



NS Solutions

Business Results and Outlook

(April 1, 2005 through March 31, 2006)

May 17, 2006

NS Solutions Corp.

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

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In this material, where information is presented in millions of yen or percentages, these amounts have been rounded down. Accordingly, these amounts may differ from figures included in financial statements in some cases.

1. Business Policies

(1) Our Basic Business Policies

NS Solutions Corporation adopts the following corporate philosophy in order to play a leading role in Japan's information service industry, achieve sustainable business expansion and high profitability, and contribute to creating a better society.

Creation, Reliability and Growth

As a professional IT firm, NS Solutions focuses on creating real value to establish mutual trust with our customers, achieve mutual business growth and contribute to progress in our society.

To this end, NS Solutions has four basic business policies, as follows:

To expand our business, we design creative solutions and selectively allocate more business resources to markets that have significant potential demand for IT solutions.

We integrate our sales and manufacturing functions into a single business unit for these target markets and devise the most appropriate business model for each business unit in order to differentiate ourselves and to achieve high profitability.

We seek to improve customer confidence in our company and strengthen our use of state-of-the-art technology because our competitive edge stems from these two factors.

We focus on our three core businesses (i.e. Business Solutions, Platform Solutions and Business Services) in order to provide a comprehensive service ranging from consulting, design, development and implementation of solutions to maintenance.

(2) Basic Policy on Profit Sharing

The Company recognizes the importance of enhancing our competitiveness and boosting our corporate value for shareholders. In terms of profit sharing, we basically intend to provide fair and stable dividends to shareholders and to maintain a sufficient internal reserve for expanding our business activities and generating appropriate profit in the future.

In the fiscal year ended March 31, 2006, we will provide a ¥12.50 term-end dividend per share, as initially scheduled. As we have already provided a ¥12.50 mid-term dividend per share, the annual total dividend per share will be ¥25.00. This means the dividend will increase by ¥7.50 on an annual basis, compared with the fiscal year ended March 31, 2005.

In terms of the dividend for the fiscal year ending March 31, 2007, considering the outlook for our financial position and level of profitability and with the view to return profits to our shareholders, we plan to increase the dividend by ¥10.00 per share on an annual basis to provide a dividend of ¥35.00 per share.

In order to combat fierce competition and provide high-quality solutions and services in a timely manner, we plan to spend our internal reserve on strategic investments, such as expanding our solutions

menu, launching service businesses, obtaining advanced information technologies and fostering human resources. We also intend to step up our implementation of our business strategies, including forming alliances with other firms.

(3) Medium- to long-term business strategies and targeted management indices

Business enterprises are now facing totally new environments, mainly due to the following two factors: business strategies have become closely connected with IT strategies and a better IT strategy is essential for corporate survival. To ensure that their systems flexibly and efficiently address corporate business strategy, the business community now has an obvious need to redesign and restructure their existing systems. As it becomes necessary to enhance internal controls and address large-scale disasters or information leaks, the business community will develop a stronger need for new systems that will provide IT governance, protect information assets and address disaster recovery in a proper manner.

In this context, we intend to position ourselves as a trusted IT partner for our customers by understanding their needs, offering professional IT solutions, and by providing on-demand, business process outsourcing and system integration services, which would cover the design, development, operation and maintenance of IT systems.

From this managerial perspective, the Company will actively push ahead with business structure reforms, such as selectively allocating business resources to growing sectors where customer need is greatest, planning advanced solutions and creating a new business model. By differentiating ourselves from our competitors and obtaining the confidence of our customers, the Company intends to gain a competitive advantage, achieve sustainable business expansion and improve profitability.

(4) Our challenges

Fostering IT services

The broadband era has now become a reality. The Company recognizes this trend and has been making an effort to provide an improved service menu.

In April 2006, the Company set up a new unit that is exclusively in charge of planning and promoting IT services. We will implement a next-generation data center initiative by establishing a new data center and providing better services for evaluating network security. Through these efforts, the Company intends to foster new innovative, unique IT services, thereby providing an improved service menu.

