

Translation

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**Summary of Non-Consolidated Financial Results
for the Six Months Ended September 30, 2017
(Based on Japanese GAAP)**

October 25, 2017

Company name: VeriServe Corporation
 Stock exchange listing: Tokyo
 Stock code: 3724 URL <http://www.veriserve.co.jp>
 Representative: President and Representative Director Yoshiyuki Shinbori
 Inquiries: Director and Managing Executive Officer Yutaka Takahashi TEL 03-5909-5700
 Scheduled date to file Quarterly Securities Report: November 2, 2017
 Scheduled date to commence dividend payments: December 4, 2017
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Non-consolidated financial results for the six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

(1) Non-consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2017	5,187	1.7	620	(2.0)	623	(2.0)	408	(3.4)
Six months ended September 30, 2016	5,101	36.3	633	65.2	636	64.1	423	70.4

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2017	78.34		-	
Six months ended September 30, 2016	81.10		-	

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2017	8,356	6,984	83.6	1,338.80
As of March 31, 2017	8,123	6,627	81.6	1,270.46

Reference: Equity As of September 30, 2017 ¥6,984 million
 As of March 31, 2017 ¥6,627 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	-	5.00	-	10.00	15.00
Year ending March 31, 2018	-	10.00	-	-	-
Year ending March 31, 2018 (Forecast)	-	-	-	12.00	22.00

Note: Revision of cash dividend forecast most recently announced: No

3. Forecast of non-consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	11,500	8.8	1,500	5.9	1,510	6.2	1,040	6.4	199.36

Note: Revision of non-consolidated financial results forecast most recently announced: No

4. Notes

(1) Application of special accounting methods for preparing quarterly non-consolidated financial statements: No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

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

As of September 30, 2017	⋮	5,216,800 shares	As of March 31, 2017	⋮	5,216,800 shares
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Number of treasury shares at the end of the period

As of September 30, 2017	⋮	76 shares	As of March 31, 2017	⋮	44 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2017	⋮	5,216,729 shares	Six months ended September 30, 2016	⋮	5,216,756 shares
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* Quarterly financial results reports are not required to be subjected to quarterly reviews.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business results may differ substantially due to various factors.

Quarterly non-consolidated financial statements
Non-consolidated balance sheets

(Thousands of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	1,581,669	1,752,821
Deposit paid in subsidiaries and associates	3,612,830	3,814,845
Accounts receivable - trade	1,950,439	1,733,789
Work in process	21,401	75,700
Prepaid expenses	116,456	182,148
Deferred tax assets	189,207	169,619
Other	57,945	23,078
Total current assets	7,529,950	7,752,003
Non-current assets		
Property, plant and equipment	94,795	93,185
Intangible assets	244,779	246,710
Investments and other assets		
Investment securities	1,050	–
Shares of subsidiaries and associates	80,611	80,611
Long-term loans receivable from employees	4,063	3,382
Prepaid pension cost	–	12,664
Deferred tax assets	10,932	4,904
Lease and guarantee deposits	156,828	163,487
Total investments and other assets	253,486	265,050
Total non-current assets	593,062	604,946
Total assets	8,123,012	8,356,949
Liabilities		
Current liabilities		
Accounts payable - trade	317,505	274,703
Accounts payable - other	17,947	12,483
Accrued expenses	193,646	221,232
Income taxes payable	301,290	218,784
Accrued consumption taxes	136,989	76,843
Advances received	44,420	101,375
Deposits received	22,095	48,156
Provision for bonuses	454,000	418,000
Other	1,196	1,245
Total current liabilities	1,489,093	1,372,824
Non-current liabilities		
Provision for retirement benefits	6,210	–
Total non-current liabilities	6,210	–
Total liabilities	1,495,304	1,372,824
Net assets		
Shareholders' equity		
Capital stock	792,102	792,102
Capital surplus	775,852	775,852
Retained earnings	5,059,945	5,416,471
Treasury shares	(191)	(301)
Total shareholders' equity	6,627,708	6,984,125
Total net assets	6,627,708	6,984,125
Total liabilities and net assets	8,123,012	8,356,949

Non-consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	5,101,245	5,187,419
Cost of sales	3,745,131	3,858,780
Gross profit	1,356,114	1,328,638
Selling, general and administrative expenses	722,816	708,296
Operating profit	633,297	620,341
Non-operating income		
Interest income	2,252	2,078
Other	749	927
Total non-operating income	3,002	3,006
Non-operating expenses		
Foreign exchange losses	28	–
Miscellaneous loss	151	0
Total non-operating expenses	180	0
Ordinary profit	636,119	623,347
Extraordinary losses		
Loss on sales of investment securities	–	490
Total extraordinary losses	–	490
Profit before income taxes	636,119	622,857
Income taxes - current	188,030	188,547
Income taxes - deferred	24,961	25,616
Total income taxes	212,992	214,163
Profit	423,127	408,693

Non-consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit before income taxes	636,119	622,857
Depreciation	38,465	51,135
Increase (decrease) in provision for bonuses	(41,000)	(36,000)
Increase (decrease) in provision for retirement benefits	(18,015)	(6,210)
Decrease (increase) in prepaid pension costs	–	(12,664)
Interest income	(2,252)	(2,078)
Loss (gain) on sales of investment securities	–	490
Decrease (increase) in notes and accounts receivable - trade	(31,869)	216,649
Decrease (increase) in inventories	12,423	(54,298)
Increase (decrease) in notes and accounts payable - trade	(31,081)	(42,802)
Decrease (increase) in prepaid expenses	(53,006)	(65,691)
Increase (decrease) in accrued expenses	(76,699)	27,585
Increase (decrease) in accrued consumption taxes	(56,362)	(60,146)
Other, net	45,227	104,151
Subtotal	421,947	742,977
Interest and dividend income received	2,381	2,070
Income taxes paid	(246,911)	(260,584)
Net cash provided by (used in) operating activities	177,417	484,464
Cash flows from investing activities		
Purchase of property, plant and equipment	(39,712)	(7,410)
Purchase of intangible assets	(63,188)	(44,864)
Proceeds from collection of lease and guarantee deposits	7,223	10
Payments for lease and guarantee deposits	(33,099)	(8,199)
Proceeds from sales of investment securities	–	560
Collection of loans receivable from employees	427	730
Net cash provided by (used in) investing activities	(128,349)	(59,172)
Cash flows from financing activities		
Purchase of treasury shares	(191)	(109)
Cash dividends paid	(52,049)	(52,014)
Net cash provided by (used in) financing activities	(52,241)	(52,124)
Effect of exchange rate change on cash and cash equivalents	(28)	–
Net increase (decrease) in cash and cash equivalents	(3,202)	373,167
Cash and cash equivalents at beginning of period	4,680,491	5,194,499
Cash and cash equivalents at end of period	4,677,288	5,567,667