

NS Solutions Corporation

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

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Consolidated Financial Results for the First Quarter

Contacts:	Mitsuo Kitagawa	Nobumoto Kiyama
	Representative Director and	General Manager,
	President	Finance & Accounting Department
	NS Solutions Corporation	NS Solutions Corporation

+81-3-5117-4111

Consolidated Results for Three Months ended Jun. 30, 2008

Consolidated operating results

(Millions of yen, except per share amounts)

	Three Months ended Jun. 30,	
	2007	2008
Sales	¥32,944	¥34,818
Operating income	2,679	1,409
Recurring profit	2,804	1,581
Net income	1,472	761
Net income per share of common stock *		
Basic	¥27.78	¥14.36
Diluted	-	-

* Average shares used for computation of net income per share of common stock for the three-month period ended Jun. 30, 2007 and 2008 are shown in the chart below.

(Thousands of shares)

	Three Months ended Jun. 30,	
	2007	2008
Number of average shares	52,998	52,998

• Consolidated Operating Results

During the three-month period ended June 30, 2008, there was uncertainty about the future of the Japanese economy due to the US economic slowdown, fluctuations in the stock and foreign exchange markets, and trends in crude oil prices. However, the information services industry enjoyed moderately-increased IT investments from corporate customers.

In such a business environment, the NS Solutions Group deployed a total System Life Cycle (SLC) solution that integrates the planning, developing, operation and maintenance of computing systems, providing advanced solutions and services such as an IT infrastructure optimization solution based on virtualization technologies.

As a result, consolidated sales for the three-month period ended June 30, 2008, recorded ¥34,818 million, which consisted of sales of ¥19,354 million from Business Solutions, ¥4,155 million from Platform Solutions, and ¥11,309 million from Business Services. Consolidated recurring profit amounted to ¥1,581 million.

Meanwhile, we acquired the total shares of Financial Engineering Group, Inc. (now a wholly-owned subsidiary of NS Solutions Corporation) in order to enhance our ability to handle risk management and marketing systems in the systems solution business for financial institutions, and try to climb to the top of the list of risk management system providers in this field.

Consolidated financial condition

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

	Jun. 30, 2008	Mar. 31, 2008
Total assets	¥112,348	¥120,080
Net assets	74,226	74,675
Equity ratio	64.1%	60.3%
Net assets per share of common stock*	¥1,358.67	¥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 three-month period ended Jun. 30 2008 and for the fiscal year ended Mar. 31, 2008 is shown in the chart below.

	(Thousands of shares)	
	Three Months ended Jun. 30, 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 as of the end of the first quarter of this fiscal year decreased by ¥7,732 from ¥120,080 million for the last fiscal year ended March 31, 2008 to ¥112,348 million. The principal factors were a decrease of ¥4,151 million in deposited money, a decrease of ¥13,768 million in trade notes and accounts receivable, a rise of ¥5,288 in work in process and a rise of ¥3,301 in goodwill.

2) Liabilities

Total liabilities decreased by ¥7,283 million from ¥45,405 million to ¥38,122 million. The principal factors were a fall of ¥4,987 million in trade notes and accounts payable and a decline of ¥3,561 million in income tax payable.

3) Net assets

Net assets decreased by ¥449 million from ¥74,675 million to ¥74,226 million. Major factors were net income of ¥761 million and dividends of ¥1,060 million. The equity ratio was 64.1%.

- **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 ¥19,830 million as of the end of the first quarter of this fiscal year.

- **Cash flows**

1) Statement of cash flows

Net cash and cash equivalents as of the end of the first quarter of this fiscal year is ¥30,786 million. Cash flows from each activity category are as follows:

- **Cash flows from operating activities**

During the first quarter ended June 30, 2008, the Company generated ¥1,949 million of net cash from operating activities. Income before income taxes of ¥1,579 million, depreciation of ¥435 million, inter-company credits of ¥8,771 million, among other factors, more than offset the effect negative factors, including increase in inventories of ¥5,263 million and income taxes paid of ¥4,354 million.

- **Cash flows from investing activities**

During the first quarter ended June 30, 2008, the Company used ¥4,095 million in investing activities, mainly because of purchase of property and equipment and intangible fixed assets of ¥528 million and purchase of investments in affiliates of ¥3,470 million.

- **Cash flows from financing activities**

During the first quarter ended June 30, 2008, the Company used ¥1,204 million in financing activities mainly dividends paid.

