



NS Solutions



Financial Information for the Second Quarter of the Fiscal Year ending March 31, 2024

(April 1, 2023, through September 30, 2023)

October 27, 2023

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

Summary

I . Results for the First Half of FY2023

II . Outlook for FY2023

III . Progress of Medium-term Business Strategy FY2021-2025

Summary

Results for the First Half of FY2023

- IT investment growth trend at domestic to continue strong.
- NSSOL's first-half earnings beat forecasts and reach record high.

Outlook for FY2023

- IT investment is expected to remain strong in the second half.
- We will continue to focus on our “Operation Emphasizing Added Values” activity and are sticking to our original forecast for FY2023.
- Annual dividend is expected to be ¥80/share.
(Interim ¥40/share, Year-end ¥40/share)

Progress of Medium-term Business Strategy FY2021-2025

- Both the sales growth rate and the growth rate of the focus areas are progressing at a faster pace than planned.
- Started preparation of the next medium- to long-term management vision based on the progress of the current plan and changes in the IT market environment, etc.

Results for the First Half of FY2023

I -1. First Half of FY ending Mar. 2024 Highlights

¥ in billions

	FY2022 1H	FY2023 1H	Difference <i>YoY rate</i>		FY2023-1H Previous Forecast	Difference <i>rate</i>	
Revenue	134.7	144.8	+10.1	7%	140.0	+4.8	3%
Gross Profit <Gross Profit Margin>	30.4 <22.6%>	33.4 < 23.1% >	+3.0 < +0.5% >	10%	32.0 <22.9%>	+1.4 <+0.2%>	4%
SG&A	16.5	18.7	+2.2	13%	18.0	+0.7	4%
Others	0.0	(0.1)	-0.1		0.0	-0.1	
Operating Profit <Operating Profit Margin>	14.0 <10.4%>	14.6 < 10.1% >	+0.6 < -0.3% >	5%	14.0 <10.0%>	+0.6 <+0.1%>	5%
Profit before tax	14.2	15.0	+0.8	5%	14.2	+0.8	6%
Profit attributable to owners of parent	9.4	9.5	+0.1	1%	9.4	+0.1	1%

I -2. 1H /FY ending Mar.2024 Quarterly Consolidated Results

¥ in billions

	FY ended Mar. 2023			FY ending Mar.2024			Difference		
	1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H
Revenue	65.1	69.6	134.7	68.8	76.0	144.8	+3.6	+6.4	+10.1
Gross Profit	14.8	15.7	30.4	16.1	17.3	33.4	+1.3	+1.6	+3.0
<Gross Profit Margin>	<22.7%>	<22.5%>	<22.6%>	<23.4%>	<22.7%>	<23.1%>	<+0.8%>	<+0.2%>	<+0.5%>
SG&A	8.3	8.2	16.5	9.6	9.1	18.7	+1.3	+0.9	+2.2
Others	0.0	0.0	0.0	0.0	(0.1)	(0.1)	0.0	-0.2	-0.1
Operating Profit	6.5	7.5	14.0	6.6	8.1	14.6	+0.1	+0.5	+0.6
<Operating Profit Margin>	<10.0%>	<10.8%>	<10.4%>	<9.6%>	<10.6%>	<10.1%>	<-0.4%>	<-0.2%>	<-0.3%>
Profit before tax	6.7	7.6	14.2	6.9	8.1	15.0	+0.2	+0.6	+0.8
Profit attributable to owners of parent	4.4	5.0	9.4	4.0	5.5	9.5	-0.3	+0.4	+0.1

I -3. 1H of FY ending Mar. 2024

Sales by Segment / Customer Industry

¥ in billions

	FY ended Mar. 2023	FY ending Mar. 2024	Difference	
	1H	1H		Possitive Customer/ Product
	<C&D>	<C&D>	<C&D>	Negative Customer / Product
Business Solutions	89.0 <18.1>	92.9 <17.6>	+3.9 <-0.5>	
Manufacturing, Nippon Steel Group	43.7 <7.5>	45.6 <7.1>	+1.9 <-0.5>	Nippon Steel, Transportation
Retail and Service, Digital Platformer	28.9 <6.3>	29.2 <5.9>	+0.3 <-0.4>	Internet Platformer
Financial Service	16.4 <4.2>	18.2 <4.6>	+1.8 <+0.4>	Megabanks & Large banks
Consulting & Digital Service	29.0 <47.1>	32.0 <49.5>	+2.9 <+2.4>	DWP solution, The Cloud Services, Oracle solutions
Subsidiaries	16.7	19.9	+3.2	Joint venture companies
Total	134.7	144.8	+10.1	
<FYI>				
Revenue to Nippon Steel	27.7	30.5	+2.8	
Revenue to government, educational and research institutions	10.0	9.1	-0.9	

