

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 2018 (April 1, 2018 - March 31, 2019) [under Japanese GAAP]

April 26, 2019

Company name: NS Solutions Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 2327
 URL: <https://www.nssol.nipponsteel.com>
 Representative: Hiroyuki Morita, Representative Director & President
 Contact: Hideki Komatsu, Director, Accounting & Finance Department
 Phone: +81-3-5117-4111
 Scheduled date of Annual General Meeting of Shareholders: June 21, 2019
 Scheduled date of commencing dividend payments: June 3, 2019
 Scheduled date of filing annual securities report: June 24, 2019
 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 2018 (April 1, 2018 to March 31, 2019)

(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	265,278	8.6	25,676	13.3	26,103	13.0	17,111	14.6
FY2017	244,215	5.1	22,671	5.3	23,106	4.5	14,933	6.9

(Note) Comprehensive income: FY2018: 21,110 million yen [2.9%]

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

	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	%	%	%
FY2018	182.69	-	12.3	11.4	9.7
FY2017	157.71	-	11.6	11.0	9.3

(Reference) Share of profit (loss) of entities accounted for using equity method: FY2018: (16) million yen

FY2017: 16 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2018	236,078	147,461	60.2	1,552.00
FY2017	221,436	141,528	61.6	1,441.29

(Reference) Equity: FY2018: 142,008 million yen

FY2017: 136,473 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
FY2018	19,690	(1,624)	(16,255)	48,436
FY2017	13,138	(6,145)	(5,926)	46,682

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	%	%
FY2017	-	25.00	-	25.00	50.00	4,734	31.7	3.7
FY2018	-	27.50	-	27.50	55.00	5,102	30.1	3.7
FY2019 (Forecast)	-	30.00	-	30.00	60.00		30.5	

3. Consolidated Financial Results Forecast for Fiscal 2019 (April 1, 2019 to March 31, 2020)

(% 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	142,000	13.9	12,400	10.0	12,500	8.7	8,000	87.43
Full year	280,000	5.5	27,200	5.9	27,500	5.3	18,000	196.72

*** 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: No
 - 3) Changes in accounting estimates: No
 - 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):

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

FY2018:	3,204,145	shares
FY2017:	16,138	shares
 - 3) Average number of shares during the period:

FY2018:	93,663,790	shares
FY2017:	94,689,106	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, 2018	March 31, 2019
Assets		
Current assets		
Cash and deposits	3,198	3,256
Deposits paid	43,691	45,384
Notes and accounts receivable - trade	56,876	56,829
Securities	2,000	—
Work in process	24,498	35,168
Raw materials and supplies	32	10
Short-term loans receivable from subsidiaries and associates	12,000	12,000
Other	1,829	1,993
Allowance for doubtful accounts	(23)	(23)
Total current assets	144,103	154,620
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,213	7,494
Tools, furniture and fixtures, net	6,688	6,836
Land	2,543	2,543
Leased assets, net	2,380	1,757
Construction in progress	540	286
Other	1	1
Total property, plant and equipment	20,368	18,921
Intangible assets		
Software	2,217	1,686
Goodwill	4,320	3,854
Other	1,174	792
Total intangible assets	7,712	6,333
Investments and other assets		
Investment securities	38,693	45,554
Deferred tax assets	3,340	3,573
Guarantee deposits	6,760	6,751
Other	502	371
Allowance for doubtful accounts	(45)	(46)
Total investments and other assets	49,252	56,204
Total non-current assets	77,333	81,458
Total assets	221,436	236,078

Consolidated Balance Sheets

	(Millions of yen)	
	March 31, 2018	March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,500	20,830
Lease obligations	1,066	1,044
Accounts payable - other	10,607	11,023
Income taxes payable	3,573	5,249
Advances received	16,722	20,938
Provision for bonuses	8,484	8,973
Provision for loss on order received	115	1,445
Allowance for program product warranty	218	209
Provision for loss on business withdrawal	121	—
Other	696	653
Total current liabilities	60,109	70,368
Non-current liabilities		
Lease obligations	2,611	1,586
Provision for directors' retirement benefits	141	130
Net defined benefit liability	8,541	9,724
Deferred tax liabilities	1,374	2,746
Other	7,128	4,061
Total non-current liabilities	19,798	18,249
Total liabilities	79,907	88,617
Net assets		
Shareholders' equity		
Capital stock	12,952	12,952
Capital surplus	9,950	9,950
Retained earnings	93,244	105,402
Treasury shares	(25)	(10,026)
Total shareholders' equity	116,122	118,279
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,203	23,672
Foreign currency translation adjustment	147	56
Total accumulated other comprehensive income	20,351	23,728
Non-controlling interests	5,055	5,452
Total net assets	141,528	147,461
Total liabilities and net assets	221,436	236,078

Consolidated Statements of Income

(Millions of yen)

