

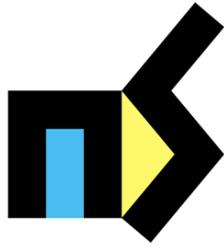


NIPPON STEEL & SUMITOMO METAL CORPORATION GROUP



Financial Information for the Fiscal Year ended March 31, 2018

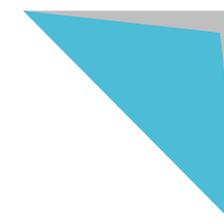
(April 1, 2017 through March 31, 2018)



NS Solutions

April 26, 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.

Contents



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II . Outlook for FY 2018

III . Action Plans

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I

Consolidated Financial Results for FY2017

I - 1 . Highlights of Consolidated Financial Results

FY2017 (April 1, 2017- March 31, 2018)

		YoY change	(Billions of yen) : (Difference with company estimate)
● Sales	244.2	+11.7, + 5%	: (+2.2)
● Operating Profit	22.7	+ 1.1, + 5%	: (-0.0)
● Net Income*	14.9	+ 1.0, + 7%	: (-0.1)

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

I -2. Consolidated Financial Results

(¥ in billions)	FY 2016	FY 2017	Difference	FY 2017	Difference
	A	B	B-A	Company Estimate C	B-C
Sales	232.5	244.2	+11.7	242.0	+2.2
Business solutions	151.8	161.1	+9.2	161.0	+0.1
Service solutions	80.6	83.1	+2.5	81.0	+2.1
Gross Profit	46.5	49.1	+2.6	49.7	-0.6
<Gross Profit Margin>	<20.0%>	<20.1%>	<+0.1%>	<20.5%>	<-0.4%>
SG&A	24.9	26.4	+1.5	27.0	-0.6
Operating Profit	21.5	22.7	+1.1	22.7	-0.0
Recurring Profit	22.1	23.1	+1.0	23.0	+0.1
Profit attributable to owners of parent	14.0	14.9	+1.0	15.0	-0.1

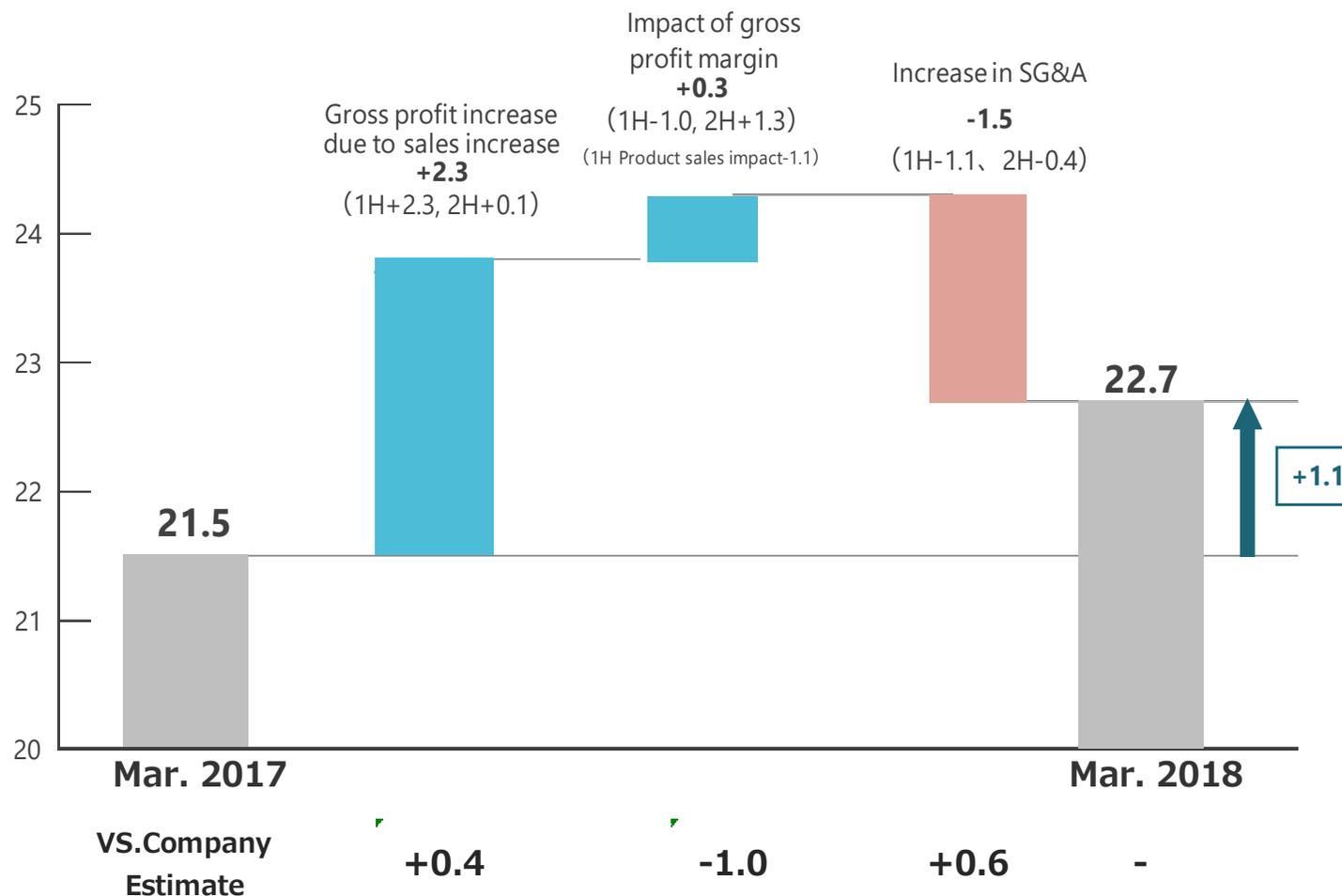
I -3. Semiannual Consolidated Results

(¥ in billions)	FY 2016		FY 2017		Difference		FY2017 2H Company Estimate E	From company estimate D-E
	1H	2H	1H	2H	1H	2H		
	A	B	C	D	C-A	D-B		
Sales	105.9	126.6	116.6	127.7	+10.7	+1.0	125.4	+2.2
Business Solutions	68.3	83.5	76.8	84.3	+8.4	+0.8	84.2	+0.1
Service Solutions	37.5	43.1	39.8	43.4	+2.3	+0.2	41.2	+2.1
Gross Profit	22.3	24.2	23.6	25.5	+1.3	+1.3	26.1	-0.6
<Gross profit margin>	<21.0%>	<19.1%>	<20.2%>	<19.9%>	<-0.8%>	<+0.8%>	<20.8%>	<-0.9%>
SG&A	12.5	12.5	13.5	12.9	+1.1	+0.4	13.5	-0.6
Operating Profit	9.8	11.7	10.1	12.6	+0.2	+0.9	12.6	-0.0
Recurring Profit	10.2	11.9	10.5	12.6	+0.3	+0.7	12.5	+0.1
Profit attributable to owners of parent	6.6	7.4	6.6	8.4	-0.0	+1.0	8.4	-0.1
NSSMC Sales	(22.6)	(24.9)	(21.9)	(23.7)	(-0.7)	(-1.1)	(20.0)	(+3.7)

I -4. Consolidated Operating Profit Breakdown

YoY

(¥ in billions)

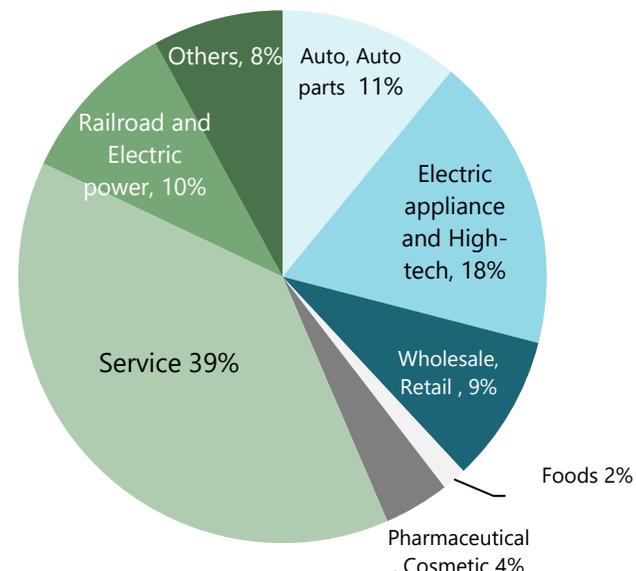
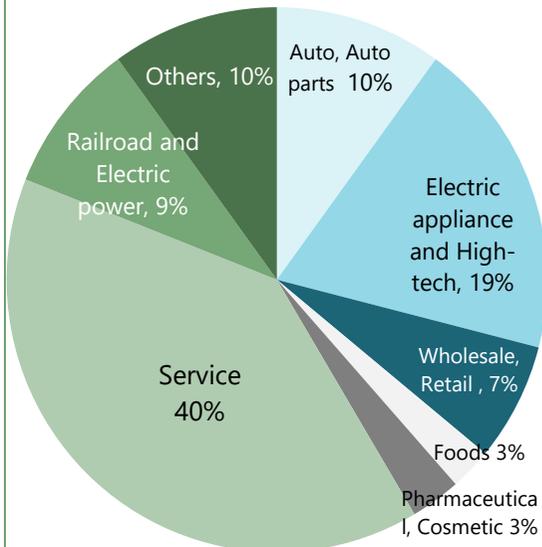
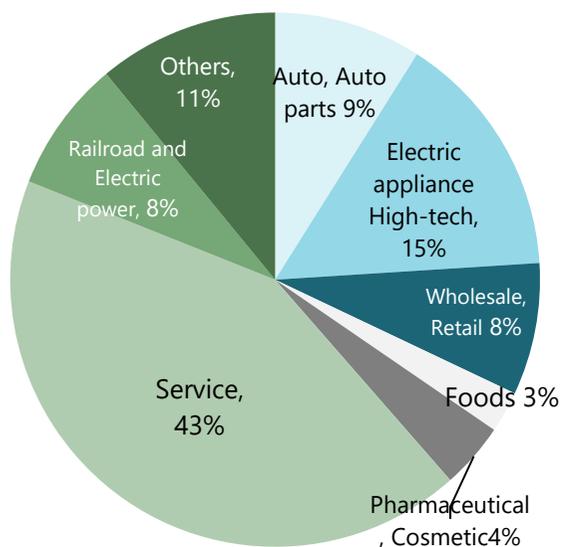


