

**NS Solutions**

 **NIPPON STEEL**

# **Financial Information for the Second Quarter of the Fiscal Year ending March 31, 2022**

**(April 1, 2021 through September 30, 2021)**

October 29, 2021

**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.

# Agenda

I . Consolidated Financial Results for 1H of FY Mar. 2022

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II . Outlook for FY March 31, 2022

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III . Topics

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# Consolidated Financial Results for 1H of FY Mar. 2022

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# I -1. Consolidated Results for 1H of FY Mar. 2022

¥ in billions

	FY Mar.2021 1H	FY Mar. 2022 1H	Difference	(YoY)	FY Mar. 2022 1H (Co. Est)	Difference	
<b>Sales</b>	119.1	130.8	+11.7	+10%	127.5	+3.3	+3%
Business solutions	74.0	85.5	+11.5	+16%	81.0	+4.5	+6%
Service solutions	45.1	45.3	+0.2	+0%	46.5	-1.2	-3%
<b>Gross Profit</b>	25.0	28.8	+3.8	+15%	26.8	+2.0	+7%
Gross Profit Margin	21.0%	22.0%	<+1.0%>		21.0%	<+1.0%>	
<b>SG&amp;A</b>	13.9	15.0	+1.1	+8%	15.0	+0.0	+0%
<b>Operating Profit</b>	11.1	13.8	+2.6	+24%	11.8	+2.0	+17%
<b>Recurring Profit</b>	11.4	14.3	+2.9	+26%	12.0	+2.3	+19%
Profit attributable to owners of parent	7.9	9.2	+1.3	+17%	7.6	+1.6	+21%

# I -2. 1H of FY ending March 31, 2021 Quarterly Consolidated Results

¥ in billions

	FY Mar.2021			FY Mar.2022			Difference		
	1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H
	A	B	C	D	E	F	D-A	E-B	F-C
<b>Sales</b>	56.6	62.4	119.1	65.5	65.3	130.8	+8.9	+2.8	+11.7
<b>Business solutions</b>	34.9	39.1	74.0	43.2	42.3	85.5	+8.3	+3.2	+11.5
<b>Service solutions</b>	21.7	23.3	45.1	22.3	23.0	45.3	+0.6	-0.3	+0.2
<b>Gross Profit</b>	12.2	12.8	25.0	14.8	14.0	28.8	+2.6	+1.2	+3.8
<b>Gross Profit Margin</b>	21.6%	20.5%	21.0%	22.6%	21.4%	22.0%	+1.0%	+0.9%	+1.0%
<b>SG&amp;A</b>	7.1	6.7	13.9	7.7	7.3	15.0	+0.6	+0.6	+1.1
<b>Operating Profit</b>	5.1	6.0	11.1	7.1	6.6	13.8	+2.0	+0.6	+2.6
<b>Recurring Profit</b>	5.4	6.0	11.4	7.5	6.8	14.3	+2.1	+0.8	+2.9
<b>Profit attributable to owners of parent</b>	3.1	4.8	7.9	4.6	4.6	9.2	+1.5	-0.2	+1.3
<b>Nippon Steel Sales</b>	12.7	13.7	26.4	13.7	13.0	26.6	+1.0	-0.7	+0.3

