NS Solutions

NIPPON STEEL

Financial Information for the Fiscal Year ended March 31, 2023

(April 1, 2022 through March 31, 2023)

April 28, 2023

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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Summary

Ⅰ. Consolidated Financial Results for FY2022

Ⅱ. Outlook for FY2023

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

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Summary

Consolidated Financial Results for FY2022	• Both sales and profits exceeded forecasts and reached record high. • Orders received and order backlog at the end of the year were also record high.
Outlook for FY2023	• Forecast increase in sales and profits. • The classification will be changed according to changes in customers and markets, and in view of the medium-term strategy.
Shareholders return	• Year-end dividend from ¥35 to ¥40 (increase of ¥5 at year-end) • Next financial year: ¥80 per annum (increase of ¥5 per annum) (Interim ¥40, year-end ¥40)

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Consolidated Financial Results for FY2022

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Ⅰ-1. Consolidated Financial Results IFRS

¥ in billions

	FY Mar. 2022 A	FY Mar. 2023 B	Difference	(YoY) B/A	FY Mar. 2023(Est) C	Difference	B/C
Revenue	270.3	291.7	+21.4	+8%	290.0	+1.7	+1%
Gross Profit	60.4	65.9	+5.5	+9%	65.0	+0.9	+1%
Gross Profit Margin	<22.4%>	<22.6%>	<+0.2%>		<22.4%>	<+0.2%>	
SG&A	30.0	33.0	+3.0	+10%	34.0	-1.0	-3%
Others	-0.5	1.2	-0.6		0.0	-1.2	
Operating Profit	29.9	31.7	+1.9	+6%	31.0	+0.7	+2%
Operating Profit Margin	<11.1%>	<10.9%>	<-0.2%>		<10.7%>	<+0.2%>	
Profit before tax	30.7	32.1	+1.4	+5%	31.5	+0.6	+2%
Profit attributable to owners of parent	20.5	22.0	+1.5	+7%	21.1	+0.9	+4%

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Ⅰ -2. Sales by Segment / Customer Industry IFRS

¥ in billions

	FY Mar. 2022	IT Platform	FY Mar. 2023	IT Platform	Difference	IT Platform	Comments
Business Solutions	145.6		156.8		+11.2		
Manufacturing, Retail and Service	76.2	<22.3>	78.5	<19.3>	+2.3	<-3.0>	Negative drop in the transport sector, but steady growth for digital platformers.
Financial Service	35.0	<9.8>	34.5	<9.2>	-0.5	<-0.5>	Decrease in LIBOR Transition projects, but resilient in Projects for megabanks and government financial institutions.
Government, Public organizations	34.4	<5.3>	43.8	<4.0>	+9.4	<-1.2>	Government projects contributed.
Service Solutions	89.9		96.9		+6.9		
IT Platform	35.2	<37.4>	38.9	<32.6>	+3.8	<-4.8>	Increased focus on cloud and IT operations.
Nippon Steel Group	54.7		57.9		+3.2		Increased both for NIPPON Steel & group companies.
Subsidiaries	34.8		38.0		+3.2		
Total	270.3		291.7		+21.4		
Nippon Steel Revenue	55.3		57.9		+2.6		
Total Order	271.6		313.6		+42.0		

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Ⅰ-3. Consolidated Financial Results (by Quarter) IFRS

¥ in billions

	FY Mar. 2022				FY Mar. 2023				Difference			
	1H	3Q	4Q	FY	1H	3Q	4Q	FY	1H	3Q	4Q	FY
Revenue	130.8	64.8	74.7	270.3	134.7	72.1	84.9	291.7	+3.9	+7.3	+10.2	+21.4
Gross Profit	28.8	15.2	16.4	60.4	30.4	16.2	19.3	65.9	+1.7	+1.0	+2.9	+5.5
Gross Profit Margin	<22.0%>	<23.5%>	<22.0%>	<22.4%>	<22.6%>	<22.4%>	<22.7%>	<22.6%>	<+0.6%>	<-1.0%>	<+0.7%>	<+0.2%>
SG&A	14.8	7.2	8.0	30.0	16.5	7.9	8.6	33.0	+1.7	+0.7	+0.6	+3.0
Others	0.1	0.0	0.7	0.5	0.0	0.1	-1.3	-1.2	-0.1	+0.0	-0.6	-0.6
Operating Profit	14.2	8.0	7.7	29.9	14.0	8.3	9.4	31.7	-0.2	+0.3	+1.7	+1.9
Operating Profit Margin	<10.8%>	<12.3%>	<10.3%>	<11.1%>	<10.4%>	<11.5%>	<11.1%>	<10.9%>	<-0.4%>	<-0.8%>	<+0.8%>	<-0.2%>
Profit before tax	14.5	8.1	8.1	30.7	14.2	8.4	9.5	32.1	-0.3	+0.2	+1.5	+1.4
Profit attributable to owners of parent	9.5	5.7	5.4	20.5	9.4	5.7	6.9	22.0	-0.1	+0.0	+1.5	+1.5

