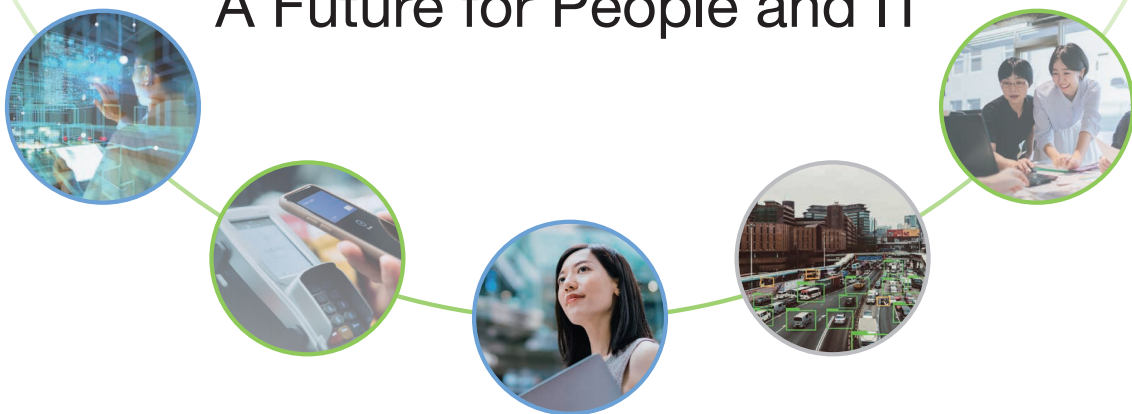


Integrated Report **2023**

Apr. 1, 2022–Mar. 31, 2023

A Future for People and IT





To be an extremely unique entity that
practice and research, including the es
of true computer science

From our founding prospectus of March 1969

Technical capabilities

NSD is a group of engineers, with system engineers accounting for more than 95% of personnel. We have accumulated technical expertise through our strong track record in system development, and are highly skilled in the application of advanced technologies.

×

Insightful understanding

We have assimilated knowledge of our customers' operations by our long-standing relationships with them. We possess a deep understanding of our customers' challenges, and leverage our strengths as an independent system integrator to provide them with optimal IT solutions.

combines
establishment

= *Reliability*

Our high-level technical capabilities and insightful understanding
have resulted in trusting relationships with customers.
We have therefore been doing business with many of our customers
for a long period of time.

Create the Future for People Bring People to the Future



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NSD's Characteristics
and Strengths



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Management Philosophy

The NSD Group contributes to the sound development of society by pushing the boundaries of IT to create and provide new solutions beneficial to people and society, while viewing coexistence and co-prosperity with employees, customers, and shareholders as the very essence of our corporate activities.

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, 2022 to March 31, 2023 (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.

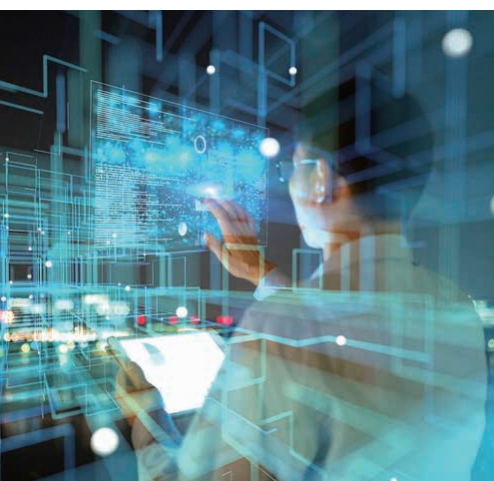
The source of NSD's strengths lies within our valued customers who place their trust in us, as well as in our highly professional employees



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 continually. These so-called “lifelong customers” are the NSD's strengths.



Outstanding technical capabilities

For over half a century, we have accumulated a wealth of technical knowledge and expertise through the development of a wide variety of systems for a large number of customers.

In more recent years, we have been refining our ability to apply advanced technologies, such as AI, IoT, and robotic process automation (RPA), to our business, leveraging these in system development as well as actively using them in collaboration with customers to create solutions to their business challenges.



Human resources that inspire trust

We have around 4,000 highly specialized system 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 skills but also their soft skills. Having such employees helps to build relationships of trust with customers, creating a virtuous business cycle.

What makes NSD different

“We can trust NSD!”—words we often have the pleasure of hearing from our customers. The strengths of NSD lie not only in our customer base and technical capabilities, but also in the strong sense of responsibility on the part of our employees. Such employees sincerely confront the challenges faced by our customers and do their utmost to solve them. Through repeating this process, we have built a solid relationship of trust with our customers, leading to feedback of the kind mentioned above.

¥77.9 billion

Net sales



Operating income

¥12.5 billion



Operating margin

16.1%

EBITDA margin

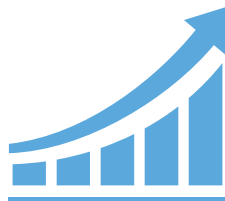
17.1%



¥219.2 billion

Market capitalization

(as of September 30, 2023)



Dividend payout ratio

50.6%

Total return ratio

74.9%



ROE

19.3%

TSR

241.5%



Year established

1969

4,448

Employees

(as of September 30, 2023)



SE ratio^{*2}

95.2%



Turnover ratio^{*3}

3.5%



*1: The above figures are in principle based on fiscal 2022 results.

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

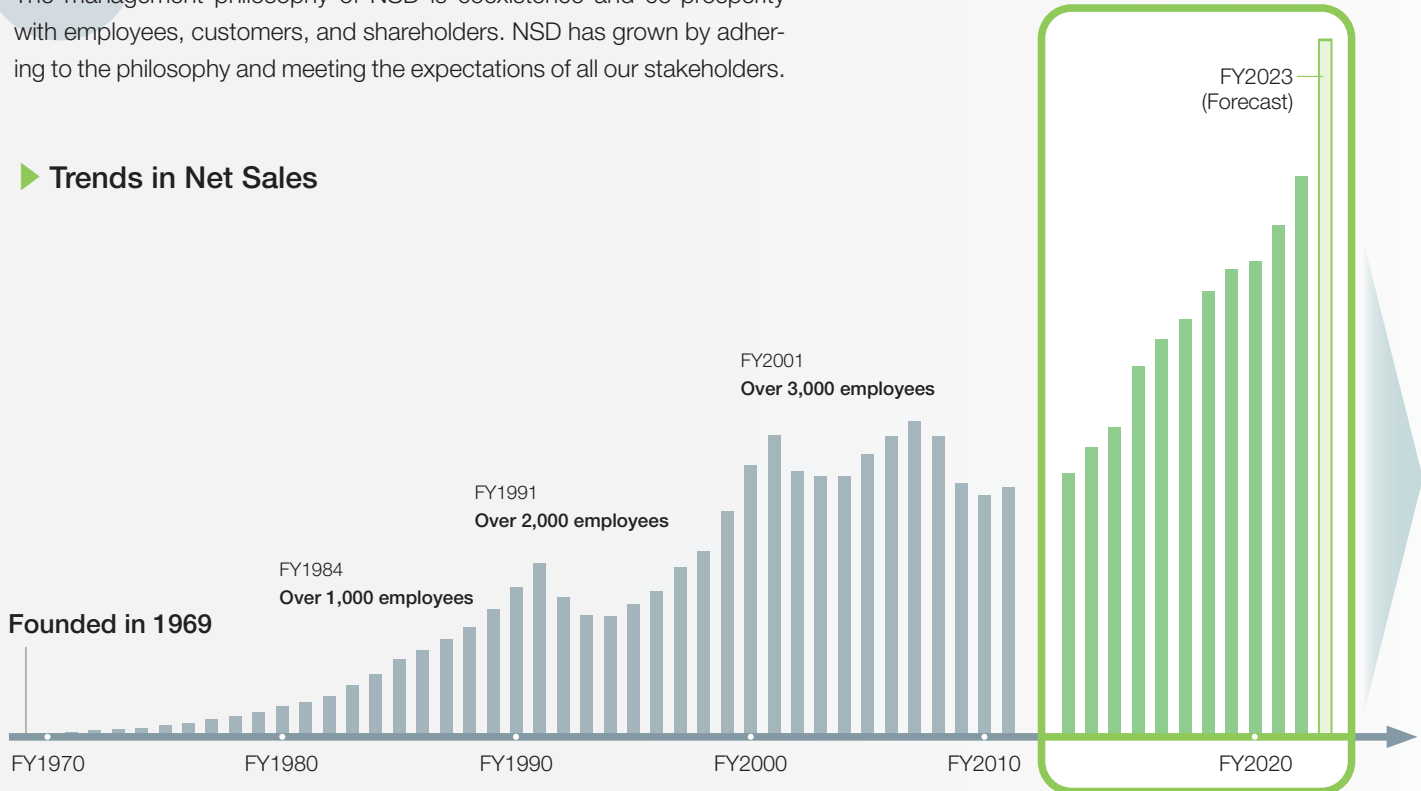
*3: The turnover ratio among non-consolidated employees. Calculated excluding mandatory retirements and persons using the Company's early retirement incentive program.

A journey of half a century alongside our stakeholders Toward a next stage of further growth through future

History since the Foundation

The management philosophy of NSD is coexistence and co-prosperity with employees, customers, and shareholders. NSD has grown by adhering to the philosophy and meeting the expectations of all our stakeholders.

► Trends in Net Sales



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

Main Topics

- 1969** NSD established as Nippon System Development Co., Ltd. (Original company name in Japanese)
- 1988** Listed on the 2nd Section of the Osaka Securities Exchange
- 1991** Certified as a systems integrator by the Ministry of International Trade and Industry (now the Ministry of Economy, Trade and Industry)
- 1998** Listed on the 1st Section of the Osaka Securities Exchange
- 1999** Listed on the 1st Section of the Tokyo Stock Exchange
- 2001** Acquired FSK Co., Ltd. as a subsidiary
- 2007** Shareholders Relation Service, Inc. launched operations
- 2010** Changed name to NSD Co., Ltd.
- 2012** Established NSD International, Inc. (New York State, U.S.)
- 2012** Established Renbenxindong Technology Ltd.
- 2014** Established Chengdu Renbenxindong Technology Ltd.
- 2015** Acquired NMSystems Co., Ltd. as a subsidiary*
- 2017** Acquired Japan Job Posting Service, Inc. as a subsidiary*
- 2019** Established NSD Advanced Technology Research Institute Co., Ltd.
- 2022** Moved to the Prime Market of the Tokyo Stock Exchange
- 2022** Acquired Trigger Inc. as a subsidiary
- 2023** Acquired ART Holdings Co., Ltd. as a subsidiary
- 2023** Acquired NHOSA Corporation as a subsidiary

*The two companies merged in 2018 under the name StellaS Co., Ltd.

ers

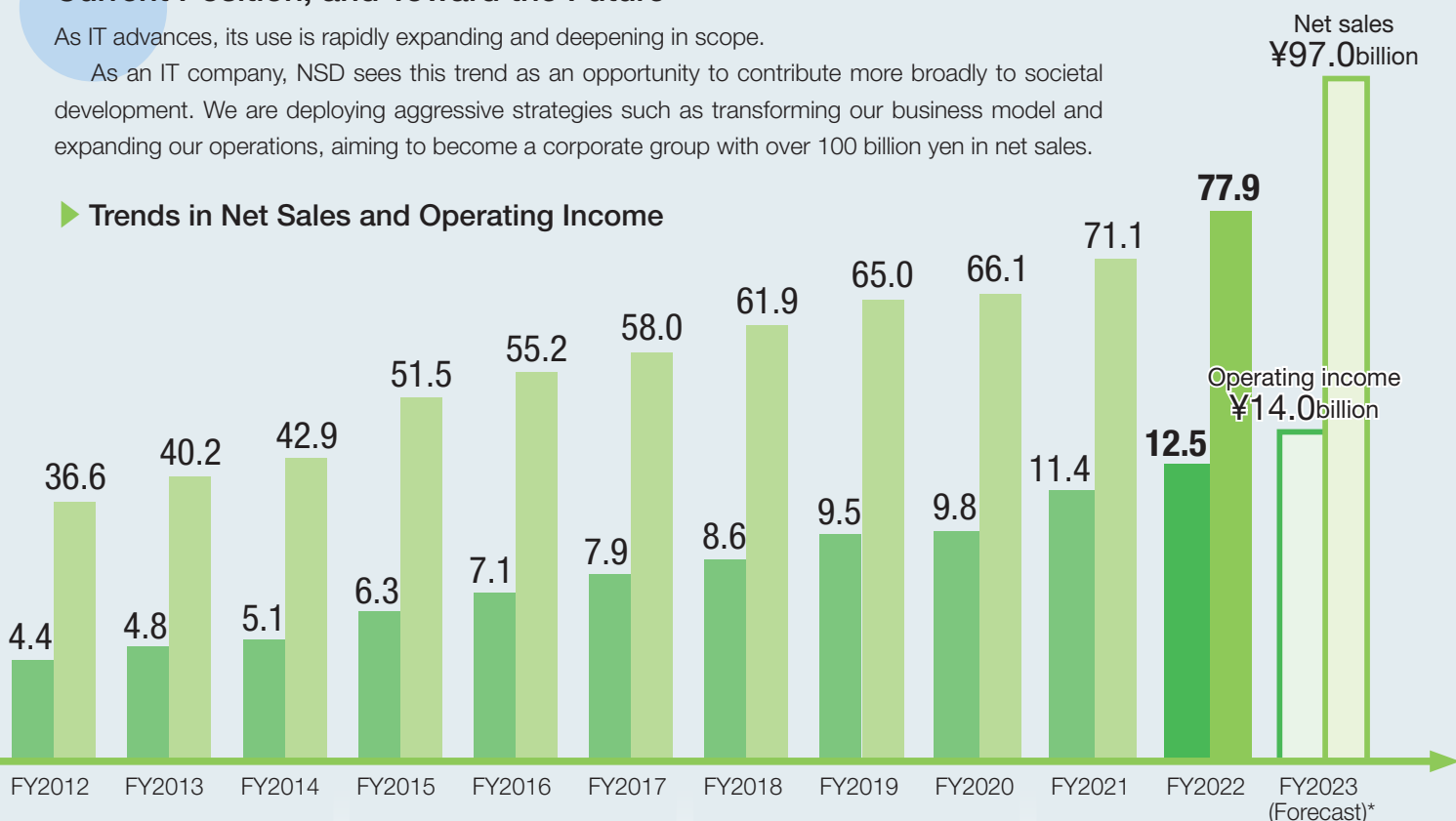
e-oriented strategies

Current Position, and Toward the Future

As IT advances, its use is rapidly expanding and deepening in scope.

As an IT company, NSD sees this trend as an opportunity to contribute more broadly to societal development. We are deploying aggressive strategies such as transforming our business model and expanding our operations, aiming to become a corporate group with over 100 billion yen in net sales.

▶ Trends in Net Sales and Operating Income



Medium-Term Management Plan



IT Trends

Advancements in cloud technology

Increasing demand for and practical application of new technologies such as AI and IoT

Shortage of system engineers

Basic Strategies

Hone our competitive edge in system development by entering new areas

Improve technical responsiveness to new technologies in system development

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

Proactively promote M&A

* Figures forecast for fiscal 2023 are those announced on May 9, 2023.

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

System Development Business



Finance

Banks, trust banks, insurance companies, securities companies, and credit card companies are our main customers, and we support a wide range of operations from core systems to industry-specific systems.



Service

We have a wide range of customers, from media organizations to schools and research institutions, and support them with a variety of systems tailored to specific operations, such as election reporting systems for media organizations, for example.



Telecommunication

We cater to major telecommunications carriers as our main customers, ranging from landline to mobile phone services. We are involved in the development of core systems as well as support the development of services utilizing 5G technology.



Solution Business



Medical & Healthcare

We provide solutions for dental clinics that handle everything from electronic medical record creation to billing processing. We also offer solutions that support everything from the creation of reports for accident occurring in medical settings to the planning of countermeasures, as well as solutions to support health and productivity management.



Human Resources

We provide various HR solutions, supporting everything from recruitment marketing to selection progress management, as well as solutions that centralize the management of operations required for staffing.



Logistics

We provide solutions to centrally manage a variety of operations required for commercial warehouse management, from basic management tasks such as acceptance and delivery, inventory, and location management to peripheral tasks including customs clearance information management.

and fields



Transportation

Our main customers are airlines, railway companies, and transportation companies. We provide a wide range of operational support, from customer-facing systems (such as reservation systems) to various back-end systems.



Manufacturing

We develop product supply and demand systems and production management systems for customers across a range of sectors, from electronics and automobiles to food and pharmaceuticals, supporting productivity improvement in a variety of production processes.



Public Organizations

We support operational efficiency for key clients such as central government agencies, local governments, and affiliated organizations. In addition to systematizing processes within government offices, we provide one-stop service systems for administrative procedures for example.



Operational Improvement

We offer solutions that utilize RFID, which employs small wireless chips for the identification and management of people and objects. We support operational improvement in all sectors, including medical and nursing care settings, manufacturing management in factories, as well as contactless entry and exit management.



Security

We provide solutions for building secure networks and addressing issues such as information leakage and unauthorized access. As Japan moves away from PPAP, a file-sharing method using password-protected zip files, we are contributing to this initiative by providing solutions to enable the safe transmission and reception of large amounts of data.



Shareholder Relations and Investor Relations Support

We offer full outsourcing services for shareholder benefits, from planning to ordering and handling inquiries about complimentary goods, and provide a platform that connects issuer companies with individual investors.

NSD aims to build a sustainable society and continue to solve various social issues that arise as a result of



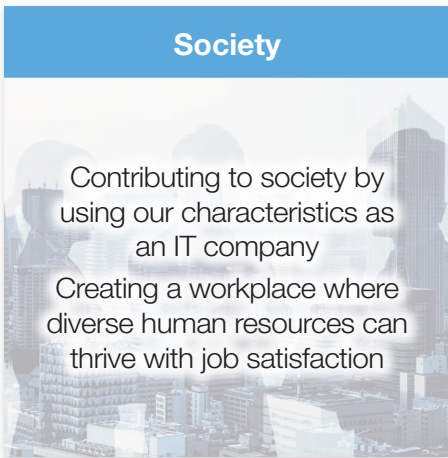
Materiality → P.13

Environment



Reducing impact on global environment

Society



Contributing to society by using our characteristics as an IT company
 Creating a workplace where diverse human resources can thrive with job satisfaction

Governance



Strengthening the foundation for the Company's existence

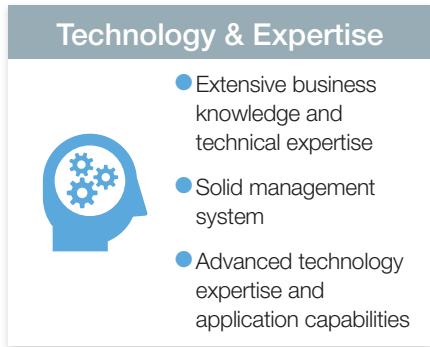
Management Resources → P.15

Human Resource



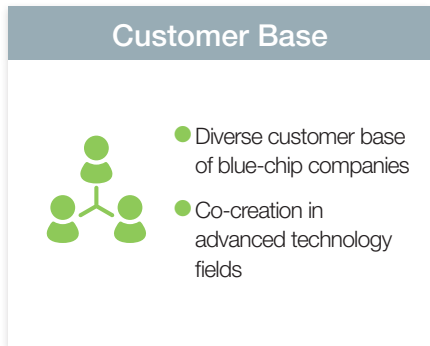
- Professional human resources
- Trustworthy business partners

Technology & Expertise



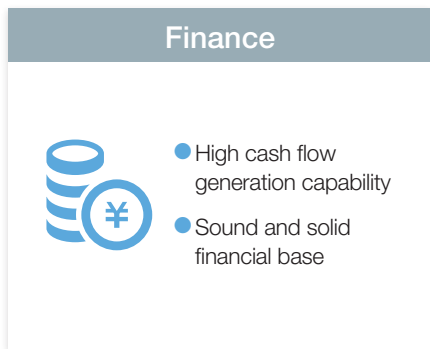
- Extensive business knowledge and technical expertise
- Solid management system
- Advanced technology expertise and application capabilities

Customer Base



- Diverse customer base of blue-chip companies
- Co-creation in advanced technology fields

Finance



- High cash flow generation capability
- Sound and solid financial base

Worsening climate change problem

Evolution of IT

Lack of IT human resources

External environment

Greater cyber risks

Fall in working-age population

More diversity

Vision

Business

Sustained growth

Business

Financial

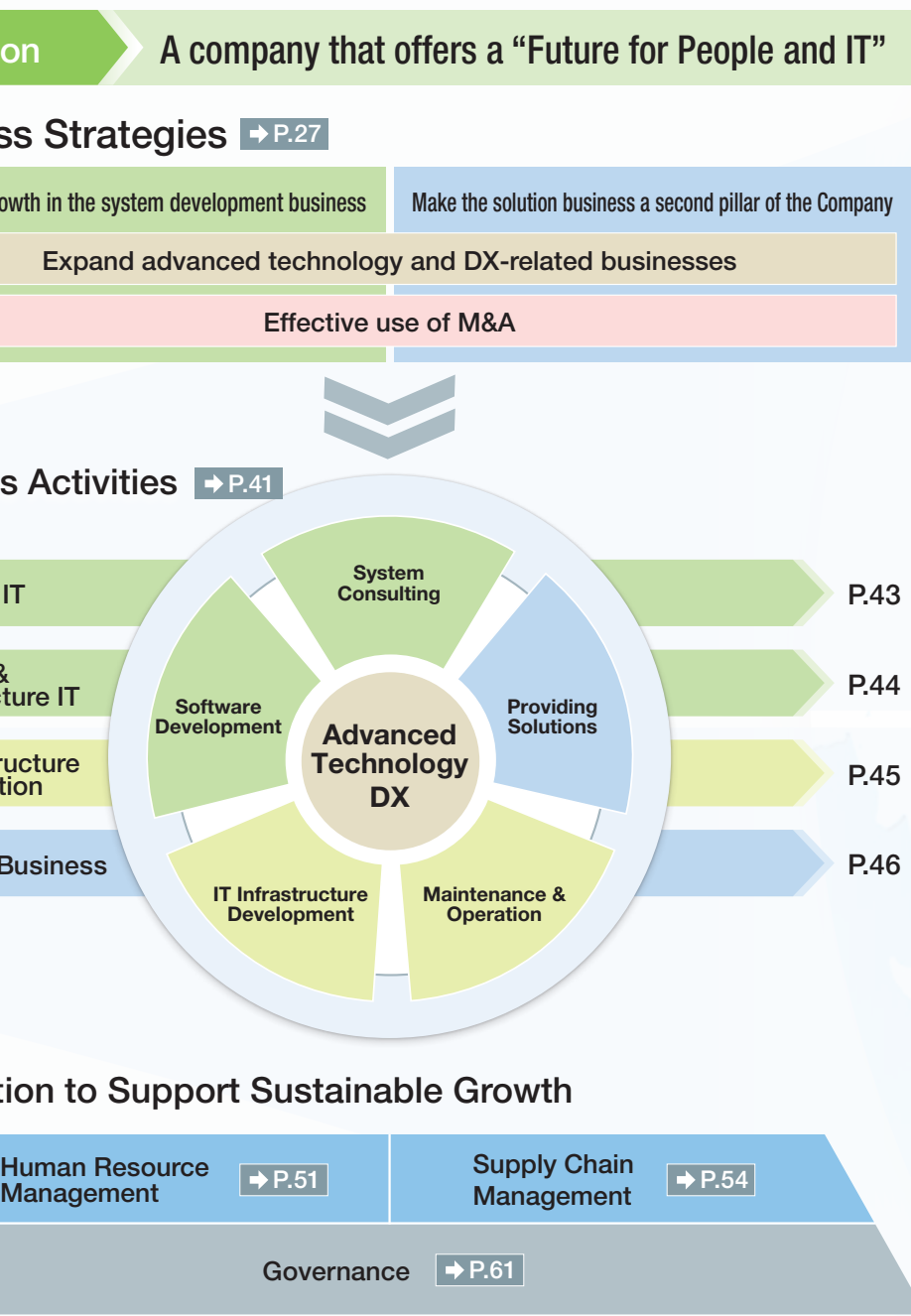
Industry & Infrastructure

IT Infrastructure Construction

Solution

Foundation

Continuously improve corporate value by using IT in response to changes in the external environment.



