

This document is an English translation of a statement written initially in Japanese. The Japanese original should be considered as the primary version.

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To Whom It May Concern:

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### **Notice of the Opinion of the Board of Directors regarding Shareholder Proposal**

NS Solutions Corporation (“NSSOL” or the “Company”) received a document dated April 21, 2022 (hereinafter referred to as the “Shareholder Proposal Letter”) from its shareholder, AVI Japan Opportunity Trust PLC (hereinafter referred to as the “Proposer”), presenting shareholder proposals (hereinafter referred to as the “Shareholder Proposals”) concerning the agenda to be presented at the 42nd Ordinary General Meeting of Shareholders scheduled to be held in June 2022. Please be advised that, at the meeting of the Board of Directors held today, the Board has passed a resolution opposing the Shareholder Proposals as follows:

#### I. Details of and reasons for the Shareholder Proposals

##### 1. Agenda

- (1) Partial amendment of the Articles of Incorporation (1)
- (2) Partial amendment of the Articles of Incorporation (2)
- (3) Partial amendment of the Articles of Incorporation (3)
- (4) Acquisition of treasury shares

##### 2. Summary of and reasons for the proposals

As stated in [Appendix]. This Appendix contains the exact text of the original Shareholder Proposal Letter submitted by the Proposer.

#### II. Opinions of the Board of Directors on the Shareholder Proposals

##### 1. Partial amendment of the Articles of Incorporation (1)

- (1) Opinion of the Board of Directors

The Board of Directors objects to the Shareholder Proposal.

(2) Reason for the objection

It has always been NSSOL's understanding that promoting compliance, including harassment prevention is one of the most important issues in managing the company. The company has continuously improved its compliance system and implemented specific compliance measures. The NSSOL Group Code of Conduct (Global Business Conduct) expressly states that "we are dedicated to realizing safe, healthy and comfortable work environment and respecting personality and diversity of our employees" and sets forth its commitment to "prohibiting harassment." To this end, the company has been taking a proactive stance to prevent harassment as one of its important policies. Specific efforts taken by the company include: opinion survey of all employees on internal control, including harassment prevention; e-learning; harassment prevention training for all management-level employees; familiarizing employees with the Help Line through posting posters, Intranet posting, and other means; and utilizing and promoting female staff including assigning female employees as counselor.

NSSOL established and continues to operate its Internal Reporting/Consultation Desk and External Reporting/Consultation Desk as "Help Line" to which its employees and partners who perform work for the company group and their family members can submit information concerning internal wrongdoing (whistleblowing). The Help Line accepts reports and requests for consultation concerning compliance issues including human rights violations such as harassment from all of them. To respond to each individual report or request for consultation, upon seeking external advice from attorneys and other external professional organizations, if necessary, we provide persons involved with instructions and education and take other appropriate measures to resolve the issue.

In July 2020, the company established an Internal Control and Audit Department, which is responsible for PDCA, such as dealing with compliance issues, operating the Help Line, and developing basic policies. The Department periodically submits a report to the Board of Directors concerning the status of internal control PDCA and matters concerning risk management including ESG risks such as sexual harassment, power harassment, and other human rights violations.

The company has also been taking various actions to realize a work environment where all employees can work energetically and can feel their own growth and contribution to the company's business. For example, in terms of promotion of female participation and career advancement, a high level of initiatives made by the company to promote changes to the way of working, including its efforts to create a system and climate to support female employees to keep balance between work and child care/family care or other life events was recognized, and NSSOL, among companies who implemented and submitted a notification of plan of action as provided for in the "Act on the Promotion of Female Participation and Career Advancement in the Workplace," received from the Ministry of Health, Labor and Welfare, "Eruboshi" certification as a company whose status of implementation of initiatives in the workplace is especially favorable, "Platinum Kurumin" certification as an outstanding "child care support" company under the "Act on Advancement of Measures to Support Raising Next-Generation Children," and "Tomonin" certification as a company who is committed to establishing a work environment where employees can keep balance between work and family care.

