

Integrated Report 2024

Apr. 1, 2023 – Mar. 31, 2024

This English version of Integrated Report is a translation
of the Japanese version published on October 11, 2024.

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

From our founding prospectus of March 1969

These words reflect our founder's strong belief that through repeated practice and research, we can get closer to the essence of problems and become a unique entity that can provide the value that is truly needed.

This philosophy has been passed down through NSD up to today, and we will continue to work together with our customers as business partners to increase corporate value.



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.



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Editorial Policy

This integrated report touches on important financial and non-financial information while highlighting topics that we want to convey to shareholders, investors, and other stakeholders, so that they have a better understanding of the initiatives undertaken by the NSD Group to continuously enhance corporate value. For more information, please visit our website. Reporting Period: April 1, 2023 to March 31, 2024 (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.

Stable customer base



For 55 years 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 55 years, 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 over 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 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.

Net sales

¥101.2 billion



Operating income

¥15.1 billion



Operating margin

15.0%

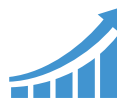
EBITDA margin

17.5%



Market capitalization

¥228.7 billion



Dividend payout ratio

54.0%

Total return ratio

70.5%



ROE

17.5%

TSR

252.6%



Employees

4,380



SE ratio*1

96.4%



Turnover ratio*2

2.7%



*: The above figures are for FY2023 results.

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

*2: The turnover ratio among non-consolidated employees. Calculated excluding mandatory retirements, transfers, etc.

**With our founding principles of *practice and research*,
we will make the transition to *aggressive NSD* for further growth.**

Yoshikazu Imajo President & CEO

April 8, 2024 marked 55 years since our founding.

I would like to express my deep gratitude to all of our stakeholders who have highly recognized our company and placed their trust and expectations on us. It is because of them that we have been able to continue growing to this point.

Achieved net sales of 100 billion yen two years ahead of schedule

We achieved our target of 100 billion yen in net sales in FY2025, the final year of our five-year Medium-Term Management Plan, two years ahead of schedule in FY2023. This enabled us to make progress towards an even loftier stage.

In our business environment, while there was uncertainty over the future due to inflation and the weak yen, amid firm trends in corporate earnings and employment conditions, IT industry enjoyed a favorable order environment because the needs for DX (Digital Transformation) expanded due to labor shortage among companies as well as the needs for the renewal of core system emerged.

In such an environment, the NSD Group achieved a significant jump in net sales of 101.2 billion yen, up 30% from the previous fiscal year, due to firm growth in the receipt of orders in a wide range of organic business categories as well as the effects of M&A.

When I assumed the post of president in 2010, our net sales were around 40 billion yen. While the global business environment was extremely challenging, with many

companies experiencing declines in revenues due to the global financial crisis, I set myself a long-term target of achieving net sales of 100 billion yen.

I am deeply impressed that we were able to achieve this target. At the same time, I have renewed my determination to steer our management with a view to the future and a sense of urgency from here on out.

Becoming an aggressive NSD

The business environment that IT companies find themselves in continues to change dramatically. They are called upon to further improve productivity, promote automation and enhance efficiency supported by advances in Internet technology. To give an example, AI and robots have become a labor force, dramatically improving productivity. In addition, there have been major changes in familiar aspects of our daily lives as well, such as automated driving and fintech.

In particular, progress in generative AI in the past few years has greatly transformed the nature of society. Some jobs such as programming are expected to be replaced by AI going forward. Given that we focus on System Development Business, we, too, must closely monitor market trends with a sense of urgency. On the other hand, with the rise of AI, it is also likely that greater importance will be placed on things which can only be performed by humans. This is not a mechanistic approach through which solutions are derived based on data, but rather an approach in which we first form





combine technology and ideas, effectively utilizing innovative technologies to promote DX is increasingly becoming the key to corporate growth. To that end, what we need to do is address how we can link our businesses with advanced technologies and promote creative strategies that distinguish us from other companies.

In light of this situation, using human resources with knowledge of new technologies as our base, we are pursuing the reinforcement of our consulting business by proactively proposing innovative and effective solutions, the kind that only we, with our accurate

an accurate understanding of customers' unique operations and issues, then derive new, value-added solutions unique to our company and link them to proposals. Given that, with a view to future shifts, we intend to implement two aggressive strategies.

■ To reinforce our consulting capability

The first is to reinforce our consulting capability.

Since our foundation, we have focused on system development on contract basis. As the term "contract basis" indicates, we have pursued that business while meeting the needs of our customers. The bonds of trust with customers that we have built by firmly responding to their needs constitute a crucial asset for us. They are how we have continued a stable business. However, as shown by the technological innovations mentioned earlier, just like there are some companies that make great strides by promoting unprecedented business strategies that

understanding of customers' operations and issues, are capable of.

In consulting, I believe that rather than talking to customers about theoretical ideas, it is extremely important to devise realistic and concrete management strategies and propose measures to solve problems as well as accompany customers until results are established. Up to this point, we have supported our customers in devising IT strategies in response to their management issues while working closely with them at customer sites as IT consultants that are highly familiar with their operations. Moreover, we have repeated the cycle of consistently handling everything up to system design, development and operation, and responding to issues that newly arise in the course of operation.

In the future, not only will we accompany customers until results are established, but also bolster our aggressive structure of reinforcing our ability to make proposals, identifying issues that customers are not aware of and making proposals.

In July 2024, we absorbed and merged Trigger Inc., a company with strengths in IT consulting that we had conducted an M&A for in October 2022, and established the Consulting Business Unit as an organization independent from the development units. Through this, we will proceed to strengthen our swift and substantial consulting services based on company-wide cooperation and focus on a new value proposition for our customers.

■ To improve responsiveness and speed in our Solution Business

Due to the market for subscription-based services continuing to expand with the advancements made in cloud technology, we are focusing on establishing the Solution Business as our second earnings pillar alongside to the System Development Business. In recent years, due in part to the expansion of our businesses through M&A, net sales in the Solution Business in FY2023 jumped roughly double what they were the previous year. Having reached a major milestone of 100 billion yen in consolidated net sales, we need to grow further into a company that also has strengths in its Solution Business.

I mentioned earlier that for our system development strategy, DX with a fusion of original ideas and new technologies would be the key. Our Solution Business shares that point. Under our mission to support the growth of our customers with the power of IT, we believe that accelerating customer DX through problem-solving solutions based on unique ideas constitutes a Solution Business that befits our company, which has achieved growth alongside its customers. Our subsidiary NSD-DX Technology Co., Ltd. promotes assistance with research and proof-of-concept for DX-related technologies while adopting a unique structure in which it partners with leading major companies in various industries to engage in R&D under the motto of "Creating IT to uphold the next-generation together with our customers."

In our Solution Business, it is extremely important that we launch new solutions ahead of other companies

and acquire standards. Through our recently-established Innovation Strategy Business Unit, we are working to achieve faster response by optimizing internal resources as well as by carrying out all processes in an integrated fashion from product and service planning to development and sales. We will further strengthen collaboration within the NSD Group to promote the expansion of our Solution Business.

