



**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)**

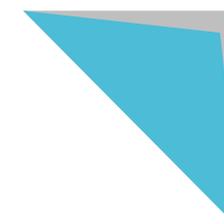
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**NS Solutions**

**October 30, 2018**

**NS Solutions Corporation**

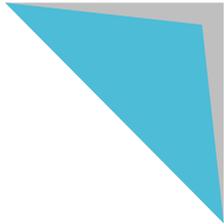


## **FORWARD-LOOKING STATEMENTS**

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.

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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

# 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
<b>Sales</b>	<b>116.6</b>	<b>124.6</b>	<b>+8.1</b>	<b>118.0</b>	<b>+6.6</b>
Business solutions	76.8	81.4	+4.6	75.0	+6.4
Service solutions	39.8	43.3	+3.5	43.0	+0.3
<b>Gross Profit</b>	<b>23.6</b>	<b>24.9</b>	<b>+1.3</b>	<b>24.8</b>	<b>+0.1</b>
<Gross Profit Margin>	<20.2%>	<20.0%>	<-0.2%>	<21.0%>	<-1.0%>
<b>SG&amp;A</b>	<b>13.5</b>	<b>13.6</b>	<b>+0.1</b>	<b>14.1</b>	<b>-0.5</b>
<b>Operating Profit</b>	<b>10.1</b>	<b>11.3</b>	<b>+1.2</b>	<b>10.7</b>	<b>+0.6</b>
<b>Recurring Profit</b>	<b>10.5</b>	<b>11.5</b>	<b>+1.0</b>	<b>11.0</b>	<b>+0.5</b>
<b>Profit attributable to owners of parent</b>	<b>6.6</b>	<b>7.2</b>	<b>+0.6</b>	<b>7.2</b>	<b>+0.0</b>

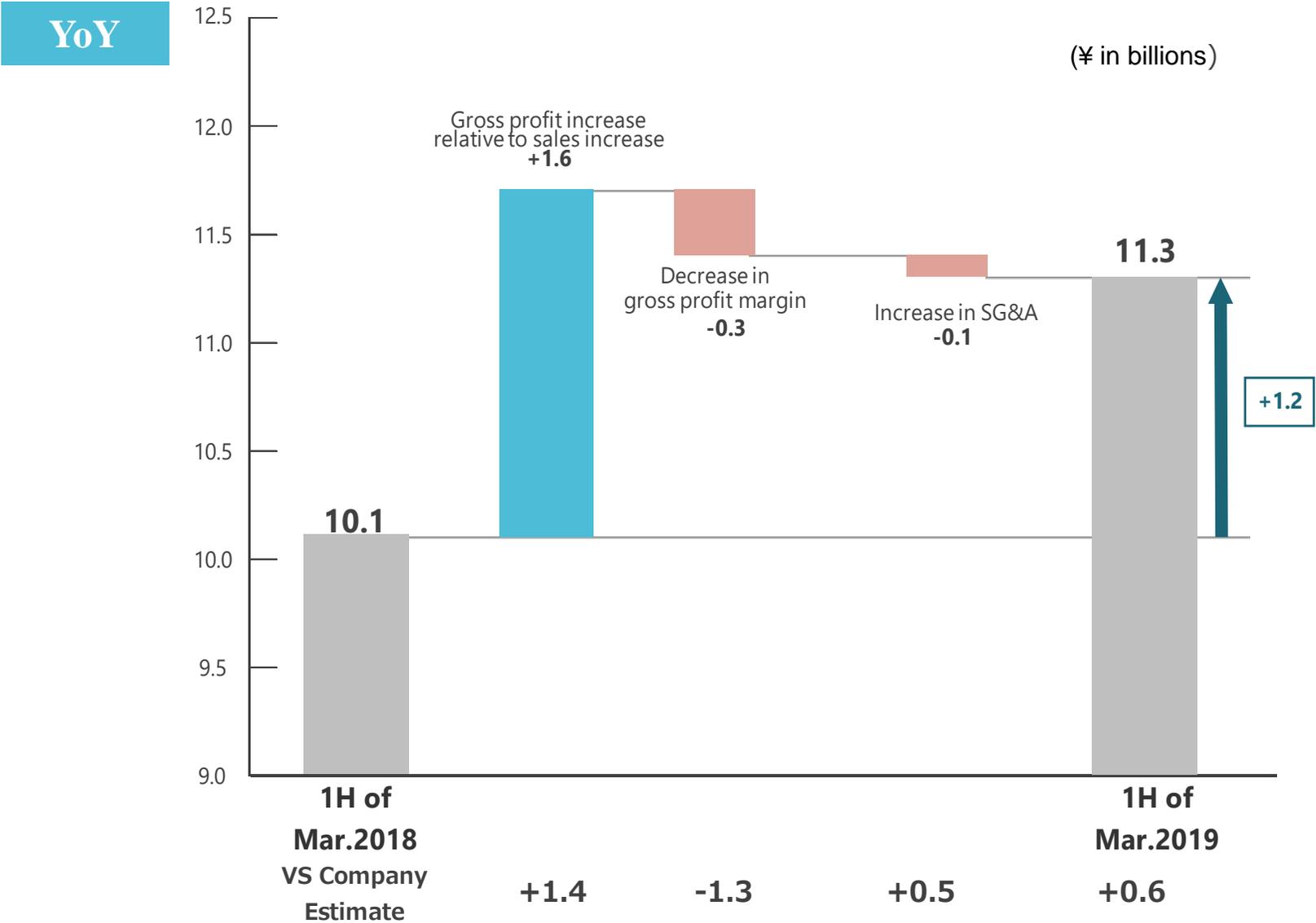
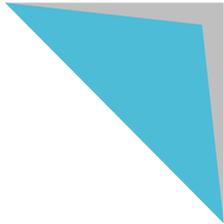
# I -3. Sales by Service and Segment

