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Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under IFRS)

October 29, 2024

Company name: NS Solutions Corporation
Listing: Tokyo Stock Exchange
Securities code: 2327
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Scheduled date of filing semi-annual securities report: November 6, 2024
Scheduled date of commencing dividend payments: December 2, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results (cumulative) (% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2024	156,612	8.2	18,125	23.8	18,157	21.0	12,186	28.3
September 30, 2023	144,774	7.5	14,642	4.6	15,012	5.5	9,500	1.1

	Total comprehensive income		Basic earnings per share	Diluted earnings per share
Six months ended	Million yen	%	Yen	Yen
September 30, 2024	26,873	64.5	66.60	–
September 30, 2023	16,339	–	51.92	–

(Note) The Company carried out a 2-for-1 stock split of common stock as of July 1, 2024. Basic earnings per share were calculated assuming the stock split had taken place at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
As of	Million yen	Million yen	Million yen	%
September 30, 2024	400,012	260,796	252,735	63.2
March 31, 2024	374,637	244,783	236,829	63.2

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2. Cash Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	40.00	–	45.00	85.00
Fiscal year ending March 31, 2025	–	36.50			
Fiscal year ending March 31, 2025 (Forecast)			–	36.50	73.00

(Note 1) Revision to the forecast for dividends announced most recently: Yes

(Note 2) The Company carried out a 2-for-1 stock split of common stock as of July 1, 2024. The annual dividends per share for the fiscal year ending March 31, 2025 and the fiscal year ending March 31, 2025 (forecast) are based on the amount taking into consideration the stock split. Annual dividends per share for the fiscal year ending March 31, 2025 (forecast) without taking the stock split into account would be 146.00 yen.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	333,000	7.2	39,000	11.4	39,500	11.5	26,500	9.3	144.83

(Note 1) Revision to the financial results forecast announced most recently: Yes

(Note 2) The Company carried out a 2-for-1 stock split of common stock as of July 1, 2024. Basic earnings per share is based on the amount taking into account the stock split. Basic earnings per share for the fiscal year ending March 31, 2025 without taking into account the stock split would be 289.66 yen.

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*** Notes:**

(1) Significant changes in the scope of consolidation during the period: Yes
Newly included: 1 company (NS Solutions BizTech Corporation)
Excluded: None
(Note) For further details, please see *Business combination, etc.* under *2. Condensed Semi-annual Consolidated Financial Statements and Primary Notes (5) Notes to Condensed Semi-annual Consolidated Financial Statements* on page 14 of the attached document.

(2) Changes in accounting policies and changes in accounting estimates
1) Changes in accounting policies required by IFRS: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None

(3) Total number of issued shares (common stock)
1) Total number of issued shares at the end of the period (including treasury shares):

As of September 30, 2024:	183,002,000 shares
As of March 31, 2024:	183,002,000 shares

2) Total number of treasury shares at the end of the period:

As of September 30, 2024:	27,710 shares
As of March 31, 2024:	17,088 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2024:	182,970,475 shares
Six months ended September 30, 2023:	182,978,308 shares

(Note) The Company carried out a 2-for-1 stock split of common stock as of July 1, 2024. The numbers of shares presented above were calculated assuming the stock split had taken place at the beginning of the previous fiscal year.

* This semi-annual consolidated financial results report is exempt from the review conducted by certified public accountants or an audit corporation.

* Proper use of financial results forecast and other notes

- The forecasts stated above are based on information available as of the date of publication of this document. Actual results may differ from these forecasts due to a wide range of factors hereafter.

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Table of Contents - Attachments

1. Qualitative Information on Semi-annual Financial Results 2
(1) Operating Results 2
(2) Financial Position 3
(3) Consolidated Financial Results Forecast and Other Forward-looking Information 6

2. Condensed Semi-annual Consolidated Financial Statements and Primary Notes 7
(1) Condensed Semi-annual Consolidated Statements of Financial Position 7
(2) Condensed Semi-annual Consolidated Statements of Profit or Loss and Condensed Semi-annual Consolidated Statements of Comprehensive Income 9
(3) Condensed Semi-annual Consolidated Statements of Changes in Equity 11
(4) Condensed Semi-annual Consolidated Statements of Cash Flows 13
(5) Notes to Condensed Semi-annual Consolidated Financial Statements 14
Going concern assumption 14
Segment information, etc. 14
Business combination, etc. 14

