Financial Information for the Second Quarter of the Fiscal Year ending March 31, 2021

(April 1, 2020 through September 30, 2020)

NS Solutions

NIPPON STEEL

October 27, 2020

NS Solutions Corporation

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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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I

Consolidated Financial Results for 1H of FY Mar. 2021

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Ⅰ - 1 . Highlights of Consolidated Financial Results

(¥ in billions)

FY 2020 (April 1, 2020- September 30, 2020)		YoY change	Difference with Company Estimate
Sales	**119.1**	**-17.7**	**-0.9**
Operating Profit	**11.1**	**-3.0**	**+0.2**
Net Profit	**7.9**	**-0.8**	**+1.0**

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

(¥ in billions)	1H of FY Mar. 2020 Actual A	1H of FY Mar. 2021 Actual B	Difference B−A	1H of FY Company Estimate as of July 30 C	Difference B−C
Sales	136.8	119.1	−17.7	120.0	−0.9
Business solutions	89.8	74.0	−15.8	75.0	−1.0
Service solutions	47.0	45.1	−1.9	45.0	+0.1
Gross Profit	28.5	25.0	−3.5	25.1	−0.1
<Gross Profit Margin>	<20.8%>	<21.0%>	<+0.2%>	<20.9%>	<+0.1%>
SG&A	14.3	13.9	−0.4	14.2	−0.3
Operating Profit	14.2	11.1	−3.0	10.9	+0.2
Recurring Profit	14.2	11.4	−2.8	11.0	+0.4
Profit attributable to owners of parent	8.7	7.9	−0.8	6.9	+1.0

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I -3. 1H of FY ending March 31, 2021 Quarterly Consolidated Results

(¥ in billions)	FY Mar. 2020			FY Mar. 2021			Difference		
	1Q (Apr.–Jun.) A	2Q (Jul.–Sep.) B	1H (Apr.–Sep.) C	1Q (Apr.–Jun.) D	2Q (Jul.–Sep.) E	1H (Apr.–Sep.) F	1Q (Apr.–Jun.) D–A	2Q (Jul.–Sep.) E–B	1H (Apr.–Sep.) F–C
Sales	68.6	68.2	136.8	56.6	62.4	119.1	-11.9	-5.8	-17.7
Business Solutions	45.6	44.2	89.8	34.9	39.1	74.0	-10.7	-5.1	-15.8
Service Solutions	23.0	24.0	47.0	21.7	23.3	45.1	-1.2	-0.7	-1.9
Gross Profit	14.3	14.2	28.5	12.2	12.8	25.0	-2.0	-1.4	-3.5
<Gross profit margin>	<20.8%>	<20.8%>	<20.8%>	<21.6%>	<20.5%>	<21.0%>	<+0.8%>	<-0.4%>	<+0.2%>
SG&A	7.4	6.9	14.3	7.1	6.7	13.9	-0.2	-0.2	-0.4
Operating Profit	6.9	7.3	14.2	5.1	6.0	11.1	-1.8	-1.2	-3.0
Recurring Profit	7.2	7.0	14.2	5.4	6.0	11.4	-1.8	-1.1	-2.8
Profit attributable to owners of parent	4.1	4.6	8.7	3.1	4.8	7.9	-1.0	+0.2	-0.8
Nippon Steel Sales	(14.0)	(13.3)	(27.3)	(12.7)	(13.7)	(26.4)	(-1.3)	(+0.4)	(-0.9)

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I -4. 1H of FY ending March 31,2021
Sales by Service and Segment