(¥ in billions)	1H of FY Mar. 2018		1H of FY Mar.2019		Difference		Comment
	Actual A	IT platform	Actual B	IT platform	B-A	IT platform	
<b>Business Solutions</b>	<b>63.8</b>	15.3	<b>67.8</b>	17.7	<b>+4.0</b>	+2.4	
Manufacturing, Retail and Service	<b>27.7</b>	8.3	<b>31.8</b>	11.5	<b>+4.1</b>	+3.2	Sales increase in e-commerce, travel, and retail related business.
Financial Services	<b>17.4</b>	4.8	<b>14.3</b>	3.6	<b>-3.1</b>	-1.2	System consolidation project for a megabank client peaked out
Government, Public organizations and Others	<b>18.7</b>	2.2	<b>21.7</b>	2.6	<b>+3.0</b>	+0.4	Orders from government sector added-up
<b>Service Solutions</b>	<b>37.7</b>		<b>41.1</b>		<b>+3.4</b>		
IT Platform	<b>15.6</b>	<15.3>	<b>15.8</b>	<17.7>	<b>+0.2</b>	<+2.4>	Sales increase in products
NSSMC Group	<b>22.1</b>		<b>25.3</b>		<b>+3.2</b>		Increased sales to NSSMC and its group companies
<b>Subsidiaries</b>	<b>15.1</b>		<b>15.8</b>		<b>+0.7</b>		
<b>Total</b>	<b>116.6</b>		<b>124.6</b>		<b>+8.1</b>		
<b>NSSMC Sales</b>	(21.9)		(24.6)		(+2.7)		
<b>Total Order</b>	<b>119.3</b>		<b>138.0</b>		<b>+18.7</b>		Business Solutions + 18.7 Service Solutions + 0.0

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

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

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



II

# Outlook for FY Mar. 2019

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# II - 1 . Current Business Conditions

