

# NS Solutions Corporation

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## Outline of Consolidated Financial Results for the Third Quarter

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### Consolidated Results for Nine Months ended December 31, 2004

#### *Consolidated operating results*

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

	Nine Months ended Dec. 31,		Difference	Fiscal Year ended
	2003	2004		Mar. 31, 2004
Sales	¥93,106	¥92,998	0.1%	¥150,844
Operating income	5,328	6,099	+14.5	9,726
Recurring profit	5,470	6,233	+14.0	9,785
Net income	3,050	3,527	+15.6	5,324
Net income per share of common stock *				
Basic	¥115.10	¥66.54		¥200.40
Diluted	-	-		-

\* Average shares used for computation of net income per share of common stock for the nine-month period ended Dec. 31, 2003 and 2004, and for the fiscal year ended Mar. 31, 2004 are shown in the chart below.

(Thousands of shares)

	Nine Months ended Dec. 31,		Fiscal Year ended
	2003	2004	Mar. 31, 2004
Net income per share of common stock Basic	26,500	52,999	26,500

In the firm trend of inquiries mainly from the manufacturing and retailing sectors, we are still facing a harsh business environment due to the clients' intensive needs for reduction of total cost of systems ownership (TCO), more severe assessment by return on investment (ROI) and the fierce competition among SI vendors. Our efforts, however, such as ability enhancement in terms of response for clients' needs, reduction of subcontracting cost and others have been contributing to our steady business results. That is, sales decreased by ¥108 million to ¥92,997 million and recurring profit grew by ¥763 million to ¥6,233 million, compared with the nine-month period of the last fiscal year.

### ***Consolidated financial condition***

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

	<b>Dec. 31, 2003</b>	<b>Dec. 31, 2004</b>	<b>Mar. 31, 2004</b>
Total assets	¥75,973	¥82,658	¥90,625
Shareholders' equity	46,127	51,230	48,145
Shareholders' equity ratio	60.7%	62.0%	53.1%
Shareholders' equity per share of common stock*	¥1,740.69	¥966.63	¥1,816.30

\*The number of shares at the end of the periods (used for computation of shareholders' equity per share of common stock) for the nine-month period ended Dec. 31, 2003 and 2004, and for the fiscal year ended Mar. 31, 2004 is shown in the chart below.

	(Thousands of shares)		Fiscal Year ended Mar. 31, 2004
	<b>Nine Months ended Dec. 31, 2003</b>	<b>2004</b>	
Number of issued shares at end of period	26,500	52,999	26,500
Number of own shares at end of period	0	1	0

### ***Ref. Consolidated cash flow***

(Millions of yen)

	<b>Nine Months ended Dec. 31,</b>		<b>Difference</b>	<b>Fiscal Year ended</b>
	<b>2003</b>	<b>2004</b>		<b>Mar. 2004</b>
Cash flow from operating activities	¥(1,300)	¥4,128	¥+5,428	¥4,033
Cash flow from investing activities	(1,237)	(12,537)	11,299	(1,116)
Cash flow from financing activities	(1,046)	(973)	+73	(1,046)
Cash and cash equivalents at end of period	22,068	18,138	3,930	27,519

Cash and cash equivalents at the end of the third quarter of this fiscal year decreased by ¥9,381 million to ¥18,138 million compared with the end of the last fiscal year. Cash flows by activities are as follows:

**Operating Activities:** Operating activities generated ¥4,128 million cash. This is mainly due to income before income taxes of ¥6,241 million and improvements in inter-company credit of ¥12,164 million, while negatively impacted by income taxes paid of ¥5,173 million and an increase in inventories of ¥8,782 million.

**Investing Activities:** Investing activities used ¥17,537 million cash. This is mainly due to payments for purchase of property and equipment and intangible fixed assets of ¥790 million, and long-term lending to a related company amounting to ¥12,000 million. In this case long-term lending to a related company is a loan to the parent company.

**Financing Activities:** Financing activities was a negative ¥973 million. This is mainly due to dividends paid of ¥927 million.

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

Business results for the nine-month period ended Dec 31, 2004 have been moving steadily as forecasted before. Therefore, there is no change in our outlook for the current fiscal year, as mentioned below.

Current outlook	(Millions of yen)		
	Sales	Recurring profit	Net income
FY2004	¥152,000	12,000	6,700

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

\*Based on the resolution of the Board of Directors held on April 27, 2004, NS Solutions split its share into two shares, effective on August 19, 2004. As a result, the number of the issued shares increased to 52,998,517. Above mentioned per share amount was calculated by using the number of shares after the stock split.

