



NS Solutions

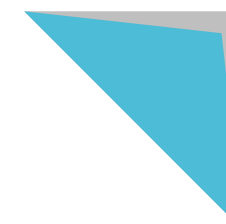
 **NIPPON STEEL**

Financial Information for the Second Quarter of the Fiscal Year ending March 31, 2020

(April 1, 2019 through September 30, 2019)

October 29, 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 1H of FY Mar. 2020

I - 1 . Highlights of Consolidated Financial Results

(¥ in billions)

FY 2019 (April 1, 2019- September 30, 2019)	YoY change	Difference with Company Estimate
Sales 149.8	+25.2	+7.8
Operating Profit 15.1	+3.8	+2.7
Net Profit 9.6	+2.4	+1.6

I -2. Consolidated Results for 1H of FY ending March 31, 2020

(¥ in billions)	1H of FY Mar. 2020 Actual A	1H of FY Mar. 2020 Actual B	Difference B-A	1H of FY Company Estimate as of July 30 C	Difference B-C
Sales	124.6	149.8	+25.2	142.0	+7.8
Business solutions	81.4	102.8	+21.4	95.5	+7.3
Service solutions	43.3	47.0	+3.7	46.5	+0.5
Gross Profit	24.9	29.4	+4.5	26.6	+2.8
<Gross Profit Margin>	<20.0%>	<19.6%>	<-0.3%>	<18.7%>	<+0.9%>
SG&A	13.6	14.3	+0.7	14.2	+0.1
Operating Profit	11.3	15.1	+3.8	12.4	+2.7
Recurring Profit	11.5	15.1	+3.6	12.5	+2.6
Profit attributable to owners of parent	7.2	9.6	+2.4	8.0	+1.6

I -3. 1H of FY ending March 31, 2020 Quarterly Consolidated Results

(¥ in billions)	FY Mar. 2019			FY Mar. 2020			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
Sales	58.4	66.2	124.6	81.7	68.2	149.8	+23.2	+1.9	+25.2
Business Solutions	37.5	43.9	81.4	58.7	44.1	102.8	+21.3	+0.2	+21.4
Service Solutions	21.0	22.3	43.3	23.0	24.0	47.0	+2.0	+1.7	+3.7
Gross Profit	12.2	12.7	24.9	15.3	14.1	29.4	+3.2	+1.4	+4.5
<Gross profit margin>	<20.8%>	<19.2%>	<20.0%>	<18.8%>	<20.7%>	<19.6%>	<-2.0%>	<+1.5%>	<-0.3%>
SG&A	7.0	6.6	13.6	7.4	6.9	14.3	+0.3	+0.4	+0.7
Operating Profit	5.1	6.2	11.3	7.9	7.2	15.1	+2.8	+1.0	+3.8
Recurring Profit	5.3	6.2	11.5	8.2	6.9	15.1	+2.9	+0.7	+3.6
Profit attributable to owners of parent	3.0	4.2	7.2	5.1	4.6	9.6	+2.1	+0.4	+2.4
Nippon Steel Sales	(12.7)	(11.9)	(24.6)	(14.0)	(13.3)	(27.3)	(+1.3)	(+1.3)	(+2.7)