I -4. 2Q of FY ending Mar. 2024

Sales by Segment / Customer Industry

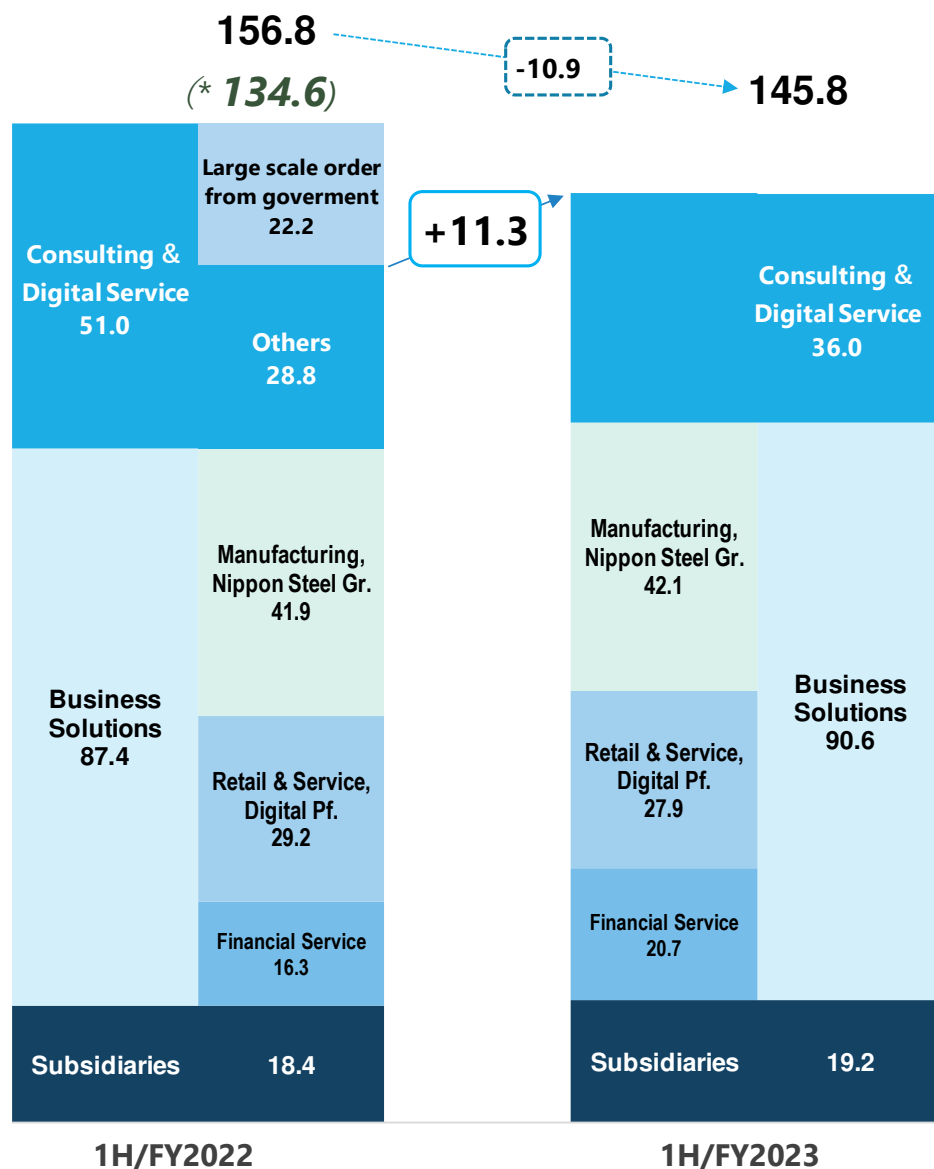
¥ in billions

	FY ended Mar. 2023			FY ending Mar.2024			Difference		
	1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H
Business Solutions	44.2	44.7	89.0	45.5	47.4	92.9	+1.3	+2.7	+3.9
Manufacturing, Nippon Steel Group	22.0	21.7	43.7	22.5	23.1	45.6	+0.4	+1.4	+1.9
Retail and Service, Digital Platformer	14.1	14.8	28.9	14.4	14.8	29.2	+0.3	+0.0	+0.3
Financial Service	8.1	8.3	16.4	8.7	9.5	18.2	+0.6	+1.2	+1.8
Consulting & Digital Service	13.4	15.6	29.0	14.3	17.6	32.0	+0.9	+2.0	+2.9
Subsidiaries	7.5	9.2	16.7	9.0	11.0	19.9	+1.5	+1.8	+3.2
Total	65.1	69.6	134.7	68.8	76.0	144.8	+3.6	+6.4	+10.1
<FYI>									
Revenue to Nippon Steel	13.9	13.9	27.7	15.3	15.3	30.5	+1.4	+1.4	+2.8
Revenue to government, educational and research institutions	4.2	5.8	10.0	3.7	5.4	9.1	-0.5	-0.4	-0.9