Furthermore, in June 2021, NSSOL changed its organizational status to a company with an audit and

supervisory committee. Since then, the Audit and Supervisory Committee, in which external directors account for the majority of the members, is supervising the internal control system and conducting risk management, thereby ensuring the effectiveness of each of the measures taken by the company.

Therefore, we believe that adding the provision to the Articles of Incorporation as proposed is not necessary.

We also believe that provisions setting forth individual matters concerning the execution of business are not suitable as provisions of the Articles of Incorporation which provides basic rules of the company.

As explained above, the Board of Directors stands against the Shareholder Proposal.

## 2. Partial amendment of the Articles of Incorporation (2)

### (1) Opinion of the Board of Directors

The Board of Directors objects to the Shareholder Proposal.

### (2) Reason for objection

The company has cross-holding shares for the purpose of medium- to long-term improvement of corporate value through strengthening the relationship with its customers and vendors. The Board of Directors periodically verifies the appropriateness of holding of such cross-holding shares in a comprehensive manner based on the economic rationality and significance thereof, as well as according to its medium- to long-term business strategies and financial strategies.

As the company publicly announced on April 28, 2022, the company is planning to sell cross-holding shares at the value of 20,000,000,000 yen in the next four years, and the funds acquired by such sale will be actively utilized for accelerated DX investment, M&A and other investment and finance, and business growth investment.

We will continue to handle cross-holding shares based on these policies and plans, and thus we believe that adding to the Articles of Incorporation the provision as proposed is not necessary.

We also believe that provisions setting forth individual matters concerning the execution of business are not suitable as provisions of the Articles of Incorporation which provides basic rules of the company.

As explained above, the Board of Directors stands against the Shareholder Proposal.

## 3. Partial amendment of the Articles of Incorporation (3)

### (1) Opinion of the Board of Directors

The Board of Directors objects to the Shareholder Proposal.

### (2) Reason for objection

It is the company's basic policy to retain internal reserves to prepare for business growth and business risks and also to distribute profits through appropriate and stable dividends. Amid concerns of increasing uncertainty of the business environment, to prepare for the sustainable growth of its business and for unforeseeable situations, we believe that sufficient funds should be reserved internally, and the company manages these funds in consideration of high liquidity on hand and security.

The company recognizes, as risks associated with its business activities, not only the risk of the occurrence of large-scale and wide area natural disasters but also risks associated with creating highly advanced and complex information systems, risks associated with the provision of IT services including the occurrence of serious incidents related to cloud services, and the risk of leakage of customer information and other information security risks. IT services provided by the company play a vital role for its customers in conducting their business. With full awareness of its social responsibility in conducting its business, NSSOL is dedicated to engaging in proper risk management and ensuring that sufficient funds are reserved internally to prepare for such unforeseeable situations. We believe that strengthening the existence of the company through flexibly utilizing internal reserves to the maximum extent is critical for its shareholders and other stakeholders.

In relation to the utilization of internal reserves, as expressed in the medium-term business policy published last year, NSSOL, throughout the company, intends to work with its customers as their irreplaceable First DX Partner to acquire needs arising from promoting DX to the maximum extent and to expand its business by building a close relationship with its customers and solving issues toward the realization of DX. In particular, the company intends to focus its attention on, and actively invest its management resources into, the four focus areas leading the growth of its business: digital manufacturing; platformer support; digital workplace solutions; and IT outsourcing, to accelerate the growth of the entire company. Toward the realization of business growth primarily in these focus areas, the company will actively strengthen its business infrastructure, accelerate DX investment toward the realization of “First DX Partner,” and pursue M&A and other investments and finances. We believe that utilizing internal reserves toward the promotion of medium-term business policy will lead to the continuous and stronger competitiveness of the company in the future.

The company manages a portion of cash on hand through CMS (Cash Management System) operated by its parent company, Nippon Steel. When managing these funds, while ensuring security is its top priority, the company makes its decision in a comprehensive manner in consideration of economic rationality, fluidity, and other conditions. Speaking in concrete terms, considering the fact that the interest rate through CMS management has been above the market interest rate and that funds can be withdrawn from CMS at any time based on the company’s own decision, we believe that management of company funds through CMS does not harm the interest of the company’s minority shareholders.

