



NS Solutions

Business Results and Prospects

November 20, 2002

NS Solutions Corp.

This document includes statements of forward-looking descriptions regarding the intent, belief or current expectations of NS Solutions Corporation (the "Company") or its officers in terms of its operation and financial condition. Accordingly, such statements contain risks and uncertainties since they are neither historical facts nor guarantees of future performance. Actual results may be varied and influenced by various factors. The Company does not undertake to revise such forward-looking descriptions to reflect those factors

1. Overview of the term, from April 1 to September 30, 2002

(The economy in Japan)

During the 1st half of the fiscal year to be ended March 31, 2003, the Japanese economy remained sluggish in the midst of prolonged recession because of low capital investment in the private sector, stranded deflation policies of the government and no remarkable progress for bad loans. Meanwhile, the U.S. economy driving the world economy has become depressed by the terrorist attacks on September 11, 2001, and by a series of corporate accounting scandals. With the Nikkei Average dropping below ¥10,000 in the end of July and still remaining there, economic uncertainty has been intensified.

(Trends in the information technology services industry)

In the information technology services industry, investment in information systems indispensable to the corporations still goes steady to enhance competitiveness and to differ themselves from competitors. Reflecting economic trends, however, a scale-back or even a suspension of capital investment has recently shown a tendency to increase, and according to Ministry of Economy, Trade and Industry statistics on selected service industries, July 2002 marked the first time in 27 months that revenues in the information technology services industry were lower than in the same month a year earlier. Moreover, as the hardware manufacturers under restructuring its business have been shifting towards the solutions business, the information technology services are highly competitive and prices show a downward trend. Accordingly, our business is in a harsh competition.

(Overview of NS Solutions)

Since April 1, 2001, we have operated under the NS Solutions name by acquiring part of the business of Nippon Steel's Electronics and Information Systems Division and merging with Nippon Steel Information & Communication Systems Inc. On October 11, 2002, we were successfully listed in the First Section of the Tokyo Stock Exchange.

Despite the harsh conditions during the 1st half of the fiscal year to be ended March 31, 2003, NS Solutions firmly extended its business with new customers by utilizing

its ability to provide solutions, its past performance of successful projects, and the reliance of our clients while strengthening the relationships with existing customers.

Looking towards future business development and expansion, in order to strengthen our business fundamentals, we are aware that human resources are the source of all operations and we are thus intensively working on development of our human resources, especially our younger employees. We are taking the following actions to improve our business structure.

- 1) By restructuring the framework among the head office, branch offices, and regional subsidiaries, we are working to focus our business on Japan's three largest metropolitan areas, where market scale and profitability are both high, especially in the Tokyo area. Human resources from branch offices and regional subsidiaries are thus being concentrated in head-office business .
- 2) With our Japanese customers entering into Chinese markets and expanding their business , we have established a Chinese corporation, NS Solutions Software (Shanghai) Co., Ltd., to create and extend business opportunities in China. As we recently announced, this new company is undertaking maintenance & support of the system, which NS Solutions developed, for Fast Retailing Co.'s expansion of its chain of retail stores in China, and in the future this company will undertake full-fledged expansion of its systems integration business in the fields of ERP and PDM.

ERP: Enterprise Resource Planning

PDM: Product Data Management

- 3) To improve our responsiveness to customers, in July of 2002 we established a "Toyota Division" to handle our accounts with Toyota Motor Company. In September 2002, we rearranged our organization in response to reorganization and restructuring in the financial sector in Japan, primarily by strengthening our planning and marketing functions and organizing our sales resources by account and our technical resources by solution.
- 4) To provide one-stop solutions from development to operation and maintenance, we upgraded our ability to offer integrated system lifecycle solutions.
- 5) To improve business efficiency and meet the need for swift closing of accounting, we upgraded our internal business flow, with the new system becoming

operational in October 2002.

As a result, consolidated revenues during the 1st half of the fiscal year to be ended March 31, 2003 reached ¥68,756 million (up 1.3 percent over the same period one year earlier), consolidated recurring profit was ¥5,454 million (down 4.9 percent from the same period last year), and consolidated interim net profit was ¥2,718 million (down 6.7 percent from the same period in the previous year).

Business results by product sector are as follows.

