NS Solutions Corporation

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January 30, 2007

Outline of Consolidated Financial Results for the Third Quarter

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Consolidated Results for Nine Months ended December 31, 2006

Consolidated operating results

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

	Nine Months ended Dec. 31,			Fiscal Year ended
	2005	2006	Difference	Mar. 31, 2006
Sales	¥95,245	¥101,133	+6.2%	¥148,308
Operating income	6,661	7,287	+9.4	12,117
Recurring profit	6,888	7,412	+7.6	12,356
Net income	4,234	4,077	△3.7	7,482
Net income per share of common stock *				
—Basic	¥79.89	¥76.93		¥141.17
—Diluted	—	—		—

* Average shares used for computation of net income per share of common stock for the nine-month period ended Dec. 31, 2005 and 2006, and for the fiscal year ended Mar. 31, 2006 are shown in the chart below.

(Thousands of shares)

	Nine Months ended Dec. 31,		Fiscal Year ended
	2005	2006	Mar. 31, 2006
Number of average shares	52,998	52,998	52,998

During the nine-month period ended December 31, 2006, it moved steadily to receive orders and record sales, which came mainly from financial institutions. Moreover, each project progressed satisfactorily and so did we toward the completion of various tasks such as business process reform. As a result, sales and recurring profit increased by ¥5,889 million and ¥524 million to ¥101,133 million and ¥7,412 million, respectively, compared with the same period of the last fiscal year. Which means, our businesses ran smoothly for the achievement of our previous outlook.

Consolidated financial condition

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

	Dec. 31, 2005	Dec. 31, 2006	Mar. 31, 2006
Total assets	¥91,473	¥96,589	¥103,117
Shareholders' equity *1	57,358	63,879	60,006
Shareholders' equity ratio*1	62.7%	64.3%	58.2%
Shareholders' equity per share of common stock*2	¥1,082.25	¥1,172.57	¥1,132.23

*1 Minority interests are included in Shareholders' equity at Dec.31, 2006.

*2 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, 2005 and 2006, and for the fiscal year ended Mar. 31, 2006 is shown in the chart below.

(Thousands of shares)

	Nine Months ended Dec. 31,		Fiscal Year ended
	2005	2006	Mar. 31, 2006
Number of issued shares at end of period	52,999	52,999	52,999
Number of own shares at end of period	1	1	1

Ref. Consolidated cash flow

(Millions of yen)

	Nine Months ended Dec. 31,			Fiscal Year ended
	2005	2006	Difference	Mar. 31 2006
Cash flow from operating activities	¥2,977	¥2,040	△936	¥10,420
Cash flow from investing activities	(195)	(6,550)	△6,355	(630)
Cash flow from financing activities	(1,173)	(1,640)	△468	(1,173)
Cash and cash equivalents at end of period	24,714	25,576	862	31,725

Cash and cash equivalents at the end of the third quarter of this fiscal year decreased by ￥6,149 million to ¥25,576 million compared with the end of the last fiscal year. Cash flows by activities are as follows:

Operating Activities: Operating activities generated ¥2,040 million cash. This is mainly due to income before income taxes of ¥7,415 million and improvements in inter-company credit of ¥8,398 million, while negatively impacted by income taxes paid of ¥6,004 million and an increase in inventories of ¥8,810 million.

Investing Activities: Investing activities used ¥6,550 million cash. This is mainly due to payments for purchase of property and equipment and intangible fixed assets of ¥6,181 million, mainly acquisition of data center.

Financing Activities: Financing activities used ¥1,640 million. This is due to dividends paid.

Consolidated outlook for the Fiscal Year ending March 31, 2007 (FY2006)

During the nine-month period ended December 31, 2006, our businesses moved steadily as forecasted previously. Accordingly, NS Solutions keeps our previous outlook unchanged as shown below:

Current outlook (Millions of yen)

	Sales	Recurring profit	Net income
FY2006	¥156,000	13,000	7,300

Ref. Net income per share forecast (full-year) 137.74 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.

Adoption of Concise Accounting Procedure for the Quarterly Period

None.

