

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 Fiscal 2016 (April 1, 2016 - March 31, 2017) [under Japanese GAAP]

April 28, 2017

Company name: NS Solutions Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 2327
 URL: <http://www.nssol.nssmc.com>
 Representative: Munetaka Shashiki, Representative Director & President
 Contact: Hideki Komatsu, Director, Accounting & Finance Department
 Phone: +81-3-5117-4111
 Scheduled date of Annual General Meeting of Shareholders: June 23, 2017
 Scheduled date of commencing dividend payments: June 1, 2017
 Scheduled date of filing annual securities report: June 26, 2017
 Availability of supplementary briefing material on annual financial results: Available
 Schedule of annual financial results briefing session: Scheduled (for analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for Fiscal 2016 (April 1, 2016 to March 31, 2017)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2016	232,473	6.3	21,540	11.8	22,117	14.2	13,964	25.0
FY2015	218,685	6.0	19,269	18.8	19,367	17.7	11,168	23.0

(Note) Comprehensive income: FY2016: 21,435 million yen [100.4%]

FY2015: 10,695 million yen [(42.8)%]

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets ratio	Operating income to net sales ratio
	Yen	Yen	%	%	%
FY2016	149.48	-	12.6	11.7	9.3
FY2015	120.08	-	11.5	11.3	8.8

(Reference) Share of profit (loss) of entities accounted for using equity method: FY2016: 36 million yen
 FY2015: 57 million yen

(Note) The Company carried out a 2-for-1 stock split of common stock on January 1, 2016. Accordingly, net income per share is calculated on the assumption that the stock split was implemented at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2016	200,811	125,724	60.3	1,278.42
FY2015	175,696	105,012	57.3	1,082.95

(Reference) Equity: FY2016: 121,053 million yen

FY2015: 100,721 million yen

(Note) The Company carried out a 2-for-1 stock split of common stock on January 1, 2016. Accordingly, net assets per share is calculated on the assumption that the stock split was implemented at the beginning of the previous consolidated fiscal year.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2016	12,449	(5,359)	(4,912)	45,582
FY2015	18,247	(4,839)	(4,013)	43,133

2. Dividends

	Annual dividends					Total dividends	Dividend payout ratio (consolidated)	Dividends to net assets ratio (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2015	-	42.50	-	21.25	-	3,952	35.4	4.1
FY2016	-	22.50	-	22.50	45.00	4,223	30.1	3.8
FY2017 (Forecast)	-	25.00	-	25.00	50.00		31.6	

(Note) The year-end dividend of the fiscal year ended March 31, 2016 has taken the 2-for-1 stock split of common stock implemented on January 1, 2016 into account. The year-end dividend and the total amount of the annual dividends of the fiscal year ended March 31, 2016 without taking the stock split into account would be 42.50 yen and 85.00 yen respectively.

3. Consolidated Financial Results Forecast for Fiscal 2017 (April 1, 2017 to March 31, 2018)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	110,000	3.9	10,200	3.8	10,500	2.8	6,700	1.5	70.76
Full year	235,000	1.1	22,700	5.4	23,000	4.0	15,000	7.4	158.41

*** Notes:**

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) 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: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(3) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury shares):

FY2016: 105,998,240 shares

FY2015: 105,998,240 shares

2) Total number of treasury shares at the end of the period:

FY2016: 11,308,612 shares

FY2015: 12,991,324 shares

3) Average number of shares during the period:

FY2016: 93,421,921 shares

FY2015: 93,007,509 shares

(Note) The Company carried out a 2-for-1 stock split of common stock on January 1, 2016. Accordingly, numbers of shares above are calculated on the assumption that the stock split was implemented at the beginning of the previous consolidated fiscal year.

* This consolidated financial results report is exempt from the audit procedures.

