



NS Solutions

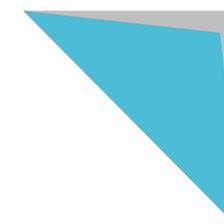
 **NIPPON STEEL**

Financial Information for the Fiscal Year ended March 31, 2019

(April 1, 2018 through March 31, 2019)

April 26, 2019

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.



I . Consolidated Financial Results for FY 2018

II . Outlook for FY 2019

III . Action Plans

Appendix

I

Consolidated Financial Results for FY 2018

I - 1 . Highlights of Consolidated Financial Results

(¥ in billions)

FY 2018 (April 1, 2018- March 31, 2019)		YoY change	Difference with Company Estimate
Sales	265.3	+21.1	+7.3
Operating Profit	25.7	+3.0	+1.7
Net Profit	17.1	+2.2	+1.1

I -2. Consolidated Financial Results

(¥ in billions)	FY 2017	FY 2018	Difference	FY 2018 Company Estimate	From Company Estimate
	A	B	B-A	C	B-C
Sales	244.2	265.3	+21.1	258.0	+7.3
Business solutions	161.1	175.6	+14.6	170.5	+5.1
Service solutions	83.1	89.6	+6.5	87.5	+2.1
Gross Profit	49.1	52.6	+3.5	51.0	+1.6
<Gross Profit Margin>	<20.1%>	<19.8%>	<-0.3%>	<19.8%>	<+0.1%>
SG&A	26.4	26.9	+0.5	27.0	-0.1
Operating Profit	22.7	25.7	+3.0	24.0	+1.7
Recurring Profit	23.1	26.1	+3.0	24.5	+1.6
Profit attributable to owners of parent	14.9	17.1	+2.2	16.0	+1.1

I -3. Semiannual Consolidated Results

(¥ in billions)	FY 2017		FY 2018		Difference		FY 2018 2H Company Estimate E	From Company Estimate D-E
	1H	2H	1H	2H	1H	2H		
	A	B	C	D	C-A	D-B		
Sales	116.6	127.7	124.6	140.6	+8.1	+13.0	133.4	+7.3
Business Solutions	76.8	84.3	81.4	94.3	+4.6	+10.0	89.1	+5.1
Service Solutions	39.8	43.4	43.3	46.4	+3.5	+3.0	44.2	+2.1
Gross Profit	23.6	25.5	24.9	27.7	+1.3	+2.2	26.1	+1.6
<Gross profit margin>	<20.2%>	<19.9%>	<20.0%>	<19.7%>	<-0.3%>	<-0.2%>	<19.6%>	<+0.1%>
SG&A	13.5	12.9	13.6	13.3	+0.1	+0.4	13.4	-0.1
Operating Profit	10.1	12.6	11.3	14.4	+1.2	+1.8	12.7	+1.7
Recurring Profit	10.5	12.6	11.5	14.6	+1.0	+2.0	13.0	+1.6
Profit attributable to owners of parent	6.6	8.4	7.2	9.9	+0.6	+1.5	8.8	+1.1
Nippon Steel Sales	(21.9)	(23.7)	(24.6)	(26.3)	(+2.7)	(+2.6)	(23.9)	(+2.5)

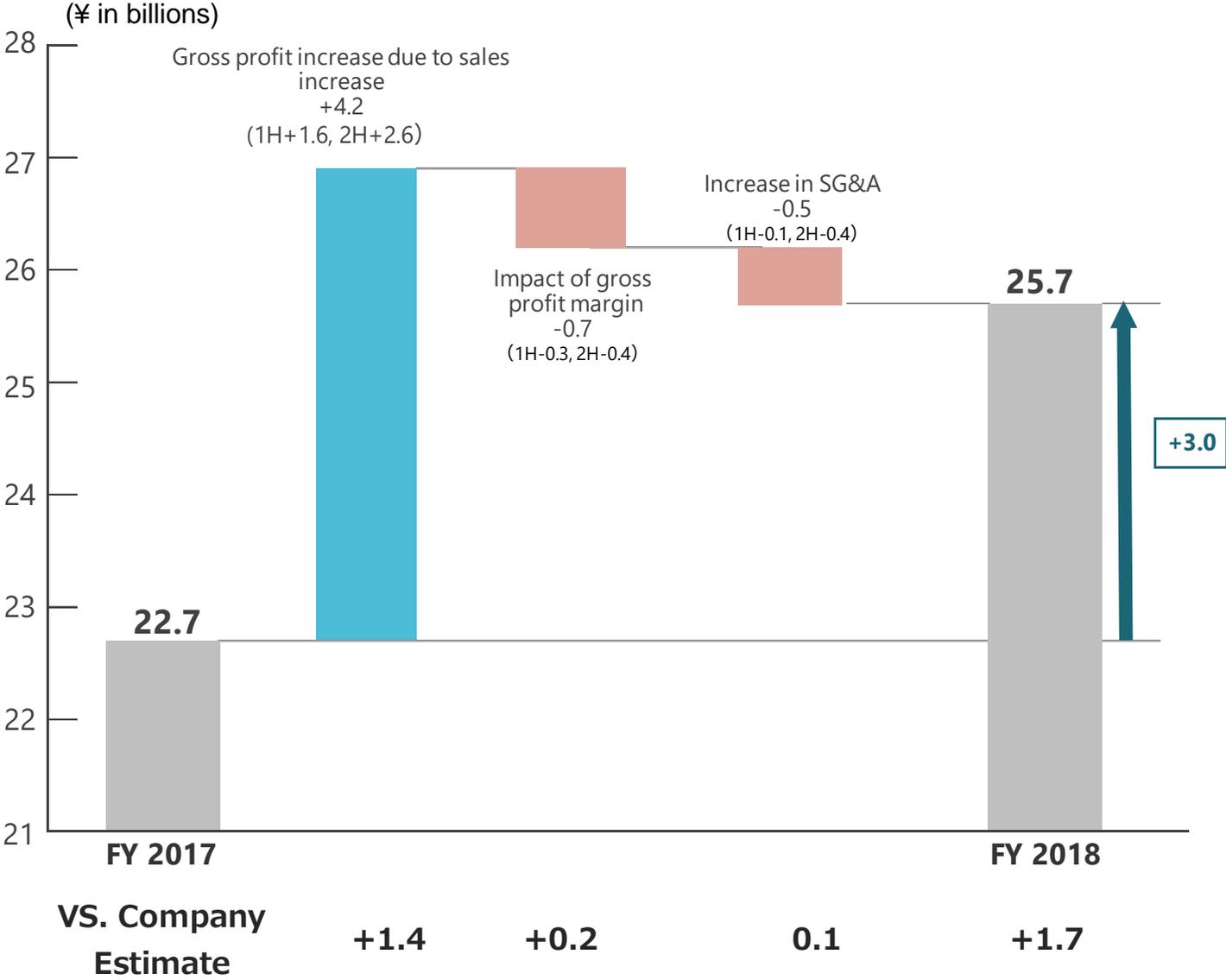
I -4. Sales by Service and Segment

(¥ in billions)	FY 2017		FY 2018		Difference		Comments
	A	IT platform	B	IT platform	B-A	IT platform	
Business Solutions	133.8	30.6	146.5	33.3	+12.7	+2.7	
Manufacturing, Retail and Service	58.9	18.4	65.5	21.1	+6.7	+2.7	Sales increase in e-commerce, retail, travel related business and transportation.
Financial Services	33.4	8.5	30.7	8.0	-2.7	-0.5	System consolidation project for a megabank client peaked out.
Government, Public organizations	41.5	3.8	50.3	4.3	+8.7	+0.5	Received orders for platform engineering projects and large scale product procurement project for the government sector. Sales increase in telecom.
Service Solutions	78.3		84.7		+6.5		
IT Platform	32.6	<30.6>	33.2	<33.3>	+0.6	<+2.7>	Sales increase in multi cloud service, DaaS and product
Nippon Steel Group	45.6		51.6		+5.9		Nippon Steel group's IT investment is active
Subsidiaries	32.1		34.0		+1.9		
Total	244.2		265.3		+21.1		
Nippon Steel Sales	(45.7)		(51.0)		(+5.3)		
Total Order	247.9		291.6		+43.6		Business solutions +39.2 Service solutions +4.5

