



NS Solutions

Financial Information Meeting for First Half FY2006 (First Half ended Sep. 30, 2006)

2006. 10. 26

Shigeru Suzuki

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NS Solutions Corporation

FORWARD-LOOKING STATEMENTS

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.

H1 FY06 Consolidated Results Highlights

(Billions of yen)

	H1 FY05 (Actual) A	H1 FY06 (Actual) B	Change B-A	H1 FY06 (Previous outlook) C	Change B-C
Sales	64.8	70.1	+ 5.3	66.0	+ 4.1
Business solutions	33.6	39.4	+ 5.8	33.5	+ 5.9
Platform solutions	12.3	12.1	- 0.2	12.5	- 0.4
Business services	18.9	18.6	- 0.3	20.0	- 1.4
Gross profit	13.4	14.5	+ 1.1	13.5	+ 1.0
<Gross profit margin>	<20.7%>	<20.8%>	<+ 0.1%>	<20.5%>	<+ 0.3%>
SG&A	-8.8	-9.4	- 0.6	-9.1	- 0.3
Operating income	4.6	5.1	+ 0.5	4.4	+ 0.7
Recurring profit	4.8	5.2	+ 0.4	4.5	+ 0.7
Net income	2.7	3.0	+ 0.3	2.5	+ 0.5

H1 FY06 Sales by Business Line/Customer Industry



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(Billions of yen)

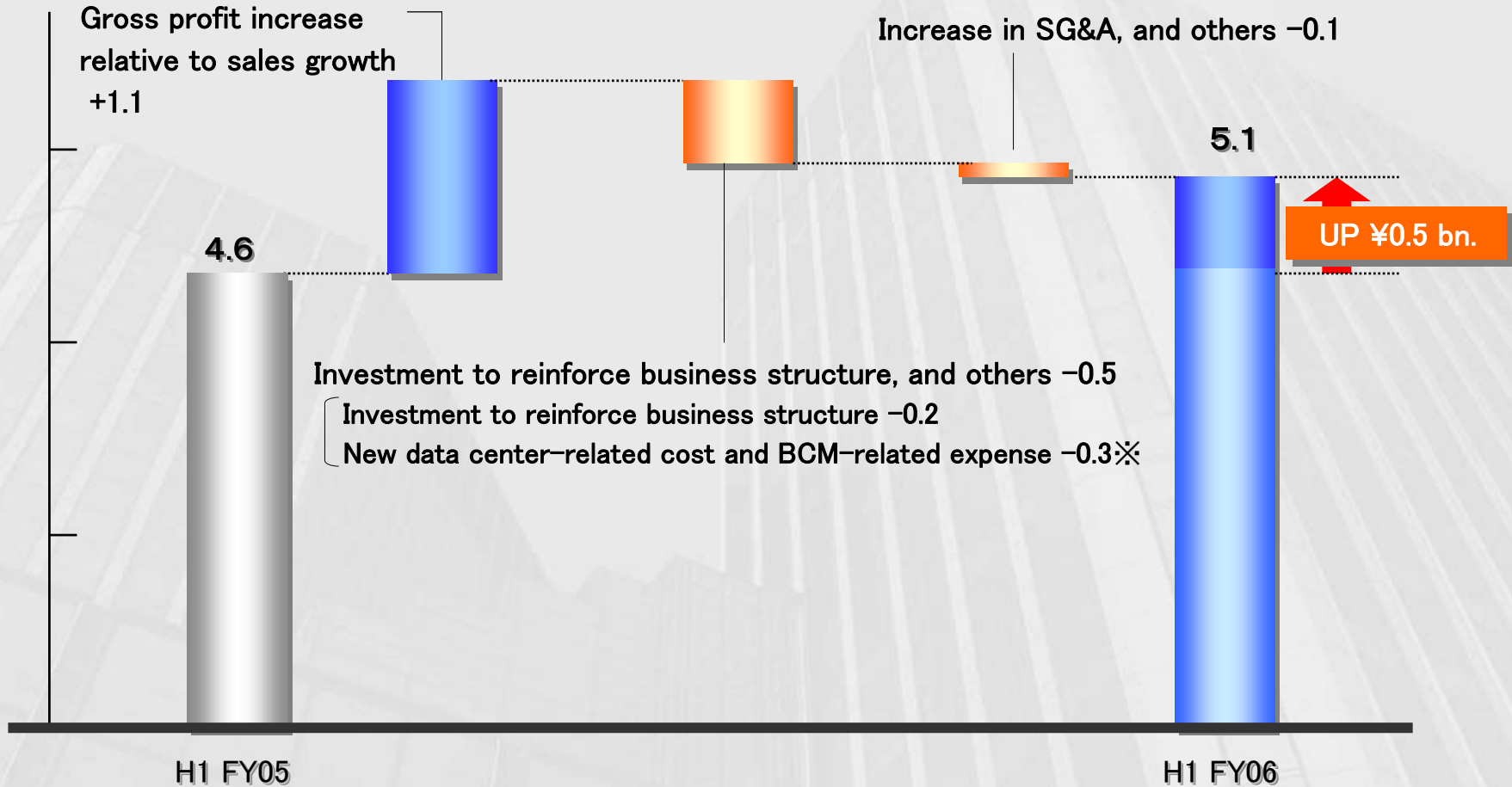
Business line/ Customer industry	H1 FY05 (Actual) A	H1 FY06 (Actual) B	Change B-A	Comment
Business solutions	28.1	33.0	+ 4.9	
Manufacturing, distribution and service industries	15.6	15.9	+ 0.3	Steady performance in manufacturing, distribution and service sectors
Financial services	7.1	10.2	+ 3.1	Growth mainly in megabank sector
Government, public organization and others	5.4	6.9	+ 1.5	Growth in satellite and science sectors
Platform solutions	11.0	11.2	+ 0.2	Increase in product maintenance
Business services	18.6	18.4	- 0.2	Decrease in Nippon Steel-related business. Increase in non-Nippon Steel business.
Non-consolidated sales	57.7	62.6	+ 4.9	
Subsidiaries, net	7.1	7.5	+ 0.4	
Consolidated sales	64.8	70.1	+ 5.3	