Value Provided to Society → P.17

Creating Economic Value

- Net sales: **¥77.9 billion**
- Operating income: **¥12.5 billion**
- Net income attributable to owners of the parent: **¥10.2 billion**
- ROE : **19.3 %**
(Fiscal 2022 results)

Creating Social Value

Employees



- Growth and career development
- A healthy and rewarding work environment

Customers



- Sustained growth
- Innovation

Business Partners



- Value creation through co-creation
- Fair and equitable transactions

Shareholders



- Improvement of shareholder value and return of profits
- Highly transparent information disclosure and dialogue

Communities



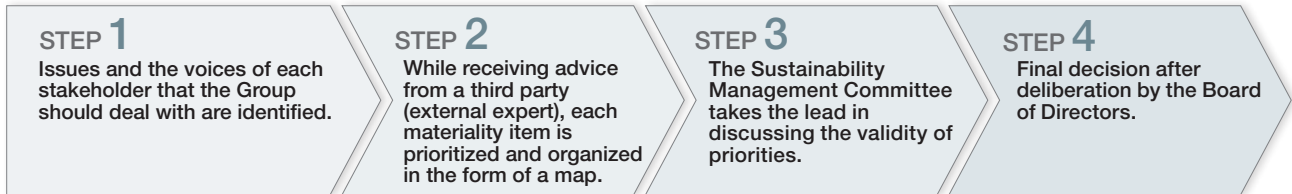
- Solutions that support social infrastructure
- Employment opportunities

Materiality

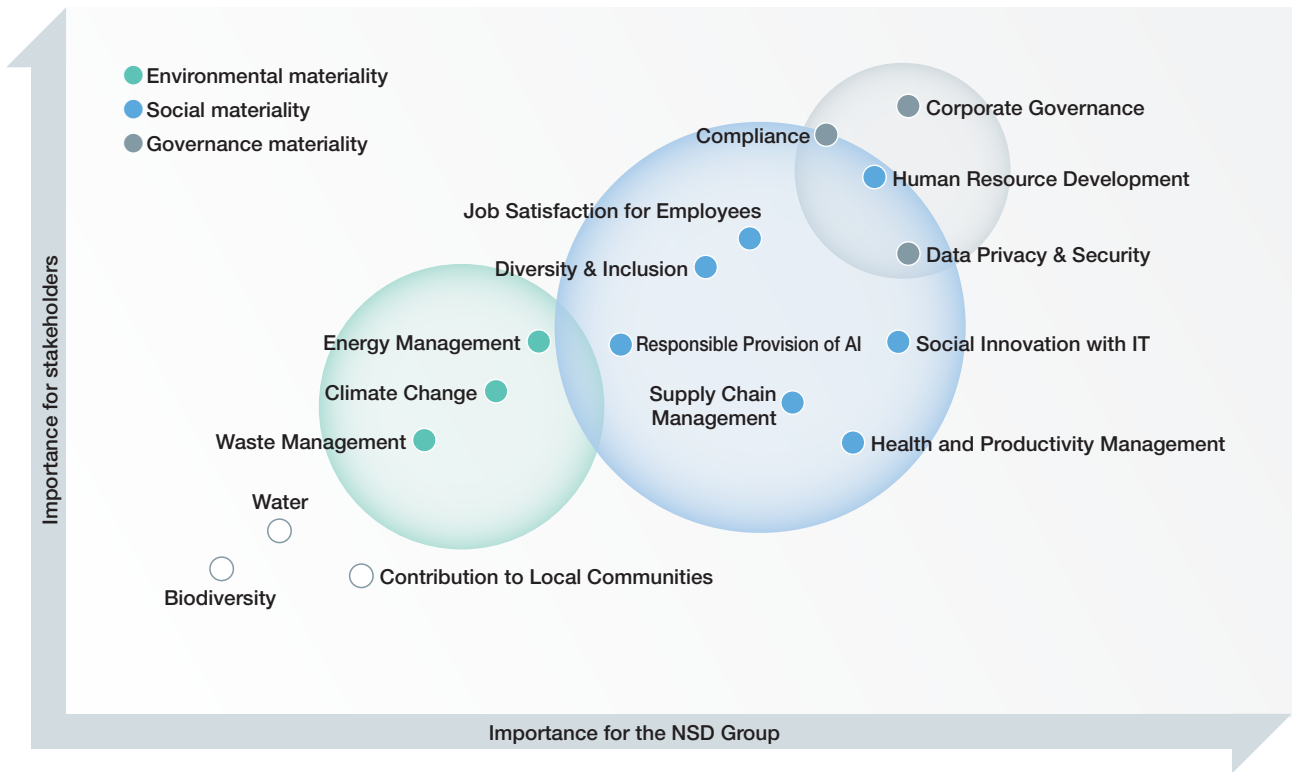
From among a wide range of ESG-related issues, we have identified materiality items based on the strengths of the NSD Group and industry characteristics and promote initiatives to effectively help build a sustainable society.

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.”





Materiality Map











E Reducing Impact on Global Environment

Materiality	Measures	Initiatives and Achievements	Related SDGs
Climate Change Energy Management	<ul style="list-style-type: none"> Thorough environmental management based on ISO14001 Environmentally friendly initiatives <p>Target CO₂ emissions FY2030: 827 t-CO₂ (35% reduction from FY2020 levels) FY2050: 356 t-CO₂ (72% reduction from FY2020 levels)</p>	<ul style="list-style-type: none"> Established an environmental management system in compliance with the ISO14001:2015 certification standards, and operated and managed it in accordance with the PDCA cycle. FY2022 greenhouse gas emissions were 915 t-CO₂, a 28% reduction from FY2020 levels (base year). 	
Waste Management	<ul style="list-style-type: none"> Reducing waste by going paperless and recycling computers, etc. <p>Target Sheets of printing paper used FY2030: 630,000 sheets (30% reduction from FY2020 levels)</p>	<ul style="list-style-type: none"> 760,000 sheets of printing paper were used in FY2022, a 15% reduction from FY2020 levels (base year). The rate of reusing and recycling computers was kept at 100%. 	





S Contributing to Society by Using Our Characteristics as an IT Company

Materiality	Measures	Initiatives and Achievements	Related SDGs
Social Innovation with IT	<ul style="list-style-type: none"> Solving social issues by creating and providing solutions that use advanced technologies 	<ul style="list-style-type: none"> Provided a solution for analyzing the movement of workers using autonomous navigation and a solution for preparing meeting minutes using voice recognition and speaker identification technologies. Also utilized advanced technology in system development. 	 

S Creating a Workplace Where Diverse Human Resources Can Thrive with Job Satisfaction

Materiality	Measures	Initiatives and Achievements	Related SDGs
Human Resource Development	<ul style="list-style-type: none"> Skills development through extensive training systems and practical guidance <ul style="list-style-type: none"> Improving technical skills as engineers (from the basics to exploring advanced technologies) Improving human skills as members of society 	<ul style="list-style-type: none"> In FY2022, conducted training with an emphasis on agile development and technology trends. Expanded credentials eligible for financial incentives. As of the end of FY2022, there were a total of 4,629 employees with IT credentials. 	 
Job Satisfaction for Employees	<ul style="list-style-type: none"> Providing appropriate and sufficient opportunities for employees to develop their skills Having a fair personnel system that rewards contribution 	<ul style="list-style-type: none"> Improved compensation through base pay increases, etc. in FY2022 and FY2023. Considering further enhancement of the personnel system, such as dividing career paths into subcategories toward FY2024. 	
Health and Productivity Management	<ul style="list-style-type: none"> Providing an environment where employees can work safely and in good health <p>Target Maintain less than 20.0 hours of overtime</p> <p>Target 75% or more of paid vacation days taken</p>	<ul style="list-style-type: none"> FY2022 stress check results showed a downward trend in the ratio of highly stressed individuals, down 0.9% from the previous year to 11.5%. Certified as a Health & Productivity Management Outstanding Organization (Large Enterprise Category) for six consecutive years. 	
Diversity & Inclusion	<ul style="list-style-type: none"> Steady rollout of initiatives for women's advancement in the workplace Creating a comfortable working environment that respects employee diversity <p>Target Female employees in FY2025: 23% or more</p> <p>Target Women in management positions in FY2030: 10% or more</p> <p>Target Male employees taking childcare leave in FY2025: 50% or more</p>	<ul style="list-style-type: none"> In FY2022, the ratio of female employees was 19.6%, and the ratio of women in management positions was 6.2%. The ratio of women in new graduate hires in FY2023 was 46.7%. Held seminars for male employees on childcare support systems. The ratio of male employees who took childcare leave in FY2022 was 30.9%. Promoted understanding through D&I training, distribution of educational booklets on LGBTQ issues, etc. 	 
Supply Chain Management	<ul style="list-style-type: none"> Encouraging equal and fair dealings with business partners Sharing and taking on sustainability challenges together with business partners 	<ul style="list-style-type: none"> Compiled items to be addressed by business partners in our Sustainability Procurement Guidelines and actively encouraged regular sharing of information with their senior management. 	 

G Strengthening the Foundation for the Company's Existence

Materiality	Measures	Initiatives and Achievements	Related SDGs
Corporate Governance	<ul style="list-style-type: none"> A Board of Directors that supports highly effective supervision and transparent management decisions Officer remuneration system to support business execution that leads to efficient and sustained growth 	<ul style="list-style-type: none"> Three of the seven directors and two of the three Audit & Supervisory Board members are independent outside officers. Director remuneration consists of base remuneration, bonuses, and stock-based remuneration (over 40% is performance-linked remuneration). 	
Compliance	<ul style="list-style-type: none"> Fostering and enforcing an awareness around compliance Ensuring fair trade and preventing corruption Preventing compliance violations, etc. 	<ul style="list-style-type: none"> Regularly conducted training on important laws and regulations such as Japan's Subcontractor Act and Anti-Monopoly Act, as well as on harassment prevention (maintained a 100% participation rate). Compliance status is reviewed by the Risk Management Committee. Issues and other matters are reported to the Board of Directors. 	
Data Privacy & Security	<ul style="list-style-type: none"> Improving employee literacy on information security Strengthening security through measures against cyberattacks, vulnerability diagnostics, etc. 	<ul style="list-style-type: none"> Regularly conducted training on information security and the protection of personal information (maintained a 100% participation rate). The Information Security Committee met 12 times in FY2022. Issues and other matters are reported to the Board of Directors. Reinforced measures to prevent unauthorized access and malware infection, etc. 	 

<h2>Human Resource</h2> 	<ul style="list-style-type: none"> ● Professional human resources ● Trustworthy business partners 	<ul style="list-style-type: none"> ● A group of professionals with over 4,000 system engineers (ratio of system engineers: 95.2%) ● An organizational culture of approaching all tasks with earnestness and a sincere attitude that our customers appreciate ● A total of more than 4,000 employees with IT credentials, which ensures high-quality, reliable project management ● Ensuring high mobilization capabilities with business partners that meet selection criteria, primarily core partners
<h2>Technology & Expertise</h2> 	<ul style="list-style-type: none"> ● Extensive business knowledge and technical expertise ● Solid management system ● Advanced technology expertise and application capabilities 	<ul style="list-style-type: none"> ● Promoting the development of professional human resources through extensive technical training ● For over half a century, NSD has accumulated a wealth of business knowledge and technical expertise through the development of systems for customers in a wide range of industries ● Thorough project management and strict management standards prevent unprofitable projects at the senior management level ● Advanced technology expertise and application capabilities accumulated through practice and research led by NSD Advanced Technology Research Institute
<h2>Customer Base</h2> 	<ul style="list-style-type: none"> ● Diverse customer base of blue-chip companies ● Co-creation in advanced technology fields 	<ul style="list-style-type: none"> ● Solid and well-diversified customer base consisting of major blue-chip companies, that is not affected by changes in the business environment of specific industries ● Solid relationships of trust with customers from whom we receive orders on an ongoing basis ● Of the top 50 companies, more than 80% have been our customers for 10 or more years ● Customers from various industries co-create solutions using advanced technology as investing companies and member companies of NSD Advanced Technology Research Institute
<h2>Finance</h2> 	<ul style="list-style-type: none"> ● High cash flow generation capability ● Sound and solid financial base 	<ul style="list-style-type: none"> ● Management focused on capital efficiency and cash flow generation capability ● Aggressive investment in growth and enhanced shareholder returns through high cash flow generation capability ● Securing a sound and solid financial base through safe and secure investment of surplus funds and a conservative basic policy for strategic shareholdings

<p>Number of employees</p> <p>As of September 30, 2023</p> <p>4,448</p>	<p>Number of employees with IT credentials^{*2}</p> <p>Total at the end of FY2022</p> <p>4,629</p>	<p>Number of business partners^{*2}</p> <p>Results for March 2023</p> <p>305</p>
<p>Number of participants in technical training^{*2}</p> <p>Total for FY2022</p> <p>1,027</p>	<p>Ratio of unprofitable amount to net sales^{*2}</p> <p>3-year average</p> <p>0.08%</p>	<p>New technologies and DX-related sales in the system development business</p> <p>29.3%</p>
<p>Number of companies engaged in transactions^{*2}</p> <p>FY2022 results</p> <p>1,348</p>	<p>Ratio of sales from top 10 companies^{*2}</p> <p>28.4%</p>	<p>Number of investing companies and member companies of NSD Advanced Technology Research Institute</p> <p>11</p>
<p>ROE</p> <p>19.3%</p>	<p>EBITDA margin</p> <p>17.1%</p> <p>Free cash flow</p> <p>¥16.0billion</p>	<p>Equity ratio</p> <p>80.3%</p> <p>Net assets</p> <p>¥55.4billion</p>

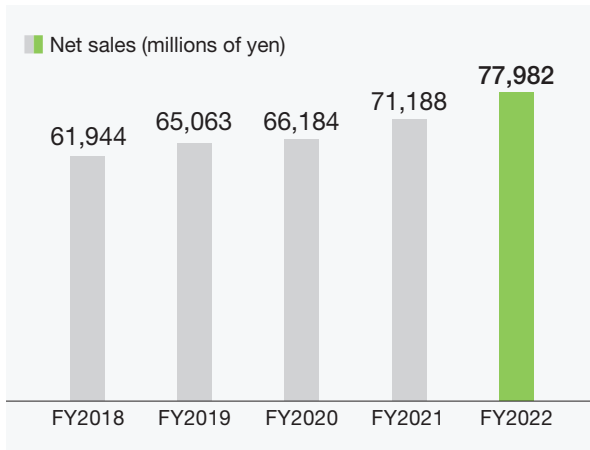
*1: In principle, the above figures are based on fiscal 2022 results.

*2: The figures are provided on a non-consolidated basis.

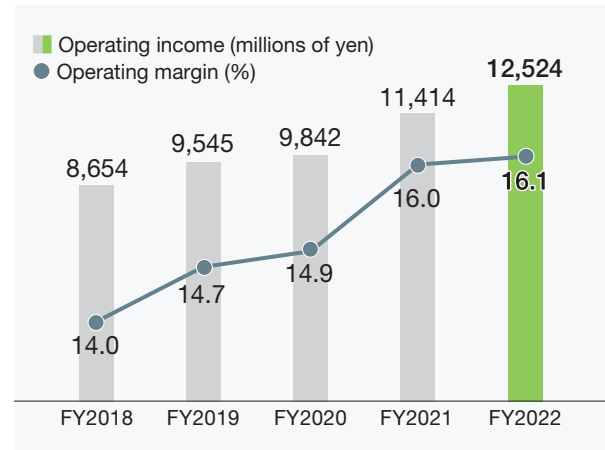
Value Provided to Society

Financial Indicators

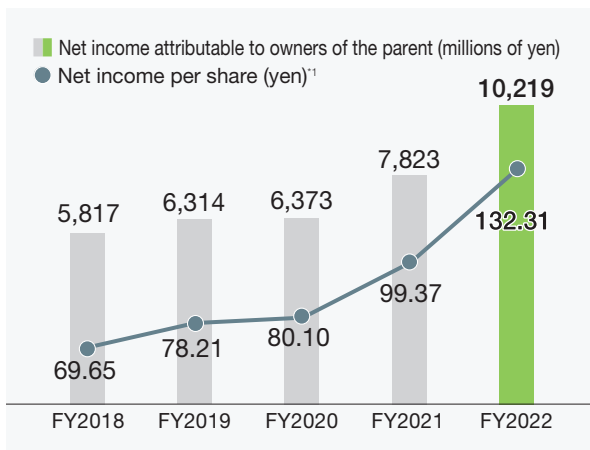
Net Sales



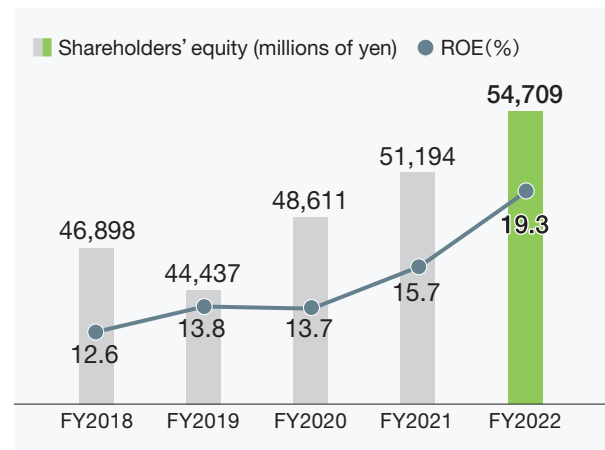
Operating Income / Operating Margin



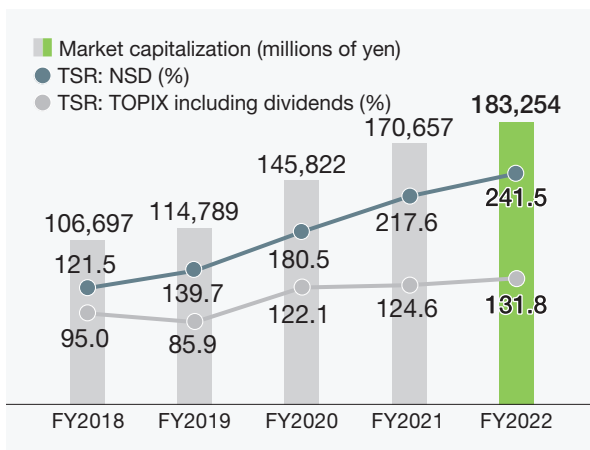
Net Income Attributable to Owners of the Parent / Net Income per Share



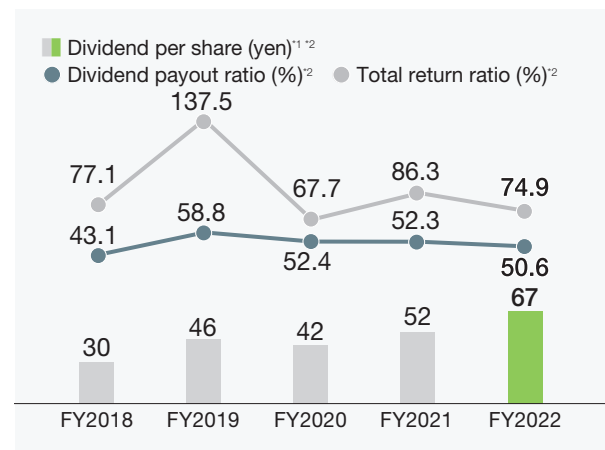
Shareholders' Equity / Return on Equity (ROE)



Market Capitalization / Total Shareholder Return (TSR)



Shareholder Returns

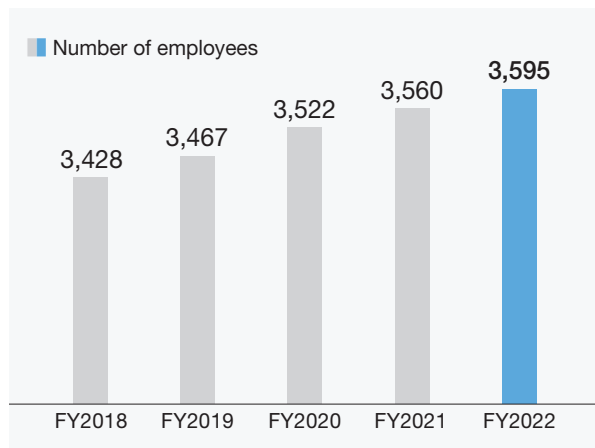


*1: Per share indicators are based on the number of shares after the Company's stock split executed on January 1, 2020.

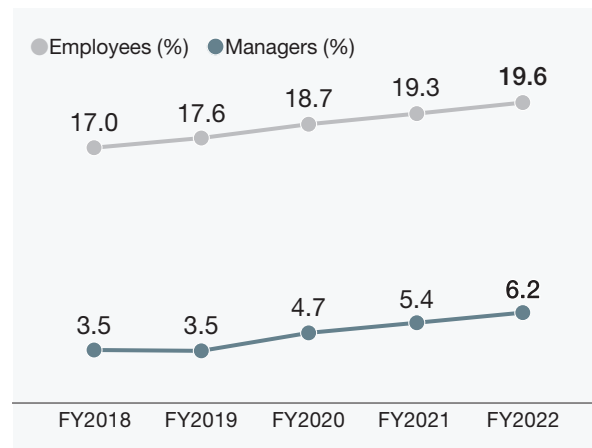
*2: Fiscal 2019 indicators are calculated to include the Company's 50th anniversary commemorative dividend (14 yen per share).

● Non-Financial Indicators

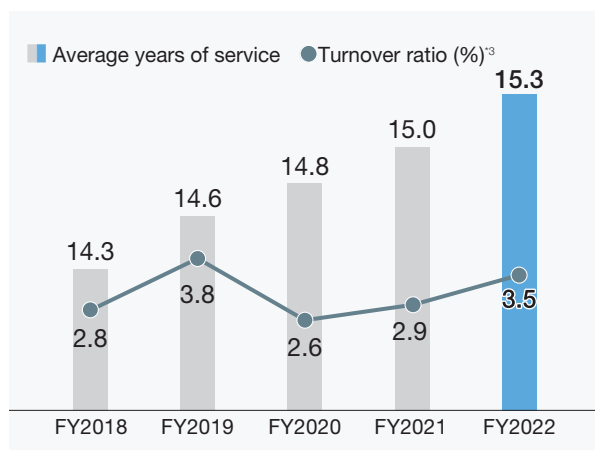
Employees



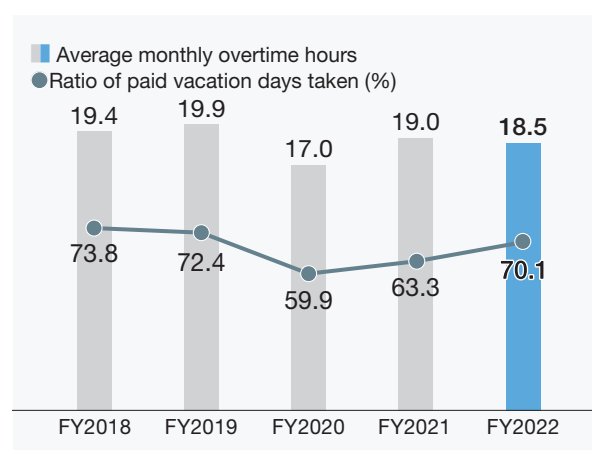
Female Ratios



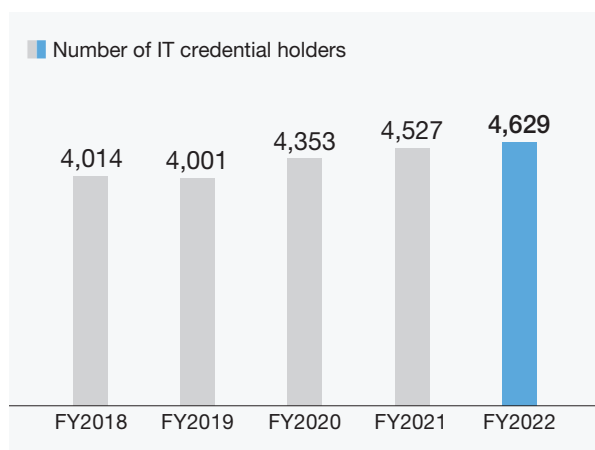
Average Years of Service / Turnover Ratio



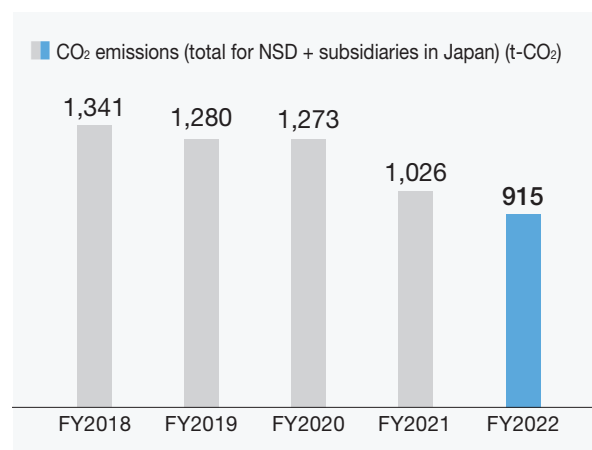
Average Monthly Overtime Hours / Ratio of Paid Vacation Days Taken



Number of Employees with IT Credentials



CO₂ Emissions



*3: Calculated excluding mandatory retirements and persons using the Company's early retirement incentive program.

We will fulfill our mission as an IT company through *practice and research*, the starting point for everything NSD does

The NSD Group's DNA

In every era, *practice and research* form the foundation

"To be an extremely unique entity that combines practice and research, including the establishment of true computer science"

These are the thoughts our founder put into words as our founding prospectus when NSD was established in 1969. Now, half a century later, NSD has grown into a corporate group with more than 4,000 employees, but in every era, the spirit of *practice and research* forms the foundation of the Group. This is because we believe that repeated practice and research will lead us closer to the essence of problems and enable us to provide the value that is truly needed.

I believe that the NSD Group has been able to remain on a growth path until now because we have continuously repeated practice and research to solve problems always from the customer's perspective, and have found and of-

fered answers that only we could have come up with.

Sensitive to changes in the technology that meets the needs of the times, our business model continues to evolve, as nowadays, for example, we are focused on development that leverages advanced technology and the creation and provision of solutions. Even so, our approach of emphasizing practice and research from the customer's perspective remains an immutable constant. Rather than blindly chasing new technologies, our approach is to tackle challenges one by one, helping customers hone their competitive edge. We are always thinking about what we need to do to achieve this, and steadily and repeatedly pursue practice and research, firmly planting our feet on the ground and then taking one step at a time. This is the spirit that has supported and driven the growth of the NSD Group.

Being *earnest*

Since its founding, another of the strengths that the NSD Group has emphasized is a willingness to act responsibly and sincerely in response to requests from customers. Even when a problem occurs, we resist the temptation to run away. Instead, we search for the root cause and face the problem head on. This attitude has often earned us praise, with customers concluding that "NSD is *earnest*."