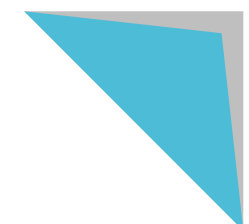
I -4. 1H of FY March 31,2020

Sales by Service and Segment

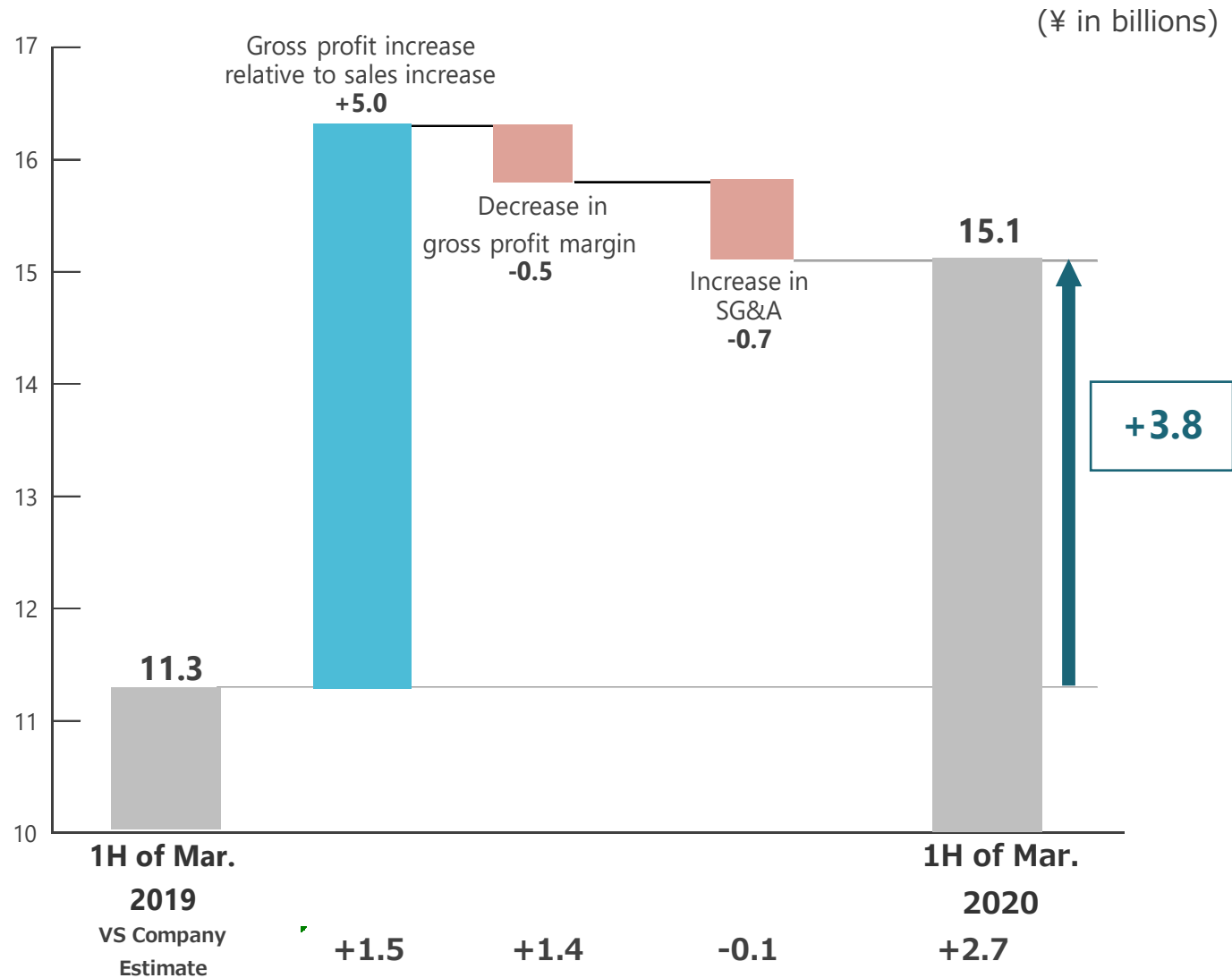
(¥ in billions)	1H of FY Mar. 2019		1H of FY Mar. 2020		Difference		Comment
	Actual A	IT platform	Actual B	IT platform	B-A	IT platform	
Business Solutions	67.8	17.7	88.2	26.2	+20.4	+8.5	
Manufacturing, Retail and Service	31.8	11.5	42.0	18.3	+10.2	+6.7	Sales increase in transportation, manufacturing, travel related business, retail and large platform project.
Financial Services	14.3	3.6	15.7	5.3	+1.4	+1.7	Increase in product sales
Government, Public organizations and Others	21.7	2.6	30.5	2.7	+8.8	+0.1	Received orders for large scale product procurement project and platform engineering projects for the government sector
Service Solutions	41.1		43.9		+2.8		
IT Platform	15.8	<17.7>	16.6	<26.2>	+0.8	<+8.5>	Sales increase in multi cloud services and DaaS
NSSMC Group	25.3		27.3		+2.0		Nippon Steel's IT investment is active
Subsidiaries	15.8		17.7		+2.0		
Total	124.6		149.8		+25.2		
Nippon Steel Sales	(24.6)		(27.3)		(+2.7)		
Total Order	138.0		152.6		+14.6		