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

We revised downward our outlook for the first half ending September 30, 2008 due to cost overruns of a few projects and a decrease in an engineer utilization rate in Business Solutions for the three-month period ended June 30, 2008. However, we keep our annual outlook unchanged as forecasted before as shown below:

Current outlook	(Millions of yen)		
	Sales	Recurring profit	Net income
First half of FY2009	¥74,000	5,000	2,700
FY2009	¥170,000	16,000	8,900

Ref. Net income per share forecast (full-year) 167.93 yen*

The above statements were prepared, based on the materials available as of the release date. Actual results may vary from the outlook figures by various factors in the future.

Non-consolidated Outlook for the Fiscal Year ending March 31, 2009 (FY2008)

Current outlook	(Millions of yen)		
	Sales	Recurring profit	Net income
First half of FY2009	¥65,500	4,000	2,400
FY2009	¥151,500	13,000	7,700

Ref. Net income per share forecast (full-year) 145.29 yen*

(Note) Figures in this material have been rounded.

The above statements were prepared, based on the materials available as of the release date. Actual results may vary from the outlook figures by various factors in the future.

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED BALANCE SHEETS
As of Mar. 31, 2008 and Jun. 30, 2008

	Millions of yen		Thousands of U.S. dollars (Note 2)
	Mar. 31, 2008	Jun. 30, 2008	Jun. 30, 2008
Assets			
Current assets:			
Cash and bank deposits	¥6,365	¥5,209	\$48,952
Deposited money	23,981	19,830	186,333
Trade notes and accounts receivable.....	34,733	20,965	197,006
Short-term investments	8,810	7,757	72,890
Merchandise.....	0	9	86
Materials.....	135	147	1,377
Work in process.....	10,239	15,528	145,908
Others	4,239	4,372	41,090
Allowance for doubtful accounts.....	(200)	(212)	(1,992)
Total current assets	88,302	73,605	691,650
Fixed assets:			
Property and equipment	9,665	9,996	93,930
Intangible fixed assets:			
Goodwill.....	-	3,301	31,021
Others.....	423	441	4,142
Total intangible fixed assets	423	3,742	35,163
Investments and other assets:			
Long term loan receivable to affiliated company	12,000	12,000	112,761
Others.....	9,751	13,063	122,745
Allowance for doubtful accounts.....	(61)	(58)	(543)
Total investments and other assets.....	21,690	25,005	234,963
Total fixed assets	31,778	38,743	364,056
Total assets	¥120,080	¥112,348	\$1,055,706

	Millions of yen	Thousands of U.S. dollars	
		(Note 2)	
	Mar. 31, 2008	Jun. 30, 2008	Jun. 30, 2008
Liabilities			
Current liabilities:			
Trade notes and accounts payable	¥15,770	¥10,783	\$101,327
Current portion of long-term loans payable ...	-	24	228
Income tax payable	4,500	938	8,816
Accrued bonuses to employees	5,978	3,178	29,861
Allowance for program product warranty.....	376	386	3,631
Others	9,353	12,946	121,636
Total current liabilities.....	35,977	28,255	265,499
Non-current liabilities:			
Long-term loans payable	-	8	75
Accrued employees' retirement benefits	9,121	9,396	88,287
Allowance for directors' retirement benefits...	307	230	2,162
Other long-term liabilities	-	233	2,196
Total non-current liabilities	9,428	9,867	92,720
Total liabilities	¥45,405	¥38,122	\$358,219
Net Assets			
Shareholders' equity:			
Common stock	¥12,953	¥12,953	\$121,714
Additional paid-in capital.....	9,950	9,950	93,501
Retained earnings.....	50,565	50,266	472,332
Treasury stock.....	(4)	(4)	(37)
Total shareholders' equity	73,464	73,165	687,510
Valuation and translation adjustments:			
Unrealized loss on available-for-sale securities.....	188	135	1,271
Unrealized gain on revaluation of land	(1,277)	(1,277)	(11,999)
Foreign currency translation adjustment.....	5	(16)	(154)
Total valuation and translation adjustments	(1,084)	(1,158)	(10,882)
Minority interests	2,295	2,219	20,859
Total net assets.....	74,675	74,226	697,487
Total liabilities and net assets.....	¥ 120,080	¥112,348	\$1,055,706

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 Jun. 30, 2008

	Millions of yen	Thousands of U.S. dollars (Note 2)
	2008	2008
Net sales	¥ 34,818	\$327,174
Cost of sales	27,574	259,102
Gross profit	7,244	68,072
Selling, general and administrative expenses.....	5,835	54,833
Operating income.....	1,409	13,239
Other income (expenses)	170	1,603
Income before income taxes and minority interests	1,579	14,842
Income Taxes	796	7,486
Income before minority interests.....	783	7,356
Minority interests.....	22	205
Net income.....	¥761	\$7,151