For example, the Company launched new investigative services for statutory electronic announcements in April 2006.

Pushing ahead with BCM (Business Continuity Management)

As lawmakers have recently implemented new corporate laws and amended the Securities Exchange Law, the business community has developed a stronger need to enhance their corporate internal controls. Since the Personal Information Protection Law became fully effective in April 2005, Japanese society has been paying increasing attention to protecting information assets. In this context,

it is increasingly important for business enterprises to establish effective information security procedures as soon as possible. To continue to operate their businesses effectively, the business community needs to pay more attention to disaster recovery and disaster prevention.

Aiming to improve our ability to deal with these risks, we set up a new unit last October, the BCM Promotion Office, which will systematically work on these challenges. We will increase our efforts to achieve this goal and intend to provide new commercial solutions and services by ensuring proper employment of such efforts.

(5) Matters concerning the parent company

Trade name of the parent company			
Parent company, etc.	Type	Percentage of voting shares owned by the parent company (%)	Stock exchange on which the shares issued by the parent company are listed
Nippon Steel Corporation	Parent company	72.2%	Tokyo Stock Exchange First Section Osaka Stock Exchange First Section Nagoya Stock Exchange First Section Fukuoka Stock Exchange Sapporo Stock Exchange

NS Solutions' status in the parent company's corporate group and the relationship between NS Solutions and the parent company

- 1) NS Solutions' status in the parent company's corporate group and its business/human/capital relationships with the parent company and other companies in its group

Nippon Steel Corporation is our parent firm and owns 72.2% of our voting shares. Nippon Steel Corporation intends to implement and enhance its management structure through consolidation. It has designated six core business segments (steelmaking, engineering, urban development, chemicals, new materials, and system solutions) and has announced that the corporation will operate these businesses independently and collaterally, and will reorganize its business structure to achieve self-sustaining development of these business activities. In this context, NS Solutions plays an important role as a core business in the Nippon Steel Corporation's system solutions sector.

As Nippon Steel Corporation exclusively commissions NS Solutions to plan, design, develop, operate and maintain its information systems, NS Solutions contributes to streamlining Nippon Steel's production process, physical distribution, sales and procurement processes, and to enhancing its competitiveness. We intend to maintain this business relationship with Nippon Steel Corporation.

A director of Nippon Steel Corporation serves as our outside board member. Our subsidiaries have accepted 197 seconded staff from Nippon Steel Corporation.

- 2) Business constraints, risks and advantages due to our membership in the parent company's corporate group and impacts on our business operations resulting from our business/human/capital relationships with the parent company and other companies in its group

As a subsidiary of Nippon Steel Corporation, our trade name is associated with the Nippon Steel Corporation's brand. We provide our services as a system integrator trusted by society.

We maintain a stable business relationship with Nippon Steel Corporation. On a consolidated basis, sales to our largest customer, Nippon Steel Corporation, stand at ¥21,390 million (14.4% of total sales). In addition, as the exclusive provider of Nippon Steel Corporation's information systems, we have gained professional expertise and specialized knowledge of advanced IT systems. This factor helps us to differentiate ourselves in the manufacturing industry. We decide on reasonable trade terms and conditions with Nippon Steel Corporation, paying careful attention to market prices as well as trade terms with other customers.

Nippon Steel Corporation owns 72.2% of our voting shares (as of March 31, 2006). If the shareholding ratio of our major shareholders increases in future, NS Solutions may no longer qualify to be listed on the Tokyo Stock Exchange (i.e. if the major shareholders' ratio reaches 75%).

Business relationships with the parent company

For more information on our debtor-creditor relationship with the parent company or its corporate group, please see section "5. Financial Position, (2) Cash Flows."

(6) Other Important Management Matters

None.

2. Operating Results

(1) Trends in the Japanese economy and information services industry

In the fiscal year ended March 31, 2006, the Japanese economy saw steady growth, backed by improved corporate profits and increased capacity investments in the private sector.

