



**NS Solutions**

 **NIPPON STEEL**

# Financial Information for the Fiscal Year ended March 31, 2020

(April 1, 2019 through March 31, 2020)

April 28, 2020

## 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 2019

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II . Outlook for FY 2020

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III . Action Plans

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IV . Measures to prevent recurrence

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V . Appendix

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I

# Consolidated Financial Results for FY 2019

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# I - 1 . Highlights of Consolidated Financial Results

(¥ in billions)

FY 2019 (April 1, 2019- March 31, 2020)		YoY change	Difference with Company Estimate
Sales	<b>274.8</b>	<b>+19.7</b>	<b>+0.8</b>
Operating Profit	<b>28.4</b>	<b>+3.0</b>	<b>-0.0</b>
Net Profit	<b>18.6</b>	<b>+1.8</b>	<b>+0.3</b>

# I -2. Consolidated Financial Results

(¥ in billions)	FY 2018	FY 2019	Difference	FY 2019 Company Estimate	Difference with Company Estimate
	A	B	B-A	C	B-C
<b>Sales</b>	<b>255.1</b>	<b>274.8</b>	<b>+19.7</b>	<b>274.0</b>	<b>+0.8</b>
Business solutions	165.5	180.1	+14.6	179.5	+0.6
Service solutions	89.6	94.8	+5.1	94.5	+0.3
<b>Gross Profit</b>	<b>52.3</b>	<b>56.6</b>	<b>+4.3</b>	<b>56.8</b>	<b>-0.2</b>
<Gross Profit Margin>	<20.5%>	<20.6%>	<+0.1%>	<20.7%>	<-0.1%>
<b>SG&amp;A</b>	<b>26.9</b>	<b>28.2</b>	<b>+1.3</b>	<b>28.4</b>	<b>-0.2</b>
<b>Operating Profit</b>	<b>25.4</b>	<b>28.4</b>	<b>+3.0</b>	<b>28.4</b>	<b>-0.0</b>
<b>Recurring Profit</b>	<b>25.8</b>	<b>28.3</b>	<b>+2.5</b>	<b>28.5</b>	<b>-0.2</b>
<b>Profit attributable to owners of parent</b>	<b>16.7</b>	<b>18.6</b>	<b>+1.8</b>	<b>18.3</b>	<b>+0.3</b>

# I -3. Semiannual Consolidated Results

(¥ in billions)	FY 2018		FY 2019		Difference	
	1H	2H	1H	2H	1H	2H
	A	B	C	D	C-A	D-B
<b>Sales</b>	<b>118.3</b>	<b>136.8</b>	<b>136.8</b>	<b>138.1</b>	<b>+18.5</b>	<b>+1.2</b>
Business Solutions	75.0	90.5	89.8	90.3	+14.8	-0.2
Service Solutions	43.3	46.4	47.0	47.8	+3.7	+1.4
<b>Gross Profit</b>	<b>24.6</b>	<b>27.7</b>	<b>28.5</b>	<b>28.1</b>	<b>+3.9</b>	<b>+0.4</b>
<Gross profit margin>	<20.8%>	<20.3%>	<20.8%>	<20.3%>	<+0.1%>	<+0.1%>
<b>SG&amp;A</b>	<b>13.6</b>	<b>13.3</b>	<b>14.3</b>	<b>13.9</b>	<b>+0.7</b>	<b>+0.6</b>
<b>Operating Profit</b>	<b>11.0</b>	<b>14.4</b>	<b>14.2</b>	<b>14.2</b>	<b>+3.2</b>	<b>-0.2</b>
<b>Recurring Profit</b>	<b>11.2</b>	<b>14.6</b>	<b>14.2</b>	<b>14.1</b>	<b>+3.0</b>	<b>-0.5</b>
<b>Profit attributable to owners of parent</b>	<b>6.9</b>	<b>9.9</b>	<b>8.7</b>	<b>9.8</b>	<b>+1.9</b>	<b>-0.0</b>
<b>Nippon Steel Sales</b>	(24.6)	(26.4)	(27.3)	(28.7)	(+2.7)	(+2.3)

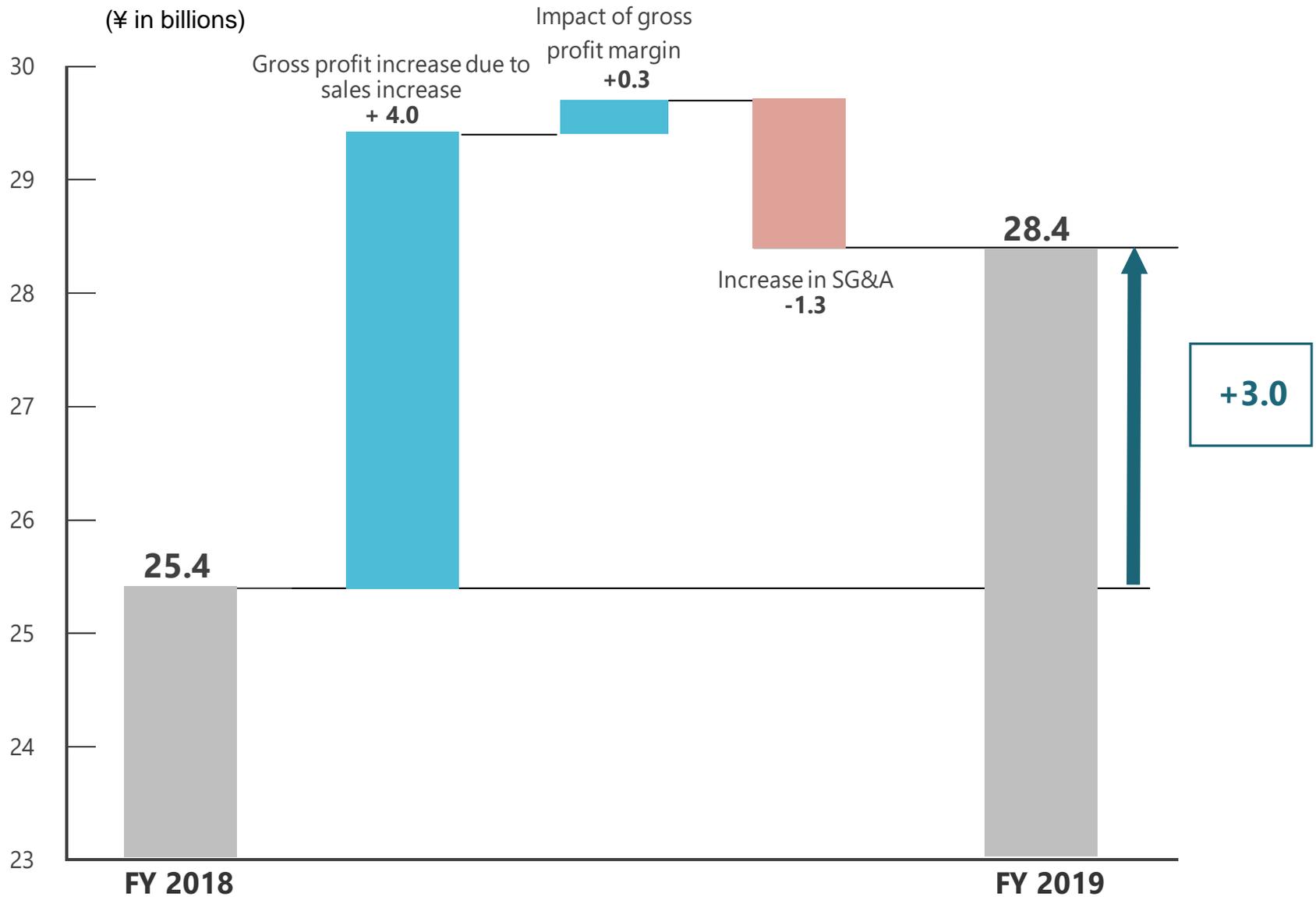
# I -4. Sales by Service and Segment (1H/2H)

