

CONSOLIDATED FINANCIAL STATEMENTS

NS Solutions Corporation and Consolidated Subsidiaries

March 31, 2007



NS Solutions

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Consolidated Balance Sheets

NS Solutions Corporation and Consolidated Subsidiaries

March 31, 2006 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2007	2007
Assets			
Current assets:			
Cash and cash equivalents (Notes 6, 7 and 19).....	¥31,725	¥29,510	\$249,981
Trade notes and accounts receivable	34,234	39,236	332,371
Inventories.....	7,634	10,739	90,970
Deferred tax assets-current (Note10)	3,218	3,380	28,629
Others	571	521	4,408
Allowance for doubtful accounts	(21)	(185)	(1,563)
Total current assets	77,361	83,201	704,796
Fixed assets:			
Property and Equipment (Note 5(10)):			
Buildings and structures	1,590	6,572	55,671
Machinery and equipment	8	6	54
Tools, furniture and fixtures	2,097	2,149	18,202
Land (Note 8)	883	883	7,479
Construction in progress	283	189	1,605
Total property and equipment	4,861	9,799	83,011
Intangible fixed assets:			
Software	430	270	2,289
Others.....	94	54	459
Total intangible fixed assets	524	324	2,748
Investments and other assets:			
Investments in securities (Note 7).....	2,928	2,373	20,106
Long-term prepaid expenses	38	31	259
Deferred tax assets-non-current (Note10).....	3,111	3,668	31,075
Guarantee deposits.....	2,045	2,328	19,717
Long term loan receivable to related party	12,000	12,000	101,652
Others.....	304	329	2,784
Allowance for doubtful accounts	(55)	(56)	(478)
Total investments and other assets.....	20,371	20,673	175,115
Total fixed assets	25,756	30,796	260,874
Total assets	¥103,117	¥113,997	\$965,670

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2007	2007
Liabilities and Net Assets			
Current liabilities:			
Trade notes and accounts payable	¥15,691	17,622	\$149,272
Non-trade accounts payable	1,647	1,467	12,428
Accrued expenses	2,605	2,724	23,073
Accrued income taxes	3,806	4,388	37,172
Advance received	3,212	4,259	36,081
Deposits received	187	241	2,040
Accrued bonuses to employees	5,803	5,901	49,990
Accrued bonuses to directors	22	31	259
Allowance for program product warranty	337	370	3,131
Others	67	312	2,648
Total current liabilities	33,377	37,315	316,094
Non-current liabilities:			
Accrued employees' retirement benefits (Note 11)....	7,811	8,258	69,949
Allowance for directors' retirement benefits	231	306	2,595
Others	69	—	—
Total non-current liabilities	8,111	8,564	72,544
Total liabilities	41,488	45,879	388,638
Minority interests	1,623	—	—
Net Assets			
Shareholders' equity:			
Common stock (Note 14)	12,953	12,953	109,723
Authorized: 192,000,000 shares in 2006 and 2007 Issued: 52,999,120 shares in 2006 and 2007			
Additional paid-in capital (Note 14)	9,950	9,950	84,290
Retained earnings (Note 14)	37,600	44,127	373,802
Treasury stock, 750 shares in 2006 and 980 shares in 2007	(2)	(3)	(26)
Total shareholders' equity	60,501	67,027	567,789
Valuation and translation adjustments:			
Unrealized gain on available-for-sale securities	780	433	3,670
Unrealized gain on revaluation of land (Note 8).....	(1,277)	(1,277)	(10,817)
Foreign currency translation adjustment	2	5	42
Total valuation and translation adjustments	(495)	(839)	(7,105)
Minority interests	—	1,930	16,348
Total net assets	60,006	68,118	577,032
Total liabilities and net assets	¥103,117	¥ 113,997	\$ 965,670