The most important thing for building a relationship of trust is to steadily put the obvious, i.e., acting responsibly,

into practice, and this approach has resulted in longstanding business relationships with customers whom we can now call "lifelong customers."

This earnestness possessed by each and every one of our employees is an indispensable element for increasing the value of our customers' respective enterprises, and ultimately, for enabling the NSD Group to grow. It is the NSD Group's DNA, and we intend to keep passing it on.



Yoshikazu Imajo

President & CEO

Mission as an IT Company

Moving forward with adapting to the changes in the business environment

In recent years, the IT industry has enjoyed a favorable operating environment with a significant increase in efforts to achieve digital transformation (DX) against the backdrop of the spread of new technologies such as AI/IoT and a shift to cloud computing, regardless of domestic and overseas economic trends. Although IT has become essential as a key infrastructure supporting society, Japan still lags behind other countries in terms of IT adoption and the use of advanced technologies, and we expect IT needs to further increase for many of our customers.

Given these circumstances, NSD is keenly aware of its mission as an IT company to help customers surmount their challenges through the power of IT. We have already

altered the fields we focus on to adapt to changes in our operating environment, such as the advancement of cloud technology and the spread and expansion of advanced technologies, in order to precisely meet the needs of our customers. Currently, as stated in our five-year medium-term management plan, which we began executing in fiscal 2021, we are focusing on helping our customers improve their competitiveness through systems development that leverages new technologies and DX, as well as on creating and delivering the solutions that society needs. Through such initiatives, we are intent on fulfilling our mission as an IT company.

Progress with Execution of the Medium-Term Management Plan

Reaching our performance targets in the final year of the plan

In fiscal 2022, the second year of the medium-term management plan, the order environment remained strong as the pandemic subsided and IT investments that had been postponed were resumed, and there was also a continuous emergence of new needs in the new technologies and DX fields.

Given this favorable environment, net sales in fiscal 2022 increased by 9.5% year on year to 77.9 billion yen on the back of steadily improving performance of both the system development business and the solution business. Of this, net sales in new core business* climbed by 20.7% to 28.4 billion yen, with the new technologies and DX-related system development business as the driver. Operating income rose 9.7% to 12.5 billion yen, as higher revenues absorbed base salary increases, M&A-related expenses, and amortization of goodwill. As a result, it was our 11th consecutive year of growth in both revenues and profits, and I view this as further evidence that we have made our business foundation even more robust.

* New core business refers to the new technologies and DX-related system development business and the solution business.

One of the measures in our medium-term management plan is to invest a total of 20 billion yen in M&A for the sustainable growth of the system development business and the expansion of the solution business. So far, we have

been able to complete three M&A transactions.

In October 2022, we welcomed Trigger Inc., which has strength in IT consulting, to the NSD Group, thereby reinforcing our consulting capabilities in areas such as upstream system development processes. Then, in April 2023, ART Holdings Co., Ltd., which possesses a stable foundation in such businesses as system development, mainly in the Hokuriku region, also joined the NSD Group. This allowed us to secure the ART Group's excellent customer base along with more than 400 high-caliber systems engineers, which has helped fortify the foundation for achieving further growth of the system development business. And later, in May 2023, the NSD Group also welcomed NHOSA Corporation, the market leader in the dental systems field, which includes receipt computers for dental clinics for managing medical records. We believe that the addition of this company to the Group will help us to expand our solutions business in the medical and healthcare domains.

Coupled with solid organic growth, we expect the impacts of these three M&A deals to lead to significant improvements in our financial performance in fiscal 2023 and into the future, and we are now within reach of becoming a corporate group with consolidated net sales of over 100 billion yen, one of the performance targets we set in our medium-term management plan.



Toward Further Advancement

Strengthening NSD's capabilities

For the NSD Group to achieve sustainable growth, I regard it as essential to secure human resources and bolster our ability to handle new technologies in the system development business and to enhance our lineup of offerings in the solution business.

In the system development business, we are continuing to focus on recruiting fresh graduates, as it is this that has created the corporate culture of the NSD Group, but by expanding mid-career recruitment, including hiring by regional offices, we are also working to secure exceptional professionals who can contribute immediately. Furthermore, we are concentrating on providing internal technical training programs to new hires to get them up to speed on new technologies. We are also stepping up our recruitment of personnel with knowledge of new technologies, such as people who have been involved in cutting-edge technology research at graduate schools, etc. And to ensure we can retain the top-flight talent we have secured, we are not only moving to improve salaries and benefits, but are also work-

ing to further enhance personnel measures to reflect health and productivity management initiatives and respect work-life balance.

In the solution business, we intend to further enhance the development and provision of solutions that involve the use of services, and grow the business to make it a second pillar of our operations. This move reflects the ongoing pivot from owning to using systems, which is taking place against a backdrop of developments such as the shift to cloud computing. As part of this effort, NSD Advanced Technology Research Institute is pursuing the unique approach of forming partnerships with customers and jointly developing new solutions that meet their needs. By further accelerating and strengthening this co-creation process, we will be looking to expand our solutions lineup. On the other hand, when developing solutions in house, it takes time to scale up the business. We will therefore continue to explore potential M&A deals with companies that already offer competitive solutions in specific fields.

To Our Stakeholders

Aiming for further evolution while respecting NSD's origins

As I mentioned above, the impacts of our recent M&A deals, coupled with the effect of steady organic growth, are expected to make a strong contribution to our financial performance from fiscal 2023 and to set us on the path to achieving tremendous growth into the future. So in May 2023, we revised up our medium-term management plan performance targets to take these impacts into account, and are now aiming for net sales of 110 billion yen and an operating income of 16.5 billion yen, having increased both targets by 10%. We expect to achieve our initial target of 100 billion yen in consolidated net sales ahead of schedule, but 100 billion yen is no more than a milestone on the road to sustainable growth of the NSD Group. We remain

committed to continuing to evolve for further growth.

In the IT industry these days, the operating environment is changing at a rapidly accelerating pace in advanced technology fields, and the NSD Group must respond flexibly to meet these changes. In an environment like this, it is all the more important for us to deploy our business approach from customer perspective and our earnestness as weapons, and we therefore intend to further evolve and to fulfill our mission as an IT company through practice and research, the starting point for everything NSD does.

I wish to thank all of you in advance for your continued support.

Medium-Term Management Plan

Two years of progress that has exceeded expectations

Upward revision of performance targets as a result of factors including successful M&A

NSD aims to become a corporate group with net sales above 100 billion yen within the five-year period of the medium-term management plan that commenced in fiscal 2021.

Over the past two and a half years, we have focused on expanding the business foundation of the whole NSD Group through organic growth as well as by leveraging M&A. As a result of these efforts, we have laid the ground-

work for becoming a corporate group with a revenue exceeding 100 billion yen.

Continuing ahead, we will focus our efforts on the development of new technologies and digital transformation (DX)-related systems, as well as solutions, in order to adapt to a digitalizing society. We thus strive to transform into a corporate entity with higher added value.

▶ Long-Term Vision

Evolving the business based on a solid foundation
Value propositions that resonate with customers
Autonomous talent who demonstrates creativity

▶ Vision for 2025

Create a “uniquely NSD” touch in the system development business

Develop businesses with core strengths in multiple domains

Become a group of IT engineers who create transformation together with our customers

▶ Basic Strategies

Achieve sustainable growth in the system development business

Make the solution business a second pillar of the Company

Expand advanced technology and DX-related businesses

Effective use of M&A

Advancement of ESG initiatives

Progress

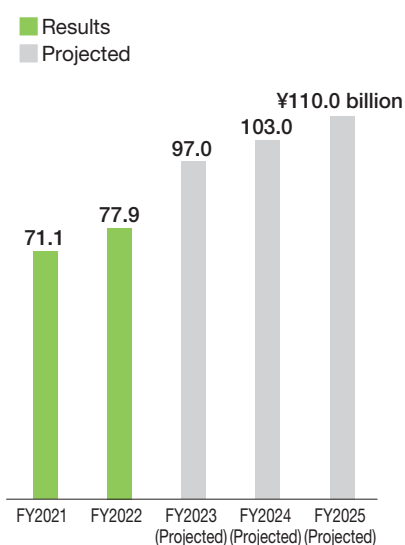
To sustainably grow NSD's system development business, a core business of the Company, we have focused on strengthening our project acquisition capabilities and securing talent to drive growth. In fiscal 2022, we exceeded our initial objectives thanks to robust customer orders within our new technology and DX-related system development business. This resulted in our 11th consecutive period of revenue and profit growth. Seeing this as a growth opportunity for NSD as a company, we have concentrated on strengthening recruitment, expanding our regional bases, as well as deepening relationships with business partners to enhance our mobilization capabilities.

In the solution business, we have not only strengthened the

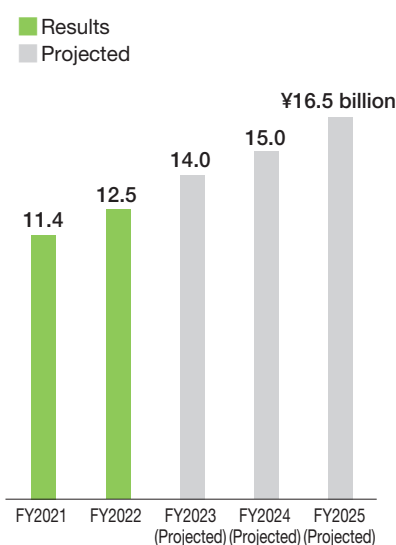
sales of existing solutions but have also expanded the scale of business through the use of M&A. Additionally, we have newly established Advanced Solution Planning Department and DX Consulting Department to enhance our proposal and development capabilities in advanced technology, as well as strengthen our ability to capture the needs of the market in response to DX.

On account of these initiatives and the impact of M&A, we have upwardly revised targets for the final year of our medium-term management plan as per below. Additionally, due to the increase in the amortization of goodwill from this round of M&A, we have added EBITDA and EBITDA margin to our KPIs as new indicators. This allows for a more consistent comparison of profitability with past performance.

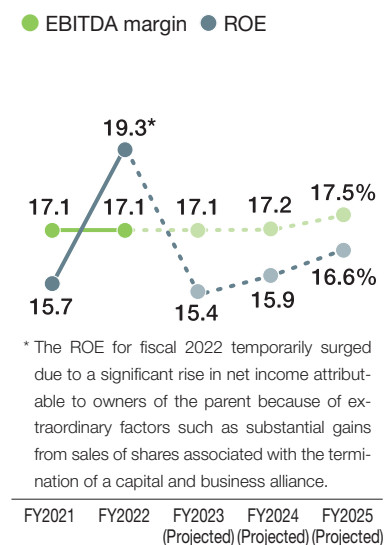
Net sales



Operating income



EBITDA margin / ROE



* The ROE for fiscal 2022 temporarily surged due to a significant rise in net income attributable to owners of the parent because of extraordinary factors such as substantial gains from sales of shares associated with the termination of a capital and business alliance.

(billions of yen)

	First year	Second year	Third year	Fourth year	Final year	Final year
	FY2021 Results	FY2022 Results	FY2023 Projected	FY2024 Projected	FY2025 Projected	FY2025 (Initial Projections)
Net sales	71.1	77.9	97.0	103.0	110.0	100.0
Of which new core business accounted for	23.5	28.4	37.5	43.0	50.0	40.0
Operating income	11.4	12.5	14.0	15.0	16.5	14.5
Operating margin	16.0%	16.1%	14.4%	14.6%	15.0%	14.5%
Net income attributable to owners of the parent	7.8	10.2	8.7	9.5	10.5	10.0
EBITDA	12.1	13.3	16.6	17.7	19.2	-
EBITDA margin	17.1%	17.1%	17.1%	17.2%	17.5%	-
ROE	15.7%	19.3%	15.4%	15.9%	16.6%	15.0%

* Projected figures are those announced on May 9, 2023.

Expand Business Through the Use of M&A

NSD is promoting investment in M&A with a view to expanding our business foundation under our medium-term management plan. In terms of achievements to date, we have welcomed Trigger Inc. into the NSD Group in October 2022, followed by ART Holdings Co., Ltd. and its subsidiaries (Art Group) in April 2023, and finally NHOSA Corporation in May 2023.

These M&As not only contributed to sustainable growth

in the system development business and expanded scale in the solutions business, which are the basic strategies of the medium-term management plan, but also served as an effective measure to address the increasing severity of the shortage of system engineers (SE). We will continue to consider the use of M&A in the upcoming term of our medium-term management plan.

► **Points of emphasis in M&A**

Trigger

System Development

Strengthening our consulting capability
Contributing to the realization of value propositions that resonate with our customers

Trigger

ART Group

System Development

Expertise in business domains that are highly synergistic with NSD
Securing high-quality system engineers to enhance our project responsiveness

ART Technology Co., Ltd. ART Software Co., Ltd.
ART Solution Co., Ltd. human design Co., Ltd. Create Atelier Co., Ltd.

Solutions

Providing RFID solutions
Contributing to the expansion of our solutions lineup

ART Finex Co., Ltd.

ART GROUP

NHOSA

Solutions

Providing industry-leading solutions for dental clinics and dialysis facilities
Contributing to the expansion of our solutions lineup

NHOSA

● Achieving sustainable growth in the system development business

Trigger Inc. is a company that specializes in consulting focused on execution support in the IT field, as well as system development and operations support. NSD acquired Trigger Inc. with the aim of bolstering our overall proposal capabilities by strengthening our offering in the IT consulting domain, which covers the initial stage of system development (the upstream process). As a result, we expect an increase in both revenue and profit within our system development business. We have already begun initiatives aimed at the benefits of the NSD Group, including the secondment of engineering staff from Trigger Inc. to NSD.

The ART Group has a well-balanced industry portfolio, consisting of large, reputable companies in sectors such as insurance, credit cards, electrical and electronic equipment, and automobiles. The Group has approximately 460 employees and generates revenue of about 8 billion yen, of which around 80% comes from the system development business. NSD and the ART Group have extremely high compatibility in business domains, foundations, and strategic objectives. Therefore, to achieve our basic strategy of sustainable growth in the system development business, we are combining our respective strengths including technical expertise, development capabilities, and customer bases. We are actively working to create and manifest synergies in both existing businesses and in new fields.

● Securing SEs

The ART Group is based in Fukui Prefecture and primarily operates within Tokyo and the Hokuriku region, as well as developing its business in Nagoya and Osaka. The Group, as a reputable local company, has stable recruitment channels primarily in the Hokuriku region, and hires high-quality talent. NSD opened regional bases in Sendai and Hiroshima with the aim of securing SEs through local hire. Welcoming the ART Group aligns with this strategy of regional expansion.

● Expanding the scale of the solution business

NHOSA Corporation is a company that has provided IT solutions to hospitals and clinics since its inception in 1979. Its revenue exceeds 5 billion yen. In addition to holding the highest market share in Japan in its field of specialty—the receipt computer system for dental clinics—the company also provides operating support systems to dialysis facilities in hospitals and clinics.

In NSD's medium-term management plan, we aim to make the solution business our second pillar of revenue through a specific strategy that involves expanding and accelerating the scale of the business using M&A. The acquisition of NHOSA Corporation significantly contributes to the strengthening of our solutions.

By merging NSD's technology with NHOSA Corporation's expertise, we aim to pursue synergies. With NHOSA at the core, we will work toward further expansion in the medical and healthcare fields within our solution business.

► Solution Business



Co-creating the future with our customers through advanced technology



As the speed of technological innovation accelerates, NSD is leveraging its unique strengths to create further added value by sustaining growth in system development, our core business since our founding. In addition, we are growing our solution business as a second pillar to stabilize our business foundation by expanding our recurring revenue model.

At present, we are also focusing on expanding our new technology and DX-related businesses that incorporate IT including advanced technologies, into practical applications, to emphasize the co-creation of new value with our customers. In doing so, we are responding to our customers' evolving needs. We are also utilizing M&A to further expand the range of solutions we can offer customers.

Achieve Sustainable Growth in the System Development Business

Since our founding, for over half a century, our system development business has not only supported NSD's growth as our core business, but has also contributed to enhancing the corporate value of our customers across a variety of industries. In addition to aiming for further growth in system development as our core business, we offer our customers system development aligned with modern needs by leveraging advanced technologies, unconstrained by traditional frameworks.

● Strengthening project acquisition capabilities

As times and technologies change, the challenges that our customers face and the objectives they aim for are becoming increasingly diverse. What such a situation calls for is to understand the business more than the customer does, to grasp the customer's thoughts, and to support them in making the right decisions about which path to take to achieve their objectives. At NSD, the leaders of our development divisions (who are well-versed in both the customers' businesses and systems) also handle sales. This enables us to understand our customers' needs deeply and efficiently, and to put in place a structure whereby we can make the best possible proposals. We are focused on strengthening our organizational structure to be able to respond to the increasingly diverse needs of the future.

● Using advanced technology

Taking into account the growing demand for advanced technologies such as AI and IoT, as well as DX using robotic process automation (RPA) and the cloud, NSD is leveraging its strengths in practical business applications to provide systems that meet these needs. At present, there is a high demand for new technology and DX-related solutions, which are driving the growth of our system development business. To support this growth, we are also working to strengthen our human resources by hiring advantageous talent, including graduate students who have been researching AI.

● Securing the talent needed to drive growth

To expand the scale of our system development business, the power of people—specifically, the capability of system engineers—is indispensable. In addition to our Tokyo Head Office and branch offices in Osaka, Nagoya, and Fukuoka, we have established offices in Sendai and Hiroshima. We are focusing on securing talent through recruitment activities in a wider geographic area than ever before. By welcoming the Hokuriku region-based ART Group into the NSD Group, we have also secured high-quality talent in the field of system development. We will continue to respond to our customers' needs with precision by harnessing the collective strengths of the NSD Group, including our business partners.



Make the Solution Business a Second Pillar of the Company

We are strengthening and expanding our solution business with a view to using the advancements in cloud technology and the spread of subscription models as a growth opportunity for NSD. We are also accelerating the rapid introduction of new solutions to the market by integrating the operation of NSD Advanced Technology Research Institute, which is responsible for product planning, with our development divisions.

● Expanding our leading solutions in niche markets

We are currently focused on expanding our business domains, including medical and healthcare, human resources, logistics, security, SR and IR, as well as process improvement using RFID. While many of our solutions are niche, we aim to be at the top of each of these fields, thereby ensuring steady growth in our solution business.

● Grounded research into advanced technology

We are pursuing grounded technological research that is useful in real-world business scenarios, while determining the utility of advanced technologies, in collaboration with a range of customers who are leading enterprises within their respective industries. With “co-creation” as our keyword, we are creating new solutions by thinking from our customers’ perspective and always working alongside

them. We are delving into research themes with a view to commercialization a few years down the line, advancing the planning and development of solutions that will serve as sources of competitive strength. Through these efforts, we will contribute to enhancing the future value of our customers.

● Business expansion through the use of M&A

We are also advancing non-organic business expansion through the use of M&A. We have welcomed NHOSA, which has strengths in solutions for dental and dialysis clinics, as a member of the NSD Group, thereby expanding NSD’s business foundation in the medical and healthcare fields. Having welcomed the ART Group into the NSD Group, it is also now possible for us to provide RFID-related solutions, allowing us to contribute to operational improvement for our customers. We will continue to consider M&A opportunities where there are attractive solutions with the potential to lead in niche markets.

NSD Group's Advanced Technology Initiatives

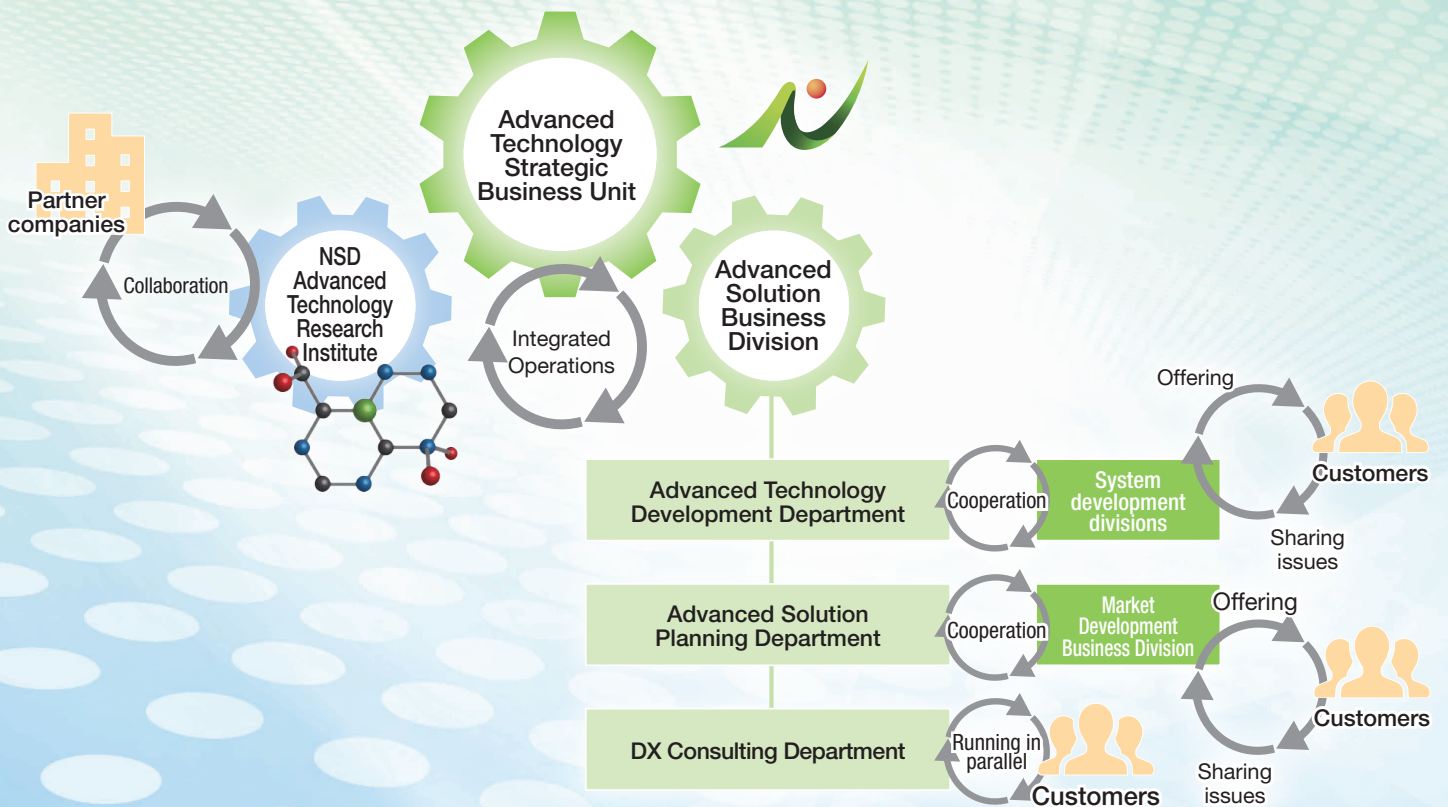
The utilization of advanced technologies will be the key to future growth and expansion in both our system development and solution businesses.

A significant characteristic of NSD Group's research and development into advanced technologies is our focus on the application and practical use of these technologies. NSD Advanced Technology Research Institute, which is responsible for research and product planning, collabo-

rates with our Advanced Solution Business Division that promotes commercialization focused on development. Together, they identify advanced technology themes for potential commercialization in a few years' time. Through the process of investigation and research through to development, we help to solve the challenges facing our customers and society.

Organizational Chart of Advanced Technology Initiatives

We have established a system that can support the application of advanced technologies to our customers' businesses across all aspects, from research and planning to development and consulting.



Research into Advanced Technology

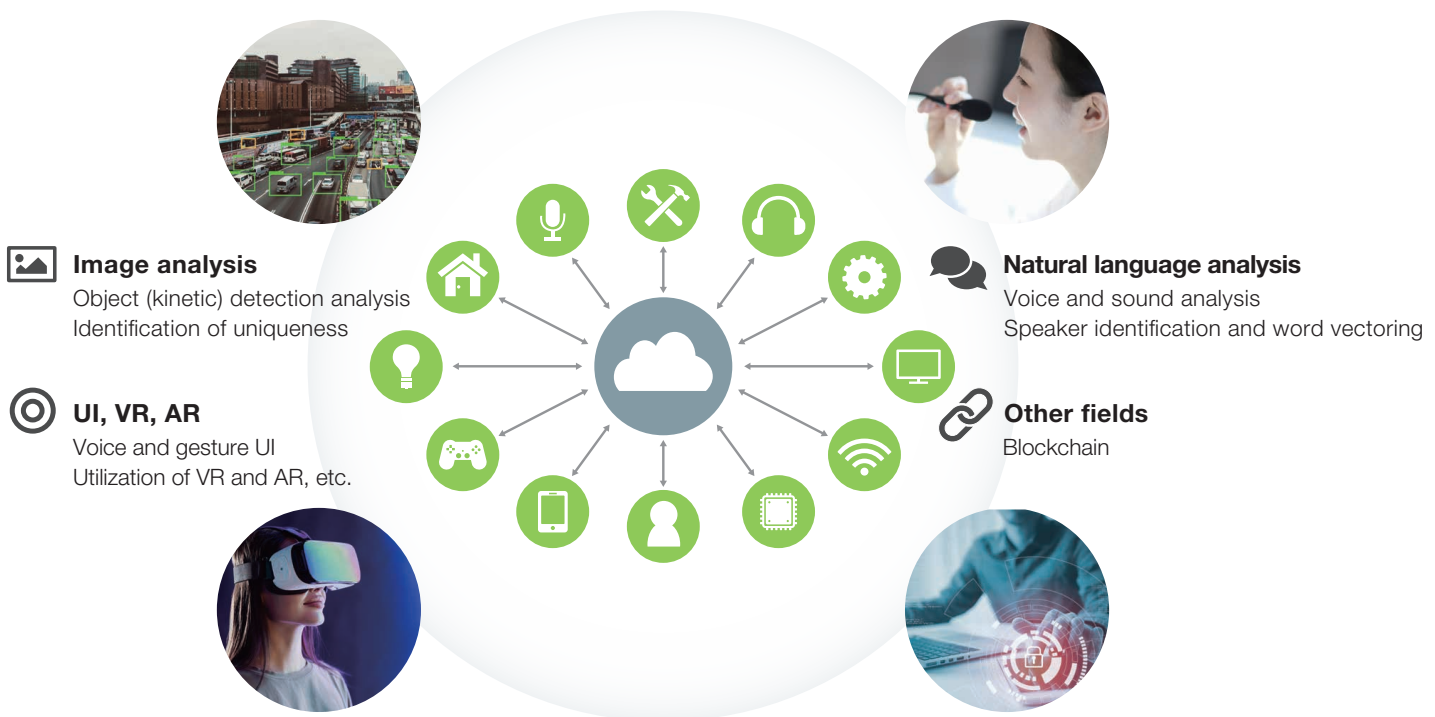
In general, R&D sometimes begins from basic research on elemental technologies with a time horizon of decades. However, at NSD Group, we consider research and development as one approach for increasing the future value of our customers. We are therefore focusing our research on technologies that are directly related to our customers' businesses.

