

NS Solutions

 **NIPPON STEEL**

Financial Information for Fiscal Year ending March 31, 2024 And “NSSOL 2030 VISION”

April 26, 2024

NS Solutions Corporation

Contents

Executive Summary

I . Results for FY2023

II . Outlook for FY2024

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

IV . Outline of “NSSOL 2030 VISION”

V . Appendix

Executive Summary

Results for FY2023	<ul style="list-style-type: none">● NSSOL's FY2023 earnings beat forecasts and reached record high.● Annual per share dividend 85 yen. (+5 yen from the previous forecasts, POR 32.1%)
Outlook for FY2024	<ul style="list-style-type: none">● IT investment is expected to remain strong● Sales ¥ 330 billion (YoY+6%), Operating Profit ¥36 billion (YoY+3%)● Change POR policy from 30% to 50%● Estimated annual per share dividend 134 yen. (YoY +49 yen, before stock split)
Progress of MTBS 2021-2025	<ul style="list-style-type: none">● Both the sales growth rate and the growth rate of the focus areas are progressing faster than planned.
Outline of "NSSOL 2030 VISION"	<ul style="list-style-type: none">● Based on the mid-to-long-term external environment and IT megatrends, we have formulated our future direction as the 'NSSOL 2030 Vision.'● We aim to shift to new business models and proactively enter new domains.● We aim to achieve an operating income level of ¥100 billion, operating margin of 20%, and ROE of 15% as early as possible in the 2030s.● Began formulating a "New medium-term management plan for 2025-2027" to realize the vision.
Stock Split	<ul style="list-style-type: none">● We authorized a stock split (two-for-one, effective date : July 1, 2024)

I

Results for FY2023

I -1. FY 2023 Highlights

¥ in billions

	FY2022	FY2023	Difference		FY2023	Difference	
	A	B	YoY rate		Previous Forecast	rate	
	A	B	B-A		C	B-C	
Revenue	291.7	310.6	+18.9	6%	305.0	+5.6	2%
Gross Profit	65.9	71.8	+5.9	9%	70.0	+1.8	3%
<Gross Profit Margin>	<22.6%>	<23.1%>	<+0.5%>		<23.0%>	<+0.2%>	
SG&A	33.0	36.6	+3.6	11%	36.5	+0.1	0%
Others	(1.2)	(0.2)	+1.0		0.0	-0.2	
Operating Profit	31.7	35.0	+3.3	10%	33.5	+1.5	4%
<Operating Profit	<10.9%>	<11.3%>	<+0.4%>		<11.0%>	<+0.3%>	
Profit before tax	32.1	35.4	+3.3	10%	34.0	+1.4	4%
Profit attributable to owners of parent	22.0	24.2	+2.2	10%	22.8	+1.4	6%

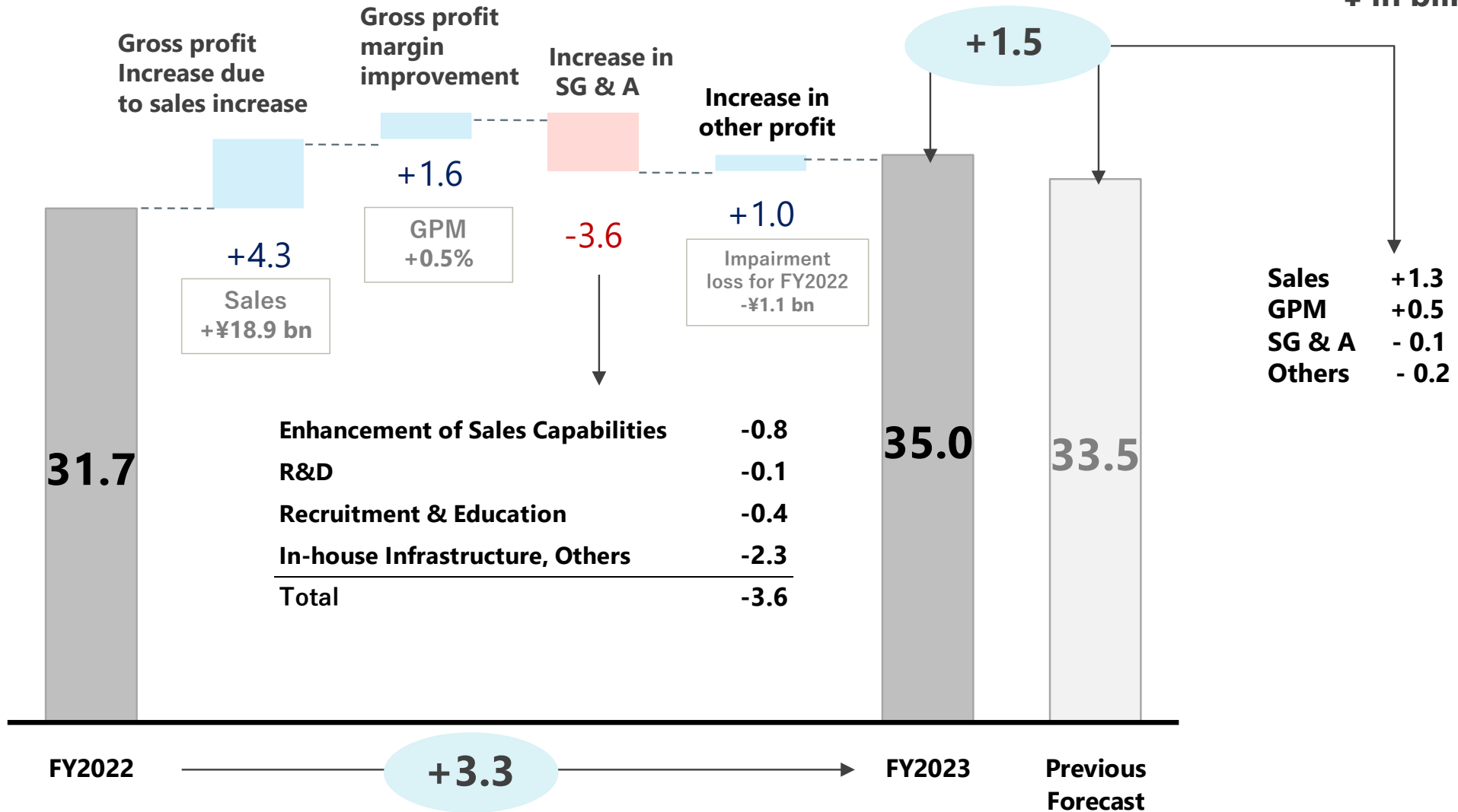
I -2. Sales by Segment / Customer Industry

¥ in billions

	FY 2022		FY 2023		Difference		
		<C&D>		<C&D>		<C&D>	Positive Customer/ Product Negative Customer / Product
Business Solutions	183.3	<36.4>	192.6	<38.1>	+9.3	<+1.7>	
Manufacturing, Nippon Steel Group	89.3	<15.2>	92.6	<14.3>	+3.4	<-0.9>	Nippon Steel, Transportation
Retail and Service, Digital Platformer	59.5	<11.8>	60.5	<11.6>	+0.9	<-0.2>	Internet Platformer, Telecommunication carrier
Financial Service	34.5	<9.4>	39.5	<12.1>	+5.0	<+2.7>	Mega Banks
Consulting & Digital Service	70.3		74.8		+4.5		DWP solution, The Cloud Services, Oracle Business
		<106.8>		<112.9>		<+6.1>	
Subsidiaries	38.0		43.2		+5.2		Joint venture companies, Japanese local subsidiaries
Total	291.7		310.6		+18.9		
<FYI>							
Revenue to Nippon Steel	57.9		62.5		+4.6		
Revenue to government, educational and research institutions	30.0		27.0		-3.0		