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

Consolidated Statements of Income

NS Solutions and Consolidated Subsidiaries

For the fiscal years ended March 31, 2006 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2007	2007
Net sales	¥148,308	¥156,479	\$1,325,532
Cost of sales	117,789	123,118	1,042,929
Gross profit	30,519	33,361	282,603
Selling, general and administrative expenses (Notes 12 and 13)	18,402	19,223	162,838
Operating income	12,117	14,138	119,765
Other income (expenses):			
Interest income	136	175	1,480
Dividend income.....	11	15	129
Exchange loss	(11)	(5)	(39)
Equity in net income of affiliated companies	156	94	796
Impairment loss of investments in securities	(116)	(3)	(23)
Impairment loss of golf memberships.....	—	(3)	(29)
Gain on sale of investments in affiliates, net.....	494	—	—
Loss on disposal of fixed assets	(55)	(60)	(505)
Loss on disposal of inventories.....	(16)	—	—
Gain on sale of patent rights	140	—	—
Others, net.....	18	9	73
Income before income taxes and minority interests	12,874	14,360	121,647
Income Taxes:			
Current (Note 10).....	5,760	6,368	53,940
Deferred (Note 10)	(618)	(485)	(4,101)
Income before minority interests	7,732	8,477	71,808
Minority interests	(250)	(357)	(3,024)
Net income	¥7,482	¥8,120	\$68,784

	Yen		U.S. dollars (Note 3)
	2006	2007	2007
Net income per share (Note 5(17))	¥141.17	¥153.21	\$1.30
Net assets per share (Note 5(17))	¥1,132.23	¥1,248.89	\$10.58

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

Consolidated Statements of Net assets

NS Solutions Corporation and Consolidated Subsidiaries

For the fiscal years ended March 31, 2006 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2007	2007
Shareholder's equity:			
Common stock (Note 14):			
Balance at beginning of year	¥12,953	¥12,953	\$109,723
Balance at end of year	12,953	12,953	109,723
Additional paid-in capital (Note 14):			
Balance at beginning of year	9,950	9,950	84,290
Balance at end of year	9,950	9,950	84,290
Retained earnings (Note 14):			
Balance at beginning of year	31,266	37,600	318,509
Net income	7,482	8,120	68,784
Cash Dividends	(1,127)	(1,590)	(13,468)
Decrease due to change in scope of consolidation...	—	(3)	(23)
Bonuses to directors	(21)	—	—
Balance at end of year	37,600	44,127	373,802
Treasury stock:			
Balance at beginning of year	(2)	(2)	(20)
Net change during the year	(0)	(1)	(6)
Balance at end of year	(2)	(3)	(26)
Total shareholders' equity at end of year	¥60,501	¥67,027	\$567,789

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2007	2007
Valuation and translation adjustments:			
Unrealized gain on available-for-sale securities:			
Balance at beginning of year	700	780	6,611
Net change during the year	80	(347)	(2,941)
Balance at end of year	780	433	3,670
Unrealized loss on revaluation of land (Note 8):			
Balance at beginning of year	(757)	(1,277)	(10,817)
Net change during the year	(520)	—	—
Balance at end of year	(1,277)	(1,277)	(10,817)
Foreign currency translation adjustment:			
Balance at beginning of year	(6)	2	15
Net change during the year	8	3	27
Balance at end of year	2	5	42
Total valuation and translation adjustments.....	(495)	(839)	(7,105)
Minority interests:			
Balance at beginning of year	—	—	—
Increase due to change of accounting principle	—	1,623	13,744
Net change during the year	—	307	2,604
Balance at end of year	—	1,930	16,348
Total minority interests at end of year	—	1,930	16,348
Total net assets at end of year	¥60,006	¥68,118	\$577,032