Human capital management at NSD and how it supports growth

So far, I have communicated to you our business strategies aimed at future growth. For the purpose of making those strategies feasible, the technologies, know-how and deep understanding of customer operations that we have cultivated over the years are indispensable. These constitute the most important forms of capital for us. We therefore must ensure that we inherit them going forward.

This is where the presence of “people” comes into play. In recent years, alongside heightened attention on non-financial aspects, increasing interest has also been shown in human capital management. However, we have long recognized the importance of non-financial aspects in business operations in addition to the pursuit of profits, and have focused on our Human Resources Strategies over time.

As we mainly hire new graduates, we have a comprehensive education and training system to ensure the transfer of know-how and the important skills. Through this training, we improve the performance of each employee and contribute to the development of our customers and society.

In fact, I feel that the improvement in various evaluations of our company by stakeholders is due to this human capital management. We will therefore promote human capital management unique to our company as we aim to grow further in the future.

Marking 55 years since our founding

Thanks to the support of our various stakeholders, we commemorated our 55-year anniversary this April. Simultaneously, we achieved our target of 100 billion yen in net sales, elevating ourselves to an even loftier stage.

To make the transition to an “aggressive NSD,” which is essential for our future growth, I believe it is also important to raise the awareness of our employees. I regularly encourage them to take on challenges without fear of failure. With our founding spirit of “practice and research,” we are

confident that we will be able to grow further by adding an “aggressive posture” to our “earnest stance” that has been praised by customers thus far.

I will continue to encourage our employees to take on new challenges even more than before as well as to ensure that NSD Group continues to grow over the next 10 and 20 years and becomes an indispensable part of society.

We will continue to grow further by adding an “aggressive posture” to our “earnest stance”



A 55-year journey alongside our stakeholders

Toward a next stage of further growth through future-oriented strategies

Main Topics

1969 NSD established

(Original company name in Japanese) Nippon System Development Co., Ltd.

1988 Listed on the 2nd Section of the Osaka Securities Exchange

1991 Certified as a system 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, USA)

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-DX Technology 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

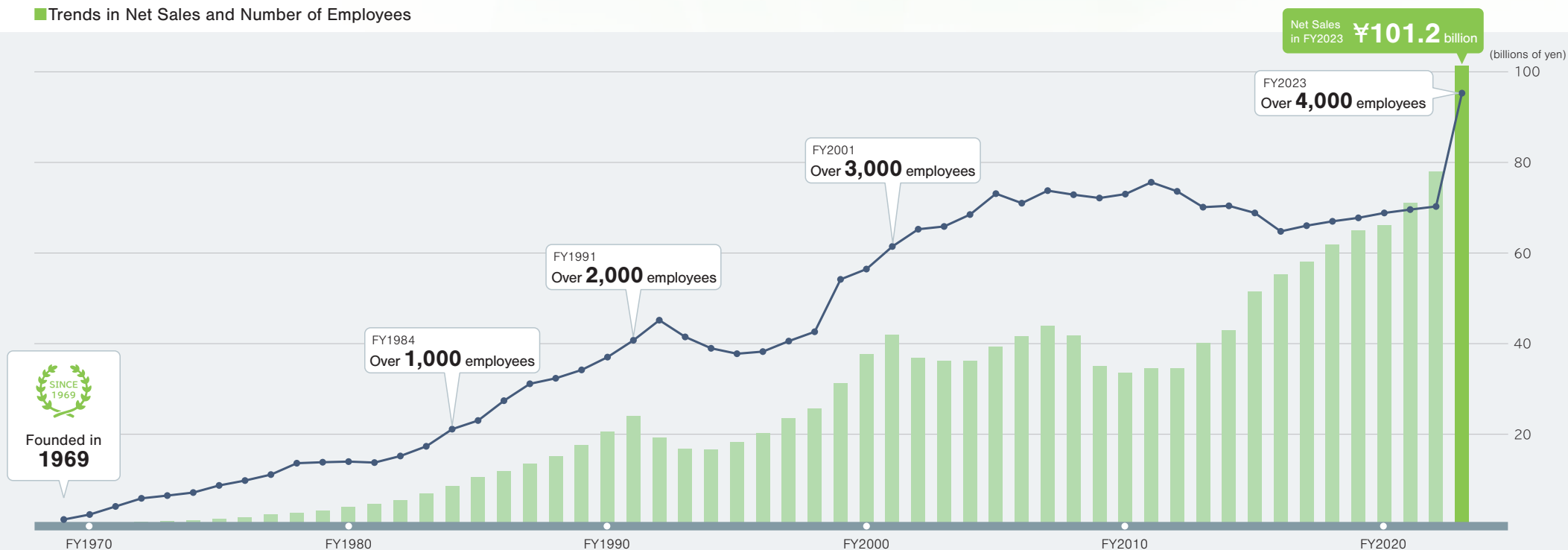
2023 Acquired NHOSA Corporation as a subsidiary

2024 Merged with Trigger Inc.

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

*2: Changed name from NSD Advanced Technology Research Institute Co., Ltd. in July 2024.

Trends in Net Sales and Number of Employees



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

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

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 support customers through systems that meet customers' diverse operations, from news organizations to amusement facilities, schools, and research institutions. We also respond to system development related to digital transformations such as cloud computing.



Telecommunication

We support the development of core systems for major telecommunications carriers, from land line phones to cell phones and internet wiring, and also contribute to the diversification of services.



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 support improvements in productivity and quality in production processes of various products, from electronics and automobiles to food and pharmaceuticals. We also support improvements in business efficiency by utilizing AI/IoT technology, mass data analysis, and more.



Public Organizations

We support improvements in efficiency in various operations for the central government, administrative corporations, and local governments. We also support system modifications and the liberalization of legacy systems in accordance with legal system reforms.





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.

Operational Streamlining

We provide RFID solutions that use small wireless chips to identify and manage people and objects for the likes of manufacturing management at factories and contactless entry and exit management as well as solutions that utilize AI to automatically generate meeting minutes with considerable accuracy.