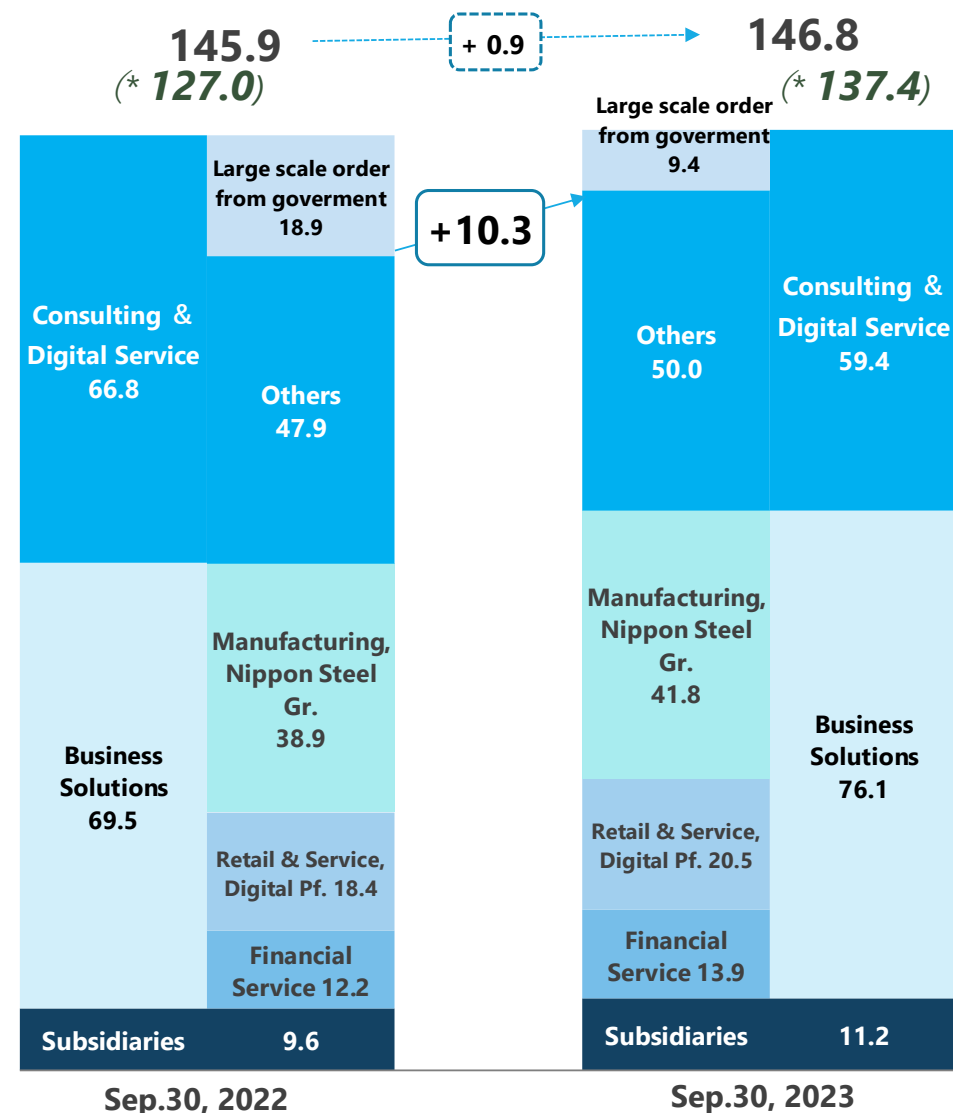
I -5. Order Acceptance / Order Backlog

¥ in billions

Order Acceptance



Order Backlog

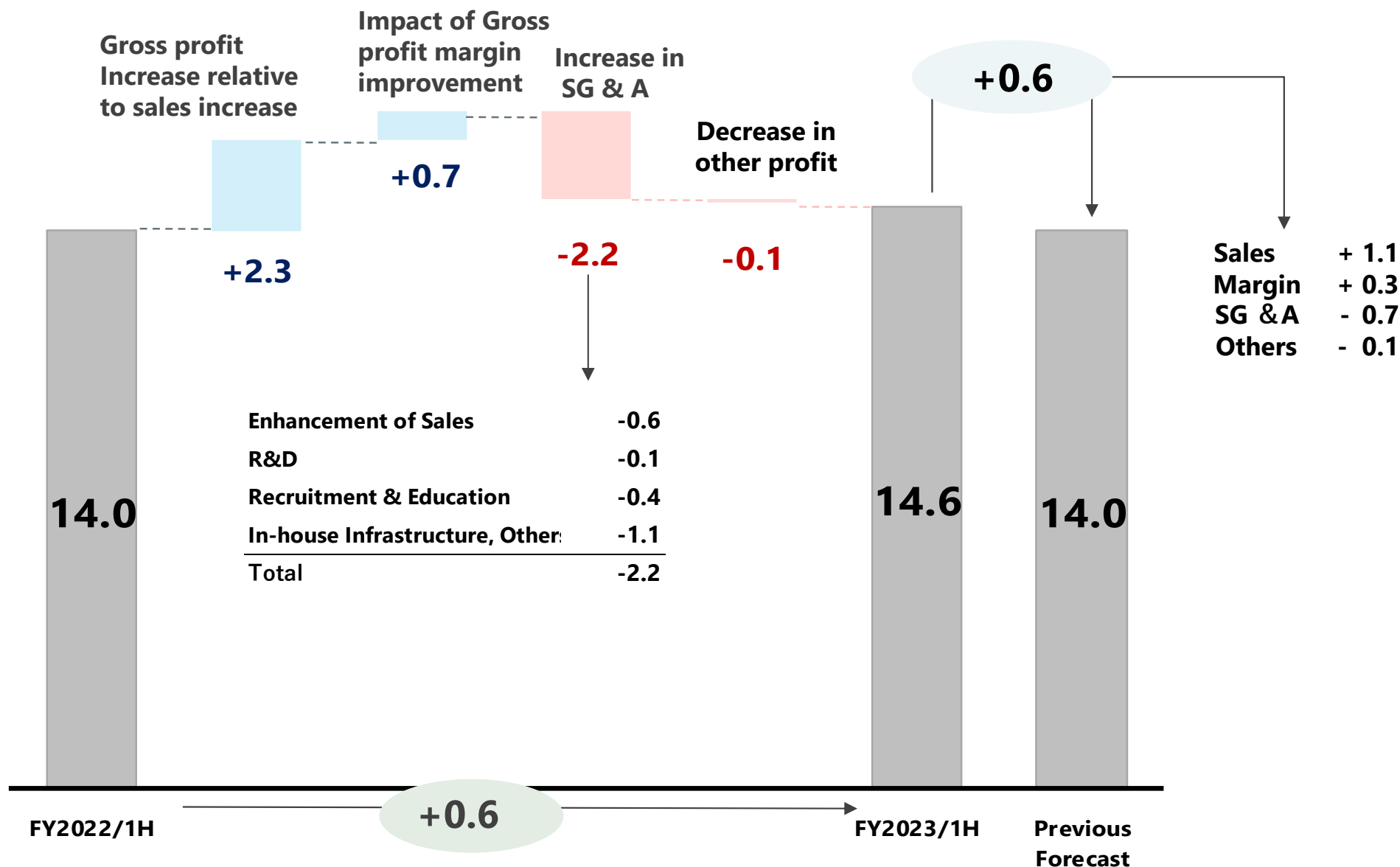


(*Excludes impact of large orders received in prior year.)

I -6. 1H of FY ending Mar. 2024

Consolidated Operating Profit Breakdown

¥ in billions





Outlook for FY2023

II -1. Market trend

Business Environment

Demand for IT in Japan remains strong.
Observe risks from unstable political and economic conditions overseas.

Market trend

Manufacturing, Nippon Steel Gr.

- Digital data utilization projects increase in Japanese manufacturing industry.
- Nippon Steel steps up DX measures to strengthen its entire supply chain.

Retail and Service, Digital Platformers

- Stable demand for supply chain optimization in the retail and service sector.
- For some platformer, investment is at a standstill while demand for new service development and expansion is strong.

Financial Service

- Megabanks and large banks are investing in IOT, driven by strong business performance.
- IT investments by regional banks also remain strong.

Consulting & Digital Service

- IT infrastructure market remains booming.
- The needs for AI solutions including generative AI and for data security solutions are growing rapidly.

II -2. Outlook for FY ending Mar. 2024

¥ in billions

	FY ended Mar. 2023			FY ending Mar.2024			Difference YoY rate		
	1H	2H	FY	1H	2H (est.)	FY (est.)	1H	2H	FY
Revenue	134.7	157.0	291.7	144.8	160.2	305.0	7% +10.1	2% +3.2	5% +13.3
Gross Profit <Gross Profit Margin>	30.4 <22.6%>	35.5 <22.6%>	65.9 <22.6%>	33.4 <23.1%>	36.6 <22.8%>	70.0 <23.0%>	10% +3.0 <+0.5%>	3% +1.1 <+0.2%>	6% +4.1 <+0.3%>
SG&A	16.5	16.5	33.0	18.7	17.8	36.5	13% +2.2	8% +1.3	11% +3.5
Others	0.0	-1.2	-1.2	-0.1	0.1	0.0	-0.1	+1.3	+1.2
Operating Profit <Operating Profit Margin>	14.0 <10.4%>	17.7 <11.3%>	31.7 <10.9%>	14.6 <10.1%>	18.9 <11.8%>	33.5 <11.0%>	5% +0.6 <-0.3%>	6% +1.1 <+0.5%>	6% +1.8 <+0.1%>
Profit before tax	14.2	17.9	32.1	15.0	19.0	34.0	5% +0.8	6% +1.1	6% +1.9
Profit attributable to owners of parent	9.4	12.6	22.0	9.5	13.3	22.8	1% +0.1	6% +0.7	4% +0.8

