

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 2020
(April 1, 2020 - December 31, 2020)
[under Japanese GAAP]**

January 29, 2021

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 5, 2021
 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 2020
(April 1, 2020 to December 31, 2020)**

(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	%
FY2020 3Q	179,981	(9.3)	17,198	(13.7)	17,644	(12.5)	12,004	(7.9)
FY2019 3Q	198,419	12.1	19,928	16.5	20,158	14.9	13,039	16.5

(Note) Comprehensive income: FY2020 3Q:22,928 million yen[10.7 %]
 FY2019 3Q:20,711 million yen[90.0 %]

	Net income per share		Diluted net income per share	
	Yen		Yen	
FY2020 3Q	131.20		-	
FY2019 3Q	142.50		-	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
FY2020 3Q	249,236		172,795		66.9	
FY2019	240,448		155,392		62.2	

(Reference) Equity: FY2020 3Q: 166,735 million yen
 FY2019: 149,448 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2019	-	32.50	-	32.50	65.00
FY2020	-	25.00			
FY2020(Forecast)			-	27.50	52.50

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for Fiscal 2020

(April 1, 2020 to March 31, 2021)

(% 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	255,000	(7.2)	23,900	(15.8)	24,000	(15.1)	16,000	(13.8)	174.86	

(Note) Revision to the financial results forecast announced most recently: None

* 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):

FY2020 3Q :	94,704,740	shares
FY2019:	94,704,740	shares
 - 2) Total number of treasury shares at the end of the period:

FY2020 3Q :	3,204,374	shares
FY2019:	3,204,329	shares
 - 3) Average number of shares during the period:

FY2020 3Q :	91,500,389	shares
FY2019 3Q:	91,500,527	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.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Millions of yen)

	March 31, 2020	December 31, 2020
Assets		
Current assets		
Cash and deposits	4,459	6,517
Deposits paid	53,794	65,593
Notes and accounts receivable - trade	62,513	50,919
Work in process	26,834	32,648
Raw materials and supplies	15	26
Short-term loans receivable from subsidiaries and associates	12,000	—
Other	3,290	2,773
Allowance for doubtful accounts	(25)	(21)
Total current assets	162,882	158,456
Non-current assets		
Property, plant and equipment	21,442	20,189
Intangible assets		
Goodwill	3,389	3,040
Other	2,983	2,422
Total intangible assets	6,372	5,462
Investments and other assets		
Investment securities	39,168	54,409
Other	10,631	10,767
Allowance for doubtful accounts	(48)	(48)
Total investments and other assets	49,750	65,128
Total non-current assets	77,565	90,779
Total assets	240,448	249,236
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,693	13,761
Income taxes payable	5,225	1,758
Advances received	18,741	20,849
Provision for bonuses	9,527	4,863
Other provisions	1,334	1,985
Other	15,577	12,141
Total current liabilities	68,100	55,359
Non-current liabilities		
Provision for directors' retirement benefits	129	147
Retirement benefit liability	9,860	10,434
Other provisions	225	191
Other	6,741	10,308
Total non-current liabilities	16,955	21,081
Total liabilities	85,055	76,440
Net assets		
Shareholders' equity		
Share capital	12,952	12,952
Capital surplus	9,950	9,950
Retained earnings	116,904	123,648
Treasury shares	(10,026)	(10,026)
Total shareholders' equity	129,780	136,524
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,571	30,229
Foreign currency translation adjustment	95	(18)
Total accumulated other comprehensive income	19,667	30,211
Non-controlling interests	5,944	6,060
Total net assets	155,392	172,795
Total liabilities and net assets	240,448	249,236

Quarterly Consolidated Statements of Income

(Millions of yen)

	FY2019 3Q	FY2020 3Q
Net sales	198,419	179,981
Cost of sales	157,480	142,351
Gross profit	40,938	37,630
Selling, general and administrative expenses	21,010	20,431
Operating profit	19,928	17,198
Non-operating income		
Interest income	137	137
Dividend income	398	317
Share of profit of entities accounted for using equity method	18	—
Other	84	332
Total non-operating income	639	787
Non-operating expenses		
Interest expenses	6	5
Share of loss of entities accounted for using equity method	—	29
Loss on retirement of non-current assets	14	25
Foreign exchange losses	11	12
Provision for loss on business withdrawal	187	—
Special investigation expenses, etc.	108	72
Litigation expenses	—	157
Other	81	37
Total non-operating expenses	409	340
Ordinary profit	20,158	17,644
Extraordinary income		
Gain on sales of investment securities	492	2,034
Total extraordinary income	492	2,034
Extraordinary losses		
Office transfer cost	176	1,796
Total extraordinary losses	176	1,796
Profit before income taxes	20,474	17,883
Income taxes	6,958	5,497
Profit	13,516	12,386
Profit attributable to non-controlling interests	477	381
Profit attributable to owners of parent	13,039	12,004

Quarterly Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	FY2019 3Q	FY2020 3Q
Profit	13,516	12,386
Other comprehensive income		
Valuation difference on available-for-sale securities	7,246	10,658
Foreign currency translation adjustment	(51)	(115)
Total other comprehensive income	7,195	10,542
Comprehensive income	20,711	22,928
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	20,238	22,548
Comprehensive income attributable to non-controlling interests	473	380

(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 of 1,650 million yen as other non-current liabilities. 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.

Accounting Estimates and COVID-19 Pandemic

The spread of COVID-19 is not expected to end any time soon, and the economic activity level outlook for the current fiscal year is still extremely severe. Although the effect caused by the spread of the disease will continue for a certain period of time, the consolidated financial results forecast for the current fiscal year is made with the assumption that, in the second half of fiscal year 2020, the demand is expected to be at about the same level as that in the same period of the previous fiscal year.

Accounting estimates are made using the financial results forecast based on the above assumptions. The assumptions used in making accounting estimates involve a high degree of uncertainty and if COVID-19 persists longer than expected or if its effects on the business environment change, the financial condition and operating performance of the Group may be affected.

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 Quarterly Consolidated Financial Statements.