(¥ in billions)	FY 2018		FY 2019		Difference		2H company estimate E	Difference with 2H company estimate D-E
	1H	2H	1H	2H	1H	2H		
	A	B	C	D	C-A	D-B		
<b>Business Solutions</b>	<b>61.4</b>	<b>74.9</b>	<b>75.1</b>	<b>73.5</b>	<b>+13.7</b>	<b>-1.5</b>	<b>73.9</b>	<b>-0.4</b>
Manufacturing, Retail and Service	<b>32.2</b>	<b>33.7</b>	<b>42.3</b>	<b>34.6</b>	<b>+10.1</b>	<b>+0.8</b>	<b>35.2</b>	<b>-0.6</b>
Financial Services	<b>14.3</b>	<b>16.5</b>	<b>15.8</b>	<b>15.1</b>	<b>+1.5</b>	<b>-1.4</b>	<b>15.7</b>	<b>-0.6</b>
Government, Public organizations and Others	<b>14.9</b>	<b>24.7</b>	<b>17.0</b>	<b>23.8</b>	<b>+2.1</b>	<b>-0.9</b>	<b>23.0</b>	<b>0.8</b>
<b>Service Solutions</b>	<b>41.1</b>	<b>43.7</b>	<b>43.9</b>	<b>45.9</b>	<b>+2.8</b>	<b>+2.3</b>	<b>44.6</b>	<b>1.3</b>
IT Platform	<b>15.8</b>	<b>17.4</b>	<b>16.6</b>	<b>17.4</b>	<b>+0.8</b>	<b>+0.0</b>	<b>18.4</b>	<b>-1.0</b>
Nippon Steel Group	<b>25.3</b>	<b>26.2</b>	<b>27.3</b>	<b>28.5</b>	<b>+2.0</b>	<b>+2.3</b>	<b>26.2</b>	<b>2.3</b>
<b>Subsidiaries</b>	<b>15.8</b>	<b>18.2</b>	<b>17.7</b>	<b>18.7</b>	<b>+2.0</b>	<b>+0.4</b>	<b>18.8</b>	<b>-0.1</b>
<b>Total</b>	<b>118.3</b>	<b>136.8</b>	<b>136.8</b>	<b>138.1</b>	<b>+18.5</b>	<b>+1.2</b>	<b>137.2</b>	<b>0.8</b>
<b>Nippon Steel Sales</b>	(24.6)	(26.4)	(27.3)	(28.7)	(+2.7)	(+2.3)	(25.7)	(+3.0)
<b>Total Order</b>	<b>126.8</b>	<b>144.3</b>	<b>136.0</b>	<b>132.3</b>	<b>+9.3</b>	<b>-12.1</b>	-	-

# I -5. Sales by Service and Segment (FY2019)

(¥ in billions)	FY 2018		FY 2019		Difference		Comments
	A	IT platform	B	IT platform	B-A	IT platform	
Business Solutions	136.4	33.3	148.6	43.8	+12.2	+10.5	
Manufacturing, Retail and Service	66.0	21.1	76.9	28.1	+10.9	+7.0	Sales increase in transportation, manufacturing, travel related business, retail and large platform project.
Financial Services	30.8	8.0	30.9	10.1	+0.1	+2.1	Increase in product sales
Government, Public organizations	39.6	4.3	40.8	5.6	+1.2	+1.4	Received orders for the government sector projects
Service Solutions	84.7		89.8		+5.1		
IT Platform	33.2	<33.3>	34.0	<43.8>	+0.9	<+10.5>	Sales increase in multi cloud services and DaaS/VDI
Nippon Steel Group	51.6		55.8		+4.2		Increase in Nippon Steel IT investment
Subsidiaries	34.0		36.4		+2.4		
Total	255.1		274.8		+19.7		
Nippon Steel Sales	(51.0)		(56.0)		(+4.9)		

# I -6. FY 2019 Operating Profit Breakdown



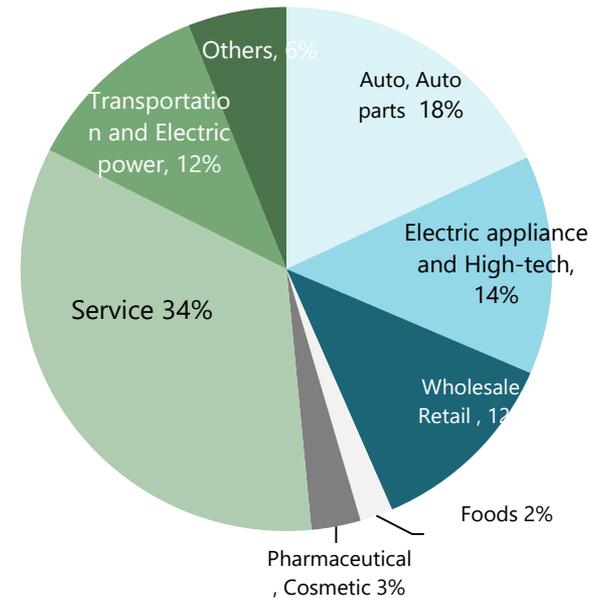
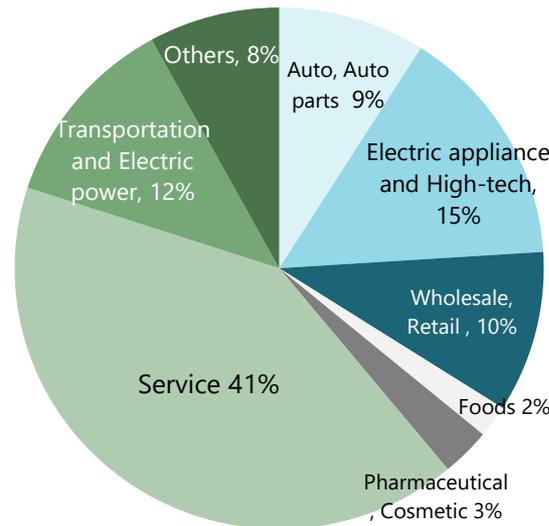
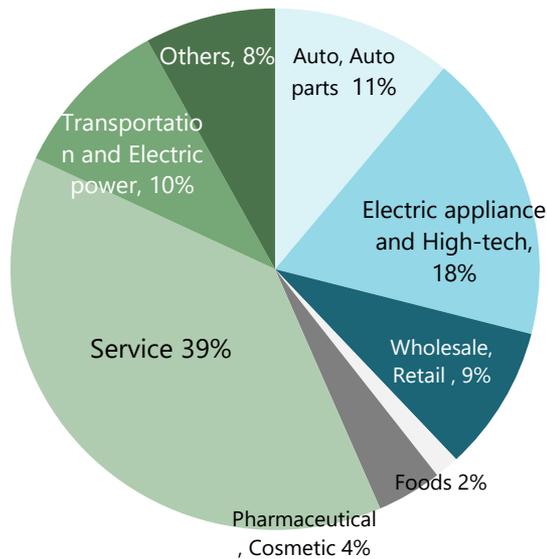
# I -7. Breakdown of Sales (Manufacturing, Retail and Service)