NSD Advanced Technology Research Institute has established a unique structure whereby it engages in

research and development in partnership with major companies that represent various industries, a setup that sets us apart from other companies. As a result, we are able to listen to the true voices of our customers, thereby understanding the business challenges they face and the IT solutions they require. This enables us to find more useful and effective solutions for them.

"Grounded research into advanced technologies" that is useful for real-world business is a feature of the NSD Group.

Examples of Research



Practical Application of Advanced Technology

Due to progress made in advanced technology, we are now able to offer solutions that are more suited to our customers' needs, as well as speed up system development.

NSD is actively utilizing advanced technology in both our system development and solution businesses. Leveraging our extensive technical expertise and understanding of our customers' operations, we are meeting the increasingly sophisticated and diverse needs of our customers.

In the system development business

In addition to actively utilizing highly versatile technologies such as RPA and the cloud, we also handle niche systems such as using language analysis technology to analyze survey information as well as data from X (formerly Twitter) and Instagram for marketing and negative online sentiment detection. Leveraging our strengths as an independent system integrator, we select technologies that best meet our customers' needs from among the many advanced technology options out there, in order to offer them the most optimal systems.

Business Strategies

Additionally, NSD has a large pool of talent who are well-versed in the latest development technologies, including employees who have been selected as AWS Heroes and those who hold the Scrum@Scale certification.

By collaborating on projects with these employees in the Advanced Solution Business Division and employees in the existing system development divisions who are well-versed in our customers' operations, we are able to provide optimal systems for solving our customers' challenges.

In the solution business

By utilizing advanced technology, we have been able to solve previous problems in solution development, making it possible to meet the needs of our customers more precisely.

For example, the flow line analysis tool "Tracking Navi" designed for factories and warehouses combines the "autonomous navigation" patented technology owned by the National Institute of Advanced Industrial Science and Technology (AIST) with NSD's lightweight technology. This enables managers to accurately track workers' movements by simply giving them a smartphone, reducing both implementation and operational costs compared with measurement methods that require the installation of numerous beacons.

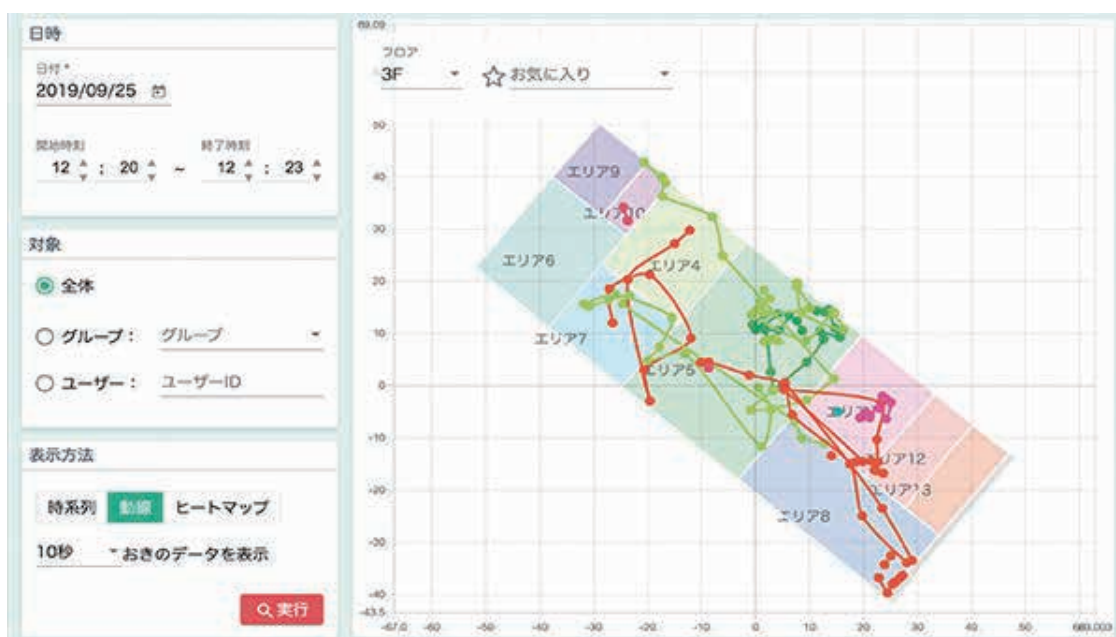
The AI meeting minutes solution, QuickDigest, utilizes voice recognition technology and speaker identification technology to transcribe spoken content for each speaker. This eliminates the need for manual sorting of speakers, which was necessary in previous meeting minutes solutions.

In addition, in order to create groundbreaking solutions,



not only is technology important, but flexible human thinking in how to utilize it is also essential. The QR code reception system for Microsoft 365 users, QuickReception, adopts a mechanism that is the opposite of the general QR code reception systems where visitors show their QR code on a dedicated terminal. With QuickReception, the visitor scans the reception's QR code and completes the check-in process in just one click. By rethinking the approach from the opposite direction, we have eliminated the costs of setting up dedicated reception terminals and the hassle of sending QR codes, thereby significantly reducing both the time and expense involved in reception tasks.

Going forward, we will continue to collaborate with our customers in implementing advanced technologies, creating useful and unique IT solutions, and contributing to social innovation.



Product Introduction



Tracking Navi

Uses autonomous navigation to visualize the location information of workers operating indoors. By recording all the movements of workers that cannot be managed by warehouse/inventory management systems, we achieve the digitalization of factories and warehouses.



QuickDigest

Automatically creates meeting minutes with a high level of accuracy. Only one person needs to install it to transcribe an entire meeting's audio. Supports both face-to-face and online meetings. We support meeting review and information-sharing with meeting minutes that capture a sense of presence.



QuickReception

A fully contactless QR code reception system for Microsoft 365 users that completes check-in easily in 5 seconds. Using a mechanism that is the opposite of conventional methods, visitors can complete the check-in process simply by scanning the reception's QR code and clicking once.



TeA-L/Right

AI checks people's handwashing procedures on their behalf at all times. Offers support through example videos until the handwashing procedure can be done correctly. Reliably records who washed their hands and when; information that can then be used as evidence for hygiene management checks.

Introducing our Engineers

Shigeru Oda (joined in 2010)

Advanced Technology Development Department,
Advanced Solution Business Division

He was recognized as an AWS Hero* in 2022.

He belongs to the Company's Advanced Solution Business Division and work as an expert system engineer. Utilizing his knowledge of AWS and community management skills cultivated through various activities, He is involved in design, development, and training using cloud technology.

* AWS Heroes are individuals who are recognized by AWS for their extensive knowledge and advanced skills in AWS technologies. They contribute significantly to improving the skills of AWS users by disseminating their knowledge and skills through social media, blogs, events, and workshops. As of the end of September 2023, only 16 individuals have been recognized as AWS Heroes within Japan, and they have significant influence over the AWS community worldwide.



■ AWS certifications obtained by Mr. Oda (partial list)



Supporting growth through prudent and efficient financial management



NSD's financial strengths lie in its high cash flow generation capabilities and solid financial base. We aim to further enhance corporate value by leveraging these strengths in both flow and stock as well as achieving high capital efficiency. Up until now, we have expanded our business through organic growth, with the system development business as the driver. However, in our current medium-term management plan, we have decided to actively pursue non-organic growth in order to accelerate the growth of our solution business, and have committed to pursuing M&A on the scale of 20 billion yen.

Furthermore, we have always positioned shareholder returns as the most important management issue, and have been actively implementing these with a total return ratio of over 70% as our basic policy.

We are committed not only to maintaining and enhancing our cash flow generation capability but also to managing our finances with prudence and efficiency in order to support our investment in growth and shareholder returns as well as our daily business from a financial perspective.

Basic Policies for Financial Management

In order to invest in sustainable growth and proactively provide returns to shareholders, our basic policy is to prioritize capital efficiency and the ability to generate cash flow in our financial management.

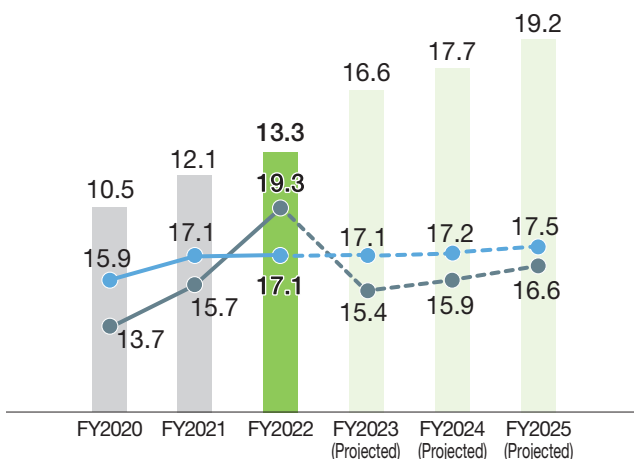
For this reason, we have set ROE and EBITDA margin as KPIs in our medium-term management plan, and are

working to improve them. For fiscal 2025, the final year of the plan, we are aiming for an ROE of 16.6% and an EBITDA margin of 17.5%.

At the end of fiscal 2022, ROE was 19.3%, an increase of 3.6% from the previous year, due in part to special factors such as gains from the sale of shares associated with

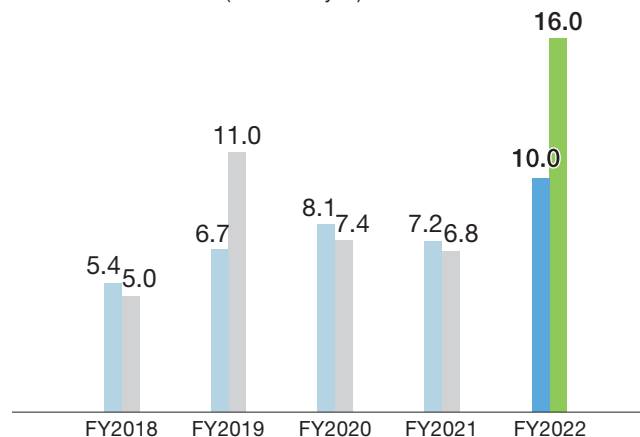
EBITDA / EBITDA Margin / ROE

■ EBITDA (billions of yen) ● EBITDA margin (%) ● ROE (%)



Operating Cash Flow / Free Cash Flow

■ Operating cash flow (billions of yen)
■ Free cash flow (billions of yen)



the termination of capital and business alliance (excluding this gain, it was an increase of 0.4% from the previous year to 16.1%).

The EBITDA margin remained steady at 17.1%, maintaining an extremely high level within the IT industry.

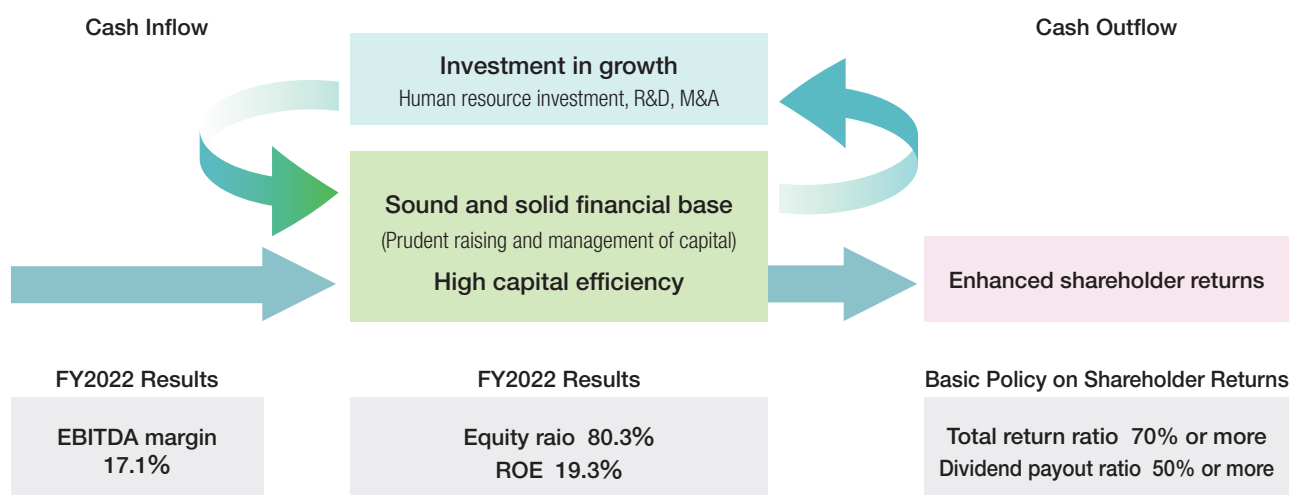
Raising and Management of Capital

Since we do not require large-scale business assets (depreciable assets) such as data centers within our businesses, as a principle we provide working capital and capital investment through cash flow from operating activities and own funds from retained earnings.

We hold an amount of funds on hand, equivalent to

three months of net sales as a guideline, to ensure the smooth operation of our businesses.

Furthermore, we make every effort to manage surplus funds safely and reliably, ensuring that we do not invest in financial instruments that carry the risk of loss of principal due to price fluctuations upon redemption.



Investment in Growth

The primary source of organic growth for the Company lies in acquiring human resources that underpin our operational expertise and technical capabilities, as well as in enhancing our lineup of unique solutions. Therefore, when it comes to investment in growth, we prioritize allocating funds to human resource investment and research and development costs.

In addition, to further accelerate our growth in a robust way, we have decided to fully embark on non-organic growth starting from this medium-term management plan, and have prepared a budget of 20 billion yen.

On account of environmental changes, such as the worsening shortage of system engineers, we have pursued M&A initiatives. As a result, by May 2023, we had successfully concluded three M&As totaling 19.4 billion yen. These M&As enabled us to further expand our business founda-

tion by securing more system engineers and enhancing our lineup of solutions.

We are currently focused on the post-merger integration (PMI) processes for the companies acquired through M&A. However, we would like to continue considering further M&A should favorable investment opportunities arise in the future.

Results of Investment in M&A

	Share acquisition date
Trigger Inc.	Oct. 2022
ART Holdings Co., Ltd.	Apr. 2023
NHOSA Corporation	May 2023

Cross-Shareholdings

As a principle, cross-shareholdings are held subject to the following conditions:

- (1) They must contribute to the development and expansion of the Group's businesses or the welfare and benefits of our employees.
- (2) The invested company's ROE (5-year average) must exceed our capital cost.

We also review whether these conditions of holding are

being met for each invested company on an annual basis. Based on the results of that review, we determine the holding policy for the fiscal year in question.

As a result of reducing our cross-shareholdings based on this policy, at the end of fiscal 2022, our cross-shareholdings comprised 12 stocks valued at 1.1 billion yen (including non-listed shares). The proportion of cross-shareholdings to total assets stands at 1.7%.

Shareholder Returns

Having long regarded the return of profits to shareholders as the most important management issue, we actively return profits to shareholders based on our policy of sharing outcomes of the Group on a consolidated basis.

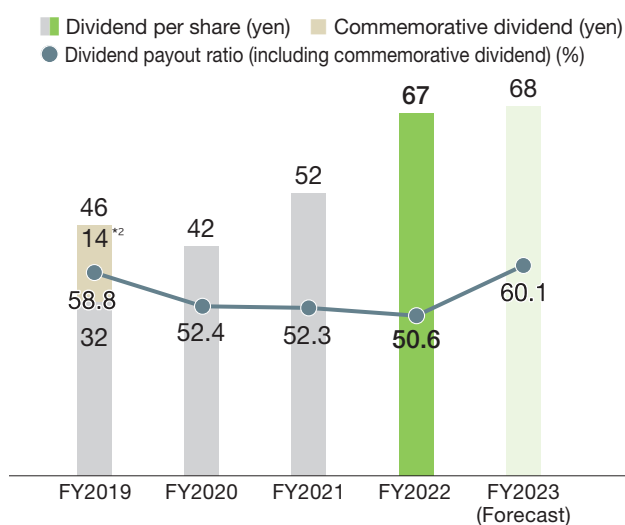
Since fiscal 2020, we have implemented shareholder returns based on a basic policy of a dividend payout ratio of 50% or above and a total payout ratio of 70% or above (both on a consolidated basis).

In fiscal 2022, we achieved a total return ratio of 74.9%,

with a dividend payout ratio of 50.6%. This was a result of providing total shareholder returns of 7.6 billion yen, comprising dividends of 5.1 billion yen (67 yen per share annually) and share repurchase of 2.4 billion yen.

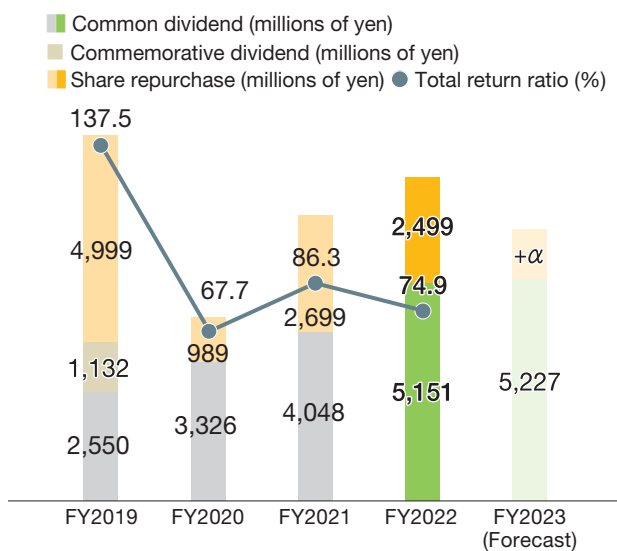
Furthermore, we aim to hold treasury stock amounting to around 10% of the total shares issued. If this number exceeds 15%, it is our policy to retire it back to approximately 10%.

Dividend per Share / Dividend Payout Ratio



*1: The per share dividend amount is based on the number of shares after the Company's stock split executed on January 1, 2020.
 *2: Commemorative dividend marking NSD's 50th anniversary.

Dividend Amount / Share Repurchase / Total Return Ratio



*1: Amounts of share repurchase and total return ratio indicate the acquisition amount and total return ratio for the period from April to March of the following year.
 *2: NSD retired 1 million treasury stock in December 2019, 2,344 million treasury stock in March 2022, and 3 million treasury stock in September 2022.

Sound and Solid Financial Base

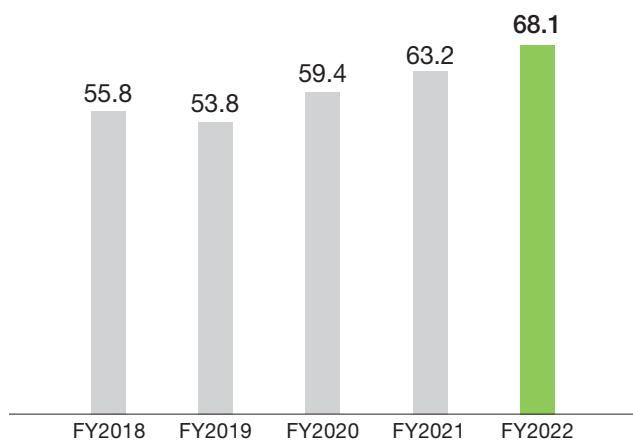
A solid financial base is essential for operating a business in a stable manner. From this perspective, we strive to consistently maintain the integrity of our balance sheet through conservative measures, such as setting prudent policies for the management of surplus

funds and strategic shareholdings.

As of the end of fiscal 2022, we have achieved a solid financial foundation with net assets of 55.4 billion yen against total assets of 68.1 billion yen.

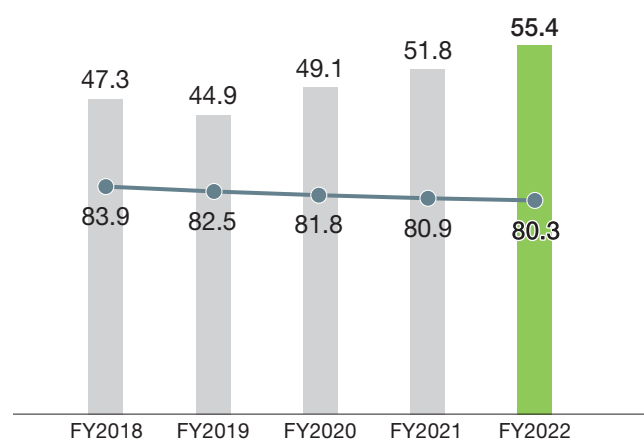
Total Assets

■ Total assets (billions of yen)



Net Assets / Equity Ratio

■ Net assets (billions of yen) ● Equity ratio (%)





Special Feature

Making NSD Stronger

Mayuko Miike

Executive Officer
General Manager of Human Resources Department

NSD believes that employees are our greatest asset. We strive to be a company that provides a rewarding workplace, where our staff can work with pride and fulfill their dreams.

With the growing importance of human capital management in recent years, NSD has significantly evolved its personnel systems, pursuing a human resource strategy with more of a management perspective. Mayuko Miike, Executive Officer and General Manager of the Human Resources Department, shared her insights regarding the NSD's human resource strategy.

Human Capital Management

Our assets are our *earnest* organizational culture, which responds to the trust of our customers, as well as our solid technical capabilities. It is our *people* who foster this environment—individuals who are sincere, passionate, and possess inner strength.

When it comes to our human resource strategy, we therefore hold dear the NSD mindset that is passed down from senior staff to newer hires through focusing on new

graduate recruitment. Furthermore, we also pursue the hiring of mid-career employees in line with our business objectives to increase the variety of perspectives and promote diversity. Additionally, by promoting autonomous learning through in-house training and mentoring, we are providing an environment where employees can thrive with job satisfaction in good health over the long term, ensuring that our company continues to be chosen as a place to grow and contribute.

Increasing Our Fans in a Way Unique to NSD

For us to continue being a workplace of choice in an era where every company is pursuing human capital management, it is essential that our stakeholders, including our employees, be NSD *fans*. For that reason, we are now once again in the process of refining what makes NSD unique from the perspective of human resources.

● The *earnestness* that is continuously passed down from employee to employee cultivates our organizational culture

Our internal training is based primarily in-house, with curriculums developed and implemented by departments specializing in technology and quality, and the human resources department, which deals with so-called “soft skills.” Junior employees from advanced technology research departments also act as instructors, with the training also serving as a venue to roll out technologies internally. Instructors for new employee technical training are senior staff from their assigned divisions who, based on the standard curriculum, teach not only technical skills but also the behavior expected of working professionals and the basics of being a system engineer, while applying their own creativity and ingenuity. When on-the-job training begins, trainers and senior employees provide guidance with the sort of passion from

which they themselves once benefitted. This environment where employees naturally teach one another and the NSD mindset is passed on is one of the characteristics of the Company that we want to continue to value.

Furthermore, we will increase external training for learning new technologies, video learning tools to encourage self-improvement, and short online courses to provide numerous opportunities for skills development, responding to the appetite of our employees for such opportunities.

● Meritocracy is the source of producing solid technical capabilities

Although new graduate recruitment is core for us, our company atmosphere that is not bound by academic background or age is in large part due to both the message from management and the functioning of the personnel system. We have introduced the concept of Mission Grade, promoting individuals to positions of great responsibility regardless of age, gender, or how they were recruited. Additionally, we have established a dual track to provide career paths for highly specialized fields, allowing employees with a strong orientation toward technology to receive salaries and benefits commensurate with their expertise through enhancing their specialization. We also

NSD's Human Resource Strategy

- Valuing the NSD mindset that is passed down from senior to junior employees, with a focus on new graduate recruitment
- Also pursuing mid-career recruitment in line with our business objectives to increase different perspectives and promote diversity
- Promoting autonomous learning through in-house training and mentoring
- Providing an environment where employees can thrive with job satisfaction in good health over the long term

Details ▶▶ P.39 • 40

have a system in place that rewards departmental results at the end of the fiscal year through a performance-linked bonus. This meritocracy also serves as a source of producing our solid technical capabilities. We believe that technical capabilities include not only IT skills but also an understanding of the customer's operations and proficiency in that area. We therefore do not carry out regular employee reassignments that significantly change their area of

specialization. Instead, we have a system that allows for flexible responses according to project needs.