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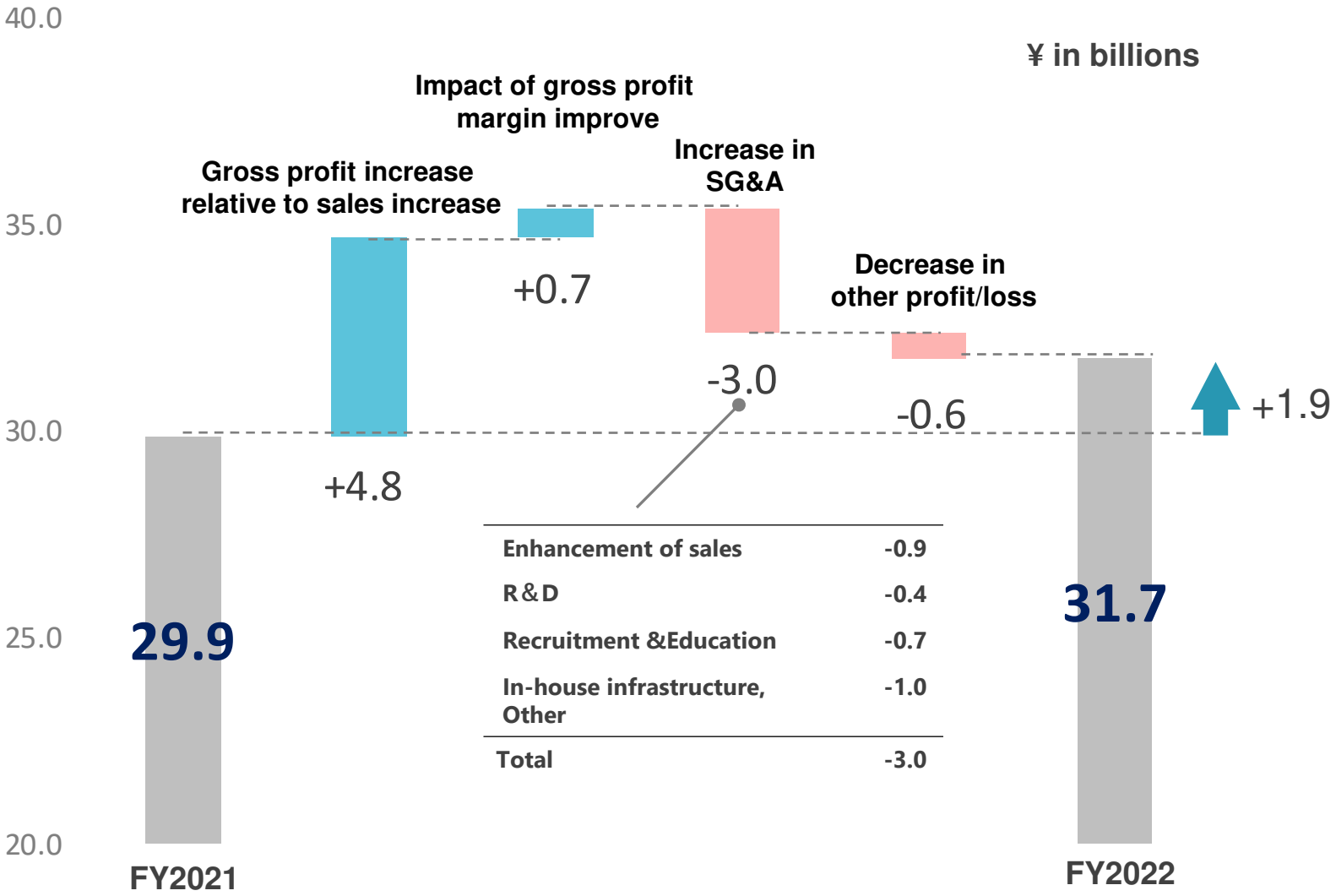
Ⅰ-4. Sales by Segment / Customer Industry (by Quarter) IFRS

