

# NS Solutions Corporation

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## Consolidated Financial Results for the First Quarter of FY 2009 (From April 1, 2009 to June 30, 2009)

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## NS Solutions

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The financial results have been translated from the Japanese Consolidated Financial Statements, which have been audited in Japan, for reference purposes only.

# NS SOLUTIONS CORPORATION

## UNAUDITED CONSOLIDATED BALANCE SHEETS

March 31, 2009 and June 30, 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	Mar. 31, 2009	Jun. 30, 2009	Jun. 30, 2009
<b>Assets</b>			
Current assets:			
Cash and deposits .....	¥4,113	¥4,309	\$44,881
Deposits paid .....	22,521	25,948	270,270
Notes and accounts receivable-trade .....	32,714	18,780	195,615
Short-term investment securities .....	12,992	14,379	149,766
Merchandise and finished goods .....	5	4	48
Work in process .....	11,362	16,359	170,397
Raw materials and supplies .....	142	139	1,458
Current portion of long-term loans receivable from subsidiaries and affiliates.....	12,000	12,000	124,987
Other.....	4,070	4,072	42,415
Allowance for doubtful accounts .....	(158)	(143)	(1,497)
Total current assets.....	99,765	95,850	998,340
Noncurrent assets:			
Property, plant and equipment (Note 4) .....	9,594	10,260	106,866
Intangible assets:			
Goodwill .....	3,177	3,136	32,665
Other .....	651	1,386	14,439
Total intangible assets.....	3,828	4,522	47,105
Investments and other assets:			
Other .....	14,358	11,411	118,859
Allowance for doubtful accounts .....	(722)	(716)	(7,462)
Total investments and other assets.....	13,635	10,695	111,397
Total noncurrent assets.....	27,058	25,477	265,368
Total assets .....	¥126,823	¥121,328	\$1,263,708

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

From the fiscal year ended March 31, 2009, figures have been rounded down to the nearest millions of yen.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	Mar. 31, 2009	Jun. 30, 2009	Jun. 30, 2009
<b>Liabilities</b>			
Current liabilities:			
Notes and accounts payable-trade.....	¥14,776	¥8,702	\$90,641
Current portion of long-term loans payable.....	12	8	83
Income taxes payable .....	4,112	1,235	12,868
Provision for bonuses .....	5,936	3,138	32,694
Other provision .....	412	1,243	12,948
Other .....	11,977	16,376	170,575
Total current liabilities .....	37,227	30,704	319,808
Noncurrent liabilities:			
Provision for retirement benefits.....	10,364	10,630	110,720
Provision for directors' retirement benefits .....	255	183	1,911
Other .....	120	1,142	11,905
Total noncurrent liabilities .....	10,740	11,956	124,535
Total liabilities .....	47,967	42,661	444,343
<b>Net assets</b>			
Shareholders' equity:			
Capital stock .....	12,952	12,952	134,911
Capital surplus .....	9,950	9,950	103,639
Retained earnings .....	54,676	54,488	567,531
Treasury stock .....			
1,299 shares in Mar. 31,2009, and 1,299 shares in Jun. 30,2009	(3)	(3)	(40)
Total shareholders' equity .....	77,575	77,388	806,041
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities .....	(59)	22	231
Revaluation reserve for land.....	(1,276)	(1,276)	(13,300)
Foreign currency translation adjustment .....	(13)	(3)	(40)
Total valuation and translation adjustments .....	(1,350)	(1,258)	(13,109)
Minority interests.....	2,631	2,537	26,433
Total net assets.....	78,856	78,667	819,365
Total liabilities and net assets.....	¥ 126,823	¥ 121,328	\$ 1,263,708

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

From the fiscal year ended March 31, 2009, figures have been rounded down to the nearest millions of yen.

