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 2019 (April 1, 2019 - September 30, 2019) [under Japanese GAAP]

October 29, 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 filing quarterly securities report: November 8, 2019
Scheduled date of commencing dividend payments: December 2, 2019
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 2019 (April 1, 2019 to September 30, 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	%
FY2019 2Q	149,815	20.2	15,118	34.1	15,123	31.5	9,645	33.9
FY2018 2Q	124,646	6.9	11,274	11.9	11,503	9.8	7,204	9.7

(Note) Comprehensive income: FY2019 2Q:10,977 million yen[(35.3)%]
FY2018 2Q:16,954 million yen[40.3%]

	Net income per share	Diluted net income per share
	Yen	Yen
FY2019 2Q	105.42	-
FY2018 2Q	76.17	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
FY2019 2Q	246,320	155,688	61.0
FY2018	236,078	147,461	60.2

(Reference) Equity: FY2019 2Q: 150,141 million yen
FY2018: 142,008 million yen

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2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2018	-	27.50	-	27.50	55.00
FY2019	-	32.50			
FY2019(Forecast)			-	32.50	65.00

(Notes) Revision to the forecast for dividends announced most recently: Yes

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
Full year	293,500	10.6	29,500	14.9	29,500	13.0	19,300	12.8	210.93

(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): None

(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: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(4) Total number of issued shares (common stock)
1) Total number of issued shares at the end of the period (including treasury shares):
FY2019 2Q : 94,704,740 shares
FY2018: 94,704,740 shares

2) Total number of treasury shares at the end of the period:
FY2019 2Q : 3,204,227 shares
FY2018: 3,204,145 shares

3) Average number of shares during the period:
FY2019 2Q : 91,500,545 shares
FY2018 2Q: 94,585,599 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.

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Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Milions of yen)

	March 31, 2019	September 30, 2019
Assets		
Current assets		
Cash and deposits	3,256	3,716
Deposits paid	45,384	62,638
Notes and accounts receivable - trade	56,829	52,804
Work in process	35,168	31,521
Raw materials and supplies	10	21
Short-term loans receivable from subsidiaries and associates	12,000	12,000
Other	1,993	1,865
Allowance for doubtful accounts	(23)	(21)
Total current assets	154,620	164,546
Non-current assets		
Property, plant and equipment	18,921	19,133
Intangible assets		
Goodwill	3,854	3,621
Other	2,478	2,158
Total intangible assets	6,333	5,780
Investments and other assets		
Investment securities	45,554	46,116
Other	10,696	10,789
Allowance for doubtful accounts	(46)	(46)
Total investments and other assets	56,204	56,860
Total non-current assets	81,458	81,774
Total assets	236,078	246,320
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,830	23,969
Income taxes payable	5,249	4,964
Advances received	20,938	23,092
Provision for bonuses	8,973	8,950
Other provisions	1,655	2,311
Other	12,720	11,842
Total current liabilities	70,368	75,131
Non-current liabilities		
Provision for directors' retirement benefits	130	114
Retirement benefit liability	9,724	9,646
Other provisions	—	215
Other	8,394	5,524
Total non-current liabilities	18,249	15,500
Total liabilities	88,617	90,631
Net assets		
Shareholders' equity		
Share capital	12,952	12,952
Capital surplus	9,950	9,950
Retained earnings	105,402	112,531
Treasury shares	(10,026)	(10,026)
Total shareholders' equity	118,279	125,408
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23,672	24,687
Foreign currency translation adjustment	56	44
Total accumulated other comprehensive income	23,728	24,732
Non-controlling interests	5,452	5,547
Total net assets	147,461	155,688
Total liabilities and net assets	236,078	246,320

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Quarterly Consolidated Statements of Income

(Milions of yen)

	FY2018 2Q	FY2019 2Q
Net sales	124,646	149,815
Cost of sales	99,766	120,388
Gross profit	24,879	29,427
Selling, general and administrative expenses	13,605	14,309
Operating profit	11,274	15,118
Non-operating income		
Interest income	80	89
Dividend income	236	213
Share of profit of entities accounted for using equity method	―	22
Other	24	40
Total non-operating income	341	365
Non-operating expenses		
Interest expenses	5	4
Share of loss of entities accounted for using equity method	6	―
Loss on retirement of non-current assets	35	6
Foreign exchange losses	11	15
Provision for loss on business withdrawal	―	269
Other	53	63
Total non-operating expenses	111	359
Ordinary profit	11,503	15,123
Extraordinary losses		
Office transfer cost	―	122
Total extraordinary losses	―	122
Profit before income taxes	11,503	15,000
Income taxes	4,063	5,026
Profit	7,440	9,974
Profit attributable to non-controlling interests	235	329
Profit attributable to owners of parent	7,204	9,645

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Quarterly Consolidated Statements of Comprehensive Income

(Milions of yen)

	FY2018 2Q	FY2019 2Q
Profit	7,440	9,974
Other comprehensive income		
Valuation difference on available-for-sale securities	9,610	1,015
Foreign currency translation adjustment	(96)	(12)
Total other comprehensive income	9,514	1,002
Comprehensive income	16,954	10,977
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,723	10,649
Comprehensive income attributable to non-controlling interests	230	327

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Quarterly Consolidated Statement of Cash Flows

(Milions of yen)

	FY2018 2Q	FY2019 2Q
Cash flows from operating activities		
Profit before income taxes	11,503	15,000
Depreciation	2,365	2,519
Amortization of goodwill	232	232
Increase (decrease) in allowance for doubtful accounts	(2)	(1)
Increase (decrease) in provision for bonuses	(33)	(22)
Increase (decrease) in retirement benefit liability	540	(78)
Interest and dividend income	(316)	(302)
Interest expenses	5	4
Share of loss (profit) of entities accounted for using equity method	6	(22)
Loss on retirement of non-current assets	35	6
Decrease (increase) in trade receivables	11,002	4,019
Decrease (increase) in inventories	(6,538)	3,617
Increase (decrease) in trade payables	(4,013)	3,159
Other, net	(479)	(910)
Subtotal	14,308	27,222
Interest and dividends received	317	303
Interest paid	(4)	(4)
Income taxes paid	(3,778)	(5,283)
Net cash provided by (used in) operating activities	10,841	22,237
Cash flows from investing activities		
Proceeds from redemption of securities	1,000	—
Purchase of property, plant and equipment and intangible assets	(1,420)	(2,021)
Purchase of investment securities	(1,030)	(1,055)
Proceeds from redemption of investment securities	—	2,000
Other, net	23	(156)
Net cash provided by (used in) investing activities	(1,426)	(1,233)
Cash flows from financing activities		
Purchase of treasury shares	(2,166)	(0)
Dividends paid	(2,367)	(2,516)
Dividends paid to non-controlling interests	(222)	(232)
Repayments of lease obligations	(535)	(524)
Net cash provided by (used in) financing activities	(5,291)	(3,274)
Effect of exchange rate change on cash and cash equivalents	(49)	(22)
Net increase (decrease) in cash and cash equivalents	4,074	17,707
Cash and cash equivalents at beginning of period	46,682	48,436
Cash and cash equivalents at end of period	50,757	66,144

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