

# NS Solutions Corporation

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## Outline of Consolidated Financial Results for the Third Quarter

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### Consolidated Results for Nine Months ended December 31, 2006

#### *Consolidated operating results*

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

	Nine Months ended Dec. 31,		Difference	Fiscal Year ended
	2005	2006		Mar. 31, 2006
Sales	¥95,245	¥101,133	+6.2%	¥148,308
Operating income	6,661	7,287	+9.4	12,117
Recurring profit	6,888	7,412	+7.6	12,356
Net income	4,234	4,077	△3.7	7,482
Net income per share of common stock *				
—Basic	¥79.89	¥76.93		¥141.17
—Diluted	—	—		—

\* Average shares used for computation of net income per share of common stock for the nine-month period ended Dec. 31, 2005 and 2006, and for the fiscal year ended Mar. 31, 2006 are shown in the chart below.

(Thousands of shares)

	Nine Months ended Dec. 31,		Fiscal Year ended
	2005	2006	Mar. 31, 2006
Number of average shares	52,998	52,998	52,998

During the nine-month period ended December 31, 2006, it moved steadily to receive orders and record sales, which came mainly from financial institutions. Moreover, each project progressed satisfactorily and so did we toward the completion of various tasks such as business process reform. As a result, sales and recurring profit increased by ¥5,889 million and ¥524 million to ¥101,133 million and ¥7,412 million, respectively, compared with the same period of the last fiscal year. Which means, our businesses ran smoothly for the achievement of our previous outlook.

## Consolidated financial condition

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

	Dec. 31, 2005	Dec. 31, 2006	Mar. 31, 2006
Total assets	¥91,473	¥96,589	¥103,117
Shareholders' equity *1	57,358	63,879	60,006
Shareholders' equity ratio*1	62.7%	64.3%	58.2%
Shareholders' equity per share of common stock*2	¥1,082.25	¥1,172.57	¥1,132.23

\*1 Minority interests are included in Shareholders' equity at Dec.31, 2006.

\*2 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, 2005 and 2006, and for the fiscal year ended Mar. 31, 2006 is shown in the chart below.

	(Thousands of shares)		Fiscal Year ended Mar. 31, 2006
	Nine Months ended Dec. 31, 2005	2006	
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)

	Nine Months ended Dec. 31,			Fiscal Year ended Mar. 31 2006
	2005	2006	Difference	
Cash flow from operating activities	¥2,977	¥2,040	△936	¥10,420
Cash flow from investing activities	(195)	(6,550)	△6,355	(630)
Cash flow from financing activities	(1,173)	(1,640)	△468	(1,173)
Cash and cash equivalents at end of period	24,714	25,576	862	31,725

Cash and cash equivalents at the end of the third quarter of this fiscal year decreased by ¥6,149 million to ¥25,576 million compared with the end of the last fiscal year. Cash flows by activities are as follows:

Operating Activities: Operating activities generated ¥2,040 million cash. This is mainly due to income before income taxes of ¥7,415 million and improvements in inter-company credit of ¥8,398 million, while negatively impacted by income taxes paid of ¥6,004 million and an increase in inventories of ¥8,810 million.

Investing Activities: Investing activities used ¥6,550 million cash. This is mainly due to payments for purchase of property and equipment and intangible fixed assets of ¥6,181 million, mainly acquisition of data center.

Financing Activities: Financing activities used ¥1,640 million. This is due to dividends paid.

### ***Consolidated outlook for the Fiscal Year ending March 31, 2007 (FY2006)***

During the nine-month period ended December 31, 2006, our businesses moved steadily as forecasted previously. Accordingly, NS Solutions keeps our previous outlook unchanged as shown below:

Current outlook	(Millions of yen)		
	Sales	Recurring profit	Net income
FY2006	¥156,000	13,000	7,300

Ref. Net income per share forecast (full-year) 137.74 yen\*

**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.**

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

None.