# I -3. 1H of FY Mar. 2022

## Sales by Segment / Customer Industry

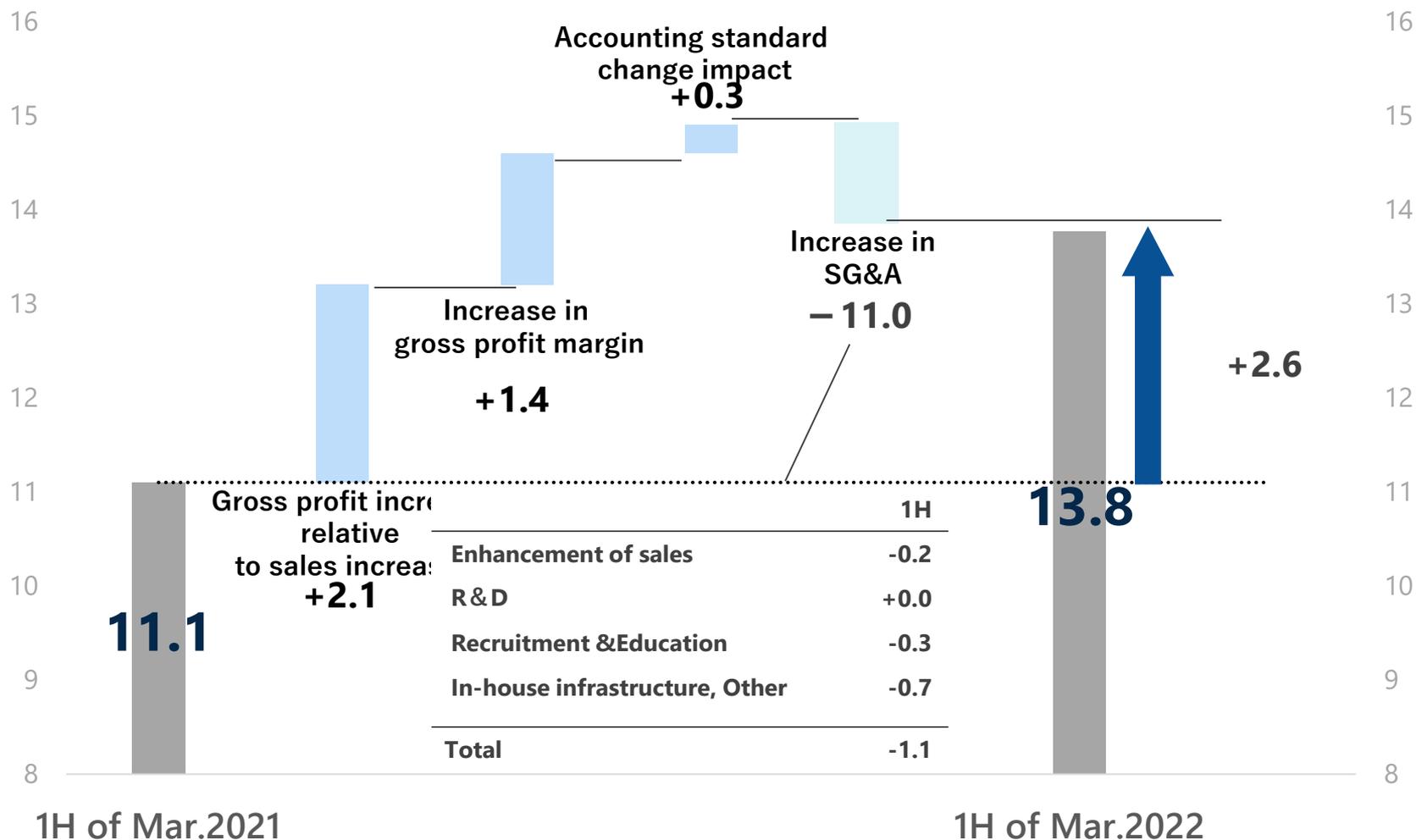
¥ in billions

	FY Mar.2021		FY Mar. 2022		Difference		Comments
	1H	IT platform	1H	IT platform	1Q	IT platform	
<b>Business Solutions</b>	60.3	16.4	71.8	20.4	+11.5	+4.0	
<b>Manufacturing, Retail and Service</b>	34.3	11.1	36.5	11.7	+2.2	+0.6	Increase in earnings received in transportation and platformer
<b>Financial Services</b>	13.9	3.7	19.2	5.6	+5.3	+2.0	Increase in demand for Libor transition and IT product
<b>Government, Public organizations</b>	12.1	1.6	16.1	3.1	+4.0	+1.4	Received orders for procurement project for the government sector and telecom sales
<b>Service Solutions</b>	43.2		43.7		+0.5		
<b>IT Platform</b>	16.7	<16.4>	17.1	<20.4>	+0.4	<+4.0>	
<b>Nippon Steel Group</b>	26.5		26.7		+0.2		Nippon Steel and Group IT investment is active
<b>Subsidiaries</b>	15.6		15.3		-0.3		
<b>Total</b>	119.1		130.8		+11.7		
<b>Nippon Steel Sales</b>	26.4		26.6		+0.3		
<b>Total Order</b>	116.3		131.5		+15.2		

# I -4. 1H of FY Mar. 2022

## Consolidated Operating Profit Breakdown

¥ in billions





# Outlook for FY March 31, 2022

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# II - 1 . Market trend

## Business Environment

Although the economy is still in an unpredictable situation due to the impact of the COVID-19 infection, IT investment is steadily recovering.