Through revisions to our systems going forward, we will aim to encourage motivated staff to take on positions with greater responsibility, on the other hand, present clear career paths for engineers who wish to steadily progress, we bring out the strengths of each individual, thereby achieving growth for our employees.

Having Employees Who Like the Company Strengthens Its Organization

According to our internal survey for fiscal 2022, the figures for employees' willingness to continue working for us and their engagement metrics were positive in all categories. In an era where lifestyles are changing and people have more choices in the way they work, I believe that having employees with the sentiment "I like this company" strengthens the organization.

Going forward, we will continue to cherish our employees and maintain an environment where they can thrive with job satisfaction in good health over the long term. Through pursuing our human resource strategy, we aim to be the company of choice for our employees and other stakeholders alike.

Topic

Embodying What is Unique to NSD in Health and Productivity Management

At NSD, we are actively engaged in creating an environment where employees can continue to work in good physical and mental health, enabling us to strengthen our management foundation by securing outstanding talent and improving employee productivity.

In particular, the NSD Health Insurance Association takes advantage of its unique characteristic as the Group's unified health insurance association to offer proactive support on both mental and physical health issues common across the Group, in collaboration with the Company. This support extends to the health and well-being of employees and their families.

Furthermore, the Healthcare Business Division develops and provides solutions that support the health and productivity management of corporations. By utilizing these solutions and the expertise possessed by this division in our own health and productivity management initiatives, we are promoting a style of health and productivity management that leverages NSD's distinctive features.

More details about NSD's health and productivity management initiatives ▶▶ P.52

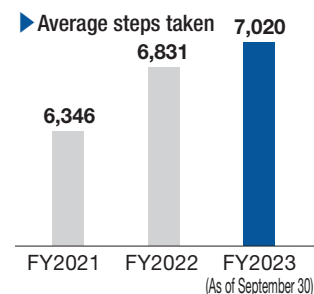
Improvement of lifestyle habits combined with employee interaction

Internal company events utilizing "CARENA," an app developed in-house

"CARENA de Nihon Isshu" (Around Japan with CARENA) (Running since October 2022)

This walking rally event involves a virtual tour around Japan by converting the number of steps logged in the app into distance. When participants reach checkpoints located in various regions, local gourmet foods are delivered to their homes. The event has sparked conversations among employees asking one another "How far have you gone?" fostering a sense of unity while also being enjoyable.

The average number of steps taken by employees has increased since before the event, contributing to the enhancement of their health.



- Valuing the NSD mindset that is passed down from senior to junior employees, with a focus on new graduate recruitment
- Also pursuing mid-career recruitment in line with our business objectives to increase different perspectives and promote diversity

Recruitment

At NSD, in addition to skills and experience, we regard the attitude of engaging with work in a sincere manner to be an important asset. To facilitate the inheritance of such a mindset within the organization, we focus our recruitment activities on new graduate hires. Given that we base our approach on in-house training and development, our selection process does not focus on the presence of knowledge at the time of joining the Company or on academic background—nor does it consider gender. Instead, we place importance on suitability for the system engineer role, compatibility of the individual's personality with our organizational culture, and a high level of eagerness to learn.

On the other hand, in order to strengthen our capability to deal with cutting-edge technologies, we are also hiring a set number of individuals who have researched advanced

technologies during their student years to be immediate contributors to our workforce. These individuals are assigned to advanced technology research departments immediately upon joining the Company and are demonstrating high performance from an early stage in their careers.

In recent years, we have also been focusing on acquiring talent through mid-career recruitment in line with our business objectives. While emphasizing unity within the organization through the inheritance of the NSD mindset, we are also increasing different perspectives and promoting diversity.

Additionally, we pursue various strategies to be an attractive place of employment by enabling diverse working styles that align with individual preferences by establishing offices in regions other than where our main offices are located, catering to the employment needs of locally-oriented engineers.

Ratio of new graduate hires

92.8%

Ratio of women in new graduate hires

46.7%

Sendai Business Site, established in August 2022

Hiroshima Business Site, established in December 2022

- Promoting autonomous learning through in-house training and mentoring

Human Resource Development

At NSD, our management philosophy speaks of “pushing the boundaries of IT.” To meet the rapidly diversifying and sophisticated needs of customers arising from the advancement of IT, NSD is implementing a variety of technical training programs to ensure that employees can acquire cutting-edge skills. Employees from advanced technology research departments serve as instructors, making it a venue to roll out technologies internally as well.

Examples of technical training in FY2022

- Scrum development for beginners
- Agile development—testing and quality
- Agile project management using scrum development
- Agile development—test-driven development and automation
- Getting started with Angular
- Getting started with Nest.js
- Readable code reading club

Additionally, to promote autonomous learning, we have established a financial incentive system for employees gaining qualifications, targeting a wide range of credentials. We keep the eligible qualifications and incentive amounts under regular review.

In addition to enhancing IT skills, we also conduct thorough training to improve soft skills. We offer annual training on basic skills as a working professional for employees (new graduate hires) up to their third year with the Company. Furthermore, when employees are promoted, we provide training to help them contemplate their personal vision as well as management-related training.

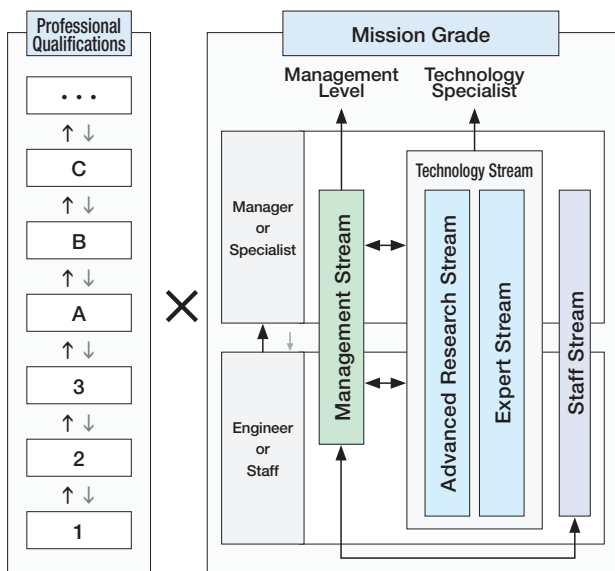
The training curriculum is developed in a mutually complementary way by departments specializing in technology and quality and the human resources department, which deals with soft skills.

● Providing an environment where employees can thrive with job satisfaction in good health over the long term

Personnel System

NSD's personnel system combines the concepts of a job professional qualification system with the Mission Grade system, creating a structure that reflects both the level of contribution to the company in the medium to long term, and the role and skills in the short to medium term. We operate on a meritocratic system where both younger employees and mid-career hires are promoted to important roles. At the end of the fiscal

▶ NSD's personnel system (including system revisions for FY2024)



year, bonuses reflecting the performance of their respective departments are distributed with the aim of rewarding the results of their work. At NSD, evaluations are never affected by gender or nationality, and pay for men and women is equivalent when viewed by job rank for regular employees.

When it comes to promotion, we have established systems for managerial and advanced specialist positions, under the concept of encouraging diverse and flexible career formation that matches the role being undertaken and the goals of the individual employee. For fiscal 2024, the system of advanced specialist positions will be divided into a Technical Stream and a Staff Stream. Furthermore, within the Technical Stream, we will establish an Advanced Research Stream to lead new technologies and DX-related fields through cutting-edge and pioneering research, as well as an Expert Stream where individuals can demonstrate their exceptional expertise, aiming to raise the ranks of highly specialized personnel.

▶ Gender pay gap for regular employees by job rank (FY2022)

Managers	Section Heads	General employees
93.3%	96.5%	93.0%

* The percentage represents the wages of female employees relative to male employees (taking the latter to be 100%).

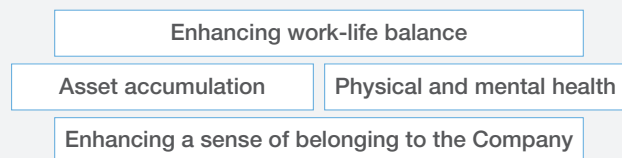
* The fact that the pay ratio is in the 90-100% range for all ranks is due to the presence of different professional grades within each rank, differences in the gender composition ratio by grade, as well as the average age of female employees being lower compared to male employees, among other factors.

Human Resource Retention

NSD's employee turnover rate hovers around the 3% mark, which is low compared with others in the industry. The average length of service is also increasing, reaching 15.3 years in fiscal 2022. This also compares favorably with industry peers.

We regard our employees as our greatest asset, and believe that we have been able to maintain a high retention rate of talented staff through the implementation of various measures aimed at creating and maintaining a comfortable working environment.

- Implemented base salary increases from FY2022 to FY2023
- 20% of contributions provided as an incentive in the employee stock ownership association
- Generous healthcare support provided through the Group's unified health insurance association
- Systems established that go beyond statutory requirements, such as allowing reduced working hours while children are in elementary school
- Systems established for off-peak commuting, paid leave by the hour, and a system that allows employees to accumulate a fixed amount of paid leave
- Employees with over ten years of service granted additional leave for meritorious long service on an annual basis



Results of the internal survey for FY2022

- I want to continue working for this company going forward **78%**
- I want to contribute more than what is expected of me by the Company and my manager **75%**

* Willingness to continue working for the Company and engagement metrics were positive in all categories.

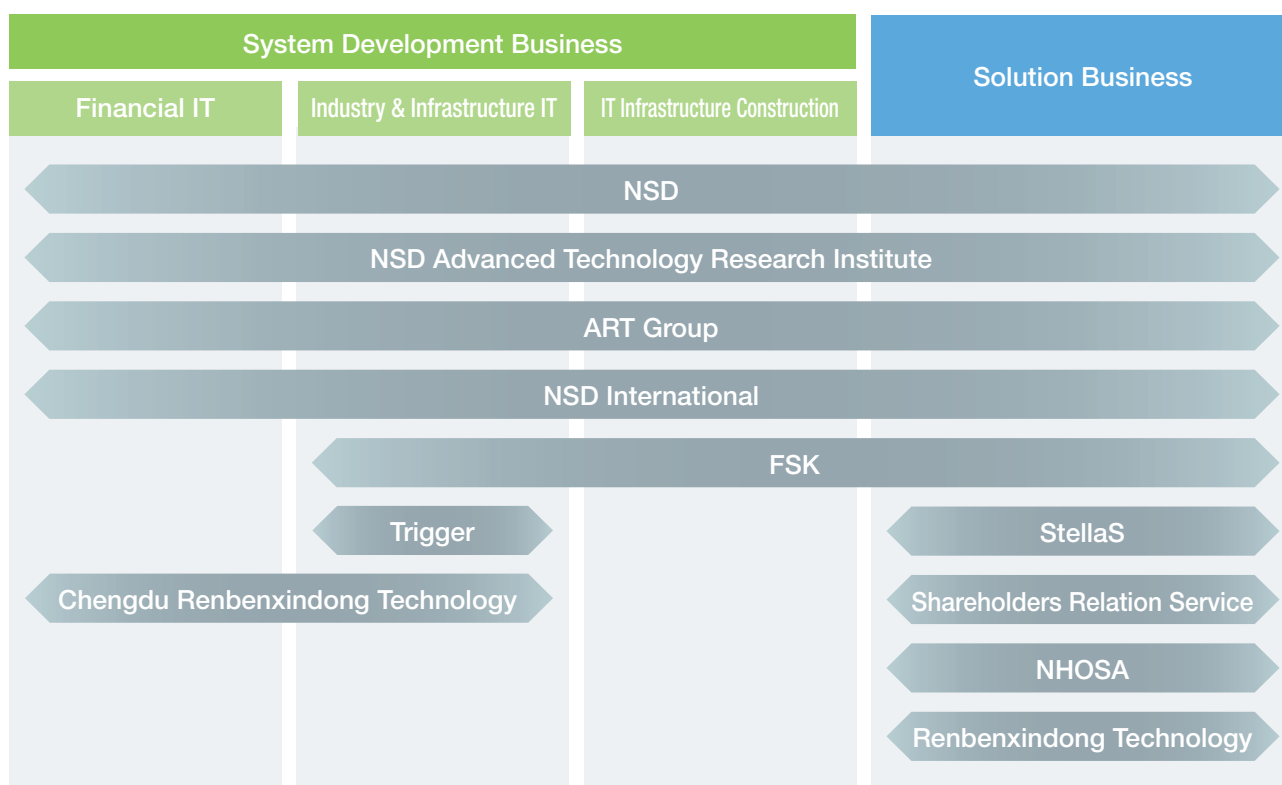
Segment Overview

NSD's primary business is comprised of the system development business and the solution business.

The system development business provides tailor-made services in application development, IT infrastructure construction and others, based on specific customer needs to help customers pursue their management

strategies and resolve their management issues.

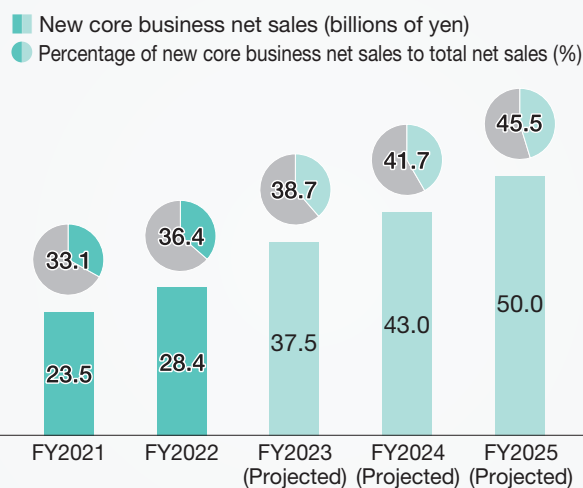
The solution business develops and provides customers with solutions as IT products that address issues common to many customers, such as challenges common to each industry and those related to security.



New Core Business

New core business refers to business domains to focus on under the medium-term management plan as a driver of the NSD Group's future growth. In the current medium-term management plan, we have defined the development areas that leverage new technologies or help achieve DX in the system development business as well as the solution business as new core businesses.

In fiscal 2022, new core business net sales increased by 20.7% year on year to 28.4 billion yen, making a steady increase in the quantitative aspect. We have set a target of achieving new core business net sales of 50.0 billion yen (which accounts for 45% of consolidated net sales) in fiscal 2025, the final year of the current medium-term management plan.

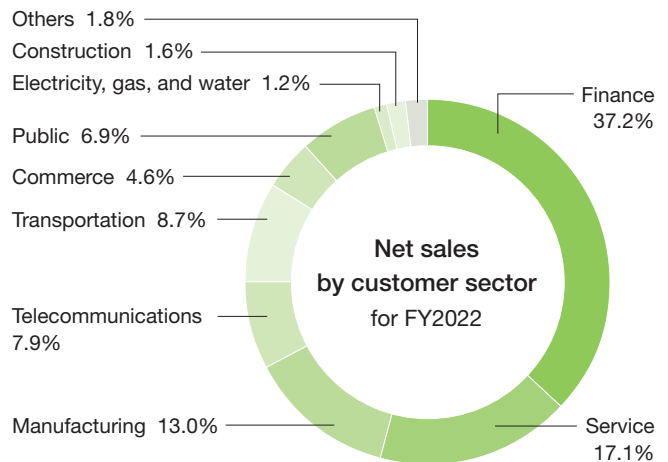


System Development Business





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

This business segment comprises the three subsegments of financial IT, industry & infrastructure IT, and IT infrastructure construction, and has a well-balanced sector portfolio consisting of major blue-chip companies in a wide range of sectors, including finance, service, manufacturing, telecommunications, and transportation.

Having greater responsiveness in upstream processes has recently enabled us to support customers in building their business models. In addition, with the use of advanced technology, we appropriately meet customers' needs for digital transformation.



Strengths in the System Development Business

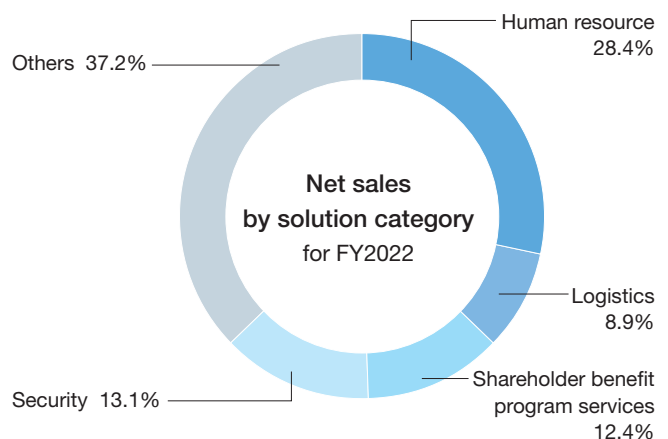
<p>In-depth operational knowledge and technical expertise gained from many years of business dealings with customers in a number of industries</p> 	<p>Ability to apply AI, IoT, and other advanced technology in actual business settings</p> 	<p>Around 4,000 engineers with advanced expertise</p> 	<p>Solid customer base centered on major blue-chip companies</p> 
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Solution Business





With our technological development capabilities honed in system development and advanced technology application capability, we develop and provide a variety of IT-powered solutions to solve various business and social issues.

We offer a wide range of solutions, including one-stop human resource solutions that support companies with their recruitment and staffing services, logistics solutions with enhanced functions that support companies with their commercial warehouse operations, and complete outsourcing services for shareholder benefit programs.

We have been expanding our range of solutions through M&A and included a receipt computer system for dental clinics and RFID-based solutions in fiscal 2023.



Strengths in the Solution Business

<p>Wealth of technical skills gained from system development</p> 	<p>Ability to apply AI, IoT, and other advanced technology in actual business settings</p> 	<p>Ability to gain insight into customer needs using a customer base consisting of companies in a number of industries</p> 	<p>Extensive solutions offered by multiple subsidiaries with strengths in specific fields</p> 
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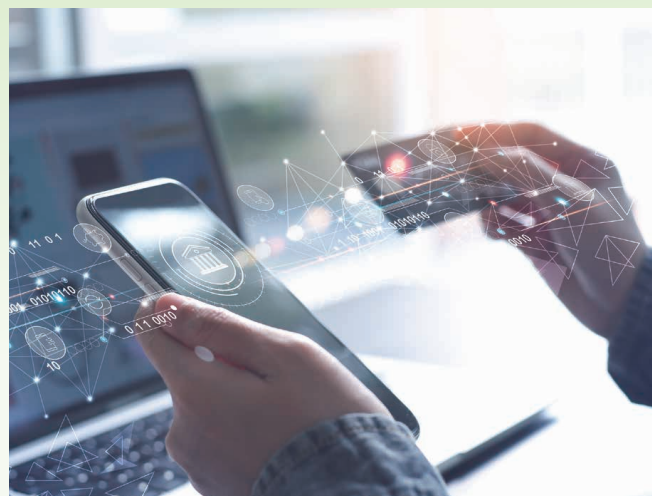
Financial IT

Subsegment 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

As the promotion of DX has been accelerating in recent years, banks, insurers, and other financial services companies have been making a transition to next-generation systems, giving rise to the need 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 further deepen our relationships with customers by focusing on the development of engineers who can handle open system development from upstream processes through, for example, the enhancement of their open system design know-how.

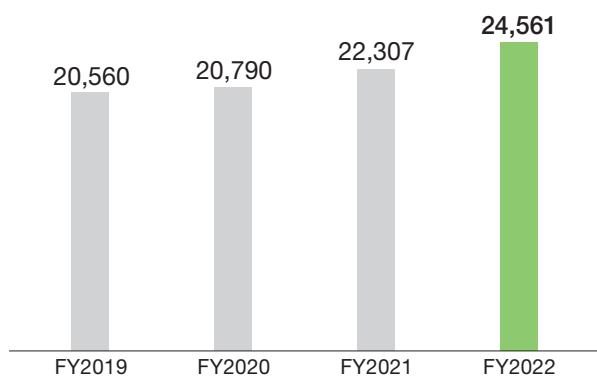
FY2022 Results

Subsegment net sales increased by 10.1% year on year to 24,561 million yen and operating income increased by 13.3% to 4,522 million yen due to a significant increase in orders from banks resulting from an increase in the num-

bers of system renewal projects mainly in mega banks and existing system development projects, in addition to a steady increase in orders from insurance companies and credit card companies.

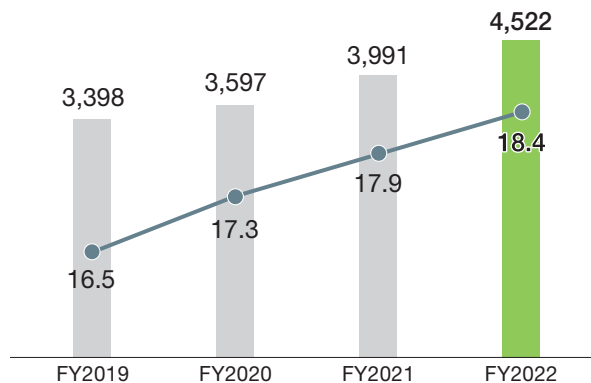
Net Sales

■ Net sales (millions of yen)



Operating Income / Operating Margin

■ Operating income (millions of yen) ● Operating margin (%)



Industry & Infrastructure IT

Subsegment Overview

We provide software development and system consulting to customers in industries like 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
- Telecommunications: 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 subsegment, 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.

NSD is exploring innovation in the development of new technologies and DX-related fields. It is also improving the responsiveness of our software development by sharing technologies within the company

horizontally and vertically. Furthermore, it focuses 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, we will improve our expertise and technology related to telematics services with the aim of increasing orders in new fields.

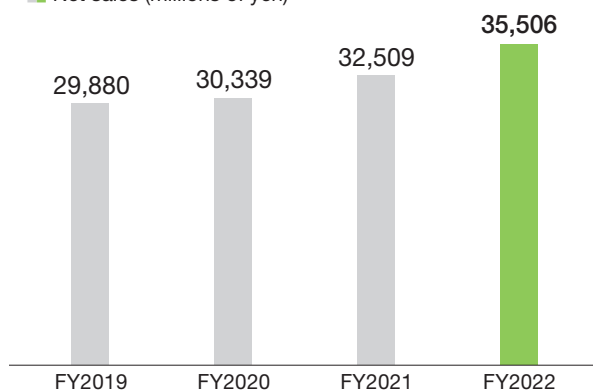
FY2022 Results

Subsegment net sales increased by 9.2% year on year to 35,506 million yen due to a steady increase in orders from the manufacturing, transportation, and public sectors, in addition to the effect of M&A of Trig-

ger Inc. Operating income increased by 6.3% year on year to 5,919 million yen mainly due to an increase in cost of sales resulting from a base pay raise, as well as to M&A costs and amortization of goodwill.

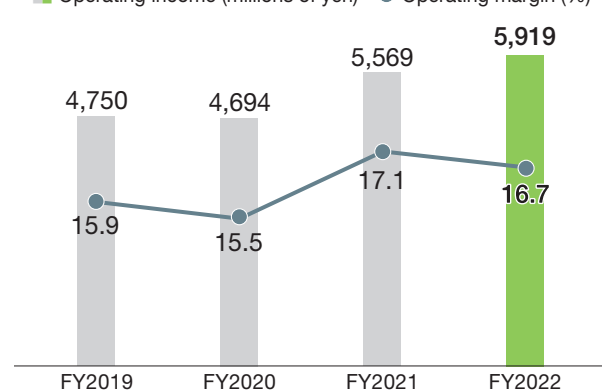
Net Sales

■ Net sales (millions of yen)



Operating Income / Operating Margin

■ Operating income (millions of yen) ● Operating margin (%)



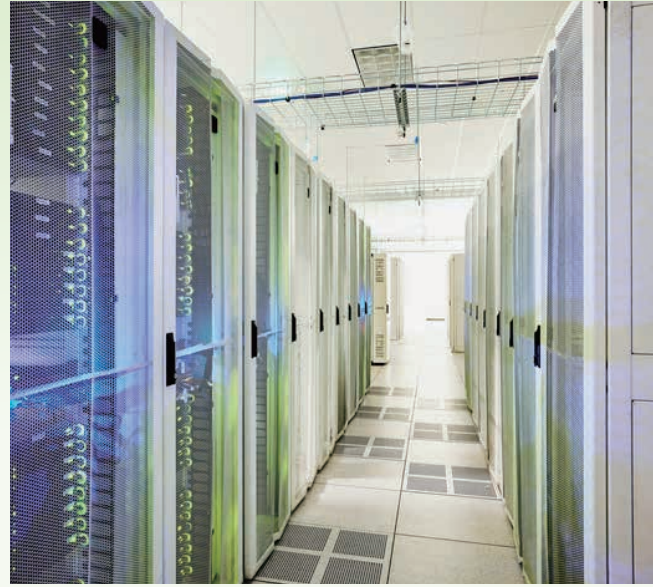
IT Infrastructure Construction

Subsegment Overview

We provide services for IT infrastructure and network 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 mobilization capabilities that lead a response to 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 share knowledge and expertise with the Advanced Technology Strategic Business Unit and NSD Advanced Technology Research Institute to enhance our technical skills and mobilization capabilities.

