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A Future for People and IT



**Integrated  
Report  
2022**  
Apr. 1, 2021 – Mar. 31, 2022

## Long-Term Vision

# A Company that offers a “Future for People and IT”

The IT infrastructure that supports society embodies the dreams and aspirations of many people, including our customers. At the same time, the very best systems embrace the strong will of engineers to realize people’s dreams and aspirations. To appreciate such thoughts, NSD aims to be a Company that offers a “Future for People and IT.”

## NSD in Numbers\*1

Established in **1969**

Net sales

¥ **71.1** bn

Operating income

¥ **11.4** bn

Operating margin

**16.0%**

ROE

**15.7%**

Dividend payout ratio

**52.3%**

Total return ratio

**86.3%**

Employees

**3,560**

SE ratio\*2

**95.3%**

Turnover ratio\*3

**2.9%**

\*1 The above figures are based on fiscal 2021 results.

\*2 The ratio of system engineers to non-consolidated employees.

\*3 The turnover ratio among non-consolidated employees.

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#### Editorial Policy

This integrated report touches on important financial and non-financial information while highlighting topics that we want to convey to shareholders, investors, and other stakeholders, so that they have a better understanding of the initiatives undertaken by the NSD Group to continuously enhance corporate value. For more information, please visit our website.

Reporting Period: April 1, 2021 to March 31, 2022

(This report includes some information pertaining to after the reporting period)

Reporting Scope: NSD Co., Ltd., and NSD Group companies

#### Disclaimer

This report is intended to provide information on the NSD Group’s efforts to enhance corporate value, and is not intended to solicit the purchase or sale of shares. Any forward-looking statements in this report, such as performance forecasts, are based on information available to the Group and the outlook at the time that this report was produced. NSD makes no promise that it will achieve these forward-looking statements which may also be subject to change without prior notice. NSD shall not be responsible for any damages resulting from the use of this report.

Growth Trajectory

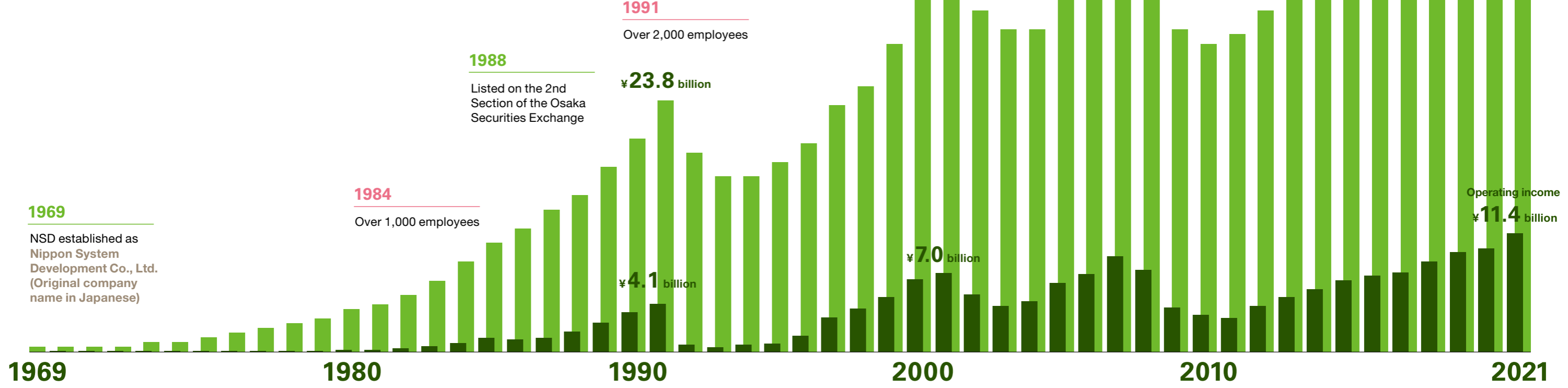
Times have changed, but the founder's thoughts in the founding prospectus have been passed down through the generations of NSD's corporate culture as a management philosophy

Founding Prospectus

To be an extremely unique entity that combines practice and research, and which also includes the establishment of true computer science

Management Philosophy

To contribute to the sound development of society by pushing the boundaries of IT technology to create and provide new solutions beneficial to people and society



\* Figures for 1998 and earlier are non-consolidated figures.

President's Message

We will share the benefits of growth with all our stakeholders by steadily implementing the **four basic strategies** of the medium-term management plan.

**Yoshikazu Imajo**  
President & CEO



**Q. What is your view of the current business environment surrounding the NSD Group?**

**Responding to the demands for DX as an infrastructure company essential to society**

In recent years, we have seen rapid advances in AI and other cutting-edge technologies, giving exponential growth to the boundaries of how information technology can be used. And in the past few years during the pandemic, as society as a whole has shifted to a new normal where working from home and contactless interactions have become ever more widespread, the role of IT has become increasingly important.

Until several years ago, IT played a role mainly in terms of improving the quantity and speed of existing operations, for example, improving business productivity or ease-of-use. In recent years however, advances in cutting-edge technologies, such as AI, have made it possible to solve problems in unprecedented ways, contributing to the development of society in qualitative terms, such as by creating new businesses and transforming lifestyles. Against this background, the radical change that is digital transformation (DX) has, as with the demands of the times, spread to every corner of society, so much so that IT is now deemed to be a critical infrastructure of society.

The NSD Group's management philosophy is to contribute to the sound development of society by pushing the boundaries of IT technology to create and provide solutions beneficial to people and society. Now that IT technology has advanced and the scope of its use has expanded and deepened, it is time for the NSD Group to contribute to the development of society more broadly. While leveraging our unique role and place in the world, NSD will seek to grow sustainably together with society.

**Q. How do you think the medium-term management plan has gone so far?**

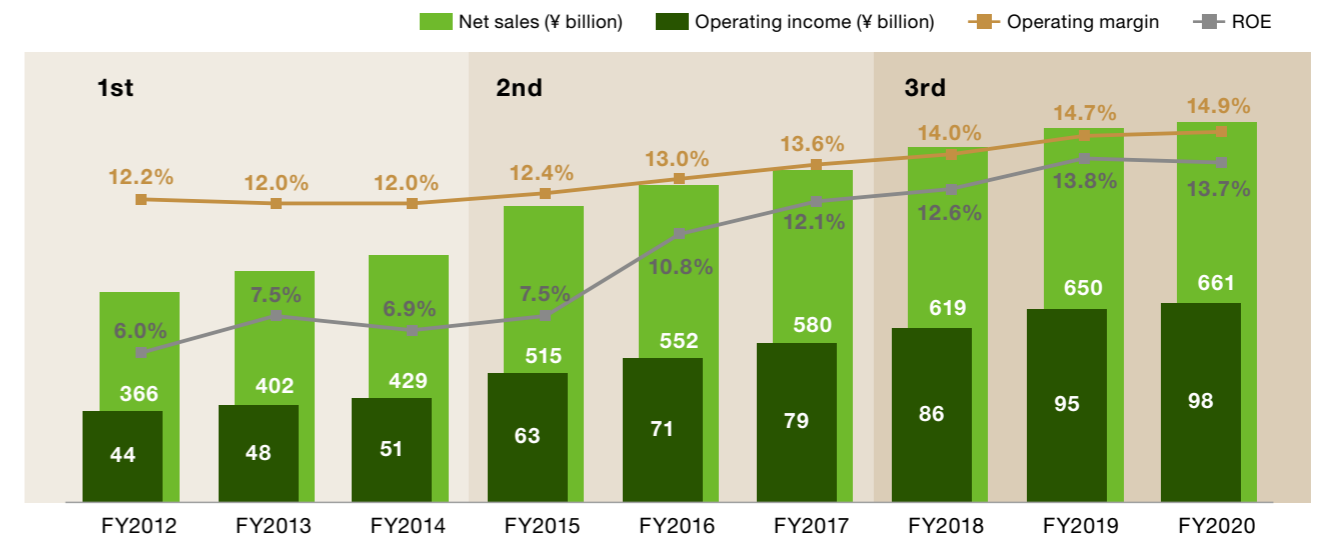
**Achieving a lean profit structure and clarifying our intended business model**

The current medium-term management plan (medium-term plan) is the fourth plan I have formulated as president of the Company. Looking back at the two medium-term plans from fiscal 2012 and fiscal 2015, as well as expanding and developing our mainstay system

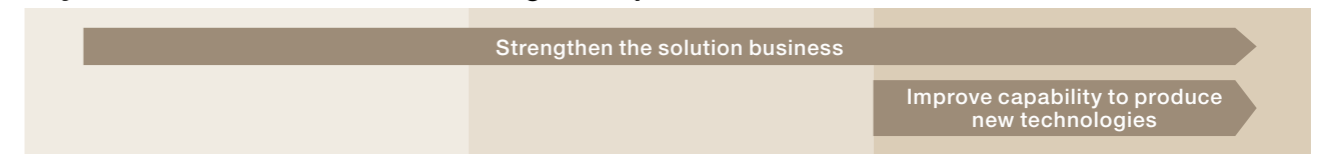
development business, we set out to strengthen our solution business, launching initiatives to build a second earnings base. We did this to take advantage of new growth opportunities stemming from the shift away from the age of system ownership to system utilization.

Also, under the previous medium-term plan from fiscal 2018, as the spread and expansion of cutting-edge technologies such as AI and IoT became more of a reality, we positioned strengthening new technological areas as a fresh measure, and defined the new technology domains of the system development business and the solution business as new core business, focusing on them as future growth drivers.

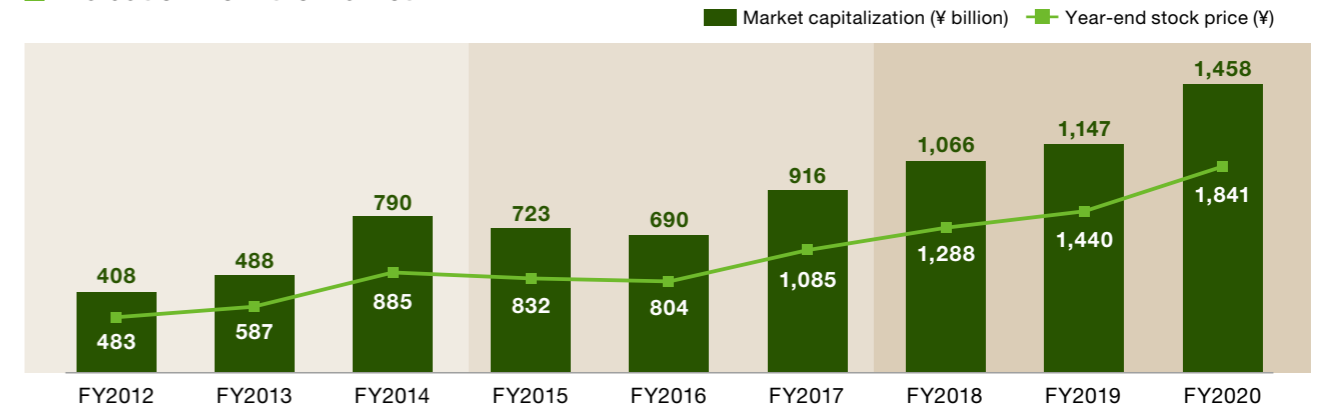
**Performance trends (over the three medium-term management plans)**



**Key issues in the medium-term management plans**



**Evaluation from the market**



\*1 The Company implemented a two-for-one stock split on January 1, 2020. The stock prices before fiscal 2018 in the graph above show the amounts corresponding to one share after the stock split.

\*2 Market capitalization is calculated based on the number of shares in circulation excluding treasury stock.

## Value Creation in the NSD Group

### President's Message

Through these three medium-term plans, although still not enough, we have been able to move away from the business model of NSD as just a contracted developer to one where the solution business forms the second pillar. And in the system development business, the direction we have taken of strengthening new technology domains has been widely communicated to everyone in the NSD Group. So, with these past three medium-term plans I believe we have been able to make our new business model and the direction we should be heading known to all.

In terms of business performance over the nine years of the three medium-term plans, net sales increased from 34.4 billion yen in fiscal 2011 to 66.1 billion yen in fiscal 2020, while operating income increased from 3.3 billion yen to 9.8 billion yen. Overall, we saw significant growth with net sales growing by 1.9 times and operating income 2.9 times. In addition to this quantitative growth, we were able to significantly improve our earning power with our operating margin increasing significantly from 9.8% to 14.9% and ROE up from 4.7% to 13.7%, creating a more lean profit structure.

The continued growth of these business results and the future potential of the IT business have been rated highly by the market with NSD's market capitalization having increased approximately fivefold from 29 billion yen to 145.8 billion yen.

### Q. What are the aims of the current medium-term management plan?

#### Aiming to be a corporate Group with net sales over 100 billion yen

The current medium-term plan, which started in fiscal 2021, continues the direction of the previous plan while having the aim to be a Group with net sales exceeding 100 billion yen in five years time. To achieve this goal, or new stage of growth for the NSD Group, we need to improve the quality and quantity of the businesses that serve as its foundation. This is why we have formulated four basic strategies (page 9) in the current medium-term plan and are making every effort to achieve them.

NSD's strength in the system development business is that we can provide extensive and long-term support for the development of large-scale systems for our customers by leveraging our wealth of business knowledge. In the medium-term plan, we will further refine this strength, and in light of the accelerating need for DX, we will actively work on development in the domains of new technologies and DX to achieve sustainable growth in the system development business.

In addition, although the solution business continues to grow, we need to make further advances to achieve our goal of making it the second earnings pillar for the Company. This is why, in the current

medium-term plan, we will not only strengthen sales of existing solutions, but also focus more on developing new solutions. The use of new technologies will play a part in this. With the NSD Advanced Technology Research Institute at its core, we have built a collaborative system with investment from customers to promote research and development into new technologies that meet the needs of various industries from a frontline perspective.

Under the current medium-term plan, the new technologies and DX-related system development business, as well as the solution business, have been defined as the two key areas for NSD. By concentrating our management resources, we intend to grow net sales 2.5 times from 18 billion yen in the final year of the previous medium-term plan to 45 billion yen in the final year of the current plan. To make this a reality, we not only need organic growth but we also need to look at M&A. During the period of the current medium-term plan, we plan to invest 20 billion yen into M&A. By doing so, we expect to further boost our solution business.

To achieve net sales of 100 billion yen, it is vital that we establish new core business as "real" core business so that we can reap the rewards gained through M&A. And as three years for our previous medium-term plans was thought to be too short, we have decided to extend the period for the current medium-term plan to five years.

### Q. What is your assessment of the first year of the current medium-term plan?

#### Net sales, new core business net sales, and operating income all exceeded projections

Although business activities were somewhat limited due to restrictions on movement owing to the pandemic in



## Overview of the medium-term management plan (FY2021–FY2025)

### Basic strategies

#### Five-Year Goals

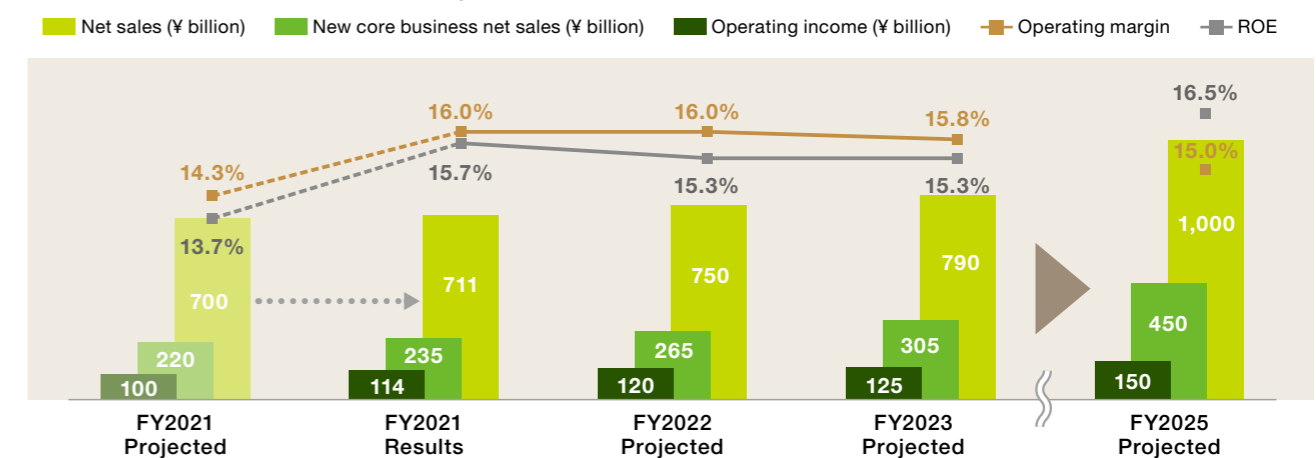
- To have a corporate Group of businesses with strengths in specific fields in multiple domains
- To have a corporate culture that adds a uniquely NSD touch to systems development
- To have a group of IT engineers who create business transformation together with our customers

- (1) Achieve sustained growth in the system development business**
- (2) Greater focus on new technologies and DX business to build up results**
- (3) Expand size of the solution business into a second pillar of the Company**
- (4) Stronger efforts for the SDGs and ESG**

### Specific strategies

<b>(1) System development</b>	<ul style="list-style-type: none"> <li>Strengthen ability to win projects from customers and greater responsiveness in upstream processes to that end</li> <li>Build up results in new technologies and DX business</li> <li>Win new business in domains such as administrative digitalization by the government and 5G/6G</li> <li>Secure the human resources needed to drive growth</li> </ul>
<b>(2) New technology and DX</b>	<ul style="list-style-type: none"> <li>Develop AI products (e.g. location information solutions, image analysis, voice recognition), expand sales base, and speed up business development</li> <li>Deepen collaboration and co-create with customers, expand outside networks in new technology field</li> <li>Promote sharing of knowledge and expertise from across specialist departments to each division in the Company</li> <li>Train engineers in new technologies and DX, expand training and incentive systems to add more engineers and improve their technical skills</li> </ul>
<b>(3) Solution business</b>	<ul style="list-style-type: none"> <li>Accelerate expansion of business scale by acquiring existing products and brands through M&amp;A</li> <li>Further strengthen sales capabilities for HR products (ORDIA, JobSuite) and educational products (MANA BOX)</li> <li>Develop and commercialize new services in the field of shareholder services</li> <li>Accelerate the rollout of leading healthcare brand (CARENA) in Japan and overseas</li> </ul>
<b>(4) SDGs/ESG</b>	<ul style="list-style-type: none"> <li>Establish promotional organization within the Company</li> <li>Formulate KPIs and build a system to routinely check their progress</li> </ul>

### Consolidated performance targets



the first half of fiscal 2021, during the first year of the current medium-term plan, the number of new infections dropped in the second half, bringing a return to a more normal business environment. In addition to the resumption of postponed projects there was active investment in new IT applications including DX. As a result, net sales, new core business net sales, and operating income all exceeded projections, marking a smooth start to the first year of the medium-term plan. In light of this overachievement, we made an upward revision to our targets in May 2022 for the second year of the plan and beyond.

In terms of strengthening our business structure, we set up the Advanced Technology Strategic Business Unit with the aim of strengthening our field of advanced technology. This business unit oversees the NSD Advanced Technology Research Institute, which is responsible for product planning, and the Advanced Technology Business Division, which is responsible for commercial development. Through close cooperation between both these pillars, we will accelerate our planning and development efforts.

In terms of performance, net sales were 71.1 billion yen, an increase of 5.0 billion yen from fiscal 2020. Of this, net sales in new core business increased by 5.5 billion yen year on year to 23.5 billion yen thanks to significant growth in the new technologies and DX-related systems development business, helping to serve as a driver for growth. As for profitability indicators, the operating margin was 16.0% and ROE was 15.7%, improving by 1.2 points and 2.0 points respectively from fiscal 2020, further improving profitability.

### Q. What challenges do you face in achieving the medium-term plan and further growth in the future, and how will you overcome them?

#### NSD has three challenges: securing system engineers, developing self-starters, and accelerating solutions development

To achieve the goals of the medium-term plan, I believe the Company faces two challenges from a short- to medium-term perspective and one for medium- to long-term growth.

The first issue we need to resolve in the short to medium-term is securing system engineers. The shortage of system engineers in the IT industry has been apparent for several years, and dealing with this problem has become an increasingly important issue. Up to now, NSD has adopted a principle of hiring new graduates and has trained system engineers in-house. At present, as the business continues to expand at an

ever greater pace, we are recruiting more mid-career hires who are able to be immediate assets for the Company, but we still need to increase employee numbers. In light of this situation, we have set up offices in regions other than where our main offices are located and have begun initiatives to recruit the best talent in those areas. For instance, we opened the Sendai Business Site in August 2022 and the Hiroshima Business Site in December. Finding system engineers this way through such a local recruitment drive has proved to be a powerful means of bolstering our workforce.

With the increasing number of people now working from home because of the pandemic, we have also seen issues in terms of training new employees. Communication, which is not normally a problem when it is face-to-face, can be difficult in a work-from-home environment. These difficulties in terms of communication especially when training new employees are a major stumbling block to learning, so it is vital to come up with more inventive training programs and on-the-job training to implement more effective personnel development measures as the circumstances dictate.

The second short- to medium-term challenge is to further accelerate the development and provision of new solutions. Many of the NSD Group's solutions are quite niche and we have a large share of these niche markets, but the scale of the market for each solution is not so great. This is why, in addition to steadily growing individual solutions, it is crucial that we seamlessly bring new products and services to market. As part of these efforts, the NSD Advanced Technology Research Institute (in charge of planning) and the Advanced Technology Business Division (in charge of development) mentioned above are working in lockstep. For example, as well as an active exchange of personnel between the two organizations, highly experienced employees from within the Group come together to pool their ideas and resources. In addition, we are actively looking at M&A as a means to develop new solutions and shorten our time to market.