#### **Accounting Procedure Differences between the Quarters ended Dec. 31, 2005 and 2006, and the Fiscal Year ended March 31, 2006**

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, 2005 and 2006, and the Fiscal Year ended March 31, 2006.**

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
	2005	2006	Difference	Mar. 31 2006
Sales	¥85,264	¥90,059	+5.6%	¥133,143
Operating income	5,325	5,547	+4.2	9,484
Recurring profit	5,640	5,896	+4.5	9,794
Net income	4,059	3,495	△13.9	6,732
Net income per share of common stock				
—Basic	¥76.58	¥65.95		¥127.01
—Diluted	—	—		—

\* Average shares used for computation of net income per share of common stock for the nine-month period ended Dec. 31, 2005 and 2006, and for the fiscal year ended Mar. 31, 2006 are shown in the chart below.

	(Thousands of shares)		
	Nine Months ended Dec. 31,		Fiscal Year ended Mar.
	2005	2006	31, 2006
Number of average shares	52,998	52,998	52,998

### Non-consolidated financial condition

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

	Dec. 31, 2005	Dec. 31, 2006	Mar. 31, 2006
Total assets	¥85,655	¥89,854	¥96,052
Shareholders' equity	51,650	55,285	53,730
Shareholders' equity ratio	60.3%	61.5%	55.9%
Shareholders' equity per share of common stock*	¥974.56	¥1,043.15	¥1,013.81

\* 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, 2005 and 2006, and for the fiscal year ended Mar. 31, 2006 is shown in the chart below.

	(Thousands of shares)		
	Nine Months ended Dec. 31,		Fiscal Year ended Mar.
	2005	2006	31, 2006
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)*

Current outlook	(Millions of yen)		
	Sales	Recurring profit	Net income
FY2006	¥139,500	10,700	6,300

Ref. Net income per share forecast (full-year) 118.87 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, 2005, Mar. 31, 2006 and Dec. 31, 2006

	Millions of yen			Thousands of U.S. dollars (Note 4)
	Dec. 31, 2005	Mar. 31, 2006	Dec. 31, 2006	Dec. 31, 2006
<b>Assets</b>				
Current assets				
Cash and bank deposits (Note9)	¥12,371	¥12,845	¥5,357	\$44,973
Deposited money (Note9)	12,343	18,880	14,800	124,253
Trade notes and accounts receivable	20,804	34,234	20,103	168,776
Short-term investments (Note9)	—	—	5,499	46,171
Inventories	16,448	7,634	16,444	138,057
Deferred tax assets-current	2,914	3,218	3,086	25,912
Others	594	571	739	6,200
Allowance for doubtful accounts	(14)	(21)	(14)	(115)
Total current assets	65,460	77,361	66,014	554,227
Property and equipment (Note 2(9))	4,451	4,861	9,679	81,257
Intangible fixed assets	624	524	407	3,415
Investments and other assets				
Long term loan-related party	12,000	12,000	12,000	100,747
Others	8,938	8,371	8,489	71,276
<b>Total assets</b>	<b>¥91,473</b>	<b>¥103,117</b>	<b>¥96,589</b>	<b>\$810,922</b>
<b>Liabilities</b>				
Current liabilities				
Trade notes and accounts payable	10,691	15,691	9,958	83,608
Accrued expenses	2,733	2,605	2,634	22,115
Accrued income taxes	1,332	3,806	1,181	9,916
Advance receipts	5,412	3,212	4,903	41,167
Accrued bonuses to employees	3,017	5,803	2,924	24,546
Accrued bonuses to directors	—	22	—	—
Allowance for program product warranties	—	337	374	3,138
Others	1,691	1,901	1,855	15,569
Total current liabilities	24,876	33,377	23,829	200,059
Allowance for employees' retirement benefits	7,519	7,810	8,520	71,534
Other long-term liabilities	280	301	361	3,025
<b>Total liabilities</b>	<b>32,675</b>	<b>41,488</b>	<b>32,710</b>	<b>274,618</b>
<b>Minority interests</b>	<b>1,441</b>	<b>1,623</b>	<b>—</b>	<b>—</b>