## FY 2017~FY 2019

FY 2017  
58.8 Billions of yen

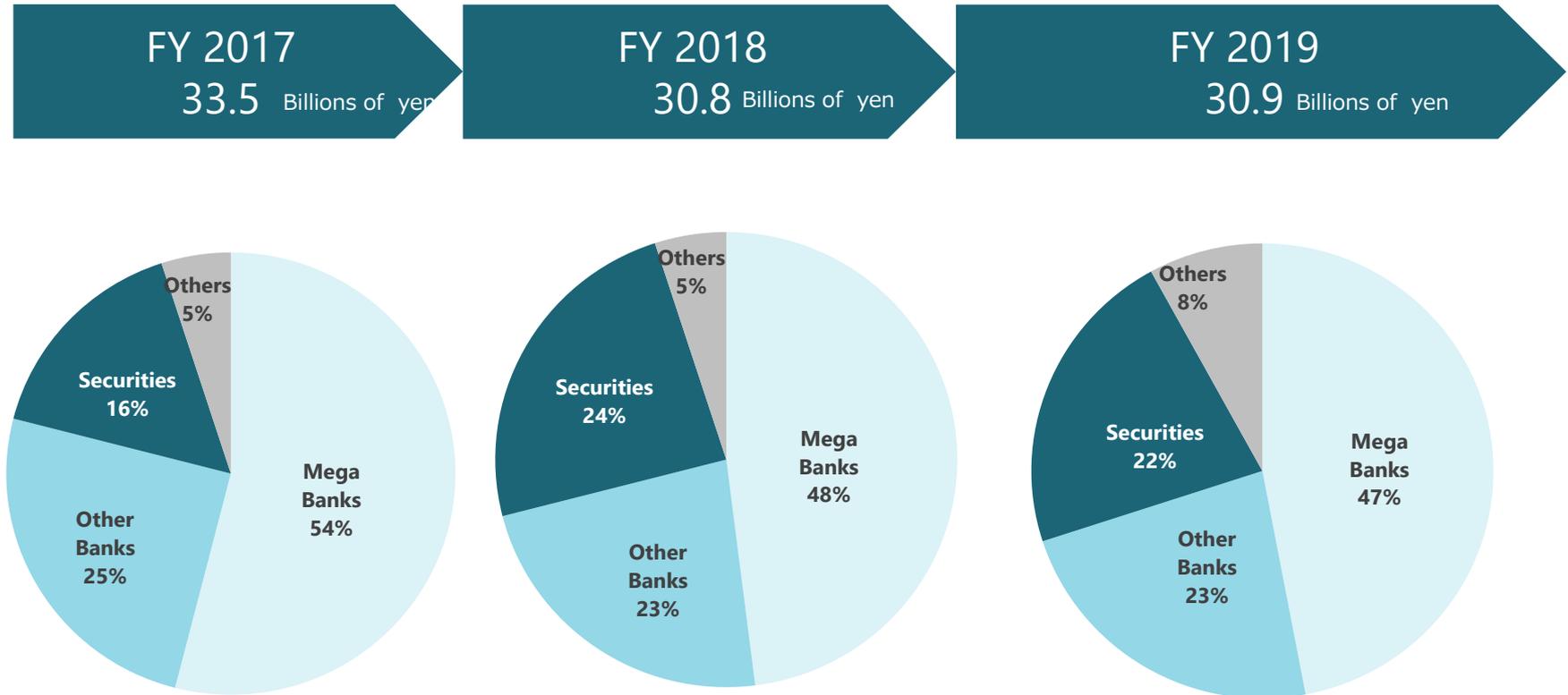
FY 2018  
66.0 Billions of yen

FY 2019  
76.9 Billions of yen



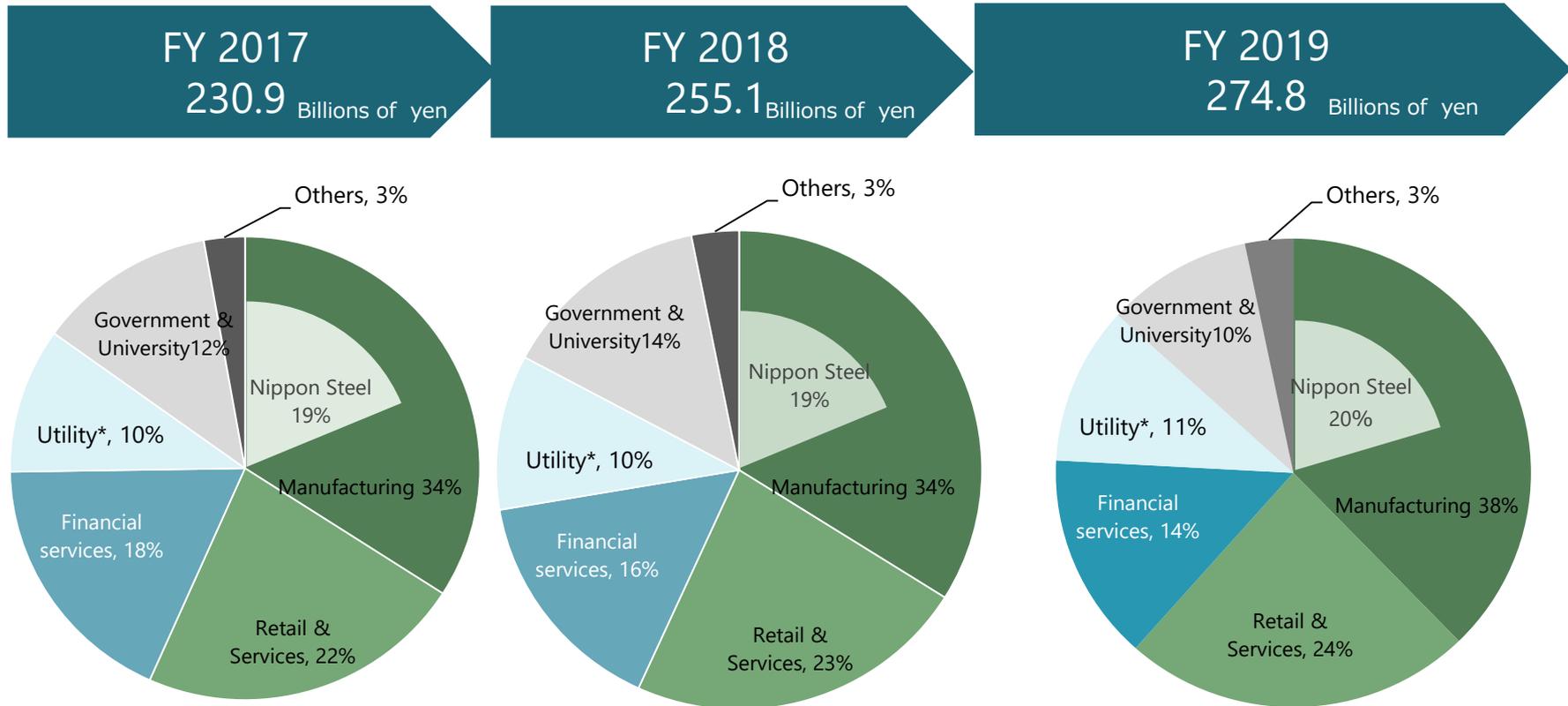
# I -8. Breakdown of Sales (Financial Services)

## FY 2017~FY 2019



# I -9. Sales Breakdown by Industry Segment

**FY 2017~FY 2019**



\*Utility : Transportation, Telecom and Electric Power



# Outlook for FY 2020

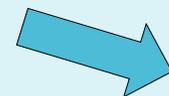
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# II - 1 . Current Business Conditions

## Market Trend

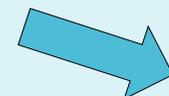
### Business Solutions

Manufacturing, Retail and Service	Steady IT investment continues in Internet services and transportation due to the DX promotion
Financial Services	Based on their mid-term growth strategies, Megabanks maintain IT investments, but there is a tendency of cost control.
Government, Public organizations and others	The number of projects running in this sector will decrease. We will focus on activities for receiving orders.