I -3. Consolidated Operating Profit Breakdown

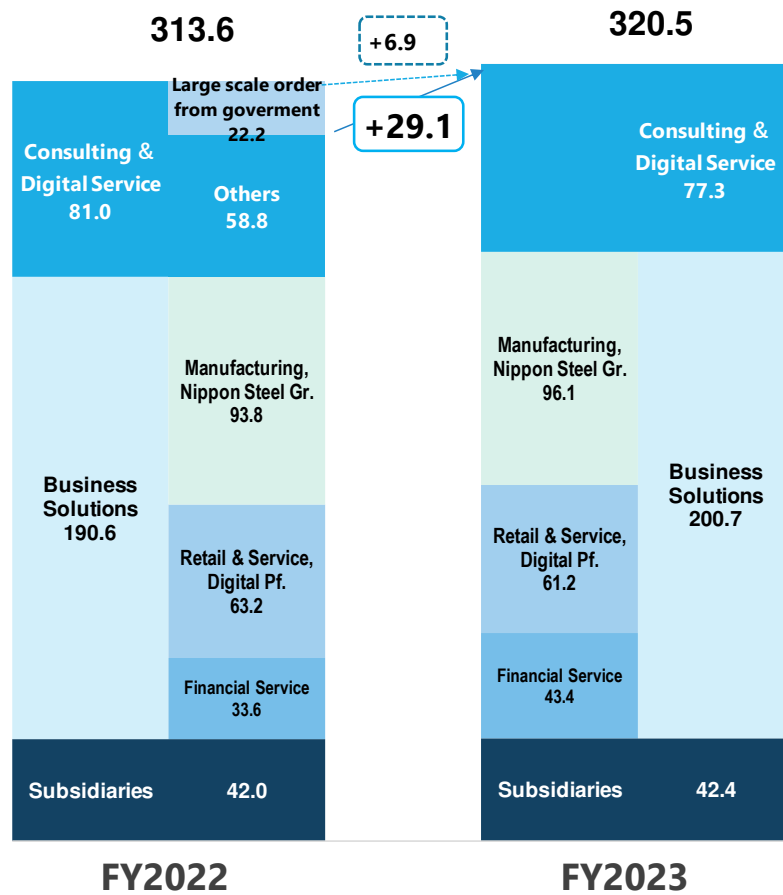
¥ in billions



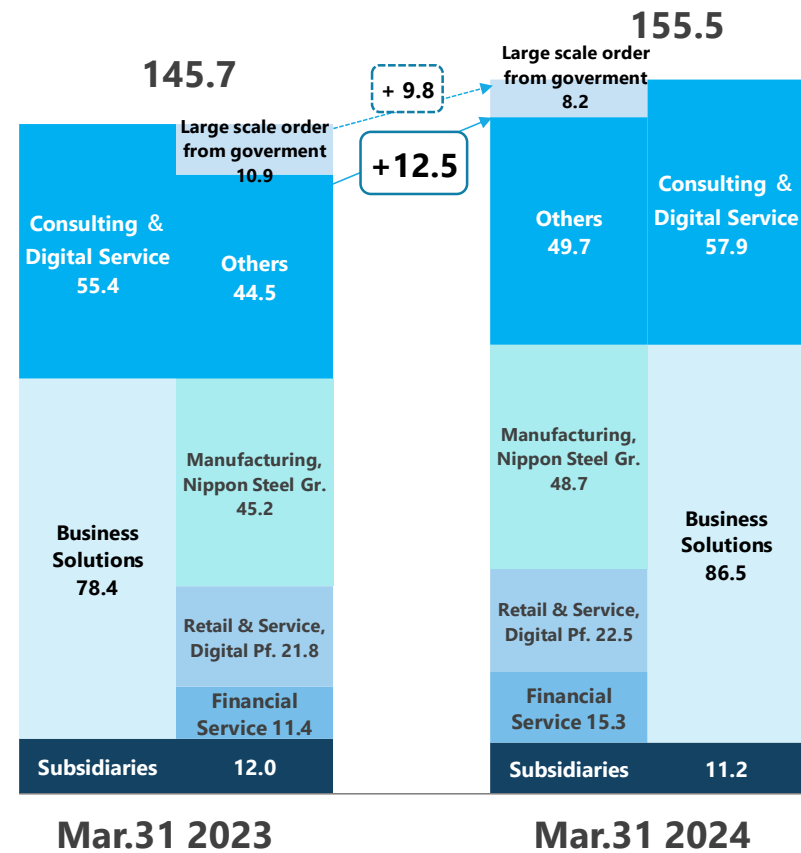
I -4. Order Acceptance / Order Backlog

¥ in billions

Order Acceptance



Order Backlog



I -5. ROE / Strategic Shareholdings Balance

ROE FY2022
11.0 %

ROE FY2023
11.1 %

+0.0 %

Mar.31 2023
Strategic Shareholdings
balance
¥ 39.6 bn

Mar.31 2024
Strategic Shareholdings
balance
¥ 59.9 bn

Change + ¥ 20.3 bn

Disposing	- 7.1
Price climb	+27.4
Strategic alliance	+ 0.1

II

Outlook for FY2024

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.	<ul style="list-style-type: none">● IT demand remains strong for supply chain enhancement, process improvement, de-hosting, data-driven management, etc.● In addition to production structure measures, DX measures, and reform and reinforcement of the entire supply chain at Nippon Steel, IT demand at group companies is also increasing.
	Retail and Service, Digital Platformers	<ul style="list-style-type: none">● Overall IT spending is recovering due to a shift to growth areas, etc., although some customers continue to reduce spending.● In the telecom sector, investment is booming in the financial services and smart life businesses. 5G-related demand is also expected to take off.
	Financial Service	<ul style="list-style-type: none">● Financial institutions continue to invest aggressively in IT.● Policy plan to promote Japan as a premier asset management hub is in full swing.● Needs for sustainable finance and embedded finance are also emerging.
	Consulting & Digital Service	<ul style="list-style-type: none">● Strong demand for predictive AI/data management platforms, cloud migration and outsourcing due to IT staff shortage.● Increased need for AI utilization solutions including generative AI and in the field of data security.

II -2. Outlook for FY 2024

¥ in billions

	FY2023	FY2024(e)	Difference	
	A	B	B-A	YoY rate
Revenue	310.6	330.0	+19.4	6%
Gross Profit	71.8	77.0	+5.2	7%
<Gross Profit Margin>	<23.1%>	<23.3%>	<+0.2%>	
SG&A	36.6	41.0	+4.4	12%
Others	0.0	0.0	+0.2	
Operating Profit	35.0	36.0	+1.0	3%
<Operating Profit Margin>	<11.3%>	<10.9%>	<-0.4%>	
Profit before tax	35.4	36.5	+1.1	3%
Profit attributable to owners of parent	24.2	24.5	+0.3	1%
ROE	11.1%	10.2%	-0.9%	

Aiming for growth exceeding the MTBP

Continuing to execute gross margin improvement.

Technology and R&D investments increase

	YoY Change
Investments to enhance sales force	+0.6
Investments to technology and R&D	+2.3
Investments to strengthen human capital	+0.8
Others	+0.7
SG & A	+4.4

II -3. Outlook for Sales by Segment / Customer Industry

¥ in billions

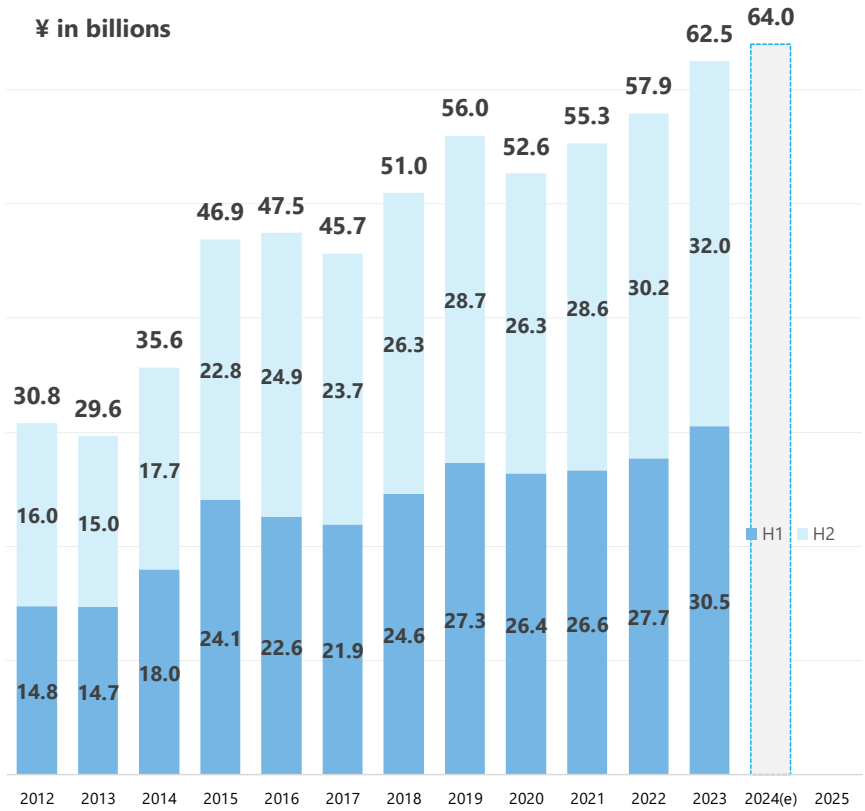
	A	B	B-A	C	C-B	
	FY2023	After Reclassification		FY2024(e)		Possible Customer/ Product Negative Customer / Product
Business Solution	192.6	189.2	-3.4	197.0	+7.8	
Manufacturing, Nippon Steel Group	92.6	89.2		92.5	+3.3	Nippon Steel, Automobile
Retail and Service, Digital Platformer	60.5	60.5		63.5	+3.0	Travel Agent, Retailor, Telecom
Financial Service	39.5	39.5		41.0	+1.5	Mega-Banks
Consulting & Digital Service	74.8	78.2	+3.4	85.0	+6.8	Crowd, Data Management
Subsidiaries	43.2	43.2		48.0	+4.8	Japanese local subsidiaries, JV, overseas subsidiaries
Total	310.6	310.6		330.0	+19.4	
<FYI> Revenue to Nippon Steel	62.5	62.5		64.0	+1.5	
Revenue to government, educational and research institutions	27.0	27.0		25.0	-2.0	