## Market Trend

### Business Solutions

<p>Manufacturing, Retail and Service</p>	<p>Stable IT investment continues in the e-commerce, travel and retail sector including large-scale systems renovation projects.</p>	
<p>Financial Services</p>	<p>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.</p>	
<p>Government, Public organizations and others</p>	<p>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.</p>	

### Service Solutions

<p>IT Platform</p>	<p>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.</p>	
<p>Steel</p>	<p>IT investment is active mainly at steel works in line with NSSMC 's 2020 medium-term management plan.</p>	

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

## 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 E	Difference D-E
	Total (Oct.- Mar.)	Actual	Total (Oct.- Mar.)	Company Estimate	Total (Oct.- Mar.)			
	A	B	C	D	C-A	D-B		
<b>Sales</b>	<b>127.7</b>	<b>244.2</b>	<b>133.4</b>	<b>258.0</b>	<b>+5.7</b>	<b>+13.8</b>	<b>247.0</b>	<b>+11.0</b>
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
<b>Gross Profit</b>	<b>25.5</b>	<b>49.1</b>	<b>26.1</b>	<b>51.0</b>	<b>+0.7</b>	<b>+1.9</b>	<b>50.8</b>	<b>+0.2</b>
<Gross profit margin>	<19.9%>	<20.1%>	<19.6%>	<19.8%>	<-0.3%>	<-0.3%>	<20.6%>	<-0.8%>
<b>SG&amp;A</b>	<b>12.9</b>	<b>26.4</b>	<b>13.4</b>	<b>27.0</b>	<b>+0.5</b>	<b>+0.6</b>	<b>27.4</b>	<b>-0.4</b>
<b>Operating Profit</b>	<b>12.6</b>	<b>22.7</b>	<b>12.7</b>	<b>24.0</b>	<b>+0.1</b>	<b>+1.3</b>	<b>23.4</b>	<b>+0.6</b>
<b>Recurring Profit</b>	<b>12.6</b>	<b>23.1</b>	<b>13.0</b>	<b>24.5</b>	<b>+0.4</b>	<b>+1.4</b>	<b>24.0</b>	<b>+0.5</b>
<b>Profit attributable to owners of parent</b>	<b>8.4</b>	<b>14.9</b>	<b>8.8</b>	<b>16.0</b>	<b>+0.4</b>	<b>+1.1</b>	<b>15.7</b>	<b>+0.3</b>

## 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.)	2H (Oct.– Mar.)	FY (Apr.– Mar.)	1H (Apr. – Sep.)	2H (Oct.– Mar.)	FY (Apr.– Mar.)	1H (Apr. – Sep.)	2H (Oct.– Mar.)	FY (Apr.– Mar.)
	A	B	C	D	E	F	D-A	E-B	F-C
<b>Sales</b>	<b>118.0</b>	<b>129.0</b>	<b>247.0</b>	<b>124.6</b>	<b>133.4</b>	<b>258.0</b>	<b>+6.6</b>	<b>+4.4</b>	<b>+11.0</b>
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
<b>Gross Profit</b>	<b>24.8</b>	<b>26.0</b>	<b>50.8</b>	<b>24.9</b>	<b>26.1</b>	<b>51.0</b>	<b>+0.1</b>	<b>+0.1</b>	<b>+0.2</b>
<Gross profit margin>	<21.0%>	<20.2%>	<20.6%>	<20.0%>	<19.6%>	<19.8%>	<-1.0%>	<-0.6%>	<-0.8%>
<b>SG&amp;A</b>	<b>14.1</b>	<b>13.3</b>	<b>27.4</b>	<b>13.6</b>	<b>13.4</b>	<b>27.0</b>	<b>-0.5</b>	<b>+0.1</b>	<b>-0.4</b>
<b>Operating Profit</b>	<b>10.7</b>	<b>12.7</b>	<b>23.4</b>	<b>11.3</b>	<b>12.7</b>	<b>24.0</b>	<b>+0.6</b>	<b>+0.0</b>	<b>+0.6</b>
<b>Recurring Profit</b>	<b>11.0</b>	<b>13.0</b>	<b>24.0</b>	<b>11.5</b>	<b>13.0</b>	<b>24.5</b>	<b>+0.5</b>	<b>-0.0</b>	<b>+0.5</b>
<b>Profit attributable to owners of parent</b>	<b>7.2</b>	<b>8.5</b>	<b>15.7</b>	<b>7.2</b>	<b>8.8</b>	<b>16.0</b>	<b>+0.0</b>	<b>+0.3</b>	<b>+0.3</b>
<b>NSSMC Sales</b>	<b>(24.0)</b>	<b>(23.5)</b>	<b>(47.5)</b>	<b>(24.6)</b>	<b>(23.9)</b>	<b>(48.5)</b>	<b>(+0.6)</b>	<b>(+0.4)</b>	<b>(+1.0)</b>