	Millions of yen			Thousands of U.S. dollars (Note 4)
	Dec. 31, 2005	Mar. 31, 2006	Dec. 31, 2006	Dec. 31, 2006
<b>Net Assets</b>				
Shareholders' equity				
Common stock	12,953	12,953	12,953	108,746
Additional paid-in capital	9,950	9,950	9,950	83,540
Retained earnings	34,352	37,600	40,087	336,557
Treasury stock	(2)	(2)	(2)	(22)
Total shareholders' equity	<u>57,253</u>	<u>60,501</u>	<u>62,988</u>	<u>528,821</u>
Valuation and translation adjustments				
Valuation gain on available-for-sale securities	863	780	430	3,614
Reserve for revaluation of land	(757)	(1,277)	(1,277)	(10,721)
Foreign currency translation adjustment	(1)	2	3	24
Total valuation and translation adjustments	<u>104</u>	<u>(495)</u>	<u>(844)</u>	<u>(7,083)</u>
Minority interests	—	—	1,735	14,566
<b>Total liabilities and net assets</b>	<u>¥91,473</u>	<u>¥103,117</u>	<u>¥96,589</u>	<u>\$810,922</u>

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, 2005 and 2006**

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2005	2006	2006
<b>Net sales</b>	¥95,245	¥101,133	\$849,076
<b>Cost of sales</b>	75,588	79,892	670,747
<b>Gross profit</b>	19,657	21,241	178,329
<b>Selling, general and administrative expenses (Note 6,7)</b>	12,996	13,954	117,148
<b>Operating income</b>	6,661	7,287	61,181
<b>Other income (expenses)</b>	726	128	1,075
<b>Income before income taxes and minority interest</b>	7,388	7,415	62,256
<b>Income Taxes</b>	3,084	3,176	26,663
<b>Income before minority interest</b>	4,304	4,239	35,593
<b>Minority interest</b>	(69)	(162)	(1,362)
<b>Net income</b>	¥4,234	¥4,077	\$34,231

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, 2005 and 2006**

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2005	2006	2006
<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	¥7,388	¥7,415	\$62,256
Depreciation	965	1,257	10,550
Decrease in allowance for doubtful accounts	(2,696)	(2,901)	(24,356)
Increase in allowance for employees' retirement benefits, net of payments	579	710	5,958
Loss on sale of investments in affiliates, net	(494)	—	—
Decrease in accounts receivable	16,462	14,131	118,637
Increase in inventories	(8,946)	(8,810)	(73,968)
Decrease in accounts payable	(6,650)	(5,733)	(48,130)
Others, net	1,110	1,864	15,658
Sub total	7,717	7,933	66,605
Income taxes paid	(6,112)	(6,004)	(50,410)
Interest and dividends received	1,371	111	934
Others, net	—	(0)	(1)
Net cash provided by operating activities	2,977	2,040	17,128
<b>Cash flow from investing activities:</b>			
Payments for purchase of short-term investments	—	(80)	(671)
Payments for purchase of property and equipment and intangible fixed assets	(901)	(6,181)	(51,896)
Payments for purchase of investments in securities	(1)	(5)	(46)
Proceeds from sale of investments in affiliates	914	—	—
Payments for purchase of investments in affiliates	—	(18)	(147)
Others, net	(208)	(266)	(2,233)
Net cash used for investing activities	(195)	(6,550)	(54,993)
<b>Cash flows from financing activities:</b>			
Payments for purchase of treasury stock	(0)	(0)	(2)
Dividends paid	(1,126)	(1,590)	(13,349)
Dividends paid to minority shareholders	(46)	(50)	(420)
Net cash used for financing activities	(1,173)	(1,640)	(13,771)
Effect of exchange rate changes on cash and cash equivalents	6	1	8
Net increase in cash and cash equivalents	1,615	(6,149)	(51,628)
<b>Cash and cash equivalents at beginning of period</b>	23,099	31,725	266,354
<b>Cash and cash equivalents at end of period</b>	¥24,714	¥25,576	\$214,726

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 Corporate Law of Japan, 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 nine-month period ended December 31, 2005 and 2006 and the fiscal year ended March 31, 2006 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.