* Some areas have been reclassified from “Manufacturing, Nippon Steel Group” to “Consulting & Digital Services”, and comparisons for the prior period are presented with figures after reclassification.

II -4. Synergies with Nippon Steel Corporation

1. Sales to Nippon Steel

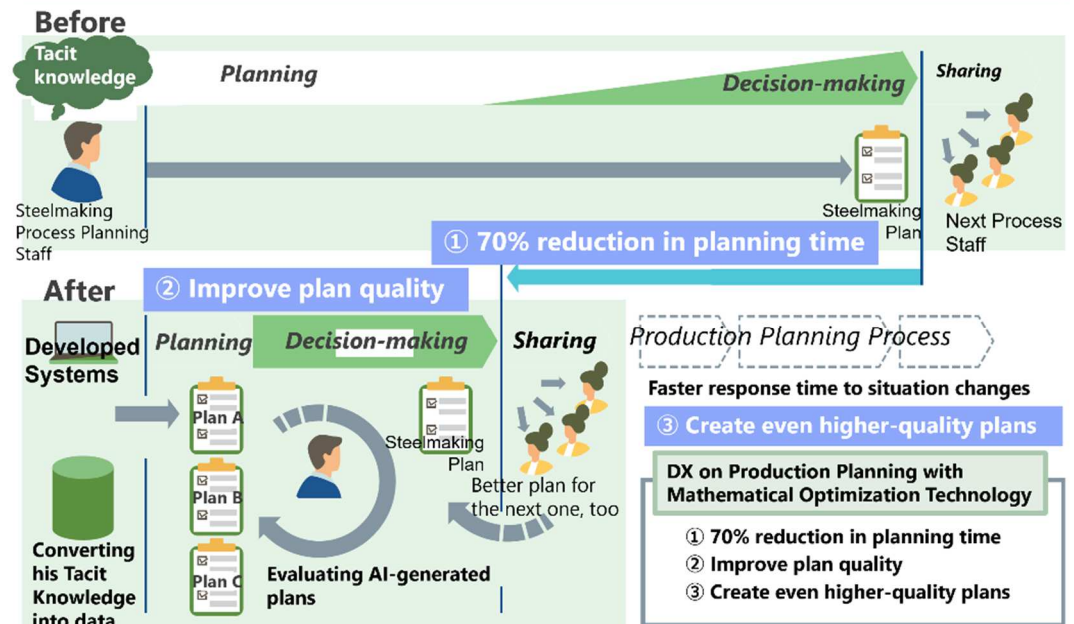
Medium- to Long-Term Management Plan(NSC)
(2021-2025)



2. Contents of DX Initiatives

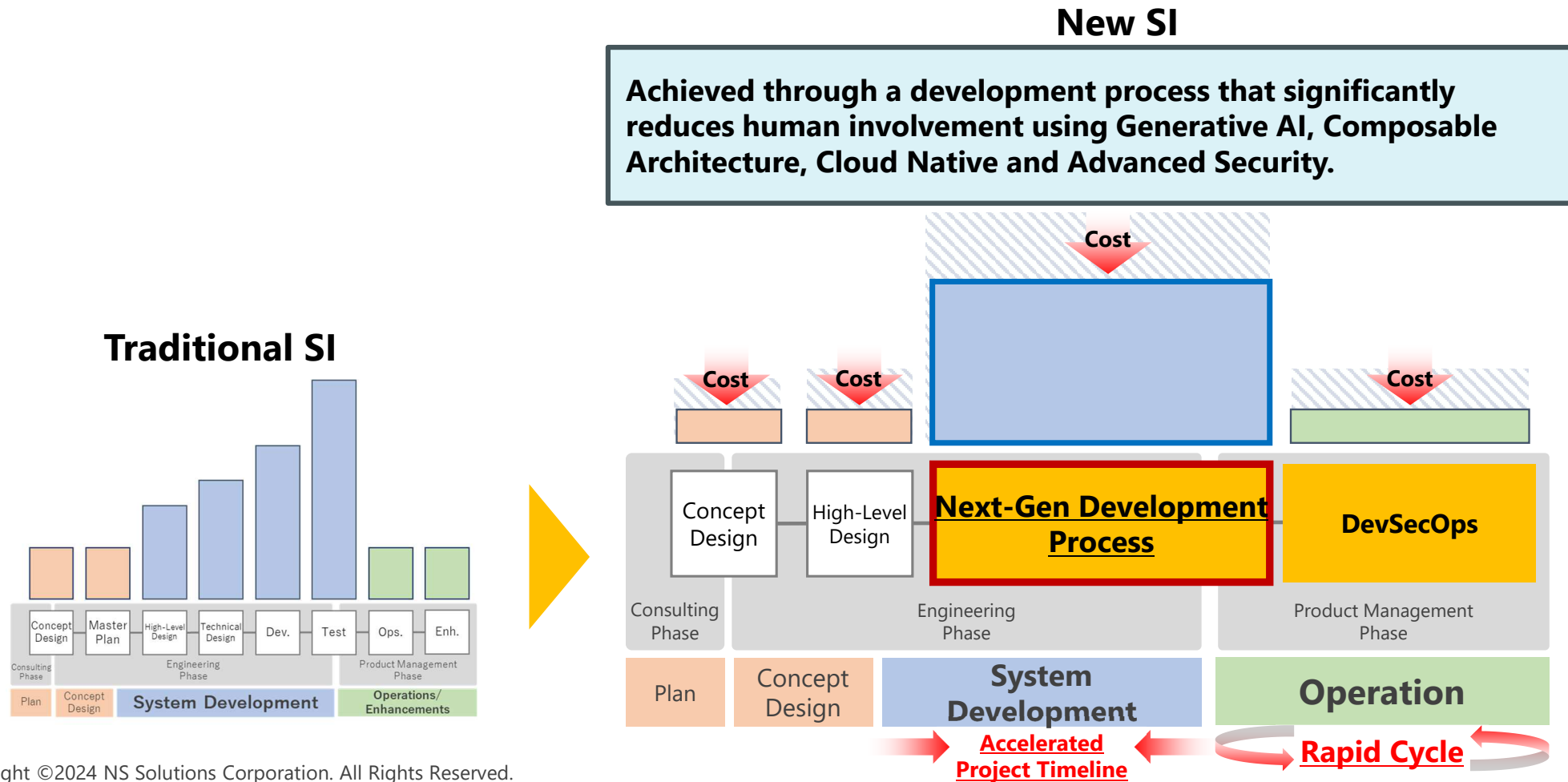
Encouraging business and production process reform through the use of data and digital technology

- DX on Production Planning with Mathematical Optimization Technology
→ 70% reduction in planning time



II -5. Investment in Technology and R&D

Key Theme : Realizing the Next-Gen Development Process



Ⅱ -6. Stock Split and Increase in the Payout Ratio (from FY2024)

1. Stock Split A two-for-one stock split to increase liquidity and broaden investor base.
(Effective July 1, 2024 cf. P33)

2. Increase in the Payout Ratio

We believe it is important to maintain and strengthen our competitiveness and increase our shareholder value in the future. Our basic policy for distributing profits is to pay appropriate and stable dividends to shareholders and to secure internal reserves for investment in business growth and to prepare for business risks.

