

Translation

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**Summary of Non-Consolidated Financial Results**  
**for the Year Ended March 31, 2018**  
**(Based on Japanese GAAP)**

April 25, 2018

Company name:	VeriServe Corporation				
Stock exchange listing:	Tokyo				
Stock code:	3724	URL	<a href="http://www.veriserve.co.jp">http://www.veriserve.co.jp</a>		
Representative:	President and Representative Director	Yoshiyuki Shinbori			
Inquiries:	Director	Yutaka Takahashi	TEL 03-5909-5700		
Scheduled date of ordinary general meeting of shareholders:	June 20, 2018				
Scheduled date to file Securities Report:	June 20, 2018				
Scheduled date to commence dividend payments:	June 4, 2018				
Preparation of supplementary material on financial results:	Yes				
Holding of financial results meeting:	No				

(Amounts less than one million yen are rounded down)

1. Non-consolidated financial results for the year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(1) Non-consolidated operating results

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	%
Year ended March 31, 2018	11,366	7.6	1,547	9.3	1,554	9.3	1,069	9.3
Year ended March 31, 2017	10,567	18.6	1,415	17.8	1,421	17.2	977	23.4

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2018	204.92	–	15.0	17.9	13.6
Year ended March 31, 2017	187.41	–	15.8	18.5	13.4

Reference: Investment profit (loss) on equity method	Year ended March 31, 2018	¥– million
	Year ended March 31, 2017	¥– million

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	9,289	7,592	81.7	1,455.38
As of March 31, 2017	8,123	6,627	81.6	1,270.46

Reference: Equity	As of March 31, 2018	¥7,592 million
	As of March 31, 2017	¥6,627 million

(3) Non-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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2018	970	(145)	(104)	5,915
Year ended March 31, 2017	808	(215)	(78)	5,194

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Non-consolidated)	Ratio of dividends to net assets (Non-consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2017	–	5.00	–	10.00	15.00	78	8.0	1.2
Year ended March 31, 2018	–	10.00	–	12.00	22.00	114	10.7	1.5
Year ending March 31, 2019 (Forecast)	–	12.00	–	15.00	27.00		13.2	

3. Forecast of non-consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

Since the Company will make the transition to consolidated accounting from the year ending March 31, 2019, forecast of non-consolidated financial results is not provided.

4. Notes

(1) 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

(2) Number of issued shares (common shares)

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

As of March 31, 2018	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 March 31, 2018	76 shares	As of March 31, 2017	44 shares
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Average number of shares during the period

Year ended March 31, 2018	5,216,727 shares	Year ended March 31, 2017	5,216,756 shares
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\* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

\* 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.

**Non-consolidated financial statements**  
**Non-consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	1,581,669	1,698,832
Deposit paid in subsidiaries and associates	3,612,830	4,217,116
Accounts receivable - trade	1,950,439	2,276,865
Work in process	21,401	31,621
Prepaid expenses	116,456	119,592
Deferred tax assets	189,207	209,190
Other	57,945	44,765
Total current assets	7,529,950	8,597,983
Non-current assets		
Property, plant and equipment		
Buildings	178,196	180,535
Accumulated depreciation	(111,937)	(115,129)
Buildings, net	66,259	65,405
Tools, furniture and fixtures	80,423	130,322
Accumulated depreciation	(51,886)	(65,754)
Tools, furniture and fixtures, net	28,536	64,567
Total property, plant and equipment	94,795	129,973
Intangible assets		
Trademark right	58	34
Software	244,306	245,320
Telephone subscription right	414	414
Total intangible assets	244,779	245,769
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	2,903
Prepaid pension cost	–	37,093
Deferred tax assets	10,932	32,380
Lease and guarantee deposits	156,828	163,199
Total investments and other assets	253,486	316,188
Total non-current assets	593,062	691,931
Total assets	8,123,012	9,289,914

(Thousands of yen)

	As of March 31, 2017	As of March 31, 2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	317,505	331,700
Accounts payable - other	17,947	40,840
Accrued expenses	193,646	258,632
Income taxes payable	301,290	330,518
Accrued consumption taxes	136,989	120,450
Advances received	44,420	50,930
Deposits received	22,095	51,350
Provision for bonuses	454,000	512,000
Other	1,196	1,190
<b>Total current liabilities</b>	<b>1,489,093</b>	<b>1,697,614</b>
<b>Non-current liabilities</b>		
Provision for retirement benefits	6,210	–
<b>Total non-current liabilities</b>	<b>6,210</b>	<b>–</b>
<b>Total liabilities</b>	<b>1,495,304</b>	<b>1,697,614</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	792,102	792,102
<b>Capital surplus</b>		
Legal capital surplus	775,852	775,852
<b>Total capital surpluses</b>	<b>775,852</b>	<b>775,852</b>
<b>Retained earnings</b>		
Other retained earnings		
Retained earnings brought forward	5,059,945	6,024,647
<b>Total retained earnings</b>	<b>5,059,945</b>	<b>6,024,647</b>
Treasury shares	(191)	(301)
<b>Total shareholders' equity</b>	<b>6,627,708</b>	<b>7,592,300</b>
<b>Total net assets</b>	<b>6,627,708</b>	<b>7,592,300</b>
<b>Total liabilities and net assets</b>	<b>8,123,012</b>	<b>9,289,914</b>

