



NIPPON STEEL & SUMITOMO METAL CORPORATION GROUP



NS Solutions

Financial Information for the Second Quarter of the Fiscal Year ending March 31, 2016

(April 1, 2015 through September 30, 2015)

October 27, 2015

Munetaka Shashiki

Representative Director & President

NS Solutions Corporation

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.

1H of FY ending March 31, 2016

Consolidated Financial Highlights I



1H performance

- Sales **¥106.3 Bn** (YoY +11.4 Bn, +12%)
- Operating income **¥9.8 Bn** (YoY +2.8 Bn, +40%)
Operating margin **9.2%** (YoY +1.8%)
- Net income **¥6.0 Bn** (YoY +1.8 Bn, +42%)

※Display of net income in this document, represents the "Profit attributable to owners of parent".

Outlook for FY Mar.2016

Consolidated Financial Highlights II



Outlook

- Sales **¥222.0 Bn** (V.S. Previous outlook +11.0Bn)
- Operating income **¥20.6 Bn** (V.S. Previous outlook +3.3Bn)
- Net income **¥13.1 Bn** (V.S. Previous outlook +2.3Bn)

Dividend

With the upward revision of the fiscal year outlook, the Company revises the annual dividend forecast to 85 yen per share, 15 yen per share increase from the previous outlook.

The interim per-share dividend is 42.5 yen and the year-end dividend is 42.5 yen.

1H of FY ending March 31, 2016

Consolidated Financial Results



(Billions of yen)

	1H of FY Mar.2015 (Actual) A	1H of FY Mar.2016 (Actual) B	Change B-A	1H of FY Mar.2016 (Previous outlook) C	Change B-C
Sales	94.9	106.3	+11.4	101.0	+5.3
Business solutions	61.6	67.5	+6.0	64.5	+3.0
Service solutions	33.3	38.8	+5.4	36.5	+2.3
Gross profit	18.6	22.0	+3.4	19.6	+2.4
<Gross profit margin>	<19.6%>	<20.7%>	<+1.1%>	<19.4%>	<+1.3%>
SG&A	11.6	12.2	+0.5	11.8	+0.4
Operating income	7.0	9.8	+2.8	7.8	+2.0
Ordinary income	7.2	10.1	+2.8	8.0	+2.1
Profit attributable to owners of parent	4.2	6.0	+1.8	4.7	+1.3

1H of FY ending March 31, 2016

Sales by Business Line / Customer Industry



(Billions of yen)

	1H of FY Mar.2015 (Actual)		1H of FY Mar.2016 (Actual)		Change		Comment
	A	including IT infrastructure	B	including IT infrastructure	B-A	including IT infrastructure	
Business solutions	51.6	13.8	56.1	15.6	+4.5	+1.8	-
Manufacturing, distribution and service industries	24.0	8.0	26.5	9.0	+2.5	+1.1	Increase in internet business, retail and global manufacturing sector
Financial services	16.2	2.8	17.9	3.7	+1.7	+1.0	Increase in the mega-banks
Government, public organizations and others	11.5	3.0	11.6	2.8	+0.2	-0.2	
Service solutions	32.4		38.2		+5.7		-
IT infrastructure	14.1	<13.8>	13.5	<15.6>	-0.7	<+1.8>	Increase in Private Cloud and Data center, decrease in conventional operation business
NSSMC Group	18.3		24.7		+6.4		Increase in NSSMC
Subsidiaries, net	10.8		12.0		+1.2		Increase in domestic subsidiaries
Consolidated sales	94.9		106.3		+11.4		-
"NSSMC"	(18.0)		(24.1)		(+6.1)		
Amount of orders accepted	97.0		111.6		+14.7		-

1H of FY ending March 31, 2016



Quarterly Consolidated Results

(Billions of yen)