#### **Adoption of Concise Accounting Procedure for the Quarterly Period**

None.

#### **Accounting Procedure Differences between the Quarters ended Dec. 31, 2003 and 2004, and the Fiscal Year ended March 31, 2004**

None.

#### **Difference in Consolidation and Equity Method Scope between the Quarters ended Dec. 31, 2003 and 2004, and the Fiscal Year ended March 31, 2004**

None.

## Non-consolidated Results Information

### Non-consolidated operating results

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

	Nine Months ended Dec. 31,		Difference	Fiscal Year ended
	2003	2004		Mar. 2004
Sales	¥83,517	¥83,276	0.3%	¥136,136
Operating income	4,160	5,228	25.7	7,651
Recurring profit	4,406	5,453	23.7	7,787
Net income	2,584	3,196	23.7	4,496
Net income per share of common stock				
Basic	¥97.50	¥60.30		¥169.14
Diluted	-	-		-

\* Average shares used for computation of net income per share of common stock for the nine-month period ended Dec. 31, 2003 and 2004, and for the fiscal year ended Mar. 31, 2004 are shown in the chart below.

	(Thousands of shares)		Fiscal Year ended Mar.
	Nine Months ended Dec. 31,		31, 2004
	2003	2004	
Net income per share of common stock Basic	26,500	52,999	26,500

### Non-consolidated financial condition

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

	Dec. 31, 2003	Dec. 31, 2004	Mar. 31, 2004
Total assets	¥70,778	¥77,121	¥84,012
Shareholders' equity	41,898	46,303	43,552
Shareholders' equity ratio	59.2%	60.0%	51.8%
Shareholders' equity per share of common stock*	¥1,581.08	¥873.67	¥1,642.98

\*The number of shares at the end of the periods (used for computation of shareholders' equity per share of common stock) for the nine-month period ended Dec. 31, 2003 and 2004, and for the fiscal year ended Mar. 31, 2004 is shown in the chart below.

	(Thousands of shares)		Fiscal Year ended Mar.
	Nine Months ended Dec. 31,		31, 2004
	2003	2004	
Number of issued shares at end of period	26,500	52,999	26,500
Number of own shares at end of shares	0	1	0

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

Business results for the nine-month period ended Dec 31, 2004 have been moving steadily as forecasted before. Therefore, there is no change in our outlook for the current fiscal year, as mentioned below.

Current outlook	(Millions of yen)		
	Sales	Recurring profit	Net income
FY2004	¥137,000	10,000	5,800

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

\*Based on the resolution of the Board of Directors held on April 27, 2004, NS Solutions split its share into two shares, effective on August 19, 2004. As a result, the number of the issued shares increased to 52,998,517. Above mentioned per share amount was calculated by using the number of shares after the stock split.

(Note) Figures in this material have been rounded.

**The above statements were prepared, based on the materials available as of the release date. Actual results may vary from the outlook figures by various factors in the future.**