I -5. Sales by Service and Segment

(¥ in billions)	FY 2016		FY 2017		Difference		Comments
	A	IT platform	B	IT platform	B-A	IT platform	
Business Solutions	126.8	30.4	133.8	30.6	+7.0	+0.3	
Manufacturing, Retail and Service	55.4	16.2	58.9	18.4	+3.5	+2.2	Sales increase in manufacturing, e-commerce, retail and travel related business
Financial Services	37.1	9.1	33.4	8.5	-3.7	-0.6	System consolidation project for a megabank client peaked out.
Government, Public organizations	34.3	5.1	41.5	3.8	+7.2	-1.3	Received orders for a large scale product procurement project for the government sector. Sales increase in telecom.
Service Solutions	77.8		78.3		+0.5		
IT Platform	30.4	<30.4>	32.6	<30.6>	+2.2	<+0.3>	Sales increase in cloud service and product
NSSMC Group	47.4		45.6		-1.7		Decrease in NSSMC's merger projects. Increase in ironworks projects
Subsidiaries	27.9		32.1		+4.2		Attributable to earnings of NVC.
Total	232.5		244.2		+11.7		
NSSMC Sales	(47.5)		(45.7)		(-1.8)		
Total Order	252.9		247.9		-5.0		Business solutions -11.9 Service solutions +6.9

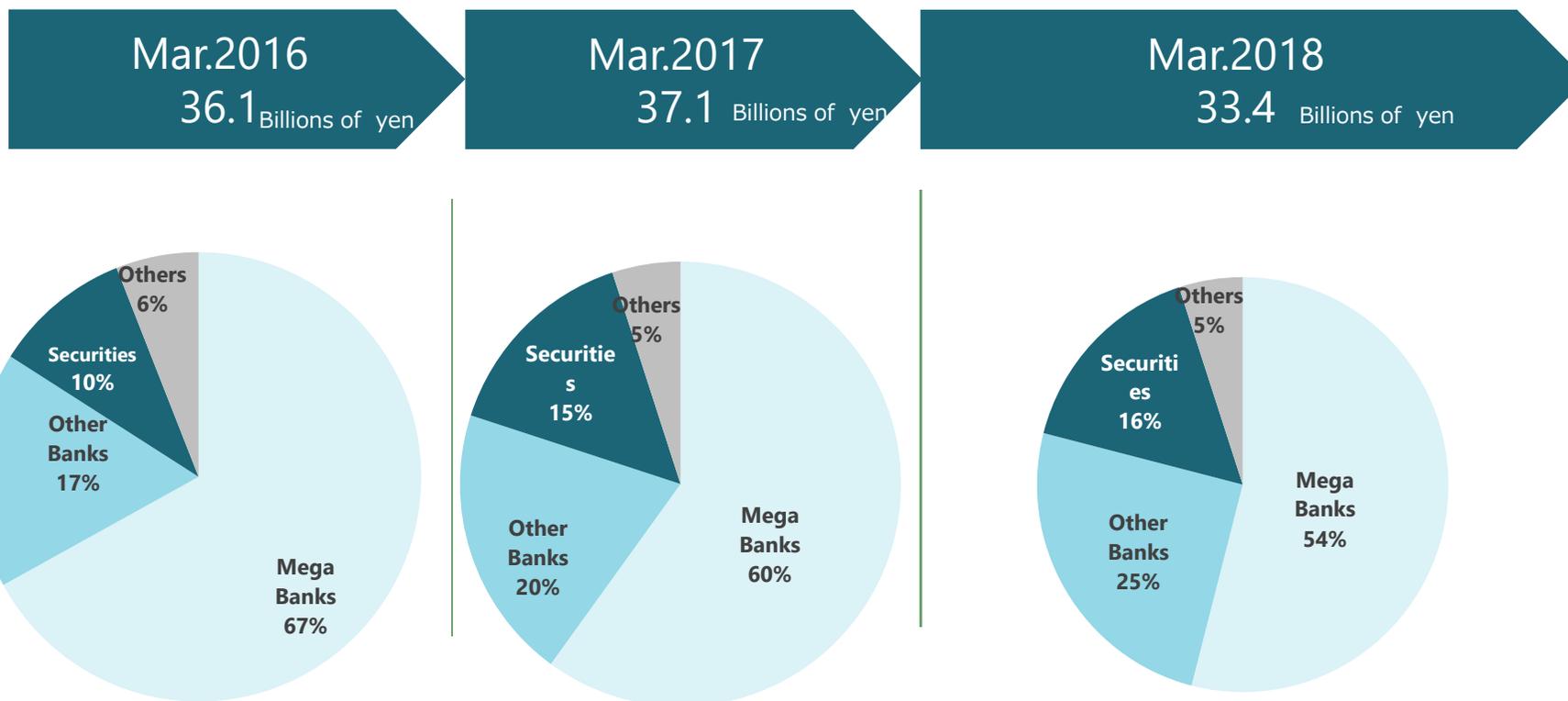
I -6. Breakdown of Sales (Manufacturing, Retail and Service)

Mar.2016~Mar.2018



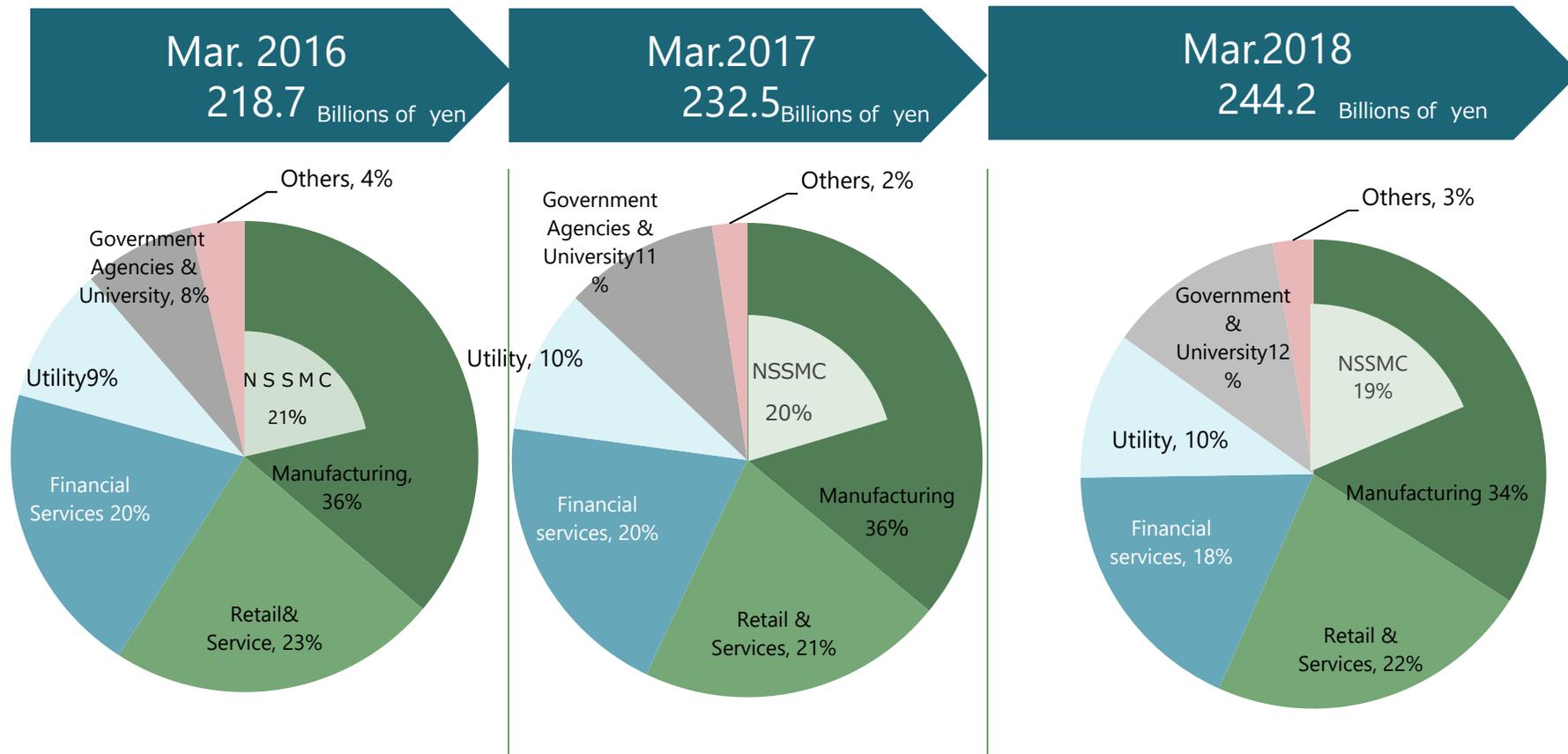
I -7. Breakdown of Sales (Financial Services)

