NIPPON STEEL & SUMITOMO METAL CORPORATION GROUP

Financial Information for the Second Quarter of the Fiscal Year ending March 31, 2019

(April 1, 2018 through September 30, 2018)

NS Solutions

October 30, 2018

NS Solutions Corporation

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FORWARD-LOOKING STATEMENTS

This document includes statements of forward-looking descriptions regarding the intent, belief or current expectations of NS Solutions Corporation (the “Company”) or its officers in terms of its operation and financial condition.

Accordingly, such statements contain risks and uncertainties since they are neither historical facts nor guarantees of future performance. Actual results may be varied and influenced by various factors. The Company does not undertake to revise such forward-looking descriptions to reflect those factors.

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I

Consolidated Financial Results for 1H of FY Mar. 2019

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Ⅰ-1. Highlights of Consolidated Financial Results

1H of FY Mar. 2019

(¥ in billions)

		YoY change	(Difference with company estimate)
● Sales	124.6	+8.1	(+6.6)
● Operating Profit	11.3	+1.2	(+0.6)
● Net Income*	7.2	+0.6	(+0.0)

*Net income in this page means Profit attributable to owners of parent

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I -2. 1H of FY ending March 31, 2019 Consolidated Financial Results

(¥ in billions)	1H of FY Mar.2018 Actual A	1H of FY Mar.2019 Actual B	Difference B−A	1H of FY Company Estimate C	Difference B−C
Sales	116.6	124.6	+8.1	118.0	+6.6
Business solutions	76.8	81.4	+4.6	75.0	+6.4
Service solutions	39.8	43.3	+3.5	43.0	+0.3
Gross Profit	23.6	24.9	+1.3	24.8	+0.1
<Gross Profit Margin>	<20.2%>	<20.0%>	<-0.2%>	<21.0%>	<-1.0%>
SG&A	13.5	13.6	+0.1	14.1	-0.5
Operating Profit	10.1	11.3	+1.2	10.7	+0.6
Recurring Profit	10.5	11.5	+1.0	11.0	+0.5
Profit attributable to owners of parent	6.6	7.2	+0.6	7.2	+0.0

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I -3. Sales by Service and Segment

(¥ in billions)	1H of FY Mar. 2018 Actual A	1H of FY Mar. 2018 IT platform	1H of FY Mar.2019 Actual B	1H of FY Mar.2019 IT platform	Difference B-A	Difference IT platform	Comment
Business Solutions	63.8	15.3	67.8	17.7	+4.0	+2.4	
Manufacturing, Retail and Service	27.7	8.3	31.8	11.5	+4.1	+3.2	Sales increase in e-commerce, travel, and retail related business.
Financial Services	17.4	4.8	14.3	3.6	-3.1	-1.2	System consolidation project for a megabank client peaked out
Government, Public organizations and Others	18.7	2.2	21.7	2.6	+3.0	+0.4	Orders from government sector added-up
Service Solutions	37.7		41.1		+3.4		
IT Platform	15.6	<15.3>	15.8	<17.7>	+0.2	<+2.4>	Sales increase in products
NSSMC Group	22.1		25.3		+3.2		Increased sales to NSSMC and its group companies
Subsidiaries	15.1		15.8		+0.7		
Total	116.6		124.6		+8.1		
NSSMC Sales	(21.9)		(24.6)		(+2.7)		
Total Order	119.3		138.0		+18.7		

Business Solutions +18.7

Service Solutions + 0 .0

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I -4. 1H of FY ending March 31, 2019 Quarterly Consolidated Results