The medium- to long-term issue for NSD is the development of human resources who are actively able to take on challenges. NSD's strength lies in our ability to accurately understand customer needs, combined with our wealth of business knowledge and technical capabilities required to meet these needs. As IT evolves day by day and the business environment undergoes major changes, and at an ever greater pace, it is vital that we have, in addition to our current strengths, human resources with autonomy who are able to demonstrate their creativity to generate new business. As mentioned earlier, the purpose of establishing the NSD Advanced Technology Research Institute and the Advanced Technology Business Division was to strengthen our ability to respond to new technologies. But not only this, by creating opportunities for engineers from both inside and

outside the Company to interact, it was also hoped that a new culture of spontaneous business ideas and challenges for new technologies would be born. The NSD Advanced Technology Research Institute is now in its fourth year. I feel that our younger employees are gaining experience and that a free, more open-minded style of work is taking root. Going forward, I would like to expand this way of working to other business divisions, and incorporate the process of taking on challenges into our personnel assessment system.

### Q. In recent years, non-financial initiatives such as sustainability and ESG have become the benchmarks by which corporate value is assessed. Please tell us about some of these initiatives.

#### Sustainability as the cornerstone of management

In recent years, we have seen more and more urgent and pressing issues. These include climate change, a so-called global climate crisis, and a falling working-age population due to both aging and declining populations in developed countries. Amid such circumstances, non-financial initiatives, or environmental, social, and governance (ESG) factors, are attracting attention as a means for companies to contribute to a sustainable society, and as an important management strategy that supports corporate growth over the medium to long term.

Based on our management philosophy, the NSD Group has contributed to sustainability through our corporate activities by creating solutions that contribute to the sound development of society. However, in light of the increasing urgency and severity of social issues related to sustainability, we have decided to further



strengthen ESG initiatives as one of our basic strategies in the current medium-term plan, consolidating these ideas in our Sustainability Declaration.

Moreover, for NSD to effectively help build a sustainable society, we must promote initiatives that reflect our strengths, management issues, and industry characteristics from among a wide range of issues.

From this perspective, we have identified material issues for all ESG factors, environmental, social, and governance, and compiled and published our policies for addressing these issues, along with measures and target indicators, etc. In terms of initiatives on these material issues, we will not only solve the issues we face, for example, reducing power consumption, improving the working environment, and better governance, but as an IT company, I believe we need to solve the issues faced by our customers and society by providing solutions that make use of information technology.

### Q. Finally, what message do you have for all NSD stakeholders?

#### Continuing to grow by contributing to a sustainable society

Now that IT has become a social infrastructure, I recognize that using the power of IT to meet the diverse needs of our customers is inseparable from resolving all the many different social issues.

By positioning our goal to help build a sustainable society as a medium- to long-term growth strategy, we will continue to solve each individual issue through dialogue with our employees, customers, shareholders, and investors, growing as a Company that offers a "future for people and IT."

Value Provided by the NSD Group to Society

Solving social issues with the power of IT by supporting smart living and DX in various industries

As an independent system integrator, NSD solves social issues by developing systems and providing solutions based on our business knowledge and technical capabilities built up over more than half a century.

System Development

■ Finance

Our main customers are banks, trust banks, insurance companies, securities companies, and credit card companies. We are supporting a wide range of operations, from core systems such as bank accounts and information systems to industry-specific systems such as systems to calculate insurance premiums and online trading systems for securities companies.



■ Service

We support a wide range of customers, from news organizations to schools and research institutes. For example, for news organizations, we are working on a system that provides full support for reporting work, from managing interview schedules to creating news reports and program progress charts, as well as a system that supports the reporting of elections and marathon races.



■ Manufacturing

We support customers in a wide range of fields, from electronics and automobiles to food and pharmaceuticals. We are supporting improvements in productivity in various production processes with product supply and demand systems that automatically calculate supply and demand forecasts by product, and production management systems that manage everything from production planning to parts procurement, manufacturing instructions, and cost accounting.



■ Telecommunication

Our main customers are major telecommunications carriers, from landlines to mobile phones. As well as being involved in the development of core systems such as contract management systems and billing calculation systems, we are also supporting the development of services that utilize cloud computing and apps, which are increasing against the backdrop of improvements in communication technologies such as 5G.



■ Transportation

Our main customers are airlines, railway companies and transportation companies. For airlines and railway companies, we are supporting general operations with reservation, maintenance, attendance management, and other systems, and for transportation companies, we are supporting operational efficiencies with systems that centrally manage the status of shipments and deliveries.



■ Public Organizations

Our main customers are central government agencies, local governments, and affiliated organizations. Utilizing our expertise cultivated through system development at many public agencies, we are supporting operational efficiencies by systematizing government offices and making modifications in line with system revisions, as well as providing a one-stop portal for administrative procedures.



NSD Strengths Supporting a "Future for People and IT"

1 Stable customer base

For more than half a century since our founding in 1969, NSD has worked on system development for many customers, including financial institutions, manufacturers, and social infrastructure companies. At the same time, we have built a relationship of trust with our customers and established a business model for receiving orders on an ongoing basis. These so-called "lifelong customers" can be said to be the Group's greatest strength.

2 Outstanding technical capabilities

For over half a century, NSD has accumulated a wealth of business knowledge and expertise through the development of a wide variety of systems for many customers. In more recent years, we have been refining our ability to apply cutting-edge technologies such as AI, IoT, and robotic process automation (RPA) to business, with a focus on creating and providing solutions that solve business issues in collaboration with customers mainly at the NSD Advanced Technology Research Institute.

3 Human resources that inspire trust

At NSD we have around 3,000 highly specialized engineers who can meet the diverse needs of our customers, from individual consulting to mission-critical large-scale system development. We also develop our employees into true professionals by improving not only their technical capabilities but also their human capabilities. Having such employees helps to build relationships of trust with customers, creating a virtuous business cycle.

Solution

■ Human Resources

We provide a variety of solutions in the field of human resources, from recruiting new graduates and mid-career workers to employing dispatched workers. We provide solutions that support everything from recruitment marketing to selection progress management, as well as solutions that centrally manage the series of operations required for employing dispatched workers.



■ Security

In addition to designing and building secure network environments, we provide a variety of solutions that address security risks such as information leaks and unauthorized access. For example, as Japan moves away from PPAP, a common file-sharing method using password protection, we are helping to support this initiative by providing solutions that can safely transmit and receive large amounts of highly confidential data.



■ Healthcare

We provide solutions that support health and productivity management, as well as solutions that support highly specialized medical practice. With one smartphone, the remote health support service can perform everything from sending out health information to registering and checking data such as weight, blood pressure, and blood sugar levels, making it an ideal tool for health and productivity management.



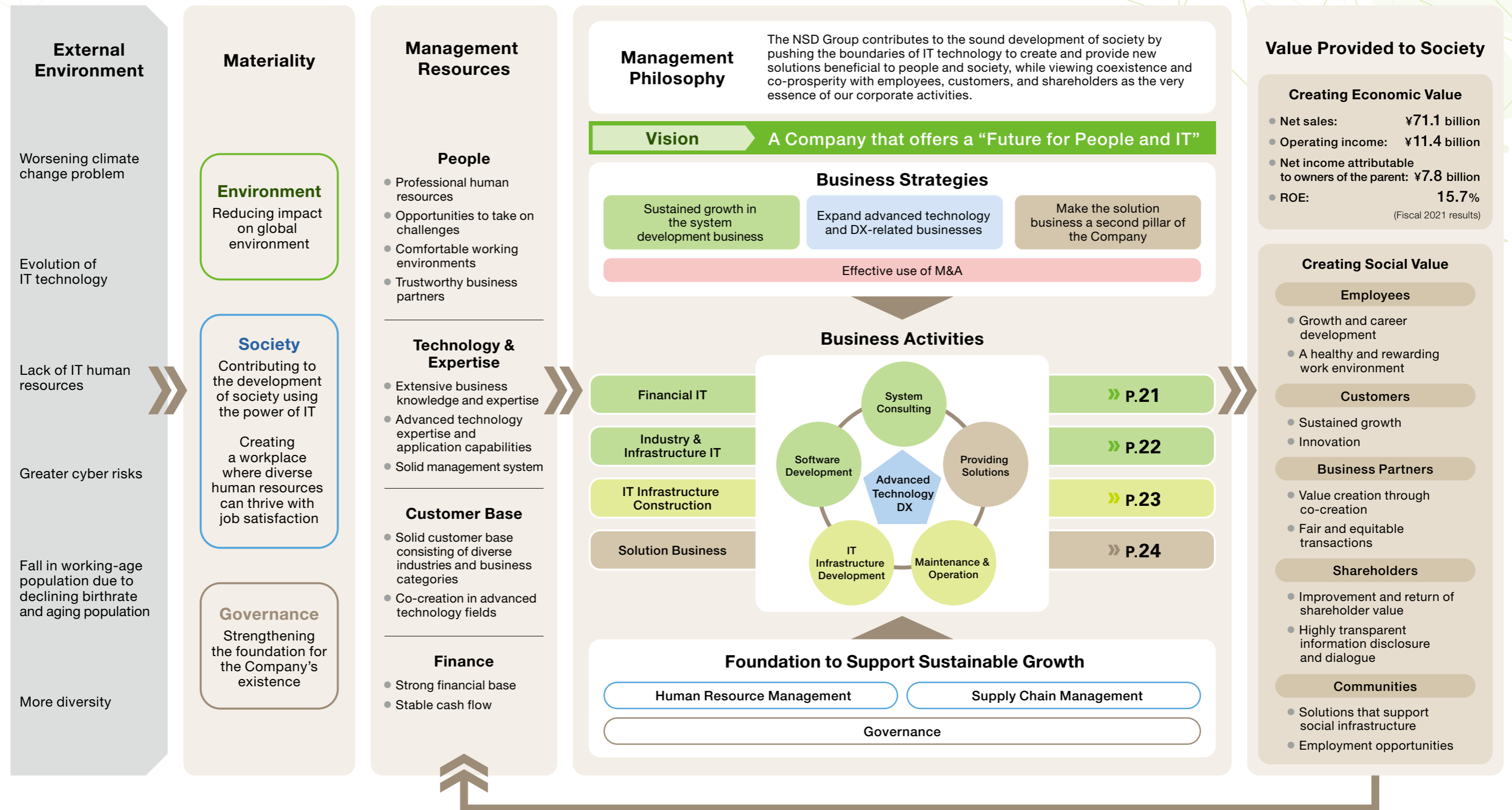
The Use of Advanced Technology for the "Future of People and IT"

With the rapid trend toward digitalization, customer demands for the use of advanced technologies are growing. At NSD, we are working to meet the needs of our customers and solve social issues by developing solutions that utilize advanced technologies in collaboration with our customers. We are planning and developing next-generation products tailored to the market based on careful marketing research, as well as the fundamental technologies we have researched to date, such as natural language analysis, image analysis, and voice analysis.



Value Creation Process

NSD aims to build a sustainable society and continuously improve corporate value by using IT to solve various social issues that arise as a result of changes in the external environment

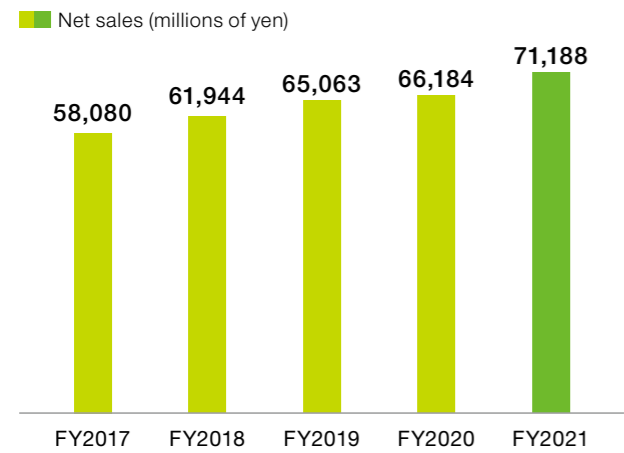




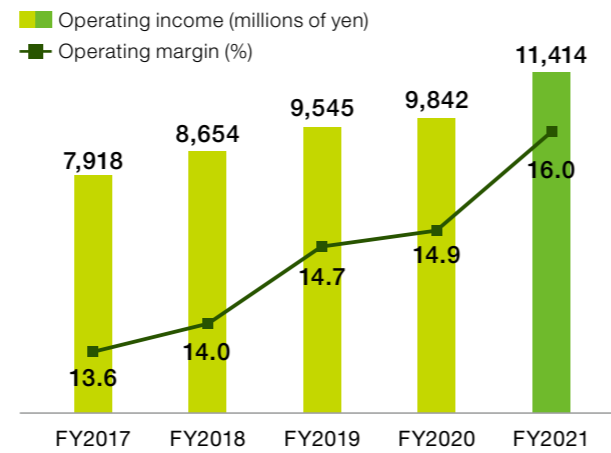
## Financial and Non-Financial Highlights

### Financial Indicators

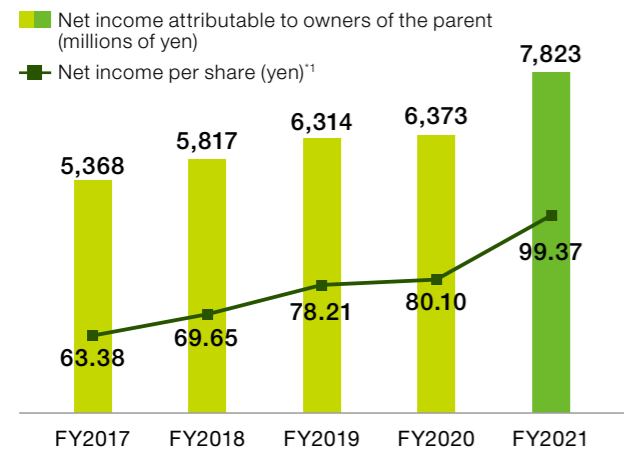
#### ● Net Sales



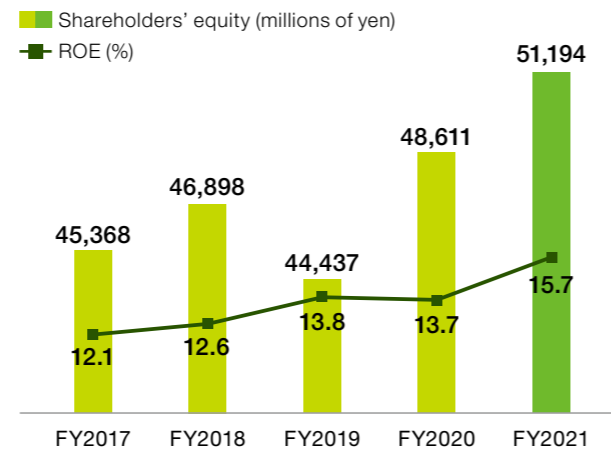
#### ● Operating Income / Operating Margin



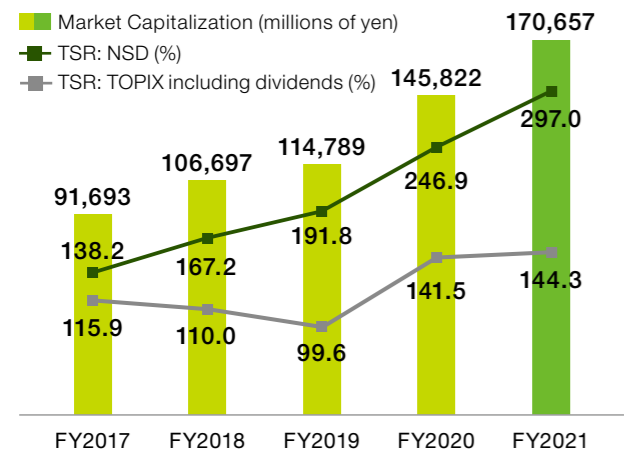
#### ● Net Income Attributable to Owners of the Parent / Net Income per Share



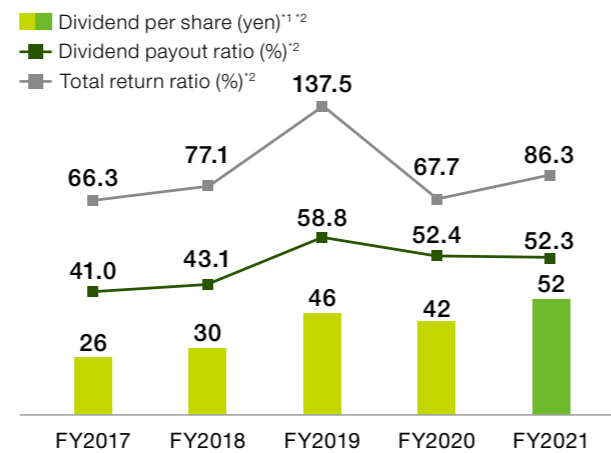
#### ● Shareholders' Equity / Return on Equity (ROE)



#### ● Market Capitalization / Total Shareholder Return (TSR)

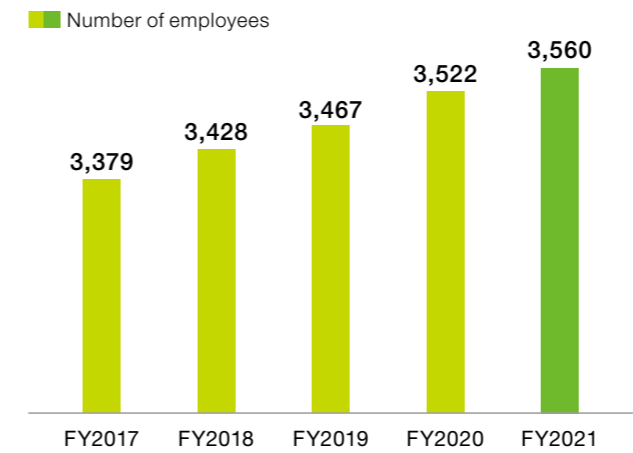


#### ● Shareholder Returns

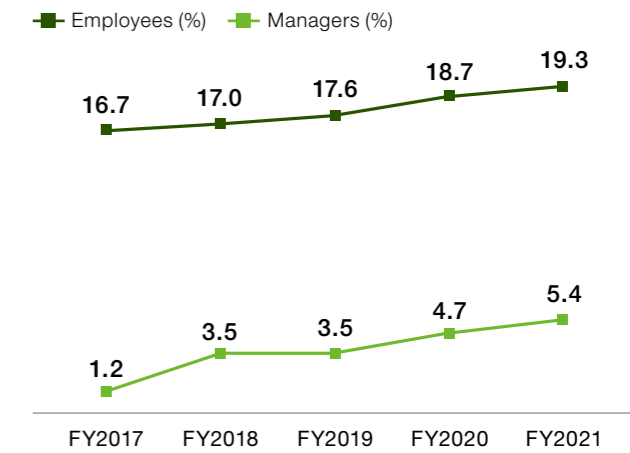


### Non-Financial Indicators

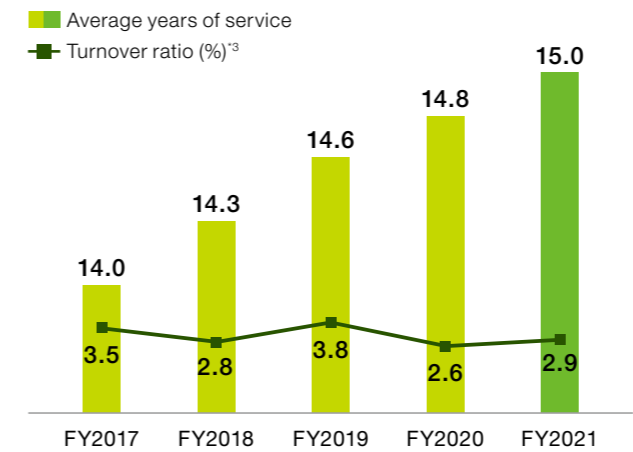
#### ● Employees



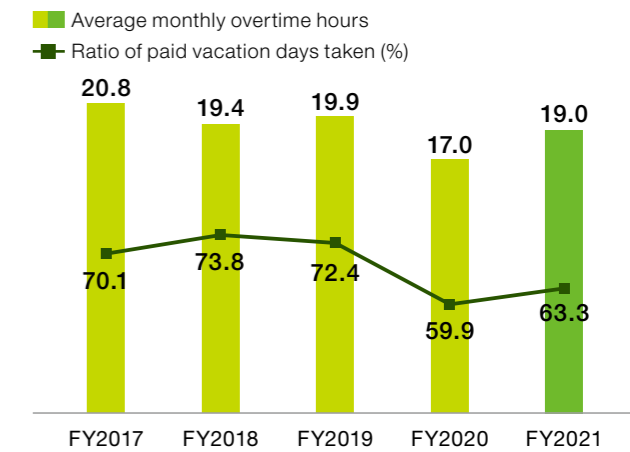
#### ● Female Ratios



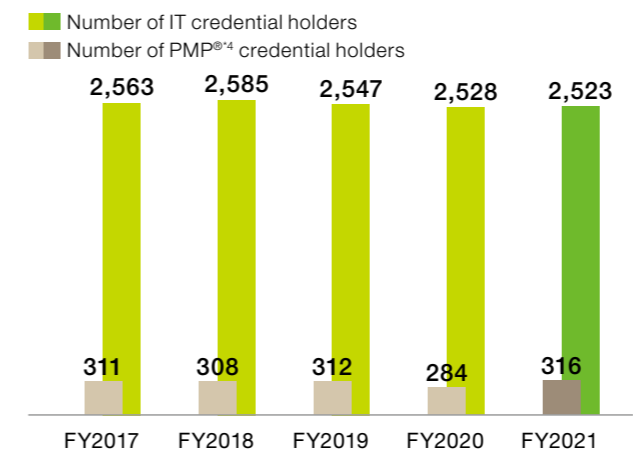
#### ● Average Years of Service / Turnover Ratio



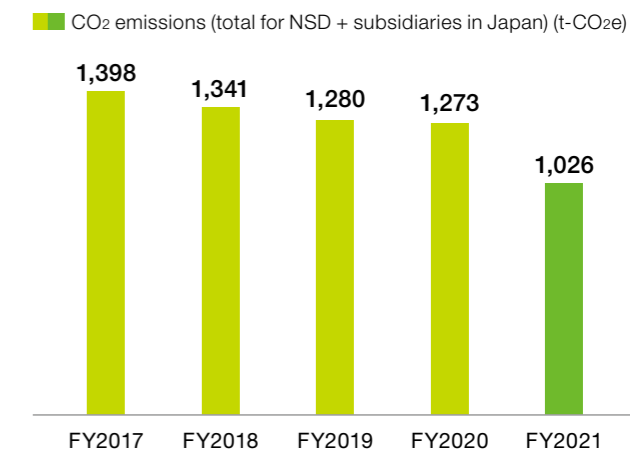
#### ● Average Monthly Overtime Hours / Ratio of Paid Vacation Days Taken



#### ● Number of Employees with IT Credentials



#### ● CO<sub>2</sub> Emissions



<sup>1</sup>: Per share indicators are based on the number of shares after the Company's stock split executed on January 1, 2020.  
<sup>2</sup>: Fiscal 2019 indicators are calculated to include the Company's 50th anniversary commemorative dividend (14 yen per share).

