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For the Enhancement of NS Solutions' Corporate Value

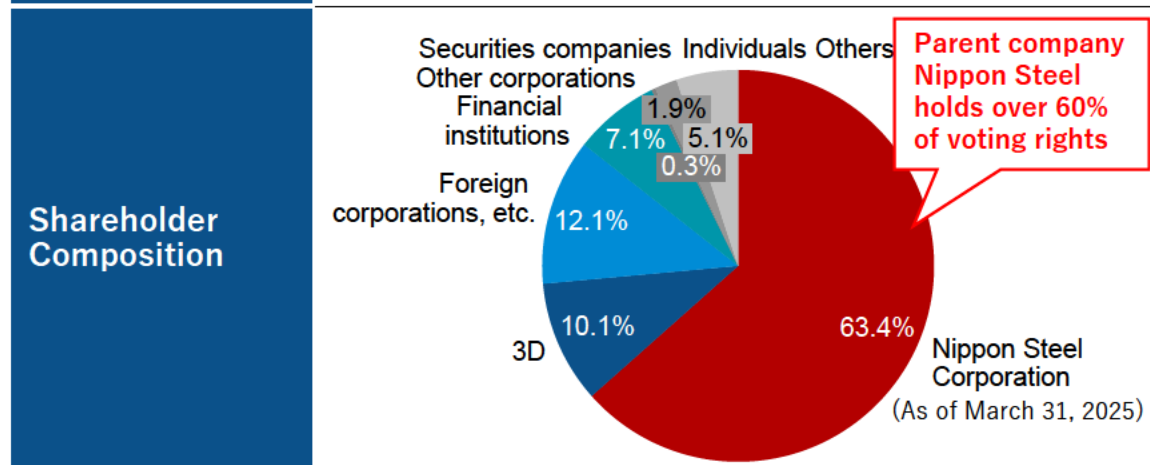
May 19, 2026



Company Overview

Basic Information

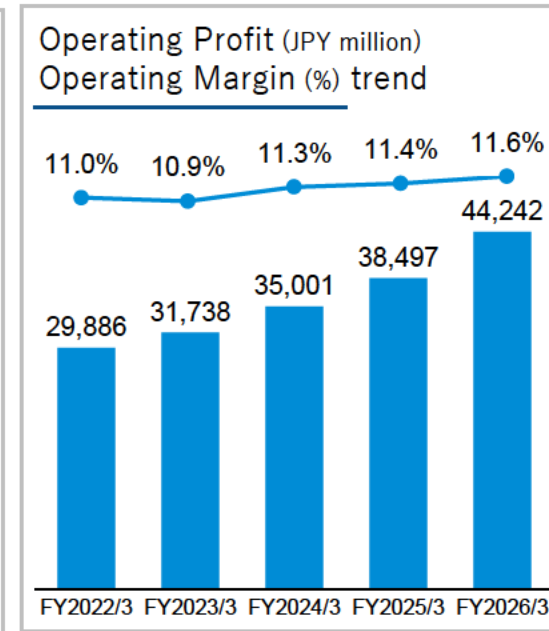
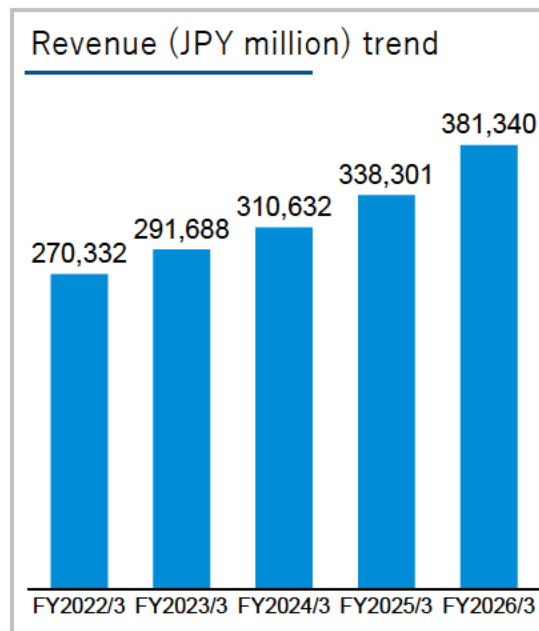
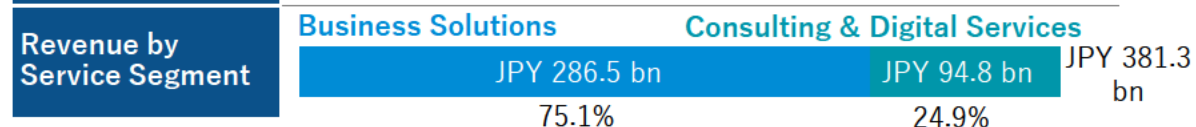
Company name	NS Solutions Corporation(TSE Prime 2327)
Governance Structure	Company with Audit and Supervisory Committee
President & CEO	Mr. Kazuhiko Tamaoki
Business Activities	<ul style="list-style-type: none"> Consulting on management and systems Planning, design, development, construction, operation, maintenance, and management of information systems Development, manufacture, sale, and leasing of software and hardware for information systems IT-based outsourcing services and other various services



Service Segments¹ and Performance Overview

Service Segments

Business Solutions	<ul style="list-style-type: none"> Provides planning, development, and operation services for business systems
Consulting & Digital Services	<ul style="list-style-type: none"> IT infrastructure, DX, cloud, AI, and data utilization services



Notes: [1] NSSOL operates a single segment (information services), so only revenue by service area is disclosed.
Source: NSSOL disclosure materials

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Executive Summary

Executive Summary

■ NSSOL Corporate Value Impairment Caused by Deposits with the Parent Company

- **NSSOL has not raised funds through bonds or borrowings. It holds approximately JPY 110 billion of cash and deposits, equivalent to approximately 40% of net assets.**
- NSSOL has placed the majority of this excessive cash and deposits with the parent company for over **20 years**, reaching extremely high levels — a 10-fiscal-year average of **93% of cash and deposits** and **40% of net assets**.
- NSSOL's deposit arrangement embodies the very example of a **conflict of interest at a listed subsidiary** identified by METI, **thereby impairing corporate value**.
 - The parent company (Nippon Steel) has **external funding costs of 0.6%–3.6%**, whereas it secures funds from NSSOL via CMS at **0.5%²**, well below external funding costs, thereby capturing the benefit.
 - On the other hand, NSSOL deposits funds with the parent at 0.5% — well below its own cost of capital (company estimate: **6%**; analyst average: **7%–8%**) — **thereby impairing its own corporate value**.
- NSSOL **has not**, to date, **provided verification or** explanation sufficient for minority shareholders to deem the deposits reasonable, despite the clear conflict of interest.
 - On the economic rationale of the deposits, **NSSOL provides an unreasonable explanation based on bank interest rates, when the cost of capital should be the metric from a corporate-value perspective**.
 - Although the company claims a required liquidity of JPY 90.0 billion based on the peer average of 2.4 months of monthly revenue, it provides **no concrete rationale for adopting this average, nor does it justify maintaining such liquidity solely through shareholders' equity**.
 - Although NSSOL suggests deposits are being reduced, in reality the change reflects only a **temporary offset from the Recruit share sale and the Infocom acquisition; the recurring deposit level for FY ending March 2026 remains essentially flat, with no substantive reduction underway**.
- The lack of capital discipline that tolerates value-destroying deposits is **the principal reason NSSOL ranks lowest in capital efficiency (ROE) among industry peers**.

■ NSSOL Minority Shareholders' Concerns and Inadequate Response Regarding the Deposits at NSSOL

- NSSOL has previously received **shareholder proposals from minority shareholders calling for elimination of the deposits**, and a proxy advisor recommended a **vote in favor of that proposal**.
- In a third-party perception survey of shareholders, **many domestic and international institutional investors and sell-side analysts have expressed concerns about NSSOL's deposits**.
- 3D, as a minority shareholder of NSSOL, has engaged in dialogue with NSSOL for over **2 years toward enhancing corporate value, seeking resolution of the structural conflicts of interest including the deposits**.
- However, because NSSOL — operating under a structural conflict of interest — failed to engage in objective and quantitative verification and explanation regarding the value-destroying deposits, we have decided to submit a shareholder proposal regarding the deposits at this AGM.

