



Financial Information Meeting for First Half FY2005 (First Half ended Sep. 30, 2005)

2005. 10. 31

Shigeru Suzuki

Representative Director & President

NS Solutions Corporation

FORWARD-LOOKING STATEMENTS

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.

H1 FY05 Consolidated Results Highlights

(Billions of yen)

	H1 FY04 (Actual) A	H1 FY05 (Actual) B	Change B-A	H1 FY05 (Previous outlook) C	Change B-C
Sales	65.7	64.8	- 0.9	64.0	+ 0.8
Business solutions	33.4	33.6	+ 0.2	33.0	+ 0.6
Platform solutions	13.8	12.3	- 1.5	12.0	+ 0.3
Business services	18.5	18.9	+ 0.4	19.0	- 0.1
Gross profit	12.9	13.4	+ 0.5	13.0	+ 0.4
<Gross profit margin>	<19.6%>	<20.7%>	<+ 1.1%>	<20.3%>	<+ 0.4%>
SG&A	8.7	8.8	- 0.1	9.1	+ 0.3
Operating income	4.2	4.6	+ 0.4	3.9	+ 0.7
Recurring profit	4.3	4.8	+ 0.5	4.0	+ 0.8
Net income	2.3	2.7	+ 0.4	2.1	+ 0.6

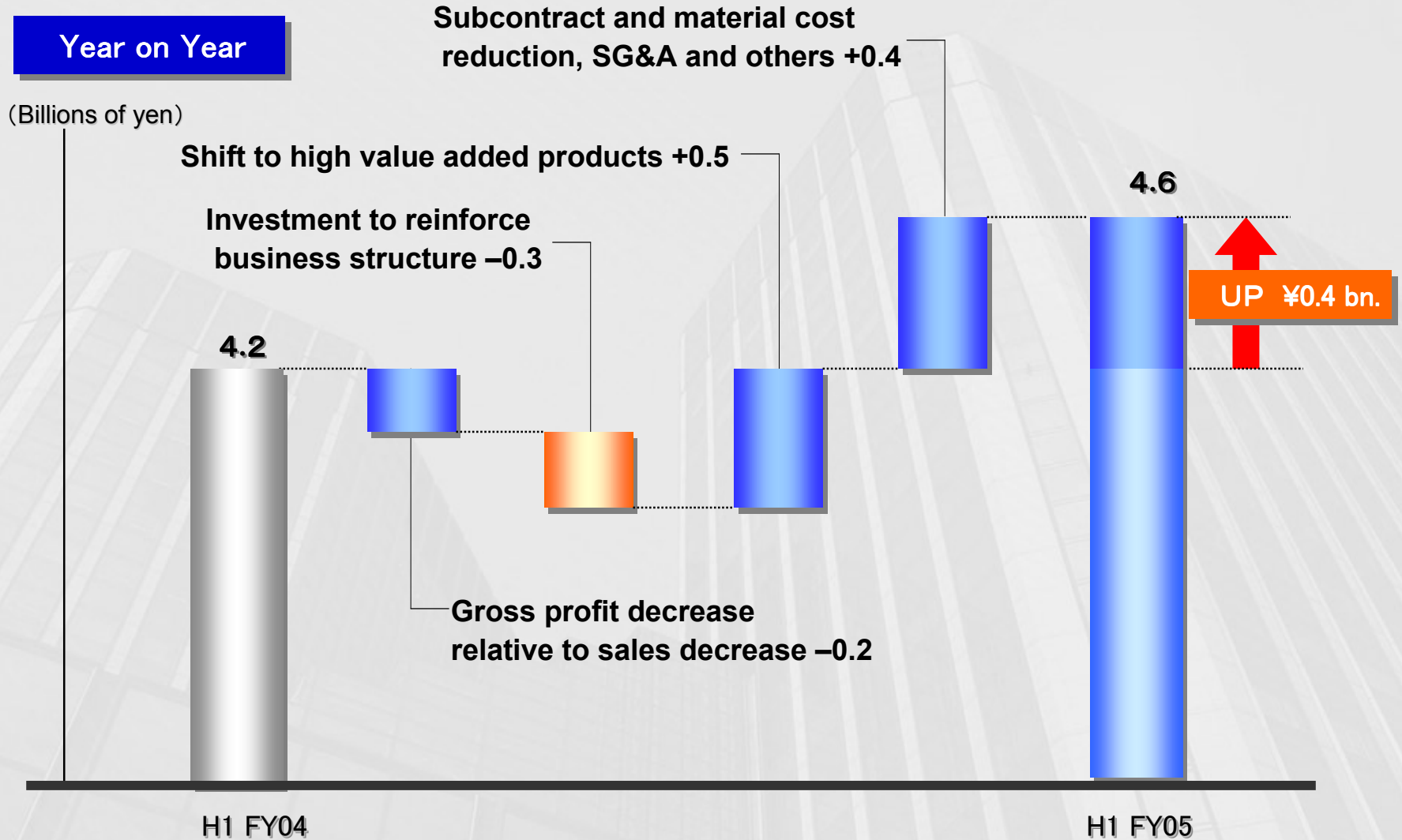
H1 FY05 Sales by Business Line/Customer Industry



