

Consolidated financial condition

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

	Jun. 30, 2003	Jun. 30, 2004	Mar. 31, 2004
Total assets	¥71,601	¥79,028	¥90,625
Shareholders' equity	43,071	49,419	48,145
Shareholders' equity ratio	60.2%	62.5%	53.1%
Shareholders' equity per share of common stock*	¥1,625.34	¥1,864.91	¥1,816.30

*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 periods ended Jun. 30, 2003 and 2004, and for the fiscal year ended Mar. 31, 2004 is shown in the chart below.

	(Thousands of shares)		Fiscal Year ended Mar. 31, 2004
	Three Months ended Jun. 30, 2003	2004	
Number of issued shares at end of period	26,500	26,499	26,500
Number of own shares at end of period	-	0	0

Ref. Consolidated cash flow

(Millions of yen)

	Three Months ended Jun. 30,			Fiscal Year ended
	2003	2004	Difference	Mar. 2004
Cash flow from operating activities	¥(1,471)	¥1,353	¥+2,824	¥4,033
Cash flow from investing activities	(372)	(561)	-188	(1,116)
Cash flow from financing activities	(568)	(509)	+59	(1,046)
Cash and cash equivalents at end of period	23,243	27,802	+4,559	27,519

Cash and cash equivalents at the end of the first quarter of this fiscal year increased by ¥283 million to ¥27,802 million compared with the end of the last fiscal year. Cash flows by activities are as follows:

Operating Activities: Operating activities generated ¥1,353 million cash. This is mainly due to income before income taxes of ¥1,752 million and improvements in inter-company credit of ¥9,930 million, while negatively impacted by income taxes paid of ¥3,037 million and an increase in inventories of ¥5,028 million.

Investing Activities: Investing activities used ¥560 million cash. This is mainly due to payments for purchase of property and equipment and intangible fixed assets of ¥420 million.

Financing Activities: Financing activities was a negative ¥509 million. This is mainly due to dividends paid of ¥464 million.

Consolidated outlook for the Fiscal Year ending March 31, 2005 (FY2004)

Business results for the three-month period ended June 30, 2004 have been moving steadily as forecasted before. Therefore, there is no change in our outlook both for the first half of the current fiscal year and for the current fiscal year, as mentioned below.

(Millions of yen)

	Current outlook		Previous outlook	
	First half of FY2004	FY2004	First half of FY2004	FY2004
Sales	¥63,000	¥152,000	¥63,000	¥152,000
Recurring profit	3,500	12,000	3,500	12,000
Net income	1,800	6,700	1,800	6,700

Ref. Net income per share forecast (full-year) 126.17 yen*

*Based on the resolution of the Board of Directors held on April 27, 2004, NS Solutions plans to split its share into two shares, effective on August 19, 2004. As a result, the number of the issued shares will increase to 52,998,786. Above mentioned per share amount was calculated by using the number of shares after the stock split.

Adoption of Concise Accounting Procedure for the Quarterly Period

None.

Accounting Procedure Differences between the Quarters ended Jun. 30, 2003 and 2004, and the Fiscal Year ended March 31, 2004

None.

Difference in Consolidation and Equity Method Scope between the Quarters ended Jun. 30, 2003 and 2004, and the Fiscal Year ended March 31, 2004

None.

Non-consolidated Results Information

Non-consolidated operating results

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

	Three Months ended Jun. 30,			Fiscal Year ended
	2003	2004	Difference	Mar. 2004
Sales	¥21,375	¥26,981	26.2%	¥136,136
Operating income	162	1,510	830.0	7,651
Recurring profit	402	1,727	330.0	7,787
Net income	234	1,006	330.1	4,496
Net income per share of common stock				
Basic	¥8.83	¥37.97	330.4%	¥169.14
Diluted	-	-	-	-

* Average shares used for computation of net income per share of common stock for the three-month periods ended Jun. 30, 2003 and 2004, and for the fiscal year ended Mar. 31, 2004 are shown in the chart below.

	Three Months ended Jun. 30,		Fiscal Year ended Mar.
	2003	2004	31, 2004
Net income per share of common stock Basic	26,500	26,499	26,500

(Thousands of shares)

Non-consolidated financial condition

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

	Jun. 30, 2003	Jun. 30, 2004	Mar. 31, 2004
Total assets	¥65,554	¥73,408	¥84,012
Shareholders' equity	39,480	44,895	43,552
Shareholders' equity ratio	60.2%	61.2%	51.8%
Shareholders' equity per share of common stock*	¥1,489.85	¥1,694.20	¥1,642.98

*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 periods ended Jun. 30, 2003 and 2004, and for the fiscal year ended Mar. 31, 2004 is shown in the chart below.

	Three Months ended Jun. 30,		Fiscal Year ended Mar.
	2003	2004	31, 2004
Number of issued shares at end of period	26,500	26,499	26,500
Number of own shares at end of shares	-	0	0

(Thousands of shares)

Non-consolidated Outlook for the Fiscal Year ending March 31, 2005 (FY2004)

Business results for the three-month period ended June 30, 2004 have been moving steadily as forecasted before. Therefore, there is no change in our outlook both for the first half of the current fiscal year and for the current fiscal year, as mentioned below.

(Millions of yen)

	Current outlook		Previous outlook	
	First half of FY2004	FY2004	First half of FY2004	FY2004
Sales	¥56,000	¥137,000	¥56,000	¥137,000
Recurring profit	3,000	10,000	3,000	10,000
Net income	1,700	5,800	1,700	5,800

Ref. Net income per share forecast (full-year) 109.18yen*

*Based on the resolution of the Board of Directors held on April 27, 2004, NS Solutions plans to split its share into two shares, effective on August 19, 2004. As a result, the number of the issued shares will increase to 52,998,786. Above mentioned per share amount was calculated by using the number of shares after the stock split.

