

NS Solutions Corporation

20-15, Shinkawa 2-chome,
Chuo-ku, Tokyo 104-8280, Japan

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Consolidated Financial Results for the Third Quarter of FY 2009 (From April 1, 2009 to December 31, 2009)

Contacts: Mitsuo Kitagawa
Representative Director and
President
NS Solutions Corporation

Nobumoto Kiyama
General Manager,
Finance & Accounting Department
NS Solutions Corporation
+81-3-5117-4111



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 December 31, 2009

	Millions of yen		Thousands of U.S. dollars
	Mar. 31, 2009	Dec. 31, 2009	(Note 2) Dec. 31, 2009
Assets			
Current assets:			
Cash and deposits	¥4,113	¥4,520	\$49,079
Deposits paid	22,521	20,992	227,935
Notes and accounts receivable-trade (Note 5).....	32,714	22,346	242,631
Short-term investment securities	12,992	14,056	152,621
Merchandise and finished goods	5	4	53
Work in process.....	11,362	15,896	172,600
Raw materials and supplies	142	131	1,423
Current portion of long-term loans receivable from subsidiaries and affiliates	12,000	—	—
Other	4,070	4,247	46,113
Allowance for doubtful accounts	(158)	(131)	(1,432)
Total current assets	99,765	82,063	891,023
Noncurrent assets:			
Property, plant and equipment (Note 5)	9,594	10,784	117,094
Intangible assets:			
Goodwill	3,177	3,053	33,156
Other	651	1,184	12,864
Total intangible assets	3,828	4,238	46,020
Investments and other assets:			
Long-term loans receivable from subsidiaries and affiliates	—	12,000	130,293
Other	14,358	11,717	127,224
Allowance for doubtful accounts	(722)	(628)	(6,821)
Total investments and other assets	13,635	23,089	250,697
Total noncurrent assets	27,058	38,111	413,810
Total assets	¥126,823	¥120,175	\$1,304,833

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	Dec. 31, 2009	Dec. 31, 2009
	Liabilities		
Current liabilities:			
Notes and accounts payable-trade	¥14,776	¥8,641	\$93,832
Current portion of long-term loans payable ...	12	—	0
Income taxes payable	4,112	576	6,259
Provision for bonuses	5,936	3,021	32,804
Other provision	412	715	7,773
Other	11,977	14,381	156,146
Total current liabilities	<u>37,227</u>	<u>27,336</u>	<u>296,814</u>
Noncurrent liabilities:			
Provision for retirement benefits	10,364	11,184	121,435
Provision for directors' retirement benefits ...	255	192	2,094
Other	120	1,652	17,939
Total noncurrent liabilities	<u>10,740</u>	<u>13,029</u>	<u>141,469</u>
Total liabilities	<u>47,967</u>	<u>40,365</u>	<u>438,282</u>
Net assets			
Shareholders' equity:			
Capital stock	12,952	12,952	140,638
Capital surplus	9,950	9,950	108,039
Retained earnings	54,676	55,621	603,928
Treasury stock	(3)	(3)	(41)
Total shareholders' equity	<u>77,575</u>	<u>78,521</u>	<u>852,563</u>
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	(59)	9	108
Revaluation reserve for land	(1,276)	(1,276)	(13,865)
Foreign currency translation adjustment	(13)	(14)	(156)
Total valuation and translation adjustments	<u>(1,350)</u>	<u>(1,281)</u>	<u>(13,913)</u>
Minority interests	2,631	2,569	27,901
Total net assets	<u>78,856</u>	<u>79,809</u>	<u>866,551</u>
Total liabilities and net assets	<u>¥126,823</u>	<u>¥120,175</u>	<u>\$1,304,833</u>

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	Dec. 31, 2009	Dec. 31, 2009
	Net assets per share	<u>¥1,438.27</u>	<u>¥1,457.41</u>