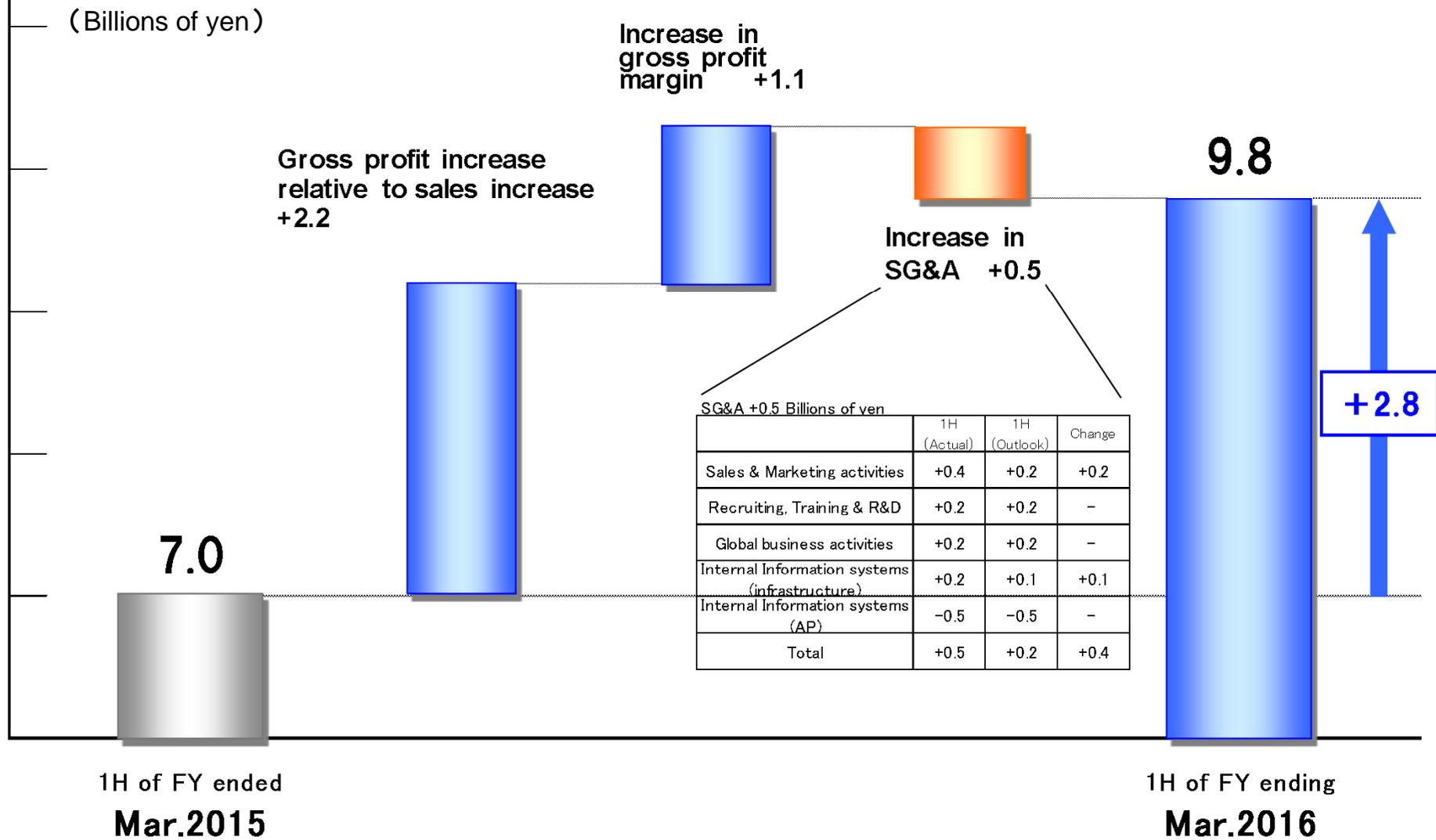
	1H of FY ended Mar.2015			1H of FY ending Mar.2016			Change		
	1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H
	(Actual) A	(Actual) B	(Actual) C	(Actual) D	(Actual) E	(Actual) F	Change D-A	Change E-B	Change F-C
Sales	44.8	50.1	94.9	51.2	55.1	106.3	+6.4	+5.0	+11.4
Business solutions	28.4	33.2	61.6	32.3	35.2	67.5	+3.9	+2.1	+6.0
Service solutions	16.4	16.9	33.3	18.9	19.9	38.8	+2.5	+2.9	+5.4
Gross profit	8.9	9.7	18.6	10.8	11.1	22.0	+2.0	+1.4	+3.4
<gross profit margin>	<19.8%>	<19.4%>	<19.6%>	<21.1%>	<20.2%>	<20.7%>	<+1.4%>	<+0.8%>	<+1.1%>
SG&A	5.9	5.7	11.6	6.2	6.0	12.2	+0.3	+0.3	+0.5
Operating income	3.0	4.0	7.0	4.7	5.2	9.8	+1.7	+1.1	+2.8
Ordinary income	3.1	4.1	7.2	4.9	5.2	10.1	+1.7	+1.1	+2.8
Profit attributable to owners of parent	1.7	2.5	4.2	2.8	3.2	6.0	+1.1	+0.7	+1.8