Our customers are still finding it necessary to improve the ROI (Return on Investment) and reduce the TCO (Total Cost Ownership) of their IT investments but they are making active IT-related investments, such as integrating/improving their mission-critical systems in marketing/production/distribution tasks, integrating IT systems in the financial sector and addressing information security. Overall, sales in the information services industry have also been trending upward (Sources: Cabinet Office, “Monthly Economic Report” and Ministry of Economy, Trade and Industry, “Specified Service Industry Dynamic Statistics”).

(2) Highlights for the NS Solutions Group

In such a business environment, NS Solutions has been making an effort to address increasingly sophisticated and complex customer needs by providing SLC (System Life Cycle) total solutions that cover planning, development, operation and maintenance of IT systems. In April 2005, we set up our NSSLC Service, which provides high-quality operation/maintenance services. By managing our group’s business resources in an integrated manner, we have strengthened our ability to provide SLC total solutions.

Aiming to address these more sophisticated and complex customer needs and to further enhance our business infrastructure, we have been making an effort to reinforce our business structure.

In April 2005, NS Solutions set up two new divisions (the Technology Bureau and the Strategic Marketing & Vendor Alliance Department) and we began reforming our development and sales/marketing processes. To reform our development processes, we have enhanced our group-wide system development capability (our organizational ability to develop IT systems) through the following efforts: encouraging our employees to use development process standards and quality assurance standards; establishing remote development and offshore development approaches; effectively employing development support frameworks and project management portals; promoting PMO (Project Management Office) efforts to systematically enhance our project management capabilities; and efficiently using our technology portals for sharing technical information. To reform our sales/marketing processes, we have emphasized company-wide coordination of our sales and marketing efforts and encouraged sharing of marketing-related information by introducing a new sales portal. Our intention is to strengthen our sales efforts and win more new orders.

With steady growth in our Business Solutions and Business Services sectors, our consolidated sales increased by ¥1,782 million to ¥148,308 million, compared with the last fiscal year ended March 31,

2005 (¥146,526 million). Meanwhile, our consolidated recurring profit amounted to ¥12,355 million, up ¥565 million from the previous fiscal year ended March 31, 2005 (¥11,790 million).

Our business performance for each service category (i.e. Business Solutions, Platform Solutions and Business Services) is summarized as follows:

- Business Solutions

With a steady revenue stream mainly from the manufacturing, distribution and services industries, we saw sales of ¥83,998 million on a consolidated basis, up ¥2,042 million from the last fiscal year ended March 31, 2005 (¥81,956 million).

- **Manufacturing, distribution and services industries.** In terms of our services bound for the manufacturing, distribution and services industries, our customers are making active IT-related investments for their sales, production and distribution processes, backed by their brisk business performance. We also saw abundant requests for our accounting ERP packages due to our customer's increasing need to enhance their internal controls. We also enjoyed steady demand for various solutions: SCM for reducing total lead time and total inventory; PLM for shortening the overall development process from design to production; and MES for connecting mission-critical systems with control systems at production facilities.

ERP: Enterprise Resource Planning

SCM: Supply Chain Management

PLM: Product Lifecycle Management

MES: Manufacturing Execution System

- **Financial industry.** Financial institutions have a strong intention to make IT-related investments due to their brisk business performance, but they put a higher priority on investing in system integration, which results from mergers. In this context, their investments in strategic information systems (e.g., market-related systems and information-related systems) where NT Solutions has a competitive edge over our competitors, tends to remain at the same level. In these situations, we won a number of new orders for large-scale projects relating to the mega banks' market- and information-related systems. We also enjoyed steady demand, mainly from large regional banks, for new solutions compatible with the Basel Capital Accord II and for comprehensive profits management solutions.

- **Government agencies and the public sector.** In government agencies and the public sector, we face severe competition due to the new bidding framework in the government procurement process. Effectively using our advanced technological expertise, we develop and operate our unique systems in the satellite and science fields and also provide solutions for universities and

other educational institutions.

