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May 19, 2021

TO:
NS Solutions Corporation
Hiroyuki Morita, Representative Director & President
Board of Directors, Auditors
For the attention of NS Solution shareholders

RE: Submission of Shareholder Proposals and AVI's Response to NS Solutions Board of Directors Opinions on Shareholder Proposals

As a shareholder of NS Solutions Corporation ("the Company"), Asset Value Investors ("AVI") strongly supports the growth story expressed in the Company's first publicly disclosed Med-term Business Strategy for fiscal years 2021-2025.

AVI submitted shareholder proposals last month proposing a higher dividend to take the dividend payout ratio to 50%, a modest 5.9% buyback which if 63.4% shareholder Nippon Steel sold into would help the Company meet the new free float listing requirements on the Prime Market and the introduction of stock-based compensation to align remuneration with the long-term interests of the Company. As stated in the reasonings for our shareholder proposals, AVI strongly supports the Company's investment in human resources to hire and train excellent digital human resources, R&D and capital expenditure to achieve growth, and M&A activities that generate added value in excess of cost of capital. AVI also reiterates its support for the management policy of making "Investments for Growth," as stated in the Company's Med-term Business Strategy. AVI highly appreciates the explanation given by CEO at the Financial Information Meeting that the Company will steadily capture the tailwind of DX and become a "top runner" based on these investments.

However, in order to gain more support for the Company's management policy from investors, employees, clients, and other stakeholders, and to achieve sustained growth in the corporate value, the Company **should:**

1. **Improve capital efficiency by undertaking aggressive investments to capture DX demand while simultaneously repurchasing shares through a buyback program.**
2. **Disclose more detailed and better explained IR information, and,**
3. **Considering the listed parent subsidiary relationship with Nippon Steel, strive for the highest standards of corporate governance to protect minority shareholders.**

The amount of investments allocated to " Investment for accelerating DX" in the Med-term Business Strategy is only approximately 16.7% of the total growth investment plan. This seems a deviation from the investment plan that is based on the Company's ambition to become a top runner in DX. In absolute terms, the average amount of 2 to 3 billion yen per year of the DX investment is only about 1% of the Company's annual sales[1]. AVI recommends the Company allocate more capital to DX-related growth, with an investment of 50 billion yen over the next five years rather than 10-15 billion yen. Additionally, to take advantage of the Company's low share price valuation (Exhibit 1), a 20 billion yen share buyback should be undertaken, as outlined in AVI's shareholder proposal. Both investments for future DX and shareholder buyback can be comfortably funded by 145 billion yen of surplus balance sheet assets (Exhibit 2) and an estimated five-year FCF of 30 billion yen[2], and can be comfortably funded alongside more aggressive DX growth investments.

AVI has had many opportunities to engage in constructive dialogue with the Company, and its parent company, and has proposed initiatives to improve IR disclosure and corporate governance, including the disclosure of a mid-term business plan, and transition to a company with an audit and supervisory committee structure. AVI highly appreciates that these proposals have already been adopted and implemented by the Company. Also, with regard to AVI's suggestion about the disclosure of DX-related sales volume, we appreciate that the Company verbally explained at the Financial Information Meeting that total sales in the DX focused areas were approximately in the order of 100 billion yen, or 40% of sales. AVI believes that going forward, more transparent IR information will contribute to better investor decision-making and help to address the Company's large undervaluation. While the Company has made a positive first step with the new Mid-term Business Strategy, additional disclosure surrounding targets for profit, ROE (Exhibit 3), ROIC targets for growth investments, estimated cost of capital, and current and future milestones for DX-related sales and profits, would be well received by investors.

One of the ideas for corporate governance measures that will contribute to the enhancement of corporate value is to design and introduce performance-based stock compensation for management linked to the Medium-term Business Strategy (Exhibit 4 and as outlined in our third shareholder

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[1] If such DX investments are also included in the "Investment to strengthen business infrastructure " section, as a shareholder, we would like to see more transparent and easier-to-understand information disclosure in the future, such as shifting DX-related investments from "business infrastructure enhancement" section (if any) to the "DX-accelerated investments" section and disclosing the details as much as possible.