1H of FY ending March 31, 2016

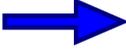
Consolidated Operating Income Variance



Year on year



Market Trends by Business Line / Customer Industry

Business line/ customer industry	Market perception	Market trend
Business solutions		
Manufacturing, distribution and service industries	Manufacturing : Strong strategic investments in PLM (* 1) and production management. Retail & Service : Web service companies continue steady IT investment. Active investments to cope with inbound tourists strong purchase demand.	
Financial services	Mega banks will maintain high level of IT investments in line with their mid/long-term growth strategies including overseas investments. IT investment in securities sectors is also active.	
Government, public organizations and others	The governments increase IT budget in new areas such as “My Number”. IT budget conventional areas is shrinking. The competition in telecom markets is severe, but opportunities in new technology area are expected.	
Service solutions		
IT infrastructure	Steady demand in renewal and integration of IT platform using cloud technology. VDI(*2), DaaS(*3) and MDM(*4) demand is expanding. Strong needs for IT infrastructure outsourcing services.	
NSSMC Group	NSSMC Group : Strong IT investment continues due to the NSSMC’ s system integration and system business transfer of the former Sumitomo Metal Industries.	

*1:PLM:Product Lifecycle Management

*3:DaaS:Desktop as a Service

*2:VDI:Virtual Desktop Infrastructure

*4:MDM:Mobile Device Management

Outlook for FY Mar.2016 Consolidated Results



(Billions of yen)

	FY Mar.2015 (Actual) A	FY Mar.2016 (Outlook) B	Change B-A	FY Mar.2016 (Previous outlook) C	Change B-C
Sales	206.3	222.0	+15.7	211.0	+11.0
Business Solutions	139.3	143.5	+4.2	139.5	+4.0
Service Solutions	67.0	78.5	+11.5	71.5	+7.0
Gross Profit	39.3	45.1	+5.8	40.8	+4.3
<Gross profit margin>	<19.1%>	<20.3%>	<+1.2%>	<19.3%>	<+1.0%>
SG&A	23.1	24.5	+1.4	23.5	+1.0
Operating income	16.2	20.6	+4.4	17.3	+3.3
Ordinary income	16.5	21.0	+4.5	17.5	+3.5
Profit attributable to owners of parent	※ 9.1	13.1	+4.0	10.8	+2.3

※-0.9billion (Income taxes increased owing to the reversal of deferred tax assets due to the amendment of Corporate Tax Act.)

Outlook for Semiannual Consolidated Results



(Billions of yen)

	FY ended Mar.2015			FY ending Mar.2016			Change		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
	(Actual) A	(Actual) B	(Actual) C	(Actual) D	(Outlook) E	(Outlook) F	Change D-A	Change E-B	Change F-C
Sales	94.9	111.4	206.3	106.3	115.7	222.0	+11.4	+4.3	+15.7
Business solutions	61.6	77.8	139.3	67.5	76.0	143.5	+6.0	-1.8	+4.2
Service solutions	33.3	33.6	67.0	38.8	39.7	78.5	+5.4	+6.1	+11.5
Gross profit	18.6	20.7	39.3	22.0	23.1	45.1	+3.4	+2.4	+5.8
<gross profit margin>	<19.6%>	<18.6%>	<19.1%>	<20.7%>	<20.0%>	<20.3%>	<+1.1%>	<+1.4%>	<+1.2%>
SG&A	11.6	11.5	23.1	12.2	12.3	24.5	+0.5	+0.8	+1.4
Operating income	7.0	9.2	16.2	9.8	10.8	20.6	+2.8	+1.6	+4.4
Ordinary income	7.2	9.2	16.5	10.1	10.9	21.0	+2.8	+1.7	+4.5
Profit attributable to owners of parent	4.2	4.8	9.1	6.0	7.1	13.1	+1.8	+2.2	+4.0
Order backlog at beginning of the period	85.2	87.3		85.9	91.2		+0.7	+3.9	-