Business Solutions + 10.0
 Service Solutions + 4.6

I -5. 1H of FY ending March 31, 2020 Consolidated Operating Profit Breakdown



YoY



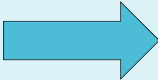
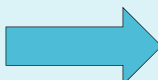
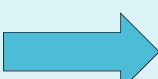
II

Outlook for FY March 31, 2020

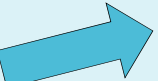

II - 1 . Current Business Conditions

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 utilization of advanced IT of Nippon Steel.</p>	

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

Ⅱ -2. Outlook for FY ending March 31, 2020 (YoY)

(¥ in billions)	FY Mar. 2019			FY Mar. 2020 Co. Est as of October 29			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
Sales	124.6	140.6	265.3	149.8	143.7	293.5	+25.2	+3.1	+28.2
Business Solutions	81.4	94.3	175.6	102.8	96.2	199.0	+21.5	+1.9	+23.4
Service Solutions	43.3	46.4	89.6	47.0	47.5	94.5	+3.7	+1.1	+4.9
Gross Profit	24.9	27.7	52.6	29.4	28.7	58.1	+4.5	+1.0	+5.5
<Gross profit margin>	<20.0%>	<19.7%>	<19.8%>	<19.6%>	<20.0%>	<19.8%>	<-0.3%>	<+0.3%>	<-0.0%>
SG&A	13.6	13.3	26.9	14.3	14.3	28.6	+0.7	+1.0	+1.7
Operating Profit	11.3	14.4	25.7	15.1	14.4	29.5	+3.8	0.0	+3.8
Recurring Profit	11.5	14.6	26.1	15.1	14.4	29.5	+3.6	-0.2	+3.4
Profit attributable to owners of parent	7.2	9.9	17.1	9.6	9.7	19.3	+2.4	-0.3	+2.2
Nippon Steel Sales	(24.6)	(26.3)	(51.0)	(27.3)	(25.7)	(53.0)	(+2.7)	(-0.6)	(+2.0)
Order backlog at the beginning of the period	121.1	134.4	-	147.4	150.2	-	+26.3	+15.7	-

II -3. Semiannual Outlook for FY ending March 31, 2020 (vs previous plan)

(¥ in billions)	FY Mar.2020 Co. Est as of July 30			FY Mar.2020 Co. Est as of October 29			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
Sales	142.0	144.0	286.0	149.8	143.7	293.5	+7.8	-0.3	+7.5
Business Solutions	95.5	96.5	192.0	102.8	96.2	199.0	+7.3	-0.3	+7.0
Service Solutions	46.5	47.5	94.0	47.0	47.5	94.5	+0.5	+0.0	+0.5
Gross Profit	26.6	28.5	55.1	29.4	28.7	58.1	+2.8	+0.2	+3.0
<Gross profit margin>	<18.7%>	<19.8%>	<19.3%>	<19.6%>	<20.0%>	<19.8%>	<+0.9%>	<+0.2%>	<+0.5%>
SG&A	14.2	13.7	27.9	14.3	14.3	28.6	+0.1	+0.6	+0.7
Operating Profit	12.4	14.8	27.2	15.1	14.4	29.5	+2.7	-0.4	+2.3
Recurring Profit	12.5	15.0	27.5	15.1	14.4	29.5	+2.6	-0.6	+2.0
Profit attributable to owners of parent	8.0	10.0	18.0	9.6	9.7	19.3	+1.6	-0.3	+1.3
Nippon Steel Sales	(26.0)	(26.5)	(52.5)	(27.3)	(25.7)	(53.0)	(+1.3)	(-0.8)	(+0.5)

II -4. Outlook for 2H of FY March 31, 2020

Sales by Service and Segment

(¥ in billions)	2H of FY Mar. 2019		2H of FY Mar. 2020		Difference		Comment
	(Oct.-Mar.)	IT platform	(Oct.-Mar.)	IT platform	(Oct.-Mar.)	IT platform	
	A		B		B-A		
Business Solutions	78.7	15.7	80.3	15.3	+1.6	-0.4	
Manufacturing, Retail and Service	33.7	9.6	35.5	9.7	+1.7	+0.2	Sales increase in e-commerce, travel business and retail
Financial Services	16.4	4.4	15.8	3.7	-0.6	-0.7	
Government, Public organizations and Others	28.6	1.7	29.0	1.8	+0.5	+0.2	
Service Solutions	43.7		44.6		+0.9		
IT Platform	17.4	<15.7>	18.4	<15.3>	+1.0	<-0.4>	Sales increase in multi cloud services and DaaS
NSSMC Group	26.2		26.2		0.0		Nippon Steel's IT investment is in high level due to their advanced IT needs
Subsidiaries	18.2		18.8		+0.5		
Total	140.6		143.7		+3.1		
Nippon Steel	(26.3)		(25.7)		(-0.6)		