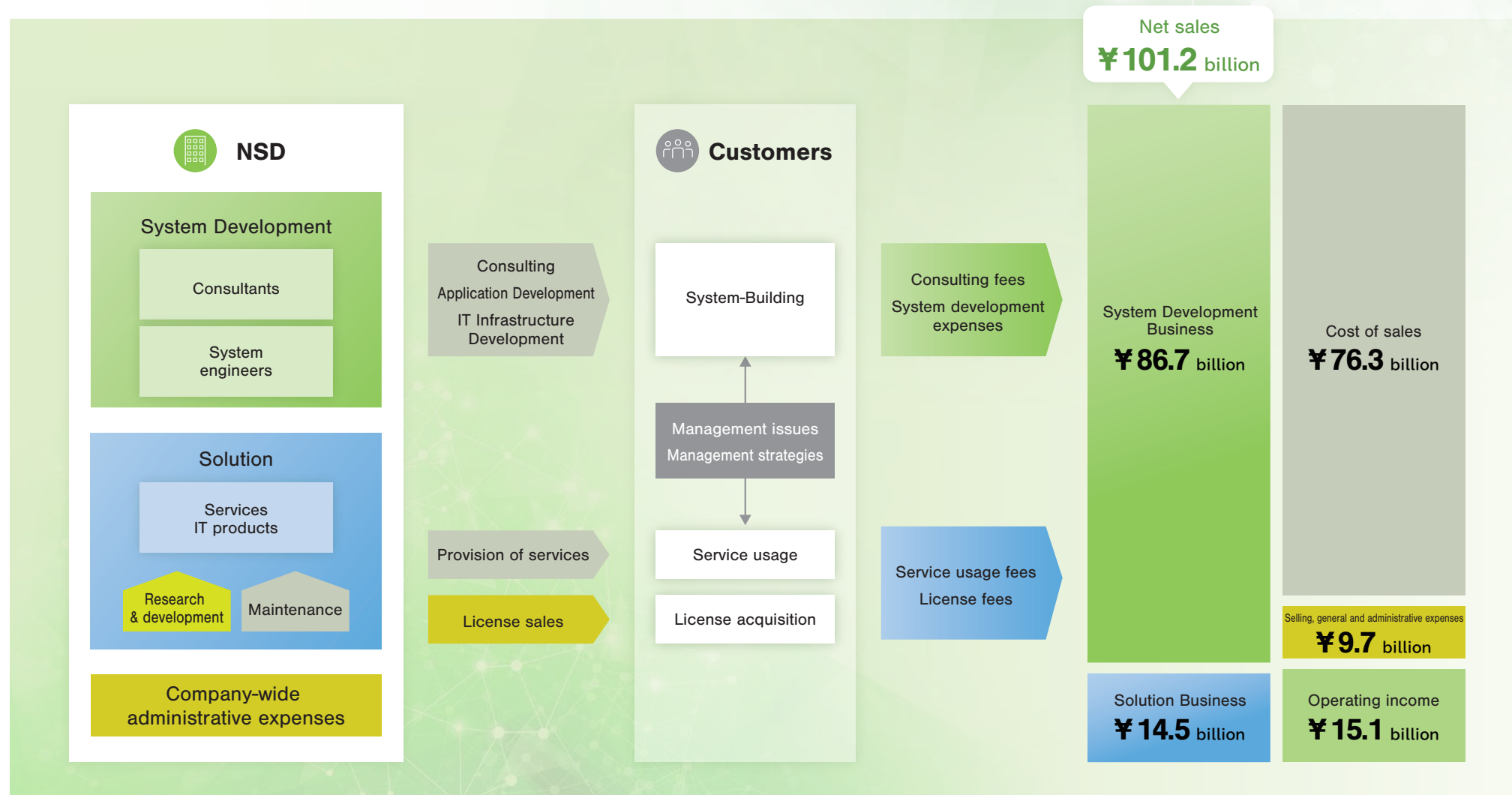
Security

We provide solutions that accommodate secure network-building and address the likes of information leakage and unauthorized access. These include solutions that enable the secure sending and receipt of large quantities of data to help make an escape from PPAP a reality.

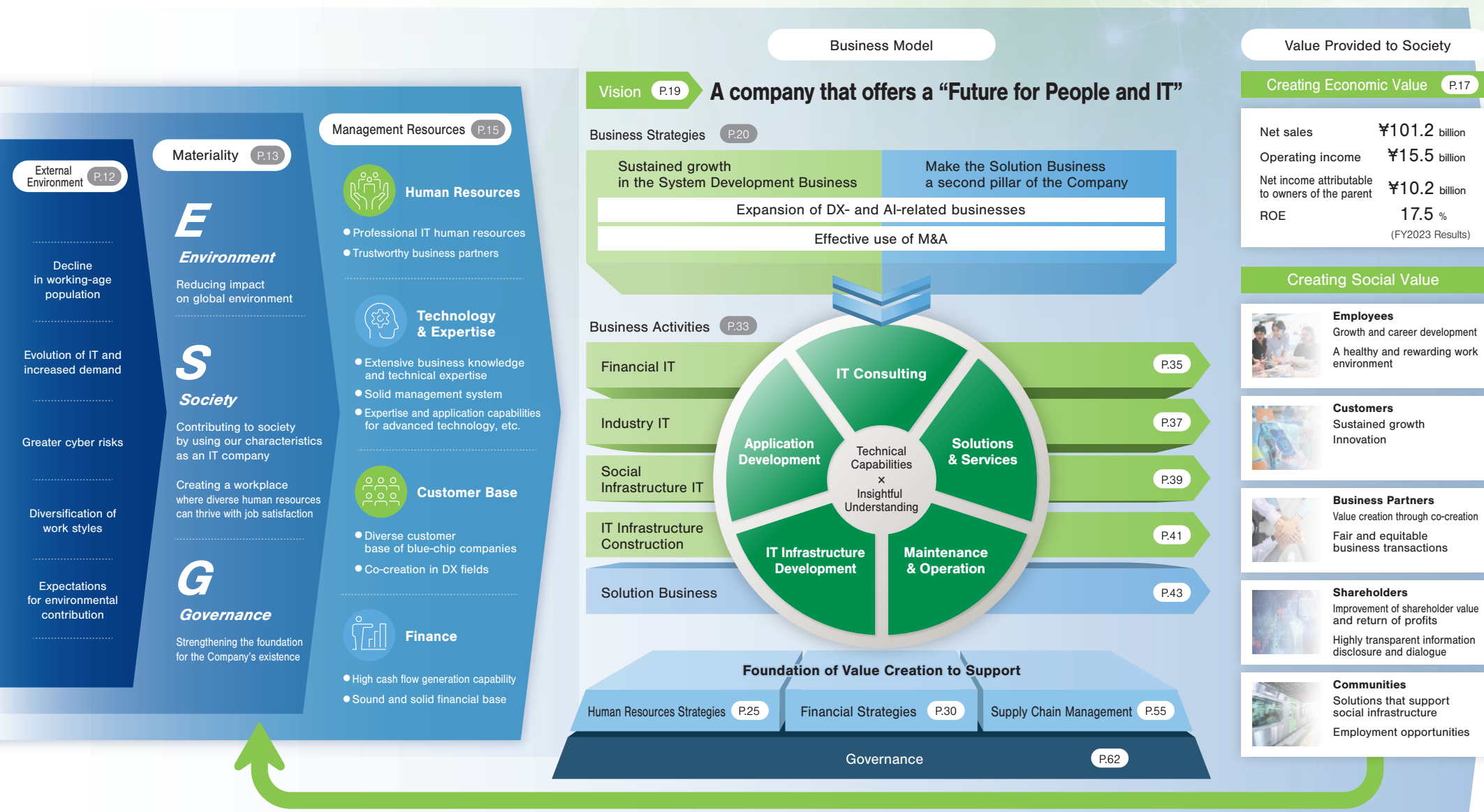
Shareholder Relations and Investor Relations Support






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.