(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 CONDENSED CONSOLIDATED BALANCE SHEETS

As of Jun. 30, 2003, Mar. 31, 2004 and Jun. 30, 2004

	Millions of yen			Thousands of U.S. dollars (Note 3)
	Jun. 30, 2003	Mar. 31, 2004	Jun. 30, 2004	Jun. 30, 2004
Assets				
Current assets				
Cash and bank deposits	¥18,339	¥14,605	¥13,811	\$127,376
Deposited money	4,903	12,914	13,990	129,026
Trade notes and accounts receivable	15,605	37,462	19,693	181,615
Inventories	15,641	7,035	12,063	111,248
Deferred tax assets-current	2,333	2,859	2,892	26,672
Others	1,020	682	704	6,487
Allowance for doubtful accounts	(12)	(30)	(14)	(126)
Total current assets	57,829	75,527	63,139	582,298
Property and equipment	4,426	5,009	4,882	45,028
Intangible fixed assets	987	982	965	8,895
Investments and other assets	8,359	9,107	10,042	92,619
Total assets	¥71,601	¥90,625	¥79,028	\$728,840
Liabilities and Shareholders' Equity				
Current liabilities				
Trade notes and accounts payable	8,633	17,232	9,393	86,627
Accrued expenses	3,317	4,732	3,109	28,671
Accrued income taxes	137	3,060	882	8,131
Accrued bonuses to employees	2,743	5,520	2,924	26,971
Others	6,747	4,362	5,538	51,079
Total current liabilities	21,577	34,906	21,846	201,479
Allowance for employees' retirement benefits	5,656	6,042	6,283	57,945
Other long-term liabilities (Note 7)	286	298	314	2,895
Minority interest in consolidated subsidiaries	1,011	1,234	1,166	10,752
Shareholders' equity				
Common stock	12,953	12,953	12,953	119,457
Additional paid-in capital	9,950	9,950	9,950	91,768
Retained earnings	20,783	25,586	26,046	240,212
Reserve for revaluation of land	(754)	(757)	(757)	(6,985)
Valuation gain on available-for-sale securities and others	139	417	1,233	11,373
Foreign currency translation adjustment	0	(4)	(5)	(45)
Treasury stock	-	(0)	(1)	(11)
Total shareholders' equity	43,071	48,145	49,419	455,769
Total liabilities, minority interests and shareholders' equity	¥71,601	¥90,625	¥79,028	\$728,840

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

NS SOLUTIONS CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended Jun. 30, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2004	2004
Net sales	¥23,990	¥29,692	\$273,835
Cost of sales	19,202	23,602	217,667
Gross profit	4,788	6,090	56,168
Selling, general and administrative expenses (Note 5)	4,529	4,380	40,402
Operating income	259	1,710	15,766
Other income (expenses)	13	42	396
Income before income taxes and minority interest	272	1,752	16,162
Income Taxes	228	838	7,735
Income before minority interest	44	914	8,427
Minority interest	(7)	(23)	(218)
Net income	¥51	¥937	\$8,645

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, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2003	2004	2004
Cash flows from operating activities;			
Income before income taxes			
Adjustments to reconcile income before income taxes to net cash provided by operating activities	¥272	¥1,752	\$16,162
Depreciation	269	315	2,908
Decrease in allowance for doubtful accounts	(2,375)	(2,596)	(23,938)
Increase in allowance for employees' retirement benefits, net of payments	178	241	2,222
Decrease (increase) in accounts receivable	22,713	17,769	163,877
Decrease (increase) in inventories	(6,527)	(5,028)	(46,367)
Increase (decrease) in accounts payable	(14,845)	(7,839)	(72,300)
Others, net	1,602	(256)	(2,369)
Sub total	1,287	4,358	40,195
Income taxes paid	(2,763)	(3,037)	(28,009)
Others, net	5	31	289
Net cash provided by operating activities	(1,471)	1,352	12,475
Cash flow from investing activities;			
Payments for purchase of property and equipment and intangible fixed assets	(340)	(420)	(3,878)
Others, net	(32)	(140)	(1,292)
Net cash used for investing activities	(372)	(560)	(5,170)
Cash flows from financing activities;			
Payments for purchase of treasury stock	-	(1)	(9)
Dividends paid	(530)	(464)	(4,277)
Dividends paid to minority shareholders	(38)	(44)	(408)
Net cash provided by (used for) financing activities	(568)	(509)	(4,694)
Effect of exchange rate changes on cash and cash equivalents	0	(0)	(4)
Net increase in cash and cash equivalents	(2,411)	283	2,607
Cash and cash equivalents at beginning of period	25,654	27,519	253,795
Cash and cash equivalents at end of period	¥23,243	¥27,802	\$256,402

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

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presenting Unaudited Condensed Consolidated Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared based on the accounts maintained by NS Solutions Corporation (the "Company") and its consolidated subsidiaries in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards and of accounting principles and practices generally accepted in the United States. The unaudited condensed consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. However, certain reclassifications are incorporated in order to present the unaudited condensed consolidated financial statements in a form which is more familiar to readers outside Japan. Such reclassifications have no effect on net income or retained earnings.

