

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2018 (Based on Japanese GAAP)

January 31, 2019

Company name: VeriServe Corporation
 Stock exchange listing: Tokyo
 Stock code: 3724 URL <https://www.veriserve.co.jp>
 Representative: President and Representative Director Yoshiyuki Shinbori
 Inquiries: Director and Officer Masahiko Shimizu TEL 03-5909-5700
 Scheduled date to file Quarterly Securities Report: February 8, 2019
 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. Consolidated financial results for the nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2018	9,559	-	1,278	-	1,282	-	838	-
Nine months ended December 31, 2017	-	-	-	-	-	-	-	-

Note: Comprehensive income
 Nine months ended December 31, 2018 ¥834 million (-%)
 Nine months ended December 31, 2017 ¥- million (-%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2018	160.75	-
Nine months ended December 31, 2017	-	-

Note: Figures for the nine months ended December 31, 2017 and year-on-year changes are not presented because the Company began preparing quarterly consolidated financial statements from the first quarter of the year ending March 31, 2019.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2018	9,596	8,252	86.0
As of March 31, 2018	-	-	-

Reference: Equity
 As of December 31, 2018 ¥8,252 million
 As of March 31, 2018 ¥- million

Note: Figures as of March 31, 2018 are not presented because the Company began preparing quarterly consolidated financial statements from the first quarter of the year ending March 31, 2019.

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, 2018	-	10.00	-	12.00	22.00
Year ending March 31, 2019	-	12.00	-	-	-
Year ending March 31, 2019 (Forecast)	-	-	-	0.00	12.00

Note: Revision of cash dividend forecast most recently announced: Yes

Note: For more details, refer to "Notice Regarding Revision of Dividend Forecast (No Dividend) for the Fiscal Year Ending March 2019 (the 18th) and Abolition of Shareholder Incentives Plan" (January 31, 2019)

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

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	13,000	–	1,750	–	1,600	–	1,070	–	205.11

Note: Revision of consolidated financial results forecast most recently announced: Yes

Note: Year-on-year changes are not presented because the Company began preparing quarterly consolidated financial statements from the first quarter of the year ending March 31, 2019.

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2018
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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

(4) Number of issued shares (common shares)

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

As of December 31, 2018	5,216,800 shares	As of March 31, 2018	5,216,800 shares
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Number of treasury shares at the end of the period

As of December 31, 2018	191 shares	As of March 31, 2018	76 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, 2018	5,216,672 shares	Nine months ended December 31, 2017	5,216,728 shares
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* Quarterly financial results reports are exempt from quarterly reviews 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.

(Millions of yen)

As of December 31, 2018

Assets	
Current assets	
Cash and deposits	2,166
Deposit paid in subsidiaries and associates	4,217
Accounts receivable - trade	1,934
Work in process	210
Prepaid expenses	155
Other	38
Total current assets	8,723
Non-current assets	
Property, plant and equipment	139
Intangible assets	241
Investments and other assets	
Long-term loans receivable from employees	3
Net defined benefit asset	39
Deferred tax assets	124
Lease and guarantee deposits	323
Total investments and other assets	491
Total non-current assets	873
Total assets	9,596
Liabilities	
Current liabilities	
Accounts payable - trade	294
Accounts payable - other	12
Accrued expenses	299
Income taxes payable	76
Accrued consumption taxes	147
Advances received	65
Deposits received	143
Provision for bonuses	302
Other	1
Total current liabilities	1,344
Total liabilities	1,344
Net assets	
Shareholders' equity	
Capital stock	792
Capital surplus	775
Retained earnings	6,728
Treasury shares	△0
Total shareholders' equity	8,295
Accumulated other comprehensive income	
Remeasurements of defined benefit plans	△43
Total accumulated other comprehensive income	△43
Total net assets	8,252
Total liabilities and net assets	9,596

(Millions of yen)

Nine months ended
December 31, 2018

Net sales	9,559
Cost of sales	6,868
Gross profit	2,691
Selling, general and administrative expenses	1,412
Operating profit	1,278
Non-operating income	
Interest income	0
Subsidy income	2
Other	0
Total non-operating income	3
Non-operating expenses	
Miscellaneous loss	0
Total non-operating expenses	0
Ordinary profit	1,282
Extraordinary losses	
Loss on retirement of non-current assets	0
Total extraordinary losses	0
Profit before income taxes	1,281
Income taxes - current	339
Income taxes - deferred	104
Total income taxes	443
Profit	838
Profit attributable to owners of parent	838

(Millions of yen)

Nine months ended
December 31, 2018

Profit	838
Other comprehensive income	
Remeasurements of defined benefit plans, net of tax	△3
Total other comprehensive income	△3
Comprehensive income	834
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	834

(Millions of yen)

Nine months ended
December 31, 2018

Cash flows from operating activities	
Profit before income taxes	1,281
Depreciation	97
Loss on retirement of non-current assets	0
Increase (decrease) in provision for bonuses	△213
Decrease (increase) in net defined benefit asset	△39
Increase (decrease) in net defined benefit liability	△25
Interest and dividend income	△0
Subsidy income	△2
Decrease (increase) in notes and accounts receivable - trade	341
Decrease (increase) in inventories	△169
Increase (decrease) in notes and accounts payable - trade	△1
Decrease (increase) in prepaid expenses	△33
Increase (decrease) in accrued expenses	31
Increase (decrease) in accrued consumption taxes	20
Other, net	96
Subtotal	1,383
Interest and dividend income received	0
Proceeds from subsidy income	2
Income taxes paid	△574
Net cash provided by (used in) operating activities	812
Cash flows from investing activities	
Purchase of property, plant and equipment	△36
Purchase of intangible assets	△79
Payments for lease and guarantee deposits	△171
Payments of loans receivable from employees	△1
Collection of loans receivable from employees	1
Other, net	0
Net cash provided by (used in) investing activities	△288
Cash flows from financing activities	
Purchase of treasury shares	△0
Cash dividends paid	△124
Net cash provided by (used in) financing activities	△125
Net increase (decrease) in cash and cash equivalents	398
Cash and cash equivalents at beginning of period	5,986
Cash and cash equivalents at end of period	6,384