(¥ in billions)	FY Mar.2018			FY Mar.2019			Difference		
	1Q (Apr.-Jun.) A	2Q (Jul.-Sep.) B	1H (Apr.-Sep.) C	1Q (Apr.-Jun.) D	2Q (Jul.-Sep.) E	1H (Apr.-Sep.) F	1Q (Apr.-Jun.) D-A	2Q (Jul.-Sep.) E-B	1H (Apr.-Sep.) F-C
Sales	58.2	58.4	116.6	58.4	66.2	124.6	+0.3	+7.8	+8.1
Business Solutions	40.0	36.8	76.8	37.5	43.9	81.4	-2.6	+7.2	+4.6
Service Solutions	18.1	21.6	39.8	21.0	22.3	43.3	+2.8	+0.7	+3.5
Gross Profit	11.5	12.1	23.6	12.2	12.7	24.9	+0.6	+0.6	+1.3
<Gross profit margin>	<19.8%>	<20.7%>	<20.2%>	<20.8%>	<19.2%>	<20.0%>	<+1.0%>	<-1.5%>	<-0.2%>
SG&A	6.9	6.6	13.5	7.0	6.6	13.6	+0.1	-0.0	+0.1
Operating Profit	4.6	5.5	10.1	5.1	6.2	11.3	+0.5	+0.7	+1.2
Recurring Profit	4.9	5.6	10.5	5.3	6.2	11.5	+0.4	+0.7	+1.0
Profit attributable to owners of parent	2.9	3.7	6.6	3.0	4.2	7.2	+0.1	+0.5	+0.6
NSSMC Sales	(9.7)	(12.2)	(21.9)	(12.7)	(11.9)	(24.6)	(+3.0)	(-0.3)	(+2.7)

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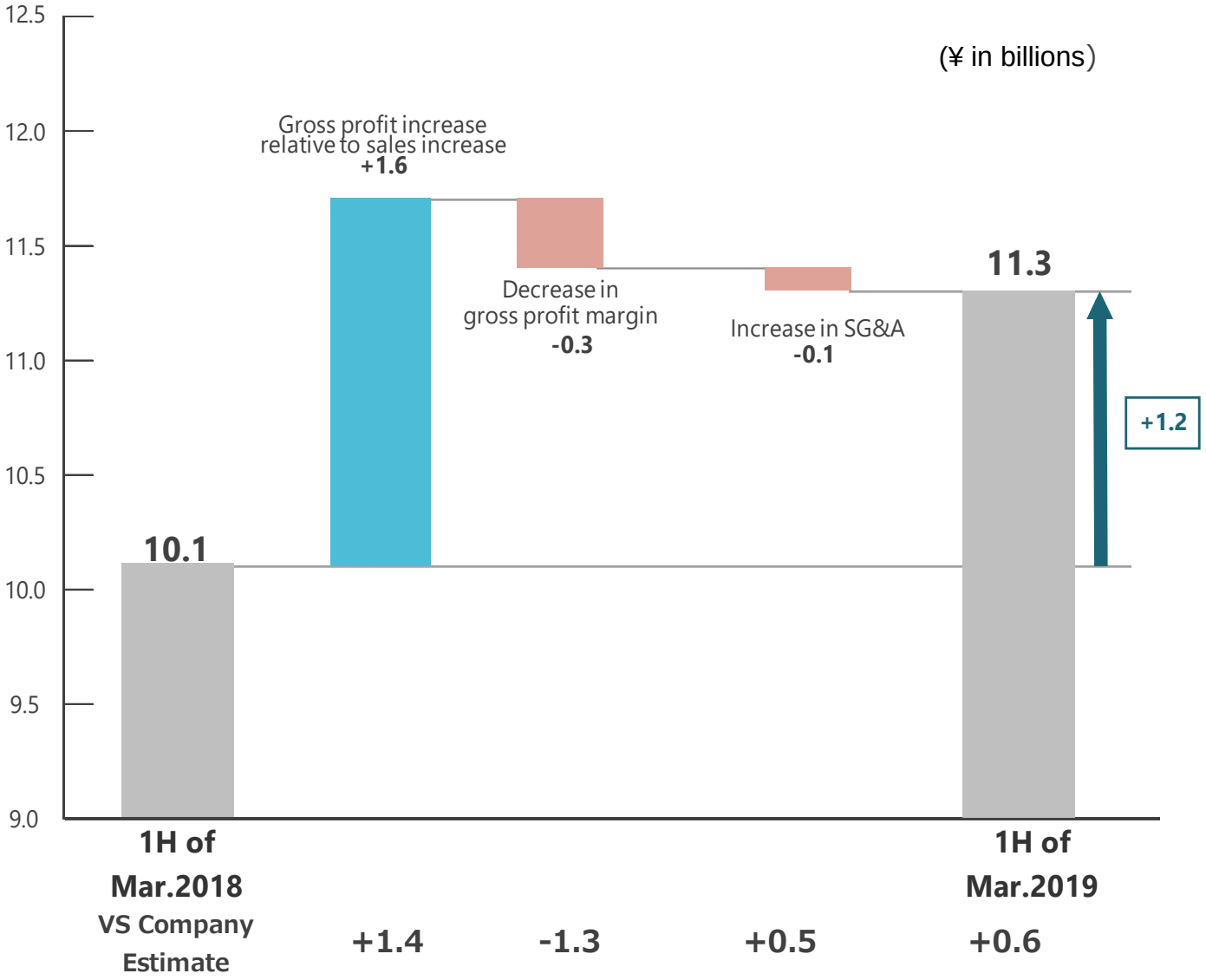
Ⅰ-5. 1H of FY ending March 31, 2019 Consolidated Operating Profit Breakdown