[2] The future five-year FCF is conservatively assumed as the same amount as FCF generated in the last five fiscal years. Based on the Net Income of c. 74 billion yen between FY2016/03 to FY2020/03, AVI estimated that the FCF over the last 5 years was c. 60 billion yen (assuming the change in NWC (c. 15 billion yen), maintenance CAPEX (c. 25 billion yen, assuming the same amount as D&A), and D&A (c. 25 billion yen)). AVI estimated the remaining FCF as c. 30 billion yen after subtracting growth-related CAPEX of c. 3 billion yen, dividend payout of 22 billion yen, and payment of liabilities and others of c. 5 billion yen, and before subtracting the purchase amount of T/S. As of March 31, 2021, the Company had cash and cash equivalents of approximately 80 billion yen, and the investment securities of Recruit Holdings Co., Ltd. and others of c. 65 billion yen.

proposal). For example, with regard to the growth in the DX focus areas described in the Mid-term Business Strategy, we believe that formulating targets for DX profit and profitability ratio, and linking them to KPIs for medium- to long-term performance-linked compensation for the management team would be an effective measure to align the interests of shareholders with the Company's management.

Response to the Company's opinions on the above shareholder proposals

1. Appropriation of Surplus

In the opinion of your Board of Directors, you stated that "In the past 10 years, we met the expectations of our shareholders by gradually increasing the amount of dividend per share per year from 20 yen to 65 yen". It is precisely because AVI has highly valued your company's continuous stance on shareholder returns in the past that it is extremely regrettable that you have lowered the total dividends paid for the fiscal year ending March 31, 2021 to 52.5 yen, a reduction of approximately 19.2%. We believe that this decision betrays the "expectations" of shareholders as you have stated, and undermines the relationship of trust that has been built between shareholders and your company over the past 10 years. In order to restore the damaged relationship of trust with shareholders as soon as possible, we propose to pay a year-end dividend of 62 yen, which including the interim dividend, will take the total dividend to 87 yen for close to a 50% payout ratio.

The proposed year-end dividend (62 yen) is an increase of approximately 3.2 billion yen in total compared to the year-end dividend announced by your company (27.5 yen), and amounts to just 2.2% of the company's surplus assets of approximately 145 billion yen (see Exhibit 2). It is clear that the implementation of the year-end dividend as proposed by AVI will continue the steady dividend increase that has been in place for the past 10 years and will contribute significantly to building ongoing trust with shareholders. On the other hand, the importance of securing retained earnings as asserted by your Board of Directors is significantly lacking in quantitative arguments and is a weak argument for reducing the dividend. It is possible to achieve that sustainable growth in corporate value with by implementing more favorable shareholder returns as described in the proposal in tandem with DX investment.

(2) Acquisition of treasury shares

AVI agrees with the opinion of your Board of Directors that "We intend to continue acquiring treasury shares at the right time in a proper manner in order to improve capital efficiency and expeditiously achieving our capital policy". Unfortunately, however, it is difficult to determine that your company has taken appropriate actions to improve capital efficiency, and the trends in cash and cash equivalents and investment securities clearly indicate that the opposite has been the case (Exhibit 2).

The opinion states that the company sold a total of 2,790,000 shares of Recruit Holdings Co., Ltd. between the fiscal year ended March 2018 and the fiscal year ended March 2021, but this is only a quarter of the 11,140,000 shares listed in the 40th Annual Securities Report. Investment securities totaled 65 billion yen (as of March 31, 2021), a rather large increase from 39.2 billion yen in the previous year.

We are pleased that you recognize the issues of the Company's free float, stating that "In examining the transition of markets in relation to the market classification review by Tokyo Stock Exchange, we also pay close attention to outstanding share ratio". If the 5.9% share buyback, which is the level proposed in the shareholder proposal, is implemented from the parent company, Nippon Steel Corporation, and cancelled the 63.4% share ratio of Nippon Steel Corporation (as of September 30, 2020) will decrease to 61.1%. Compared to the 35% tradable share ratio standard, the current free float share ratio of your company is at the boundary between the Prime market and the Standard market, and requires urgent attention.

These opinions of your Board of Directors, while opposing the shareholder proposal, rather strongly support the reasons for our shareholder proposal.

3) Introduction of a stock-based compensation plan for directors

Approximately 38% of your company's internal directors' remuneration is performance-linked bonus, which is tied to net income and labor productivity for a single year and is not a medium- to long-term incentive. As described in Exhibit 4, we can see that the corporate value evaluation tends to increase for companies that introduce stock-based compensation plans among your competitors. This suggests that by introducing a stock-based compensation system, a company's shareholders and management can stand on the same footing and aim to increase corporate value.

Your company's attempt to allocate a portion of fixed remuneration to the acquisition of its own shares in its remuneration system may work as a medium- to long-term incentive, but the breakdown of remuneration is opaque to investors and inappropriate from the perspective of highly transparent IR and better governance.