2. Summary of Significant Accounting Policies

(1) Principles of consolidation

Effective April 1, 2002, NS Solutions Osaka Corporation was integrated with NS Solutions Kansai Corporation. The assets, liabilities and shareholder's equity of NS Solutions Osaka Corporation were transferred to NS Solutions Kansai Corporation. This integration did not affect the Company's consolidated financial statements. The Company acquired a 70% interest in the shares of NS Solutions Software (Shanghai) Co., Ltd. at its incorporation on October 17, 2002. The Company's consolidated financial statements include the accounts of this entity from that date.

As a result, the unaudited condensed consolidated financial statements for the three-month period ended June 30, 2003, include the accounts of the Company and its 11 significant subsidiaries, as listed below:

- Hokkaido NS Solutions Corporation
- Tohoku NS Solutions Corporation
- NS Solutions Tokyo Corporation
- NS Solutions Kansai Corporation
- NS Solutions Chubu Corporation
- NS Solutions Nishinohon Corporation
- NS Solutions Kanto Corporation
- NS Solutions Oita Corporation
- Nittetsu Hitachi Systems Engineering, Inc.

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NCI Systems Integration, Inc.

NS Solutions Software (Shanghai) Co., Ltd.

Effective October 1, 2003, NS Solutions Kanto Corporation was integrated with NS Solutions Tokyo Corporation. The assets, liabilities and shareholder's equity of NS Solutions Kanto Corporation were transferred to NS Solutions Tokyo Corporation. This integration did not affect the Company's consolidated financial statements.

As a result, the consolidated financial statements for the fiscal year ended March 31, 2004 and the unaudited condensed consolidated financial statements for the three-month period ended June 30, 2004 include the accounts of the Company and its 10 significant subsidiaries, as listed below:

Hokkaido NS Solutions Corporation

Tohoku NS Solutions Corporation

NS Solutions Tokyo Corporation

NS Solutions Kansai Corporation

NS Solutions Chubu Corporation

NS Solutions Nishinohon Corporation

NS Solutions Oita Corporation

Nittetsu Hitachi Systems Engineering, Inc.

NCI Systems Integration, Inc.

NS Solutions Software (Shanghai) Co., Ltd.

Due to a decrease in its importance as a result of suspension of its business operations, the investment in NS Solutions USA Corporation, a wholly-owned subsidiary, is stated at cost, after recognition of impairment losses, on the Company's consolidated balance sheets. The total assets, net sales, net income and surplus of NS Solutions USA Corporation are not significant to the Company's consolidated financial statements.

All significant inter-company accounts and transactions and unrealized inter-group profit, if any, have been eliminated on consolidation.

The Company's overseas subsidiary, NS Solutions Software (Shanghai) Co., Ltd., has a fiscal year ending December 31, the six-month period ending June 30 and the quarterly periods ending March 31 and September 30, which differ from those of the Company. The Company incorporated this subsidiary's accounts for the three-month period ended March 31, 2004 into these unaudited condensed consolidated financial statements for the three-month period ended June 30, 2004. Any material

NS SOLUTIONS CORPORATION
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transactions occurring in the period, April 1 to June 30, are adjusted for in these unaudited condensed consolidated financial statements.

(2) Investments in affiliates

The Company's investments in three significant affiliates were accounted for using the equity method for the three-month periods ended June 30, 2003 and 2004, as listed below:

NS&I System Service Corporation

Solnet Co., Ltd.

Hokkaido High Information Technology Center Co., Ltd.

The Company's investments in other affiliates remained at their respective acquisition costs. The net income and surplus of these affiliates are not significant to the Company's consolidated financial statements.

Other affiliates are as follows:

Three Months ended June 30, 2003	Three Months ended June 30, 2004
RM Solutions Co. Ltd.	Japan Maintenance and Operation Service Co. Ltd.
iTrust Inc.	

(3) Remeasurement of assets and liabilities of subsidiaries

For consolidated subsidiaries and affiliated companies where the Company exercises control or influence, assets and liabilities of those companies are fully marked to their respective fair values at the date of acquisition of control or influence.

(4) Translation of foreign currency

Assets and liabilities denominated in foreign currencies are translated into yen at the exchange rate prevailing at the relevant balance sheet date.

Assets, liabilities and all income and expense accounts of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rate prevailing at the relevant balance sheet date. Shareholders' equity accounts of foreign subsidiaries and affiliates are translated at historical rates.

The net difference arising from translation of the financial statements of the foreign subsidiaries and affiliates is recorded as a "Foreign currency translation adjustment" in the accompanying unaudited condensed consolidated balance sheets.

(5) Cash and cash equivalents

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Cash and cash equivalents comprise cash in hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which have a minor risk of fluctuation in value.

(6) Allowance for doubtful accounts

Receivables are required to be categorized into “normal receivables” and “doubtful receivables” for the purpose of providing an allowance for doubtful accounts under prevailing accounting practice in Japan. An allowance for doubtful accounts is provided for normal receivables based on the Company’s historical write-off experience, plus an estimate of irrecoverable amounts on an individual account basis.

(7) Allowance for loss on guarantees

An allowance for loss on guarantees is provided at the estimated amount of future losses likely to occur from guaranteeing the indebtedness of other parties, based on the Company’s analysis of the other parties’ financial condition and results of operations.

(8) Inventories

Inventories are valued at cost as determined by the following methods:

Work-in-process.....the individual cost method

Merchandise and supplies.....primarily, the gross average method

(9) Investments in securities

Available-for-sale securities with a market quotation on a stock exchange are valued at market value at the relevant balance sheet date. Unrealized holding gains and losses, net of tax, are recognized in “Valuation gain on available-for-sale securities” as a separate component of shareholders’ equity.

