

The financial results have been translated from the Japanese Consolidated Financial Statements for reference purposes only. In the event of any discrepancy between the Japanese version and the English translation, the Japanese version will prevail.

Consolidated Financial Results for the Second Quarter of Fiscal 2018 (April 1, 2018 - September 30, 2018) [under Japanese GAAP]

October 30, 2018

Company name: NS Solutions Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 2327
 URL: <https://www.nssol.nssmc.com>
 Representative: Munetaka Shashiki, Representative Director & President
 Contact: Hideki Komatsu, Director, Accounting & Finance Department
 Phone: +81-3-5117-4111
 Scheduled date of filing quarterly securities report: November 9, 2018
 Scheduled date of commencing dividend payments: December 3, 2018
 Availability of supplementary briefing material on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Scheduled (for analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Second Quarter of Fiscal 2018 (April 1, 2018 to September 30, 2018)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2018 2Q	124,646	6.9	11,274	11.9	11,503	9.8	7,204	9.7
FY2017 2Q	116,554	10.1	10,073	2.5	10,475	2.6	6,569	(0.4)

(Note) Comprehensive income: FY2018 2Q: 16,954 million yen[40.3%]
 FY2017 2Q: 12,081 million yen[39.8%]

	Net income per share	Diluted net income per share
	Yen	Yen
FY2018 2Q	76.17	-
FY2017 2Q	69.38	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
FY2018 2Q	233,548	153,726	63.7
FY2017	221,436	141,528	61.6

(Reference) Equity: FY2018 2Q: 148,663 million yen
 FY2017: 136,473 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2017	-	25.00	-	25.00	50.00
FY2018	-	27.50			
FY2018(Forecast)			-	27.50	55.00

(Notes) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for Fiscal 2018 (April 1, 2018 to March 31, 2019)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
Full year	258,000	5.6	24,000	5.9	24,500	6.0	16,000	169.63

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (4) Total number of issued shares (common stock)
 - 1) Total number of issued shares at the end of the period (including treasury shares):

FY2018 2Q :	94,704,740	shares
FY2017:	94,704,740	shares
 - 2) Total number of treasury shares at the end of the period:

FY2018 2Q :	649,199	shares
FY2017:	16,138	shares
 - 3) Average number of shares during the period:

FY2018 2Q :	94,585,599	shares
FY2017 2Q:	94,689,305	shares

* This quarterly consolidated financial results report is exempt from the audit conducted by certified public accountants or an audit corporation.

* Explanation of the proper use of financial results forecast and other notes

The forecasts stated above are based on information available as of the date of publication of this document. Actual results may differ from these forecasts due to a wide range of factors hereafter.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	March 31, 2018	September 30, 2018
Assets		
Current assets		
Cash and deposits	3,198	3,783
Deposits paid	43,691	47,173
Notes and accounts receivable - trade	56,876	45,840
Securities	2,000	1,000
Work in process	24,498	31,020
Raw materials and supplies	32	35
Short-term loans receivable from subsidiaries and associates	12,000	12,000
Other	1,829	1,905
Allowance for doubtful accounts	(23)	(19)
Total current assets	144,103	142,738
Non-current assets		
Property, plant and equipment	20,368	19,778
Intangible assets		
Goodwill	4,320	4,087
Other	3,392	2,939
Total intangible assets	7,712	7,026
Investments and other assets		
Investment securities	38,693	53,569
Other	10,604	10,483
Allowance for doubtful accounts	(45)	(47)
Total investments and other assets	49,252	64,006
Total non-current assets	77,333	90,810
Total assets	221,436	233,548
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,500	14,466
Income taxes payable	3,573	4,005
Advances received	16,722	21,370
Provision for bonuses	8,484	8,450
Other provision	455	908
Other	12,371	10,052
Total current liabilities	60,109	59,254
Non-current liabilities		
Provision for directors' retirement benefits	141	120
Net defined benefit liability	8,541	9,081
Other	11,114	11,364
Total non-current liabilities	19,798	20,567
Total liabilities	79,907	79,821
Net assets		
Shareholders' equity		
Capital stock	12,952	12,952
Capital surplus	9,950	9,950
Retained earnings	93,244	98,082
Treasury shares	(25)	(2,191)
Total shareholders' equity	116,122	118,793
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,203	29,814
Foreign currency translation adjustment	147	55
Total accumulated other comprehensive income	20,351	29,869
Non-controlling interests	5,055	5,063
Total net assets	141,528	153,726
Total liabilities and net assets	221,436	233,548

