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, 2007

Consolidated operating results

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

	Nine Months ended Dec. 31,			Fiscal Year ended
	2006	2007	Difference	Mar. 31, 2007
Sales	¥101,133	¥112,354	+11.1%	¥156,479
Operating income	7,287	9,615	+31.9	14,138
Recurring profit	7,412	9,882	+33.3	14,367
Net income	4,077	5,360	+31.5	8,120
Net income per share of common stock *				
—Basic	¥76.93	¥101.14		¥153.21
—Diluted	—	—		—

* Average shares used for computation of net income per share of common stock for the nine-month period ended Dec. 31, 2006 and 2007, and for the fiscal year ended Mar. 31, 2007 are shown in the chart below.

(Thousands of shares)

	Nine Months ended Dec. 31,		Fiscal Year ended
	2006	2007	Mar. 31, 2007
Number of average shares	52,998	52,998	52,998

・Consolidated Operating Results

During the nine-month period ended December 31, 2007, we actively received orders and recorded sales from the public sector as well as the financial and manufacturing sectors that showed steady movements in the first half of the current fiscal year. Moreover, we steadily implemented various measures such as improving system development power & productivity and enhancing capabilities to develop forefront solutions & advanced technologies. As a result, sales and recurring profit increased by ¥11,221 million and ¥2,470 million to ¥112,354 million and ¥9,882 million, respectively, compared with the same period of the last fiscal year. That is, our businesses ran smoothly for the achievement of our previous outlook.

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Consolidated financial condition

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

	Dec. 31, 2006	Dec. 31, 2007	Mar. 31, 2007
Total assets	¥96,589	¥109,307	¥113,997
Shareholders' equity	63,879	71,463	68,119
Shareholders' equity ratio	64.3%	63.5%	58.1%
Shareholders' equity per share of common stock*1	¥1,172.57	¥1,308.96	¥1,248.89

*1 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, 2006 and 2007, and for the fiscal year ended Mar. 31, 2007 is shown in the chart below.

(Thousands of shares)

	Nine Months ended Dec. 31,		Fiscal Year ended
	2006	2007	Mar. 31, 2007
Number of issued shares at end of period	52,999	52,999	52,999
Number of own shares at end of period	1	1	1

Ref. Consolidated cash flow

(Millions of yen)

	Nine Months ended Dec. 31,			Fiscal Year ended
	2006	2007	Difference	Mar. 31 2007
Cash flow from operating activities	¥2,040	¥7,749	5,709	¥6,331
Cash flow from investing activities	(6,550)	(6,942)	△392	(6,916)
Cash flow from financing activities	(1,640)	(2,068)	△428	(1,641)
Cash and cash equivalents at end of period	25,576	28,250	2,674	29,510

・Assets, liabilities and net assets

1) Total Assets

Total assets as of the end of the nine-month period ended December 31, 2007 decreased by ¥4,690 from ¥113,997 million for the last fiscal year ended March 31,2007 to ¥109,307. The principal factor was a decrease of ¥15,407 million in trade notes and accounts receivable.

2) Liabilities

Total liabilities decreased by ¥8,035 million from ¥45,879 million to ¥37,844 million, mainly because of a decrease of ¥3,679 million in trade notes and accounts payable, and a fall of ¥2,922 million in accrued income taxes. The liabilities of the Group consist chiefly of accounts payable and other inter-company credits, accrued income taxes and allowances, including an allowance for employees' retirement benefits. There was no interest-bearing debt, such as borrowings from financial institutions.

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3) Net assets

Net assets rose by ¥3,344 million from ¥68,118 million to ¥71,463 million. Major factors were a net income of ¥5,360 million and dividends of ¥1,987 million. The equity ratio was 63.5%.

Consolidated outlook for the Fiscal Year ending March 31, 2008 (FY2007)

During the nine-month period ended December 31, 2007, our businesses moved steadily as forecasted previously. Accordingly, NS Solutions keeps our previous outlook unchanged as shown below:

Current outlook (Millions of yen)

	Sales	Operating income	Recurring profit	Net income
FY2007	¥167,000	15,200	15,500	8,700

Ref. Net income per share forecast (full-year) 164.16 yen*

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.

