

CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries
For the six-month period ended September 30, 2006



NS Solutions

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Consolidated Balance Sheets (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

September 30, 2005 and 2006, and March 31, 2006

	Millions of yen			Thousands of U.S. dollars (Note 5)
	September 30, 2005	March 31, 2006	September 30, 2006	September 30, 2006
Assets				
Current assets:				
Cash and bank deposits (Note 6)	¥11,199	¥12,845	¥6,512	\$ 55,231
Deposited money (Note 6).....	12,951	18,880	19,567	165,964
Trade notes and accounts receivable	25,955	34,234	27,211	230,796
Inventories.....	12,599	7,634	11,934	101,220
Deferred tax assets-current.....	2,867	3,218	3,033	25,724
Others	438	571	582	4,939
Allowance for doubtful accounts	(16)	(21)	(14)	(117)
Total current assets	65,993	77,361	68,825	583,757
Property and equipment (Note 3 (11));				
Buildings and structures	1,523	1,590	6,814	57,791
Machinery and equipment	8	8	7	58
Tools, furniture and fixtures	1,998	2,097	2,118	17,968
Land.....	883	883	883	7,489
Construction in progress	143	283	207	1,755
Total property and equipment	4,555	4,861	10,029	85,061
Intangible fixed assets:				
Software	542	430	309	2,622
Others.....	116	94	87	739
Total intangible fixed assets	658	524	396	3,361
Investments and other assets:				
Investments in securities (Note 7).....	4,387	2,928	2,583	21,906
Long-term prepaid expenses	28	38	39	328
Deferred tax assets-non-current.....	3,614	3,111	3,442	29,196
Guarantee deposits.....	2,039	2,045	2,135	18,112
Long term loan-related party.....	12,000	12,000	12,000	101,781
Others.....	289	304	341	2,892
Allowance for doubtful accounts.....	(54)	(55)	(57)	(482)
Total investments and other assets	22,303	20,371	20,483	173,733
Total assets	¥93,509	¥103,117	¥99,733	\$ 845,912

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

	Millions of yen			Thousands of U.S. dollars (Note 5)
	September 30, 2005	March 31, 2006	September 30, 2006	September 30, 2006
Liabilities				
Current liabilities:				
Trade notes and accounts payable	¥12,141	¥15,691	¥10,757	\$91,240
Non-trade accounts payable	678	1,647	493	4,180
Accrued income taxes	2,133	3,806	2,270	19,256
Accrued expenses	2,369	2,605	2,405	20,402
Accrued bonuses to employees	5,584	5,803	5,595	47,459
Accrued bonuses to directors	—	22	—	—
Advance receipts	5,128	3,212	4,805	40,755
Deposits	217	187	254	2,154
Allowance for program product warranties.....	—	337	374	3,172
Others	—	67	327	2,769
Total current liabilities	28,250	33,377	27,280	231,387
Non-current liabilities:				
Allowance for employees' retirement benefits.....	7,305	7,810	8,279	70,224
Allowance for directors' retirement benefits	191	232	273	2,312
Allowance for loss on guarantees (Note 12)	69	69	69	584
Total non-current liabilities	7,565	8,111	8,621	73,120
Total liabilities	35,815	41,488	35,901	304,507
Minority interests	1,453	1,623	—	—
Net Assets				
Shareholders' equity:				
Common stock (Note 11)	12,953	12,953	12,953	109,862
Authorized: 192,000,000 shares at September 30, 2005, and March 31, 2006 and 211,996,000 shares at September 30, 2006; Issued: 52,999,120 shares at September 30, 2005 and 2006 and March 31, 2006.				
Additional paid-in capital (Note 11)	9,950	9,950	9,950	84,397
Retained earnings	33,487	37,600	39,964	338,965
Treasury stock	(2)	(2)	(2)	(22)
643 shares at September 30, 2005, 750 shares at March 31, 2006 and 855 shares at September 30, 2006				
Total shareholders' equity	56,388	60,501	62,865	533,202
Valuation and translation adjustments:				
Valuation gain on available-for-sale securities	614	780	553	4,692
Reserve for revaluation of land	(757)	(1,277)	(1,277)	(10,831)
Foreign currency translation adjustment	(4)	2	1	11
Total valuation and translation adjustments	(147)	(495)	(723)	(6,128)
Minority interests:	—	—	1,690	14,331
Total net assets	56,241	60,006	63,832	541,405
Total liabilities and net assets	¥93,509	¥103,117	¥99,733	\$845,912