## Non-consolidated statements of income

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	10,567,996	11,366,894
Cost of sales	7,665,469	8,335,829
Gross profit	2,902,526	3,031,065
Selling, general and administrative expenses	1,486,535	1,483,109
Operating profit	1,415,991	1,547,955
Non-operating income		
Interest income	4,201	4,507
Miscellaneous income	1,723	1,669
Other	168	–
Total non-operating income	6,093	6,176
Non-operating expenses		
Foreign exchange losses	28	–
Miscellaneous loss	151	0
Total non-operating expenses	180	0
Ordinary profit	1,421,904	1,554,132
Extraordinary losses		
Loss on valuation of investment securities	5,950	–
Loss on retirement of non-current assets	–	13,489
Other	–	1,018
Total extraordinary losses	5,950	14,508
Profit before income taxes	1,415,954	1,539,624
Income taxes - current	442,565	512,017
Income taxes - deferred	(4,293)	(41,430)
Total income taxes	438,271	470,587
Profit	977,682	1,069,036

## Non-consolidated statements of changes in equity

Fiscal year ended March 31, 2017

(Thousands of yen)

	Shareholders' equity							Total net assets
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity	
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings			
Balance at beginning of current period	792,102	775,852	775,852	4,160,514	4,160,514	–	5,728,469	5,728,469
Changes of items during period								
Dividends of surplus				(78,251)	(78,251)		(78,251)	(78,251)
Purchase of treasury shares						(191)	(191)	(191)
Profit				977,682	977,682		977,682	977,682
Total changes of items during period	–	–	–	899,431	899,431	(191)	899,239	899,239
Balance at end of current period	792,102	775,852	775,852	5,059,945	5,059,945	(191)	6,627,708	6,627,708

Fiscal year ended March 31, 2018

(Thousands of yen)

	Shareholders' equity							Total net assets
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity	
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings			
Balance at beginning of current period	792,102	775,852	775,852	5,059,945	5,059,945	(191)	6,627,708	6,627,708
Changes of items during period								
Dividends of surplus				(104,334)	(104,334)		(104,334)	(104,334)
Purchase of treasury shares						(109)	(109)	(109)
Profit				1,069,036	1,069,036		1,069,036	1,069,036
Total changes of items during period	–	–	–	964,701	964,701	(109)	964,591	964,591
Balance at end of current period	792,102	775,852	775,852	6,024,647	6,024,647	(301)	7,592,300	7,592,300

## Non-consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	1,415,954	1,539,624
Depreciation	87,062	107,293
Loss on retirement of non-current assets	–	13,489
Increase (decrease) in provision for bonuses	41,000	58,000
Increase (decrease) in provision for retirement benefits	(39,056)	(6,210)
Decrease (increase) in prepaid pension costs	–	(37,093)
Interest income	(4,201)	(4,507)
Loss (gain) on valuation of investment securities	5,950	–
Decrease (increase) in notes and accounts receivable - trade	(252,243)	(326,426)
Decrease (increase) in inventories	61,974	(10,219)
Increase (decrease) in notes and accounts payable - trade	394	14,195
Decrease (increase) in prepaid expenses	(36,765)	(3,135)
Increase (decrease) in accrued expenses	(47,442)	64,986
Increase (decrease) in accrued consumption taxes	(8,968)	(16,539)
Other, net	19,436	55,589
Subtotal	1,243,095	1,449,046
Interest and dividend income received	4,309	4,402
Income taxes paid	(439,378)	(482,573)
Net cash provided by (used in) operating activities	808,027	970,874
Cash flows from investing activities		
Purchase of property, plant and equipment	(58,505)	(63,025)
Purchase of intangible assets	(123,082)	(74,345)
Proceeds from collection of lease and guarantee deposits	11,205	1,412
Payments for lease and guarantee deposits	(44,333)	(11,499)
Proceeds from sales of investment securities	–	560
Payments of loans receivable from employees	(1,800)	–
Collection of loans receivable from employees	935	1,536
Net cash provided by (used in) investing activities	(215,580)	(145,359)
Cash flows from financing activities		
Cash dividends paid	(78,217)	(103,955)
Purchase of treasury shares	(191)	(109)
Net cash provided by (used in) financing activities	(78,409)	(104,065)
Effect of exchange rate change on cash and cash equivalents	(28)	–
Net increase (decrease) in cash and cash equivalents	514,008	721,449
Cash and cash equivalents at beginning of period	4,680,491	5,194,499
Cash and cash equivalents at end of period	5,194,499	5,915,948