Therefore, we believe that adding to the Articles of Incorporation the provision as proposed is not necessary.

We also believe that provisions setting forth individual matters concerning the execution of business are not suitable as provisions of the Articles of Incorporation which provides basic rules of the company.

As explained above, the Board of Directors stands against the Shareholder Proposal.

#### 4. Acquisition of treasury shares

##### (1) Opinion of the Board of Directors

The Board of Directors objects to the Shareholder Proposal.

(2) Reason for objection

NSSOL believes that maintaining and strengthening competitiveness in the future is important for increasing the company's value. As for the return to its shareholders, the company's basic policy is to ensure internal reserves to prepare for the growth of its business and to distribute appropriate and stable dividends to its shareholders, and as another option, to acquire treasury shares at an appropriate time in an appropriate manner.

In relation to the utilization of internal reserves, as expressed in its medium-term business policy published last year, NSSOL, throughout the company, intends to work with its customers as their irreplaceable First DX Partner to acquire needs arising from promoting DX to the maximum extent and to expand its business by building a close relationship with its customers and solving issues toward the realization of DX. In particular, the company intends to focus its attention on, and actively invest its management resources into, the four focus areas leading the growth of its business: DX in manufacturing industry; Digital Platformer; Digital Workplace Solutions; and IT Outsourcing, to accelerate the growth of the entire company. Toward the realization of business growth primarily in these focus areas, the company will actively strengthen its business infrastructure, accelerate DX investment toward the realization of "First DX Partner," and pursue M&A and other investments and finances. We believe that utilizing internal reserves toward the promotion of medium-term business policy will lead to the continuous and stronger competitiveness of the company in the future.

As for dividends, the company places importance on return of profits based on business performance on a consolidated basis, and aims to realize a dividend payout ratio of 30% on a consolidated basis.

Based on this basic policy, the company has achieved steady profit growth, and annual dividend amount was gradually increased from 20 yen (for the period ending March 2012) to 66 yen (for the period ending March 2022) in the last ten years, meeting the expectations of its shareholders and other stakeholders.

The company also acquired treasury shares at 30,000,000,000 yen in total during the periods ending March 2015 and March 2019. The company will continue to acquire treasury shares at an appropriate time in an appropriate manner from the perspective of improving its capital efficiency and implementing its capital policy in a flexible manner. The company aims to achieve sustainable growth and higher corporate value, while taking into consideration the capital efficiency.

The Proposer is also proposing that the company acquire treasury shares through discounted TOB or other means from specific shareholders. However, we believe that when considering the acquisition of treasury shares, the basic principle should be that buy / sell decisions by each one of our shareholders should be respected.

As explained above, the Board of Directors stands against the Shareholder Proposal.

[Appendix]

\* The original text contained in the Shareholder Proposal Letter submitted by the proposer is stated as is below.

No. 1 Proposed Subject Matters

1. Partial amendments to the Articles of Incorporation (1)
2. Partial amendments to the Articles of Incorporation (2)
3. Partial amendments to the Articles of Incorporation (3)
4. Acquisition of treasury shares

No. 2 Summary of Proposed Agendas and Reasons for Proposals

1. Partial amendments to the Articles of Incorporation (1)

(I) Summary of the proposed agenda

It is proposed that the following new chapter to the current Articles of Incorporation be added, that “Chapter 7. Accounting” of the current Articles of Incorporation be changed to “Chapter 8. Accounting,” and that Article 31 and subsequent articles be moved down by two articles; provided, if other agendas (including agendas proposed by the Company) are adopted at the 42<sup>nd</sup> Ordinary General Meeting of Shareholders and the article set forth in this agenda requires adjustments formally (including, but not limited to changes to the article number), the article in this agenda shall read as the article after necessary adjustments.