(Billions of yen)

Business line/ Customer industry	H1 FY04 (Actual) A	H1 FY05 (Actual) B	Change B-A	Comment
Business solutions	28.0	28.1	+ 0.1	
Manufacturing, distribution and service industries	13.7	15.6	+ 1.9	Sales growth due to large-scale projects for large manufacturers
Financial services	8.5	7.1	- 1.4	Sales to mega banks are concentrated in H2
Government, public organizations and others	5.8	5.4	- 0.4	
Platform solutions	12.5	11.0	- 1.5	Low-end products decreased
Business services	18.1	18.6	+ 0.5	Increase in outsourcing business with Nippon Steel
Non-consolidated sales	58.6	57.7	- 0.9	
Subsidiaries, net	7.1	7.1	- 0.0	
Consolidated sales	65.7	64.8	- 0.9	

H1 FY05 Consolidated Operating Income Breakdown



Outlook for FY2005 Consolidated Results

(Billions of yen)

	FY04 (Actual) A	FY05 (Outlook) B	FY05 (Previous outlook)	Change B-A
Sales	146.5	150.0	150.0	+ 3.5
Business solutions	81.9	84.5	84.5	+ 2.6
Platform solutions	25.7	26.0	26.0	+ 0.3
Business services	38.9	39.5	39.5	+ 0.6
Gross profit	29.5	30.5	30.5	+ 1.0
<Gross profit margin>	<20.1%>	<20.3%>	<20.3%>	<+ 0.2%>
SG&A	17.8	18.7	18.7	- 0.9
Operating income	11.7	11.8	11.8	+ 0.1
Recurring profit	11.8	12.0	12.0	+ 0.2
Net income	6.6	6.7	6.7	+ 0.1

Outlook for FY05 Sales by Business Line / Customer Industry



(Billions of yen)

Business line/ Customer industry	FY04 (Actual) A	FY05 (Outlook) B	FY05 (Previous outlook)	Change B-A	Comment
Business solutions	70.6	72.5	72.5	+ 1.9	
Manufacturing, distribution and service industries	32.8	35.5	35.5	+ 2.7	Increase in sales to large manufacturers
Financial services	19.4	19.0	19.0	- 0.4	
Government, public organizations and others	18.4	18.0	18.0	- 0.4	
Platform solutions	23.2	23.5	23.5	+ 0.3	Increase in consulting and product maintenance businesses
Business services	38.1	39.0	39.0	+ 0.9	Sales growth due to SLC-T and brand-new solutions *
Non-consolidated sales	131.9	135.0	135.0	+ 3.1	
Subsidiaries, net	14.6	15.0	15.0	+ 0.4	
Consolidated sales	146.5	150.0	150.0	+ 3.5	

