



## Consolidated financial condition

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

	Jun. 30, 2006	Jun. 30, 2007	March 31, 2007
Total assets	¥94,564	¥104,059	¥113,997
Net assets	62,287	68,604	68,118
Equity ratio	64.2%	64.1%	58.1%
Net assets per share of common stock*	¥1,145.51	¥1,258.68	¥1,248.89

\* 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, 2006 and 2007, and for the fiscal year ended Mar. 31, 2007 is shown in the chart below.

	(Thousands of shares)		Fiscal Year ended
	Three Months ended Jun. 30,		Mar. 31, 2007
	2006	2007	
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

### • Assets, liabilities and net assets

#### 1) Total Assets

Total assets as of the end of the current fiscal year ended June 30, 2007 decreased by ¥9,939 million from ¥113,997 million for the last fiscal year ended March 31, 2007 to ¥104,059 million. The principal factors were an increase of ¥3,834 million in deposited money, a decrease of ¥19,110 million in trade notes and account receivable, and a rise of ¥5,644 million in inventories.

#### 2) Liabilities

Total liabilities decreased by ¥10,424 million from ¥45,879 million to ¥35,455 million, mainly because of a decrease of ¥7,246 million in trade notes and accounts payable, and a fall of ¥3,052 million in accrued income taxes. The liabilities of the Group consist chiefly of accounts payable and other inter-company credits, accrued income taxes and allowances, including an accrued employees' retirement benefits. There was no interest-bearing debt, such as borrowings from financial institutions.

#### 3) Net assets

Net assets rose by ¥485 million from ¥68,118 million to ¥68,604 million. Major factors were a net income of ¥1,472 million and dividends of ¥926 million. The equity ratio was 64.1%.

## Ref. Consolidated cash flow

	(Millions of yen)			Fiscal Year ended Mar. 31 2007
	Three Months ended Jun. 30			
	2006	2007	Difference	
Cash flow from operating activities	¥2,688	¥5,009	2,321	¥6,331
Cash flow from investing activities	(303)	(3,839)	△3,536	(6,916)
Cash flow from financing activities	(712)	(1,006)	△293	(1,641)
Cash and cash equivalents at end of period	33,398	29,674	△3,724	29,510

### *Consolidated outlook for the Fiscal Year ending March 31, 2008 (FY2007)*

During the three-month period ended Jun. 30, 2007, 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
FY2007	¥165,000	15,000	8,300

Ref. Net income per share forecast (full-year) 156.61 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.**

**Difference caused by significant subsidiaries in Consolidation and Equity Method Scope between the Quarters ended June 30, 2006 and 2007, and the Fiscal Year ended March 31, 2007.**

None

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

None.

**Accounting Procedure Differences between the Quarters ended Jun. 30, 2006 and 2007, and the Fiscal Year ended March 31, 2007.**

None.

## Non-consolidated Results Information

### *Non-consolidated operating results*

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

	Three Months ended Jun. 30,			Fiscal Year ended
	2006	2007	Difference	Mar. 31 2007
Sales	¥27,933	¥30,103	+7.8%	¥139,752
Operating income	2,150	2,417	+12.4	11,001
Recurring profit	2,429	2,866	+18.0	11,362
Net income	1,555	1,701	+9.4	6,851
Net income per share of common stock				
—Basic	¥29.35	¥32.10		¥129.28
—Diluted	—	—		—

\* Average shares used for computation of net income per share of common stock for the three-month period ended Jun. 30, 2006 and 2007, and for the fiscal year ended Mar. 31, 2007 are shown in the chart below.

	(Thousands of shares)		
	Three Months ended Jun. 30,	Fiscal Year ended Mar.	
	2006	2007	31, 2007
Number of average shares	52,998	52,998	52,998

### *Non-consolidated financial condition*

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

	Jun. 30, 2006	Jun. 30, 2007	Mar. 31, 2007
Total assets	¥88,964	¥97,411	¥105,682
Net assets	54,479	59,395	58,647
Equity ratio	61.2%	61.0%	55.5%
Net assets per share of common stock*	¥1,027.94	¥1,120.69	¥1,106.59

\*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, 2006 and 2007, and for the fiscal year ended Mar. 31, 2007 is shown in the chart below.