Mar.2016~Mar.2018

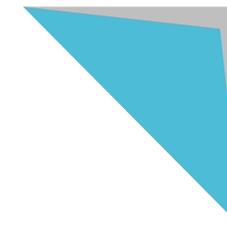


I -8. Sales Breakdown by Industry Segment

Mar.2016~Mar.2018



Appendix



1 . Extraordinary profits and losses

① Impairment on datacenter	(Extraordinary loss	– 2.6 billion yen)
② Loss on abolishment of retirement benefit plan	(Extraordinary loss	– 0.7 billion yen)
③ Sale of investment securities	(Extraordinary profit	+ 3.3 billion yen)

2 . Cancellation of 11,293,500 of Treasury Stock

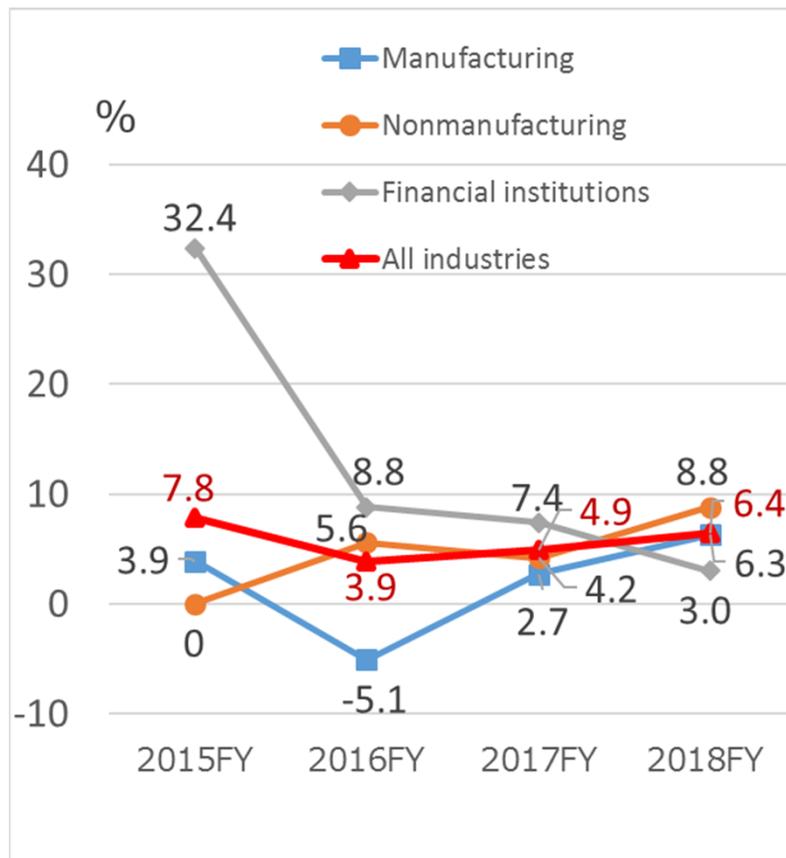
① Apr 14, 2017	Cancellation of 6.4 million of treasury stock	
② Feb 14, 2018	Cancellation of 4.8 million of treasury stock	
③ Mar 31, 2018	Total number of issued shares	94,704,740
	Total number of treasury shares	16,138

II

Outlook for FY 2018

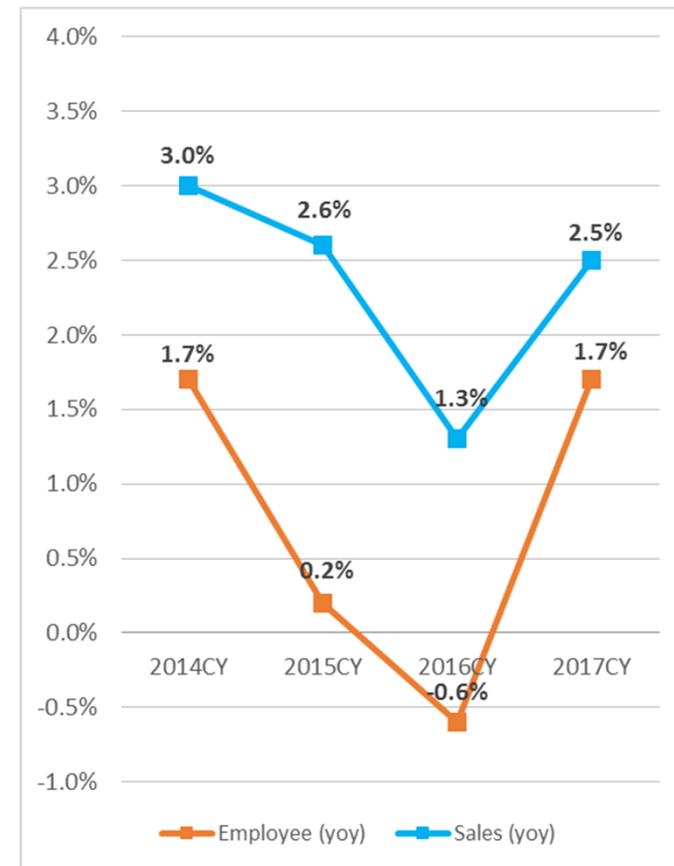
BOJ *Tankan*, Current Survey of Selected Service Industries

BOJ *Tankan* (Software investment, YoY)



Source: BOJ
March 2018 survey

Current Survey of Selected Service Industries (Information service)



Source: Ministry of Economy, Trade and Industry
Current survey of selected industry

High level IT investment continues but IT personnel slightly increase

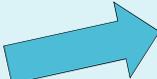
II - 1 . Current Business Conditions

Market Trend

Business Solutions

<p>Manufacturing, Retail and Service</p>	<p>Stable IT investment continues in manufacturing, e-commerce, retail and travel related businesses.</p>	
<p>Financial Services</p>	<p>Based on their mid-term growth strategies, Megabanks maintain high level of IT investments including expansion of their overseas business. Investment of securities sector remains active.</p>	
<p>Government, Public organizations and others</p>	<p>NSSOL plans to win government IT investment projects which aim to improve IT infrastructure and strengthen security. Despite challenging market environment for telecom area, we expect to expand our business in new technology area.</p>	

Service Solutions

<p>IT Platform</p>	<p>Demands for IT infrastructure outsourcing are expected to increase due to shortage of IT human resources on client side. Investments in cloud service, security, and VDI*/DaaS* are steady.</p>	
<p>Steel</p>	<p>IT system investment projects have increased, in line with NSSMC's 2020 Mid-Term Management Plan.</p>	

*1: VDI : Virtual Desktop Infrastructure *2:DaaS:Desktop as a Service

II - 2 . Outlook for FY 2018

(¥ in billions)	FY 2017	FY2018 Company Estimate	Difference
	A	B	B-A
Sales	244.2	247.0	+2.8
Business solutions	161.1	160.5	-0.6
Service solutions	83.1	86.5	+3.4
Gross Profit	49.1	50.8	+1.7
<Gross Profit Margin>	<20.1%>	<20.6%>	<+0.5%>
SG&A	26.4	27.4	+1.0
Operating Profit	22.7	23.4	+0.7
Recurring Profit	23.1	24.0	+0.9
Profit attributable to owners of parent	14.9	15.7	+0.8

II - 3 . Outlook for FY 2018

Sales Outlook by Segment / Customer Industry

(¥ in billions)	FY 2017		FY 2018		Difference		Comment
	Actual A	IT platform	Company Estimate B	IT platform	B-A	IT platform	
Business Solutions	133.8	30.6	132.5	30.0	-1.3	-0.6	
Manufacturing, Retail and Service	58.9	18.4	61.5	18.0	+2.6	-0.4	Sales increase in manufacturing, e-commerce, and travel related business.
Financial Services	33.4	8.5	34.5	8.0	+1.1	-0.5	System consolidation project for a megabank client peaked out . Aggressive investment in securities
Government, Public organizations	41.5	3.8	36.5	4.0	-5.0	+0.2	Relative decrease in the number of large scale projects for the government sector
Service Solutions	78.3		81.5		+3.2		
IT Platform	32.6	<30.6>	34.0	<30.0>	+1.4	<-0.6>	Sales increase in ITO and cloud services.
NSSMC Group	45.6		47.5		+1.9		Increase in NSSMC business .
Subsidiaries	32.1		33.0		+0.9		
Total	244.2		247.0		+2.8		
NSSMC Sales	(45.7)		(47.5)		(+1.8)		