## Market Trend

### Manufacturing, Retail and Service

- Active IT investment in platformer ( Internet services and e-commerce).

### Financial Services

- IT investment of modification for financial system revision peaked out. Focus on developing financial services for different industries

### Government, Public organizations and others

- Focus on sales activities for government sector

### IT Platform

- Digital workplace solution demand is active

### Nippon Steel Group

- Promoting support for Nippon Steel's DX

## II -2. Outlook for FY Mar. 2022 (YoY)

¥ in billions

	FY Mar. 2021			FY Mar. 2022			Difference		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
	A	B	C	D	E	F	D-A	E-B	F-C
<b>Sales</b>	119.1	132.9	252.0	130.8	139.2	270.0	+11.7	+6.3	+18.0
<b>Business solutions</b>	74.0	88.3	162.3	85.5	88.5	174.0	+11.5	+0.2	+11.7
<b>Service solutions</b>	45.1	44.7	89.7	45.3	50.7	96.0	+0.2	+6.1	+6.3
<b>Gross Profit</b>	25.0	26.9	52.0	28.8	29.4	58.2	+3.8	+2.5	+6.3
<b>Gross Profit Margin</b>	21.0%	20.3%	20.6%	22.0%	21.1%	21.6%	+1.0%	+0.9%	+0.9%
<b>SG&amp;A</b>	13.9	13.5	27.4	15.0	15.5	30.5	+1.1	+2.0	+3.1
<b>Operating Profit</b>	11.1	13.4	24.5	13.8	13.9	27.7	+2.6	+0.5	+3.2
<b>Recurring Profit</b>	11.4	13.7	25.1	14.3	14.2	28.5	+2.9	+0.5	+3.4
<b>Profit attributable to owners of parent</b>	7.9	9.1	17.0	9.2	9.3	18.5	+1.3	+0.2	+1.5
<b>Nippon Steel Sales</b>	26.4	26.3	52.6	26.6	28.4	55.0	+0.3	+2.1	+2.4
Order backlog at the beginning of the period	126.9	124.1	-	122.6	123.3	-	-4.3	-0.8	-

## II -3. Outlook for FY Mar. 2022 (vs previous plan)

¥ in billions

	FY Mar.2022 Co. Est as of April 28			FY Mar. 2022 Co. Est as of October29			Difference		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
	A	B	C	D	E	F	D-A	E-B	F-C
<b>Sales</b>	127.5	137.5	265.0	130.8	139.2	270.0	+3.3	+1.7	+5.0
<b>Business solutions</b>	81.0	89.5	170.5	85.5	88.5	174.0	+4.5	-1.0	+3.5
<b>Service solutions</b>	46.5	48.0	94.5	45.3	50.7	96.0	-1.2	+2.7	+1.5
<b>Gross Profit</b>	26.8	28.7	55.5	28.8	29.4	58.2	+2.0	+0.7	+2.7
<b>Gross Profit Margin</b>	21.0%	20.9%	20.9%	22.0%	21.1%	21.6%	+1.0%	+0.3%	+0.6%
<b>SG&amp;A</b>	15.0	15.0	30.0	15.0	15.5	30.5	+0.0	+0.5	+0.5
<b>Operating Profit</b>	11.8	13.7	25.5	13.8	13.9	27.7	+2.0	+0.2	+2.2
<b>Recurring Profit</b>	12.0	14.0	26.0	14.3	14.2	28.5	+2.3	+0.2	+2.5
<b>Profit attributable to owners of parent</b>	7.6	9.5	17.1	9.2	9.3	18.5	+1.6	-0.2	+1.4
<b>Nippon Steel Sales</b>	27.0	25.5	52.5	26.6	28.4	55.0	-0.4	+2.9	+2.5