	(Thousands of shares)		
	Three Months ended Jun. 30,	Fiscal Year ended Mar.	
	2006	2007	31, 2007
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, 2008 (FY2007)*

Current outlook	(Millions of yen)		
	Sales	Recurring profit	Net income
FY2007	¥147,000	12,000	7,200

Ref. Net income per share forecast (full-year) 135.85 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 Jun. 30, 2006, Mar. 31, 2007 and Jun. 30, 2007

	Millions of yen			Thousands of U.S. dollars (Note 2)
	Jun. 30, 2006	Mar. 31, 2007	Jun. 30, 2007	Jun. 30, 2007
<b>Assets</b>				
Current assets:				
Cash and bank deposits (Note4) .....	¥10,847	¥5,643	¥4,244	\$34,433
Deposited money (Note4) .....	22,551	15,601	19,436	157,680
Trade notes and accounts receivable.....	19,057	39,236	20,127	163,288
Short-term investments (Note4) .....	—	8,266	9,003	73,038
Inventories .....	12,982	10,739	16,383	132,912
Deferred tax assets-current .....	3,280	3,380	3,490	28,310
Others.....	458	521	573	4,664
Allowance for doubtful accounts.....	(9)	(185)	(175)	(1,421)
Total current assets .....	69,166	83,201	73,081	592,904
Fixed assets:				
Property and equipment (Note 2(8)) .....	4,726	9,799	9,689	78,603
Intangible fixed assets .....	483	324	312	2,529
Investments and other assets:				
Long term loan-related party.....	12,000	12,000	12,000	97,355
Others.....	8,189	8,673	8,977	72,831
Total fixed assets .....	25,398	30,796	30,978	251,318
<b>Total assets</b> .....	<b>¥94,564</b>	<b>¥113,997</b>	<b>¥104,059</b>	<b>\$844,222</b>
<b>Liabilities</b>				
Current liabilities:				
Trade notes and accounts payable .....	9,795	17,622	10,375	84,173
Accrued expenses .....	2,588	2,724	2,874	23,317
Accrued income taxes.....	1,251	4,388	1,336	10,838
Advance received.....	5,083	4,259	6,464	52,440
Accrued bonuses to employees .....	3,008	5,901	2,980	24,175
Accrued bonuses to directors .....	—	31	—	—
Allowance for program product warranty.....	346	370	374	3,037
Others (Note 6) .....	1,821	2,020	2,302	18,678
Total current liabilities.....	23,892	37,315	26,705	216,658
Non-current liabilities:				
Accrued employees' retirement benefits .....	8,065	8,258	8,462	68,651
Other long-term liabilities .....	320	306	288	2,333
Total non-current liabilities .....	8,385	8,564	8,750	70,984
<b>Total liabilities</b> .....	<b>32,277</b>	<b>45,879</b>	<b>35,455</b>	<b>287,642</b>

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	Jun. 30, 2006	Mar. 31, 2007	Jun. 30, 2007	Jun. 30, 2007
<b>Net Assets</b>				
Shareholders' equity:				
Common stock .....	12,953	12,953	12,953	105,085
Additional paid-in capital .....	9,950	9,950	9,950	80,727
Retained earnings .....	38,456	44,127	44,674	362,435
Treasury stock .....	(2)	(3)	(3)	(24)
Total shareholders' equity .....	61,357	67,027	67,574	548,223
Valuation and translation adjustments:				
Unrealized gain on available-for-sale securities .....	628	433	406	3,294
Unrealized gain on revaluation of land .....	(1,277)	(1,277)	(1,277)	(10,360)
Foreign currency translation adjustment .....	2	5	5	39
Total valuation and translation adjustments .....	(647)	(839)	(866)	(7,027)
Minority interests .....	1,577	1,930	1,896	15,384
Total net assets .....	62,287	68,118	68,604	556,580
<b>Total liabilities and net assets</b> .....	¥94,564	¥ 113,997	¥104,059	\$844,222

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 Three Months Ended Jun. 30, 2006 and 2007**

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2007	2007
Net sales .....	¥30,819	¥32,944	\$267,270
Cost of sales .....	23,646	25,191	204,372
Gross profit.....	7,173	7,753	62,898
Selling, general and administrative expenses (Note 7,8) ..	4,675	5,074	41,161
Operating income.....	2,498	2,679	21,737
Other income (expenses) .....	63	129	1,041
Income before income taxes and minority interests .....	2,561	2,808	22,778
Income Taxes .....	1,038	1,289	10,457
Income before minority interests .....	1,523	1,519	12,321
Minority interests.....	4	47	376
Net income.....	¥1,519	¥1,472	\$11,945