(Business Solutions)

Regarding solutions for industry-specific business applications, we increased revenues primarily in the manufacturing and distribution services industries.

In those industries, investment in information systems to respond to global expansion, enhance competitiveness, and improve efficiency remained steady. While expanding our customer base by utilizing our ability to provide solutions in ERP, PDM, and SCM, we provided solutions in response to customer needs for larger scale and increased integration. We received an order from Canon Sales Co. integrated group solutions combining ERP, CRM, and SCM, and we developed platform-based business systems for First Retailing Co.'s expansion of its chain of retail stores in China.

ERP: Enterprise Resource Planning

PDM: Product Data Management

SCM: Supply Chain Management

CRM: Customer Relationship Management

In the financial sector, the trend towards differentiation of investment areas further strengthened, and competition intensified and market conditions became more trying as restructuring-related investment in information systems ran its course. Even under these conditions, orders for business packages such as “TSSummit” for market software, “Bancware” and “OFSA” for business management software held steady, and we began taking orders for the construction of systems utilizing “e-Fine” for

banking applications software in March 2002. We strengthened our marketing activities with an eye towards orders in the following ways.

The competition among the vendors is increasing along with the trend of government offices to offer more electronic services as part of the e-government movement. We are steadily building a record of achievement through our ability to provide solutions and through the partnerships we have built with multiple government bodies as they further computerize. During the 1st half of the fiscal year to be ended March 31, 2003, we received an order from the Ministry of Education, Culture, Sports, Science and Technology for the development of an on-line application system. Furthermore, to support the advance of information technology in local government, we developed our own integrated platform system for local governments.

As a result, revenues in our Business Solutions Division reached ¥35,323 million, an increase of 4.6 percent compared to the same period last year.

(Platform Solutions)

Our Platform Solutions Division offers open-architecture solutions and engineering services integrating hardware and software platform products. As competition—primarily with hardware manufacturers—heated up, we strove to solidify our customer's base as a provider of integrated open systems that should respond to customer's needs for creation within strict time-constraints of mission critical systems satisfying the highest standards of function and performance.

As a result, revenues in our Platform Solutions Division increased by 0.4 percent over the same period last year, to ¥16,431 million.

(Business Services)

Our Business Services Division provides not only information systems outsourcing from planning and design to development, and a stage further on to operation and maintenance. The Business Services Division has, at the same time, strengthened its ability to respond to diverse customer needs for hosting and network diagnosis, design and construction, and oversight. As mentioned above, we have upgraded our systems

to enable us to provide one-stop services from development to operation and maintenance.

Regarding our account with Nippon Steel, we played a key role in enhancing their competitiveness in the midst of the worldwide rearrangement of the steel industry. We have successfully developed various supply chain management solutions such as the solution for the automotive sheet metal sector. They have shifted procurement of IT systems devices from the purchases through NS Solutions to a direct purchase from the vendor, however, our revenues from Nippon Steel decreased compared with the same period during the previous year.

As a result, revenues in the Business Services Division declined by 4.2 percent from the same period last year, to ¥17,002 million.

2. Prospects for the term as a whole, through the fiscal year to be ended March 31, 2003

During the second half of the current fiscal year, the economic conditions in Japan are expected to remain uncertain. Because investment in information systems to enhance competitiveness is increasingly important, companies to win will lead the way in making it likely that such investment will continue at a steady pace. As the long-term stagnation of the economy continues, however, a stronger trend towards corporate contraction will also be seen, increasing competition and making the management environment in the information systems industry even more difficult.

In this environment, we will steadily strive to ensure that our achievement of the policies implemented to strengthen our business fundamentals are reflected in our bottom line results. We also intend to facilitate our achievement, including the strategic use of proceeds raised through our recent stock offering, for future business expansion through tightened relationship with customers and by leaving our competitors behind through being faster and more effective than they are.

Projected revenue for the entire term is thus expected to reach ¥157,000 million, a 5.4 percent increase over the same period last year. Projected consolidated recurring profit is expected to reach ¥12,600 million, 1.4 percent above figures for the same period a year ago. Consolidated net profit for the term is expected to be ¥6,600 million, 2.8 percent more than the same period last year.

Forecasts regarding the remainder of the term may vary due to factors such as unexpected changes in economic conditions. NS Solutions and its group companies do not guarantee these forecasts.