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1. Qualitative Information on Semi-annual Financial Results

(1) Operating Results

Analysis of operating results

The Japanese economy continued to show signs of a mild recovery during the six months ended September 30, 2024. While close attention should be paid to the impact of rising domestic prices, exchange rate fluctuations, and interest rate trends on corporate earnings, as well as concerns about the situation in the Middle East and the outlook for the Chinese economy, domestic companies' earnings have continuously improved. System investment by client companies remained firm, as the need for digital transformation (DX) with the purpose of expanding business and increasing competitiveness continued to be strong.

Based on the Medium-term Business Strategy 2021–2025 published in April 2021, NS Solutions Corporation (hereinafter, the "Company," and the Company and its subsidiaries are collectively referred to as the "Group") is endeavoring to expand our business by capturing customer needs for DX to the greatest extent possible. Furthermore, we are working on formulating a new medium-term management plan (2025–2027) aimed at realizing the NSSOL 2030 Vision, which outlines our aspirations for the Company in 2030, as recently announced.

We have strongly driven our customers' DX through various initiatives. These include expanding "PPMP" (Process-manufacturing Production Management Package), which was created by productizing the production management system introduced at Nippon Steel Corporation, to other manufacturing industries, providing IT strategy formulation support through "xSource," a professional service in which we work closely with customers to offer our IT assets as menu items, assisting in the construction of a remote monitoring system for methane hydrate production tests using our data utilization expertise, and implementing local 5G systems at driving test courses. Furthermore, we continue to focus on expanding sales of solutions with proven track records, including the virtual desktop service "M³DaaS@absonne," the electronic transaction and contract service "CONTRACTHUB," and several other offerings. In addition, to strengthen our ability to respond to operational maintenance service needs, on October 1, 2024, we acquired all issued shares of OSP Solutions Inc., a company based in Okinawa Prefecture with strengths in system operation maintenance and technical support, making it a wholly owned subsidiary.

In the AI domain, where the Company has accumulated knowledge, we strive to strengthen our response capabilities, including through collaborations with other companies. We have introduced "Databricks," a data intelligence platform that utilizes AI for data integration and analysis, and "Alli LLM App Market," an AI platform that supports the promotion and utilization of generative AI and large language models to improve operational efficiency. Additionally, we have entered into a partnership agreement with Digital Humans, Inc. to provide digital human services that enable communication closely resembling human interaction.

To promote sustainability management, we have organized our value creation process based on our goals to achieve the purpose of our existence in society, defined five material issues, and are working to address them. To realize "solving social issues through IT," in addition to the above initiatives, we have participated in a research project led by the Ministry of Health, Labour and Welfare, which aims to accelerate the secondary use of medical and other information among medical institutions through the leveraging of data utilization technologies in which we have extensive experience. We have also launched "NSDDD Cloud for Government," a cloud service designed to promote the use of public and private sector data by local governments. Furthermore, we continue to support next-generation education by delivering visiting lectures to elementary and junior high schools, utilizing "K3Tunnel," a programming learning site operated by the Company. As a result of these efforts, the Company was selected again as an index component of the FTSE4Good Index Series,

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FTSE Blossom Japan Index, and FTSE Blossom Japan Sector Relative Index, which are ESG investment benchmarks.

Revenue for the six months ended September 30, 2024 amounted to 156,612 million yen, an increase of 11,838 million yen compared to 144,774 million yen for the same period of the previous fiscal year. This was due to strong performance mainly in cloud solutions and software products, in addition to higher sales in the financial services field and the manufacturing, Nippon Steel Group field. Operating profit amounted to 18,125 million yen, an increase of 3,482 million yen compared to 14,642 million yen for the same period of the previous fiscal year. This was due to increased gross profit resulting from higher revenue and improved gross profit margin, despite a rise in selling, general and administrative expenses as a result of the enhancement of human capital, including recruiting and training, as well as enhanced investments in technology, research and development, and other areas.

An overview of the six months ended September 30, 2024 by service field (Business Solutions and Consulting & Digital Service) is as follows.