Accounting Procedure Differences between the Quarters ended Dec. 31, 2005 and 2006, and the Fiscal Year ended March 31, 2006

The Company adopted "Accounting Standard for Impairment of Fixed Assets" and "Application Guideline for Accounting Standard for Impairment of Fixed Assets" from the fiscal year ended March 31, 2006.

Difference in Consolidation and Equity Method Scope between the Quarters ended Dec. 31, 2005 and 2006, and the Fiscal Year ended March 31, 2006.

The Company added NSSLC Service Corporation to the consolidation scope from the fiscal year ended March 31, 2006.

The Company excluded NS&I System Service Corporation from the scope of the equity method at the end of the third quarter, due to sales of the stock on December 28, 2005.

Non-consolidated Results Information

Non-consolidated operating results

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

	Nine Months ended Dec. 31,			Fiscal Year ended
	2005	2006	Difference	Mar. 31 2006
Sales	¥85,264	¥90,059	+5.6%	¥133,143
Operating income	5,325	5,547	+4.2	9,484
Recurring profit	5,640	5,896	+4.5	9,794
Net income	4,059	3,495	△13.9	6,732
Net income per share of common stock				
—Basic	¥76.58	¥65.95		¥127.01
—Diluted	—	—		—

* Average shares used for computation of net income per share of common stock for the nine-month period ended Dec. 31, 2005 and 2006, and for the fiscal year ended Mar. 31, 2006 are shown in the chart below.

(Thousands of shares)

	Nine Months ended Dec. 31,		Fiscal Year ended Mar.
	2005	2006	31, 2006
Number of average shares	52,998	52,998	52,998

Non-consolidated financial condition

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

	Dec. 31, 2005	Dec. 31, 2006	Mar. 31, 2006
Total assets	¥85,655	¥89,854	¥96,052
Shareholders' equity	51,650	55,285	53,730
Shareholders' equity ratio	60.3%	61.5%	55.9%
Shareholders' equity per share of common stock*	¥974.56	¥1,043.15	¥1,013.81

* 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, 2005 and 2006, and for the fiscal year ended Mar. 31, 2006 is shown in the chart below.

(Thousands of shares)

	Nine Months ended Dec. 31,		Fiscal Year ended Mar.
	2005	2006	31, 2006
Number of issued shares at end of period	52,999	52,999	52,999
Number of own shares at end of period	1	1	1

Non-consolidated Outlook for the Fiscal Year ending March 31, 2006 (FY2005)

Current outlook (Millions of yen)

	Sales	Recurring profit	Net income
FY2006	¥139,500	10,700	6,300

Ref. Net income per share forecast (full-year) 118.87 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 CONDENSED CONSOLIDATED BALANCE SHEETS

As of Dec. 31, 2005, Mar. 31, 2006 and Dec. 31, 2006

	Millions of yen			Thousands of U.S. dollars (Note 4)
	Dec. 31, 2005	Mar. 31, 2006	Dec. 31, 2006	Dec. 31, 2006
Assets				
Current assets				
Cash and bank deposits (Note9)	¥12,371	¥12,845	¥5,357	$44,973
Deposited money (Note9)	12,343	18,880	14,800	124,253
Trade notes and accounts receivable	20,804	34,234	20,103	168,776
Short-term investments (Note9)	—	—	5,499	46,171
Inventories	16,448	7,634	16,444	138,057
Deferred tax assets-current	2,914	3,218	3,086	25,912
Others	594	571	739	6,200
Allowance for doubtful accounts	(14)	(21)	(14)	(115)
Total current assets	65,460	77,361	66,014	554,227
Property and equipment (Note 2(9))	4,451	4,861	9,679	81,257
Intangible fixed assets	624	524	407	3,415
Investments and other assets				
Long term loan-related party	12,000	12,000	12,000	100,747
Others	8,938	8,371	8,489	71,276
Total assets	¥91,473	¥103,117	¥96,589	$810,922
Liabilities				
Current liabilities				
Trade notes and accounts payable	10,691	15,691	9,958	83,608
Accrued expenses	2,733	2,605	2,634	22,115
Accrued income taxes	1,332	3,806	1,181	9,916
Advance receipts	5,412	3,212	4,903	41,167
Accrued bonuses to employees	3,017	5,803	2,924	24,546
Accrued bonuses to directors	—	22	—	—
Allowance for program product warranties	—	337	374	3,138
Others	1,691	1,901	1,855	15,569
Total current liabilities	24,876	33,377	23,829	200,059
Allowance for employees' retirement benefits	7,519	7,810	8,520	71,534
Other long-term liabilities	280	301	361	3,025
Total liabilities	32,675	41,488	32,710	274,618
Minority interests	1,441	1,623	—	—