YoY



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Ⅱ Outlook for FY Mar. 2019

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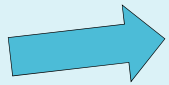
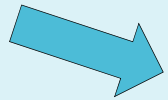
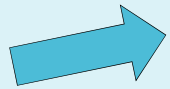
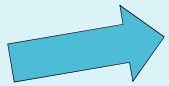
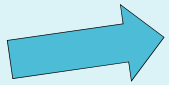
Ⅱ - 1 . Current Business Conditions

Market Trend

Business Solutions

Manufacturing, Retail and Service	Stable IT investment continues in the e-commerce, travel and retail sector including large-scale systems renovation projects.	
Financial Services	Megabanks continue to maintain high level of IT investment plan in line with their mid-term growth strategies, including expansion of their overseas business; but actual order execution stays conservative. IT investment from securities sector is steady.	
Government, Public organizations and others	High operating rate continues in government and public sector due to increased orders for infrastructure improvement and strengthening security. Demand is expanding due to increased orders for scrum development projects for platform servicers in telecom sector.	

Service Solutions

IT Platform	IT infrastructure outsourcing demands are steady due to shortage of IT human resources on clients side. IT investment in cloud, security compliance, VDI / DaaS etc. also remains steady. Artificial Intelligence related investment is booming.	
Steel	IT investment is active mainly at steel works in line with NSSMC 's 2020 medium-term management plan.	

In general, high level IT investment continues but IT personnel supply is becoming a bottleneck

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Ⅱ-2. Outlook for FY Mar.2019

(¥ in billions)	FY Mar.2018		FY Mar.2019		Difference		FY Mar.2019 Company Estimate as of April 26	Difference
	Total (Oct.-Mar.) A	Actual B	Total (Oct.-Mar.) C	Company Estimate D	Total (Oct.-Mar.) C-A	D-B	E	D-E
Sales	127.7	244.2	133.4	258.0	+5.7	+13.8	247.0	+11.0
Business Solutions	84.3	161.1	89.1	170.5	+4.8	+9.4	160.5	+10.0
Service Solutions	43.4	83.1	44.2	87.5	+0.9	+4.4	86.5	+1.0
Gross Profit	25.5	49.1	26.1	51.0	+0.7	+1.9	50.8	+0.2
<Gross profit margin>	<19.9%>	<20.1%>	<19.6%>	<19.8%>	<-0.3%>	<-0.3%>	<20.6%>	<-0.8%>
SG&A	12.9	26.4	13.4	27.0	+0.5	+0.6	27.4	-0.4
Operating Profit	12.6	22.7	12.7	24.0	+0.1	+1.3	23.4	+0.6
Recurring Profit	12.6	23.1	13.0	24.5	+0.4	+1.4	24.0	+0.5
Profit attributable to owners of parent	8.4	14.9	8.8	16.0	+0.4	+1.1	15.7	+0.3