Business Solutions

Revenue for the six months ended September 30, 2024 amounted to 119,495 million yen, an increase of 10,636 million yen compared to 108,858 million yen for the same period of the previous fiscal year.

Manufacturing, Nippon Steel Group field

Revenue from this field increased compared to the same period of the previous fiscal year, driven by strong sales to automotive and auto parts manufacturers, as well as electrical and precision equipment manufacturers.

Retail and Platform field

Revenue from this field remained at the same level as the same period of the previous fiscal year.

Financial Services field

Revenue from this field increased compared to the same period of the previous fiscal year, primarily due to higher sales of software products, including maintenance services.

Consulting & Digital Service

Revenue for the six months ended September 30, 2024 amounted to 37,117 million yen, an increase of 1,202 million yen compared to 35,915 million yen for the same period of the previous fiscal year, owing to favorable sales in cloud solutions and software products such as Oracle solutions.

(2) Financial Position

1) Analysis of financial position

Total assets at the end of the six months ended September 30, 2024 amounted to 400,012 million yen, an increase of 25,375 million yen compared to 374,637 million yen at the end of the previous fiscal year. This was mainly due to increases of 88,311 million yen in cash and cash equivalents and 8,225 million yen in deferred tax assets, partly offset by decreases of 52,103 million yen in other financial assets (non-current assets) and 17,076 million yen in trade and other receivables.

Total liabilities at the end of the six months ended September 30, 2024 amounted to 139,216 million yen, an increase of 9,363 million yen compared to 129,853 million yen at the end of the previous fiscal year. This was mainly due to an increase of 21,891 million yen in income taxes payable, partly offset by decreases of 8,943 million yen in deferred tax liabilities and 2,836 million yen in consumption taxes payable included in other current liabilities.

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Total equity at the end of the six months ended September 30, 2024 amounted to 260,796 million yen, an increase of 16,012 million yen compared to 244,783 million yen at the end of the previous fiscal year. The breakdown mainly includes 12,656 million yen of profit, 14,216 million yen of other comprehensive income, 4,117 million yen of dividends paid, and a reduction of 6,338 million yen in capital surplus. As a result, the ratio of equity attributable to owners of parent to total assets was 63.2%.

2) Cash flows

Statement of cash flows

The balance of cash and cash equivalents at the end of the six months ended September 30, 2024 was 192,286 million yen. Net increase in cash and cash equivalents for the six months of the current fiscal year was 88,311 million yen, compared to a net increase of 11,612 million yen for the same period of the previous fiscal year. Cash flows by activity type are as follows.

i) Cash flows from operating activities

Cash flows from operating activities for the six months ended September 30, 2023 resulted in a cash inflow of 17,602 million yen. This is mainly attributable to 15,012 million yen of profit before tax, 5,990 million yen of depreciation and amortization, a 13,018 million yen decrease in trade and other receivables, a 6,757 million yen increase in contract assets, an 8,536 million yen increase in inventories, an 8,259 million yen increase in trade and other payables, a 2,736 million yen decrease in consumption tax payable etc., and income taxes paid of 6,571 million yen.

On the other hand, cash flows from operating activities for the six months ended September 30, 2024 resulted in a cash inflow of 23,975 million yen. This is mainly attributable to 18,157 million yen of profit before tax, 6,038 million yen of depreciation and amortization, a 17,786 million yen decrease in trade and other receivables, a 4,973 million yen increase in contract assets, a 3,724 million yen increase in inventories, a 2,471 million yen increase in trade and other payables, a 2,970 million yen decrease in consumption tax payable etc., and income taxes paid of 7,551 million yen.

ii) Cash flows from investing activities

Cash flows from investing activities for the six months ended September 30, 2023 resulted in a cash inflow of 1,564 million yen. This is mainly attributable to 5,911 million yen of proceeds from sale and redemption of other financial assets, partly offset by 2,250 million yen of purchase of other financial assets and 2,035 million yen of purchase of property, plant and equipment, and intangible assets.