(¥ in billions)	1H of FY Mar. 2020		1H of FY Mar. 2021		Difference		Comment
	Actual A	IT platform	Actual B	IT platform	B-A	IT platform	
Business Solutions	75.1	26.2	60.3	16.4	-14.9	-9.8	
Manufacturing, Retail and Service	42.3	18.3	34.3	11.1	-8.0	-7.2	Decline in last year's large platform project sales
Financial Services	15.8	5.3	13.9	3.7	-1.9	-1.6	Decline in last year's product sales
Government, Public organizations and Others	17.0	2.7	12.1	1.6	-4.9	-1.0	
Service Solutions	43.9		43.2		-0.7		
IT Platform	16.6	<26.2>	16.7	<16.4>	+0.1	<-9.8>	Sales increase in multi cloud service and product
Nippon Steel Group	27.3		26.5		-0.8		Decrease in sales to Nippon Steel
Subsidiaries	17.7		15.6		-2.1		
Total	136.8		119.1		-17.7		
Nippon Steel Sales	(27.3)		(26.4)		(-0.9)		
Total Order	136.0		116.3		-19.7		

Business Solutions -14.9
Service Solutions -4.8

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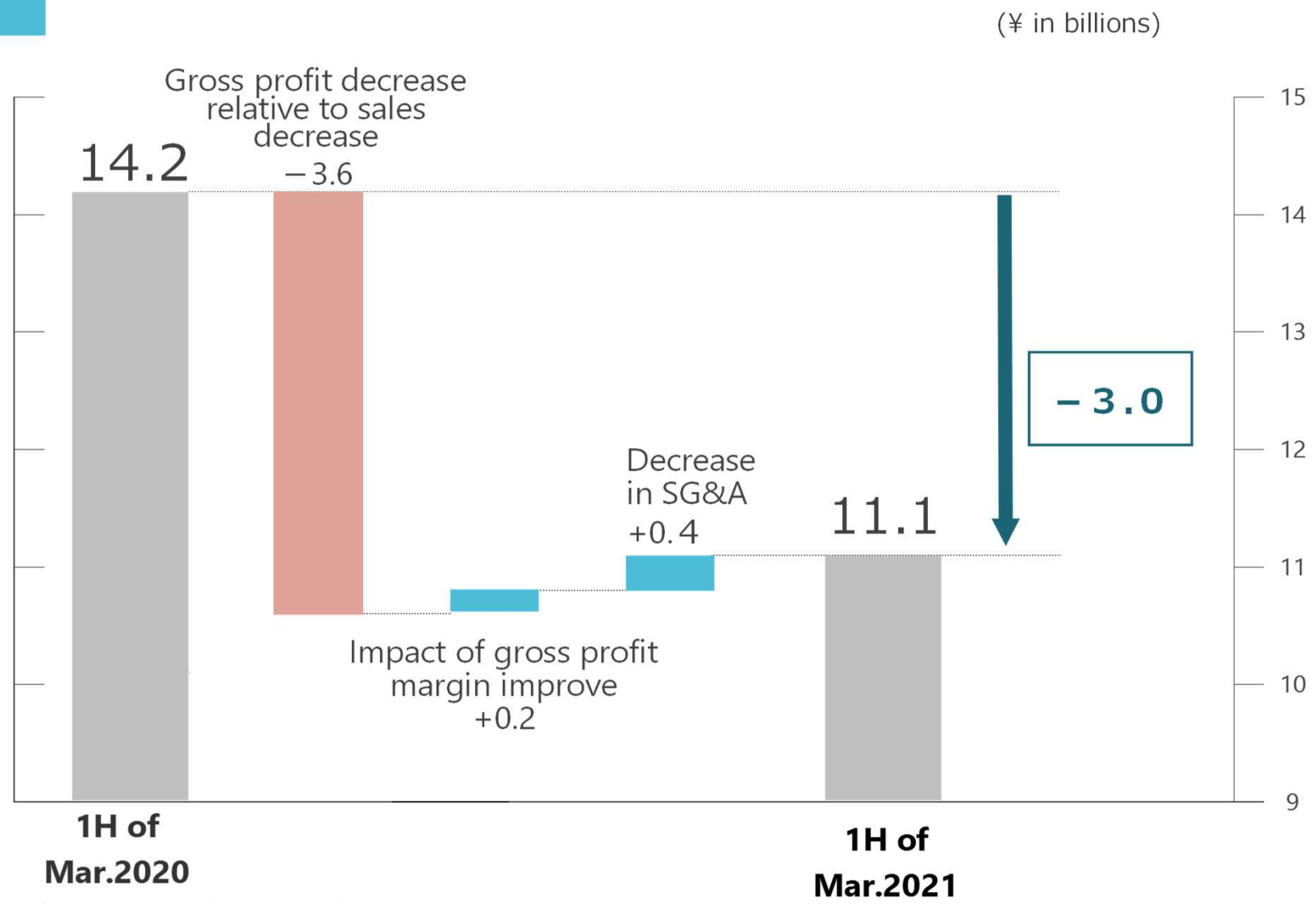
Ⅰ-5. 1H of FY ending March 31, 2021
Consolidated Operating Profit Breakdown

