



NIPPON STEEL & SUMITOMO METAL CORPORATION GROUP

Financial Information for the Second Quarter of the Fiscal Year ending March 31, 2018

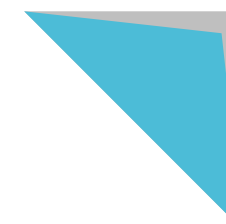
(April 1, 2017 through September 30, 2017)



NS Solutions

October 27, 2017

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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Consolidated Financial Results for 1H of FY2017

I - 1 Highlights of Consolidated Financial Results

1H of FY2017

		YoY change	(Billions of yen) (Diff. with Co. Est)
● Sales	116.6	+10.7	(+6.6)
● Operating Profit	10.1	+0.2	(-0.1)
● Net Income*	6.6	-0.0	(-0.1)

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

I -2. 1H of FY ending March 31, 2018 Consolidated Financial Results

(Billions of yen)	1H of FY Mar.2017 Actual A	1H of FY Mar.2018 Actual B	Difference B-A	1H of FY Mar.2018 as of April 28 Co. Est C	Difference Vs Co. Est C-A
Sales	105.9	116.6	+10.7	110.0	+6.6
Business solutions	68.3	76.8	+8.4	71.0	+5.8
Service solutions	37.5	39.8	+2.3	39.0	+0.8
Gross Profit	22.3	23.6	+1.3	23.2	+0.4
<Gross Profit Margin>	<21.0%>	<20.2%>	<-0.8%>	<21.1%>	<-0.8%>
SG&A	12.5	13.5	+1.1	13.0	+0.5
Operating Profit	9.8	10.1	+0.2	10.2	-0.1
Recurring Profit	10.2	10.5	+0.3	10.5	-0.0
Profit attributable to owners of parent	6.6	6.6	-0.0	6.7	-0.1

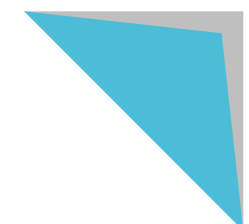
I -3. Sales by Segment / Customer Industry

(Billions of yen)	1H of FY Mar. 2017		1H of FY Mar.2018		Difference		Comment
	Actual A	IT platform	Actual B	IT platform	B-A	IT platform	
Business Solutions	57.1	15.2	63.8	15.3	+6.7	+0.1	
Manufacturing, Retail and Service	27.1	8.4	27.7	8.3	+0.7	-0.1	Increase in e-commerce and travel business
Financial Services	18.2	4.1	17.4	4.8	-0.8	+0.7	A mega bank's system consolidation project peaked out
Government, Public organizations and Others	11.9	2.7	18.7	2.2	+6.8	-0.5	Receive order of large scale government's product procurement project
Service Solutions	36.6		37.7		+1.0		
IT Platform	13.9	<15.2>	15.6	<15.3>	+1.7	<+0.1>	Increase in cloud service and DaaS/VDI
NSSMC Group	22.8		22.1		-0.6		Decrease in NSSMC business
Subsidiaries	12.1		15.1		+3.0		Contribution of newly acquired company (NVC)
Total	105.9		116.6		+10.7		
NSSMC Sales	(22.6)		(21.9)		(-0.7)		
Total Order	115.7		119.3		+3.5		