* SLC-T: System Life-cycle Total Solution

Outlook for FY2005 Semiannual Consolidated Results

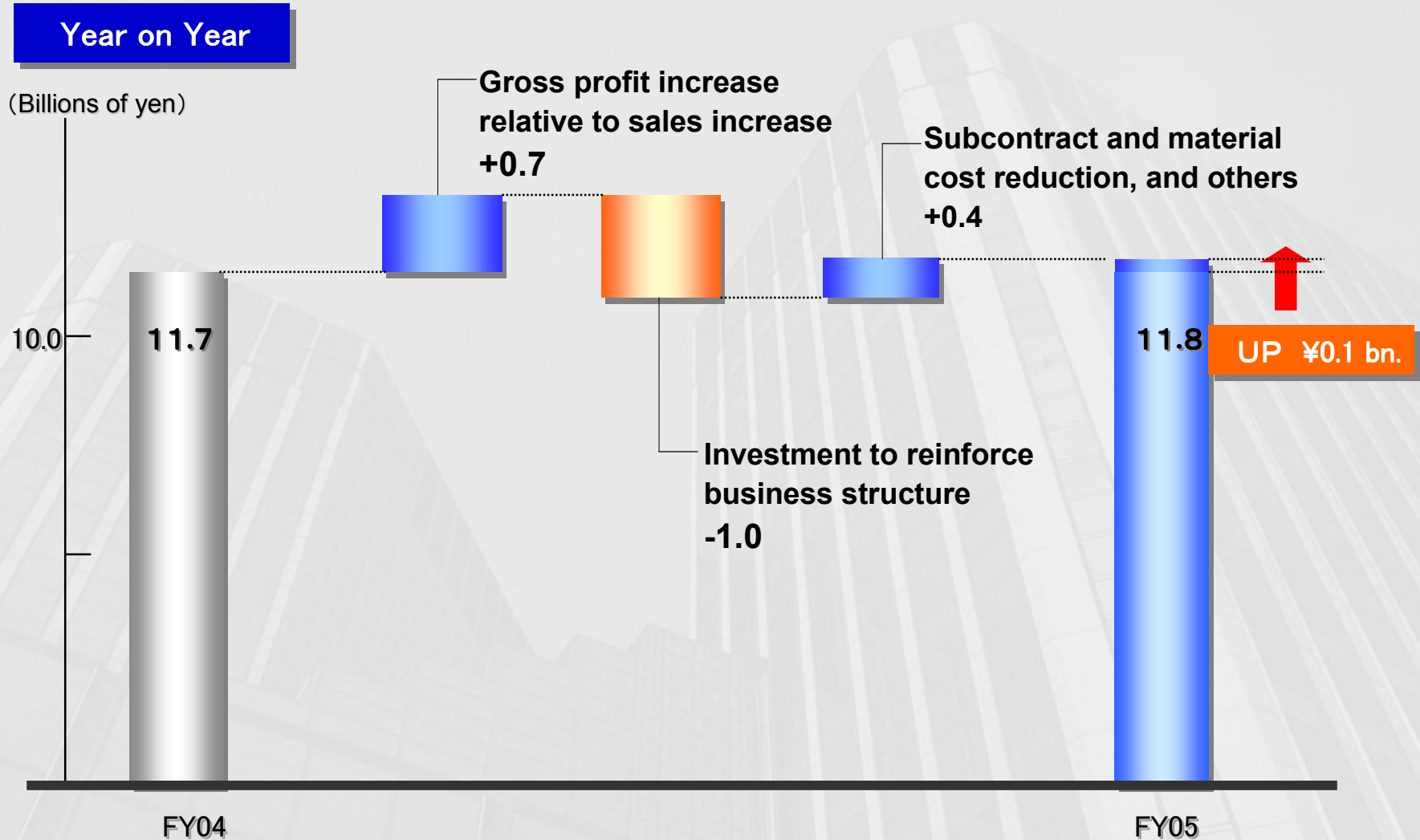


(Billions of yen)

	FY04 (Actual)		FY05 (Outlook)		Change	
	H1 A	H2 B	H1 C	H2 D	H1 C-A	H2 D-B
Sales	65.7	80.8	64.8	85.2	- 0.9	+ 4.4
Business solutions	33.4	48.5	33.6	50.9	+ 0.2	+ 2.4
Platform solutions	13.8	11.9	12.3	13.7	- 1.5	+ 1.8
Business services	18.5	20.4	18.9	20.6	+ 0.4	+ 0.2
Gross profit	12.9	16.6	13.4	17.1	+ 0.5	+ 0.5
<Gross profit margin>	<19.6%>	<20.5%>	<20.7%>	<20.1%>	<+ 1.1%>	<- 0.4%>
SG&A	8.7	9.1	8.8	9.9	- 0.1	- 0.8
Operating income	4.2	7.5	4.6	7.2	+ 0.4	- 0.3
Recurring profit	4.3	7.5	4.8	7.2	+ 0.5	- 0.3
Net income	2.3	4.3	2.7	4.0	+ 0.4	- 0.3
Order backlog at beginning of period	21.2	31.7	* 26.8	* 37.0	+ 5.6	+ 5.3

* These order backlogs have been calculated in accordance with the method NS Solutions adopted in the past.