II -5. Outlook for FY ending March 31, 2020

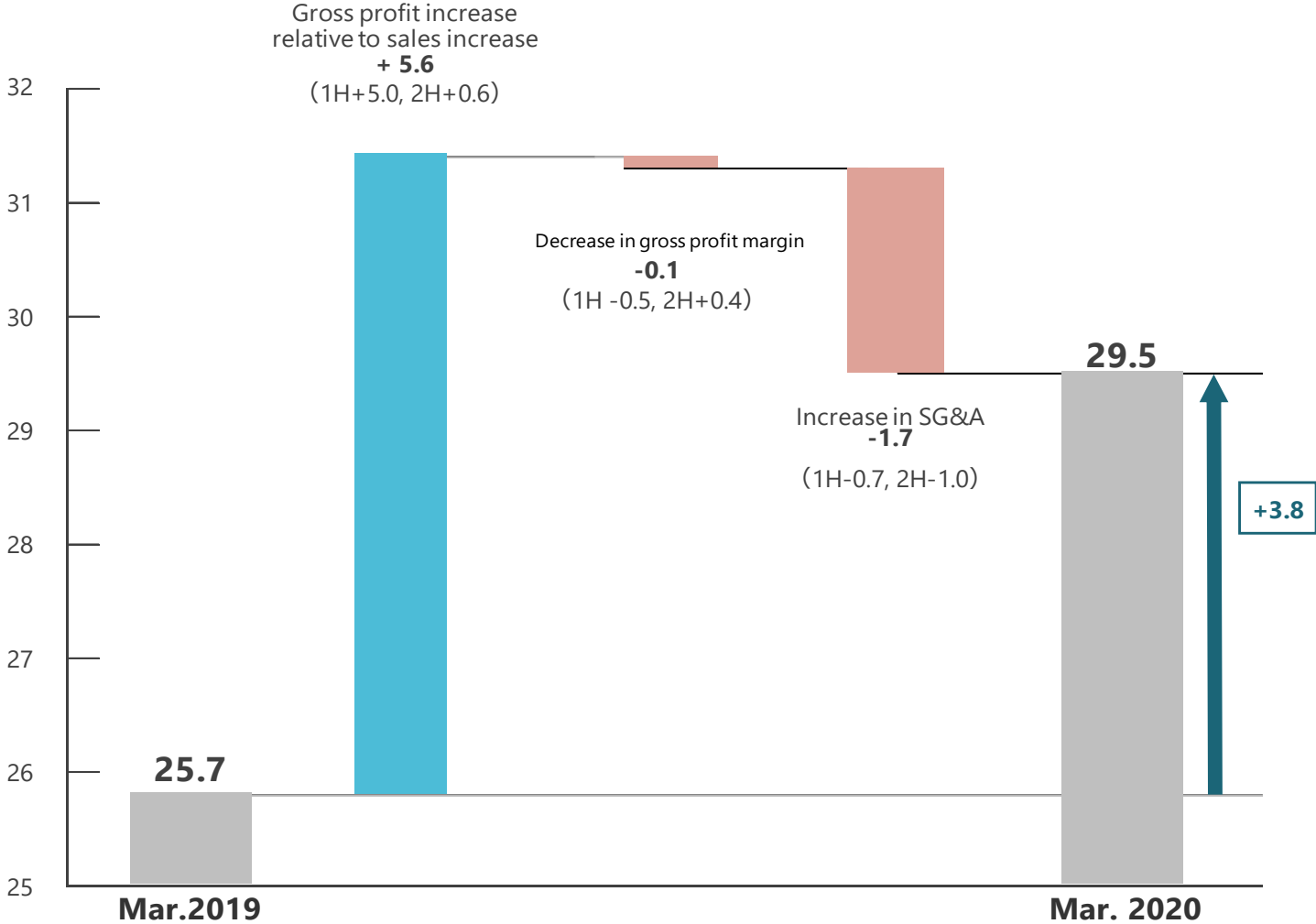
Sales by Service and Segment

(¥ in billions)	FY Mar. 2019		FY Mar. 2020		Difference	
	Actual	IT platform	Company Estimate	IT platform		IT platform
	A		B		B-A	
Business Solutions	146.5	33.3	168.5	41.5	+22.0	+8.2
Manufacturing, Retail and Service	65.5	21.1	77.5	28.0	+12.0	+6.9
Financial Services	30.7	8.0	31.5	9.0	+0.8	+1.0
Government, Public organizations and Others	50.3	4.3	59.5	4.5	+9.2	+0.2
Service Solutions	84.7		88.5		+3.8	
IT Platform	33.2	<33.3>	35.0	<41.5>	+1.8	<+8.2>
NSSMC Group	51.6		53.5		+1.9	