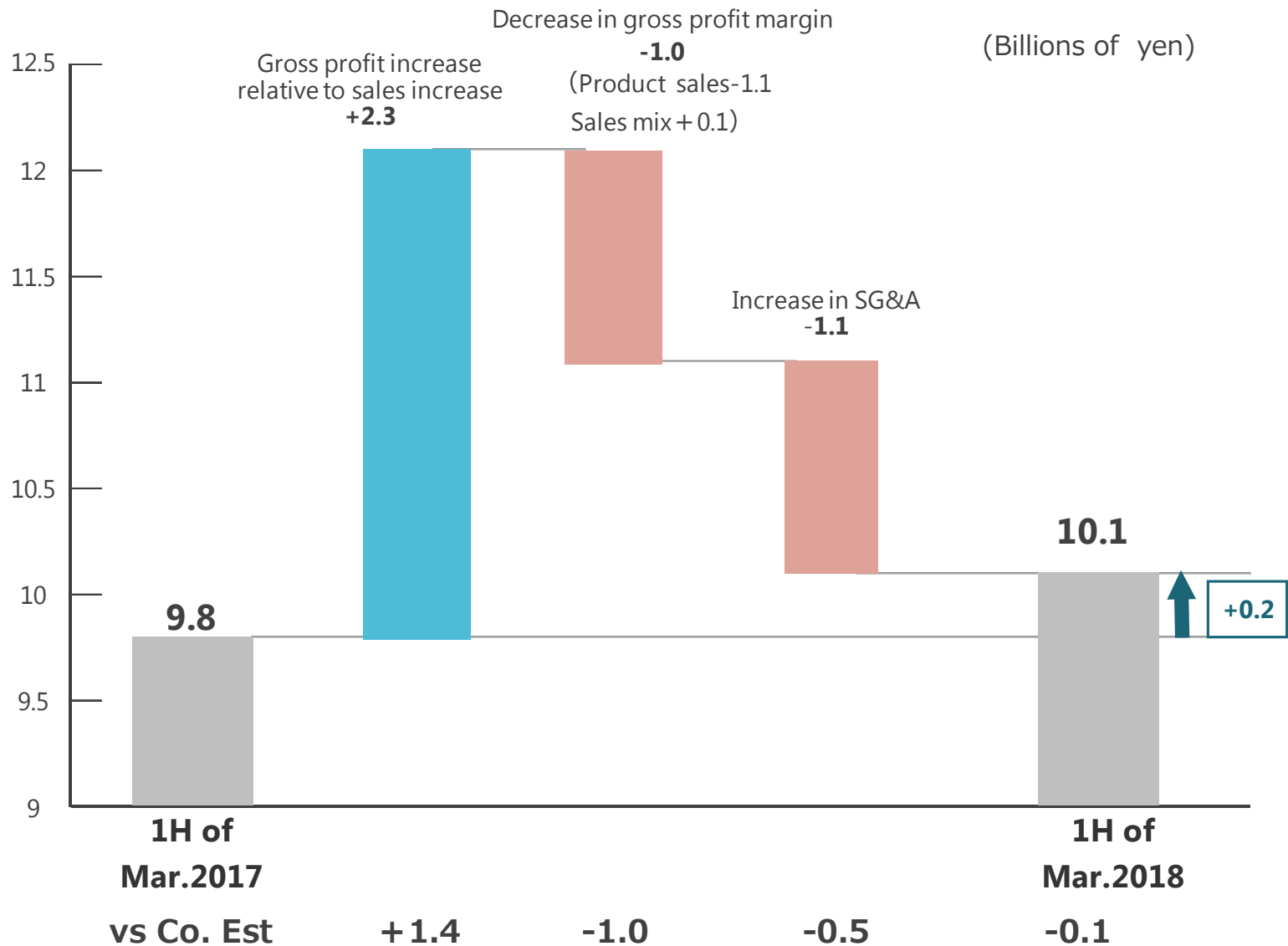
I -4. 1H of FY ending March 31, 2018 Quarterly Consolidated Results

