

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 Fiscal 2017 (April 1, 2017 - March 31, 2018) [under Japanese GAAP]

April 26, 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 Annual General Meeting of Shareholders: June 22, 2018
 Scheduled date of commencing dividend payments: June 1, 2018
 Scheduled date of filing annual securities report: June 25, 2018
 Availability of supplementary briefing material on annual financial results: Available
 Schedule of annual financial results briefing session: Scheduled (for analysts)

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

1. Consolidated Financial Results for Fiscal 2017 (April 1, 2017 to March 31, 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	%
FY2017	224,215	5.1	22,671	5.3	23,106	4.5	14,933	6.9
FY2016	232,473	6.3	21,540	11.8	22,117	14.2	13,964	25.0

(Note) Comprehensive income: FY2017: 20,522 million yen [(4.3)%]

FY2016: 21,435 million yen [100.4%]

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
	Yen	Yen	%	%	%
FY2017	157.71	-	11.6	10.9	9.3
FY2016	149.48	-	12.6	11.7	9.3

(Reference) Share of profit (loss) of entities accounted for using equity method: FY2017: 16 million yen
 FY2016: 36 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2017	224,349	141,528	60.8	1,441.29
FY2016	200,811	125,724	60.3	1,278.42

(Reference) Equity: FY2017: 136,473 million yen
 FY2016: 121,053 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2017	13,138	(6,145)	(5,926)	46,682
FY2016	12,449	(5,359)	(4,912)	45,582

2. Dividends

	Annual dividends					Total dividends	Dividend payout ratio (consolidated)	Dividends to net assets ratio (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2016	-	22.50	-	22.50	45.00	4,223	30.1	3.8
FY2017	-	25.00	-	25.00	50.00	4,734	31.7	3.7
FY2018 (Forecast)	-	27.50	-	27.50	55.00		33.2	

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
First half	118,000	1.2	10,700	6.2	11,000	5.0	7,200	9.6	76.04
Full year	247,000	1.1	23,400	3.2	24,000	3.9	15,700	5.1	165.81

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) 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: Yes
 - 3) Changes in accounting estimates: Yes
 - 4) Retrospective restatement: No
- (3) Total number of issued shares (common stock)
 - 1) Total number of issued shares at the end of the period (including treasury shares):

FY2017:	94,704,740	shares
FY2016:	105,998,240	shares
 - 2) Total number of treasury shares at the end of the period:

FY2017:	16,138	shares
FY2016:	11,308,612	shares
 - 3) Average number of shares during the period:

FY2017:	94,689,106	shares
FY2016:	93,421,921	shares

* This consolidated financial results report is exempt from the audit procedures.

* 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.

Consolidated Financial Statements

Consolidated Balance Sheets

	(Millions of yen)	
	March 31, 2017	March 31, 2018
Assets		
Current assets		
Cash and deposits	2,857	3,198
Deposits paid	43,103	43,691
Notes and accounts receivable - trade	51,187	56,876
Securities	—	2,000
Work in process	21,423	24,498
Raw materials and supplies	49	32
Short-term loans receivable from subsidiaries and associates	12,000	12,000
Deferred tax assets	3,903	4,654
Other	1,990	1,829
Allowance for doubtful accounts	(22)	(23)
Total current assets	136,493	148,757
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,463	8,213
Tools, furniture and fixtures, net	5,880	6,688
Land	2,778	2,543
Leased assets, net	962	2,380
Construction in progress	210	540
Other	2	1
Total property, plant and equipment	20,298	20,368
Intangible assets		
Software	2,392	2,217
Goodwill	4,826	4,320
Other	15	1,174
Total intangible assets	7,234	7,712
Investments and other assets		
Investment securities	30,992	38,693
Deferred tax assets	1,376	1,598
Guarantee deposits	3,914	6,760
Other	546	502
Allowance for doubtful accounts	(44)	(45)
Total investments and other assets	36,784	47,510
Total non-current assets	64,317	75,592
Total assets	200,811	224,349