**NS SOLUTIONS CORPORATION**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

As of Dec. 31, 2003, Mar. 31, 2004 and Dec. 31, 2004

	Millions of yen			Thousands of U.S. dollars ( Note 3 )
	Dec. 31, 2003	Mar. 31, 2004	Dec. 31, 2004	Dec. 31, 2004
<b>Assets</b>				
<b>Current assets</b>				
Cash and bank deposits	¥13,277	¥14,605	¥11,465	\$110,019
Deposited money	8,791	12,914	6,673	64,036
Trade notes and accounts receivable	18,225	37,462	18,186	174,515
Inventories	17,097	7,035	15,817	151,781
Deferred tax assets-current	2,573	2,859	2,827	27,125
Others	917	682	713	6,840
Allowance for doubtful accounts	(15)	(30)	(13)	(124)
<b>Total current assets</b>	<b>60,865</b>	<b>75,527</b>	<b>55,668</b>	<b>534,192</b>
Property and equipment ( Note 2(10) )	4,970	5,009	4,556	43,717
Intangible fixed assets	906	982	843	8,094
<b>Investments and other assets</b>				
Long term loan-related party			12,000	115,152
Others	9,232	9,107	9,591	92,036
<b>Total assets</b>	<b>¥75,973</b>	<b>¥90,625</b>	<b>¥82,658</b>	<b>\$793,191</b>
<b>Liabilities and Shareholders' Equity</b>				
<b>Current liabilities</b>				
Trade notes and accounts payable	9,477	17,232	10,121	97,118
Accrued expenses	3,834	4,732	2,386	22,899
Accrued income taxes	1,001	3,060	843	8,092
Accrued bonuses to employees	2,928	5,520	2,903	27,859
Others	5,183	4,362	7,056	67,702
<b>Total current liabilities</b>	<b>22,423</b>	<b>34,906</b>	<b>23,309</b>	<b>223,670</b>
Allowance for employees' retirement benefits	6,033	6,042	6,533	62,695
Other long-term liabilities ( Note 7 )	294	298	350	3,360
Minority interest in consolidated subsidiaries	1,096	1,234	1,236	11,861
<b>Shareholders' equity</b>				
Common stock	12,953	12,953	12,953	124,295
Additional paid-in capital	9,950	9,950	9,950	95,484
Retained earnings	23,312	25,586	28,172	270,336
Reserve for revaluation of land	(755)	(757)	(757)	(7,267)
Valuation gain on available-for-sale securities and others	670	417	917	8,809
Foreign currency translation adjustment	(3)	(4)	(3)	(33)
Treasury stock	(0)	(0)	(2)	(19)
<b>Total shareholders' equity</b>	<b>46,127</b>	<b>48,145</b>	<b>51,230</b>	<b>491,605</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>¥75,973</b>	<b>¥90,625</b>	<b>¥82,658</b>	<b>\$793,191</b>

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

**NS SOLUTIONS CORPORATION**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**For the Nine Months Ended Dec. 31, 2003 and 2004**

	Millions of yen		Thousands of U.S. dollars ( Note 3 )
	2003	2004	2004
<b>Net sales</b>	¥93,106	¥92,998	\$892,406
<b>Cost of sales</b>	74,522	74,183	711,854
<b>Gross profit</b>	18,584	18,815	180,552
<b>Selling, general and administrative expenses (Note 5,6)</b>	13,256	12,716	122,025
<b>Operating income</b>	5,328	6,099	58,527
<b>Other income (expenses)</b>	320	142	1,361
<b>Income before income taxes and minority interest</b>	5,648	6,241	59,888
<b>Income Taxes</b>	2,525	2,668	25,605
<b>Income before minority interest</b>	3,123	3,573	34,283
<b>Minority interest</b>	(73)	(46)	(441)
<b>Net income</b>	¥3,050	¥3,527	\$33,842

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

**NS SOLUTIONS CORPORATION**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Nine Months Ended Dec. 31, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars ( Note 3 )
	2003	2004	2004
<b>Cash flows from operating activities;</b>			
Income before income taxes			
Adjustments to reconcile income before income taxes to net cash provided by operating activities	¥5,648	¥6,241	\$59,888
Depreciation	840	981	9,414
Decrease in allowance for doubtful accounts	(2,190)	(2,617)	(25,111)
Increase in allowance for employees' retirement benefits, net of payments	555	491	4,715
Decrease (increase) in accounts receivable	20,055	19,275	184,968
Decrease (increase) in inventories	(7,987)	(8,782)	(84,272)
Increase (decrease) in accounts payable	(14,001)	(7,112)	(68,244)
Others, net	454	781	7,482
Sub total	3,374	9,258	88,840
Income taxes paid	(4,701)	(5,173)	(49,638)
Others, net	27	43	415
Net cash provided by operating activities	(1,300)	4,128	39,617
<b>Cash flow from investing activities;</b>			
Payments for purchase of property and equipment and intangible fixed assets	(1,345)	(790)	(7,581)
Payments for long term loan-related party		(12,000)	(115,152)
Others, net	108	253	2,429
Net cash used for investing activities	(1,237)	(12,537)	(120,304)
<b>Cash flows from financing activities;</b>			
Payments for purchase of treasury stock	(0)	(2)	(16)
Dividends paid	(994)	(927)	(8,900)
Dividends paid to minority shareholders	(52)	(44)	(425)
Net cash provided by (used for) financing activities	(1,046)	(973)	(9,341)
Effect of exchange rate changes on cash and cash equivalents	(3)	1	11
Net increase in cash and cash equivalents	(3,586)	(9,381)	(90,017)
<b>Cash and cash equivalents at beginning of period</b>	<b>25,654</b>	<b>27,519</b>	<b>264,072</b>
<b>Cash and cash equivalents at end of period</b>	<b>¥22,068</b>	<b>¥18,138</b>	<b>\$174,055</b>

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



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

**1. Basis of Presenting 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 Commercial Code of Japan and the Securities and Exchange Law of Japan, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards and of accounting principles and practices generally accepted and applied in the United States. The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. However, certain reclassifications are incorporated in order to present the financial statements in a form which is more familiar to readers outside Japan. Such reclassifications have no effect on net income or retained earnings.