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
For the nine months ended December 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2009	2009
Net sales	¥109,310	¥102,379	\$1,111,610
Cost of sales (Note 6)	86,487	81,711	887,201
Gross profit	22,822	20,668	224,409
Selling, general and administrative expenses (Note 6)	16,626	15,270	165,801
Operating income	6,196	5,397	58,608
Non-operating income:			
Interest income	287	243	2,645
Dividends income	61	61	666
Equity in earnings of affiliates	2	1	21
Reversal of allowance for doubtful accounts	—	115	1,249
Other	29	6	74
Total non-operating income	381	428	4,656
Non-operating expenses:			
Interest expenses	0	53	16
Foreign exchange losses	5	1	320
Loss on retirement of noncurrent assets	11	29	579
Office transfer expenses.....	—	40	434
Other	3	7	77
Total non-operating expenses	20	131	1,427
Ordinary income	6,557	5,695	61,837
Extraordinary loss:			
Loss on valuation of golf club membership	27	—	—
Total extraordinary losses	27	—	—
Income before income taxes and minority interests ...	6,529	5,695	61,837
Income taxes	2,878	2,462	26,740
Minority interests in income	220	34	378
Net income	¥3,430	¥3,197	\$34,720

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
Net income per share	¥64.74	¥60.34	\$0.66

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended December 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars
	2008	2009	(Note 2) 2009
Net cash provided by (used in) operating activities:			
Income before income taxes and minority interests	¥6,529	¥5,695	\$61,837
Depreciation and amortization	1,324	1,534	16,664
Amortization of goodwill	82	123	1,344
Increase (decrease) in allowance for doubtful accounts	584	(121)	(1,319)
Increase (decrease) in provision for bonuses	(2,787)	(2,914)	(31,649)
Increase (decrease) in provision for retirement benefits	754	820	8,906
Interest and dividends income	(349)	(305)	(3,312)
Interest expenses	0	53	579
Equity in (earnings) losses of affiliates	(2)	(1)	(21)
Decrease (increase) in notes and accounts receivable-trade	13,806	10,462	113,599
Decrease (increase) in inventories	(7,263)	(4,521)	(49,092)
Increase (decrease) in notes and accounts payable-trade	(6,003)	(6,134)	(66,608)
Other, net	2,052	2,531	27,487
Sub total	8,728	7,222	78,416
Interest and dividends income received	317	281	3,053
Interest expenses paid	(0)	(53)	(579)
Income taxes paid	(5,922)	(6,139)	(66,666)
Net cash provided by (used in) operating activities	3,123	1,309	14,223
Net cash provided by (used in) investing activities:			
Purchase of short-term investment securities	(4,000)	(8,146)	(88,453)
Proceeds from redemption of securities	5,000	4,350	47,231
Purchase of property, plant and equipment and intangible assets	(1,181)	(1,284)	(13,950)
Purchase of investment securities	(3,000)	(20)	(227)
Proceeds from redemption of investment securities	—	3,000	32,573
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,470)	—	—
Payments of loans receivable to subsidiaries and affiliates	—	(12,000)	(130,293)
Collection of loans receivable from subsidiaries and affiliates	—	12,000	130,293
Payments for guarantee deposits	—	(1,058)	(11,492)
Proceeds from collection of guarantee deposits	—	577	6,267
Other, net	(330)	94	1,026
Net cash provided by (used in) investing activities	(¥6,983)	(¥2,488)	(\$27,025)

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
Net cash provided by (used in) financing activities:			
Repayment of long-term loans payable	(¥11)	(¥12)	(\$133)
Purchase of treasury stock	(0)	—	—
Proceeds from sales of treasury stock	0	—	—
Cash dividends paid	(2,252)	(2,252)	(24,456)
Cash dividends paid to minority shareholders	(93)	(96)	(1,049)
Repayments of lease obligations	(138)	(314)	(3,414)
Net cash provided by (used in) financing activities ...	(2,496)	(2,675)	(29,052)
Effect of exchange rate change on cash and cash equivalents	9	(0)	(2)
Net increase (decrease) in cash and cash equivalents ...	(6,346)	(3,854)	(41,855)
Cash and cash equivalents at beginning of period	34,154	35,427	384,665
Cash and cash equivalents at end of period (Note 7)	¥27,807	¥31,572	\$342,809

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

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 ¥92.10= U.S. \$1, the effective rate of exchange prevailing on December 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 ¥3,004 million (\$32,621 thousand), and operating income, ordinary income, and income before income taxes and minority interests increased by ¥488 million (\$5,302 thousand), respectively.