On the other hand, cash flows from investing activities for the six months ended September 30, 2024 resulted in a cash inflow of 72,334 million yen. This is mainly attributable to 77,752 million yen of proceeds from sale and redemption of other financial assets, 4,574 million yen of purchase of other financial assets and 2,033 million yen of purchase of property, plant and equipment, and intangible assets.

iii) Cash flows from financing activities

Cash flows from financing activities for the six months ended September 30, 2023 resulted in a cash outflow of 7,717 million yen. This is mainly attributable to 3,742 million yen of repayments of lease liabilities and 3,659 million yen of dividends paid.

On the other hand, cash flows from financing activities for the six months ended September 30, 2024 resulted in a cash outflow of 8,274 million yen. This is mainly attributable to 4,117 million yen of dividends paid and 3,720 million yen of repayments of lease liabilities.

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Information on capital resources and liquidity of funds

i) Basic policy

The Group believes that it is important to continuously maintain and strengthen its competitiveness and increase its corporate value into the future.

Therefore, we seek to maintain sufficient internal reserves to prepare for capital requirements for investments and other needs toward business growth and business risks such as wide-area disasters. The capital requirements include those for initiatives to steadily capture evolving DX needs, continuously enhance high-value-added businesses and overall corporate value, further strengthen acquisition and training of excellent human resources, and conduct thorough internal controls and risk management. At the same time, regarding profit distribution, our basic policy is to implement appropriate and stable distribution of dividends to shareholders.

We aim for a consolidated dividend payout ratio of 50%, with a focus on returning profits to shareholders in line with consolidated performance.

ii) Capital requirements and financing

Major capital requirements of the Group include capital expenditures and operating expenses such as material costs, outsourcing costs, labor costs, overhead costs, and selling, general and administrative expenses. Those capital requirements are satisfied by own funds.

As for working capital on hand, the Company concentrates surplus funds from subsidiaries in the Company for centralized management by implementing the cash management system (CMS) and also having certain of its domestic subsidiaries implement the same system. Note that the Company's CMS is administered by Nippon Steel Corporation with 182,457 million yen deposited in the system as of September 30, 2024 being presented as part of cash and cash equivalents.

For unexpected capital requirements, the Company has overdraft arrangements with major banks and Nippon Steel Corporation, its parent company, to prepare for liquidity risks.

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(3) Consolidated Financial Results Forecast and Other Forward-looking Information

The following revisions have been made to the consolidated financial results forecast for the fiscal year ending March 31, 2025, announced on July 30, 2024, as both revenue and profit are expected to increase compared to the most recent forecast.

Revised forecast of the consolidated financial results for the full year of the fiscal year ending March 31, 2025 (April 1, 2024 to March 31, 2025)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previously announced forecast (A)	330,000	37,000	37,500	25,200	137.73
Revised forecast (B)	333,000	39,000	39,500	26,500	144.83
Differences (B−A)	3,000	2,000	2,000	1,300	7.10
Change (%)	0.9%	5.4%	5.3%	5.2%	5.2%
(Reference) Results of the previous fiscal year ended March 31, 2024	310,632	35,001	35,437	24,241	132.48

(Note) The Company carried out a 2-for-1 stock split of common stock as of July 1, 2024. Basic earnings per share for the fiscal year ended March 31, 2024 and the fiscal year ending March 31, 2025 (forecast) were calculated assuming the stock split had taken place at the beginning of the previous fiscal year. Basic earnings per share for the fiscal year ending March 31, 2025 (forecast) without taking into account the stock split would be 289.66 yen for the full year.

The forecast stated above is based on information available as of the date of publication of this document. Actual results may differ from the forecast due to a wide range of factors hereafter.

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2. Condensed Semi-annual Consolidated Financial Statements and Primary Notes

(1) Condensed Semi-annual Consolidated Statements of Financial Position

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and cash equivalents	103,975	192,286
Trade and other receivables	67,767	50,690
Contract assets	18,162	23,140
Inventories	25,176	29,014
Other financial assets	1,555	679
Other current assets	11,620	4,613
Total current assets	228,258	300,425
Non-current assets		
Property, plant and equipment	16,901	16,400
Right-of-use assets	34,801	32,093
Goodwill	2,923	2,923
Intangible assets	3,847	3,937
Investments accounted for using equity method	212	202
Other financial assets	83,597	31,494
Deferred tax assets	3,969	12,194
Other non-current assets	124	339
Total non-current assets	146,379	99,587
Total assets	374,637	400,012

