

NS Solutions Corporation

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Consolidated Financial Results for the Second Quarter of FY 2009 (From April 1, 2009 to September 30, 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, 2009 and September 30, 2009

	Millions of yen		Thousands of U.S. dollars
	Mar. 31, 2009	Sep. 30, 2009	(Note 2) Sep. 30, 2009
Assets			
Current assets:			
Cash and deposits	¥4,113	¥3,973	\$44,053
Deposits paid	22,521	27,771	307,852
Notes and accounts receivable-trade	32,714	23,153	256,668
Short-term investment securities	12,992	12,859	142,555
Merchandise and finished goods	5	0	3
Work in process.....	11,362	13,444	149,035
Raw materials and supplies	142	129	1,437
Current portion of long-term loans receivable from subsidiaries and affiliates	12,000	—	—
Other	4,070	4,140	45,900
Allowance for doubtful accounts	(158)	(144)	(1,604)
Total current assets	99,765	85,329	945,898
Noncurrent assets:			
Property, plant and equipment (Note 4)	9,594	10,283	113,999
Intangible assets:			
Goodwill	3,177	3,094	34,308
Other	651	1,270	14,080
Total intangible assets	3,828	4,365	48,388
Investments and other assets:			
Long-term loans receivable from subsidiaries and affiliates	—	12,000	133,023
Other	14,358	11,377	126,119
Allowance for doubtful accounts	(722)	(656)	(7,272)
Total investments and other assets	13,635	22,721	251,870
Total noncurrent assets	27,058	37,370	414,257
Total assets	¥126,823	¥122,699	\$1,360,155

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

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	Mar. 31, 2009	Sep. 30, 2009	Sep. 30, 2009
	Liabilities		
Current liabilities:			
Notes and accounts payable-trade	¥14,776	¥8,135	\$90,181
Current portion of long-term loans payable ...	12	3	42
Income taxes payable	4,112	2,033	22,539
Provision for bonuses	5,936	5,919	65,615
Other provision	412	956	10,601
Other	11,977	13,472	149,345
Total current liabilities	<u>37,227</u>	<u>30,520</u>	<u>338,323</u>
Noncurrent liabilities:			
Provision for retirement benefits	10,364	10,892	120,748
Provision for directors' retirement benefits ...	255	183	2,036
Other	120	1,073	11,902
Total noncurrent liabilities	<u>10,740</u>	<u>12,150</u>	<u>134,686</u>
Total liabilities	<u>47,967</u>	<u>42,670</u>	<u>473,009</u>
Net assets			
Shareholders' equity:			
Capital stock	12,952	12,952	143,585
Capital surplus	9,950	9,950	110,303
Retained earnings	54,676	55,797	618,531
Treasury stock	(3)	(3)	(42)
Total shareholders' equity	<u>77,575</u>	<u>78,697</u>	<u>872,377</u>
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	(59)	15	172
Revaluation reserve for land	(1,276)	(1,276)	(14,156)
Foreign currency translation adjustment	(13)	(6)	(74)
Total valuation and translation adjustments	<u>(1,350)</u>	<u>(1,268)</u>	<u>(14,057)</u>
Minority interests	<u>2,631</u>	<u>2,600</u>	<u>28,827</u>
Total net assets	<u>78,856</u>	<u>80,029</u>	<u>887,147</u>
Total liabilities and net assets	<u>¥126,823</u>	<u>¥122,699</u>	<u>\$1,360,155</u>

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

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

	Yen		U.S. dollars (Note 2)
	Mar. 31, 2009	Sep. 30, 2009	Sep. 30, 2009
	Net assets per share	<u>¥1,438.27</u>	<u>¥1,460.99</u>