(Billions of yen)	FY Mar.2017			FY Mar.2018			Difference		
	1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H
	(Actual)	(Actual)	(Actual)	(Actual)	(Actual)	(Actual)			
	A	B	C	D	E	F	D-A	E-B	F-C
Sales	50.0	55.8	105.9	58.2	58.4	116.6	+8.1	+2.6	+10.7
Business Solutions	31.8	36.5	68.3	40.0	36.8	76.8	+8.2	+0.2	+8.4
Service Solutions	18.2	19.3	37.5	18.1	21.6	39.8	-0.1	+2.3	+2.3
Gross Profit	11.0	11.3	22.3	11.5	12.1	23.6	+0.6	+0.8	+1.3
<Gross profit margin>	<21.9%>	<20.3%>	<21.0%>	<19.8%>	<20.7%>	<20.2%>	<-2.1%>	<+0.4%>	<-0.8%>
SG&A	6.4	6.1	12.5	6.9	6.6	13.5	+0.6	+0.5	+1.1
Operating Profit	4.6	5.2	9.8	4.6	5.5	10.1	-0.0	+0.3	+0.2
Recurring Profit	4.9	5.3	10.2	4.9	5.6	10.5	+0.0	+0.2	+0.3
Profit attributable to owners of parent	3.0	3.6	6.6	2.9	3.7	6.6	-0.1	+0.1	-0.0
NSSMC Sales	(11.0)	(11.6)	(22.6)	(9.7)	(12.2)	(21.9)	(-1.3)	(+0.7)	(-0.7)

I -5. 1H of FY ending March 31, 2018 Consolidated Operating Profit Breakdown



YoY








Outlook for FY2017


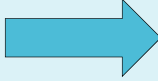
II - 1 . Current Business Conditions

Market Trend

Business solutions

<p>Manufacturing, Retail and Service</p>	<p>Manufacturers steadily invest on strategic IT system such as PLM(*1), production management system. E-commerce, retail and distribution sector continue aggressive IT investments.</p>	
<p>Financial Services</p>	<p>A part of Mega Bank's IT investment peaked out. Mega Banks keep high level of IT investment based on their mid term strategic business plan.</p>	
<p>Government, Public organizations and Others</p>	<p>Government spending for existing IT investment are still under competitive conditions. We try to acquire order of government platform systems which aim to strengthen security level. Telecom market has been competitive, however we expect new technology areas are expanding.</p>	

Service solutions

<p>IT Platform</p>	<p>Demand is steady for IT infrastructure initialization and cloud service. Demand for DaaS(*2) /VDI(*3) are also steady.</p>	
<p>NSSMC Group</p>	<p>NSSMC's post merger IT investment (Day2) projects completed.</p>	

*1:PLM:Product Lifecycle Management
*2:VDI:Virtual Desktop Infrastructure

*3:DaaS:Desktop as a Service

II -2. Outlook for FY Mar.2018

Sales Forecasts by Service for FY Mar.2018(1H/2H)

(Billions of Yen)	FY Mar.2018 Co. as of April 28			FY Mar.2018 Co. Est as of October 27			Difference		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
	A	B	C	D	E	F	D-A	E-B	F-C
Sales	110.0	125.0	235.0	116.6	125.4	242.0	+6.6	+0.4	+7.0
Business Solutions	71.0	83.5	154.5	76.8	84.2	161.0	+5.8	+0.7	+6.5
Service Solutions	39.0	41.5	80.5	39.8	41.2	81.0	+0.8	-0.3	+0.5
Gross Profit	23.2	26.0	49.2	23.6	26.1	49.7	+0.4	+0.1	+0.5
<Gross profit margin>	<21.1%>	<20.8%>	<20.9%>	<20.2%>	<20.8%>	<20.5%>	<-0.8%>	<+0.0%>	<-0.4%>
SG&A	13.0	13.5	26.5	13.5	13.5	27.0	+0.5	-0.0	+0.5
Operating Profit	10.2	12.5	22.7	10.1	12.6	22.7	-0.1	+0.1	-
Recurring Profit	10.5	12.5	23.0	10.5	12.5	23.0	-0.0	+0.0	-
Profit attributable to owners of parent	6.7	8.3	15.0	6.6	8.4	15.0	-0.1	+0.1	-
NSSMC Sales	(21.5)	(20.0)	(41.5)	(21.9)	(20.0)	(41.9)	(+0.4)	-	(+0.4)

