

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 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	136,759	15.6	14,190	29.5	14,196	26.9	8,727	27.4
FY2018 2Q	118,277	7.3	10,955	11.7	11,185	9.5	6,850	8.9

(Note) Comprehensive income: FY2019 2Q:10,059 million yen[(39.4)%]
 FY2018 2Q:16,600 million yen[40.7%]

	Net income per share	Diluted net income per share
	Yen	Yen
FY2019 2Q	95.39	-
FY2018 2Q	72.43	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
FY2019 2Q	246,494	153,211	59.9
FY2018	232,779	145,901	60.3

(Reference) Equity: FY2019 2Q: 147,663 million yen
 FY2018: 140,448 million yen

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	15.0	29,500	16.2	29,500	14.3	19,300	15.5	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.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Millions 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	57,181	53,348
Work in process	29,674	31,133
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	149,478	164,702
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	12,539	10,807
Allowance for doubtful accounts	(46)	(46)
Total investments and other assets	58,047	56,877
Total non-current assets	83,301	81,791
Total assets	232,779	246,494
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,029	24,352
Income taxes payable	5,329	5,081
Advances received	20,597	22,477
Provision for bonuses	8,973	8,950
Other provisions	1,655	2,311
Other	13,043	11,682
Total current liabilities	68,629	74,856
Non-current liabilities		
Provision for directors' retirement benefits	130	114
Retirement benefit liability	9,724	9,646
Other provisions	—	215
Other	8,394	8,450
Total non-current liabilities	18,249	18,427
Total liabilities	86,878	93,283
Net assets		
Shareholders' equity		
Share capital	12,952	12,952
Capital surplus	9,950	9,950
Retained earnings	103,842	110,054
Treasury shares	(10,026)	(10,026)
Total shareholders' equity	116,719	122,947
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	145,901	153,211
Total liabilities and net assets	232,779	246,494

Quarterly Consolidated Statements of Income

(Millions of yen)

	FY2018 2Q	FY2019 2Q
Net sales	118,277	136,759
Cost of sales	93,716	108,259
Gross profit	24,560	28,499
Selling, general and administrative expenses	13,605	14,309
Operating profit	10,955	14,190
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	11,185	14,196
Extraordinary losses		
Office transfer cost	—	122
Total extraordinary losses	—	122
Profit before income taxes	11,185	14,073
Income taxes	4,098	5,015
Profit	7,086	9,057
Profit attributable to non-controlling interests	235	329
Profit attributable to owners of parent	6,850	8,727

Quarterly Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	FY2018 2Q	FY2019 2Q
Profit	7,086	9,057
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	16,600	10,059
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,369	9,731
Comprehensive income attributable to non-controlling interests	230	327

Quarterly Consolidated Statement of Cash Flows

	(Millions of yen)	
	FY2018 2Q	FY2019 2Q
Cash flows from operating activities		
Profit before income taxes	11,185	14,073
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	7,081	3,827
Decrease (increase) in inventories	(6,263)	(1,488)
Increase (decrease) in trade payables	(2,788)	5,342
Other, net	2,258	3,131
Subtotal	<u>14,308</u>	<u>27,222</u>
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	<u>10,841</u>	<u>22,237</u>
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	<u>(1,426)</u>	<u>(1,233)</u>
Cash flows from financing activities		
Purchase of treasury shares	(2,166)	—
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	<u>(5,291)</u>	<u>(3,274)</u>
Effect of exchange rate change on cash and cash equivalents	(49)	(22)
Net increase (decrease) in cash and cash equivalents	<u>4,074</u>	<u>17,707</u>
Cash and cash equivalents at beginning of period	<u>46,682</u>	<u>48,436</u>
Cash and cash equivalents at end of period	<u>50,757</u>	<u>66,144</u>

(Note)

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

During the tax examination process that was conducted 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 43,478 million yen, respectively, and has also recorded the net amount of 2,926 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. Such matters may affect the Company's financial condition and operating results depending on their future circumstances.