Difference caused by significant subsidiaries in Consolidation and Equity Method Scope between the Quarters ended Dec. 31, 2006 and 2007, and the Fiscal Year ended March 31, 2007.

None.

Adoption of Concise Accounting Procedure for the Quarterly Period

None.

Accounting Procedure Differences between the Quarters ended Dec. 31, 2006 and 2007, and the Fiscal Year ended March 31, 2007.

None.

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Non-consolidated Results Information

Non-consolidated operating results

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

	Nine Months ended Dec. 31,			Fiscal Year ended
	2006	2007	Difference	Mar. 31 2007
Sales	¥90,059	¥99,883	+10.9%	¥139,752
Operating income	5,547	7,773	+40.1	11,001
Recurring profit	5,896	8,342	+41.5	11,362
Net income	3,495	5,000	+43.1	6,851
Net income per share of common stock				
—Basic	¥65.95	¥94.35		¥129.28
—Diluted	—	—		—

* Average shares used for computation of net income per share of common stock for the nine-month period ended Dec. 31, 2006 and 2007, and for the fiscal year ended Mar. 31, 2007 are shown in the chart below.

(Thousands of shares)

	Nine Months ended Dec. 31,		Fiscal Year ended Mar.
	2006	2007	31, 2007
Number of average shares	52,998	52,998	52,998

Non-consolidated financial condition

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

	Dec. 31, 2006	Dec. 31, 2007	Mar. 31, 2007
Total assets	¥89,854	¥101,349	¥105,682
Shareholders' equity	55,285	61,497	58,647
Shareholders' equity ratio	61.5%	60.7%	55.5%
Shareholders' equity per share of common stock*	¥1,043.15	¥1,160.36	¥1,106.59

* 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, 2006 and 2007, and for the fiscal year ended Mar. 31, 2007 is shown in the chart below.

(Thousands of shares)

	Nine Months ended Dec. 31,		Fiscal Year ended Mar.
	2006	2007	31, 2007
Number of issued shares at end of period	52,999	52,999	52,999
Number of own shares at end of period	1	1	1

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Non-consolidated Outlook for the Fiscal Year ending March 31, 2008 (FY2007)

Current outlook (Millions of yen)

	Sales	Operating income	Recurring profit	Net income
FY2007	¥149,500	12,300	12,900	7,800

Ref. Net income per share forecast (full-year) 147.18 yen*

(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.

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NS SOLUTIONS CORPORATION

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

As of Dec. 31, 2006, Mar. 31, 2007 and Dec. 31, 2007

	Millions of yen			Thousands of U.S. dollars (Note 2)
	Dec. 31, 2006	Mar. 31, 2007	Dec. 31, 2007	Dec. 31, 2007
Assets				
Current assets				
Cash and bank deposits (Note5)	¥5,357	¥5,643	¥6,776	$59,357
Deposited money (Note5)	14,800	15,601	17,549	153,734
Trade notes and accounts receivable	20,103	39,236	23,830	208,758
Short-term investments (Note5)	5,499	8,266	8,929	78,223
Inventories	16,444	10,739	17,317	151,701
Deferred tax assets-current	3,086	3,380	3,149	27,583
Others	739	521	952	8,348
Allowance for doubtful accounts	(14)	(185)	(203)	(1,776)
Total current assets	66,014	83,201	78,299	685,928
Fixed assets				
Property and equipment (Note 4(8))	9,679	9,799	9,467	82,938
Intangible fixed assets	407	324	294	2,578
Investments and other assets				
Long term loan-related party	12,000	12,000	12,000	105,125
Others	8,489	8,673	9,247	81,005
Total fixed assets	30,575	30,796	31,008	271,646
Total assets	¥96,589	¥113,997	¥109,307	$957,574
Liabilities				
Current liabilities				
Trade notes and accounts payable	9,958	17,622	13,943	122,144
Accrued expenses	2,634	2,724	2,457	21,524
Accrued income taxes	1,181	4,388	1,466	12,844
Advance received	4,903	4,259	5,161	45,214
Accrued bonuses to employees	2,924	5,901	2,997	26,256
Accrued bonuses to directors	—	31	—	—
Allowance for program product warranty	374	370	395	3,464
Others	1,855	2,020	2,208	19,339
Total current liabilities	23,829	37,315	28,627	250,785
Non-current liabilities				
Allowance for employees' retirement benefits	8,520	8,258	8,920	78,139
Others (Note9)	361	306	297	2,606
Total non-current liabilities	8,881	8,564	9,217	80,745
Total liabilities	32,710	45,879	37,844	331,530