<sup>3</sup>: Calculated excluding mandatory retirements and persons using the Company's early retirement incentive program.  
<sup>4</sup>: Project Management Professional (PMP)<sup>®</sup> is a registered trademark of the US-based Project Management Institute.

Core Business of the NSD Group

Helping customers to strengthen international competitiveness using IT and other new technologies



**Osamu Yamoto**  
Director,  
Senior Managing  
Executive Officer  
COO

Since its founding, NSD's core business has been system development. With a strong customer base, NSD has grown by supporting customers' business operations with the power of IT. Currently, we are working to make the solution business our second pillar of the Company, after the system development business, in order to strengthen and stabilize our management base.

In recent years, corporate in Japan is facing the important tasks of promoting in DX and redeveloping legacy systems to ensure its survival in international markets. Moreover, IT is considered a promising solution to Japan's declining working-age population resulting from the country's changing demographics. For this reason, there are growing expectations and demand for IT. Amid this, NSD commands its extensive operational knowledge gained through long-standing relationships with customers and its ability to incorporate advanced technology and other IT into practical business settings with the aim of helping customers to strengthen their international competitiveness with IT as well as achieving sustainable growth together with customers.

In our medium-term management plan running from fiscal 2021 to fiscal 2025, we have defined the system development business related to new technology and DX and the solution business as our new core business. We are now working to expand these businesses quantitatively and enhance them qualitatively. As for the system development business related to new technology and DX, the Technology & Process Support Department and Advanced Technology Business Division support development departments not only from technical aspects but also exploring innovation in development processes to strengthen development capabilities using new technology as a company-wide effort. In the solution business, the NSD Advanced Technology Research Institute and the Advanced Technology Business Division identify customer needs in terms of advanced technology through collaboration, promote planning and commercialization of new solutions, and expand our product lineup.

Through these efforts, our financial performance in fiscal 2021, the first fiscal year of the medium-term management plan, was commendable. Driven by the

growth of this new core business, net sales reached 71.1 billion yen, compared to the forecast of 70 billion yen, and operating income totaled 11.4 billion yen, compared to the forecast of 10 billion yen. Looking

ahead, we will refine our IT capabilities, including in advanced technology, and further enhance NSD's value by contributing to customers' sustained growth.

System Development Business

We provide comprehensive system services based on customer needs, from system planning and design to development and operational support post installation.

Furthermore, our system development business comprises the three segments of financial IT, industry & infrastructure IT, and IT infrastructure construction.

Financial IT

We provide software development and system consulting mainly for financial services customers, such as banks, insurers, and securities companies.

For customers in banking, we provide continuous development and maintenance of IT systems, information systems external connection systems, and market systems focused on accounting. For insurers

and securities companies, we offer extensive development and maintenance services, from core systems to peripheral systems.

This segment continues growing as one of NSD's core businesses, harnessing our strength of operational knowledge and expertise underpinned by our long-standing relationships with customers.

Industry & Infrastructure IT

We provide software development and system consulting to customers in a wide range of industries, including manufacturing, telecommunications, transportation, and the public sector.

We have long-standing relationships with customers in the telecommunications, transport, and electricity and gas sectors supporting social infrastructure. We understand the core business processes unique to each

industry and develop software supporting the very heart of business while sharing our customers' vision and management strategies.

We also maintain long-standing relationships with customers in the manufacturing and services industries. This enables us to address customer needs using proposal and technical capabilities based on our wealth of experience.

IT Infrastructure Construction

We provide one-stop services for IT infrastructure and networks construction, system consulting, and system maintenance and operation to a broad range of customers, including financial institutions and the public sector.

Centered on cloud technology, we offer a host of products and services utilizing our strength as an

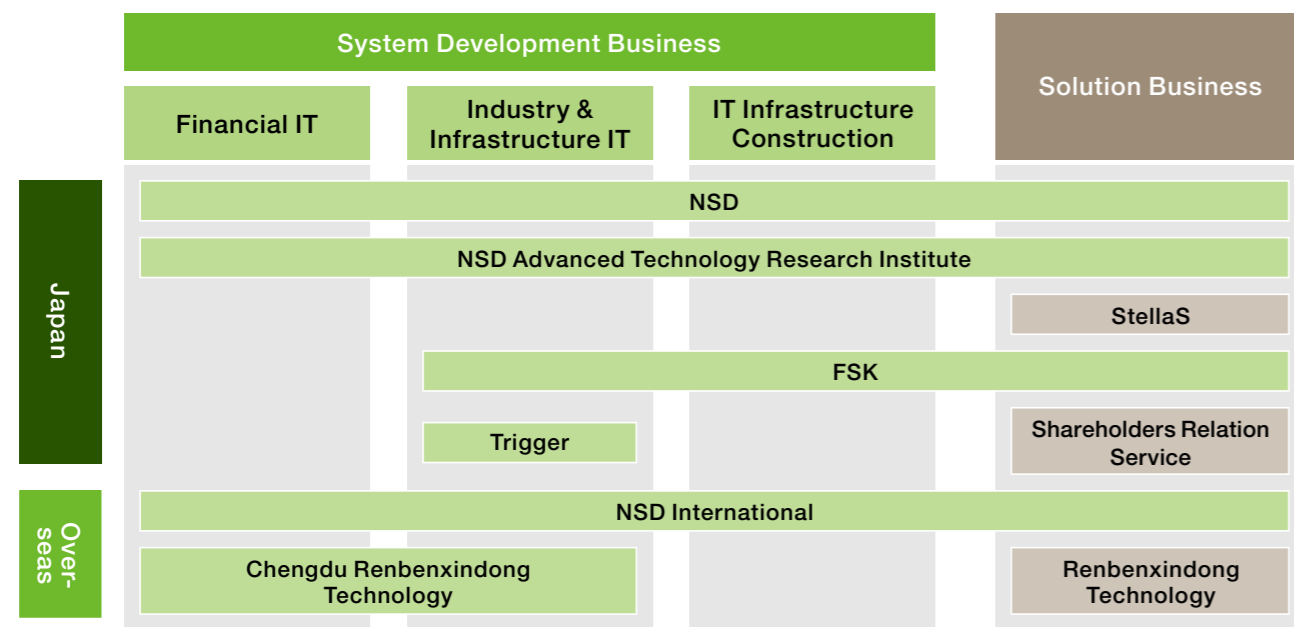
independent systems integrator, spanning from various branded servers to storage, network equipment, the latest operating systems, and middleware. We help customers to build out their infrastructure environment by resolving various cost issues while ensuring the highest level of quality.

Solution business

Using technological development capabilities honed in software development, we develop and provide proprietary software products from the standpoint of resolving business and social issues.

We offer an extensive lineup of solutions, from highly ubiquitous security software to packages for specific industries and healthcare solutions.

In recent years, we are also focusing on development of solutions using advanced technology. We are working to plan and develop next-generation products tailored to the market based on careful marketing research, as well as the fundamental technologies we have researched to date, such as natural language analysis, image analysis, and voice analysis.



## Business Strategy by Segment: System Development Business

### Supporting the acceleration of DX in society based on understanding of various customers' operations

We are working to resolve customers' challenges by utilizing our operational knowledge and expertise built up through many years of business dealings with customers since our founding. In recent years, we are using advanced technology to address the new needs of customers with the power of IT tailored to changes taking place today while maintaining legacy assets.

#### Strengths in System Development Business

- In-depth operational knowledge and expertise gained from many years of business dealings with customers in a number of industries and sectors
- Ability to apply AI, IoT and other advanced technology in actual business settings
- Around 3,000 engineers with advanced expertise
- Solid customer base centered on major blue-chip companies

#### Opportunities / Risks

##### Opportunities

- Growing need for next-generation systems following acceleration of DX in society
- Advancements in innovation driven by 5G / 6G
- Growing investment in labor saving and automation solutions amid Japan's declining working-age population

##### Risks

- Tougher competition in the DX market
- Price reduction in downstream processes of software development
- Shortage of open system engineering talent

#### Basic Strategies

Achieve sustainable growth of the system development business by adapting to changes in the operating environment

##### Specific Strategies

- Strengthen ability to win projects from customers, and greater responsiveness in upstream processes to that end
- Build up results in new technologies and DX business
- Win new business in domains such as administrative digitalization by the government and 5G/6G
- Secure the human resources needed to drive growth

## Financial IT

### Segment Overview

We provide software development and system consulting for financial services customers, such as banks, insurers, and securities companies.

#### Main examples of development

- Banking: accounting systems (deposits, forex, lending, etc.) and information systems (customer information file and anti-money laundering)
- Trust: pension management systems and securities agency systems
- Securities: online trading systems and order-taking systems
- Insurance: policy management systems and sales support systems
- Credit cards: credit information management systems and e-commerce payment systems



### Vision in the Medium-Term Management Plan

- Accurately respond to the diverse needs of customers from legacy systems to systems that utilize new technology, and further deepen our business relationships

In recent years, the banking system has been transitioning to next-generation systems, giving rise to strong demand for reconfiguring legacy systems into more flexible systems.

NSD has many years of experience developing and maintaining key customer systems and understands every aspect of these systems.

In addition to this knowledge, we will support customers' DX and further deepen our relationships by focusing on development of engineers who can handle open system development from upstream processes, such as new development environments, method designs, and framework studies.

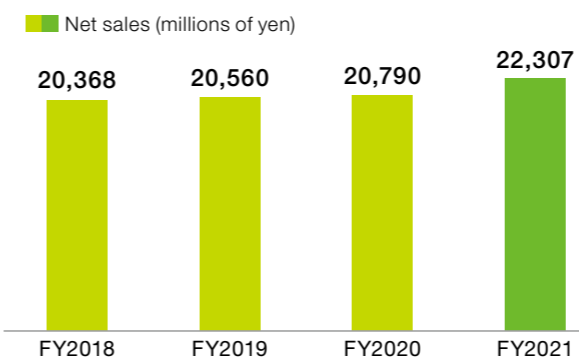
### FY2021 Results

In fiscal 2021, segment net sales increased 7.3% year on year to 22,307 million yen and operating income rose 11.0% to 3,991 million yen.

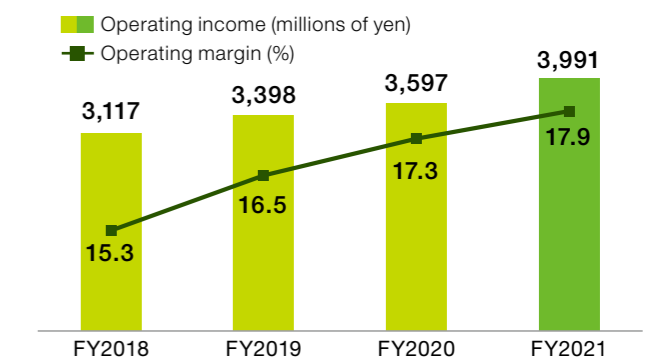
Sales for insurance companies declined as large-scale projects peaked, but sales and profits for the Financial IT segment as a whole increased as a result

of a steady expansion in orders from major banks and credit card companies, partly due to the renewal of core systems, including next-generation accounting systems, and the resumption of projects that had been postponed due to the pandemic.

#### Net Sales



#### Operating Income / Operating Margin



## Operations Supporting Value Creation

Business Strategy by Segment: System Development Business

### Industry & Infrastructure IT

#### ■ Segment Overview

We provide software development and system consulting to customers in manufacturing, telecommunications, transportation, and the public sector.

#### ■ Main examples of development

- Service: election reporting system
- Transportation: operations plan management system
- Manufacturing: product supply-demand management system
- Telecommunication: calling rate management system
- Commerce: order management system
- Electricity: power rate management system
- Construction: design management system



#### ■ Vision in the Medium-Term Management Plan

- Improve response capabilities to new technology and DX projects by working with the Advanced Technology Strategic Business Unit
- Increase orders in new fields utilizing 5G / 6G

In the industry & infrastructure IT segment, we do business with customers in a wide range of industries, and there is growing demand for new technology and DX across all these industries.

At NSD, the Advanced Technology Strategic Business Unit is exploring innovation in the development of new technology and DX. It is also improving responsiveness of our software development by sharing technologies within the company

horizontally and vertically. In addition, we will focus on training open system engineers to meet the various needs of our customers.

As the need for services that address large capacity and low latency utilizing 5G and 6G technology is expected to increase in the future, we will improve our expertise and technology related to telematics services with the aim of increasing orders in new fields.

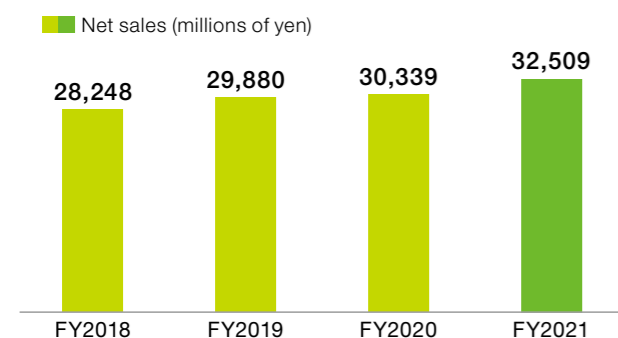
#### ■ FY2021 Results

In fiscal 2021, segment net sales increased 7.2% year on year to 32,509 million yen and operating income rose 18.6% to 5,569 million yen.

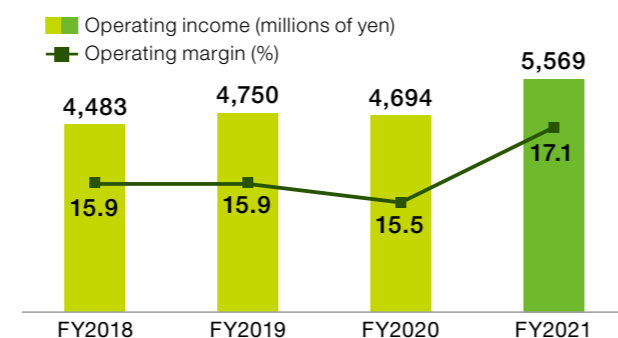
Sales for the electricity, gas and water sector declined as large-scale projects peaked, but sales

and profits for Industry & Infrastructure IT as a whole increased as a result of steady expansion in orders in the manufacturing, service and transportation sector due to greater appetite for IT investment and orders from new customers.

#### ● Net Sales



#### ● Operating Income / Operating Margin



### IT Infrastructure Construction

#### ■ Segment Overview

We provide services for IT infrastructure and networks construction, system consulting, and system maintenance and operation to a broad range of customers, including financial institutions and the public sector.

#### ■ Main Services

- Planning and procurement: consulting services and IT Infrastructure service sales support
- Design, construction, and implementation: design and build-up support of cloud, platforms, networks, storage, virtualization infrastructure and security, and application development support
- Operation and maintenance: system management and maintenance services, system operation services, life cycle management services, and help desk services



#### ■ Vision in the Medium-Term Management Plan

- Foster technical skills and talent mobilization leading non-functional requirements mainly using cloud technology
- Expand new business to help companies transit away from legacy systems and promote government digitalization

The key to sustainable growth in the IT infrastructure field is improving our responsiveness to virtualization technology, cloud use, operation automation, and other technologies following the needs of today. We will cross-functionally share knowledge and expertise with the Advanced Technology Strategic Business Unit and the NSD Advanced Technology Research Institute to enhance our technical skills and mobilization capabilities.

In addition, there is a growing movement by companies to break away from legacy systems and by government to promote digitalization. This necessitates response to non-functional requirements such as security and scalability on a different level than before. To make the best proposals for these requests, we will focus on improving our consulting capabilities in addition to enhancing our technical skills as mentioned above.

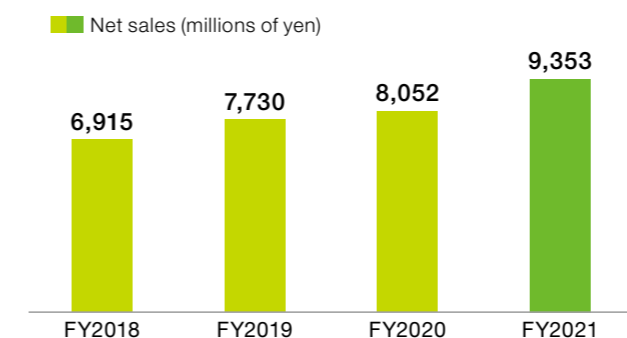
#### ■ FY2021 Results

In fiscal 2021, segment net sales increased 16.2% year on year to 9,353 million yen and operating income rose 30.1% to 1,518 million yen.

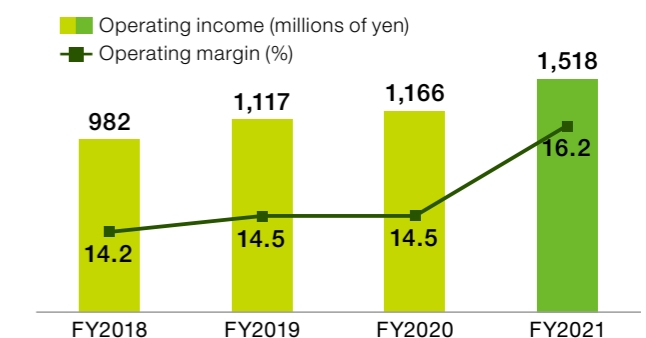
Sales and profits increased as a result of steadily linking orders to breaking away from legacy systems and

responding to digitalization such as infrastructure construction projects for government agencies and cloud projects for banking, insurance, and securities. The segment also saw an increase in orders for business process outsourcing projects from local governments.

#### ● Net Sales



#### ● Operating Income / Operating Margin



## Business Strategy by Segment: Solution Business

### Offering solutions unique to NSD that address both business and social issues

Using technological development capabilities honed in software development, we develop and provide proprietary software products from the standpoint of resolving business and social issues. We offer an extensive lineup of solutions to resolve customer challenges, from highly ubiquitous security software to packages for specific industries and healthcare solutions.

#### Strengths in the Solution Business

- Wealth of technical skills gained from software development
- Ability to apply AI, IoT and other advanced technology in actual business settings
- Ability to gain insight into customer needs using a solid customer base

#### Opportunities / Risks

##### Opportunities

- Growing appetite to invest in solutions driven by the acceleration of DX in society
- Rising demand for security solutions amid growing cyber risks
- Increasing health awareness as the population ages

##### Risks

- Tougher competition and lower prices caused by the emergence of competing solutions
- Greater competition to acquire advanced IT talent

#### Basic Strategies

Expand size of the solution business into a second pillar of the Company

- Accelerate expansion of business scale by acquiring existing products and brands through M&A
- Further strengthen sales capabilities for human resource-related products (ORDIA, JobSuite) and education-related products (MANA BOX)
- Develop and commercialize new services in the field of shareholder services
- Accelerate the rollout of leading healthcare brand (CARENA) in Japan and overseas

## Solutions

Human Resource Solutions	
<b>JobSuite</b>  <b>One-stop solutions in human resources</b> We provide a number of one-stop solutions in human resources, from creation of recruitment websites and recruitment marketing using advertisements to progress management involving the selection of new graduate and mid-career recruits.	<b>ORDIA</b>  <b>Core business management solutions exclusive to staffing services</b> Linking with a variety of peripheral systems, we support companies with staffing management and progress management of recruitment unique to their industry, along with attendance and salary management tailored to various employment contract types, all as a one-stop solution.
Logistics Solutions	
<b>MIMERIT</b>  <b>Business warehouse management solutions for inventory control and billing</b> We assist companies with detailed management functions such as individual product identification and traceability required for quality assurance.	<b>Rental Business Support Solutions</b> <b>i-Rent Plus</b>  <b>Rental business solutions compatible with various business conditions and sizes</b> Our solutions feature functions tailored to each industry, from streamlining daily operations such as billing to managing inventory levels and transactions and analysis functions.
Shareholder Benefit Program Services	
<b>GoodP</b>  <b>Complete outsourcing services for shareholder benefits programs</b> We provide a complete lineup of support required to implement a shareholder benefits program, including program planning, provision, administrative tasks such as ordering products for shareholders, and handling inquiries from shareholders.	<b>Security Products</b> <b>eTransporter</b>  <b>Secure file-sharing system</b> The system ensures large files and highly confidential information can be sent and received securely. It can also be linked with email, encryption, and traceability solutions, supporting customers not only with file transmission, but also additional value-added functions.
Medical and Healthcare Solutions	
<b>CARENA</b>  <b>Remote health support service using smartphone app</b> We provide a health and productivity promotion platform via smartphone app covering all aspects, from implementation of health measures for all employees to health guidance to individuals using medical fitness.	<b>GluKetto</b>  <b>Service using visualization of blood sugar trends to improve living habits</b> This service records a person's daily blood sugar levels using a measurement device to visualize the relationship with living habits. It informs users about how blood sugar readings are affected by their daily eating routine to support them in making changes and improving their living habits.