**2. Summary of Significant Accounting Policies**

**(1) Principles of consolidation**

The consolidated financial statements for the fiscal year ended March 31, 2004 and the nine-month period ended December 31, 2003 and 2004 include the accounts of the Company and its 10 significant subsidiaries, as listed below:

- Hokkaido NS Solutions Corporation
- Tohoku NS Solutions Corporation
- NS Solutions Tokyo Corporation
- NS Solutions Kansai Corporation
- NS Solutions Chubu Corporation
- NS Solutions Nishinohon Corporation
- NS Solutions Oita Corporation
- Nittetsu Hitachi Systems Engineering, Inc.
- NCI Systems Integration, Inc.
- NS Solutions Software (Shanghai) Co., Ltd.

Due to a decrease in its importance as a result of suspension of its business operations, the investment in NS Solutions USA Corporation, a wholly-owned subsidiary, is stated at cost, after recognition of impairment losses, on the Company's consolidated balance sheets. The total assets, net sales, net income and surplus of NS

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## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Solutions USA Corporation are not significant to the Company's consolidated financial statements.

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

The Company's overseas subsidiary, NS Solutions Software (Shanghai) Co., Ltd., has a fiscal year ending December 31 and the nine-month period ending September 30, which differ from those of the Company. The company incorporated this subsidiary's accounts for the three-month period ended September 30, 2004 into these unaudited condensed consolidated financial statements for the three-month period ended December 31, 2004. Any material transactions occurring in the period, April 1 to December 31 are adjusted for in these unaudited condensed consolidated financial statements.

### (2) Investments in affiliates

The Company's investments in three significant affiliates were accounted for using the equity method for the nine-month period ended December 31, 2003 and 2004 and the fiscal year ended March 31, 2004 as listed below:

NS&I System Service Corporation

Solnet Co., Ltd.

Hokkaido High Information Technology Center Co., Ltd.

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

Other affiliates are as follows:

<u>December 31, 2003</u>	<u>March 31, 2004 and December 31, 2004</u>
Japan Maintenance and Operation Service Co. Ltd.	Japan Maintenance and Operation Service Co. Ltd.
iTrust Inc.	

### (3) 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

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## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

provided for normal receivables based on the Company's historical write-off experience, plus an estimate of irrecoverable amounts on an individual account basis.

### **(4) 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.

### **(5) 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

### **(6) 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 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.

### **(7) Property and equipment**

Property and equipment is recorded at cost, net of accumulated depreciation of ¥4,759 million and ¥5,494 million (\$52,724 thousand) at December 31, 2003 and 2004 and ¥4,838 million at March 31, 2004, respectively. Depreciation of property and equipment is computed principally using the declining-balance method at rates based on the estimated useful lives of the assets. However, depreciation of buildings (except for building improvements) acquired on or after April 1, 1998, is computed using the straight-line method.

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

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

### **(8) Intangible fixed assets and long-term prepaid expenses**

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### **NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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.

#### **(9) 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.

#### **(10) Accrued bonuses to employees**

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

#### **(11) 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.

#### **(12) Net income per share**

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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 26,500 thousand and 52,999 thousand for the nine-month period ended December 31, 2003 and 2004, respectively. Each of the Company's shares was divided into 2 shares on August 19, 2004 and the weighted average number of outstanding shares adjusted retroactively for the stock splits to the beginning of the year was used in computing net income per share for the nine-month period ended December 31, 2004.

Assuming that the above stock split had occurred at the beginning of the fiscal year ended March 31, 2004, for the nine-month period ended December 31, 2003 and for the fiscal year ended March 31, 2004, each of the net income per share would be ¥57.55 and ¥ 100.20, respectively.

**3. U.S. Dollar Amounts**

Amounts in U.S. dollars are included solely for the convenience of readers. The rate of ¥104.21=U.S. \$1, the effective rate of exchange prevailing at December 31, 2004, has been used in translation of yen amounts to U.S. dollar amounts. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this or any other rate.