¥ in billions

	FY Mar. 2022				FY Mar. 2023				Difference			
	1H	3Q	4Q	FY	1H	3Q	4Q	FY	1H	3Q	4Q	FY
Business Solutions	71.8	34.5	39.3	145.6	71.8	38.8	46.2	156.8	+0.0	+4.3	+6.9	+11.2
Manufacturing, Retail and Service	36.5	19.8	20.0	76.2	39.0	19.1	20.4	78.5	+2.5	-0.7	+0.4	+2.3
Financial Service	19.2	7.7	8.1	35.0	16.4	8.7	9.5	34.5	-2.8	+0.9	+1.4	-0.5
Government, Public organizations	16.1	7.0	11.3	34.4	16.4	11.0	16.3	43.8	+0.3	+4.0	+5.0	+9.4
Service Solutions	43.7	21.9	24.3	89.9	46.2	24.3	26.3	96.9	+2.5	+2.5	+2.0	+6.9
IT Platform	17.1	8.8	9.3	35.2	18.4	9.7	10.9	38.9	+1.3	+0.9	+1.5	+3.8
Nippon Steel Group	26.7	13.1	15.0	54.7	27.8	14.7	15.4	57.9	+1.1	+1.6	+0.5	+3.2
Subsidiaries	15.3	8.5	11.0	34.8	16.7	9.0	12.3	38.0	+1.4	+0.5	+1.3	+3.2
Total	130.8	64.8	74.7	270.3	134.7	72.1	84.9	291.7	+3.9	+7.3	+10.2	+21.4
Nippon Steel Revenue	26.6	13.8	14.8	55.3	27.7	14.7	15.5	57.9	+1.1	+0.8	+0.7	+2.6
Order backlog	122.6	123.3	110.2	–	123.8	145.9	134.9	–	+1.3	+22.7	+24.6	–

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Ⅰ-5. Operating Profit Breakdown IFRS

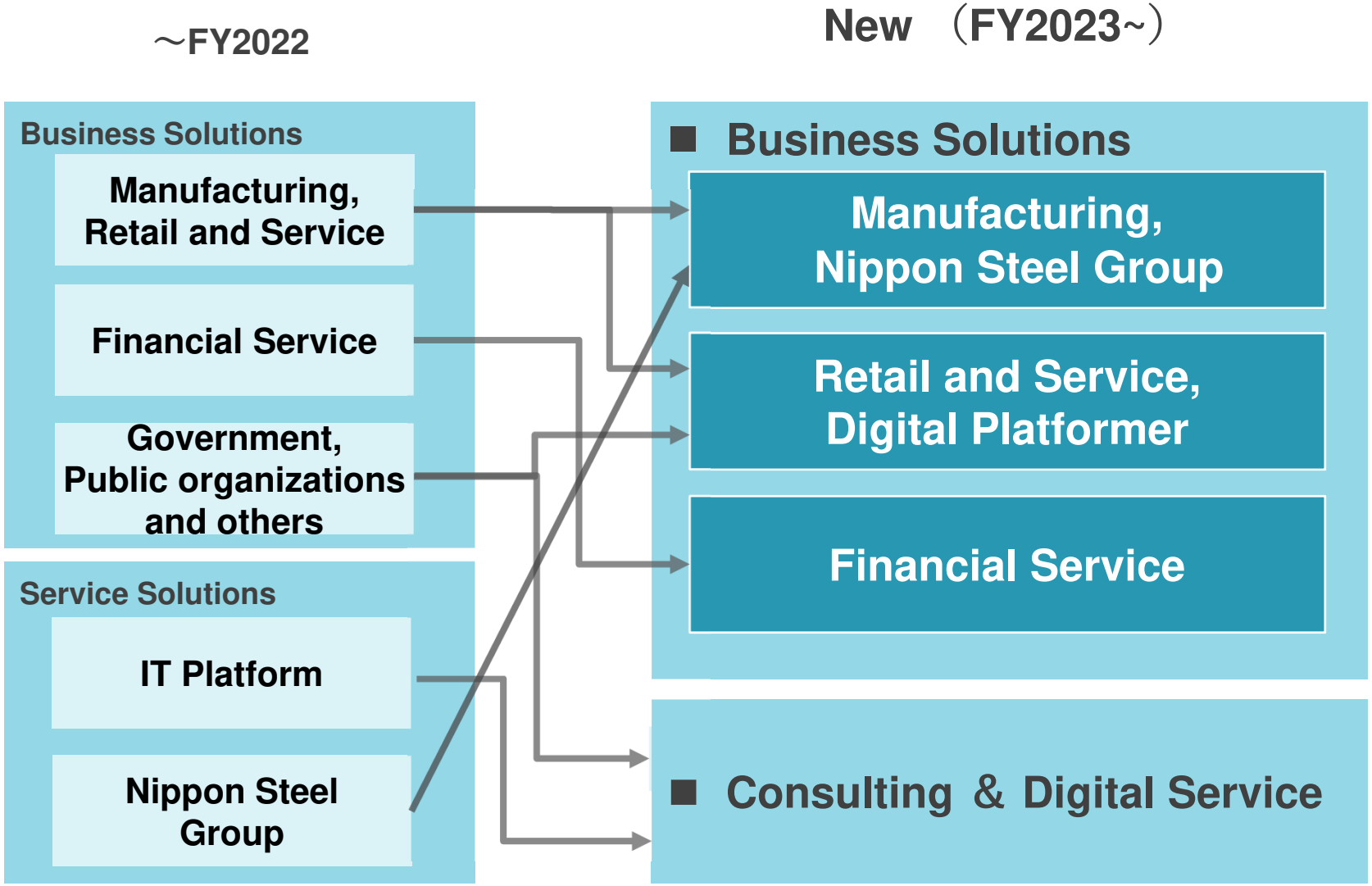


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Ⅱ Outlook for FY March 31, 2024

