

NS Solutions Corporation

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Consolidated Financial Results for the Third Quarter of FY2008 (From April 1, 2008 to December 31, 2008)

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Consolidated Results for Nine Months ended Dec. 31, 2008

Consolidated operating results

(Millions of yen, except per share amounts)

	Nine Months ended Dec. 31,	
	2007	2008
Sales	¥112,354	¥109,311
Operating income	9,615	6,197
Recurring profit	9,882	6,558
Net income	5,360	3,431
Net income per share of common stock *		
—Basic	¥101.14	¥64.74
—Diluted	—	—

* Average shares used for computation of net income per share of common stock for the nine-month period ended Dec. 31, 2007 and 2008 are shown in the chart below.

(Thousands of shares)

	Nine Months ended Dec. 31,	
	2007	2008
Number of average shares	52,998	52,998

• Consolidated Operating Results

During the first three quarters of the fiscal year ending March 31, 2009, the Japanese economy exhibited weaker business investment and exports, decreased production, and falling corporate profits, attributable to the slowdown in the US economy and to turmoil in the stock and foreign exchange markets.

In the information services industry, our corporate customers took an increasingly cautious attitude toward investment in IT, due to the economic downfall.

Faced with these circumstances, NS Solutions focused on leveraging the capabilities of the

Group to ensure ongoing orders from existing customers by capturing their trust, and to effectively capture business opportunities by attracting new customers. It did this by offering system lifecycle (SLC) total solutions that integrate planning, developing, operations and maintenance of computing systems.

Consolidated sales for the first three quarters of the fiscal year ending March 31, 2009 decreased to ¥109,311 million, down ¥3,043 million from the corresponding period of the preceding year (¥112,354 million), primarily reflecting the restraint of system investments by corporate customers, a reflection of the deteriorating business environment. Recurring profit slipped to ¥6,558 million, down 3,324 million yen from the corresponding period of the preceding year (¥9,882 million), due to a decline in gross profit, reflecting lower net sales, the recording of an allowance for doubtful accounts, and a rise in SG&A expenses, despite company-wide initiatives adopted to bolster profitability.

Our overview of consolidated operations by service segment (Business Solutions, Platform Solutions, Business Services) for the first three quarters of the fiscal year ending March 31, 2009, is as follows:

Consolidated sales in Business Solutions decreased to ¥62,815 million, down ¥4,897 million from the corresponding period of the preceding year (¥67,712 million), given sluggish sales from manufacturers and financial institutions.

Consolidated sales in Platform Solutions decreased to ¥12,111, down ¥2,239 million from the corresponding period of the preceding year (¥14,349 million), primarily reflecting weak sales of software products.

Consolidated sales in Business Services increased to ¥34,385 million, up ¥4,092 million from the corresponding period of the preceding year (¥30,293 million), due to continued favorable transaction to Nippon Steel Corporation, in addition to increased sales to the telecommunications industry.

* Sales amounts for the corresponding period of the preceding fiscal year and year-on-year changes are provided for reference.

Consolidated financial condition

(Millions of yen, except per share amounts and percentages)

	Dec. 31, 2008	Mar. 31, 2008
Total assets	¥112,670	¥120,080
Net assets	75,749	74,675
Equity ratio	65.1%	60.3%
Net assets per share of common stock*	¥1,383.55	¥1,365.71

* The number of shares at the end of the periods (used for computation of shareholders' equity per share of common stock) for the nine-month period ended Dec. 31 2008 and for the fiscal year ended Mar. 31, 2008 is shown in the chart below.

	(Thousands of shares)	
	Nine Months ended Dec. 31, 2008	Fiscal Year ended Mar. 31, 2008
Number of issued shares at end of period	52,999	52,999
Number of own shares at end of period	1	1

• Assets, liabilities and net assets

1) Total Assets

Total assets at the end of the third quarter of the fiscal year ending March 31, 2009, decreased by ¥7,410 million from ¥120,080 million at the end of the previous fiscal year to ¥112,670 million. The principal factors were a decrease of ¥13,747 million in trade notes and accounts receivable, a decrease of ¥6,783 million in deposited money, a rise of ¥7,313 million in work in process, an increase of ¥3,219 million in goodwill, and a rise of ¥1,935 million in short-term investments.