Subsidiaries	34.0		36.5		+2.5	
Total	265.3		293.5		+28.2	
Nippon Steel	(51.0)		(53.0)		(+2.0)	

II -6. FY March 31, 2020 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 FY Ending March 31, 2020 Dividend

Old

FY Mar. 2020
60.00 yen



New

FY Mar. 2020
65.00yen

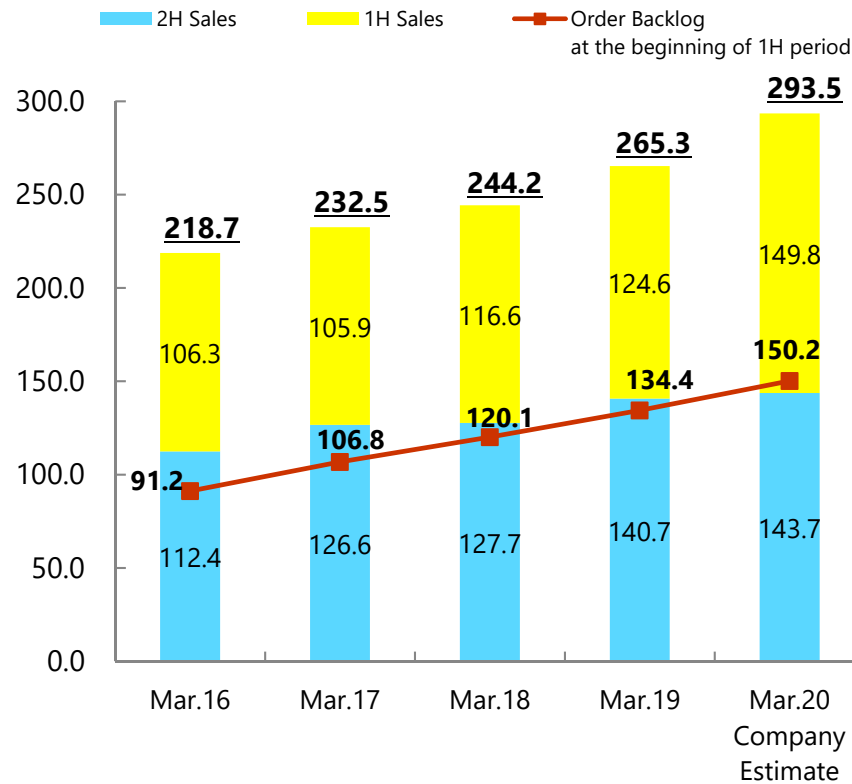
(Reference)
FY Mar.2019
55.00 yen



Topics

III-1. Sustainable Structural Growth

(¥ in billions)



- 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 billions)

FY	Mar.16	Mar.17	Mar.18	Mar.19	Mar.20 Estimate
1H	5.5	6.2	7.2	7.7	9.0
2H	6.5	7.8	8.3	8.8	9.5
Full year	12.0	14.0	15.5	16.5	18.5