I -5. Semiannual Sales by Service and Segment

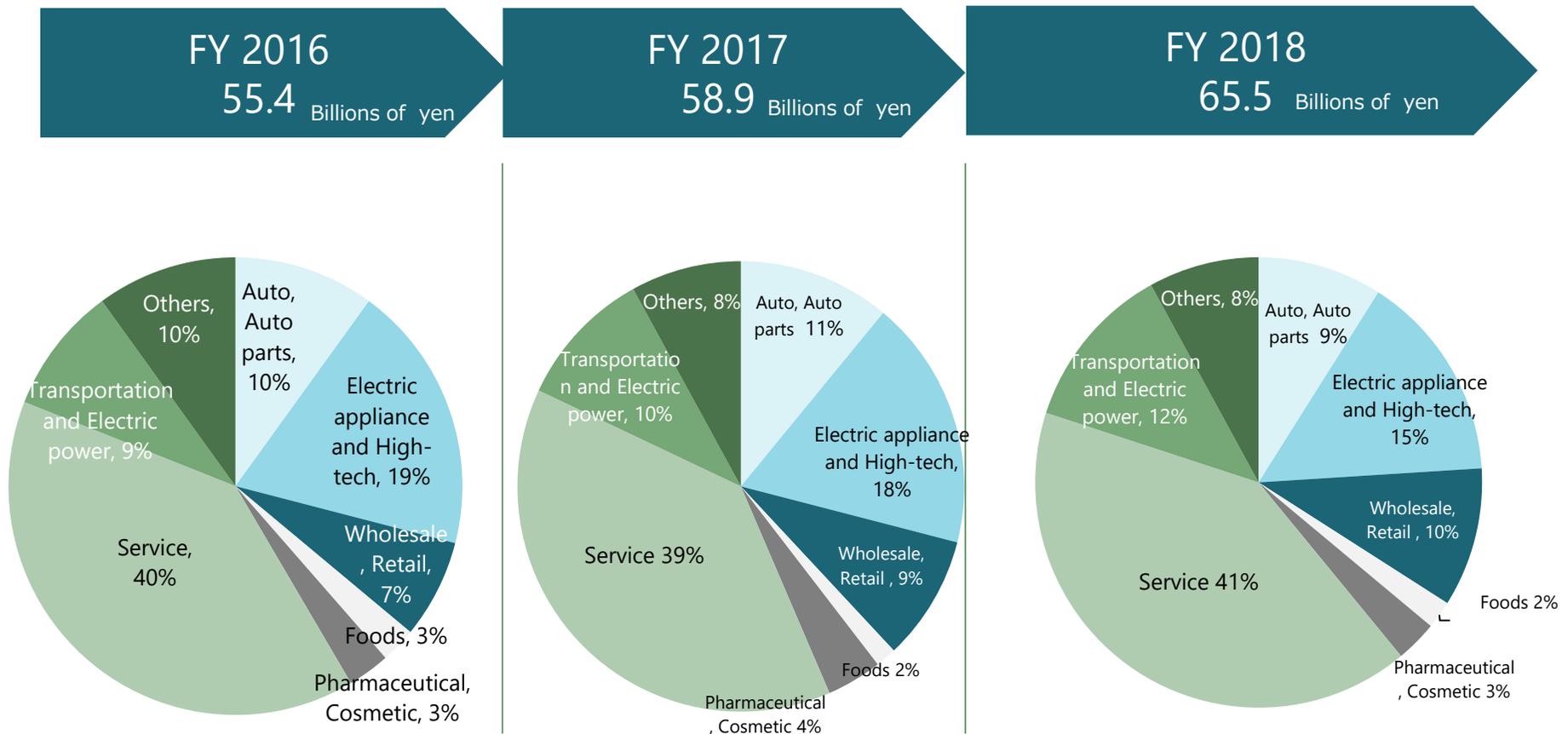
(¥ in billions)	FY 2017		FY 2018		Difference		2H company estimate E	Difference 2H D-E
	1H	2H	1H	2H	1H	2H		
	A	B	C	D	C-A	D-B		
Business Solutions	63.8	70.0	67.8	78.7	+4.0	+8.7	74.7	4.0
Manufacturing, Retail and Service	27.7	31.1	31.8	33.7	+4.1	+2.6	32.2	1.5
Financial Services	17.4	16.1	14.3	16.4	-3.1	+0.3	16.2	0.2
Government, Public organizations and Others	18.7	22.8	21.7	28.6	+3.0	+5.7	26.3	2.3
Service Solutions	37.7	40.6	41.1	43.7	+3.4	+3.1	41.4	2.2
IT Platform	15.6	17.1	15.8	17.4	+0.2	+0.4	17.2	0.2
Nippon Steel Group	22.1	23.5	25.3	26.2	+3.2	+2.7	24.2	2.1
Subsidiaries	15.1	17.1	15.8	18.2	+0.7	+1.2	17.2	1.0
Total	116.6	127.7	124.6	140.6	+8.1	+13.0	133.4	7.3
Nippon Steel Sales	(21.9)	(23.7)	(24.6)	(26.3)	(+2.7)	(+2.6)	(23.9)	(+2.5)

I -6. FY 2018 Operating Profit Breakdown



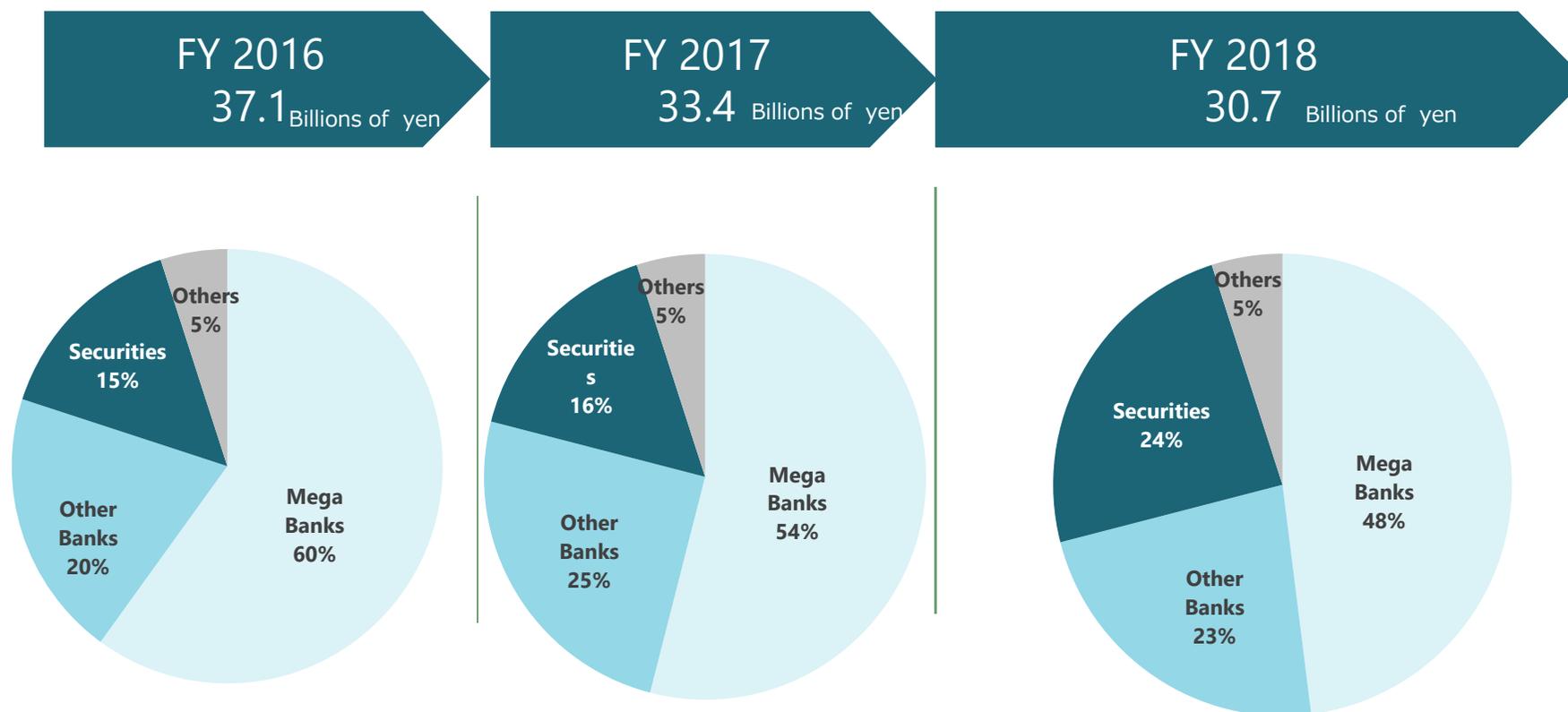
I -7. Breakdown of Sales (Manufacturing, Retail and Service)