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

Consolidated Statements of Cash Flows

NS Solutions Corporation and Consolidated Subsidiaries

For the fiscal years ended March 31, 2006 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2007	2007
Cash flows from operating activities:			
Income before income taxes and minority interests ..	¥12,874	¥14,360	\$121,647
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation.....	1,328	1,812	15,353
Increase in allowance for doubtful accounts	2	163	1,378
Increase in accrued bonuses to employees.....	90	99	839
Increase in accrued employees' retirement benefits	871	447	3,784
Increase (decrease) in allowance for directors' retirement benefits	(55)	75	633
Increase in other allowances.....	359	41	346
Interest and dividend income	(147)	(190)	(1,609)
Impairment loss of investments in securities.....	116	3	23
Impairment loss of golf memberships	—	3	29
Gain on sale of investments in affiliates, net	(494)	—	—
Equity in net income of affiliated companies.....	(156)	(94)	(796)
Loss on disposal of fixed assets.....	42	60	505
Decrease (increase) in accounts receivable	3,031	(5,002)	(42,371)
Increase in inventories.....	(131)	(3,105)	(26,304)
Decrease in other current assets	161	52	436
Increase (decrease) in accounts payable	(1,650)	1,930	16,351
Increase (decrease) in accrued other current liabilities	(1,147)	1,004	8,502
Bonuses to directors	(21)	—	—
Others, net	106	269	2,287
Sub total	15,179	11,927	101,033
Interest and dividend income	1,434	190	1,608
Income taxes paid.....	(6,193)	(5,786)	(49,011)
Net cash provided by operating activities.....	¥10,420	¥6,331	\$53,630

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2007	2007
Cash flow from investing activities:			
Expenditures for purchase of property and equipment and intangible fixed assets.....	(1,480)	(6,573)	(55,682)
Acquisition of investments in securities	(1)	(6)	(49)
Proceeds from sale of investments in affiliates	914	—	—
Others, net.....	(63)	(337)	(2,856)
Net cash used in investing activities	(630)	(6,916)	(58,587)
Cash flows from financing activities:			
Payment for purchase of treasury stock	(0)	(1)	(6)
Dividends paid	(1,127)	(1,590)	(13,468)
Dividends paid to minority shareholders	(46)	(50)	(424)
Net cash used in financing activities	(1,173)	(1,641)	(13,898)
Effect of exchange rate changes on cash and cash equivalents.....	9	2	17
Net increase (decrease) in cash and cash equivalents...	8,626	(2,224)	(18,838)
Cash and cash equivalents at beginning of year	23,099	31,725	268,746
Increase due to change in scope of consolidation.....	—	9	73
Cash and cash equivalents at end of year (Note 6)	¥31,725	¥29,510	\$249,981

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

Notes to Consolidated Financial Statements

NS Solutions Corporation and Consolidated Subsidiaries

1. Nature of Operations

NS Solutions Corporation (referred to as the “Company”) was incorporated on April 1, 1980 as Nippon Steel Computer Systems Co., Ltd., a wholly-owned subsidiary of Nippon Steel Corporation. The Company changed its name in 1988 to Nippon Steel Information & Communication Systems Inc, or ENICOM. Effective April 1, 2001, the Company acquired part of the business of the Electronics & Information Systems Division of Nippon Steel (“EI Division”) and changed its name to NS Solutions Corporation on that date. On October 11, 2002, the Company was successfully listed on the First Section of the Tokyo Stock Exchange. The parent company’s equity share percentage of the Company became 72%. In response to the revision to the Tokyo Stock Exchange delisting criteria, the parent company holds 67.0% of the Company’s voting rights, as of March 31, 2007.

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 systems 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 Company and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese securities 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.

Notes to Consolidated Financial Statements

NS Solutions Corporation and Consolidated Subsidiaries

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities 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 ¥118.05=U.S. \$1, the effective rate of exchange prevailing at March 31, 2007, 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. Change in accounting principle

Accounting Standard for Presentation of Net Assets in the Balance Sheet

Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No.5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, "the New Accounting Standards").

The consolidated balance sheet as of March 31, 2007 prepared in accordance with the New Accounting Standards comprises three sections, which are the assets, liabilities and net assets sections. The consolidated balance sheet as of March 31, 2006 prepared pursuant to the previous presentation rules comprises the assets, liabilities, minority interests and shareholders' equity sections.