2) Liabilities

Total liabilities decreased by ¥8,483 million from ¥45,405 million at the end of the previous fiscal year to ¥36,921 million. Major factors were a decrease of ¥5,937 million in trade notes and accounts payable, a drop of ¥3,110 million in income tax payable, a decline of ¥2,754 million in accrued bonuses to employees, and an increase of ¥777 million in the allowance for retirement benefits.

3) Net assets

Net assets increased by ¥1,073 million from ¥74,675 million at the end of the previous fiscal year to ¥75,749 million. Key factors were net income of ¥3,431 million and dividends paid of ¥2,252 million. The equity ratio was 65.1%.

- **Credit lines from financial institutions**

The Company has overdraft facilities of ¥4,800 million at major banks. In addition, the Company has an overdraft facility of ¥4,600 million at Nittetsu Finance Co., Ltd. a consolidated subsidiary of Nippon Steel Corporation. Total overdraft facilities are therefore ¥9,400 million.

- **Cash management system (CMS)**

The Company uses the CMS of Nittetsu Finance Co., Ltd. and had deposited ¥17,198 million as of the end of the third quarter of the fiscal year ending March 31, 2009.

- **Cash flows**

1) Statement of cash flows

Net decrease in cash and cash equivalents as of the end of the third quarter of the fiscal year ending March 31, 2009, were ¥6,347 million, and net cash and cash equivalents were ¥27,808 million. Cash flows from each activity category are as follows:

- Cash flows from operating activities

During the third quarter of the fiscal year ending March 31, 2009, the Company generated ¥3,124 million of net cash from operating activities. Principal factors were income before income taxes of ¥6,530 million, depreciation of ¥1,324 million, and inter-company credits of ¥7,803 million, while negative factors were income taxes paid of ¥5,922 million and an increase in inventories of ¥7,263 million.

- Cash flows from investing activities

During the third quarter of the fiscal year ending March 31, 2009, the Company used ¥6,983 million in investing activities. The Company spent ¥3,470 million to purchase of investments in subsidiaries resulting in change in scope of consolidation, ¥3,001 million to acquire investments in securities, ¥4,000 million to acquire short-term investments, and gained ¥5,000 million from the redemption of short-term investments.

- Cash flows from financing activities

During the third quarter of the fiscal year ending March 31, 2009, the Company used ¥2,497 million in financing activities, mainly on dividends paid.

Outlooks for the Fiscal Year ending March 31, 2009 (FY2008)

The Company has not revised the outlooks for FY2008, made on October 29, 2008.

Against the facing circumstances, the Company will continue to strengthen its competitiveness and to take initiatives to improve its profitability.

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED BALANCE SHEETS
As of Mar. 31, 2008 and Dec. 31, 2008

	Millions of yen		Thousands of U.S. dollars (Note 2)
	Mar. 31, 2008	Dec. 31, 2008	Dec. 31, 2008
Assets			
Current assets:			
Cash and bank deposits	¥6,365	¥3,866	\$42,465
Deposited money.....	23,981	17,198	188,922
Trade notes and accounts receivable.....	34,733	20,986	230,539
Short-term investments	8,810	10,745	118,035
Merchandise.....	0	—	—
Materials.....	135	132	1,448
Work in process.....	10,239	17,552	192,817
Current portion of long-term loans receivable from subsidiaries and affiliates	—	12,000	131,825
Others.....	4,239	4,508	49,536
Allowance for doubtful accounts.....	(200)	(785)	(8,624)
Total current assets	88,302	86,202	946,963
Fixed assets:			
Property and equipment	9,665	9,675	106,284
Intangible fixed assets:			
Goodwill.....	—	3,219	35,359
Others	423	558	6,127
Total intangible fixed assets	423	3,777	41,486
Investments and other assets:			
Long term loan receivable to affiliated company	12,000	—	—
Others.....	9,751	13,091	143,812
Allowance for doubtful accounts	(61)	(75)	(824)
Total investments and other assets.....	21,690	13,016	142,988
Total fixed assets	31,778	26,468	290,758
Total assets	¥120,080	¥112,670	\$1,237,721

