

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 First Quarter of Fiscal 2021 (April 1, 2021 - June 30, 2021) [under Japanese GAAP]

July 30, 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
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 Phone: +81-3-6899-6000
 Scheduled date of filing quarterly securities report: August 6, 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 First Quarter of Fiscal 2021 (April 1, 2021 to June 30, 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 1Q	65,519	15.7	7,142	40.0	7,522	39.6	4,633	48.7
FY2020 1Q	56,644	(17.4)	5,102	(26.1)	5,389	(24.7)	3,116	(24.0)

(Note) Comprehensive income: FY2021 1Q: 5,299 million yen [(43.2)%]
 FY2020 1Q: 9,329 million yen [20.5%]

	Net income per share		Diluted net income per share	
	Yen		Yen	
FY2021 1Q	50.64		-	
FY2020 1Q	34.06		-	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
FY2021 1Q	270,685		190,541		68.1	
FY2020	272,223		186,128		66.1	

(Reference) Equity: FY2021 1Q: 184,361 million yen
 FY2020: 179,827 million yen

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	-				
FY2021(Forecast)		28.00	-	28.00	56.00

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

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
First half	127,500	7.1	11,800	5.8	12,000	5.7	7,600	(4.1)	83.06
Full year	265,000	5.2	25,500	3.9	26,000	3.6	17,100	0.7	186.88

(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: 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 1Q :	91,501,000	shares
FY2020:	91,501,000	shares
 - 2) Total number of treasury shares at the end of the period:

FY2021 1Q :	798	shares
FY2020:	716	shares
 - 3) Average number of shares during the period:

FY2021 1Q :	91,500,207	shares
FY2020 1Q :	91,500,411	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.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	March 31, 2021	June 30, 2021
Assets		
Current assets		
Cash and deposits	5,255	5,773
Deposits paid	73,530	80,076
Notes and accounts receivable - trade	61,074	36,680
Contract assets	—	15,336
Securities	1,000	2,000
Work in process	28,344	24,148
Raw materials and supplies	42	37
Other	2,612	2,923
Allowance for doubtful accounts	(25)	(22)
Total current assets	<u>171,834</u>	<u>166,954</u>
Non-current assets		
Property, plant and equipment	19,572	22,027
Intangible assets		
Goodwill	2,923	2,807
Other	2,116	2,269
Total intangible assets	<u>5,040</u>	<u>5,076</u>
Investments and other assets		
Investment securities	65,036	65,916
Other	10,788	10,759
Allowance for doubtful accounts	(48)	(48)
Total investments and other assets	<u>75,776</u>	<u>76,626</u>
Total non-current assets	<u>100,388</u>	<u>103,731</u>
Total assets	<u>272,223</u>	<u>270,685</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,884	13,392
Income taxes payable	3,753	2,752
Advances received	18,347	—
Contract liabilities	—	18,329
Provision for bonuses	9,553	4,808
Other provisions	2,549	1,280
Other	10,605	11,044
Total current liabilities	<u>60,694</u>	<u>51,607</u>
Non-current liabilities		
Provision for directors' retirement benefits	149	82
Retirement benefit liability	10,956	11,146
Asset retirement obligations	63	2,909
Other provisions	173	162
Other	14,057	14,235
Total non-current liabilities	<u>25,400</u>	<u>28,536</u>
Total liabilities	<u>86,094</u>	<u>80,144</u>
Net assets		
Shareholders' equity		
Share capital	12,952	12,952
Capital surplus	9,950	9,950
Retained earnings	118,600	122,552
Treasury shares	(2)	(2)
Total shareholders' equity	<u>141,501</u>	<u>145,453</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38,310	38,754
Foreign currency translation adjustment	15	153
Total accumulated other comprehensive income	<u>38,325</u>	<u>38,908</u>
Non-controlling interests	6,301	6,179
Total net assets	<u>186,128</u>	<u>190,541</u>
Total liabilities and net assets	<u>272,223</u>	<u>270,685</u>

Quarterly Consolidated Statements of Income

(Millions of yen)

	FY2020 1Q	FY2021 1Q
Net sales	56,644	65,519
Cost of sales	44,404	50,684
Gross profit	12,239	14,834
Selling, general and administrative expenses	7,136	7,692
Operating profit	5,102	7,142
Non-operating income		
Interest income	46	52
Dividend income	204	164
Foreign exchange gains	13	—
Gain on investments in investment partnerships	34	110
Other	76	129
Total non-operating income	375	457
Non-operating expenses		
Interest expenses	2	1
Share of loss of entities accounted for using equity method	4	7
Loss on retirement of non-current assets	5	0
Foreign exchange losses	—	46
Special investigation expenses, etc.	71	—
Other	4	19
Total non-operating expenses	88	76
Ordinary profit	5,389	7,522
Extraordinary income		
Gain on sales of investment securities	822	—
Total extraordinary income	822	—
Extraordinary losses		
Office transfer cost	910	—
Total extraordinary losses	910	—
Profit before income taxes	5,301	7,522
Income taxes	2,095	2,810
Profit	3,205	4,711
Profit attributable to non-controlling interests	88	78
Profit attributable to owners of parent	3,116	4,633

Quarterly Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	FY2020 1Q	FY2021 1Q
Profit	3,205	4,711
Other comprehensive income		
Valuation difference on available-for-sale securities	6,273	443
Foreign currency translation adjustment	(149)	144
Total other comprehensive income	6,123	588
Comprehensive income	9,329	5,299
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,244	5,216
Comprehensive income attributable to non-controlling interests	85	83

(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.

On July 27, 2021, after the end of the quarterly consolidated accounting period, 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.

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.