**4. Leases**

Leased assets, and related expenses in respect of the Company's finance leases, other than those which transfer ownership of the leased assets, are accounted for using a method similar to that used for regular operating leases. Finance lease charges of the Companies were ¥847 million and ¥600 million (\$5,762 thousand) for the nine-month period ended December 31, 2003 and 2004 and ¥1,225 million for the fiscal year ended March 31, 2004, 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

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the nine-month period ended December 31, 2003 and 2004 and the fiscal year ended March 31, 2004:

December 31, 2003	Millions of yen		
	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
Machinery and equipment .....	¥ 98	¥ 49	¥ 49
Tools, furniture and fixtures .....	4,944	3,686	1,258
Software .....	1,338	1,031	307
<b>Total .....</b>	<b>¥6,380</b>	<b>¥4,766</b>	<b>¥1,614</b>

March 31, 2004	Millions of yen		
	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
Machinery and equipment .....	¥ 97	¥ 54	¥ 43
Tools, furniture and fixtures .....	4,808	3,587	1,221
Software .....	1,247	880	367
<b>Total .....</b>	<b>¥6,152</b>	<b>¥4,521</b>	<b>¥1,631</b>

December 31, 2004	Millions of yen		
	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
Machinery and equipment .....	¥ 98	¥ 71	¥ 28
Tools, furniture and fixtures .....	3,293	2,474	819
Software .....	953	705	248
<b>Total .....</b>	<b>¥4,344</b>	<b>¥3,250</b>	<b>¥1,095</b>

December 31, 2004	Thousands of U.S. dollars (Note 4)		
	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
Machinery and equipment .....	\$ 944	\$ 677	\$ 267
Tools, furniture and fixtures .....	31,599	23,739	7,860
Software .....	9,147	6,765	2,382
<b>Total .....</b>	<b>\$41,690</b>	<b>\$31,181</b>	<b>\$10,509</b>

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	Millions of Yen			Thousands of U.S. dollars (Note 4)
	December	March	December	December
	31, 2003	31, 2004	31, 2004	31, 2004
Depreciation expense .....	¥809	¥1,159	¥559	\$5,361
Interest expense .....	34	50	23	217

Depreciation is computed using the straight-line method over the lease period of leased assets, with no residual value at the end of the lease period. The interest expense portion is determined by subtracting an amount equivalent to the acquisition cost from the total lease fee. Total interest payments over the lease period are allocated to each period using the interest method.

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

	Millions of Yen			Thousands of U.S. dollars (Note 4)
	December	March	December	December
	31, 2003	31, 2004	31, 2004	31, 2004
Within one year .....	¥862	¥817	¥525	\$ 5,037
Over one year.....	866	915	629	6,034
Total.....	¥1,728	¥1,732	¥1,154	\$11,071

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

	Millions of Yen			Thousands of U.S. dollars (Note 4)
	December 31,	March	December	December
	2003	31, 2004	31, 2004	31, 2004
Within one year .....	¥3	¥2	¥2	\$20
Over one year.....	5	4	3	26
Total.....	¥8	¥6	¥5	\$46

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**5. Selling, General and Administrative Expenses**

The main components of selling, general and administrative expenses for the nine-month period ended December 31, 2003 and 2004 are as follows:

December 31	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2003	2004	2004
Payroll and bonuses.....	¥5,603	¥5,181	\$49,715
Allowance for employees' retirement benefits .....	256	198	1,903
Allowance for directors' retirement benefits .....	42	53	504
Depreciation expense.....	150	116	1,110
Operating expense for acceptance of orders.....	2,123	2,037	19,544

**6. Research and Development Costs**

Research and development costs charged to income for the nine-month period ended December 31, 2003 and 2004 were ¥687 million and ¥686 million (\$6,585 thousand), respectively.

**7. Contingent Liabilities**

The Company's loss contingencies for guaranteeing the indebtedness of other parties, excluding the portion for which a related allowance is provided as a liability on the consolidated balance sheets, were ¥65 million and ¥37 million (\$354 thousand) at December 31, 2003 and 2004, and ¥58 million at March 31, 2004, respectively, each of which are Guarantees for bank loans of the Hokkaido High Information Technology Center Co., Ltd.