## II -4. Outlook for 2H of FY Mar.2019

### Sales Forecasts by Service and Segment

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

## II -5. Outlook for FY Mar.2019

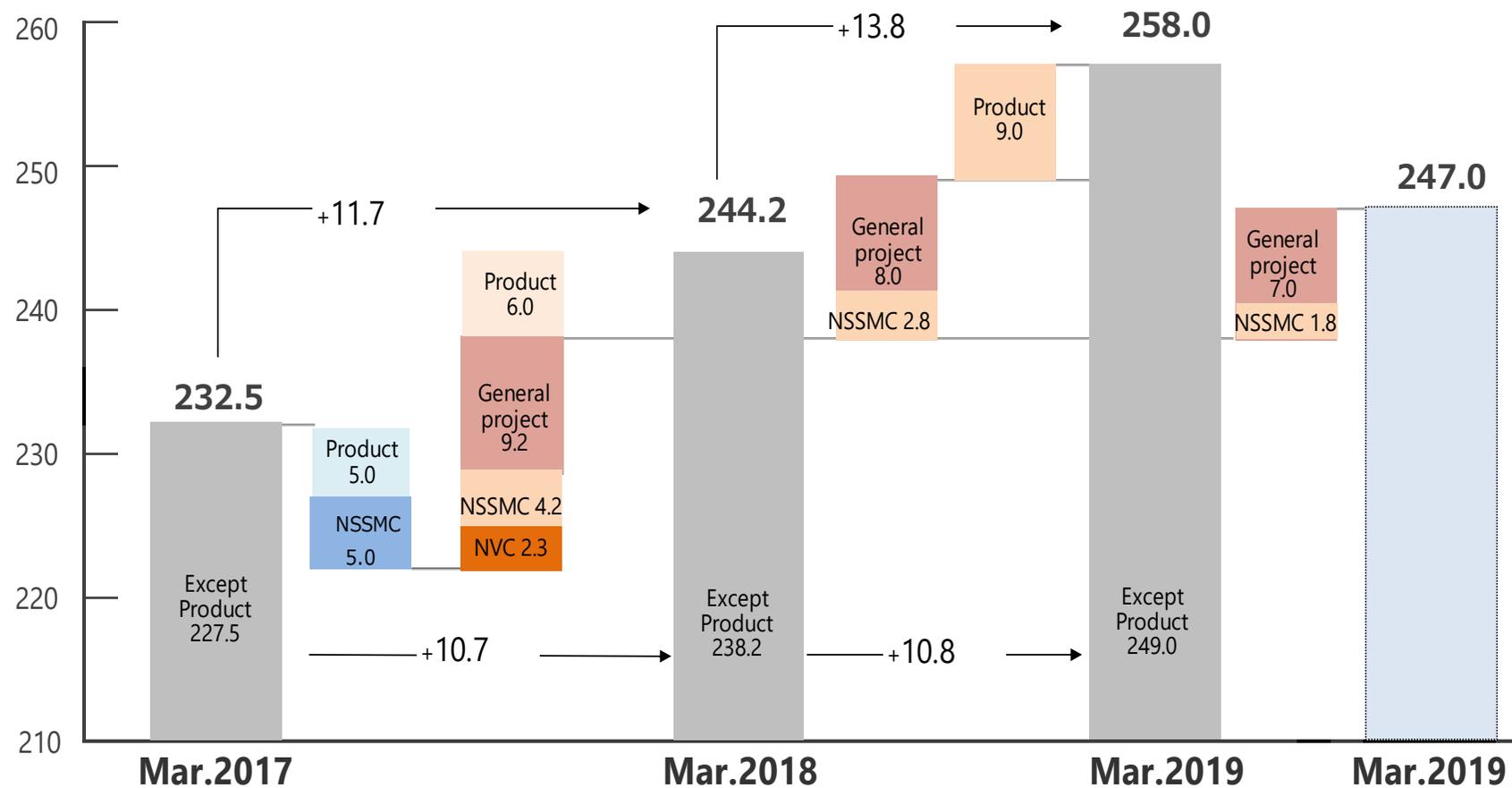
### Sales Forecasts by Service and Segment

