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.

[Updated]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
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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	118,277	7.3	10,955	11.7	11,185	9.5	6,850	8.9
FY2017 2Q	110,272	4.7	9,810	(0.4)	10,211	(0.2)	6,288	(4.8)

(Note) Comprehensive income: FY2018 2Q:16,600 million yen[40.7%]
FY2017 2Q:11,800 million yen[36.4%]

	Net income per share	Diluted net income per share
	Yen	Yen
FY2018 2Q	72.43	-
FY2017 2Q	66.41	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
FY2018 2Q	231,749	152,210	63.5
FY2017	219,077	140,366	61.8

(Reference) Equity: FY2018 2Q: 147,147 million yen
FY2017: 135,311 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
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	11.8	24,000	9.9	24,500	10.0	16,000	13.4	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.

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Quarterly Consolidated Financial Statements

Quarterly Consolidated Balace Sheets

(Milions 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	49,530	42,414
Securities	2,000	1,000
Work in process	24,253	30,500
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	136,512	138,792
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	15,835	12,630
Allowance for doubtful accounts	(45)	(47)
Total investments and other assets	54,483	66,152
Total non-current assets	82,565	92,957
Total assets	219,077	231,749
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,467	14,658
Income taxes payable	3,593	4,060
Advances received	16,612	20,917
Provision for bonuses	8,484	8,450
Other provision	455	908
Other	12,298	9,975
Total current liabilities	58,912	58,971
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	78,710	79,538
Net assets		
Shareholders' equity		
Capital stock	12,952	12,952
Capital surplus	9,950	9,950
Retained earnings	92,082	96,566
Treasury shares	(25)	(2,191)
Total shareholders' equity	114,960	117,277
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	140,366	152,210
Total liabilities and net assets	219,077	231,749

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Quarterly Consolidated Statements of Income

(Milions of yen)

	FY2017 1Q	FY2018 2Q
Net sales	110,272	118,277
Cost of sales	86,942	93,716
Gross profit	23,330	24,560
Selling, general and administrative expenses	13,520	13,605
Operating profit	9,810	10,955
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	10,211	11,185
Profit before income taxes	10,211	11,185
Income taxes	3,654	4,098
Profit	6,557	7,086
Profit attributable to non-controlling interests	268	235
Profit attributable to owners of parent	6,288	6,850

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Quarterly Consolidated Statements of Comprehensive Income

(Milions of yen)

	FY2017 1Q	FY2018 2Q
Profit	6,557	7,086
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	11,800	16,600
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,532	16,369
Comprehensive income attributable to non-controlling interests	267	230

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Quarterly Consolidated Statement of Cash Flows

(Milions of yen)

	2017Fy 2Q	2018Fy 2Q
Cash flows from operating activities		
Profit before income taxes	10,211	11,185
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	9,070	7,081
Decrease (increase) in inventories	(2,871)	(6,263)
Increase (decrease) in notes and accounts payable - trade	(4,517)	(2,788)
Other, net	2,772	2,258
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

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