- Platform Solutions

Our Platform Solutions operation saw steady demand for our consulting and engineering solutions. However, as we placed more emphasis on high-value added projects, sales amounted to ¥24,180 million on a consolidated basis, down ¥1,518 million from the previous fiscal year ended March 31, 2005 (¥25,699 million). Our customers continue to value NS Solutions' platform solutions, especially our high performance, high reliability system architectures. We have provided mobile phone firms with mail filtering systems for screening out rapidly increasing spam mail and major dot-com firms with E-commerce web systems. Aiming to address our customers' sophisticated and complicated needs for building IT systems, we set up the Grid Utility Computing Center in December 2005 in order to develop and validate new solutions employing grid computing or utility computing technologies.

- Business Services

With growth in the outsourcing market as well as active sales efforts for SLC total solutions, sales in the Business Services operation amounted to ¥40,129 million on a consolidated basis, up ¥1,258 million from the last fiscal year ended March 31, 2005 (¥38,870 million). In operation services, we have been supporting Nippon Steel Corporation's large-scale steel mill systems for 40 years; the systems need to endure harsh operating conditions 24 hours a day, every day of the year. Benefiting from our past record in this regard, we provide high-value added data center services, mainly through NSSL Service, a new firm established in April 2005.

In addition, our document management service "nsxpres.com" has received multiple enquiries from potential customers because it provides an e-documentation approach as well as an information security service. By further enhancing our information security capability, we provided "nsxpres.com" as a BPO (Business Process Outsourcing) service, i.e., an outsourcing service for whole business process of document management. In addition to these services, we made an effort to expand our service menu, including the measured-rate-based on-demand-type system operation/management service "Oracle on Demand @NSSOL" as well as our information security solutions and other professional services that require advanced expertise.

In pushing ahead with these operations, NS Solutions Group has been making the following efforts:

(3) Business alliances

To address increasingly-complicated and sophisticated customer needs, we have developed collaborative relationships with other firms to provide new solutions or new services.

As we are now seeing the era of broadband and ubiquitous environments, it is necessary to ensure an IT system provides stable network services in a complicated wide area network environment. We have formed an alliance with a US- and Israeli-based firm, Shunra Software Ltd., in order to launch a new performance assessment solution, which supports stable operation of network services.

In terms of legacy reengineering solutions to redesign and rebuild mission-critical systems, we formed a business alliance with IONA Technologies Japan, Ltd. In such a manner, we began transforming our legacy mission-critical system into a new system built with SOA (Service Oriented Architecture).

We set up NS Solutions Software (Shanghai) Co., Ltd. and formed a business alliance with KDDI to provide support services for Japanese firms entering the Chinese market. Furthermore, aiming to enhance IT support services for Japanese firms and expand IT market demand from Chinese firms, we agreed to work with a China-based firm - Shanghai Baosight Software Co., Ltd.

(4) Staffing

Recognizing that human resources are an important business resource and can facilitate the development of a competitive edge, the NS Solutions Group has made various efforts to foster our human resources. Intending to selectively foster human resources capable of creating and addressing new businesses, we started the “Intensive Management Training Program” for section chiefs in July 2005 because they play important roles in pushing ahead our business activities.

In addition, we are also working on standardizing our business processes and sharing our know-how in order to improve our operating efficiency and encourage vitality at personal and organizational levels. To this end, we have prohibited holiday work and graveyard shift (starting at 10 p.m. or later) in December 2005. We also launched the “Refresh Consecutive Holidays Program” to encourage our employees to take paid holidays.

3. Analysis of Operating Results

(1) Sales

Our consolidated sales rose to ¥148,308 million by ¥1.2% compared with the last fiscal year ended March 31, 2005 (¥146,526 million). Our business performance for each service category is as follows:

In the Business Solutions operation, we saw a steady revenue stream mainly from the manufacturing, distribution and services industries. Sales increased to ¥83,998 million by 2.5% compared with the previous fiscal year ended March 31, 2005 (¥81,956 million).

In the Platform Solutions operation, we reviewed our customer/project mix and placed more emphasis on higher value-added businesses; sales decreased to ¥24,180 million by 5.9% compared with the last fiscal year ended March 31, 2005 (¥25,699 million).