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

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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 September 30, which differ from those of the Company. The company incorporated this subsidiary's accounts for the nine-month period ended September 30, 2006 into these unaudited condensed consolidated financial statements for the nine-month period ended December 31, 2006. 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, 2005 as listed below:

NS&I System Service Corporation

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 the sale of the Company's ownership interest in it on December 28, 2005.

As a result, the Company's investments in the two significant affiliates were accounted for using the equity method for the fiscal years ended March 31, 2006 and the nine-month period ended December 31, 2006 as listed below:

Solnet Co., Ltd.

Hokkaido High Information Technology Center Co., Ltd.

**(3) 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.

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**(4) 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.

**(5) 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.

**(6) Allowance for program product warranties**

Allowance for program product warranties is provided at the estimated amount computed by the actual rate of the past expenditure, in order that the Company prepare for expenditure of program product warranties in the future.

Effective from the year ended March 31, 2006, the Company adopted the above procedure. Prior to this adoption, program product warranty expenses were charged to income in the fiscal year when the payment was made. Compared to the results which would have been obtained applying the same procedure as that used in the previous period, operating income and income before income taxes and minority interests decreased ¥37 million (\$309 thousand).

**(7) 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

**(8) Investments in securities**

Debt securities held-to-maturity are valued at amortized cost method (straight-line method).

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.

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**(9) Property and equipment**

Property and equipment is recorded at cost, net of accumulated depreciation of ¥5,972 million and ¥7,026 million (\$58,989 thousand) at December 31, 2005 and 2006 and ¥6,210 million at March 31, 2006, 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.

**(10) 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.

**(11) 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.

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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(12) Accrued bonuses**

(a) Bonuses to employees

Accrued bonuses to employees are provided at the estimated amount which the Company is obliged to pay employees after period-end, based on their service for the nine-month period ended on the relevant balance sheet date.

(b) Bonuses to directors

Accrued bonuses to directors are provided at the estimated amount which the Company is obliged to pay directors after period-end, based on their service for the fiscal year ended on the relevant balance sheet date.

Effective from the year ended March 31, 2006, the Company adopted the Statement of “Practical solution on Directors’ Bonus” issued by the Accounting Standards Board Japan. Prior to adopting the new statement, bonuses to directors and corporate auditors were included in an appropriation of retained earnings. However the new statement requires that bonuses to directors and corporate auditors which proposed outside appropriation of retained earnings should be charged to the income for the relevant fiscal year. The Company does not charge the bonuses to directors and corporate auditors to the income for the relevant nine-month period ended December 31, 2006 because of its uncertainty of estimation.

**(13) 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.

**(14) 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 52,998 thousand for the nine-month period ended December 31, 2005 and 2006, and the fiscal years ended March 31, 2006 respectively.

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**(15) 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 and 2006, and the fiscal years ended March 31, 2006.

**3. Change in Accounting Principle**

**(1) Accounting Standard for Net Assets of Balance Sheet**

"Accounting Standard for Net Assets of Balance Sheet" and "Application Guideline for Accounting Standard for Net Assets of Balance Sheet" have been adopted from the current term.

Total amount of conventional shareholders' equity was 62,144 million yen (\$521,738) at December 31, 2006.

**4. U.S. Dollar Amounts**

Amounts in U.S. dollars are included solely for the convenience of readers. The rate of ¥119.11=U.S. \$1, the effective rate of exchange prevailing at December 31, 2006, 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 ¥368 million and ¥237 million (\$1,993 thousand) for the nine-month period ended December 31, 2005 and 2006 and ¥463 million for the fiscal year ended March 31, 2006, respectively. Had they been capitalized, the following items would have been recognized on the consolidated balance sheets and the consolidated

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## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

statements of income as at and for the nine-month period ended December 31, 2005 and 2006 and the fiscal year ended March 31, 2006:

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

March 31, 2006	Millions of yen		
	Acquisition	Accumulated	
	Cost	Depreciation	Net balance
Machinery and equipment .....	¥ 26	¥ 17	¥ 9
Tools, furniture and fixtures .....	1,897	1,416	481
Software .....	476	358	119
Total .....	¥2,399	¥1,791	¥ 608

December 31, 2006	Millions of yen		
	Acquisition	Accumulated	
	Cost	Depreciation	Net balance
Machinery and equipment .....	¥ 17	¥ 11	¥ 6
Tools, furniture and fixtures .....	1,221	795	426
Software .....	365	254	111
Total .....	¥1,603	¥1,059	¥ 544

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December 31, 2006	Thousands of U.S. dollars (Note 4)		
	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
Machinery and equipment .....	\$ 143	\$ 89	\$ 54
Tools, furniture and fixtures .....	10,249	6,669	3,580
Software .....	3,064	2,134	930
<b>Total .....</b>	<b>\$13,456</b>	<b>\$8,892</b>	<b>\$4,564</b>

	Millions of Yen			Thousands of U.S. dollars (Note 4)
	December	March	December	December
	31, 2005	31, 2006	31, 2006	
Depreciation expense .....	¥341	¥431	¥218	\$1,831
Interest expense .....	15	19	11	91

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, 2005 and 2006 and March 31, 2006 are as follows:

	Millions of Yen			Thousands of U.S. dollars (Note 4)
	December	March	December	December
	31, 2005	31, 2006	31, 2006	
Within one year .....	¥247	¥246	¥212	\$ 1,785
Over one year .....	462	387	374	3,135
<b>Total .....</b>	<b>¥709</b>	<b>¥632</b>	<b>¥586</b>	<b>\$4,920</b>

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

Future operating lease payments under non-cancelable lease contracts at December 31, 2005 and 2006 and March 31, 2006 are as follows:

	Millions of Yen		Thousands of U.S. dollars (Note 4)	
	December 31, 2005	March 31, 2006	December 31, 2006	December 31, 2006
Within one year .....	¥2	¥2	¥1	\$5
Over one year.....	1	1	0	2
Total.....	¥3	¥3	¥1	\$7

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

The main components of selling, general and administrative expenses for the nine-month period ended December 31, 2005 and 2006 are as follows:

December 31	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2005	2006	2006
Payroll and bonuses.....	¥604	¥528	\$4,434
Allowance for employees' retirement benefits .....	268	295	2,476
Allowance for directors' retirement benefits .....	54	60	503
Depreciation expense.....	131	156	1,313
Operating expense for acceptance of orders .....	2,172	2,341	19,651

**7. Research and Development Costs**

Research and development costs charged to income for the nine-month period ended December 31, 2005 and 2006 were ¥831 million and ¥859 million (\$7,208 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 ¥9 million at December 31, 2005 and ¥2 million at March

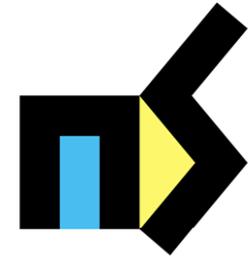
**NS SOLUTIONS CORPORATION**  
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31, 2006, respectively, each of which are Guarantees for bank loans of the Hokkaido High Information Technology Center Co., Ltd.

**9. Cash and Cash Equivalents**

Cash and cash equivalents at December 31, 2005 and 2006 and March 31, 2006 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 4)
	December 31, 2005	March 31, 2006	December 31, 2006	December 31, 2006
Cash and bank deposits.....	¥12,371	¥12,845	¥5,357	\$44,973
Deposited money .....	12,343	18,880	14,800	124,253
Debt securities held-to-maturity within three months.....	—	—	5,419	45,500
Cash and cash equivalents .....	¥24,714	¥31,725	¥25,576	\$214,726



**NS Solutions**

# 平成19年3月期 第3四半期財務・業績の概況 補足資料

Appendix of Financial Information and Business Results Outline for the Quarterly Period ended Dec. 31, 2006

2007年1月30日

Jan. 30, 2007

## 新日鉄ソリューションズ株式会社 NS Solutions Corporation

(注)この資料において百万円もしくはパーセントで記載してある情報は四捨五入しておりますので、第3四半期財務・業績の概況と数値が異なる場合があります。

(Note) In this material, where information is presented in millions of yen or percentages, these amounts have been rounded. Accordingly, these amounts may differ from figures included in *outline of consolidated financial results for the third quarter* in some cases.