Available-for-sale securities without a market quotation are recorded at cost. The cost of available-for-sale securities sold is principally based on the moving average cost method.

(10) Property and Equipment

Property and equipment is recorded at cost, net of accumulated depreciation of ¥4,327 million and ¥5,072 million (\$46,775 thousand) at June 30, 2003 and 2004, respectively. Depreciation of property and equipment is computed principally using the declining-balance method at rates based on the estimated useful lives of the assets. However, depreciation of buildings (except for building improvements) acquired on or after April 1, 1998, is computed using the straight-line method.

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The Company launched a new business of leasing property and equipment to clients from October 1, 2003. Depreciation of these leased assets is computed using the straight-line method over the period of the lease contract term, with no residual value.

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(11) Intangible fixed assets and long-term prepaid expenses

Amortization of intangible fixed assets and long-term prepaid expenses is computed using the straight-line method over the estimated useful lives of the assets. Software costs for internal use are amortized over their estimated useful lives (less than 5 years) on a straight-line basis.

(12) Goodwill

Goodwill arising from mergers, which represents the excess of the purchase price over the fair value of net assets acquired, is amortized on a straight-line basis over five years unless a more appropriate period of amortization can be identified.

(13) Deferred charges

New stock issuing expenses are charged to income as incurred.

(14) Income taxes

Income taxes consist of corporate income taxes, local inhabitants taxes and enterprise taxes. The Company calculates and records income taxes by using expected tax rates based on statutory effective tax rates.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

(15) Allowance for retirement benefits

(a) Retirement benefits for employees

The employees of the Company are generally covered by retirement benefit plans under which retiring employees are entitled to lump-sum payments determined by reference to current rates of pay, length of service and conditions under which the termination occurs.

An allowance for retirement benefits to employees of the Company and its major consolidated subsidiaries is provided based on the estimated present value of projected benefit obligations. The allowance amount at the end of the three-month period is

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calculated based on the estimated amount at the end of the relevant fiscal year. For some minor consolidated subsidiaries, an allowance for retirement benefits to employees is provided using a simple method, as permitted by "Opinion Concerning Establishment of Accounting Standard for Retirement Benefits", based on the estimated amount which would be payable if all employees voluntarily retired at the relevant balance sheet date.

Actuarial gains (losses) are charged as income or expense in the year they arise.

(b) Retirement benefits for directors

An allowance for retirement benefits to directors and corporate auditors of the Company and its consolidated subsidiaries is provided based on the Companies' internal rules and is based on the estimated amount which would be payable if all directors and corporate auditors retired at the relevant balance sheet date.

(16) Accrued bonuses to employees

Accrued bonuses to employees are provided at the estimated amount which the Company is obliged to pay to employees after the respective period-ends, based on their service for the three-month period ended on the relevant balance sheet date.

(17) Accounting for finance lease transactions

Finance lease transactions, except for those which are deemed to transfer ownership of the leased assets to lessees, are accounted for using a method similar to that used for regular operating lease transactions.

(18) Net income per share

Net income per share of common stock is computed based on the weighted average number of outstanding shares of common stock during the respective periods. Since no convertible bonds or warrants were issued and outstanding, there was no dilutive effect on net income per share during these periods.

The average number of shares used in the computation was 26,500 thousand and 26,499 thousand for the three-month periods ended June 30, 2003 and 2004, respectively. Each of the Company's shares was divided into 4 shares on June 29, 2002, and the weighted average number of outstanding shares adjusted retroactively for the stock splits to the beginning of the year was used in computing net income per share.

Effective from the year ended March 31, 2003, the Company adopted the Statement of Financial Accounting Standard No. 2 "Net income per Share" issued by the Accounting Standards Board of Japan. Prior to adopting the new statement, net income per share was computed based on the net income shown on

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the statement of income. The net income per share computation therefore excluded bonuses to directors and statutory auditors, since under the Japanese Commercial Code, these are recognized as an appropriation of retained earnings, in the statement of shareholders' equity, rather than as expenses in the statement of income. However, the new statement requires that net income should be adjusted by deducting bonuses paid to directors and statutory auditors as well as the payment of dividends to shareholders of preferred stocks to be recognized as an appropriation of retained earnings, from net income shown in the statement of income, and the computation of net income per share be made on that adjusted net income basis. The accounting change did not have a material effect on the net income per share computation.

(19) Accounting for consumption tax

Consumption tax withheld by the Company on revenues and consumption tax paid by the Company on the purchase of goods and on expenses is recorded as an asset or a liability and is not included in the respective account items on the consolidated statements of income.

(20) Appropriation of retained earnings

Under the Japanese Commercial Code and the Articles of Incorporation of the Company, any appropriation of retained earnings proposed by the Board of Directors is subject to approval by the shareholders at a meeting which must be held within three months of the end of each fiscal year. Therefore the appropriations of retained earnings reflected in the accompanying unaudited condensed consolidated financial statements include the results of such appropriations applicable to the immediately preceding fiscal year, as approved at the shareholders' meeting and effected during the relevant year. Dividends are paid to shareholders whose names appear on the shareholders' register as at the end of each fiscal year. As is customary practice in Japan, the payment of bonuses to directors and corporate auditors is made out of retained earnings through an appropriation, instead of being charged to the income for the relevant fiscal year.

The Japanese Commercial Code provides that interim cash dividends may be paid as part of the annual dividend, following approval by the Board of Directors. The Company pays such interim dividends to those shareholders who are listed on the shareholders' register at September 30 of the relevant fiscal year.