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



**NS SOLUTIONS CORPORATION**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF NET ASSETS**  
**For the Three Months Ended Jun. 30, 2006 and 2007**

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2007	2007
<b>Shareholder's equity:</b>			
Common stock:			
Balance at beginning of year .....	¥12,953	¥12,953	\$105,085
Balance at end of year .....	12,953	12,953	105,085
Additional paid-in capital:			
Balance at beginning of year .....	9,950	9,950	80,727
Balance at end of year .....	9,950	9,950	80,727
Retained earnings:			
Balance at beginning of year .....	37,600	44,127	358,002
Net income .....	1,519	1,472	11,945
Cash Dividends .....	(662)	(926)	(7,512)
Balance at end of year .....	38,456	44,674	362,435
Treasury stock:			
Balance at beginning of year .....	(2)	(3)	(24)
Balance at end of year .....	(2)	(3)	(24)
<b>Total shareholders' equity at end of year .....</b>	<b>¥61,357</b>	<b>¥67,574</b>	<b>\$548,223</b>

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2007	2007
<b>Valuation and translation adjustments:</b>			
Unrealized gain on available-for-sale securities:			
Balance at beginning of year .....	780	433	3,515
Net change during the year .....	(152)	(27)	(221)
Balance at end of year .....	628	406	3,294
Unrealized loss on revaluation of land:			
Balance at beginning of year .....	(1,277)	(1,277)	(10,360)
Balance at end of year .....	(1,277)	(1,277)	(10,360)
Foreign currency translation adjustment:			
Balance at beginning of year .....	2	5	40
Net change during the year .....	0	(0)	(1)
Balance at end of year .....	2	5	39
<b>Total valuation and translation adjustments .....</b>	<b>(647)</b>	<b>(866)</b>	<b>(7,027)</b>
<b>Minority interests:</b>			
Balance at beginning of year .....	—	1,930	15,657
Increase due to change of accounting principle .....	1,623	—	—
Net change during the year .....	(46)	(34)	(273)
Balance at end of year .....	1,577	1,896	15,384
<b>Total minority interests at end of year .....</b>	<b>1,577</b>	<b>1,896</b>	<b>15,384</b>
<b>Total net assets at end of year .....</b>	<b>¥62,287</b>	<b>¥68,604</b>	<b>\$556,580</b>

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

**NS SOLUTIONS CORPORATION**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Three Months Ended Jun. 30, 2006 and 2007**

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2007	2007
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests ...	¥2,561	¥2,808	\$22,778
Adjustments to reconcile income before income taxes to net cash provided by operating activities			
Depreciation .....	329	419	3,403
Decrease in accrued bonuses to employees .....	(2,816)	(2,952)	(23,950)
Increase in accrued employees' retirement benefits, net of payments.....	255	204	1,659
Decrease in accounts receivable.....	15,177	19,109	155,034
Increase in inventories .....	(5,348)	(5,644)	(45,788)
Decrease in accounts payable.....	(5,896)	(7,246)	(58,789)
Others, net.....	2,072	2,618	21,230
Sub total .....	6,334	9,316	75,577
Income taxes paid .....	(3,668)	(4,384)	(35,565)
Interest and dividends received .....	22	77	622
Net cash provided by operating activities .....	2,688	5,099	40,634
<b>Cash flow from investing activities:</b>			
Expenditure for purchase of short-term investments .....	—	(3,009)	(24,414)
Expenditure for purchase of property and equipment and intangible fixed assets .....	(333)	(496)	(4,027)
Others, net .....	30	(334)	(2,701)
Net cash used for investing activities .....	(303)	(3,839)	(31,142)
<b>Cash flows from financing activities:</b>			
Dividends paid .....	(662)	(926)	(7,511)
Dividends paid to minority shareholders.....	(50)	(80)	(651)
Net cash used for financing activities .....	(712)	(1,006)	(8,162)
Effect of exchange rate changes on cash and cash equivalents .....	0	0	0
Net increase in cash and cash equivalents .....	1,673	164	1,330
<b>Cash and cash equivalents at beginning of period.....</b>	<b>31,725</b>	<b>29,510</b>	<b>239,415</b>
<b>Cash and cash equivalents at end of period .....</b>	<b>¥33,398</b>	<b>¥29,674</b>	<b>\$240,745</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 of the Company and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

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

**2. U.S. Dollar Amounts**

Amounts in U.S. dollars are included solely for the convenience of readers. The rate of ¥123.26 = U.S. \$1, the effective rate of exchange prevailing at June 30, 2007, has been used in translation of yen amounts to U.S. dollar amounts. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this or any other rate.

