
	Sales	Recurring profit	Net income
FY2005	¥135,000	9,800	6,700

Ref. Net income per share forecast (full-year) 126.01 yen\*

(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 Dec. 31, 2004, Mar. 31, 2005 and Dec. 31, 2005

	Millions of yen			Thousands of U.S. dollars
	Dec. 31, 2004	Mar. 31, 2005	Dec. 31, 2005	( Note 3 ) Dec. 31, 2005
<b>Assets</b>				
<b>Current assets</b>				
Cash and bank deposits	¥11,465	¥11,477	¥12,371	\$104,778
Deposited money	6,673	11,621	12,343	104,537
Trade notes and accounts receivable	18,186	37,265	20,804	176,199
Inventories	15,817	7,502	16,448	139,311
Deferred tax assets-current	2,827	3,004	2,914	24,682
Others	713	481	594	5,033
Allowance for doubtful accounts	(13)	(23)	(14)	(120)
<b>Total current assets</b>	<b>55,668</b>	<b>71,327</b>	<b>65,460</b>	<b>554,420</b>
Property and equipment ( Note 2(7) )	4,556	4,499	4,451	37,698
Intangible fixed assets	843	669	624	5,283
<b>Investments and other assets</b>				
Long term loan-related party	12,000	12,000	12,000	101,635
Others	9,591	9,877	8,938	75,698
<b>Total assets</b>	<b>¥82,658</b>	<b>¥98,372</b>	<b>¥91,473</b>	<b>\$774,733</b>
<b>Liabilities and Shareholders' Equity</b>				
<b>Current liabilities</b>				
Trade notes and accounts payable	10,121	17,341	10,691	90,547
Accrued expenses	2,386	2,826	2,733	23,148
Accrued income taxes	843	3,767	1,332	11,279
Accrued bonuses to employees	2,903	5,713	3,017	25,551
Others	7,056	5,911	7,103	60,160
<b>Total current liabilities</b>	<b>23,309</b>	<b>35,558</b>	<b>24,876</b>	<b>210,685</b>
Allowance for employees' retirement benefits	6,533	6,940	7,519	63,679
Other long-term liabilities	350	355	280	2,372
Minority interest in consolidated subsidiaries	1,236	1,415	1,441	12,204
<b>Shareholders' equity</b>				
Common stock	12,953	12,953	12,953	109,704
Additional paid-in capital	9,950	9,950	9,950	84,276
Retained earnings	28,172	31,266	34,352	290,949
Reserve for revaluation of land	(757)	(757)	(757)	(6,415)
Valuation gain on available-for-sale securities and others	917	700	863	7,305
Foreign currency translation adjustment	(3)	(6)	(1)	(5)
Treasury stock	(2)	(2)	(2)	(20)
<b>Total shareholders' equity</b>	<b>51,230</b>	<b>54,104</b>	<b>57,358</b>	<b>485,794</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>¥82,658</b>	<b>¥98,372</b>	<b>¥91,473</b>	<b>\$774,733</b>

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 Dec. 31, 2004 and 2005

	Millions of yen		Thousands of U.S. dollars ( Note 3 )
	2004	2005	2005
<b>Net sales</b>	¥92,998	¥95,245	\$806,681
<b>Cost of sales</b>	74,183	75,588	640,194
<b>Gross profit</b>	18,815	19,657	166,487
<b>Selling, general and administrative expenses (Note 5,6)</b>	12,716	12,996	110,069
<b>Operating income</b>	6,099	6,661	56,418
<b>Other income (expenses)</b>	142	726	6,153
<b>Income before income taxes and minority interest</b>	6,241	7,388	62,570
<b>Income Taxes</b>	2,668	3,084	26,122
<b>Income before minority interest</b>	3,573	4,304	36,449
<b>Minority interest</b>	(46)	(69)	(587)
<b>Net income</b>	¥3,527	¥4,234	\$35,862

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 Nine Months Ended Dec. 31, 2004 and 2005

	Millions of yen		Thousands of U.S. dollars ( Note 3 )
	2004	2005	2005
<b>Cash flows from operating activities;</b>			
Income before income taxes			
Adjustments to reconcile income before income taxes to net cash provided by operating activities	¥6,241	¥7,388	\$62,570
Depreciation	981	965	8,176
Decrease in allowance for doubtful accounts	(2,617)	(2,696)	(22,833)
Increase in allowance for employees' retirement benefits, net of payments	491	579	4,902
Gains on sale of investment securities	(0)	(494)	(4,186)
Decrease in accounts receivable	19,275	16,462	139,423
Increase in inventories	(8,782)	(8,946)	(75,766)
Decrease in accounts payable	(7,112)	(6,650)	(56,325)
Others, net	780	1,110	9,403
Sub total	9,258	7,717	65,363
Income taxes paid	(5,173)	(6,112)	(51,767)
Interest and dividends received	43	1,371	11,615
Net cash provided by operating activities	4,128	2,977	25,210
<b>Cash flow from investing activities;</b>			
Payments for purchase of property and equipment and intangible fixed assets	(790)	(901)	(7,629)
Payments for long term loan-related party	(12,000)	-	-
Proceeds from sale of investment securities	4	914	7,744
Others, net	249	(209)	(1,769)
Net cash used for investing activities	(12,537)	(195)	(1,655)
<b>Cash flows from financing activities;</b>			
Payments for purchase of treasury stock	(2)	(0)	(2)
Dividends paid	(927)	(1,126)	(9,539)
Dividends paid to minority shareholders	(44)	(46)	(390)
Net cash used for financing activities	(973)	(1,173)	(9,931)
Effect of exchange rate changes on cash and cash equivalents	1	6	54
Net increase in cash and cash equivalents	(9,381)	1,615	13,680
<b>Cash and cash equivalents at beginning of period</b>	<b>27,519</b>	<b>23,099</b>	<b>195,635</b>
<b>Cash and cash equivalents at end of period</b>	<b>¥18,138</b>	<b>¥24,714</b>	<b>\$209,315</b>

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 nine-month period ended December 31, 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
- 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.