Chapter 7. Special Investigation Committee

(Establishment of Special Investigation Committee)

Article 31 The Company shall establish a special investigative committee (“Special Investigation Committee”) for the purpose of investigating compliance-related matters such as sexual harassment and power harassment at the Company. The Special Investigation Committee shall be composed of members qualified as counsellors at law who are independent from the Company and Directors of the Company. The Special Investigation Committee must conduct investigations and disclose the results as an investigation report with remedial measures by September 1, 2022.

(II) Reasons for the proposal

The Proposer is committed to supporting the growth of business with a responsible approach to the environment, society, and governance (ESG), and carefully monitors the ESG performance of its portfolio companies. If it identifies any issues related to discrimination, harassment, and welfare of employees at the investee company, the Proposer will question the practices of the investee company and engage with management to make improvements.

The Proposer became aware of possible issues related to the Company’s employee welfare that cannot be overlooked considering the Proposer’s ESG policy. The Proposer conducted further detailed investigations on the human resources management of the Company (“Investigation”) as outlined below:

- (a) Analysed posts on several internet forums claiming that there have been cases of sexual harassment at the Company during the 15 years between 2007 and 2021.
- (b) In May 2017, a former female employee suffered from sexual harassment and was forced to take a leave of absence. Her employment was subsequently terminated, so she filed a lawsuit for wrongful termination and sought

compensation. The Proposer read the trial records and conducted an analysis of the case.

- (c) Analysed posts on several internet forums claiming that there have been sexual harassments and power abuses at the parent company Nippon Steel Corporation over the eight years between 2013 and 2021.
- (d) The Proposer analyzed the HR-related data of the Company and conducted investigation and analysis on turnover rates and ratio of female employees appointed to managerial positions, etc.
- (e) The Proposer conducted interviews totaling 760 minutes with former employees of the Company regarding labour conditions, working environment, benefit programs for employees, and discriminatory treatment of foreign employees. As a result, many former employees claimed that they have either witnessed or suffered cases of sexual and power harassment, but that no detailed investigations were conducted.

As a result of these investigations, the Proposer concluded that there are serious concerns regarding the Company's ESG performance, particularly in the area of employee welfare. The number of employees leaving the Company has doubled over the past 5 years, and the turnover rate, especially among women has more than doubled.

To share its concerns regarding employee welfare and to encourage the Company to address these issues, the Proposer held a meeting with the executive officers of the Company in November 2021 and requested the Company to set specific targets for the wellbeing of employees, provide detailed disclosure of achievements and initiatives, and to set targets for the diversity and inclusion of employees (e.g. average length of tenure, % of non-Japanese managers, and ratio of promotions to management positions by ethnicity). However, the Company has failed to take actions in response to these requests.

In March 2022, the Proposer held a meeting with two Directors of the Company (one being an Outside Director) to inform the Company of the results of its investigations expressing the Proposer's deep concerns about the labour environment of the Company (in particular, response to sexual and power harassments), and stating that these issues could not be overlooked in light of Proposer's ESG policy. However, the Company claimed that sexual harassment and power harassment cases are appropriately dealt with on a case-by-case basis, and did not present any new specific action plans in response to the results of these investigations.

To follow up on this matter, the Proposer subsequently requested a meeting with the two other Outside Directors and Mr. Morita, Representative Director and President, but at the time of writing the request has not been accepted.

Considering the results of the investigations and the Company's response to this matter, the Proposer has come to believe that the Company is acting too slow in improving the wellbeing of its employees and addressing labor issues. As human resources are core to the success of the Company, the fact that the number of job leavers has almost doubled from 2015 to 2020 poses a major risk. To achieve effective and sustainable management of human resources, it is imperative for the Company to create a labour environment prioritising the wellbeing of employees. In particular, sexual harassment, power abuses, and discrimination against foreign employees must be thoroughly investigated and disciplinary actions taken against harassers. It is also crucial to develop an environment in which the victims are never neglected, prejudiced, nor criticized.

Therefore, as stated in this shareholder proposal, the Proposer proposes that the Company establish a Special Investigation Committee composed of independent committee members and that investigations on compliance-related matters such as sexual harassment and power abuse be conducted.