In our System Development Business, we provide tailor-made services based on customer-specific needs. Thanks to continued orders from our customers, particularly major blue-chip companies, we are achieving stable profitability. In our Solution Business, we offer ready-made services based on the know-how and technologies we have cultivated over time. Under this business, while we incur costs in advance when developing solutions, we can expect the business to yield high profitability alongside growth in user numbers.



NSD aims to build a sustainable society and improve corporate value by using IT to solve various social issues.



	Opportunities	Risks
 Decline in the working-age population	Expansion of DX-related and Solution Businesses Business creation through progress in introducing DX and solutions due to labor shortages at various companies	System engineer shortage Loss of business opportunities due to inability to secure human resources
 Evolution of IT and increased demand	Expansion of DX-related businesses Enhanced efficiency of no-code/low-code systems, etc. through technological advances such as generative AI, cloud computing and next-generation communications Enhanced market competitiveness Expanded market shares and improved profit margins through market expansion (business expansion) and accelerated cooperation	Lack of technical knowledge Drop in competitiveness due to insufficient accommodation of technological innovation Project sophistication Delays in delivery and work man-hours in excess of initial estimates Intensified competition
 Greater cyber risks	Increased use of IT services Need for system investment to strengthen and sophisticate security Expansion of consulting needs Consulting needs stemming from the shortage of human resources specializing in information security on the customer side	Response to cyber-risks to our company Information leaks and cyber-attacks caused by unauthorized access by outside parties System engineer shortage Lack of system engineers with security-related know-how
 Diversification of work styles	Increased use of IT services Need for accommodating the promotion of DX to enhance operational efficiency and improve productivity Acquisition of diverse human resources Acquisition of human resources by promoting diverse working styles	Outflow of human resources Outflow of human resources due to increase in work styles throughout society Drop in productivity Drop in productivity and quality due to loss of communication, etc.
 Expectations for environmental contribution	Increased use of IT services Providing IT solutions for managing greenhouse gas emissions	Handling of social responsibility Response throughout the supply chain

Related Initiatives

Business Strategies

Expansion of DX- and AI-related businesses
 Proactive use of M&A
 Strengthening of the consulting domain

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Human Resources Strategies

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Governance Initiatives

Data Privacy & Security

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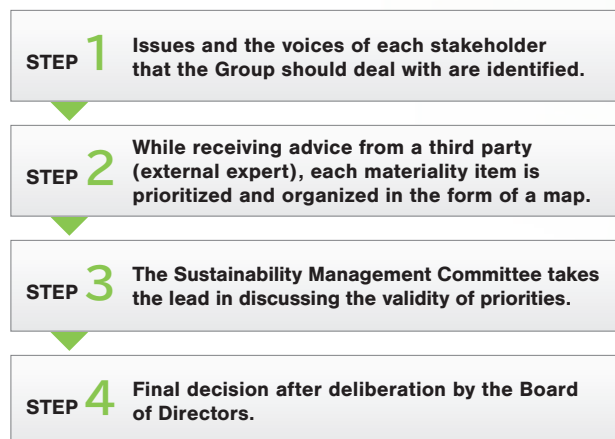
Environmental Initiatives

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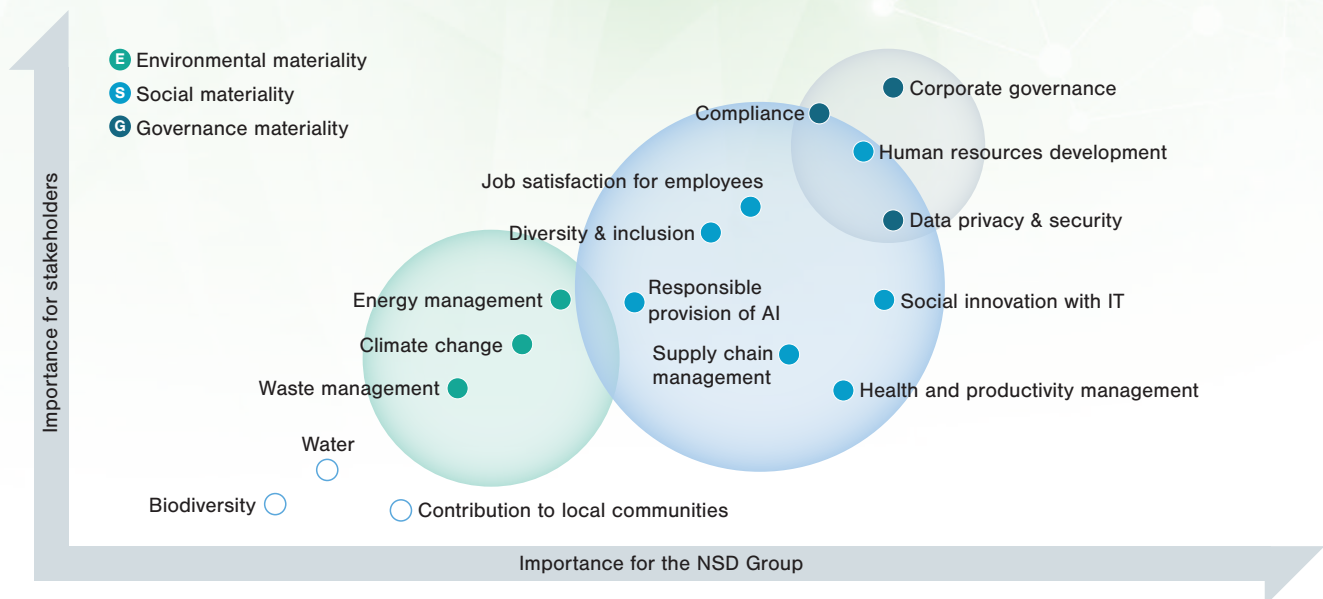
From among a wide range of ESG-related issues, we have identified materiality items based on the strengths of the NSD Group and industry characteristics and promote initiatives to effectively help build a sustainable society.

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
Climate change Energy management	<ul style="list-style-type: none"> Information disclosure based on TCFD Recommendations Thorough environmental management based on ISO14001 Environmentally friendly initiatives <p>Target CO₂ Emissions*¹</p> <p>FY2030: 1,395 t-CO₂ (42% reduction from FY2020 levels)</p> <p>FY2044: Achieving net zero emissions</p>	<ul style="list-style-type: none"> We support the TCFD Recommendations and disclosed the information on our "Governance", "Strategy", "Risk Management" and "Indicators and Targets" related to climate change based on the TCFD Recommendations. Established an environmental management system in compliance with the ISO14001:2015 certification standards, and operated and managed it in accordance with the PDCA cycle. FY2023 CO₂ emissions*¹ were 2,023 t-CO₂, a 15.9% 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</p> <p>FY2030: 500,000 sheets (45% reduction from FY2020 levels)</p>	<ul style="list-style-type: none"> 640,000 sheets of printing paper were used in FY2023, a 29% reduction from FY2020 levels (base year). The rate of reusing and recycling computers was kept at 100%.

