

# NS Solutions Corporation

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## CONSOLIDATED FINANCIAL RESULTS (From April 1, 2008 to March 31, 2009)

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## NS Solutions

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The financial results have been translated from the Japanese Consolidated Financial Statements, which have been audited in Japan, for reference purposes only.

# NS SOLUTIONS CORPORATION

## UNAUDITED CONSOLIDATED BALANCE SHEETS

March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
<b>Assets</b>			
Current assets:			
Cash and bank deposits (Note 10) .....	¥6,365	¥4,113	\$41,873
Deposited money (Note 10).....	23,981	22,521	229,276
Trade notes and accounts receivable .....	34,733	32,714	333,040
Short-term investment (Note 10,15) .....	8,810	12,992	132,268
Inventories (Note 5,6) .....	10,396	—	—
Merchandise and finished goods (Note 5,6).....	—	5	57
Work in process (Note 5,6).....	—	11,362	115,674
Raw materials and supplies (Note 5,6).....	—	142	1,453
Current portion of long-term loan receivable to affiliated company.....	—	12,000	122,162
Deferred tax assets (Note 14).....	3,521	3,463	35,258
Others .....	696	607	6,184
Allowance for doubtful accounts .....	(200)	(158)	(1,617)
Total current assets.....	88,302	99,765	1,015,629
Fixed assets:			
Property and Equipment (Note 7):			
Buildings and structures .....	6,291	6,237	63,503
Machinery and equipment .....	4	5	56
Tools, furniture and fixtures .....	2,233	2,013	20,494
Land .....	883	882	8,988
Lease assets (Note 5,12) .....	—	197	2,006
Construction in progress .....	254	257	2,625
Total property and equipment.....	9,665	9,594	97,673
Intangible fixed assets:			
Software .....	385	569	5,801
Goodwill .....	—	3,177	32,347
Lease assets (Note 5,12) .....	—	48	498
Others.....	38	32	330
Total intangible fixed assets.....	423	3,828	38,976

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Investments and other assets:			
Investment securities (Note 15).....	2,203	4,745	48,315
Long-term prepaid expenses.....	27	—	—
Deferred tax assets (Note14).....	4,406	5,214	53,082
Guarantee deposits.....	2,767	3,121	31,781
Long-term loan receivable to affiliated company.....	12,000	—	—
Others.....	348	1,276	12,993
Allowance for doubtful accounts.....	(61)	(722)	(7,357)
Total investments and other assets.....	21,690	13,635	138,814
Total fixed assets.....	31,778	27,058	275,463
Total assets.....	¥120,080	¥126,823	\$1,291,092

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

For the fiscal year ended March 31, 2009, figures have been rounded down to the nearest millions of yen.

Before the fiscal year ended March 31, 2008, figures have been rounded to the nearest millions of yen.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Trade notes and accounts payable.....	¥15,770	¥14,776	\$150,428
Current portion of long-term loans payable.....	—	12	124
Lease obligations (Note 5,12).....	—	137	1,398
Non-trade accounts payable.....	1,729	1,462	14,886
Accrued expenses.....	2,351	2,478	25,234
Income tax payable.....	4,500	4,112	41,863
Advance received.....	4,430	7,223	73,532
Deposits received.....	246	255	2,602
Accrued bonuses to employees.....	5,978	5,936	60,431
Allowance for program product warranty.....	376	412	4,203
Others.....	597	420	4,280
Total current liabilities.....	35,977	37,227	378,981
Non-current liabilities:			
Lease obligations (Note 5,12).....	—	120	1,232
Accrued employees' retirement benefits (Note 17) ...	9,121	10,364	105,507
Allowance for directors' retirement benefits.....	307	255	2,597
Total non-current liabilities.....	9,428	10,740	109,336
Total liabilities.....	45,405	47,967	488,317
Net Assets			
Shareholders' equity (Note 4):			
Common stock.....	12,953	12,952	131,862
Authorized: 211,996,000 shares in 2008 and 2009 Issued: 52,999,120 shares in 2008 and 2009			
Additional paid-in capital.....	9,950	9,950	101,297
Retained earnings.....	50,565	54,676	556,617
Treasury stock.....	(4)	(3)	(39)
1,202 shares in 2008 and 1,299 shares in 2009			
Total shareholders' equity.....	73,464	77,575	789,737
Valuation and translation adjustments:			
Unrealized gain (loss) on available-for-sale securities.....	188	(59)	(609)
Unrealized loss on revaluation of land (Note 7).....	(1,277)	(1,276)	(13,000)
Foreign currency translation adjustment.....	5	(13)	(142)
Total valuation and translation adjustments.....	(1,084)	(1,350)	(13,752)
Minority interests.....	2,295	2,631	26,790
Total net assets.....	74,675	78,856	802,775
Total liabilities and net assets	¥ 120,080	¥ 126,823	\$ 1,291,092

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

For the fiscal year ended March 31, 2009, figures have been rounded down to the nearest millions of yen.