(21) Recent pronouncement

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On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Non-current Assets". The standard requires that non-current assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the statement of income by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price or value in use. The standard shall be effective for fiscal years beginning April 1, 2005 or thereafter, with possible early adoption for fiscal years ended March 31, 2004 or thereafter. The Company did not adopt this standard both for the fiscal year ended March 31, 2004 and for the three-month period ended June 30, 2005. The Company's management does not believe that this standard will have a material effect on the Company's consolidated financial statements.

3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers. The rate of ¥108.43=U.S. \$1, the effective rate of exchange prevailing at June 30, 2004, 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.

4. Leases

Leased assets, and related expenses in respect of the Company's finance leases, other than those which transfer ownership of the leased assets, are accounted for using a method similar to that used for regular operating leases. Finance lease charges of the Companies for the three-month periods ended June 30, 2003 and 2004 were ¥350 million and ¥259 million (\$2,393 thousand), respectively. Had they been capitalized, the following items would have been recognized on the unaudited condensed consolidated balance sheets and the unaudited condensed consolidated statements of income as at and for the three-month periods ended June 30, 2003 and 2004:

	Millions of yen		
	Acquisition	Accumulated	
June 30, 2003	Cost	Depreciation	Net balance
Machinery and equipment.....	¥ 80	¥ 39	¥ 42
Tools, furniture and fixtures.....	4,894	3,292	1,602
Others	1,329	873	455

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Total	¥6,303	¥4,204	¥2,099
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	Millions of yen		
	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
March 31, 2004			
Machinery and equipment.....	¥ 97	¥ 54	¥ 43
Tools, furniture and fixtures.....	4,808	3,587	1,221
Others	1,247	880	367
Total	¥6,152	¥4,521	¥1,631

	Millions of yen		
	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
June 30, 2004			
Machinery and equipment.....	¥ 97	¥ 60	¥ 38
Tools, furniture and fixtures.....	3,515	2,395	1,120
Others	1,026	672	353
Total	¥4,638	¥3,127	¥1,511

	Thousands of U.S. dollars (Note 3)		
	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
June 30, 2004			
Machinery and equipment.....	\$ 898	\$ 550	\$ 348
Tools, furniture and fixtures.....	32,413	22,088	10,325
Others	9,466	6,205	3,261
Total	\$42,777	\$28,843	\$13,934

	Millions of yen			Thousands of U.S. dollars (Note 3)
	June 30, 2003	March 31, 2004	June 30, 2004	2004
	Depreciation expense	¥330	¥1,159	¥241
Interest expense	15	50	11	101

Depreciation is computed using the straight-line method over the lease period of leased assets, with no residual value at the end of the lease period. The interest expense portion

NS SOLUTIONS CORPORATION
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is determined by subtracting an amount equivalent to the acquisition cost from the total lease fee. Total interest payments over the lease period are allocated to each period using the interest method.

The present values of future lease payments at June 30, 2003 and 2004, and March 31, 2004 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	June 30, 2003	March 31, 2004	June 30, 2004	2004
	Within one year	¥1,083	¥817	¥702
Over one year.....	1,146	915	768	7,081
Total.....	¥2,230	¥1,732	¥1,470	\$13,559

Future operating lease payments under non-cancelable lease contracts at June 30, 2003 and 2004, and March 31, 2004 are as follows;

	Millions of yen			Thousands of U.S. dollars (Note 3)
	June 30, 2003	March 31, 2004	June 30, 2004	2004
	Within one year	¥4	¥2	¥2
Over one year.....	6	4	4	34
Total.....	¥10	¥6	¥6	\$54

5. Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the three-month periods ended June 30, 2003 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	June 30, 2003	June 30, 2004	2004
	Payroll and bonuses.....	¥1,923	¥1,779
Allowance for employees' retirement benefits	94	72	664
Allowance for directors' retirement benefits	17	16	151
Depreciation expense.....	49	35	322
Operating expense for acceptance of orders.....	805	672	6,195

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. Research and Development Costs

Research and development costs charged to income for the three-month periods ended June 30, 2003 and 2004 were ¥136 million and ¥226 million (\$2,085 thousand), respectively.

7. Contingent Liabilities

The Company's loss contingencies for guaranteeing the indebtedness of other parties, excluding the portion for which a related allowance is provided as a liability on the unaudited condensed consolidated balance sheets, were ¥78 million and ¥51 million (\$468 thousand) at June 30, 2003 and 2004, respectively, both of which are Guarantees for bank loans to Hokkaido High Information Technology Center Co., Ltd.

8. Subsequent Events

(1) Stock Split

Based on the resolution of the Board of Directors held on April 27, 2004, the Company plans to split its share into two shares, effective on August 19, 2004. As a result, the number of the issued shares will increase to 52,998,786.



2005年3月期 第1四半期財務・業績の概況 補足資料 NS Solutions

*Appendix of Financial Information and Business Results Outline for the Quarterly
Period Ended Jun. 30, 2004*

2004年7月27日
July 27, 2004

新日鉄ソリューションズ株式会社 NS Solutions Corporation

(注)この資料において百万円もしくはパーセントで記載してある情報は四捨五入しておりますので、第1四半期財務・業績の概況と数値が異なる場合があります。

(Note) In this material, where information is presented in millions of yen or percentages, these amounts have been rounded. Accordingly, these amounts may differ from figures included in *outline of consolidated financial results for the first quarter* in some cases.