**3. Summary of Significant Accounting Policies**

**(1) Principles of consolidation**

The consolidated financial statements for the fiscal year ended June 30, 2007 include the accounts of the Company and its 13 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
- NS Financial Management Consulting Corporation

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Nittetsu Hitachi Systems Engineering, Inc.  
NCI Systems Integration, Inc.  
NS Solutions Software (Shanghai) Co., Ltd.  
NS Solutions USA Corporation

The Company added NS Financial Management Consulting Corporation to the consolidation scope from the fiscal year ended June 30, 2007. NS Financial Management Consulting Corporation was established on April, 2007.

All significant inter-company accounts and transactions and unrealized inter-group profit, if any, have been eliminated on consolidation.

The Company's overseas subsidiaries, NS Solutions Software (Shanghai) Co., Ltd. and NS Solutions USA Corporation, have a fiscal year ending March 31, which differ from that of the Company. These subsidiaries do not prepare financial statements at any date after March 31 or on or before June 30 in the following year. Any material transactions occurring in the period, April 1 to June 30, are adjusted for in these consolidated financial statements.

**(2) Investments in affiliates**

The Company's investments in the two significant affiliates were accounted for by the equity method for years ended June 30, 2006 and 2007 as listed below:

Solnet Co., Ltd.

Hokkaido High Information Technology Center Co., Ltd.

**(3) Cash and cash equivalents**

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturity of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

**(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. Provision for normal receivables is provided based on the Company's historical write-off experiences. Provision for doubtful receivables is provided based on an estimate of uncollectible amount on an individual doubtful receivables.

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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(5) Allowance for program product warranty**

Allowance for program product warranty is provided at the estimated amount computed by the actual rate of the past expenditure.

**(6) Inventories**

Inventories are valued at cost as determined by the following methods:

Work in process.....Individual cost method

Merchandise and supplies .....primarily, the average method

**(7) Investments in securities**

Investments in securities consist of held-to-maturity investments, available-for-sale securities with market quotation, available-for-sale securities without market quotation.

Held-to-maturity investments are valued at cost, adjusted for the amortization of premium or the accretion of discounts based on straight line method.

Available-for-sale securities with market quotation are valued at market value. Unrealized holding gains and losses, net of tax, are recognized in “Unrealized gain on available-for-sale securities” as a separate component of net assets.

Available-for-sale securities without market quotation are stated at cost.

The cost of available-for-sale securities sold is principally based on the moving average method.

**(8) Property and equipment**

Property and equipment is recorded at cost, net of accumulated depreciation of ¥6,451 million and ¥7,827 million (\$63,496 thousand) at June 30, 2006 and 2007 respectively. Depreciation on property and equipment is computed principally using the declining-balance method over 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.

Property and equipment for lease operations are depreciated on the straight line method over the period of the lease contract term with no residual value.

**(9) Intangible fixed assets and long-term prepaid expenses**

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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.

**(10) Retirement benefits**

**(a) Accrued employees' retirement benefits**

The employees of the Company are generally covered by defined benefit pension plan 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.

Accrued employees' retirement benefits of the Company and its major consolidated subsidiaries are provided based on the estimated present value of projected benefit obligations.

Actuarial gains (losses) are charged to income or expense as incurred.

**(b) Allowance for directors' retirement benefits**

An allowance for retirement benefits to directors and corporate auditors of the Company and its consolidated subsidiaries is calculated based on the Companies' internal rules and is calculated based on the estimated amount which would be payable if all directors and corporate auditors retired at the relevant balance sheet date.

Allowance system for directors' retirement benefits was abolished by resolution of the Board of Directors held on May 17, 2007. No additional provisions have been recorded for retirement benefits to be paid for the Company's directors and corporate auditors since the end of the Shareholders' meeting held on June 20, 2007.

Its payment will be ended at the time all of the present directors and corporate auditors are retired.

**(11) Accrued bonuses**

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 six-month period ended on the relevant balance sheet date.

**(12) Accounting for finance lease transactions**

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Finance lease transactions, except for those which are deemed to transfer ownership of the leased assets to lessees, are accounted for as operating lease transactions.

**(13) Per share information**

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 the payment of dividends to shareholders of preferred stocks to be recognized as an appropriation of retained earnings, from net income shown in the statements 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 fiscal years ended June 30, 2006 and 2007, respectively.