In the Business Services operation, as a result of going after the growing outsourcing market, we have achieved sales of ¥40,129 million, up 3.2% from the previous fiscal year ended March 31, 2005 (¥38,870 million).

(2) Cost of sales, selling, general and administrative expenses

Cost of sales on a consolidated basis increased to ¥117,789 million by 0.6% compared with the previous fiscal year ended March 31, 2005 (¥117,061 million). As a result, the gross profit margin increased by 0.5% from the last fiscal year ended March 31, 2005 (20.1%) to 20.6%.

With our increased efforts to enhance our business structure, selling, general and administrative expenses increased to ¥18,401 million on a consolidated basis by 3.6% compared with the previous fiscal year ended March 31, 2005 (¥17,754 million).

(3) Operating income

Due to increases in gross profit on sales, the operating income on a consolidated basis increased to ¥12,117 million by 3.5% compared with the previous fiscal year ended March 31, 2005 (¥11,710 million). This is due to increased sales and an improved profit ratio, which results from our focus on higher value-added businesses, mainly in the Platform Solutions operation.

(4) Non-operating income (expenses)

Due to the increase in interest revenues as well as the decrease in loss on disposal of fixed assets and obsolete inventories disposal loss, the non-operating income (on a net basis) on a consolidated basis increased to ¥238 million (on a net basis) from ¥ 80 million (on a net basis) for the fiscal year ended March 31, 2005.

(5) Recurring profit

The recurring profit on a consolidated basis grew to ¥12,355 million by 4.8% compared with the previous fiscal year ended March 31, 2005 (¥11,790 million).

(6) Extraordinary gain or loss (net)

The extraordinary gains or losses on a consolidated basis were a profit of ¥518 million, compared with a profit of ¥6 million for the preceding fiscal year ended March 31, 2005.

With the profit on selling shares in equity-method subsidiaries as well as profit on selling patent rights, the extraordinary gains on a consolidated basis increased to ¥634 million from ¥191 million for the last fiscal year ended March 31, 2005.

Due to an investment securities valuation loss of ¥115 million, extraordinary losses on a consolidated basis decreased to ¥115 million from ¥184 million for the last fiscal year ended March 31, 2005.

(7) Income before income taxes and minority interest

The net income before income taxes and minority interest on a consolidated basis increased to ¥12,873 million by 9.1% compared with the last fiscal year ended March 31, 2005 (¥11,797 million).

(8) Income taxes

Income taxes on a consolidated basis increased to ¥5,141 million by 3.8% compared with the preceding fiscal year ended March 31, 2005 (¥4,954 million).

(9) Minority interest

The minority interest on a consolidated basis increased to ¥250 million, up 12.7% from ¥222 million for the last fiscal year ended March 31, 2005.

(10) Net income

The net income on a consolidated basis amounted to ¥7,481 million, up 13.0% from ¥6,620 million for the previous fiscal year ended March 31, 2005. The net income per share was ¥141.17, up 13.4% from ¥124.52 for the last fiscal year ended March 31, 2005.

4. Outlook for the Next Period

Our customers still have a strong need to improve the ROI (Return on Investment) and reduce the TCO (Total Cost of Ownership) of their IT investments. However, as brisk corporate earnings will lead to active IT investments, we believe that corporate investments in systems as a whole will increase steadily. The Company intends to expand our Business Solutions operation by addressing our customers' needs (e.g. planning their IT strategies, reducing their TCO and enhancing their internal controls) as their corporate IT partner. Furthermore, we will expand our Business Services operation by exploiting the growing demand for outsourcing services. Aiming at further growth, we will also attempt to reinforce our operating base by strengthening our business structural reform efforts, including establishing proper development and sales/marketing processes, fostering IT service operations, and pushing ahead with BCM.

By implementing the strategies mentioned above, we estimate our consolidated sales will be ¥ 152,000 million and our consolidated recurring profit ¥12,500 million for the fiscal year ending March 31, 2007.

Forward-looking statements, such as projections for the next fiscal year, may be subject to unexpected changes in economic conditions. Note that these statements do not guarantee the actual performance of the NS Solutions Group.