1.連結業績概要 Outline of Consolidated Business Results

(単位:百万円(他に指定ない限り) Millions of Yen, except as otherwise noted)

	2004/3					2005/3				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
サービス区分の分類方法 Categorization method by business line	← 新区分 New →					← 新区分 New →				
受注高 Amount of order acceptance	30,847	40,784	30,452	45,399	147,482	32,749				
業務ソリューション Business solutions	19,790	20,272	17,519	22,088	79,671	19,202				
基盤ソリューション Platform solutions	4,976	6,375	7,056	11,244	29,648	7,090				
ビジネスサービス Business services	6,082	14,137	5,877	12,067	38,163	6,457				
期末受注残高 Order backlog at end of period	31,377	31,577	33,496	21,158	21,158	24,216				
業務ソリューション Business solutions	22,113	20,351	22,964	10,806	10,806	15,610				
基盤ソリューション Platform solutions	3,808	2,667	4,054	2,802	2,802	2,961				
ビジネスサービス Business services	5,456	8,560	6,478	7,550	7,550	5,645				
売上高 Net sales	23,990	40,584	28,533	57,737	150,844	29,692				
業務ソリューション Business solutions	12,276	22,035	14,906	34,247	83,463	14,398				
基盤ソリューション Platform solutions	4,268	7,517	5,668	12,496	29,948	6,932				
ビジネスサービス Business services	7,446	11,033	7,959	10,995	37,433	8,362				
売上総利益 Gross profit	4,788	7,847	—	—	27,485	6,090				
販売費及び一般管理費 Selling, general and administrative expenses	4,529	4,447	—	—	17,759	4,381				
営業利益 Operating income	259	3,400	—	—	9,726	1,710				
経常利益 Recurring profit	253	3,439	—	—	9,785	1,736				
当期純利益 Net income	51	1,883	—	—	5,324	937				
売上高営業利益率(%) Operating income margin (%)	1.1%	8.4%	—	—	6.4%	5.8%				
新日鉄向け売上高 Sales to Nippon Steel Corp.	5,240	7,470	4,974	5,647	23,332	4,450				

	2000/3		2001/3		2002/3		2003/3		2004/3		2005/3		2005/3		2001/9		2002/9		2003/9		2004/9		2004/9			
	(みなし連結 Pro forma consolidated, including EI Division)		(みなし連結 Pro forma consolidated, including EI Division)		(実績 Actual)		(実績 Actual)		(実績 Actual)		(前回見通し Previous Outlook)		(見通し Outlook)		(実績 Actual)		(実績 Actual)		(実績 Actual)		(前回見通し Previous Outlook)		(見通し Outlook)		(実績 Actual)	
サービス区分の分類方法 Categorization method by business line	従来区分 Old	従来区分 Old	従来区分 Old	従来区分 Old	従来区分 Old	従来区分 Old	従来区分 Old	従来区分 Old	新区分 New	新区分 New	新区分 New	新区分 New	新区分 New	新区分 New	従来区分 Old	従来区分 Old	従来区分 Old	新区分 New	新区分 New	新区分 New	新区分 New	新区分 New	新区分 New	新区分 New	新区分 New	
受注高 Amount of order acceptance			143,202	153,844	147,482	147,482									69,794	76,515	71,630	71,630								
業務ソリューション Business solutions			73,029	81,859	74,011	79,671									30,900	42,435	36,950	40,063								
基盤ソリューション Platform solutions			34,394	34,488	36,194	29,648									16,463	15,708	14,756	11,349								
ビジネスサービス Business services			35,779	37,496	37,277	38,163									22,431	18,372	19,924	20,218								
期末受注残高 Order backlog at end of period			※1 23,775	24,520	21,158	21,158									28,478	31,533	31,577	31,577								
業務ソリューション Business solutions			14,501	14,599	10,806	10,806									17,209	21,619	20,351	20,351								
基盤ソリューション Platform solutions			3,603	3,101	2,802	2,802									2,180	2,874	2,666	2,666								
ビジネスサービス Business services			5,670	6,820	7,550	7,550									9,089	7,040	8,560	8,560								
売上高 Net sales	132,683	145,952	148,922	153,098	150,844	150,844	152,000	152,000							67,902	68,756	64,574	64,574	63,000	63,000						
業務ソリューション Business solutions	55,048	72,558	78,534	81,761	77,804	83,463	85,000	—							33,778	35,317	31,199	34,312	31,000	—						
基盤ソリューション Platform solutions	25,459	29,824	35,169	34,990	36,493	29,948	27,000	—							16,369	16,437	15,191	11,784	12,000	—						
ビジネスサービス Business services	52,176	43,570	35,219	36,347	36,547	37,433	40,000	—							17,755	17,002	18,184	18,478	20,000	—						
売上総利益 Gross profit	24,184	31,770	29,719	30,332	27,485	30,300	—								13,803	14,585	12,635	12,700	—							
販売費及び一般管理費 Selling, general and administrative expenses	16,661	20,703	17,240	18,235	17,759	18,400	—								8,058	9,142	8,976	9,200	—							
営業利益 Operating income	7,523	11,067	12,479	12,097	9,726	11,900	11,900								5,745	5,443	3,659	3,500	3,500							
経常利益 Recurring profit	6,948	10,669	12,422	12,086	9,785	12,000	12,000								5,736	5,454	3,691	3,500	3,500							
当期純利益 Net income	3,425	5,827	6,422	6,247	5,324	6,700	6,700								2,915	2,718	1,935	1,800	1,800							
売上高営業利益率(%) Operating income margin (%)	5.7%	7.6%	8.4%	7.9%	6.4%	7.8%	7.8%								8.5%	7.9%	5.7%	5.6%	5.6%							

※1 連結子会社の一部で2002年4月より受注残高管理を開始しました。2002年3月末の受注残高は、2002年4月以降の受注残高との比較可能性を補うため、当該子会社が2002年3月以前から受注残高管理を開始していた場合を想定し算出したものであります。

One of our consolidated subsidiaries has newly started to manage its order backlogs through figures since April 2002. Order backlogs at the end of March 2002 have been estimated as if this change had occurred before March 2002 in order to raise the comparability between the figures in March 2002 and those in and after April 2002.