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Ⅱ-3. Outlook for FY Mar.2019

Sales Forecasts by Service for FY Mar.2019(1H/2H)

(¥ in billions)	FY Mar.2019 Co.Est as of April 26			FY Mar.2019 Co. Est as of October 30			Difference		
	1H (Apr. – Sep.) A	2H (Oct.– Mar.) B	FY (Apr.– Mar.) C	1H (Apr. – Sep.) D	2H (Oct.– Mar.) E	FY (Apr.– Mar.) F	1H (Apr. – Sep.) D–A	2H (Oct.– Mar.) E–B	FY (Apr.– Mar.) F–C
Sales	118.0	129.0	247.0	124.6	133.4	258.0	+6.6	+4.4	+11.0
Business Solutions	75.0	85.5	160.5	81.4	89.1	170.5	+6.4	+3.6	+10.0
Service Solutions	43.0	43.5	86.5	43.3	44.2	87.5	+0.3	+0.7	+1.0
Gross Profit	24.8	26.0	50.8	24.9	26.1	51.0	+0.1	+0.1	+0.2
<Gross profit margin>	<21.0%>	<20.2%>	<20.6%>	<20.0%>	<19.6%>	<19.8%>	<-1.0%>	<-0.6%>	<-0.8%>
SG&A	14.1	13.3	27.4	13.6	13.4	27.0	-0.5	+0.1	-0.4
Operating Profit	10.7	12.7	23.4	11.3	12.7	24.0	+0.6	+0.0	+0.6
Recurring Profit	11.0	13.0	24.0	11.5	13.0	24.5	+0.5	-0.0	+0.5
Profit attributable to owners of parent	7.2	8.5	15.7	7.2	8.8	16.0	+0.0	+0.3	+0.3
NSSMC Sales	(24.0)	(23.5)	(47.5)	(24.6)	(23.9)	(48.5)	(+0.6)	(+0.4)	(+1.0)

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Ⅱ-4. Outlook for 2H of FY Mar.2019

Sales Forecasts by Service and Segment

(¥ in billions)	2H of FY Mar. 2018 (Oct.-Mar.) A	IT platform	2H of FY Mar.2019 (Oct.-Mar.) B	IT platform	Difference (Oct.-Mar.) B-A	IT platform	Comment
Business Solutions	70.0	15.3	74.7	15.3	+4.7	-0.0	
Manufacturing, Retail and Service	31.1	10.1	32.2	9.5	+1.1	-0.6	Sales increase in e-commerce, travel business and retail
Financial Services	16.1	3.7	16.2	3.9	+0.1	+0.3	Orders from bank sector stay conservative. Demands from securities sector is steady.
Government, Public organizations and Others	22.8	1.6	26.3	1.9	+3.5	+0.3	Sales increase due to large-scale product order from government agency.
Service Solutions	40.6		41.4		+0.8		
IT Platform	17.1	<15.3>	17.2	<15.3>	+0.1	<-0.0>	
NSSMC Group	23.5		24.2		+0.7		Sales increase for NSSMC group.
Subsidiaries	17.1		17.2		+0.1		
Total	127.7		133.4		+5.7		
NSSMC Sales	(23.7)		(23.9)		(+0.2)		
Order backlog at the beginning of the period	120.1		134.4		+14.4		Business Solutions +11.3 Service Solutions +3.1

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Ⅱ-5. Outlook for FY Mar.2019
Sales Forecasts by Service and Segment