## 2. Partial amendments to the Articles of Incorporation (2)

### (I) Summary of the proposed agenda

It is proposed that the following new chapter to the current Articles of Incorporation be added, that “Chapter 7. Accounting” of the current Articles of Incorporation be changed to “Chapter 8. Accounting,” and that Article 31 and subsequent articles be moved down by one article; provided, if other agendas (including agendas proposed by the Company) are adopted at the 42<sup>nd</sup> Ordinary General Meeting of Shareholders and the article set forth in this agenda requires adjustments in formality (including, but not limited to changes to the article number), the article in this agenda shall read as the article after necessary adjustments.

#### Chapter 7. Sales of Specified Equity Securities

##### (Sales of Specified Equity Securities)

Article 31      The Company shall make it a policy to reduce its specified equity securities in principle. Unless due to unavoidable circumstances, the Company shall sell or dispose all equity securities held as specified equity securities at fair value by March 1, 2023.

### (II) Reasons for the proposal

In the Notice of the Opinion of the Board of Directors regarding Shareholder Proposal dated April 28, 2021, the Company responded that it has verified the economic reasonableness of its equity securities through comparison between the benefits and capital cost, and that it has been selling the shares of Recruit Holdings from the fiscal year ending March 2018, and will strive to improve corporate value while paying attention to capital efficiency.

However, the Company’s stake in Recruit Holdings decreased only by about 20% in the past seven years, and the Company is the fifth-largest holder of cross-shareholding among listed Japanese companies with a market cap of 200 billion yen or more. The current level of cross-shareholding ratio (32.1%) does not meet either the proxy advisory firms ISS or Glass Lewis criteria of cross-shareholding, which might impact the Director’s support ratio at the upcoming AGM.

Recruit Holdings, the largest cross-shareholder of the Company, states that “In principle, the Company’s policy is to reduce strategic shareholdings,” and that “If a company that holds shares of the Company as strategic shareholdings indicates the intention to sell the shares, the Company will do nothing to hinder the sale, such as indicating resulting reductions in business transactions between the companies,” and “the Company does not conduct business transactions that may harm the shared interests of the Company and its shareholders, such as continuing business transactions with companies that are strategic shareholders without adequately verifying the economic rationality of the transactions.”

From Recruit Holdings’ IR disclosure, it is obvious that Recruit Holdings makes decisions based on business benefits and economic rationale, and not on cross-shareholding. There is no rationale in cross-shareholding with Recruit Holdings.

For these reasons, the Proposer sent letters to the Board of Directors of the Company suggesting the disposal of its cross-shareholdings. In addition, the Proposer also shared with the Board of the Company the example of Toppan Inc.’s selling of 15 million shares of Recruit Holdings, which exceed the Company’s holdings, as well as of Recruit

Holdings' tender offer to purchase maximum 34,000,000 shares announced on 28 January 2022. However, the Board failed to utilise any of these opportunities to reduce the company's cross-shareholdings.

The Board's lack of aggressive actions over the past year to reduce cross-shareholdings clearly contradicts with the statements in the Company's disclosure document dated April 28, 2021 which states that "We have also reviewed our shareholdings in Recruit Holdings and sold a cumulative total of 2,790,000 shares between the fiscal year ending March 2018 and March 2021," and that "we are committed to achieving sustainable growth and enhancing our corporate value while paying due attention to capital efficiency."

It should be noted that NTT Data Corporation ("NTT Data"), a peer of the Company, sold 19,700,000 cross-held shares of Recruit Holding for a total amount of 90,245,700,000 yen in March 2022.

In its disclosure of the purpose and quantitative effect of shareholdings, the Company merely states that "it is difficult to quantify benefits of holding," which does not meet FSA's fair disclosure rule, and does not allow investors to understand the effects of holdings. Moreover, except for a few words, the disclosure on the four issues of specific equity securities are simple "copy and paste" descriptions, and do not explain the situation and purpose of each holding.