	Millions of yen		Thousands of U.S. dollars (Note 2)
	Mar. 31, 2008	Dec. 31, 2008	Dec. 31, 2008
Liabilities			
Current liabilities:			
Trade notes and accounts payable	¥15,770	¥9,834	\$108,026
Current portion of long-term loans payable ...	—	21	226
Income tax payable	4,500	1,390	15,265
Accrued bonuses to employees	5,978	3,224	35,419
Allowance for program product warranty.....	376	374	4,111
Others	9,353	11,774	129,355
Total current liabilities.....	35,977	26,617	292,402
Non-current liabilities:			
Accrued employees' retirement benefits	9,121	9,898	108,736
Allowance for directors' retirement benefits...	307	247	2,713
Other long-term liabilities	—	159	1,744
Total non-current liabilities	9,428	10,304	113,193
Total liabilities	¥45,405	¥36,921	\$405,595
Net Assets			
Shareholders' equity:			
Common stock	¥12,953	¥12,953	\$142,291
Additional paid-in capital	9,950	9,950	109,309
Retained earnings	50,565	51,743	568,416
Treasury stock	(4)	(4)	(41)
Total shareholders' equity	73,464	74,642	819,975
Valuation and translation adjustments:			
Unrealized loss on available-for-sale securities.....	188	(50)	(547)
Unrealized gain on revaluation of land	(1,277)	(1,277)	(14,028)
Foreign currency translation adjustment.....	5	10	105
Total valuation and translation adjustments	(1,084)	(1,317)	(14,470)
Minority interests	2,295	2,424	26,621
Total net assets.....	74,675	75,749	832,126
Total liabilities and net assets	¥ 120,080	¥112,670	\$1,237,721

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

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
For the Nine Months Ended Dec. 31, 2008 (Note 3)

	Millions of yen	Thousands of U.S. dollars (Note 2)
	2008	2008
Net sales	¥ 109,311	\$1,200,822
Cost of sales	86,488	950,103
Gross profit.....	22,823	250,719
Selling, general and administrative expenses	16,626	182,647
Operating income.....	6,197	68,072
Other income (expenses)	333	3,661
Income before income taxes and minority interests	6,530	71,733
Income Taxes	2,879	31,622
Income before minority interests	3,651	40,111
Minority interests.....	220	2,421
Net income.....	¥3,431	\$37,690

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

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended Dec. 31, 2008 (Note 3)

	Millions of yen	Thousands of U.S. dollars (Note 2)
	2008	2008
Net sales	¥32,866	\$361,049
Cost of sales	25,416	279,212
Gross profit.....	7,450	81,837
Selling, general and administrative expenses	5,568	61,166
Operating income.....	1,882	20,671
Other income (expenses)	89	972
Income before income taxes and minority interests	1,971	21,643
Income Taxes	847	9,303
Income before minority interests	1,124	12,340
Minority interests.....	31	338
Net income.....	¥1,093	\$12,002

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

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended Dec. 31, 2008 (Note 3)

	Millions of yen	Thousands of U.S. dollars (Note 2)
	2008	2008
Cash flows from operating activities:		
Income before income taxes and minority interests	¥6,530	\$71,733
Adjustments to reconcile income before income taxes to net cash provided by operating activities		
Depreciation	1,324	14,549
Amortization of goodwill.....	83	907
Increase in allowance for doubtful accounts	584	6,421
Interest and dividend income.....	(349)	(3,839)
Decrease in accrued bonuses to employees	(2,788)	(30,625)
Increase in accrued employees' retirement benefits, net of payments	754	8,285
Interest expenses	0	3
Equity in net income of affiliated companies	(2)	(26)
Decrease in accounts receivable.....	13,807	151,671
Increase in inventories	(7,263)	(79,787)
Decrease in accounts payable.....	(6,004)	(65,954)
Others, net.....	2,053	22,551
Sub total.....	8,729	95,889
Interests and dividends received	317	3,487
Interests paid	(0)	(3)
Income taxes paid	(5,922)	(65,061)
Net cash provided by operating activities	3,124	34,312
Cash flow from investing activities:		
Acquisition of short-term investments	(4,000)	(43,942)
Proceeds from redemption of short-term investments	5,000	54,927
Purchase of property and equipment and intangible fixed assets	(1,181)	(12,977)
Acquisition of investments in securities	(3,001)	(32,966)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,470)	(38,123)
Others, net	(331)	(3,631)
Net cash used in investing activities	(6,983)	(76,712)
Cash flows from financing activities:		
Repayment of long-term loans payable	(12)	(129)
Payment for purchase of treasury stock.....	(0)	(2)
Proceeds from sales of treasury stock	0	0
Dividends paid	(2,252)	(24,743)
Dividends paid to minority shareholders.....	(94)	(1,030)
Repayments of lease obligations.....	(139)	(1,522)
Net cash used in financing activities.....	(2,497)	(27,426)
Effect of exchange rate changes on cash and cash equivalents.....	9	103
Net decrease in cash and cash equivalents	(6,347)	(69,723)
Cash and cash equivalents at beginning of period.....	34,155	375,204
Cash and cash equivalents at end of period	¥27,808	\$305,481