In terms of dividends, we aim for a consolidated dividend payout ratio of **50%**, placing an emphasis on returning profits to shareholders in line with consolidated business performance.

	FY2023	Outlook for FY2004	
EPS	¥265.0	Before Stock Spilt ¥267.8	After Stock Spilt ¥133.9
Annual dividend per share	¥85 (+¥5) Change from forecast Interim : ¥40 Year-End : ¥45	¥134 (+¥49) Change from FY2022 Interim : ¥67 Year-End : ¥67	¥67 Interim : ¥33.5 Year-End : ¥33.5
POR	32.1%	50.0%	50.0%

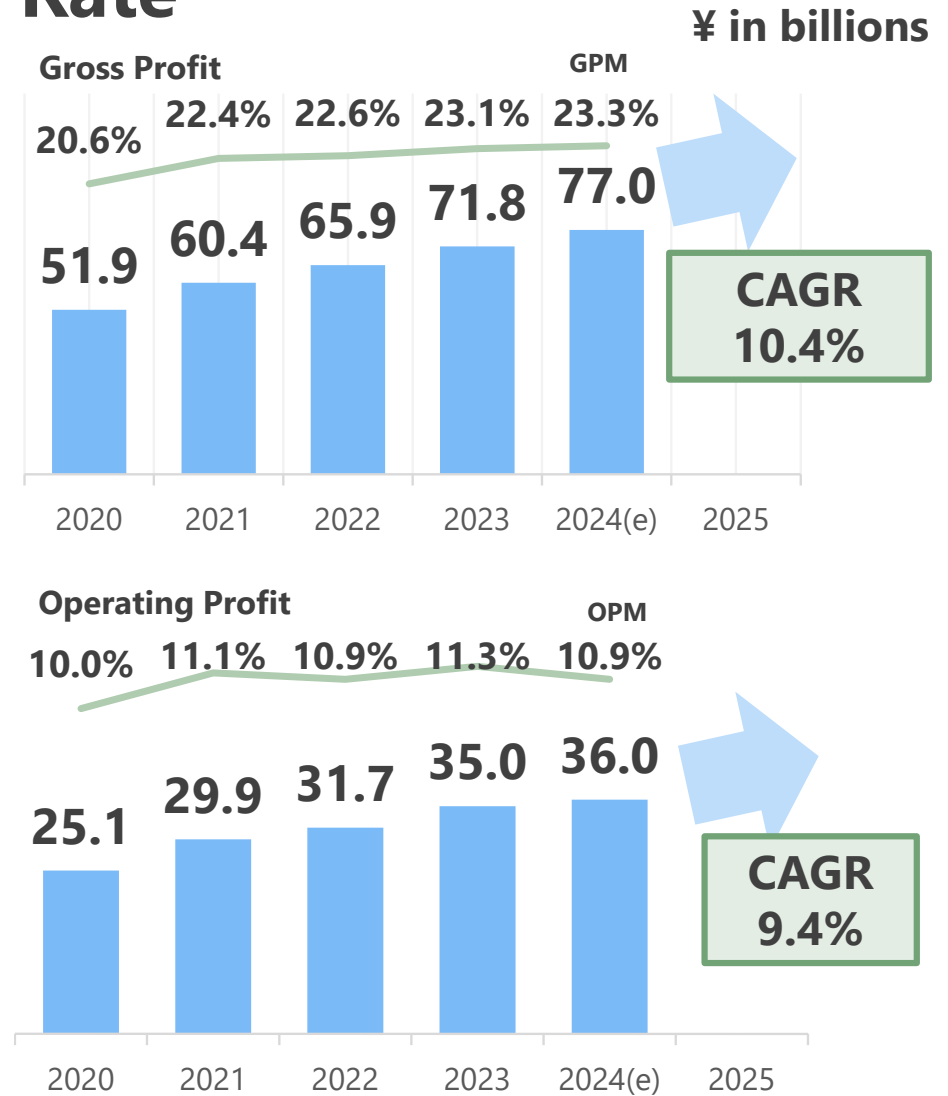
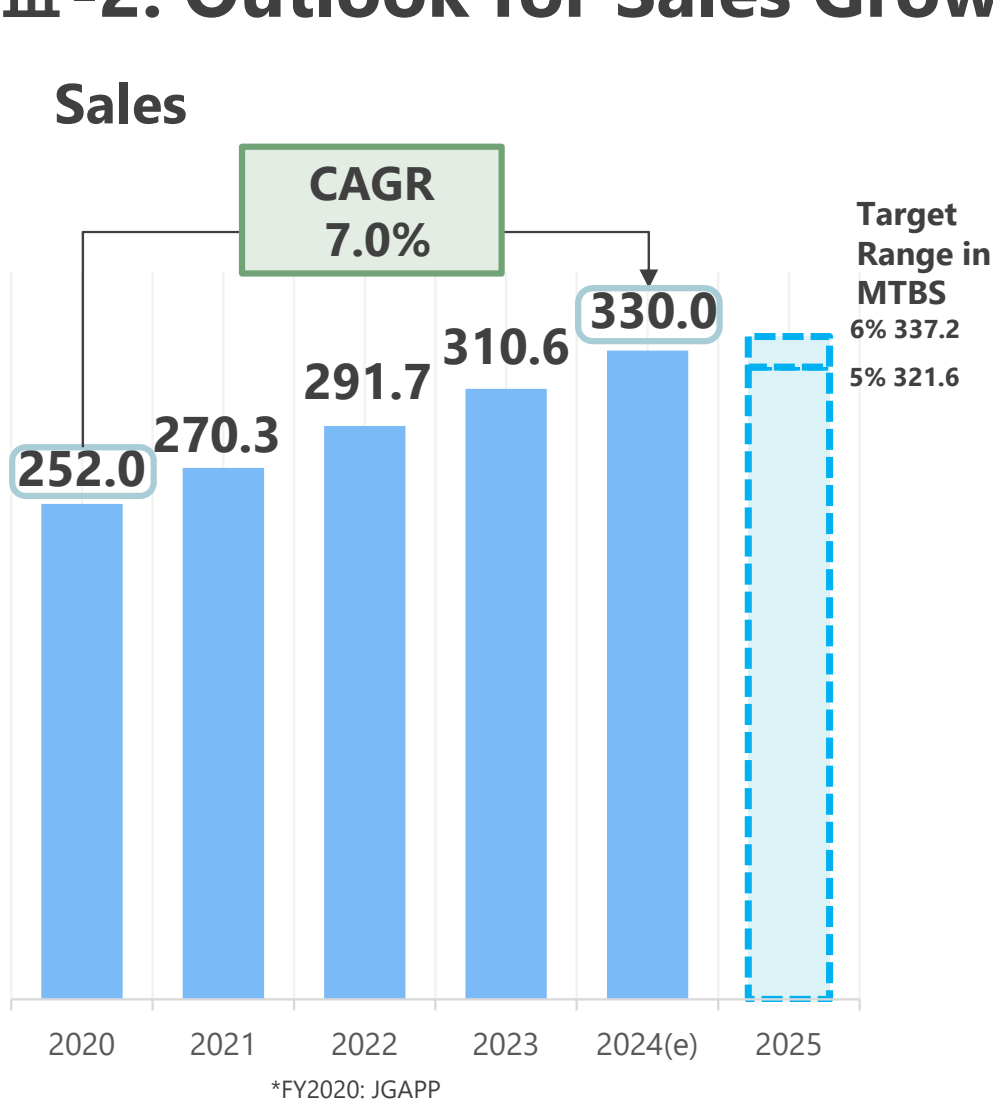


Progress of Medium-term Business Strategy FY2021-2025

III-1. Progress of Medium-term Business Policy

	FY2021~FY2023 3-year Cumulative Total	Medium-term business Strategy FY2021~FY2025
Sales Growth Rate (CAGR)	7.2%	5~6%
Sales Growth Rate in the Focus Areas (CAGR)	11.2%	Over 10%
Investment to Strengthen Business Infrastructure	Three-Year Cumulative ¥ 40.4 bn	Five-year total ¥50.0-75.0 bn Three-Year Conversion ¥ 30.0~45.0 bn
Investment for Accelerating DX	Three-Year Cumulative ¥ 10.5 bn	Five-year total ¥10.0-15.0 bn Three-Year Conversion ¥ 6.0~ 9.0 bn

Ⅲ-2. Outlook for Sales Growth Rate



III-3. Progress and Plans for Focus Areas



DX in Manufacturing Industry

- Driving DX at Nippon Steel
- Expanding solutions for the manufacturing industry, utilizing the operational fields of Nippon Steel



Support to Digital Platformer

Supporting Japan's leading platform clients, we work closely with them to meet their diverse needs, from planning and conceptual support to system development.