FY 2016~FY 2018



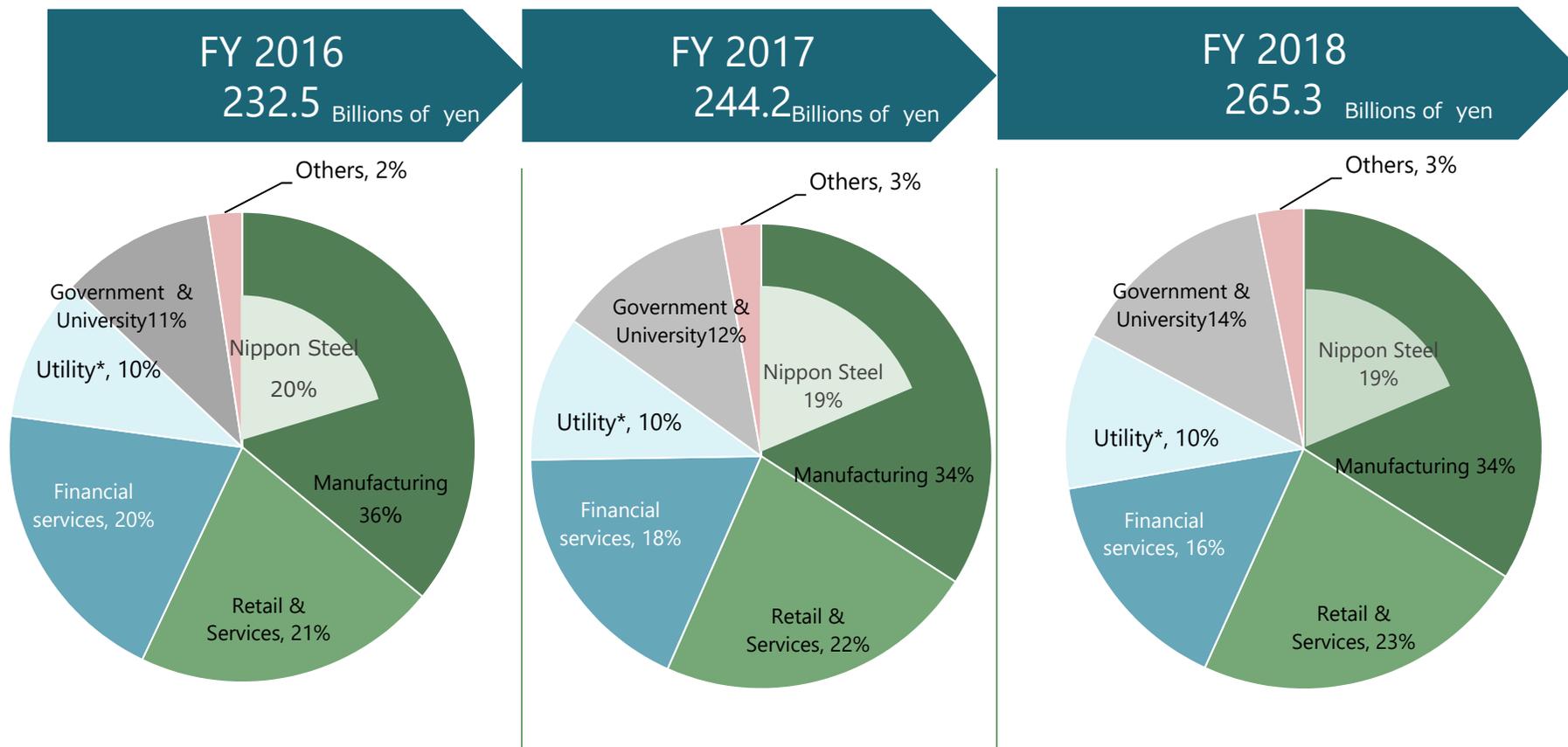
I -8. Breakdown of Sales (Financial Services)

FY 2016~FY 2018



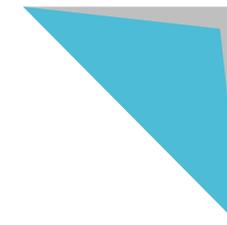
I -9. Sales Breakdown by Industry Segment

FY 2016~FY 2018



*Utility : Transportation, Telecom and Electric Power

Appendix



1. Extraordinary profits and losses

① Sale of investment securities	(Extraordinary profit	+1 billion yen)
② Office transfer cost	(Extraordinary loss	− 1 billion yen)

2. (1) Overview of acquisition of treasury stock

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

- ① Type of shares to be acquired: common stock
- ② Total number of shares to be acquired: Up to 4.7million
※Percentage out of total number of issued shares (excluding treasury stock) : 4.96%
- 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 March 18th, 2019)

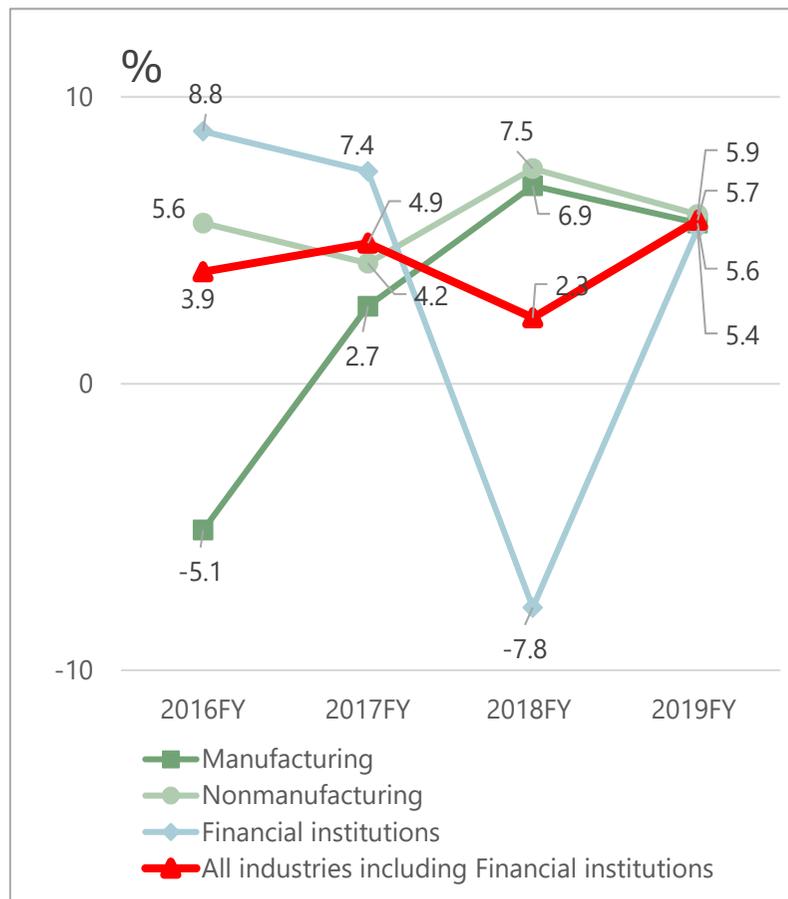
① Total number of acquired shares :	3,187,700
② Total amount of acquisition :	¥9,999,917,000

II

Outlook for FY 2019

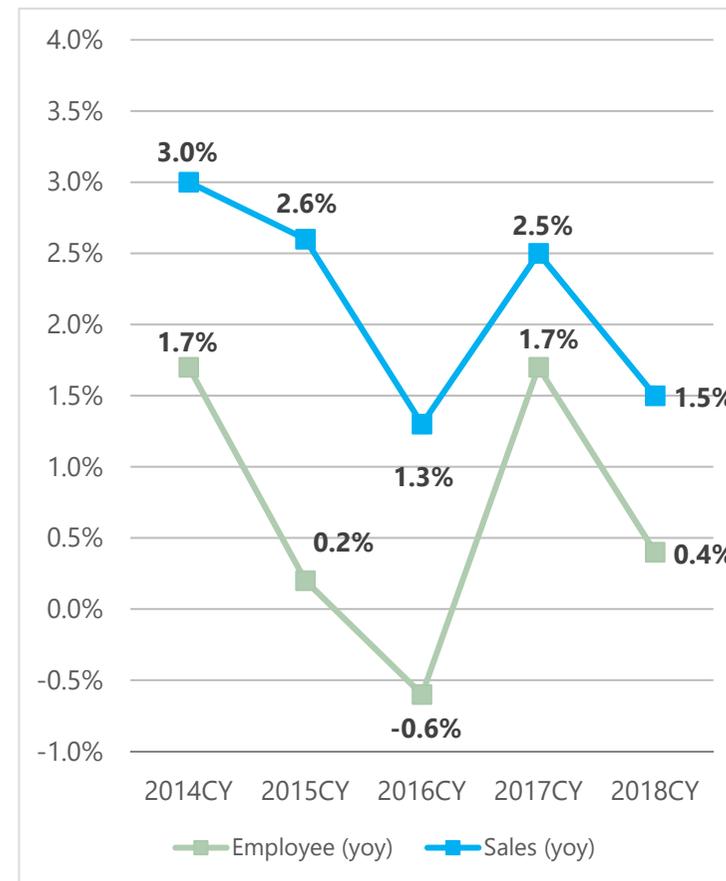
BOJ *Tankan*, Current Survey of Selected Service Industries