Quarterly Consolidated Statements of Income

	(Millions of yen)	
	FY2017 2Q	FY2018 2Q
Net sales	116,554	124,646
Cost of sales	92,960	99,766
Gross profit	23,593	24,879
Selling, general and administrative expenses	13,520	13,605
Operating profit	10,073	11,274
Non-operating income		
Interest income	70	80
Dividend income	326	236
Share of profit of entities accounted for using equity method	18	—
Other	101	24
Total non-operating income	516	341
Non-operating expenses		
Interest expenses	6	5
Share of loss of entities accounted for using equity method	—	6
Loss on retirement of non-current assets	7	35
Foreign exchange losses	10	11
Cancellation penalty	15	28
Other	75	25
Total non-operating expenses	114	111
Ordinary profit	10,475	11,503
Profit before income taxes	10,475	11,503
Income taxes	3,636	4,063
Profit	6,838	7,440
Profit attributable to non-controlling interests	268	235
Profit attributable to owners of parent	6,569	7,204

Quarterly Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	FY2017 2Q	FY2018 2Q
Profit	6,838	7,440
Other comprehensive income		
Valuation difference on available-for-sale securities	5,256	9,610
Foreign currency translation adjustment	(13)	(96)
Total other comprehensive income	5,243	9,514
Comprehensive income	12,081	16,954
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,814	16,723
Comprehensive income attributable to non-controlling interests	267	230

Quarterly Consolidated Statement of Cash Flows

	(Millions of yen)	
	FY2017 2Q	FY2018 2Q
Cash flows from operating activities		
Profit before income taxes	10,475	11,503
Depreciation	2,170	2,365
Amortization of goodwill	232	232
Increase (decrease) in allowance for doubtful accounts	(4)	(2)
Increase (decrease) in provision for bonuses	139	(33)
Increase (decrease) in net defined benefit liability	1,301	540
Interest and dividend income	(396)	(316)
Interest expenses	6	5
Share of loss (profit) of entities accounted for using equity method	(18)	6
Loss on retirement of non-current assets	7	35
Decrease (increase) in notes and accounts receivable - trade	10,677	11,002
Decrease (increase) in inventories	(5,924)	(6,538)
Increase (decrease) in notes and accounts payable - trade	(2,081)	(4,013)
Other, net	1,518	(479)
Subtotal	18,103	14,308
Interest and dividend income received	395	317
Interest expenses paid	(6)	(4)
Income taxes paid	(4,591)	(3,778)
Net cash provided by (used in) operating activities	13,901	10,841
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	194	—
Proceeds from redemption of securities	—	1,000
Purchase of property, plant and equipment and intangible assets	(2,085)	(1,420)
Purchase of investment securities	(1,030)	(1,030)
Proceeds from sales of investment securities	5	—
Other, net	44	23
Net cash provided by (used in) investing activities	(2,871)	(1,426)
Cash flows from financing activities		
Purchase of treasury shares	(1)	(2,166)
Cash dividends paid	(2,130)	(2,367)
Dividends paid to non-controlling interests	(217)	(222)
Repayments of lease obligations	(538)	(535)
Other, net	(31)	—
Net cash provided by (used in) financing activities	(2,919)	(5,291)
Effect of exchange rate change on cash and cash equivalents	0	(49)
Net increase (decrease) in cash and cash equivalents	8,110	4,074
Cash and cash equivalents at beginning of period	45,582	46,682
Cash and cash equivalents at end of period	53,693	50,757