Securities code: 2327
June 3, 2022

To Shareholders with Voting Rights:

Hiroyuki Morita
Representative Director & President
NS Solutions Corporation
1-17, Toranomon 1-chome, Minato-ku,
Tokyo, Japan

NOTICE OF
THE 42ND ANNUAL GENERAL MEETING OF SHAREHOLDERS

We hereby inform you that the 42nd Annual General Meeting of Shareholders (the "Meeting") of NS Solutions Corporation (the "Company") will be held as described below.

The Meeting will be held with appropriate measures taken to prevent the spread of COVID-19, just as last year.

From the perspective of preventing the spread of infection, we would like the shareholders to exercise your voting rights in writing or through electromagnetic means such as the internet in advance, and avoid attending the Meeting in person as much as possible.

Under such circumstances, the Meeting will be live-streamed on the internet to enable as many shareholders as possible to view the general meeting of shareholders online.

(For more details, please refer to "Guide to Live Online Streaming" on page 7 (in Japanese). Please note that you will not be able to exercise voting rights, ask questions, and make a motion while viewing the live-streamed meeting.)

[When exercising voting rights in writing (Voting Rights Exercise Form)]
Please indicate your approval or disapproval of each Proposal on the enclosed Voting Rights Exercise Form and return it so that it can reach us no later than Monday, June 20, 2022 at 5:20 p.m. If there is no indication of approval or disapproval of each Proposal in the space provided, it shall be deemed as an indication of approval in the case of Proposals from the Company, or an indication of disapproval in the case of Proposals from shareholders.

[When exercising voting rights via electromagnetic means (the internet, etc.)]
In accordance with "Guide to Exercising Your Voting Rights Via the Internet, etc." (pages 5-6) below (in Japanese), please access the voting rights exercise website (https://www.web54.net) via the internet, or the smartphone voting rights exercise website via a smartphone (login by scanning the smartphone voting rights exercise website login QR code indicated on the Voting Rights Exercise Form), and exercise your voting rights no later than Monday, June 20, 2022 at 5:20 p.m. by entering your approval or disapproval, following the instructions on the screen.
When you exercise your voting rights twice or more via the internet, etc., the voting rights exercised last shall be deemed and treated as a valid vote. When you exercise your voting rights both via the internet, etc. and the Voting Rights Exercise Form, the voting rights that arrived later at the Company shall be deemed and treated as valid vote. However, when the both arrived on the same day, the voting rights exercised via the internet, etc. shall be deemed and treated as a valid vote.

[When a proxy exercises voting rights on your behalf]
Please have your proxy submit your Voting Rights Exercise Form and a form stating that you give power of attorney to your proxy. Only one shareholder entitled to exercise voting rights is qualified to be a proxy.

1. **Date and Time:** Tuesday, June 21, 2022 at 10:00 a.m. Japan time
(The reception will start at 9:00 am.)
2. **Place:** Conference Room of the Company, 17F, Tranomon Hills Business Tower, 1-17, Toranomon 1-chome, Minato-ku, Tokyo
3. **Meeting Agenda:**

Matters to be reported: The Business Report, Consolidated Financial Statements for the Company’s 42nd Fiscal Year (April 1, 2021 - March 31, 2022), results of audits by the Accounting Auditor and the Audit & Supervisory Committee of the Consolidated Financial Statements, and Non-consolidated Financial Statements for the Company’s 42nd Fiscal Year (April 1, 2021 - March 31, 2022)

Proposals to be resolved:

<Proposals from the Company (from Proposal 1 to Proposal 3)>

Proposal 1: Partial Amendment to the Articles of Incorporation
Proposal 2: Election of Ten (10) Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)
Proposal 3: Determination of Compensation for Allotment of Shares with Restriction on Transfer to Directors (Excluding Directors Who Are Audit & Supervisory Committee Members and Outside Directors)

<Proposals from shareholders (from Proposal 4 to Proposal 7)>

Proposal 4: Partial Amendment to the Articles of Incorporation (1)
Proposal 5: Partial Amendment to the Articles of Incorporation (2)
Proposal 6: Partial Amendment to the Articles of Incorporation (3)
Proposal 7: Acquisition of Treasury Shares

(Notes)