■ 3D Overview of the Shareholder Proposals

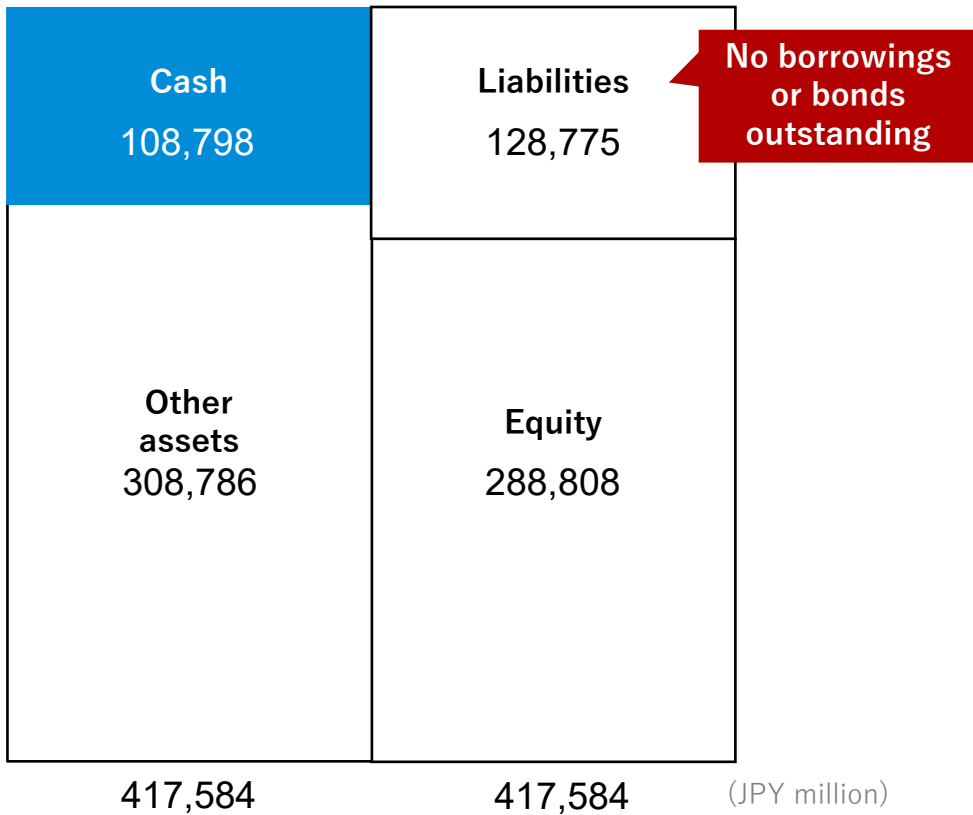
1. Partial Amendment to the Articles of Incorporation: **Prohibition of Deposits with the Parent Company and Affiliates**.
2. Partial Amendment to the Articles of Incorporation: **Disclosure Regarding Contribution of Funds to Parent Company, Etc.**.. If the prior proposal does not result in elimination of the deposits, this proposal calls for disclosure of (i) **the average interest rate and other transaction terms of Deposits** in the most recent fiscal year; (ii) the **reasons why the transaction terms set forth in the preceding item were determined to be reasonable in light of the relationship between the cost of capital and the return from Deposits, and the standards or comparison targets used in such determination**; and (iii) the **existence and content of any policy** for consideration or judgment standards regarding the **review or elimination** of Deposits

NSSOL Corporate Value Impairment Caused by Deposits with the Parent Company

NSSOL has not raised funds through bonds or borrowings; it holds approximately JPY 110 bn of cash and deposits, equivalent to 40% of net assets

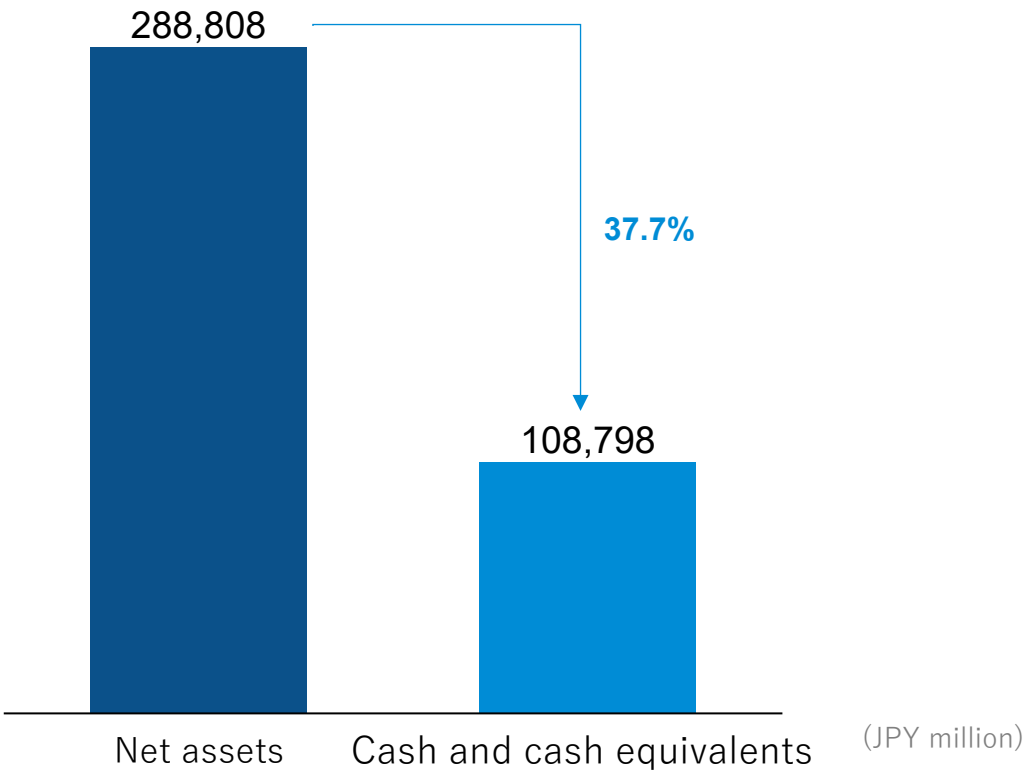
NSSOL has no bonds or borrowings outstanding and is in a net-cash position

[NSSOL: Balance Sheet (FY2026/03)]



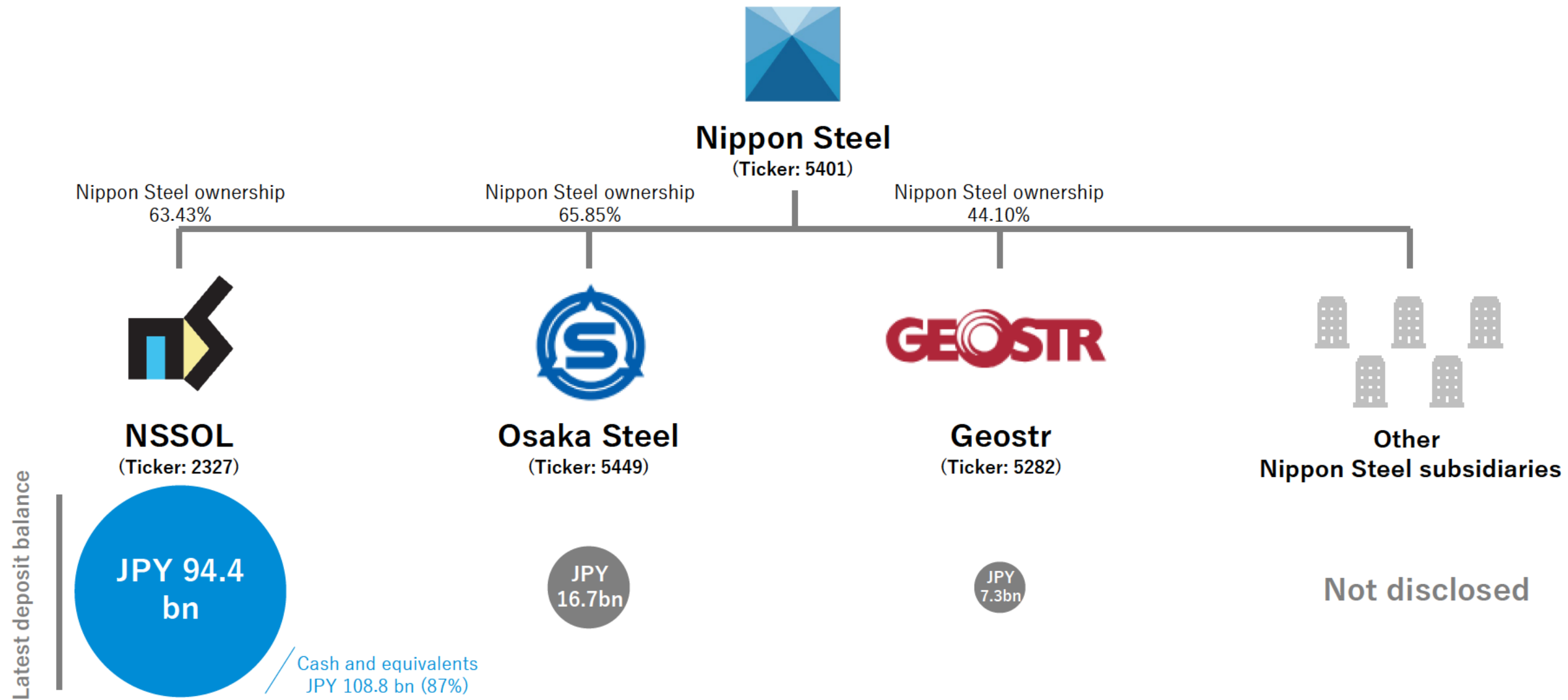
Within this, NSSOL holds approximately JPY 110 bn of cash and deposits, equivalent to about 40% of net assets

[NSSOL: Net Assets vs. Cash and Cash Equivalents (FY2026/03)]



Source: NSSOL disclosure materials

NSSOL deposits the majority of this excessive cash with the parent company via a Cash Management System (CMS)