### Service Solutions

IT Platform	IT needs are steady for multi cloud, It outsourcing and promotion of teleworking
Nippon Steel Group	Nippon Steel's IT investment tends to be restrained, but we are required for supporting restructuring of steelworks and digital transformation



## II - 2 . Outlook for 1H of FY2020

(¥ in billions)	FY 2019 1H A	FY 2020 1H Company Estimate B	Difference B-A
<b>Sales</b>	<b>136.8</b>	<b>127.5</b>	<b>-9.3</b>
Business solutions	89.8	81.5	-8.3
Service solutions	47.0	46.0	-1.0
<b>Gross Profit</b>	<b>28.5</b>	<b>27.6</b>	<b>-0.9</b>
<Gross Profit Margin>	<20.8%>	<21.6%>	<+0.8%>
<b>SG&amp;A</b>	<b>14.3</b>	<b>14.9</b>	<b>+0.6</b>
<b>Operating Profit</b>	<b>14.2</b>	<b>12.7</b>	<b>-1.5</b>
<b>Recurring Profit</b>	<b>14.2</b>	<b>13.0</b>	<b>-1.2</b>
<b>Profit attributable to owners of parent</b>	<b>8.7</b>	<b>8.3</b>	<b>-0.4</b>

## II - 3 . Outlook for 1H of FY 2020

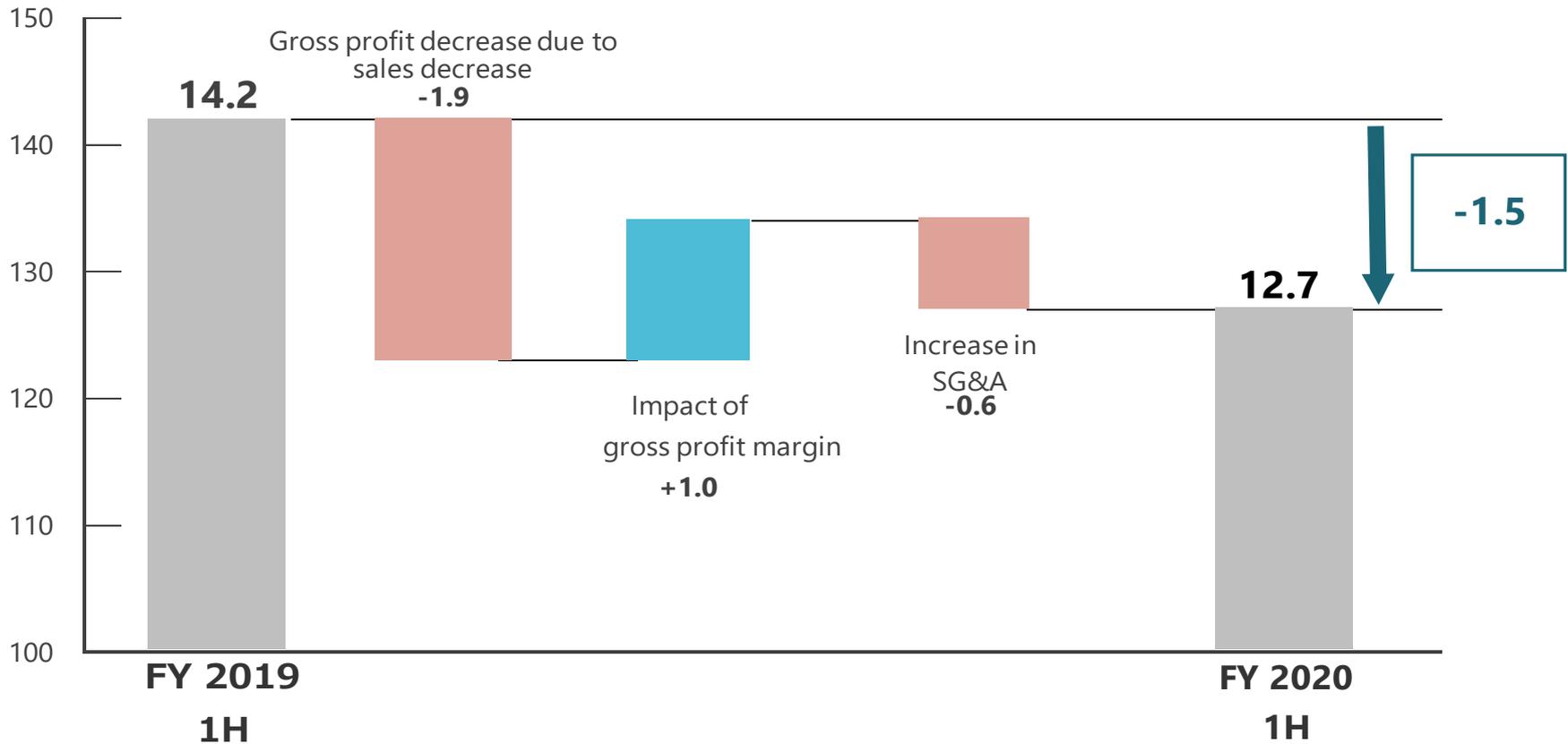
### Sales Outlook by Segment / Customer Industry

(¥ in billions)	FY 2019 1H		FY 2020 1H		Difference		Comment
	Actual A	IT platform	Company Estimate B	IT platform	B-A	IT platform	
<b>Business Solutions</b>	<b>75.1</b>	26.2	<b>66.5</b>	16.5	<b>-8.6</b>	-9.7	
Manufacturing, Retail and Service	<b>42.3</b>	18.3	<b>35.5</b>	12.0	<b>-6.8</b>	-6.3	Decrease due to large platform project of last year
Financial Services	<b>15.8</b>	5.3	<b>15.0</b>	3.0	<b>-0.8</b>	-2.3	
Government, Public organizations	<b>17.0</b>	2.7	<b>16.0</b>	1.5	<b>-1.0</b>	-1.2	
<b>Service Solutions</b>	<b>43.9</b>		<b>44.0</b>		<b>+0.1</b>		
IT Platform	<b>16.6</b>	<26.2>	<b>18.5</b>	<16.5>	<b>+1.9</b>	<-9.7>	Sales increase in multi cloud services and DaaS.
Nippon Steel Group	<b>27.3</b>		<b>25.5</b>		<b>-1.8</b>		
<b>Subsidiaries</b>	<b>17.7</b>		<b>17.0</b>		<b>-0.7</b>		
<b>Total</b>	<b>136.8</b>		<b>127.5</b>		<b>-9.3</b>		
<b>Nippon Steel Sales</b>	(27.3)		(25.0)		(-2.3)		
Order backlog at the beginning of the period	<b>133.4</b>		<b>126.9</b>		<b>-6.5</b>		

## II -4. 1H of FY2020 Operating Profit Outlook Breakdown

YOY

(¥ in billions)