1. When attending the Meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
2. If you plan to exercise your voting rights diversely, please notify the Company in writing to that effect and of the reason thereof no later than Wednesday, June 15, 2022.
3. If matters to be contained in the Business Report, the Consolidated Financial Statements, and the Non-consolidated Financial Statements, and matters to be stated in reference materials for the general meeting of shareholders need to be changed or modified, any matter so changed or modified will be published on the Company’s home page (https://www.nssol.nipponsteel.com/).
4. The following matters are placed and provided on the Company’s home page (https://www.nssol.nipponsteel.com/) in accordance with laws and regulations, as well as Article 15 of the Articles of Incorporation:
   - The Consolidated Statement of Changes in Equity and Notes to the Consolidated Financial Statements in the Consolidated Financial Statements
   - The Statement of Changes in Equity and Notes to the Non-consolidated Financial Statements in the Non-consolidated Financial Statements
5. The English versions of the notice of convocation and the reference materials for the general meeting of shareholders are placed and provided on the Company’s home page shown below:
The Company’s home page (https://www.nssol.nipponsteel.com/en/)

Proposals and References

<Proposals from the Company (from Proposal 1 to Proposal 3)>
Proposal 1: Partial Amendment to the Articles of Incorporation

1. Reasons for amendments

(1) The amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the "Act Partially Amending the Companies Act" (Act No. 70 of 2019) will be enforced on September 1, 2022. Accordingly, as the system for electronic provision of materials for general meetings of shareholders will be introduced, the Articles of Incorporation of the Company shall be amended as follows.

i. The proposed Article 15 (Measures for Electronic Provision, Etc.), Paragraph 1 will be established as it will be required to be provided for in the Articles of Incorporation that information contained in the reference materials for the general meeting of shareholders, etc. shall be provided electronically.

ii. The proposed Article 15 (Measures for Electronic Provision, Etc.), Paragraph 2 will be established to, among matters to be provided electronically in information contained in the reference materials of the general meeting of shareholders, limit the matters to be included in the paper copy to be sent to shareholders who have requested it to the extent stipulated in the Ordinance of the Ministry of Justice.

iii. With the introduction of electronic provision of the reference materials for the general meeting of shareholders, Article 15 (Internet Disclosure of Reference Materials for the General Meeting of Shareholders, Etc.) of the current Articles of Incorporation will become unnecessary and will therefore be deleted.

iv. Supplementary provisions related to the effectiveness of provisions to be established and deleted above shall be established. These supplementary provisions will be deleted after a lapse of a specific period of time.

(2) The contents of a manner of prior notification concerning diverse exercise of voting rights at the general meeting of shareholders will be changed in order to enable the notification by electromagnetic means.

2. Details of amendments

The details of the amendments are as follows.

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendments
<u>(Internet Disclosure of Reference Materials for the General Meeting of Shareholders, Etc.)</u> <u>Article 15</u> <u>The Company may, when notifying of the convocation of a general meeting of shareholders, deem that it has provided information to shareholders pertaining to matters to be described or indicated in documents including matters to be a reference for exercising voting rights, business report, non-consolidated financial statements, and consolidated financial statements, by taking measures for enabling shareholders to receive the provision of such information via electromagnetic means in accordance with the provisions provided in the Ordinance of the Ministry of Justice.</u>	(Deleted)

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendments
(New)	(Measures for Electronic Provision, Etc.) Article 15 The Company shall, when convening a general meeting of shareholders, provide information contained in the reference materials for the general meeting of shareholders, etc. electronically. 2. Among the matters to be provided electronically, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.
(New)	Supplementary Provisions 1. The deletion of Article 15 (Internet Disclosure of Reference Materials for the General Meeting of Shareholders, Etc.) of the Articles of Incorporation before amendment and the establishment of Article 15 (Measures for Electronic Provision, Etc.) of the Articles of Incorporation after amendment shall come into effect on September 1, 2022, the date of enforcement of the amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (the “Effective Date”). 2. Notwithstanding the provisions of the preceding paragraph, Article 15 (Internet Disclosure of Reference Materials for the General Meeting of Shareholders, Etc.) of the Articles of Incorporation before amendment shall remain in force with respect to a general meeting of shareholders to be held on a date within six months from the Effective Date. 3. These supplementary provisions shall be deleted after the lapse of six months from the Effective Date or the lapse of three months from the date of the general meeting of shareholders set forth in the preceding paragraph, whichever is later.
(Diverse Exercise of Voting Rights) Article 18 The shareholders who diversely exercise voting rights must notify the Company in writing that they will diversely exercise their voting rights and of the reason thereof no later than three days prior to the day of the general meeting of shareholders.	(Diverse Exercise of Voting Rights) Article 18 The shareholders who diversely exercise voting rights must notify the Company that they will diversely exercise their voting rights and of the reason thereof no later than three days prior to the day of the general meeting of shareholders in writing or by electromagnetic means.