	FY2017	FY2018
Net sales	244,215	265,278
Cost of sales	195,158	212,692
Gross profit	49,057	52,586
Selling, general and administrative expenses	26,386	26,910
Operating profit	22,671	25,676
Non-operating income		
Interest income	146	159
Dividend income	483	409
Share of profit of entities accounted for using equity method	16	—
Gain on reversal of provision for loss on business withdrawal	106	—
Other	182	73
Total non-operating income	935	641
Non-operating expenses		
Interest expenses	12	9
Share of loss of entities accounted for using equity method	—	16
Loss on retirement of non-current assets	35	74
Foreign exchange losses	37	15
Cancellation penalty	16	29
Compensation for damage	305	—
Other	92	68
Total non-operating expenses	499	214
Ordinary profit	23,106	26,103
Extraordinary income		
Gain on sales of investment securities	3,254	1,041
Total extraordinary income	3,254	1,041
Extraordinary losses		
Impairment loss	2,575	—
Loss on abolishment of retirement benefit plan	665	—
Office transfer cost	—	1,038
Total extraordinary losses	3,241	1,038
Profit before income taxes	23,120	26,106
Income taxes - current	7,456	8,760
Income taxes - deferred	130	(392)
Total income taxes	7,587	8,368
Profit	15,533	17,737
Profit attributable to non-controlling interests	600	625
Profit attributable to owners of parent	14,933	17,111

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	FY2017	FY2018
Profit	15,533	17,737
Other comprehensive income		
Valuation difference on available-for-sale securities	4,917	3,468
Foreign currency translation adjustment	71	(96)
Total other comprehensive income	4,989	3,372
Comprehensive income	20,522	21,110
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	19,921	20,489
Comprehensive income attributable to non-controlling interests	601	620

Consolidated Statements of Changes in Net Assets

FY2017

(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)		—
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						—
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 Statements of Changes in Net Assets

FY2018

(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	93,244	(25)	116,122
Changes of items during period					
Dividends of surplus			(4,953)		(4,953)
Profit attributable to owners of parent			17,111		17,111
Purchase of treasury shares				(10,001)	(10,001)
Disposal of treasury shares		(0)		0	0
Retirement of treasury shares					—
Transfer to capital surplus from retained earnings		0	(0)		—
Reversal of revaluation reserve for land					—
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	12,158	(10,000)	2,157
Balance at end of current period	12,952	9,950	105,402	(10,026)	118,279

	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	20,203	—	147	20,351	5,055	141,528
Changes of items during period						
Dividends of surplus						(4,953)
Profit attributable to owners of parent						17,111
Purchase of treasury shares						(10,001)
Disposal of treasury shares						0
Retirement of treasury shares						—
Transfer to capital surplus from retained earnings						—
Reversal of revaluation reserve for land						—
Net changes of items other than shareholders' equity	3,468	—	(91)	3,377	397	3,775
Total changes of items during period	3,468	—	(91)	3,377	397	5,932
Balance at end of current period	23,672	—	56	23,728	5,452	147,461

Consolidated Statement of Cash Flows

	(Millions of yen)	
	FY2017	FY2018
Cash flows from operating activities		
Profit before income taxes	23,120	26,106
Depreciation	4,607	4,858
Impairment loss	2,575	—
Amortization of goodwill	465	465
Increase (decrease) in allowance for doubtful accounts	1	0
Increase (decrease) in provision for bonuses	527	488
Increase (decrease) in net defined benefit liability	(11,109)	1,183
Increase (decrease) in provision for directors' retirement benefits	5	(11)
Increase (decrease) in provision for loss on order received	(943)	1,329
Increase (decrease) in provision for loss on business withdrawal	(448)	(121)
Increase (decrease) in other provision	(16)	(8)
Interest and dividend income	(629)	(568)
Interest expenses	12	9
Loss (gain) on sales of investment securities	(3,254)	(1,041)
Share of loss (profit) of entities accounted for using equity method	(16)	16
Loss on retirement of non-current assets	35	74
Decrease (increase) in notes and accounts receivable - trade	(5,646)	(8)
Decrease (increase) in inventories	(3,049)	(10,668)
Decrease (increase) in other current assets	141	(44)
Increase (decrease) in notes and accounts payable - trade	495	2,366
Increase (decrease) in other current liabilities	7,512	4,838
Other, net	6,585	(2,970)
Subtotal	20,972	26,295
Interest and dividend income received	626	569
Interest expenses paid	(12)	(9)
Income taxes paid	(8,447)	(7,165)
Net cash provided by (used in) operating activities	13,138	19,690
Cash flows from investing activities		
Payments into time deposits	(207)	—
Proceeds from withdrawal of time deposits	207	—
Proceeds from redemption of securities	—	2,000
Purchase of property, plant and equipment and intangible assets	(3,987)	(2,612)
Purchase of investment securities	(3,033)	(2,030)
Proceeds from sales of investment securities	3,651	1,156
Payments for guarantee deposits	(2,864)	(149)
Proceeds from collection of guarantee deposits	20	61
Other, net	68	(50)
Net cash provided by (used in) investing activities	(6,145)	(1,624)
Cash flows from financing activities		
Purchase of treasury shares	(3)	(10,001)
Cash dividends paid	(4,497)	(4,953)
Dividends paid to non-controlling interests	(217)	(222)
Repayments of lease obligations	(1,077)	(1,078)
Other, net	(130)	0
Net cash provided by (used in) financing activities	(5,926)	(16,255)
Effect of exchange rate change on cash and cash equivalents	33	(56)
Net increase (decrease) in cash and cash equivalents	1,099	1,753
Cash and cash equivalents at beginning of period	45,582	46,682
Cash and cash equivalents at end of period	46,682	48,436