II -3. Outlook for 2 H of Mar.2018

Sales Forecasts by Segment / Customer Industry

(Billions of yen)	2H of FY Mar. 2017		2H of FY Mar.2018		Difference		Comment
	Actual A	IT platform	Co. Est B	IT platform	B-A	IT platform	
Business Solutions	69.7	15.2	69.7	14.7	+0.0	-0.5	
Manufacturing, Retail and Service	28.3	7.9	31.3	9.2	+3.0	+1.4	Strong demand continues
Financial Services	19.0	5.0	16.6	4.2	-2.3	-0.8	A mega banks system consolidation project peaked out
Government, Public organizations	22.4	2.3	21.8	1.3	-0.6	-1.1	
Service Solutions	41.1		38.3		-2.8		
IT Platform	16.5	<15.2>	17.4	<14.7>	+0.9	<-0.5>	Strong demand continues
NSSMC Group	24.6		20.9		-3.7		NSSMC's post merger IT investment projects peak out
Subsidiaries	15.8		17.4		+1.6		Contribution of newly acquired company (NVC)
Total	126.6		125.4		-1.2		
NSSMC Sales	(24.9)		(20.0)		(-4.9)		
Order backlog at the beginning of the period	106.8		120.1		+13.3		

II -4. Outlook for FY Mar.2018

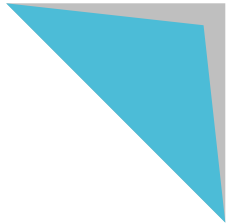
Sales Forecasts by Segment / Customer Industry

(Billions of yen)	FY Mar. 2017		FY Mar.2018		Difference		FY Mar.2018		Difference	
	Actual	IT platform	Co. Est	IT platform	B-A	IT platform	Co. Est as of April 28	IT platform	B-C	IT platform
	A		B				C			
Business Solutions	126.8	30.4	133.5	30.0	+6.7	-0.4	128.0	30.5	+5.5	-0.5
Manufacturing, Retail and Service	55.4	16.2	59.0	17.5	+3.6	+1.3	60.5	18.0	-1.5	-0.5
Financial Services	37.1	9.1	34.0	9.0	-3.1	-0.1	35.0	9.0	-1.0	-
Government, Public organizations and Others	34.3	5.1	40.5	3.5	+6.2	-1.6	32.5	3.5	+8.0	-
Service Solutions	77.8		76.0		-1.8		75.5		+0.5	
IT Platform	30.4	<30.4>	33.0	<30.0>	+2.6	<-0.4>	33.0	<30.5>	-	<-0.5>
NSSMC Group	47.4		43.0		-4.4		42.5		+0.5	
Subsidiaries	27.9		32.5		+4.6		31.5		+1.0	
Total	232.5		242.0		+9.5		235.0		+7.0	
NSSMC Sales	(47.5)		(41.9)		(-5.5)		(41.5)		(+0.4)	