Net assets per share is computed without Minority interests.

**4. Cash and Cash Equivalents**

Cash and cash equivalents at June 30, 2006 and 2007 and March 31, 2007 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 2)
	June 30, 2006	March 31, 2007	June 30, 2007	June 30, 2007
Cash and bank deposits.....	¥ 10,847	¥ 5,643	¥ 4,244	\$ 34,433
Deposited money .....	22,551	15,601	19,436	157,680
Debt securities held-to-maturity within three months.....	—	8,266	5,994	48,631
Cash and cash equivalents .....	¥ 33,398	¥ 29,510	¥ 29,674	\$ 240,745

**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 expenses recognized for the fiscal years ended June 30, 2006 and 2007 were ¥86 million and ¥59 million (\$481



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thousand), 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 fiscal years ended June 30, 2006 and 2007:

June 30, 2006	Millions of yen		
	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
Machinery and equipment .....	¥ 17	¥ 9	¥ 8
Tools, furniture and fixtures .....	1,257	789	468
Software .....	345	231	114
<b>Total .....</b>	<b>¥ 1,619</b>	<b>¥ 1,029</b>	<b>¥ 590</b>

March 31, 2007	Millions of yen		
	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
Machinery and equipment .....	¥ 17	¥ 11	¥ 6
Tools, furniture and fixtures .....	1,105	816	290
Software .....	167	103	64
<b>Total .....</b>	<b>¥1,289</b>	<b>¥ 930</b>	<b>¥ 359</b>

June 30, 2007	Millions of yen		
	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
Machinery and equipment .....	¥ 17	¥ 12	¥ 5
Tools, furniture and fixtures .....	864	471	393
Software .....	162	73	88
<b>Total .....</b>	<b>¥1,043</b>	<b>¥ 556</b>	<b>¥ 487</b>

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June 30, 2007	Thousands of U.S. dollars (Note 2)		
	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
Machinery and equipment .....	\$ 138	\$ 98	\$ 40
Tools, furniture and fixtures .....	7,010	3,818	3,192
Software .....	1,312	595	717
<b>Total .....</b>	<b>\$8,460</b>	<b>\$4,511</b>	<b>\$3,949</b>

	Millions of Yen			Thousands of U.S. dollars (Note 2)
	June 30,	March	June30,	June30,
	2006	31, 2007	2007	2007
Depreciation expense .....	¥ 77	¥229	¥ 52	\$419
Interest expense .....	4	13	3	25

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, 2006 and 2007 and March 31, 2007 are as follows:

	Millions of Yen			Thousands of U.S. dollars (Note 2)
	June 30,	March	June30,	June30,
	2006	31, 2007	2007	2007
Within one year .....	¥256	¥151	¥204	\$ 1,657
Over one year .....	354	244	297	2,406
<b>Total .....</b>	<b>¥610</b>	<b>¥396</b>	<b>¥501</b>	<b>\$4,063</b>

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

Future operating lease payments under non-cancelable lease contracts at June 30, 2006 and 2007 and March 31, 2007 are as follows:

	Millions of Yen		Thousands of U.S. dollars (Note 2)	
	June 30, 2006	March 31, 2007	June30, 2007	June30, 2007
Within one year .....	¥1	¥1	¥0	\$3
Over one year.....	0	0	—	—
<b>Total.....</b>	<b>¥2</b>	<b>¥1</b>	<b>¥0</b>	<b>\$3</b>

**6. Contingent Liabilities**

The Company's loss contingencies for guaranteeing the indebtedness of other parties were none and ¥ 37 million (\$297 thousand) at June 30, 2006 and 2007, respectively, each of which are Guarantees for bank loans of the Hokkaido High Information Technology Center Co. Ltd.

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

The main components of selling, general and administrative expenses for the three-month period ended June 30, 2006 and 2007 are as follows:

June 30	Millions of Yen		Thousands of U.S. dollars (Note 2)
	2006	2007	2007
Payroll and bonuses.....	¥ 1,879	¥ 1,981	\$16,070
Provision for accrued employees' retirement benefits .....	104	101	821
Provision for allowance for directors' retirement benefits.....	19	19	156
Depreciation expense.....	52	51	416
Operating expense for acceptance of orders .....	800	933	7,569

**8. Research and Development Costs**

Research and development costs charged to income for the three-month period ended June 30, 2006 and 2007 were ¥281 million and ¥301 million (\$2,441 thousand), respectively.