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

## II -6. Breakdown of Sales

YoY

(¥ in billions)



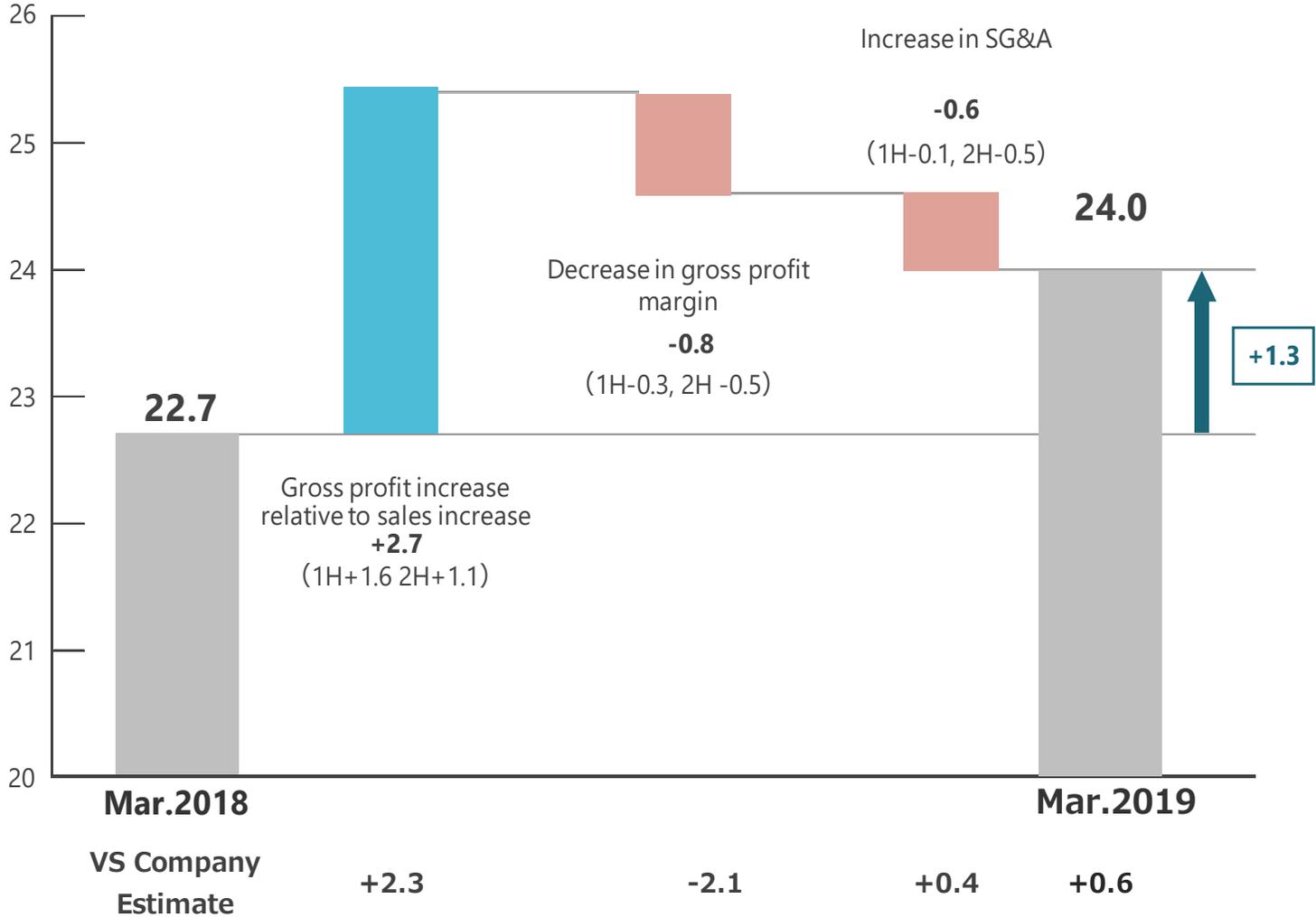
Company Estimate  
as of April 26

# II -7. FY Mar.2019 OP Outlook Breakdown



**YoY**

(¥ in billions)