*1: The energy measured is Scope1+2, and the scope of calculations is NSD and its subsidiaries.

S Contributing to society by using our characteristics as an IT company

Materiality	Measures	Initiatives and achievements
Social innovation with IT	<ul style="list-style-type: none"> Solving social issues by creating and providing advanced technologies and DX-related solutions 	<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 and DX-related technologies in system development.

S Creating a workplace where diverse human resources can thrive with job satisfaction

Materiality	Measures	Initiatives and achievements
Human resources 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 FY2023, conducted training with an emphasis on agile development and technology trends. Expanded credentials eligible for financial incentives. As of the end of FY2023, there were a total of 4,805 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., from FY2022 to FY2024. In FY2024, the personnel system was enhanced by dividing career paths into subcategories, etc.
Health and productivity management	<ul style="list-style-type: none"> Providing an environment where employees can work safely and in good health <ul style="list-style-type: none"> Target Continue average monthly overtime hours (non-statutory) of less than 20.0 hours Target 75% or more of paid vacation days taken Promoting health and productivity management initiatives utilizing in-house developed apps, etc. 	<ul style="list-style-type: none"> In FY2023, the number of overtime hours worked was 18.1, continuing the trend of keeping it under 20.0 hours. The rate of paid leave taken was 73.7%, up 3.6 points from the previous year. Selected as a "2024 Health & Productivity Stock" and recognized as a "2024 Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category, White 500)".
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 <ul style="list-style-type: none"> Target Ratio of female employees FY2030: 30% or more Target Ratio of female managers FY2030: 20% or more Target Percentage of male employees taking childcare leave FY2025: 55% or more 	<ul style="list-style-type: none"> In FY2023, the ratio of female employees was 20.8%, and the ratio of women in management positions was 9.5%, both on an upward trend. The ratio of women in new graduate hires in FY2024 was 46.5%. Held seminars for male employees on childcare support systems. The ratio of male employees who took childcare leave in FY2023 was 49.0%, up about 18 points from the previous year. 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
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"> Four of the eight 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 (at least 40% is incentive 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 meets monthly to discuss company-wide security measures, etc. Reinforced measures to prevent unauthorized access and malware infection, etc.



Human Resources



- Professional human resources
- Trustworthy business partners

- 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



Technology & Expertise



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

- Promoting the development of professional human resources through extensive technical training
- For 55 years, 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
- DX- and AI-related technology expertise and application capabilities accumulated through practice and research led by NSD-DX Technology



Customer Base



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

- 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 a wide range of industries are becoming the investing and member companies of NSD-DX Technology, working together to develop DX support and solutions



Finance



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

- 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

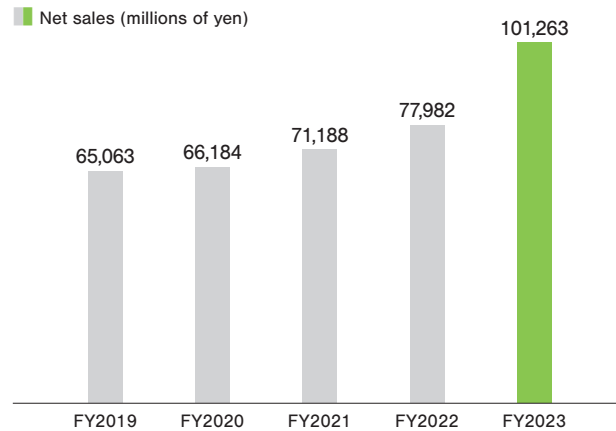
<p>Number of employees</p> <p>4,380</p> 	<p>Number of participants in technical training*¹</p> <p>Total for FY2023</p> <p>1,757</p> 	<p>Number of companies engaged in transactions*¹</p> <p>FY2023 results</p> <p>1,330</p> 	<p>Operating cash flow</p> <p>12.1 billion</p> 
<p>Number of employees with IT credentials*¹</p> <p>Total at the end of FY2023</p> <p>4,805</p> 	<p>Ratio of unprofitable amount to net sales*¹</p> <p>3-year average</p> <p>0.05%</p> 	<p>Ratio of sales from top 10 companies*¹</p> <p>29.6%</p> 	<p>ROE</p> <p>17.5%</p> <p>EBITDA margin</p> <p>17.5%</p> 
<p>Number of business partners*¹</p> <p>Results for March 2024</p> <p>309</p> 	<p>DX- and AI-related sales in system development</p> <p>34.2%</p> 	<p>Number of investing and member companies of NSD-DX Technology</p> <p>12</p> 	<p>Total return ratio</p> <p>70.5%</p> <p>Dividend payout ratio</p> <p>54.0%</p> 

*: In principle, the above figures are based on FY2023 results.

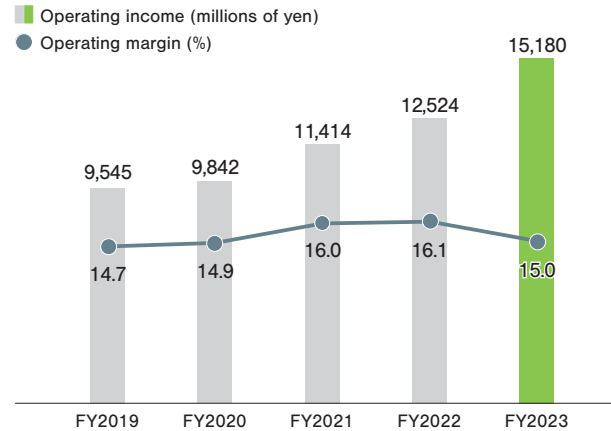
*¹: The figures are provided on a non-consolidated basis.

Financial Highlights (Consolidated)