Before the fiscal year ended March 31, 2008, figures have been rounded to the nearest millions of yen.

# NS SOLUTIONS CORPORATION

## UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

For the fiscal years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
<b>Net sales</b> .....	¥165,400	¥161,539	\$1,644,506
<b>Cost of sales (Notes 8)</b> .....	129,767	128,286	1,305,980
<b>Gross profit</b> .....	35,633	33,253	338,526
<b>Selling, general and administrative expenses (Notes 8)</b> .....	20,737	21,745	221,369
<b>Operating income</b> .....	14,896	11,508	117,157
<b>Other income (expenses):</b>			
Interest income .....	311	378	3,856
Dividend income.....	51	64	658
Interest expenses .....	(0)	(0)	(4)
Exchange loss .....	(8)	(5)	(56)
Equity in net income of affiliated companies .....	8	2	30
Impairment loss of investment securities .....	(4)	—	—
Impairment loss of golf memberships .....	(7)	(32)	(334)
Gain on sale of investments in securities, net.....	—	9	101
Loss on sale of investments in affiliates, net.....	(13)	—	—
Loss on disposal of fixed assets .....	(20)	(33)	(337)
Others, net.....	10	27	282
<b>Income before income taxes and minority interests</b> ....	<b>15,224</b>	<b>11,920</b>	<b>121,353</b>
<b>Income Taxes:</b>			
Current (Note 14).....	7,100	5,622	57,243
Deferred (Note 14) .....	(729)	(499)	(5,085)
<b>Income before minority interests</b> .....	<b>8,853</b>	<b>6,797</b>	<b>69,195</b>
<b>Minority interests</b> .....	<b>(428)</b>	<b>(432)</b>	<b>(4,403)</b>
<b>Net income</b> .....	<b>¥8,425</b>	<b>¥6,364</b>	<b>\$64,791</b>

	Yen		U.S. dollars (Note 3)
	2008	2009	2009
<b>Net income per share</b> (Note 4).....	¥158.96	¥120.09	\$1.22
<b>Net assets per share</b> (Note 4) .....	¥1,365.71	¥1,438.27	\$14.64

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

For the fiscal year ended March 31, 2009, figures have been rounded down to the nearest millions of yen.

Before the fiscal year ended March 31, 2008, figures have been rounded to the nearest millions of yen.

# NS SOLUTIONS CORPORATION

## UNAUDITED CONSOLIDATED STATEMENTS OF NET ASSETS

For the fiscal years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
<b>Shareholder's equity:</b>			
Common stock :			
Balance at beginning of year .....	¥12,953	¥12,952	\$131,862
Net change during the year .....	—	—	—
Balance at end of year .....	12,953	12,952	131,862
Additional paid-in capital :			
Balance at beginning of year .....	9,950	9,950	101,297
Net change during the year .....	—	—	—
Balance at end of year .....	9,950	9,950	101,297
Retained earnings :			
Balance at beginning of year .....	44,127	50,564	514,756
Cash Dividends .....	(1,987)	(2,252)	(22,930)
Net income .....	8,425	6,364	64,791
Disposal of treasury stock .....	—	(0)	(0)
Net change during the year .....	6,437	4,112	41,861
Balance at end of year .....	50,565	54,676	556,617
Treasury stock :			
Balance at beginning of year .....	(3)	(3)	(37)
Purchase of treasury stock .....	(1)	(0)	(2)
Disposal of treasury stock .....	—	0	0
Net change during the year .....	(1)	(0)	(1)
Balance at end of year .....	(4)	(3)	(39)
<b>Total shareholders' equity</b>			
Balance at beginning of year .....	67,028	73,463	747,877
Cash Dividends .....	(1,987)	(2,252)	(22,930)
Net income .....	8,425	6,364	64,791
Purchase of treasury stock .....	(1)	(0)	(2)
Disposal of treasury stock .....	—	0	0
Net change during the year .....	6,436	4,111	41,860
<b>Balance at end of year .....</b>	<b>¥73,464</b>	<b>¥77,575</b>	<b>\$789,737</b>

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

For the fiscal year ended March 31, 2009, figures have been rounded down to the nearest millions of yen.