## II – 5. 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 2020 1H Dividend

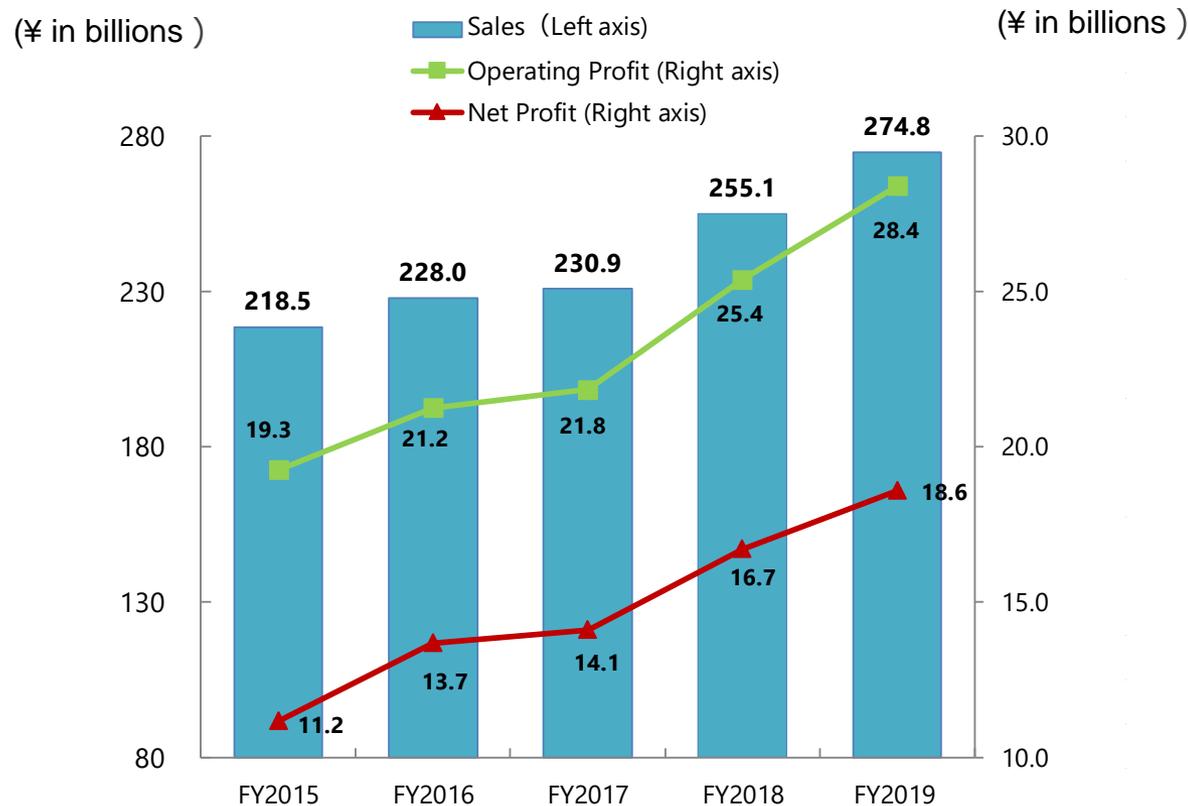
**FY 2020 1H**

**32.5 yen**

**(Reference)  
FY 2019 2H**

**32.5 yen**

## II -Reference Major KPI Trends



Operating Profit (Right axis)	8.8	9.3	9.5	10.0	10.3
ROE(%)	11.5	12.4	11.0	12.1	12.8
ROA(%)	11.3	11.6	10.6	11.4	11.9
Shareholder's equity ratio	57.3	60.5	61.0	60.3	62.2
Diveden (yen)	42.5	45.0	50.0	55.0	65.0
Payout ratio (%)	35.4	30.7	33.6	30.8	32.1



# Action Plans

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# Ⅲ. Major Actions for FY 2020

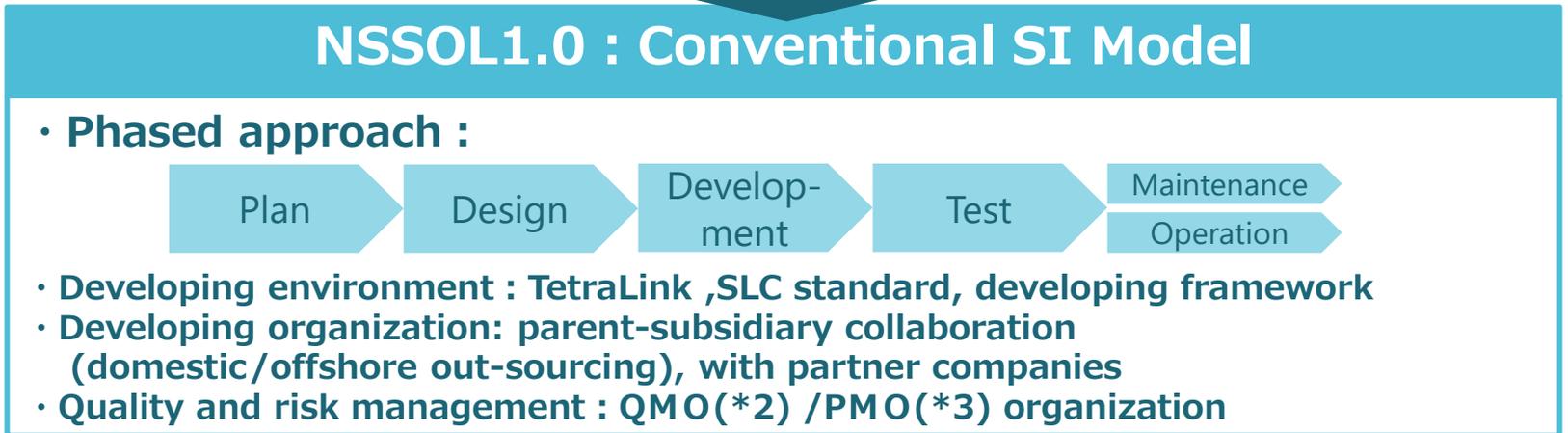
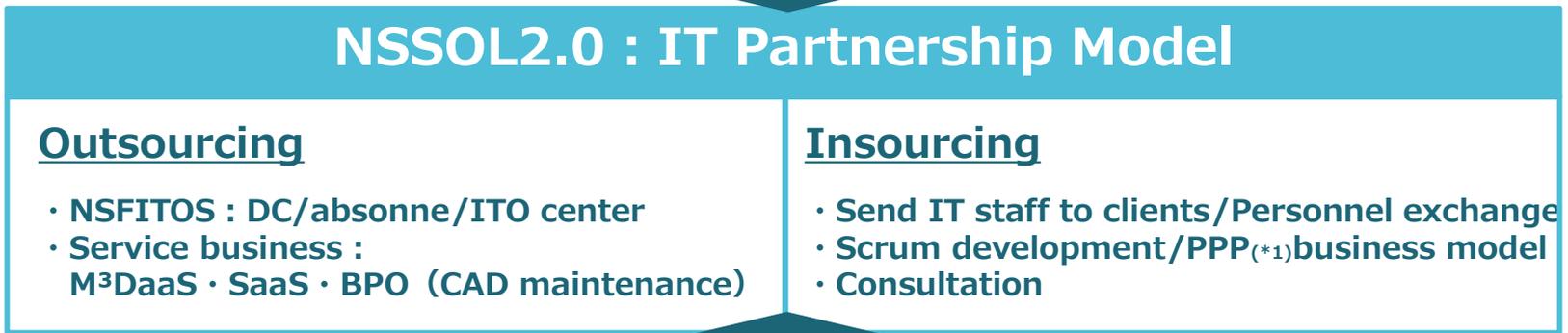
Prompt operation in response to environmental changes