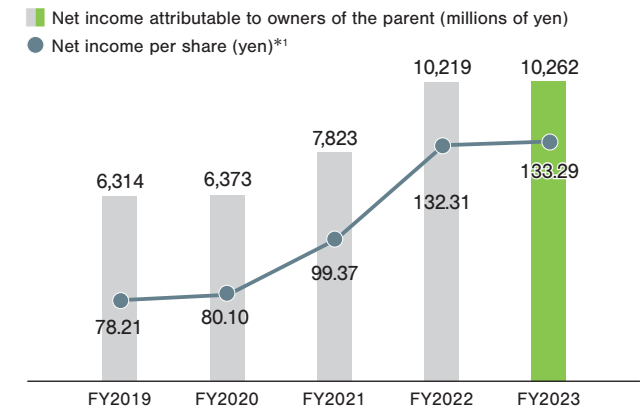
Net sales



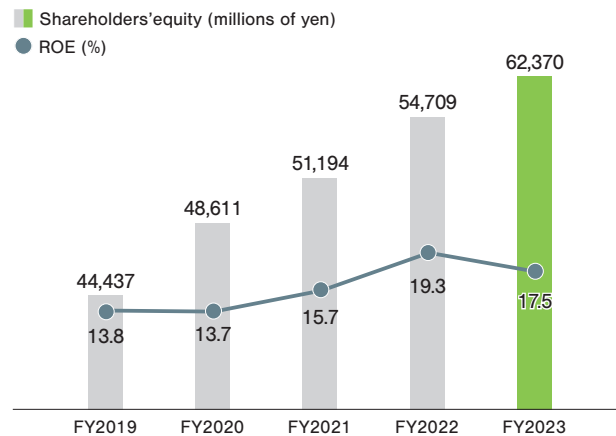
Operating income / Operating margin



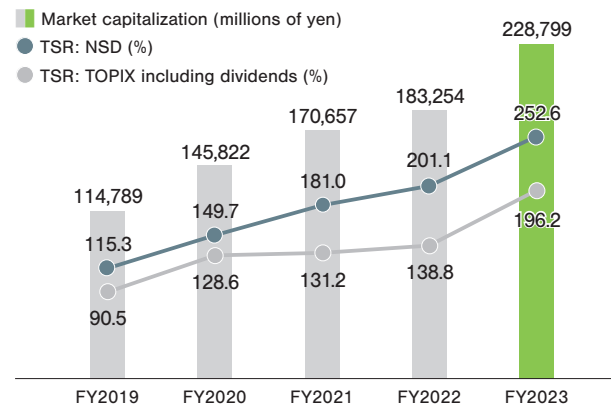
Net income attributable to owners of the parent / Net income per share



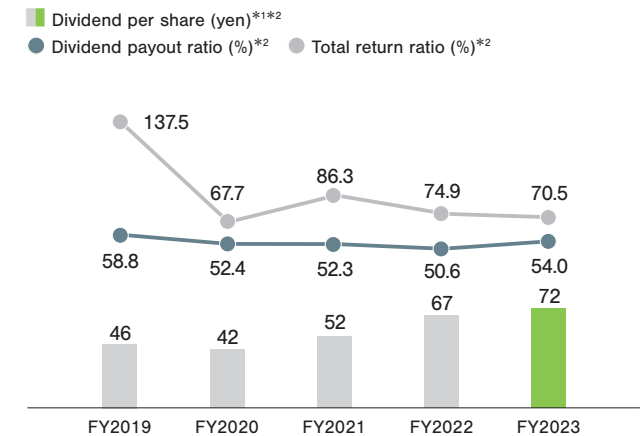
Shareholders' equity / Return on equity (ROE)



Market capitalization / Total shareholder return (TSR)



Shareholder returns



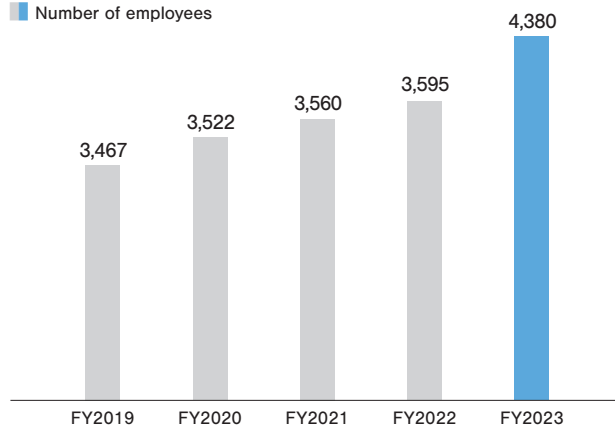
*1: Per share indicators are based on the number of shares after the Company's stock split executed on January 1, 2020.

*2: FY2019 indicators are calculated to include the Company's 50th anniversary commemorative dividend (14 yen per share).

Non-Financial Highlights (Non-consolidated)

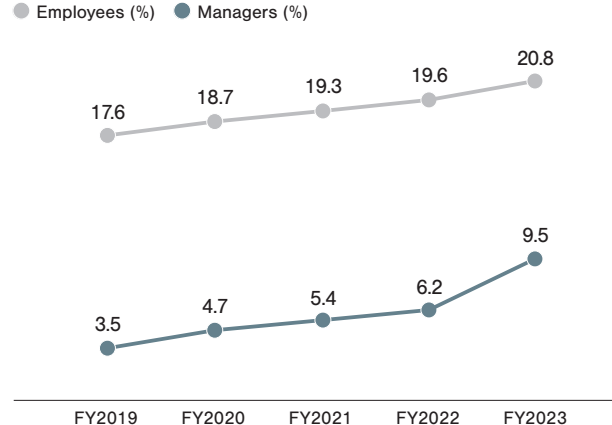
Employees

Number of employees



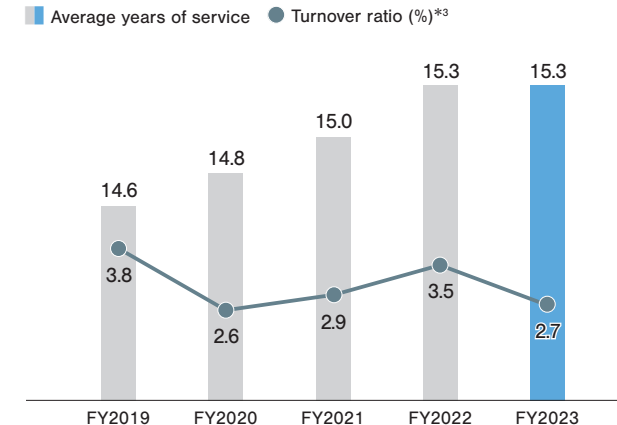
Female ratios

Employees (%) Managers (%)



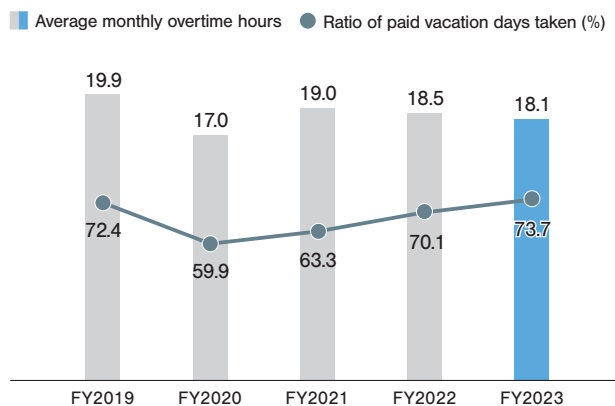
Average years of service / Turnover ratio

Average years of service Turnover ratio (%)^{*3}



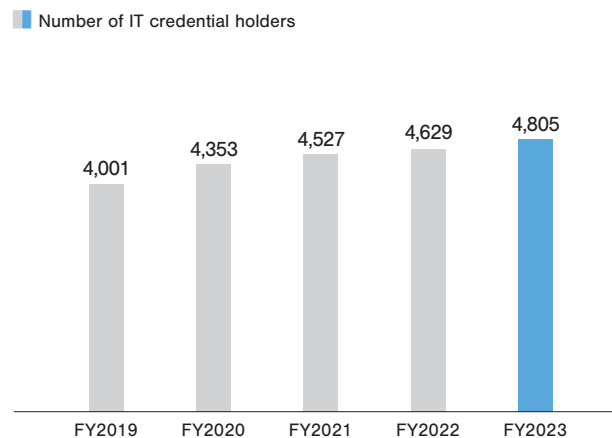
Average monthly overtime hours (Non-statutory) / Ratio of paid vacation days taken