II -5. Outlook for FY Mar.2018

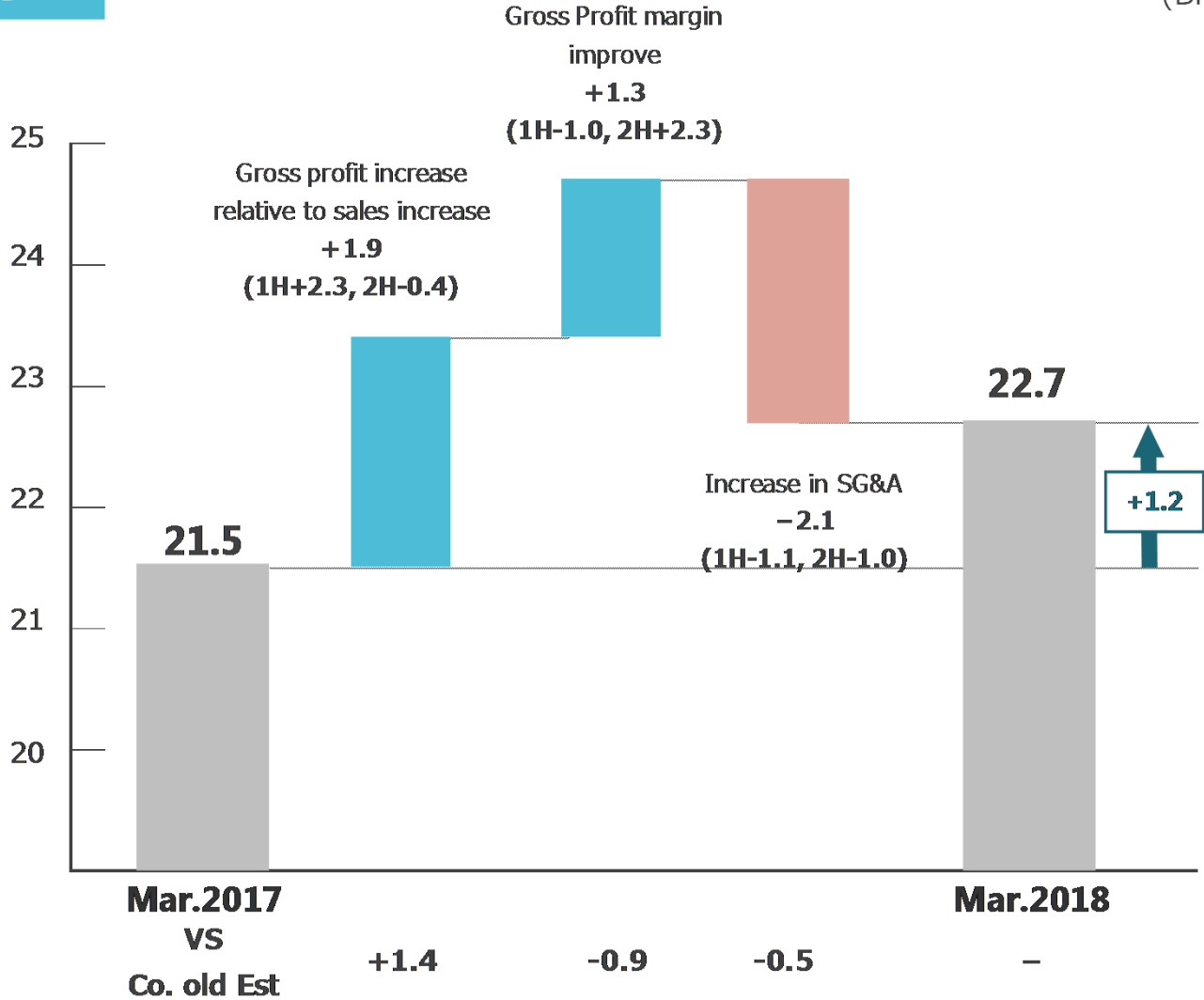
(Billions of Yen)	FY Mar.2017		FY Mar.2018 Co. Est		Difference	
	2H	FY	2H	FY	2H	FY
	A	B	C	D	C-A	D-B
Sales	126.6	232.5	125.4	242.0	-1.2	+9.5
Business Solutions	83.5	151.8	84.2	161.0	+0.7	+9.2
Service Solutions	43.1	80.6	41.2	81.0	-1.9	+0.4
Gross Profit	24.2	46.5	26.1	49.7	+1.9	+3.2
<Gross profit margin>	<19.1%>	<20.0%>	<20.8%>	<20.5%>	<+1.7%>	<+0.6%>
SG&A	12.5	24.9	13.5	27.0	+1.0	+2.1
Operating Profit	11.7	21.5	12.6	22.7	+0.9	+1.2
Recurring Profit	11.9	22.1	12.5	23.0	+0.6	+0.9
Profit attributable to owners of parent	7.4	14.0	8.4	15.0	+1.1	+1.0

