

IT & YouT^

May 9, 2023

Interim Review on Medium-Term Management Plan (from FY2021 to FY2025)

Created on May 10, 2021
Revised on May 9, 2022
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Thank you for reading this material, which presents an interim review of our five-year-long Medium-term Management Plan, which began in the fiscal year ended March 31, 2022, together with a partial revision to its targets.

In the past two years under the Medium-term Management Plan, our existing businesses grew steadily and we expanded the business foundations of the NSD Group by means of M&A. As a result, we are developing a solid footing for evolving into a corporate group generating more than 100 billion yen in net sales. Going forward, we will accelerate efforts to adapt to a digital society in the fields of new technology, digital transformation, and solutions, thereby continuously working to transform into a more value-added company.

In parallel, we will work on management that will help realize a sustainable society. We will thus aim to be a company that proposes the future of people and IT. We hope to continue receiving your unwavering support.

May 9, 2023

NSD Co., Ltd.

President & CEO

Yoshikazu Imajo

Progress of Individual Strategies under the Medium-Term Management Plan (Interim Review)



System development

- We focused IT investment demand of financial, manufacturing and other customers to receive more orders.
- In the areas of new technology and DX, system development projects doubled, led by projects related to digitalization.
- To secure the human resources needed to drive our growth, we stepped up recruitment, increased base pay, promoted work style reform, expanded regional locations (See page 4), built closer relationships with business partners and bolstered our deployment capacity.

New technology and DX

- We launched the Advanced Technology Strategic Business Unit. Under this unit, the Advanced Solution Planning Department and the DX Consulting Department were created.
- We upgraded the personnel development incentive program. The number of personnel holding qualifications for artificial intelligence (AI) and cloud doubled.
- We stepped up AI and Internet of Things (IoT) product development (for positional information solutions, image analysis, voice recognition and others) and expanded sales foundations to speed up the growth of our business.

Solution business

- We continued our efforts to promote healthcare-related products, including CARENA and Gluketto, and human resources-related products, such as ORDIA and JobSuite.
- We invested in M&A, which we expect to expand the solution business in the areas of medical treatment and healthcare. (See page 5.)
- We will continue working to expand and accelerate our business through investment in M&A and other means, seeking to create a second pillar of the business.

SDGs / ESG (environment, society and governance)

- We launched the Sustainability Management Committee chaired by the President and CEO.
- This committee played a central role in developing an action policy, a sustainability declaration, material issues, measures and key performance indicators (KPIs).
- We created and published an integrated report. We will work intensively to improve outsiders' evaluation. (See page 6.)

Consolidated Targets in Medium-Term Management Plan (Upward Revision)



- In view of results for the first two years of the plan, we revised the targets for the third and later years and added EBITDA as a new indicator.
- We will strive to meet the initial target of 100 billion yen in net sales for the final fiscal year as well as other targets.

(million yen)	(First fiscal year)	(2nd year)	(3rd year)	(4th year)	(Final fiscal year)	(For reference)
	2022/3 Results	2023/3 Results	2024/3 Revised plan	2025/3 Plan	2026/3 Plan	2026/3 Previous plan
Net sales	71,188	77,982	97,000	103,000	110,000	100,000
New core business net sales (Note 1)	23,537	28,411	37,500	43,000	50,000	45,000
Operating income	11,414	12,524	14,000	15,000	16,500	15,000
Operating income margin (%)	16.0	16.1	14.4	14.6	15.0	15.0
EBITDA	12,156	13,351	16,600	17,700	19,200	--
EBITDA margin (%)	17.1	17.1	17.1	17.2	17.5	--
Ordinary income	11,654	12,662	14,000	15,000	16,500	15,000
Net income	7,823	(Note 2) 10,219	8,700	9,500	10,500	10,200
ROE (%)	15.7	19.3	15.4	15.9	16.6	16.5

(Note 1) System Development Business related to New Technologies and DX, and Solution Business.

(Note 2) A gain on the sale of shares of 2,150 million yen was posted as extraordinary income.

[Reference] Launch of Regional Business Sites



- Considering that it is essential for our growth to secure the human resources, NSD works to increase employees' job satisfaction and enhance personnel development.
- As one of measures for this, we launched regional business sites. We will actively employ competent IT engineers who wish to stay in their regions, to enhance the composition of individual business sites.

August 2022: Our first regional business site is set up in the city of Sendai.



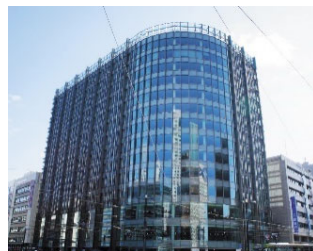
Name: Sendai Business Site

Location: Floor 22, AER, 1-3-1 Chuo, Aoba-ku, Sendai-shi, Miyagi, Japan

Business: System development

* An external view of the building in which the Sendai Business Site is located

December 2022: Our second regional business site is launched in the city of Hiroshima.



Name: Hiroshima Business Site

Location: Floor 10, Hiroshima Train Vert Building, 1-2-22 Kamiyacho, Naka-ku, Hiroshima-shi, Hiroshima, Japan

Business: System development

* An external view of the building in which the Hiroshima Business Site is located

FY2023/3

[Reference] M&A Investments



- To expand our business foundations, the Medium-term Management Plan envisions investing an approximate total of 20 billion yen in M&A. As a result of studying potential deals over the past two years, we welcomed a total of three companies into the NSD Group.
- In the remaining period of the Medium-term Management Plan, we will actively consider utilizing M&A deals.

FY2023/3

October 2022: NSD acquires shares of Trigger Inc. and makes it a consolidated subsidiary.

Trigger

Location: Floor 2, VORT Akihabara V, 3-8-11 Iwamotocho, Chiyoda-ku, Tokyo, Japan
Business: IT consulting and system development

FY2024/3

April 2023: NSD acquires shares of ART Holdings Co., Ltd. and makes it a consolidated subsidiary.

May 2023: NSD acquires shares of NHOSA Corporation and makes it a consolidated subsidiary.

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Companies subject to consolidation:
Six operating companies under the control of ART Holdings Co., Ltd. as a holding company
Locations: Sabae-shi (Head Office) and Fukui-shi, Fukui, Kanazawa-shi, Ishikawa, and elsewhere
Business: System development and others

 NHOSA
ノーザ

Location: NHOSA Building, 1-21-4 Chuo, Nakano-ku, Tokyo, Japan
Business: Development and sales of computer systems for statements of medical expenses for dental clinics and dialysis treatment support systems

[Reference] Progress of Sustainability (SDGs/ESG) Activities



- With respect to sustainability, we announced NSD's Sustainability Initiatives on March 30, 2022 to make clear our structure and the policy for our activities.
- At present, the Sustainability Management Committee plays a central role in carrying out individual activities in accordance with our long-term vision.

FY2022/3

FY2023/3

July 2021: NSD launches the Sustainability Management Committee as an internal cross-divisional organization.

March 2022: NSD announces the Sustainability Declaration.

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

It also announces Material Issues (Materiality), Measures and Key Performance Indicators (KPIs).

April 2022: NSD establishes the Sustainability Procurement Guidelines for its business partners.

February 2023: NSD publishes an Integrated Report.
NSD acquires ISO 14001 certification for the environmental management system.