Before the fiscal year ended March 31, 2008, figures have been rounded to the nearest millions of yen.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
<b>Valuation and translation adjustments:</b>			
Unrealized gain (loss) on available-for-sale securities :			
Balance at beginning of year.....	433	188	1,918
Net change during the year.....	(245)	(248)	(2,527)
Balance at end of year.....	188	(59)	(609)
Unrealized loss on revaluation of land (Note 7):			
Balance at beginning of year.....	(1,277)	(1,276)	(13,000)
Net change during the year.....	—	—	—
Balance at end of year.....	(1,277)	(1,276)	(13,000)
Foreign currency translation adjustment (Note 4):			
Balance at beginning of year.....	5	4	47
Net change during the year.....	(0)	(18)	(189)
Balance at end of year.....	5	(13)	(142)
<b>Total valuation and translation adjustments:</b>			
Balance at beginning of year.....	(839)	(1,083)	(11,035)
Net change during the year.....	(245)	(266)	(2,717)
<b>Balance at end of year.....</b>	<b>(1,084)</b>	<b>(1,350)</b>	<b>(13,752)</b>
<b>Minority interests:</b>			
Balance at beginning of year.....	1,930	2,295	23,364
Net change during the year.....	365	336	3,425
Balance at end of year.....	2,295	2,631	26,790
<b>Balance at end of year.....</b>	<b>2,295</b>	<b>2,631</b>	<b>26,790</b>
<b>Total net assets</b>			
Balance at beginning of year.....	68,119	74,675	760,207
Cash Dividends.....	(1,987)	(2,252)	(22,930)
Net income.....	8,425	6,364	64,791
Purchase of treasury stock.....	(1)	(0)	(2)
Disposal of treasury stock.....	—	0	0
Net changes of items other than shareholders' equity.....	120	69	709
Net change during the year.....	6,556	4,181	42,568
<b>Balance at end of year.....</b>	<b>¥74,675</b>	<b>¥78,856</b>	<b>\$802,775</b>

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

For the fiscal year ended March 31, 2009, figures have been rounded down to the nearest millions of yen.

Before the fiscal year ended March 31, 2008, figures have been rounded to the nearest millions of yen.

**NS SOLUTIONS CORPORATION**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOW**  
For the fiscal years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests ..	¥15,224	¥11,920	\$121,353
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation.....	1,818	1,774	18,064
Amortization of goodwill .....	—	123	1,260
Increase in allowance for doubtful accounts .....	16	606	6,171
Increase in accrued bonuses to employees.....	77	(75)	(772)
Increase in accrued employees' retirement benefits .....	863	1,219	12,419
Increase in allowance for directors' retirement benefits .....	1	(73)	(750)
Increase (decrease) in other allowances .....	(24)	30	315
Interest and dividend income .....	(362)	(443)	(4,514)
Impairment loss of investment securities.....	4	—	—
Loss on sale of investments in affiliates, net .....	13	—	—
Impairment loss of golf memberships .....	7	32	334
Interest expenses.....	0	0	4
Equity in net income of affiliated companies.....	(8)	(2)	(30)
Loss on disposal of fixed assets.....	20	33	337
Decrease (increase) in accounts receivable .....	4,503	1,419	14,455
Decrease (increase) in inventories.....	343	(1,074)	(10,939)
Decrease (increase) in other current assets .....	(197)	122	1251
Increase (decrease) in accounts payable .....	(1,851)	(1,058)	(10,780)
Increase in other current liabilities.....	144	2,499	25,450
Others, net .....	317	(90)	(924)
Sub total .....	20,908	16,964	172,704
Interests and dividends received.....	461	431	4,393
Interests paid.....	(1)	(0)	(4)
Income taxes paid.....	(6,988)	(6,009)	(61,175)
Net cash provided by operating activities.....	¥14,380	¥11,386	\$115,918

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

For the fiscal year ended March 31, 2009, figures have been rounded down to the nearest millions of yen.

Before the fiscal year ended March 31, 2008, figures have been rounded to the nearest millions of yen.



	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
<b>Cash flow from investing activities:</b>			
Payments for time deposits .....	(1,000)	—	—
Proceeds from maturity of time deposits .....	1,000	—	—
Acquisition of short-term investment .....	(5,009)	(4,200)	(42,757)
Proceeds from redemption of short-term investments .....	—	5,000	50,901
Purchase of property and equipment and intangible fixed assets .....	(1,882)	(1,557)	(15,856)
Acquisition of investments in securities .....	(342)	(3,001)	(30,553)
Proceeds from sales of investments in securities .....	—	27	277
Proceeds from sale of investments in affiliates .....	34	—	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 10) .....	—	(3,470)	(35,329)
Others, net .....	(485)	(355)	(3,618)
Net cash used in investing activities .....	(7,684)	(7,557)	(76,935)
<b>Cash flows from financing activities:</b>			
Increase (Decrease) in long-term loans .....	—	(20)	(205)
Payment for purchase of treasury stock .....	(1)	(0)	(2)
Proceeds from sales of treasury stock .....	—	0	0
Dividends paid .....	(1,987)	(2,252)	(22,930)
Capital injection by minority shareholders .....	16	—	—
Dividends paid to minority shareholders .....	(80)	(93)	(955)
Repayments of lease obligations .....	—	(179)	(1,825)
Net cash used in financing activities .....	(2,052)	(2,545)	(25,916)
Effect of exchange rate changes on cash and cash equivalents .....	1	(10)	(110)
Net increase (decrease) in cash and cash equivalents ...	4,645	1,272	12,957
<b>Cash and cash equivalents at beginning of year .....</b>	<b>29,510</b>	<b>34,154</b>	<b>347,703</b>
<b>Cash and cash equivalents at end of year (Note 10) ....</b>	<b>¥34,155</b>	<b>¥35,427</b>	<b>\$360,660</b>