II -6. FY Mar.2018 OP Forecast Breakdown



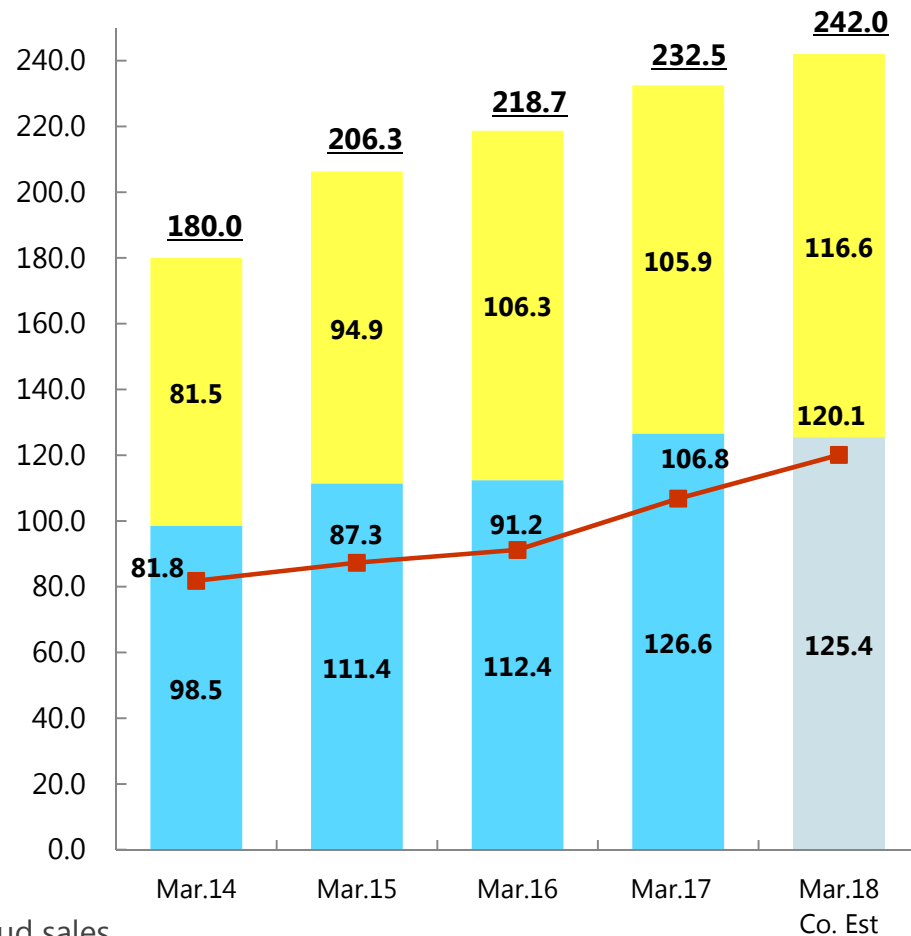
YOY

(Billions of yen)



II -7. Realization of Sustainable Growth

■ 2H Sales
 ■ 1H Sales
 —■ Order Backlog at the beginning of the period
 (Billions of yen)



Cloud sales

	Mar-15	Mar-16	Mar-17	Mar-18 Co.Est
1H Sales		5.5	6.2	7.2
2H Sales		6.5	7.8	8.8
Total sales	10.0	12.0	14.0	16.0

- 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

	13/9	14/9	15/9	16/9	17/9
Employee	5,072	5,381	5,665	5,898	6,286

*1H of Mar.18 is actual and 2H of Mar.18 is our estimate

II -8. Shareholders Return Policy

We highly value to maintain and strengthen our competitiveness and improve our corporate value in the long run. As for profit sharing, we pay stable dividends mindful of linkage with performance. Our basic policy is appropriate and stable dividend and secure internal reserve. As for dividend we target dividend payout ratio of 30% according to our consolidated earnings.

Plan for Mar.2018 Dividend

Mar.2018

50 yen

**(Reference)
Mar.2017**

45 yen

We pay 25 yen dividend at the end of the 2Q and pay 25 yen dividend at the end of the Fiscal year March 31, 2018.



Answers to power your future

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

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