The adoption of the New Accounting Standards had no impacts on the consolidated statement of income for the year ended March 31, 2007. Also, if the New Accounting Standards had not been adopted at March 31, 2007, the shareholders' equity amounting to ¥66,188 million (\$560,684 thousand) would have been presented.

5. Summary of Significant Accounting Policies

(1) Principles of consolidation

The consolidated financial statements for the fiscal year ended March 31, 2007 include the accounts of the Company and its 12 significant subsidiaries, as listed below:

Hokkaido NS Solutions Corporation

Notes to Consolidated Financial Statements

NS Solutions Corporation and Consolidated Subsidiaries

Tohoku NS Solutions Corporation
NS Solutions Tokyo Corporation
NS Solutions Kansai Corporation
NS Solutions Chubu Corporation
NS Solutions Nishinihon Corporation
NS Solutions Oita Corporation
NSSL Service Corporation
Nittetsu Hitachi Systems Engineering, Inc.
NCI Systems Integration, Inc.
NS Solutions Software (Shanghai) Co., Ltd.
NS Solutions USA Corporation

NS Solutions USA Corporation, a wholly owned subsidiary, was consolidated from the fiscal year ended March 31, 2007 as it resumed its business operation.

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 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 investments in the two significant affiliates were accounted for by the equity method for years ended March 31, 2006 and 2007 as listed below:

Solnet Co., Ltd.

Hokkaido High Information Technology Center Co., Ltd.

(3) Remeasurement of assets and liabilities of subsidiaries

For consolidated subsidiaries and affiliated companies where the Company 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.

(4) Translation of foreign currency

Assets and liabilities denominated in foreign currencies are translated into yen at the exchange rate prevailing at the relevant balance sheet date.

Assets, liabilities and all income and expense accounts of foreign subsidiaries are translated into Japanese yen at the exchange rate prevailing at the relevant balance

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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.

(5) 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.

(6) Allowance for doubtful accounts

Receivables are required to be categorized into "normal receivables" and "doubtful receivables" for the purpose of providing an allowance for doubtful accounts under prevailing accounting practice in Japan. 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.

(7) 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.

(8) Inventories

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

Work in process Individual cost method
Merchandise and supplies..... primarily, the average method

(9) Investments in securities

Investments in 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 and losses, 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.

Notes to Consolidated Financial Statements

NS Solutions Corporation and Consolidated Subsidiaries

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

(10) Property and Equipment

Property and equipment is recorded at cost, net of accumulated depreciation of ¥6,210 million and ¥7,451 million (\$63,119 thousand) at March 31, 2006 and 2007 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.

Property and equipment for lease operations are depreciated on the straight line method over the period of the lease contract term with no residual value.

(11) 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.

(12) 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. In case its amount is not material, it is charged to expense as incurred.

(13) 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.

(14) 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.

Notes to Consolidated Financial Statements

NS Solutions Corporation and Consolidated Subsidiaries

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

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

(15) Accrued bonuses

(a) Bonuses to employees

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

(b) Bonuses to directors

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

(16) 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 as operating lease transactions.

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

The average number of shares used in the computation was 52,998 thousand for the fiscal years ended March 31, 2006 and 2007, respectively.

Net assets per share is computed without Minority interests.

Notes to Consolidated Financial Statements

NS Solutions Corporation and Consolidated Subsidiaries

(18) Accounting for consumption tax

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

6. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2006 and 2007 are as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2007	2007
Cash and bank deposits	¥12,845	¥ 5,643	\$ 47,798
Deposited money	18,880	15,601	132,165
Short-term investment	—	8,266	70,018
Cash and cash equivalents	¥31,725	¥29,510	\$249,981

7. Investments in Securities

Investments in securities at March 31, 2006 and 2007 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, 2006 and 2007 are as follows:

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

March 31, 2007	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Carrying amount
Equity securities	¥417	¥688	—	¥1,105
Total	¥417	¥688	—	¥1,105