FY2005 Consolidated Operating Income Breakdown



Market Trends by Business Line/ Customer Industry are...



Business line /Customer industry	Market trend	Market direction
Business solutions Manufacturing, distribution and service industries Financial services Government and public organizations	<ul style="list-style-type: none"> ▪ Clients still have strong will for investment in IT ▪ Increasing system development from scratch ▪ Recovering demand for ERP accounting system <ul style="list-style-type: none"> ▪ Derivative and trading systems, management systems and database design business (the field of non-settlement systems) show signs of recovery ▪ Steady demand for systems to deal with the Basel II regulation <ul style="list-style-type: none"> ▪ Reform of government's procurement system. Competitive bidding increasing. 	↑ → →
Platform solutions	<ul style="list-style-type: none"> ▪ Steady demand for engineering and maintaining products ▪ Commonly seen demand to renew products introduced around the year 2000 	Engineering ↑ Product sales →
Business services	<ul style="list-style-type: none"> ▪ Expecting non-Nippon Steel business and NSSLC Service Corp. to grow ▪ Incubating and enlarging servicing solution businesses 	↑

Business strategies taken till FY04

Differentiating our businesses by utilizing system life-cycle total solutions

Expanding our customer base by offering legacy reengineering solutions

Taking account relationship management strategy

Enhancing system development capabilities on a low-cost and low-risk basis

Regrouping our subcontractors



Business strategies taken in FY05

1. Enhancing technical capabilities to develop systems in an organized way

2. Going ahead with our plan to set up modern software factory

3. Strengthening consulting capabilities

4. Establishing sales process

5. Performing ARM & SLC-T task force activities *

6. Creating brand-new solutions

7. Setting up and strengthening NSSLC Service Corp.

Investment to reinforce business structure

Around ¥1.0 bn.

* ARM:Account Relationship Management
SLC-T:System Life-cycle Total Solution

How we're going ahead with investment to reinforce business structure...

We're spending money approximately in line with our original plan—¥0.3 billion in H1 FY05 (¥1.0 billion in FY05)



Enhancing technical capabilities to develop systems in an organized way

- Maintaining system development frameworks
- Developing our own tools and promoting the use of these
- Adopting such frameworks and tools to actual projects, assessing and improving these

Creating brand-new solutions

- System transformation (System architecture transformation by using SOA, and others *)
 - Servicing solution businesses (E-Document Law-related solution and security solution)
 - Package solution (Distribution control system)
- * SOA: Service-Oriented Architecture

Investment to train employees

- Management training program (targets around 30% of NS Solutions Corp. total employees)

Promoting the internal IT infrastructure

- Integrating the internal computer system and improving human resource system

Incubating brand-new solutions



NS Solutions

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Reengineering legacy system

- Strengthening consulting capabilities
- Using know-how accumulated in the Nippon Steel business

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Enlarging servicing solution businesses

- Process service provider
- Oracle on Demand



Accelerating solution-creating activities by using investment fund to reinforce business structure

System transformation (Reengineering legacy system)

- System architecture transformation by using SOA *1
- Integrating IT platform. Performance assessment of computer network.
- Grid computing

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Enlarging servicing solution businesses

- Expanding BPO service menu such as E-Document Law-related solutions *2
- Security solutions

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Package solution

- Distribution control system

*1 SOA: Service-Oriented Architecture

*2 BPO: Business Process Outsourcing

Around ¥2.0 bn.

Sales growth

2005.3

2006.3

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- **We've set up Business Continuity Management Group on October 1st.**

- **Dealing with compliance, security and disaster risk**

- **We have a plan to expand data center facilities**

- **Improving our infrastructure for increasing servicing solution businesses**



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<http://www.ns-sol.co.jp/>