NS Solutions

# 平成17年3月期 第3四半期財務・業績の概況 補足資料

*Appendix of Financial Information and Business Results Outline for the Quarterly Period ended Dec. 31, 2004*

2005年2月3日

Feb. 3, 2005

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

(注)この資料において百万円もしくはパーセントで記載してある情報は四捨五入しておりますので、第3四半期財務・業績の概況と数値が異なる場合があります。

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

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

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

	2004/3					2005/3				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
サービス区分の分類方法 Categorization method by business line	← 新区分 New →					← 新区分 New →				
受注高 Amount of order acceptance	30,847	40,784	30,452	45,399	147,482	32,749	43,540	29,543		105,832
業務ソリューション Business solutions	19,790	20,272	17,519	22,088	79,671	19,202	21,951	16,669		57,822
基盤ソリューション Platform solutions	4,976	6,375	7,056	11,244	29,648	7,090	7,066	5,403		19,559
ビジネスサービス Business services	6,082	14,137	5,877	12,067	38,163	6,457	14,522	7,472		28,451
期末受注残高 Order backlog at end of period	31,377	31,577	33,496	21,158	21,158	24,216	31,724	33,992		33,992
業務ソリューション Business solutions	22,113	20,351	22,964	10,806	10,806	15,610	18,545	20,750		20,750
基盤ソリューション Platform solutions	3,808	2,666	4,054	2,802	2,802	2,961	3,207	4,450		4,450
ビジネスサービス Business services	5,456	8,560	6,478	7,550	7,550	5,645	9,972	8,793		8,793
売上高 Net sales	23,990	40,584	28,533	57,737	150,844	29,692	36,032	27,275		92,998
業務ソリューション Business solutions	12,276	22,035	14,906	34,247	83,463	14,398	19,016	14,464		47,878
基盤ソリューション Platform solutions	4,268	7,517	5,668	12,496	29,948	6,932	6,820	4,160		17,912
ビジネスサービス Business services	7,446	11,033	7,959	10,995	37,433	8,362	10,195	8,651		27,208
売上総利益 Gross profit	4,788	7,847	5,949	8,901	27,485	6,090	6,824	5,901		18,815
販売費及び一般管理費 Selling, general and administrative expenses	4,529	4,447	4,279	4,503	17,759	4,381	4,320	4,015		12,716
営業利益 Operating income	259	3,400	1,669	4,398	9,726	1,710	2,502	1,887		6,099
経常利益 Recurring profit	253	3,439	1,778	4,316	9,785	1,736	2,536	1,961		6,233
当期純利益 Net income	51	1,883	1,115	2,274	5,324	937	1,350	1,240		3,527
売上高営業利益率(%) Operating income margin (%)	1.1%	8.4%	5.8%	7.6%	6.4%	5.8%	6.9%	6.9%		6.6%
新日鉄向け売上高 Sales to Nippon Steel Corp.	5,240	7,470	4,974	5,647	23,332	4,450	6,425	4,413		15,287

サービス区分の分類方法 Categorization method by business line	2000/3		2001/3		2002/3		2003/3		2004/3		2005/3		2001/9		2002/9		2003/9		2004/9	
	(みなし連結 Pro forma consolidated, including EI Division)	(みなし連結 Pro forma consolidated, including EI Division)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(前回見通し Previous Outlook)	(見通し Outlook)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)
受注高 Amount of order acceptance			143,202	153,844	147,482	147,482								69,794	76,514	71,630	71,630	76,289		
業務ソリューション Business solutions			73,029	81,859	74,011	79,671								30,900	42,435	36,950	40,063	41,153		
基盤ソリューション Platform solutions			34,394	34,488	36,194	29,648								16,463	15,708	14,756	11,349	14,156		
ビジネスサービス Business services			35,779	37,496	37,277	38,163								22,431	18,372	19,924	20,218	20,979		
期末受注残高 Order backlog at end of period			1 23,775	24,520	21,158	21,158								28,478	31,533	31,577	31,577	31,724		
業務ソリューション Business solutions			14,501	14,599	10,806	10,806								17,209	21,619	20,351	20,351	18,545		
基盤ソリューション Platform solutions			3,603	3,101	2,802	2,802								2,180	2,874	2,666	2,666	3,207		
ビジネスサービス Business services			5,670	6,820	7,550	7,550								9,089	7,040	8,560	8,560	9,972		
売上高 Net sales	132,683	145,952	148,922	153,098	150,844	150,844			152,000	152,000				67,902	68,756	64,574	64,574	65,723		
業務ソリューション Business solutions	55,048	72,558	78,534	81,761	77,804	83,463			85,000	85,000				33,778	35,317	31,199	34,312	33,414		
基盤ソリューション Platform solutions	25,459	29,824	35,169	34,990	36,493	29,948			27,000	27,000				16,369	16,437	15,191	11,784	13,752		
ビジネスサービス Business services	52,176	43,570	35,219	36,347	36,547	37,433			40,000	40,000				17,755	17,002	18,184	18,478	18,557		
売上総利益 Gross profit	24,184	31,770	29,719	30,332	27,485				30,300	30,300				13,803	14,585	12,635		12,914		
販売費及び一般管理費 Selling, general and administrative expenses	16,661	20,703	17,240	18,235	17,759				18,400	18,400				8,058	9,142	8,976		8,701		
営業利益 Operating income	7,523	11,067	12,479	12,097	9,726				11,900	11,900				5,745	5,443	3,659		4,212		
経常利益 Recurring profit	6,948	10,669	12,422	12,086	9,785				12,000	12,000				5,736	5,454	3,691		4,272		
当期純利益 Net income	3,425	5,827	6,422	6,247	5,324				6,700	6,700				2,915	2,718	1,935		2,287		
売上高営業利益率(%) Operating income margin (%)	5.7%	7.6%	8.4%	7.9%	6.4%				7.8%	7.8%				8.5%	7.9%	5.7%		6.4%		