((単位:百万円(他に指定ない限り) Millions of Yen, except as otherwise noted)

	2006/3					2007/3				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
サービス区分の分類方法 Categorization method by business line	← 新区分 New →					← 新区分 New →				
受注高 Amount of order acceptance	32,574	42,028	31,098	45,090	150,790	39,314	40,658	32,559		112,531
業務ソリューション Business solutions	19,141	22,729	18,326	26,456	86,652	25,336	22,977	19,259		67,572
基盤ソリューション Platform solutions	5,781	5,747	5,758	7,083	24,369	5,008	5,945	5,107		16,060
ビジネスサービス Business services	7,652	13,553	7,013	11,551	39,769	8,970	11,735	8,194		28,899
期末受注残高 Order backlog at end of period	40,902	45,354	45,971	37,997	37,997	46,492	47,880	49,395		49,395
業務ソリューション Business solutions	19,405	21,542	23,207	15,867	15,867	24,680	24,785	25,869		25,869
基盤ソリューション Platform solutions	4,117	3,713	4,546	4,708	4,708	4,154	3,596	4,067		4,067
ビジネスサービス Business services	17,380	20,099	18,218	17,422	17,422	17,658	19,499	19,459		19,459
売上高 Net sales	27,188	37,576	30,481	53,063	148,308	30,819	39,270	31,044		101,133
業務ソリューション Business solutions	12,950	20,591	16,661	33,797	83,999	16,522	22,873	18,175		57,570
基盤ソリューション Platform solutions	6,184	6,150	4,926	6,921	24,181	5,562	6,504	4,636		16,702
ビジネスサービス Business services	8,054	10,835	8,894	12,346	40,129	8,734	9,894	8,234		26,862
売上総利益 Gross profit	6,129	7,300	6,228	10,862	30,519	7,173	7,380	6,688		21,241
販売費及び一般管理費 Selling, general and administrative expenses	4,470	4,370	4,156	5,406	18,402	4,675	4,734	4,544		13,953
営業利益 Operating income	1,659	2,930	2,072	5,456	12,117	2,498	2,646	2,143		7,287
経常利益 Recurring profit	1,718	3,034	2,136	5,468	12,356	2,549	2,689	2,174		7,412
当期純利益 Net income	956	1,750	1,528	3,248	7,482	1,519	1,507	1,051		4,077
売上高営業利益率(%) Operating income margin (%)	6.1%	7.8%	6.8%	10.3%	8.2%	8.1%	6.7%	6.9%		7.2%
新日鉄向け売上高 Sales to Nippon Steel Corp.	4,501	6,206	4,875	5,809	21,391	4,454	4,741	4,513		13,708