## FY2021 Results

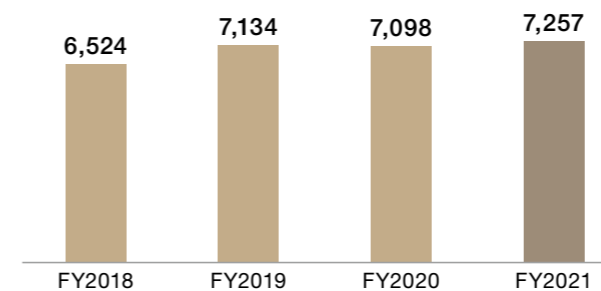
In fiscal 2021, segment net sales increased 2.2% year on year to 7,257 million yen and operating income rose 5.5% to 604 million yen.

The segment posted higher sales and profits owing to steady sales of human resource solution ORDIA and sales growth of security products in response to the

move away from PPAP, a common file-sharing method using password protection, which offset decreased sales in shareholder benefits services owing to the adoption of new accounting standards for revenue recognition and the recoil from hardware upgrades for local governments in the previous fiscal year.

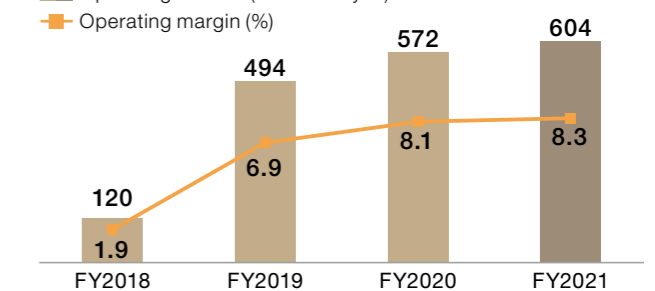
#### Net Sales

Net sales (millions of yen)



#### Operating Income / Operating Margin

Operating income (millions of yen)





## The Future Ambitions of the NSD Group's Research of Advanced Technology

With the rapid speed of innovation in advanced technology including AI, IoT, data analysis, cloud computing, augmented reality (AR), virtual reality (VR), and blockchain, today, the world requires further improvements in productivity and business model transformation brought about by digital transformation (DX). The NSD Group is promoting such transformation alongside its customers, focusing on research of advanced technology with an eye on five and ten years down the road. Mr. Hidetaka Kikawada, who heads up the NSD Group's research and development of advanced technology, below discusses more about the Group's current situation and future.



### Hidetaka Kikawada

Director and Managing Executive Officer, NSD Co., Ltd.  
 Head of Advanced Technology Strategic Business Unit  
 In charge of Market Development Business Division  
 In charge of Social Platform Division  
 President & CEO, NSD Advanced Technology Research Institute Co., Ltd.

## Our Research of Advanced Technology to Date

### Aiming for Grounded Research on Advanced Technology Together with Customers

Before I talk about the NSD Group's initiatives and outcomes in advanced technology, I would like to begin by discussing our approach to and structure for research and development.

First, NSD's success over the past half a century has been made possible by our constant focus on the customer and our efforts to work alongside customers in enhancing technology, expertise and quality. Today, the Group's workforce has grown to some 3,500 employees, but our fundamental approach to research and development remains unchanged. Of course, the needs of our customers and technology, however, have become even more sophisticated over the years. Especially recently, the pace of innovation in advanced technology symbolized by AI is speeding up, making business model transformation driven by DX a vital component of companies' future growth prospects. Amidst this, to promote business using a wide range of advanced technologies, it is important to ensure that we have the prevailing technological knowledge and competence to turn this knowledge into reality for our customers. Therefore, in 2017 when the social implementation of AI first began in earnest, NSD established the AI Utilization

Promotion Office and initiated its efforts to gather information and conduct research on advanced technology. NSD Advanced Technology Research Institute Co., Ltd. was established in 2019 after this office was spun off into a standalone company.

A major characteristic of the NSD Group's research and development is identifying advanced technology themes for commercialization in several years' time and then carrying out R&D from investigative research to solution provision through the corporation of the NSD Advanced Technology Research Institute, with its research function, and NSD's Advanced Technology Business Division, which promotes commercialization focused on development. General R&D sometimes begins from basic research on elemental technologies with a time horizon of 10 to 20 years in the future. In the case of the NSD Group, we consider research and development as one approach to increasing the future value of customers, as has been the case throughout our history.

Additionally, to achieve this objective, the NSD Advanced Technology Research Institute has established a unique business structure unlike any other company. We engage in R&D through partnerships with customers harnessing our strength of long-lasting relationships of trust with major corporations in each industry. Of course, we have our own proprietary R&D, too. Essentially, we work with investee companies to focus on applied

research underpinning solutions to management issues and future concepts. This entails grounded research of advanced technology benefiting actual business operations while carefully exploring the usefulness of each advanced technology in-house. To further speed up

our advanced technology initiatives, NSD established the Advanced Technology Strategic Business Unit in October 2021, further strengthening collaboration between the Advanced Technology Business Division and the NSD Advanced Technology Research Institute.

## Our Current Research of Advanced Technology

### Creating Myriad Outcomes through Co-Creation with Partner Companies

Regarding research outcomes to date, the NSD Advanced Technology Research Institute is now in its fourth year since inception and it has already achieved solid progress in the form of products and services now in use around the world; not to mention its involvement in an increasing number of demonstration experiments. The themes of advanced technology are expanding outward to include AI-driven image analysis, natural language analysis, user interface (UI), AR, VR, and blockchain. In terms of analysis systems powered by AI, we are developing our own algorithms based on the characteristics of machine learning for each customer issue. Also, we are pursuing speed and scalability in the development and operation of IT systems harnessing agile development and microservice architecture.

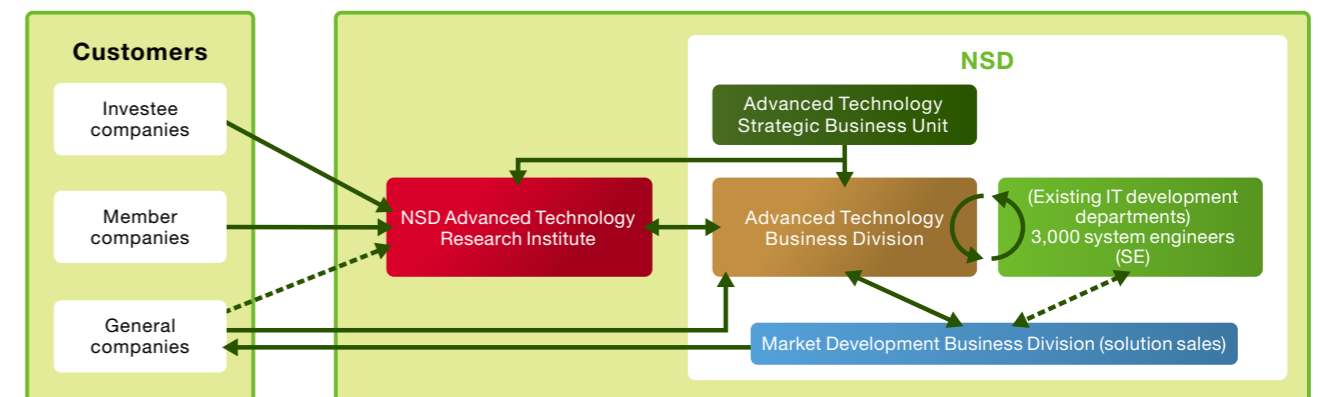
Within these activities, we receive many customer needs in image analysis and natural language analysis, and we have established a strong level of technology, expertise, and knowledge. The use of technology where

work processes involving visual confirmation with the naked eye, such as movements of goods and people in the factory, product finishing, people's expressions during interviews, are switched over to camera footage for analysis using a proprietary AI algorithm is set to grow going forward.

These solutions are made possible by core technologies established through our own proof of concept (PoC). We also on occasion establish research themes based on ideas gained from the challenges facing customers. During the commercialization process, the NSD Advanced Technology Research Institute works with the Advanced Technology Business Division to provide solutions unique to the NSD Group and adopt methods based on teamwork with customers as partners. In recent years, the number of joint research projects is also on the rise. We greatly value co-creation sharing our technology, knowledge, and expertise with partners.

In terms of outcomes, even in collaboration between the NSD Advanced Technology Research Institute and the Advanced Technology Business Division, we are making greater progress with personnel

### Structure of Actions for Advanced Technology



#### Investee companies

Internetworking & Broadband Consulting Co., Ltd. (IBC), Iwatsu Electric Co., Ltd., Nippon Telegraph and Telephone West Corporation, Signpost Corporation (in alphabetical order)

#### Member companies

JR Kyushu System Solutions Inc., Konoike Transport Co., Ltd., Lenovo Enterprise Solutions LLC, Lenovo Japan LLC, Marubeni Corporation, Marubeni Information Systems Co., Ltd., T&D Information System Ltd. (In alphabetical order)

## Operations Supporting Value Creation

The Future Ambitions of the NSD Group's Research of Advanced Technology

exchanges than expected and have sped up development by combining each other's technologies. For example, in response to IT modernization\* issues faced by customers of the Advanced Technology Business Division, the NSD Advanced Technology

Research Institute retains an extensive collection of elemental technologies useful as possible solutions. Personnel exchanges between the two organizations help to speed up solutions to customers' modernization issues. This collaborative process also increases the

### ● Examples of Technology and Research

**Image analysis**  
Object (kinetic) detection analysis  
Identification of uniqueness

**UI, VR, AR**  
Voice and gesture UI  
Utilization of VR and AR, etc.



**Natural language analysis**  
Voice and sound analysis  
Speaker identification and word vectoring

**Other fields**  
Blockchain

technical skills and expertise of employees of the Advanced Technology Business Division, while employees of the NSD Advanced Technology Research Institute are able to gain a keen sense of customers' needs and cultivates their insight of frontline operations. As a result, the NSD Group has been able to create this positive cycle, giving rise to a greater ability to address modernization issues.

\* Modernization: Revamping aging legacy systems based on current needs. This is an important action considered the first step for companies to achieve DX.



NSD's advanced laboratory

## The Future of Our Research of Advanced Technology

### Accelerating Commercialization and Human Resource Development, Paving the Way for NSD's Technology in the Future

Our future measures can be found in the "new technology and DX" section of our current medium-term management plan.

- Develop AI products (e.g. location information solutions, image analysis, voice recognition), expand sales base, and speed up business development
- Deepen collaboration and co-create with customers, expand outside networks in new technology field
- Promote sharing of knowledge and expertise from across specialist departments to each division in the Company
- Train personnel in new technologies and DX, expand training and incentive systems to add more personnel and improve their technical skills

When it comes to number one, development of AI products, we hope to release a constant stream of unique NSD solutions such as Tracking Navi and TeA-L/Right. Additionally, we are making progress with the planning and development of solutions proposing new ways of utilizing AI, and we hope to release these during the period of the current medium-term management plan.

As for number two, collaborate/co-create and expand outside networks in new technology fields, we intend to respond flexibly by constantly opening the door to new possibilities with not only existing partners, but IT venture companies as well. For example, we are hosting personnel from the research fields of AIST.

In regard to number three, sharing knowledge and expertise internally, we are working to step up collaboration between NSD Advanced Technology Research Institute and business divisions within NSD,

such as the Financial Business Division, the Social Infrastructure Business Division, and the Industrial Business Division. Although unrelated to this sharing, customers have applauded our efforts to share technology, knowledge, and expertise through personnel exchanges with partners as I mentioned earlier, and we intend to continue these arrangements to further enhance the continuity of our research activities.

As for number four, develop and train human resources and expand incentives, we will further enhance recruitment and development of talent from the standpoint of strengthening our management base. The NSD Advanced Technology Research Institute continues to hire graduate students with research experience in AI. With three to four years of practical experience, they have demonstrated the ability to deliver exceptional results. In research for commercialization, we sometimes co-create with customers, which I believe is a great motivator for our employees. To ensure that we can quickly provide the right answer to the required solutions, we will focus on building up our work environment where our employees can gain various types of experience. As for incentives, too, we will explore and implement the best framework for increasing employee motivation and satisfaction.

Unlike NSD's existing businesses, our culture starts from investigative research and development and our team has many younger employees, so I feel that our culture is symbolized by a free spirit where people speak their minds and actively engage in discussion. As our people bring this culture to the other 3,500 employees of the NSD Group, we hope to help create a corporate culture that is more ambitious and open to tackling new challenges.

Since its founding, NSD has grown on the back of its strong reputation among its many customers for technical prowess and sincerity in business. I believe that this spirit remains the same as it is passed down to today's generation of employees. We will pass down this tradition to the next generation of talent, as we continue working to ensure NSD is a corporate group essential to society in the future because of its development and social implementation of advanced technology.

## Examples of Commercialization Solutions

### ■ Tracking Navi

Tracking Navi visualizes people's movements in factories and other facilities. This applied solution combines the autonomous navigation technology of the National Institute of Advanced Industrial Science and Technology (AIST) with NSD's weight reduction technology. It analyzes people's movements in real time to create more productive work floor layouts and determine work procedures. Since it does not require large numbers of sensors, Tracking Navi has earned a strong reputation from customers for its reduced maintenance and cost performance.



### ■ TeA-L/Right

TeA-L/Right helps to promote correct handwashing practices. It uses AI to analyze handwashing to determine whether they are using the correct procedure and methods. It keeps handwashing records, which can be used as proof for hygiene control checks or comparison with work performance. Since it can also determine compliance with a customer's specific handwashing procedure and methods, TeA-L/Right can be used in a number of settings requiring strict handwashing practices, such as food factories and restaurants.



### ■ Solution Supporting Meeting Minutes Preparation Process (to be announced soon)

Using voice recognition technology and speaker identification technology, this solution can transcribe the spoken words of each speaker into text and also insert bookmarks at important junctures of the voice file using one stamp, making it easier to prepare meeting minutes and review the details of a meeting. The system is also convenient since only the minute taker needs to install the app. It can be used to transcribe text for both in-person and online meetings, ensuring compatibility with any work style.



## Initiatives to Support Sustainable Growth

### Sustainability Management

## Improving the effectiveness of sustainability management to contribute to a sustainable society and increase corporate value



**Hideshi Maekawa**  
 Director, Senior Managing Executive Officer  
 Head of Corporate Service Division  
 Head of Corporate Planning Division  
 In charge of Healthcare Business Division

The NSD Group's management philosophy is to contribute to the sound development of society by creating and providing solutions beneficial to people and society, while viewing coexistence and co-prosperity with employees, customers, and shareholders as the very essence of its corporate activities. Solving the varied and increasingly problematic social issues related to sustainability with the power of IT to help build a sustainable society is precisely the point of our management philosophy and is something we simply must do. To resolve these issues, the NSD Group has identified the following materiality items and is working to address them.

Firstly, as an IT company, we believe that it is our mission to leverage NSD's strengths in technological capabilities and wealth of business knowledge to solve not only our own issues but also those of our customers. We are therefore striving to solve social issues under the materiality item of social innovation with IT.

At the same time, since human resources are the most crucial asset for supporting these initiatives, we recognize that developing talent is also the most

important materiality item. As such, we are developing diverse human resources into true professionals. In addition, we are actively working on employee health, job satisfaction, and diversity and inclusion. We are making every effort to create a workplace where diverse human resources can thrive with job satisfaction. For example, we are reducing overtime hours, we have a fair personnel system, and we are promoting the active participation of women in the workplace.

Environmental issues such as climate change and waste are also important issues, hence we are working to reduce the amount of power used in our offices, moving to a paperless office, and we are reusing and recycling our computers.

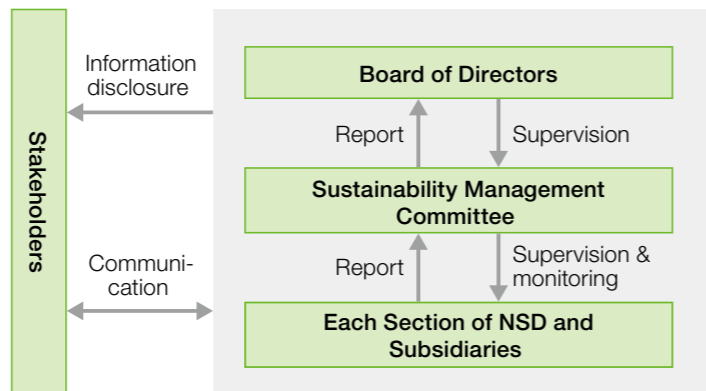
We also recognize that corporate governance and compliance are important foundations for corporate management. We will therefore cement these systems to build an unshakable management foundation.

Through our sustainability initiatives, the NSD Group will create new value needed to solve social issues, aiming for sustainable growth together with society as a Company that offers a "future for people and IT."

### ● Sustainability Management Structure

We have established the Sustainability Management Committee to oversee our sustainability activities.

General managers from departments within the Corporate Planning Division and Corporate Service Division serve as members of the committee, which is chaired by the President & CEO. The committee is responsible for gathering information, promoting cross-functional actions, as well as planning and implementing sustainability activities.



## Sustainability Declaration

Recognizing that the realization of a sustainable society is essential, we fulfill our social responsibilities by contributing to the sound development of society to create and provide new solutions beneficial to people and society, viewing coexistence and co-prosperity with employees, customers, and shareholders as our very essence of our corporate activities. We simultaneously strive for our sustainable growth by promoting ESG initiatives.

## Sustainability Initiatives Implemented by NSD

E

- Environmentally friendly business activities such as the use of renewable energy

### Target CO<sub>2</sub> Emissions

FY2030: 827t-CO<sub>2</sub>e  
 (35% reduction compared to FY2020 levels)  
 FY2050: 356t-CO<sub>2</sub>e  
 (72% reduction compared to FY2020 levels)



S

- Providing opportunities for skill development
- Promoting women's advancement in the workplace
- Creating a comfortable working environment that respects diversity
- Solving social issues by creating and providing solutions
- Taking on sustainability challenges together with business partners

### Target Overtime hours

Maintain less than 20 hours



### Target

Ratio of paid vacation days taken

75% or more



### Target

Ratio of male with childcare leave

FY2025: 30% or more



### Target

Ratio of female employees

FY2025: 20% or more



### Target

Ratio of women in management positions

FY2030: 10% or more

G

- Highly effective supervision and transparent management decisions
- Business execution that leads to efficient and sustainable growth
- Fostering and enforcing an awareness around compliance





## Materiality

### Identifying materiality items and promoting Group-wide initiatives

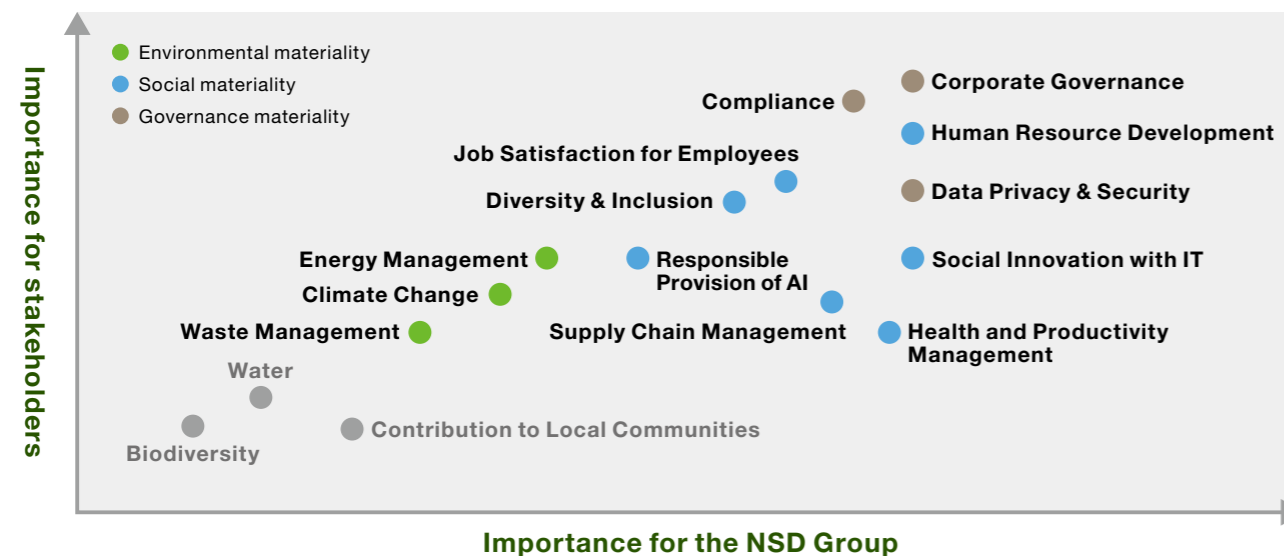
From among a wide range of ESG-related issues, we have identified materiality items based on the strengths of the NSD Group and industry characteristics and promote initiatives to effectively help build a sustainable society.

### Materiality Identification Process

In identifying materiality, we carried out the process with the advice of outside experts, based on the two perspectives of “importance for stakeholders” and “importance for the Group.”