H1 FY06 Consolidated Operating Income Breakdown



Year on Year

(Billions of yen)

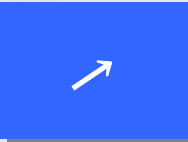
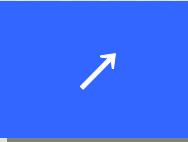



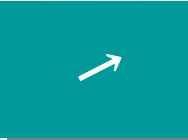


※BCM: Business Continuity Management

Market Trends by Business Line/ Customer Industry are...



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Business line /Customer industry	Market trend	Market direction
Business solutions Manufacturing, distribution and service industries Financial services Government and public organizations	<ul style="list-style-type: none"> ▪ Steady demand from large-scale manufacturers such as auto, electric and high-tec industries, and service industry ▪ Mainly mega banks have started expanding strategic IT investment ▪ Postal service privatization triggers Japan Post's IT investment ▪ Movement for reforming government's procurement procedures and for shifting to open systems ▪ Demand from satellite and science sectors has been moving steadily 	  
Platform solutions	<ul style="list-style-type: none"> ▪ Expanding demand for IT infrastructure investment for the sake of advancing informatization, reducing TCO※ and following new regulations, and others 	Engineering  Product sales 
Business services	<ul style="list-style-type: none"> ▪ Expanding demand for data centers to deliver large-volume content on the Internet ▪ Needs for various utility services 	

※ TCO: Total Cost of Ownership

Outlook for FY06 Consolidated Results

(Billions of yen)

	FY05 (Actual) A	FY06 (Outlook) B	FY06 (Previous outlook)	Change B-A
Sales	148.3	156.0	152.0	+ 7.7
Business solutions	84.0	91.5	86.5	+ 7.5
Platform solutions	24.2	24.5	24.5	+ 0.3
Business services	40.1	40.0	41.0	- 0.1
Gross profit	30.5	32.1	31.4	+ 1.6
<Gross profit margin>	<20.6%>	<20.6%>	<20.7%>	<+ 0.0%>
SG&A	-18.4	-19.2	-19.0	- 0.8
Operating income	12.1	12.9	12.4	+ 0.8
Recurring profit	12.4	13.0	12.5	+ 0.6
Net income	7.5	7.3	7.0	- 0.2