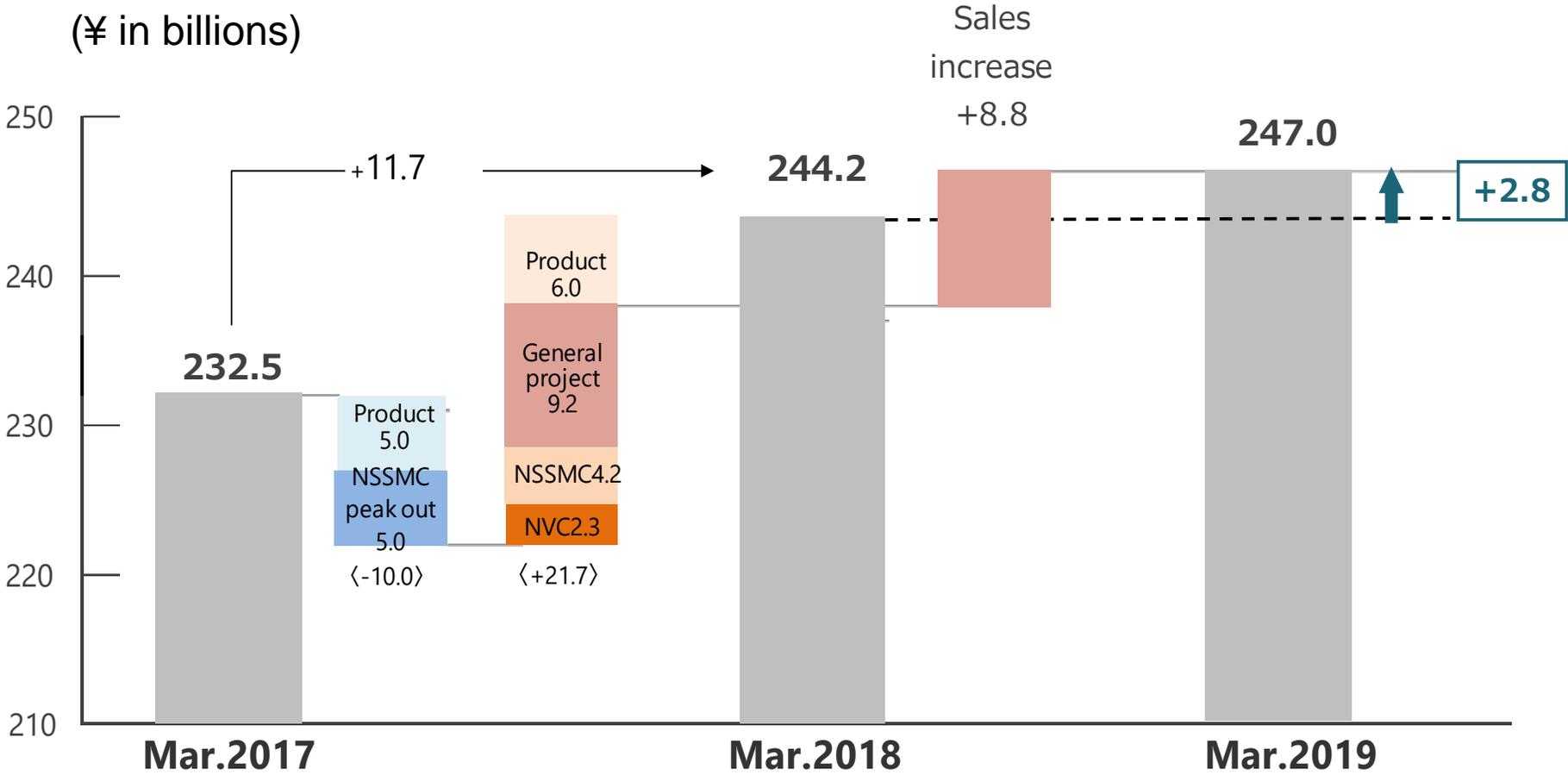
II - 4 . Semiannual Outlook for FY 2018

(¥ in billions)	FY 2017			FY 2018 Company Estimate			Difference		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
	A	B	C	D	E	F	D-A	E-B	F-C
Sales	116.6	127.7	244.2	118.0	129.0	247.0	+1.4	+1.3	+2.8
Business Solutions	76.8	84.3	161.1	75.0	85.5	160.5	-1.8	+1.2	-0.6
Service Solutions	39.8	43.4	83.1	43.0	43.5	86.5	+3.2	+0.1	+3.4
Gross Profit	23.6	25.5	49.1	24.8	26.0	50.8	+1.2	+0.5	+1.7
<Gross profit margin>	<20.2%>	<19.9%>	<20.1%>	<21.0%>	<20.2%>	<20.6%>	<+0.8%>	<+0.3%>	<+0.5%>
SG&A	13.5	12.9	26.4	14.1	13.3	27.4	+0.6	+0.4	+1.0
Operating Profit	10.1	12.6	22.7	10.7	12.7	23.4	+0.6	+0.1	+0.7
Recurring Profit	10.5	12.6	23.1	11.0	13.0	24.0	+0.5	+0.4	+0.9
Profit attributable to owners of parent	6.6	8.4	14.9	7.2	8.5	15.7	+0.6	+0.1	+0.8
NSSMC Sales	(21.9)	(23.7)	(45.7)	(24.0)	(23.5)	(47.5)	(+2.1)	(-0.2)	(+1.8)
Order backlog at the beginning of the period	117.4	120.1	-	121.1	-	-	+3.7		

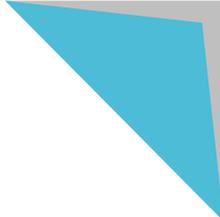
II - 5 . Breakdown of Sales

YOY

(¥ in billions)

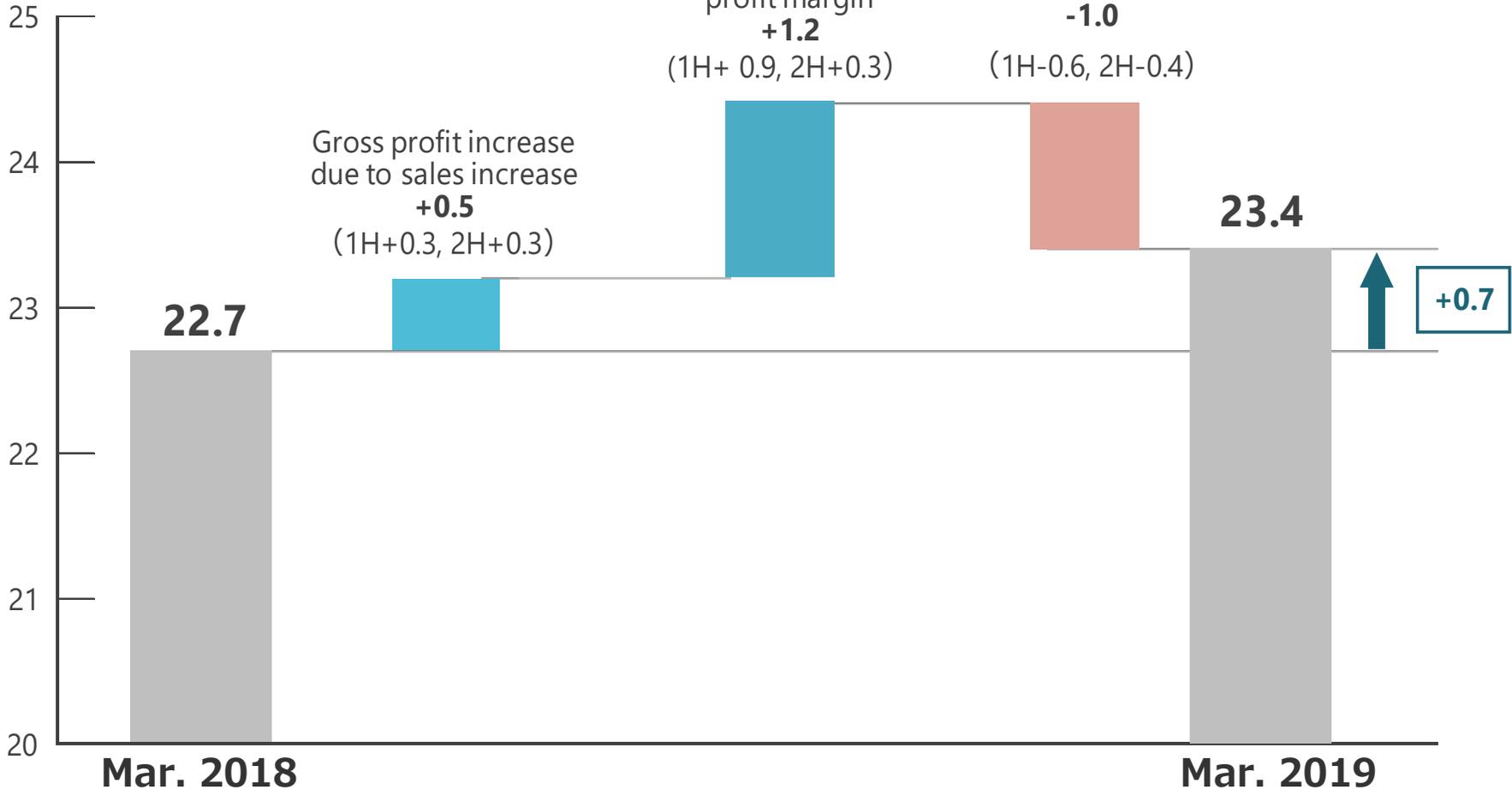


II -6. FY Mar.2018 OP Outlook Breakdown



YOY

(¥ in billions)



II – 7. 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.