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
For the six months ended September 30, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars
			(Note 2)
	2008	2009	2009
Net sales	¥76,444	¥69,803	\$773,787
Cost of sales (Note 5)	61,071	55,382	613,929
Gross profit	15,373	14,420	159,859
Selling, general and administrative expenses (Note 5)	11,058	10,369	114,953
Operating income	4,314	4,050	44,906
Non-operating income:			
Interest income	187	163	1,813
Dividends income	61	61	680
Equity in earnings of affiliates	0	1	15
Reversal of allowance for doubtful accounts	—	76	847
Other	26	3	35
Total non-operating income	275	305	3,390
Non-operating expenses:			
Interest expenses	0	29	10
Foreign exchange losses	5	0	181
Loss on retirement of noncurrent assets	6	16	323
Office transfer expenses.....	—	40	443
Other	1	3	38
Total non-operating expenses	13	89	996
Ordinary income	4,576	4,266	47,300
Extraordinary loss:			
Loss on valuation of golf club membership	16	—	—
Total extraordinary losses	16	—	—
Income before income taxes and minority interests ...	4,559	4,266	47,300
Income taxes	2,031	1,888	20,937
Minority interests in income	189	64	714
Net income	¥2,338	¥2,313	\$25,648

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

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

	Yen		U.S. dollars
			(Note 2)
	2008	2009	2009
Net income per share	¥44.12	¥43.66	\$0.48

NS SOLUTIONS CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended September 30, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars
	2008	2009	(Note 2) 2009
Net cash provided by (used in) operating activities:			
Income before income taxes and minority interests	¥4,559	¥4,266	\$47,300
Depreciation and amortization	880	967	10,726
Amortization of goodwill	41	82	915
Increase (decrease) in allowance for doubtful	(10)	(80)	(896)
Increase (decrease) in provision for bonuses	153	(17)	(189)
Increase (decrease) in provision for retirement	493	528	5,860
Interest and dividends income	(248)	(224)	(2,493)
Interest expenses	0	29	323
Equity in (earnings) losses of affiliates	(0)	(1)	(15)
Decrease (increase) in notes and accounts receivable-			
trade	6,988	9,632	106,776
Decrease (increase) in inventories	(2,146)	(2,063)	(22,872)
Increase (decrease) in notes and accounts payable-			
trade.....	(4,561)	(6,642)	(73,634)
Other, net	492	1,858	20,597
Sub total	6,643	8,335	92,399
Interest and dividends income received	237	222	2,466
Interest expenses paid	(0)	(29)	(323)
Income taxes paid	(4,329)	(4,077)	(45,195)
Net cash provided by (used in) operating activities ...	2,551	4,451	49,347
Net cash provided by (used in) investing activities:			
Purchase of short-term investment securities	(2,000)	(6,150)	(68,174)
Proceeds from redemption of securities	3,000	2,200	24,388
Purchase of property, plant and equipment and			
intangible assets	(736)	(970)	(10,762)
Purchase of investment securities	(3,000)	(0)	(7)
Proceeds from redemption of investment securities	—	3,000	33,256
Purchase of investments in subsidiaries resulting in			
change in scope of consolidation	(3,470)	—	—
Payments of loans receivable to subsidiaries and			
affiliates.....	—	(12,000)	(133,023)
Collection of loans receivable from subsidiaries and			
affiliates	—	12,000	133,025
Other, net	(104)	(22)	(253)
Net cash provided by (used in) investing activities ...	(¥6,311)	(¥1,944)	(\$21,551)

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

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

	Millions of yen		Thousands of U.S. dollars
			(Note 2)
	2008	2009	2009
Net cash provided by (used in) financing activities:			
Repayment of long-term loans payable	(¥6)	(¥8)	(\$93)
Purchase of treasury stock	(0)	—	—
Cash dividends paid	(1,059)	(1,192)	(13,219)
Cash dividends paid to minority shareholders	(93)	(96)	(1,071)
Repayments of lease obligations	(97)	(185)	(2,058)
Net cash provided by (used in) financing activities ...	(1,257)	(1,483)	(16,441)
Effect of exchange rate change on cash and cash equivalents	9	3	35
Net increase (decrease) in cash and cash equivalents ...	(5,009)	1,027	11,391
Cash and cash equivalents at beginning of period	34,154	35,427	392,724
Cash and cash equivalents at end of period (Note 6)	¥29,145	¥36,455	\$404,115

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

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

NS SOLUTIONS CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of NS Solutions Corporation and its consolidated subsidiaries (together, referred to as 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 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.

2. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers. The rate of ¥90.21= U.S. \$1, the effective rate of exchange prevailing at September 30, 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.

3. Change in accounting principle

With respect to made-to-order software, previously, the Companies had applied the completed-contract method. From the First Quarter of FY 2009, the “Accounting Standard for Construction Contracts” (Accounting Standards Board of Japan (“ASBJ”) Statement No.15) and the “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No.18) have been applied. Adopting the new standard, the Companies have been applying the percentage of completion method after April 1,2009, in case that the outcome of the construction activity is deemed certain (the degree of completion of construction is estimated by the cost-to-cost method). In other case, the Companies have been applying the completed-contract method in case that the outcome of the construction activity is deemed uncertain.

With this change, net sales increased by ¥2,068 million (\$22,925 thousand), and operating income, ordinary income, and income before income taxes and minority interests increased by ¥390 million (\$4,333 thousand).

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

4. Notes to Consolidated Balance Sheets

(1) Depreciation on Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation of ¥10,190 million and ¥10,265 million (\$113,800 thousand) at March 31, 2009 and September 30, 2009, respectively. Depreciation on property, plant and equipment is computed principally using the declining-balance method over the estimated useful lives of the assets. However, depreciation of buildings (excluding structures attached to the buildings) acquired on or after April 1, 1998, is computed using the straight-line method.

(2) Contingent Liabilities

The Company's loss contingencies for guaranteeing the indebtedness of other parties were ¥10 million and ¥ 9 million (\$104 thousand) at March 31, 2009 and September 30, 2009, respectively, each of which are Guarantees for bank loans of the Hokkaido High Information Technology Center Co. Ltd.

5. 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 September 30, 2008 and 2009 are as follows:

September 30,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2009	2009
Salaries and allowances	¥ 3,163	¥ 3,245	\$ 35,973
Provision for bonuses	1,312	1,222	13,552
Retirement benefit expenses.....	236	252	2,796
Provision for directors' retirement benefits	26	16	186
Depreciation and amortization	128	98	1,088
Amortization of goodwill	41	82	915
Operating expense for acceptance of orders.....	¥ 2,025	¥ 1,653	\$ 18,329

(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 September 30, 2008 and 2009 amounting to ¥586 million and ¥ 539 million (\$5,979 thousand), respectively.

NS SOLUTIONS CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

6. Notes to Consolidated Statements of Cash Flows

Cash and Cash Equivalents

Cash and cash equivalents at September 30, 2008 and 2009 are as follows:

September 30,	Millions of yen		Thousands of U.S.
	2008	2009	dollars (Note 2)
			2009
Cash and deposits	¥ 5,418	¥ 3,973	\$ 44,053
Deposits paid.....	16,859	27,771	307,852
Short-term investment securities	10,877	12,859	142,555
Sub total.....	33,155	44,605	494,459
Time deposits (maturing in more than three months when deposited)	(10)	—	—
Short-term investment securities (maturing in more than three months from acquisition date)	(4,000)	(8,150)	(90,345)
Cash and cash equivalents.....	¥ 29,145	¥ 36,455	\$ 404,115

7. Notes to Consolidated Statements of Net Assets

(1) Shares

The number of shares at September 30, 2009 is as follows:

September 30, 2009	Shares in issue	Treasury stock
Number of shares	52,999,120	1,299

(2) Cash dividends

The Company paid cash dividends on June 1, 2009 as follows:

Date of board resolution	Class of stock	Source of dividends	Total dividend amount	Dividend per share	Reference date	Effective date
May 15, 2009	Common stock	Retained earnings	¥1,192 million (\$ 12,420 thousand)	¥22.50	March 31, 2009	June 1, 2009

The company decided to pay cash dividends at the board of directors' meeting held on October 29, 2009 as follows:

Date of board resolution	Class of stock	Source of dividends	Total dividend amount	Dividend per share	Reference date	Effective date
October 29, 2009	Common stock	Retained earnings	¥1,059 million (\$ 11,750 thousand)	¥20.00	September 30, 2009	December 4, 2009

8. Subsequent Events

There have been no material events subsequent to September 30, 2009.