* 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.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
ASSETS	March 31, 2016	March 31, 2017
Current assets		
Cash and deposits	2,308	2,857
Deposits paid	40,824	43,103
Notes and accounts receivable - trade	42,722	51,187
Work in process	20,616	21,423
Raw materials and supplies	97	49
Short-term loans receivable from subsidiaries and associates	12,000	12,000
Deferred tax assets	3,126	3,903
Other	1,499	1,990
Allowance for doubtful accounts	(18)	(22)
Total current assets	123,176	136,493
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,103	10,463
Tools, furniture and fixtures, net	4,191	5,880
Land	2,778	2,778
Leased assets, net	1,525	962
Construction in progress	1,442	210
Other	3	2
Total property, plant and equipment	21,045	20,298
Intangible assets		
Software	1,399	2,392
Goodwill	2,082	4,826
Other	14	15
Total intangible assets	3,496	7,234
Investments and other assets		
Investment securities	20,547	30,992
Deferred tax assets	3,203	1,376
Guarantee deposits	3,794	3,914
Other	479	546
Allowance for doubtful accounts	(49)	(44)
Total investments and other assets	27,977	36,784
Total non-current assets	52,519	64,317
Total assets	175,696	200,811

Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
LIABILITIES	March 31, 2016	March 31, 2017
Current liabilities		
Notes and accounts payable - trade	16,734	17,985
Lease obligations	623	100
Accounts payable - other	6,740	6,394
Income taxes payable	4,012	4,763
Advances received	14,159	13,782
Provision for bonuses	7,633	7,957
Provision for loss on order received	140	1,059
Allowance for program product warranty	208	235
Provision for loss on business withdrawal	116	331
Other	361	588
Total current liabilities	50,731	53,198
Non-current liabilities		
Lease obligations	837	760
Provision for directors' retirement benefits	145	136
Provision for loss on business withdrawal	—	238
Net defined benefit liability	18,923	19,650
Deferred tax liabilities	—	1,013
Other	46	89
Total non-current liabilities	19,953	21,887
Total liabilities	70,684	75,086
NET ASSETS	March 31, 2016	March 31, 2017
Shareholders' equity		
Capital stock	12,952	12,952
Capital surplus	9,950	10,899
Retained earnings	90,634	100,530
Treasury shares	(20,006)	(17,416)
Total shareholders' equity	93,531	106,966
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,296	15,286
Revaluation reserve for land	(1,276)	(1,276)
Foreign currency translation adjustment	170	77
Total accumulated other comprehensive income	7,190	14,086
Non-controlling interests	4,290	4,671
Total net assets	105,012	125,724
Total liabilities and net assets	175,696	200,811

(2) Consolidated Statements of Income

(Millions of yen)

	2015Fy	2016Fy
Net sales	218,685	232,473
Cost of sales	174,981	186,013
Gross profit	43,704	46,459
Selling, general and administrative expenses	24,435	24,919
Operating income	19,269	21,540
Non-operating income and expense		
Non-operating income		
Interest income	160	133
Dividend income	326	276
Share of profit of entities accounted for using equity method	57	36
Cancellation penalty income	0	143
Other	41	201
Total non-operating income	587	790
Non-operating expenses		
Interest expenses	60	27
Loss on retirement of non-current assets	63	25
Foreign exchange losses	77	43
Cancellation penalty	0	45
Impairment loss	122	58
Provision for loss on business withdrawal	116	—
Other	47	13
Total non-operating expenses	488	213
Ordinary income	19,367	22,117
Extraordinary losses		
Loss on valuation of investment securities	498	—
Provision for loss on business withdrawal	—	552
Total extraordinary losses	498	552
Profit before income taxes	18,868	21,564
Income taxes - current	7,391	7,954
Income taxes - deferred	(197)	(932)
Total income taxes	7,193	7,022
Profit	11,674	14,542
Profit attributable to non-controlling interests	505	578
Profit attributable to owners of parent	11,168	13,964

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	2015Fy	2016Fy
Profit	11,674	14,542
Other comprehensive income		
Valuation difference on available-for-sale securities	(894)	6,989
Foreign currency translation adjustment	(84)	(97)
Total other comprehensive income	(979)	6,892
Comprehensive income	10,695	21,435
attributable to		
Comprehensive income attributable to owners of parent	10,191	20,860
Comprehensive income attributable to non-controlling interests	503	574

(4) Consolidated Statements of Changes in Net Assets

2015Fy (Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	12,952	9,950	82,489	(20,004)	85,387
Changes of items during period					
Dividends of surplus			(3,022)		(3,022)
Profit attributable to owners of parent			11,168		11,168
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		—		—	—
Increase by share exchanges		—		—	—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	8,145	(2)	8,143
Balance at end of current period	12,952	9,950	90,634	(20,006)	93,531