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

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

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

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

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

サービス区分の分類方法 Categorization method by business line	2004/3					2005/3				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
受注高 Amount of order acceptance	28,888	36,606	27,638	39,699	132,831	30,370	38,928	27,141		96,439
業務ソリューション Business solutions	18,212	16,846	15,391	18,366	68,815	17,467	17,956	14,830		50,253
基盤ソリューション Platform solutions	4,803	5,799	6,554	9,643	26,799	6,675	6,636	5,022		18,333
ビジネスサービス Business services	5,873	13,961	5,693	11,690	37,217	6,228	14,336	7,290		27,854
期末受注残高 Order backlog at end of period	28,789	29,112	30,889	17,970	17,970	21,359	28,634	31,134		31,134
業務ソリューション Business solutions	20,409	18,402	20,924	8,610	8,610	13,702	16,027	18,395		18,395
基盤ソリューション Platform solutions	2,924	2,150	3,487	1,810	1,810	2,013	2,635	3,946		3,946
ビジネスサービス Business services	5,456	8,560	6,478	7,550	7,550	5,645	9,972	8,793		8,793
売上高 Net sales	21,374	36,283	25,861	52,618	136,136	26,981	31,653	24,642		83,276
業務ソリューション Business solutions	10,257	18,853	12,869	30,680	72,659	12,376	15,630	12,462		40,468
基盤ソリューション Platform solutions	3,880	6,573	5,217	11,320	26,990	6,472	6,014	3,711		16,197
ビジネスサービス Business services	7,237	10,857	7,775	10,618	36,487	8,133	10,009	8,469		26,611
売上総利益 Gross profit	3,998	6,434	4,982	7,393	22,808	5,263	5,622	5,098		15,983
販売費及び一般管理費 Selling, general and administrative expenses	3,836	3,799	3,620	3,902	15,157	3,753	3,597	3,404		10,754
営業利益 Operating income	162	2,636	1,363	3,490	7,651	1,510	2,025	1,693		5,228
経常利益 Recurring profit	402	2,639	1,365	3,381	7,787	1,727	2,002	1,724		5,453
当期純利益 Net income	234	1,513	836	1,912	4,496	1,006	1,142	1,048		3,196
売上高営業利益率(%) Operating income margin (%)	0.8%	7.3%	5.3%	6.6%	5.6%	5.6%	6.4%	6.9%		6.3%
新日鉄向け売上高 Sales to Nippon Steel Corp.	5,001	7,002	4,759	5,402	22,164	4,124	6,044	4,082		14,250