Source: Each company's disclosure materials

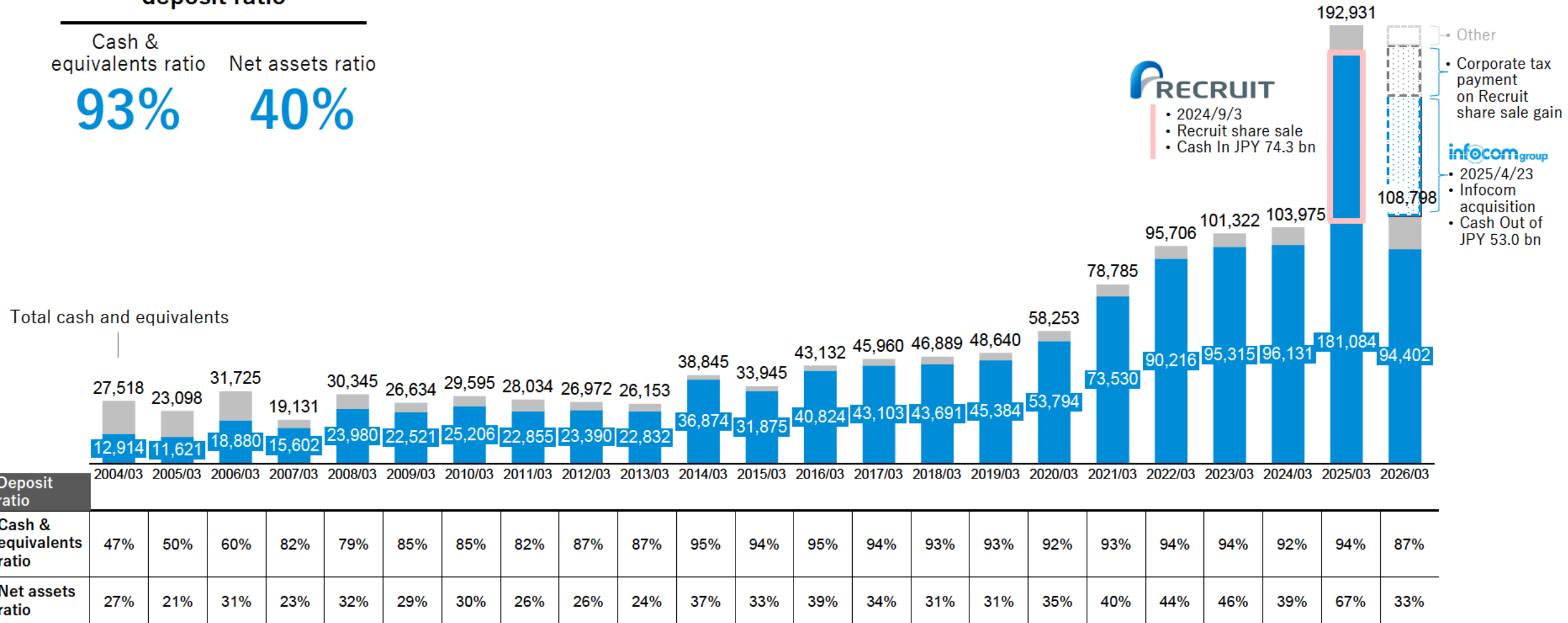
NSSOL's deposits with its parent company have continued for over 20 years, reaching 10-fiscal-year average of 93% of cash and deposits and 40% of net assets

10-fiscal-year average deposit ratio

Cash & equivalents ratio
93%

Net assets ratio
40%

Deposits Other cash & equivalents (JPY million)

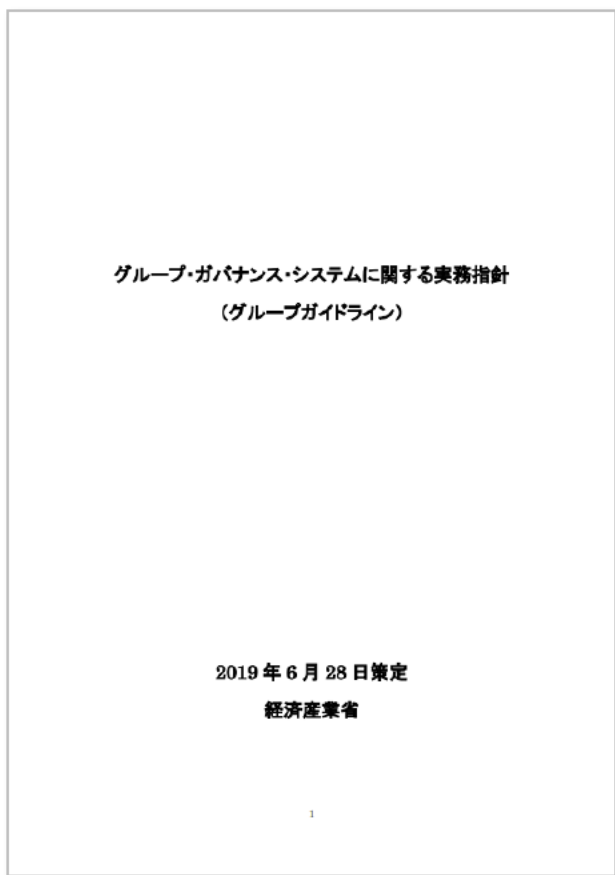


Note: Cash Out of JPY 53.0 bn for the Infocom acquisition equals acquisition consideration JPY 55.0 bn minus Infocom cash & equivalents of JPY 2.0 bn at acquisition.

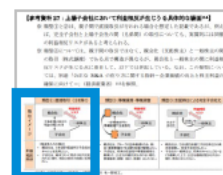
Source: NSSOL disclosure materials

Deposits placed by listed subsidiaries with their parent companies are identified as a typical example in which a conflict of interest between the parent and minority shareholders may materialize

METI established
“Practical Guidelines for Group Governance Systems” as
guidelines on group governance

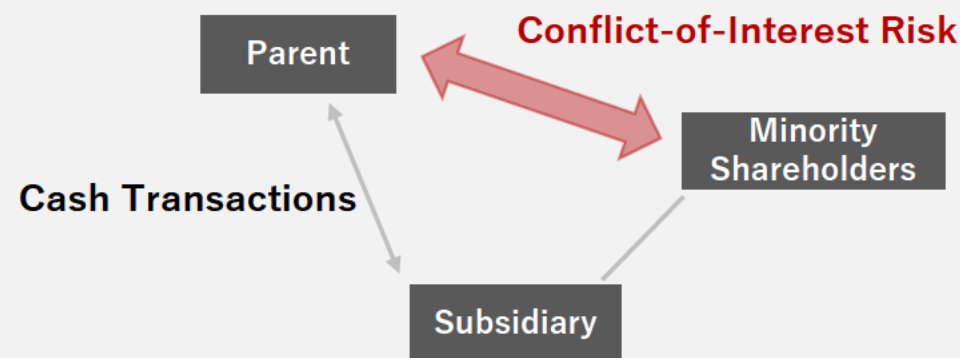


Page 27 of these guidelines identifies
parent-subsidary deposit arrangements as a typical example
where conflicts of interest may arise at listed subsidiaries



METI: Practical Guidelines for Group Governance Systems, p. 27

*Excerpt



Conflict of Interest

- The parent wants to use **the subsidiary's cash at the lowest possible interest rate**
- The subsidiary, unless it receives **interest commensurate with its cost of capital, wants to use the cash for its own investments**

NSSOL's deposit arrangement is precisely the conflict-of-interest example identified by METI; the parent reaps the benefit while NSSOL's corporate value is being impaired

Nippon Steel absorbs funds from NSSOL through CMS, securing capital at a cost below its external funding cost



On the other hand, NSSOL deposits funds with the parent at a rate far below its cost of capital, thereby impairing its own corporate value

- Nippon Steel's external funding cost is **0.6%–3.6%**, whereas the interest rate paid on deposits from NSSOL is only **0.5%**.¹

Category	Year-end balance (JPY million)	Average rate	Maturity
Short-term borrowings	167,530	3.6%	---
Long-term borrowings	173,898	1.6%	---
Bonds maturing within 1 year	70,000	0.3%	---
	1,341,503	1.1%	2080/7/22
Bonds	610,601	1.2%	2079/9/12
Commercial paper	39,982	0.6%	---
NSSOL deposit	181,084	0.5%	---

Nippon Steel: Borrowing rate information (as of FY2025/03)

- NSSOL estimates its cost of capital at **6%** on a WACC basis (analyst average: **7%–8%**), while the rate on its deposit with Nippon Steel is only **0.5%**.