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	Millions of yen			Thousands of U.S. dollars (Note 2)
	Dec. 31, 2006	Mar. 31, 2007	Dec. 31, 2007	Dec. 31, 2007
Net Assets				
Shareholders' equity				
Common stock	12,953	12,953	12,953	113,471
Additional paid-in capital	9,950	9,950	9,950	87,170
Retained earnings	40,087	44,127	47,500	416,121
Treasury stock	(2)	(3)	(3)	(31)
Total shareholders' equity	62,988	67,027	70,400	616,731
Valuation and translation adjustments				
Unrealized gain on available-for-sale securities	430	433	245	2,144
Unrealized gain on revaluation of land	(1,277)	(1,277)	(1,277)	(11,187)
Foreign currency translation adjustment	3	5	4	39
Total valuation and translation adjustments	(844)	(839)	(1,028)	(9,004)
Minority interests	1,735	1,930	2,091	18,317
Total net assets	63,879	68,118	71,463	626,044
Total liabilities and net assets	¥96,589	¥113,997	¥109,307	$957,574

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

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NS SOLUTIONS CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the Nine Months Ended Dec. 31, 2006 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2007	2007
Net sales	¥101,133	¥112,354	$984,268
Cost of sales (Note8)	79,892	87,622	767,608
Gross profit	21,241	24,732	216,660
Selling, general and administrative expenses (Note 7,8)	13,954	15,117	132,426
Operating income	7,287	9,615	84,234
Other income (expenses)	128	249	2,179
Income before income taxes and minority interest	7,415	9,864	86,413
Income Taxes	3,176	4,263	37,342
Income before minority interest	4,239	5,601	49,071
Minority interests	(162)	(241)	(2,112)
Net income	¥4,077	¥5,360	$46,959

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

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NS SOLUTIONS CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF NET ASSETS

For the Nine Months Ended Dec. 31, 2006 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2007	2007
Shareholder's equity:			
Common stock:			
Balance at beginning of the period	¥12,953	¥12,953	$113,471
Balance at end of the period	12,953	12,953	113,471
Additional paid-in capital:			
Balance at beginning of the period	9,950	9,950	87,170
Balance at end of the period	9,950	9,950	87,170
Retained earnings:			
Balance at beginning of the period	37,600	44,127	386,573
Net income	4,077	5,360	46,959
Cash Dividends	(1,590)	(1,987)	(17,411)
Balance at end of the period	40,087	47,500	416,121
Treasury stock:			
Balance at beginning of the period	(2)	(3)	(26)
Net change during the period	(0)	(0)	(5)
Balance at end of the period	(3)	(3)	(31)
Total shareholders' equity at end of the period	¥62,988	¥70,400	$616,731

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

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	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2007	2007
Valuation and translation adjustments:			
Unrealized gain on available-for-sale securities:			
Balance at beginning of the period	780	433	3,796
Net change during the period	(350)	(189)	(1,651)
Balance at end of the period	430	245	2,144
Unrealized loss on revaluation of land:			
Balance at beginning of the period	(1,277)	(1,277)	(11,187)
Balance at end of the period	(1,277)	(1,277)	(11,187)
Foreign currency translation adjustment:			
Balance at beginning of the period	2	5	44
Net change during the period	1	(1)	(5)
Balance at end of the period	3	4	39
Total valuation and translation adjustments at end of the period	(844)	(1,028)	(9,004)
Minority interests:			
Balance at beginning of the period	—	1,930	16,906
Increase due to change of accounting principle	1,623	—	—
Net change during the period	112	161	1,410
Balance at end of the period	1,735	1,896	18,317
Total minority interests at end of the period	1,735	2,091	18,317
Total net assets at end of the period	¥63,879	¥71,463	$626,044