Proposal 2: Election of Ten (10) Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)

The terms of office of all ten (10) Directors (excluding Directors who are Audit & Supervisory Committee Members) will expire at the close of the Meeting. Accordingly, the Company proposes to elect ten (10) Directors (excluding Directors who are Audit & Supervisory Committee Members).

The candidates for Directors are as follows.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
1	Hiroyuki Morita (July 16, 1958) [Reappointment]	April 1982 April 1989 March 2003 October 2004 April 2006 April 2008 April 2010 June 2012 June 2013 June 2015 April 2016 April 2019	Joined Nippon Steel Corporation Seconded to the Company Left Nippon Steel Corporation Director, Corporate Planning & Marketing Department, Financial System Solutions Division of the Company Director, Sales Department-III, Financial System Solutions Division of the Company Director, Information Solutions Division, Financial System Solutions Bureau of the Company Operating Officer of the Company Executive Director, Director, Corporate Planning & Strategic Alliance Department, and Director, Accounting & Finance Department of the Company Senior Executive Officer and Director, Retail & Service Business System Solutions Division, Industrial & Retail Business System Solutions Bureau of the Company Executive Director, Senior Executive Officer, and Director, Industrial & Retail Business System Solutions Bureau of the Company Executive Director, Managing Executive Officer, Director, Industrial & Retail Business System Solutions Bureau, and Director, Sales Planning & Management Bureau of the Company Representative Director & President of the Company (to present)	15,601

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
2	Takashi Oshiro (September 14, 1959) [Reappointment]	April 1985	Joined Nippon Steel Corporation	10,049
		April 2001	Seconded to the Company	
		April 2002	Director, System Infrastructure Technology Research Department, System Research & Development Center of the Company	
		March 2003	Left Nippon Steel Corporation	
		April 2004	Director, Consulting & Engineering Department, Infrastructure Solutions Division of the Company	
		April 2005	Director, IT Engineering Department, IT Engineering Service Division of the Company	
		April 2007	Director, IT Engineering Division, IT Infrastructure Solutions Bureau of the Company	
		April 2008	Operating Officer of the Company	
		June 2011	Executive Director of the Company	
		June 2013	Executive Director, Senior Executive Officer, and Director, IT Infrastructure Solutions Bureau of the Company	
		April 2016	Executive Director, Managing Executive Officer, and Director, IT Infrastructure Solutions Bureau of the Company	
		April 2019	Executive Director and Managing Executive Officer in charge of Telecom Solutions Unit, Public Sector System Solutions Unit, and IT Infrastructure Solutions & Service Units of the Company	
		April 2021	Executive Director and Senior Vice President in charge of Telecom Solutions Unit, Public Sector System Solutions Unit, and IT Infrastructure Solutions & Service Units of the Company	
		April 2022	Executive Director and Senior Vice President in charge of Telecom Solutions Unit, Public Sector System Solutions Unit, IT Infrastructure Solutions & Service Units, and Digital Technology & Solution Unit of the Company (to present)	

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
3	Atsuki Matsumura (May 18, 1961) [Reappointment]	April 1986 April 1992 April 2001 October 2004 August 2008 November 2012 December 2012 April 2015 June 2015 April 2016 April 2017 April 2019 March 2020 April 2020 June 2020 April 2021 April 2022	Joined Nippon Steel Corporation Chief Researcher, Semiconductor Substrate Technology Research Center, Electronics Laboratories, Technology Development Bureau of Nippon Steel Corporation Seconded to Wacker NSCE Corporation SOI/SIMOX Group Leader Transferred to Siltronic Japan Corporation (renamed in 2004) President and Representative Director and General Manager, Sales Management Department of Siltronic Japan Corporation Left Siltronic Japan Corporation Joined Nippon Steel & Sumitomo Metal Corporation Senior Principal Manager, Corporate Planning Division Advisor of Nippon Steel & Sumitomo Metal Corporation Audit & Supervisory Board Member of the Company Executive Officer of Nippon Steel & Sumitomo Metal Corporation Executive Officer and General Manager, Business Process Reform Promotion Department of Nippon Steel & Sumitomo Metal Corporation Managing Executive Officer of Nippon Steel Corporation Left Nippon Steel Corporation Joined the Company Managing Executive Officer in charge of Steelmaking System Solutions Bureau and IoX Solution Business Promotion Department Executive Director and Managing Executive Officer in charge of Steelmaking System Solutions Units and IoX Solution Business Promotion Department of the Company Executive Director and Senior Managing Executive Officer in charge of Steelmaking System Solutions Units and IoX Solution Business Promotion Department of the Company Executive Director and Senior vice president in charge of Manufacturing Industry Digital Transformation Center, Industrial Business System Solutions Units, Steelmaking System Solutions Units, and IoX Solution Business Promotion Department of the Company (to present)	982