II -3. Outlook for FY ending Mar. 2024

<Difference from Previous Forecast>

¥ in billions

	FY ended Mar. 2023			FY ending Mar.2024			Difference		
	1H	2H	FY	1H	2H (est.)	FY (est.)	1H	2H	FY
Revenue	140.0	165.0	305.0	144.8	160.2	305.0	+4.8	-4.8	-
Gross Profit	32.0	38.0	70.0	33.4	36.6	70.0	+1.4	-1.4	-
<Gross Profit Margin>	<22.9%>	<23.0%>	<23.0%>	<23.1%>	<22.8%>	<23.0%>	<+0.2%>	<-0.2%>	-
SG&A	18.0	18.5	36.5	18.7	17.8	36.5	+0.7	-0.7	-
Others	0.0	0.0	0.0	-0.1	0.1	0.0	-0.1	+0.1	-
Operating Profit	14.0	19.5	33.5	14.6	18.9	33.5	+0.6	-0.6	-
<Operating Profit Margin>	<10.0%>	<11.8%>	<11.0%>	<10.1%>	<11.8%>	<11.0%>	<0.1%>	<-0.0%>	-
Profit before tax	14.2	19.8	34.0	15.0	19.0	34.0	+0.8	-0.8	-
Profit attributable to owners of parent	9.4	13.4	22.8	9.5	13.3	22.8	+0.1	-0.1	-

II -4. Outlook for Sales by Segment / Customer Industry

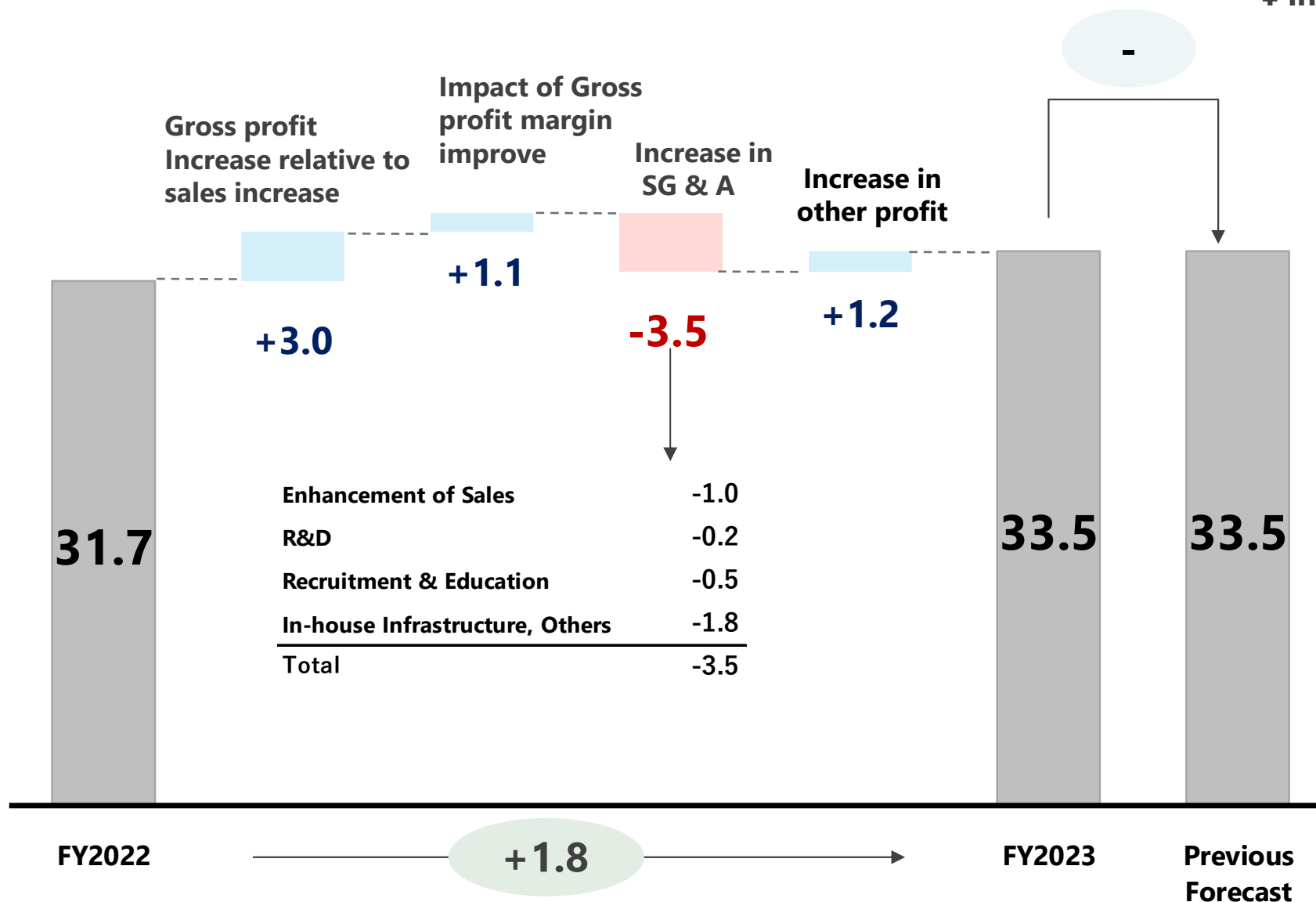
¥ in billions

	FY ended Mar. 2023			FY ending Mar.2024			Difference		
	1H	2H	FY	1H	2H (est.)	FY (est.)	1H	2H	FY
Business Solutions	89.0	94.4	183.3	92.9	100.1	193.0	+3.9	+5.8	+9.7
Manufacturing, Nippon Steel Group	43.7	45.6	89.3	45.6	48.9	94.5	+1.9	+3.4	+5.2
Retail and Service, Digital Platformer	28.9	30.7	59.5	29.2	33.3	62.5	+0.3	+2.7	+3.0
Financial Service	16.4	18.1	34.5	18.2	17.8	36.0	+1.8	-0.3	+1.5
Consulting & Digital Service	29.0	41.3	70.3	32.0	39.0	71.0	+2.9	-2.3	+0.7
Subsidiaries	16.7	21.3	38.0	19.9	21.1	41.0	+3.2	-0.2	+3.0
Total	134.7	157.0	291.7	144.8	160.2	305.0	+10.1	+3.2	+13.3
<FYI>									
Revenue to Nippon Steel	27.7	30.2	57.9	30.5	30.5	61.0	+2.8	+0.3	+3.1
Revenue to government, educational and research institutions	10.0	20.0	30.0	9.1	16.5	25.6	-0.9	-3.5	-4.3