	Millions of yen			Thousands of U.S. dollars (Note 4)
	Dec. 31, 2005	Mar. 31, 2006	Dec. 31, 2006	Dec. 31, 2006
Net Assets				
Shareholders' equity				
Common stock	12,953	12,953	12,953	108,746
Additional paid-in capital	9,950	9,950	9,950	83,540
Retained earnings	34,352	37,600	40,087	336,557
Treasury stock	(2)	(2)	(2)	(22)
Total shareholders' equity	57,253	60,501	62,988	528,821
Valuation and translation adjustments				
Valuation gain on available-for-sale securities	863	780	430	3,614
Reserve for revaluation of land	(757)	(1,277)	(1,277)	(10,721)
Foreign currency translation adjustment	(1)	2	3	24
Total valuation and translation adjustments	104	(495)	(844)	(7,083)
Minority interests	—	—	1,735	14,566
Total liabilities and net assets	¥91,473	¥103,117	¥96,589	$810,922

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 Nine Months Ended Dec. 31, 2005 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2005	2006	2006
Net sales	¥95,245	¥101,133	$849,076
Cost of sales	75,588	79,892	670,747
Gross profit	19,657	21,241	178,329
Selling, general and administrative expenses (Note 6,7)	12,996	13,954	117,148
Operating income	6,661	7,287	61,181
Other income (expenses)	726	128	1,075
Income before income taxes and minority interest	7,388	7,415	62,256
Income Taxes	3,084	3,176	26,663
Income before minority interest	4,304	4,239	35,593
Minority interest	(69)	(162)	(1,362)
Net income	¥4,234	¥4,077	$34,231

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 Nine Months Ended Dec. 31, 2005 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2005	2006	2006
Cash flows from operating activities;			
Income before income taxes			
Adjustments to reconcile income before income taxes to net cash provided by operating activities	¥7,388	¥7,415	$62,256
Depreciation	965	1,257	10,550
Decrease in allowance for doubtful accounts	(2,696)	(2,901)	(24,356)
Increase in allowance for employees' retirement benefits, net of payments	579	710	5,958
Loss on sale of investments in affiliates, net	(494)	—	—
Decrease in accounts receivable	16,462	14,131	118,637
Increase in inventories	(8,946)	(8,810)	(73,968)
Decrease in accounts payable	(6,650)	(5,733)	(48,130)
Others, net	1,110	1,864	15,658
Sub total	7,717	7,933	66,605
Income taxes paid	(6,112)	(6,004)	(50,410)
Interest and dividends received	1,371	111	934
Others, net	—	(0)	(1)
Net cash provided by operating activities	2,977	2,040	17,128
Cash flow from investing activities;			
Payments for purchase of short-term investments	—	(80)	(671)
Payments for purchase of property and equipment and intangible fixed assets	(901)	(6,181)	(51,896)
Payments for purchase of investments in securities	(1)	(5)	(46)
Proceeds from sale of investments in affiliates	914	—	—
Payments for purchase of investments in affiliates	—	(18)	(147)
Others, net	(208)	(266)	(2,233)
Net cash used for investing activities	(195)	(6,550)	(54,993)
Cash flows from financing activities;			
Payments for purchase of treasury stock	(0)	(0)	(2)
Dividends paid	(1,126)	(1,590)	(13,349)
Dividends paid to minority shareholders	(46)	(50)	(420)
Net cash used for financing activities	(1,173)	(1,640)	(13,771)
Effect of exchange rate changes on cash and cash equivalents	6	1	8
Net increase in cash and cash equivalents	1,615	(6,149)	(51,628)
Cash and cash equivalents at beginning of period	23,099	31,725	266,354
Cash and cash equivalents at end of period	¥24,714	¥25,576	$214,726

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

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by the Company and its consolidated subsidiaries in accordance with the provisions set forth in the Corporate Law of Japan, the Securities and Exchange Law of Japan, and 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 and applied in the United States. The 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 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