The Proposer met with an Outside Director of the Company and asked his personal opinion. He expressed his opinion that "It is not necessary to keep holding these shares beyond strategic necessity, so I think the Company should gradually sell those shares that exceed strategic necessity, and should allocate them for growth investments, for the development of the Company. Personally, I don't think these shareholdings have such major impacts on the current business transactions." "Holdings beyond strategic necessity are certainly a waste of capital, so I personally think it is better to gradually feel around and reduce those shares, and to use them for growth investment."

Therefore, the Proposer proposes that the Company shall establish a policy to reduce its specified equity securities in principle, and that, unless due to unavoidable circumstances, the Company shall sell or dispose all equity securities held as specified equity securities at fair value by March 1, 2023.

### 3. Partial amendments to the Articles of Incorporation (3)

#### (I) Summary of the proposed agenda

It is proposed that the following new chapter to the current Articles of Incorporation be added, that "Chapter 7. Accounting" of the current Articles of Incorporation be changed to "Chapter 8. Accounting," and that Article 31 and subsequent articles be moved down by one article; provided, if other agendas (including agendas proposed by the Company) are adopted at the 42<sup>nd</sup> Ordinary General Meeting of Shareholders and the article set forth in this agenda requires adjustments in formality (including, but not limited to changes to the article number), the article in this agenda shall read as the article after necessary adjustments.

#### Chapter 7. Deposits with the Parent Company

##### (Prohibition of Deposits with the Parent Company)

Article 31 The Company shall not make deposits to the parent company, or any of its subsidiary or affiliated companies.

## (II) Reasons for the proposal

Cash equivalents and investment securities of the Company exceeded 170 billion yen in the most recent quarter, increasing at a rate of almost 13.6% per year over the past 12 years. They have not been returned to employees nor used for business investments, and remain sitting on the balance sheet. While the Proposer supports the Company's policy to secure a sound financial base for business growth and business risks, holding nearly 60% of the total assets in cash equivalents and investment securities cannot be justified from the perspective of capital efficiency.

In the Mid-term Business Strategy for FY2021-25, the Company plans an investment of 50-70 billion yen to strengthen business infrastructure, and also invest in human resources. However, the percentage of total salaries and benefits to net sales decreased by 0.2 percent points year-on-year as of FY2022/Q2. An investment of 10-15 billion yen for accelerating DX is also planned, but there has, so far, been no evidence of this.

Management argue that the Company will utilise its retained earnings to promote the Mid-term Business Strategy, but in reality, a major portion of its assets are allocated to deposits with the parent company and strategic shareholdings in certain client companies. Liquid assets of 171.9 billion yen, which are the total of approximately 78.6 million yen as deposits with the parent company, 83.1 million yen in investment securities (of which approximately 99% are shares of Recruit Holdings Co., Ltd.) and other cash and equivalent, remain on the Company's balance sheet.

The Ministry of Economy, Trade and Industry "Practical Guidelines on Group Governance System" notes that deposits to the parent company may create specific situations where conflicts of interest may arise in listed subsidiaries, and calls "In situations where the following conflict of interest risks may materialize, the interests of general shareholders may be harmed. Therefore, it is necessary to give due consideration to the interests of general shareholders through the establishment of effective governance systems in listed subsidiaries." The Company receives an interest at a rate of about 0.2% for the deposits to its parent company, significantly lower than its cost of capital.

Therefore, the Proposer proposes to establish a policy not to make deposits, in principle, to the parent company, its subsidiary, or affiliated companies, and to immediately recover the current deposits.

## (4) Acquisition of treasury shares

### (I) Summary of the proposed agenda

It is proposed that, pursuant to the provisions of Article 156 (1) of the Companies Act, the Company acquire its common shares within one year from the conclusion of the Ordinary General Meeting of Shareholders to the maximum extent of 7,834,000 shares in total, 32 billion yen as total acquisition price (provided, however, that if the total amount of the acquisition amount falls below the "Distributable Amount" provided in Article 461 of the Companies Act, the maximum amount of the acquisition amount shall be reduced to the amount permitted under the Companies Act.)

## (II) Reasons for the proposal

This proposal assumes that the Company will buy back its treasury shares, not from public shareholders, but rather from the parent company, Nippon Steel by a discount TOB or other arrangements, thereby reducing the voting rights held by Nippon Steel to about 60%.