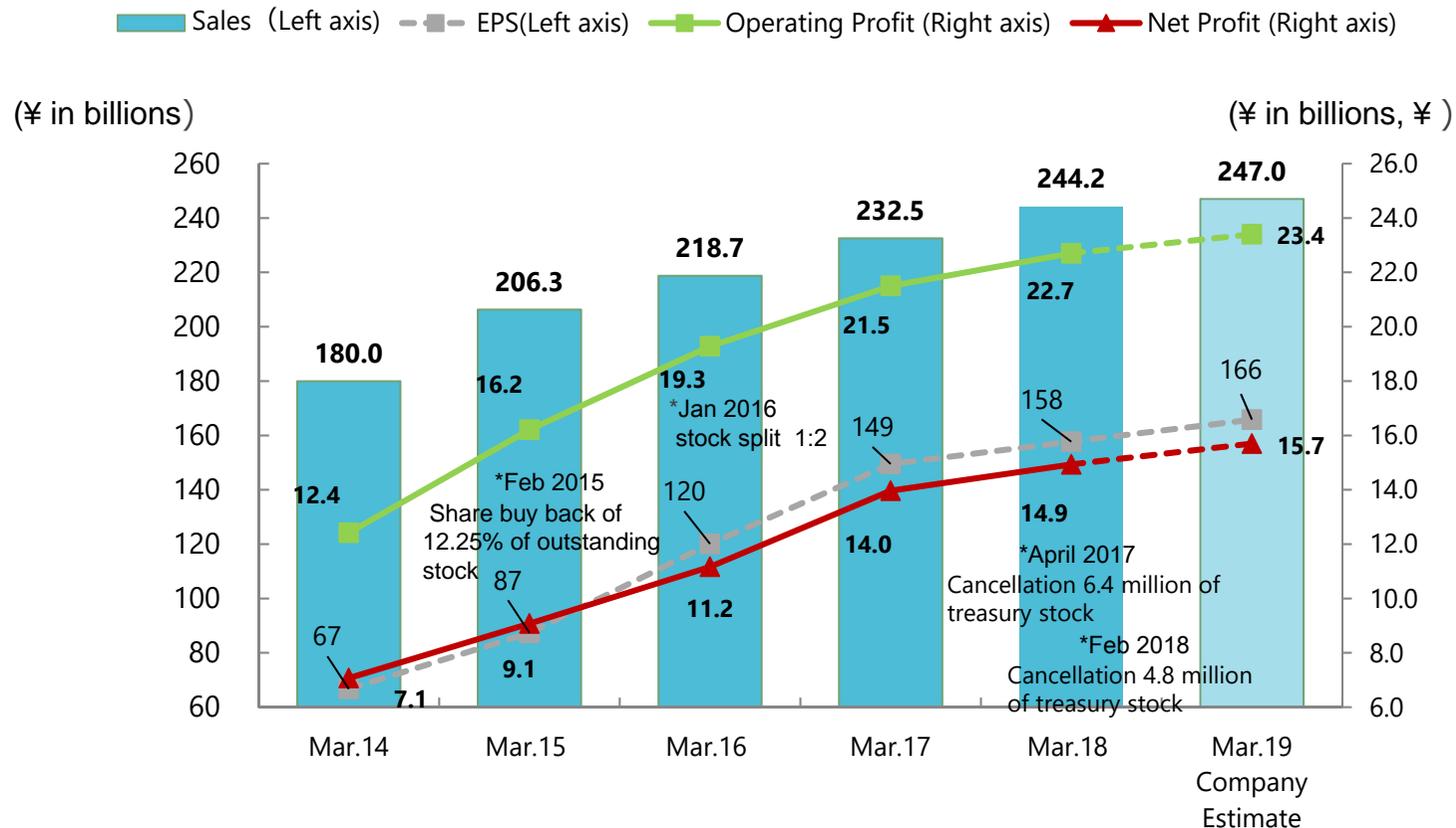
We consider it important to return to shareholders profits that are in line with the company's consolidated results. We aim for a consolidated dividend payout ratio of 30%.

Plan for Mar.2019 Dividend

Mar.2019
55.00 yen

(Reference)
Mar.2018
50.00 yen

II -Reference Major KPI Trends



Dividend (yen)	20.0	22.5	42.5	45.0	50.0	55.0
Payout ratio(%)	30.0%	25.8%	35.4%	30.1%	31.7%	33.2%
ROA(%)	8.3	10.0	11.3	11.7	10.9	
ROE(%)	7.5	9.5	11.5	12.6	11.6	
Share holder's equity ratio	59.8	56.3	57.3	60.3	60.8	

※Average shareholder return (Dividend+Sharebuy buck) (From FY2013 to 2017) is 66.3%

We calculate EPS and Dividend based on the assumptions that we did equity split of 1:2 at the beginning of the Jan 2016.



Action Plans

III. Major Actions for FY 2018



1. Sustainable Structural Growth

- Business model transition
- Digital innovation
- Service business expansion
- NSSMC business

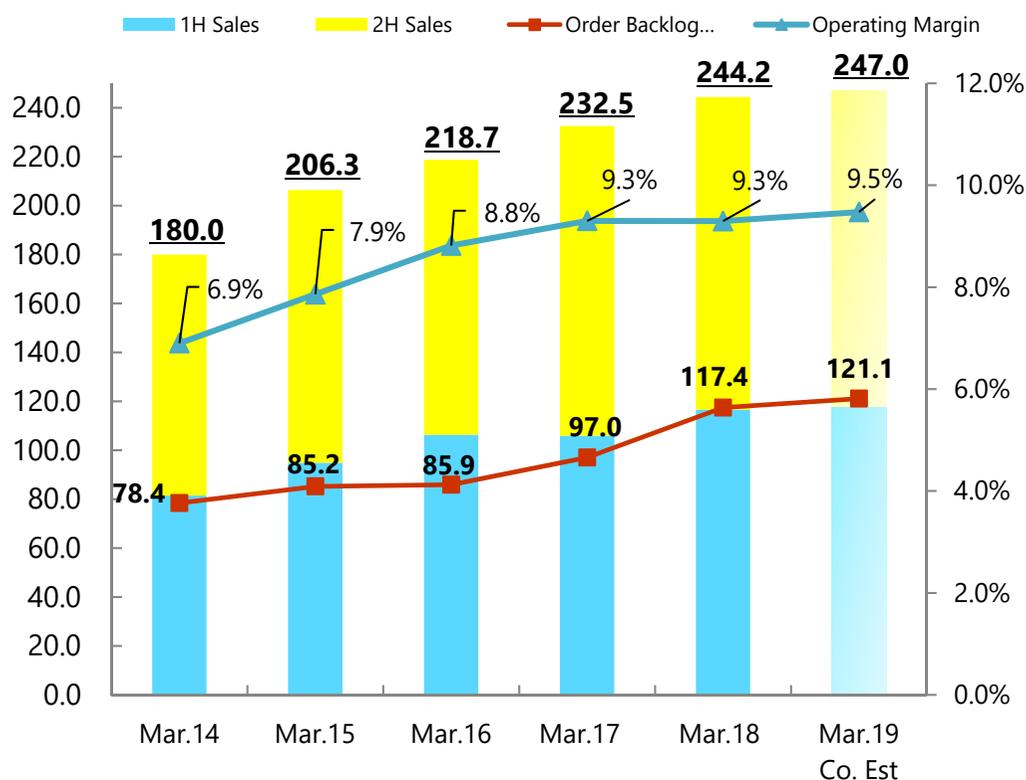
2. Focus on Human Capital

- Promote work-life balance and high spec work environment
- Attract and retain top talent and enhance productivity

III. Sustainable Structural Growth : KPI

**KPI : Growth Potential (Order backlog, Number of employees)
Profitability (Sales per employee, Operating margin)**

(¥ in billions)