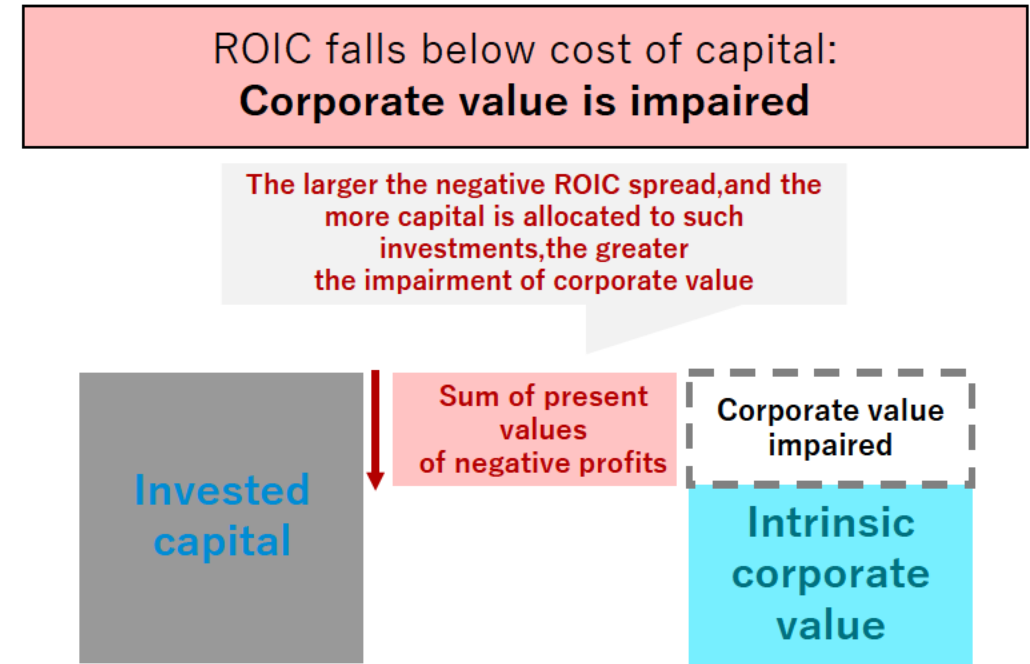
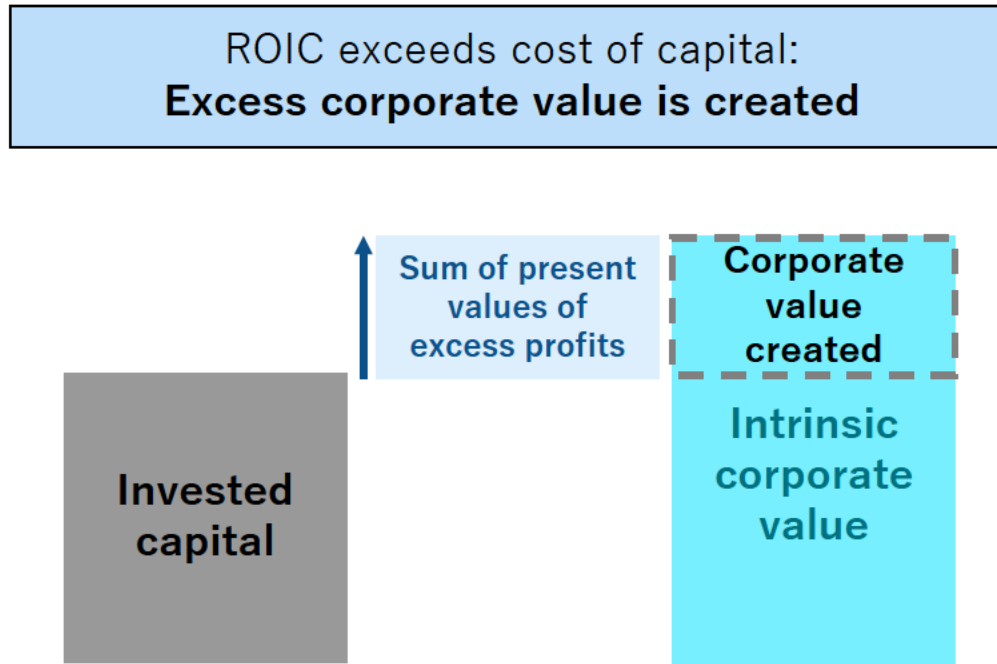
The screenshot shows a slide from the NSSOL 2025-2027 Mid-Term Business Plan. The title is "Measures to Reduce the Cost of Capital" with a subtitle "Management with a focus on the cost of capital and stock prices". It lists a target ROE of 15% and mentions efforts to reduce it. A table lists "Factors that increase our cost of capital" and "Measures to control and reduce the cost of capital". Two items in the first column are highlighted with a blue box: "1. Our CAPM-based WACC is estimated to be 6%" and "2. Cost of capital is 7-8% (= Analyst's average value)". The slide also mentions "Current ROE (around 11%) exceeds our cost of capital by 2-4%" and lists "Future planned initiative" such as stock split, enhanced IR staff, and dual listing.

NSSOL: 2025-2027 Mid-Term Business Plan

Category	Average %
NSSOL cost of capital	Company estimate: 6% Analyst average: 7%~8%
Interest rate on deposit with Nippon Steel	0.5%

(Reference) Capital allocation below the cost of capital destroys corporate value

Corporate value concept



Formula¹

$$\text{Intrinsic corporate value} = \text{Invested capital} + \text{Invested capital} \times \frac{\text{ROIC} - \text{Cost of capital}}{\text{Cost of capital}}$$

ROIC > Cost of capital: Value created

$$\text{Intrinsic corporate value} = \text{Invested capital} + \text{Invested capital} \times \frac{\text{ROIC} - \text{Cost of capital}}{\text{Cost of capital}}$$

ROIC < Cost of capital: Value impaired

Notes: [1] DCF method (income approach); assumes growth rate of 0, constant excess returns, no reinvestment, with all returns used for dividends/interest payments, etc.

NSSOL should appropriately verify the reasonableness of the deposits—which present manifest conflicts of interest and impair corporate value—in light of various guidelines, and should fully explain the results to shareholders

From a capital allocation perspective, NSSOL should adequately verify and explain the rationale for deposits as a use of cash

- The revised Corporate Governance Code, scheduled for revision in 2026, calls on listed companies to **continually verify the use of cash and deposits from a capital-allocation perspective.**

Based on its business strategies and plans, the board should **persistently review the allocation of company business resources** that support appropriate risk-taking and that lead to sustainable growth and increased corporate value over the mid- to long-term, including **whether business resources, such as financial assets like cash and real assets, are utilized efficiently** in growth investments.



TSE:
Japan's Corporate Governance Code (Draft Revisions)

From a conflict-of-interest perspective, NSSOL should verify and explain the significance and reasonableness of the deposits that impair its corporate value

- TSE calls for enhanced disclosure to minority shareholders regarding how listed subsidiaries **address conflicts of interest with the parent company (including cash management with the parent), specifically from the perspective of how such risks are managed.**

Purpose/Summary of Specific Points for Disclosure

- When a listed company has a parent company, **there is a risk of conflict of interest between the parent company and the listed company as well as its minority shareholders, in transactions with the parent company and/or in the coordination and allocation of business opportunities and business areas by the parent company.**
- The company is expected to provide enhanced disclosure to its minority shareholders and investors **about how it is addressing these risks of conflict of interest.**

Disclosure Item	Outline of Specific Points for Disclosure	Ex.
Parent company's approach/policy regarding group management	<ul style="list-style-type: none"> ● Positioning of the company in its parent company's business portfolio strategy ● Current status and future prospects for segregation of business areas within the parent company's group ● If carrying out cash management with the parent company (e.g., participation in the parent company's cash management system), the reasons for this 	2-1-1 ~2-1-6
Approach and measures to ensure independence from the parent company that are necessary to protect minority shareholders	<ul style="list-style-type: none"> ● Whether/how the parent company is involved in the decision-making process ● Outline of the special committee established to ensure independence from the parent company <ul style="list-style-type: none"> ➢ Permanent or non-permanent ➢ Approach to the independence of the committee composition from the parent company, and the composition of committee members ➢ Agenda items, authority and roles of the special committee ➢ Actual activities ● Role and use of the nomination committee in ensuring independence of independent officers from the parent company ● Parent company's approach to/policy on voting on the election and dismissal of independent officers 	2-2-1 ~2-2-10

TSE: Enhancement of Information Disclosure on Protection of Minority-Shareholders and Group Management

However, regarding the deposits with the parent company, NSSOL has not provided verification or explanation sufficient for minority shareholders to deem them reasonable from a corporate-value perspective

NSSOL's explanation of the deposits' reasonableness is inadequate from the following three perspectives, A–C

A

In explaining the economic rationale, NSSOL uses an inappropriate metric from a corporate-value perspective

- From the perspective of NSSOL's corporate value, the reasonableness of the deposits should be verified using NSSOL's cost of capital as **the evaluation axis**.
- However, NSSOL consistently limits its rationale to **comparison with market interest rates**, and as the TSE has pointed out, this does not enable investors to properly assess the reasonableness.