5. Financial Position

(1) Balance sheet

Assets

Total assets as of the end of the current fiscal year ended March 31, 2006 amounted to ¥103,116 million, up ¥4,744 million from ¥98,372 million for the last fiscal year ended March 31, 2005. Because the NS Solutions Group had a relatively small number of fixed assets, the proportion of current assets to total assets was relatively high and reached 75.0% at the end of the current fiscal year ended March 31, 2006.

Liabilities

The liabilities as of the end of the current fiscal year ended March 31, 2006 amounted to ¥41,487 million, down ¥1,364 million from ¥42,852 million at the end of the previous fiscal year ended March 31, 2005. The liabilities of the NS Solutions Group included accounts payable and other inter-company credits, accrued income taxes, allowances for bonuses payable and allowances for employees' retirement benefits and so on. There were no interest-bearing liabilities, such as borrowings from financial institutions.

Shareholders' equity

The shareholders' equity as of the end of the current fiscal year ended March 31, 2006 amounted to ¥60,006 million, up ¥5,901 million from ¥54,104 million at the end of the previous fiscal year ended March 31, 2005. This is mainly due to the following factors: the net income amounted to ¥7,481 million; and ¥1,126 million of dividends was paid to shareholders. As a result, the equity ratio rose to 58.2%, up 3.2% from the last fiscal year ended March 31, 2005.

(2) Cash flows

Statement of cash flows

The balance of cash and cash equivalent as of the end of the current fiscal year ended March 31, 2006 amounted to ¥31,725 million, up ¥8,626 million from ¥23,098 million at the end of the previous fiscal year ended March 31, 2005. Cash and cash equivalent decreased by ¥4,420 million during the last fiscal year ended March 31, 2005.

Cash flows for each activity category are as follows:

- *Cash flows from operating activities.* During the current fiscal year ended March 31, 2006, the Company generated ¥10,420 million of cash, mainly from the following factors: income before income taxes and minority interest (¥12,873 million); depreciation expenses (¥1,328 million); payment of income taxes (negative ¥6,193 million); decreases in inter-company credits (¥1,381 million); increases in allowances for employees' retirement benefits (¥871 million); and interest/dividend income (¥1,434 million), mainly through bonus dividends from affiliated companies.

In the last fiscal year ended March 31, 2005, the Company generated ¥9,187 million, mainly from the following factors: income before income taxes and minority interest (¥11,797 million);

depreciation expenses (¥1,307 million); payment of income taxes (negative ¥5,173 million); and increases in allowances for employees' retirement benefits (¥897 million).

- *Cash flows from investing activities.* During the current fiscal year ended March 31, 2006, the Company used ¥629 million of cash, mainly for the following factors: acquisition of tangible and intangible fixed assets (negative ¥1,479 million); and the revenue from selling shares in affiliated firms (¥914 million).

In the last fiscal year ended March 31, 2005, the Company used ¥12,633 million of cash, mainly for the following factors: acquisition of tangible and intangible fixed assets (negative ¥965 million); acquisition of investment securities (negative ¥305 million); revenue from selling investment securities (¥224 million); and long-term lending to affiliated firms (negative ¥12,000 million).

The long-term lending to affiliated firms represents a long-term (5-year) loan receivable from our parent firm Nippon Steel Corporation.

- *Cash flows from financing activities.* During the current fiscal year ended March 31, 2006, the Company used ¥1,172 million of cash, mainly for dividend payments (negative ¥1,126 million).

In the last fiscal year ended March 31, 2005, the Company used ¥973 million, mainly for dividend payments (negative ¥927 million).

Credit lines from financial institutions

The Company has overdraft facilities at three major financial groups from which it may withdraw up to a maximum of ¥ 4,800 million. Moreover, the Company has an overdraft facility with a maximum of ¥4,600 million at Nittetsu Finance Co., Ltd., a consolidated subsidiary of Nippon Steel Corporation. Therefore, the Company has total overdraft facilities of a maximum of ¥9,400 million.