II -5. Outlook for FY ending Mar. 2024

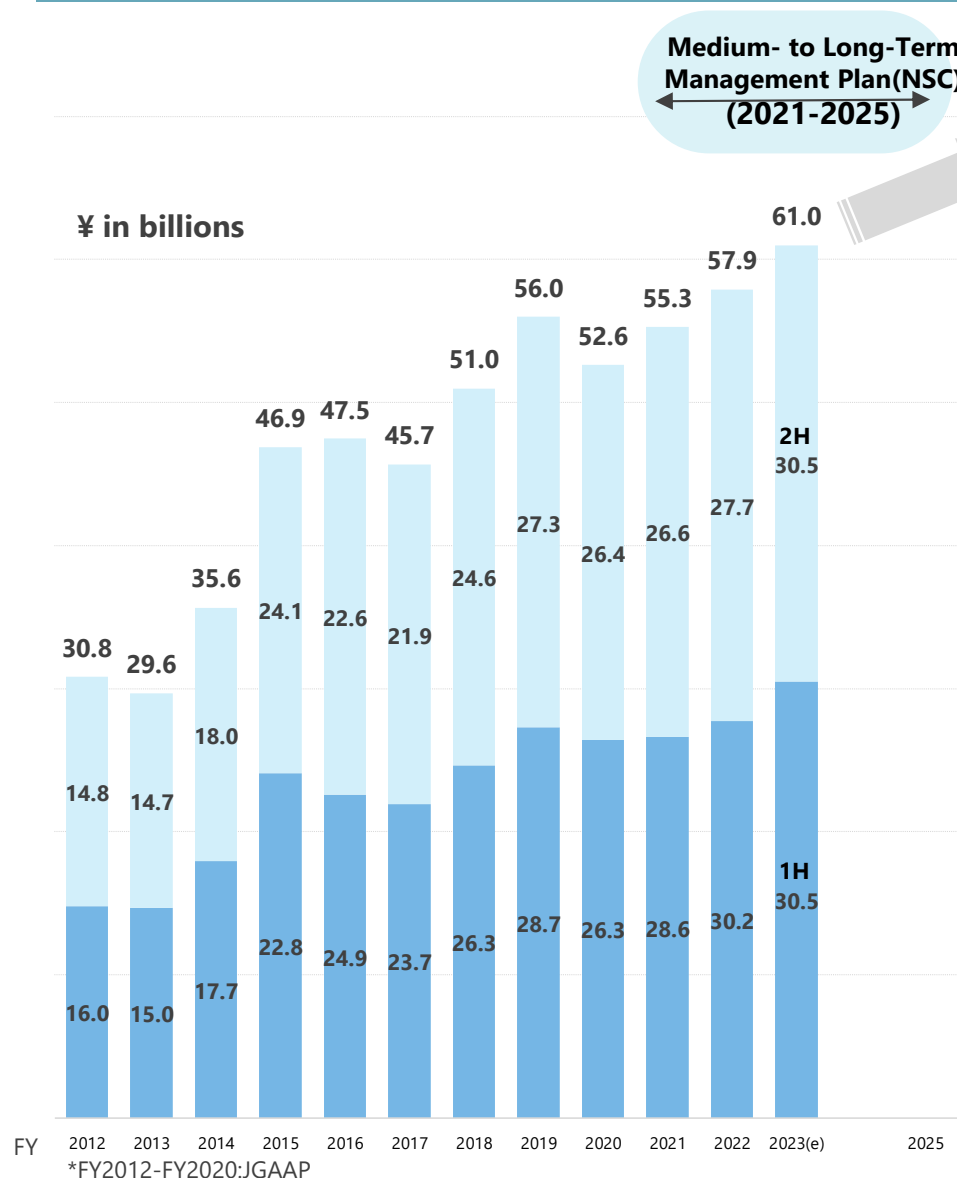
Consolidated Operating Profit Breakdown

¥ in billions



II -6. Synergies with Nippon Steel Corporation

1. Sales to Nippon Steel



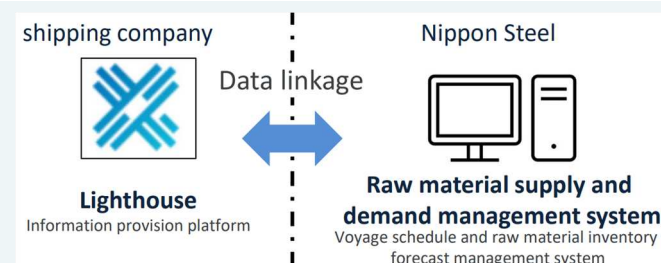
2. Contents of DX Initiatives

Encouraging their business and manufacturing process reform using data science and digital technology

- **DX on Production Planning with Mathematical Optimization Technology**
(Published on Oct. 25)

3. ICT Investment for Supply Chain Enhancement

- Further strengthen the Group's competitiveness throughout the supply chain
- **Acquiring Real-time Information on the Transportation of Imported Raw Materials**



The operation started in May 2023.

- Accelerating decision-making and streamlining of supply chain
- Contribute to CO2 reduction by improving operational and transportation efficiency, etc.

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.

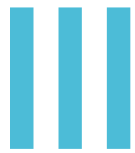
We consider it important to return to shareholders profits that are in line with the company's consolidated results. We aim for a consolidated dividend payout ratio of 30%.