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Ⅱ-1. Changing the classification from FY2023



Large-scale IT engineering for the government and public sector is organized as consulting & digital services.

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Ⅱ-2. Changing the classification from FY2023

Old and New list

¥ in billions

Old (FY2022)

		IT Platform
Business Solutions	156.8	
Manufacturing, Retail and Service	78.5	<19.3>
Financial Service	34.5	<9.2>
Government, Public organizations	43.8	<4.0>
Service Solutions	96.9	
IT Platform	38.9	<32.6>
Nippon Steel Group	57.9	
Subsidiaries	38.0	
Total	291.7	
Nippon Steel Revenue	57.9	

New (FY2022)

		C&D	C&D Total
Business Solutions	183.3		
Manufacturing, Nippon Steel Group	89.3	<15.2>	
Retail and Service, Digital Platformer	59.5	<11.8>	
Financial Service	34.5	<9.4>	
Consulting & Digital Service	70.3	36.4	106.8
Subsidiaries	38.0		
Total	291.7		
Nippon Steel Revenue	57.9		

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II -3. Market trend

Business Environment		Steady recovery in current IT investment. IT investment appetite is firm due to customers' growing DX needs.On the other hand, downside risks to the economy are closely watched, such as high energy prices due to geopolitical risks, rising raw material prices and uncertainty in the financial and capital markets in Europe and the US.
Market Trend	Manufacturing, Nippon Steel Gr	In the manufacturing sector, trends are mixed due to uncertainty over the outlook for business performance. For NIPPON Steel, there is a strong appetite for investment in various information systems based on DX needs.
	Retail and Service, Digital Platformer	In the retail sector, there is a certain growth trend, but the current economic uncertainty requires close monitoring. In digital platformers, IT investment remains strong.
	Financial Service	Firm demand from megabanks and government departments. Increasing need for entry into financial services by different industries
	Consulting & Digital Service	Enquiries for cloud utilization, versatile digital solutions, and digitization support needs steady . Delays in HW delivery due to semiconductor shortages are improving.

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Ⅱ-4. Outlook IFRS

¥ in billions

	FY Mar. 2023 A	FY Mar. 2024 B	Difference B-A	(YoY) B/A
Revenue	291.7	305.0	+13.3	+5%
Gross Profit	65.9	70.0	+4.1	+6%
Gross Profit Margin	<22.6%>	<23.0%>	<+0.3%>	
SG&A	33.0	36.5	+3.5	+11%
Others	-1.2	0.0	+1.2	
Operating Profit	31.7	33.5	1.8	+6%
Operating Profit Margin	<10.9%>	<11.0%>	<+0.1%>	
Profit before tax	32.1	34.0	+1.9	+6%
Profit attributable to owners of parent	22.0	22.8	+0.8	+4%
Order backlog	123.8	145.7	+21.9	+18%

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II -5. Outlook Sales by Segment / Customer Industry IFRS

¥ in billions

	FY Mar. 2023			FY Mar. 2024			Difference		
		C&D	C&D Total		C&D	C&D Total		C&D	C&D Total
Business Solutions	183.3			196.0			+12.7		
Manufacturing, Nippon Steel Group	89.3	<15.2>		94.5	<17.0>		+5.2	<+1.8>	
Retail and Service, Platformer	59.5	<11.8>		65.5	<12.0>		+6.0	<+0.2>	
Financial Service	34.5	<9.4>		36.0	<11.0>		+1.5	<+1.7>	
Consulting & Digital Service	70.3	36.4	106.8	68.0	40.0	108.0	-2.3	+3.6	+1.3
Subsidiaries	38.0			41.0			+3.0		
Total	291.7			305.0			+13.3		
Nippon Steel Revenue	57.9			61.0			+3.1		