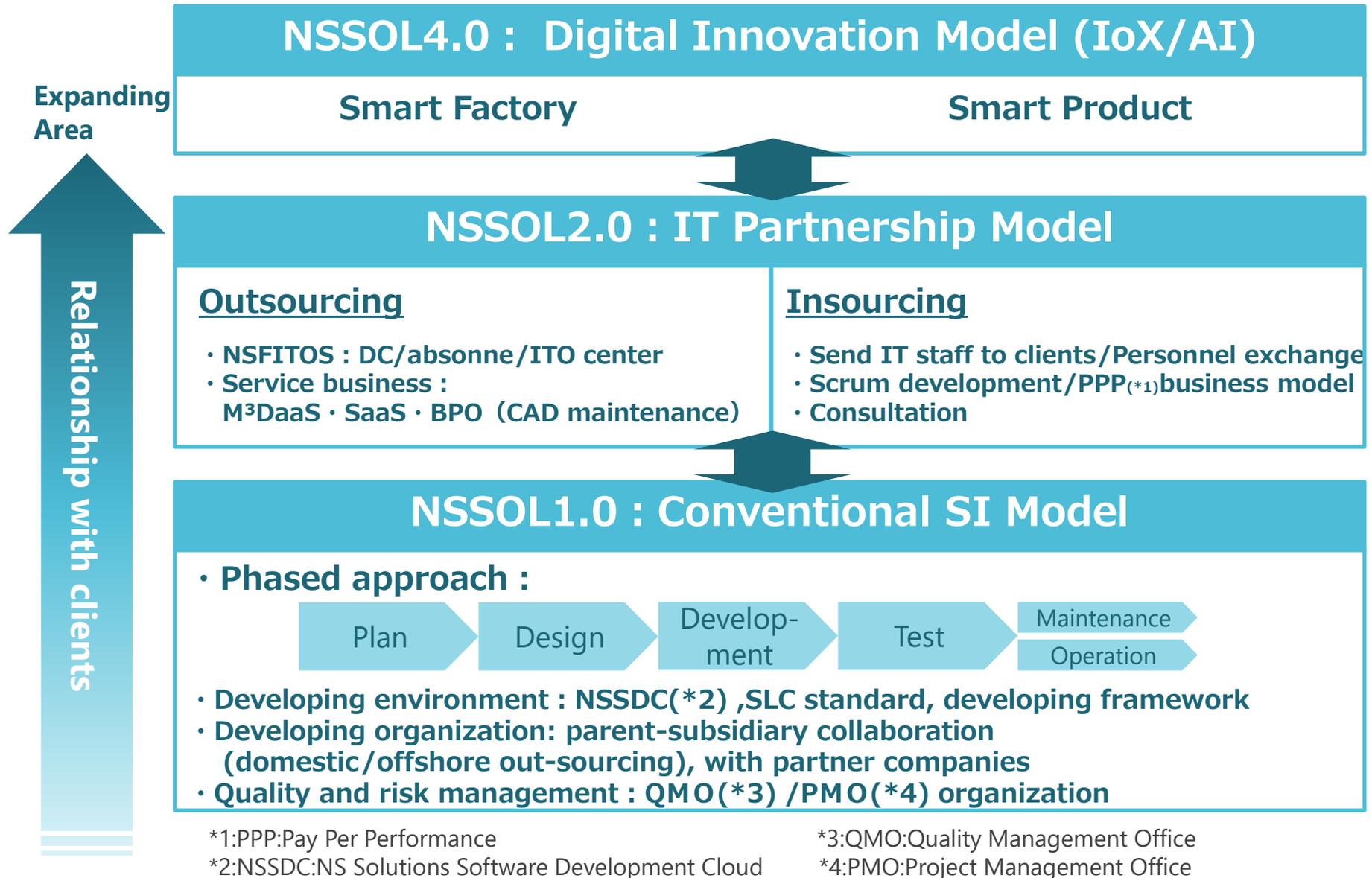
	Mar.14	Mar.15	Mar.16	Mar.17	Mar.18	Mar.19
Employee	5,052	5,325	5,644	5,931	6,232	Co. Est
Sales per employee	35.6	38.7	38.7	39.2	39.2	

- Cooperation among business units to promote sales based on account strategies. Increase sales force efficiency through cross-selling between infrastructure team and application team.
- Pursue IT partnership strategies to acquire long-term contracts
- Increase workforce to support sustainable structural growth

(¥ in millions)

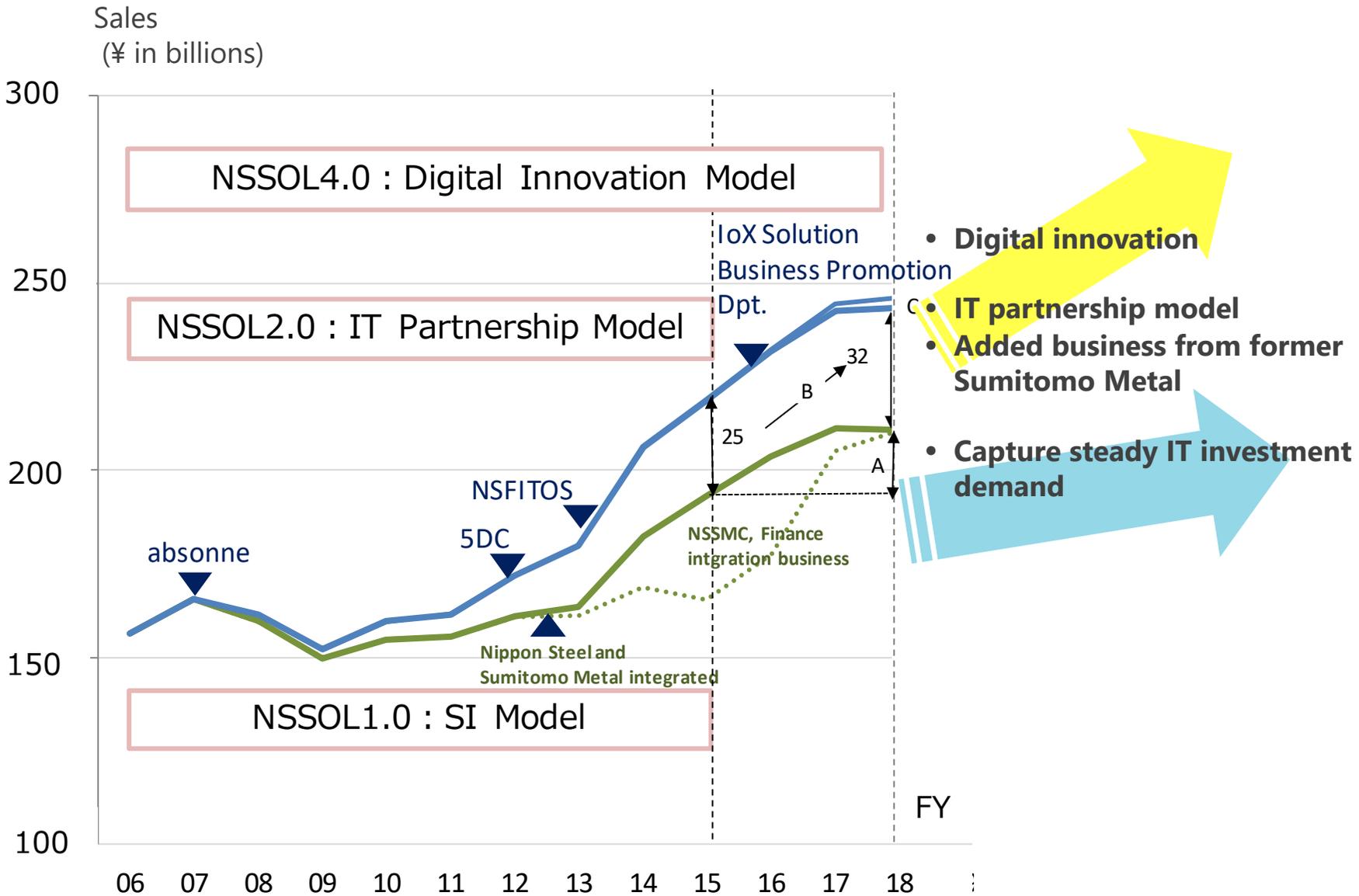
III. Sustainable Structural Growth

1. Business Model Transition ①



III. Sustainable Structural Growth

1. Business Model Transition ②



III. Sustainable Structural Growth

2. Digital Innovation (NSSOL4.0)

(i) AI Business

- **Automated machine learning platform "DataRobot"**

• Number of clients in:	March 2018	30
	September 2017	11
	March 2017	7

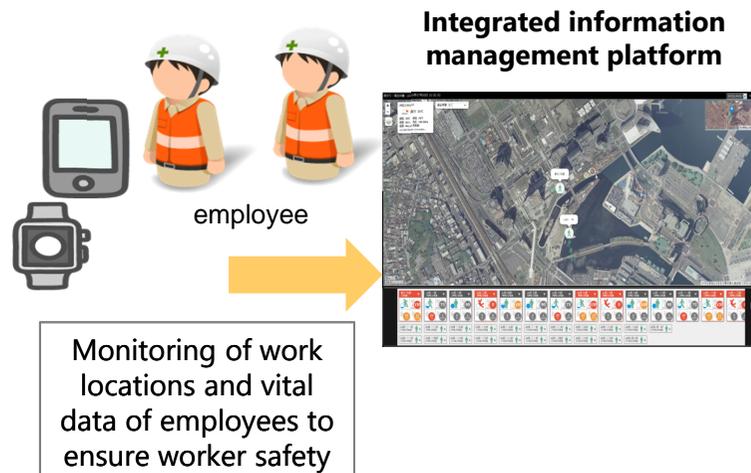
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- **Data preparation "DataMatix" & data anonymization**



(ii) loX Business

For NSSMC
 "Safety and remote-work support devices"
 at steelworks using loX technology.



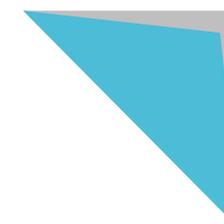
For NTTdocomo
 Humanoid Robot

5G which is high speed, low latency, and next generation technology enables synchronization of human and robot movement.