YoY



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Ⅱ Outlook for FY March 31, 2021

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Ⅱ-１． Market trend

Business Environment

The spread of COVID-19 is not expected to end any time soon, and the economic activity level outlook for the current fiscal year is extremely severe.
Although the effect caused by the spread of the disease will continue for a certain period of time, the consolidated financial results forecast for the current fiscal year is made with the assumption that, in the second half of fiscal year 2020, the demand is expected to be at about the same level as that in the same period of the previous fiscal year.

Market Trend

Manufacturing, Retail and Service	● Active IT investment in Internet services and Retail.
Financial Services	● IT investment is steady such as modification for financial system revision
Government, Public organizations and others	● Telework projects are expected in addition to platform project
IT Platform	● In addition to multi-cloud and IT outsourcing, telework and digital approval solution needs are active
Nippon Steel Group	● Nippon Steel's IT investment tends to be restrained

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Ⅱ-2. Outlook for FY ending March 31, 2021 (YoY)

(¥ in billions)	FY Mar. 2020			FY Mar. 2021 Co. Est			Difference		
	1H (Apr. – Sep.) A	2H (Oct.– Mar.) B	FY (Apr.– Mar.) C	1H (Apr. – Sep.) D	2H (Oct.– Mar.) E	FY (Apr.– Mar.) F	1H (Apr. – Sep.) D–A	2H (Oct.– Mar.) E–B	FY (Apr.– Mar.) F–C
Sales	136.8	138.1	274.8	119.1	135.9	255.0	-17.7	-2.2	-19.8
Business Solutions	89.8	90.3	180.1	74.0	90.0	164.0	-15.8	-0.3	-16.1
Service Solutions	47.0	47.8	94.8	45.1	45.9	91.0	-1.9	-1.8	-3.8
Gross Profit	28.5	28.1	56.6	25.0	27.6	52.6	-3.5	-0.5	-4.0
<Gross profit margin>	<20.8%>	<20.3%>	<20.6%>	<21.0%>	<20.3%>	<20.6%>	<+0.2%>	<-0.1%>	<+0.0%>
SG&A	14.3	13.9	28.2	13.9	14.8	28.7	-0.4	+0.9	+0.5
Operating Profit	14.2	14.2	28.4	11.1	12.8	23.9	-3.0	-1.4	-4.5
Recurring Profit	14.2	14.1	28.3	11.4	12.6	24.0	-2.8	-1.4	-4.3
Profit attributable to owners of parent	8.7	9.8	18.6	7.9	8.1	16.0	-0.8	-1.7	-2.6
Nippon Steel Sales	(27.3)	(28.7)	(56.0)	(26.4)	(23.6)	(50.0)	(−0.9)	(−5.1)	(−6.0)
Order backlog at the beginning of the period	133.4	132.7	-	126.9	124.1	-	-6.5	-8.6	-

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Ⅱ-3. Outlook for 2H of FY March 31, 2021