BOJ *Tankan* (Software investment, YoY)



Source: BOJ
March 2019 survey

Current Survey of Selected Service Industries (Information service)

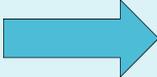
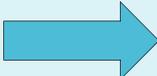


Source: Ministry of Economy, Trade and Industry
Current survey of selected industry

II - 1 . Current Business Conditions

Market Trend

Business Solutions

<p>Manufacturing, Retail and Service</p>	<p>Stable IT investment continues in e-commerce, retail, travel related businesses and transportation.</p>	
<p>Financial Services</p>	<p>Based on their mid-term growth strategies, Megabanks maintain IT investments but they are cautious with their IT investments.</p>	
<p>Government, Public organizations and others</p>	<p>In the government sector, high operation centered on platform engineering projects will continue.</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 multi cloud service, security, and VDI*/DaaS* are steady.</p>	
<p>Nippon Steel Group</p>	<p>IT system investment projects have increased, in line with Nippon Steel's 2020 Mid-Term Management Plan.</p>	

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

II - 2 . Outlook for FY 2019

(¥ in billions)	FY 2018	FY 2019 Company Estimate	Difference
	A	B	B-A
Sales	265.3	280.0	+14.7
Business solutions	175.6	186.0	+10.4
Service solutions	89.6	94.0	+4.4
Gross Profit	52.6	55.1	+2.5
<Gross Profit Margin>	<19.8%>	<19.7%>	<-0.1%>
SG&A	26.9	27.9	+1.0
Operating Profit	25.7	27.2	+1.5
Recurring Profit	26.1	27.5	+1.4
Profit attributable to owners of parent	17.1	18.0	+0.9

II - 3 . Outlook for FY 2019

Sales Outlook by Segment / Customer Industry

(¥ in billions)	FY 2018		FY 2019		Difference		Comment
	Actual A	IT platform	Company Estimate B	IT platform	B-A	IT platform	
Business Solutions	146.5	33.3	156.0	40.0	+9.5	+6.7	
Manufacturing, Retail and Service	65.5	21.1	75.0	27.5	+9.5	+6.4	Sales increase in e-commerce, retail, travel related business, transportation and large platform project
Financial Services	30.7	8.0	31.5	8.5	+0.8	+0.5	
Government, Public organizations	50.3	4.3	49.5	4.0	-0.8	-0.3	
Service Solutions	84.7		88.5		+3.8		High operation centered on platform engineering projects will continue.
IT Platform	33.2	<33.3>	35.0	<40.0>	+1.8	<+6.7>	Sales increase in multi cloud services, DaaS and products
Nippon Steel Group	51.6		53.5		+1.9		Nippon Steel group's IT investment is active
Subsidiaries	34.0		35.5		+1.5		
Total	265.3		280.0		+14.7		
Nippon Steel Sales	(51.0)		(52.5)		(+1.5)		

II -4. Semiannual Outlook for FY 2019

Sales Outlook by Segment / Customer Industry

(¥ in billions)	FY 2018 1H		FY 2019 1H		Difference		Comment
	Actual	IT platform	Company Estimate	IT platform	B-A	IT platform	
	A		B				
Business Solutions	67.8	17.7	81.5	24.5	+13.7	+6.8	
Manufacturing, Retail and Service	31.8	11.5	40.0	17.5	+8.2	+6.0	Sales increase in e-commerce, retail, travel related business, transportation and large platform project
Financial Services	14.3	3.6	15.0	4.5	+0.7	+0.9	
Government, Public organizations	21.7	2.6	26.5	2.5	+4.8	-0.1	Increase in the number of large scale products for the government sector
Service Solutions	41.1		44.0		+2.9		
IT Platform	15.8	<17.7>	17.0	<24.5>	+1.2	<+6.8>	Sales increase in multi cloud services, DaaS and products
Nippon Steel Group	25.3		27.0		+1.7		Nippon Steel group's IT investment is active
Subsidiaries	15.8		16.5		+0.7		
Total	124.6		142.0		+17.4		
Nippon Steel Sales	(24.6)		(26.0)		(+1.4)		

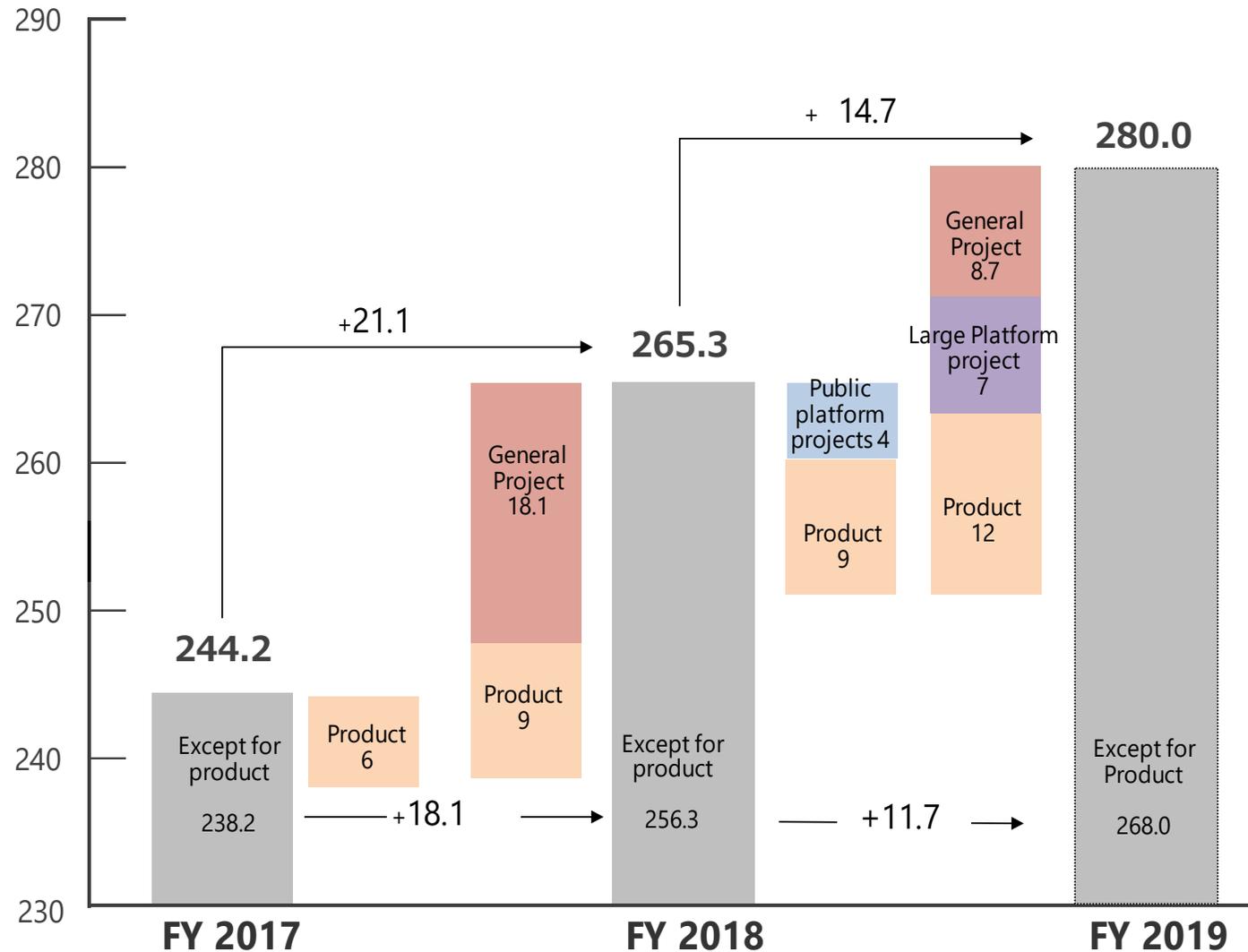
II -5. Semiannual Outlook for FY 2019

(¥ in billions)	FY 2018			FY 2019 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	124.6	140.6	265.3	142.0	138.0	280.0	+17.4	-2.6	+14.7
Business Solutions	81.4	94.3	175.6	95.5	90.5	186.0	+14.1	-3.8	+10.4
Service Solutions	43.3	46.4	89.6	46.5	47.5	94.0	+3.2	+1.1	+4.4
Gross Profit	24.9	27.7	52.6	26.6	28.5	55.1	+1.7	+0.8	+2.5
<Gross profit margin>	<20.0%>	<19.7%>	<19.8%>	<18.7%>	<20.7%>	<19.7%>	<-1.2%>	<+1.0%>	<-0.1%>
SG&A	13.6	13.3	26.9	14.2	13.7	27.9	+0.6	+0.4	+1.0
Operating Profit	11.3	14.4	25.7	12.4	14.8	27.2	+1.1	+0.4	+1.5
Recurring Profit	11.5	14.6	26.1	12.5	15.0	27.5	+1.0	+0.4	+1.4
Profit attributable to owners of parent	7.2	9.9	17.1	8.0	10.0	18.0	+0.8	+0.1	+0.9
Nippon Steel Sales	(24.6)	(26.3)	(51.0)	(26.0)	(26.5)	(52.5)	(+1.4)	(+0.2)	(+1.5)
Order backlog at the beginning of the period	121.1	134.4	-	147.4	-	-	+26.3	-	-