B

The explanation of the appropriate level of cash & deposits and how they are secured lacks substantive grounds

- NSSOL justifies, in its Mid-Term Business Plan, JPY 90 bn of cash on hand as 2.4 months of monthly sales—the domestic-peer average.
- However, **no explanation is given as to why the peer average represents the appropriate level of liquidity for NSSOL, the calculation basis for the 2.4 months of monthly sales figure, or the rationale for continuing to secure liquidity with shareholders' equity rather than borrowings, committed lines, or similar means.**

C

The explanation regarding reduction of the deposits is not substantively backed up

- FY2025/03 to FY2026/03, the decrease in cash & deposits merely reflects **a temporary fund movement**—cash from the Recruit share sale used for the Infocom acquisition.
- Despite this, NSSOL uses this fact to **create the misleading impression that the deposits have been significantly reduced.**

A: NSSOL uses an inappropriate metric from a corporate-value perspective when explaining the economic rationale for the deposits

From a corporate-value perspective, the reasonableness of the deposits should be evaluated by comparison with the cost of capital



The TSE has also pointed out that explaining the significance of deposits with the parent company **only by comparing with bank interest rates** is **typically inadequate**.

TSE: The Investor's Perspective on Such Matters as Parent-Subsidiary Listings *Excerpt

Explanations of the significance of using the parent's cash management system are limited to comparison with bank interest rates.



[...] In fact, many of them have deposited large sums of excess funds relative to their market capitalization at their parent companies at low interest rates below the cost of capital. This results in low ROEs and PBRs.



Listed subsidiaries need to reexamine their reasons for participating in group cash management in terms of capital efficiency and medium- to long-term improvements in their corporate value [...]



Listed subsidiaries should also consider how to allocate the excess funds currently on deposit for investments in growth that exceed the cost of capital and returns to shareholders over the medium to long term.

However, NSSOL consistently explains the reasonableness of its deposits solely by comparison with market interest rates

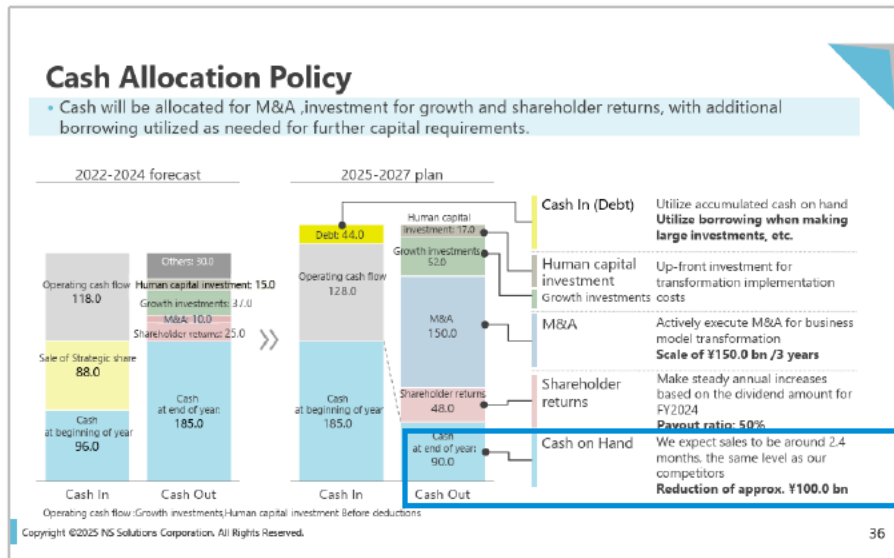
Year	Explanation of deposits
2004–2016	• No explanation of the rationale.
2017	• “We place funds on deposit with our parent; the interest rate is determined with reference to market interest rates , based on a reasonable judgment.”(Securities Report)
2018	”
2019	”
...	”
2024	”
2025	”
2026	• “[...] its interest rate [...] exceeds the interest rates of similar short-term fund management methods available to the Company, and is therefore favorable to the Company. ” (“Notice Concerning the Opinion of the Company’s Board of Directors on Shareholder Proposals”)

↻
Contrary to the regulatory environment, NSSOL again this year explains the rationale **only by comparison with market interest rates.**

NSSOL’s deposits are capital entrusted by shareholders, including minority shareholders, and their reasonableness should be explained not by comparison with market interest rates, but from the perspective of whether they generate returns exceeding NSSOL’s cost of capital

B: The explanation of the appropriate level of cash & deposits and the means of securing them lacks substantive grounds

In its Mid-Term Business Plan, NSSOL cites "2.4 months of monthly sales—the domestic-peer average" as the basis for JPY 90 bn of required liquidity on hand; however, the peer average does not indicate NSSOL's optimal cash level, and no rationale is given for continuing to secure liquidity solely with shareholders' equity



Key themes	Initiatives	KPI Indicators
Optimization of working capital	Compress to the average level of domestic competing systems integrators.	Monthly sales 2.4 months' worth

NSSOL: 2025-2027 Mid-Term Business Plan

NSSOL's explanation is inadequate

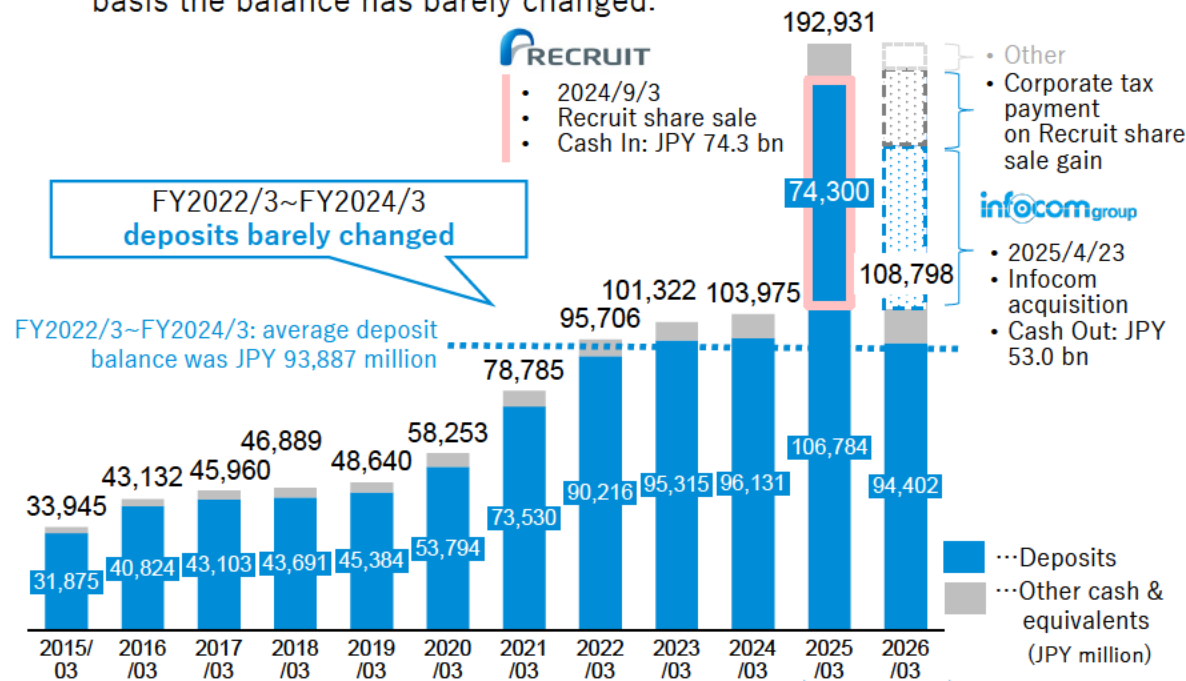
- Rationale for setting liquidity based on the domestic-peer average**
 - The selection criteria for peer companies, and why the peer average represents NSSOL's optimal level, are not explained
- Rationale for the method of securing liquidity**
 - Even if JPY 90 bn of liquidity on hand is necessary, no explanation is given for why the source must be limited to shareholders' equity
 - Liquidity is assumed to be funded solely through shareholders' equity, lacking any comparison with alternatives like borrowings or commitment lines.
 - In fact, the Mid-Term Plan limits the use of borrowings to cases such as large-scale investments, and does not envisage them as a means of securing required liquidity.

The peer average does not indicate NSSOL-specific required liquidity levels. NSSOL should explain the reasonableness of the JPY 90 bn figure and the rationale for using shareholders' equity as the means of securing it.

C: The explanation regarding reduction of the deposits is not substantively backed up

Treating the decline in deposits as substantive progress in reduction from FY2025/3 to FY2026/3 is not appropriate

- FY2022/3~FY2024/3: average deposit balance was JPY 93,887 million; FY2026/3: deposit balance was JPY 94,402 million — on a recurring basis the balance has barely changed.



However, NSSOL uses the temporarily inflated FY2025/3 balance as a starting point to claim deposits are being reduced

“

“Under this policy, the Company is specifically executing the Growth Investments and Related Measures, and, in the fiscal year ended March 2026, executed the acquisition of INFOCOM CORPORATION (55.0 billion yen). Including allocations to other growth investments, M&A, etc., the **balance of cash and deposits held at fiscal year-end decreased from 192.9 billion yen in the fiscal year ended March 2025 to 108.8 billion yen in the fiscal year ended March 2026**, and the Company’s policy is to continue allocating these funds to the Growth Investments and Related Measures.”