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
4	Kazuhiko Tamaoki (December 2, 1961) [Reappointment]	April 1985	Joined Nippon Steel Corporation	6,667
		April 2001	Seconded to the Company	
		February 2002	Director, Sales Department, Infrastructure Solutions Division-III of the Company	
		March 2003	Left Nippon Steel Corporation	
		April 2012	Director, Human Resources Department of the Company	
		April 2015	Executive Officer and Director, Human Resources Department of the Company	
		April 2016	Executive Officer and Director, Retail & Service Business System Solutions Division, Industrial & Retail Business System Solutions Bureau of the Company	
		April 2018	Executive Officer and Director, Human Resources Bureau of the Company	
		June 2018	Executive Director, Executive Officer, and Director, Human Resources Bureau of the Company	
		April 2019	Executive Director and Senior Executive Officer in charge of Steelmaking System Solutions Units, Sales Planning & Management Bureau, and Human Resources Bureau, and Director of Human Resources Bureau of the Company	
		June 2020	Executive Director and Senior Executive Officer in charge of Sales Planning & Management Bureau and Human Resources Bureau, and Director of Human Resources Bureau of the Company	
		April 2021	Executive Director and Managing Executive Officer in charge of Sales Planning & Management Bureau, Corporate Administration Bureau, Corporate Planning & Strategic Alliance Department, Accounting & Finance Department, Legal & Intellectual Property Department, Human Resources Bureau, and Internal Control & Audit Department of the Company (to present)	

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
5	Katsuhiko Yoshida (January 14, 1966) [Reappointment]	April 1988	Joined Nippon Steel Corporation	2,371
		April 2001	Seconded to the Company	
		March 2003	Left Nippon Steel Corporation	
		April 2006	Director, Industrial Business System Solutions Planning & Promotion Department, Industrial Business System Solutions Division of the Company	
		April 2013	Deputy Director, Industrial Business System Solutions Division, Industrial & Retail Business System Solutions Bureau of the Company	
		April 2015	Director, Industrial Business System Solutions Division, Industrial & Retail Business System Solutions Bureau of the Company	
		April 2016	Executive Officer and Director, Industrial Business System Solutions Division, Industrial & Retail Business System Solutions Bureau of the Company	
		April 2019	Executive Officer, Director of Technology Bureau, and Chief of Academy Center of the Company	
		June 2019	Executive Director, Executive Officer, Director of Technology Bureau, and Chief of Academy Center of the Company	
		April 2020	Executive Director and Senior Executive Officer in charge of Financial System Solutions Units, Technology Bureau, and IoX Solution Business Promotion Department, and Director of Technology Bureau of the Company	
		June 2020	Executive Director and Senior Executive Officer in charge of Financial System Solutions Units and Technology Bureau, and Director of Technology Bureau of the Company	
		April 2021	Executive Director and Senior Executive Officer in charge of Digital Transformation & Innovation Center, Financial System Solutions Units, and Technology Bureau of the Company (to present)	

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
6	Masunao Kuroki (January 10, 1967) [New appointment]	April 1989	Joined Nippon Steel Corporation	1,807
		April 2001	Seconded to the Company	
		March 2003	Left Nippon Steel Corporation	
		April 2005	Director, Sales Department-I, Financial System Solutions Division of the Company	
		April 2010	Director, Sales Department, Retail & Service Business System Solutions Division of the Company	
		April 2011	Deputy Director, Retail & Service Business System Solutions Division of the Company	
		October 2014	Director, Sales Division, Financial System Solutions Bureau of the Company	
		April 2016	Deputy Director, Financial System Solutions Bureau of the Company	
		April 2017	Executive Officer and Deputy Director, Financial System Solutions Bureau of the Company	
		April 2018	Executive Officer and Director, Retail & Service Business System Solutions Division, Industrial & Retail Business System Solutions Bureau of the Company	
		April 2020	Executive Officer and Director, Financial System Solutions Bureau of the Company	
		April 2021	Senior Executive Officer and Director, Financial System Solutions Bureau of the Company	
		April 2022	Senior Executive Officer in charge of Retail & Service Business System Solutions Units, Financial System Solutions Units, and Sales Planning & Management Bureau of the Company (to present)	