III. Sustainable Structural Growth

3. Service Business Expansion (NSSOL 2.0)



Cloud business sales trend (¥ in billions)

FY	Mar.15	Mar.16	Mar.17	Mar.18	Mar.19 estimate
Sales	10.0	12.0	14.0	15.5	16.5

(I) "M³DaaS@absonne"

No. 1 market share in DaaS market for 5 consecutive years
(source: Fuji Chimera Research Institute)

(ii) Alliances

Oracle Cloud Managed Service Provider certification, SAP Outsourcing Partner Certification

(iii) 24 x 365 Maintenance and Support

Established support center in New Rochelle, New York

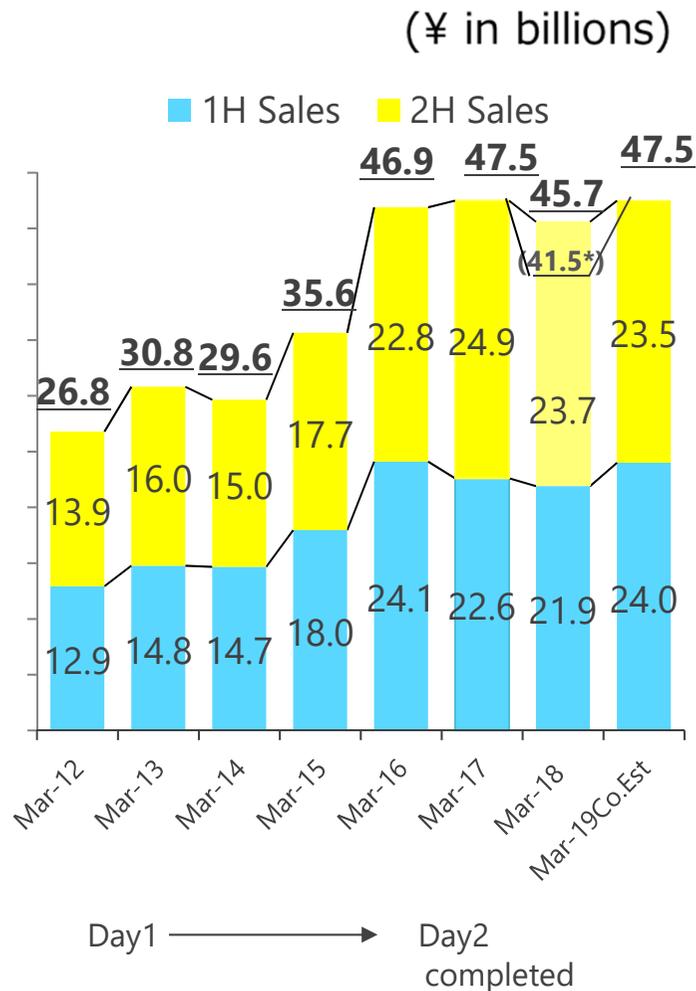
(iv) Shutting down of former generation data centers;

Closures : 4th Data Center (March 2018), 2nd Data Center (September 2018)

III. Sustainable Structural Growth

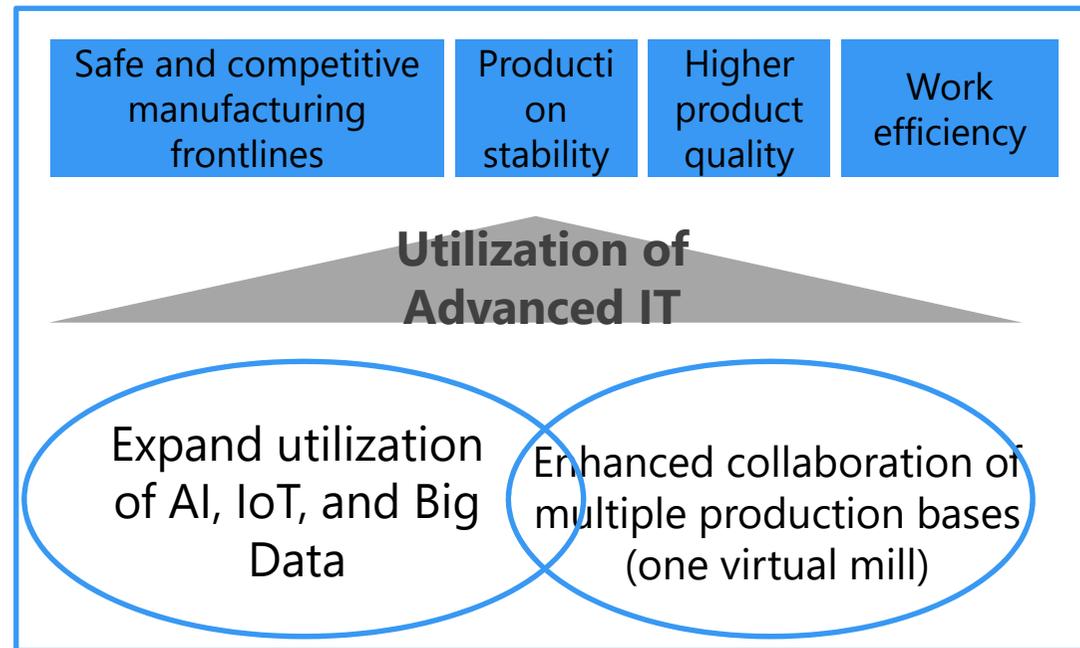
4. NSSMC Business (I)

1. Sales trend of NSSMC



* 41.5 is our company estimate at the beginning of FY2017

2. Target of 2020 midterm plan



NSSOL

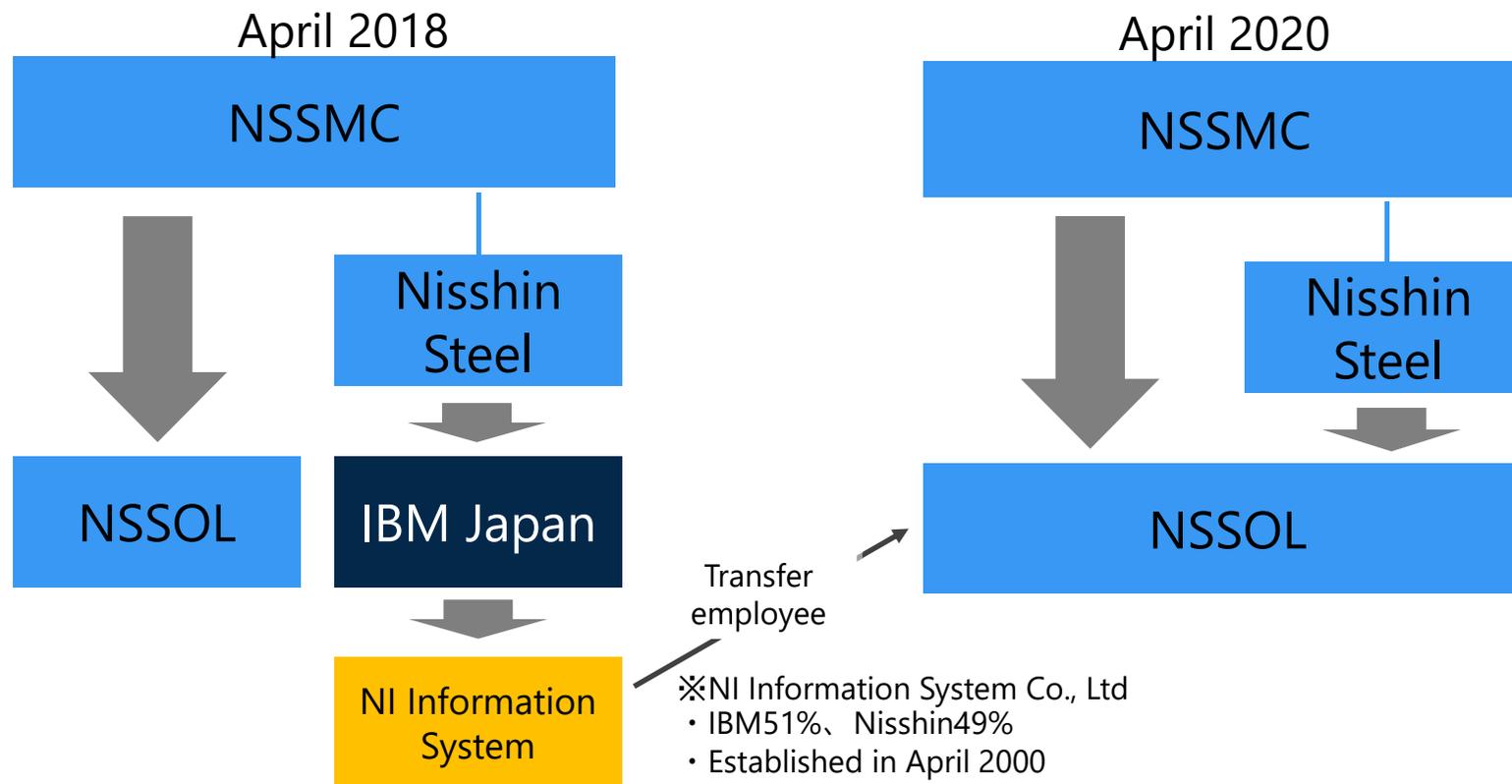
- ◆ IoX Solution Business Promotion Department (Apr.2016~)
- ◆ AI Research & Development Center (Oct.2017~)
- ◆ Develop company wide integrated data analysis platform (announced Dec.2017)

III. Sustainable Structural Growth

4. NSSMC Business (ii)

(Nisshin Steel business)

- ◆ Nisshin Steel's systems operation will be transferred to NSSOL starting April 2020
(Agreement among 4 companies was announced in February 13th 2018)
- ◆ Transfer of NI Information System business and employees to NSSOL



III. Focus on Human Capital

- Promote high spec work environment
- Attract and retain top talent and enhance productivity

Opening of new office in Toranomom in spring 2020 since maintaining our existing offices in Shinkawa.