	Yen		U.S. dollars (Note 2)
	Mar. 31, 2009	Jun. 30, 2009	Jun. 30, 2009
<b>Net assets per share.....</b>	¥1,438.27	¥1,436.46	\$14.96

**NS SOLUTIONS CORPORATION**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

For the three months ended June 30, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2009	2009
<b>Net sales</b> .....	¥34,817	¥32,637	\$339,939
<b>Cost of sales (Note 5)</b> .....	27,573	25,510	265,704
<b>Gross profit</b> .....	7,244	7,127	74,235
<b>Selling, general and administrative expenses (Note 5)</b> .....	5,835	5,241	54,594
<b>Operating income</b> .....	1,408	1,885	19,641
<b>Non-operating income:</b>			
Interest income.....	96	85	887
Dividends income.....	58	58	607
Equity in earnings of affiliates.....	0	0	8
Other.....	23	22	239
Total non-operating income.....	178	167	1,741
<b>Non-operating expenses:</b>			
Foreign exchange losses.....	2	1	20
Loss on retirement of noncurrent assets.....	3	0	1
Interest expenses.....	—	7	79
Other.....	0	0	9
Total non-operating expenses.....	6	10	109
<b>Ordinary income</b> .....	1,580	2,042	21,273
<b>Extraordinary loss:</b>			
Loss on valuation of golf club membership.....	1	—	—
Total extraordinary losses.....	1	—	—
<b>Income before income taxes and minority interests</b> .....	1,579	2,042	21,273
<b>Income taxes</b> .....	796	1,036	10,795
<b>Minority interests in income</b> .....	21	1	15
<b>Net income</b> .....	¥761	¥1,004	\$10,464

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

From the fiscal year ended March 31, 2009, figures have been rounded down to the nearest millions of yen.

	Yen		U.S. dollars (Note 2)
	2008	2009	2009
<b>Net income per share</b> .....	¥14.36	¥18.96	\$0.20

**NS SOLUTIONS CORPORATION**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the three months ended June 30, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2009	2009
<b>Net cash provided by (used in) operating activities:</b>			
Income before income taxes and minority interests .....	¥1,579	¥2,042	\$21,273
Depreciation and amortization .....	435	415	4,331
Amortization of goodwill .....	—	41	430
Increase (decrease) in allowance for doubtful accounts.....	11	(21)	(223)
Increase (decrease) in provision for bonuses.....	(2,834)	(2,797)	(29,135)
Increase (decrease) in provision for retirement benefits .....	251	266	2,772
Interest and dividends income.....	(154)	(143)	(1,494)
Interest expenses.....	—	7	79
Equity in (earnings) losses of affiliates .....	(0)	(0)	(8)
Decrease (increase) in notes and accounts receivable-trade .....	13,823	13,946	145,264
Decrease (increase) in inventories .....	(5,262)	(4,993)	(52,008)
Increase (decrease) in notes and accounts payable-trade .....	(5,053)	(6,075)	(63,283)
Other, net .....	3,374	5,002	52,107
Sub total .....	6,170	7,690	80,106
Interest and dividends income received .....	133	123	1,286
Interest expenses paid.....	—	(7)	(79)
Income taxes paid .....	(4,354)	(3,924)	(40,873)
Net cash provided by (used in) operating activities.....	1,948	3,882	40,440
<b>Net cash provided by (used in) investing activities:</b>			
Purchase of short-term investment securities .....	—	(4,400)	(45,829)
Proceeds from redemption of securities.....	3,000	200	2,083
Purchase of property, plant and equipment and intangible assets .....	(527)	(535)	(5,578)
Purchase of investment securities .....	(3,000)	(0)	(3)
Proceeds from redemption of investment securities....	—	3,000	31,247
Purchase of investments in subsidiaries resulting in change in scope of consolidation .....	(3,470)	—	—
Other, net .....	(96)	17	186
Net cash provided by (used in) investing activities .....	¥ (4,095)	¥ (1,718)	\$ (17,894)

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

From the fiscal year ended March 31, 2009, figures have been rounded down to the nearest millions of yen.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2009	2009
<b>Net cash provided by (used in) financing activities:</b>			
Purchase of treasury stock .....	¥(0)	¥—	\$—
Repayment of long-term loans payable.....	—	(4)	(44)
Cash dividends paid.....	(1,059)	(1,192)	(12,420)
Cash dividends paid to minority shareholders.....	(93)	(96)	(1,007)
Repayments of lease obligations.....	(50)	(66)	(694)
Net cash provided by (used in) financing activities ...	(1,204)	(1,359)	(14,165)
Effect of exchange rate change on cash and cash equivalents.....	(18)	4	46
Net increase (decrease) in cash and cash equivalents...	(3,368)	809	8,426
<b>Cash and cash equivalents at beginning of period .....</b>	<b>34,154</b>	<b>35,427</b>	<b>368,999</b>
<b>Cash and cash equivalents at end of period (Note 6) ..</b>	<b>¥30,785</b>	<b>¥36,236</b>	<b>\$377,426</b>

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

From the fiscal year ended March 31, 2009, figures have been rounded down to the nearest millions of yen.