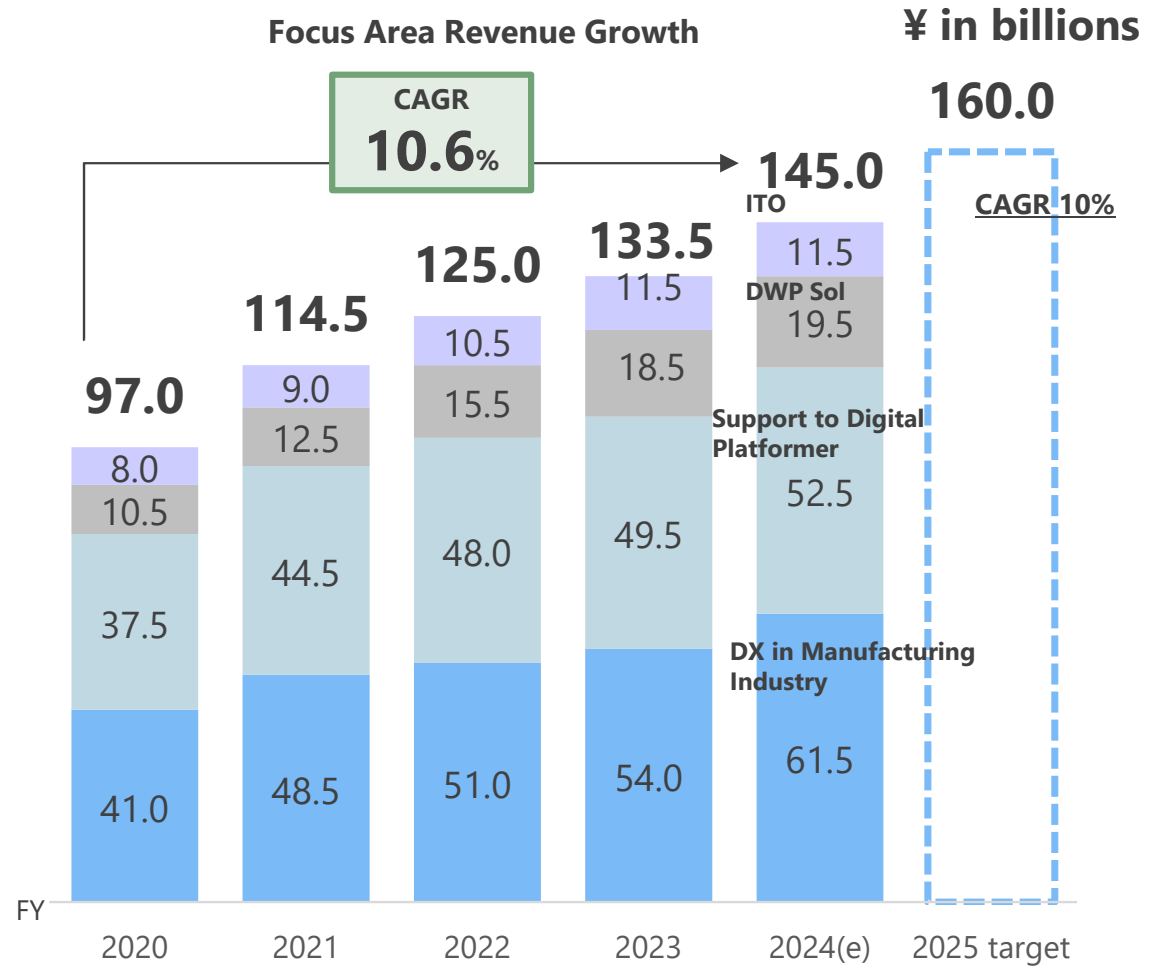
Digital Workplace Solutions

Providing a safe, comfortable, and highly productive environment that makes full use of the latest technology by optimally combining various AI solutions, etc.



IT Outsourcing

Business growth centered on NSFITOS, which provides integrated services from managed cloud services, including data centers, to integrated operations in response to changing IT infrastructure and operations needs.



III-4. Investment for Growth

◆ Medium-term Business Strategy

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

		Progress				2021~2024 Average
		¥ in billions				
	Medium-term Strategy	2021	2022	2023	2024(e)	
Total Investment	¥ 12.0~18.0 bn per year	17.9	16.8	16.2	19.0	17.5

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 2023.
 - Investment to realize “The Next-Gen Development Process”
- **Accelerating DX**
 - Establish a reskilling program for 4-500 employees/year to intensively develop DX human resources.
 - Strengthen investment in creating new solutions, etc.