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

4. Change in presentation

For the fiscal year ended December 31, 2009, “Payments for guarantee deposits” and “Proceeds from collection of guarantee deposits” were each presented as separate line items due to increases in materiality.

“Payments for guarantee deposits” and “Proceeds from collection of guarantee deposits” which were presented aggregately in “Other, net” in “Net cash provided by (used in) investing activities” for the fiscal year ended December 31, 2008, were ¥335 million and ¥20 million, respectively.

5. Notes to Consolidated Balance Sheets

(1) Depreciation on Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation of ¥10,190 million and ¥10,568 million (\$114,748 thousand) on March 31, 2009 and December 31, 2009, respectively. Depreciation on property, plant and equipment is computed principally using the declining-balance method over the estimated useful lives of the assets. However, depreciation of buildings (excluding structures attached to the buildings) acquired on or after April 1, 1998, is computed using the straight-line method.

(2) Notes receivable maturing

Notes receivable are settled on the date of clearance. As December 31, 2009, was bank holiday, notes receivable maturing on that date could not be settled and were included in the ending balance of notes and accounts receivable-trade as follows:

Notes receivable: ¥76 million (\$832 thousand)

(3) Contingent Liabilities

The Company’s loss contingencies for guaranteeing the indebtedness of other parties were ¥10 million and ¥ 8 million (\$96 thousand) on March 31, 2009 and December 31, 2009, respectively, each of which are Guarantees for bank loans of the Hokkaido High Information Technology Center Co. Ltd.

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

6. 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 December 31, 2008 and 2009 are as follows:

December 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2009	2009
Salaries and allowances	¥ 5,940	¥ 5,997	\$65,117
Provision for bonuses	655	566	6,155
Retirement benefit expenses.....	345	370	4,020
Provision for directors' retirement benefits	35	25	282
Depreciation and amortization	195	150	1,637
Amortization of goodwill	82	123	1,344
Operating expense for acceptance of orders.....	2,807	2,489	27,034
Provision for allowance for doubtful accounts.....	¥ 586	¥—	\$ —

(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 December 31, 2008 and 2009 amounting to ¥ 929 million and ¥ 952 million (\$10,343 thousand), respectively.

7. Notes to Consolidated Statements of Cash Flows

Cash and Cash Equivalent

Cash and cash equivalents on December 31, 2008 and 2009 are as follows:

December 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2009	2009
Cash and deposits	¥ 3,865	¥ 4,520	\$ 49,079
Deposits paid.....	17,197	20,992	227,935
Short-term investment securities	10,744	14,056	152,621
Sub total.....	31,807	39,569	429,635
Short-term investment securities (maturing in more than three months from acquisition date)	(4,000)	(7,996)	(86,826)
Cash and cash equivalents.....	¥ 27,807	¥ 31,572	\$ 342,809

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

8. Notes to Consolidated Statements of Net Assets

(1) Shares

The number of shares on December 31, 2009 is as follows:

December 31, 2009	Shares in issue	Treasury stock
Number of shares	52,999,120	1,299

(2) Cash dividends

The Company paid cash dividends on June 1, 2009 and December 4, 2009 as follows:

Date of board resolution	Class of stock	Source of dividends	Total dividend amount	Dividend per share	Reference date	Effective date
May 15, 2009	Common stock	Retained earnings	¥1,192 million (\$ 12,420 thousand)	¥22.50	March 31, 2009	June 1, 2009
October 29, 2009	Common stock	Retained earnings	¥1,059 million (\$ 11,509 thousand)	¥20.00	September 30, 2009	December 4, 2009

9. Subsequent Events

There have been no material events subsequent to December 31, 2009.