Sales by Service and Segment

(¥ in billions)	2H of FY Mar. 2020 (Oct.–Mar.) A	2H of FY Mar. 2020 IT platform	2H of FY Mar. 2021 (Oct.–Mar.) B	2H of FY Mar. 2021 IT platform	Difference (Oct.–Mar.) B–A	Difference IT platform	Comment
Business Solutions	73.5	17.6	74.7	15.6	+1.3	-2.0	
Manufacturing, Retail and Service	34.6	9.8	36.7	9.9	+2.1	+0.1	Sales increase in net service and retail
Financial Services	15.1	4.8	16.1	4.3	+1.0	-0.5	Increase in demand for changes in financial system revision
Government, Public organizations and Others	23.8	3.0	21.9	1.4	-1.9	-1.6	
Service Solutions	45.9		42.8		-3.1		
IT Platform	17.4	<17.6>	18.3	<15.6>	+0.9	<-2.0>	Sales increase in multi cloud services and IT outsourcing
Nippon Steel Group	28.5		24.5		-4.0		
Subsidiaries	18.7		18.4		-0.3		
Total	138.1		135.9		-2.2		
Nippon Steel Sales	(28.7)		(23.6)		(-5.1)		

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Ⅱ-4. Outlook for FY ending March 31, 2021
Sales by Service and Segment

(¥ in billions)	FY Mar. 2020		FY Mar. 2021		Difference	
	Actual A	IT platform	Company Estimate B	IT platform	B-A	IT platform
Business Solutions	148.6	43.8	135.0	32.0	-13.6	-11.8
Manufacturing, Retail and Service	76.9	28.1	71.0	21.0	-5.9	-7.1
Financial Services	30.9	10.1	30.0	8.0	-0.9	-2.1
Government, Public organizations and Others	40.8	5.6	34.0	3.0	-6.8	-2.6
Service Solutions	89.8		86.0		-3.8	
IT Platform	34.0	<43.8>	35.0	<32.0>	+1.0	<-11.8>
Nippon Steel Group	55.8		51.0		-4.8	
Subsidiaries	36.4		34.0		-2.4	
Total	274.8		255.0		-19.8	
Nippon Steel Sales	(56.0)		(50.0)		(-6.0)	