Average monthly overtime hours Ratio of paid vacation days taken (%)



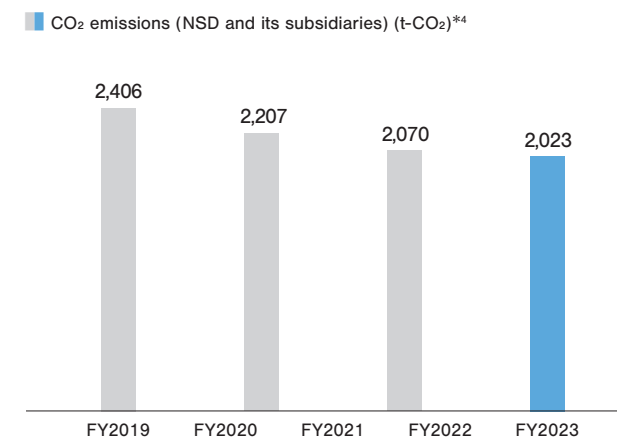
Number of employees with IT credentials

Number of IT credential holders



CO₂ emissions

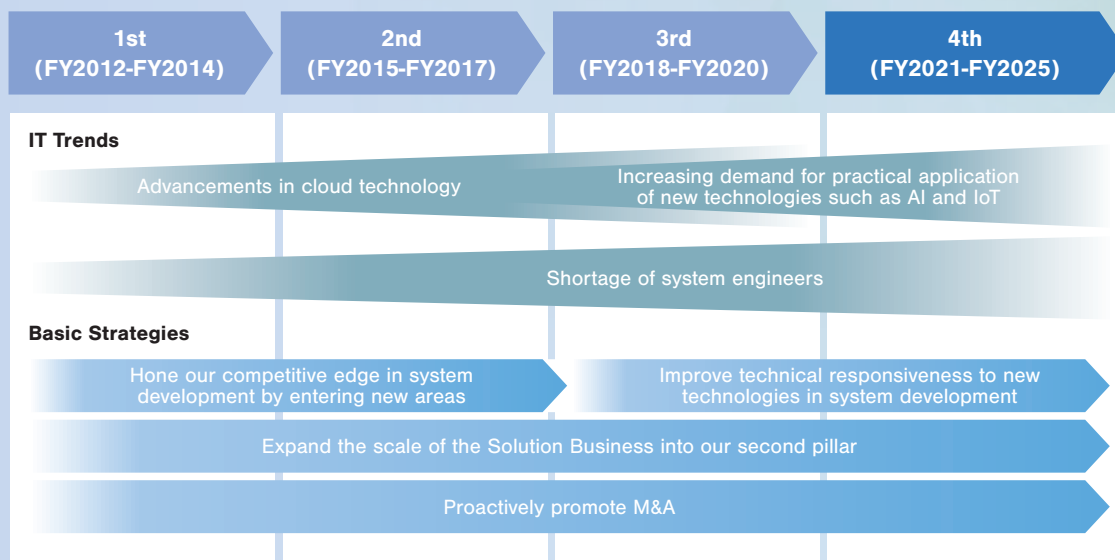
CO₂ emissions (NSD and its subsidiaries) (t-CO₂)^{*4}



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

^{*4}: The energy measured is Scope1+2.

▶ Medium-Term Management Plan



Vision to achieve by FY2025

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

Long-term vision

A company that offers a “Future for People and IT”

● In preparation for the future

NSD’s long-term goal is to be a company that offers a “Future for People and IT.”

More specifically, that means a company capable of accurately grasping the needs of people and society and proposing value that resonates with customers as well as a company that is equipped with the technological prowess to realize such proposals and makes the wishes of people a reality through IT.

Simultaneously, we aim to be an attractive company to work at, one where autonomous human resources can manifest their creativity, as well as a company that is held in high regard by all stakeholders, its employees included.

● In preparation for FY2025

As we head into FY2025, the final year of our current Medium-Term Management Plan, we have set forth the below three elements as our vision while focusing on strengthening our proposal capabilities and our ability to accommodate new technologies, which will tie into our long-term vision.

Create a “uniquely NSD” touch in the System Development Business

While leveraging our extensive knowledge of customer operations and other traditional strengths of ours, we will deepen our areas of response such as the fields of DX and AI, promote our uniqueness in system development and, in doing so, enhance our competitiveness.

Develop businesses with core strengths in multiple domains

Mainly in our Solution Business, we aim to be a niche leader in multiple areas, and will grow into a business that will drive the growth of the entire company.

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

We aim to become an organization capable of providing consulting services for developing our customers’ business more proactively by utilizing our advanced technological prowess and operational know-how.

Business Strategies

Co-creating the future with our customers
through practice and research



Director,
Senior Managing Executive Officer
COO

Osamu Yamoto

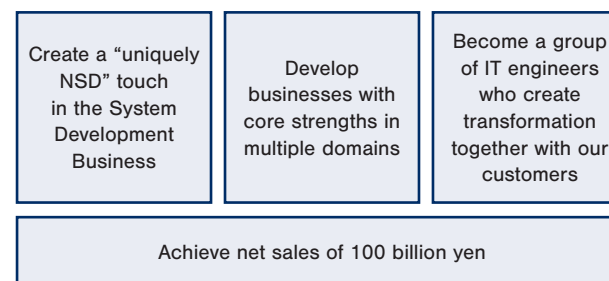
Strategies and Progress under the Medium-Term Management Plan

● Basic strategies

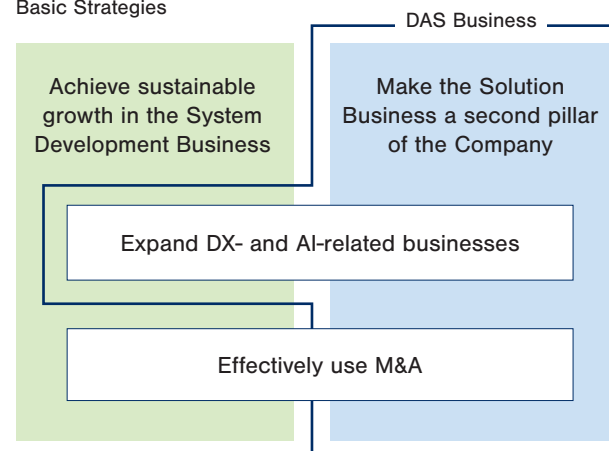
Under our current Medium-Term Management Plan, we are formulating and promoting our Basic Strategies with the aim of realizing Vision for 2025 and becoming a corporate group with net sales exceeding 100 billion yen.

