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 Third Quarter of Fiscal 2021 (April 1, 2021 - December 31, 2021) [under Japanese GAAP]

February 1, 2022

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: +81-3-6899-6000

Scheduled date of filing quarterly securities report: February 10, 2022
Scheduled date of commencing dividend payments: -
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 Third Quarter of Fiscal 2021 (April 1, 2021 to December 31, 2021)

(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	%
FY2021 3Q	195,618	8.7	21,636	25.8	22,313	26.5	14,796	23.3
FY2020 3Q	179,981	(9.3)	17,198	(13.7)	17,644	(12.5)	12,004	(7.9)

(Note) Comprehensive income: FY2021 3Q:26,909 million yen[17.4 %]
FY2020 3Q:22,928 million yen[10.7 %]

	Net income per share	Diluted net income per share
	Yen	Yen
FY2021 3Q	161.71	-
FY2020 3Q	131.20	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
FY2021 3Q	297,389	209,404	68.2
FY2020	272,223	186,128	66.1

(Reference) Equity: FY2021 3Q: 202,953 million yen
FY2020: 179,827 million yen

Copyright (C) 2022 NS Solutions Corporation All rights reserved.

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2020	-	25.00	-	27.50	52.50
FY2021	-	30.00	-		
FY2021(Forecast)				34.00	64.00

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

3. Consolidated Financial Results Forecast for Fiscal 2021
(April 1, 2021 to March 31, 2022)

(% 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	270,000	7.1	28,700	16.9	29,500	17.5	19,300	13.6	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: Yes
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: Yes
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):
FY2021 3Q : 91,501,000 shares
FY2020: 91,501,000 shares

2) Total number of treasury shares at the end of the period:
FY2021 3Q : 798 shares
FY2020: 716 shares

3) Average number of shares during the period:
FY2021 3Q : 91,500,203 shares
FY2020 3Q : 91,500,389 shares

* This quarterly consolidated financial results report is exempt from the quarterly review 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.

Copyright (C) 2022 NS Solutions Corporation All rights reserved.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Millions of yen)

	March 31, 2021	December 31, 2021
Assets		
Current assets		
Cash and deposits	5,255	7,182
Deposits paid	73,530	78,570
Notes and accounts receivable - trade	61,074	41,611
Contract assets	—	16,201
Securities	1,000	3,000
Work in process	28,344	23,221
Raw materials and supplies	42	53
Other	2,612	2,841
Allowance for doubtful accounts	(25)	(24)
Total current assets	171,834	172,659
Non-current assets		
Property, plant and equipment	19,572	23,979
Intangible assets		
Goodwill	2,923	2,574
Other	2,116	4,289
Total intangible assets	5,040	6,864
Investments and other assets		
Investment securities	65,036	83,108
Other	10,788	10,826
Allowance for doubtful accounts	(48)	(48)
Total investments and other assets	75,776	93,886
Total non-current assets	100,388	124,730
Total assets	272,223	297,389
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,884	13,890
Income taxes payable	3,753	3,633
Advances received	18,347	—
Contract liabilities	—	13,496
Provision for bonuses	9,553	4,947
Other provisions	2,549	969
Other	10,605	13,695
Total current liabilities	60,694	50,633
Non-current liabilities		
Provision for directors' retirement benefits	149	92
Retirement benefit liability	10,956	11,531
Asset retirement obligations	63	2,914
Other provisions	173	133
Other	14,057	22,679
Total non-current liabilities	25,400	37,351
Total liabilities	86,094	87,984
Net assets		
Shareholders' equity		
Share capital	12,952	12,952
Capital surplus	9,950	9,950
Retained earnings	118,600	129,970
Treasury shares	(2)	(2)
Total shareholders' equity	141,501	152,870
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38,310	49,963
Foreign currency translation adjustment	15	119
Total accumulated other comprehensive income	38,325	50,082
Non-controlling interests	6,301	6,451
Total net assets	186,128	209,404
Total liabilities and net assets	272,223	297,389

Copyright (C) 2022 NS Solutions Corporation,All rights reserved.