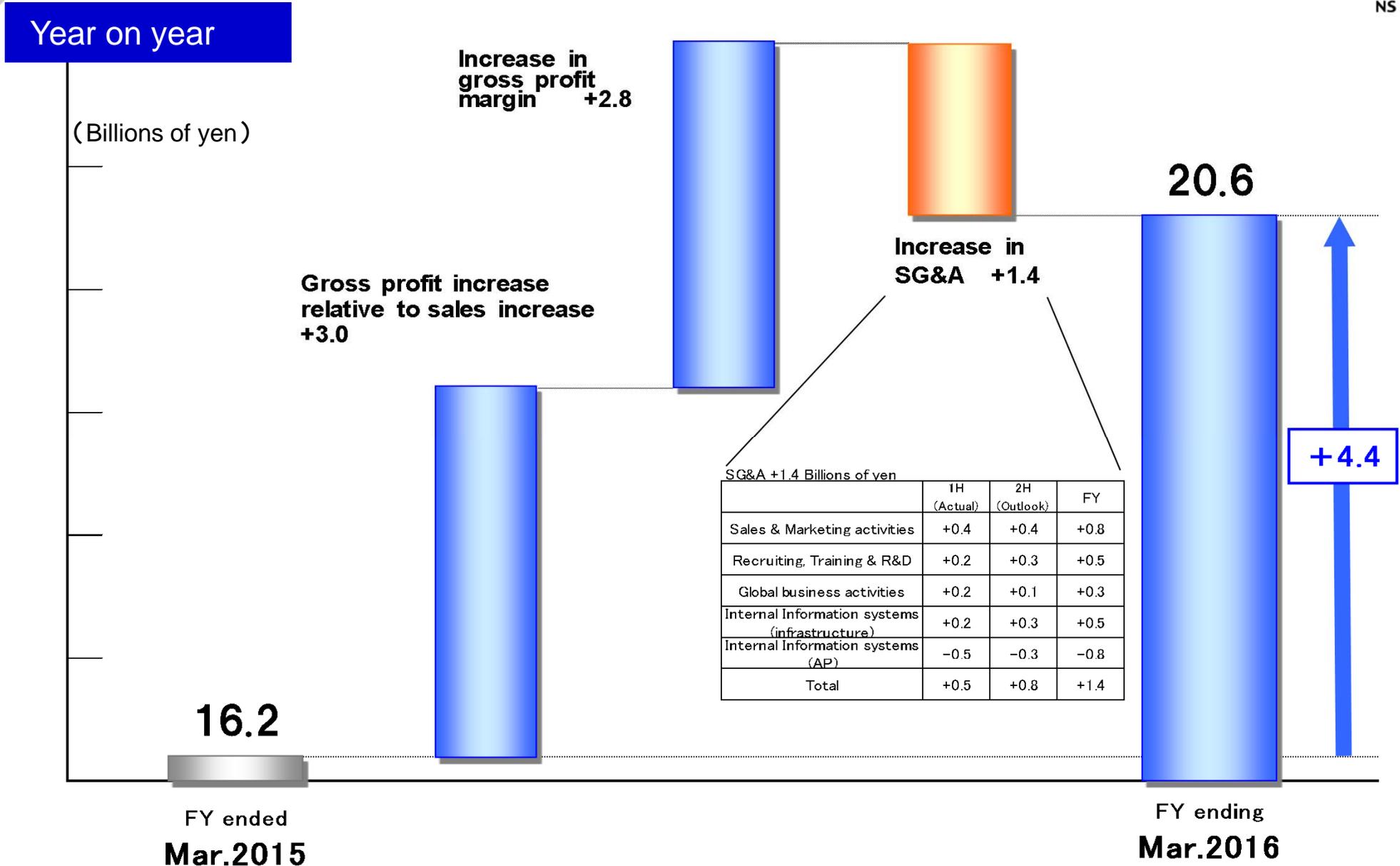
Sales by Business Line / Customer Industry



(Billions of yen)

	2H of FY Mar.2015 (Actual)		2H of FY Mar.2016 (Outlook)		Change		Comment
	A	including IT infrastructure	B	including IT infrastructure	B-A	including IT infrastructure	
Business solutions	65.4	16.9	63.4	15.9	-1.9	-1.0	-
Manufacturing, distribution and service industries	27.0	9.0	28.0	9.0	+0.9	-0.0	Increase in internet business, retail and global manufacturing sector
Financial services	19.7	5.6	18.1	4.8	-1.6	-0.8	The mega-banks is strong. However, decrease in other banks and securities
Government, public organizations and others	18.6	2.4	17.4	2.2	-1.3	-0.2	Reduction in projects transitional period
Service solutions	32.8		38.8		+6.0		-
IT infrastructure	14.3	<16.9>	16.5	<15.9>	+2.2	<-1.0>	Increase in Private Cloud and Data center, decrease in conventional operation business
NSSMC Group	18.5		22.3		+3.8		Increase in NSSMC
Subsidiaries, net	13.2		13.5		+0.2		-
Consolidated sales	111.4		115.7		+4.3		-
"NSSMC"	(17.7)		(21.9)		(+4.2)		
Amount of orders accepted	110						-

Consolidated Operating Income Variance



Policy on profit sharing

- ✧ Provide stable dividends to shareholders and maintain internal reserves for expansion.
- ✧ Introducing payout ratio of 30% from the fiscal year ending March 31, 2016

Dividend amount

(Previous outlook)

2016/03

¥70.00 per share



2016/03

¥85.00 per share

(Reference)

2015/03

¥45.00 per share



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