サービス区分の分類方法 Categorization method by business line	2000/3		2001/3		2002/3		2003/3		2004/3		2005/3		2006/3		2007/3		2007/3		2001/9		2002/9		2003/9		2004/9		2005/9		2006/9			
	(みなし連結 Pro forma consolidated, including EI Division)	(みなし連結 Pro forma consolidated, including EI Division)	(実績 Actual)																													
受注高 Amount of order acceptance	143,202	153,844	147,482	147,482	147,482	152,210	150,790	—	—	—	—	—	—	—	—	—	—	—	—	69,794	76,514	71,630	71,630	76,289	74,602	79,972	—	—	—	—	—	
業務ソリューション Business solutions	73,029	81,859	74,011	79,671	84,363	86,652	—	—	—	—	—	—	—	—	—	—	—	—	—	30,900	42,435	36,950	40,063	41,153	41,870	48,313	—	—	—	—	—	
基盤ソリューション Platform solutions	34,394	34,488	36,194	29,648	27,417	24,369	—	—	—	—	—	—	—	—	—	—	—	—	—	16,463	15,708	14,756	11,349	14,156	11,528	10,953	—	—	—	—	—	
※3 ビジネスサービス Business services	35,779	37,496	37,277	38,163	40,430	39,769	—	—	—	—	—	—	—	—	—	—	—	—	—	22,431	18,372	19,924	20,218	20,979	21,205	20,705	—	—	—	—	—	
期末受注残高 Order backlog at end of period	※1 23,775	24,520	21,158	21,158	35,516	37,997	—	—	—	—	—	—	—	—	—	—	—	—	—	28,478	31,533	31,577	31,577	31,724	45,354	47,880	—	—	—	—	—	
業務ソリューション Business solutions	14,501	14,599	10,806	10,806	13,213	15,867	—	—	—	—	—	—	—	—	—	—	—	—	—	17,209	21,619	20,351	20,351	18,545	21,542	24,785	—	—	—	—	—	
基盤ソリューション Platform solutions	3,603	3,101	2,802	2,802	4,520	4,708	—	—	—	—	—	—	—	—	—	—	—	—	—	2,180	2,874	2,666	2,666	3,207	3,713	3,596	—	—	—	—	—	
※3 ビジネスサービス Business services	5,670	6,820	7,550	7,550	17,782	17,422	—	—	—	—	—	—	—	—	—	—	—	—	—	9,089	7,040	8,560	8,560	9,972	20,099	19,499	—	—	—	—	—	
売上高 Net sales	132,683	145,952	148,922	153,098	150,844	150,844	146,526	148,308	156,000	156,000	—	—	—	—	—	—	—	—	—	67,902	68,756	64,574	64,574	65,723	64,764	70,089	—	—	—	—	—	—
業務ソリューション Business solutions	55,048	72,558	78,534	81,761	77,804	83,463	81,956	83,999	91,500	—	—	—	—	—	—	—	—	—	—	33,778	35,317	31,199	34,312	33,414	33,541	39,395	—	—	—	—	—	—
基盤ソリューション Platform solutions	25,459	29,824	35,169	34,990	36,493	29,948	25,700	24,181	24,500	—	—	—	—	—	—	—	—	—	—	16,369	16,437	15,191	11,784	13,752	12,334	12,066	—	—	—	—	—	—
ビジネスサービス Business services	52,176	43,570	35,219	36,347	36,547	37,433	38,871	40,129	40,000	—	—	—	—	—	—	—	—	—	—	17,755	17,002	18,184	18,478	18,557	18,888	18,628	—	—	—	—	—	—
売上総利益 Gross profit	24,184	31,770	29,719	30,332	27,485	—	29,464	30,519	32,100	—	—	—	—	—	—	—	—	—	—	13,803	14,585	12,635	—	12,914	13,429	14,553	—	—	—	—	—	—
販売費及び一般管理費 Selling, general and administrative expenses	16,661	20,703	17,240	18,235	17,759	—	17,754	18,402	19,200	—	—	—	—	—	—	—	—	—	—	8,058	9,142	8,976	—	8,701	8,840	9,409	—	—	—	—	—	—
営業利益 Operating income	7,523	11,067	12,479	12,097	9,726	—	11,710	12,117	12,900	—	—	—	—	—	—	—	—	—	—	5,745	5,443	3,659	—	4,212	4,589	5,144	—	—	—	—	—	—
経常利益 Recurring profit	6,948	10,669	12,422	12,086	9,785	—	11,791	12,356	13,000	13,000	—	—	—	—	—	—	—	—	—	5,736	5,454	3,691	—	4,272	4,752	5,238	—	—	—	—	—	—
当期純利益 Net income	3,425	5,827	6,422	6,247	5,324	—	6,621	7,482	7,300	7,300	—	—	—	—	—	—	—	—	—	2,915	2,718	1,935	—	2,287	2,706	3,026	—	—	—	—	—	—
売上高営業利益率(%) Operating income margin (%)	5.7%	7.6%	8.4%	7.9%	6.4%	—	8.0%	8.2%	8.3%	—	—	—	—	—	—	—	—	—	—	8.5%	7.9%	5.7%	—	6.4%	7.1%	7.3%	—	—	—	—	—	—