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

Consolidated Statements of Income (Unaudited)

NS Solutions and Consolidated Subsidiaries

For the six-month period ended September 30, 2005 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2005	2006	2006
Net sales	¥64,764	¥70,089	\$ 594,479
Cost of sales	51,335	55,536	471,042
Gross profit	13,429	14,553	123,437
Selling, general and administrative expenses (Notes 9).....	8,840	9,409	79,808
Operating income	4,589	5,144	43,629
Other income (expenses);			
Interest income	67	80	678
Dividend income.....	9	13	112
Exchange loss	(5)	(1)	(5)
Equity in net income of affiliated companies	92	15	125
Loss on cancellation of leases	—	—	—
Loss on revaluation of investments in securities	—	(3)	(22)
Loss on revaluation of golf memberships	—	(2)	(18)
Loss on disposal of fixed assets	(9)	(11)	(90)
Loss on disposal of inventories.....	(5)	—	—
Gain on reversal of allowance for doubtful accounts	3	7	59
Other, net.....	15	(1)	(18)
Income before income taxes and minority interests	4,756	5,241	44,450
Income taxes;			
Current	2,113	2,095	17,773
Deferred.....	(145)	3	14
Income before minority interests	2,788	3,143	26,663
Minority interests	(82)	(117)	(993)
Net income	¥2,706	¥3,026	\$25,670
Net income per share (Note 3 (18))	¥51.06	¥57.11	\$ 0.48

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

Consolidated Statements of Net Assets (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

For the six-month period ended September 30, 2005 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2005	2006	2006
Shareholders' equity:			
Common stock (Note 11);			
Balance at beginning of the period	¥12,953	¥12,953	\$ 109,862
Balance at end of the period	12,953	12,953	109,862
Additional paid-in capital (Note 11);			
Balance at beginning of the period	9,950	9,950	84,397
Balance at end of the period	9,950	9,950	84,397
Retained earnings (Note 11);			
Balance at beginning of the period	31,266	37,600	318,914
Net income	2,706	3,026	25,670
Dividends	(464)	(662)	(5,619)
Bonuses to directors	(21)	—	—
Balance at end of the period	33,487	39,964	338,965
Treasury stock;			
Balance at beginning of the period	(2)	(2)	(20)
Net change during the period	—	0	(2)
Balance at end of the period	(2)	(2)	(22)
Total shareholders' equity at the end of the period.....	56,388	62,865	533,202
Valuation and translation adjustments:			
Valuation gain on available-for-sale securities;			
Balance at beginning of the period	700	780	6,620
Net change during the period	(86)	(227)	(1,928)
Balance at end of the period	614	553	4692
Reserve for revaluation of land;			
Balance at beginning of the period	(757)	(1,277)	(10,831)
Balance at end of the period	(757)	(1,277)	(10,831)
Foreign currency translation adjustments;			
Balance at beginning of the period	(6)	2	15
Net change during the period	2	(1)	(4)
Balance at end of the period	(4)	1	11
Total valuation and translation adjustments at the end of the period.....	(147)	(723)	(6,128)
Minority interests:			
Balance at end of the period	—	1,690	14,331
Total minority interests at the end of the period	—	1,690	14,331
Total net assets at the end of the period	56,241	63,832	541,405

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

Consolidated Statements of Cash Flows (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

For the six-month period ended September 30, 2005 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2005	2006	2006
Cash flows from operating activities:			
Income before income taxes.....	¥4,756	¥5,241	\$ 44,450
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation.....	626	700	5,937
Decrease in allowance for doubtful accounts.....	(3)	(7)	(59)
Increase in allowance for employees' retirement benefits, net of payments.....	364	469	3,974
Increase (decrease) in allowance for directors' retirement benefits, net of payments.....	(95)	41	348
Increase in other allowances.....	—	15	125
Interest and dividend income.....	(76)	(93)	(790)
Loss on revaluation of investments in securities.....	—	3	22
Loss on revaluation of golf memberships.....	—	2	18
Equity in net income of affiliated companies.....	(92)	(15)	(125)
Loss on disposal of fixed assets.....	9	10	81
Decrease in accounts receivable.....	11,310	7,023	59,567
Increase in inventories.....	(5,097)	(4,300)	(36,475)
Decrease (increase) in other current assets.....	42	(11)	(90)
Decrease in accounts payable.....	(5,200)	(4,934)	(41,849)
Increase (decrease) in accrued bonuses to employees ...	(128)	(207)	(1,755)
Decrease in other current liabilities.....	(312)	729	6,180
Bonuses to directors.....	(21)	—	—
Others, net.....	105	116	1,004
Sub total.....	6,188	4,782	40,563
Proceeds from interest and dividend income.....	104	93	787
Income taxes paid.....	(3,844)	(3,736)	(31,693)
Net cash provided by operating activities.....	¥2,448	¥1,139	\$ 9,657