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(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Trade and other payables	23,263	21,920
Contract liabilities	24,523	28,342
Lease liabilities	6,936	6,448
Other financial liabilities	819	608
Income taxes payable	7,857	29,748
Provisions	1,080	1,053
Other current liabilities	16,756	13,006
Total current liabilities	81,237	101,129
Non-current liabilities		
Lease liabilities	27,855	25,723
Other financial liabilities	104	−
Retirement benefit liability	4,732	5,366
Provisions	2,870	2,829
Deferred tax liabilities	8,943	−
Other non-current liabilities	4,108	4,168
Total non-current liabilities	48,615	38,087
Total liabilities	129,853	139,216
Equity		
Share capital	12,952	12,952
Capital surplus	9,953	3,614
Retained earnings	174,625	234,224
Treasury shares	(32)	(63)
Other components of equity	39,330	2,006
Total equity attributable to owners of parent	236,829	252,735
Non-controlling interests	7,954	8,060
Total equity	244,783	260,796
Total liabilities and equity	374,637	400,012

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(2) Condensed Semi-annual Consolidated Statements of Profit or Loss and Condensed Semi-annual Consolidated Statements of Comprehensive Income

Condensed Semi-annual Consolidated Statements of Profit or Loss

Six months ended September 30, 2023 and 2024

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Revenue	144,774	156,612
Cost of sales	(111,367)	(118,241)
Gross profit	33,406	38,371
Selling, general and administrative expenses	(18,661)	(20,289)
Share of profit (loss) of investments accounted for using equity method	15	(10)
Other income	112	111
Other expenses	(229)	(57)
Operating profit	14,642	18,125
Finance income	434	423
Finance costs	(64)	(391)
Profit before tax	15,012	18,157
Income tax expense	(5,091)	(5,500)
Profit	9,920	12,656
Profit attributable to		
Owners of parent	9,500	12,186
Non-controlling interests	420	470
Earnings per share		
Basic earnings per share (yen)	51.92	66.60

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Condensed Semi-annual Consolidated Statements of Comprehensive Income

Six months ended September 30, 2023 and 2024

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	9,920	12,656
Other comprehensive income, net of tax effect		
Items that will not be reclassified to profit or loss		
Remeasurement of net defined benefit liability (asset)	0	0
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	6,173	13,828
Total of items that will not be reclassified to profit or loss	6,173	13,829
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	245	387
Total of items that may be reclassified to profit or loss	245	387
Total other comprehensive income, net of tax effect	6,419	14,216
Comprehensive income	16,339	26,873
Comprehensive income attributable to		
Owners of parent	15,914	26,392
Non-controlling interests	425	481

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(3) Condensed Semi-annual Consolidated Statements of Changes in Equity

Six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)

(Millions of yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	Remeasurement of net defined benefit liability (asset)
Balance at beginning of period	12,952	9,951	153,016	(17)	24,159	–
Profit	–	–	9,500	–	–	–
Other comprehensive income	–	–	–	–	6,173	0
Comprehensive income	–	–	9,500	–	6,173	0
Dividends of surplus	–	–	(3,659)	–	–	–
Purchase of treasury shares	–	–	–	(51)	–	–
Share-based payment transactions	–	(23)	–	36	–	–
Transfer from other components of equity to retained earnings	–	–	2,532	–	(2,532)	(0)
Total transactions with owners	–	(23)	(1,127)	(14)	(2,532)	(0)
Balance at end of period	12,952	9,927	161,389	(32)	27,800	–

	Equity attributable to owners of parent			Non-controlling interests	Total equity
	Other components of equity		Total		
	Exchange differences on translation of foreign operations	Total			
Balance at beginning of period	460	24,620	200,523	7,277	207,800
Profit	–	–	9,500	420	9,920
Other comprehensive income	241	6,414	6,414	4	6,419
Comprehensive income	241	6,414	15,914	425	16,339
Dividends of surplus	–	–	(3,659)	(263)	(3,923)
Purchase of treasury shares	–	–	(51)	–	(51)
Share-based payment transactions	–	–	12	–	12
Transfer from other components of equity to retained earnings	–	(2,532)	–	–	–
Total transactions with owners	–	(2,532)	(3,698)	(263)	(3,962)
Balance at end of period	701	28,502	212,739	7,438	220,178