Firstly, in the Notice of the Opinion of the Board of Directors regarding Shareholder Proposal dated April 28, 2021, the Company stated that “We intend to continue acquiring treasury shares at the right time in a proper manner in light of improving capital efficiency and expeditiously achieving our capital policy.”

However, the parent company currently owns 63.4% of the Company’s outstanding shares. If the Company wishes to remain on the Prime Market where the continued listing criteria requires a free float of above 35%, a share buyback that involves acquiring treasury shares from public shareholders is not an option. Specifically, a buyback of approximately 2.4% or greater would breach the TSE Prime Market criteria.

In response to an inquiry directed to the parent company Nippon Steel, the IR Office commented: “While a share buyback is one means to return capital to shareholders, we believe that improving corporate value through sustainable earnings growth will lead to improving shareholder value.”

According to this response, Nippon Steel seems to be fully aware that, by maintaining the current holding of 63.4% of the Company’s outstanding shares, it is depriving the Company of the option of returning to shareholders through a share buyback, and believes that its subsidiary should improve shareholder value through sustainable earnings growth.

Comparing the Company’s total payout ratio to other companies in the IT service industry, the Company’s total payout ratio for the fiscal year ending March 31, 2021 was about 33%. This is almost 28% lower than the average for other companies’ payout ratio in the industry, which is about 45%. Looking at the breakdown, 38% of the payout ratio for other companies in the industry is dividends and 8% is share buybacks, while 33% of the payout ratio for the Company is dividends and no share buybacks are being conducted. This clearly shows that the current extremely high shareholding ratio of the parent company is depriving general shareholders of the opportunity to receive shareholder returns comparable to those of other companies in the industry by preventing further share buybacks from general shareholders on the premise that the company will remain in the prime market.

In addition, according to posts on an Internet message board, a former employee commented, "Since the parent company's shareholding ratio is also high, we need the parent company's approval, including the necessary groundwork, before taking on any new challenges, including investments," "The capital relationship with Nippon Steel should be weakened. We do not have enough decision-making authority to adopt our own growth strategy," and “At the time of our founding, we clearly declared that there would be no assignment of personnel from our parent company, Nippon Steel, but that has not been the case anymore.”

Furthermore, due to the extremely high shareholding ratio of the parent company, it is necessary to closely monitor whether the personnel arrangements for the Company's directors are designed to respect the interests of general shareholders to the maximum extent. Director Funakoshi Hirofumi, the new internal director who joined the Company in 2021, previously served as a Senior Executive Director of the parent company. Nippon Steel responded to the Proposer’s inquiry as follows: “His work experience in our company has been mainly in the human resources, general affairs and corporate planning departments and he has no experience in a department specialising in IT

services. He has no experience in the IT services industry outside Nippon Steel, either. We understand that the skills expected of a director of NSSOL are not having an experience in the IT services industry, but skills in business management, human resources, labour policy and human resources development.”

However, over the past 8 years from 2013 to 2021, there are posts on several internet forums claiming that there have been sexual harassments and power abuses at Nippon Steel. Moreover, in June 2021, it was revealed that a then male employee in charge of human resources at Nippon Steel had engaged in inappropriate behaviour, including pressuring a female prospective employee into a sexual relationship. As such, from the perspective of building a sustainable labour environment for the Company’s employees, it is inconceivable that the best choice for “human resources, labour policy and human resources development” is a descended appointment from Nippon Steel.

If the Company acquires its own shares through a discount TOB or other means from the parent company, it will be possible to reduce the parent company's shareholding ratio to a certain degree, thereby eliminating to a certain extent potential conflicts of interest with minority shareholders, such as opportunities to return profits to shareholders. This will also lead to the Company's shareholders being able to enjoy sustainable opportunities for shareholder return in the future.

Therefore, the Proposer proposes that the Company undertake a share buyback of 7,834,000 shares in total from the parent company Nippon Steel through a discount TOB or other arrangements within one year from the conclusion of the 42<sup>nd</sup> Ordinary General Meeting of Shareholders.

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