

NS Solutions Corporation

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CONSOLIDATED FINANCIAL RESULTS (From April 1, 2010 to September 30, 2010)

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NS Solutions

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- In this material, figures have been rounded down to the nearest millions of yen.
- 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, 2010 and September 30, 2010

	Millions of yen		Thousands of U.S. dollars
	Mar. 31, 2010	Sep. 30, 2010	(Note 2) Sep. 30, 2010
Assets			
Current assets:			
Cash and deposits	¥4,389	¥3,086	\$36,826
Deposits paid	25,206	27,336	326,136
Notes and accounts receivable-trade	33,881	25,564	304,997
Short-term investment securities	12,518	9,948	118,691
Work in process	11,219	13,039	155,567
Raw materials and supplies	120	143	1,707
Other	3,876	3,844	45,866
Allowance for doubtful accounts	(134)	(11)	(140)
Total current assets	<u>91,077</u>	<u>82,952</u>	<u>989,649</u>
Noncurrent assets:			
Property, plant and equipment (Note 8)	10,733	12,987	154,951
Intangible assets:			
Goodwill	3,012	2,929	34,954
Other	1,087	1,344	16,038
Total intangible assets	<u>4,100</u>	<u>4,274</u>	<u>50,993</u>
Investments and other assets:			
Long-term loans receivable from subsidiaries and affiliates	12,000	12,000	143,164
Other	14,054	13,895	165,777
Total investments and other assets	<u>26,054</u>	<u>25,895</u>	<u>308,941</u>
Total noncurrent assets	<u>40,888</u>	<u>43,157</u>	<u>514,884</u>
Total assets	<u>¥131,966</u>	<u>¥126,110</u>	<u>\$1,504,534</u>

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

	Millions of yen		Thousands of U.S. dollars
	Mar. 31, 2010	Sep. 30, 2010	(Note 2)
			Sep. 30, 2010
Liabilities			
Current liabilities:			
Notes and accounts payable-trade	¥14,517	¥9,402	\$112,180
Income taxes payable	2,559	2,000	23,862
Provision for bonuses	5,905	6,033	71,987
Other provision	531	697	8,319
Other	12,788	10,653	127,101
Total current liabilities	36,301	28,787	343,449
Noncurrent liabilities:			
Provision for retirement benefits	10,898	11,428	136,341
Provision for directors' retirement benefits	160	158	1,892
Other	1,539	1,330	15,873
Total noncurrent liabilities	12,598	12,917	154,106
Total liabilities	48,900	41,705	497,554
Net assets			
Shareholders' equity:			
Capital stock	12,952	12,952	154,531
Capital surplus	9,950	9,950	118,712
Retained earnings	58,722	60,046	716,369
Treasury stock	(3)	(4)	(49)
Total shareholders' equity	81,621	82,945	989,563
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	52	(2)	(35)
Revaluation reserve for land	(1,276)	(1,276)	(15,235)
Foreign currency translation adjustment	(11)	(16)	(194)
Total valuation and translation adjustments ...	(1,235)	(1,296)	(15,463)
Minority interests	2,679	2,755	32,880
Total net assets	83,065	84,405	1,006,979
Total liabilities and net assets	¥131,966	¥126,110	\$1,504,534

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

	Yen		U.S. dollars
	Mar. 31, 2010	Sep. 30, 2010	(Note 2)
			Sep. 30, 2010
Net assets per share	¥1,516.79	¥1,540.62	\$18.38

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
For the six months ended September 30, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars
	2009	2010	(Note 2)
			2010
Net sales	¥69,803	¥73,724	\$879,557
Cost of sales (Note 9)	55,382	59,451	709,274
Gross profit	14,420	14,273	170,282
Selling, general and administrative expenses (Note 9) ..	10,369	10,126	120,807
Operating income	4,050	4,147	49,476
Non-operating income:			
Interest income	163	129	1,539
Dividends income	61	158	1,895
Equity in earnings of affiliates	1	1	16
Foreign exchange gains	—	0	3
Reversal of allowance for doubtful accounts	76	43	518
Other	3	2	27
Total non-operating income	305	335	3,997
Non-operating expenses:			
Interest expenses	29	40	481
Foreign exchange losses	0	—	—
Loss on retirement of noncurrent assets	16	21	258
Office transfer expenses.....	40	—	—
Other	3	15	188
Total non-operating expenses	89	77	927
Ordinary income	4,266	4,404	52,546
Income before income taxes and minority interests	4,266	4,404	52,546
Income taxes (Note 9)	1,888	1,907	22,756
Income before minority interests	—	2,496	29,790
Minority interests in income	64	113	1,354
Net income	¥2,313	¥2,383	\$28,436