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Six months ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(Millions of yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	Remeasurement of net defined benefit liability (asset)
Balance at beginning of period	12,952	9,953	174,625	(32)	38,611	–
Profit	–	–	12,186	–	–	–
Other comprehensive income	–	–	–	–	13,828	0
Comprehensive income	–	–	12,186	–	13,828	0
Dividends of surplus	–	–	(4,117)	–	–	–
Purchase of treasury shares	–	–	–	(61)	–	–
Share-based payment transactions	–	(17)	–	31	–	–
Transfer from other components of equity to retained earnings	–	–	51,530	–	(51,529)	(0)
Increase (decrease) by business combination	–	(6,320)	–	–	–	–
Total transactions with owners	–	(6,338)	47,412	(30)	(51,529)	(0)
Balance at end of period	12,952	3,614	234,224	(63)	911	–

	Equity attributable to owners of parent			Non-controlling interests	Total equity
	Other components of equity		Total		
	Exchange differences on translation of foreign operations	Total			
Balance at beginning of period	719	39,330	236,829	7,954	244,783
Profit	–	–	12,186	470	12,656
Other comprehensive income	376	14,205	14,205	10	14,216
Comprehensive income	376	14,205	26,392	481	26,873
Dividends of surplus	–	–	(4,117)	(374)	(4,491)
Purchase of treasury shares	–	–	(61)	–	(61)
Share-based payment transactions	–	–	13	–	13
Transfer from other components of equity to retained earnings	–	(51,530)	–	–	–
Increase (decrease) by business combination	–	–	(6,320)	–	(6,320)
Total transactions with owners	–	(51,530)	(10,486)	(374)	(10,860)
Balance at end of period	1,095	2,006	252,735	8,060	260,796

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(4) Condensed Semi-annual Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before tax	15,012	18,157
Depreciation and amortization	5,990	6,038
Impairment losses	166	11
Interest income	(130)	(264)
Dividend income	(160)	(156)
Interest expenses	42	113
Share of loss (profit) of investments accounted for using equity method	(15)	10
Decrease (increase) in trade and other receivables	13,018	17,786
Decrease (increase) in contract assets	(6,757)	(4,973)
Decrease (increase) in inventories	(8,536)	(3,724)
Increase (decrease) in trade and other payables	8,259	2,471
Increase (decrease) in bonus payable	(188)	(1,054)
Increase (decrease) in consumption tax payable etc.	(2,736)	(2,970)
Other	(39)	(237)
Subtotal	23,923	31,207
Interest received	131	276
Dividends received	160	156
Interest paid	(42)	(113)
Income taxes paid	(6,571)	(7,551)
Net cash provided by (used in) operating activities	17,602	23,975
Cash flows from investing activities		
Payments into time deposits	(292)	(401)
Proceeds from withdrawal of time deposits	257	326
Purchase of property, plant and equipment, and intangible assets	(2,035)	(2,033)
Purchase of other financial assets	(2,250)	(4,574)
Proceeds from sale and redemption of other financial assets	5,911	77,752
Proceeds from acquisition of shares of affiliated companies resulting in change in scope of consolidation	−	1,289
Other	(26)	(24)
Net cash provided by (used in) investing activities	1,564	72,334
Cash flows from financing activities		
Repayments of lease liabilities	(3,742)	(3,720)
Dividends paid	(3,659)	(4,117)
Dividends paid to non-controlling interests	(263)	(374)
Purchase of treasury shares	(51)	(61)
Net cash provided by (used in) financing activities	(7,717)	(8,274)
Effect of exchange rate changes on cash and cash equivalents	163	275
Net increase (decrease) in cash and cash equivalents	11,612	88,311
Cash and cash equivalents at beginning of period	101,322	103,975
Cash and cash equivalents at end of period	112,935	192,286

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(5) Notes to Condensed Semi-annual Consolidated Financial Statements

Going concern assumption

Not applicable.

Segment information, etc.

A reportable segment is a component of the Group for which discrete financial information is available, and which is subject to regular review by the Board of Directors to make decisions about the allocation of management resources and assess its performance.