- ◆ New Toranomom office to attract top talent
(approx. 21,000m²)
- ◆ High spec work environment to encourage innovation
- ◆ Multiple locations to ensure business continuity
in case of natural disaster

III. Focus on Human Capital

- Attract top talent and enhance productivity
- Promote Work-Life Balance

◆ Recruitment of new graduates: 240

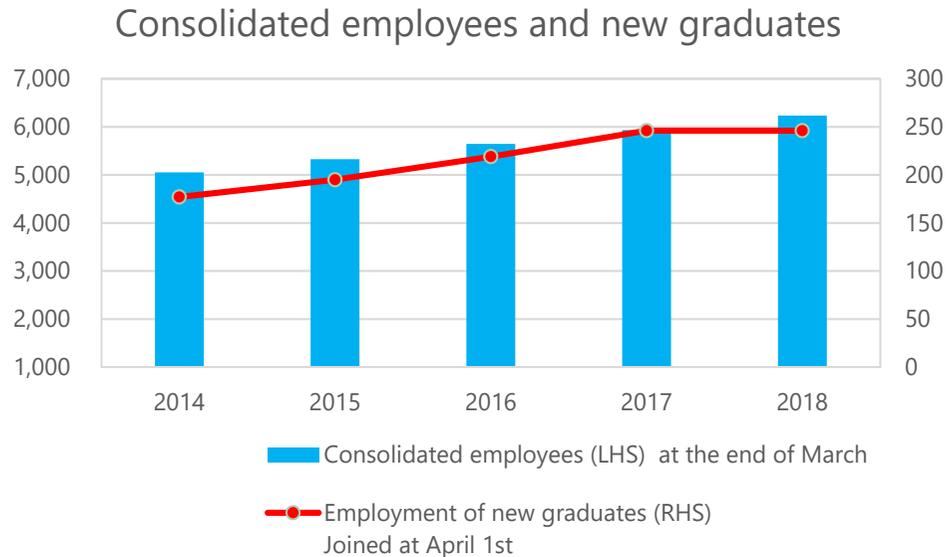
STEM ※ degree holders : 80%

Graduate degree holders : 60%

※STEM : Science, Technology, Engineering, Math

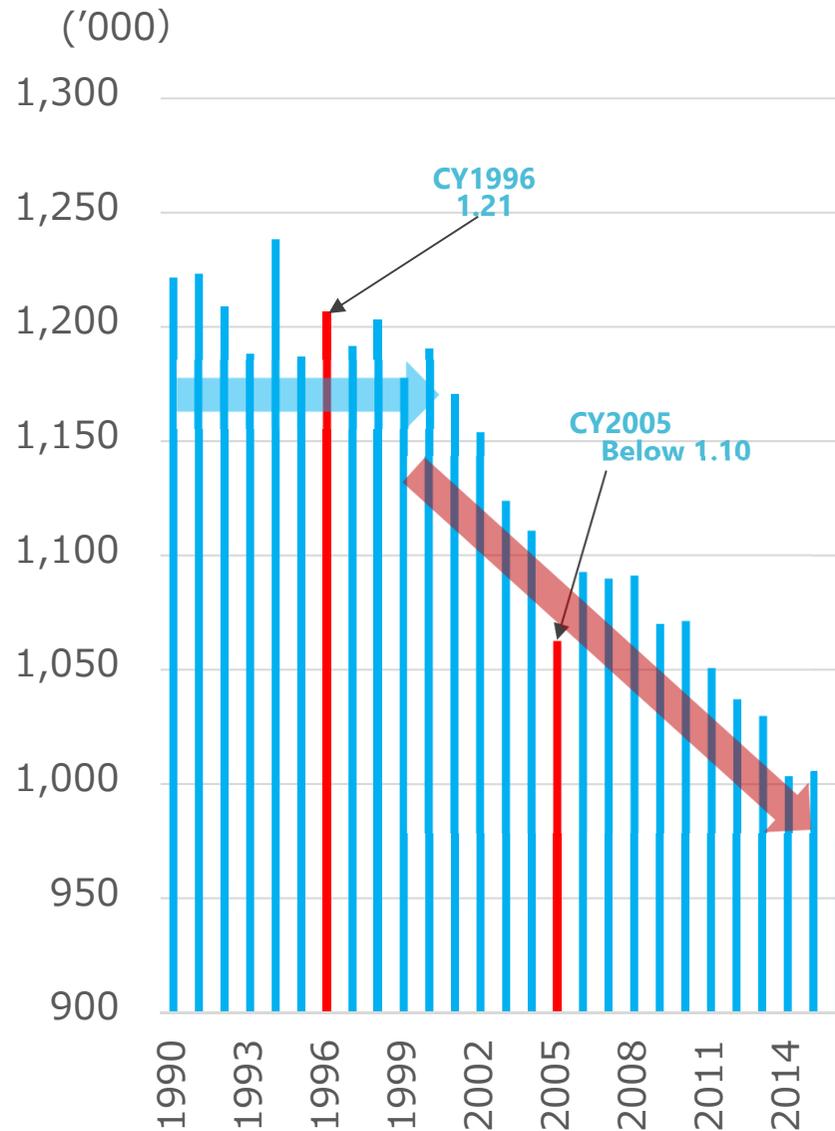
◆ Promoting Workplace Diversity

Our team of women employees won grand price at "Eijo College" presentation competition.



Reference : Trends in Number of Births in Japan

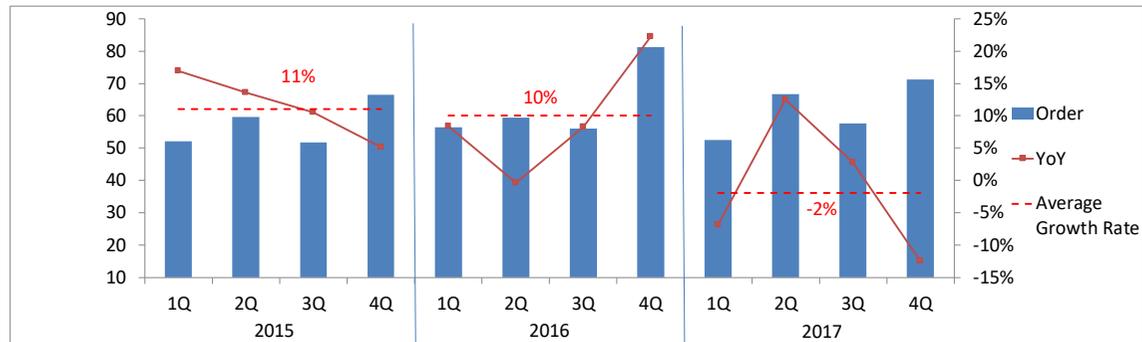
- 1.21 million newborns in 1996 (undergraduate Class of 2018)
- Remarkable decline in number of births since 2000; The annual births dropped below 1.1 million in 2005 and continues to fall.
- Fierce competition expected for hiring talented people
- NSSOL continues its work-style reform to create premium work environment and attract top talent.



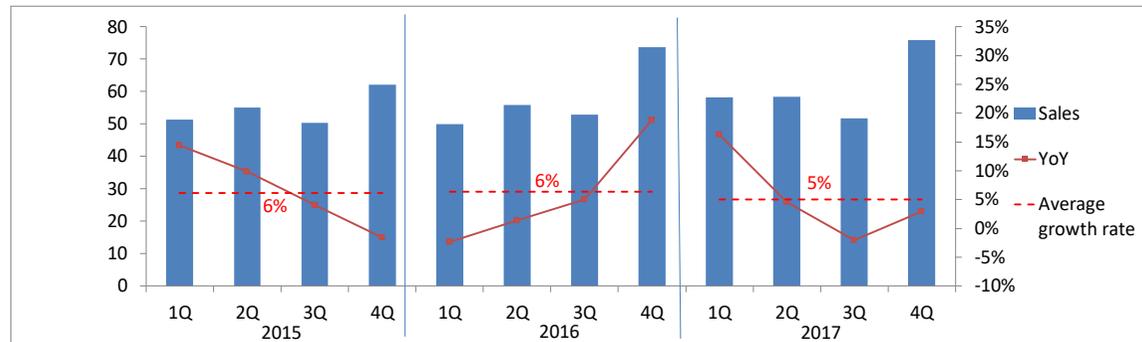
Appendix .

Order, Sales and Operating profit Quarter trend (¥ in billions)

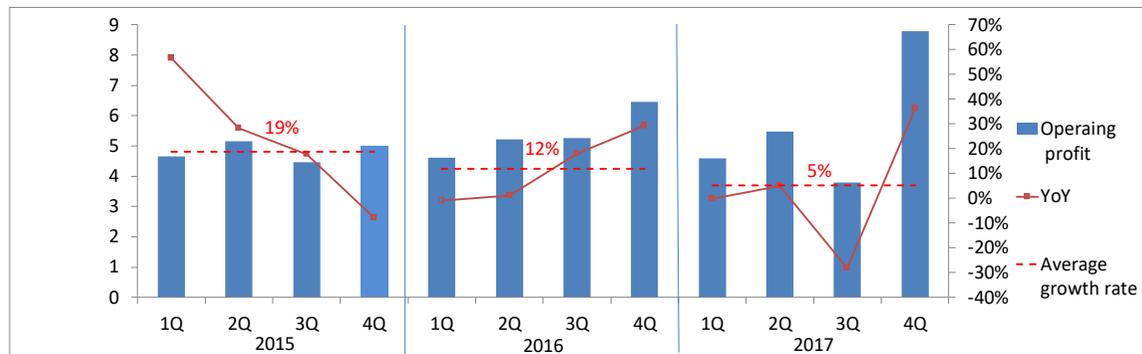
Order



Sales



Operating Profit





Answers to power your future

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