## 1. Promote DX business

- Business model
- Specific actions
- Nippon Steel business

## 2. Creating a highly engaged organization

# III-1. Sustainable Structural Growth : Business Model Transition①



\*1:PPP:Pay Per Performance

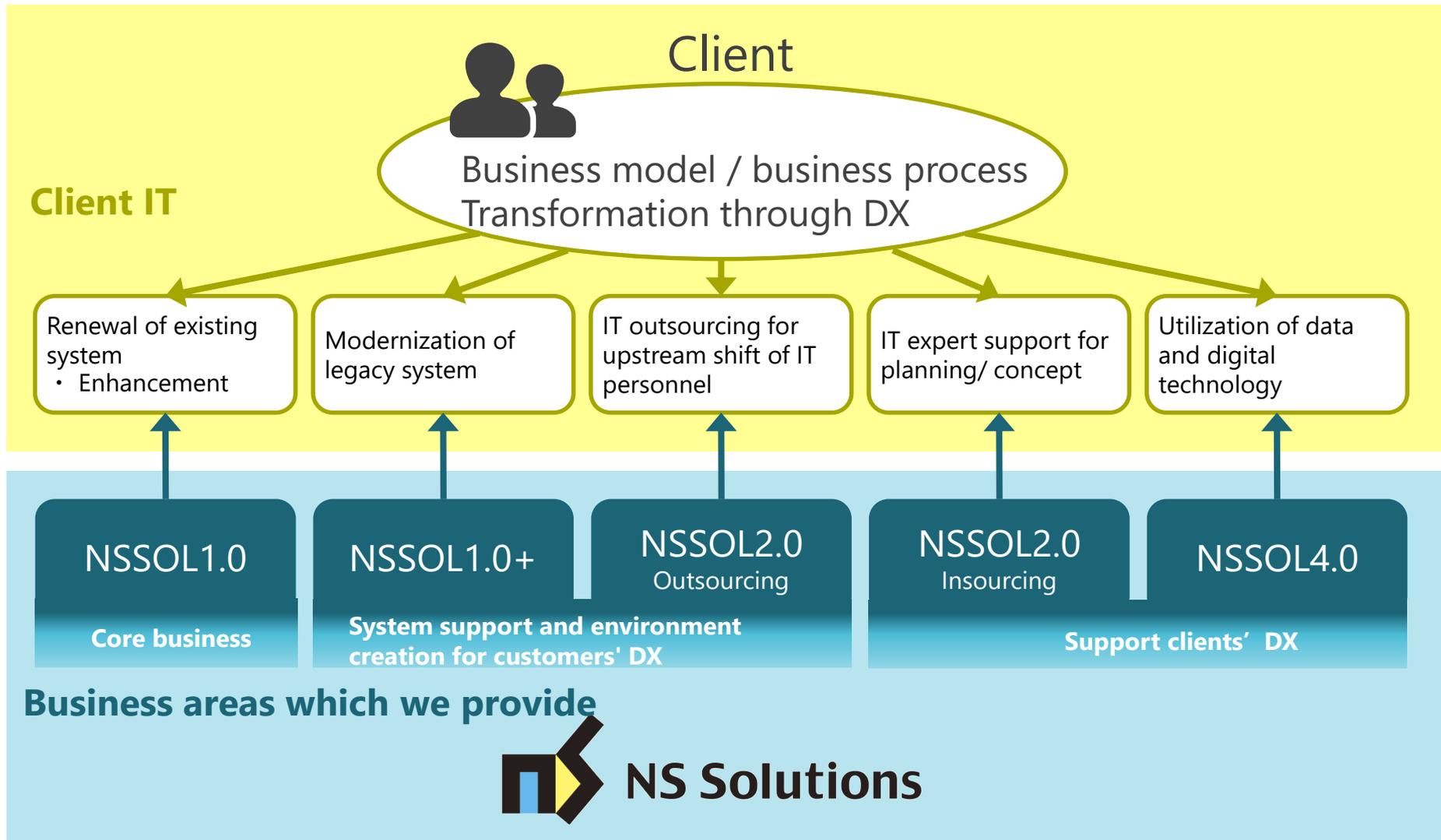
\*2:QMO:Quality Management Office

\*3:PMO:Project Management Office

Expanding Area

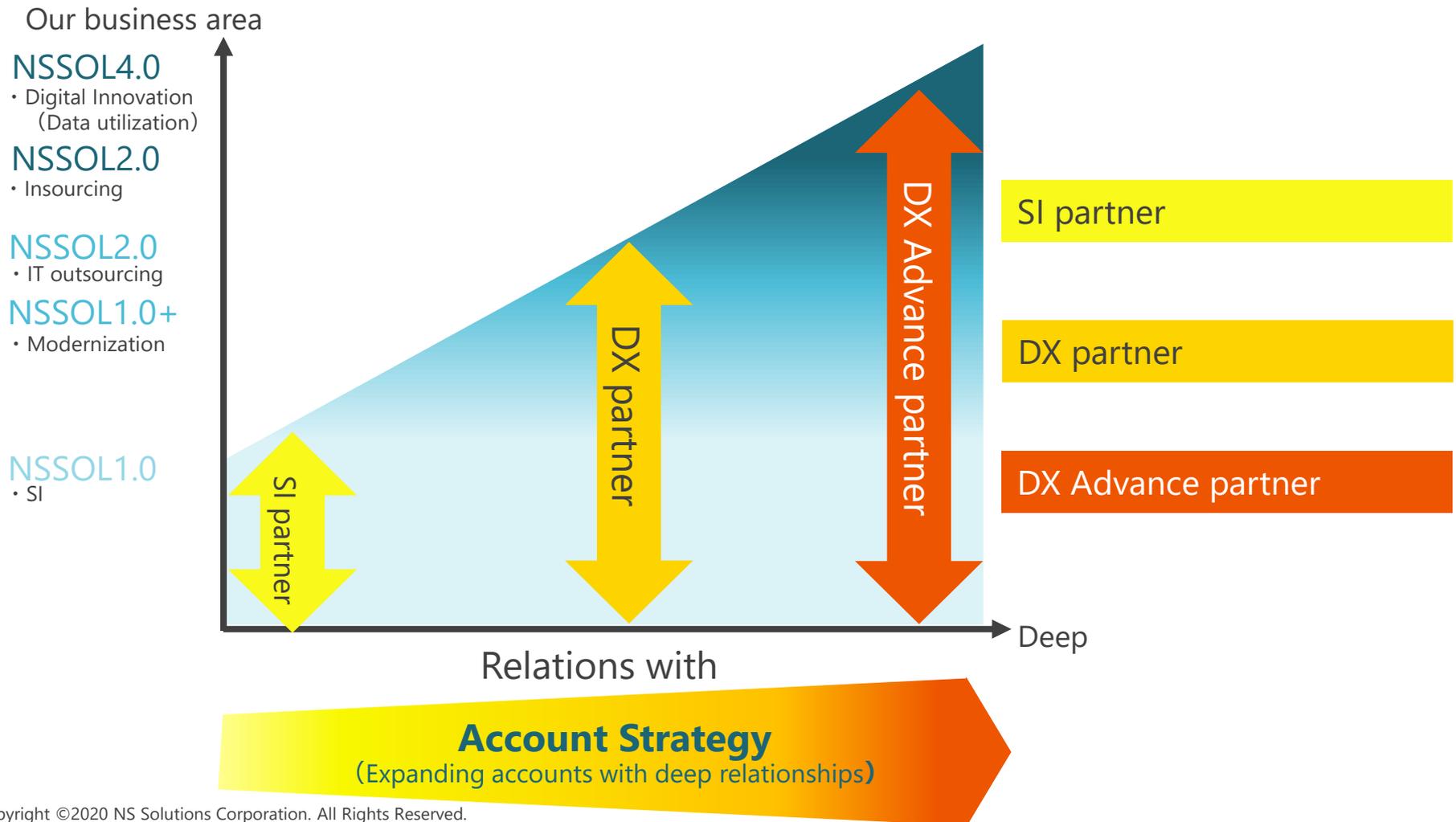
Relationship with clients

# III-1 Positioning of business model in promoting DX



# III-1. Account strategy by promoting DX

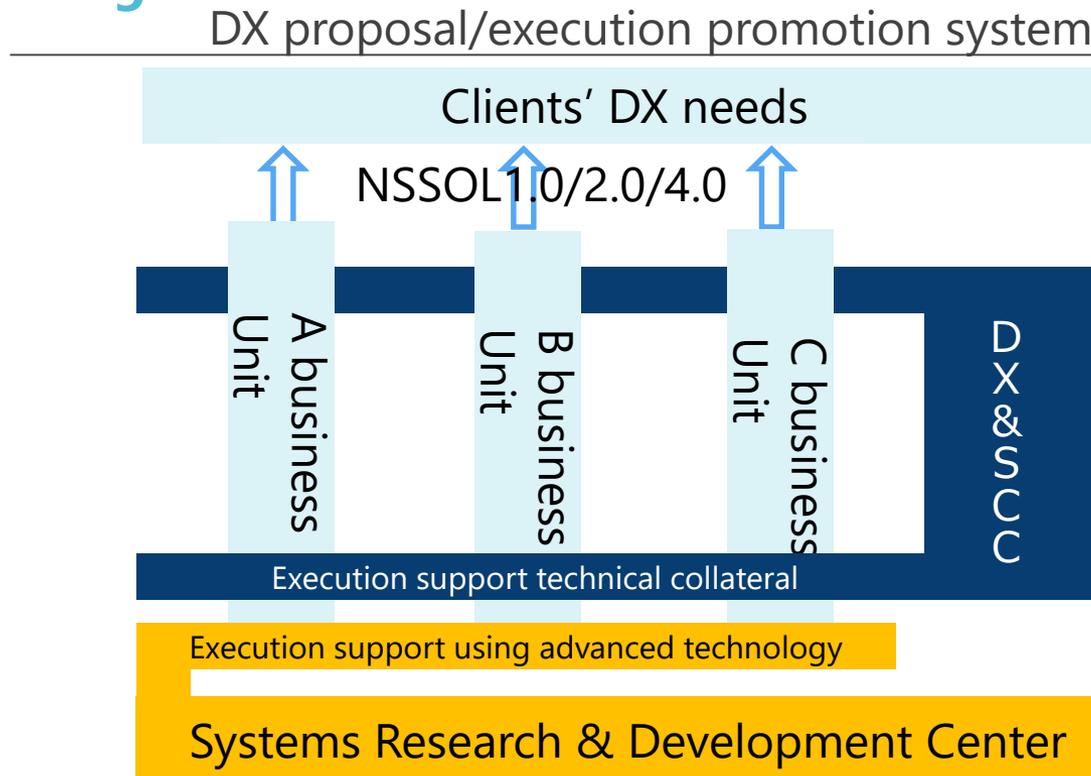
Ensuring of companies which is moving towards DX and becoming a partner in a wide range of fields, in addition to the core business of NSSOL 1.0, and deepening relationships with customers



# III-1. Organization for promoting DX | DX&SCC

Aggregate in-house DX personnel and establish a system to promote DX with customers

- Strengthen support for department's proposal and execution for the DX business
- Develop DX human resources and accumulate DX-related technologies



# III-1. Actions① | Digital business

## DataRobot

- AI automated platform that sells globally
- Easily create predictive models

**Japan's No. 1 introduction record:  
more than 90 companies**  
**Award Partner of the Year**  
**3 consecutive years**

2016

June : First domestic Sier to sign an agency contract

September : Officially introduced to domestic customers

2018

April : **Establish a DX department**

May : Award DataRobot *Partner of the Year*

2020

**March: Strategic Business Alliance**

## Topics

### AI Democratization

Launch supplying AI success program