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

For the fiscal year ended March 31, 2009, figures have been rounded down to the nearest millions of yen.

Before the fiscal year ended March 31, 2008, figures have been rounded to the nearest millions of yen.

# NS SOLUTIONS CORPORATION

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Nature of Operations

NS Solutions Corporation (referred to as the “Company”) was incorporated on October 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. The parent company holds 67.0% of the Company’s voting rights, as of March 31, 2009.

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 proficient in 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 system operation and maintenance services and total end-to-end outsourcing services.

### 2. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of the Companies have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Companies prepared in accordance with Japanese GAAP and filed with the appropriate Local

# NS SOLUTIONS CORPORATION

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

### 3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers. The rate of ¥98.23 = U.S. \$1, the effective rate of exchange prevailing at March 31, 2009, 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. Summary of Significant Accounting Policies

#### (1) Principles of consolidation

The consolidated financial statements for the fiscal year ended March 31, 2009, include the accounts of the Company and its 14 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
- NS SLC Service Corporation
- NS FMC Corporation
- Financial Engineering Group, Inc
- Nittetsu Hitachi Systems Engineering, Inc.
- NCI Systems Integration, Inc.
- NS Solutions Software (Shanghai) Co., Ltd.
- NS Solutions USA Corporation

The Company have added Financial Engineering Group, Inc.,(FEG) scope of consolidation from the first quarter ended March 31, 2009 as a result of an acquisition the entire shares on May 28, 2008.

FEG's financial results were included in the Consolidated Statements of Income and Cash Flows from the second quarter ended March 31, 2009

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

The Company's overseas subsidiaries, NS Solutions Software (Shanghai) Co., Ltd. and NS Solutions USA Corporation, have a fiscal year ending December 31, which differ from that of the Company. These subsidiaries do not prepare financial

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## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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statements at any date after December 31 or on or before March 31 in the following year. Any material transactions occurring in the period, January 1 to March 31, are adjusted for in these consolidated financial statements.

### **(2) Investments in affiliates**

The Company's investment in the affiliate was accounted for using the equity method for the fiscal year ended March 31, 2009 as listed below:

Hokkaido High Information Technology Center Co., Ltd.

### **(3) 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 are translated into Japanese yen at the exchange rate prevailing at the relevant balance sheet date. Shareholders' equity accounts of foreign subsidiaries are translated at historical rates.

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

### **(4) Investment securities**

Investment securities consist of held-to-maturity investments, available-for-sale securities with market quotation, available-for-sale securities without market quotation.

Held-to-maturity investments are valued at cost, adjusted for the amortization of premium or the accretion of discounts based on straight line method.

Available-for-sale securities with market quotation are valued at market value. Unrealized holding gains, net of tax, are recognized in "Unrealized gain on available-for-sale securities" as a separate component of net assets.

Available-for-sale securities without market quotation are stated at cost.

The cost of available-for-sale securities sold is principally based on the moving average method.

### **(5) Inventories**

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

Work in process..... Individual cost method, which reduces the book value of inventories based on the decrease in profitability.

**NS SOLUTIONS CORPORATION**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

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Merchandise and supplies ..... primarily, the average method, which reduces the book value of inventories based on the decrease in profitability.

**(6) 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.

**(7) 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. Provision for normal receivables is provided based on the Company’s historical write-off experiences. Provision for doubtful receivables is provided based on an estimate of uncollectible amount on an individual doubtful receivables.

**(8) Accrued bonuses to employees**

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

**(9) Allowance for program product warranty**

Allowance for program product warranties is provided at the estimated amount computed by the actual rate of the past expenditure.

**(10) Retirement benefits**

**(a) Accrued employees’ retirement benefits**

The employees of the Company are generally covered by defined benefit pension plan 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.

Accrued employees’ retirement benefits of the Company and its major consolidated subsidiaries are provided based on the estimated present value of projected benefit obligations.