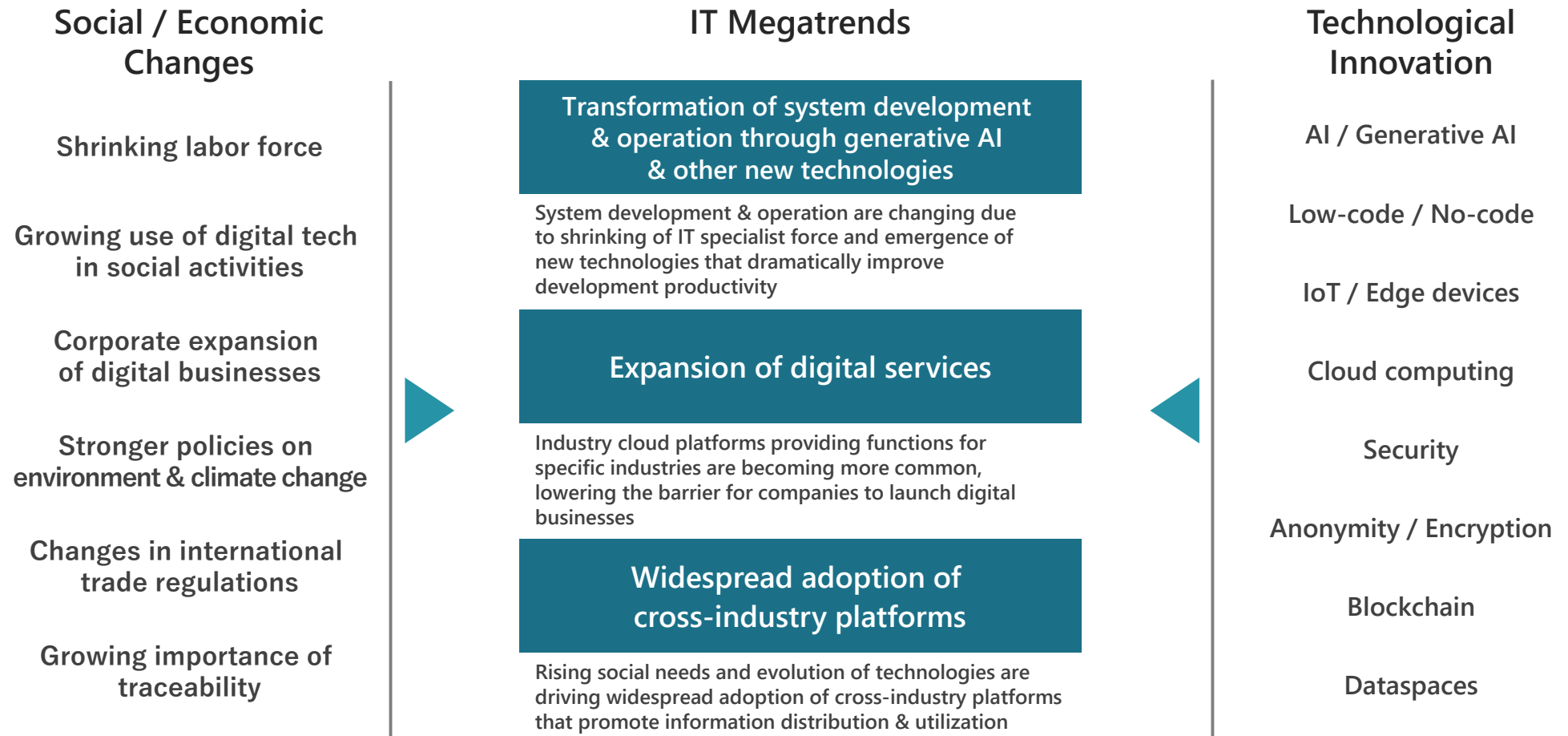


IV. NSSOL 2030 Vision

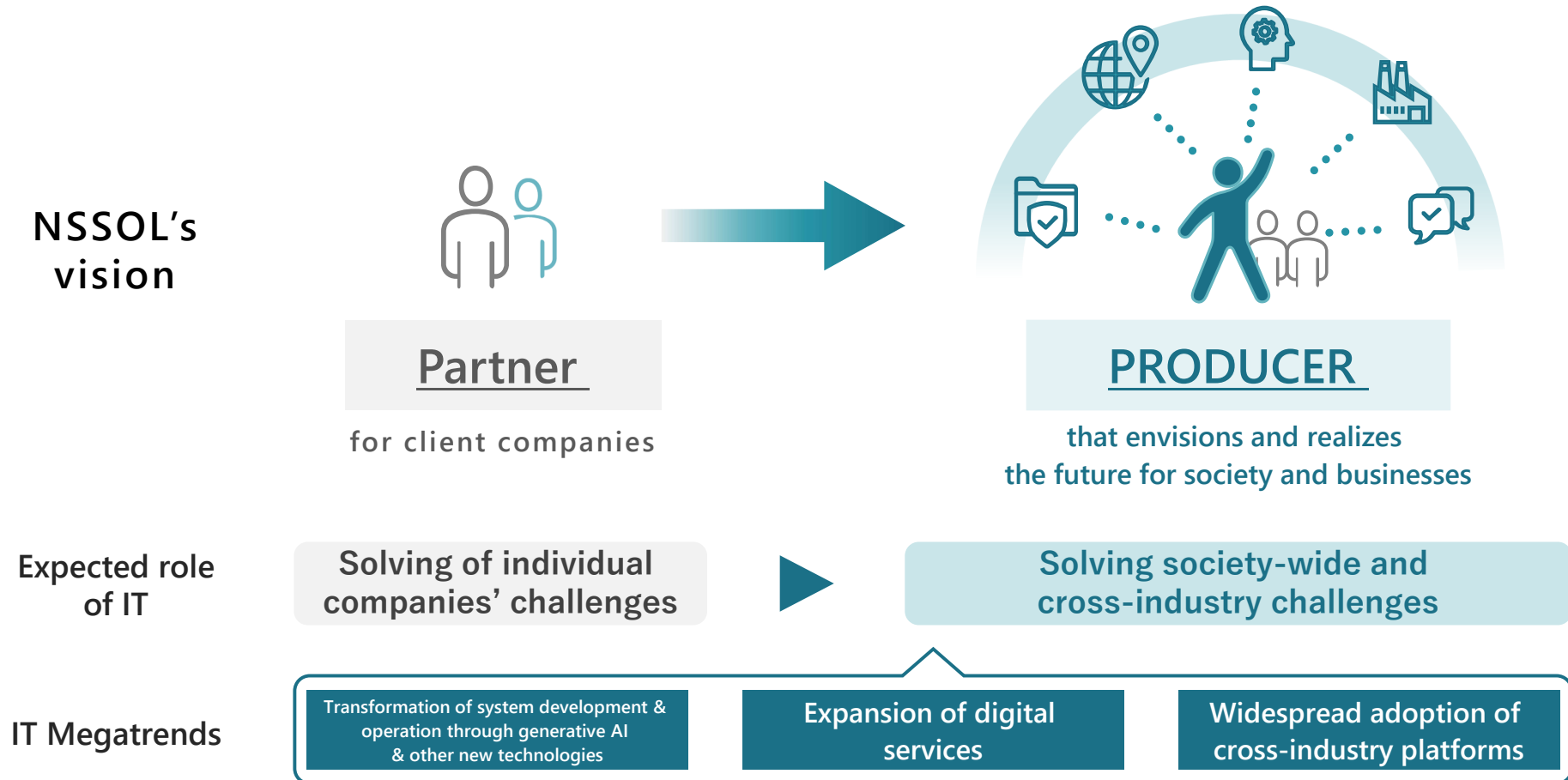


**We have positioned fiscal 2025, the 25th anniversary of our founding,
as the year of our “second founding”—
we will launch new activities to embark on the next stage of our journey.
As the lead-off, we have formulated “NSSOL 2030 Vision” to map out the future we aspire toward.**

Medium- / Long-term External Environment and IT Megatrends



The Direction of Our Vision for the Future



- Our Vision -

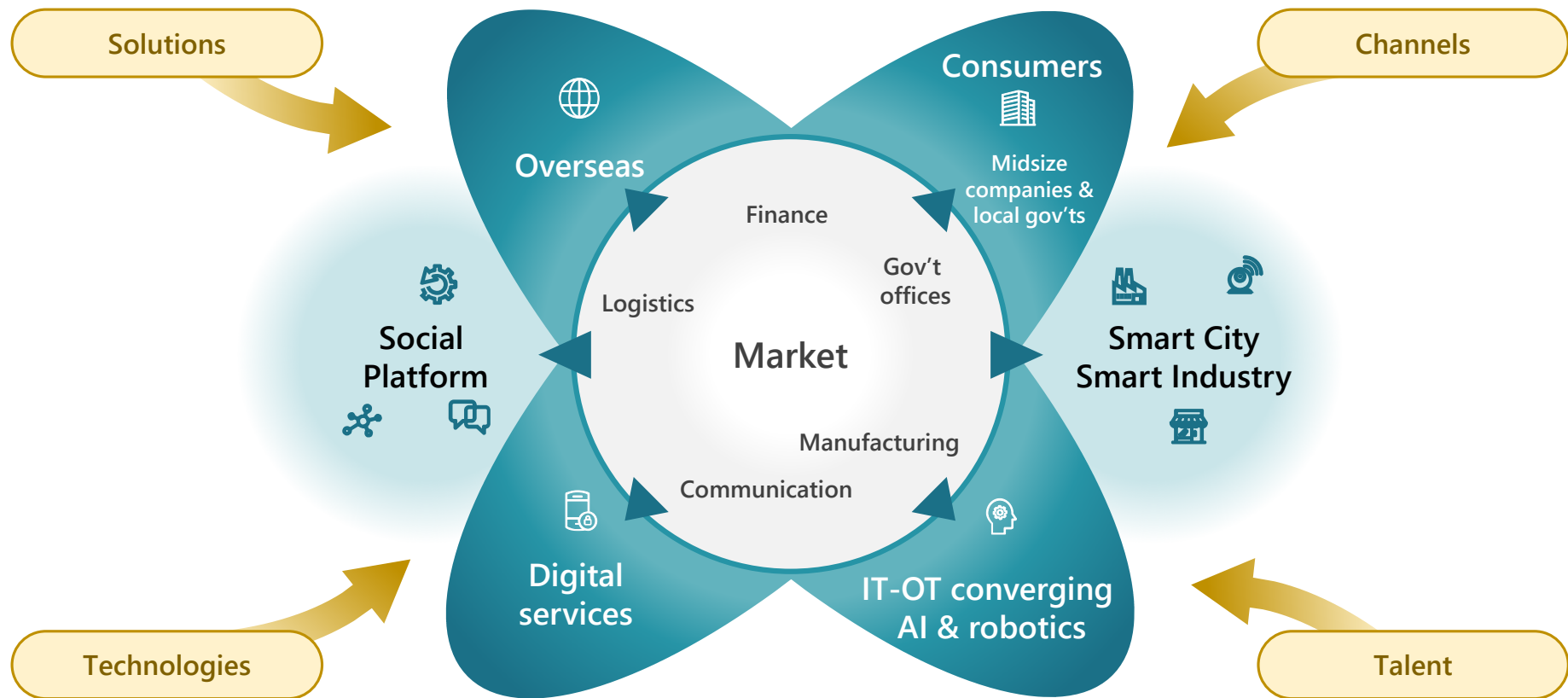
Social Value Producer with Digital

Envisioning and realizing the future of society through the power of digital technology

Today, the wave of transformation for realizing a sustainable society is starting to surge forward, powered by the dramatic evolution of IT. Leveraging the strength of our insights and technological expertise, we will create new value that broadly supports society and industries so that we can envision the future of society with the power of digital technology and lead the transformation, development, and growth of industries and society as a whole.