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

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2005	2006	2006
Cash flow from investing activities:			
Payments for purchase of property and equipment and intangible fixed assets	(714)	(5,913)	(50,149)
Payments for purchase of investments in securities .	(1)	(1)	(5)
Payments for purchase of investments in affiliates...	—	(18)	(149)
Others, net.....	(175)	(140)	(1,196)
Net cash used for investing activities	(890)	(6,072)	(51,499)
Cash flows from financing activities:			
Payment for purchase of treasury stock	—	0	(2)
Dividends paid	(464)	(663)	(5,619)
Dividends paid to minority shareholders	(46)	(50)	(425)
Net cash used for financing activities	(510)	(713)	(6,046)
Effect of exchange rate changes on cash and cash equivalents.....	3	0	(4)
Net increase (decrease) in cash and cash equivalents...	1,051	(5,646)	(47,892)
Cash and cash equivalents at beginning of the six-month period ended September 30	23,099	31,725	269,087
Cash and cash equivalents at end of the six-month period ended September 30	¥24,150	¥26,079	\$ 221,195

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

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

1. Nature of Operations

NS Solutions Corporation (referred to as the “Company”) was incorporated on April 1, 1980 as Nippon Steel Computer Systems Co., Ltd., a wholly-owned subsidiary of Nippon Steel Corporation. The Company changed its name in 1988 to Nippon Steel Information & Communication Systems Inc, or ENICOM. Effective April 1, 2001, the Company acquired part of the business of the Electronics & Information Systems Division of Nippon Steel (“EI Division”) and changed its name to NS Solutions Corporation on that date. On October 11, 2002, the Company was successfully listed on the First Section of the Tokyo Stock Exchange. As a result, the parent company’s, Nippon Steel Corporation’s, equity share percentage of the Company was 72%.

NS Solutions Corporation and its consolidated subsidiaries (together, referred to as the “Companies”) are leading information technology solution providers in Japan. The Companies provide integrated solutions which address their customers’ needs for both business applications and system platforms. The Companies provide end-to-end services, including system consulting, planning, design, development, deployment, operation, and maintenance, and total end-to-end outsourcing services. The Companies are adept at providing multi-vendor and mission critical systems solutions, as well as incorporating best-of breed products and technologies to address customer needs.

The Companies’ principal business lines are:

- Business Solutions.

The Companies provide solutions for industry-specific business applications to corporate enterprises, government agencies and public organizations.

- Platform Solutions.

The Companies provide solutions for system platforms including middleware, databases, operating systems, networking systems, storage systems, security systems, and services which enable systems running on diverse platforms to collaborate with each other.

- Business Services.

The Companies provide systems operation and maintenance services and total end-to-end outsourcing services.

2. 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

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

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.

3. Summary of Significant Accounting Policies

(1) Principles of consolidation

The consolidated financial statements for the fiscal year ended March 31, 2006 and the six-month period ended September 30, 2005 and 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 six-month period ending June 30, which differ from those of the Company. This subsidiary does not prepare financial statements at any date after December 31 and June 30 or on or before March 31 and

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

September 30 in the following year and six-month, respectively. Any material transactions occurring in the respective periods, January 1 to March 31 and July 1 to September 30, are adjusted for in these consolidated financial statements.

(2) Investments in affiliates

The Company's investments in the three significant affiliates were accounted for using the equity method for the six-month period ended September 30, 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 six-month period ended September 30, 2006 as listed below:

Solnet Co., Ltd.

Hokkaido High Information Technology Center Co., Ltd.

(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 a foreign subsidiary are translated into Japanese yen at the exchange rate prevailing at the relevant balance sheet date. Shareholders' equity accounts of a foreign subsidiary are translated at historical rates.

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

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

(5) 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.

(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) 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 (\$314 thousand).

(9) 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

(10) Investments in securities

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

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

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.

(11) Property and equipment

Property and equipment is recorded at cost, net of accumulated depreciation of ¥5,750 million and ¥6,709million (\$56,903 thousand) at September 30, 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.