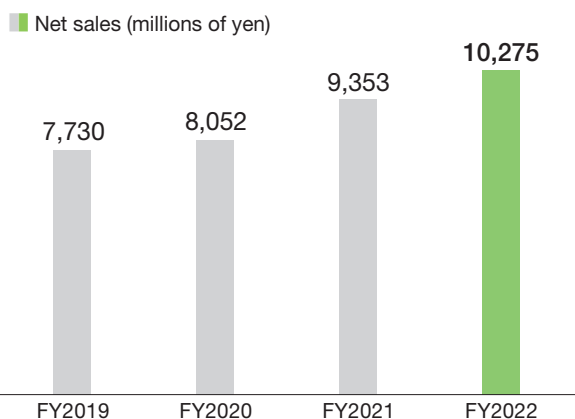
In addition, there is a growing movement by companies to break away from legacy systems and by government to promote digitalization. This necessitates response to non-functional requirements such as security and scalability on a different level than before. To make the best proposals for these requests,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

FY2022 Results

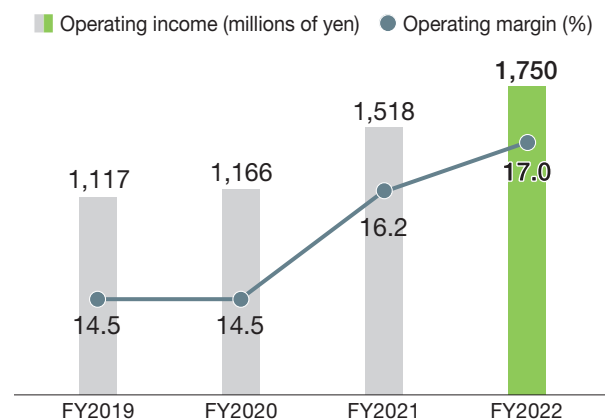
Subsegment net sales increased by 9.9% year on year to 10,275 million yen due to a significant increase in orders from the public and financial sectors, including those for infrastructure construction projects from government agencies, cloud computing projects from banks and insurance

companies, and business process outsourcing projects from local governments. Operating income increased by 15.3% year on year to 1,750 million yen partly due to an improvement of profitability.

Net Sales



Operating Income / Operating Margin



Solution Business

Subsegment Overview

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

Main Examples of Solutions

- Medical and healthcare: receipt computer system for dental clinics, dialysis treatment support system for medical institutions, medical incident management system, and remote health support service
 - Human resource: recruitment management system and staffing services support system
 - Logistics: commercial warehouse management system
 - Operation improvement: RFID* solutions, and tools for analyzing the movement of workers in factories, warehouses, and other work sites
- *Automatic identification technology that uses radio waves to read and write information on IC tags in a non-contact manner
- Security: secure file-sharing system and solutions to prevent misdirected emails
 - SR and IR support: complete outsourcing services for shareholder benefit programs



Vision in the Medium-Term Management Plan

- Expand the scale of the solution business into the second pillar of the Company

We aim to expand the solution business by expanding our lineup of niche-top solutions and putting more effort into selling our existing solutions so as to make the solution business our second earnings base along with the system development business.

We will put a particular focus on developing and offer-

ing solutions that utilize advanced technology and will work with our customers on research and planning to create new solutions.

We will also accelerate the expansion of our lineup of solutions through M&A.

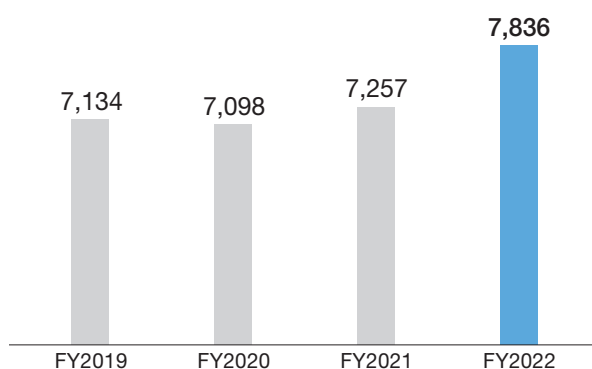
FY2022 Results

Segment net sales increased by 8.0% year on year to 7,836 million yen due to a significant increase in orders for rental business solutions in addition to an increase in orders for shareholder benefit program services, while there was a decrease in sales of human resource solutions and logistics

solutions due to the absence of sales of large-scale projects in the previous fiscal year and delays of orders. Operating income increased by 16.2% year on year to 702 million yen partly due to an improvement of profitability.

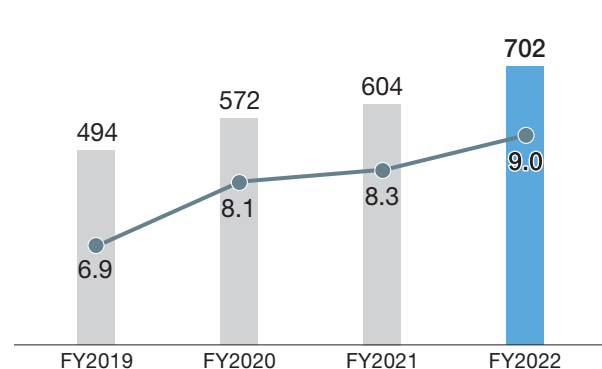
Net Sales

■ Net sales (millions of yen)



Operating Income / Operating Margin

■ Operating income (millions of yen) ● Operating margin (%)



Sustainability Declaration

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





E

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 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 (CO₂) 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.

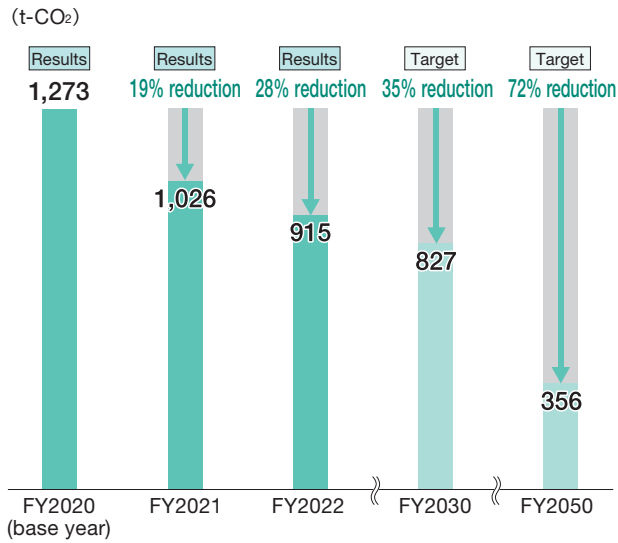
● Reducing greenhouse gas (CO₂) emissions

Since NSD is mainly engaged in software development and does not have facilities, such as data centers, which use large amounts of energy, the Group's direct CO₂ emissions are very small. As such, we are working to reduce CO₂ emissions by attempting to cut down on the amount of electricity and air conditioning we use in our offices.

To achieve these reductions, we have set and are working towards 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). CO₂ emissions in fiscal 2022 were 915 t-CO₂, a 28.1% reduction compared to fiscal 2020 (base year).

Environmental Initiatives

▶ CO₂ emissions and reduction targets



* Coverage: Head office, branch offices, business sites, consolidated subsidiaries (excluding overseas subsidiaries)
 * Energy measured: Scope 2 emissions only
 * CO₂ emissions calculation formula: Electricity consumption at each site × Emission factor at each site
 (Emission factors are based on those of the electric power companies as disclosed by the Ministry of the Environment)

● 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 CO₂-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 introduced at several business sites, including our head office.

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.

In accordance with our Environmental Policy, we will continue to actively work to reduce waste by going paperless and through the reuse and recycling of computers in order to reduce the impact our offices have on the environment.

● 100% computer reuse/recycling rate maintained

In terms of the reuse and recycling of computers, the department in charge regularly shares information and coordinates efforts within the Company. As such, we have been able to maintain a 100% reuse/recycling rate.

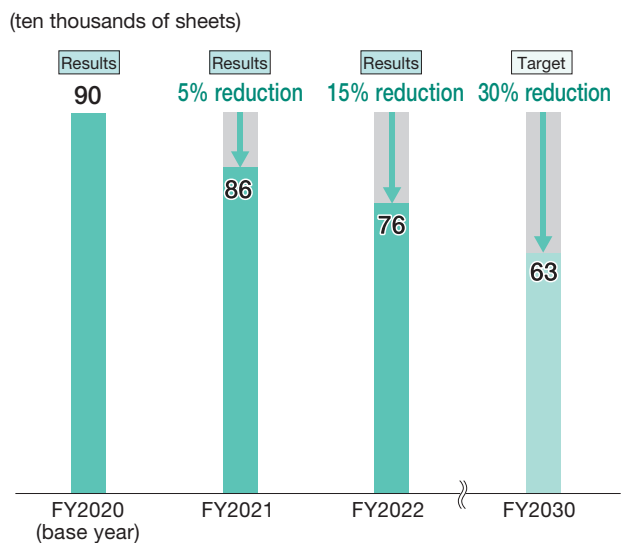
● Going paperless

As part of its efforts to go paperless, NSD is introducing EDI transactions in its supply chain, working to convert internal documents into electronic form, and cutting down on the amount of printer paper it buys and uses.

Taking advantage of countermeasures in light of the pan-

dem, NSD's move to go paperless has made great progress with the implementation of computer workflow systems and remote working.

▶ Sheets of printing paper used and reduction targets



Environmental Management System

Environmental management structure

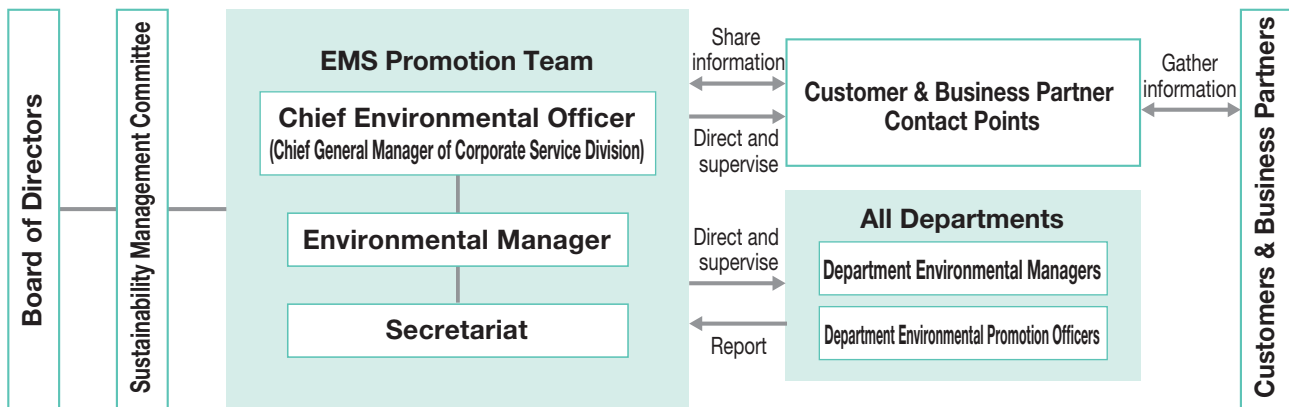
To ensure that our environmental initiatives are carried out, NSD has established an EMS* Promotion Team under the Sustainability Management Committee.

The EMS Promotion Team directs and supervises the environmental initiatives in each department of the Compa-

ny, and works to continuously improve the Company's environmental measures through dedicated internal contact points with customers and business partners across various industries.

*EMS: Environmental Management System

Environmental management structure



ISO 14001:2015 certification

NSD has established an environmental management system in compliance with the ISO 14001:2015 certification standard, and operates and manages it using a PDCA cycle in order to clarify the impact of its business operations on the global environment and work to improve it.

Specifically, the EMS Promotion Team takes the lead in formulating annual environmental targets that lead to environmental conservation, such as reducing the amount of electricity and copy paper used at offices, dissemi-

nates details of them to employees each month in cooperation with department environmental promotion officers, encourages employees to work toward achieving them, and reports on the state of their achievement.

To raise environmental awareness among each and every employee, we also provide environmental education (e-learning) for all employees, conduct regular internal audits to assess the state of our environmental activities, and implement initiatives to achieve targets and make continuous improvements.



Certified organization	NSD Co., Ltd. Head Office
Scope of certification	System Development Business <ul style="list-style-type: none"> • Planning, design, and development of IT systems • Construction of IT infrastructure Solution Business <ul style="list-style-type: none"> • Provision of services that utilize IT • Sales of software products
Certification body	Japan Quality Assurance Organization (JQA)
Standard	ISO 14001:2015 / JIS Q 14001:2015
Certificate number	JQA-EM7822
Initial date (expiry date)	February 3, 2023 (February 2, 2026)



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 contribution.

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 leading-edge technological skills, but also provides soft 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 their skills. This type of training seeks to provide employees with system development skills related to trends in technology, new technologies and DX-related businesses, as well as the project management skills required for the respective roles and positions of the employee. In fiscal 2022, we conducted training on various topics such as Agile development—test-driven development and automation and Getting started with Angular. 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)[®] 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[®] ATP logo is a registered trademark of the Project Management Institute, Inc.
- PMP[®] is a registered trademark of the US-based Project Management Institute.

● Training to improve soft skills

NSD conducts training for employees based on their position and experience in the Company to help them develop their soft 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 to gain 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 of information security, and improve leadership skills for junior employees.

Health and Productivity Management Initiatives

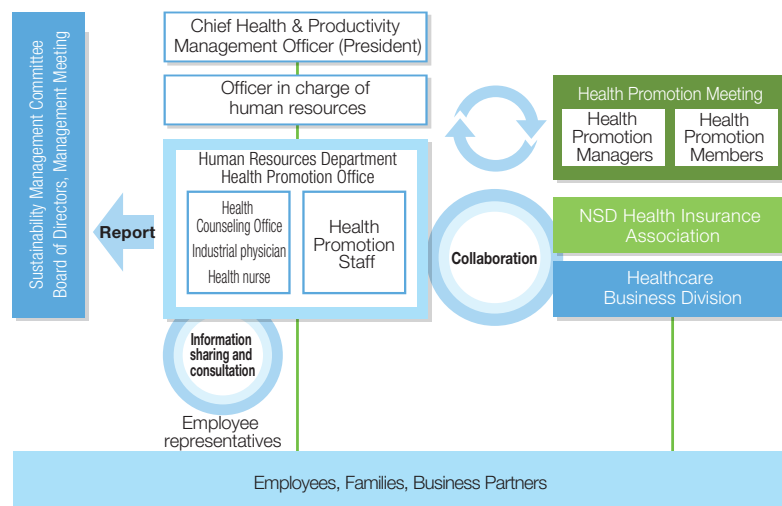
For each and every employee to fully demonstrate their capabilities and play an active role, they must be physically and mentally healthy and have a fulfilling private life. The Chief Health & Productivity Management Officer is the president. The top officer responsible for planning and implementing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

Especially, the NSD Health Insurance Association takes advantage of its unique characteristics as the Group’s unified health insurance association to actively support the health promotion of employees and their families in cooperation with the Company.

The Health Promotion Office (part of the Human Resources Department) engages in health and productivity management across the organization through the efforts of industrial physicians and health nurses, who are healthcare professionals.

In addition, with the aim of instilling the philosophy of health and productivity management, we have established the “Health Promotion Meeting” consisting of both managers and non-managers from our various business units and divisions. By collecting the opinions of employees, we are working to smoothly carry out health and productivity management measures.

Organizational structure for promoting health and productivity management



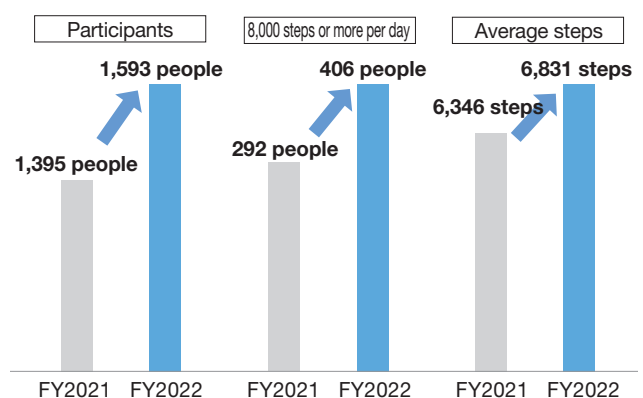
Health promotion and disease prevention

NSD strives to help improve employees’ lifestyle habits and health literacy to prevent physical and mental illnesses. We drew up a “Health and Productivity Management Strategy Map,” which clarifies relations between initiatives and effects, and are strategically promoting each measure.

We introduced a health points system in fiscal 2017 using a health app developed in-house to improve employees’ health literacy by supporting them to achieve health goals that they set themselves and providing health information. Although there was previously an issue with lack of exercise due to work centered primarily around desk work, the percentage of employees walking over 8,000 steps a day and the average number of steps have increased as a result of encouraging exercise using this system. For example, as an in-house event using this system, we have held a walking rally event that involved a virtual tour around Japan by converting the number of steps logged in the app. In this event, we aim to make walking even more fun by earning local specialties and points by reaching checkpoints along the route. As a result, both the number of participants and the average number of steps increased compared to before the event, leading to improved employee health.

We have also put into place a consultation system staffed by staff from the Health Counseling Room and Health Promotion Office, providing ongoing follow-up or encouraging employees to undergo more thorough examinations based on the results of health checkups. We are also focusing on initiatives to prevent the occurrence of mental and physical illnesses, such as operating a BMI improvement program that provides exercise and dietary guidance to employees with a high BMI, providing e-learning on mental and physical health, and streaming videos on mindfulness.

Number of participants and effectiveness of the walking rally event



Social Initiatives

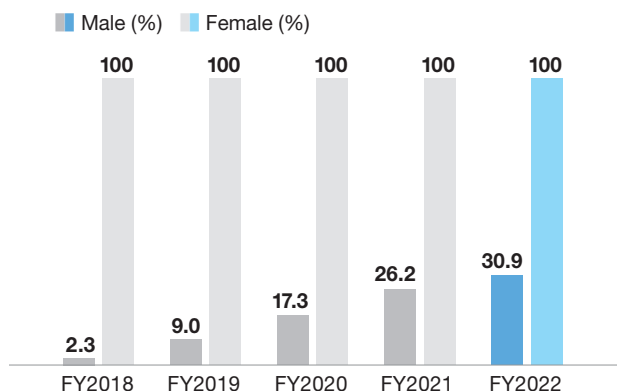
Balancing work with childcare, nursing care and medical treatment

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 fiscal 2000, 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. Our target is more than 50% of male employees taking childcare leave.

We have also created a system where employees can balance work and caring for family members by



Ratio of employees taking childcare leave



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.

As a result of improving the work environment, the percentage of women among all employees continues to rise, and the average length of service continues to increase for both men and women.

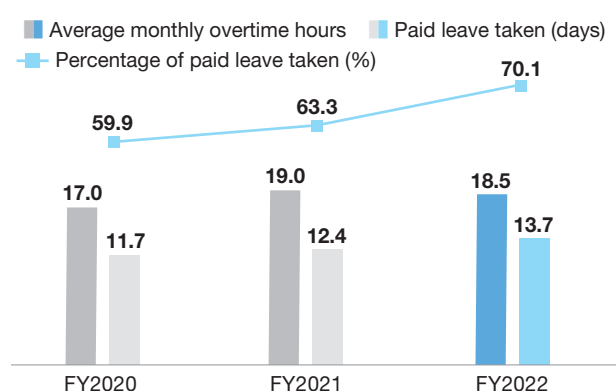
Reducing long overtime hours and creating an environment where employees can feel free to take paid leave

NSD aims to achieve average overtime hours of 20 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.

We are striving to reduce overtime hours by strengthening management—that is, by providing training to managers and increasing the percentage of PMP-certified employees.

Average monthly overtime hours (non-statutory) and paid leave taken



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

Ratio of women

	2019	2020	2021	2022	2023
Employees (March 31)	17.0%	17.6%	18.7%	19.3%	19.6%
Managers (March 31)	3.5%	3.5%	4.7%	5.4%	6.2%

	2019	2020	2021	2022	2023
New graduate hires (joined April 1)	30.9%	37.2%	35.7%	32.3%	46.7%

female employees to 23% 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 50% 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.

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

To support a balance between childcare, nursing care, medical treatment and employment, NSD is enhancing some of our benefits programs, including the accrual leave system and return-to-work interviews, and 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 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, such as telework and reducing working hours by streamlining business processes.

● Sustainable procurement

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 developed 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.

Regular sharing of information with senior management of business partners

NSD visits its business partners regularly to hold dialogue with senior management so as to gain their understanding of our approach to sustainable procurement and request their active involvement in our sustainability activities.

We are also working to inform business partners about our approach to sustainability through a dedicated contact desk.

Supporting sustainability activities of business partners

To promote sustainability initiatives together with our business partners, NSD checks the status of sustainability ini-

Social Initiatives

tiatives undertaken by all business partners with whom we currently do business, using a checklist created based on our Sustainability Procurement Guidelines. In order to help our business partners better understand sustainability, the checklist also includes a description of specific sustainability initiatives.

The same checklist is used as a reference in selecting new business partners.

● 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, which is a department responsible for procurement, reviews the transaction to ensure compliance with laws.

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

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.

As part of this effort, we have 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, having a high degree of information security awareness is vital 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.

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 of supplying 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))

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 in 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.

We donate to regional revitalization projects operated by local governments, and support the promotion of the IT industry and the development of IT human resources through industry-academia-government collaboration.

Donations to date are as follows.

- Oct 3, 2022: Sendai City's promotion project for growth industries to develop IT human resources
- Apr 21, 2023: Hiroshima City's support project for universities developing human resources who contribute to the local society

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,



Photo courtesy of PCN

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

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.

NSD Group's Advanced Technology Initiatives ▶▶ P.29

Aiming to enhance corporate governance and achieve sustainable growth



Toru Takeuchi
Outside Director

Kumiko Jinnouchi
Outside Director

Atsuhiko Kawamata
Outside Director

At NSD, we have appointed three independent outside directors who possess a wealth of experience and deep expertise in corporate management, legal affairs, accounting, and other specialized fields. These outside directors actively provide suggestions and proposals on management issues. As key members of the Governance Committee, an advisory body to the Board of Directors, they shared their evaluation of the effectiveness of our Board, as well as their views on themes going forward and the role of outside directors.

Impressions of NSD

Kawamata Before my appointment in June 2020, I lacked knowledge about the IT industry and NSD, and had a preconception of IT companies being rather dry. However, in reality, I found NSD to be a conventional Japanese company in the best sense of the word—everyone is very earnest, and management greatly values its employees. On the other hand, at a time when many companies were scrambling to respond to the pandemic, I was also impressed by NSD's quick decision-making in establishing a policy for vaccinations early on. All meetings, including those of the Board of Directors, were held online. However, when I asked questions about pre-meeting materials, including inquiries about industry terms and accounting standards, I received replies by

the next day, which facilitated a smooth understanding even in an online environment. In the post-pandemic period, I am now able to directly hear from internal directors and executive officers in face-to-face meetings, further deepening my understanding of the Group.

Jinnouchi I was appointed in June 2019, but even before my tenure, NSD had a system in place for outside directors to participate in meetings of the Management Meeting and the Executive Meeting, and to conduct preliminary deliberations ahead of the Board of Directors meetings. I remember feeling what a wonderful company this was, where the issues under consideration are brought forth as agenda items with a clear structure at

the next Board of Directors meeting, enabling even more fruitful discussion to take place.

In fiscal 2022, resolutions were passed at the Board of Directors meetings regarding the M&A of three domestic companies (Trigger Inc., ART Holdings Co., Ltd, and NHOSA Corporation). Both Director Kawamata and Director Takeuchi have expertise in corporate management, and I was greatly impressed at how the practical discussions on non-superficial acquisition schemes related to M&A were conducted with great intensity among internal and outside directors, resulting in a speedy resolution.

Takeuchi When I was approached about serving as an outside director, what I checked first was the Company's sales revenue situation, and then the staff composition and the years of service of the employees. At the time, NSD had over 3,000 employees and was growing with the goal of reaching 100 billion yen in net sales. I also found that it had many employees with longer years of service compared with IT industry peers. I had the strong impression that this was a company that valued its people and was poised for even greater growth in the future. Furthermore, in a landscape where many companies view the role of outside directors as a mere formal requirement, the requests I received to attend not only the Board of Directors meetings but also meetings of the Management Meeting and the Executive Meeting, where practical discussions take place, really resonated with me and led to my acceptance of the position of outside director.

What left the most significant impression on me also at the Board of Directors meetings were the resolutions regarding the M&A projects. In my former position, I had extensive experience with M&A and faced various challenges, so I have my own set of checkpoints to avoid

failure. I asked detailed questions about whether the evaluation of the business was entirely outsourced to consulting firms, about the purpose of the acquisition, and about how the business would be managed post-acquisition. The executive officer in charge responded with sincerity, allowing me to make an informed decision having fully understood the situation.

Kawamata As you have both mentioned, the fiscal 2022 agenda for the Board of Directors involved major management decisions, including three acquisition projects and the dissolution of a capital and business alliance contract with Pro-Ship Incorporated. In my former position, I was involved with post-acquisition management and post-merger integration (PMI) over a long period of time, and governance is an area that requires particular attention. In recent years, it is not uncommon for corporate scandals to arise not within the parent company itself, but rather within its group companies. If something occurs within an acquired company, from the date of acquisition, it becomes the responsibility of the parent company. The excuse that the company has only just joined the group is not a valid reason. If the acquired company's business type is different, standardizing all aspects of governance to match that of the parent company can be challenging. However, by implementing consistent group governance measures, such as having a centralized whistleblowing hotline across the group and managing data through system integration, it is possible to confidently engage in group management with a sense of security. For this reason, I advised the management team during the Board of Directors meetings to prepare for Group management with ample margin when an acquisition takes place, and work has now commenced on this initiative.

Talent Development for the Next Generation

Jinnouchi I believe that the remarkable development of our Group thus far can be attributed to the business acumen of the current management team, including President Imajo. The next challenge will be how to develop successors who will inherit the DNA of the current management team, and it is essential to establish a proper course of action for this. Our Governance Committee is composed of President Imajo, who is the chairperson, and us three outside directors, which allows us to exchange opinions candidly on a wide range of management themes. The president's diligence in his consideration of the Company's future comes across very clearly, and it is precisely for this reason that we sometimes pose tough questions to him, making for a very

tense atmosphere in the meetings. I hope to contribute to the development of a management succession plan while making use of this forum.