The Company and its consolidated subsidiaries operate in a single business segment, which is the information services business. This segment provides comprehensive services such as information systems planning, software development, hardware and equipment selection, and system operation and maintenance. Consequently, no segmentation breakdown is available.

Thus, segment information is omitted.

Business combination, etc.

At the Board of Directors' meeting held on December 20, 2023, the Company resolved to acquire 1,000 shares (100% of the issued shares) of TEXENG SOLUTIONS CORPORATION ("TEXSOL") held by NIPPON STEEL TEXENG. CO., LTD., and to make it a Group company. The Company entered into a share transfer agreement effective on the same day. This is a transaction under common control. Business combination is categorized as transaction under common control when all parties (companies or businesses) subject to the combination are ultimately controlled by the same shareholder before and after the combination, and when such control is not temporary. The business combination transaction under common control has been accounted for using carrying amounts.

1) Name of the acquired company and details of business
   Name of the acquired company: TEXENG SOLUTIONS CORPORATION
   Details of business: Software development, operation and maintenance services of information systems, etc.

2) Date of acquisition
   April 1, 2024

3) Number of shares to be acquired, acquisition price, and percentage of interests after acquisition
   Number of shares to be acquired: 1,000 shares
   Acquisition price: 7,977 million yen
   Percentage of interests after acquisition: 100%

4) Breakdown of cash flows from acquisition

(Millions of yen)

Breakdown	Six months ended September 30, 2024
Cash and cash equivalents paid for acquisition	(19)
Cash and cash equivalents held by the acquired company at the time of acquisition	1,308
Proceeds from acquisition of shares of affiliated companies resulting in change in scope of consolidation	1,289

(Note) 7,958 million yen of the consideration for acquisition was paid in March 2024.

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5) Details and amount of major acquisition-related costs
Advisory fees and commissions: 48 million yen

6) Reasons for business combination
In the Japanese IT service market where the Company and TEXSOL operate, competition to hire talented IT engineers has intensified in recent years as companies' needs to make digital transformation accelerate and working population decrease. Against such backdrop, the Company has decided to make TEXSOL its Group company, as working together to increase the employees' reproduction capacity will be effective both in addressing customers' DX needs in a timely manner and in realizing continuing sustainable business expansion of the two companies. Going forward, with TEXSOL as our Group company, we will: a) leverage our corporate brand to strengthen our ability to hire employees and strengthen employees' reproduction capacity by adopting the Group's human resource development measures, and b) strengthen our ability as a comprehensive system integrator through the process of transferring advanced technical expertise the Company has acquired and the participation in the Company's project management organization. We are working to strengthen our capability to respond to the strong DX needs of our customers as a group.
The business combination also aims to maximize the Nippon Steel Group's system solution business by concentrating the system integration skills fostered within the Nippon Steel Group to the NS Solutions Group and driving further business growth.

7) Method used to obtain control of the acquiree
Share acquisition with cash as consideration

8) Carrying amount of assets acquired and liabilities assumed at the date of business combination

(Millions of yen)

Assets		Liabilities	
Item	Carrying amount	Item	Carrying amount
Cash and cash equivalents	1,308	Trade and other payables	697
Trade and other receivables	1,392	Contract liabilities	3
Inventories	24	Lease liabilities	200
Other current assets	94	Other financial liabilities	36
Total current assets	2,820	Income taxes payable	193
Property, plant and equipment	90	Provisions	244
Right-of-use assets	284	Other current liabilities	473
Intangible assets	3	Total current liabilities	1,849
Other financial assets	255	Lease liabilities	83
Deferred tax assets	372	Retirement benefit liability	379
Other non-current assets	231	Provisions	45
Total non-current assets	1,238	Other non-current liabilities	42
		Total non-current liabilities	551
Total assets	4,058	Total liabilities	2,401

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9) Profit or loss information after the acquisition date relating to the business combination

The performance of TEXSOL included in the condensed semi-annual consolidated statements of profit or loss since the acquisition date is as follows:

(Millions of yen)

	Six months ended September 30, 2024
Revenue	2,439
Profit	256

(Note) TEXENG SOLUTIONS CORPORATION was renamed to NS Solutions BizTech Corporation effective on April 1, 2024.

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