Consolidated Balance Sheets

	(Millions of yen)	
	March 31, 2017	March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,985	18,500
Lease obligations	100	1,066
Accounts payable - other	6,394	10,607
Income taxes payable	4,763	3,573
Advances received	13,782	16,722
Provision for bonuses	7,957	8,484
Provision for loss on order received	1,059	115
Allowance for program product warranty	235	218
Provision for loss on business withdrawal	331	121
Other	588	696
Total current liabilities	53,198	60,109
Non-current liabilities		
Lease obligations	760	2,611
Provision for directors' retirement benefits	136	141
Provision for loss on business withdrawal	238	—
Net defined benefit liability	19,650	8,541
Deferred tax liabilities	1,013	4,287
Other	89	7,128
Total non-current liabilities	21,887	22,711
Total liabilities	75,086	82,820
Net assets		
Shareholders' equity		
Capital stock	12,952	12,952
Capital surplus	10,899	9,950
Retained earnings	100,530	93,244
Treasury shares	(17,416)	(25)
Total shareholders' equity	106,966	116,122
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,286	20,203
Revaluation reserve for land	(1,276)	—
Foreign currency translation adjustment	77	147
Total accumulated other comprehensive income	14,086	20,351
Non-controlling interests	4,671	5,055
Total net assets	125,724	141,528
Total liabilities and net assets	200,811	224,349

Consolidated Statements of Income

	(Millions of yen)	
	2016Fy	2017Fy
Net sales	232,473	244,215
Cost of sales	186,013	195,158
Gross profit	46,459	49,057
Selling, general and administrative expenses	24,919	26,386
Operating profit	21,540	22,671
Non-operating income		
Interest income	133	146
Dividend income	276	483
Share of profit of entities accounted for using equity method	36	16
Cancellation penalty income	143	26
Gain on reversal of provision for loss on business withdrawal	—	106
Other	201	156
Total non-operating income	790	935
Non-operating expenses		
Interest expenses	27	12
Loss on retirement of non-current assets	25	35
Foreign exchange losses	43	37
Impairment loss	58	—
Compensation for damage	—	305
Other	58	109
Total non-operating expenses	213	499
Ordinary profit	22,117	23,106
Extraordinary income		
Gain on sales of investment securities	—	3,254
Total extraordinary income	—	3,254
Extraordinary losses		
Impairment loss	—	2,575
Loss on abolishment of retirement benefit plan	—	665
Provision for loss on business withdrawal	552	—
Total extraordinary losses	552	3,241
Profit before income taxes	21,564	23,120
Income taxes - current	7,954	7,456
Income taxes - deferred	(932)	130
Total income taxes	7,022	7,587
Profit	14,542	15,533
Profit attributable to non-controlling interests	578	600
Profit attributable to owners of parent	13,964	14,933

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	2016Fy	2017Fy
Profit	14,542	15,533
Other comprehensive income		
Valuation difference on available-for-sale securities	6,989	4,917
Foreign currency translation adjustment	(97)	71
Total other comprehensive income	6,892	4,989
Comprehensive income	21,435	20,522
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	20,860	19,921
Comprehensive income attributable to non-controlling interests	574	601

Consolidated Statements of Changes in Net Assets

2016Fy (Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	12,952	9,950	90,634	(20,006)	93,531
Changes of items during period					
Dividends of surplus			(4,069)		(4,069)
Profit attributable to owners of parent			13,964		13,964
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		0		0	0
Retirement of treasury shares					—
Transfer to capital surplus from retained earnings					—
Increase by share exchanges		949		2,592	3,542
Reversal of revaluation reserve for land					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	949	9,895	2,590	13,435
Balance at end of current period	12,952	10,899	100,530	(17,416)	106,966

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	8,296	(1,276)	170	7,190	4,290	105,012
Changes of items during period						
Dividends of surplus						(4,069)
Profit attributable to owners of parent						13,964
Purchase of treasury shares						(2)
Disposal of treasury shares						0
Retirement of treasury shares						—
Transfer to capital surplus from retained earnings						—
Increase by share exchanges						3,542
Reversal of revaluation reserve for land						—
Net changes of items other than shareholders' equity	6,989	—	(93)	6,895	380	7,276
Total changes of items during period	6,989	—	(93)	6,895	380	20,712
Balance at end of current period	15,286	(1,276)	77	14,086	4,671	125,724