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
7	Yaichi Aoshima (February 11, 1965) [Reappointment] [Outside] [Independent]	April 1999 Associate Professor, Institute of Innovation Research, Hitotsubashi University April 2007 Associate Professor, Institute of Innovation Research, Hitotsubashi University April 2012 Professor, Institute of Innovation Research, Hitotsubashi University December 2014 Expert Member, Expert Panel on Basic Policy, Council for Science, Technology and Innovation, Cabinet Office June 2015 Executive Director of the Company (to present) April 2018 Director of Institute of Innovation Research, Hitotsubashi University (to present) [Significant concurrent positions] Director of Institute of Innovation Research, Hitotsubashi University Outside Director of Techpoint, Inc.	0
	[Reason for nomination and outline of expected roles] While Mr. Yaichi Aoshima has never been directly involved in corporate management other than as an outside director, he has long engaged in research on management strategy and other areas as the Director of the Institute of Innovation Research, Hitotsubashi University. Based on his insight as a research expert in the field of management strategy and the track record as a Director of the Company, we expect him to continue to provide valuable advice and recommendations to the Board of Directors of the Company and fulfill an appropriate supervisory function. Therefore, we propose to elect him as an Outside Director.		

Notes:
1. Mr. Yaichi Aoshima is a candidate for Outside Director as stipulated in the Companies Act.
2. The Company has notified the Tokyo Stock Exchange of the appointment of Mr. Yaichi Aoshima as an independent officer as stipulated in the rules of the Tokyo Stock Exchange.
3. Mr. Yaichi Aoshima is currently an Outside Director of the Company and will have served as Outside Director for seven (7) years at the close of the Meeting.

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th>Career summary, positions, responsibilities,
and significant concurrent positions</th><th>Number of shares of the Company held</th></tr>
<tr><td rowspan="2">8</td><td>Atsuko Ishii
(November 17, 1957)

[Reappointment]
[Outside]
[Independent]</td><td>April 1980 Joined Ministry of Labour (currently Ministry of Health, Labour and Welfare)
July 2009 Director-General, Osaka Labour Bureau, Ministry of Health, Labour and Welfare
July 2010 Deputy Director-General (in charge of equal employment, child and family policy, and measures for declining birth rate), Ministry of Health, Labour and Welfare
September 2012 Director-General, Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare
July 2014 Director-General for Policy Planning and Evaluation (in charge of labor), Ministry of Health, Labour and Welfare
October 2015 Director-General, Social Welfare and War Victims’ Relief Bureau, Ministry of Health, Labour and Welfare
June 2016 Retired from Ministry of Health, Labour and Welfare
January 2018 Expert Commissioner, Expert Panel on Whistle-blower Protection, Consumer Commission, Cabinet Office
June 2019 Executive Director of the Company (to present)
[Significant concurrent positions]
Outside Director of Mitsui Sumitomo Insurance Company, Limited
Outside Director (Audit & Supervisory Committee Member) of Kawasaki Heavy Industries, Ltd.</td><td>0</td></tr>
<tr><td colspan="3">[Reason for nomination and outline of expected roles]
While Ms. Atsuko Ishii has never been directly involved in corporate management other than as an outside director, she has held key positions in a wide range of areas, including the Director-General of the Equal Employment, Children and Families Bureau, during her tenure at the Ministry of Health, Labour and Welfare, and possesses abundant experience and deep insight in the fields of employment and labor. We expect her to continue to provide valuable advice and recommendations to the Board of Directors of the Company, which is promoting workstyle reform, and fulfill an appropriate supervisory function. Therefore, we propose to elect her as an Outside Director.</td></tr>
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Notes:
1. Ms. Atsuko Ishii is a candidate for Outside Director as stipulated in the Companies Act.
2. The Company has notified the Tokyo Stock Exchange of the appointment of Ms. Atsuko Ishii as an independent officer as stipulated in the rules of the Tokyo Stock Exchange.
3. Ms. Atsuko Ishii is currently an Outside Director of the Company and will have served as Outside Director for three (3) years at the close of the Meeting.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
9	Ichiro Ishii (June 15, 1955) [Reappointment] [Outside] [Independent]	April 1978 June 2010 June 2013 June 2015 April 2017 October 2018 April 2020 June 2020	Joined Tokio Marine & Fire Insurance Co., Ltd. (currently Tokio Marine & Nichido Fire Insurance Co., Ltd.) Executive Officer of Tokio Marine Holdings, Inc. Managing Executive Officer of Tokio Marine Holdings, Inc. Senior Managing Director of Tokio Marine Holdings, Inc. Vice President Director of Tokio Marine Holdings, Inc. Executive Advisor of Tokio Marine Holdings, Inc. Advisor of Deloitte Tohmatsu LLC (to present) Executive Director of the Company (to present)	0
		[Significant concurrent positions] Advisor of Deloitte Tohmatsu LLC Outside Director of NOHMI BOSAI LTD. Outside Director of Terra Motors Corporation Representative Director of troisH Co., Ltd.		
	[Reason for nomination and outline of expected roles] Mr. Ichiro Ishii has abundant global experience and deep insight in corporate management. We expect him to continue to provide valuable advice and recommendations to the Board of Director of the Company and fulfill an appropriate supervisory function. Therefore, we propose to elect him as an Outside Director.			