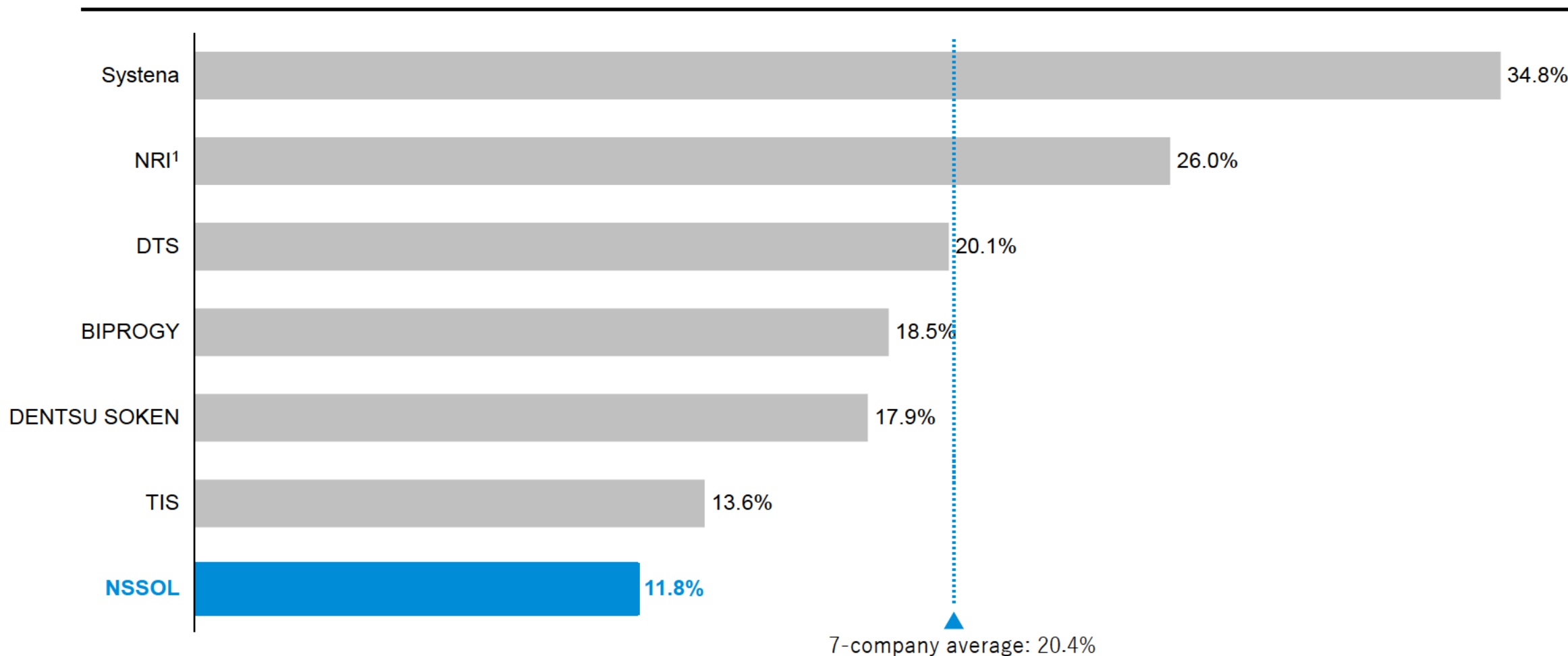
“The Shareholder Proposal states that the balance of deposits has effectively become fixed; however, as described above, the Company has presented a policy of allocating funds to the Growth Investments and Related Measures, and the **funds are actually being utilized through the execution of the Growth Investments and Related Measures; therefore, the funds have not become fixed.**”

”

From “Notice Concerning the Opinion of the Company’s Board of Directors on Shareholder Proposals”

As a result of the value-destroying deposits, NSSOL's capital efficiency remains low compared with industry peers

NSSOL's ROE ranks lowest among industry peers



Source: Calculated by 3D using data obtained from Bloomberg as of May 18, 2026

Note: [1] NRI's ROE excludes the one-off impact of the overseas goodwill impairment (approx. JPY 98.0 bn) in FY3/2026.

NSSOL Minority Shareholders' Concerns and Inadequate Response Regarding the Deposits

NSSOL has, in the past, received shareholder proposals from minority shareholders calling for elimination of the deposits, and a proxy advisor recommended voting in favor of that proposal

At the June 2022 AGM, Asset Value Investors submitted a shareholder proposal to amend the Articles of Incorporation to require elimination of the deposits



The Company's cash & securities reached over JPY 170 bn as of the most recent quarter, having grown for 12 years at an annual rate of about 13.6%. During the most recent year, these funds have hardly been used for further employee returns or business investment, and have simply accumulated on the balance sheet. The proposer (omitted) **argues that holding cash and securities of a scale equivalent to about 60% of total assets cannot be considered reasonable from a capital-efficiency perspective.**

(omitted) METI's "Practical Guidelines for Group Governance Systems" also **cites deposits of cash with the parent company as a specific case in which conflicts of interest may arise at listed subsidiaries**, stating: "where a **conflict-of-interest risk may materialize as below, the interests of general shareholders may be harmed; therefore, listed subsidiaries are required, through the establishment of effective governance, to take action that gives sufficient consideration to the interests of general shareholders.**" The interest the Company receives from the parent in return for the deposits **is approximately 0.2%, which is a level well below the cost of capital.**

The proposer therefore **proposes to establish a policy of not making deposits with the parent or its subsidiaries or affiliates, and to immediately recover any deposits that have arisen.**

ISS recommended a vote in favor of the proposal



Proposal No.6 calls for prohibiting deposits with Nippon Steel.

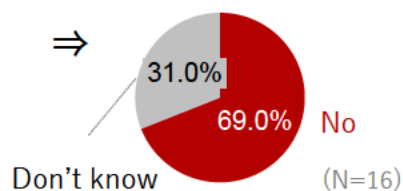
As noted above, **NS Solutions deposits substantial cash with its parent while receiving only minimal interest.** This, together with cross-shareholdings, **worsens capital efficiency, and this proposal deserves support.**

Beyond past proposers and proxy advisors, many domestic and international institutional investors and sell-side analysts also have expressed concerns about NSSOL's deposits



In June 2025, we conducted an eight-item perception survey of NSSOL shareholders and sell-side analysts covering the company, regarding conflicts of interest with its parent company.

Has NSSOL provided shareholders with an explanation for transactions that risk damaging NSSOL's corporate value and the interests of minority shareholders?



All survey participants other than those who answered "Don't know" assessed that NSSOL's explanations to shareholders regarding the parent-subsidary conflict of interest are inadequate.

Domestic institutional shareholder

There is no doubt capital efficiency is deteriorating, but the answer is not simply that bank deposits would be acceptable. The **mere existence is the problem, and it is wasteful. It should be eliminated promptly.**

The problem is that **the cash is idle.** The key issue regarding the parent's switching cost vis-à-vis NSSOL is whether NSSOL can really fight them. As long as there is even a slight chance Nippon Steel could switch, NSSOL must consider whether "really fighting Nippon Steel" NSSOL is in its own interest.

Domestic institutional shareholder

NSSOL's management has no real intent to stand up to Nippon Steel; nothing can be done about it. The same goes for the deposits. They may think there is some good use, but **nothing is being done.** The problem is that **NSSOL's management looks only at its major shareholder, Nippon Steel.** NSSOL needs balance-sheet improvement.

Domestic institutional shareholder

NSSOL's explanations are **always completely inadequate.** In one-on-one meetings, management has never attended, and the IR representatives, **no matter how many times we have said "these deposits are wasteful," have only deflected by saying "there is no use for them"**. There surely is more they could be doing.

Foreign institutional shareholder

The amount is excessive. Cash is not being efficiently utilized. From the disclosures, SI services are being provided at fair prices is unclear. In addition, NSSOL is unlikely to be sufficiently discussing value-add and switching costs internally.

Foreign institutional shareholder

Regarding the value-impairing deposit with the parent, **investors see no improvement.**

Sell-side

I do not think NSSOL's **JPY 100 bn** deposit with Nippon Steel is creating a conflict of interest with NSSOL's minority shareholders. The issue is not the conflict of interest but **holding excess cash.** (omitted) In fact, we had raised this point with NSSOL even **before 3D raised the issue.**

(Reference) For the results of the perception survey the Company conducted on NSSOL shareholders, please see the linked materials below

NS Solutions (NSSOL) Shareholders and others Perception Study

June 2, 2025

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This material is independently produced by Alliance Advisory LLC. 3D Investment Partners has not reviewed, and has no influence over, the participant responses, feedback analysis, report writing, or summary of key information. All participant data and results are attributed to 3D Investment Partners.

Questions and a Summary of Quantitative Responses*

Do you believe that...

- NSSOL's corporate value and minority shareholder interests are being undermined by its parent company, Nippon Steel?

Response	Yes	No	Mixed Opinion	No Opinion
Total	61%	17%	19%	3%
- The influence and control of Nippon Steel is hindering NSSOL's management ability to maximize corporate and shareholder value?

Response	Yes	No	Mixed Opinion	No Opinion
Total	60%	21%	16%	3%
- NSSOL has provided shareholders with an explanation for transactions that pose the risk of damaging NSSOL's corporate value and the interests of minority shareholders?

Response	Yes	No	Mixed Opinion	No Opinion
Total	47%	31%	17%	5%
- NSSOL's outside directors have sufficient dialogue and interaction with shareholders?