Net obligation at translation on the employees’ retirement benefits plan is charged to income or expense as incurred.

Actuarial gains (losses) are charged to income or expense as incurred.

**(b) Allowance for directors’ retirement benefits**

An allowance for retirement benefits to directors and corporate auditors of the Company and its consolidated subsidiaries is calculated based on the Companies’

# NS SOLUTIONS CORPORATION

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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internal rules and the estimated amount which would be payable if all directors and corporate auditors retired at the relevant balance sheet date.

### **(11) Accounting for consumption tax**

Consumption tax is excluded from the figures of the accompanying financial statements.

### **(12) Remeasurement of assets and liabilities of subsidiaries**

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

### **(13) Goodwill**

Goodwill arising from mergers, which represents the excess of the purchase price over the fair value of net assets acquired, had been amortized on a straight line basis over the respective estimated useful lives. When its amount is not material, it is charged to expense as incurred.

### **(14) Cash and cash equivalents**

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturity of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

### **(15) Income taxes**

Income taxes consist of corporate income taxes, local inhabitants taxes and enterprise taxes. The Company calculates and records income taxes 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.

### **(16) Per share information**

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 the payment of dividends to shareholders of preferred stocks to be recognized as an appropriation of retained earnings, from net income shown in the statements 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

# NS SOLUTIONS CORPORATION

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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and outstanding, there was no dilutive effect on net income per share during these periods.

The average number of shares outstanding used in the computation was 52,997 thousand for the fiscal years ended March 31, 2008 and 2009, respectively.

Net assets per share is computed without Minority interests.

### 5. Change in accounting principle

From the fiscal year ended March 31, 2009, the “Accounting Standard for Measurement of Inventories” (Accounting Standards Board of Japan (“ASBJ”) Statement No.9) has been applied, and now inventories are stated at cost, based on the individual cost method or the average method, which reduces the book value of inventories based on the decrease in profitability. Previously, inventories were accounted at cost, based on the individual cost method or the average method. The effects of adopting the new standard were none.

From the fiscal year ended March 31, 2009, the Company has applied the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force Report No.18). The effects of adopting the new standard were none.

From the fiscal year ended March 31, 2009, the Company has adopted the new accounting standard “Accounting Standard for Lease Transactions”(ASBJ Statement No.13) and “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No.16). Prior to adoption of the standard, the Company accounted for finance lease transactions, which do not transfer ownership as rental transactions. After the adoption of the standard, all finance leases are accounted as assets.

In addition, the finance lease assets that do not transfer ownership are depreciated by the straight-line method over the lease period, with no residual value at the end of the lease period.

As a result of this change, Property and Equipment increased ¥197 million, Intangible fixed assets increased ¥48 million, and the effect on the consolidated statements of income was not material.

### 6. Change in presentation

As the Cabinet Office Ordinance Partially Revising Regulation for Financial Statements, etc. (Cabinet Office Ordinance No. 50) was adopted, “Inventories” for the fiscal year ended March 31, 2008 was separately presented as “Merchandise and finished goods,” “Work in process,” and “Raw materials and supplies,” effective from the fiscal year ended March 31, 2009.

“Merchandise and finished goods,” “Work in process,” and “Raw materials and supplies,” which were presented aggregately in “Inventories” for the fiscal year ended March 31, 2008, were ¥0million, ¥10,239 million and ¥156 million, respectively.

# NS SOLUTIONS CORPORATION

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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### 7. Notes to Consolidated Balance Sheets

#### (1) Depreciation on Property and Equipment

Property and equipment are recorded at cost, net of accumulated depreciation of ¥8,966 million and ¥10,190 million (\$103,741 thousand) at March 31, 2008 and 2009 respectively. Depreciation on property and equipment is computed principally using the declining-balance method over 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.

#### (2) Revaluation of Land

Land used for business purposes was revalued in accordance with the “Law Concerning the Revaluation of Land” as at March 31, 2000. Under the law, Japanese companies were allowed to revalue the land used for business purposes to fair value only for the limited period during the year ended March 31, 1998 to March 31, 2001. Unrealized gains and losses were charged directly to net assets, rather than to the income statement. Application of the law was voluntary, but permitted only one time during the three-year period.

The detail of the revaluation is as follows:

- Method of revaluation

The calculations were made in accordance with the “Law Concerning the Revaluation of Land”.

- Date of revaluation

The company revalued based on the fair value as of March 31, 2000.

- The difference between the fair value and book value as of March 31, 2008 and 2009 amounted to ¥160 million and ¥90 million (\$920 thousand), respectively.