# II -4. Outlook for FY 2H pf Mar. 2022

## Sales by Segment / Customer Industry

¥ in billions

	FY Mar. 2021		FY Mar.2022		Difference		Comments
	2H	IT platform	2H	IT platform	2H	IT platform	
<b>Business Solutions</b>	72.0	16.1	71.7	17.1	-0.2	+1.0	
<b>Manufacturing, Retail and Service</b>	35.2	9.9	37.0	11.3	+1.9	+1.4	Increase in earnings received in transportation and platformer
<b>Financial Services</b>	18.3	4.5	16.3	4.4	-2.0	-0.1	reactionary decrease for Libor transition
<b>Government, Public organizations</b>	18.5	1.7	18.4	1.4	-0.1	-0.3	
<b>Service Solutions</b>	41.9		47.8		+5.8		
<b>IT Platform</b>	16.0	<16.1>	18.4	<17.1>	+2.5	<+1.0>	Increase in digital work place solution sales
<b>Nippon Steel Group</b>	26.0		29.3		+3.4		Increase in DX business
<b>Subsidiaries</b>	19.0		19.7		+0.7		
<b>Total</b>	132.9		139.2		+6.3		
<b>Nippon Steel Sales</b>	26.3		28.4		+2.1		
Order backlog at the beginning of the period	124.1		123.3		-0.8		

