

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 Second Quarter of Fiscal 2021  
(April 1, 2021 - September 30, 2021)  
[under Japanese GAAP]**

October 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: November 5, 2021  
 Scheduled date of commencing dividend payments: December 1, 2021  
 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 2021  
(April 1, 2021 to September 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 2Q	130,787	9.8	13,782	23.6	14,291	25.8	9,230	16.5
FY2020 2Q	119,068	(12.9)	11,149	(21.4)	11,357	(20.0)	7,921	(9.2)

(Note) Comprehensive income: FY2021 2Q:20,209 million yen[ 15.7 %]  
 FY2020 2Q:17,474 million yen[ 73.7 %]

	Net income per share		Diluted net income per share	
	Yen		Yen	
FY2021 2Q	100.88		-	
FY2020 2Q	86.57		-	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
FY2021 2Q	293,521		205,449		67.8	
FY2020	272,223		186,128		66.1	

(Reference) Equity: FY2021 2Q: 199,117 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	-	30.00			
FY2021(Forecast)			-	30.00	60.00

(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	27,700	12.8	28,500	13.5	18,500	8.9	202.19

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

FY2021 2Q :	798	shares
FY2020:	716	shares
  - 3) Average number of shares during the period:
 

FY2021 2Q :	91,500,204	shares
FY2020 2Q :	91,500,399	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	September 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	5,255	6,353
Deposits paid	73,530	80,123
Notes and accounts receivable - trade	61,074	45,069
Contract assets	—	15,345
Securities	1,000	2,000
Work in process	28,344	22,368
Raw materials and supplies	42	50
Other	2,612	2,672
Allowance for doubtful accounts	(25)	(25)
Total current assets	171,834	173,958
Non-current assets		
Property, plant and equipment	19,572	21,739
Intangible assets		
Goodwill	2,923	2,691
Other	2,116	2,803
Total intangible assets	5,040	5,494
Investments and other assets		
Investment securities	65,036	81,624
Other	10,788	10,754
Allowance for doubtful accounts	(48)	(48)
Total investments and other assets	75,776	92,329
Total non-current assets	100,388	119,563
Total assets	272,223	293,521
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	15,884	14,468
Income taxes payable	3,753	4,907
Advances received	18,347	—
Contract liabilities	—	15,623
Provision for bonuses	9,553	9,356
Other provisions	2,549	1,201
Other	10,605	8,274
Total current liabilities	60,694	53,831
Non-current liabilities		
Provision for directors' retirement benefits	149	86
Retirement benefit liability	10,956	11,318
Asset retirement obligations	63	2,911
Other provisions	173	147
Other	14,057	19,777
Total non-current liabilities	25,400	34,240
Total liabilities	86,094	88,071
<b>Net assets</b>		
Shareholders' equity		
Share capital	12,952	12,952
Capital surplus	9,950	9,950
Retained earnings	118,600	127,149
Treasury shares	(2)	(2)
Total shareholders' equity	141,501	150,050
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38,310	48,928
Foreign currency translation adjustment	15	139
Total accumulated other comprehensive income	38,325	49,067
Non-controlling interests	6,301	6,331
Total net assets	186,128	205,449
Total liabilities and net assets	272,223	293,521

## Quarterly Consolidated Statements of Income

(Millions of yen)

	FY2020 2Q	FY2021 2Q
Net sales	119,068	130,787
Cost of sales	94,045	102,002
Gross profit	25,023	28,785
Selling, general and administrative expenses	13,873	15,002
Operating profit	11,149	13,782
Non-operating income		
Interest income	92	106
Dividend income	209	199
Share of profit of entities accounted for using equity method	—	19
Foreign exchange gains	3	—
Gain on investments in investment partnerships	26	128
Other	180	148
Total non-operating income	512	601
Non-operating expenses		
Interest expenses	4	3
Share of loss of entities accounted for using equity method	26	—
Loss on retirement of non-current assets	17	2
Foreign exchange losses	—	66
Special investigation expenses, etc.	71	—
Litigation expenses	155	0
Other	30	18
Total non-operating expenses	304	92
Ordinary profit	11,357	14,291
Extraordinary income		
Gain on sales of investment securities	2,034	—
Total extraordinary income	2,034	—
Extraordinary losses		
Office transfer cost	1,426	—
Total extraordinary losses	1,426	—
Profit before income taxes	11,965	14,291
Income taxes	3,791	4,830
Profit	8,174	9,460
Profit attributable to non-controlling interests	253	230
Profit attributable to owners of parent	7,921	9,230

## Quarterly Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	FY2020 2Q	FY2021 2Q
Profit	8,174	9,460
Other comprehensive income		
Valuation difference on available-for-sale securities	9,394	10,617
Foreign currency translation adjustment	(95)	130
Total other comprehensive income	9,299	10,748
Comprehensive income	17,474	20,209
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,223	19,972
Comprehensive income attributable to non-controlling interests	250	236

## Quarterly Consolidated Statement of Cash Flows

	(Millions of yen)	
	FY2020 2Q	FY2021 2Q
<b>Cash flows from operating activities</b>		
Profit before income taxes	11,965	14,291
Depreciation	3,100	2,466
Amortization of goodwill	232	232
Increase (decrease) in allowance for doubtful accounts	(4)	0
Increase (decrease) in provision for bonuses	(75)	(199)
Increase (decrease) in retirement benefit liability	362	361
Interest and dividend income	(301)	(305)
Interest expenses	4	3
Loss (gain) on sales of investment securities	(2,034)	—
Share of loss (profit) of entities accounted for using equity method	26	(19)
Loss on retirement of non-current assets	17	2
Decrease (increase) in trade receivables	12,581	2,314
Decrease (increase) in contract assets	—	4,105
Decrease (increase) in inventories	(4,303)	(3,809)
Increase (decrease) in trade payables	(4,626)	(1,486)
Other, net	(2,803)	839
Subtotal	<u>14,139</u>	<u>18,797</u>
Interest and dividends received	302	305
Interest paid	(3)	(3)
Income taxes paid	(5,024)	(3,745)
Net cash provided by (used in) operating activities	<u>9,413</u>	<u>15,353</u>
<b>Cash flows from investing activities</b>		
Payments into time deposits	—	(162)
Purchase of property, plant and equipment and intangible assets	(2,054)	(2,559)
Purchase of investment securities	(0)	(2,033)
Proceeds from sales of investment securities	2,158	—
Proceeds from collection of short-term loans to affiliated companies	12,000	—
Other, net	(22)	(1)
Net cash provided by (used in) investing activities	<u>12,080</u>	<u>(4,756)</u>
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(0)	(0)
Dividends paid	(2,973)	(2,516)
Dividends paid to non-controlling interests	(264)	(218)
Repayments of lease obligations	(931)	(454)
Net cash provided by (used in) financing activities	<u>(4,169)</u>	<u>(3,189)</u>
Effect of exchange rate change on cash and cash equivalents	(55)	118
Net increase (decrease) in cash and cash equivalents	<u>17,268</u>	<u>7,526</u>
Cash and cash equivalents at beginning of period	<u>58,036</u>	<u>78,579</u>
Cash and cash equivalents at end of period	<u>75,304</u>	<u>86,106</u>

(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 second 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.