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

	Yen		U.S. dollars
	2009	2010	(Note 2)
			2010
Net income per share	¥43.66	¥44.97	\$0.54

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended September 30, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars
	2009	2010	(Note 2) 2010
Net cash provided by (used in) operating activities:			
Income before income taxes and minority interests	¥4,266	¥4,404	\$52,546
Depreciation and amortization	967	1,071	12,781
Amortization of goodwill	82	82	985
Increase (decrease) in allowance for doubtful accounts	(80)	(124)	(1,485)
Increase (decrease) in provision for bonuses	(17)	128	1,538
Increase (decrease) in provision for retirement benefits ...	528	529	6,317
Interest and dividends income	(224)	(287)	(3,434)
Interest expenses	29	40	481
Equity in (earnings) losses of affiliates	(1)	(1)	(16)
Decrease (increase) in notes and accounts receivable	9,632	8,314	99,194
Decrease (increase) in inventories	(2,063)	(1,842)	(21,984)
Increase (decrease) in notes and accounts payable-trade ..	(6,642)	(5,113)	(61,008)
Other, net	1,858	(1,640)	(19,568)
Sub total	8,335	5,561	66,347
Interest and dividends income received	222	240	2,872
Interest expenses paid	(29)	(40)	(481)
Income taxes paid	(4,077)	(2,483)	(29,628)
Net cash provided by (used in) operating activities	4,451	3,278	39,110
Net cash provided by (used in) investing activities:			
Purchase of short-term investment securities	(6,150)	(997)	(11,901)
Proceeds from redemption of securities	2,200	7,000	83,512
Purchase of property, plant and equipment and intangible assets	(970)	(3,767)	(44,952)
Purchase of investment securities	(0)	(0)	(8)
Proceeds from redemption of investment securities	3,000	—	—
Payments of loans receivable from subsidiaries and affiliates ...	(12,000)	—	—
Collection of loans receivable from subsidiaries and affiliates	12,000	—	—
Purchase of stocks of subsidiaries and affiliates	—	(21)	(251)
Other, net	(22)	110	1,324
Net cash provided by (used in) investing activities	(¥1,944)	¥2,323	\$27,725

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

	Millions of yen		Thousands of U.S. dollars
			(Note 2)
	2009	2010	2010
Net cash provided by (used in) financing activities:			
Repayment of long-term loans payable	(¥8)	¥—	\$—
Purchase of treasury stock	—	(0)	(3)
Cash dividends paid	(1,192)	(1,059)	(12,646)
Cash dividends paid to minority shareholders	(96)	(36)	(433)
Repayments of lease obligations	(185)	(245)	(2,923)
Net cash provided by (used in) financing activities	(1,483)	(1,341)	(16,005)
Effect of exchange rate change on cash and cash equivalents ...	3	(2)	(36)
Net increase (decrease) in cash and cash equivalents	1,027	4,257	50,794
Cash and cash equivalents at beginning of period	35,427	34,115	407,011
Cash and cash equivalents at end of period (Note 10)	¥36,455	¥38,373	\$457,806

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

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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 ¥83.82= U.S. \$1, the effective rate of exchange prevailing on September 30, 2010, 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 scope of application of the equity method

The Companies added “Himawari Operation Enterprise Corporation (HOPE)” to scope of application of the equity method from the second quarter of the fiscal year ending March 31, 2011, as a result of newly acquisition of shares. The Companies deemed the acquisition date to be September 30, 2010.

4. Change in accounting principle

Beginning with the first quarter of the fiscal year ending March 31, 2011, the Companies has applied “Accounting Standards for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and “Guidance on Accounting Standards for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008). The effect of this change on quarterly consolidated financial statements was none.

5. Change in presentation

The Companies has applied the “Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No.5, March 24, 2009) based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22 of December 26, 2008) from the first quarter. As a result, “Income before minority interests” was presented on the

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

consolidated financial statements for the first quarter of the fiscal year ending March 31, 2011.