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

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended Jun. 30, 2008

	Millions of yen	Thousands of U.S. dollars (Note 2)
	2008	2008
Cash flows from operating activities:		
Income before income taxes and minority interests.....	¥1,579	\$14,842
Adjustments to reconcile income before income taxes to net cash provided by operating activities		
Depreciation.....	435	4,088
Increase in allowance for doubtful accounts	11	107
Interest and dividend income.....	(155)	(1,455)
Decrease in accrued bonuses to employees	(2,834)	(26,632)
Increase in accrued employees' retirement benefits, net of payments.....	251	2,363
Equity in net income of affiliated companies	(0)	(4)
Decrease in accounts receivable.....	13,824	129,899
Increase in inventories	(5,263)	(49,452)
Decrease in accounts payable.....	(5,053)	(47,482)
Others, net.....		
	3,375	31,704
Sub total.....	6,170	57,978
Interest and dividends received.....	133	1,252
Income taxes paid	(4,354)	(40,916)
Net cash provided by operating activities.....	1,949	18,314
Cash flow from investing activities:		
Proceeds from redemption of short-term investments	3,000	28,190
Purchase of property and equipment and intangible fixed assets.....	(528)	(4,961)
Acquisition of investments in securities	(3,000)	(28,193)
Purchase of investments in affiliates	(3,470)	(32,610)
Others, net	(97)	(907)
Net cash used in investing activities	(4,095)	(38,481)
Cash flows from financing activities:		
Payment for purchase of treasury stock	(0)	(1)
Dividends paid.....	(1,060)	(9,960)
Dividends paid to minority shareholders.....	(94)	(881)
Repayments of lease obligations.....	(50)	(474)
Net cash used in financing activities.....	(1,204)	(11,316)
Effect of exchange rate changes on cash and cash equivalents	(19)	(174)
Net decrease in cash and cash equivalents	(3,369)	(31,657)
Cash and cash equivalents at beginning of period.....	34,155	320,944
Cash and cash equivalents at end of period.....	¥30,786	\$289,287

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 ¥106.42 = U.S. \$1, the effective rate of exchange prevailing at June 30, 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.

【Reference】

NS SOLUTIONS CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended Jun. 30, 2007

	Millions of yen	Thousands of U.S. dollars (U.S. \$1=¥123.26)
	2007	2007
Net sales	¥32,944	\$267,270
Cost of sales	25,191	204,372
Gross profit	7,753	62,898
Selling, general and administrative expenses.....	5,074	41,161
Operating income.....	2,679	21,737
Other income (expenses)	129	1,041
Income before income taxes and minority interests	2,808	22,778
Income Taxes	1,289	10,457
Income before minority interests.....	1,519	12,321
Minority interests.....	47	376
Net income.....	¥1,472	\$11,945

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

NS SOLUTIONS CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended Jun. 30, 2007

	Millions of yen	Thousands of U.S. dollars (U.S. \$1=¥123.26)
	2007	2007
Cash flows from operating activities:		
Income before income taxes and minority interests..	¥2,808	\$22,778
Adjustments to reconcile income before income taxes to net cash provided by operating activities		
Depreciation	419	3,403
Decrease in accrued bonuses to employees.....	(2,952)	(23,950)
Increase in accrued employees' retirement benefits, net of payments.....	204	1,659
Decrease in accounts receivable.....	19,109	155,034
Increase in inventories.....	(5,644)	(45,788)
Decrease in accounts payable.....	(7,246)	(58,789)
Others, net.....	2,618	21,230
Sub total	9,316	75,577
Income taxes paid.....	(4,384)	(35,565)
Interest and dividends received.....	77	622
Net cash provided by operating activities	5,009	40,634
Cash flow from investing activities:		
Expenditure for purchase of short-term investments	(3,009)	(24,414)
Expenditure for purchase of property and equipment and intangible fixed assets.....	(496)	(4,027)
Others, net	(334)	(2,701)
Net cash used for investing activities	(3,839)	(31,142)
Cash flows from financing activities:		
Dividends paid.....	(926)	(7,511)
Dividends paid to minority shareholders.....	(80)	(651)
Net cash used for financing activities.....	(1,006)	(8,162)
Effect of exchange rate changes on cash and cash equivalents.....	0	0
Net increase in cash and cash equivalents.....	164	1,330
Cash and cash equivalents at beginning of period.....	29,510	239,415
Cash and cash equivalents at end of period	¥29,674	\$240,745

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