(¥ in billions)	FY Mar. 2018		FY Mar.2019		Difference		FY Mar.2019		Difference	
	Actual A	IT platform	Company Estimate B	IT platform	B-A	IT platform	Company Estimate as of April 26 C	IT platform	B-C	IT platform
Business Solutions	133.8	30.6	142.5	33.0	+8.7	+2.4	132.5	30.0	+10.0	+3.0
Manufacturing, Retail and Service	58.9	18.4	64.0	21.0	+5.1	+2.6	61.5	18.0	+2.5	+3.0
Financial Services	33.4	8.5	30.5	7.5	-2.9	-1.0	34.5	8.0	-4.0	-0.5
Government, Public organizations and Others	41.5	3.8	48.0	4.5	+6.5	+0.7	36.5	4.0	+11.5	+0.5
Service Solutions	78.3		82.5		+4.2		81.5		+1.0	
IT Platform	32.6	<30.6>	33.0	<33.0>	+0.4	<+2.4>	34.0	<30.0>	-1.0	<+3.0>
NSSMC Group	45.6		49.5		+3.9		47.5		+2.0	
Subsidiaries	32.1		33.0		+0.9		33.0		-	
Total	244.2		258.0		+13.8		247.0		+11.0	
NSSMC Sales	(45.7)		(48.5)		(+2.8)		(47.5)		(+1.0)	

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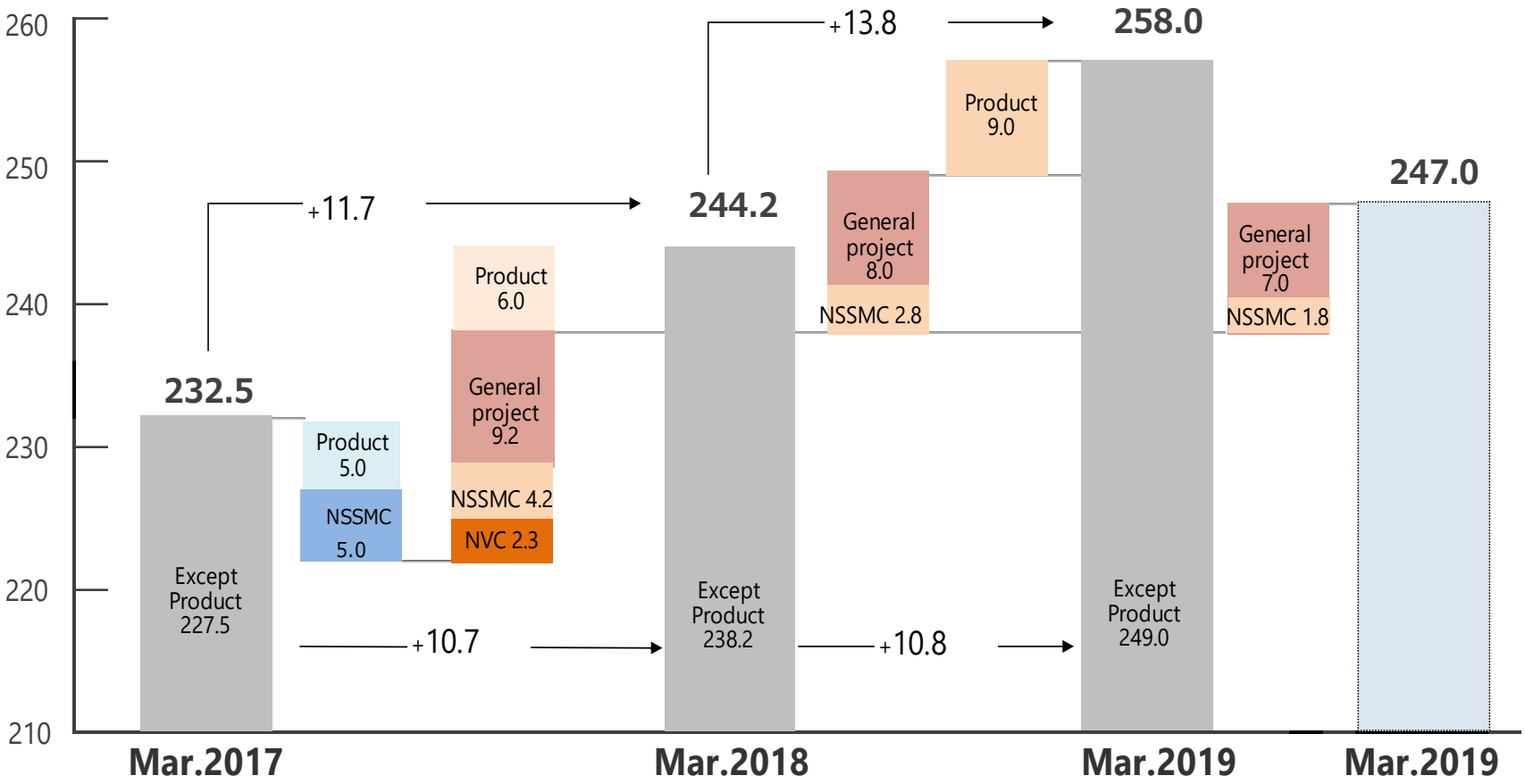
Ⅱ-6. Breakdown of Sales