Outlook for FY06 Sales by Business Line / Customer Industry



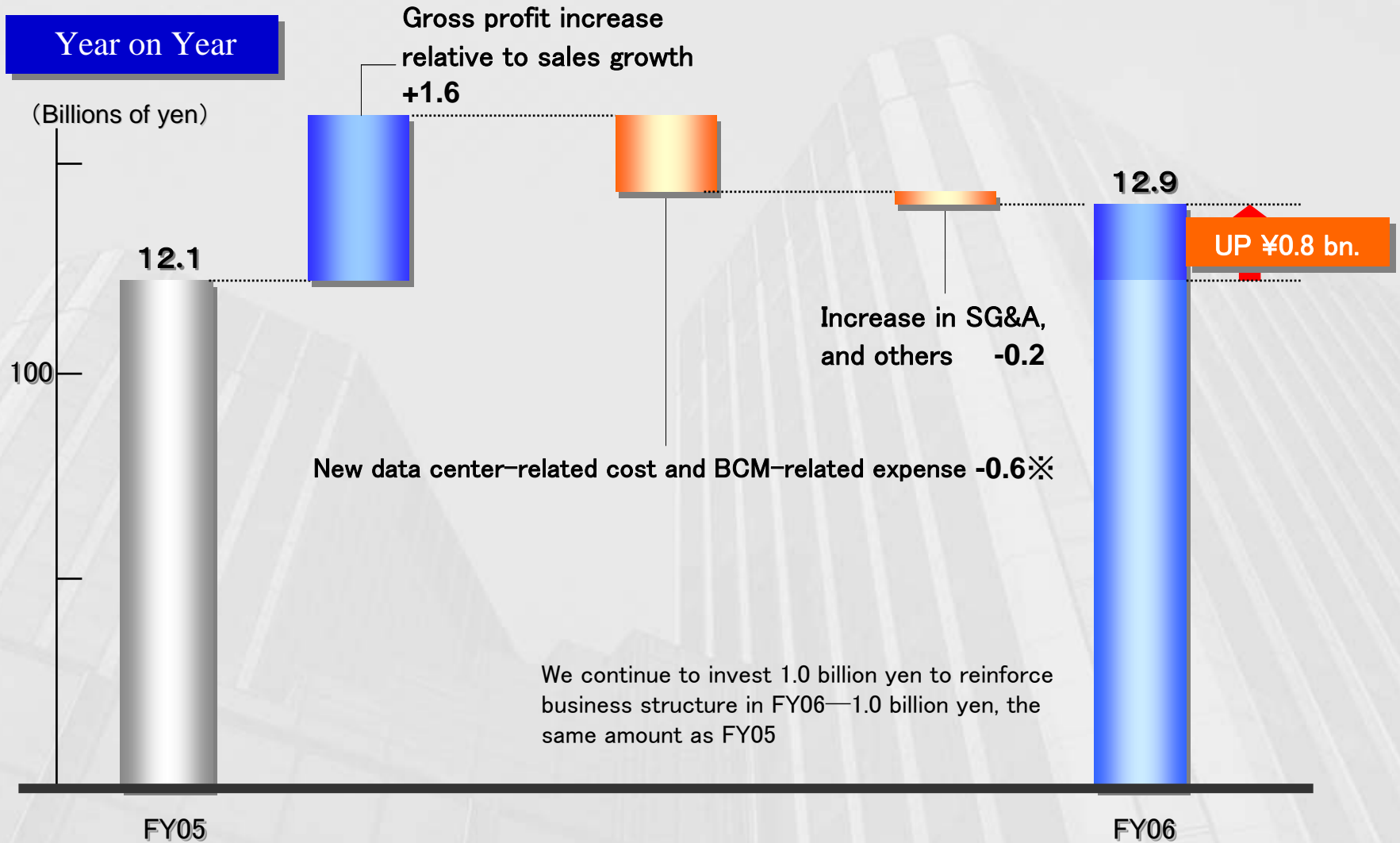
(Billions of yen)

Business line/ Customer industry	FY05 (Actual) A	FY06 (Outlook) B	FY06 (Previous outlook)	Change B-A	Comment
Business solutions	72.0	78.0	73.5	+ 6.0	Growth mainly in financial service sector
Manufacturing, distribution and service industries	36.6	37.0	37.5	+ 0.4	
Financial services	19.6	24.0	20.0	+ 4.4	Sales growth in megabanks, Japan Post and others
Government, public organization and others	15.8	17.0	16.0	+ 1.2	Growth in satellite and science sectors
Platform solutions	21.5	22.0	22.0	+ 0.5	Growth in engineering and maintaining products
Business services	39.6	39.5	40.5	- 0.1	Decrease in Nippon Steel-related business. Increase in non-Nippon Steel business.
Non-consolidated sales	133.1	139.5	136.0	+ 6.4	
Subsidiaries, net	15.2	16.5	16.0	+ 1.3	
Consolidated sales	148.3	156.0	152.0	+ 7.7	

FY2006 Consolidated Operating Income Breakdown



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※BCM: Business Continuity Management

Outlook for FY2006 Semiannual Consolidated Results



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(Billions of yen)