The consolidated financial statements for the nine-month period ended December 31, 2005 and 2006 and the fiscal year ended March 31, 2006 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 Nishinihon Corporation
NS Solutions Oita Corporation
NSSLC Service 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 and the nine-month period ending September 30, which differ from those of the Company. The company incorporated this subsidiary's accounts for the nine-month period ended September 30, 2006 into these unaudited condensed consolidated financial statements for the nine-month period ended December 31, 2006. Any material transactions occurring in the period, April 1 to December 31 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 nine-month period ended December 31, 2005 as listed below:

NS&I System Service Corporation
Solnet Co., Ltd.
Hokkaido High Information Technology Center Co., Ltd.

The Company excluded NS&I System Service Corporation from the scope of the equity method at the end of the third quarter, due to the sale of the Company's ownership interest in it on December 28, 2005.

As a result, the Company's investments in the two significant affiliates were accounted for using the equity method for the fiscal years ended March 31,2006 and the nine-month period ended December 31, 2006 as listed below:

Solnet Co., Ltd.
Hokkaido High Information Technology Center Co., Ltd.

(3) Cash and cash equivalents

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.

(4) 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.

(5) 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.

(6) Allowance for program product warranties

Allowance for program product warranties is provided at the estimated amount computed by the actual rate of the past expenditure, in order that the Company prepare for expenditure of program product warranties in the future.

Effective from the year ended March 31, 2006, the Company adopted the above procedure. Prior to this adoption, program product warranty expenses were charged to income in the fiscal year when the payment was made. Compared to the results which would have been obtained applying the same procedure as that used in the previous period, operating income and income before income taxes and minority interests decreased ¥37 million ($309 thousand).

(7) 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

(8) Investments in securities

Debt securities held-to-maturity are valued at amortized cost method (straight-line method).

Available-for-sale securities with a market quotation on a stock exchange are valued at market value. 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.

(9) Property and equipment

Property and equipment is recorded at cost, net of accumulated depreciation of ¥5,972 million and ¥7,026 million ($58,989 thousand) at December 31, 2005 and 2006 and ¥6,210 million at March 31, 2006, 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.

Depreciation of the 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.

(10) 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.

(11) 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. 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.

(12) Accrued bonuses

(a) Bonuses to employees

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

(b) Bonuses to directors

Accrued bonuses to directors are provided at the estimated amount which the Company is obliged to pay directors after period-end, based on their service for the fiscal year ended on the relevant balance sheet date.

Effective from the year ended March 31, 2006, the Company adopted the Statement of “Practical solution on Directors’ Bonus” issued by the Accounting Standards Board Japan. Prior to adopting the new statement, bonuses to directors and corporate auditors were included in an appropriation of retained earnings. However the new statement requires that bonuses to directors and corporate auditors which proposed outside appropriation of retained earnings should be charged to the income for the relevant fiscal year. The Company does not charge the bonuses to directors and corporate auditors to the income for the relevant nine-month period ended December 31, 2006 because of its uncertainty of estimation.

(13) 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.

(14) 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. Under the Statement of Financial Accounting Standard No. 2 “Net income per Share” issued by the Accounting Standards Board of Japan, 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. 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 52,998 thousand for the nine-month period ended December 31, 2005 and 2006, and the fiscal years ended March 31, 2006 respectively.

(15) Accounting standard for impairment of fixed assets

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets." The standard requires that fixed 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 income statement by reducing the carrying amount of impaired assets or group of assets to the recoverable amount to be measured as the higher of net selling price and value in use. The standard shall be effective for fiscal years beginning April 1, 2005, or thereafter, with early adoption possible for fiscal years ended March 31, 2004, or thereafter.

The Company adopted this standard with effect from the year beginning April 1, 2005. The adoption of this standard had no effect on the Company's consolidated financial statements for the nine-month period ended December 31, 2005 and 2006, and the fiscal years ended March 31, 2006.

3. Change in Accounting Principle

(1)Accounting Standard for Net Assets of Balance Sheet

"Accounting Standard for Net Assets of Balance Sheet" and "Application Guideline for Accounting Standard for Net Assets of Balance Sheet" have been adopted from the current term.