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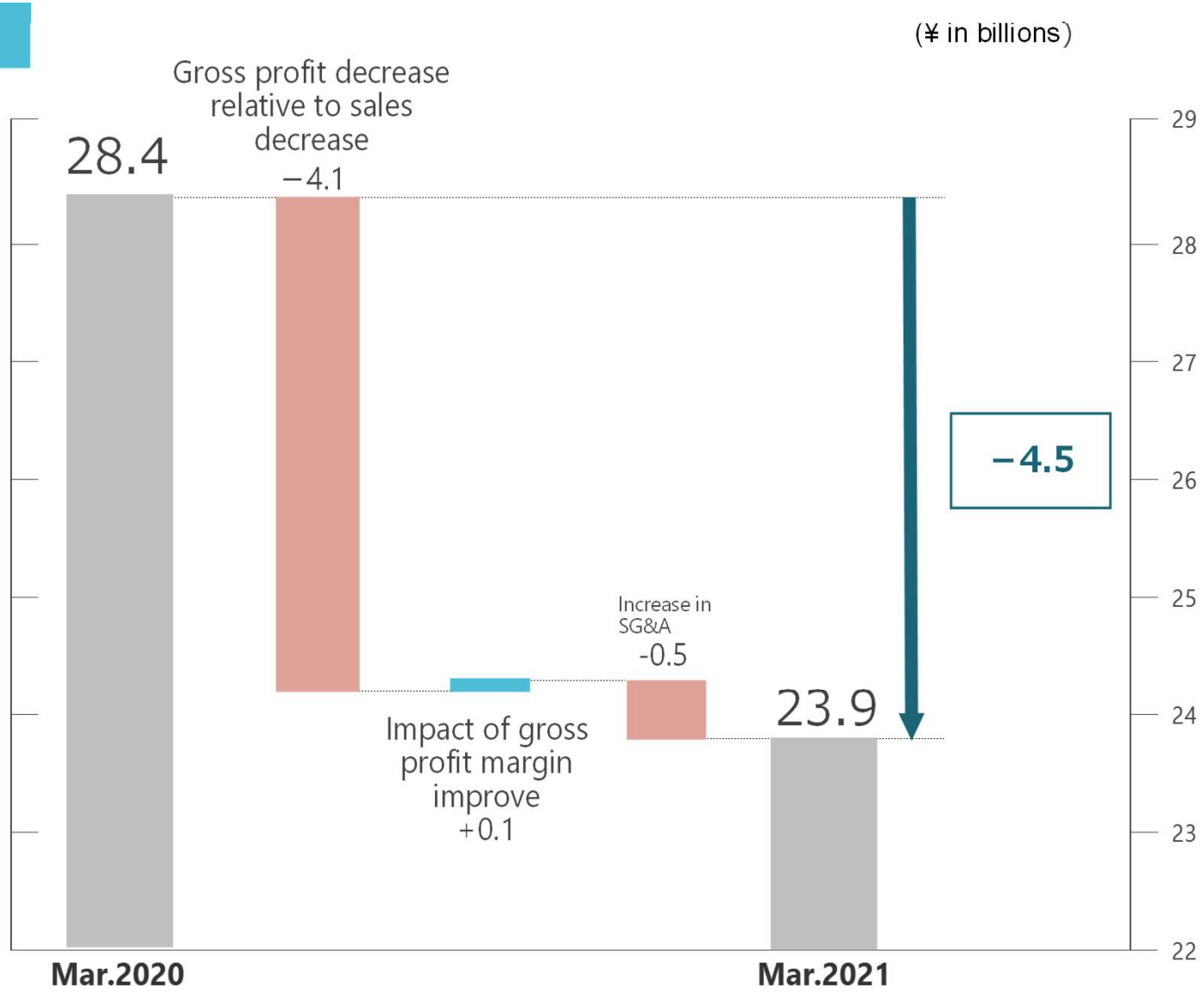
Ⅱ-5. FY March 31, 2021 OP Outlook Breakdown

YoY



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Ⅱ-6. 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, 2021 Dividend

FY Mar. 2021
52.50yen

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III Topics

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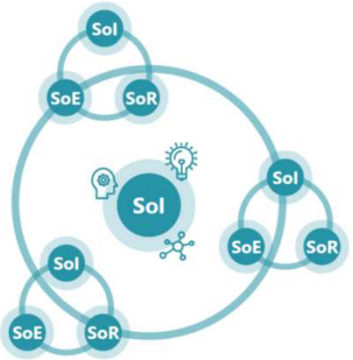
Ⅲ-１． Promotion of DX business

- Integrate cross-sectional transformation of organizations, business processes, and systems
- Making full use of digital technology and data
- Providing "Angraecum", a digital innovation co-creation program