Quarterly Consolidated Statements of Income

(Millions of yen)

	FY2020 3Q	FY2021 3Q
Net sales	179,981	195,618
Cost of sales	142,351	151,619
Gross profit	37,630	43,998
Selling, general and administrative expenses	20,431	22,362
Operating profit	17,198	21,636
Non-operating income		
Interest income	137	163
Dividend income	317	318
Share of profit of entities accounted for using equity method	—	11
Other	332	327
Total non-operating income	787	821
Non-operating expenses		
Interest expenses	5	23
Share of loss of entities accounted for using equity method	29	—
Loss on retirement of non-current assets	25	14
Foreign exchange losses	12	85
Special investigation expenses, etc.	72	—
Litigation expenses	157	0
Other	37	19
Total non-operating expenses	340	144
Ordinary profit	17,644	22,313
Extraordinary income		
Gain on sales of investment securities	2,034	—
Total extraordinary income	2,034	—
Extraordinary losses		
Office transfer cost	1,796	—
Total extraordinary losses	1,796	—
Profit before income taxes	17,883	22,313
Income taxes	5,497	7,168
Profit	12,386	15,145
Profit attributable to non-controlling interests	381	348
Profit attributable to owners of parent	12,004	14,796

Copyright (C) 2022 NS Solutions Corporation,All rights reserved.

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2020 3Q	FY2021 3Q
Profit	12,386	15,145
Other comprehensive income		
Valuation difference on available-for-sale securities	10,658	11,652
Foreign currency translation adjustment	(115)	111
Total other comprehensive income	10,542	11,764
Comprehensive income	22,928	26,909
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	22,548	26,553
Comprehensive income attributable to non-controlling interests	380	356

Copyright (C) 2022 NS Solutions Corporation,All rights reserved.

(Notes)

Transactions of which the Company is unable to verify the actual existence

During the tax examination process that was conducted by the national tax authority on NS Solutions Corporation (the "Company") in mid-November of 2019, questions arose with respect to the actual existence of certain of the Company's recorded purchase and resale of goods transactions. Due to this situation, the Company established a Special Investigation Committee and investigated this matter. As a result, transactions of which the actual existence cannot be verified have been ascertained. Therefore, the Company has cancelled such transactions, and has recorded the deposits and withdrawals related thereto as temporary receipts of 46,404 million yen and temporary payments of 44,753 million yen, respectively, and has also recorded the net amount as other non-current liabilities.
On July 27, 2021, the Company received a refund of 1,275 million yen from some of the counterparties involved in the transactions that composed the temporary payments stated above. As a result, the balance of the temporary payments decreased by the same amount, and the net amount of 2,926 million yen is included in other non-current liabilities at the end of the third quarter consolidated accounting period.
In addition to the above, there were matters in relation to which orders were received and/or issued but not yet processed. In connection with such matters, a lawsuit was filed against the Company on March 31, 2020. For details, please see Note: "Contingent Liability". Depending on the circumstances of these matters going forward, it is possible that these matters will affect the financial condition or business performance of the Company.

Contingent Liability

Mizuho-Toshiba Leasing Company, Limited ("Mizuho-Toshiba Leasing") filed a lawsuit against the Company with the Tokyo District Court on March 31, 2020 (the date on which the complaint was served on the Company is June 24, 2020) regarding a claim for a penalty. On January 18, 2021, Mizuho-Toshiba Leasing amended its claim for this lawsuit by adding, as an alternative claim, a claim for the payment of sales price in accordance with the sales agreement.
In this lawsuit, Mizuho-Toshiba Leasing asserts that a sales agreement ("Sales Agreement") was entered into between Mizuho-Toshiba Leasing and the Company in August 2019 regarding our purchase of servers and peripherals, etc. from it, and the Company then terminated the Sales Agreement in November 2019, and based on that assertion, claims against the Company for penalty of the amount equivalent to the sales price, or, as an alternative claim, claims against the Company for the sales price in accordance with the Sales Agreement, the amount of which is 10,926 million yen plus its delay damages.
The Company will appropriately handle the matter, including demanding dismissal of the claim. This fact may affect the financial condition or business performance of the group. However, as of now, it is difficult to reasonably estimate the amount of such effect, and thus it is not reflected in the Consolidated Financial Statements.

Copyright (C) 2022 NS Solutions Corporation,All rights reserved.