Consolidated Statements of Changes in Net Assets

2017Fy (Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	12,952	10,899	100,530	(17,416)	106,966
Changes of items during period					
Dividends of surplus			(4,497)		(4,497)
Profit attributable to owners of parent			14,933		14,933
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		0		0	0
Retirement of treasury shares		(17,393)		17,393	—
Transfer to capital surplus from retained earnings		16,444	(16,444)		—
Increase by share exchanges					—
Reversal of revaluation reserve for land			(1,276)		(1,276)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(949)	(7,285)	17,390	9,155
Balance at end of current period	12,952	9,950	93,244	(25)	116,122

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	15,286	(1,276)	77	14,086	4,671	125,724
Changes of items during period						
Dividends of surplus						(4,497)
Profit attributable to owners of parent						14,933
Purchase of treasury shares						(3)
Disposal of treasury shares						0
Retirement of treasury shares						—
Transfer to capital surplus from retained earnings						—
Increase by share exchanges						—
Reversal of revaluation reserve for land						(1,276)
Net changes of items other than shareholders' equity	4,917	1,276	70	6,264	383	6,648
Total changes of items during period	4,917	1,276	70	6,264	383	15,804
Balance at end of current period	20,203	—	147	20,351	5,055	141,528

Consolidated Statement of Cash Flows

	(Millions of yen)	
	2016Fy	2017Fy
Cash flows from operating activities		
Profit before income taxes	21,564	23,120
Depreciation	4,147	4,607
Impairment loss	58	2,575
Amortization of goodwill	260	465
Increase (decrease) in allowance for doubtful accounts	(0)	1
Increase (decrease) in provision for bonuses	323	527
Increase (decrease) in net defined benefit liability	727	(11,109)
Increase (decrease) in provision for directors' retirement benefits	(9)	5
Increase (decrease) in provision for loss on order received	919	(943)
Increase (decrease) in provision for loss on business withdrawal	452	(448)
Increase (decrease) in other provision	26	(16)
Interest and dividend income	(409)	(629)
Interest expenses	27	12
Loss (gain) on sales of investment securities	—	(3,254)
Share of loss (profit) of entities accounted for using equity method	(36)	(16)
Loss on retirement of non-current assets	25	35
Decrease (increase) in notes and accounts receivable - trade	(8,010)	(5,646)
Decrease (increase) in inventories	(534)	(3,049)
Decrease (increase) in other current assets	(401)	141
Increase (decrease) in notes and accounts payable - trade	1,148	495
Increase (decrease) in other current liabilities	(580)	7,512
Other, net	(127)	6,585
Subtotal	19,572	20,972
Interest and dividend income received	409	626
Interest expenses paid	(27)	(12)
Income taxes paid	(7,505)	(8,447)
Net cash provided by (used in) operating activities	12,449	13,138
Cash flows from investing activities		
Payments into time deposits	(194)	(207)
Proceeds from withdrawal of time deposits	—	207
Purchase of property, plant and equipment and intangible assets	(4,739)	(3,987)
Purchase of investment securities	(2,140)	(3,033)
Proceeds from sales of investment securities	—	3,651
Proceeds from redemption of investment securities	2,000	—
Purchase of investments in non-consolidated subsidiary	(291)	—
Payments for guarantee deposits	(170)	(2,864)
Proceeds from collection of guarantee deposits	76	20
Other, net	100	68
Net cash provided by (used in) investing activities	(5,359)	(6,145)
Cash flows from financing activities		
Purchase of treasury shares	(2)	(3)
Cash dividends paid	(4,069)	(4,497)
Dividends paid to non-controlling interests	(193)	(217)
Repayments of lease obligations	(629)	(1,077)
Other, net	(18)	(130)
Net cash provided by (used in) financing activities	(4,912)	(5,926)
Effect of exchange rate change on cash and cash equivalents	(59)	33
Net increase (decrease) in cash and cash equivalents	2,117	1,099
Cash and cash equivalents at beginning of period	43,133	45,582
Increase in cash and cash equivalents from share exchange	332	—
Cash and cash equivalents at end of period	45,582	46,682