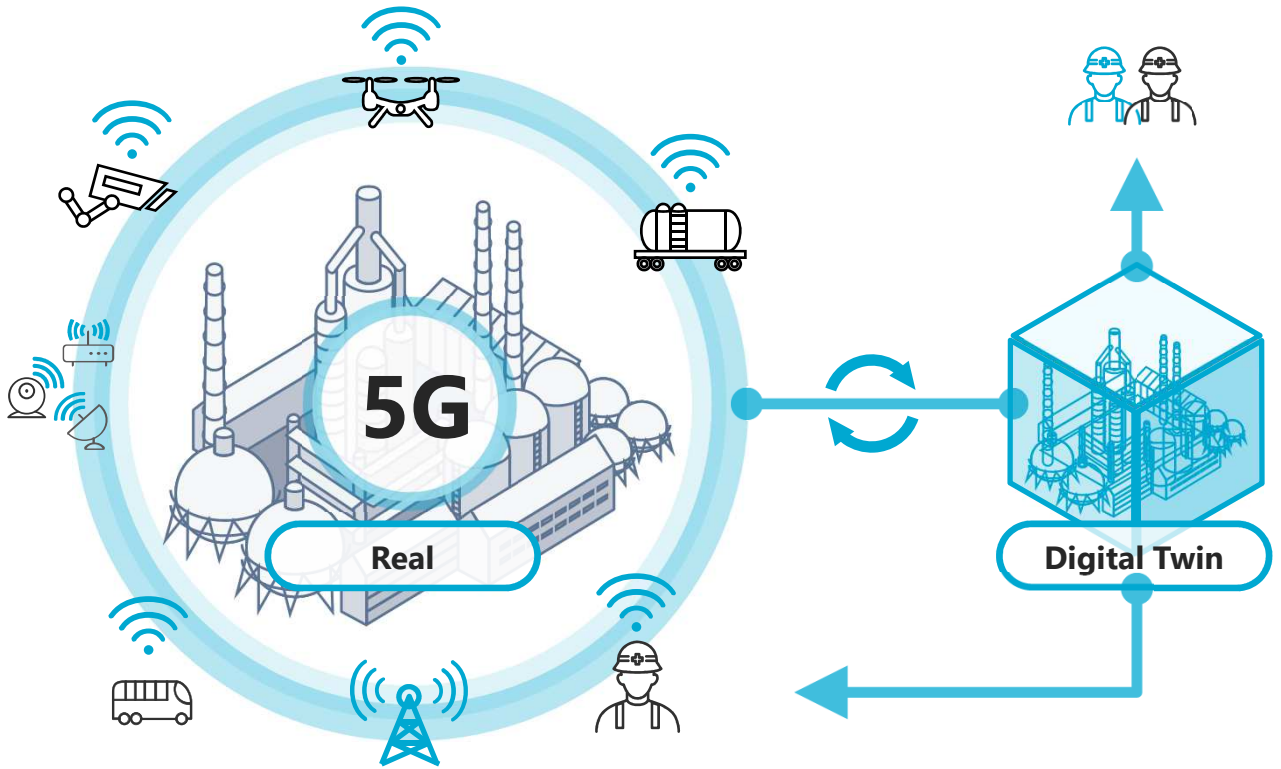
2days / 4weeks ▶ 4 – 8weeks ▶ 8weeks – ▶ ...and go on!