Your company has newly disclosed its Mid-term Business Strategy. In particular, for the performance-linked stock compensation plan, linking it to long-term KPIs such as the long-term operating margin target, DX profit target, and TSR will enable the design of a compensation plan linked to sustainable corporate value enhancement. We are convinced that the introduction of a stock-based compensation system, in parallel with the addition of detailed targets for the Mid-term Business Strategy, will contribute to the sustainable enhancement of your company's corporate value.

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For the above reasons, AVI is sending the shareholder proposal to the Company as described in our shareholder proposals in order to contribute to the enhancement of the Company's corporate value as a shareholder. AVI believes that putting forward our shareholder proposals offers a valuable opportunity for minority shareholders to make their voices heard to the Company. We do not believe we are the only shareholder who feels NS Solutions is underachieving its full potential and have made this letter public to allow for a wider public debate.

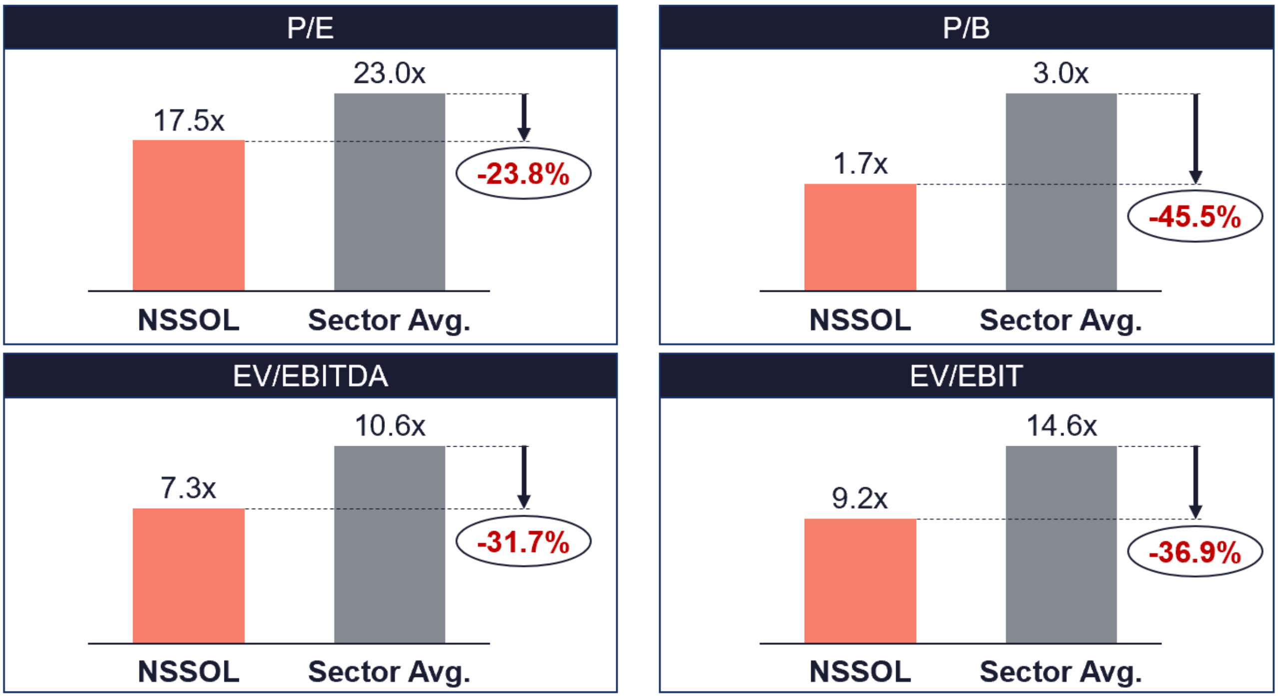
AVI sincerely appreciates the opportunities for open and constructive dialogue with the Company. We hope that these shareholder proposals will lead to sustainable value creation for the Company and that other shareholders will see their merit and vote to support them.