<b>Step 1</b>	List issues facing the NSD Group	Issues and the voices of each stakeholder (shareholders, customers, employees, etc.) that each department or affiliated company should deal with are identified by means of questionnaires and interviews.
<b>Step 2</b>	Create materiality proposal	While receiving advice from a third party (external expert), each materiality item is prioritized and organized in the form of a map. (See the Materiality Map below)
<b>Step 3</b>	Verify the validity of the materiality proposal	The Sustainability Management Committee takes the lead in discussing the validity of content and priorities of each item of materiality.
<b>Step 4</b>	Identify materiality	Final decision after deliberation by the Board of Directors. (See the NSD Group’s Materiality on the next page)

#### Materiality Map



## NSD Group’s Materiality

	Materiality	Measures	
<b>E</b>	<b>Climate Change Energy Management</b>	<ul style="list-style-type: none"> <li>Thorough environmental management based on ISO 14001</li> <li>Environmentally friendly initiatives</li> </ul>	 
	<b>Waste Management</b>	<ul style="list-style-type: none"> <li>Reducing waste by going paperless and recycling computers, etc.</li> </ul>	 
<b>S</b>	<b>Human Resource Development</b>	<ul style="list-style-type: none"> <li>Skills development through extensive training systems and practical guidance</li> <li>Improving technical skills as engineers (from the basics to exploring advanced technologies)</li> <li>Improving human skills as members of society</li> </ul>	 
	<b>Health and Productivity Management</b>	<ul style="list-style-type: none"> <li>Providing an environment where employees can work safely and in good health</li> </ul>	
	<b>Job Satisfaction for Employees</b>	<ul style="list-style-type: none"> <li>Providing opportunities for employees to develop their skills</li> <li>Having a fair personnel system that rewards contribution</li> </ul>	  
	<b>Diversity &amp; Inclusion</b>	<ul style="list-style-type: none"> <li>Steady rollout of initiatives for women’s advancement in the workplace</li> <li>Creating a comfortable working environment that respects employee diversity</li> </ul>	
	<b>Supply Chain Management</b>	<ul style="list-style-type: none"> <li>Encouraging equal and fair dealings with business partners</li> <li>Sharing and taking on sustainability challenges together with business partners</li> </ul>	 
	<b>Social Innovation with IT</b>	<ul style="list-style-type: none"> <li>Solving social issues by creating and providing solutions that use advanced technologies</li> </ul>	 
<b>G</b>	<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>A Board of Directors that supports highly effective supervision and transparent management decisions</li> <li>Officer remuneration system to support business execution that leads to efficient and sustained growth</li> </ul>	
	<b>Compliance</b>	<ul style="list-style-type: none"> <li>Fostering and enforcing an awareness around compliance through regular training sessions</li> <li>Establishing a verification system to ensure fair trade and prevent corruption</li> <li>Preventing compliance violations, etc. by way of a whistleblowing hotline</li> </ul>	
	<b>Data Privacy &amp; Security</b>	<ul style="list-style-type: none"> <li>Improving employee literacy on information security</li> <li>Strengthening security through measures against cyberattacks, and vulnerability diagnostics, etc.</li> </ul>	 

# Environmental Initiatives

NSD recognizes that the conservation of the earth's environment is one of the issues for management. In an effort to limit our impact on the environment, the NSD Group is working to reduce energy consumption and waste derived from our business activities in accordance with our Environmental Policy.

NSD will contribute to a better, more prosperous global environment in collaboration with our customers and business partners across various industries.

## Environmental Policy

To create a sustainable society, the NSD Group will, in accordance with the Group's Sustainability Declaration, systematically and continuously work to conserve the earth's environment, including tackling the problem of climate change, helping to build a better, more prosperous global environment in collaboration with customers and business partners across various industries.

1. We will help conserve the global environment by reducing the impact our business activities, services, and products have on the environment.
2. We will clarify and comply with all environmental laws, regulations, and agreements associated with our business activities, as well as the requirements of our customers and local communities.
3. We will actively work to save resources and reduce waste by recycling to reduce the impact our offices have on the environment.
4. We will establish an environmental management system and set environmental targets, reviewing them regularly to make continuous improvements. We will also deliver education and promote activities on environmental issues to raise awareness among each and every employee on the environment.

## Climate Change & Energy Management

### Tackling Climate Change

In order to address the increasingly serious issue of global climate change, NSD has positioned climate change and energy management as one of its material items, and is working to reduce greenhouse gas (CO<sub>2</sub>) emissions by setting medium- to long-term targets in line with the framework of the Paris Agreement.

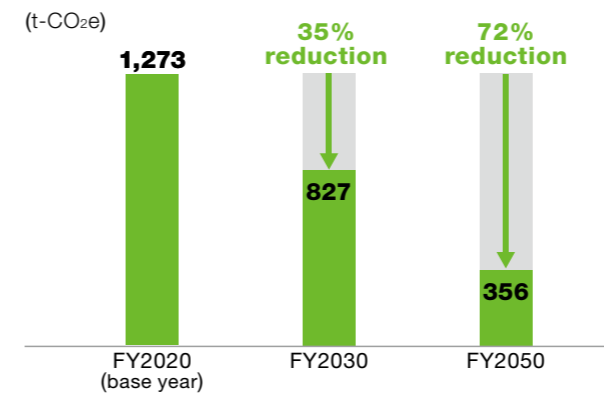
We conduct business with customers in a wide range of industries, and so we recognize the importance of predicting the impact that climate change, which brings more abnormal weather, storms and flood damage, will have on our business activities. Based on this understanding, we will analyze the risks and opportunities that climate change poses to our business and we will disclose all such information.

### Reducing Greenhouse Gas (CO<sub>2</sub>) Emissions

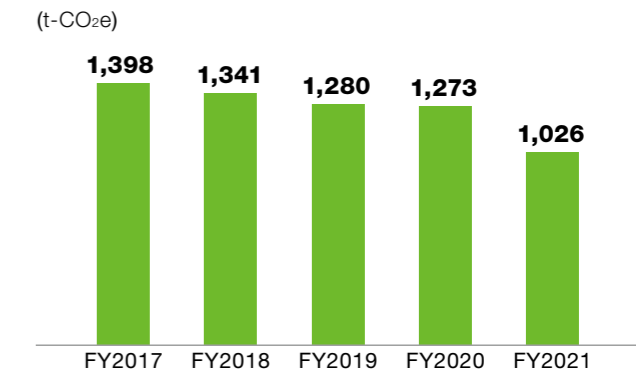
Since NSD is mainly engaged in software development and does not have facilities, such as data centers, that use large amounts of energy, the Group's direct CO<sub>2</sub> emissions are very small. For this reason, we aim to reduce CO<sub>2</sub> emissions by attempting to cut down on the amount of electricity and air conditioning we use in our offices. As such, we have set and are working toward long-term targets of a 35% reduction by fiscal 2030, ending March 31, 2031, and a 72% reduction by fiscal 2050 (compared to fiscal 2020 levels).

CO<sub>2</sub> emissions in fiscal 2021 were 1,026 t-CO<sub>2</sub>e, a 19.4% reduction compared to fiscal 2020 (base year) and down approximately 26.6% compared to fiscal 2017.

### CO<sub>2</sub> emissions reduction targets



### CO<sub>2</sub> emissions



Note: CO<sub>2</sub> emissions calculation formula: Electricity consumption at each site x Emission factor at each site

### Renewable Energy and LED Lighting

NSD has few in-house facilities with many of its offices rented in office buildings. Since it is difficult for us to introduce renewable energy and LED lighting by ourselves when implementing initiatives in our offices, we are making requests to the building management companies at each of our sites to switch

to renewable energy CO<sub>2</sub>-free energy tariffs and to change to LED lighting.

We have already switched to renewable energy power at our head office and Nagoya branch office.

LED lighting has also been installed at our head office, cutting the amount of lighting energy used by about half.

## Waste Management

NSD has been working to reduce waste, mainly with the recycling of computers that are no longer used in its business. We recognize that the reuse and recycling of waste and resources through separation is one of the issues of conserving the environment.

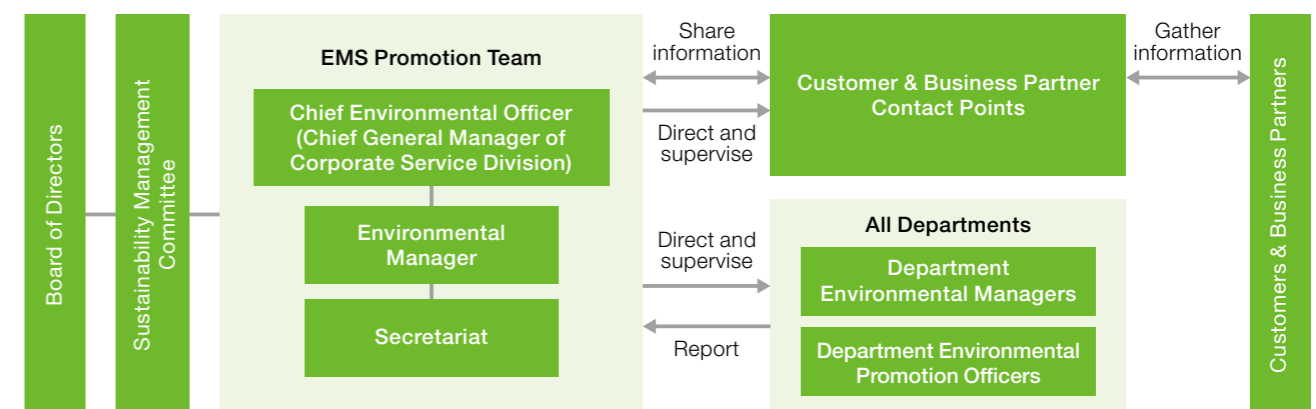
We will continue to actively work to reduce waste by going paperless and through maintaining a 100% reuse/recycling rate of computers in order to reduce the impact our offices have on the environment.

## Environmental Management System

In order to ensure our environmental initiatives are carried out, NSD has established an EMS\* Promotion Team under the Sustainability Management Committee, led by the Chief General Manager of Corporate Service Division as Chief Environmental Officer. The EMS Promotion Team supervises the status of initiatives in

each department of the Company and works to improve and enhance the Company's environmental measures by sharing information with customer and business partner contact points.

\* Environmental Management System



# Social Initiatives

Recognizing that our employees are our greatest asset, NSD strives to; operate a fair personnel system that rewards contribution; provide ample and well-suited opportunities for skill development; create a comfortable working environment, and; create a workplace where diverse human resources can thrive with job satisfaction. These initiatives are being promoted not only within the Company but throughout the whole supply chain.

We are also aiming for coexistence and co-prosperity with society by actively engaging in social innovation and social contribution with IT.

## Human Resource Development

In order to respond to changes in the business environment, such as with the ever-advancing cutting-edge technologies and rapid progress in digital transformation, NSD not only conducts a range of technical training programs so that employees can acquire the leading-edge technological skills, but also provides human skills training that encourages employees to be self-starters. In this way, NSD enhances both the technical and human capabilities of its workforce.

In addition to such training programs, NSD nurtures employee growth through the practice of assigning the right person to the right job.

### Training to Improve Technical Skills

NSD conducts training for employees based on their position and experience in the Company. The training is aimed at giving employees the basics of systems development and project management, including risk management training and drawing up project plans for systems development.

We also have some elective training programs so that employees can improve on their skills. This type of training seeks to provide employees with system development skills related to trends in technology, new technologies and digital transformation-related businesses, as well as the project management skills required for the respective roles and positions of the employee. In fiscal 2021, we conducted training on various topics such as Agile Development—Testing and Quality, and the Foundations of Web Application Development with Spring Boot. We also provide our employees with opportunities to participate in a variety of training programs, including external group training, SEcollege

(a course for system engineers), and e-learning courses.

Aiming to give and help employees improve their project management skills, NSD also encourages employees to obtain Project Management Professional (PMP)<sup>®</sup> certification which is granted to those who have a certain level of experience, education, and knowledge in project management. The purpose of this training is to help those employees who are expected to go on to promote projects acquire the right kind of project management expertise.



\* The PMI<sup>®</sup> ATP logo is a registered trademark of the Project Management Institute, Inc.

\* PMP<sup>®</sup> is a registered trademark of the US-based Project Management Institute.

### Training to Improve Human Skills

NSD conducts training for employees based on their position and experience in the Company to help them develop their human skills around the idea of becoming self-starters. Such training includes facilitation and coaching, vision formation, and strengthening value proposition capabilities. By combining these programs with on-the-job training to encourage employees in gaining the job knowledge and expertise as well as the skills specific to each workplace, we help support the growth of our employees with respect to every individual's unique characteristics.

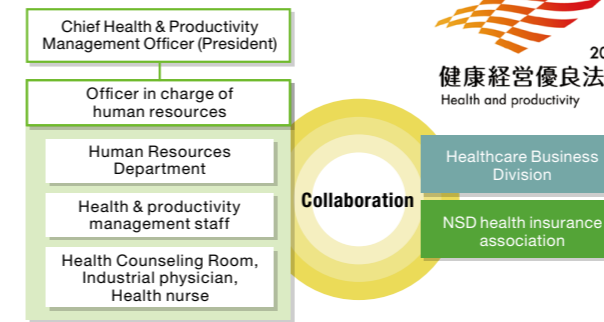
We also conduct training on specific topics to foster an awareness of compliance issues, ensure a thorough understanding on information security, and improve leadership skills for junior employees.

## Health and Productivity Management Initiatives

For each and every employee to fully demonstrate their capabilities and play an active role, they must be physically and mentally healthy and have a fulfilling private life. The Chief Health & Productivity Management Officer is the president. The top officer responsible for planning

and implementing initiatives is the officer in charge of human resources. The Human Resources Department promotes health and productivity management in cooperation with the Healthcare Business Division and the NSD health insurance association.

### Organizational structure for promoting health and productivity management



### Health promotion and disease prevention

NSD strives to help improve employees' lifestyle habits and health literacy, and prevent mental and physical illnesses.

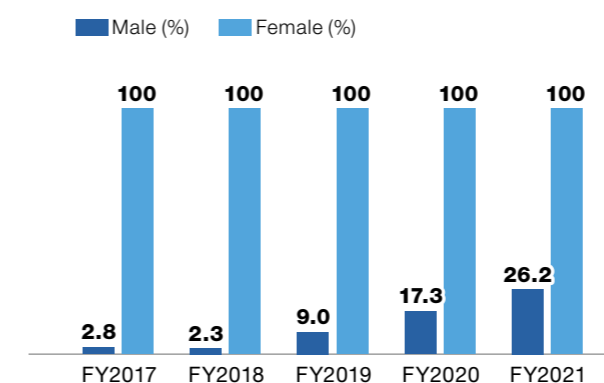
We have also put into place a consultation system staffed by industrial physician, health nurse and health staff of the Human Resources Department. Depending on the results of their health exam, an employee may undergo ongoing medical follow-up or may be encouraged to take more thorough examinations.

### Balancing work with childcare, nursing care and medical treatment

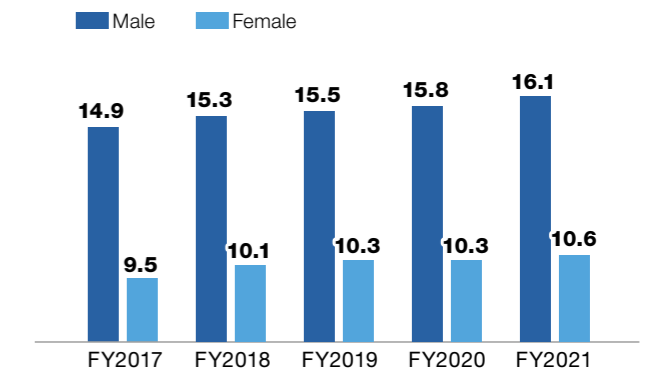
NSD has created a considerate system so that employees bringing up children can continue to work comfortably with peace of mind. As well as establishing a system that surpasses the requirements of Japanese law, such as allowing childcare leave to be extended until the end of April of the fiscal year following the date the child reaches the age of two, and allowing employees with children to work shorter hours until the child finishes elementary school, we provide support for employees returning to work and provide information even during childcare leave. We have established a corporate culture where employees can feel free to take childcare leave and NSD follows up with them when they return to work. As a result, the percentage of female employees taking childcare leave has been 100% since FY2000, when we began taking this statistic. We also encourage male employees to take childcare leave, with the number of male employees doing so, on the rise.



### Ratio of employees taking childcare leave



### Trends in average years of service



We have also created a system where employees can balance work and caring for family members by taking leave or working shorter hours. Industrial physicians and public health nurses counsel employees who are being treated for cancer, cardiac diseases, or brain diseases and share information with their bosses. In this way, we help employees being treated for a medical condition balance treatment and work.

We have developed an environment where employees can continue to work, and as a result, the average years of service of both male and female employees have been increasing.

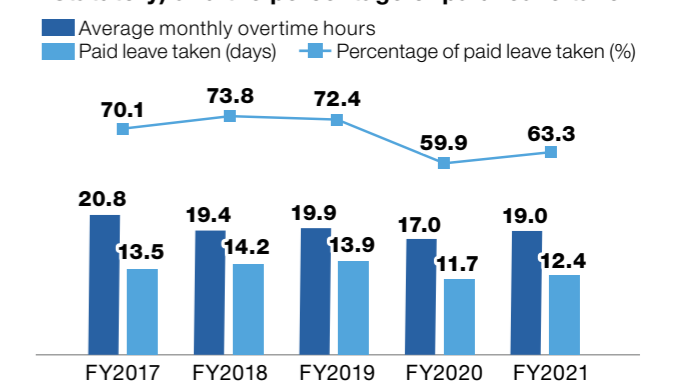
### Reducing long overtime hours and creating an environment where employees can feel free to take paid leave

NSD aims to achieve average overtime hours of 20 hours or less and employees taking 75% or more of their paid leave. We strive to reduce overtime hours and create an environment where employees can feel free to take paid leave.

We allow employees to take half-day leave and take leave by the hour. We also provide leave for meritorious long service. We provide a variety of leave options so that each employee can take leave flexibly in ways that are convenient for them. As a result, employees took more than 70% of their paid leave from FY2017 to FY2019 (the government's target is 70% by 2020).

In FY2020 and FY2021, the percentage of paid leave taken by employees was below 70%, reflecting a reduction in the frequency of people going out and restrictions on everyday life due to the pandemic.

### Trends in average monthly overtime hours (non-statutory) and the percentage of paid leave taken



## Initiatives to Support Sustainable Growth

Social Initiatives

### Diversity & Inclusion

NSD strives to create and maintain a comfortable working environment, creating a workplace where diverse human resources can play an active role with job satisfaction, regardless of gender, sexual orientation, age, educational background, race, ethnicity, nationality, ideology, beliefs, or physical, intellectual, or mental disability.

#### ■ Efforts to promote women's advancement in the workplace

In order to promote the active participation of women in the workplace, NSD has set a target of increasing the ratio of female employees to 20% or more by fiscal 2025 and to 10% or more for women in management positions by fiscal 2030. Our recruitment activities are based on the policy of ensuring that at least 40% of all new graduates hired each year are women. Our aim is to increase the ratio of female talent, including in management positions as core to the Company's human resources, by increasing the ratio of female employees.

#### ● Ratio of women

	2018	2019	2020	2021	2022
Employees (March 31)	16.7%	17.0%	17.6%	18.7%	19.3%
Managers (March 31)	1.2%	3.5%	3.5%	4.7%	5.4%

	2018	2019	2020	2021	2022
New graduate hires (joined April 1)	27.0%	30.9%	37.2%	35.7%	32.3%

As part of our efforts in recruiting new graduates, we provide opportunities for female students to come and speak with female employees of different age groups and careers helping to give them an idea of what their career could be like after joining the Company. We have also set up a page on our website introducing some of our female engineers and managers in an effort to provide more information.



#### ■ Creating a Workplace Where Diverse Human Resources Can Thrive

##### Diversity in the workforce and equal opportunity initiatives

As well as enhancing some of our benefits programs, including the accrual leave system and return-to-work interviews, to support a balance between childcare, nursing care, medical treatment and employment, NSD is actively working to foster an internal culture that makes it easy to benefit from such systems with, for example, messages from senior management, educational booklets, and seminars on work-life balance.

##### D&I training

NSD carries out training on diversity and inclusion in an effort to create a workplace free from discrimination. Furthermore, we respect the diversity of our employees and promote mutual understanding through e-learning programs and educational booklets on LGBTQ issues.

#### ■ Human Rights Initiatives

NSD supports international norms on human rights stipulated in the UN's International Bill of Human Rights and the International Labour Organization's ILO Declaration on Fundamental Principles and Rights at Work. In compliance with laws and regulations, we respect the basic labor rights of workers to act collectively, bargain collectively, and the right to organize.

At any time in or outside of the workplace, we will not engage in any behavior or make any remark that violates human rights, and we will not discriminate on the basis of gender, sexual orientation, age, educational background, race, ethnicity, nationality, ideology, beliefs, or physical, intellectual, or mental disability. In addition, we do not tolerate forced labor or child labor under any circumstances.

### Supply Chain Management

NSD's business operations are supported by many business partners. We recognize that further deepening cooperation with these business partners will be vital to our efforts to achieve a sustainable society. To this end, as well as engaging in equal and fair business transactions, we are actively promoting work style reforms together with our business partners, with focus on telework and reducing working hours by streamlining business processes.

#### ■ Sustainable Procurement Guidelines

To work with our business partners toward the realization of a sustainable society, we created guidelines, with reference to the Code of Conduct created by the Responsible Business Alliance, an industry coalition dedicated to corporate social responsibility in global supply chains, to outline the matters in which we expect our business partners to engage. As such, we have requested that our business partners understand and implement our Sustainable Procurement Guidelines.



#### ■ Initiatives to Deepen Collaboration with Business Partners

##### Fair and equitable business transactions

Whenever we commence business dealings with a new business partner, the Development Support Department reviews the transaction to ensure compliance with laws.