### Business Use

Utilized Data Robot System development accelerated

### Added Value

Inverse solver  
Expanded collaborative solutions such as feature extraction for the manufacturing industry

# III-1. Actions ② | Cloud Service

Enables multi-cloud connectivity with AWS, Azure and Oracle Cloud  
• Promote comprehensive outsourcing NSF ITOS for IT infrastructure

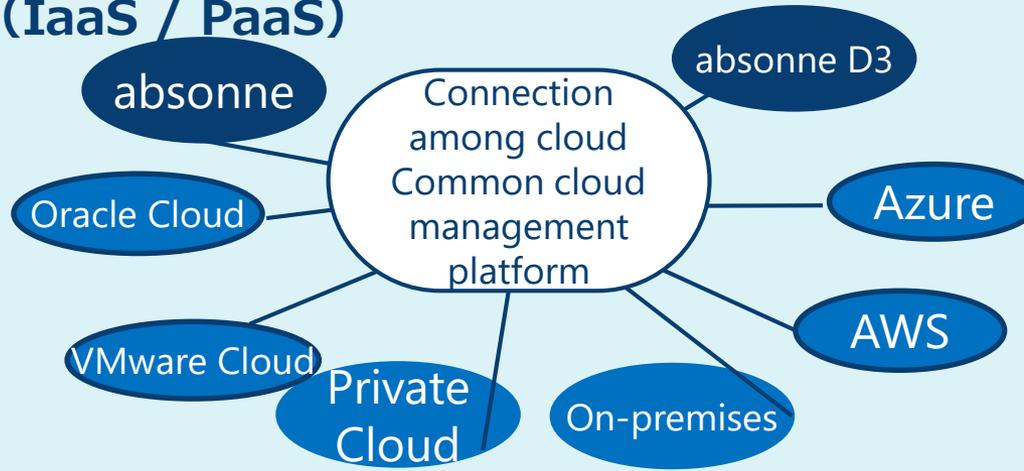
Consulting

Design Multi cloud environment

System development

Managed cloud (IaaS / PaaS)

Engineering



Integrated operation service: emerald

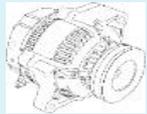
# III-1. Actions ③ | Local 5G service

## Promote local 5G solutions to realize on-site DX

- Started study at Nippon Steel's Muroran Works
- Provide "Nokia Digital Automation Cloud" in collaboration with NOKIA

### Equipment monitoring

Anomaly detection



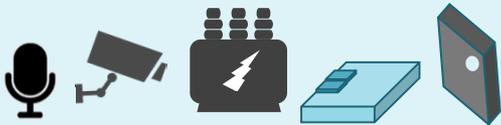
Safety monitoring



Equipment preventive maintenance



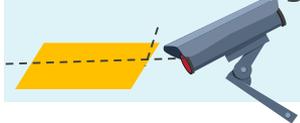
Anomaly information detection of electrical equipment



Reading instrument



Danger area intrusion detecting



### Safety monitoring

Central control room

Collect and information via se  
all kinds of company owned  
wireless network  
(5G/LTE)

Location

### Work navigation

Work navigation  
(Instruction ·  
Record ·  
Improvement)



Register accidents, Alert



Monitoring environment

Monitoring moving objects



Corrosion detection



Drainage monitoring



Environmen  
tal data  
sensing



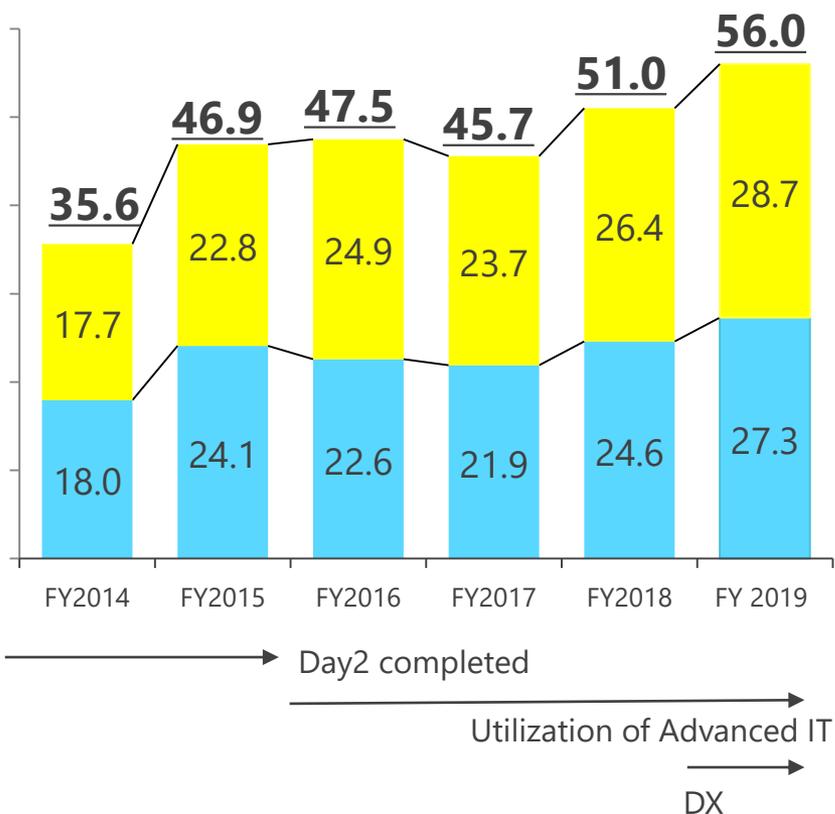
# III-1. Sustainable Structural Growth : Nippon Steel Business