# NS SOLUTIONS CORPORATION

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of NS Solutions Corporation and its consolidated subsidiaries (together, referred to as the “Companies”) have been prepared in accordance with the provisions set forth in the Financial Instruments 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 Companies prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments 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 ¥96.01 = U.S. \$1, the effective rate of exchange prevailing at June 30, 2009, 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. Change in accounting principle

With respect to made-to-order software, previously, the Companies had applied the completed-contract method. From the First Quarter of FY 2009, the “Accounting Standard for Construction Contracts” (Accounting Standards Board of Japan (“ASBJ”) Statement No.15) and the “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No.18) have been applied. Adopting the new standard, the Companies have been applying the percentage of completion method after April 1, 2009, in case that the outcome of the construction activity is deemed certain (the degree of completion of construction is estimated by the cost-to-cost method). In other case, the Companies have been applying the completed-contract method in case that the outcome of the construction activity is deemed uncertain.

With this change, net sales increased by ¥1,066 million (\$11,105 thousand), and operating income, ordinary income, and income before income taxes and minority interests increased by ¥218 million (\$2,275 thousand).

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

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**4. Notes to Consolidated Balance Sheets**

**(1) Depreciation on Property and Equipment**

Property and equipment are recorded at cost, net of accumulated depreciation of ¥10,190 million and ¥10,081 million (\$105,000 thousand) at March 31, 2009 and June 30, 2009, 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.

**(2) Contingent Liabilities**

The Company's loss contingencies for guaranteeing the indebtedness of other parties were ¥10 million and ¥ 10 million (\$104 thousand) at March 31, 2009 and June 30, 2009, respectively, each of which are Guarantees for bank loans of the Hokkaido High Information Technology Center Co. Ltd.

**5. Notes to Consolidated Statements of Income**

**(1) Selling, General and Administrative Expenses**

The main components of selling, general and administrative expenses for the fiscal years ended June 30, 2008 and 2009 are as follows:

June 30,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2009	2009
Salaries and allowances .....	¥ 1,732	¥ 1,749	\$ 18,225
Provision for bonuses .....	608	593	6,185
Retirement benefit expenses.....	122	135	1,410
Provision for directors' retirement benefits .....	10	8	93
Depreciation.....	63	47	498
Amortization of goodwill .....	—	41	430
Operating expense for acceptance of orders.....	1,121	820	8,543
Provision for allowance for doubtful accounts.....	¥ 8	¥ —	\$ —

**(2) Research and Development Costs**

Research and development costs are charged to expense as incurred. The expense were recorded as general and administrative expenses and manufacturing costs for the fiscal years ended June 30, 2008 and 2009 amounting to ¥340 million and ¥ 302 million (\$3,152 thousand), respectively.



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

**6. Notes to Consolidated Statements of Cash Flows**

**Cash and Cash Equivalents**

Cash and cash equivalents at June 30, 2008 and 2009 are as follows:

June 30,	Millions of yen		Thousands of U.S.
	2008	2009	dollars (Note 2)
Cash and deposits .....	¥ 5,209	¥ 4,309	\$ 44,881
Deposits paid.....	19,829	25,948	270,270
Short-term investment securities .....	7,756	14,379	149,766
Sub total.....	32,795	44,636	464,917
Time deposits (maturing in more than three months when deposited) ....	(10)	—	—
Short-term investment securities (maturing in more than three months from acquisition date) .....	(2,000)	(8,400)	(87,491)
Cash and cash equivalents.....	¥ 30,785	¥ 36,236	\$ 377,426

**7. Notes to Consolidated Statements of Net Assets**

**Appropriation of retained earnings**

The board of directors of the Company approved dividends amounting to ¥1,192 million (\$ 12,420 thousand) at the board of directors' meeting held on May 15, 2009.

**8. Subsequent Events**

There have been no material events subsequent to June 30, 2009.