Takeuchi During the pandemic, the president and the internal directors primarily handled the Q&A sessions through remote meetings. Going forward, however, I would like to increase interactions with executive officers and senior employees in face-to-face meetings to understand who the potential leaders of the next generation might be. Generally speaking, if a superior is too capable, their subordinates tend to become dependent on instructions and precedents, which can decrease their inclination to problem-solve independently. This can



ultimately pose issues for the company's continued growth and sustainability. To mitigate against such negative aspects, I believe it's important to pass on forms of tacit knowledge to the next generation, such as the current management team's thoughts on the business and their judgment criteria, in the form of explicit knowledge such as written documents or videos. With the increase in the size of the Company and the number of employees through M&A, I feel it is essential to create a framework that allows us to maintain our unique characteristics while also enabling the expression of individuality and growth.

In recent years, the mobility of talent has increased, and the appointment of employees with specialized knowledge has become an indispensable element for corporate growth. On the other hand, when considering sustainable growth, it is also crucial to have employees who not only possess specialized knowledge but also have a deep understanding of the company's essence, including its social significance and long-term growth prospects. Even in Western blue-chip companies, where the mobility of talent is more fluid than in Japan, the core talent that supports the company outside of specialized professions are those who love the company and work there for a long period of time. The same is true for management. During periods of transformation, there may be a demand for professional managers. However, in companies that are experiencing stable growth, it is often the core members

with long years of service who support the management, and this is true not only in Japan but also in Western countries. From this perspective, I feel that if we can properly convey the current management team's business philosophy and NSD's *raison d'être*, i.e., purpose, to the next generation, the Company will continue to become even better.

Kawamata From the perspective of talent, diversity is also an important management theme. Regrettably, it seems undeniable that the IT industry as a whole still tends to be a male-dominated one. As part of our efforts to ensure diversity, we have set targets for the proportion of female staff in management positions and alike, and we are also enhancing our education and training programs related to career development for women and mid-career hires. Regarding diversity in management, enhancing the ratio of female directors is being considered within the Corporate Governance Code. It is a fact that Japanese companies often require a degree of external impetus to initiate change, but ultimately, I believe it comes down to the resolute determination and ability of management to implement "change" that makes the difference.

Taking diversity from a different perspective, when looking at the global market, companies that create innovation have a number of outstanding geniuses among their staff. Those who are not constrained by conventional wisdom have changed the world. From that perspective, I believe that if a company can cultivate a culture that allows talented employees to develop their abilities without being confined to existing frameworks, further growth can be expected. We have already established an Advanced Technology Strategic Business Unit, and we are advancing new initiatives for new technologies and DX by expanding incentive systems for those who hold qualifications in AI and cloud-related fields, for example. I am looking forward to steadily nurturing these initiatives and incubating new businesses.

The Role of the Outside Directors

Jinnouchi After four years of experience as an outside director, I have come to realize that there is an inherent disparity in the amount of information between management and outside directors, and realistically speaking, it is challenging for us to surpass management in making executive decisions. Why then, one might ask, are outside directors deemed necessary? It is because they can make objective judgments from an external perspective that is not present within the organization, as well as promote various viewpoints based on societal trends,



including SDGs and the empowerment of women. I believe that outside directors can ensure objectivity and provide insights for risk avoidance, mitigating the danger of biased management decisions being made due to unconscious biases and noise that may affect those who have been with the same organization for many years. In that sense, I believe that outside directors also hold value as a part of the diversity within corporations.

IT firms are facing significant changes in the industry environment, and it is not easy to envisage the future outlook of NSD in five to ten years' time. I make use of the analytical skills I have honed as an attorney-at-law to detect and present any discrepancies between the Company's performance forecasts, management plans, and future vision with the actual state of affairs, in the hope of bringing these to the attention of the management team.

Takeuchi Indeed. As a company grows, there tends to be a homogenization of thought with the president at the apex, and diversity can be lost. At such times, I believe that the value of outside directors lies in offering suggestions based on experience of different corporate cultures from outside the company. To make suggestions, it is necessary to have a good understanding of the company's internal affairs, but there have been times when I have had unnecessary concerns due to a lack of understanding.

For example, at NSD, the shortage of engineers was a serious issue against the backdrop of our expanding system development business. I was quite concerned about securing personnel due to the increasing burden on existing employees, but the Company had already considered various measures, and recently was able to increase the workforce by approximately 400 engineers by acquiring ART Group through M&A. I would like to ensure that we strengthen our back office to accommodate the increased number of employees moving forward. As I mentioned earlier, now that the pandemic has subsided and we are finally able to interact with on-site operations, I want to accurately understand the gap between our current state and our ideal state in order to provide more precise advice.

Also, as I have not been in the outside director role for very long, I feel that I am able to view NSD more objectively. Hopefully, I can provide advice on aspects that may be difficult to notice from within the Company itself.

Kawamata Company management must be conducted from the perspective of stakeholders that encompass our entire society. In doing so, the external viewpoints provided by outside directors are essential. Additionally, it could be said that the role of an outside director is akin to being a bridge between the common sense of those within and outside the company, especially given that discrep-



ancies in this regard can lead to a higher risk of misconduct. As I mentioned earlier, I hope to be able to provide advice in my dual role of acting as both a brake and an accelerator, utilizing my experience in PMI and group governance, including overseas acquisitions.

As I stated at the beginning, NSD's strengths lie in its culture of earnestness and sincerity in dealing with every matter. Corporate culture is, in essence, all about the people. It is my hope that, while preserving an earnest corporate culture, we will remain a youthful company that expands the potential of each and every employee and produces outstanding talent.

Takeuchi In my former position, I not only served as an executive in accounting and finance but also managed the operations of an overseas headquarters. During that time, I focused on devising various strategies tailored to each region to engage a diverse workforce, as well as on establishing management metrics to serve as specific goals. For NSD to achieve further growth, I would also like to see the setting of indicators to motivate people, in addition to accounting KPIs. I believe that younger employees in recent years are getting job satisfaction not only from remuneration but also from contributing to society through their work. Personally, I would be grateful if I am able to serve as a close confidant to NSD's management and leadership, as well as utilize my own experience.

Jinnouchi I also believe that NSD's strengths lie in its people, and that a management team that values its employees leads to a business that gains the trust of its customers. Recently, there has been much discussion about how the evolution of IT, such as generative AI, will change daily life. This includes not only the positive aspects of such changes, but worrisome elements as well. I believe that the societal role of IT companies is to support the transformation of society in a direction that makes people happy, and to do so by solving social issues with IT. For that reason also, it is my wish that NSD will continue to grow as a warm and caring company that values its people.



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 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 the Board of Directors, the Audit & Supervisory Board, Audit & Supervisory Board members, and accounting auditors. We have also established various committees, including the Governance Committee as an advisory body to the Board of Directors, the Management Meeting and the Executive Meeting as deliberation bodies for the President & CEO, and the Sustainability Management Committee and the 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.

This system is practical for our Group since our Group business domains do not branch into various sectors and because this system will enable us to build an effective and efficient governance structure that is ideal for our business scope. In addition to Audit & Supervisory Board member functions, we have also appointed multiple outside directors to strengthen and enhance management monitoring functions.

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 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 execution of duties by directors.

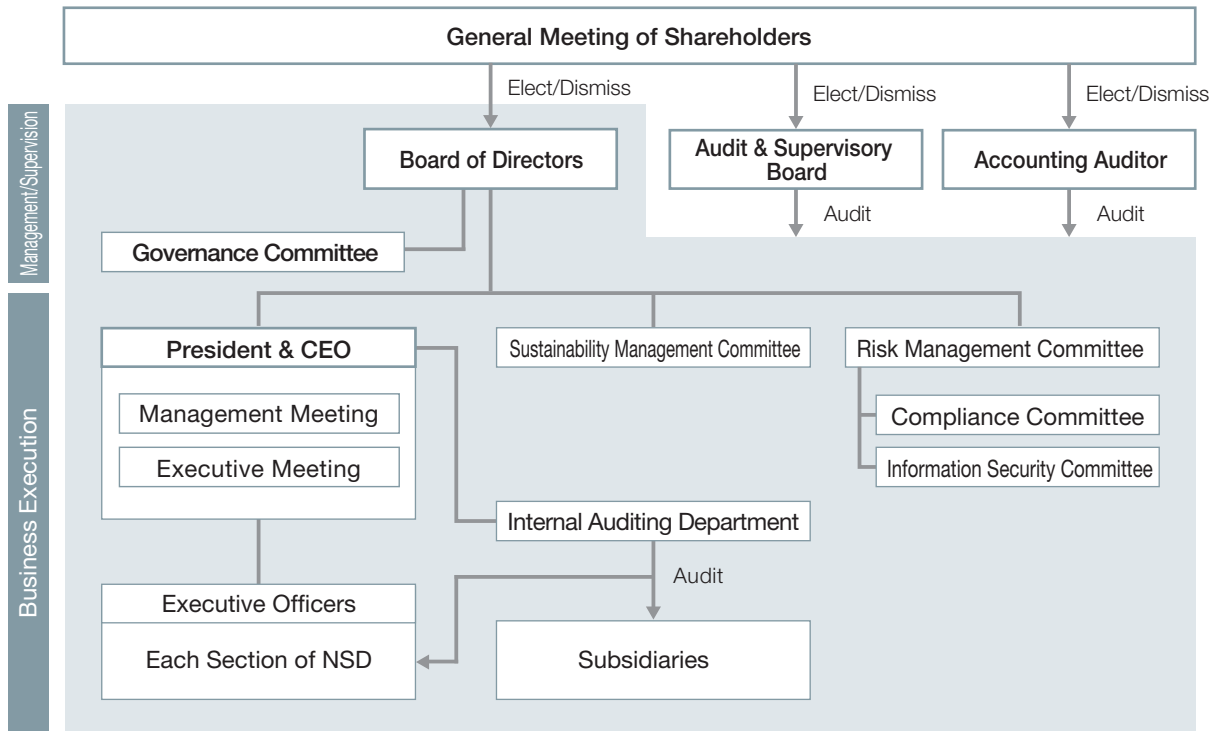
Audit & Supervisory Board and Audit & Supervisory Board members

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 design and operation of 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 holds regular meetings to determine audit policy and the division of duties for Audit & Supervisory Board members, and 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.

▶ Corporate governance structure map



▶ Structures of each organization (as of October 1, 2023)

Name	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	○			○	○
Atsuhiro 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	○	○			
Chieko Nishiura	Outside Audit & Supervisory Board Member	○	○			
Satoshi Kiyota	Managing Executive Officer					○
Atsuji Kobayashi	Managing Executive Officer					○
Akio Shinno	Managing Executive Officer					○
Tatsuo Kawauchi	Executive Officer					○
Masataka Komatsu	Executive Officer					○

◎ Chair, ○ Member

Governance Initiatives

Management Meeting and Executive Meeting

We have established a Management Meeting and an 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 a full-time Audit & Supervisory Board member. The Management Meeting convenes at least once 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 is comprised of a total of 13 members: seven directors (including three outside directors), a full-time Audit & Supervisory Board member, and five executive officers. The Executive Meeting is convened at least once per month to deliberate and report on important matters related to business execution, including budget creation and the status of implementation.

Various committees

We have established a Sustainability Management Committee and a Risk Management Committee that are subordinate to the Board of Directors, as well as a Compliance Committee and an Information Security Committee that are subordinate to the Risk Management Committee.

Sustainability Management Committee

The purpose of the Sustainability Management Committee is to tackle SDGs/ESG initiatives across the organizations. The Committee is chaired by the President & CEO, and is comprised of related officers and department managers.

Risk Management Committee

The purpose of the Risk Management Committee is to conduct Group risk management. The Committee is chaired by the President & CEO, and is comprised of related officers, including the officer in charge of internal controls, as well as department managers.

Compliance Committee

The purpose of the Compliance Committee is to respond to compliance violations and draft prevention measures. The Committee is chaired by the President & CEO, and is comprised of related officers and department managers.

Information Security Committee

The purpose of the Information Security Committee is to outline Group security measures and information security policy. The Committee is chaired by Head of Corporate Service Division, and is comprised of related officers and department managers.

● Activities of the Board of Directors and the Governance Committee

Activities of the Board of Directors

In fiscal 2022, the Board of Directors held 15 meetings and adopted resolutions or reported on the following matters:

Matters resolved

The Board of Directors passed resolutions on the Company's management strategy, including the annual budget, the review of the Medium-Term Management Plan, organizational changes, business alliances and M&As. It also adopted resolutions on financial strategies, including a financial plan and shareholder return measures such as dividends and share buybacks, and on officer personnel matters, including the selection of candidates for directors and Audit & Supervisory Board members and the appointment of executive officers.

Matters reported

The Board of Directors monitored matters including the status of budget execution, employment and retirement status, sustainability activities and health and productivity management initiatives, and directed necessary actions accordingly.

Activities of the Governance Committee

In fiscal 2022, the Governance Committee held five meetings to select candidates for directors and Audit & Supervisory Board members and presented them to the Board of Directors. The Committee also verified the appropriateness of the amount of bonuses for each individual officer as proposed by executive directors and presented to the Board of Directors the total amount of payment.

● 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 the total remuneration of each individual director is at least 40%.

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 income, ordinary income and net income (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.

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 the individual payment amounts, and then the total payment amount is to be resolved at a meeting 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.

► Total remuneration for each officer category (FY2022)

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	
Directors (Outside directors)	196,320 (25,200)	122,700 (25,200)	57,000 (—)	16,620 (—)	7 (3)
Audit & Supervisory Board members (Outside Audit & Supervisory Board members)	28,800 (13,200)	28,800 (13,200)	—	—	4 (3)
Total	225,120	151,500	57,000	16,620	11

*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, 2023, 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.

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.

We have established an Anti-Bribery and Corruption Policy to prohibit business entertainment and gift giving, along with the 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 information assets (maintain confidentiality, integrity, and availability), including personal information, as a

company that handles important information for customers and employees.



● Basic Policy on Information Security

To maintain the confidentiality, integrity, and availability of all information assets, and 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 the 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 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.
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.

● 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, puts

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.

● 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 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.

Governance Initiatives

● Process improvement through the 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.

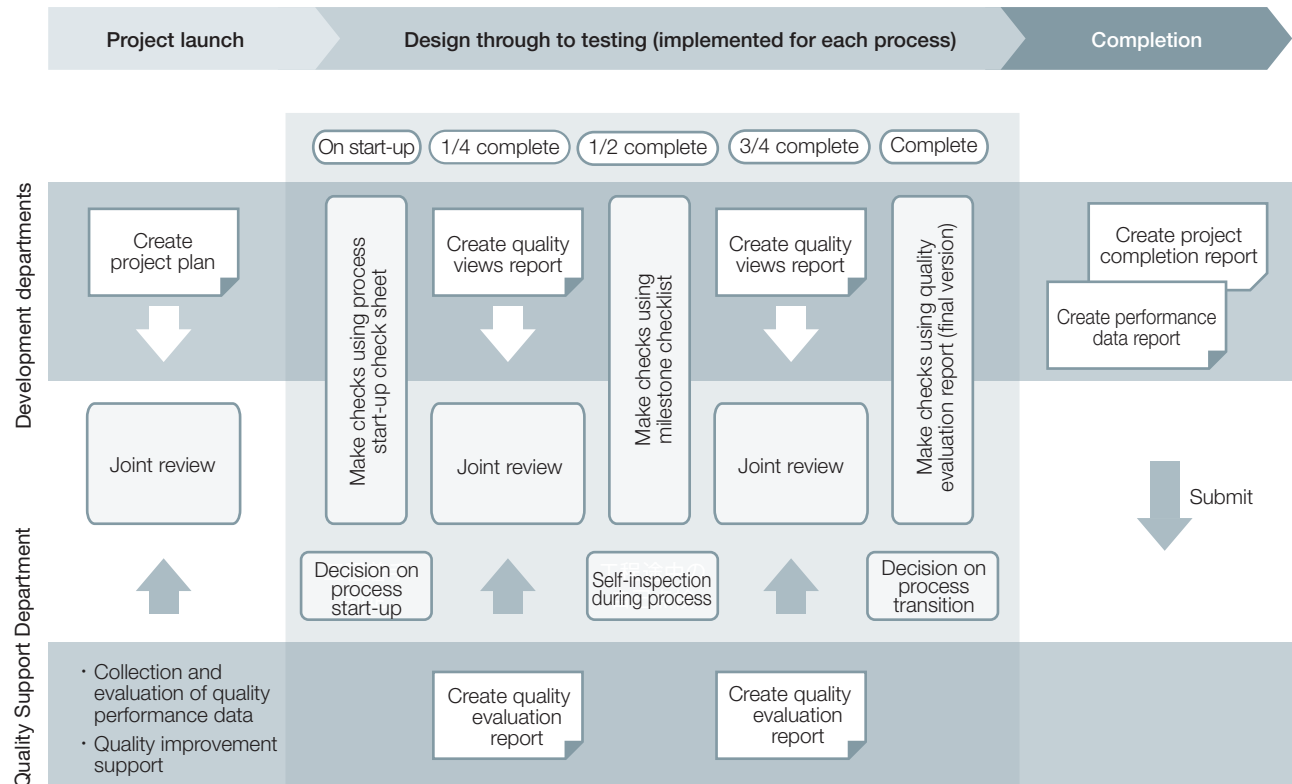
By using the NSD standard process, we are working to standardize the work procedures and templates used at

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, or upskilling of project members. At NSD, our aim is to ensure we achieve all these five elements in every project.



Management System (As of October 1, 2023)

Directors



Yoshikazu Imajo

(Born October 13, 1961)

President & CEO

Attendance record in FY2022:
Board of Directors mtgs: 14/15
Governance Committee
mtgs: 5/5
Term of office: 17 years

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)



Hideshi Maekawa

(Born February 16, 1962)

Director,
Senior Managing
Executive Officer

Attendance record in FY2022:
Board of Directors mtgs: 15/15
Term of office: 17 years

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 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
Jun. 2020 Director, Senior Managing Executive Officer Head of Corporate Service Division Head of Corporate Planning Division (present position)



Osamu Yamoto

(Born February 20, 1963)

Director,
Senior Managing
Executive Officer

Attendance record in FY2022:
Board of Directors mtgs: 15/15
Term of office: 9 years

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)



Hidetaka Kikawada

(Born May 18, 1973)

Director,
Managing Executive Officer

Attendance record in FY2022:
Board of Directors mtgs: 11/11
Term of office: 1 year

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)



Atsuhiko Kawamata

(Born August 14, 1961)

Director

Attendance record in FY2022:
Board of Directors mtgs: 14/15
Governance Committee
mtgs: 5/5
Term of office: 3 years

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
Jan. 2020 Advisor, JT (present position)
Jun. 2020 Outside Director, NSD (present position)

Outside Director Independent Officer

* Term of office represents the period as of June 2023.

● Directors and Audit & Supervisory Board Members



Kumiko Jinnouchi

(Born February 16, 1967)

Director

Attendance record in FY2022:
Board of Directors mtgs: 15/15

Governance Committee

mtgs: 5/5

Term of office: 4 years

Apr. 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
Jun. 2019 Representative Attorney-at-law (present position)
Outside Director, NSD (present position)

Outside Director Independent Officer



Toru Takeuchi

(Born January 1, 1959)

Director

Attendance record in FY2022:
Board of Directors mtgs: 15/15

Governance Committee

mtgs: 5/5

Term of office: 2 years

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)
Jun. 2021 Outside Director, NSD (present position)

Outside Director Independent Officer



Kiyoshi Kondo

(Born September 19, 1954)

Full-Time Audit & Supervisory
Board Member

Attendance record in FY2022:
Board of Directors mtgs: 15/15

Audit & Supervisory

Board mtgs: 15/15

Term of office: 7 years

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)

Outside Audit & Supervisory Board Member Independent Officer



Kunio Kawa

(Born July 16, 1955)

Audit & Supervisory
Board Member

Attendance record in FY2022:
Board of Directors mtgs: 11/11

Audit & Supervisory

Board mtgs: 11/11

Term of office: 1 year

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

Outside Audit & Supervisory Board Member Independent Officer



Chieko Nishiura

(Born March 1, 1984)

Audit & Supervisory
Board Member

Term of office: New appointment

Dec. 2006 Joined ShinNihon LLC (now Ernst & Young ShinNihon LLC)
(Retired in September 2014)
Dec. 2009 Registered as a certified public accountant
Sep. 2014 Established Nishiura Certified Public Accountant Office (present position)
Jun. 2016 Of Counsel, S&N Partners LAW AND ACCOUNTING OFFICE
(present position)
Jun. 2023 Outside Audit & Supervisory Board Member, NSD (present position)

* Term of office represents the period as of June 2023.

● Expertise Expected of Members of the Board of Directors

Name		Expected expertise				
		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	○		○	○	
	Chieko Nishiura			○	○	

● Executive Officers

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

Name	Position	Responsibilities
Satoshi Kiyota	Managing Executive Officer	Head of Financial Business Unit
Atsuji Kobayashi	Managing Executive Officer	Head of Social Infrastructure Business Unit, and General Manager of Social Infrastructure Business Division 2, Social Infrastructure Business Unit
Akio Shinno	Managing Executive Officer	Head of Industry & Solution Business Unit, in charge of IT Infrastructure Business Division
Tatsuo Kawauchi	Executive Officer	Head of Development Support Division
Yoshihiko Kurihara	Executive Officer	General Manager of Corporate Planning Department, Corporate Planning Division
Masataka Komatsu	Executive Officer	General Manager of Healthcare Business Division
Hajime Shinagawa	Executive Officer	General Manager of IT Infrastructure Business Division
Shingo Shinohara	Executive Officer	General Manager of Social Infrastructure Business Division 1, Social Infrastructure 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, Industry & 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 Solution Business Division, Advanced Technology Strategic Business Unit
Shuji Takahashi	Executive Officer	General Manager of Industrial Business Division 1, Industry & Solution Business Unit
Tsuyoshi Takeda	Executive Officer	General Manager of Financial Business Division 2, Financial Business Unit
Kiyoharu Taniguchi	Executive Officer	General Manager of Financial Business Division 3, Financial Business Unit
Mayuko Miike	Executive Officer	General Manager of Human Resources Department, Corporate Service Division
Kiyokimi Yagi	Executive Officer	General Manager of Corporate Secretary Department, Corporate Service Division

Financial and Non-Financial Data

Key Financial Data (Consolidated)*¹

	FY2013	FY2014	FY2015	FY2016
Operating Results				
Net sales	40,285	42,990	51,585	55,234
New core business net sales	—	—	—	—
Cost of sales	31,655	33,777	40,674	43,762
Gross profit	8,630	9,213	10,911	11,472
Selling, general, and administrative expenses	3,781	4,069	4,532	4,298
Operating income	4,848	5,144	6,378	7,173
EBITDA (Operating income + Amortization of goodwill + Depreciation)	5,180	5,507	6,904	7,666
Ordinary income	5,076	5,326	6,456	7,300
Net income attributable to owners of the parent	3,165	2,973	3,110	4,543
Orders received (System Development Business)	35,015	35,576	42,836	43,778
Order backlog (System Development Business)	7,085	7,195	8,511	8,460
Profitability Indices				
Gross profit margin (%)	21.4	21.4	21.2	20.8
Operating margin (%)	12.0	12.0	12.4	13.0
EBITDA margin (%)	12.9	12.8	13.4	13.9
Ratio of net income to net assets attributable to NSD shareholders (ROE) (%)	7.5	6.9	7.5	10.8
Ratio of ordinary income to total assets (%)	10.6	10.9	13.2	14.7
Financial Position				
Current assets	33,924	34,887	34,543	37,073
Non-current assets	14,385	14,910	13,649	13,836
Total assets	48,309	49,797	48,193	50,910
Current liabilities	3,926	6,345	6,171	6,525
Non-current liabilities	1,352	744	459	407
Total liabilities	5,278	7,090	6,631	6,932
Net assets	43,030	42,707	41,561	43,977
Per Share Indices				
Net income per share (EPS) (yen)	38.10	36.02	35.49	52.90
Net assets per share (yen)	513.98	473.17	471.17	505.34
Annual dividend per share (yen)	16.0	39.0	18.5	22.0
Capital Expenditure, Depreciation & Amortization and Research & Development Expenses				
Capital expenditure	1,249	998	532	295
Depreciation & amortization	274	297	413	424
Research & development expenses	224	239	263	147
Cash Flows				
Cash flows from operating activities	3,412	4,512	2,304	5,115
Cash flows from investing activities	1,034	285	263	1,500
Cash flows from financing activities	-2,255	-4,937	-3,463	-2,692
Free cash flow	4,447	4,798	2,568	6,615
Cash and cash equivalents at end of period	21,986	21,930	20,942	24,875
Shareholder Returns^{*3}				
Dividend payout ratio (%)	42.0	108.3	52.1	41.6
Total return ratio (%)	73.6	165.7	112.1	63.7
Stock Price Indicators				
Year-end stock price (yen)	587.73	885.50	832.00	804.00
Market capitalization	48,844	79,028	72,398	69,009
Price-earnings ratio (PER) (x)	16.97	24.58	23.44	15.20
Total shareholder return (TSR) (%) ^{*4}	—	—	—	—
(Comparison index: TOPIX including dividends [%])	(—)	(—)	(—)	(—)

*1 Changes in accounting standards and policies are reflected in the financial data for the fiscal year in which they were adopted and beyond (not retroactively adopted).