Notes:
1. Mr. Ichiro Ishii is a candidate for Outside Director as stipulated in the Companies Act.
2. The Company has notified the Tokyo Stock Exchange of the appointment of Mr. Ichiro Ishii as an independent officer as stipulated in the rules of the Tokyo Stock Exchange.
3. Mr. Ichiro Ishii is currently an Outside Director of the Company and will have served as Outside Director for two (2) years at the close of the Meeting.

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
10	Hirofumi Funakoshi (June 17, 1963) [Reappointment]	July 1987 Joined Nippon Steel Corporation September 2001 Human Resources Group Leader, Oita Works, Nippon Steel Corporation April 2009 Manager, Corporate Planning Division, Nippon Steel Corporation October 2012 General Manager, Corporate Planning Division, Nippon Steel Corporation June 2013 General Manager, General Administration Division, Yawata Works, Nippon Steel Corporation April 2016 General Manager, Corporate Planning Division, Nippon Steel Corporation April 2018 Executive Officer of Nippon Steel Corporation April 2019 Executive Officer of Nippon Steel Corporation, assigned to serve as General Manager, Corporate Planning Division April 2021 Managing Executive Officer of Nippon Steel Corporation (to present) June 2021 Executive Director of the Company (to present) [Significant concurrent position] Managing Executive Officer of Nippon Steel Corporation	0

Note: 1. Mr. Hirofumi Funakoshi currently serves as Managing Executive Officer of Nippon Steel Corporation, the parent company of the Company.

(Agreement Limiting Liability)

The Company has entered into an agreement with Mr. Yaichi Aoshima, Ms. Atsuko Ishii, Mr. Ichiro Ishii, and Mr. Hirofumi Funakoshi to the effect that, if each of them has acted in good faith and without gross negligence in performing his/her duties, the liability under Article 423, Paragraph 1 of the Companies Act is limited to an amount that can be reduced in accordance with Article 425, Paragraph 1 of the Companies Act. If Proposal 2 is approved as originally proposed, this agreement will continue.

(Indemnity Agreement)

The Company has entered into an agreement with Mr. Hiroyuki Morita, Mr. Takashi Oshiro, Mr. Atsuki Matsumura, Mr. Kazuhiko Tamaoki, Mr. Katsuhiko Yoshida, Mr. Yaichi Aoshima, Ms. Atsuko Ishii, Mr. Ichiro Ishii, and Mr. Hirofumi Funakoshi to indemnify them for costs set forth in Article 430-2, Paragraph 1 (1) of the Companies Act and losses set forth in Article 430-2, Paragraph 1 (2) to the extent provided for by laws and regulations. If Proposal 2 is approved as originally proposed, this agreement will continue.

If Proposal 2 is approved as originally proposed, the Company will enter an agreement containing the same coverage as the above with Mr. Masunao Kuroki.

(Reference)

Composition of the Board of Directors (Skill Matrix of Directors) *in the case that each of candidates for Directors is elected at the Meetings

		Business management	Sales/ Marketing	Technology/ R&D	Global	Accounting/ Finance	Legal affairs/Risk Management	Personnel/ Labor/HR	ESG/SDGs	Business Domains requiring expertise		
										Applications	IT infrastructures	Customer's business category
Executive Directors	Hiroyuki Morita	●	●		●	●			●	●		Industrial, Retail & Service, Finance
	Takashi Oshiro	●		●	●				●		●	Telecommunications, Utilities
	Atsuki Matsumura	●		●	●					●		Iron and steel
	Kazuhiko Tamaoki	●	●				●	●	●	●	●	Retail & Service, Iron and steel
	Katsuhiko Yoshida	●		●	●					●		Industrial, Finance
	Masunao Kuroki	●	●							●		Retail & Service, Finance
Non-executive Directors	Yaichi Aoshima			●	●				●			
	Atsuko Ishii						●	●	●			
	Ichiro Ishii	●			●		●					
	Hirofumi Funakoshi	●						●				
Directors who are Audit & Supervisory Committee Members	Masayuki Takahara		●				●					
	Tetsuro Higuchi					●						
	Shuichiro Hoshi						●					

Proposal 3: Determination of Compensation for Allotment of Shares with Restriction on Transfer to Directors (Excluding Directors Who Are Audit & Supervisory Committee Members and Outside Directors)

The amount of compensation, etc. to Directors (excluding Directors who are Audit & Supervisory Committee Members) is currently limited to 350 million yen (limited to 35 million yen for Outside Directors) per year, as approved at the 41st Annual General Meeting of Shareholders held on June 18, 2021.