Response	Yes	No	Mixed Opinion	No Opinion
Total	45%	31%	19%	5%
- The current outside directors are adequately overseeing conflicts of interest between the parent company and minority shareholders?

Response	Yes	No	Mixed Opinion	No Opinion
Total	48%	19%	24%	4%
- The current outside directors are sufficiently fulfilling their role as a shareholder representative?

Response	Yes	No	Mixed Opinion	No Opinion
Total	63%	16%	14%	7%
- NSSOL's current board has sufficient independence from the parent company?

Response	Yes	No	Mixed Opinion	No Opinion
Total	54%	4%	33%	9%
- NSSOL's new medium-term plan fully addresses the exploitation by the parent company?

Response	Yes	No	Mixed Opinion	No Opinion
Total	47%	17%	19%	17%

1. Do you think that NSSOL's corporate value and minority shareholder interests are being undermined by its parent company, Nippon Steel? (1/2)

NSSOL is being exploited by its parent company.

Observations of participants

- The majority of participants believe NSSOL's corporate value and minority shareholder interests are being undermined by Nippon Steel.
- The 100-billion yen deposit is too large.
- Cash efficiency has not been optimized.
- It is not possible to determine whether SI services are being provided at a fair price based on the disclosure materials.
- It is difficult to believe that NSSOL has thoroughly discussed added value and switching costs internally.
- With interest rates 0.2% below cost of capital, clearly the deposit damages their corporate value. They could use the money for their IT business.

Responses

Response	Yes	No	Mixed Opinion	No Opinion
Total	61%	17%	19%	3%
By side	52%	0%	0%	12%
Chairman	12%	0%	4%	0%
Change	34%	0%	2%	14%
Self-side	0%	0%	13%	0%
Overall	55%	12%	15%	13%

2. Do you believe that the influence and control of Nippon Steel is hindering NSSOL's management ability to maximize corporate and shareholder value? (1/2)

Nippon Steel's influence is hindering NSSOL's valuation.

Observations of participants

- The majority of participants believe the influence and control of Nippon Steel is hindering NSSOL's management ability to maximize corporate and shareholder value.
- Majority of board members joined NSSOL when they were still with Nippon Steel. Only 5 of 12 directors were independent.
- NSSOL provides best in class solutions - especially in the industry. If they can be successfully be independent from Nippon Steel, then they have significant potential to increase its share price.
- This is strong consensus on governance concerns, although one domestic investor cannot say for certain.
- Nippon Steel should clarify the ambiguous situation. It would be better to make a clear decision on whether to make it a wholly owned subsidiary or sell it.
- Some value NSSOL on earnings growth not on cash flow, so it doesn't affect valuation. They focus on earnings from core operating assets.

Responses

Response	Yes	No	Mixed Opinion	No Opinion
Total	60%	21%	16%	3%
By side	44%	0%	12%	12%
Chairman	8%	0%	4%	13%
Change	38%	0%	13%	0%
Self-side	0%	0%	13%	0%
Overall	50%	0%	17%	16%

3. Has NSSOL provided shareholders with an explanation for transactions that risk damaging NSSOL's corporate value and the interests of minority shareholders? (1/2)

Clear explanations about the transactions have not been provided.

Observations of participants

- The participants either had no opinion or believe they have not received with an explanation for transactions that risk damaging NSSOL's corporate value and the interests of minority shareholders.
- Unfortunately, only abstract or inadequate statements are made.
- They can do better with their explanations.
- Senior management does not come to investor meetings and sends the IR representative.

Responses

Response	Yes	No	Mixed Opinion	No Opinion
Total	47%	31%	17%	5%
By side	0%	0%	0%	12%
Chairman	0%	0%	0%	13%
Change	47%	31%	17%	5%
Self-side	0%	0%	13%	0%
Overall	3%	0%	0%	17%

4. Do you think NSSOL's outside directors have sufficient dialogue and interaction with shareholders? (1/2)

There is no dialogue between outside directors and shareholders.

Observations of participants

- While many of the participants had no opinion, the majority of those who did believe the outside directors do not have sufficient interaction with shareholders.
- Yet, some acknowledge that the board often does not interact with the shareholders. In general, external directors rarely participate in Shareholder Relations meetings. That said, recently, major companies have been increasingly holding "external director briefings" or "small-scale external director meetings."
- The profiles of the outside directors do not exhibit expertise in the IR/finance side, potentially yielding a reticence to connect with shareholders.

Responses

Response	Yes	No	Mixed Opinion	No Opinion
Total	45%	31%	19%	5%
By side	0%	23%	0%	12%
Chairman	0%	0%	0%	13%
Change	0%	14%	0%	17%
Self-side	0%	0%	13%	0%
Overall	0%	21%	0%	16%

5. Do you believe that the current outside directors are adequately overseeing conflicts of interest between the parent company and minority shareholders? (1/2)

Outside directors are not addressing conflicts of interest.

Observations of participants

- While many of the participants had no opinion, the majority of those who did believe outside directors are NOT adequately overseeing conflicts of interest between the parent company and minority shareholders.
- Regardless the length of tenure, none of the independent directors, have affected any improvement on the money lending to the parent company.
- Money lending to the parent impacts corporate value.
- Speed of change is not fast enough.

Responses

Response	Yes	No	Mixed Opinion	No Opinion
Total	48%	19%	24%	4%
By side	0%	0%	0%	12%
Chairman	0%	0%	4%	13%
Change	0%	13%	0%	14%
Self-side	0%	0%	13%	0%
Overall	0%	14%	13%	14%

6. Do you believe the current outside directors are sufficiently fulfilling their role as a shareholder representative? (1/2)

Outside directors are not representing shareholders.

Observations of participants

- While many of the participants had no opinion, the majority of those who did believe the outside directors are not fulfilling the role of shareholder representation. However, one notes there is no clear indication they are not satisfying their mandate.
- Some participants comment that they haven't taken any significant actions in resolving issues, such as deposits, contracts with parent company, management members, minority shareholder rights, return on capital by shareholder and Tokyo Stock Exchange.
- Some believe the directors should be taking more stock trader buying and take factor action.

Responses

Response	Yes	No	Mixed Opinion	No Opinion
Total	63%	16%	14%	7%
By side	0%	0%	0%	12%
Chairman	0%	0%	4%	13%
Change	63%	0%	13%	0%
Self-side	0%	0%	13%	0%
Overall	0%	0%	17%	16%

7. Do you believe that NSSOL's current board has sufficient independence from the parent company? (1/2)

NSSOL's board lacks independence from its parent company.

Observations of participants

- While many of the participants had no opinion, the majority of those who did believe the current board does not have sufficient independence from Nippon Steel.
- NSSOL director from Nippon Steel cannot be objective because of his background.
- A participant suggests a categorical statement cannot be made and independence depends on each director. However, the conjecture that having senior management with no industry experience from the parent company must be very degrading and demotivating to employees bumping into a glass ceiling.
- Directors mainly from Nippon Steel have the same traditional companies' mindset and not an outside mindset. They need to pursue an outside mindset.

Responses

Response	Yes	No	Mixed Opinion	No Opinion
Total	54%	4%	33%	9%
By side	0%	0%	0%	12%
Chairman	0%	0%	0%	13%
Change	0%	0%	0%	14%
Self-side	0%	0%	13%	0%
Overall	0%	0%	13%	13%

8. Do you believe that NSSOL's new medium-term plan fully addresses the exploitation by the parent company? (1/2)

The plan does NOT address exploitation by the parent company.

Observations of participants

- The majority of participants believe the mid-term plan does not fully address the exploitation by the parent company.
- As management has not indicated clear direction to improve the situation, some believe the problem management's attitude.
- A change in 3D's approach toward NSSOL, focusing on the goal to achieve shareholder returns could be beneficial.
- Participants do not understand the change in stock exchange listings or the costs and cannot assess its merits. They feel it will be difficult to maintain their parent subsidiary listing structure, Nippon Steel and NSSOL should engage in dialogue with the market.
- As the company's position is that there is no exploitation, it is a plausible scenario not to address anything.
- On the Japanese presentation slide 42 about how valuable it is to be a listed a subsidiary is quite shocking.