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Ⅱ-6. Outlook 1H/2H IFRS

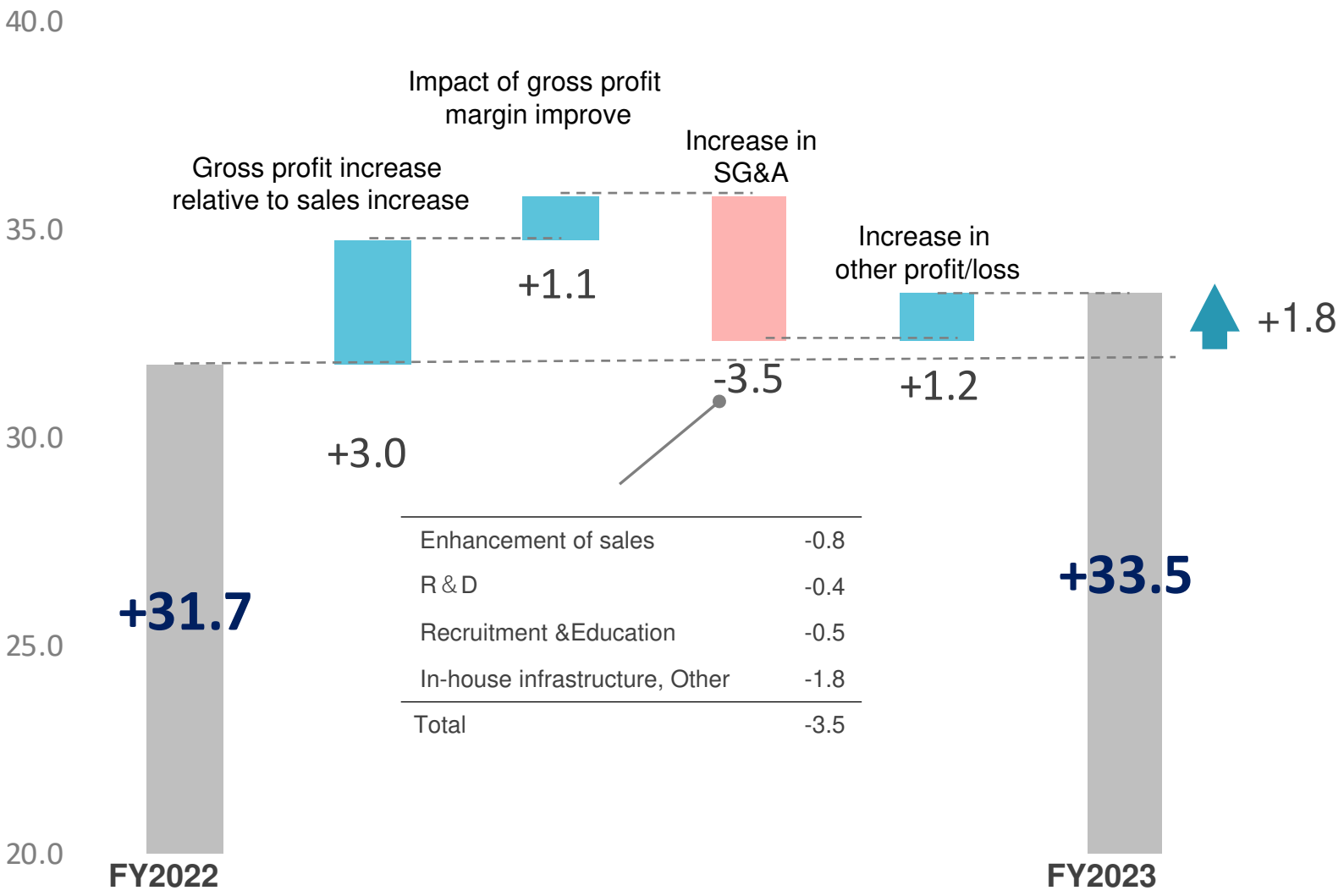
¥ in billions

	FY Mar. 2023		FY Mar. 2024		Difference		(YoY)	
	1H	2H	1H	2H	1H	2H	1H	2H
Revenue	134.7	157.0	140.0	165.0	+5.3	+8.0	+4%	+5%
Gross Profit	30.4	35.5	32.0	38.0	+1.6	+2.5	+5%	+7%
Gross Profit Margin	<22.6%>	<22.6%>	<22.9%>	<23.0%>	<+0.3%>	<+0.4%>		
SG&A	16.5	16.5	18.0	18.5	+1.5	+2.0	+9%	+12%
Others	0.0	-1.2	0.0	0.0	0.0	+1.2		
Operating Profit	14.0	17.7	14.0	19.5	0.0	+1.8	0%	+10%
Operating Profit Margin	<10.4%>	<11.3%>	<10.0%>	<11.8%>	<-0.4%>	<+0.5%>		
Profit before tax	14.2	17.9	14.2	19.8	0.0	+1.9	0%	+11%
Profit attributable to owners of parent	9.4	12.6	9.4	13.4	0.0	+0.8	0%	+7%
Order backlog	123.8	145.9	145.7		+21.9		+18%	

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Ⅱ-7. Operating Profit Breakdown IFRS