*1H of FY Mar.20 is actual and 2H of FY Mar.20 is our estimate

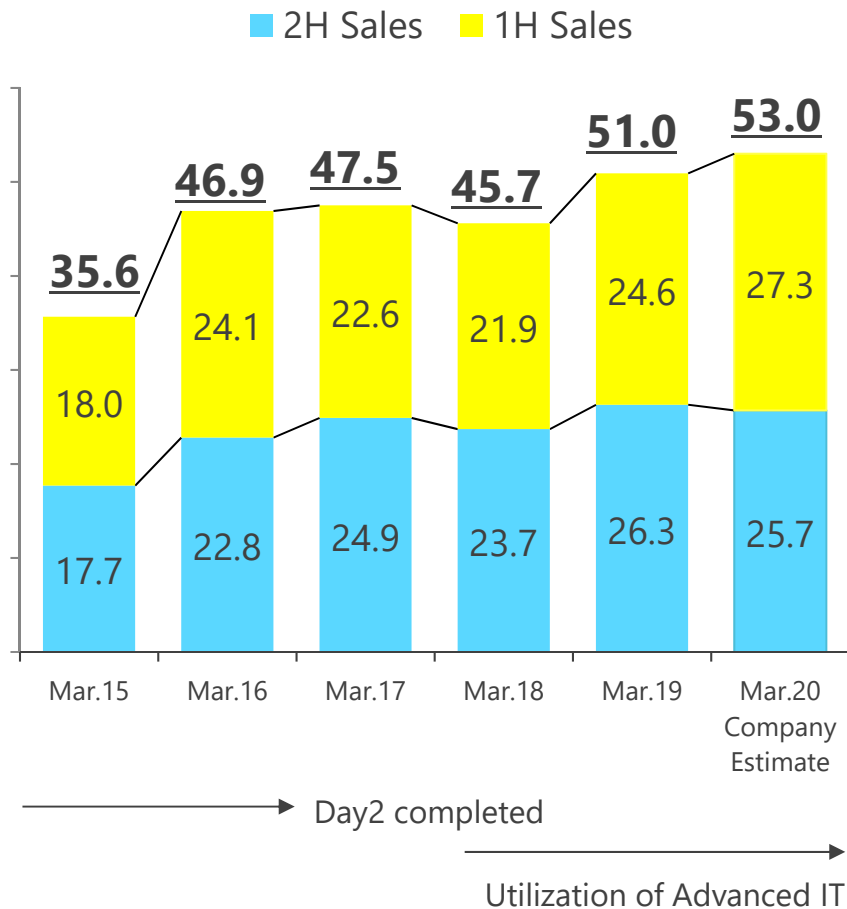
• Employee number as of end of 1st half period

	15/9	16/9	17/9	18/9	19/9
Employee	5,665	5,898	6,286	6,454	6,659

III-2. Nippon Steel Business ①

1. Nippon Steel Sales Trend

(¥ in billions)



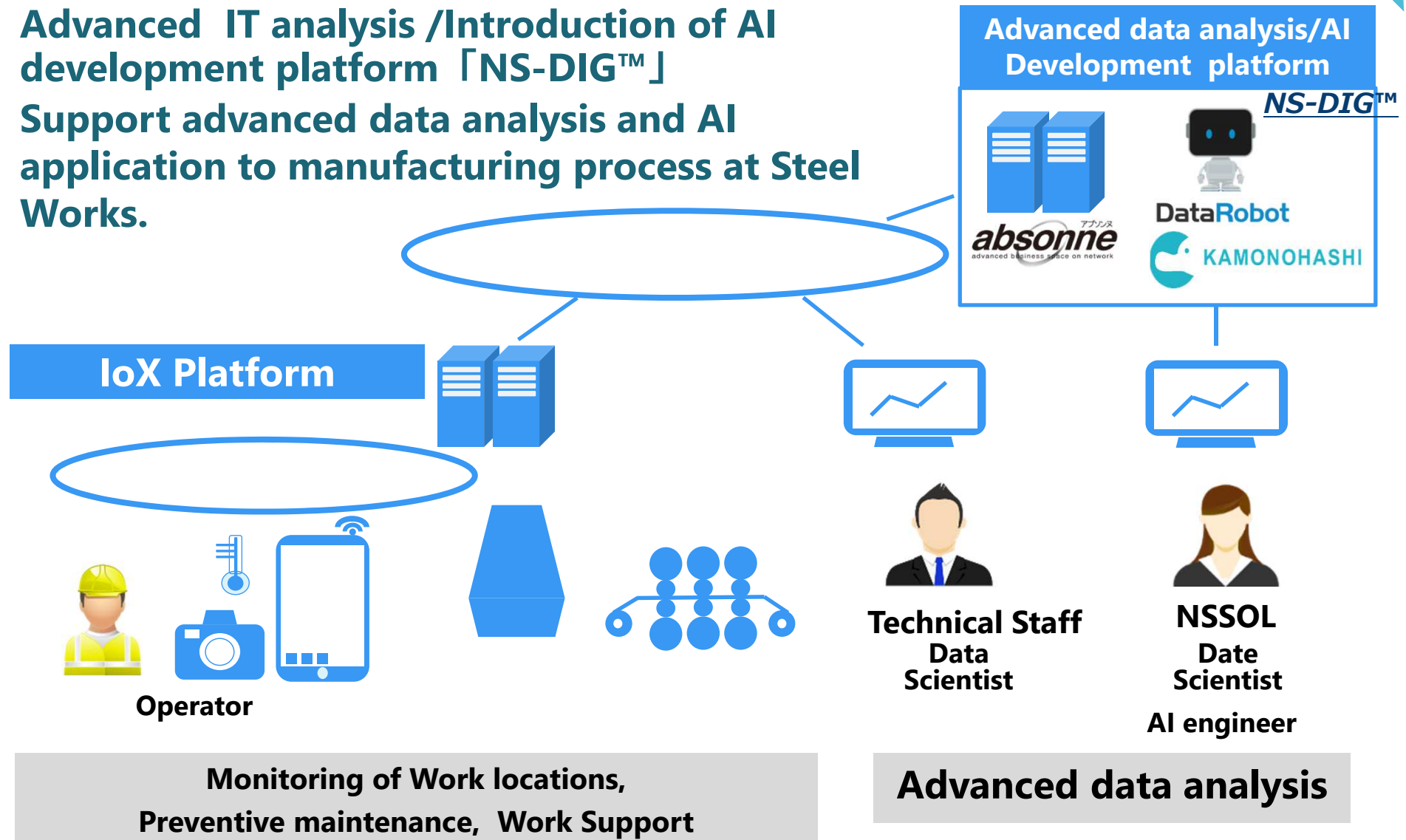
2. New Japanese Corporate Name; Supporting Nippon Steel Group Business Reorganization