We have also established a whistleblower hotline that is accessible by our business partners in an effort to prevent fraud and scandals.

##### Regular sharing of information with senior management of business partners

The understanding and cooperation of business partners are vital to achieving a sustainable society. NSD visits its business partners regularly to hold dialogue with senior management so as to gain their understanding about our approach to sustainable procurement and request their active involvement in our sustainability activities.

In addition, we have established the Sustainability Procurement Guidelines to clarify our approach. We are also working to inform business partners about our approach to sustainability through a dedicated contact desk.

#### ■ Creating a comfortable work environment for our diverse workforce

NSD is also working to foster workplaces that are comfortable and offer diverse work styles for our business partners, too, in much the same way as our own employees.

During the pandemic, we quickly expanded our network equipment for remote connections to establish a telework environment accessible also to business partners.

We are working to prevent long working hours by sharing working hour data with the managers of our business partners and discussing ways to increase the efficiency of business processes. Each procurement department uses an IT system to carefully monitor the working hours of dispatched workers in particular to ensure compliance with Article 36 of the Labor Standards Act.

#### ■ Training support for business partners

NSD offers the same IT training programs provided to its new employees to the new employees of its business partners, too, to help enhance their IT skill level.

#### ■ Rigorous information security countermeasures with business partners

To maintain good supply chains, it is vital to have a high degree of awareness on information security matters so that measures can be continuously taken.

NSD assesses new business partners based on its Information Security Policy to make sure that they have an appropriate information security management system in place. If they fail to satisfy our requirements, we may refuse to do business with them.

Additionally, every year we provide information security training to our business partners to foster understanding of and ensure compliance with our Information Security Policy.

## Initiatives to Support Sustainable Growth

Social Initiatives

### Contributing to Society

#### ■ Developing Talent in IT for the Future

As an initiative to develop talent to lead the way forward in information technology, NSD supports activities to foster creativity as well as programming courses for children.

#### Sponsor of the All Japan KOSEN Programming Contest

The contest invites technical college students from national, public, and private schools nationwide to submit programs and source codes with the aim to supply the very best talent to the IT industry. (Organized by the Japan Federation of KOSEN Association)

#### Sponsor of the PCN Kids Programming Contest

The contest invites elementary and junior high school students from across Japan to participate in games, online programming, digital crafts, and more, providing children with the opportunity to take on new challenges and create new things. (Organized by the Programming Club Network (PCN))



Photo courtesy of PCN

#### Sponsor of CyberSakura

CyberSakura is an educational program aimed at fostering future talent in cybersecurity. The program aims to improve literacy in computers, networks, and security for junior high and high school students nationwide through practice sessions where students can gain practical experience, as well as competitions where students compete for the highest score. (Organized by L community)

#### ■ Contributing to Local Communities

##### Regional revitalization initiatives

In addition to our main offices in Tokyo, Osaka, Nagoya, and Fukuoka, NSD is branching out to regional areas, opening offices in Sendai and Hiroshima from 2022. With this expansion into regional areas, we are responding to the needs of those choosing to remain in their communities, creating employment opportunities in local areas, as well as helping to develop and provide work for IT engineers.

In conjunction with the opening of our Sendai office, we donated to a growth industry promotion project run by Sendai City, showing our support for regional revitalization initiatives that back the development of IT human resources and promote the IT industry through industry-academia-government collaboration.

#### Initiatives to support disaster-affected areas

In the wake of the Great East Japan Earthquake, in addition to providing network diagnostic services\* free of charge and gifting money to affected areas, NSD passed on donations from employees to the West Japan Heavy Rain Disaster Relief Fund, helping to provide disaster relief and assist with recovery from natural disasters.

\* A service that quickly collects and analyzes the communication status of network equipment and work devices such as the servers, switches and routers of companies in disaster-stricken areas, and then makes proposals for system recovery and business continuity.

#### Social Contribution through a Shareholder Benefit Program

NSD offers shareholder benefits that allow shareholders to select preferential products from a product catalog. With this shareholder benefit program, we have established the following donation options as a way for our shareholders to contribute.

- Supporting IT education for the children of the future
- Supporting children's cafeterias
- Support for disaster areas
- Support for developing countries
- Support for medical workers and medical institutions fighting the pandemic



### Social Innovation with IT

The rise of new technologies in recent years, such as AI and IoT, has led to the use of big data and business digitalization. Information technology, therefore, not only helps to improve operational efficiency but also plays a role in creating new businesses.

Against this backdrop, NSD makes full use of new

technologies in developing systems for customers, helping to solve through digital transformation (DX), the many different problems customers face.

Through the development and provision of solutions and products, NSD is working to solve many of the issues common to its customers with the following key DXs.

#### ■ DX of work sites such as factories and warehouses

In order to improve operational efficiency at work sites, such as in factories and warehouses, it is necessary to have a number of different constructs in place beyond merely trusting to our intuition or experience. These can include accurate and unbiased data for analyzing the movement of workers, data visualization to better understand the information, and digital means to share work site conditions.

By visualizing the data of workers' locational information through the use of autonomous

navigation technology, Tracking Navi provides an analysis tool that helps to create layouts to ensure safety, reduces congestion and shortens walking distances at work sites. With Tracking Navi it is possible to dramatically improve work efficiency and worker safety.



#### ■ DX of health management

Amid the demand for health and productivity management, it is essential for companies to actively encourage, and for employees to willingly take part, so that health management measures can be publicized and take root. Moreover, as working from home becomes more widespread, there is a need for a new way of health management not constrained by work location or working hours.

CAReNA provides the solution where information on health measures can be shared,

vital data such as weight, blood pressure, blood glucose levels, and step count can be registered, and health check surveys can be carried out all with a single app on a smartphone. CAReNA can also be used as a platform for companies and employees to communicate with each other.



#### ■ DX of school education

School education is also beginning to move toward digitalization, as seen in programming education becoming a compulsory subject in an effort to develop future talent in IT. The use of IT in education has various advantages, for example, education can be provided regardless of location, and learning processes and outcomes can be recorded and shared.

MANA BOX is a learning portfolio that enables information sharing among teachers, students, and parents by centrally managing learning objectives, learning processes, assignments, and

learning outcomes for each subject, as well as self-assessments, evaluations from teachers, and evaluations from other students.

Schools that were among the first to start to introduce digitalization in educational settings were able to continue to provide education without closing even during the pandemic.



# Governance Initiatives

NSD Group recognizes that both corporate governance and compliance are critical components of company management.

We will continue to strive to maintain and strengthen relevant systems to further solidify the foundation for NSD's existence.

As an IT company, NSD is focused on enhancing data privacy and security as well as improving quality management.

## Corporate Governance

NSD's basic approach to corporate governance is to earn the trust of our shareholders and investors by applying the principles and provisions of our Management Philosophy and Basic Management Policy towards accelerating decision-making, clarifying management responsibilities, enhancing and strengthening our compliance structure, and by engaging in timely and appropriate information disclosure. We believe that a firm corporate governance structure is the foundation that will enable us to secure appropriate profits and make sustainable increases to our corporate value.

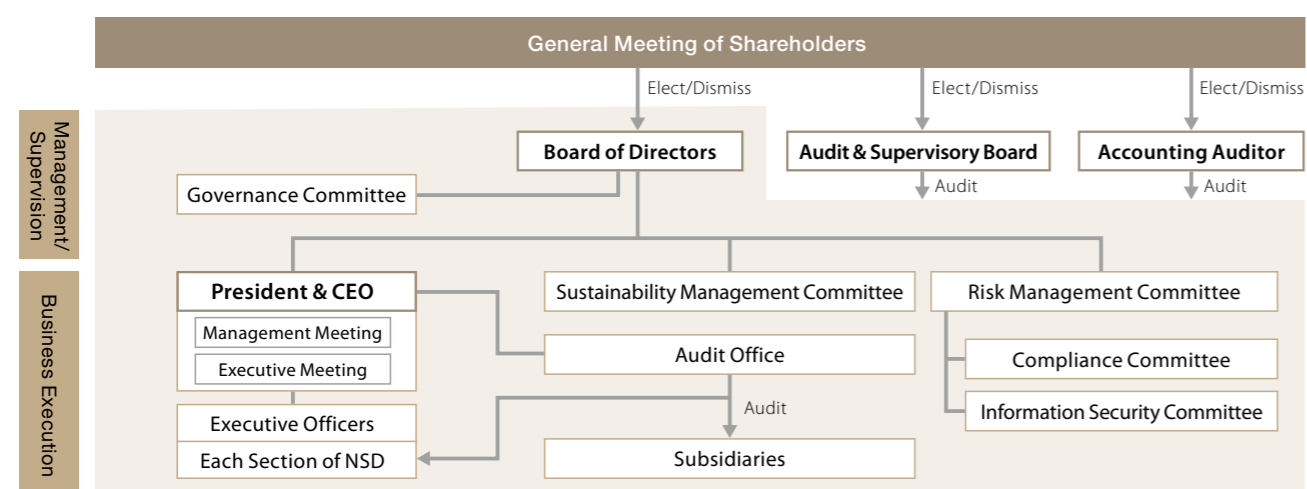
### Corporate governance structure

NSD has adopted an Audit & Supervisory Board structure. In addition to the General Meeting of Shareholders and directors, our corporate bodies include Board of Directors, Audit & Supervisory Board, Audit & Supervisory Board members, and accounting auditors. We also have established various committees, including a Governance Committee as an advisory body

to the Board of Directors, a Management Meeting and Executive Meeting as deliberation bodies for the President & CEO, and various committees such as Sustainability Management Committee and Risk Management Committee subordinate to the Board of Directors. To accelerate decision-making by the Board of Directors and strengthen auditory functions, we also have adopted an executive officer system to promote dynamic business execution.

### Board of Directors

The Board of Directors is comprised of seven directors, of which three are outside directors. The Board of Directors convenes, as a general rule, at least once per month to decide on important matters related to management and business execution, as well as to monitor the status of the execution of duties by each director. Board of Directors meetings are attended by three Audit & Supervisory Board members, who confirm the legality of decision making and the execution of duties by directors.



### Audit & Supervisory Board and Audit & Supervisory Board members

The Audit & Supervisory Board is comprised of one full-time Audit & Supervisory Board member and two outside Audit & Supervisory Board members. The Audit & Supervisory Board members audit the status of the execution of duties by directors and the internal controls system by attending Board of Directors meetings and other important meetings as well as by examining the status of business and assets. The Audit & Supervisory Board determines audit policy and the division of duties for Audit & Supervisory Board members, and holds regular meetings to discuss the audit results of each Audit & Supervisory Board member.

### Governance Committee

We have established a Governance Committee as an advisory body to the Board of Directors to ensure fairness, transparency, and objectivity in decision-making conducted by the Board of Directors. The Governance Committee is chaired by the President & CEO, and is comprised of a total of four members: the President & CEO and three outside directors. The Committee provides advice and recommendations to the Board of Directors based on deliberations of various matters, including the nomination and removal of directors and Audit & Supervisory Board members and remuneration systems for directors, and decides on matters delegated by the Board of Directors.

### Management Meeting and Executive Meetings

We have established a Management Meeting and Executive Meeting as deliberation bodies for the President & CEO.

The Management Meeting is chaired by the President & CEO, and is comprised of a total of eight members: seven directors (including three outside directors), and the Full-time Audit & Supervisory Board member. The Management Meeting convenes at least one per month to deliberate and report on important matters related to management, including management plans and management strategy.

The Executive Meeting is chaired by the President & CEO, and are comprised of a total of 12 members: seven directors (including three outside directors), the full-time Audit & Supervisory Board member, and four executive officers. The Executive Meeting is convened at least one per month to deliberate and report on important matters related to business execution, including budget creation and the status of implementation.

### Various committees

As organizations under the Board of Directors, we have established the Sustainability Management Committee, which addresses the SDGs and ESG issues cross-functionally, and the Risk Management Committee, which manages risks facing the entire company.

Also, as an organization under the Risk Management Committee, we established the Compliance Committee, which addresses compliance violations and formulates measures to prevent these violations, and the Information Security Committee,

which establishes company-wide security countermeasures and formulates regulations, such as the information security policy.

### Officer Remuneration

#### Policy and details of director remuneration

The remuneration of NSD's directors is calculated based on the roles and responsibilities of each position, while also emphasizing links with performance in order to strengthen the incentive for enhancing the Company's performance. Therefore, director remuneration consists of base remuneration as fixed remuneration, bonus as short-term incentive-based remuneration, and stock remuneration as medium- to long-term incentive-based remuneration. The ratio of incentive-based remuneration to total remuneration of each individual director is at least 30%.

However, outside directors, who occupy a position of independence from business execution and who are responsible for the supervision of management, only receive base remuneration, which is fixed remuneration, because performance-linked remuneration is not suited to their role.

#### Base Remuneration

Base remuneration is paid monthly as fixed remuneration for the performance of duties. It is paid according to the base remuneration table following the roles and responsibilities of each position.

#### Bonus

Bonuses are paid annually as short-term incentive-based remuneration for achieving the business plan for each fiscal year.

They are calculated by reflecting the performance and qualitative evaluation results in the standard bonus amount prescribed by position following the bonus calculation standards. Performance evaluations use net sales, operating profit, ordinary profit and net profit (consolidated basis) as financial indicators for appropriately reflecting performance in each year under evaluation. The ratio calculated based on the rate of achievement of these targets is used as an evaluation indicator. Qualitative evaluations consider the directors' roles, implementation of responsibilities, and their activities for the year under evaluation that cannot be assessed using financial indicators.

#### Stock Remuneration

Stock remuneration provides an incentive for continuously enhancing the Company's corporate value and promotes shared value between directors and shareholders. It comprises restricted shares issued annually as medium- to long-term incentive-based remuneration.

#### Procedures for approving director remuneration

The details and procedures for approving director remuneration are stipulated in the Policy on Remuneration for Directors and Executive Officers. This policy is determined by the Board of Directors based upon deliberations held at meetings of the Governance Committee.

## Initiatives to Support Sustainable Growth

### Governance Initiatives

#### ● Total Remuneration for Each Officer Category (FY2021)

Category	Payment amount (thousands of yen)	Total amount for each type of remuneration (thousands of yen)			Number of recipients
		Fixed remuneration	Performance-linked remuneration	Non-monetary remuneration	
<b>Directors (Outside directors)</b>	157,323 (25,200)	118,500 (25,200)	27,200 (—)	11,623 (—)	7 (4)
<b>Audit &amp; Supervisory Board members (Outside Audit &amp; Supervisory Board members)</b>	28,800 (13,200)	28,800 (13,200)	—	—	3 (2)
<b>Total</b>	<b>186,123</b>	<b>147,300</b>	<b>27,200</b>	<b>11,623</b>	<b>10</b>

\*1. Director remuneration does not include salary paid to directors who serve concurrently as employees.

\*2. Fixed remuneration is the amount of base remuneration paid during the fiscal year ended March 31, 2022, performance-linked remuneration is the amount of bonus with the fiscal year as an eligible period, and non-monetary remuneration is the amount of stock remuneration incurred as an expense during the fiscal year.

The Governance Committee, entrusted by the Board of Directors, approves the basic remuneration table, bonus calculation standards and standard bonus amount, and stock remuneration threshold amount based on this policy.

With regard to bonuses, executive directors conduct performance and qualitative evaluations of those eligible for payment through consultation, and formulate a plan for the amount of bonuses for each individual. The Governance Committee verifies the appropriateness of this individual-specific payment proposal and resolves the total amount of payment at meetings of the Board of Directors.

#### ■ Internal Controls System

NSD has established and operates an internal controls

system in compliance with the Basic Policy on Establishment of Internal Controls System established under the provisions of the Companies Act and the Regulations for Enforcement of the Companies Act. We report the status of the system and its implementation to the Board of Directors every fiscal year as part of our assessment of the internal controls system as a whole, and when required, we make improvements to the system.

Additionally, we have established the Governance Committee as an advisory body to the Board of Directors. This committee ensures fairness, transparency and objectivity in decisions made by the Board of Directors and works to strengthen NSD's corporate governance.

## Compliance

NSD recognizes that compliance forms an important foundation of its corporate activities. Accordingly, we have established the NSD Group Code of Conduct and the NSD Group Behavioral Guidelines, and have developed a compliance structure. In addition, through training and other means, we strive to increase awareness of compliance among officers and employees and to carefully abide by laws and regulations.

#### ■ Compliance Structure

NSD has established the Compliance Committee under the Risk Management Committee, which carries out company-wide cross functional risk management.

The Compliance Committee is chaired by the President & CEO and consists of members including related officers and department managers. It strives to ensure employee compliance with laws and regulations through response to compliance violations and the formulation of preventive measures.

Following the changing operating environment and increasingly diverse and complex nature of business activities, it is becoming even more important to foster

awareness of legal compliance among employees and increase their compliance literacy. Toward this end, we are actively working to enhance our training and awareness program on compliance.

#### ■ Compliance Training

NSD considers compliance training to be a mandatory component of training on its Risk Management Rules. Every year, we provide comprehensive training to officers and employees and also offer separate training sessions as needed.

The training curriculum is expansive and covers a host of subjects from laws and regulations to labor management and harassment.

#### ■ Compliance and Workplace Harassment Hotlines

From the standpoint of ensuring the effectiveness of our compliance structure and in an effort to prevent compliance violations and harassment in the workplace, NSD has established a compliance hotline and harassment hotline allowing all individuals involved in

the NSD Group's operations, including officers, employees and business partners, to submit a report or share a concern without fear of reprisal.

Each hotline has both internal and external (law office) contact points, providing an environment where reports or consultations can be made without hesitation.

#### ■ Ensuring Fair Trade and Preventing Corruption

##### Ensuring Fair Trade

The NSD Group Code of Conduct and the NSD Group Behavioral Guidelines both require that our actions abide by correct corporate ethics and comply with relevant laws and regulations, including Japan's Unfair Competition Prevention Act and Anti-Monopoly Act.

Prior to commencing business dealings with a new

customer or business partner, we review the transaction to ensure compliance with various laws and ordinances, such as Japan's Subcontractor Act and Temporary Staffing Services Act.

##### Actions to Prevent Corruption

We engage in fair business activities following social norms and comply with anti-corruption laws and regulations, including Japan's Unfair Competition Prevention Act.

The NSD Group Code of Conduct prohibits business entertainment and gift giving, along with provision of improper money, goods, benefits, or other economic benefits to public officials and those in similar positions. Through compliance training, we ensure that appropriate action is taken in all relevant situations.

## Data Privacy & Security

As an IT company responding to the era of digital transformation, NSD is working on data privacy and security as one of our most important challenges in order to earn the trust of customers and society.

Recognizing information security incidents such as leaks and unlawful disclosure of information as major risks for corporate management, we strive to safely and securely handle (maintain confidentiality, integrity, and availability) information assets, including personal information, as a company that handles important information for customers and employees.



3. We will comply with laws and regulations regarding information security and the protection of personal information.
4. We will inspect and audit our compliance with the information security policy in an effort to operate it appropriately.
5. We will continuously ensure the effectiveness of our information security policy in response to social and technological changes.

#### ■ Establishment of an Information Security Management System

NSD has established the Information Security Committee under the Risk Management Committee to strengthen information security. The committee regularly assesses information security risks facing the company as a whole, put in place preventive measures, and reports on the status of compliance with rules.

Moreover, we are taking physical measures by developing systems such as equipment and functions to prevent the risk of information leaks, malware and other virus infections, as well as unauthorized access to the Internet and e-mails.

#### ■ Employee Training on Information Security

Every year, NSD carries out training for employees on the Company's rules and risks. Furthermore, we regard problems related to information security that occur on a daily basis outside NSD as issues of our own. As such, we verify whether there are any similar problems within the Company, and make them known to all employees. When laws and regulations such as the Act on the Protection of Personal Information are revised, we provide education to employees to ensure thorough compliance with such laws and regulations.

#### ■ Basic Policy on Information Security

To maintain the confidentiality, integrity, and availability of all information assets, thereby earning the trust of customers and society, NSD has established its Basic Policy on Information Security in an effort to ensure the security of information.

Moreover, specific measures are stipulated in the Information Security Standards and Information Security Procedures as sub-provisions of the Basic Policy on Information Security to ensure that measures are effective.

##### Basic Policy on Information Security

1. We will establish and comply with an information security policy in order to protect information assets from the threats of disaster, damage, negligence, and willful intent.
2. We will make our employees aware of the importance of information security and ensure that they are fully aware of our policy so that they can handle information assets appropriately.

## Initiatives to Support Sustainable Growth

### Governance Initiatives

#### ■ Cyber Attack Countermeasures

In addition to information leaks and cyberattacks by hackers, the risks of organized terrorist cyberattacks from other countries, such as ransomware demanding money and the shutting down of vital infrastructure, have recently come to the fore.

In light of these heightened security risks, NSD outsources vulnerability assessments of internal and external systems to a third-party in order to prevent

unauthorized access and malware infection. Furthermore, we are working to strengthen security by providing targeted attack countermeasures, firewalls, web content filtering, and an intrusion prevention system (IPS).

As targeted email attacks are evolving and becoming even more sophisticated, we will strengthen our defenses and provide training and education to eliminate human vulnerabilities.

## Quality Management

To provide quality that satisfies our customers, NSD aims to improve quality and productivity by way of a continuous implementation of the PDCA cycle through three initiatives: quality management based on quality guidelines, process improvements through the rollout of a standard process, and training for improving our technical skills.

We have established the Quality Support Department as a specialized unit in charge of quality management, and the Technology & Process Support Department as a specialized unit in charge of process improvements and technical skills training.

#### ■ Quality Management based on Quality Guidelines

Based on quality guidelines, NSD evaluates and improves quality in every phase and process, from project estimates to delivery. For projects over a certain size, members of the Quality Support

Department are given exclusive responsibility, and together with the departments in charge of development, work on quality assurance activities.