(12) 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.

(13) 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.

(14) Income taxes

Income taxes consist of corporate income taxes, local inhabitants taxes and enterprise taxes. The Company calculates and records income taxes currently payable based on taxable income determined in accordance with the applicable tax laws.

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.

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

(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. 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

(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 six-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 six-month period ended September 30, 2006 because of its uncertainty of estimation.

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

(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. 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 six-month period ended September 30, 2005 and 2006, respectively.

(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 Corporate Law of Japan 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 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.

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

The Corporate Law of Japan 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.

4. 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 62,142 million yen (\$527,074) at September 30, 2006.

5. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers. The rate of ¥117.90=U.S. \$1, the effective rate of exchange prevailing at September 30, 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.

6. Cash and Cash Equivalents

Cash and cash equivalents at September 30, 2005 and 2006 and March 31, 2006 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 5)
	September 30, 2005	March 31, 2006	September 30, 2006	September 30, 2006
Cash and bank deposits.....	¥11,199	¥12,845	¥6,512	\$55,231
Deposited money	12,951	18,880	19,567	165,964
Cash and cash equivalents.....	¥24,150	¥31,725	¥26,079	\$221,195

7. Investments in Securities

Investments in securities at September 30, 2005 and 2006 and March 31, 2006 are as follows:

(1) Marketable securities classified as available-for-sale securities

The aggregate acquisition cost, gross unrealized gains and losses and carrying amount on the balance sheet, which were re-valued to the related fair value, of

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NS Solutions Corporation and Consolidated Subsidiaries

available-for-sale securities with market quotations at September 30, 2005 and 2006 and March 31, 2006 are as follows:

September 30, 2005	Millions of yen		
	Acquisition cost	Net unrealized gains	Carrying amount
Equity securities	¥416	¥1,005	¥1,421
Total	¥416	¥1,005	¥1,421

March 31, 2006	Millions of yen		
	Acquisition cost	Net unrealized gains	Carrying amount
Equity securities	¥416	¥1,267	¥1,684
Total	¥416	¥1,267	¥1,684

September 30, 2006	Millions of yen		
	Acquisition cost	Net unrealized gains	Carrying amount
Equity securities	¥417	¥902	¥1,319
Total	¥417	¥902	¥1,319

September 30, 2006	Thousands of U.S. dollars (Note 5)		
	Acquisition cost	Net unrealized gains	Carrying amount
Equity securities	\$ 3,535	\$7,654	\$11,189
Total	\$ 3,535	\$7,654	\$11,189

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

(2) Non-marketable securities classified as available-for-sale securities

The following is a summary of non-marketable securities:

	Carrying amount			
	Millions of yen			Thousands of
				U.S. dollars
				(Note 5)
	September	March	September	September
	30, 2005	31, 2006	30, 2006	30, 2006
Equity securities of unconsolidated subsidiary.....	¥ 11	¥11	¥28	\$240
Equity securities of affiliates	1,721	1,338	1,338	11,349
Others (unlisted equity securities)	1,234	1,085	1,082	9,177
Total	¥2,966	¥2,434	¥2,448	\$20,766

8. 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 ¥271 million and ¥166 million (\$1,412 thousand) for the six-month period ended September 30, 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 six-month period ended September 30, 2005 and 2006 and the fiscal year ended March 31, 2006:

	Millions of yen		
	Acquisition	Accumulated	Net balance
September 30, 2005	cost	depreciation	
Machinery and equipment.....	¥ 78	¥ 65	¥ 13
Tools, furniture and fixtures.....	1,884	1,293	591
Software.....	605	455	150
Total	¥2,567	¥1,813	¥754

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

March 31, 2006	Millions of yen		
	Acquisition	Accumulated	Net balance
	Cost	depreciation	
Machinery and equipment	¥26	¥17	¥9
Tools, furniture and fixtures	1,897	1,416	481
Software	476	358	118
Total	¥2,399	¥1,791	¥608

September 30, 2006	Millions of yen		
	Acquisition	Accumulated	Net balance
	cost	depreciation	
Machinery and equipment	¥17	¥10	¥7
Tools, furniture and fixtures	1,182	754	428
Software	345	245	100
Total	¥1,544	¥1,009	¥535

September 30, 2006	Thousands of U.S. dollars (Note 5)		
	Acquisition	Accumulated	Net balance
	cost	depreciation	
Machinery and equipment	\$144	\$83	\$61
Tools, furniture and fixtures	10,025	6,392	3,633
Software	2,925	2,080	845
Total	\$13,094	\$8,555	\$4,539