¥ in billions

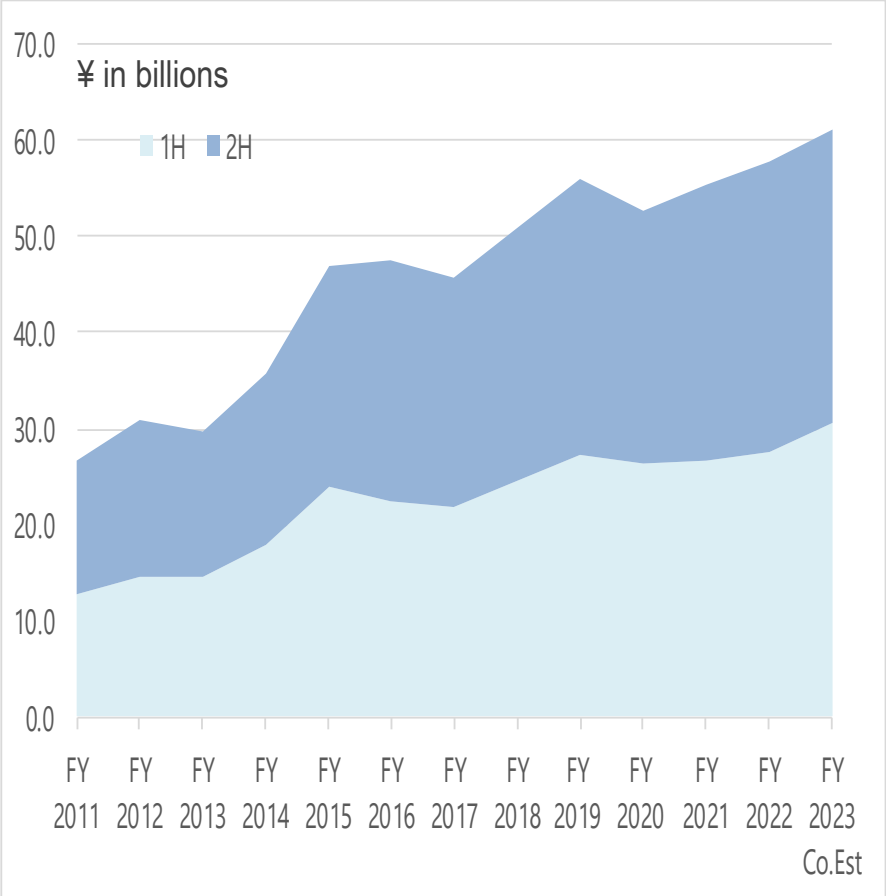


Enhancement of sales	-0.8
R＆D	-0.4
Recruitment &Education	-0.5
In-house infrastructure, Other	-1.8
Total	-3.5

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Ⅱ-8. Nippon Steel business

1． Nippon Steel Sales Trend



2． Actions

Strengthen business competitiveness by making full use of data and digital technology

・Integrated data analysis and AI development platform “NS-DIG”

・Wireless sensor utilization platform “NS-IoT”

・Integrated data platform for Real-time management information, KPIs and Action “NS-Lib”

・Nippon Steel received the “Data Management Grand Prize 2023 in Japan” for our contributions

Nippon Steel Sales forecast (FY2023)

¥ in billions

FY2022	FY2023	Increase
57.9	61.0	+3.1

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Ⅱ-9. 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 FY2023 Dividend

FY2022	FY2023
¥70→¥75	¥80(TBD)
Payout ratio 31.2%	Payout Ratio 32.1%(TBD)
Interim：¥35, Year end ¥35 → ¥40	Interim：¥40, Year end ¥40 (TBD)