6. Simplified accounting methods

In judging the possibility of recovering deferred tax assets, as severe and major changes in the operating environment and major temporary differences following the close of the previous consolidated fiscal year had not been recognized, the future business forecasts and tax planning documents that were used for making such judgments related to the previous fiscal year were used.

7. Special accounting treatment for the quarterly consolidated financial statements

Income taxes were computed by multiplying consolidated quarterly income before income taxes and minority interests by a rational estimate of the effective tax rate on consolidated income before income taxes and minority interests for the fiscal year including the quarterly period under review after adjustments for the application of tax-effect accounting.

8. Notes to Consolidated Balance Sheets

(1) Depreciation on Property, Plant and Equipment

Property, plant and equipment were recorded at cost, net of accumulated depreciation of ¥10,845 million and ¥11,352 million (\$135,439 thousand) on March 31, 2010 and September 30, 2010, 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, has been computed using the straight-line method.

(2) Contingent Liabilities

The Company's loss contingencies for guaranteeing the indebtedness of other parties were ¥8 million and ¥6 million (\$83 thousand) on March 31, 2010 and September 30, 2010, respectively, each of which were Guarantees for bank loans of the Hokkaido High Information Technology Center Co. Ltd.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

9. Notes to Consolidated Statements of Income

(1) Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the six months ended September 30, 2009 and 2010 were as follows:

September 30,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2010	2010
Salaries and allowances	¥ 3,245	¥ 3,120	\$37,226
Provision for bonuses	1,222	1,231	14,697
Retirement benefit expenses.....	252	250	2,991
Provision for directors' retirement benefits	16	15	190
Depreciation and amortization	98	85	1,021
Amortization of goodwill	82	82	985
Operating expense for acceptance of orders.....	¥1,653	¥1,654	\$19,741

(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 six months ended September 30, 2009 and 2010 amounting to ¥ 539 million and ¥ 644 million (\$7,689 thousand), respectively.

(3) Income Taxes

Deferred tax expense is included in income taxes.

10. Notes to Consolidated Statements of Cash Flows

Cash and Cash Equivalents

Cash and cash equivalents on September 30, 2009 and 2010 were as follows:

September 30,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2010	2010
Cash and deposits	¥ 3,973	¥ 3,086	\$ 36,826
Deposits paid.....	27,771	27,336	326,136
Short-term investment securities	12,859	9,948	118,691
Sub total.....	44,605	40,372	481,653
Short-term investment securities (maturing in more than three months from acquisition date)	(8,150)	(1,998)	(23,847)
Cash and cash equivalents.....	¥ 36,455	¥ 38,373	\$ 457,806

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

11. Net Assets

(1) Shares

The number of shares on September 30, 2010 was as follows:

September 30, 2010	Shares in issue	Treasury stock
Number of shares	52,999,120	1,476

(2) Cash dividends

The Company paid cash dividends on June 2, 2010 as follows:

Date of board resolution	Class of stock	Total dividend amount	Dividend per share	Reference date	Effective date	Source of dividends
May 18, 2010	Common stock	¥1,059 million	¥20.00	March 31, 2010	June 2, 2010	Retained earnings

The company decided to pay cash dividends at the board of directors' meeting held on October 27, 2010 as follows:

Date of board resolution	Class of stock	Total dividend amount	Dividend per share	Reference date	Effective date	Source of dividends
October 27, 2010	Common stock	¥1,059 million	¥20.00	September 30, 2010	December 3 2010	Retained earnings

12. Consolidated Segment Information

(Additional Information)

“Accounting Standard for Disclosures about Segments of an Enterprise and Related information” (ASBJ Statement No. 17, March 27, 2009) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related information” (ASBJ Guidance No. 20, March 21, 2008) have been applied from the first quarter.

The Companies responds to customer needs through the supply of a variety of IT services ranging from information system planning through software development, hardware selection, system operation and system support. Based on the similarities in the type and nature of business, business of the Companies constitutes a single segment and accordingly, segment information is not disclosed.

13. Application of Accounting Standards for Asset Retirement Obligations

The Companies has obligations to restore original conditions mainly to the corporate head quarter buildings under the rental contracts. However, the useful period of those is unclear and the Companies has no relocation plan. Therefore, it is difficult to estimate the asset retirement obligations reasonably and the asset retirement obligations were not recorded at the period ended September 30, 2010.

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14. Subsequent Events

There have been no material events subsequent to September 30, 2010.