#### ■ Process Improvement Through Rollout of a Standard Process

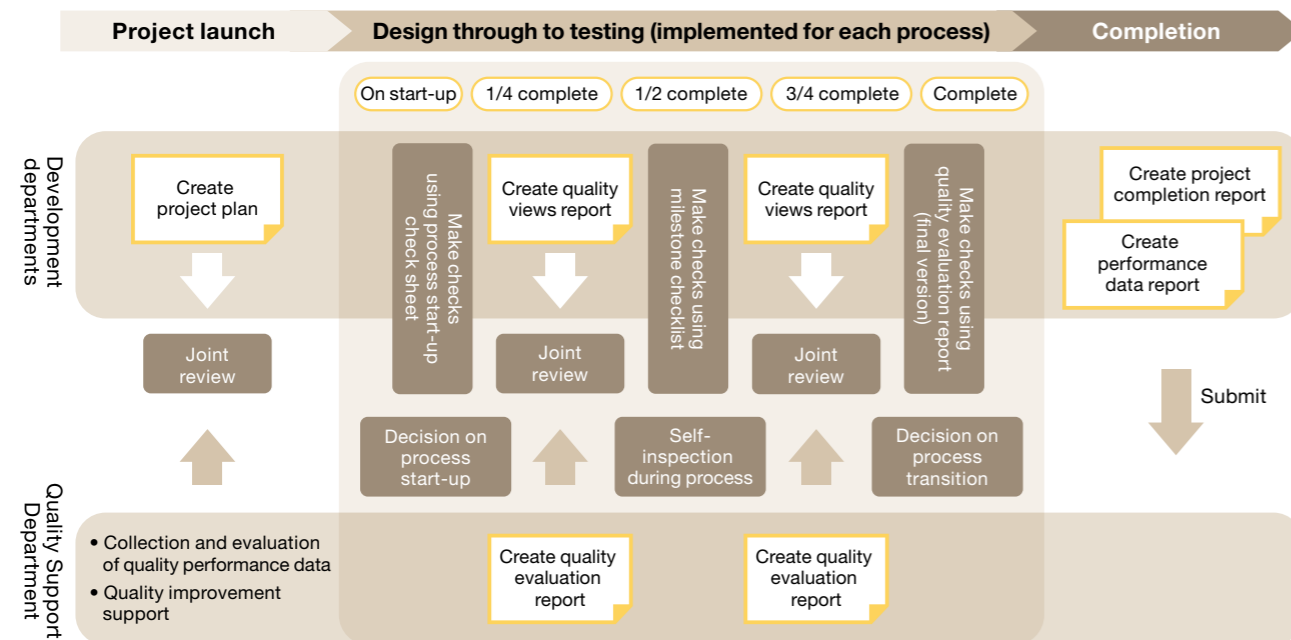
As part of our efforts for process improvement, we have established an NSD standard process which is being rolled out across the Company.

By using the NSD standard process, we are working to standardize the work procedures and templates used at the development site.

Furthermore, NSD has adopted Capability Maturity Model Integration (CMMI)\* as an improvement model and created an NSD standard process by imparting our experience and achievements in CMMI theory.

\* CMMI is a framework developed at Carnegie Mellon University's Software Engineering Institute to improve software development processes.

#### ● Project flow for quality evaluation and improvement

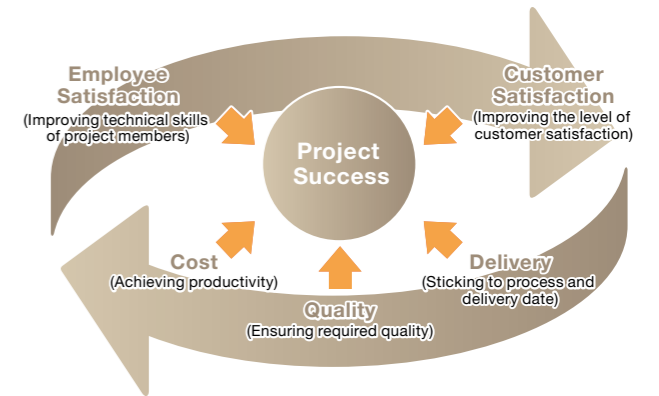


#### ■ Achieving QCD+CE

At NSD, we define the successful elements of a project in terms of achieving the five elements QCD+CE, and we proceed with a project with these elements in mind.

We define the three basic elements of project success as: Quality, ensuring the quality demanded by the customer; Cost, achieving the target productivity; and Delivery, meeting not only the delivery date to the customer but also the completion of each process. We have also defined two additional elements of project success as an organization: Customer satisfaction; and Employee satisfaction; upskilling of project members. At NSD, our aim is to ensure we achieve all these five elements in every project.

#### ● The five elements of project success



## Return of Profits to Shareholders

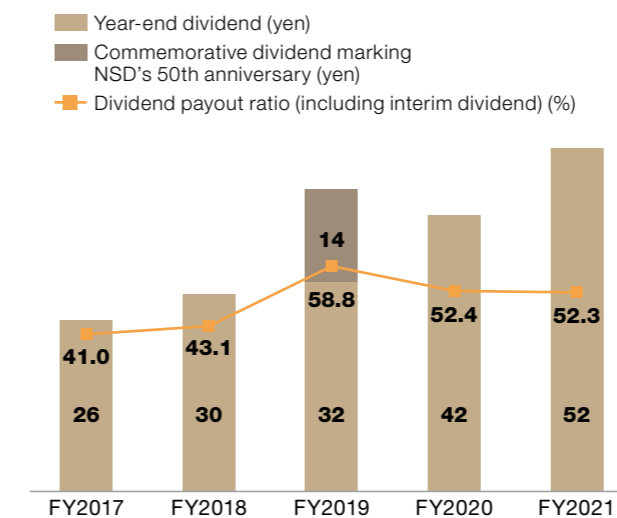
Positioning the return of profits to shareholders as the most important task of management, NSD actively returns profits to shareholders based on its policy to share outcomes of the Group on a consolidated basis with its shareholders.

NSD's basic policy is to achieve a total return ratio of at least 70% (announced in May 2021). We return at least 50% of net income attributable to owners of the parent as dividends and buy back shares equivalent to at least 20% of this amount.

In fiscal 2021, we achieved a total return ratio of 86.3% (dividend payout ratio of 52.3%) as a result of providing total shareholder returns of ¥6.7 billion, comprising dividends of ¥4.0 billion and share buybacks of ¥2.6 billion.

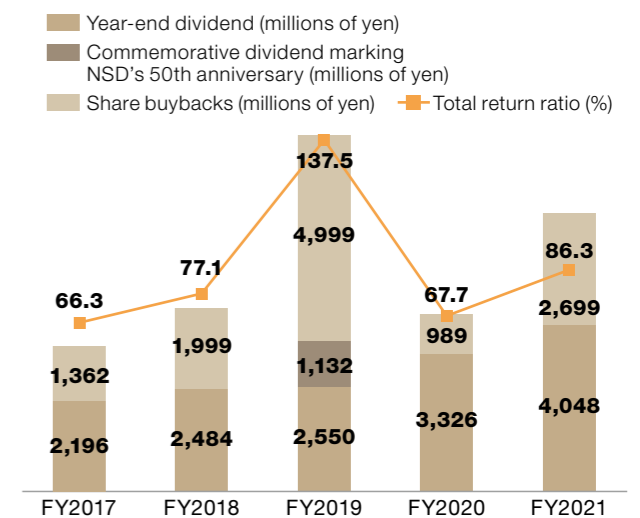
Furthermore, we aim to hold treasury stock amounting to around 10% of total shares issued. If this number exceeds 15%, it is our policy to retire treasury stock in the subsequent fiscal year to reduce it back to around 10%.

#### ● Dividend Per Share\* and Dividend Payout Ratio



\* The per share dividend amount is based on the number of shares after the Company's stock split executed on January 1, 2020.

#### ● Total Payout of Dividends and Share Buybacks



\*1 Amounts of share buybacks and total return ratio indicate the acquisition amount and total return ratio for the period from April to March the following year.

\*2 NSD retired 1 million shares of treasury stock in December 2019, 2.344 million shares of treasury stock in March 2022, and 3 million shares of treasury stock in September 2022.



## Initiatives to Support Sustainable Growth

Governance Initiatives

### Management System

#### Directors and Auditors

##### Yoshikazu Imajo

(Born October 13, 1961)

##### President & CEO

###### Resume

Apr. 1984 Joined NSD Co., Ltd. (NSD)  
Apr. 2005 Executive Officer  
Chief General Manager, Systems Division 1  
Jun. 2006 Director & Executive Officer  
Deputy Operating Officer  
Jun. 2007 Managing Director & Executive Officer  
Deputy Operating Officer  
Apr. 2008 Senior Managing Director, COO  
Apr. 2009 President & CEO, COO  
Apr. 2011 President & CEO (present position)

###### Reasons for appointment

Mr. Yoshikazu Imajo has extensive experience and a proven track record as President & CEO of the Company. This, together with his deep insight for management, enables him to continue executing business, making decisions, and supervising the activities of management appropriately.

###### Attendance record in FY2021

Meetings of the Board of Directors: 13/13  
Governance Committee meetings: 4/4  
**Term of office:** 16 years

##### Hideshi Maekawa

(Born February 16, 1962)

##### Director Senior Managing Executive Officer

###### Resume

Apr. 1982 Joined NSD  
Apr. 2006 Executive Officer  
Head of Corporate Staffs Division  
Jun. 2006 Director & Executive Officer  
Head of Corporate Staffs Division  
Apr. 2013 Director & Senior Executive Officer  
Head of Public & Telecommunication Business Division and Senior General Manager, IT Services Business Division  
Apr. 2014 Managing Director  
Head of IT Services Business Division  
Apr. 2016 Senior Managing Director  
Head of Industrial Business Division  
Jun. 2017 Director, Senior Managing Executive Officer  
Apr. 2018 Director, Senior Managing Executive Officer  
Head of Corporate Administration Division  
Apr. 2019 Director, Senior Managing Executive Officer  
Head of Corporate Service Division  
Jun. 2020 Director, Senior Managing Executive Officer  
Head of Corporate Service Division  
Head of Corporate Planning Division (present position)

###### Reasons for appointment

Mr. Hideshi Maekawa has extensive experience and a proven track record with respect to the business execution of our corporate service division and system development division. This, together with his insight for management as a director, enables him to continue executing business, making decisions, and supervising the activities of management appropriately.

###### Attendance record in FY2021

Meetings of the Board of Directors: 13/13  
**Term of office:** 16 years

##### Osamu Yamoto

(Born February 20, 1963)

##### Director Senior Managing Executive Officer

###### Resume

Apr. 1987 Joined NSD  
Sep. 2007 Executive Officer  
Chief General Manager, Systems Division 5  
Apr. 2014 Senior Executive Officer  
Head of Public & Telecommunication Business Division  
Jun. 2014 Director & Senior Executive Officer  
Head of Public & Telecommunication Business Division  
Jun. 2016 Managing Director  
Head of Public & Telecommunication Business Division  
Senior General Manager, Business Sales Division  
Jun. 2017 Director, Managing Executive Officer  
Head of Public & Telecommunication Business Division  
Senior General Manager, Business Sales Division  
Apr. 2018 Director, Senior Managing Executive Officer, COO (present position)

###### Reasons for appointment

Mr. Osamu Yamoto has extensive experience and a proven track record with respect to the business execution of our system development division and sales division. This, together with his insight for management as a director, enables him to continue executing business, making decisions, and supervising the activities of management appropriately.

###### Attendance record in FY2021

Meetings of the Board of Directors: 13/13  
**Term of office:** 8 years

##### Hidetaka Kikawada

(Born May 18, 1973)

##### Director Managing Executive Officer

###### Resume

Apr. 1998 Joined NSD  
Jul. 2015 Chairman & CEO, Chengdu Renbenxindong Technology Ltd.  
Apr. 2017 Executive Officer  
Chief General Manager, Public & Telecommunication Business Division 1  
Apr. 2018 Executive Officer  
Chief General Manager, Advanced Technology Promotion Division  
Apr. 2019 President & CEO  
NSD Advanced Technology Research Institute Co., Ltd. (present position)  
Oct. 2021 Managing Executive Officer  
Head of Advanced Technology Strategic Business Unit  
Jun. 2022 Director & Managing Executive Officer  
Head of Advanced Technology Strategic Business Unit (present position)

###### Reasons for appointment

Mr. Hidetaka Kikawada has extensive experience and a proven track record with respect to the business execution of our system development division, advanced technology strategic business division, as well as our affiliated companies in Japan and abroad. This, together with his insight for management, will enable him to execute business, make decisions, and supervise the activities of management appropriately as a director.

###### Term of office:

New appointment

##### Atsuhiko Kawamata

(Born August 14, 1961)

##### Director

Outside Director

Independent Officer

###### Resume

Apr. 1984 Joined Japan Tobacco Inc. (JT)  
Nov. 2005 Director, Business Planning Department, Food Business Division  
Jul. 2008 Senior Vice President, Head of China Division, Tobacco Business Headquarters  
Jan. 2015 President & CEO, TableMark Holdings Co., Ltd. (Retired in December 2018)  
President & CEO, TableMark Co., Ltd. (Retired in December 2018)  
Jan. 2019 Senior Vice President, Head of Food Business, Food Business Planning Division, JT Advisor, JT (present position)  
Jan. 2020 Outside Director, NSD (present position)  
Jun. 2020

###### Reasons for appointment

Mr. Atsuhiko Kawamata has extensive experience, great insight into management, and capability of supervision gained in Japan and overseas as a member of management of a manufacturing company. Based on his experience and insight, the Company believes he will continue to provide advice from an objective, extensive and highly professional viewpoint at the Board of Directors and the Governance Committee.

###### Attendance record in FY2021

Meetings of the Board of Directors: 13/13  
Governance Committee meetings: 4/4  
**Term of office:** 2 years

##### Kumiko Jinnouchi

(Born February 16, 1967)

##### Director

Outside Director

Independent Officer

###### Resume

April 1989 Joined The Sanwa Bank, Limited. (now MUFG Bank, Ltd.) (retired in June 1995)  
Jan. 2002 Registered as an attorney-at-law (Dai-ni Tokyo Bar Association)  
Jan. 2014 Established Jinnouchi Law Offices  
Representative Attorney-at-Law (present position)  
Jun. 2019 Outside Director, NSD (present position)  
Mar. 2022 Independent Corporate Auditor, AlphaPurchase Co., Ltd. (present position)

###### Reasons for appointment

Ms. Kumiko Jinnouchi has extensive experience and specialized expertise in all aspects of legal affairs as an attorney-at-law. Based on her experience and insight, the Company believes she will continue to provide advice from an objective, extensive and highly professional viewpoint at the Board of Directors and the Governance Committee.

###### Attendance record in FY2021

Meetings of the Board of Directors: 13/13  
Governance Committee meetings: 4/4  
**Term of office:** 3 years

##### Toru Takeuchi

(Born January 1, 1959)

##### Director

Outside Director

Independent Officer

###### Resume

Apr. 1981 Joined Nitto Denko Corporation  
Apr. 2002 General Manager of Accounting & Finance Department  
Jun. 2010 Vice President, General Manager of Corporate Accounting Division  
Jun. 2011 Director, Vice President,  
General Manager of Corporate Accounting Division  
Jun. 2014 Director, Senior Vice President,  
General Manager of Corporate Sector  
Jun. 2015 Director, Executive Vice President,  
General Manager of Corporate Strategy Sector  
Jun. 2018 Director, Senior Executive Vice President (retired in June 2020)  
June 2021 Outside Director, NSD (present position)

###### Reasons for appointment

Mr. Toru Takeuchi has extensive experience, great insight into management, and capability of supervision gained in Japan and overseas as a member of management of a manufacturing company. Based on his experience and insight, the Company believes he will continue to provide advice from an objective, extensive and highly professional viewpoint at the Board of Directors and the Governance Committee.

###### Attendance record in FY2021

Meetings of the Board of Directors: 10/10  
Governance Committee meetings: 3/3  
**Term of office:** 1 year

##### Kiyoshi Kondo

(Born September 19, 1954)

##### Full-Time Audit & Supervisory Board Member

###### Resume

Apr. 1977 Joined Toyo Trust and Banking Company, Limited (now Mitsubishi UFJ Trust and Banking Corporation)  
Apr. 2006 Joined NSD  
Executive Officer  
General Manager, Public Relations Department  
Jun. 2008 Director  
Apr. 2011 Director & Executive Officer  
General Manager, Office of President  
Apr. 2013 Director & Senior Executive Officer  
General Manager, Office of President  
Apr. 2015 Managing Director  
Jun. 2016 Full-Time Audit & Supervisory Board Member (present position)

###### Reasons for appointment

Mr. Kiyoshi Kondo has extensive experience and a proven track record with respect to the business execution of our corporate service division and has insight into management. As a corporate auditor, he has conducted audits on directors' execution of operations as well as on the establishment and implementation of the internal control system. This enables him to render high-quality advice at the meetings of the Board of Directors and the Audit & Supervisory Board.

###### Attendance record in FY2021

Meetings of the Board of Directors: 13/13  
Meetings of the Audit & Supervisory Board: 13/13  
**Term of office:** 6 years

Note: Term of office represents the period as of June 2022.

## Initiatives to Support Sustainable Growth

### Governance Initiatives

#### Kunio Kawa

(Born July 16, 1955)

**Audit & Supervisory Board Member**

Outside Audit & Supervisory Board Member

Independent Officer

#### Resume

Nov. 1990 Joined Mitsubishi Gas Chemical Company, Inc. (MGC)  
 Jun. 2009 Executive Officer  
 General Manager, Corporate Planning Division, MGC  
 Jun. 2012 Director, Managing Executive Officer, MGC  
 Apr. 2015 Director, Senior Managing Executive Officer, MGC  
 Jun. 2015 Representative Director  
 Senior Managing Executive Officer, MGC  
 Apr. 2018 Director, MGC  
 Jun. 2018 Audit & Supervisory Board Member, MGC  
 Jun. 2020 Executive Advisor, MGC  
 Jun. 2022 Advisor, MGC (present position)  
 Audit & Supervisory Board Member, NSD (present position)

#### Reasons for appointment

Mr. Kunio Kawa has extensive experience, great insight into management, and capability of supervision gained as a member of management and as a corporate auditor of a manufacturing company. Based on his experience and insight, the Company believes he will provide advice from an objective, extensive and highly professional viewpoint at the Board of Directors and the Audit & Supervisory Board.

**Term of office:** New appointment

#### Norio Hashizume

(Born December 4, 1952)

**Audit & Supervisory Board Member**

Outside Audit & Supervisory Board Member

Independent Officer

#### Resume

Apr. 1975 Joined Nippon Kogaku K.K. (now NIKON Coporation)  
 Jun. 2003 General Manager of Financing & Accounting Department  
 Jun. 2005 Operating Officer  
 General Manager of Financing & Accounting Department  
 Jun. 2009 Director, Member of the Board, Operating Officer  
 General Manager of Financing & Accounting Department  
 Jun. 2010 Director, Member of the Board, Executive Officer  
 General Manager of Finance & Accounting Headquarters  
 Jun. 2015 Standing Corporate Auditor  
 Jun. 2016 Director  
 Full-Time Audit & Supervisory Committee Member  
 Jun. 2017 Counselor (retired in June 2020)  
 Jun. 2019 Audit & Supervisory Board Member, NSD (present position)  
 Jun. 2021 Outside Director, Aval Data Corporation (present position)

#### Reasons for appointment

Mr. Norio Hashizume has extensive experience, great insight into management, and capability of supervision gained as a member of management and as a corporate auditor of a manufacturing company. The Company believes he will continue to provide advice from an objective, extensive and highly professional viewpoint at the Board of Directors and the Audit & Supervisory Board.

**Attendance record in FY2021**  
 Meetings of the Board of Directors: 12/13  
 Meetings of the Audit & Supervisory Board: 13/13

**Term of office:** 3 years

The expertise of the members of the Board of Directors above is as follows.

		Corporate Management	IT	Legal & Compliance	Finance & Accounting	Global Business
Directors	Yoshikazu Imajo	○	○	○	○	○
	Hideshi Maekawa	○	○	○	○	○
	Osamu Yamoto	○	○			
	Hidetaka Kikawada	○	○			○
	Atsuhiko Kawamata	○		○	○	○
	Kumiko Jinnouchi	○		○	○	
	Toru Takeuchi	○		○	○	○
Audit & Supervisory Board Members	Kiyoshi Kondo	○		○	○	
	Kunio Kawa	○		○	○	
	Norio Hashizume	○		○	○	

Note: The table above does not represent all of the knowledge and experience held by each person.

### Structures of Each Organization

	Position	Board of Directors	Audit & Supervisory Board	Governance Committee	Management Meeting	Executive Meeting
Yoshikazu Imajo	President & CEO	◎		◎	◎	◎
Hideshi Maekawa	Director, Senior Managing Executive Officer	○			○	○
Osamu Yamoto	Director, Senior Managing Executive Officer	○			○	○
Hidetaka Kikawada	Director, Managing Executive Officer	○			○	○
Atsuhiko Kawamata	Outside Director	○		○	○	○
Kumiko Jinnouchi	Outside Director	○		○	○	○
Toru Takeuchi	Outside Director	○		○	○	○
Kiyoshi Kondo	Full-Time Audit & Supervisory Board Member	○	◎		○	○
Kunio Kawa	Outside Audit & Supervisory Board member	○	○			
Norio Hashizume	Outside Audit & Supervisory Board member	○	○			
Satoshi Kiyota	Managing Executive Officer					○
Akio Shinno	Managing Executive Officer					○
Tatsuo Kawauchi	Executive Officer					○
Masataka Komatsu	Executive Officer					○

◎: Chair ○: Member

### Executive Officers\*

Names of executive officers who are not a director and their responsibilities are presented below.