**NS SOLUTIONS CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As a result, the consolidated financial statements for the nine-month period ended December 31, 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
- 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 nine-month period ending March 31, which differ from those of the Company. The company incorporated this subsidiary's accounts for the nine-month period ended March 31, 2005 into these unaudited condensed consolidated financial statements for the nine-month period ended December 31, 2005. Any material transactions occurring in the period, April 1 to December 31 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 nine-month period ended December 31, 2004 and 2005 and the fiscal year ended March 31, 2005 as listed below:

- NS&I System Service Corporation

**NS SOLUTIONS CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Solnet Co., Ltd.

Hokkaido High Information Technology Center Co., Ltd.

The Company excluded NS&I System Service Corporation from the scope of the equity method at the end of the third quarter, due to sales of the stock on December 28, 2005. The net income of NS&I System Service Corporation before the sales is accounted for by the equity method.

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:

December 31, 2004	March 31, 2005 and December 31, 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

**NS SOLUTIONS CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(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 ¥5,494 million and ¥5,972 million (\$50,577 thousand) at December 31, 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.

**(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

## NS SOLUTIONS CORPORATION

### NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

“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 nine-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 52,999 thousand and 52,998 thousand for the nine-month period ended December 31, 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 nine-month period ended December 31, 2004.

**NS SOLUTIONS CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(13) 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 nine-month period ended December 31, 2005.

## NS SOLUTIONS CORPORATION

### NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers. The rate of ¥118.07=U.S. \$1, the effective rate of exchange prevailing at December 31, 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.

#### 4. 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 ¥600 million and ¥368 million (\$3,120 thousand) for the nine-month period ended December 31, 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 nine-month period ended December 31, 2004 and 2005 and the fiscal year ended March 31, 2005:

	Millions of yen		
	Acquisition Cost	Accumulated Depreciation	Net balance
December 31, 2004			
Machinery and equipment .....	¥ 98	¥ 71	¥ 28
Tools, furniture and fixtures .....	3,293	2,474	819
Software .....	953	705	248
<b>Total .....</b>	<b>¥4,344</b>	<b>¥3,250</b>	<b>¥1,095</b>

	Millions of yen		
	Acquisition Cost	Accumulated Depreciation	Net balance
March 31, 2005			
Machinery and equipment .....	¥ 97	¥ 75	¥ 22
Tools, furniture and fixtures .....	3,092	2,387	705
Software .....	777	569	208
<b>Total .....</b>	<b>¥3,966</b>	<b>¥3,031</b>	<b>¥ 935</b>

**NS SOLUTIONS CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2005	Millions of yen		
	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
Machinery and equipment .....	¥ 26	¥ 16	¥ 10
Tools, furniture and fixtures .....	1,889	1,351	538
Software .....	556	429	127
<b>Total .....</b>	<b>¥2,470</b>	<b>¥1,796</b>	<b>¥674</b>

December 31, 2005	Thousands of U.S. dollars (Note 3)		
	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
Machinery and equipment .....	\$ 218	\$ 137	\$ 81
Tools, furniture and fixtures .....	15,998	11,444	4,554
Software .....	4,707	3,631	1,076
<b>Total .....</b>	<b>\$20,924</b>	<b>\$15,212</b>	<b>\$5,711</b>

	Millions of Yen			Thousands of
				U.S. dollars
				(Note 3)
	December	March	December	December
31, 2004	31, 2005	31, 2005	31, 2005	
Depreciation expense .....	¥559	¥748	¥341	\$2,889
Interest expense .....	23	33	15	125

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



**NS SOLUTIONS CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

	Millions of Yen			Thousands of U.S. dollars (Note 3)
	December	March	December	December
	31, 2004	31, 2005	31, 2005	31, 2005
Within one year .....	¥525	¥437	¥247	\$ 2,092
Over one year.....	629	550	462	3,916
<b>Total.....</b>	<b>¥1,154</b>	<b>¥987</b>	<b>¥709</b>	<b>\$6,008</b>

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

	Millions of Yen			Thousands of U.S. dollars (Note 3)
	December	March	December	December
	31, 2004	31, 2005	31, 2005	31, 2005
Within one year .....	¥2	¥2	¥2	\$14
Over one year.....	3	2	1	9
<b>Total.....</b>	<b>¥5</b>	<b>¥4</b>	<b>¥3</b>	<b>\$23</b>

**5. Selling, General and Administrative Expenses**

The main components of selling, general and administrative expenses for the nine-month period ended December 31, 2004 and 2005 are as follows:

December 31	Millions of Yen		Thousands of U.S. dollars (Note 3)
	2004	2005	2005
Payroll and bonuses.....	¥5,181	¥604	\$5,120
Allowance for employees' retirement benefits .....	198	268	2,272
Allowance for directors' retirement benefits .....	53	54	455
Depreciation expense.....	116	131	1,106
Operating expense for acceptance of orders.....	2,037	2,172	18,392

**NS SOLUTIONS CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**6. Research and Development Costs**

Research and development costs charged to income for the nine-month period ended December 31, 2004 and 2005 were ¥686 million and ¥831 million (\$7,041 thousand), respectively.

**7. 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 ¥37 million and ¥9 million (\$78 thousand) at December 31, 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.