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

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries 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 Company 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 ¥91.03 = U.S. \$1, the effective rate of exchange prevailing at December 31, 2008, 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. Consolidated Statements of Income and Cash Flows

In the past, the Company prepared interim consolidated financial statements in accordance with the “Rules for Interim Consolidated Financial Statements”. From this fiscal year, however, the Company has begun to prepare quarterly consolidated financial statements in accordance with the “Rules for Quarterly Consolidated Financial Statements”.

Since these financial statements were prepared in accordance with different accounting rules, the consolidated statements of income and cash flows for this term are presented without a parallel presentation of the results for the corresponding period of the preceding fiscal year.

【Reference】

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
For the Nine Months Ended Dec. 31, 2007

	Millions of yen	Thousands of U.S. dollars (U.S. \$1=¥114.15)
	<u>2007</u>	<u>2007</u>
Net sales	¥112,354	\$984,268
Cost of sales	87,622	767,608
Gross profit	24,732	216,660
Selling, general and administrative expenses	15,117	132,426
Operating income	9,615	84,234
Other income (expenses)	249	2,179
Income before income taxes and minority interest	9,864	86,413
Income Taxes	4,263	37,342
Income before minority interest	5,601	49,071
Minority interests	(241)	(2,112)
Net income	¥5,360	\$46,959

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

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended Dec. 31, 2007

	Millions of yen	Thousands of U.S. dollars (U.S. \$1=¥114.15)
	2007	2007
Cash flows from operating activities:		
Income before income taxes and minority interests	¥9,864	\$86,413
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities		
Depreciation	1,360	11,918
Decrease in allowance for doubtful accounts.....	(2,904)	(25,442)
Increase in allowance for employees' retirement benefits	662	5,800
Loss on sale of investments in affiliates, net	13	111
Decrease in accounts receivable.....	15,406	134,965
Increase in inventories	(6,578)	(57,623)
Decrease in accounts payable.....	(3,679)	(32,229)
Others, net.....	351	3,069
Sub total.....	14,495	126,982
Income taxes paid	(7,064)	(61,881)
Interest and dividends income	318	2,786
Net cash provided by operating activities	7,749	67,886
Cash flows from investing activities:		
Acquisition of short-term investments	(5,009)	(43,883)
Expenditure for purchase of property and equipment and intangible fixed assets.....	(1,166)	(10,215)
Acquisition of investments in securities	(342)	(2,992)
Proceeds from sale of investments in affiliates	34	298
Others, net	(459)	(4,019)
Net cash used in investing activities	(6,942)	(60,811)
Cash flows from financing activities:		
Payments for purchase of treasury stock	(0)	(5)
Dividends paid	(1,987)	(17,411)
Dividends paid to minority shareholders.....	(80)	(702)
Net cash used for financing activities	(2,067)	(18,118)
Effect of exchange rate changes on cash and cash equivalents	0	0
Net increase in cash and cash equivalents	(1,260)	(11,042)
Cash and cash equivalents at beginning of the period	29,510	258,522
Cash and cash equivalents at end of the period.....	¥28,250	\$247,480

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