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March 31, 2007	Thousands of U.S. dollars (Note 3)			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Carrying amount
Equity securities	\$ 3,536	\$ 5,825	—	\$ 9,362
Total	\$ 3,536	\$ 5,825	—	\$ 9,362

(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)
	2006	2007	2007
Held-to-maturity investments			
Commercial paper	—	¥7,996	\$67,731
Government debt securities.....	—	270	2,287
Equity securities of unconsolidated subsidiary and affiliates.....	126	137	\$ 11,182
Available for sale securities without market quotation	1,118	1,131	9,164
Total	¥1,255	¥ 9,533	\$ 20,346

(3) Debt securities held-to-maturity

March 31,	Carrying amount		
	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2007	2007
Due within one year			
Commercial paper	—	¥7,996	\$67,731
Government debt securities.....	—	270	2,287
Total	—	¥8,266	\$70,018

8. Property and Equipment

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

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NS Solutions Corporation and Consolidated Subsidiaries

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 shareholders' equity, 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, 2006 and 2007 amounted to ¥160 million and ¥160 million (\$1,358 thousand), respectively.

9. 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 expenses recognized for the fiscal years ended March 31, 2006 and 2007 were ¥463 million and ¥260 million (\$2,200 thousand), respectively. Had they been capitalized, the following items would have been recognized on the consolidated balance sheets and the consolidated statements of income as at and for the fiscal years ended March 31, 2006 and 2007:

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

	Millions of yen		
	Acquisition Cost	Accumulated Depreciation	Net balance
March 31, 2007			
Machinery and equipment.....	¥ 17	¥ 11	¥ 6
Tools, furniture and fixtures.....	1,105	816	289
Software.....	167	103	64
Total	¥1,289	¥930	¥359

Thousands of U.S. dollars (Note 3)

Notes to Consolidated Financial Statements

NS Solutions Corporation and Consolidated Subsidiaries

March 31, 2007	Acquisition	Accumulated	Net balance
	Cost	Depreciation	
Machinery and equipment.....	\$ 144	\$ 96	\$ 48
Tools, furniture and fixtures.....	9,363	6,909	2,453
Software.....	1,412	874	538
Total	\$10,919	\$7,879	\$3,039

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2007	2007
Depreciation expense	¥431	¥229	\$1,944
Interest expense	19	13	107

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 March 31, 2006 and 2007 are as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2007	2007
Within one year	¥246	¥152	\$1,282
Over one year	387	244	2,070
Total.....	¥633	¥396	\$3,352

Future operating lease payments under non-cancelable lease contracts at March 31, 2006 and 2007 are as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2007	2007
Within one year	¥2	¥1	\$5

Notes to Consolidated Financial Statements

NS Solutions Corporation and Consolidated Subsidiaries

Over one year	1	0	0
Total.....	¥3	¥1	\$5

10. 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 40.6% for the fiscal years ended March 31, 2006 and 2007.

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, 2006 and 2007, the significant components of deferred tax assets and liabilities were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2007	2007
Deferred tax assets:			
Accrued enterprise tax	¥ 325	¥ 359	\$ 3,041
Accrued bonuses to employees.....	2,165	2,219	18,793
Accrued employees' retirement benefits.....	3,167	3,338	28,280
Amortization of software costs.....	628	602	5,099
Elimination of unrealized profits on consolidation	97	132	1,121
Others.....	1,045	1,126	9,541
Subtotal deferred tax assets.....	7,426	7,777	65,876
Valuation allowance	(170)	(181)	(1,532)
Total deferred tax assets.....	7,256	7,596	64,344
Deferred tax liabilities:			
Reserve for special tax purposes	(412)	(268)	(2,269)
Unrealized gain on available-for-sale securities	(516)	(280)	(2,370)
Total deferred tax liabilities	(928)	(548)	(4,640)
Net deferred tax assets.....	¥6,328	¥ 7,048	\$ 59,704

Tax rate reconciliation for the difference between the statutory tax rate and the effective tax rate for the fiscal years ended March 31, 2006 and 2007 are not disclosed because the difference is less than 5% of the statutory tax rate.