#### (3) Contingent Liabilities

The Company’s loss contingencies for guaranteeing the indebtedness of other parties were ¥13 million and ¥ 10 million (\$108 thousand) at March 31, 2008 and 2009, respectively, each of which are Guarantees for bank loans of the Hokkaido High Information Technology Center Co. Ltd.



**NS SOLUTIONS CORPORATION**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**8. Notes to Consolidated Statements of Income**

**(1) Selling, General and Administrative Expenses**

The main components of selling, general and administrative expenses for the fiscal years ended March 31, 2008 and 2009 are as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Payroll and bonuses .....	¥ 6,859	¥ 7,334	\$ 74,671
Provision for allowance for bonuses to employees .....	1,203	1,292	13,154
Provision for accrued employees' retirement benefits.....	420	541	5,516
Provision for allowance for directors' retirement benefits.....	47	44	452
Depreciation expense.....	221	265	2,704
Amortization of goodwill.....	—	123	1,260
Operating expense for acceptance of orders .....	3,456	3,520	35,836
Provision for allowance for doubtful accounts .....	¥ 17	¥ 609	\$ 6,202

**(2) Research and Development Costs**

Research and development costs are charged to expense as incurred. The expense were recorded as general and administrative expenses and manufacturing costs for the fiscal years ended March 31, 2008 and 2009 amounting to ¥1,309 million and ¥ 1,229 million (\$12,520 thousand), respectively.

**9. Notes to Consolidated Statements of Net Asset**

**Appropriation of retained earnings**

In accordance with the Corporate Law of Japan, appropriations of retained earnings are recorded in the accounts when the Board of Directors' approval is obtained. The board of directors of the Company approved cash dividends amounting to ¥1,192 million (\$ 12,139thousand) at the board of directors' meeting held on May 15, 2009. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2009. Such appropriations are recognized in the period in which they are approved by the board of directors.

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**10. Notes to Consolidated Statements of Cash Flows**

**(1) Cash and Cash Equivalents**

Cash and cash equivalents at March 31, 2008 and 2009 are as follows:

March 31,	Millions of yen		Thousands of U.S.
	2008	2009	dollars (Note 3)
Cash and bank deposits .....	¥ 6,365	¥ 4,113	\$ 41,873
Deposited money .....	23,981	22,521	229,276
Short-term investment .....	3,809	8,792	89,511
Cash and cash equivalents .....	¥ 34,155	¥ 35,427	\$ 360,660

**(2) Breakdown of assets and liabilities of companies added as subsidiaries due to the acquisition of stock**

The following table presents the breakdown of the assets and liabilities of FEG, which was newly consolidated due to acquisition of the stock, and net expenditure for purchase of investments in subsidiaries resulting in change in scope of consolidation:

Jun 30, 2008	Millions of yen
Current assets.....	¥ 481
Fixed assets.....	299
Goodwill on acquisition .....	3,301
Current liabilities .....	(278)
Non-current liabilities .....	(53)
Purchase price of subsidiary.....	¥ 3,751
Cash and cash equivalents owned by the subsidiary.....	(280)
Purchase of inventories in subsidiaries resulting in change in scope of consolidation.....	¥ 3,470

**11. 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.

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**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

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**(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.

**(3) Overseas sales**

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

**12. 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 operating leases. Finance lease expenses recognized for the fiscal year ended March 31, 2008 were ¥275 million. 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 fiscal year ended March 31, 2008:

	Millions of yen		
	Acquisition Cost	Accumulated Depreciation	Net balance
March 31, 2008			
Machinery and equipment.....	¥ 17	¥ 14	¥ 3
Tools, furniture and fixtures.....	859	575	284
Software.....	152	91	61
<b>Total .....</b>	<b>¥ 1,028</b>	<b>¥ 680</b>	<b>¥ 348</b>

	Millions of yen
March 31, 2008	
Depreciation expense .....	¥ 259
Interest expense .....	¥ 10

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.

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The present values of future lease payments at March 31, 2008 are as follows:

	Millions of yen
March 31, 2008	
Within one year .....	¥ 164
Over one year .....	197
Total.....	¥ 361

Future operating lease payments under non-cancelable lease contracts at March 31, 2008.

None

**NS SOLUTIONS CORPORATION**  
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**13. Related Party Transactions**

The Company adopted a new accounting standard “Accounting Standard for Related Party Disclosures” (ASBJ Statement No.11) and “Guidance on Accounting Standard for Related Party Disclosures” (ASBJ Guidance No.13) from the fiscal year ended March.31, 2009. The adoption of this standard did not result in any changes to the scope of disclosure for related party transactions.