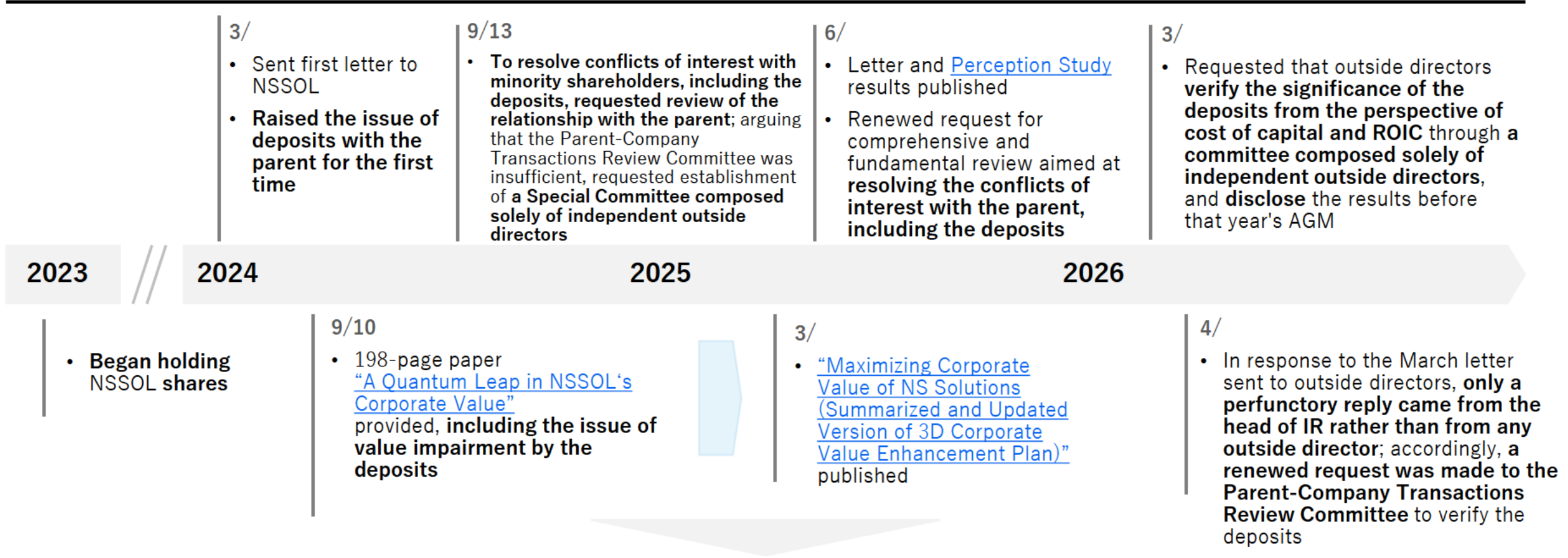
Responses

Response	Yes	No	Mixed Opinion	No Opinion
Total	47%	17%	19%	17%
By side	0%	0%	0%	12%
Chairman	0%	0%	0%	13%
Change	0%	0%	0%	14%
Self-side	0%	0%	13%	0%
Overall	0%	0%	14%	14%

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[NS Solutions \(NSSOL\) Shareholders and others Perception Study](#)

3D, as a minority shareholder of NSSOL, has engaged in dialogue with NSSOL for over 2 years, toward resolving structural conflicts of interest including the deposits, with a view to enhancing corporate value

Timeline of the Company's engagement with NSSOL regarding elimination of the deposits



However, because NSSOL—operating under a structural conflict of interest—failed to engage in objective and quantitative verification and explanation regarding the deposits that impair NSSOL's corporate value, we are now submitting a shareholder proposal regarding the deposits at this AGM.

Overview of 3D's Shareholder Proposals

Please vote FOR the “Partial Amendment to the Articles of Incorporation (Prohibition of Deposits with the Parent Company and Affiliates)”

Partial Amendment to the Articles of Incorporation (Prohibition of Deposits with the Parent Company and Affiliates)

(Summary of the Proposal)

The following provisions shall be added to the Articles of Incorporation.

Chapter 8 Deposits with the Parent Company, Etc. Article 35 (Prohibition of Deposits)

The Company **shall not make deposits of money or other contributions of funds equivalent thereto (“Deposits”) to its parent company or any subsidiary or affiliate thereof.**

2) If **Deposits have arisen** in violation of the preceding paragraph, the **Company shall promptly recover such Deposits.**

Reasons for the Proposal

- NSSOL has continued deposits with its parent company **for over 20 years**; even the most recent 10-fiscal-year average accounts for **26% of total assets and 40% of net assets**. Such deposits are **a typical example of a conflict of interest at a listed subsidiary**: while Nippon Steel secures funds from NSSOL at a cost below its external funding cost, NSSOL **continues to deposit funds with the parent at terms well below its own cost of capital, thereby impairing its own corporate value.**
- On this issue, **other minority shareholders have also expressed concern**, and the Company has **engaged in constructive dialogue regarding the necessity of resolving it**. However, **the Company has only repeated arguments about the need for retained earnings and comparisons with market interest rates**, refusing to address head-on the reasonableness of the deposit balance and the rationality of capital allocation.
- NSSOL’s deposits with the parent comprise **(i) capital allocation below the cost of capital, (ii) related-party transactions involving structural conflicts of interest, (iii) long-term and large-scale tying-up of funds, and (iv) the absence of substantive review**—a combination of issues that, from the perspective of medium- to long-term corporate value enhancement that a listed company should pursue, is inappropriate; hence this shareholder proposal.

Please vote FOR the “Partial Amendment to the Articles of Incorporation (Disclosure Regarding Contribution of Funds to Parent Company, Etc.)”

Partial Amendment to the Articles of Incorporation

(Disclosure Regarding Contribution of Funds to Parent Company, Etc.)

(Summary of the Proposal)

The following provisions shall be added to the Articles of Incorporation.

Chapter 8 Deposits with the Parent Company, Etc.

Article 35

With respect to contributions of money or similar transactions conducted by the Company to its parent company or its affiliates (“Deposits”), **from the perspective of deepening understanding regarding management of conflicts of interest with minority shareholders and capital allocation, the Company shall disclose the following matters by an appropriate method:**

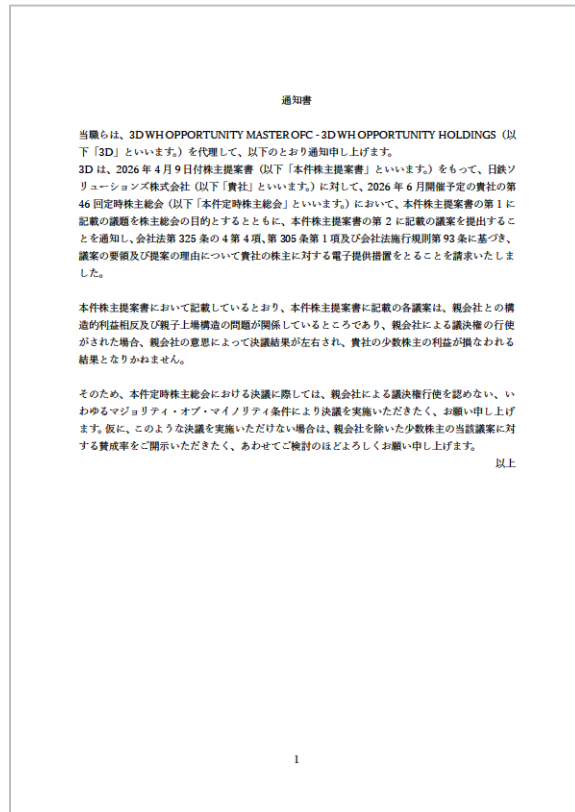
- (i) the **average interest rate and other transaction terms** of Deposits in the most recent fiscal year;
- (ii) the reasons why the **transaction terms set forth in the preceding item were determined to be reasonable in light of the relationship between the cost of capital and the return from Deposits, and the standards or comparison targets used in such determination;** and
- (iii) the **existence and content of any policy** for consideration or judgment standards regarding the **review or elimination** of Deposits.

Reasons for the Proposal

- As stated earlier, NSSOL’s deposits with the parent company may impair corporate value and simultaneously surface, as a real-world issue, conflicts of interest at a listed subsidiary.
- On this point, the TSE requires, where cash management is conducted with the parent, **enhanced disclosure not only of the significance of such arrangements but also, from a minority-shareholder-protection perspective, of how the conflict-of-interest risk is being managed.** The TSE has also stated that explaining the significance of deposits with the parent **solely by comparison with market interest rates is inadequate**, and that the proper metric should be the cost of capital from a corporate-value perspective.
- However, NSSOL's disclosure does not meet this requirement. NSSOL merely explains that its deposit with the parent is "determined reasonably with reference to market interest rates," but **does not provide explanations at a level that shareholders can find acceptable regarding verification of reasonableness based on the cost of capital, or how conflicts of interest with minority shareholders are being addressed.**
- Therefore, if NSSOL does not eliminate the deposits, **it should verify their reasonableness from a cost-of-capital perspective and provide shareholders with disclosure at a level sufficient to allay conflict-of-interest concerns.**

As these shareholder proposals seek correction of structural conflicts of interest with the parent, we have requested that the resolutions be conducted under a Majority-of-Minority (MOM) condition

3D has sent a notice to NSSOL requesting a resolution on these shareholder proposals under a Majority-of-Minority (MOM) condition, or, in the alternative, disclosure of the approval rate among minority shareholders excluding the parent



As stated in the Shareholder Proposal Document, each of the proposals therein **involves issues of structural conflicts of interest with the parent and the parent-subsidary listing structure**. If voting rights are exercised by the parent, **the outcome of the resolution would be determined by the will of the parent**, and **the interests of the Company's minority shareholders could be harmed**.

We therefore respectfully request that resolutions at this AGM be conducted under a so-called **Majority-of-Minority condition that does not permit the parent to exercise voting rights**. If such a resolution is not feasible, **we ask that you disclose the approval rate of the proposals among minority shareholders excluding the parent**, for your consideration.

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