II -6. Breakdown of Sales

YOY

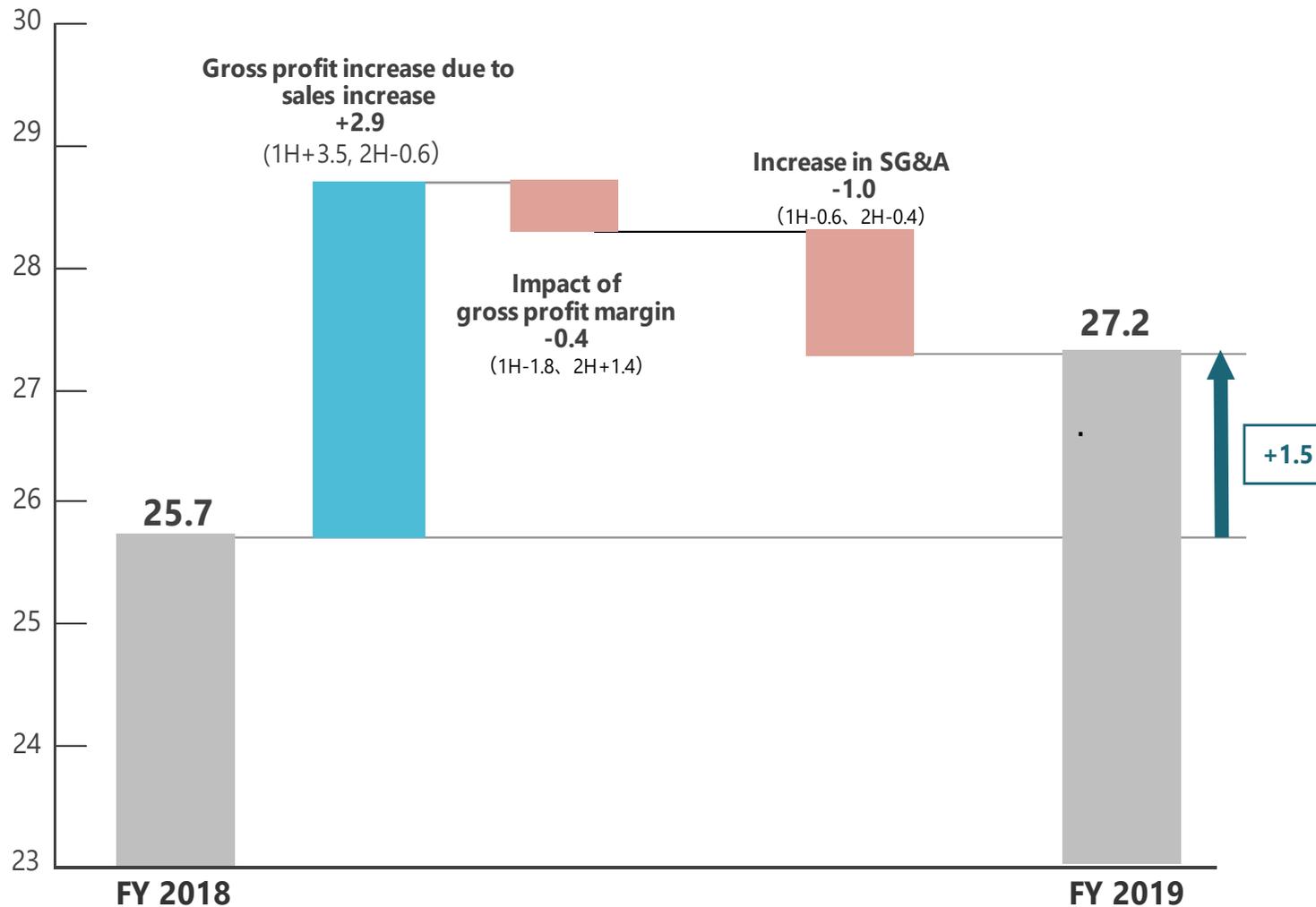
(¥ in billions)



II -7. FY 2019 Operating Profit 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.

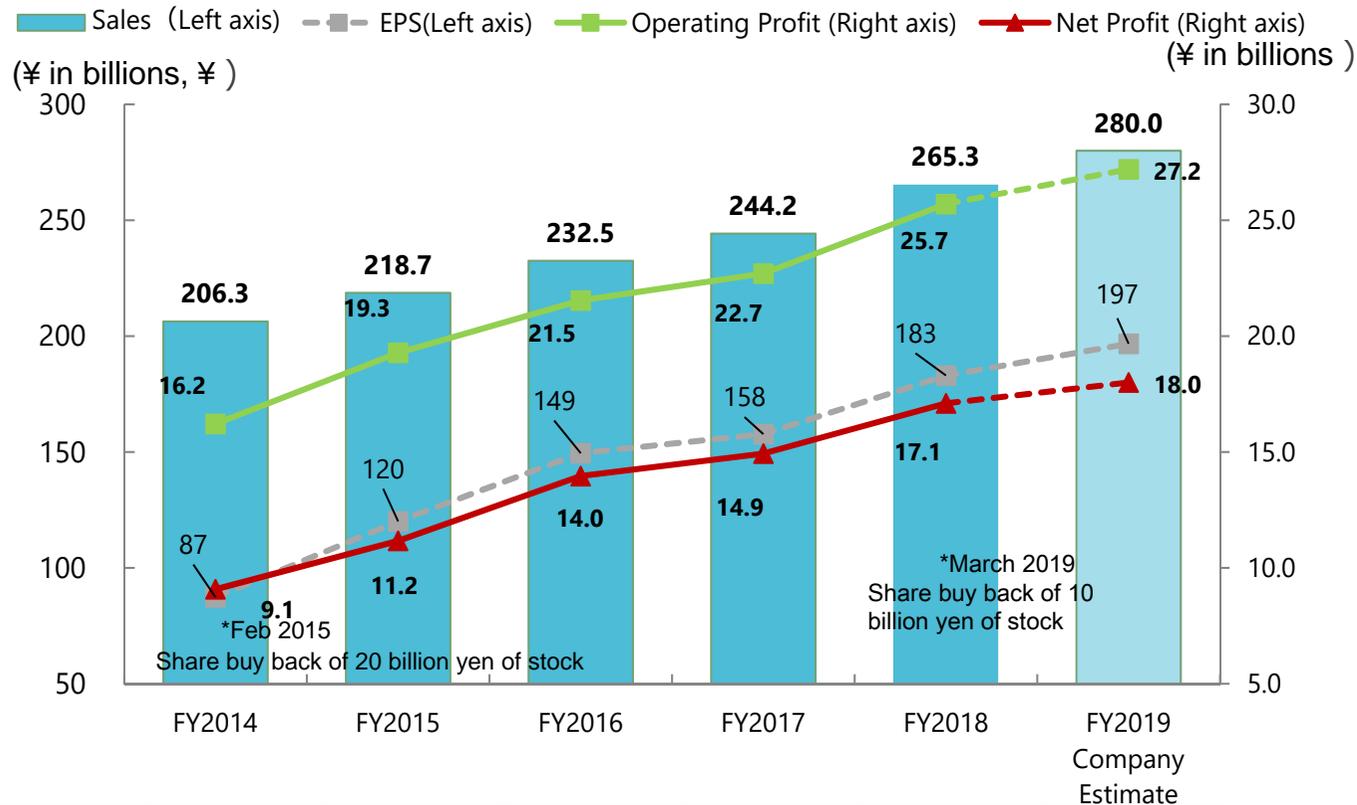
We consider it important to return to shareholders profits that are in line with the company's consolidated results. We aim for a consolidated dividend payout ratio of 30%.