Related party transactions during the years ended March 31, 2008 and 2009 were as follows:

**(1) Parent company**

March 31,	2008	2009
Name of the company .....	Nippon Steel Corporation	Nippon Steel Corporation
Address.....	Chiyoda-ku Tokyo	Chiyoda-ku Tokyo
Common stock amount.....	¥ 419,524 million	¥ 419,524 million
Type of business .....	Manufacturing, selling and engineering steel products	Manufacturing, selling and engineering steel products
Equity share percentage of the Company	67% (direct)	67% (direct)
Relationship:		
Directors and auditors who have a position in both companies .....	Existence*2	Existence
Directors and auditors transferred from the parent company*1.....	Existence*2	—
Operational relationship .....	Sales of systems integration services Rental of buildings Loan	Sales of systems integration services Loan
Transaction amounts:		
Sales of systems integration services.....	¥ 20,956 million	¥ 24,526 million (\$ 249,687 thousand)
Building rental fee .....	¥ 1,345 million	—
Interest income.....	¥ 108 million	¥ 107 million (\$ 1,099 thousand)
Balances at fiscal year-end:		
Accounts receivable.....	¥ 1,601 million	¥ 2,084million (\$ 21,217thousand)
Long-term loan receivable to affiliated company.....	¥ 12,000 million	—
Current portion of long-term loan receivable to affiliated company.....	—	¥ 12,000 million (\$ 122,162thousand)
Guarantee deposits .....	¥ 429 million	—
Advance received .....	¥ 2,280 million	¥ 4,241 million (\$ 43,182 thousand)

\*1: A Representative Director of the Company was included in the above number of Directors transferred from the parent company.

\*2: At end of the fiscal year ended March 31,2008, numbers of Directors and auditors who have a position in both companies and Directors and auditors transferred from the parent company were 1 and 12, respectively.

\* The terms and conditions applicable to the above transactions were determined on an arm's length basis and with reference to normal market prices.

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**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

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**(2) Subsidiary of Nippon Steel Corporation**

March 31,	2008	2009
Name of the company .....	Nittetsu Finance Co., Ltd.	Nittetsu Finance Co., Ltd.
Address.....	Chiyoda-ku Tokyo	Chiyoda-ku Tokyo
Common stock amount.....	¥ 1,000 million	¥ 1,000 million
Type of business.....	Financing	Financing
Relationship:		
Directors and auditors who have a position in both companies.....	Existence*1	Existence
Operational Relationship .....	Deposit of funds	Deposit of funds
Transaction amounts:		
Interest income.....	¥ 129 million	¥ 140 million (\$ 1,433 thousand)
Money deposited.....	¥ 32,800 million	¥ 35,600 million (\$ 362,415 thousand)
Money refunded.....	¥ 24,350 million	¥ 37,200 million (\$ 378,703 thousand)
Balances at fiscal year-end:		
Deposited money .....	¥ 23,981 million	¥ 22,521 million (\$ 229,276 thousand)

\*1: At end of the fiscal year ended March 31,2008, number of Directors and auditors who have a position in both companies was 1.

\* The terms and conditions applicable to the above transactions were determined on an arm's length basis and with reference to normal market prices.

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**14. Income Taxes**

The Company and its domestic consolidated subsidiaries are subject to several types of taxes based on income, which in aggregate resulted in a statutory tax rate of approximately 40.7% for the fiscal years ended March 31, 2008 and 2009.

Foreign consolidated subsidiaries are subject to income and other taxes based on tax rates applicable in their countries of incorporation.

At the fiscal years ended March 31, 2008 and 2009, the significant components of deferred tax assets and liabilities were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Deferred tax assets:			
Accrued enterprise tax .....	¥ 375	¥ 340	\$ 3,466
Accrued bonuses to employees .....	2,256	2,416	24,602
Accrued employees' retirement benefits .....	3,705	4,212	42,887
Amortization of software costs .....	648	594	6,052
Elimination of unrealized profits on consolidation .....	119	134	1,368
Unrealized gain (loss) on available-for-sale securities .....	—	41	418
Others .....	1,291	1,228	12,505
Subtotal deferred tax assets .....	8,394	8,968	91,298
Valuation allowance .....	(176)	(212)	(2,160)
Total deferred tax assets .....	¥ 8,218	¥ 8,755	\$ 89,138
Deferred tax liabilities:			
Reserve for special tax purposes .....	(162)	(78)	(797)
Unrealized gain (loss) on available-for-sale securities .....	(129)	—	—
Total deferred tax liabilities .....	¥ (291)	¥ (78)	\$ (797)
Net deferred tax assets .....	¥ 7,927	¥ 8,677	\$ 88,340

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Reconciliation between the statutory tax rate and the effective tax rate for the fiscal year ended March 31, 2009 is as follows:

March 31, 2009	Percent
Statutory tax rate.....	40.7%
Non-deductible expenses .....	1.9
Dividend income not taxable.....	(0.1)
Inhabitants tax per capita.....	0.5
Amortization of goodwill.....	0.4
Tax deduction .....	(0.7)
Others .....	0.3
Effective income tax rate.....	43.0%

Since the difference between the statutory tax rate and the effective tax rate for the fiscal year ended March 31, 2008 is less than 5%, a reconciliation of these two rates is not presented.