## 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**

**55.00 yen**

**(Reference)  
FY Mar.2018**

**50.00 yen**

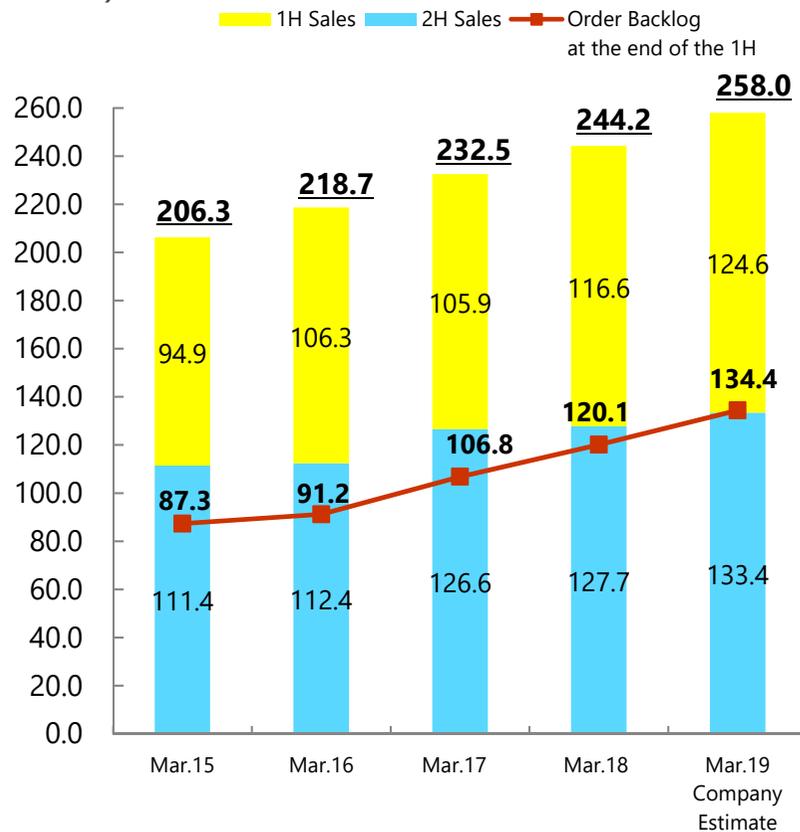


# Topics

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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