# II -5. Outlook for FY March 2022

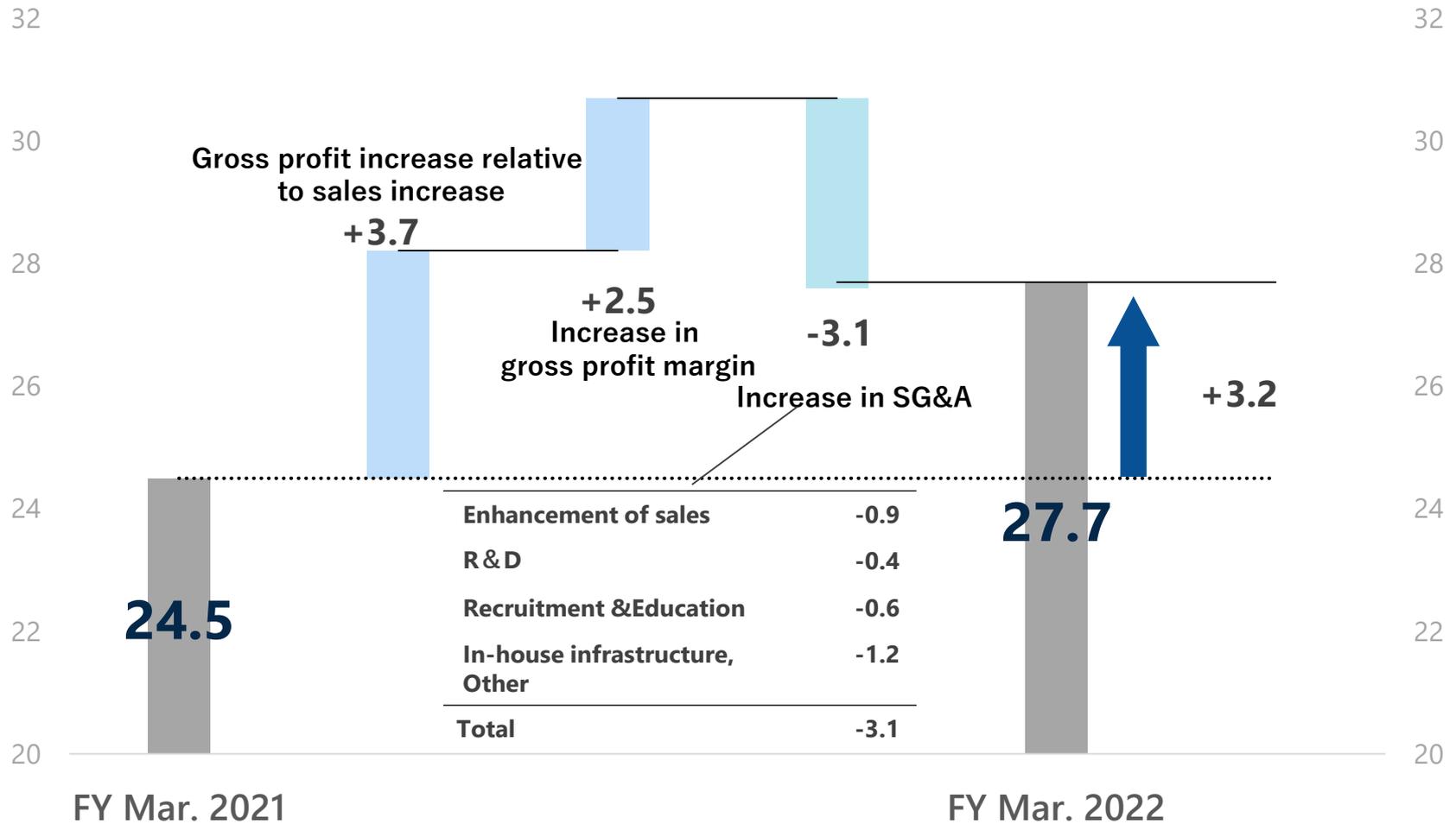
## Sales by Segment / Customer Industry

¥ in billions

	FY Mar. 2021		FY Mar. 2022		Difference		Comments
		IT platform		IT platform		IT platform	
<b>Business Solutions</b>	132.2	32.5	143.5	37.5	+11.3	+5.0	
<b>Manufacturing, Retail and Service</b>	69.5	21.0	73.5	23.0	+4.0	+2.0	Increase in earnings received in transportation and platformer
<b>Financial Services</b>	32.2	8.1	35.5	10.0	+3.3	+1.9	Increase in demand for Libor transition and IT product
<b>Government, Public organizations</b>	30.6	3.4	34.5	4.5	+3.9	+1.1	Received orders for procurement project for the government sector and telecom sales
<b>Service Solutions</b>	85.1		91.5		+6.4		
<b>IT Platform</b>	32.7	32.5	35.5	37.5	+2.8	+5.0	
<b>Nippon Steel Group</b>	52.5		56.0		+3.5		Nippon Steel and Group IT investment is active
<b>Subsidiaries</b>	34.6		35.0		+0.4		
<b>Total</b>	252.0		270.0		+18.0		
<b>Nippon Steel Sales</b>	52.6		55.0		+2.4		

# II -6. FY March 31, 2022 OP Outlook Breakdown

¥ in billions



# (Reference)

- ◆ Impact of application of the accounting standard for revenue recognition

¥ in billions

		2 Q			Second Half
		Order backlog at the beginning of the period	Order	Sales	Order backlog at the beginning of the period
FY2020	A	119.7	66.9	62.4	124.1
FY2021	B	115.7	72.8	65.3	123.3
Difference	C(B-A)	-4.0	+5.9	+2.8	-0.8
Impact	D	-14.6	0.0	-0.8	-13.8
Proforma	E(C-D)	+10.6	+5.9	+3.5	+13.0

## 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 2021 Dividend

**FY 2021**  
**(as of April 28)**  
**56 yen**

**FY 2021**  
**(as of October 29)**  
**60 yen**

2<sup>nd</sup> quarter end : 30yen, Year end : 30yen (Forecast)