Plan for FY 2019 Dividend

FY 2019
60.00 yen

(Reference)
FY 2018
55.00 yen

II -Reference Major KPI Trends



Dividend (yen)	22.5	42.5	45.0	50.0	55.0	60.0
Payout ratio(%)	25.8%	35.4%	30.1%	31.7%	30.1%	30.5%
ROA(%)	10.0	11.3	11.7	10.9	11.4	
ROE(%)	9.5	11.5	12.6	11.6	12.3	
Share holder's equity ratio	56.3	57.3	60.3	61.6	60.2	

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 2019

1. Sustainable Structural Growth

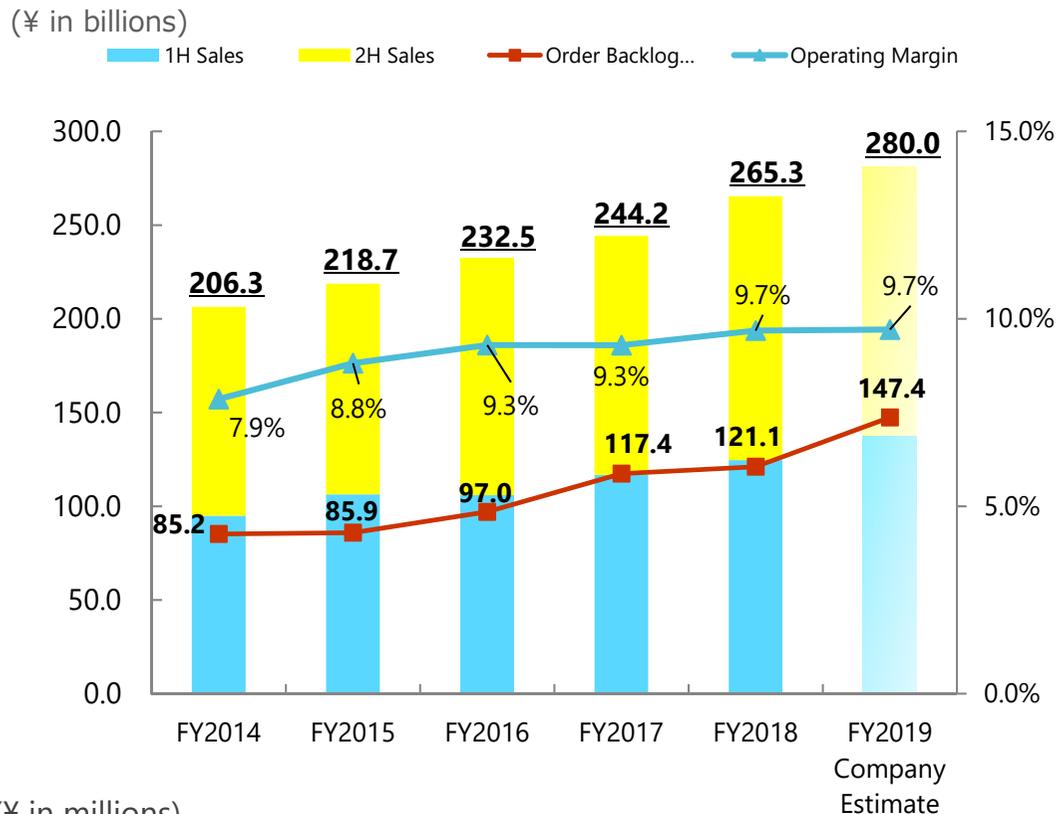
- Business model transition
- Digital innovation
- Service business expansion
- Nippon Steel business

2. Focus on Human Capital

- Attract and retain top talent and enhance productivity

Ⅲ-1. Sustainable Structural Growth : KPI

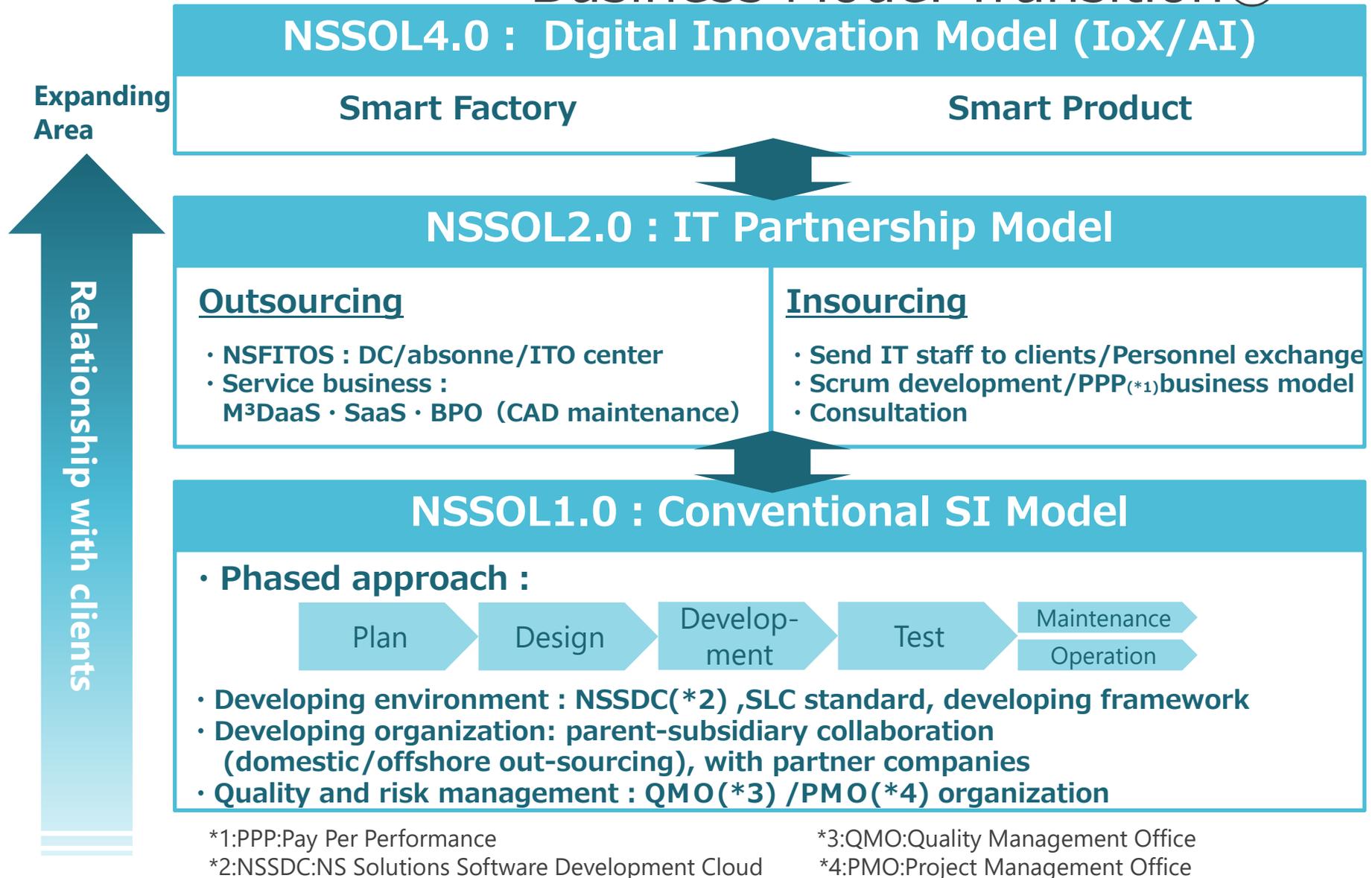
**KPI : Growth Potential (Order backlog, Number of employees)
Profitability (Sales per employee, Operating margin)**