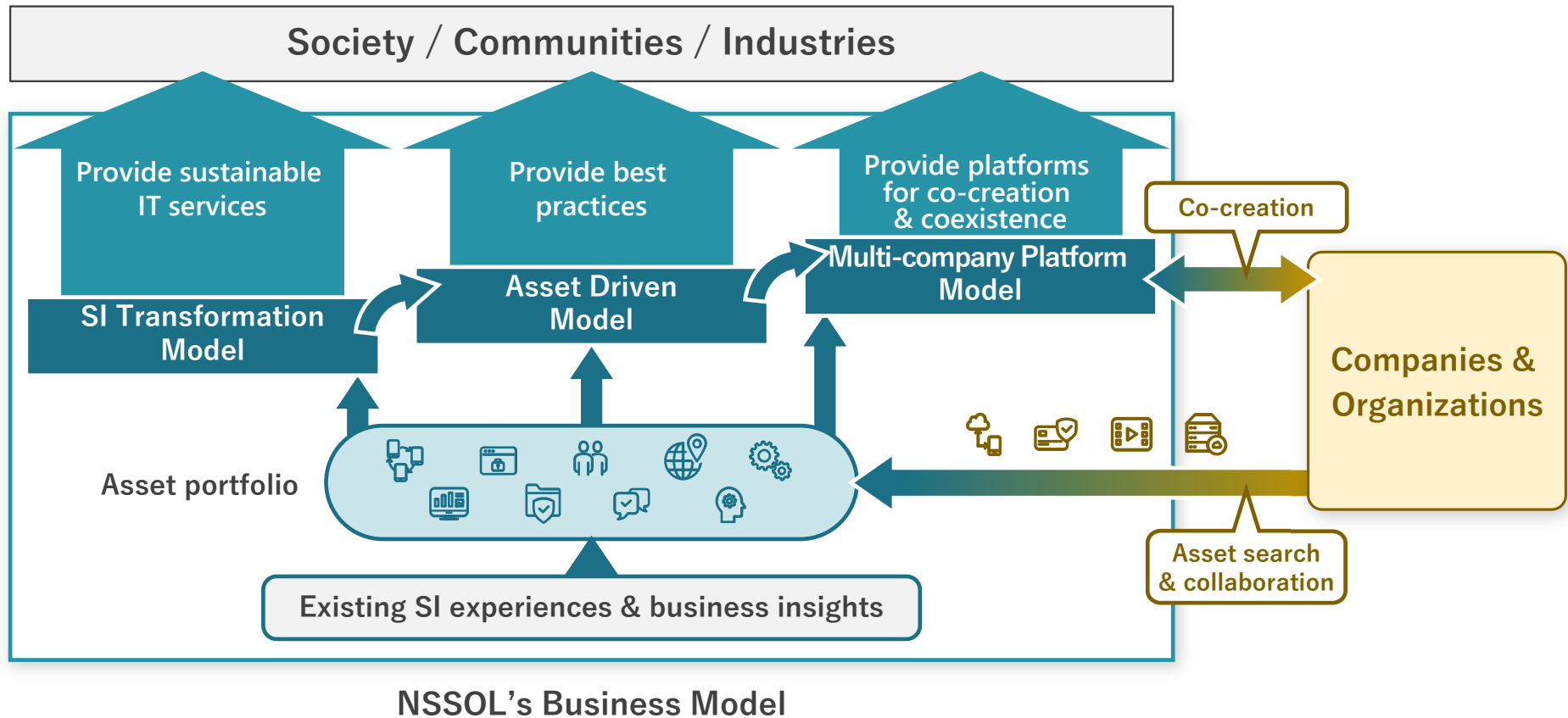
Actions for Realizing Vision (1): Expand beneficiaries of value we provide

We will strengthen our capabilities in order to expand the range of beneficiaries of the value that we provide



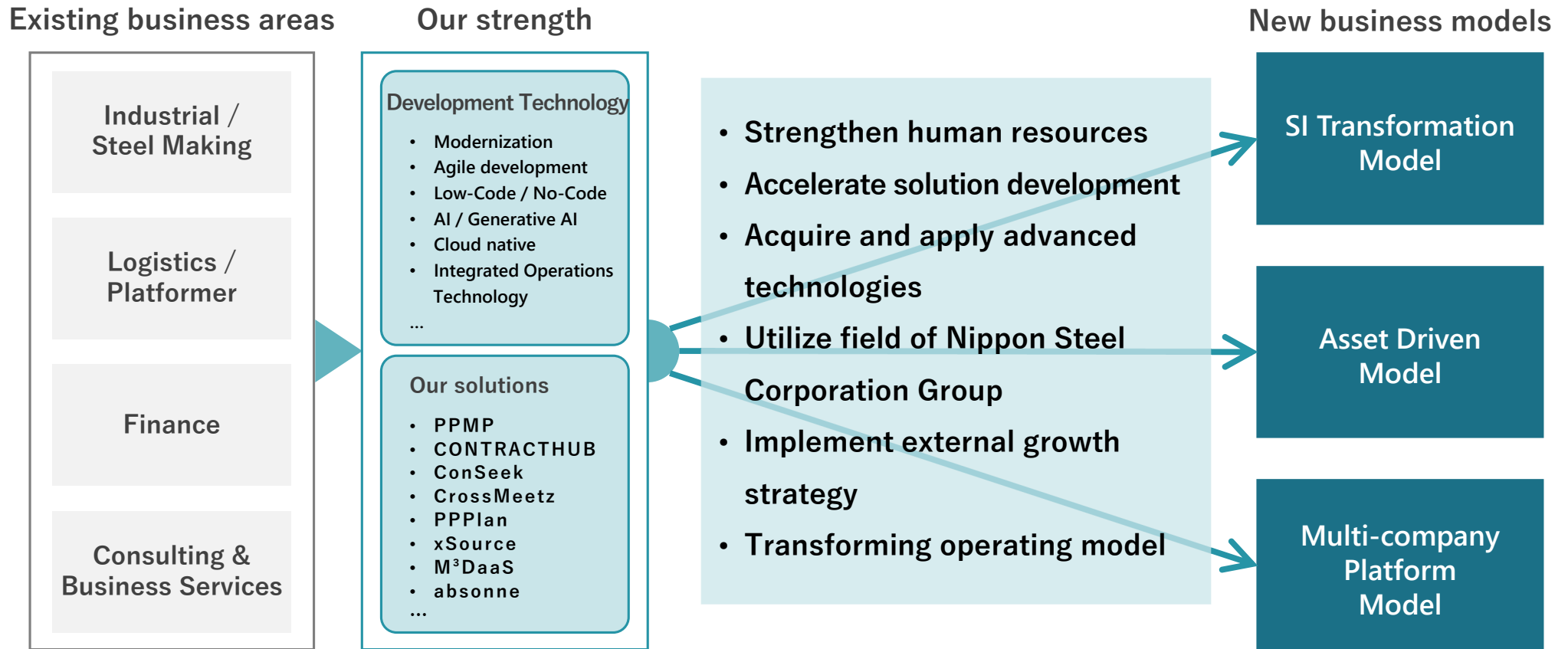
Actions for Realizing Vision (2): Realize diverse methods of providing value

We will use diverse approaches to provide new value



Actions for Realizing Vision (3): Utilize and strengthen our insights and technological expertise

We will shift to new business models by leveraging and strengthening our insights and technological expertise



Our Target Structure

We will strive to achieve the following structure by the early 2030s through top-of-the industry growth

	2024(e)		Target Structure
Revenue	¥330 bn		around ¥500 bn
Operating profit	¥36 bn	▶	around ¥100 bn
Operating profit margin	10.9 %		around 20 %
ROE	10.2 %		around 15 %

- Over ¥100 bn investment for strengthening R&D, solutions development, and human resources
- Creating business of the scale of 100 billion yen through M&A.
- Further improvement of capital efficiency for enhancing corporate value

Our Medium- / Long-term Growth Story

This year, we will formulate and announce a Mid-term Business Plan(MBP) that provides a detailed roadmap for realizing “NSSOLL 2030 Vision”.