Sincerely,
Asset Value Investors

CEO and CIO
Joe Bauernfreund

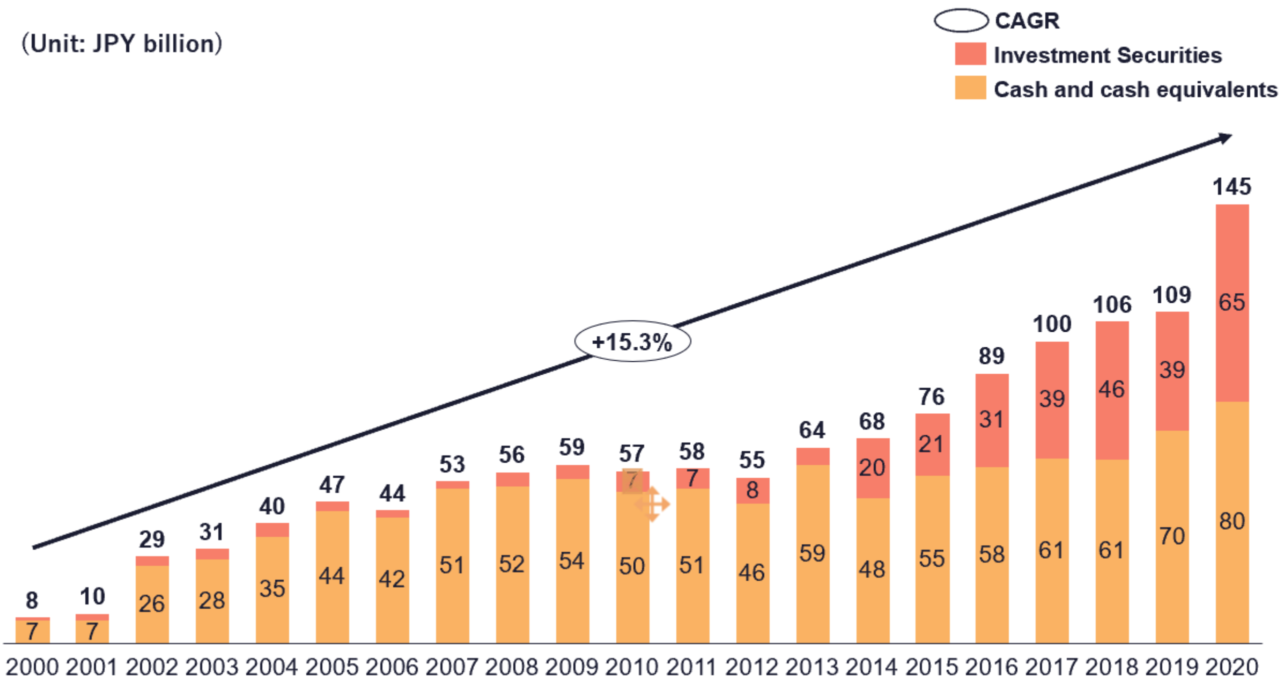
Senior Japan Analyst
Kazunari Sakai

Exhibit 1 Valuation Metrics Comparison with Industry Competitors



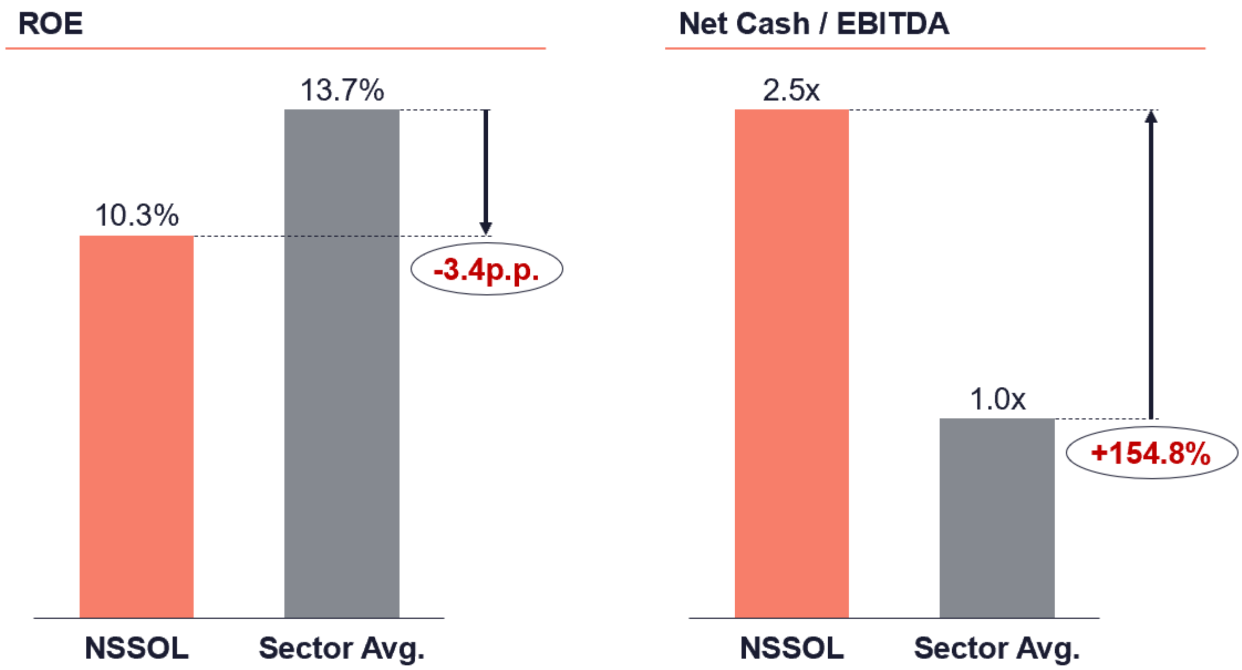
Note: AVI produced based on the data (LTM) by SPEEDA as of May 9th, 2021. Competitors average include Fujitsu, NTT Data, Otsuka, Nomura Research Institute, CTC, TIS, SCSK, Nihon Unisys, Fuji Soft, DTS, NSD, and Net One Systems