Reviewing the officers' compensation plan, the Company proposes to introduce a plan of share-based compensation with restriction on transfer (hereinafter referred to as the "Plan") for the purpose of providing incentives for the Directors (excluding Directors who are Audit & Supervisory Committee Members, and Outside Directors; hereinafter referred to as the "Subject Directors"), including those who will be elected in the future, to encourage them to make continuous efforts to improve the corporate value of the Company, as well as promoting further sharing of our values with our shareholders.

Accordingly, we propose that the total amount of compensation to be paid to the Subject Directors for granting shares with restriction on transfer under this Plan will be limited to 25 million yen per year, which is separate from the current limit of compensation for Directors. It is also proposed that the total number of common shares of the Company to be issued or disposed of under this Plan will be 17,000 shares or less per year (if the number of shares needs to be adjusted under unavoidable circumstances, for example, when share spit and share consolidation is made to the Company's common shares, the number of shares to be issued or disposed of may be reasonably adjusted.)

The number of Directors (excluding Directors who are Audit & Supervisory Committee Members) of the Company is presently ten (10) (including three (3) Outside Directors). If Proposal 2 is approved, the number of Directors (excluding Directors who are Audit & Supervisory Committee Members) of the Company will be ten (10) (including three (3) Outside Directors.)

(Overview of the Plan)

The Subject Directors will pay in the entire monetary compensation claims paid by the Company under this Plan as a payment in kind, and receive the Company's common shares which will be newly issued or disposed of.

The total amount of compensation to be paid to the Subject Directors for granting shares with restriction on transfer will be limited to 25 million yen per year, which is separate from the current limit of compensation for Directors. The total number of common shares of the Company to be issued or disposed of under this Plan will be 17,000 shares or less per year (if the number of shares needs to be adjusted under unavoidable circumstances, for example, when share spit and share consolidation is made to the Company's common shares, the number of shares to be issued or disposed of may be reasonably adjusted).

To realize one of the purposes of the introduction of this Plan, which is to share shareholders' value in mid- and long- terms, the period of restriction on transfer will be from the day of granting of shares with restriction on transfer to the day the Subject Director forfeits the status of Director of the Company or any other status specified by the Board of Directors. Specific time and distribution of payment to each Subject Director will be determined by the Board of Directors.

The amount to be paid in per common share of the Company which will be issued or disposed of under this Plan will be determined at a Board of Directors meeting based on the closing price of common shares of the Company on the Tokyo Stock Exchange on the business day immediately preceding the day of the Board of Directors' resolution (if there is no trading on that day, the closing price on the trading day immediately preceding such day) and will be within the range that is not specifically favorable to the Subject Directors.

Furthermore, when issuing or disposing of common shares of the Company under this Plan, the Company will enter into an agreement with the Subject Directors concerning allotment of shares with restriction on transfer (hereinafter referred to as the "Allotment Agreement"), which will contain the following matters:

(1) The Subject Directors shall not transfer, pledge, or otherwise dispose of the common shares of the Company allotted under the Allotment Agreement (hereinafter referred to as the "Allotted Shares") for a period from the issuance of the shares with restriction on transfer to a day when the Subject Director forfeits a position of Director of the Company or any other position specified by the Board of Directors (hereinafter referred to as the "Transfer-restricted Period") (hereinafter referred to as the "Transfer Restriction");
(2) When the Subject Director forfeits any positions set forth in (1) above before the expiration of a period specified separately at a Board of Directors meeting of the Company (hereinafter referred to as the

"Service Period"), the Company may acquire the Allotted Shares without charge, except in case that there is a reason deemed legitimate by the Board of Directors of the Company.

(3) Under the condition that the Subject Director has continuously been in a position of Director of the Company or any other position prescribed by the Board of Directors of the Company during the Service Period, the Company shall cancel the Transfer Restriction for all of the Allotted Shares as of the expiration of the Transfer-restricted Period; provided, however, if said Subject Director forfeits any positions set forth in (1) above before the expiration of the Service Period due to a reason deemed legitimate by the Board of Directors of the Company as set forth in (2) above, the number of the Allotted Shares subject to the cancellation of the Transfer Restriction and the timing of cancelling the Transfer Restriction shall be reasonably adjusted as necessary.