YoY

(¥ in billions)



Company Estimate
as of April 26

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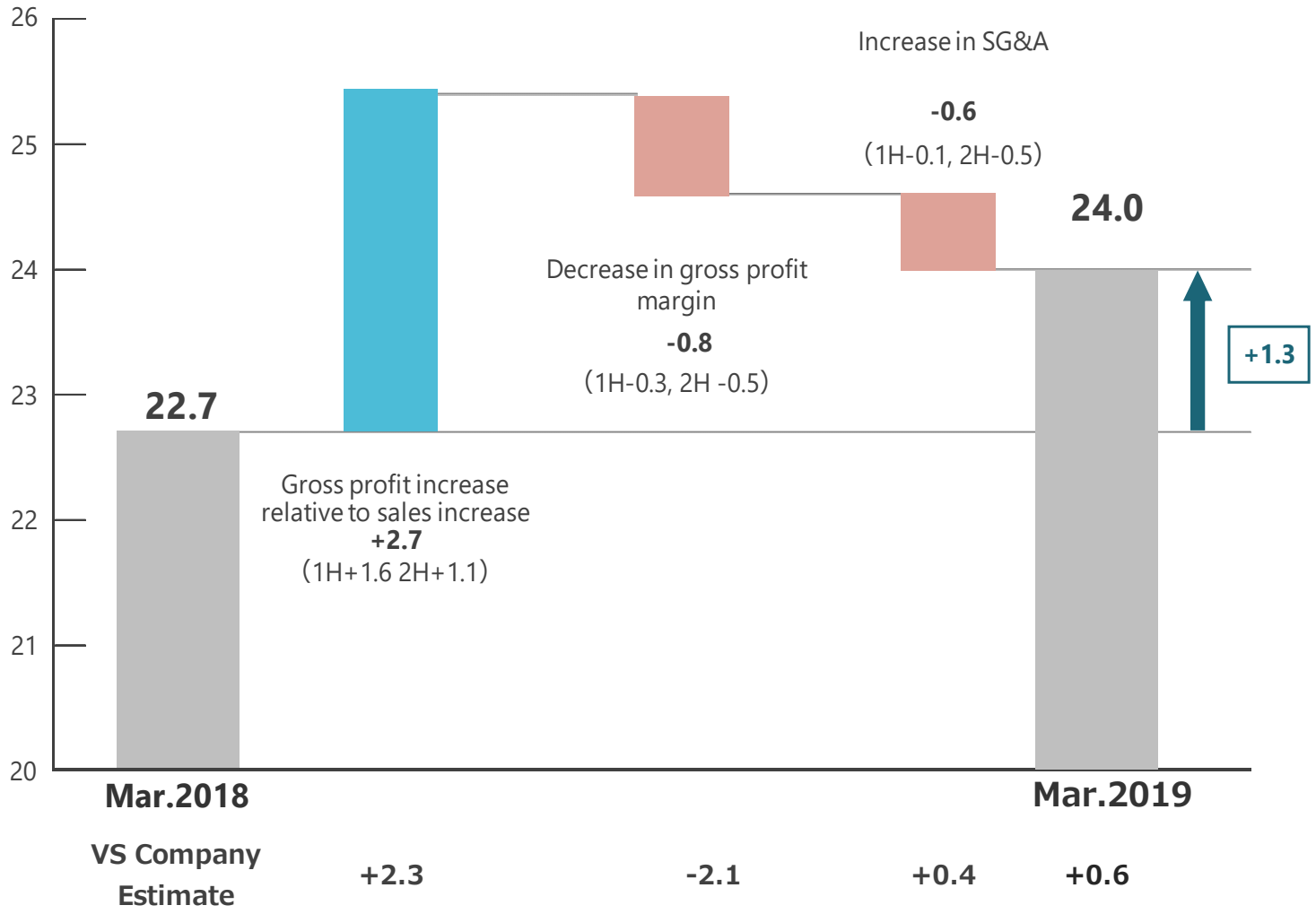
Ⅱ-7. FY Mar.2019 OP Outlook Breakdown