## 1. Nippon Steel Sales Trend

## 2. Actions

(¥ in billions)

■ 1H Sales ■ 2H Sales



- Integration of Nisshin Steel and Nippon Steel- April 1, 2020
- Transfer of business and employees of NI Information System to the NSSOL Group – Scheduled for April 2020
- Integration / reorganization of steel works

## III-2. Creating a highly engaged organization

### ◆ Company worth for work

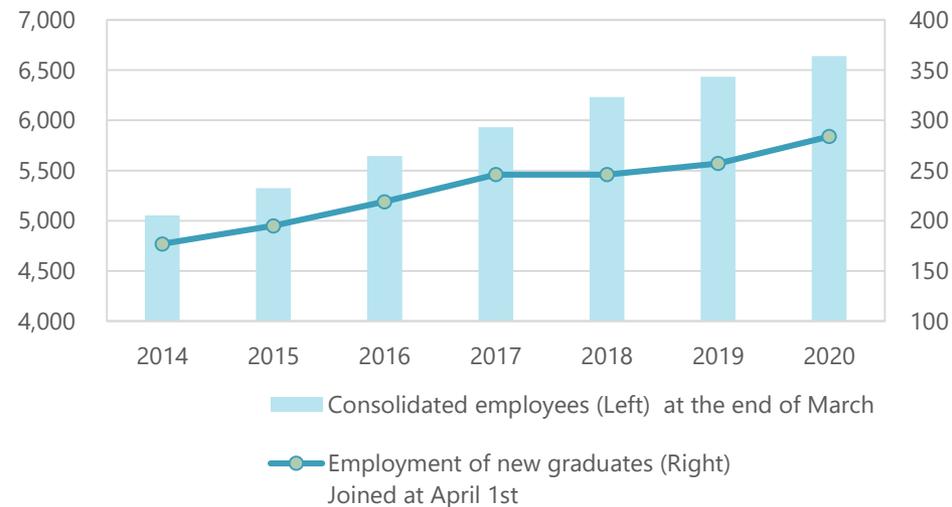
- Innovation open challenge  
(company-wide open recruitment system)
- Development of training platform
- New office in Toranomon (May 2020)

### ◆ Work place with safety

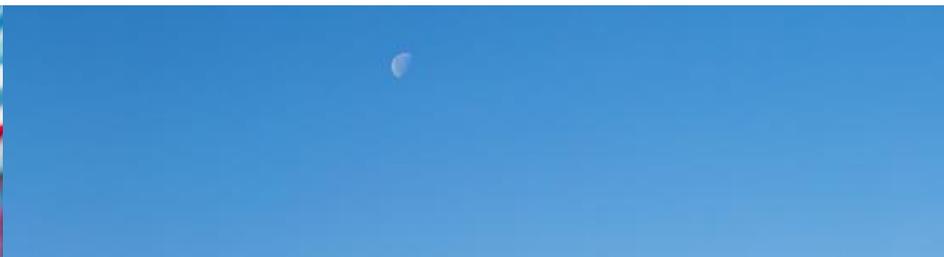
- Promote work style reform
- Promotion of diversity
- Improvement of feedback, etc.  
Enhance communication

### ◆ Utilization of TetraLink Modern development environment platform

Consolidated Employees and new graduates



### III. Our Vision



Build deep relationships with customers, support their IT systems, and  
Talking about the future for the development of DX in the customer business,  
Challenge and accompany to realize it



# 「1st DX Partner」



# IV

## Measures to prevent recurrence

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# IV. Measures to prevent recurrence

## 1. Strengthening risk management

- Strengthen initiatives to realize self-disciplined and continuous risk management
- Implement measures to improve compliance awareness and risk sensitivity

## 2. Review of business operation processes

- Strengthen risk management in the process of purchase and resale of goods
- Clarification of prohibition of non value-added product sales
- Review the process of purchase and resale of goods

## 3. Improve monitoring

- Strengthen monitoring in the process of purchase and resale of goods

## 4. Education and training to sales representatives

- Business rules for sales representatives should be common understanding
- Improve their risk sensitivity

## 5. Review sales personnel assignments and rotations

# IV. Execution of measures to prevent recurrence

## 1. Strengthening risk management

- Grasp current condition, extract issues and complete formulation of action plan.
- Under consideration of risk identification and promotion system, etc. toward the start of operations in the first half of FY2020

## 2. Review of business operation processes

- Measures for strengthening risk management in purchase and resale of goods has started since April 2020
- New rule which confirms actual existence of goods has been applied since the end of March 2020

## 3. Improve monitoring

- Monitoring of operation is running for confirming the existence of goods.
- Measures for strengthening monitoring of actual existence of inventories has started since April 2020.

## 4. Education and training to sales representatives

- Preparing to start execution of training in the first half of FY2020

## 5. Review sales personnel assignments and rotations

- Under consideration for starting operation in the first half of FY2020

**IV**

# Appendix

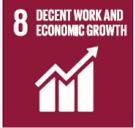
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## IV. ESG Initiative

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 2019	Major SDGs
E Envir onm ent	- Conservation of the global environment through IT	<ul style="list-style-type: none"> <li>- Reductions in environmental impacts based on optimization solutions in the industrial operations for production and transportation</li> <li>- Contributions to the monitoring and forecasting of climate change through the operation of the Himawari weather satellites</li> </ul>	 
	- Promotion of activities to reduce environmental impacts	<ul style="list-style-type: none"> <li>- Provision of cloud services by highly energy-efficient data centers</li> <li>- Promotion of activities to save resources such as electrical power and paper.</li> </ul>	 

	Operation policy	Examples for activities during FY 2019	Major SDGs
S Society	Resolution of social issues through IT	<ul style="list-style-type: none"> <li>- Expand lineup of safe workplaces based on loX solutions</li> <li>- Contributing to telework by providing a virtual desktop environment</li> </ul>	 
	Co-existence with society and the community, Realization of rewarding workplaces	<ul style="list-style-type: none"> <li>- Promotion of work-style reform and female participation</li> <li>- Development of high level IT human resources (NSSOL Academy)</li> <li>- Educational support for next-generation (endowed courses for universities)</li> <li>- Programming classes at elementary schools (K3Tunnel)</li> <li>- Support for cultural, artistic and sporting activities</li> </ul>	  
G Governance	Provision of high quality IT solutions and IT services	<ul style="list-style-type: none"> <li>- Provision of robust and efficient IT services (NSFITOS)</li> <li>- Organizational expansion of project risk management and quality management</li> </ul>	
	Strengthening of corporate governance and compliance	<ul style="list-style-type: none"> <li>- Securement of diversity on the Board of Directors and Board of Auditors</li> <li>- Thorough implementation of “Global Code of Business Conduct,” the NSSOL Group code of conduct</li> <li>- Expansion of the help line by Compliance Promotion Department</li> </ul>	



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