11. Retirement Benefits

Notes to Consolidated Financial Statements

NS Solutions Corporation and Consolidated Subsidiaries

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, 2006 and 2007 were ¥7,811 million and ¥ 8,258 million (\$69,949 thousand), respectively. Accrued employees' retirement benefits is 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, 2006 and 2007 are as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2007	2007
Service costs.....	¥846	¥ 926	\$ 7,842
Interest costs.....	101	113	960
Amortization of actual loss.....	142	(444)	(3,765)
Accrued employees' retirement benefits.....	¥1,089	¥ 595	\$ 5,037
Costs of defined contribution pension plan.....	350	406	3,441
Total.....	¥1,439	¥ 1,001	\$ 8,478

The assumptions used in the actuarial computation for the fiscal years ended March 31, 2006 and 2007 above are as follows:

March 31,	2006	2007
Method of attributing the projected benefits to periods of service	Straight line basis	Straight line basis
Discount rate	1.50~2.01%	1.60~2.01%
Period of amortization of unrecognized actuarial gain or loss	1 year	1 year

12. Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the fiscal years ended March 31, 2006 and 2007 are as follows:

March 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2007	2007
Payroll and bonuses	¥6,031	¥ 6,342	\$ 53,725
Provision for allowance for bonuses to employees	1,098	1,205	10,208

Notes to Consolidated Financial Statements

NS Solutions Corporation and Consolidated Subsidiaries

Provision for allowance for bonuses to directors	22	31	259
Provision for accrued employees' retirement benefits.....	364	294	2,487
Provision for allowance for directors' retirement benefits.....	74	79	668
Depreciation expense.....	177	223	1,892
Operating expense for acceptance of orders	2,844	3,025	25,621
Provision for allowance for doubtful accounts	—	166	1,402

13. 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, 2006 and 2007 amounting to ¥1,254 million and ¥ 1,248 million (\$10,576 thousand), respectively.

14. Shareholders' Equity

(1) Capital increase

Under the Corporate Law of Japan, at least 50% of the issue price of newly issued shares is required to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to "Additional paid-in capital".

(2) Legal reserve

The Corporate Law of Japan provides that an amount equal to at least 10% of cash dividends and other distributions from retained earnings paid by the Company and its domestic subsidiaries be appropriated as a legal reserve. There are some restrictions on distributions under the Corporate Law of Japan. The law requires a transfer of 10% of distribution to a legal reserve until the sum of legal reserve and paid-in capital reaches 25% of the stated capital.

Legal reserves included in retained earnings as of March 31, 2006 and 2007 were ¥247 million and ¥273 million (\$2,312 thousand), and are restricted from being used as dividends.

(3) 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 following appropriations of retained earnings for the fiscal year ended March 31, 2007 were approved at the Board of Director held on May 17, 2007. These appropriations were not recorded in the consolidated financial statements for the fiscal year ended March 31, 2007, but will be recorded in those for the fiscal year ending March 31, 2008.

Notes to Consolidated Financial Statements

NS Solutions Corporation and Consolidated Subsidiaries

Appropriation;	Millions of yen		Thousands of
			U.S. dollars
March 31,	2006	2007	(Note 3)
Cash dividends.....	¥662	¥927	\$7,853
(Cash dividends at ¥12.5 per share for 2006 and 17.5 (\$0.15) per share for 2007, respectively)			
Reversal of special tax purpose reserve into retained earnings	(221)	(210)	(1,718)

Under the law, the amount available for dividends is based on retained earnings as recorded on the Company's books.

15. Derivative instruments

The Companies do not enter into derivative contracts.

16. Stock options

The Companies do not issue any stock options.

17. Segment Information

(1) Industry segment information

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

(2) Geographic segment information

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

(3) Overseas sales

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

18. Subsequent Events

There have been no material events subsequent to March 31, 2007.