Total amount of conventional shareholders' equity was 62,144 million yen ($521,738) at December 31, 2006.

4. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers. The rate of ¥119.11=U.S. $1, the effective rate of exchange prevailing at December 31, 2006, 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.

5. 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 were ¥368 million and ¥237 million ($1,993 thousand) for the nine-month period ended December 31, 2005 and 2006 and ¥463 million for the fiscal year ended March 31, 2006, respectively. Had they been capitalized, the following items would have been recognized on the consolidated balance sheets and the consolidated statements of income as at and for the nine-month period ended December 31, 2005 and 2006 and the fiscal year ended March 31, 2006:

	Millions of yen		
December 31, 2005	Acquisition Cost	Accumulated Depreciation	Net balance
Machinery and equipment	¥ 26	¥ 16	¥ 10
Tools, furniture and fixtures	1,889	1,351	538
Software	556	429	127
Total	¥2,470	¥1,796	¥674

	Millions of yen		
March 31, 2006	Acquisition Cost	Accumulated Depreciation	Net balance
Machinery and equipment	¥ 26	¥ 17	¥ 9
Tools, furniture and fixtures	1,897	1,416	481
Software	476	358	119
Total	¥2,399	¥1,791	¥ 608

	Millions of yen		
December 31, 2006	Acquisition Cost	Accumulated Depreciation	Net balance
Machinery and equipment	¥ 17	¥ 11	¥ 6
Tools, furniture and fixtures	1,221	795	426
Software	365	254	111
Total	¥1,603	¥1,059	¥ 544

	Thousands of U.S. dollars (Note 4)		
December 31, 2006	Acquisition Cost	Accumulated Depreciation	Net balance
Machinery and equipment	$ 143	$ 89	$ 54
Tools, furniture and fixtures	10,249	6,669	3,580
Software	3,064	2,134	930
Total	$13,456	$8,892	$4,564

	Millions of Yen			Thousands of U.S. dollars (Note 4)
	December 31, 2005	March 31, 2006	December 31, 2006	December 31, 2006
Depreciation expense	¥341	¥431	¥218	$1,831
Interest expense	15	19	11	91

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 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 December 31, 2005 and 2006 and March 31, 2006 are as follows:

	Millions of Yen			Thousands of U.S. dollars (Note 4)
	December 31, 2005	March 31, 2006	December 31, 2006	December 31, 2006
Within one year	¥247	¥246	¥212	$ 1,785
Over one year	462	387	374	3,135
Total	¥709	¥632	¥586	$4,920

Future operating lease payments under non-cancelable lease contracts at December 31, 2005 and 2006 and March 31, 2006 are as follows;

	Millions of Yen			Thousands of U.S. dollars (Note 4)
	December 31, 2005	March 31, 2006	December 31, 2006	December 31, 2006
Within one year	¥2	¥2	¥1	$5
Over one year	1	1	0	2
Total	¥3	¥3	¥1	$7

6. Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the nine-month period ended December 31, 2005 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. dollars (Note 4)
December 31	2005	2006	2006
Payroll and bonuses	¥604	¥528	$4,434
Allowance for employees' retirement benefits	268	295	2,476
Allowance for directors' retirement benefits	54	60	503
Depreciation expense	131	156	1,313
Operating expense for acceptance of orders	2,172	2,341	19,651

7. Research and Development Costs

Research and development costs charged to income for the nine-month period ended December 31, 2005 and 2006 were ¥831 million and ¥859 million ($7,208 thousand), respectively.

8. 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 consolidated balance sheets, were ¥9 million at December 31, 2005 and ¥2 million at March

31, 2006, respectively, each of which are Guarantees for bank loans of the Hokkaido High Information Technology Center Co., Ltd.

9. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2005 and 2006 and March 31, 2006 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 4)
	December 31, 2005	March 31, 2006	December 31, 2006	December 31, 2006
Cash and bank deposits..................	¥12,371	¥12,845	¥5,357	$44,973
Deposited money............................	12,343	18,880	14,800	124,253
Debt securities held-to-maturity within three months..................	—	—	5,419	45,500
Cash and cash equivalents............	¥24,714	¥31,725	¥25,576	$214,726