(4) The Company will automatically acquire without charge the Allotted Shares for which the Transfer Restriction has not been cancelled yet as of the expiration of the Transfer-restricted Period in accordance with the provision in (3) above.

(5) When, during the Transfer-restricted Period, a matter related to organizational restructuring, etc., such as a merger agreement in which the Company becomes a disappearing company, a share exchange agreement in which the Company becomes a wholly owned subsidiary company, and a share transfer plan, is approved at the general meeting of shareholders of the Company (the Board of Directors meeting of the Company, if such organizational restructuring, etc. is not required to be approved at the general meeting of shareholders of the Company), the Company shall, prior to the effective date of such organizational restructuring, etc., cancel the Transfer Restriction for the number of the Allotted Shares determined reasonably by a resolution of the Board of Directors of the Company.

(6) In the case stipulated in (5) above, the Company will automatically acquire without charge the Allotted Shares for which the Transfer Restriction has not been cancelled yet, as of time immediately after the Transfer Restriction was cancelled in accordance with the provision in (5) above.

(7) The Allotment Agreement contains how to express intention and notify in the Allotment Agreement, how to revise the Allotment Agreement, and any other matters to be determined by the Board of Directors.

In the recent review of the compensation plan, contents of the Company's "policy for determining the details of compensation, etc. for individual Directors (excluding Directors who are Audit & Supervisory Committee Members)" for the 43rd term (fiscal year 2022) have been decided, effective on April 1, 2022 (in relation to the share-based compensation with restriction on transfer, subject to the approval of this Proposal at the Meeting as originally proposed), at the Board of Directors meeting held on March 30, 2022, after the deliberation at HR and Remuneration Committee meeting with a majority of Independent Outside Directors. Details of this Proposal are reasonable and necessary for granting compensation for Directors in accordance with said policy, and therefore deemed appropriate.

* The Company is planning to introduce a plan to grant shares with restriction on transfer similar to the Plan for Executive Officers of the Company on the condition that the introduction of this Plan is approved by the Meeting.

(Reference)

Overview of the Company's "policy for determining the details of compensation, etc. for individual Directors (excluding Directors who are Audit & Supervisory Committee Members)" for the 43rd term (fiscal year 2022) were decided as stated below, effective on April 1, 2022 (in relation to the share-based compensation with restriction on transfer, subject to the approval at the 42nd Annual General Meeting of Shareholders).

The compensation for Directors excluding Outside Directors (excluding Directors who are Audit & Supervisory Committee Members) consists of a fixed compensation by position that is prescribed in accordance with roles and responsibilities of each Director and a performance-linked compensation. The performance-linked compensation is composed of a short-term performance-linked compensation and a mid- and long-term performance-linked compensation. The short-term performance-linked compensation is closely related with consolidated profit for the business year under review and a year-on-year profit growth rate. The mid- and long-term performance-linked compensation is composed of the share-based compensation with restriction on transfer and a mid- and long-term performance-linked compensation (money) corresponding to evaluation of efforts for materiality toward realization of sustainability management. In addition, an actual amount to be paid is calculated in consideration of evaluation by Representative Director & President concerning performance in areas of which each Director is in charge (within 5% of each amount of compensation by position).

The compensation for Outside Directors (excluding Directors who are Audit & Supervisory Committee Members) is only fixed compensation.

<Proposals from shareholders (from Proposal 4 to Proposal 7)>
Proposals 4 to 7 are proposals from shareholders.
The subject, outline, and reasons for the proposals are presented in the original text of the proposals submitted by the shareholders.

Proposal 4: Partial amendments to the Articles of Incorporation (1)

Ⅰ. Details of and reasons for the Shareholder Proposals

(1) 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 42nd 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.

(2) 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.

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

(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.

Proposal 5: Partial amendments to the Articles of Incorporation (2)

I. Details of and reasons for the Shareholder Proposals

(1) 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 42nd 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.

(2) 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.

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

(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.

Proposal 6: Partial amendments to the Articles of Incorporation (3)

I. Details of and reasons for the Shareholder Proposals

(1) 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 42nd 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.

31-2 If any deposits exist, the Company must immediately recover such deposits.

(2) 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.

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

(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.

Proposal 7: Acquisition of treasury shares

I. Details of and reasons for the Shareholder Proposals

(1) 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.)

(2) 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 42nd Ordinary General Meeting of Shareholders.

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

(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.