19. Related Party Transactions

Related party transactions during the years ended March 31, 2006 and 2007 were as follows:

Notes to Consolidated Financial Statements

NS Solutions Corporation and Consolidated Subsidiaries

(1) Parent company

March 31,	2006	2007
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	72% (direct)	67% (direct)
Relationship:		
Number of directors and auditors who have a position in both companies ...	1	1
Number of directors and auditors transferred from the parent company*	10	10
Operational relationship	Sales of systems integration services.	Sales of systems integration services
	Purchase of systems development services	Purchase of systems development services
	Rental of buildings	Rental of buildings
	Loan	Loan
Transaction amounts:		
Sales of systems integration services.....	¥20,042 million	¥ 18,519 million (\$156,874 thousand)
Payment for systems development services and office services	¥209 million	—
Building rental fee	¥1,252 million	¥ 1,261 million (\$10,679 thousand)
Interest income.....	¥108 million	¥ 108 million (\$912 thousand)
Other	¥566 million	¥ 566 million (\$4,792 thousand)
Balances at fiscal year-end:		
Accounts receivable.....	¥1,510 million	¥ 1,655 million (\$14,020 thousand)
Other current assets	¥9 million	¥9 million (\$73 thousand)
Long term loan receivable	¥12,000 million	¥12,000 million (\$101,652 thousand)
Guarantee deposits	¥429 million	¥ 429 million (\$3,632 thousand)
Accounts payable	¥28 million	—
Accrued expenses	—	¥ 30 million (\$250 thousand)
Advance received	¥1,904 million	¥ 2,434 million (\$20,615 thousand)
Other current liabilities	¥6 million	¥ 103 million (\$873 thousand)

*A Representative Director of the Company was included in the above number of directors transferred from the parent company.

(2) Subsidiary of Nippon Steel Corporation

Notes to Consolidated Financial Statements

NS Solutions Corporation and Consolidated Subsidiaries

March 31,	2006	2007
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:		
Operational Relationship	Sales of systems integration services	Sales of systems integration services
	Deposit of funds	Deposit of funds
Transaction amounts:		
Sales of system integration service.....	¥28 million	¥ 26 million (\$217 thousand)
Interest income.....	¥25 million	¥ 51 million (\$436 thousand)
Money deposited.....	¥14,325 million	¥ 19,200 million (\$162,643 thousand)
Money refunded.....	¥7,000 million	¥ 22,100 million (\$187,209 thousand)
Balances at fiscal year-end:		
Accounts receivable.....	¥2 million	¥ 2 million (\$16 thousand)
Deposited money	¥18,251 million	¥ 15,402 million (\$130,471 thousand)

20. Contingent Liabilities

The Company's loss contingencies for guaranteeing the indebtedness of other parties were ¥2 million and ¥ 43 million (\$368 thousand) at March 31, 2006 and 2007, respectively, each of which are Guarantees for bank loans of the Hokkaido High Information Technology Center Co. Ltd.

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Facsimile 81-3-5532-2901

Report of Independent Auditors

To the Board of Directors of NS Solutions Corporation

We have audited the accompanying consolidated balance sheet of NS Solutions Corporation and its subsidiaries (the "Company") as of March 31, 2006, and the related consolidated statements of income, net assets, and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NS Solutions Corporation and its subsidiaries as of March 31, 2006, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

Misuzu Audit Corporation

Misuzu Audit Corporation
(formerly ChuoAoyama PricewaterhouseCoopers)

Tokyo, Japan

June 27, 2006

Independent Auditors' Report

To the Board of Directors of NS Solutions Corporation

We have audited the accompanying consolidated balance sheet of NS Solutions Corporation and its subsidiaries (the "Company") as of March 31, 2007, and the related consolidated statements of income, net assets, and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NS Solutions Corporation and its subsidiaries as of March 31, 2007, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

KPMG AZSA & Co.

KPMG AZSA & Co.
Tokyo, Japan

June 20, 2007

Misuzu Audit Corporation

Misuzu Audit Corporation
Tokyo, Japan

June 20, 2007