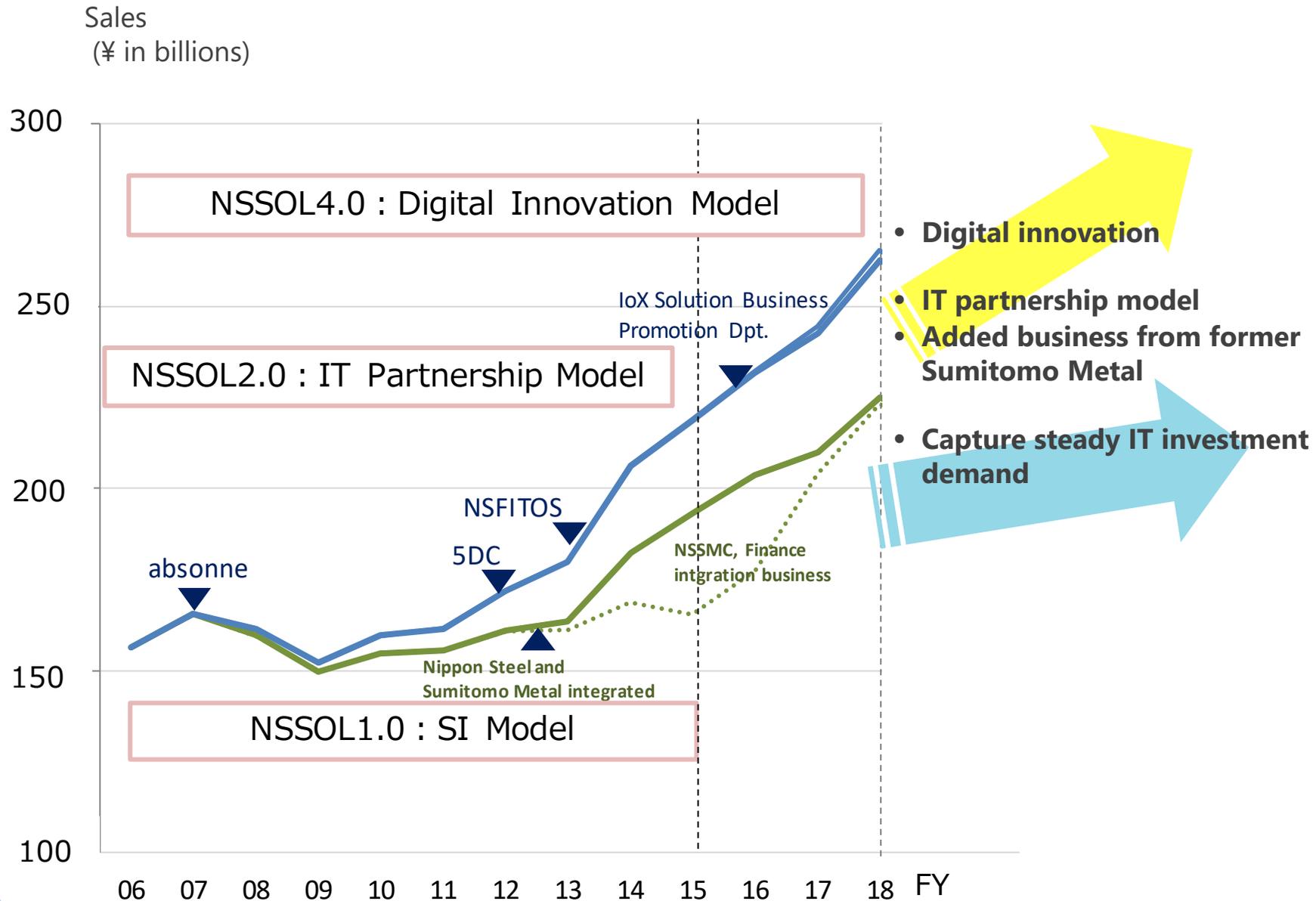
Employee	5,325	5,644	5,931	6,232	6,434	
Sales per employee	38.7	38.7	39.2	39.2	41.2	

- 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

III-1. Sustainable Structural Growth : Business Model Transition^①



Ⅲ-1. Sustainable Structural Growth : Business Model Transition ②



Ⅲ-1. Sustainable Structural Growth : Digital Innovation (NSSOL4.0)

◆ AI Business

(i) AI Business

- Automated machine learning platform "DataRobot"
- Data operation automation "PreRobo"

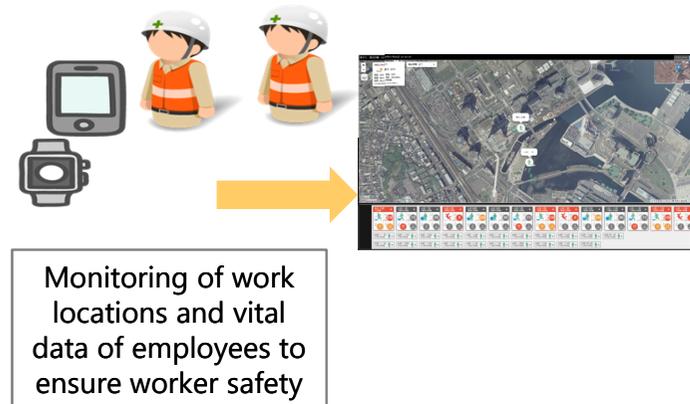
(ii) Data Leverage Center

Established in System R&D Center for the purpose of providing customers with technology and know-how in data utilization in April 2019.

◆ IoX Business

For Nippon Steel

- "Safety and remote-work support devices" using IoX technology
- Used by over 1,000 workers at steelworks



III-1. Sustainable Structural Growth : Service Business Expansion (NSSOL 2.0)

(i) Oracle Cloud Business

Our cloud platform “absonne” now offers new services utilizing “Oracle Cloud at Customer” and “Oracle Exadata Cloud at Customer”.

(ii) Digital Workplace

Through business tie-up with Japan Business Systems (JBS), Promote digital workplace platform business which combines DaaS with the Internet, O365, and endpoint security with

(iii) Cloud Business Sales Trend

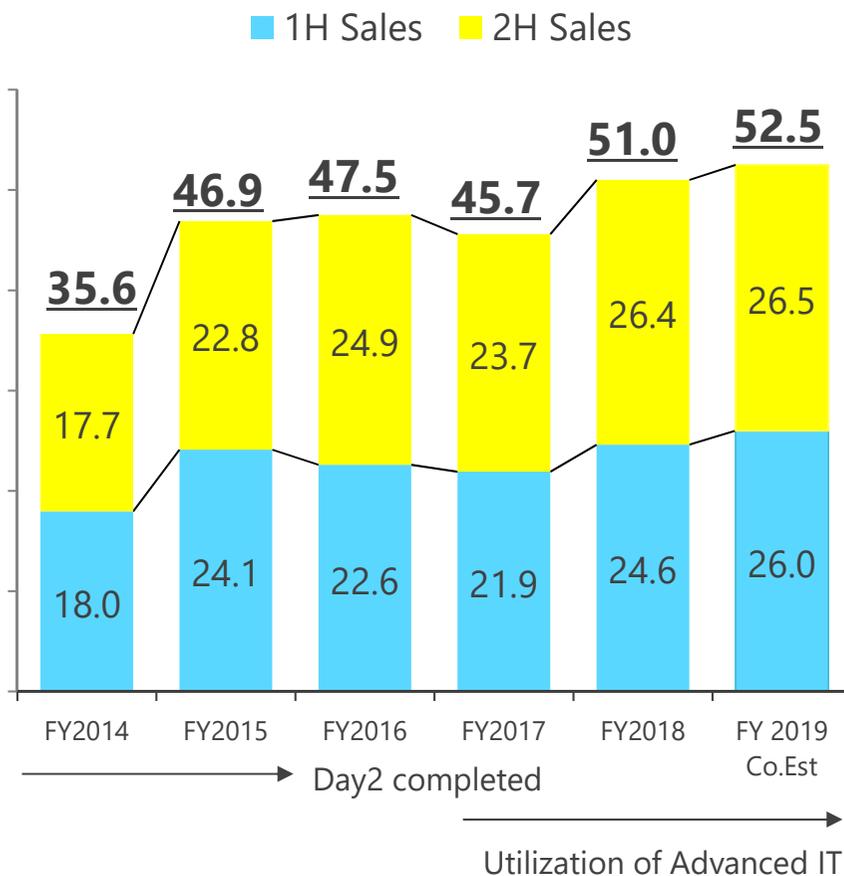
(¥ in billions)

FY	2015	2016	2017	2018	2019 Estimate
Sales	12.0	14.0	15.5	16.5	17.5

III -1. Sustainable Structural Growth : Nippon Steel Business

1. Nippon Steel Sales Trend

(¥ in billions)