Plan for FY 2023 Dividend

80 yen

Interim : 40yen, Year end : 40yen (Forecast)

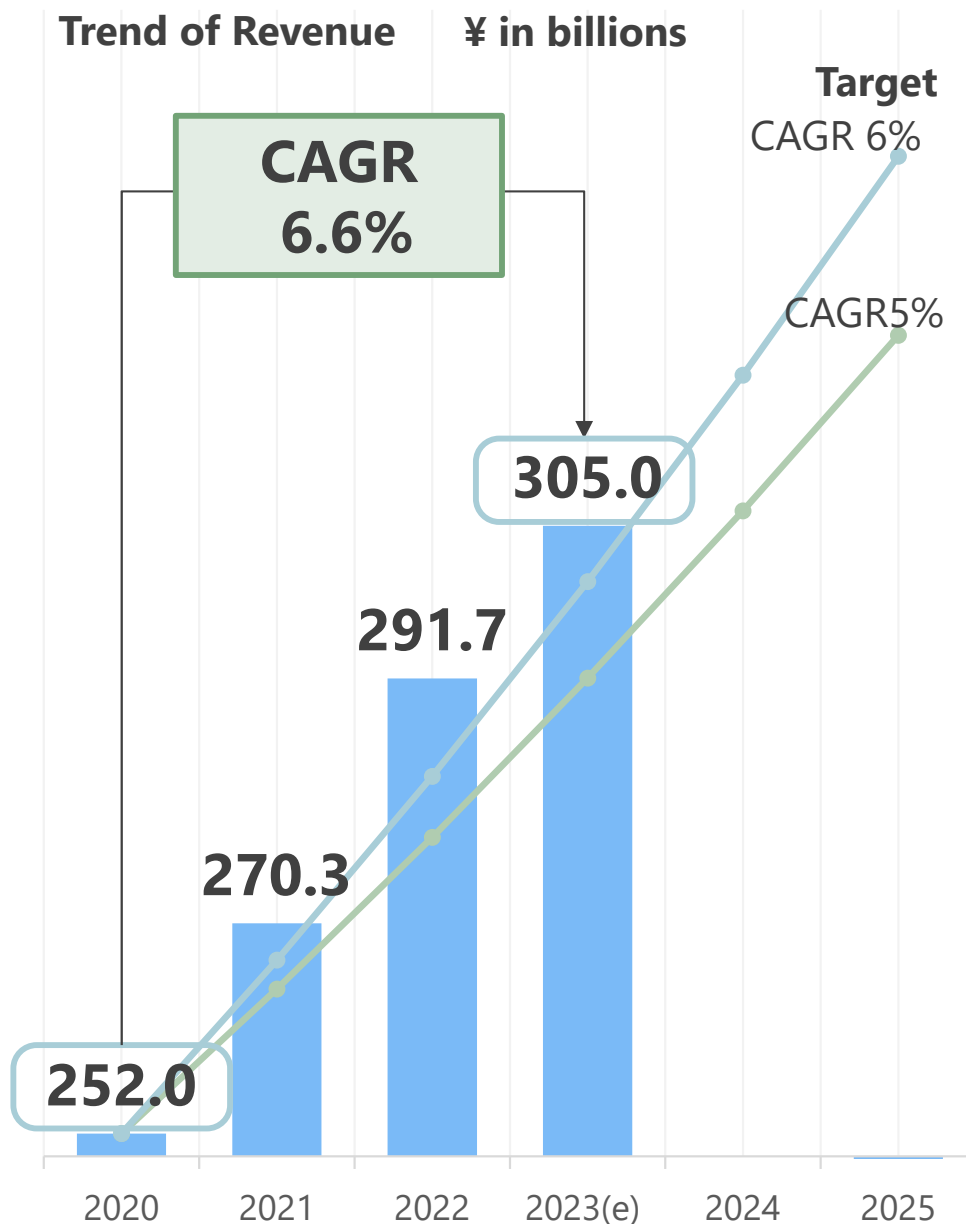
Progress of Medium-term Business Strategy FY2021-2025



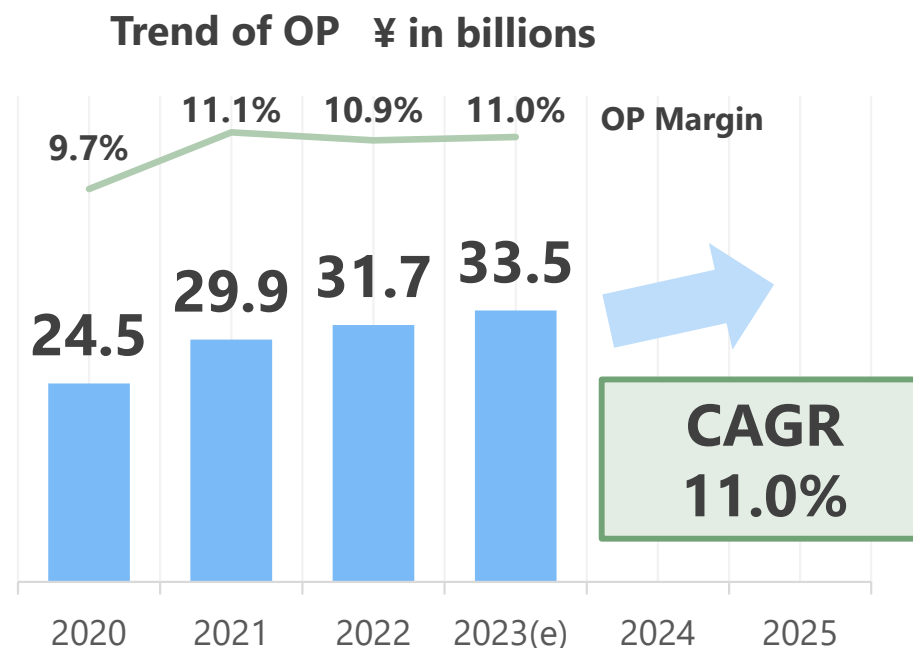
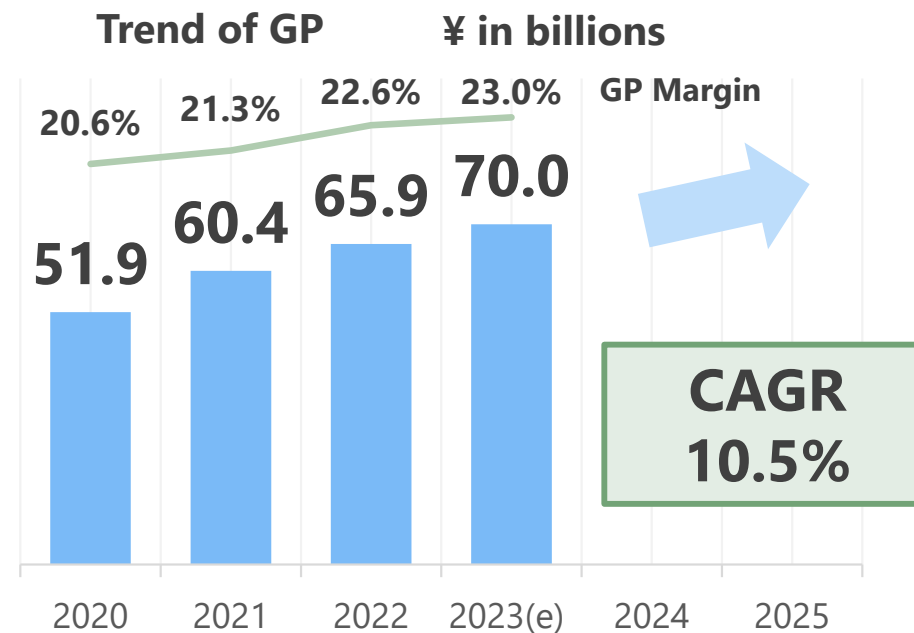
III-1. Progress of Medium-term Business Policy