	Millions of yen			Thousands of
				U.S. dollars
				(Note 5)
	September	March	September	September
30, 2005	31, 2006	30, 2005	30, 2006	
Depreciation expense	¥253	¥431	¥149	\$1,264
Interest expense	11	19	7	60

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

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 September 30, 2005 and 2006 and March 31, 2006 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 5)
	September	March	September	September
	30, 2005	31, 2006	30, 2006	30, 2006
Within one year	¥257	¥246	¥185	\$1,570
Over one year	538	387	368	3,124
Total.....	¥795	¥633	¥554	\$4,694

Future operating lease payments under non-cancelable lease contracts at September 30, 2005 and 2006 and March 31, 2006 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 5)
	September	March	September	September
	30, 2005	31, 2006	30, 2006	30, 2006
Within one year	¥2	¥2	¥1	\$5
Over one year	2	1	1	\$5
Total.....	¥4	3	2	\$10

9. Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the six-month period ended September 30, 2005 and 2006 are as follows:

September 30,	Millions of yen		Thousands of U.S. dollars (Note 5)
	2005	2006	2006
Payroll and bonuses.....	¥3,649	¥3,827	\$32,459
Allowance for employees' retirement benefits	187	198	1,677

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

Allowance for directors' retirement benefits.....	34	41	348
Depreciation expense.....	80	99	843
Operating expense for acceptance of orders	1,421	1,455	12,344

10. Research and Development Costs

Research and development costs charged to income for the six-month period ended September 30, 2005 and 2006 were ¥582 million and ¥609 million (\$5,162 thousand), respectively.

11. Shareholders' Equity

(1) Capital increase

Under the Corporate Law of Japan, at least 50% of the issue price of newly issued shares is required to be designated as stated capital.

The portion, which was to be designated as, stated capital was determined by a resolution of the Board of Directors. The remaining 50% was credited to "Additional paid-in capital".

(2) Legal reserve

The Corporate Law of Japan provides that an amount equivalent to at least 10% of any appropriations of retained earnings paid in cash for each fiscal year be appropriated as a legal reserve until such legal reserve reaches a certain limit, which is 25% of common stock, less additional paid-in capital, in accordance with an amendment to the Corporate Law. The legal reserve is not available for distribution as cash dividends, but may be used to reduce a deficit or may be transferred to common stock.

The legal reserve included in retained earnings was ¥247 million and ¥273 million (\$2,315 thousand) at September 30, 2005 and 2006, and ¥247 million, at March 31, 2006, respectively.

(3) Appropriation of retained earnings

In accordance with the Corporate Law of Japan, appropriations of retained earnings are not reflected in the financial statements for each fiscal year. The following appropriation of retained earnings of the Company, including cash dividends applicable to the fiscal years ended March 31, 2006, was proposed by the Board of Directors and approved at the shareholders' meeting held on June 27, 2006.

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

Appropriation;	Millions of yen
March 31,	2006
Cash dividends.....	¥662
(Cash dividends at ¥8.75 per share for 2006.)	
Reversal of special tax purpose reserve into retained earnings	(221)

Those appropriations applicable to the fiscal year ended March 31, 2006 were not recorded in the consolidated financial statements for the fiscal year ended March 31, 2006, but are recorded in the consolidated financial statements for the six-month period ended September 30, 2006.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company, in accordance with the Corporate Law of Japan.

12. 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 ¥16 million and ¥0 at September 30, 2005 and 2006, 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.

13. Derivative Transactions

The Companies do not engage in derivative transactions.

14. Segment Information

(1) Industry segment information

The Company responds to customer needs through the supply of a variety of information services ranging from information system planning through software development, hardware selection, system operation and system support. Based on the similarities in the type and nature of business, the Company's business constitutes a single segment and accordingly, industry segment information is not disclosed.

(2) Geographic segment information

The domestic proportion in relation to all segments is in excess of 90% in terms of both net income and total assets. Accordingly, geographic segment information is not separately disclosed.

Notes to Consolidated Financial Statements (Unaudited)

NS Solutions Corporation and Consolidated Subsidiaries

(3) Overseas sales

The overseas share of consolidated net sales is less than 10%. Accordingly, overseas sales information is not separately disclosed.

15. Subsequent Events

There have been no material events subsequent to September 30, 2006.