ART Thinking ▶ DESIGN Thinking ▶ LOGICAL Thinking

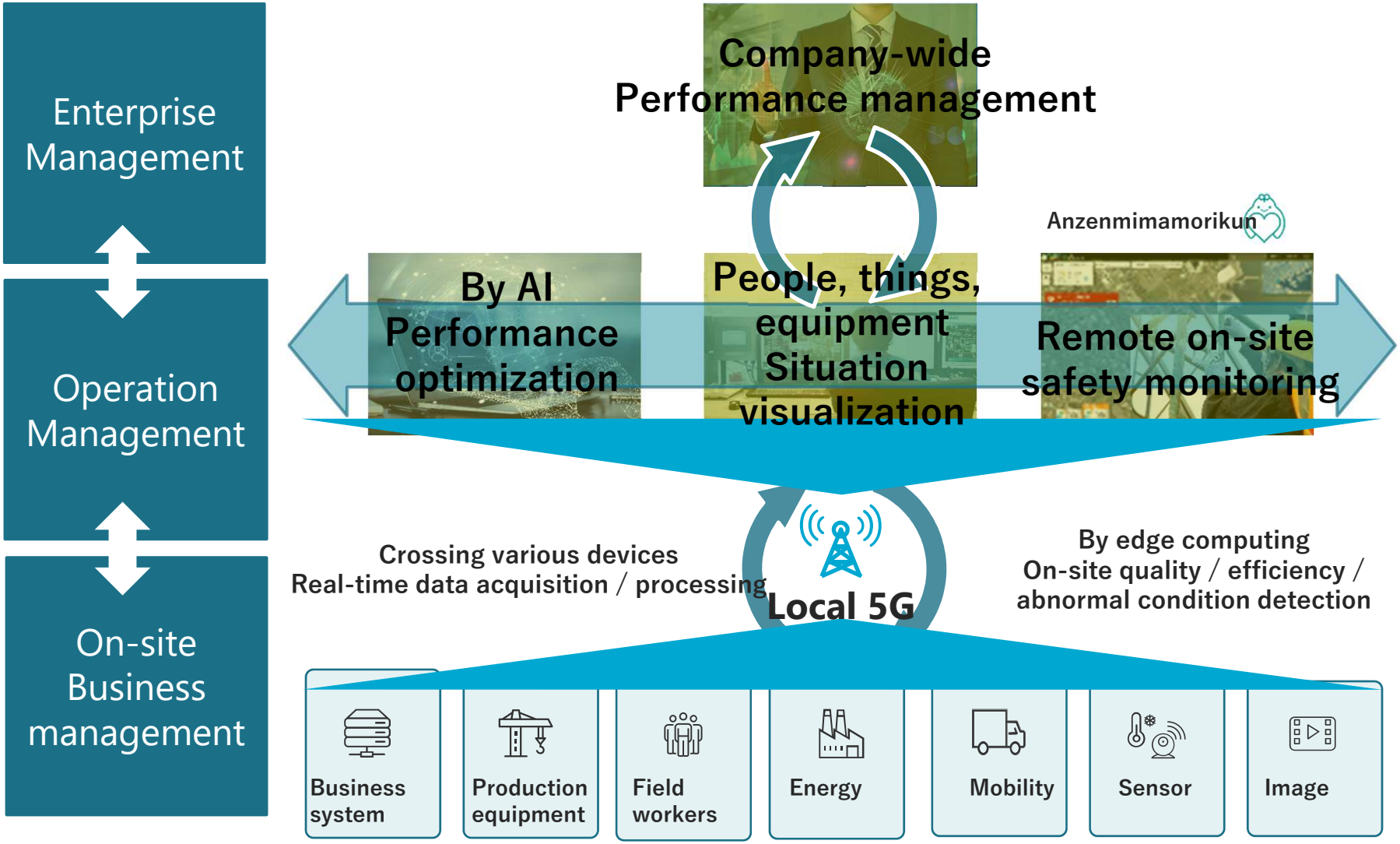
Ⅲ-２． Promotion of Local 5G solutions

- **5G solution that realizes DX at the manufacturing site**
- **Started verification at automobile manufacturing sites in addition to Nippon Steel's steelworks**
- **Providing an integrated one-stop service which includes area design to equipment introduction to wireless license acquisition support**



Ⅲ-３． Promote IoX solution

- Deploying a safety monitoring platform at the manufacturing site
- Realize a smart factory for the entire factory such as facility management and operation management



Ⅲ-４． Digital Workplace Platform

- ◆ Providing a remote, non-contact work style platform
- ◆ Supporting telework communication improvement and productivity improvement

		Before introduction	After introduction
7 years No.1 Telework Virtual Desktop	M3DaaS @absonne	Important for PC terminals Data remains There is a risk of information leakage	In-house regardless of location Secure to the environment Accessible
4 years No.1 Electronic contract	CONTRACTHUB @absonne FINCHUB @absonne KENCHUB @absonne	For printing, stamping, and sending original contracts with customers and business partners Arrive at work	No need to go to work because contracts between companies are completed online
3 year No.1 In-house approval Work flow	AgileWorks	Go to work for printing, stamping, and storing originals of in-house approval documents	No need to go to work because internal approval is completed online

NS Solutions

Answers to power your future

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