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

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NS SOLUTIONS CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended Dec. 31, 2006 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2006	2007	2007
Cash flows from operating activities;			
Income before income taxes and minority interests			
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities	¥7,415	¥9,864	$86,413
Depreciation	1,257	1,360	11,918
Decrease in allowance for doubtful accounts	(2,901)	(2,904)	(25,442)
Increase in allowance for employees' retirement benefits	710	662	5,800
Loss on sale of investments in affiliates, net	—	13	111
Decrease in accounts receivable	14,131	15,406	134,965
Increase in inventories	(8,810)	(6,578)	(57,623)
Decrease in accounts payable	(5,733)	(3,679)	(32,229)
Others, net	1,864	351	3,069
Sub total	7,933	14,495	126,982
Income taxes paid	(6,004)	(7,064)	(61,881)
Interest and dividends income	111	318	2,786
Others, net	(0)	—	—
Net cash provided by operating activities	2,040	7,749	67,886
Cash flows from investing activities;			
Acquisition of short-term investments	(80)	(5,009)	(43,883)
Expenditure for purchase of property and equipment and intangible fixed assets	(6,181)	(1,166)	(10,215)
Acquisition of investments in securities	(5)	(342)	(2,992)
Proceeds from sale of investments in affiliates	—	34	298
Acquisition of investments in affiliates	(18)	—	—
Others, net	(266)	(459)	(4,019)
Net cash used in investing activities	(6,550)	(6,942)	(60,811)
Cash flows from financing activities;			
Payments for purchase of treasury stock	(0)	(0)	(5)
Dividends paid	(1,590)	(1,987)	(17,411)
Dividends paid to minority shareholders	(50)	(80)	(702)
Net cash used for financing activities	(1,640)	(2,067)	(18,118)
Effect of exchange rate changes on cash and cash equivalents	1	0	0
Net increase in cash and cash equivalents	(6,149)	(1,260)	(11,042)
Cash and cash equivalents at beginning of the period	31,725	29,510	258,522
Cash and cash equivalents at end of the period	¥25,576	¥28,250	$247,480

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

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1. 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 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 Company 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 ¥114.15 = U.S. $1, the effective rate of exchange prevailing at December 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.

3. Change in accounting principle

Effective April 1, 2007, the company changed the revised depreciation method based on the revised corporate tax law for property and equipment acquired on and after April 1, 2007. The effect of the change was to decrease gross profit, operating income and income before income taxes and minority interests by ¥15 million ($127 thousand), ¥18 million ($161 thousand), ¥18 million ($161 thousand), respectively.

After depreciable assets acquired on or after April 1,2007 have been depreciated to the final depreciable limit, the company depreciates the remaining value to ¥1 over five years using straight line method starting from the nine-month period ended December 31,2007. The effect of the change was to decrease gross profit, operating income and income before income taxes and minority interests by ¥4 million ($38 thousand), ¥5 million ($47 thousand), ¥5 million ($47 thousand), respectively.

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4. Summary of Significant Accounting Policies

(1) Principles of consolidation

The consolidated financial statements for the nine-month period ended December 31, 2007 include the accounts of the Company and its 13 significant subsidiaries, as listed below:

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

The Company added NS Financial Management Consulting Corporation to the consolidation scope from the nine-month period ended December 31, 2007. NS Financial Management Consulting Corporation was established on April, 2007.

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 and the nine-month period ending September 30, which differ from those of the Company. These subsidiaries do not prepare financial statements at any date from October 1 to December 31. Any material transactions occurring in the respective periods, October 1 to December 31 are adjusted for in these unaudited consolidated financial statements.

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(2) Investments in affiliates

The Company's investments in a significant affiliate was accounted for using the equity method for the nine-month period ended December 31, 2007 as listed below:

Hokkaido High Information Technology Center Co., Ltd.

The Company excluded Solnet from the scope of the equity method at the end of the third quarter, due to the sale of the Company's ownership interest.

(3) 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.

(4) 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.

(5) 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.

(6) 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

(7) Investments in securities

Investments in securities consist of held-to-maturity investments, available-for-sale securities with market quatation, available-for-sale securities without market quatation.

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

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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.