YoY

(¥ in billions)



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Ⅱ-8. Shareholders Return Policy

The management believes it is important for the company to maintain and increase its competitiveness and to continue to enhance the company's enterprise value in the long run.

Our basic policy with respect to profit sharing is to secure fair and stable shareholder returns, while also retaining earnings that are sufficient to grow the Company's business.

We consider it important to return to shareholders profits that are in line with the company's consolidated results. We aim for a consolidated dividend payout ratio of 30%.

Plan for FY Mar.2019 Dividend

FY Mar.2019	(Reference) FY Mar.2018
55.00 yen	50.00 yen

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III Topics

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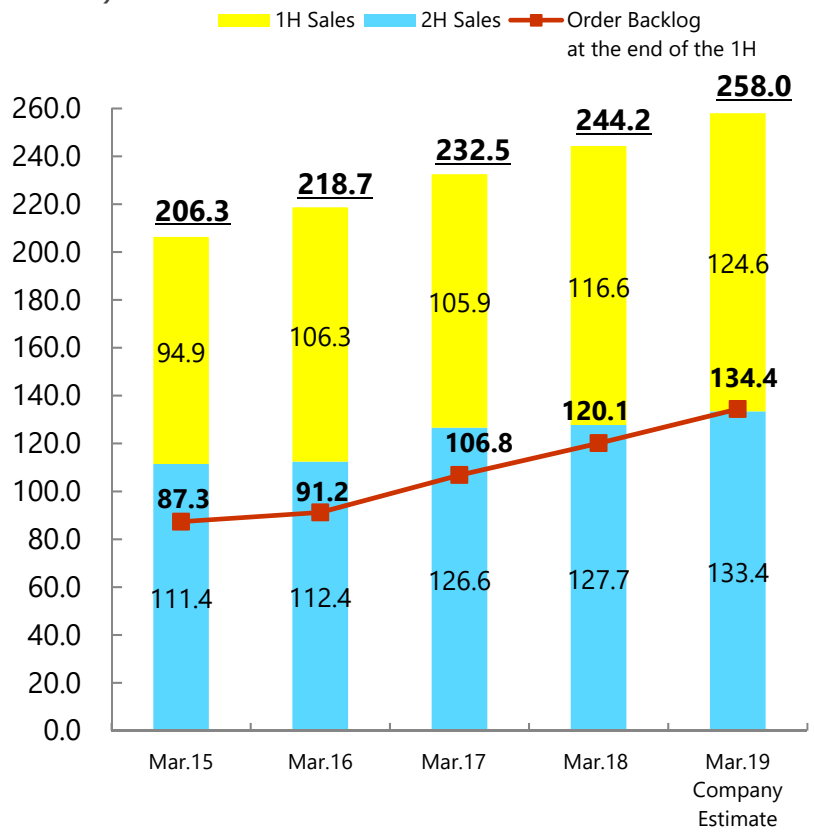
Ⅲ-1. Sustainable Structural Growth①