※1 連結子会社の一部で2002年4月より受注残高管理を開始しました。2002年3月末の受注残高は、2002年4月以降の受注残高との比較可能性を補うため、当該子会社が2002年3月以前から受注残高管理を開始していた場合を想定し算出したものであります。

One of our consolidated subsidiaries has newly started to manage its order backlogs through figures since April 2002. Order backlogs at the end of March 2002 have been estimated as if this change had occurred before March 2002 in order to raise the comparability between the figures in March 2002 and those in and after April 2002.

※2 サービス区分別の受注高・期末受注残高・売上高などの金額は、従来、個別プロジェクト毎に分類しておりましたが、2004年3月期より部門別に分類する方法に変更致しました。2004年3月期については、前年との比較を容易にするため従来区分と新区分の両方を記載しております。

Business line-related figures such as order acceptance, order backlog and sales had been categorized on a project-by-project basis. NS Solutions has just started to categorise these figures on a division-by-division basis for the fiscal year ended Mar. 2004. NS Solutions prepared both categorization data for the fiscal year ended Mar. 2004 in order to raise the year-on-year comparability.

※3 2005年3月末に、新日本製鐵㈱向けサービスの受注高の把握方法を売上高計上時点での把握から、契約締結時点での把握に変更致しました。

In terms of the order acceptance from Nippon Steel Corporation, the company changed its recognition timing from sales-recognition basis to contract-date basis on March 31, 2005.



本資料には当社又は当社役員の当社の営業成績及び財政状態に関する意図、意見又は現時点の予想と関連する将来予想が記載されております。従って、この将来予想は、歴史的事実でも将来の業績を保証するものでもないため、リスクと不確定な要素を含んでおります。実際の業績は様々な要因により異なる可能性があります。当社は、この将来予想を、これらの変化要因を反映するために修正することを保証するものではありません。

当社は2001年4月1日に新日本製鐵(株)のエレクトロニクス・情報通信事業部(本文中「EI事業部」という。)の営業の一部並びに、新日本製鐵(株)が日鉄日立システムエンジニアリング(株)、エヌシーアイ総合システム(株)及びエヌエスアンドアイ・システムサービス(株)に有する株式持分を譲り受けました。本資料に「みなし連結」として記載されている2000年3月期及び2001年3月期の財務情報は、1999年4月1日及び2000年4月1日にそれぞれこれらの譲り受けが行われたものとみなして作成されております。日本において一般に公正妥当と認められる会計基準又は日本における手続き、法律若しくは規則において、みなし財務情報に関する定めは、現在ありません。また、このみなし財務情報は米国証券取引委員会のみなし財務情報に関する基準に従って作成したものではありません。

This document includes statements of forward-looking descriptions regarding the intent, belief or current expectations of NS Solutions Corporation (the “Company”) or its officers in terms of its operation and financial condition. Accordingly, such statements contain risks and uncertainties since they are neither historical facts nor guarantees of future performance. Actual results may be varied and influenced by various factors. The Company does not undertake to revise such forward-looking descriptions to reflect those factors.

The Company acquired part of the business of the Electronics and Information Systems Division of Nippon Steel (referred to “EI Division”), as well as the interests of Nippon Steel in Nittetsu Hitachi systems Engineering, Inc., NCI Systems Integration, Inc., and NS&I System Service Corporation, on April 1, 2001. Such acquisitions are reflected on Financial Information for the fiscal years ended March 31, 2000 and 2001 described as “Pro forma consolidated” as if they had occurred on April 1, 1999 and 2000 respectively. No presentation of “pro forma” financial information is currently required under Japanese GAAP or any procedure, law and regulation in Japan. Moreover, such “Pro forma consolidated” information is not prepared in accordance with the pro forma presentation requirements of the U.S. Securities and Exchange Commission.