※2 サービス区分別の受注高・期末受注残高・売上高などの金額は、従来、個別プロジェクト毎に分類しておりましたが、2004年3月期より部門別に分類する方法に変更致しました。2004年3月期については、前年との比較を容易にするため従来区分と新区分の両方を記載しております。Business line-related figures such as order acceptance, order backlog and sales had been categorized on a project-by-project basis. NS Solutions has just started to categorise these figures on a division-by-division basis for the fiscal year ended Mar. 2004. NS Solutions prepared both categorization data for the fiscal year ended Mar. 2004 in order to raise the year-on-year comparability.

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2. 単独業績概要 Outline of Non-consolidated Business Results

(単位:百万円(他に指定ない限り) Millions of Yen, except as otherwise noted)

※3	2004/3					2005/3				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
サービス区分の分類方法 Categorization method by business line	新区分 New					新区分 New				
受注高 Amount of order acceptance	28,888	36,606	27,638	39,699	132,831	30,370				
業務ソリューション Business solutions	18,212	16,846	15,391	18,366	68,815	17,467				
基盤ソリューション Platform solutions	4,803	5,799	6,554	9,643	26,799	6,675				
ビジネスサービス Business services	5,873	13,961	5,693	11,690	37,217	6,228				
期末受注残高 Order backlog at end of period	28,789	29,112	30,889	17,970	106,760	21,359				
業務ソリューション Business solutions	20,409	18,402	20,924	8,610	68,345	13,702				
基盤ソリューション Platform solutions	2,924	2,150	3,487	1,810	10,371	2,013				
ビジネスサービス Business services	5,456	8,560	6,478	7,550	28,044	5,645				
売上高 Net sales	21,374	36,283	25,861	52,618	136,136	26,981				
業務ソリューション Business solutions	10,257	18,853	12,869	30,680	72,659	12,376				
基盤ソリューション Platform solutions	3,880	6,573	5,217	11,320	26,990	6,472				
ビジネスサービス Business services	7,237	10,857	7,775	10,618	36,487	8,133				
売上総利益 Gross profit	3,998	6,434	—	—	22,808	5,263				
販売費及び一般管理費 Selling, general and administrative expenses	3,836	3,799	—	—	15,157	3,753				
営業利益 Operating income	162	2,636	—	—	7,651	1,510				
経常利益 Recurring profit	402	2,639	—	—	7,787	1,727				
当期純利益 Net income	234	1,513	—	—	4,496	1,006				

売上高営業利益率(%) Operating income margin (%)	0.8%	7.3%	—	—	5.6%	5.6%				
新日鉄向け売上高 Sales to Nippon Steel Corp.	5,001	7,002	4,759	5,402	22,164	4,124				