- Nippon Steel's corporate name change - April 1, 2019
- 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
- Business for merger of Nippon Steel and Nippon Steel Nisshin- Scheduled for April 2020

III-2. Nippon Steel Business ②

Digital innovation at Steel manufacturing sites

Advanced IT analysis /Introduction of AI development platform 「NS-DIG™」
Support advanced data analysis and AI application to manufacturing process at Steel Works.

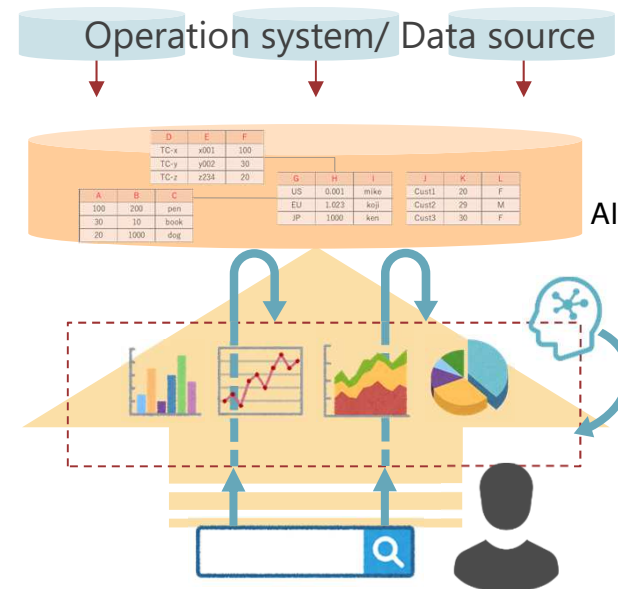


III-3. Digital Innovation (NSSOL4.0)

◆ About ThoughtSpot

Search & AI-driven innovative data analytics platform for enterprise. It quickly uncovers data-driven insights with simple search and automatically gets insights pushed to them with AI and support management for decision making in various aspects.

NSSOL is the first vendor of ThoughtSpot in Japan and has started the introduction support and construction service.



III-4. ESG

IoX Solution “Safety Watch”
The lineup has been expanded. Speedy realization of a safe work site



Contributing to the utilization of medical information through our software



NSSOL was included to
FTSE 4 Good Index Series
FTSE Blossom Japan Index



FTSE4Good



FTSE Blossom
Japan



Answers to power your future

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

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