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

(8) Property and equipment

Property and equipment is recorded at cost, net of accumulated depreciation of ¥7,026 million and ¥8,592 million ($75,270 thousand) at December 31, 2006 and 2007 and ¥7,451 million at March 31, 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.

(9) 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.

(10) Retirement benefits

(a) Accrued employees' retirement benefits

The employees of the Company are generally covered by defined benefit pension plan under which retiring employees are entitled to lump-sum payments determined by reference to current rates of pay, length of service and conditions under which the termination occurs.

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

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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.

(11) Accrued 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 nine-month period ended on the relevant balance sheet date.

(12) 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.

(13) 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 nine-month period ended December 31, 2006 and 2007, respectively.

Net assets per share is computed without Minority interests.

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5. Cash and Cash Equivalents

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

	Millions of yen			Thousands of U.S. dollars (Note 2)
	December 31, 2006	March 31, 2007	December 31, 2007	December 31, 2007
Cash and bank deposits	¥5,357	¥ 5,643	¥6,776	$59,357
Deposited money	14,800	15,601	17,549	153,734
Short-term investment	5,419	8,266	3,925	34,389
Cash and cash equivalents	¥25,576	¥29,510	¥28,250	$247,480

6. 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 ¥237 million and ¥211 million ($1,845 thousand) for the nine-month period ended December 31, 2006 and 2007 and ¥260 million for the fiscal year ended March 31, 2007, 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 nine-month period ended December 31, 2006 and 2007 and the fiscal year ended March 31, 2007:

	Millions of yen		
December 31, 2006	Acquisition Cost	Accumulated Depreciation	Net balance
Machinery and equipment	¥ 17	¥ 11	¥ 6
Tools, furniture and fixtures	1,221	795	426
Software	365	254	111
Total	¥1,603	¥1,059	¥ 544

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

	Millions of yen		
December 31, 2007	Acquisition Cost	Accumulated Depreciation	Net balance
Machinery and equipment	¥ 17	¥ 14	¥ 3
Tools, furniture and fixtures	1,032	695	337
Software	165	95	70
Total	¥1,214	¥804	¥ 410

	Thousands of U.S. dollars (Note 2)		
December 31, 2007	Acquisition Cost	Accumulated Depreciation	Net balance
Machinery and equipment	$ 149	$ 120	$ 29
Tools, furniture and fixtures	9,043	6,093	2,950
Software	1,446	835	611
Total	$10,638	$7,048	$3,590

	Millions of Yen			Thousands of U.S. dollars (Note 2)
	December 31, 2006	March 31, 2007	December 31, 2007	December 31, 2007
Depreciation expense	¥218	¥229	¥187	$1,638
Interest expense	11	13	9	76

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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, 2006 and 2007 and March 31, 2007 are as follows:

	Millions of Yen			Thousands of U.S. dollars (Note 2)
	December 31, 2006	March 31, 2006	December 31, 2007	December 31, 2007
Within one year	¥212	¥152	¥186	$ 1,627
Over one year	374	244	238	2,085
Total	¥586	¥396	¥424	$3,712

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

	Millions of Yen			Thousands of U.S. dollars (Note 2)
	December 31, 2006	March 31, 2007	December 31, 2007	December 31, 2007
Within one year	¥1	¥1	—	—
Over one year	0	0	—	—
Total	¥1	¥1	—	—

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7. Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the nine-month period ended December 31, 2006 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. dollars (Note 2)
December 31	2006	2007	2007
Payroll and bonuses	¥5,071	¥5,345	$46,823
Provision for allowance for bonuses to employees	528	666	5,835
Provision for accrued employees' retirement benefits	295	318	2,789
Provision for allowance for directors' retirement benefits	60	38	336
Depreciation expense	156	162	1,423
Operating expense for acceptance of orders	¥2,341	¥2,672	$23,409

8. 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 nine-month period ended December 31, 2006 and 2007 were ¥859 million and ¥832 million ($7,292 thousand), respectively.

9. Contingent Liabilities

The Company's loss contingencies for guaranteeing the indebtedness of other parties were ¥21 million ($187 thousand) at December 31, 2007 and ¥43 million at March 31, 2007, respectively, each of which are Guarantees for bank loans of the Hokkaido High Information Technology Center Co., Ltd.

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