*2 In the event of a stock split, etc., per share indices are calculated based on the number of shares as of the end of the most recent fiscal year.

*3 Fiscal 2014 and 2019 indicators for dividend payout ratio and total return ratio are calculated to include the Company's 45th and 50th anniversary commemorative dividends.

*4 Total shareholder return is the total return, including dividends and capital gains, and is calculated with the stock price at the end of fiscal 2017 as a base of 100%.

(millions of yen)

FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
58,080	61,944	65,063	66,184	71,188	77,982
—	—	—	18,004	23,537	28,411
46,172	48,780	51,118	52,145	55,350	60,431
11,907	13,164	13,945	14,038	15,837	17,550
3,989	4,509	4,400	4,195	4,422	5,025
7,918	8,654	9,545	9,842	11,414	12,524
8,470	9,355	10,208	10,509	12,156	13,351
8,119	8,756	9,661	9,955	11,654	12,662
5,368	5,817	6,314	6,373	7,823	10,219
46,415	48,999	58,916	59,817	67,640	72,411
9,423	10,068	13,175	13,895	17,581	19,830
20.5	21.3	21.4	21.2	22.2	22.5
13.6	14.0	14.7	14.9	16.0	16.1
14.6	15.1	15.7	15.9	17.1	17.1
12.1	12.6	13.8	13.7	15.7	19.3
15.5	15.9	17.6	17.6	19.0	19.3
34,425	35,819	39,654	44,068	48,206	55,119
19,621	20,058	14,230	15,390	15,067	13,040
54,046	55,878	53,885	59,458	63,274	68,159
7,392	7,701	7,820	8,823	9,435	11,123
640	830	1,086	1,461	1,994	1,577
8,033	8,532	8,907	10,284	11,429	12,701
46,013	47,345	44,978	49,173	51,844	55,458
63.38	69.65	78.21	80.10	99.37	132.31
537.08	566.36	557.46	613.71	657.57	711.73
26.0	30.0	46.0	42.0	52.0	67.0
213	314	553	689	560	390
443	468	427	423	492	490
65	157	155	118	184	190
6,457	5,461	6,764	8,157	7,244	10,067
-5,822	-412	4,285	-658	-377	6,018
-3,321	-4,556	-8,569	-3,628	-6,146	-7,574
634	5,048	11,050	7,499	6,867	16,085
22,168	22,681	25,172	29,029	29,757	38,297
41.0	43.1	58.8	52.4	52.3	50.6
66.3	77.1	137.5	67.7	86.3	74.9
1,085.50	1,288.50	1,440.00	1,841.00	2,192.00	2,384.00
91,693	106,697	114,789	145,822	170,657	183,254
17.13	18.50	18.41	22.98	22.06	18.02
—	121.5	139.7	180.5	217.6	241.5
(—)	(95.0)	(85.9)	(122.1)	(124.6)	(131.8)

Financial and Non-Financial Data

Key Financial Data (Consolidated)

(millions of yen)

	FY2018	FY2019	FY2020	FY2021	FY2022
By Segment					
Net sales					
System Development Business					
Financial IT	20,368	20,560	20,790	22,307	24,561
Industry & Infrastructure IT	28,248	29,880	30,339	32,509	35,506
IT Infrastructure Construction	6,915	7,730	8,052	9,353	10,275
Solution Business	6,524	7,134	7,098	7,257	7,836
Adjustment	-482	-241	-97	-239	-197
Total	61,573	65,063	66,184	71,188	77,982
Operating income					
System Development Business					
Financial IT	3,117	3,398	3,597	3,991	4,522
Industry & Infrastructure IT	4,483	4,750	4,694	5,569	5,919
IT Infrastructure Construction	982	1,117	1,166	1,518	1,750
Solution Business	120	494	572	604	702
Adjustment	-211	-215	-188	-268	-368
Total	8,492	9,545	9,842	11,414	12,524
System Development Business (By Industry)					
By customer industry					
Finance	21,195	21,867	21,319	22,840	26,127
Service	9,272	9,477	10,272	11,303	11,998
Manufacturing	6,566	7,142	7,578	8,402	9,103
Telecommunications	4,947	5,120	5,670	5,605	5,560
Transportation	4,104	5,089	4,976	5,706	6,066
Commerce	2,522	2,874	3,000	3,086	3,229
Public	3,595	3,087	3,007	4,133	4,859
Electricity, Gas, Water	1,520	1,823	1,541	792	856
Construction	1,195	1,284	1,362	1,295	1,139
Others	196	188	366	787	1,220
Total	55,117	57,956	59,097	63,954	70,162
Breakdown of Financial sector					
Major Banks	7,567	8,326	7,417	8,194	9,636
Other Banks	2,776	2,528	2,586	2,524	3,040
Insurance Companies	7,580	8,087	8,333	8,272	8,862
Securities Companies	1,325	1,319	1,113	1,201	1,315
Credit card Companies	1,491	1,077	994	1,595	2,045
Others	455	528	873	1,052	1,228
Total	21,195	21,867	21,319	22,840	26,127
Solution Business (By Solution Category)					
Human Resource	—	1,807	1,877	2,288	2,222
Logistics	—	744	746	808	694
Shareholder Relation Services	—	1,277	1,069	904	969
Security	—	1,016	832	1,076	1,027
Others	—	2,261	2,560	2,155	2,906
Total	—	7,107	7,087	7,233	7,819

Key Non-Financial Data

	FY2018	FY2019	FY2020	FY2021	FY2022
Personnel					
Number of employees (consolidated)	3,428	3,467	3,522	3,560	3,595
Male	2,804	2,809	2,818	2,830	2,826
Female	624	658	704	730	769
Number of employees (non-consolidated)	3,003	3,051	3,080	3,106	3,109
Male	2,493	2,514	2,505	2,506	2,499
Female	510	537	575	600	610
Ratio of female employees (%)	17.0	17.6	18.7	19.3	19.6
Ratio of female managers (%)	3.5	3.5	4.7	5.4	6.2
Number of new graduate hires	137	139	137	129	130
Male	100	96	86	83	88
Female	37	43	51	46	42
Ratio of women in new graduate hires (%)	27.0	30.9	37.2	35.7	32.3
Number of mid-career hires	10	15	11	20	18
Male	10	8	8	11	16
Female	0	7	3	9	2
Turnover ratio (%) ^{*6}	2.8	3.8	2.6	2.9	3.5
Average years of service	14.3	14.6	14.8	15.0	15.3
Male	15.3	15.5	15.8	16.1	16.3
Female	10.1	10.3	10.3	10.6	10.9
Average salary (yen)	6,362,181	6,411,394	6,423,166	6,515,058	6,714,129
Average monthly overtime hours	19.4	19.9	17.0	19.0	18.5
Number of paid leave days taken	14.2	13.9	11.7	12.4	13.7
Ratio of paid leave days taken (%)	73.8	72.4	59.9	63.3	70.1
Number of employees taking childcare leave	32	27	47	37	36
Male	2	8	13	17	17
Female	30	19	34	20	19
Ratio of employees taking childcare leave (%)	27.6	25.0	43.1	43.5	48.7
Male	2.3	9.0	17.3	26.2	30.9
Female	100	100	100	100	100
Ratio of employees returning from childcare leave (%)	100	96.9	100	95.7	97.3
Number of employees working reduced hours due to childcare	75	94	94	100	103
Number of employees using the family care leave system	2	1	3	3	0
Number of employees using the short-term family care leave system	1	4	6	3	4
Number of employees working reduced hours due to family care	1	1	3	2	2
Number of IT credential holders ^{*7}	4,014	4,001	4,353	4,527	4,629
Environment					
CO ₂ emissions (Scope 1) (t-CO ₂) ^{*8}	87	96	64	77	86
CO ₂ emissions (Scope 2) (t-CO ₂) ^{*8}	1,341	1,280	1,273	1,026	915
Electricity consumption (kWh)	2,282,297	2,248,712	2,301,866	2,382,447	2,375,359
Governance					
Number of female directors	1	1	1	1	1
Ratio of female directors (%)	16.7	16.7	16.7	14.3	14.3
Number of independent outside directors	2	3	3	3	3
Ratio of independent outside directors (%)	33.3	50.0	50.0	42.9	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

^{*5} Unless otherwise indicated, the data represent non-consolidated figures.

^{*6} The turnover rate is calculated excluding mandatory retirements and persons using the Company's early retirement incentive program.

^{*7} The number of IT credential holders represents the total number of holders of Information Technology Engineer Certification, PMP® (Project Management Professional; PMP® is a registered trademark of PMI, USA) credential, various vendor credentials, and credentials issued by other organizations.

^{*8} CO₂ emissions cover the head office, branch offices, business sites, and consolidated subsidiaries (excluding overseas subsidiaries) and are calculated by multiplying electricity consumption at each site by the emissions factor at each site.

Company Information (As of March 31, 2023)

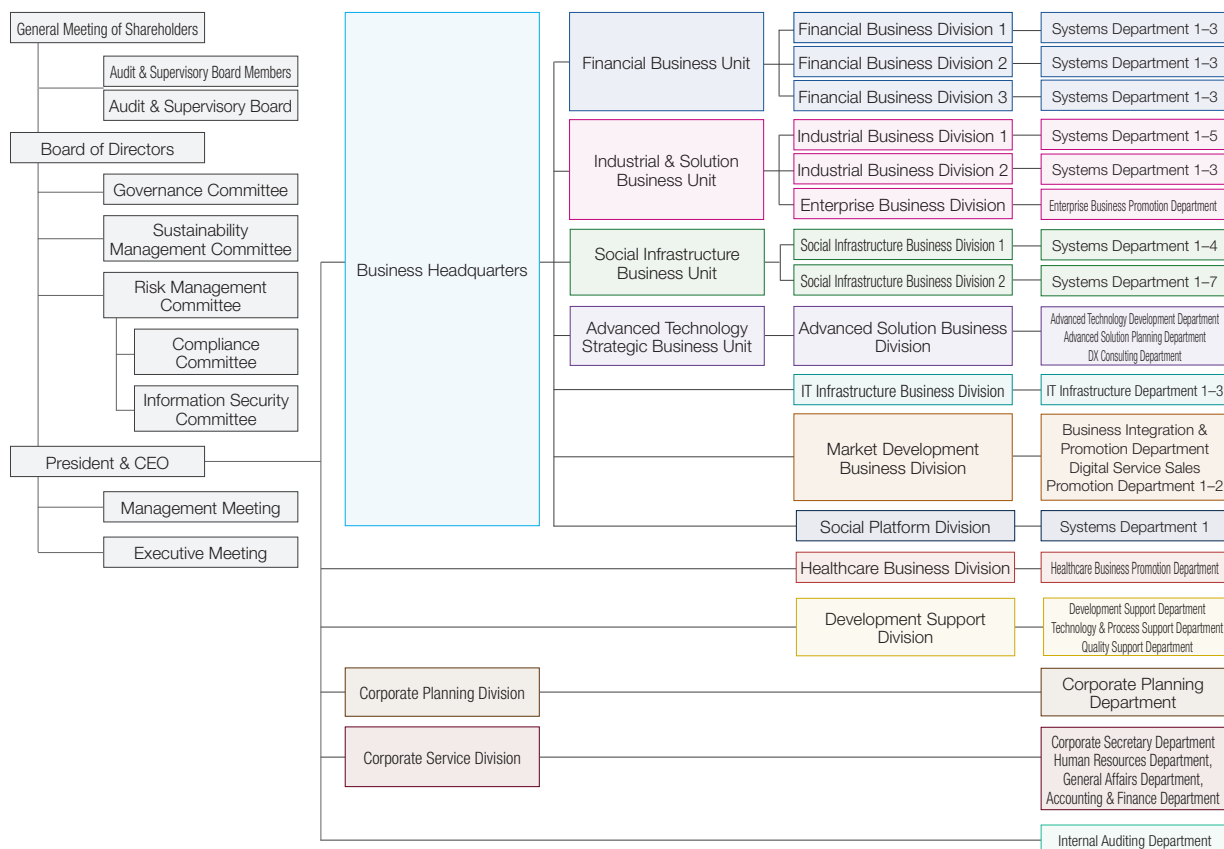
Corporate Profile

Name	NSD Co., Ltd.	
Established	April 8, 1969	
Business lines	System Development Business Solution Business	(1) Planning, design and development of IT systems (2) Construction of IT infrastructure (1) Provision of services that utilize IT (2) Sales of software products
Capital	7,205 million yen	
Number of employees (consolidated)	3,595	

Offices

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

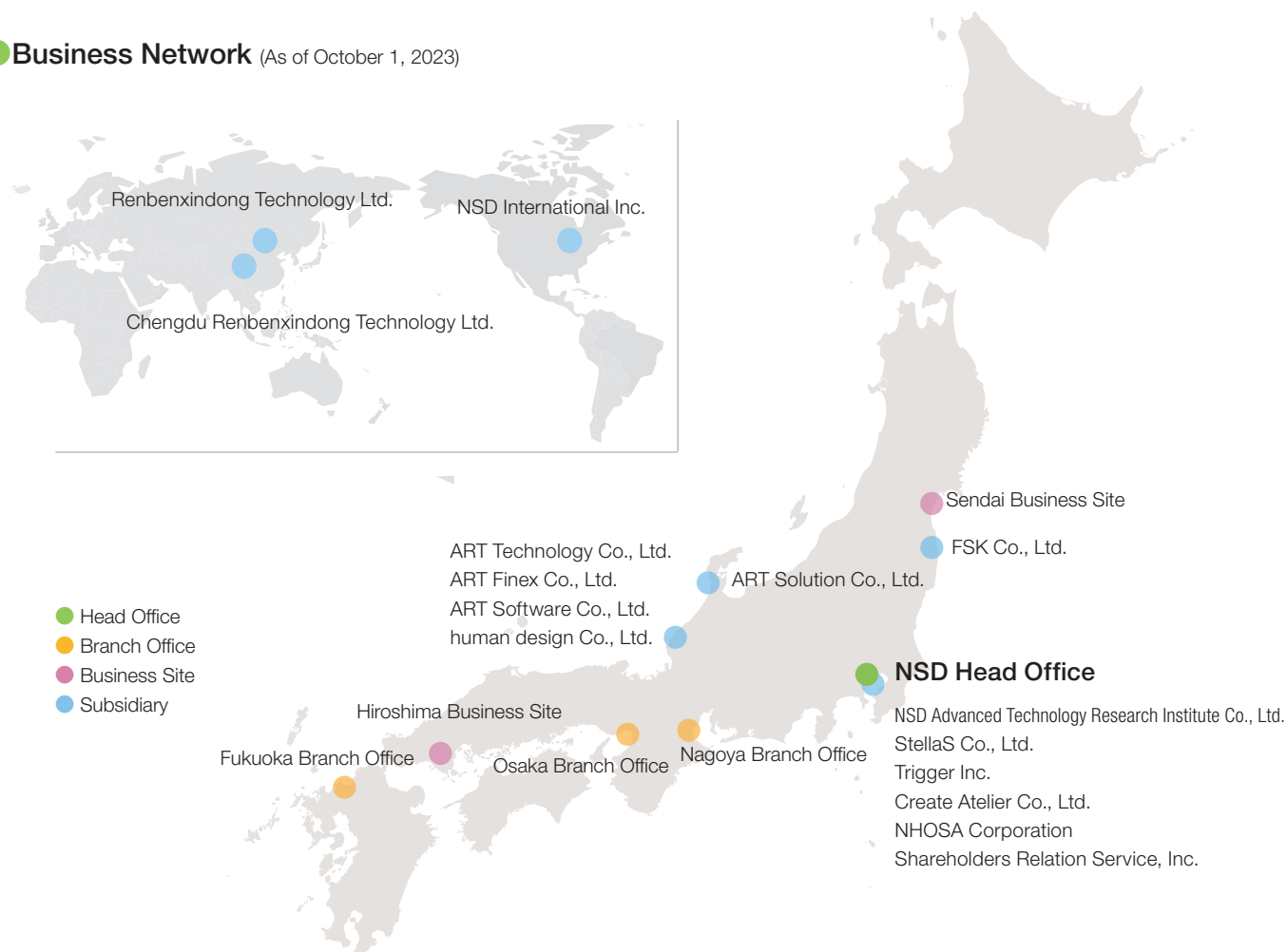
Organizational Chart (As of October 1, 2023)



● Group Companies (As of October 1, 2023)

Company name	Address	Business lines
NSD Advanced Technology Research Institute Co., Ltd.	Chiyoda-ku, Tokyo	Research and development of advanced technology and creation of new businesses
StellaS Co., Ltd.	Chiyoda-ku, Tokyo	Human resource solutions and logistics solutions
FSK Co., Ltd.	Iwaki-shi, Fukushima	System construction, operation support, maintenance, and business support
Trigger Inc.	Chiyoda-ku, Tokyo	IT consulting and system development
ART Technology Co., Ltd.	Sabae-shi, Fukui	System development and solutions
ART Finex Co., Ltd.	Sabae-shi, Fukui	RFID product development and solutions
ART Software Co., Ltd.	Fukui-shi, Fukui	System development and solutions
ART Solution Co., Ltd.	Kanazawa-shi, Ishikawa	System development and solutions
Create Atelier Co., Ltd.	Minato-ku, Tokyo	System development and solutions
NHOSA Corporation	Nakano-ku, Tokyo	Development and sales of systems for dental clinics and dialysis facilities
Shareholders Relation Service, Inc.	Chiyoda-ku, Tokyo	IR support services for individual shareholders
human design Co., Ltd.	Fukui-shi, Fukui	Temporary staffing and education support
NSD International, Inc.	New York State, USA	Services for Japanese companies in the United States
Chengdu Renbenxindong Technology Ltd.	Chengdu, China	Offshore development and services for Japanese companies in China
Renbenxindong Technology Ltd.	Beijing, China	Health management services in China

● Business Network (As of October 1, 2023)

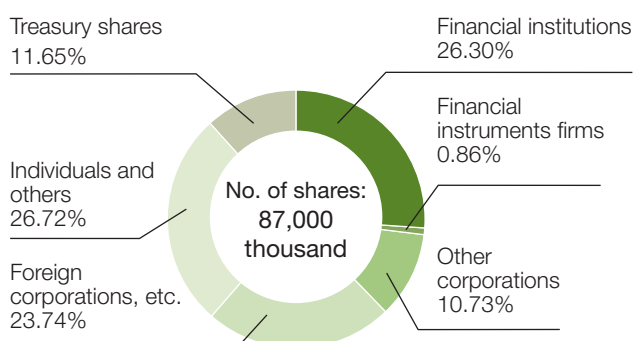


Company Information (As of March 31, 2023)

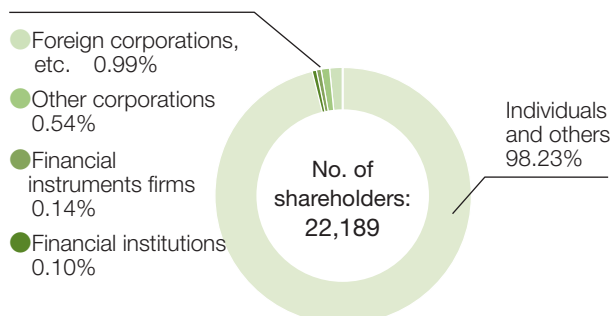
Stock Information

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 shares	87,000,000
Number of shareholders	22,189
Administrator of shareholder registry	Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo

Share Distribution by Type of Shareholder



Shareholder Distribution by Type

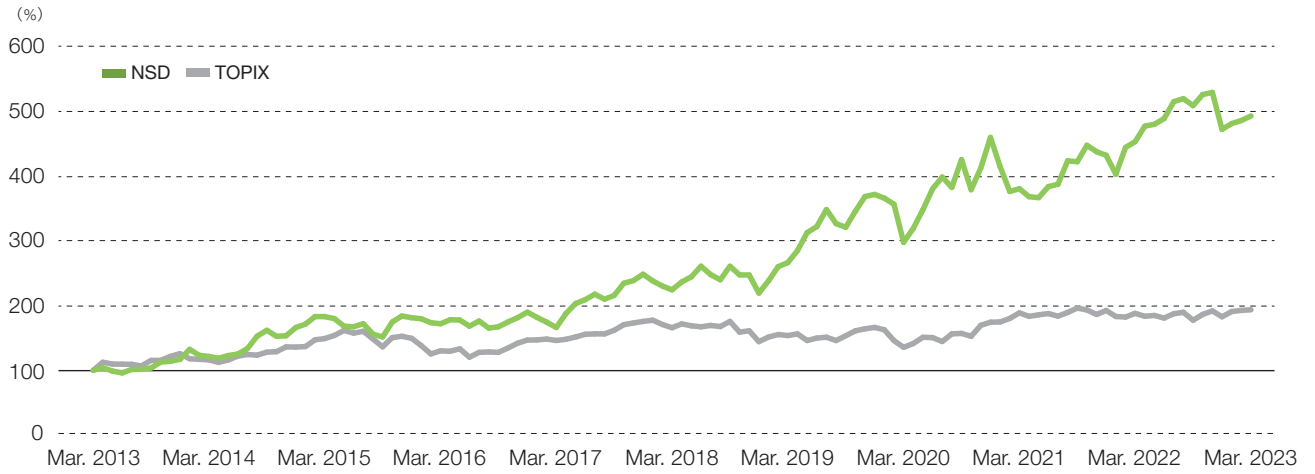


Major Shareholders

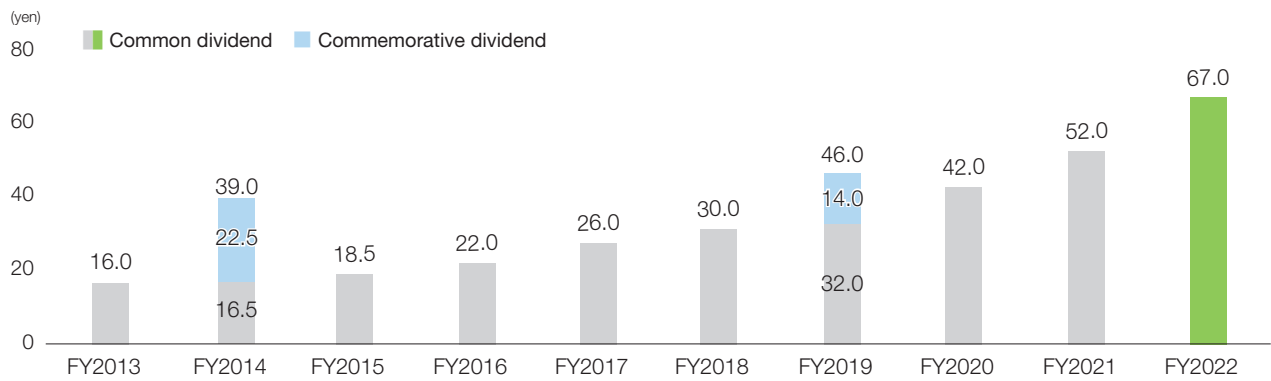
Name	Number of shares held (thousands)	Ownership ratio (%)*
The Master Trust Bank of Japan, Ltd.	9,509	12.37
IPC Co., Ltd.	5,658	7.36
Custody Bank of Japan, Ltd.	4,050	5.26
State Street Bank and Trust Company (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	4,024	5.23
Northern Trust Co. (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	3,792	4.93
State Street Bank and Trust Company (Standing proxy: Mizuho Bank, Ltd.)	3,329	4.33
The Nomura Trust and Banking Co., Ltd.	3,258	4.23
KD Associates, Ltd.	2,697	3.50
NSD Employee Stock Ownership Association	2,211	2.87
The Dai-ichi Life Insurance Company, Limited	2,072	2.69

* Although the Company owns treasury stock (10,131 thousand shares), it is excluded from the calculation of ownership ratio.

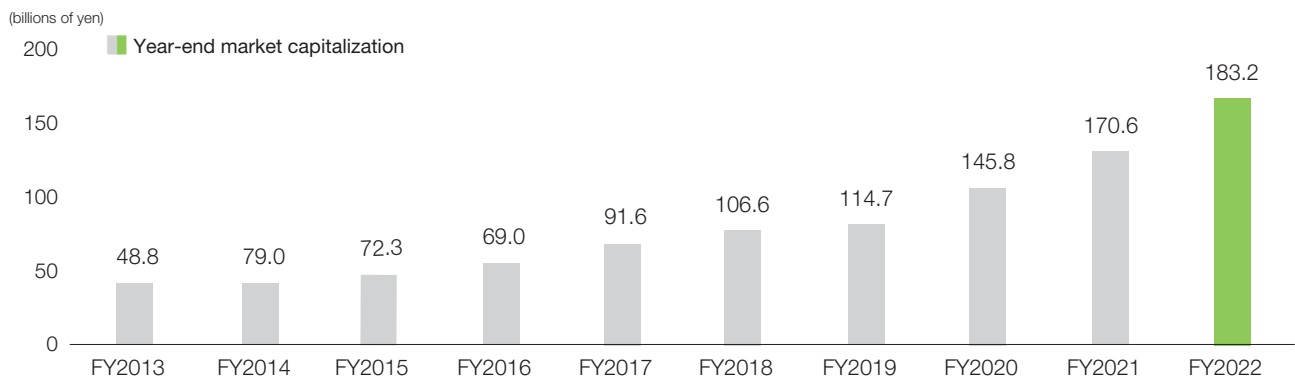
NSD's Stock Price (Comparison with TOPIX)



Dividend per Share



Market Capitalization



Our website

Corporate Information



<https://www.nsd.co.jp/english/>

Investor Relations



<https://www.nsd.co.jp/english/ir/index.html>

Sustainability



<https://www.nsd.co.jp/english/sustainability/>



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