

Translation

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Summary of Non-Consolidated Financial Results for the Nine Months Ended December 31, 2017 (Based on Japanese GAAP)

January 25, 2018

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: February 5, 2018
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Non-consolidated financial results for the nine months ended December 31, 2017 (from April 1, 2017 to December 31, 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	%
Nine months ended December 31, 2017	7,928	4.1	984	0.3	989	0.3	654	0.3
Nine months ended December 31, 2016	7,613	21.5	981	18.4	986	17.7	652	21.5

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2017	125.48		–	
Nine months ended December 31, 2016	125.07		–	

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2017	8,253	7,177	87.0	1,375.94
As of March 31, 2017	8,123	6,627	81.6	1,270.46

Reference: Equity As of December 31, 2017 ¥7,177 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 December 31, 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 December 31, 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)

Nine months ended December 31, 2017	5,216,728 shares	Nine months ended December 31, 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 December 31, 2017
Assets		
Current assets		
Cash and deposits	1,581,669	1,593,954
Deposit paid in subsidiaries and associates	3,612,830	4,015,914
Accounts receivable - trade	1,950,439	1,565,950
Work in process	21,401	180,688
Prepaid expenses	116,456	123,283
Deferred tax assets	189,207	106,562
Other	57,945	38,223
Total current assets	7,529,950	7,624,576
Non-current assets		
Property, plant and equipment	94,795	113,018
Intangible assets	244,779	242,554
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	3,029
Prepaid pension cost	–	23,911
Deferred tax assets	10,932	1,883
Lease and guarantee deposits	156,828	163,929
Total investments and other assets	253,486	273,365
Total non-current assets	593,062	628,939
Total assets	8,123,012	8,253,515
Liabilities		
Current liabilities		
Accounts payable - trade	317,505	306,245
Accounts payable - other	17,947	27,526
Accrued expenses	193,646	221,246
Income taxes payable	301,290	38,198
Accrued consumption taxes	136,989	75,557
Advances received	44,420	65,493
Deposits received	22,095	118,511
Provision for bonuses	454,000	221,000
Other	1,196	1,862
Total current liabilities	1,489,093	1,075,641
Non-current liabilities		
Provision for retirement benefits	6,210	–
Total non-current liabilities	6,210	–
Total liabilities	1,495,304	1,075,641
Net assets		
Shareholders' equity		
Capital stock	792,102	792,102
Capital surplus	775,852	775,852
Retained earnings	5,059,945	5,610,221
Treasury shares	(191)	(301)
Total shareholders' equity	6,627,708	7,177,874
Total net assets	6,627,708	7,177,874
Total liabilities and net assets	8,123,012	8,253,515

Non-consolidated statements of income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	7,613,875	7,928,060
Cost of sales	5,541,138	5,877,413
Gross profit	2,072,736	2,050,646
Selling, general and administrative expenses	1,090,790	1,065,798
Operating profit	981,945	984,848
Non-operating income		
Interest income	3,227	3,234
Other	1,190	1,247
Total non-operating income	4,417	4,481
Non-operating expenses		
Foreign exchange losses	28	–
Miscellaneous loss	151	0
Total non-operating expenses	180	0
Ordinary profit	986,183	989,329
Extraordinary losses		
Loss on valuation of investment securities	5,950	–
Loss on sales of investment securities	–	490
Loss on retirement of non-current assets	–	1,159
Total extraordinary losses	5,950	1,649
Profit before income taxes	980,233	987,680
Income taxes - current	229,284	241,376
Income taxes - deferred	98,496	91,694
Total income taxes	327,780	333,070
Profit	652,452	654,610

Non-consolidated statements of cash flows

(Thousands of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Cash flows from operating activities		
Profit before income taxes	980,233	987,680
Depreciation	62,160	78,483
Loss on retirement of non-current assets	–	1,159
Increase (decrease) in provision for bonuses	(219,000)	(233,000)
Increase (decrease) in provision for retirement benefits	(28,557)	(6,210)
Decrease (increase) in prepaid pension costs	–	(23,911)
Interest income	(3,227)	(3,234)
Loss (gain) on valuation of investment securities	5,950	–
Loss (gain) on sales of investment securities	–	490
Decrease (increase) in notes and accounts receivable - trade	167,845	384,488
Decrease (increase) in inventories	(72,657)	(159,286)
Increase (decrease) in notes and accounts payable - trade	(12,472)	(11,260)
Decrease (increase) in prepaid expenses	(16,931)	(6,826)
Increase (decrease) in accrued expenses	(18,961)	27,599
Increase (decrease) in accrued consumption taxes	(48,920)	(61,432)
Other, net	105,456	114,585
Subtotal	900,917	1,089,325
Interest and dividend income received	3,344	3,172
Income taxes paid	(438,677)	(482,573)
Net cash provided by (used in) operating activities	465,585	609,923
Cash flows from investing activities		
Purchase of property, plant and equipment	(54,960)	(29,161)
Purchase of intangible assets	(102,601)	(54,429)
Proceeds from collection of lease and guarantee deposits	7,521	1,412
Payments for lease and guarantee deposits	(33,099)	(10,599)
Proceeds from sales of investment securities	–	560
Collection of loans receivable from employees	690	1,319
Payments of loans receivable from employees	(300)	–
Net cash provided by (used in) investing activities	(182,750)	(90,897)
Cash flows from financing activities		
Purchase of treasury shares	(191)	(109)
Cash dividends paid	(77,821)	(103,546)
Net cash provided by (used in) financing activities	(78,013)	(103,656)
Effect of exchange rate change on cash and cash equivalents	(28)	–
Net increase (decrease) in cash and cash equivalents	204,792	415,369
Cash and cash equivalents at beginning of period	4,680,491	5,194,499
Cash and cash equivalents at end of period	4,885,283	5,609,868