	2021~2023 3-year Cumulative Total(e)	Medium-term business period (2021-2025)
Sales Growth Rate (CAGR)	6.6%	5~6%
Sales Growth Rate in the Focus Areas (CAGR)	12.7%	Over 10%
Investment to Strengthen Business Infrastructure	Three-Year Cumulative ¥ 42.2 bn	Five-year total ¥50.0-75.0 bn Three-Year Conversion ¥ 30.0~45.0 bn
Investment for Accelerating DX	Three-Year Cumulative ¥ 11.7 bn	Five-year total ¥10.0-15.0 bn Three-Year Conversion ¥ 6.0~ 9.0 bn

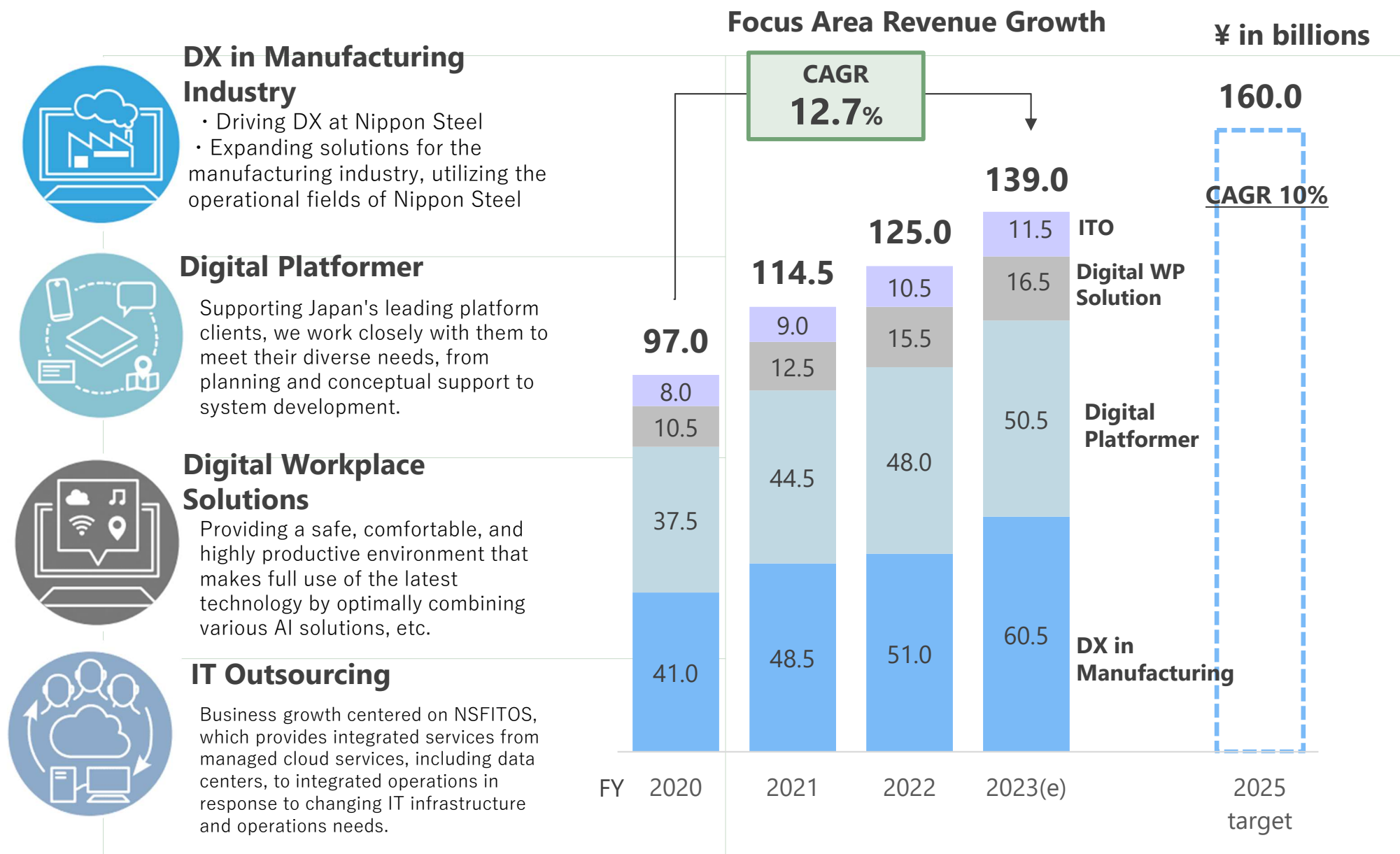
III-2. Sales Growth Rate



*FY2020=JGAAP



III-3. Progress and Plans for Focus Areas



III-4. Investment for Growth

◆ Medium-term Business Policy

Strengthen Business Infrastructure ¥10.0~15.0 bn per year

Accelerating DX ¥ 2.0~ 3.0 bn per year

Total Investment ¥ 12.0~18.0 bn per year

◆ Progress

		bn per year			
Medium-term Plan		2021	2022	2023(e)	2021~2023 Average
Total Investment	¥ 12.0~18.0 bn per year	¥ 17.9	¥ 16.8	¥ 19.3	¥ 18.0