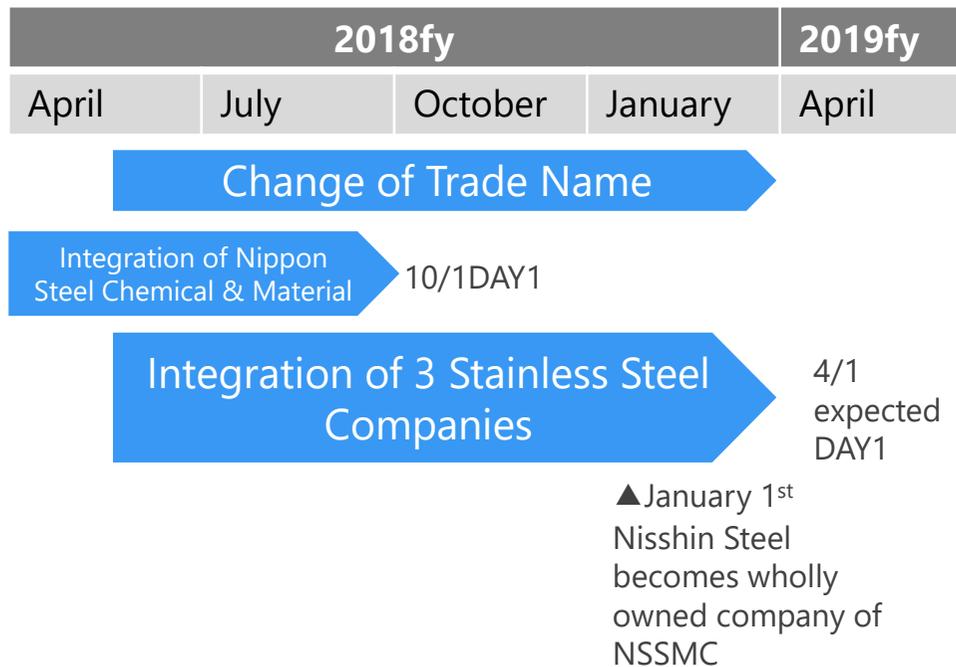
	Sep.14	Sep.15	Sep.16	Sep.17	Sep.18
Employee	5,381	5,665	5,898	6,286	6,454

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

# III -1. Sustainable Structural Growth②



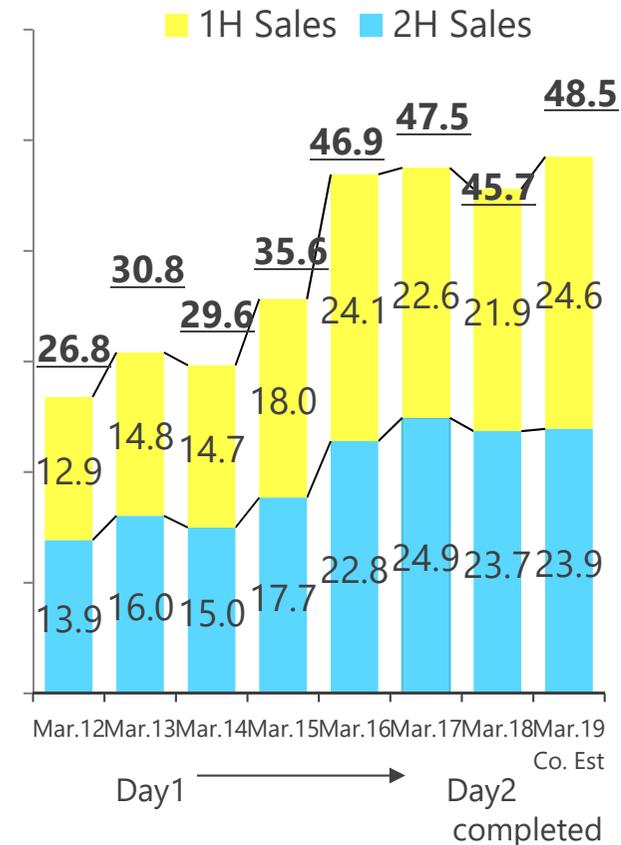
● **Change of Trade Name; More business expected from NSSMC's Group Restructuring.**



## NSSMC Business

● (Reference)  
**Trend: Sales to NSSMC**

(¥ in billions)



## 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 4.7million

(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



Answers to power your future

<https://www.nssol.nssmc.com/>

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