Exhibit 2 Cash and Cash Equivalents & Investment Securities Trajectory (FY2000/03-2021/03)



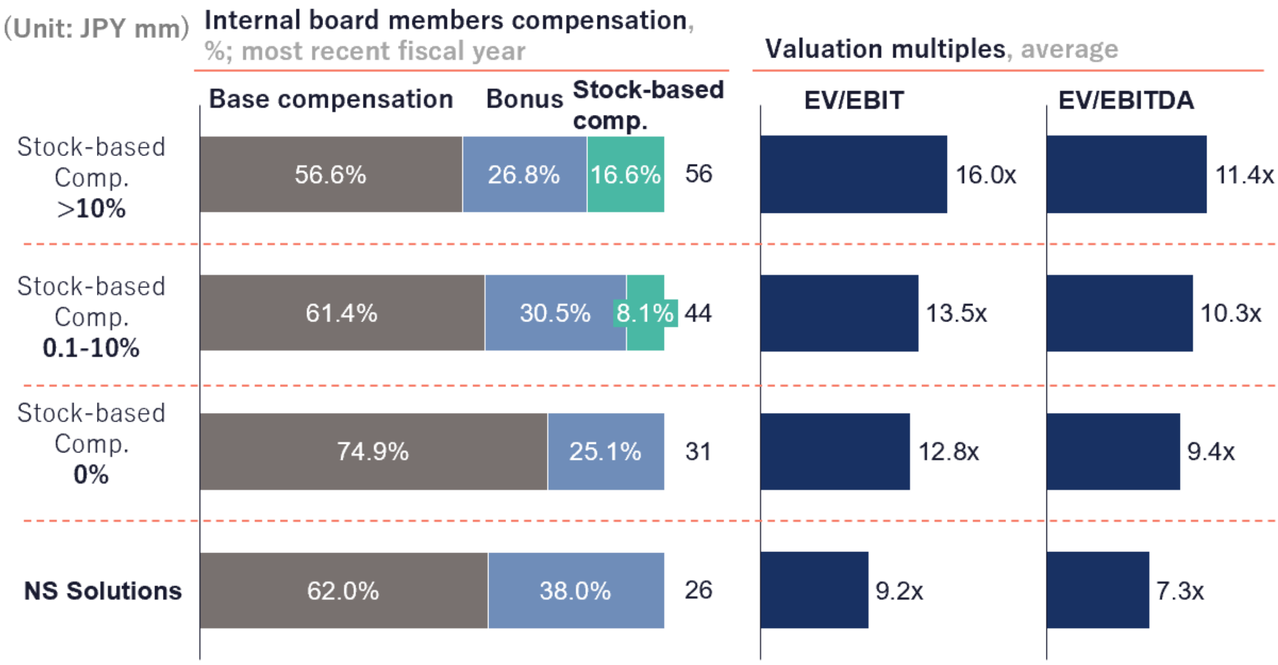
Note: AVI produced based on the data by SPEEDA as of May 9th, 2021. Cash and cash equivalents include the loans receivables from subsidiaries and associates

Exhibit 3 ROE and Net Cash / EBITDA Comparison with Industry Competitors



Note: AVI produced based on the data (LTM) by SPEEDA as of May 9th, 2021. Competitors average include Fujitsu, NTT Data, Otsuka, Nomura Research Institute, CTC, TIS, SCSK, Nihon Unisys, Fuji Soft, DTS, NSD, and Net One Systems

Exhibit 4 Internal board members compensation and valuation multiples comparison with industry competitors



Note: AVI produced based on the most recent annual reports. Companies include Fujitsu, NTT Data, Otsuka, Nomura Research Institute, CTC, TIS, SCSK, Nihon Unisys, Fuji Soft, DTS, NSD, and Net One Systems, and NS Solutions Corporation. Valuation multiples produced by AVI based on SPEEDA data (LTM) as of May 9th, 2021