A large, bold, teal-colored letter 'V' is positioned on the left side of the slide, within a white triangular shape that points towards the right.

Appendix

V -1. Stock Split and Associated Partial Amendment to the Articles of Incorporation

1. Stock Split

(1) Purpose To improve the liquidity of the Company's stock and expand its investor base by reducing the stock price per investment unit.

(2) Method Two-for-One

(3) Number of shares to be increased (in thousand shares)

① Number of shares outstanding 91,501 → 183,002

② Number of shares authorized to be issued 423,992 → 732,008

(4) Schedule

① Date of Public Notice of the Record Date June 13, 2024

② Record Date June 30, 2024

※record date is a holiday for the Company's administrator of the shareholder register, the effective record date will be Friday, June 28, 2024.

③ Effective Date July 1, 2024

2. Partial Amendment to the Articles of Incorporation

In conjunction with this stock split, pursuant to Article 184, Paragraph 2 of the Companies Act, the Company will amend Article 6 (Total Number of Shares Authorized) of its Articles of Incorporation, effective July 1, 2024.

V-2. Semi-Annual Consolidated Results

¥ in billions

	FY2022			FY2023			Difference YoY rate		
	1H	2H	FY	1H	2H	FY	1H	2H	FY
Revenue	134.7	157.0	291.7	144.8	165.9	310.6	7% +10.1	6% +8.9	6% +18.9
Gross Profit <Gross Profit Margin>	30.4 <22.6%>	35.5 <22.6%>	65.9 <22.6%>	33.4 <23.1%>	38.4 <23.2%>	71.8 <23.1%>	10% +3.0 <+0.5%>	8% +2.9 <+0.6%>	9% +5.9 <+0.5%>
SG&A	16.5	16.5	33.0	18.7	18.0	36.6	13% +2.2	9% +1.4	11% +3.6
Others	0.0	-1.2	-1.2	-0.1	-0.1	-0.2	-0.1	+1.1	+1.0
Operating Profit <Operating Profit Margin>	14.0 <10.4%>	17.7 <11.3%>	31.7 <10.9%>	14.6 <10.1%>	20.4 <12.3%>	35.0 <11.3%>	5% +0.6 <-0.3%>	15% +2.6 <+1.0%>	10% +3.3 <+0.4%>
Profit before tax	14.2	17.9	32.1	15.0	20.4	35.4	5% +0.8	14% +2.6	10% +3.3
Profit attributable to owners of parent	9.4	12.6	22.0	9.5	14.7	24.2	1% +0.1	17% +2.1	10% +2.2

V-3. Semi-Annual Sales by Segment / Customer Industry












	FY2022			FY2023			Difference			vs forecast
	1H	2H	FY	1H	2H	FY	1H	2H	FY	FY
Business Solutions	89.0	94.4	183.3	92.9	99.8	192.6	+3.9	+5.4	+9.3	-0.4
Manufacturing, Nippon Steel Group	43.7	45.6	89.3	45.6	47.1	92.6	+1.9	+1.5	+3.4	-1.9
Retail and Service, Digital Platformer	28.9	30.7	59.5	29.2	31.3	60.5	+0.3	+0.6	+0.9	-2.0
Financial Service	16.4	18.1	34.5	18.2	21.4	39.5	+1.8	+3.2	+5.0	+3.5
Consulting & Digital Service	29.0	41.3	70.3	32.0	42.9	74.8	+2.9	+1.5	+4.5	+3.8
Subsidiaries	16.7	21.3	38.0	19.9	23.3	43.2	+3.2	+1.9	+5.2	+2.2
Total	134.7	157.0	291.7	144.8	165.9	310.6	+10.1	+8.9	+18.9	+5.6
<FYI>										
Revenue to Nippon Steel	27.7	30.2	57.9	30.5	32.0	62.5	+2.8	+1.8	+4.6	+1.5
Revenue to government, educational and research institutions	10.0	20.0	30.0	9.1	17.9	27.0	-0.9	-2.1	-3.0	+1.3

V -4. Semi-Annual Outlook for FY2024

	FY2023			FY2024(e)			Difference YoY rate		
	1H	2H	FY	1H(e)	2H(e)	FY (e)	1H	2H	FY
Revenue	144.8	165.9	310.6	153.0	177.0	330.0	6% +8.2	7% +11.1	6% +19.4
Gross Profit <Gross Profit Margin>	33.4 <23.1%>	38.4 <23.2%>	71.8 <23.1%>	35.5 <23.2%>	41.5 <23.4%>	77.0 <23.3%>	+2.1 <+0.1%>	+3.1 <+0.2%>	+5.2 <+0.2%>
SG&A	18.7	18.0	36.6	20.5	20.5	41.0	10% +1.8	14% +2.5	12% +4.4
Others	-0.1	-0.1	-0.2	0.0	0.0	0.0	0.1	+0.1	+0.2
Operating Profit <Operating Profit Margin>	14.6 <10.1%>	20.4 <12.3%>	35.0 <11.3%>	15.0 <9.8%>	21.0 <11.9%>	36.0 <10.9%>	2% +0.4 <-0.3%>	3% +0.6 <-0.4%>	3% +1.0 <-0.4%>
Profit before tax	15.0	20.4	35.4	15.2	21.3	36.5	1% +0.2	4% +0.9	3% +1.1
Profit attributable to owners of parent	9.5	14.7	24.2	9.8	14.7	24.5	3% +0.3	0% -	1% +0.3

V-5. Our Achievements in Sustainability Management

Promoted sustainability management based on Purpose.
Published the 2nd Integrated Report last September.

Materiality	Activities	Relevant SDGs
Solve social issues through IT	<ul style="list-style-type: none"> Contributing to improving operational efficiency through systematization and shifting to IT-based operations in manufacturing industries, and ultimately to measures against the decline in the working population. Contributing to the development and improvement of social infrastructure through systems development for government agencies, financial institutions, public service providers and platformers, etc. Contributing to solving regional issues by supporting local governments in promoting DX and smart cities. <ul style="list-style-type: none"> Promoting work style reform through digital workplace solutions such as "M3DaaS". Contributing to the improvement of labor productivity through the voluntary resolution of employee concerns and increased employee engagement with the career reflection tool Nayasapo. Contributing to paperless operation through the electronic contract service "CONTRACTHUB". Contributing to ensuring safety in on-site work through IoX Solution "Anzen Mimamori-kun (Safety Watcher)". 	   
Provide a stable supply of IT services as social infrastructure	<ul style="list-style-type: none"> Providing robust and efficient IT services applying cloud-native and other advanced technologies. 	
Create opportunities for diverse individuals to play active roles	<ul style="list-style-type: none"> Producing female managers through strategies to train female leaders. Promoting D&I measures for mutual understanding among employees with diverse attributes and characteristics. Promotion of "self-selective" capacity development (development of autonomous training course systems, etc.) Strengthening the activities of the NSSOL Academy (NSSOL's autonomous learning organization) Establishment of an environment that supports diverse and autonomous careers, including an internal job application system, career support system, and dual/secondary employment system. <ul style="list-style-type: none"> Expanding and enhancing our telecommuting system and reducing overtime hours and encouraging employees to take annual paid leave. Establishing a cycle for improving engagement with the participation of all employees. 	  
Reduce environmental impact	<ul style="list-style-type: none"> Continue to support GHG Scope 1+2 reduction targets and support green power deployment. Providing cloud services through highly energy-efficient data centers. 	 
Pursue governance and compliance as a trusted member of society	<ul style="list-style-type: none"> Further strengthening of corporate governance as a company with an Audit Committee. Thorough "Global Business Conduct" Strengthening risk management systems 	



NS Solutions

 **NIPPON STEEL**

Dream our future
Unleash the possibilities of society,
With technology and passion

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

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. NS Solutions, NSSOL, NS logos are either registered trademarks or trademarks of NS Solutions Corporation. All other company and product names in this material are either registered trademarks or trademarks of their respective owners. Unless otherwise noted, all financial figures are on consolidated basis.