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Ⅲ

FY2021-2025 Medium term Business Strategy

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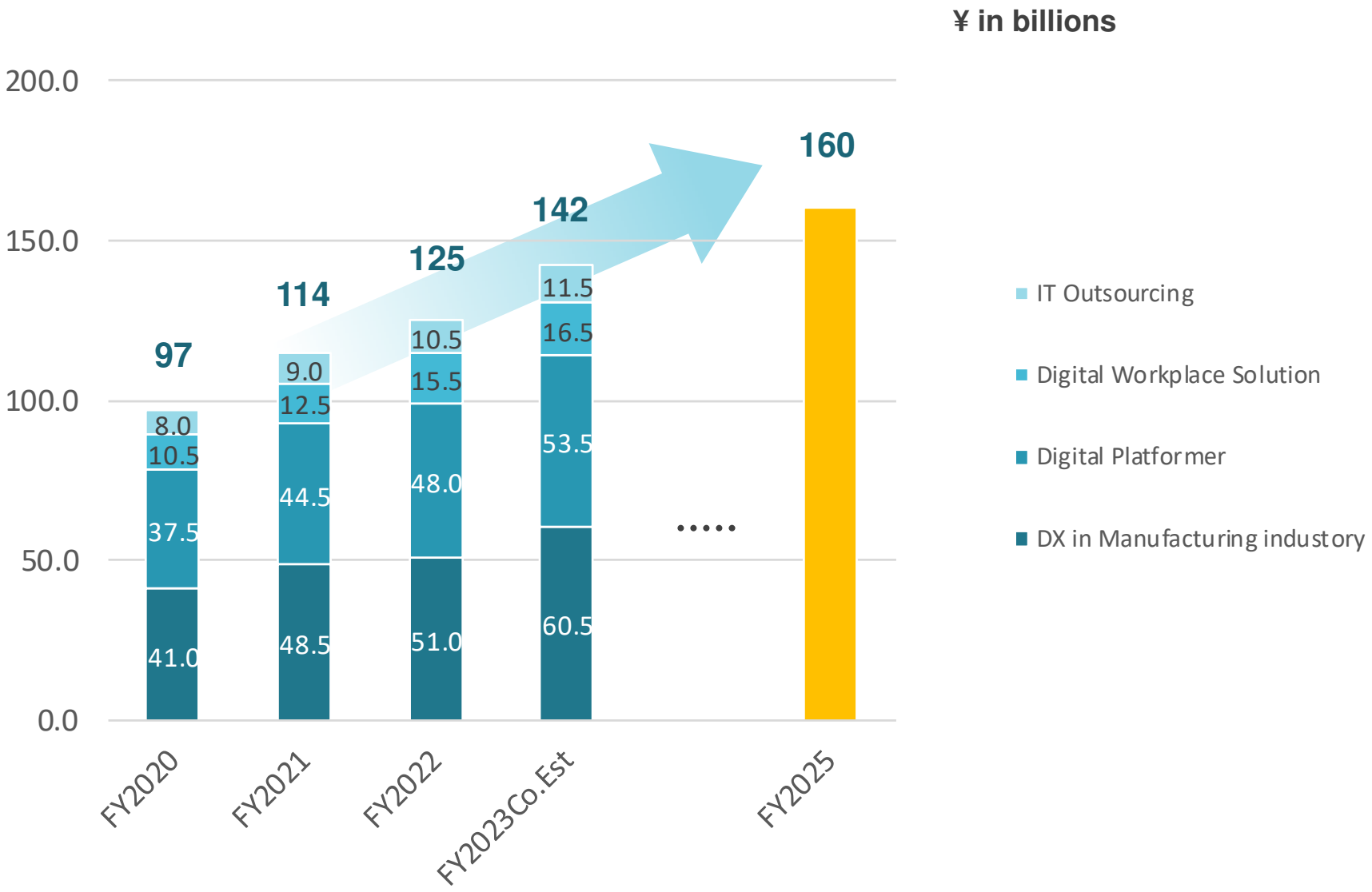
Ⅲ-1. Progress of Medium-term Business Policy

¥ in billions

	2 period total （ -2022）	Medium-term business period （2021-2025）
Sales growth rate (CAGR)	8％	5-6％
Sales growth rate in the focus areas (CAGR)	14％	10％~
Investment to strengthen business infrastructure	28.1	50-75 （10-15/year）
investment for accelerating DX	6.5	10-15 （2-3/year）

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Ⅲ-2. Progress and Plans for Focus Areas



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Ⅲ-3. Investment for growth

Item	Contents
Investment to strengthen business infrastructure	・IT Environment Improvement ・Investment in private cloud, etc.
Investment for accelerating DX	・Intensive training of DX personnel ・New Solution Development -Integrated Data management Platform ”DATAOPTERIX” -Optimization services to utilize cloud computing “FINARCH” -Employee engagement and career reflection tool “NAYASAPO”
M&A and others	Investments aimed at accelerating DX, growth in focus areas and strengthening the production structure ・Strengthen DX organizational capacity ・Expanding development and operational resources ・Increasing market share ・Entering new markets

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Ⅲ-4. Investment for growth ~M&A~

Accelerate growth by incorporating external resources
with the aim of promoting DX, accelerating growth in focus areas and strengthening the production structure

Target	Practice
Strengthen DX organizational capacity	✓ Capital and business alliances with companies with skills and competencies in key technology area
Expanding development and operational resources	✓ Capital and business alliances with companies that possess development competencies
Increasing market share	✓ Expand existing business: Capital and business alliances with leading players and solution vendors ✓ Acquisition of account business: Capital and business alliances to expand and deepen customer base
Entering new markets	✓ Highly difficult-to-enter (specialized and overseas) markets: Capital and business alliances with leading players and solution vendors

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Ⅲ-5. (Ref.)Investment for growth ~track records~