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	9,191	(1,276)	252	8,167	3,888	97,443
Changes of items during period						
Dividends of surplus						(3,022)
Profit attributable to owners of parent						11,168
Purchase of treasury shares						(2)
Disposal of treasury shares						—
Increase by share exchanges						—
Net changes of items other than shareholders' equity	(894)	—	(82)	(976)	401	(574)
Total changes of items during period	(894)	—	(82)	(976)	401	7,568
Balance at end of current period	8,296	(1,276)	170	7,190	4,290	105,012

2016Fy (Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	12,952	9,950	90,634	(20,006)	93,531
Changes of items during period					
Dividends of surplus			(4,069)		(4,069)
Profit attributable to owners of parent			13,964		13,964
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		0		0	0
Increase by share exchanges		949		2,592	3,542
Net changes of items other than shareholders' equity					
Total changes of items during period	—	949	9,895	2,590	13,435
Balance at end of current period	12,952	10,899	100,530	(17,416)	106,966

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	8,296	(1,276)	170	7,190	4,290	105,012
Changes of items during period						
Dividends of surplus						(4,069)
Profit attributable to owners of parent						13,964
Purchase of treasury shares						(2)
Disposal of treasury shares						0
Increase by share exchanges						3,542
Net changes of items other than shareholders' equity	6,989	—	(93)	6,895	380	7,276
Total changes of items during period	6,989	—	(93)	6,895	380	20,712
Balance at end of current period	15,286	(1,276)	77	14,086	4,671	125,724

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	2015Fy	2016Fy
Cash flows from operating activities		
Profit before income taxes	18,868	21,564
Depreciation	3,916	4,147
Impairment loss	122	58
Amortization of goodwill	218	260
Increase (decrease) in allowance for doubtful accounts	(16)	(0)
Increase (decrease) in provision for bonuses	858	323
Increase (decrease) in net defined benefit liability	2,265	727
Increase (decrease) in provision for directors' retirement benefits	(13)	(9)
Increase (decrease) in provision for loss on order received	(432)	919
Increase (decrease) in provision for loss on business withdrawal	116	452
Increase (decrease) in other provision	27	26
Interest and dividend income	(487)	(409)
Interest expenses	60	27
Loss (gain) on valuation of investment securities	498	—
Share of (profit) loss of entities accounted for using equity method	(57)	(36)
Loss on retirement of non-current assets	63	25
Decrease (increase) in notes and accounts receivable - trade	2,449	(8,010)
Decrease (increase) in inventories	(2,264)	(534)
Decrease (increase) in other current assets	(345)	(401)
Increase (decrease) in notes and accounts payable - trade	775	1,148
Increase (decrease) in other current liabilities	(843)	(580)
Other, net	96	(127)
Subtotal	25,878	19,572
Interest and dividend income received	490	409
Interest expenses paid	(60)	(27)
Income taxes paid	(8,060)	(7,505)
Net cash provided by (used in) operating activities	18,247	12,449
Cash flows from investing activities		
Payments into time deposits	—	(194)
Proceeds from withdrawal of time deposits	167	—
Proceeds from redemption of securities	2,000	—
Purchase of property, plant and equipment and intangible assets	(3,935)	(4,739)
Purchase of investment securities	(3,006)	(2,140)
Proceeds from redemption of investment securities	—	2,000
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(14)	—
Purchase of investments in non-consolidated subsidiary	—	(291)
Payments for guarantee deposits	(81)	(170)
Proceeds from collection of guarantee deposits	13	76
Other, net	16	100
Net cash provided by (used in) investing activities	(4,839)	(5,359)
Cash flows from financing activities		
Purchase of treasury shares	(2)	(2)
Cash dividends paid	(3,022)	(4,069)
Dividends paid to non-controlling interests	(123)	(193)
Repayments of lease obligations	(864)	(629)
Other, net	—	(18)
Net cash provided by (used in) financing activities	(4,013)	(4,912)
Effect of exchange rate change on cash and cash equivalents	(23)	(59)
Net increase (decrease) in cash and cash equivalents	9,370	2,117
Cash and cash equivalents at beginning of period	33,762	43,133
Increase in cash and cash equivalents from share exchange	—	332
Cash and cash equivalents at end of period	43,133	45,582