**15. Investment Securities**

Investment securities at March 31, 2008 and 2009 are as follows:

**(1) Marketable securities**

The aggregate acquisition cost, gross unrealized gains and losses and carrying amount on the balance sheet, which were revalued to the related fair value, of available-for-sale securities with market quotations at March 31, 2008 and 2009 are as follows:

March 31, 2008	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Carrying amount
Equity securities .....	¥ 419	¥ 358	—	¥ 777
Total.....	¥ 419	¥ 358	—	¥ 777

March 31, 2009	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Carrying amount
Equity securities (gains) .....	¥ 113	¥ 63	—	¥ 176
Equity securities (losses) .....	306	—	(118)	187
Total.....	¥ 419	¥ 63	¥ (118)	¥ 364



**NS SOLUTIONS CORPORATION**  
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March 31, 2009	Thousands of U.S. dollars (Note 3)			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Carrying amount
Equity securities (gains) .....	\$ 1,155	\$ 643	—	\$ 1,798
Equity securities (losses) .....	3,120	—	(1,211)	1,910
Total.....	\$ 4,275	\$ 643	\$ (1,211)	\$ 3,708

**(2) Non-marketable securities**

The following is a summary of non-marketable securities:

March 31,	Carrying amount		
	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
<b>Held-to-maturity investments</b>			
Commercial paper .....	¥ 999	¥ 6,992	\$ 71,189
Corporate bond.....	5,001	4,000	40,721
Cash in trust.....	2,000	—	—
Government debt securities .....	810	1,309	13,334
Certificate of deposit .....	—	690	7,024
Equity securities of affiliates.....	5	7	79
<b>Other investments</b>			
Non listed securities.....	1,322	1,278	13,018
Investment in funds .....	99	95	969
Non listed bond .....	—	3,000	30,541
Total .....	¥ 10,236	¥ 17,374	\$ 176,875

**NS SOLUTIONS CORPORATION**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**(3) Debt securities held-to-maturity**

March 31,	Carrying amount		
	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
<b>Within one year</b>			
Commercial paper .....	¥ 999	¥ 6,992	\$ 71,189
Corporate bond.....	5,001	4,000	40,721
Cash in trust.....	2,000	—	—
Government debt securities .....	810	1,309	13,334
Certificate of deposit .....	—	690	7,024
Subtotal .....	¥ 8,810	¥ 12,992	\$ 132,268
<b>Over one year within five years</b>			
Non listed bond.....	—	3,000	30,541
Subtotal .....	—	¥ 3,000	\$ 30,541
<b>Total .....</b>	<b>¥ 8,810</b>	<b>¥ 15,992</b>	<b>\$ 162,809</b>

**16. Derivative instruments**

The Company does not enter into derivative contracts.

**NS SOLUTIONS CORPORATION**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**17. Retirement Benefits**

The Company and its consolidated domestic subsidiaries have unfunded defined benefit plans covering substantially all employees. In addition, the Company introduced a defined contribution pension plan covering all employees effective from October 1, 2002.

The projected benefit obligations at March 31, 2008 and 2009 were ¥9,121 million and ¥ 10,364million (\$105,507 thousand), respectively. Accrued employees' retirement benefits are equal to the projected benefit obligation since there are no balances in plan assets and unrecognized items.

The net periodic pension costs for the fiscal years ended March 31, 2008 and 2009 are as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2008	2009	2009
Service costs.....	¥ 998	¥ 1,045	\$ 10,647
Interest costs.....	146	161	1,646
Amortization of actual gain (loss).....	(14)	316	3,217
Amortization of prior service costs.....	(31)	—	—
Accrued employees' retirement benefits.....	¥ 1,099	¥ 1,523	\$ 15,510
Costs of defined contribution pension plan.....	423	438	4,469
Total.....	¥ 1,522	¥ 1,962	\$ 19,979

The assumptions used in the actuarial computation for the fiscal years ended March 31, 2008 and 2009 are as follows:

March 31,	2008	2009
Method of attributing the projected benefits to periods of service .....	Straight line basis	Straight line basis
Discount rate .....	1.60~2.01%	1.50~2.48%
Period of amortization of unrecognized actuarial gain or loss .....	1 year	1 year
Period of amortization of prior service benefits .....	1 year	1 year

**18. Stock options**

The Company does not issue any stock options.

**19. Subsequent Events**

There have been no material events subsequent to March 31, 2009.