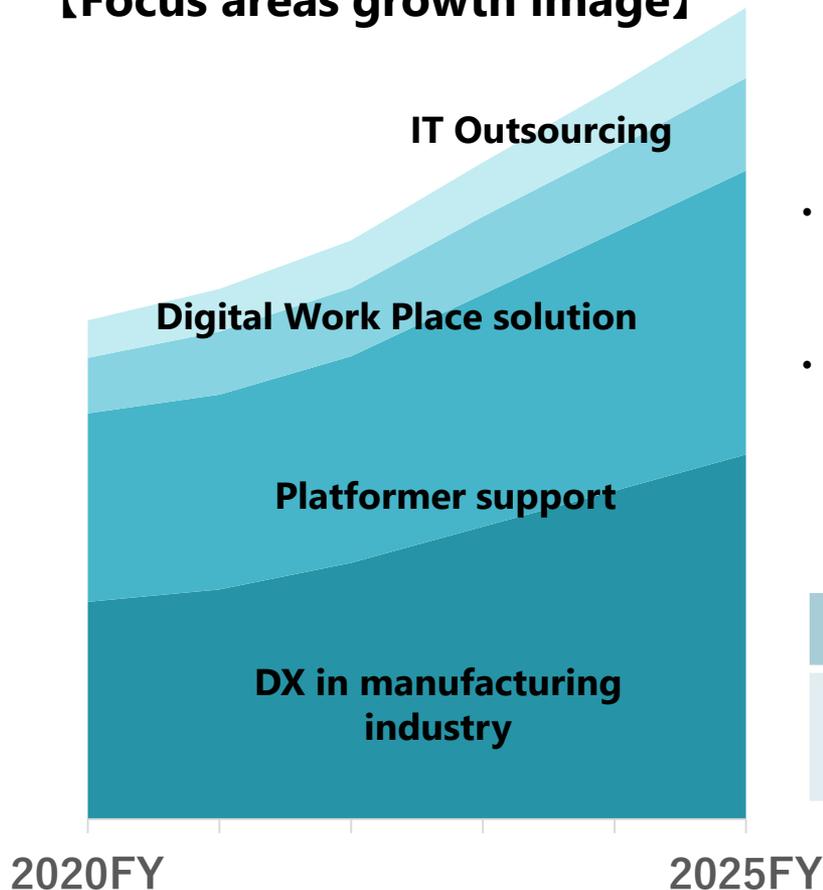
# Topics

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# III-1. Mid-term Business Growth

- ◆ Mid-term Sales growth rate in the focus areas 10%~

## 【Focus areas growth image】



- Established the Digital Manufacturing Center and held a business strategy meeting on the concept brand “Planetary”.

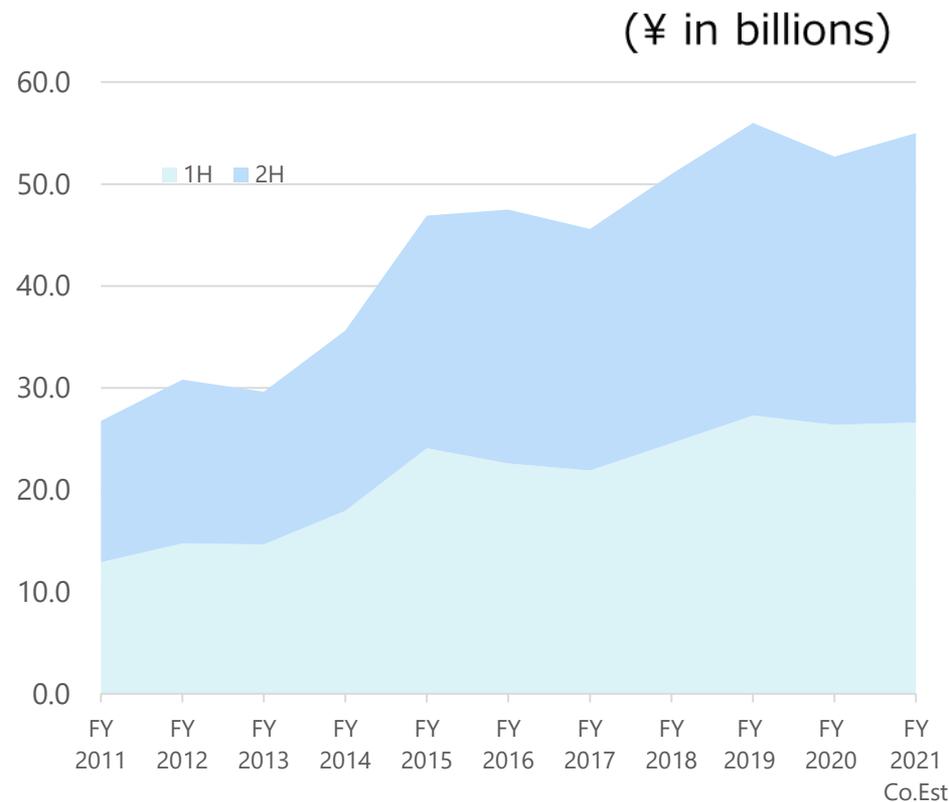


- Platformer support  
Support for platformers in EC, financial services, etc.
- Development of DX human resources

Focus area KPI	¥ in billions	
	FY March 2022	YoY
Focus area Sales	52	+12%

# III-2 . Nippon Steel business

## 1. Nippon Steel Sales Trend



## 2. Actions

Nippon Steel Corporation Medium- to Long-Term Management Plan (March 5, 2021)

Promotion of DX  
 ~Strengthen business competitiveness by leveraging data and digital technologies

【Case : Production planning DX】  
 • Optimal production through integrated production planning simulation based on actual production data using AI