Approx. **¥18.0** bn per year of Investments Executed Ahead of Schedule

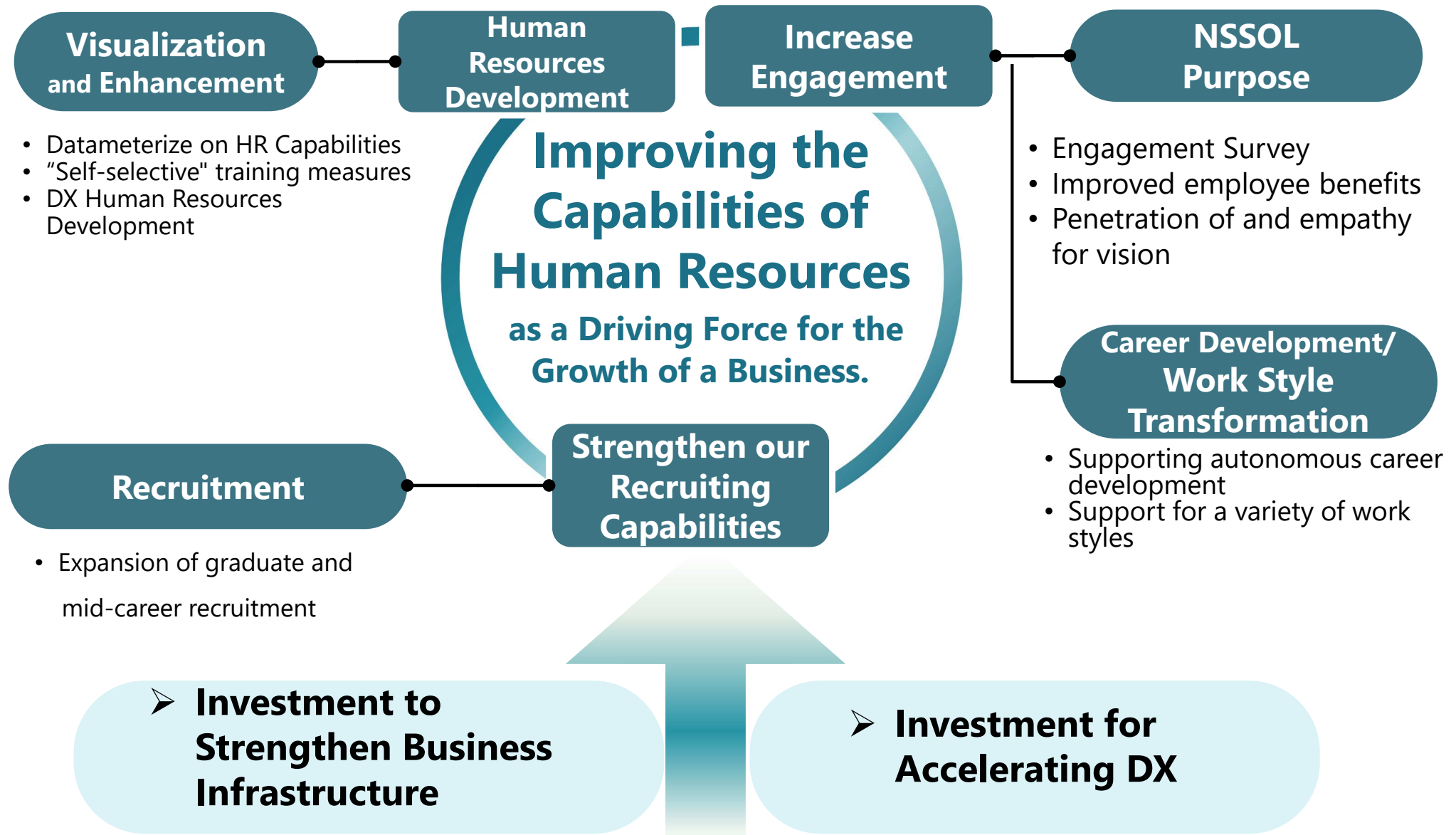
➤ Strengthen Business Infrastructure

- Accelerate efforts to improve operational efficiency and employee engagement, led by the Transformation Center established in January of this year.

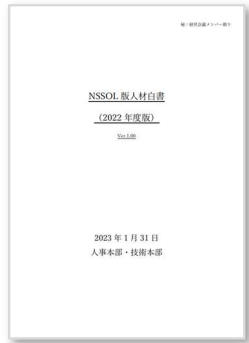
➤ Accelerating DX

- Establish a reskilling program for 4-500 employees/year to intensively develop DX human resources.
- Strengthen investment in creating new solutions, etc.

III-5. Improving the Capabilities of Human Resources



(FYI 1) Human Resources White Paper NSSOL Version



Analyzes human resource distribution by organization, job type, project type, age, and more.

Advanced Human Resources Value Creation PDCA Cycle

- **Identification of trends in the technical and business knowledge required for the execution of customer projects**



- **Identify gaps in staffing levels and skills required**



- **Identify candidates for job transition based on individual employee experience and preferences. And identify them as targets for human resource development.**

(FYI 2) Creating New Solutions Using Generative AI

Launch of support services for the use of Generation AI/ChatGPT

- Acquire a "feel" for the use of generative AI through hands-on training and building a trial environment.
- We guide our clients through the process of creating use cases/ideas.
- Support them from the start of applying the generated AI to their business operations.
- Help set up a system that addresses security issues such as internal information management and access control, including personal information and trade secrets.

**Hands-on Training
and Building a Trial
Environment**

**Creating Use
Cases / Ideas**

PoC

**Actual operation
and enterprise-wide
use**

Utilization in System Development and Operations

- Documentation and review at each stage of development, template generation according to SLC standards, code generation and debugging, programming language conversion, etc.
- 500 people have already started using the system and use cases are accumulating.

Aim for significant productivity improvements

III-6. Began Preparing Next Medium- to Long-Term Management Vision.

Long-term Trends in IT Demand

- Technology innovations such as generative AI
- Widening supply-demand and skills gap for IT staff

- Aiming to further contribute to customers and society by transforming the Company.
- We began to Consider our **Next Mid- to Long-Term Management Vision** (Vision 2030).

Transformation of NSSOL's Value Create Model

- Assetization of our strengths
- System development process innovation

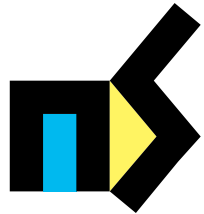


Contribute to Customers

- Provide new value created by IT
- Ensure sustainability of client IT department

Transition to More Profitable Business Model

Contribution to social development



NS Solutions

Dream our future

Unleash the possibilities of society,

With technology and passion

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

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Unless otherwise noted, all financial figures are on consolidated basis.