2. New Japanese Corporate Name; Supporting Nippon Steel Group Business Reorganization

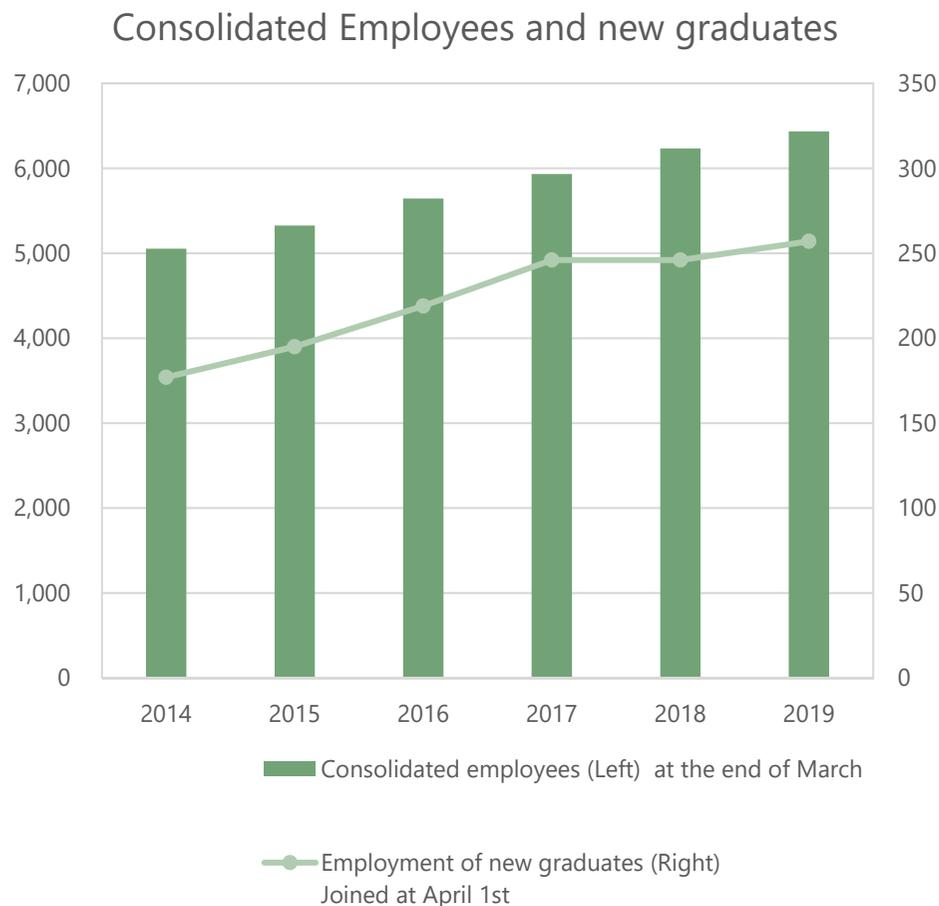
- Nippon Steel's corporate name change - April 1, 2019
- Business merger of Nippon Steel Chemical and Material - October 1, 2018
- Integration of welded stainless steel pipe and tube business - April 1, 2019
- Transfer of business and employees of NI Information System to the NSSOL Group - Scheduled for April 2020

System integration work relating to Nisshin Steel and certain business assets transferred from Nisshin Steel to Nippon Steel Stainless

III-2. Focus on Human Capital

Attracting Top Talent and Enhancing Workplace Productivity

◆ Recruitment of New Graduates



◆ Workplace Diversity

• "Eruboshi" Certification

Certified by the Ministry of Health, Labor and Welfare as an "Eruboshi" company, indicating excellence of program for promoting the participation and advancement of women in the workplace.

• "Kurumin" Certification

Granted by the Ministry of Health, Labor and Welfare, in recognition of the company's initiatives to support employees' work-life balance.



IV

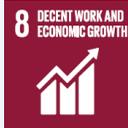
Appendix

IV. ESG Initiative

NSSOL is making efforts in various business activities in terms of ESG (environment, society, governance) aimed at the creation of a plentiful society based on the company's corporate philosophy.

Furthermore, the company is also actively promote on the Sustainable Development Goals (SDGs) led by the UN and will contribute to the realization of a sustainable society as a member of global society.

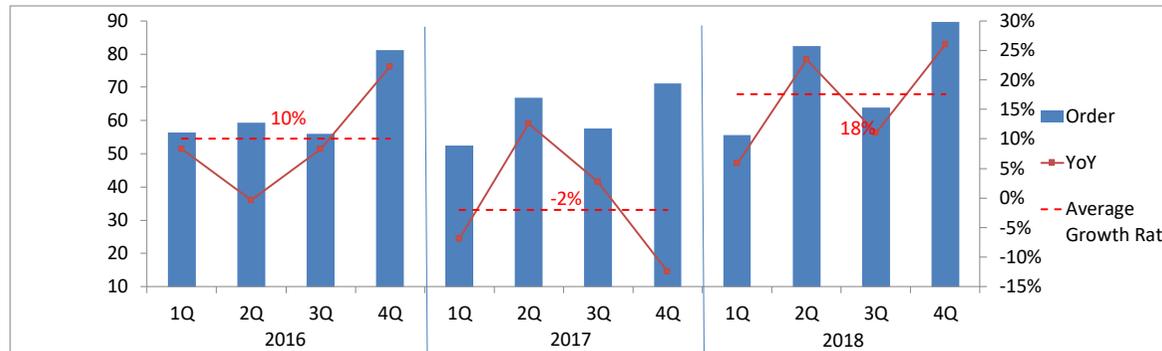
	Operation policy	Examples for activities during FY 2018	Major SDGs
E Envir onm ent	- Conservation of the global environment through IT	<ul style="list-style-type: none"> - Reductions in environmental impacts based on optimization solutions in the industrial operations for production and transportation - Contributions to the monitoring and forecasting of climate change through the operation of the Himawari weather satellites 	 
	- Promotion of activities to reduce environmental impacts	<ul style="list-style-type: none"> - Provision of cloud services by highly energy-efficient data centers - Promotion of activities to save resources such as electrical power and paper. 	 

	Operation policy	Examples for activities during FY 2018	Major SDGs
S Society	- Resolution of social issues through IT	<ul style="list-style-type: none"> - Realization of safe workplaces based on IoX solutions - Strengthening of quality management based on traceability and integrated information management in the design and production areas - Provision of financial solutions such as financial control and anti-money-laundering - Provision of security solutions (NSSEINT) 	   
	- Co-existence with society and the community, Realization of rewarding workplaces	<ul style="list-style-type: none"> - Promotion of work-style reform and female participation - Development of high level IT human resources (NSSOL Academy) - Educational support for next-generation (endowed courses for universities) - Programming classes at elementary schools (K3Tunnel) - Support for cultural, artistic and sporting activities 	  
G Governance	- Provision of high quality IT solutions and IT services	<ul style="list-style-type: none"> - Provision of robust and efficient IT services (NSFITOS) - Organizational expansion of project risk management and quality management 	
	- Strengthening of corporate governance and compliance	<ul style="list-style-type: none"> - Securement of diversity on the Board of Directors and Board of Auditors - Thorough implementation of "Global Code of Business Conduct," the NSSOL Group code of conduct - Establishment of the Compliance Committee and Compliance Promotion Department 	

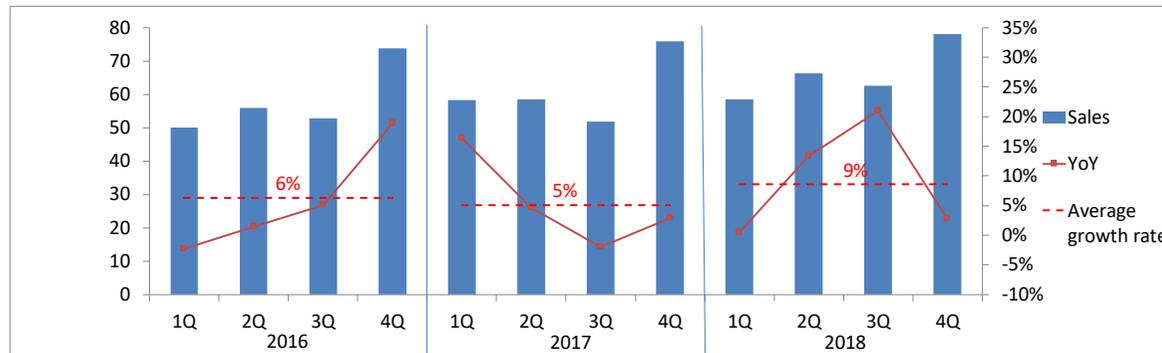
Appendix .

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

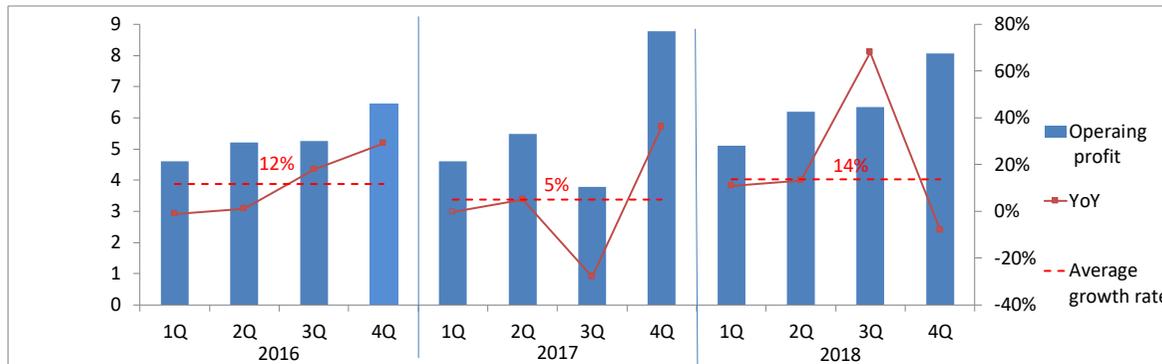
Order



Sales



Operating Profit





Answers to power your future

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

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