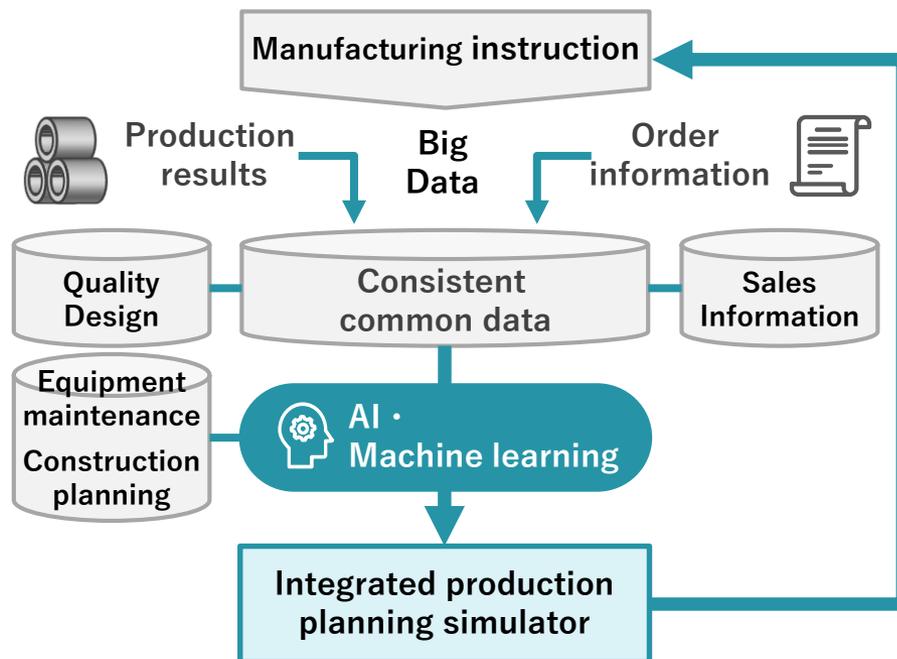
### Nippon Steel Sales forecast (FY March 2022)

		¥ in billions	
Old	New	Increase	
52.5	55.0	+2.5	

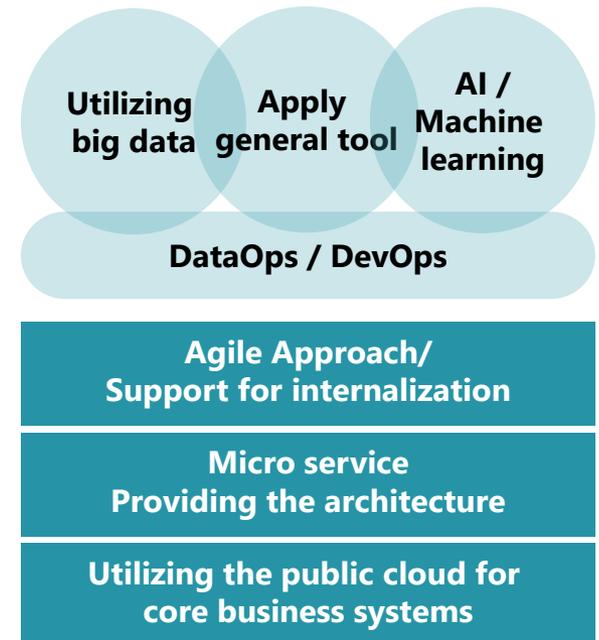
# III-3. Nippon Steel business

- ◆ Contributing to DX production planning as part of Nippon Steel Corporation's DX strategy
- ◆ Optimal production using an AI-based integrated production planning simulator

## Nippon Steel Production Planning DX



## NSSOL DX support



Source: Nippon Steel Corporation Integrated Report 2021

## III-4 . ESG

### Analyzing Pathological Image Data to Promote Resolution of Pathologist Shortage

Under the New Energy and Industrial Technology Development Organization (NEDO) contract, we are working on the research and development of pathological image diagnosis using artificial intelligence (AI) in the "Technology Development Project for Next Generation Artificial Intelligence that Evolves with People".



### Experimental Application of "Anzen Mimamori-kun" to Promote Smart Agriculture

We are participating in a smart agriculture demonstration experiment at a yuzu field operated by Tosa Kitagawa Farm in Kitagawa Village, Aki-gun, Kochi Prefecture, which was selected as a project for the development and demonstration of smart agriculture technology by the Ministry of Agriculture, Forestry and Fisheries.





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