サービス区分の分類方法 Categorization method by business line	2002/3	2003/3	2004/3	2005/3	2005/3
	(実績 Actual)	(実績 Actual)	(実績 Actual)	(前見通し Previous Outlook)	(見直し Outlook)
サービス区分の分類方法 Categorization method by business line	旧区分 Old	旧区分 Old	旧区分 Old	新区分 New	新区分 New
受注高 Amount of order acceptance	127,671	138,922	132,831	132,831	
業務ソリューション Business solutions	62,304	71,277	63,183	68,815	
基盤ソリューション Platform solutions	31,422	31,365	33,345	26,799	
ビジネスサービス Business services	33,945	36,280	36,303	37,217	
期末受注残高 Order backlog at end of period	20,210	21,275	17,970	17,970	
業務ソリューション Business solutions	12,360	12,454	8,610	8,610	
基盤ソリューション Platform solutions	2,180	2,001	1,810	1,810	
ビジネスサービス Business services	5,670	6,820	7,550	7,550	
売上高 Net sales	131,680	137,857	136,136	136,136	137,000
業務ソリューション Business solutions	66,099	71,183	67,027	72,659	73,000
基盤ソリューション Platform solutions	32,197	31,544	33,536	26,990	25,000
ビジネスサービス Business services	33,384	35,130	35,573	36,487	39,000
売上総利益 Gross profit	24,469	25,234	22,808		25,600
販売費及び一般管理費 Selling, general and administrative expenses	14,365	15,525	15,157		15,800
営業利益 Operating income	10,104	9,709	7,651		9,800
経常利益 Recurring profit	10,031	9,886	7,787		10,000
当期純利益 Net income	5,297	5,331	4,496		5,800
売上高営業利益率(%) Operating income margin	7.7%	7.0%	5.6%		7.2%
売上高売上総利益率(%) Gross profit margin (%)	18.6%	18.3%	16.8%	16.8%	18.7%
業務ソリューション Business solutions		19.0%	16.4%	18.3%	21.7%
基盤ソリューション Platform solutions		21.0%	17.2%	12.5%	14.4%
ビジネスサービス Business services		14.5%	17.0%	16.8%	15.9%
一株当たり配当金(円) Cash dividends per share (yen)	14.58	17.50	17.50	17.50	17.50

サービス区分の分類方法 Categorization method by business line	2001/9	2002/9	2003/9	2004/9
	(実績 Actual)	(実績 Actual)	(実績 Actual)	(実績 Actual)
サービス区分の分類方法 Categorization method by business line	旧区分 Old	旧区分 Old	旧区分 Old	新区分 New
受注高 Amount of order acceptance	62,072	69,217	65,493	65,493
業務ソリューション Business solutions	26,253	36,610	31,964	35,057
基盤ソリューション Platform solutions	15,027	14,927	14,009	10,602
ビジネスサービス Business services	20,792	17,680	19,520	19,834
期末受注残高 Order backlog at end of period	27,789	27,660	29,112	29,112
業務ソリューション Business solutions	16,520	18,450	18,402	18,402
基盤ソリューション Platform solutions	2,180	2,170	2,150	2,150
ビジネスサービス Business services	9,089	7,040	8,560	8,560
売上高 Net sales	58,503	61,767	57,656	57,656
業務ソリューション Business solutions	26,656	30,520	26,016	29,109
基盤ソリューション Platform solutions	14,958	14,937	13,860	10,453
ビジネスサービス Business services	16,889	16,310	17,780	18,094
売上総利益 Gross profit	11,416	12,119	10,433	
販売費及び一般管理費 Selling, general and administrative expenses	6,675	7,581	7,635	7,350
営業利益 Operating income	4,741	4,538	2,798	3,535
経常利益 Recurring profit	4,743	4,774	3,041	3,729
当期純利益 Net income	2,486	2,529	1,747	2,148
売上高営業利益率(%) Operating income margin	8.1%	7.3%	4.9%	6.0%
売上高売上総利益率(%) Gross profit margin (%)	19.5%	19.6%	18.1%	18.1%
業務ソリューション Business solutions		21.2%	18.4%	20.4%
基盤ソリューション Platform solutions		22.3%	19.8%	14.6%
ビジネスサービス Business services		14.2%	16.3%	16.5%
一株当たり配当金(円) Cash dividends per share (yen)	5.21	7.50	8.75	8.75

1 2004/3期以前は2004/8に実施した株式分割を考慮し遡及修正後の数値 Figures for the fiscal years ended in and before Mar. 2004 have been retroactively revised to reflect stock split made in Aug. 2004.

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

巻末の開示事項をご覧ください。 Please see the important disclosures at the end of this material.

本資料には当社又は当社役員の当社の営業成績及び財政状態に関する意図、意見又は現時点の予想と関連する将来予想が記載されております。従って、この将来予想は、歴史的事実でも将来の業績を保証するものでもないため、リスクと不確定な要素を含んでおります。実際の業績は様々な要因により異なる可能性があります。当社は、この将来予想を、これらの変化要因を反映するために修正することを保証するものではありません。

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

This document includes statements of forward-looking descriptions regarding the intent, belief or current expectations of NS Solutions Corporation (the “Company”) or its officers in terms of its operation and financial condition. Accordingly, such statements contain risks and uncertainties since they are neither historical facts nor guarantees of future performance. Actual results may be varied and influenced by various factors. The Company does not undertake to revise such forward-looking descriptions to reflect those factors.

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