(¥ in billions)



- Cooperation among business units to promote sales based on account strategies
- To acquire long term projects through enforcement with client relationship based on IT partner strategies
- Expansion of in-house resources which support sustainable growth

Cloud sales

FY	Mar.15	Mar.16	Mar.17	Mar.18	Mar.19 estimate
1H Sales		5.5	6.2	7.2	7.7
2H Sales		6.5	7.8	8.3	8.8
Total	10.0	12.0	14.0	15.5	16.5

*1H of FY Mar.19 is actual and 2H of ¥FY Mar.19 is our estimate

	Sep.14	Sep.15	Sep.16	Sep.17	Sep.18
Employee	5,381	5,665	5,898	6,286	6,454

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Ⅲ-1. Sustainable Structural Growth②

NSSMC Business

●Change of Trade Name; More business expected from NSSMC's Group Restructuring.

2018fy				2019fy
April	July	October	January	April

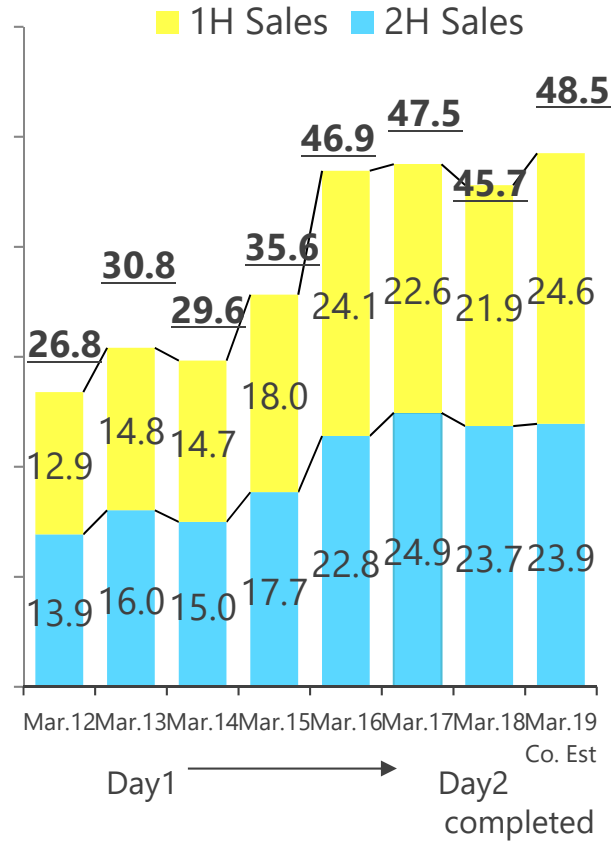
- Change of Trade Name
- Integration of Nippon Steel Chemical & Material — 10/1DAY1
- Integration of 3 Stainless Steel Companies — 4/1 expected DAY1

▲January 1st Nisshin Steel becomes wholly owned company of NSSMC

● (Reference)

Trend: Sales to NSSMC

(¥ in billions)



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Ⅲ-2. Acquisition of Treasury Stock

1. Overview of acquisition of treasury stock

(at the Board member meeting held on August 2, 2018)

(1) Type of shares to be acquired: common stock

※Percentage out of total number of issued shares (excluding treasury stock) : 4.96%

(2) Total number of shares to be acquired: Up to 4.7miilion

(3) Total amount of acquisition : Up to ¥10,000 million

(4) Acquisition period : From August 6th, 2018 to March 22nd , 2019

2. Total Treasury Stock acquired (As of September 30, 2018)

(1) Total number of acquired shares: 632,800

(2) Total amount of acquisition : ¥2,165,337,000

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Answers to power your future

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