	FY05(Actual)		FY06(Outlook)		Change	
	H1 A	H2 B	H1 C	H2 D	H1 C-A	H2 D-B
Sales	64.8	83.5	70.1	85.9	+ 5.3	+ 2.4
Business solutions	33.6	50.4	39.4	52.1	+ 5.8	+ 1.7
Platform solutions	12.3	11.9	12.1	12.4	- 0.2	+ 0.5
Business services	18.9	21.2	18.6	21.4	- 0.3	+ 0.2
Gross profit	13.4	17.1	14.5	17.6	+ 1.1	+ 0.5
<Gross profit margin>	<20.7%>	<20.5%>	<20.8%>	<20.5%>	<+ 0.1%>	<+ 0.0%>
SG&A	-8.8	-9.6	-9.4	-9.8	- 0.6	- 0.2
Operating income	4.6	7.5	5.1	7.8	+ 0.5	+ 0.3
Recurring profit	4.8	7.6	5.2	7.8	+ 0.4	+ 0.2
Net income	2.7	4.8	3.0	4.3	+ 0.3	- 0.5
Order backlog at beginning of period	35.5	45.4	38.0	47.9	+ 2.5	+ 2.5

Basic policy for business operations

- Selection and concentration of industries and clients
- Shift to large-scale and high value added businesses
- Shift from selling products to engineering and supporting & maintaining products



Specific measures by business line/customer industry

- Business solutions for:
 - Manufacturing, distribution and service industries. ▪ Expanding business horizontally within the same industry ▪ Deepening and strengthening relationship with existing clients ▪ Winning large-scale customers
 - Financial services. Growth in our turf such as trading, management and database design businesses
 - Government and public organization. Focus on satellite, science, lifeline, education and others
- Platform solutions: Growth in engineering and supporting & maintaining products

How we're going ahead with Major Business Strategies...

Measures

1. Enhancing technical capabilities to develop systems in an organized way

2. Strengthening sales forces

3. Incubating and enlarging service businesses

4. Carrying forward business continuity management

5. Improving management of subcontractors

How we're going...

- We facilitate sharing of system development standard and know-how
- Operation of dispersed development tools to start in H2 FY06
- Expanding internal use of sales processes by using SFA※
- Expanding utility service menu
- New data center has gone into full-scale operation
- We've built framework
- Started BCM solutions for clients
- New system went live in H1 FY06

※SFA: Sales Force Automation

Enhancing Technical Capabilities to Develop Systems in an Organized Way

1. Setting system development standard

- SLC standard we set last year is being applied to almost all orders※1
- We continue to improve software development processes by using "SPEAK", which is self-developed evaluation and assessment kit ※2
- We've set beta version of IT infrastructure engineering and operating standards. Improving it in H2 FY06.

2. Sharing know-how corporate-wide

- Facilitating sharing of case study and technical information on its portal site. Trying to increase the site's visitors.
- We've considered efficient role sharing between NS Solutions, subsidiaries and partner firms. We train employees and spread SLC standard in subsidiaries in H2 FY06.

3. Realizing the concept of modern software factory

- Tools for project management
- Tools for auto-generation
- Environment for dispersed development

- Operation of dispersed development tools to start in H2 FY06

※1 SLC: System Life Cycle

※2 SPEAK: Software Process Evaluation & Assessment Kit

We've built framework based on BCM master plan.

① Risk management for reliability of financial reporting

- We've assessed design of internal control and clarified the problems.
- We assess implementation of internal control and take measures to meet the situation in H2 FY06 (improve computer systems and business process standards)

② Risk management for information asset security

- We've performed risk analysis and implemented countermeasures against the situation (detecting spyware, etc.)
- We've designed Security BCP(contingency plan in the unlikely event of information leaks)

③ Risk management for disaster

- We've established a basic business continuity plan against disaster
- We've made a short list of target internal systems for disaster recovery sites.
We set out a concrete program in H2 FY06.

④ Promoting BCM solutions for clients

① Tightening compliance control

- We've conducted workshops for all object employees to follow Act Against Delay in Payment of Subcontract Proceeds, etc. and Worker Dispatch Law
- Employees can use check lists

② Management system for subcontractors

- New system has gone live in H1 FY06(including ID and entry management)

③ E-learning

- We've started e-learning program for all subcontractors and temporary workers in H1 FY06

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- We've acquired No.1 Data Center that we had rented for business
 - We've set up system development center in Dalian, China
(We've closed a quantity guarantee contract with Dalian Hi-Think Computer Technology Co., Ltd.(DHC))
 - Alliance with CA Japan, Ltd.
(Project and portfolio management solution)
 - Alliance with Apriso Corporation Japan
(Enterprise operations execution solution)
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<http://www.ns-sol.co.jp/>