Cash management system (=CMS)

The Company uses the CMS of Nittetsu Finance, the company mentioned above, and has deposited ¥18,250 million with Nittetsu Finance as of the end of the current fiscal year ended March 31, 2006.

Moreover, the Company constructs and uses a CMS in combination with our eight consolidated subsidiaries. The Company collected deposits totaling ¥5,800 million from the NS Solutions Group companies at the end of the current fiscal year ended March 31, 2006.

<Reference> Trend of cash flows indices

The equity ratio improved due to the steady accumulation of profits, as outlined below.

	Year ended March 2003	Year ended March 2004	Year ended March 2005	Year ended March 2006
Equity ratio	48.2%	53.1%	55.0%	58.2%
Equity ratio on a fair market value basis	96.2%	202.1%	136.0%	168.1%

(Note1) Equity ratio: Equity capital/Total assets

Equity ratio on a fair market value basis: Market capitalization based on share price at the term-end/Total assets

(Note2) The table does not describe a debt redemption period because we don't have any interest-bearing debts outstanding as of the term-end.

The interest coverage ratio is not stated because the amount of interest paid is very small.

6. Business Risks

This section describes the NS Solutions Group's business conditions or accounting approaches that would have significant impacts on investor perceptions.

If this section includes a forward-looking statement, it represents our projection as of the date of submission of this report.

(1) Unexpected abnormal changes in financial position, operating results and cash flows

There are no unexpected abnormal changes in financial position, operating results or cash flows.

However, our operating results may fluctuate, mainly resulting from the following factors: system investment trends due to changes in economic conditions; how tough the competition is; whether we can win orders for large-scale projects; how an individual project is progressing; and how profitable an individual project is. Moreover, because our sales of system development projects for government agencies and the public sector tend to occur at the end of the fiscal year, the operating results will fluctuate considerably on a quarterly or semiannual basis.

(2) Reliance on specific customers, products and technologies

Concerning the above, there are no particular matters to note at present.

The NS Solutions Group has an excellent reputation with more than 1,500 corporate customers, including manufacturers, distribution service providers, financial institutions, public service and transportation providers, and communications carriers. In particular, the NS Solutions Group has a stable and continuous business relationship with Nippon Steel Corporation, which is NS Solutions Group's biggest customer. Our sales to Nippon Steel Corporation stand at ¥21,390 million on a consolidated basis, totaling 14.4% of our overall sales. However, the NS Solutions Group provides a solution menu to cover the overall systems lifecycle, ranging from consulting services on planning IT strategy as well as planning, development, operation and maintenance services. As a result, we are providing our solutions without depending heavily on specific products or technologies.

(3) Specific legal regulations, trade practice and business policies

(Conditions specific to the information services industry)

As we develop and operate mission-critical systems for our customers, we might find problems in our customer's existing systems; there is also the possibility that customer information or personal data that should be confidential can be leaked. If this occurred, we may suffer a loss in credibility or face a customer claim for compensation.

In April 2005, the Personal Information Protection Act came into effect. The Company has made the following efforts to protect customer information or personal data: setting up an information management committee chaired by the president; stipulating or enforcing internal rules; providing training sessions through e-learning approaches; enhancing various physical security measures; and actively acquiring privacy marks and other certifications.

Moreover, as products and technologies become more complex, a third party might file a lawsuit or

make a claim against the NS Solutions Group, arguing that our services or products have infringed on their intellectual property. In this situation, the NS Solutions Group might have to pay compensation for damages or acquire or develop alternative technologies.

(4) Lawsuits that will have a serious effect on the NS Solutions Group

At present, we have no lawsuits that would fall under this category.

(5) Important matters concerning executive officers, major shareholders and affiliated companies

(The Company's shares)

The number of shares issued by the Company is 52,999,120 in total; Nippon Steel Corporation owns 72.2% of the total shares as of March 31, 2006. If the shareholding ratio of our major shareholders increases in future, NS Solutions may no longer qualify to list on the Tokyo Stock Exchange (i.e. if the major shareholders' ratio reaches 75%).