	Position	Responsibilities
Satoshi Kiyota	Managing Executive Officer	Head of Financial Business Unit
Akio Shinno	Managing Executive Officer	Head of Industrial & Social Solution Business Unit
Tatsuo Kawauchi	Executive Officer	Head of Development Support Division
Yoshihiko Kurihara	Executive Officer	General Manager of Corporate Planning Department, Corporate Planning Division
Atsuji Kobayashi	Executive Officer	General Manager of Social Infrastructure Business Division 2, Industrial & Social Solution Business Unit
Masataka Komatsu	Executive Officer	General Manager of Healthcare Business Division
Kyoko Gondo	Executive Officer	General Manager of Financial Business Division 3, Financial Business Unit
Hajime Shinagawa	Executive Officer	General Manager of IT Infrastructure Business Division, Industrial & Social Solution Business Unit
Shingo Shinohara	Executive Officer	General Manager of Social Infrastructure Business Division 1, Industrial & Social Solution Business Unit, and General Manager of Social Platform Division
Toshiya Shimura	Executive Officer	General Manager of Market Development Business Division
Masaru Sugiura	Executive Officer	General Manager of Industrial Business Division 2 and General Manager of Enterprise Business Division, Industrial & Social Solution Business Unit
Shinji Suzuki	Executive Officer	General Manager of Financial Business Division 1, Financial Business Unit
Umon Takahashi	Executive Officer	General Manager of Advanced Technology Business Division, Advanced Technology Strategic Business Unit
Shuji Takahashi	Executive Officer	General Manager of Industrial Business Division 1, Industrial & Social Solution Business Unit
Tsuyoshi Takeda	Executive Officer	General Manager of Financial Business Division 2, Financial Business Unit
Hideyuki Fujikawa	Executive Officer	In Charge of Human Resources Department and General Affairs Department, Corporate Service Division
Kiyokimi Yagi	Executive Officer	General Manager of Corporate Secretary Department, Corporate Service Division

\* Executive officers as of October 1, 2022.

## Outside Directors' Messages



**I will continue to support NSD as it grows into a Company that coexists and prospers with society, while making the world a better place.**

**Atsuhiko Kawamata**  
Outside Director

Having been involved in management in the food industry for many years until I became an outside director at NSD, I had the impression that many companies in the IT industry made rather cut-and-dried decisions. Yet, the corporate culture of valuing people has spread throughout NSD. A culture has been established in which the more experienced employees mentor the lesser experienced ones, giving them the tools to stand on their own two feet. As a result, I feel that the Company has taken on one of the good points of Japanese companies in that the turnover rate is much lower than that of other companies. At the same time, I think it is highly

commendable that NSD has been able to solidly improve business performance, continuing to grow steadily.

As for governance, I believe that an appropriate system has been built in line with the scale of the Company and the industry, and that it is being operated very purposefully and in good faith. For example, the Board of Directors is preceded by the Management Meeting and the Executive Meeting, and because we are informed on the contents and points of discussion raised in these meetings each time, we outside directors are able to express our opinions, including our own experiences, so I feel that we are able to have somewhat frank

discussions. I also think that NSD's attentiveness and diligence is reflected in the fact that it keeps accurate records by taking minutes of the meetings and circulating them to the attendees for any clarification.

I believe that strengthening Group governance is what we need to work on in order to further improve governance. NSD's medium-term management plan includes M&A as one of its growth strategies. For M&A to succeed, it is important to focus on how to govern the acquired company, so we need to establish a system for that purpose. I also think it is important for management to visit the workplace for themselves so they can see the employees' motivation and awareness of compliance issues.

One other issue is the need to be conscious of whether there is a gap between common knowledge inside and outside the Company. For example, terms that are commonly used within the Company may not be understood by people outside the Company. I think we should start by reviewing these terms. I believe that being able to explain what we are doing in words

that anyone can understand is important from the standpoint of diversity as the Company continues to grow.

With regard to sustainability, we must determine what kind of similarities or connections there are between business and society, for instance, finding out what it is in NSD's business activities that contributes to a more sustainable society. By communicating that we want to create such a world, and that NSD will do this for that purpose, thereby improving our reputation, will, I believe, lead to a prosperous coexistence with society.

Up until now, I feel that NSD has been a somewhat behind-the-scenes player due to the very nature of the system development business, but I believe that the solution business that we are currently focusing on has great potential to make NSD's name more widely known to the public. Going forward, I too will continue to support NSD with greater enthusiasm so that it can grow into a Company with the power to change the world.



**Using my knowledge as a corporate attorney-at-law, I will help to bring more lively, diverse discussions.**

**Kumiko Jinnouchi**  
Outside Director

I was appointed as an outside director in 2019 and this year marks my fourth year, and I have come to the impression that NSD's management places great importance on building on our daily efforts. This is my interpretation, but I think that the job of IT that replaces the work process people deal with in complex ways with a simple process called the binary system, creates a disharmonious world unless we share not only the process of creating products and services, but also our values and vision for the future with our customers. It is precisely because NSD has been doing such work, accumulating logical and practical experience together with its customers, that, I

believe, a culture of making improvements to every issue to produce results, rather than seeking temporary solutions in formulating management plans or solving daily problems, has taken root here at NSD.

In terms of understanding the proposals that form the basis for discussions at the Board of Directors, there is an environment where even I, as an IT novice, can give my opinions freely by joining in with the Executive Meeting. Moreover, executive officers closely in touch with the field can also participate in these meetings, giving us all a realistic sense of what it is like in the workplace. Comments and

questions are also often reflected in the actual board meeting's agenda, so I believe that the effectiveness of the Board of Directors will further increase if there are more such opportunities in the future.

And, as there are several people on the Board of Directors with management experience in different industries, discussions are always extremely diverse. So I feel that decision-making that conveys everybody's opinions and queries helps to ensure the interests of all our many different stakeholders. I believe that this is the best aspect of NSD's governance.

In such discussions, as an attorney-at-law specializing in corporate legal affairs, I try to offer opinions from two perspectives. On the one hand, I want to confirm what benefits and risks will arise for various stakeholders, including shareholders, when implementing the proposals that have been decided. Indeed, I believe that it is my basic mission as an outside director to question the appropriateness and rationality of M&A, one of the Company's growth strategies, by asking, "Why this company?" And on the other hand, I try to

verify from a legal point of view whether there is, at any time, any discord between the decision-making and conventional management policies, plans, and external announcements. When formulating policies for the medium-term management plan, I try to check every word until I am satisfied.

In this way, I would like to contribute to the diversity of the Board of Directors by providing opinions from the perspective of an attorney-at-law. Another thing I would like to share is that NSD has never asked me to give my opinion simply because I am a woman. It may not be a job that is particularly influenced by gender differences, but the experience gives me a strong sense of the value of assessing people based on their day-to-day ability. In March 2022, NSD announced its Sustainability Declaration. For NSD, people have always been the most important asset for management. I personally would like to make proposals for NSD to achieve sustainable growth, not only for women's active participation in the workplace, but also to develop people's skills, employee job satisfaction and health, and a return of profits to employees.



**I will help to pass on the values of the management team so that the next generation can continue to work with pride.**

**Toru Takeuchi**  
Outside Director

I was appointed as an outside director of NSD in 2021. When I began to take part in discussions at board meetings, the first thing that impressed me was that all the directors and executive officers have a good understanding of every facet of the Company outside of their normal working duties. NSD is a company with a history of more than 50 years, and I believe that the current management team knows the Company inside out as colleagues who have experienced the various difficulties and failings over the course of the Company's significant growth. As a result, we have very clear-cut discussions and decisions are made swiftly without any

misgivings. With such a management team leading the company, I feel a strong sense of security as an outside director, knowing that decisions are made with confidence and without ambiguity. Going forward, if we give more opportunities to those in the workplace to participate in briefings on proposals at the Board of Directors and other meetings, we will be able to lay the foundation for the next management team. This in turn will allow us to systematically maintain our ability to make stable decisions.

As for governance, since NSD is managed by a team that has grown the Company through its business, they have been

able to look after the Company without getting above themselves ensuring that effective governance is in place. In order to continue this kind of governance going forward, it is important to pass on the thinking of the current management team. The president gives his thoughts on behalf of the Company on all sorts of different scenarios, but with other members of the management team giving their own interpretations and ideas, and putting these into practice, will allow their sense of values to be felt more closely, eventually shaping the corporate climate and culture. As an outside director, I would like to leverage the expertise and experience of all three of us to help strengthen governance and support long-term growth from different perspectives.

With regard to sustainability management, I think it is important to ask ourselves where we place the starting point of our corporate activities. In the Sustainability Declaration announced in March 2022, we were able to clarify and publicly maintain what NSD considers important and how we want to contribute to society. To get our sustainability

management on track, it is vital that we continue to convey the thoughts contained in the declaration both inside and outside the Company. By clarifying what NSD itself should do and what it wants to contribute to society through its business activities, I believe that we will be able to promote both sustained growth for the Company and help build a sustainable society.

Finally, I feel that NSD is a Company that values people at every available opportunity. I hope that NSD will carry on growing as a Company where employees can continue to work with peace of mind and with a sense of purpose. To that end, I believe we need to not only improve our systems and frameworks but also instill the values I mentioned earlier. In doing so, we will be able to develop the human resources who will lead NSD into the future with the same aspirations to create a sustainable organization. I would like to help the people who will lead the next generation so that they can continue to work with pride.

## Corporate Information & Data

### Key Financial Data (Consolidated)\*1

(Millions of yen)

	FY2017	FY2018	FY2019	FY2020	FY2021
<b>Operating Results</b>					
Net sales	58,080	61,944	65,063	66,184	71,188
New core business net sales	–	–	–	18,004	23,537
Cost of sales	46,172	48,780	51,118	52,145	55,350
Gross profit	11,907	13,164	13,945	14,038	15,837
Selling, general, and administrative expenses	3,989	4,509	4,400	4,195	4,422
Operating income	7,918	8,654	9,545	9,842	11,414
Ordinary income	8,119	8,756	9,661	9,955	11,654
Net income attributable to owners of the parent	5,368	5,817	6,314	6,373	7,823
Orders received (System Development Business)	46,415	48,999	58,916	59,817	67,640
Order backlog (System Development Business)	9,423	10,068	13,175	13,895	17,581
<b>Net Sales by Segment (Sales to External Customers)</b>					
Financial IT	–	–	20,560	20,790	22,307
Industry & Infrastructure IT	–	–	29,745	30,253	32,299
IT infrastructure Construction	–	–	7,650	8,052	9,347
Solution Business	–	–	7,107	7,087	7,233
<b>Profitability Indices</b>					
Gross profit margin (%)	20.5	21.3	21.4	21.2	22.2
Operating margin (%)	13.6	14.0	14.7	14.9	16.0
Ratio of net income to net assets attributable to NSD shareholders (ROE) (%)	12.1	12.6	13.8	13.7	15.7
Ratio of ordinary income to total assets (%)	15.5	15.9	17.6	17.6	19.0
<b>Financial Position</b>					
Current assets	34,127	35,819	39,654	44,068	48,206
Non-current assets	19,919	20,058	14,230	15,390	15,067
Total assets	54,046	55,878	53,885	59,458	63,274
Current liabilities	7,392	7,701	7,820	8,823	9,435
Non-current liabilities	640	830	1,086	1,461	1,994
Total liabilities	8,033	8,532	8,907	10,284	11,429
Net assets	46,013	47,345	44,978	49,173	51,844
<b>Per Share Indices*2</b>					
Net income per share (EPS) (yen)	63.38	69.65	78.21	80.10	99.37
Net assets per share (yen)	537.08	566.36	557.46	613.71	657.57
<b>Capital Expenditure, Depreciation &amp; Amortization and Research &amp; Development Expenses</b>					
Capital expenditure	213	314	553	689	560
Depreciation & amortization	443	468	427	423	492
Research & development expenses	65	157	155	118	184
<b>Cash Flows</b>					
Cash flows from operating activities	6,457	5,461	6,764	8,157	7,244
Cash flows from investing activities	-5,822	-412	4,285	-658	-377
Cash flows from financing activities	-3,321	-4,556	-8,569	-3,628	-6,146
Free cash flow	634	5,048	11,050	7,499	6,867
Cash and cash equivalents at end of period	22,168	22,681	25,172	29,029	29,757
<b>Shareholder Returns*3</b>					
Dividend payout ratio (%)	41.0	43.1	58.8	52.4	52.3
Total return ratio (%)	66.3	77.1	137.5	67.7	86.3
<b>Stock Price Indicators</b>					
Year-end stock price (yen)	1,085.50	1,288.50	1,440.00	1,841.00	2,192.00
Market capitalization	91,693	106,697	114,789	145,822	170,657
Price-earnings ratio (PER) (x)	17.13	18.50	18.41	22.98	22.06
Total shareholder return (TSR) (%)	138.2	167.2	191.8	246.9	297.0
(Comparison index: TOPIX including dividends [%])	(115.9)	(110.0)	(99.6)	(141.5)	(144.3)

### Key Non-Financial Data

	FY2017	FY2018	FY2019	FY2020	FY2021
<b>Personnel</b>					
Number of employees (consolidated)	3,379	3,428	3,467	3,522	3,560
Number of employees (non-consolidated)	2,975	3,003	3,051	3,080	3,106
Male	2,479	2,493	2,514	2,505	2,506
Female	496	510	537	575	600
Ratio of female employees (%)	16.7	17.0	17.6	18.7	19.3
Ratio of female managers (%)	1.2	3.5	3.5	4.7	5.4
Number of new graduate hires	120	137	139	137	129
Male	97	100	96	86	83
Female	23	37	43	51	46
Ratio of women in new graduate hires (%)	19.2	27.0	30.9	37.2	35.7
Number of mid-career hires	13	10	15	11	20
Male	12	10	8	8	11
Female	1	0	7	3	9
Turnover ratio (%) <sup>4</sup>	3.5	2.8	3.8	2.6	2.9
Average years of service	14.0	14.3	14.6	14.8	15.0
Male	14.9	15.3	15.5	15.8	16.1
Female	9.5	10.1	10.3	10.3	10.6
Average salary (yen)	6,270,744	6,362,181	6,411,394	6,423,166	6,515,058
Average monthly overtime hours	20.8	19.4	19.9	17.0	19.0
Number of paid vacation days taken	13.5	14.2	13.9	11.7	12.4
Ratio of paid vacation days taken (%)	70.1	73.8	72.4	59.9	63.3
Number of employees taking childcare leave					
Male	3	2	8	13	17
Female	34	30	19	34	20
Ratio of employees taking childcare leave (%)					
Male	2.8	2.3	9.0	17.3	26.2
Female	100	100	100	100	100
Ratio of female employees returning from childcare leave (%)	100	100	100	100	94.1
Number of employees working reduced hours due to childcare					
Male	1	1	1	1	2
Female	64	74	93	93	98
Number of employees using the family care leave system	1	2	1	3	3
Number of employees working reduced hours due to family care	2	1	1	3	2
Number of IT credential holders	2,563	2,585	2,547	2,528	2,523
Number of PMP <sup>®5</sup> credential holders	311	308	312	284	316
<b>Environment</b>					
CO <sub>2</sub> emissions (Scope 2) (t-CO <sub>2</sub> e) <sup>6</sup>	1,398	1,341	1,280	1,273	1,026
<b>Governance</b>					
Number of female directors	0	1	1	1	1
Ratio of female directors (%)	0.0	16.7	16.7	16.7	14.3
Number of independent outside directors	2	2	3	3	3
Ratio of independent outside directors (%)	33.3	33.3	50.0	50.0	42.9
Number of independent outside Audit & Supervisory Board members	2	2	2	2	2
Ratio of independent outside Audit & Supervisory Board members (%)	66.7	66.7	66.7	66.7	66.7

\*1 The Company changed reporting segments in fiscal 2019 following the elimination of the Real Estate Service Business segment. Figures for fiscal 2018 and prior are presented based on the data before this change.

\*2 Per share indicators are based on the number of shares after the Company's share split executed on January 1, 2020.

\*3 Fiscal 2019 indicators for dividend payout ratio and total return ratio are calculated to include the Company's 50th anniversary commemorative dividend (14 yen per share).

\*4 The turnover rate is calculated excluding mandatory retirements and persons using the Company's early retirement incentive program.

\*5 Project Management Professional (PMP<sup>®</sup>) is an international credential granted by the Project Management Institute (PMI) to professionals who possess certain experience, training and knowledge in project management. Furthermore, PMP<sup>®</sup> is a registered trademark of the US-based Project Management Institute.

\*6 CO<sub>2</sub> emissions cover the head office, branch offices, business sites, and subsidiaries in Japan and are calculated by multiplying electricity usage of each business location by the emissions coefficient.

Company Information

■ Corporate Profile (As of March 31, 2022)

Name	NSD Co., Ltd.
Established	April 8, 1969
Business lines	System Development Business (1) Planning, design and development of IT systems (2) Construction of IT infrastructure Solution Business (1) Provision of services that utilize IT (2) Sales of software products
Capital	7,205 million yen
Number of employees	3,560 (consolidated)
Head Office	WATERRAS TOWER, 2-101 Kanda-awajicho, Chiyoda-ku, Tokyo 101-0063, Japan TEL: +81-3-3257-1130

■ Offices (As of December 1, 2022)

Head Office	WATERRAS TOWER, 2-101 Kanda-awajicho, Chiyoda-ku, Tokyo, Japan
Osaka Branch Office	DOJIMA AVANZA, 1-6-20 Dojima, Kita-ku, Osaka-shi, Osaka, Japan
Nagoya Branch Office	NAGOYA Lucent Tower, 6-1 Ushijimacho, Nishi-ku, Nagoya-shi, Aichi, Japan
Fukuoka Branch Office	Kyukan Jotenjidori Building, 1-13-1 Hakataekimae, Hakata-ku, Fukuoka-shi, Fukuoka, Japan
Sendai Business Site	AER, 1-3-1 Chuo, Aoba-ku, Sendai-shi, Miyagi, Japan
Hiroshima Business Site	HIROSHIMA TRAIN VERT BUILDING, 1-2-22 Kamiyacho, Naka-ku, Hiroshima-shi, Hiroshima, Japan

■ Group Companies (As of October 1, 2022)

13 Group companies (9 subsidiaries and 4 affiliated companies)  
(Main subsidiaries)

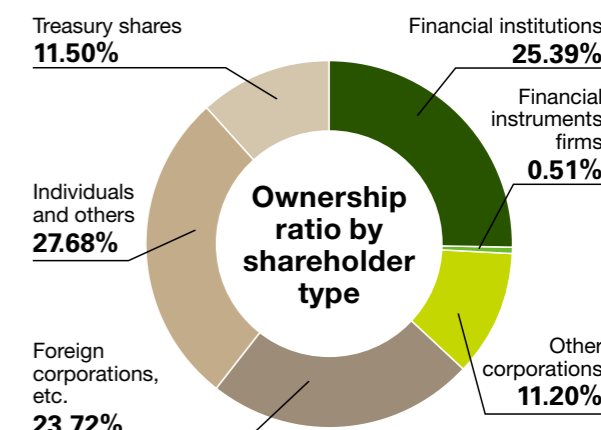
Company name	Address	Business lines
NSD Advanced Technology Research Institute Co., Ltd.	Chiyoda-ku, Tokyo	Research and development of solutions using advanced technology
StellaS Co., Ltd.	Chiyoda-ku, Tokyo	Provision of human resource solutions and business warehouse solutions
FSK Co., Ltd.	Iwaki-shi, Fukushima	IT system development, operation, maintenance, and business process support
Trigger Inc.	Chiyoda-ku, Tokyo	IT consulting, system development and operational support
Shareholders Relation Service, Inc.	Chiyoda-ku, Tokyo	Provision of solutions related to shareholder benefits and IR consulting for individual shareholders
NSD International, Inc.	New York State, USA	Development of IT systems and provision of solutions to the US subsidiaries of Japanese companies
Chengdu Renbienxindong Technology Ltd.	Chengdu, China	Offshore development and system development for the Chinese subsidiaries of Japanese companies
Renbenxindong Technology Ltd.	Beijing, China	Provision of healthcare management services

■ Stock Information (As of September 30, 2022)

Stock exchange of listing	Prime Market of Tokyo Stock Exchange
Securities code	9759
Number of shares per trading unit	100
Number of authorized shares	200,000,000
Number of issued and outstanding shares	87,000,000
Number of shareholders	29,211
Administrator of shareholder registry	Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo

■ Share Distribution by Type of Shareholder (As of September 30, 2022)

Type of shareholder	Ownership ratio (%)
Financial institutions	25.39%
Financial instruments firms	0.51%
Other corporations	11.20%
Foreign corporations, etc.	23.72%
Individuals and others	27.68%
Treasury shares	11.50%



■ Major Shareholders (As of September 30, 2022)

Name	Number of shares held (thousands)	Ownership ratio (%)*
The Master Trust Bank of Japan, Ltd.	9,169	11.90
IPC Co., Ltd.	5,658	7.34
Northern Trust Co. (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	4,362	5.66
State Street Bank and Trust Company (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	3,634	4.71
Custody Bank of Japan, Ltd.	3,627	4.71
State Street Bank and Trust Company (Standing proxy: Mizuho Bank, Ltd.)	3,399	4.41
The Nomura Trust and Banking Co., Ltd.	3,259	4.23
KD Associates, Ltd.	2,697	3.50
JP Morgan Chase Bank (Standing proxy: Mizuho Bank, Ltd.)	2,461	3.19
NSD Employee Stock Ownership Association	2,251	2.92

\* Although the Company owns treasury stock (10,003 thousand shares), it is excluded from the calculation of ownership ratio.