※3	2002/3		2003/3		2004/3		2005/3		2005/3		2001/9		2002/9		2003/9		2004/9		2004/9	
	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)
サービス区分の分類方法 Categorization method by business line	旧区分 Old		旧区分 Old		旧区分 Old		新区分 New		新区分 New		旧区分 Old		旧区分 Old		旧区分 Old		新区分 New		新区分 New	
受注高 Amount of order acceptance	127,671	138,922	132,831	132,831	132,831	132,831	132,831	132,831	132,831	132,831	62,072	69,217	65,493	65,493	65,493	65,493	65,493	65,493	65,493	65,493
業務ソリューション Business solutions	62,304	71,277	63,183	68,815	68,815	68,815	68,815	68,815	68,815	68,815	26,253	36,610	31,964	35,057	35,057	35,057	35,057	35,057	35,057	35,057
基盤ソリューション Platform solutions	31,422	31,365	33,345	26,799	26,799	26,799	26,799	26,799	26,799	26,799	15,027	14,927	14,009	10,602	10,602	10,602	10,602	10,602	10,602	10,602
ビジネスサービス Business services	33,945	36,280	36,303	37,217	37,217	37,217	37,217	37,217	37,217	37,217	20,792	17,680	19,520	19,834	19,834	19,834	19,834	19,834	19,834	19,834
期末受注残高 Order backlog at end of period	20,210	21,275	17,970	17,970	17,970	17,970	17,970	17,970	17,970	17,970	27,789	27,660	29,112	29,112	29,112	29,112	29,112	29,112	29,112	29,112
業務ソリューション Business solutions	12,360	12,454	8,610	8,610	8,610	8,610	8,610	8,610	8,610	8,610	16,520	18,450	18,402	18,402	18,402	18,402	18,402	18,402	18,402	18,402
基盤ソリューション Platform solutions	2,180	2,001	1,810	1,810	1,810	1,810	1,810	1,810	1,810	1,810	2,180	2,170	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150
ビジネスサービス Business services	5,670	6,820	7,550	7,550	7,550	7,550	7,550	7,550	7,550	7,550	9,089	7,040	8,560	8,560	8,560	8,560	8,560	8,560	8,560	8,560
売上高 Net sales	131,680	137,857	136,136	136,136	136,136	136,136	136,136	136,136	136,136	136,136	58,503	61,767	57,656	57,656	57,656	57,656	57,656	57,656	57,656	57,656
業務ソリューション Business solutions	66,099	71,183	67,027	72,659	72,659	72,659	72,659	72,659	72,659	72,659	26,656	30,520	26,016	29,109	26,000	26,000	26,000	26,000	26,000	26,000
基盤ソリューション Platform solutions	32,197	31,544	33,536	26,990	26,990	26,990	26,990	26,990	26,990	26,990	14,958	14,937	13,860	10,453	11,000	11,000	11,000	11,000	11,000	11,000
ビジネスサービス Business services	33,384	35,130	35,573	36,487	36,487	36,487	36,487	36,487	36,487	36,487	16,889	16,310	17,780	18,094	19,000	19,000	19,000	19,000	19,000	19,000
売上総利益 Gross profit	24,469	25,234	22,808	22,808	22,808	22,808	22,808	22,808	22,808	22,808	11,416	12,119	10,433	10,433	10,433	10,433	10,433	10,433	10,433	10,433
販売費及び一般管理費 Selling, general and administrative expenses	14,365	15,525	15,157	15,157	15,157	15,157	15,157	15,157	15,157	15,157	6,675	7,581	7,635	7,635	7,635	7,635	7,635	7,635	7,635	7,635
営業利益 Operating income	10,104	9,709	7,651	7,651	7,651	7,651	7,651	7,651	7,651	7,651	4,741	4,538	2,798	2,798	2,798	2,798	2,798	2,798	2,798	2,798
経常利益 Recurring profit	10,031	9,886	7,787	7,787	7,787	7,787	7,787	7,787	7,787	7,787	4,743	4,774	3,041	3,041	3,041	3,041	3,041	3,041	3,041	3,041
当期純利益 Net income	5,297	5,331	4,496	4,496	4,496	4,496	4,496	4,496	4,496	4,496	2,486	2,529	1,747	1,747	1,747	1,747	1,747	1,747	1,747	1,747
売上高営業利益率(%) Operating income margin	7.7%	7.0%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	8.1%	7.3%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%
売上高売上総利益率(%) Gross profit margin (%)	18.6%	18.3%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	19.5%	19.6%	18.1%	18.1%	18.1%	18.1%	18.1%	18.1%	18.1%	18.1%
業務ソリューション Business solutions	—	19.0%	16.4%	18.3%	18.3%	18.3%	18.3%	18.3%	18.3%	18.3%	—	21.2%	18.4%	20.4%	23.2%	23.2%	23.2%	23.2%	23.2%	23.2%
基盤ソリューション Platform solutions	—	21.0%	17.2%	12.5%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	—	22.3%	19.8%	14.6%	14.6%	14.6%	14.6%	14.6%	14.6%	14.6%
ビジネスサービス Business services	—	14.5%	17.0%	16.8%	15.9%	15.9%	15.9%	15.9%	15.9%	15.9%	—	14.2%	16.3%	16.5%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%
一株当たり配当金(円) Cash dividends per share (yen)	29.16	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	10.41	15.00	17.50	17.50	17.50	17.50	17.50	17.50	17.50	17.50

※1 2003/3期以前は2002/6に実施した株式分割を考慮し遡及修正後の数値 Figures for the fiscal years ended in and before Mar. 2003 have been retroactively revised to reflect stock split made in Jun. 2002.

※2 サービス区分別の受注高・期末受注残高・売上高などの金額は、従来、個別プロジェクト毎に分類しておりましたが、2004年3月期より部門別に分類する方法に変更致しました。2004年3月期については、前年との比較を容易にするため従来区分と新区分の両方を記載しております。Business line-related figures such as order acceptance, order backlog and sales had been categorized on a project-by-project basis. NS Solutions has just started to categorise these figures on a division-by-division basis for the fiscal year ended Mar. 2004. NS Solutions prepared both categorization data for the fiscal year ended Mar. 2004 in order to raise the year-on-year comparability.

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当社は2001年4月1日に新日本製鐵(株)のエレクトロニクス・情報通信事業部(本文中「EI事業部」という。)の営業の一部並びに、新日本製鐵(株)が日鉄日立システムエンジニアリング(株)、エヌシーアイ総合システム(株)及びエヌエスアンドアイ・システムサービス(株)に有する株式持分を譲り受けました。本資料に「みなし連結」として記載されている2000年3月期及び2001年3月期の財務情報は、1999年4月1日及び2000年4月1日にそれぞれこれらの譲り受けが行われたものとみなして作成されております。日本において一般に公正妥当と認められる会計基準又は日本における手続き、法律若しくは規則において、みなし財務情報に関する定めは、現在ありません。また、このみなし財務情報は米国証券取引委員会のみなし財務情報に関する基準に従って作成したものではありません。

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.

The Company acquired part of the business of the Electronics and Information Systems Division of Nippon Steel (referred to “EI Division”), as well as the interests of Nippon Steel in Nittetsu Hitachi systems Engineering, Inc., NCI Systems Integration, Inc., and NS&I System Service Corporation, on April 1, 2001. Such acquisitions are reflected on Financial Information for the fiscal years ended March 31, 2000 and 2001 described as “Pro forma consolidated” as if they had occurred on April 1, 1999 and 2000 respectively. No presentation of “pro forma” financial information is currently required under Japanese GAAP or any procedure, law and regulation in Japan. Moreover, such “Pro forma consolidated” information is not prepared in accordance with the pro forma presentation requirements of the U.S. Securities and Exchange Commission.