Strengthen DX — Arithmer

Features and strengths	Purpose of investment
Based on elemental technologies of mathematics, solving social problems developing cutting-edge AI engines	• Responding to customers' DX needs with mathematical AI technology • Accelerate research and development of AI technologies using mathematical approaches

Strengthen DX — ESTYLE

Features and strengths	Purpose of investment
• High level of consulting skills and technical knowledge • Training and producing excellent data scientists through unique education	• Improving consulting skills and technical knowledge in the area of data utilization • Develop human resources in the area of data utilization

new markets — R2 ROUND SOLUTIONS

Features and strengths	Purpose of investment
SAP provider in Thailand providing consulting, SAP implementation and other services, mainly to major manufacturing companies.	• Provide SAP solutions to Japanese customers • Responding to demand for system roll-out to Southeast Asia and other regions

Strengthen DX / **Expanding resources** — HCH.inc Human Creation Holdings

Features and strengths	Purpose of investment
• Abundant human resources for corporate DX • Wide range of project work, with operations throughout the country	• Involvement of DX personnel in our projects • Creation of new business opportunities through the use of knowledge and services

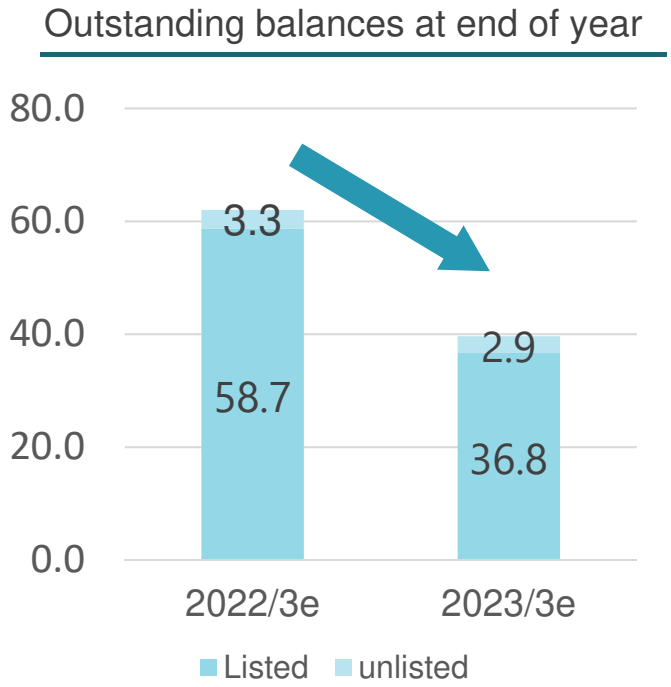
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Ⅲ-6. Investment for growth ~funding~

As disclosed in April 2022 in Notice for Establishment of an Estimated Selling Amount of Cross-Shareholdings with the Aim to Secure Funds for Growth Investments, We are progressively selling our Cross-Shareholdings with the aim of using them as a source of funds for growth investments.

Balances at end of year

At the end of the financial year ending 31 March 2023, the company held ¥36.8 billion listed shares and ¥2.9 billion unlisted shares.



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Ⅲ-7. Our Achievements in Sustainability Management

Promoted sustainability management based on Purpose.
Published the 1st Integrated Report last October.

Materiality	Activities	Relevant SDGs
・Solve social issues through IT	・The company is also developing an integrated data utilization platform that utilizes AI and data science to speed up new drug development. ・Contributing to work safety management using IoT devices. ・Providing M3DaaS, a virtual desktop environment with the No.1 market share for 10 consecutive years, makes remote work more secure and comfortable. ・Contributing to a paperless work environment with CONTRACTHUB, an electronic contract service.	
・Provide a stable supply of IT services as social infrastructure	・Provide robust and efficient IT services by applying cutting-edge technologies such as cloud-native.	
・Create opportunities for diverse individuals to play active roles	・The company will also introduce a system of pay for key personnel roles and a mandatory retirement age of 65, as well as a system of dual/secondary employment,, and expand remote work to enable employees to work from home in remote areas. ・Engagement survey and PDCA cycle for workplace dialogue. ・Women's activities (Platinum Kurumin), LGBTQ+ (PRIDE Gold). ・Human rights policy and the multi-stakeholder policy established. ・NSSOL Academy for autonomous learning and development of core human resources.	
・Reduce environmental impact	・Provide cloud services in highly energy-efficient data centers. ・Expansion of the scope of the environmental management system, introduction of green electricity, and calculation of greenhouse gas Scope 3.	
・Pursue governance and compliance as a trusted member of society	・Enforce the NSSOL Group's Code of Conduct, "Global Business Conduct. ・Reinforcement of the risk management system.	

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NS Solutions

Dream our future

Unleash the possibilities of society,

With technology and passion

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