► Overview of basic strategies

Vision



Basic Strategies



NSD's businesses consists of the System Development Business and the Solution Business. In both of these businesses, we see the expansion of DX- and AI-related businesses and the active use of M&A as the keys to growth.

Our System Development Business has been a core business since its foundation and continues to expand steadily with its strong customer base. In order to achieve sustainable growth, we have positioned two key strategies. The first is strengthening our ability to respond to the needs of companies for promoting DX and utilizing AI and providing systems with higher added value. The second is addressing the human resources shortages by securing system engineers who can make immediate contributions through M&A with companies with which we have a high affinity.

The Solution Business is focused on making the expansion of subscription-based services in line with the advancement of DX a growth opportunity for NSD. Under our strategy of aiming for a niche top position in multiple fields, we aim to develop problem-solving solutions that combine technologies in the DX and AI fields with needs for solving social issues as well as expand our lineup through M&A to grow revenues so that they are on par with those of our System Development Business.

As mentioned above, because our growth drivers are AI-related businesses and our Solution Business, we have set net sales under our DAS Business^{*1} as the KPI for our current Medium-Term Management Plan.

^{*1}: The System Development Business aimed at DX, the System Development Business utilizing new technologies such as AI, and the Solution Business. (Previously defined as the new core business. DAS stands for DX, AI, and Solution.)

Numerical progress

In addition to a favorable environment for receiving orders, measures based on our Basic Strategies have also worked to place trends in our earnings above projections. In FY2023, steady organic growth plus business expansion through M&A contributed to net sales of 101.2 billion yen, enabling us to achieve our final year target of net sales of 100 billion yen two years ahead of schedule.

Our flagship business, the DAS Business continues to expand steadily. In FY2023, our DX-related System Development Business using the cloud grew significantly. New solutions through M&A also contributed, resulting in the DAS Business accounting for approximately 44% of net sales, up 8% from the previous fiscal year.

Moreover, profitability indicators such as operating margin, EBITDA margin and ROE also remained at high levels.

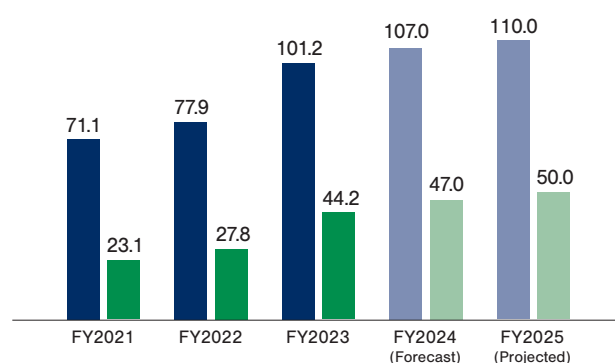
Numerical targets and results under current Medium-Term Management Plan

(billions of yen)

	FY2021 Results	FY2022 Results	FY2023 Results	FY2024 Earnings Forecast (Disclosed on May 8, 2024)	FY2025 Projected (Disclosed on May 9, 2023)
Net sales (Initial projections; disclosed on May 10, 2021)	71.1 (70.0)	77.9 (74.0)	101.2 (78.0)	107.0	110.0 (100.0)
DAS Business	23.1	27.8	44.2	47.0	50.0
Operating income (Initial projections; disclosed on May 10, 2021)	11.4 (10.0)	12.5 (10.7)	15.1 (11.3)	15.8	16.5 (14.5)
Operating margin	16.0%	16.1%	15.0%	14.8%	15.0%
Net income attributable to owners of the parent	7.8	10.2	10.2	10.4	10.5
EBITDA	12.1	13.3	17.7	18.5	19.2
EBITDA margin	17.1%	17.1%	17.5%	17.3%	17.5%
ROE	15.7%	*1 19.3%	17.5%	16.0%	16.6%

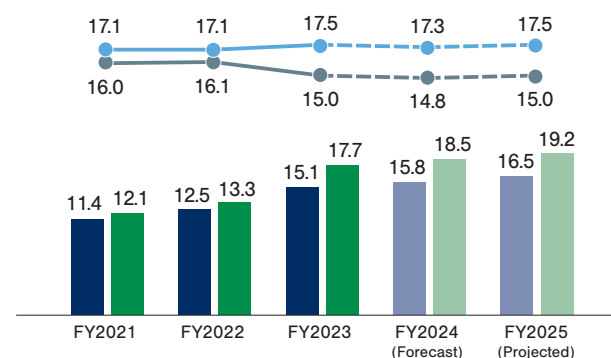
Net sales / DAS Business net sales

■ Net sales (billions of yen) ■ DAS Business net sales (billions of yen)



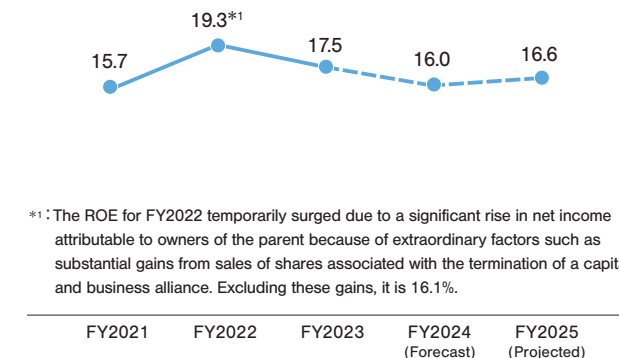
Operating income (margin) / EBITDA (margin)

■ Operating income (billions of yen) ● Operating margin (%)
■ EBITDA (billions of yen) ● EBITDA margin (%)



ROE

● ROE(%)

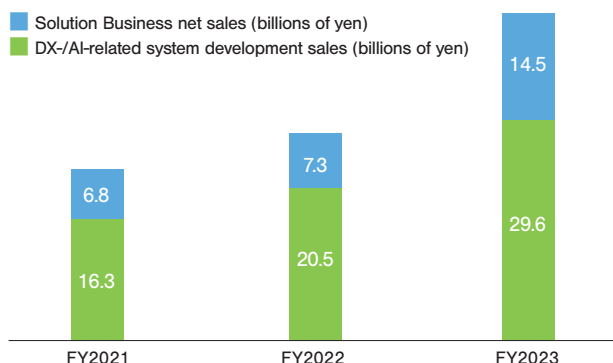


*1: The ROE for FY2022 temporarily surged due to a significant rise in net income attributable to owners of the parent because of extraordinary factors such as substantial gains from sales of shares associated with the termination of a capital and business alliance. Excluding these gains, it is 16.1%.

●Progress in DAS Business

As shown on the previous page, net sales in the DAS Business continued to grow steadily. The breakdown of those net sales is as follows.

►DAS Business net sales



In system development related to DX and AI, we take advantage of our strengths as an independent company and place customer and business value front and center. Having been highly evaluated for our flexible responses to meet the unique needs of our customers, including selecting cloud platforms that are not biased toward a specific vendor and proposing the use of in-house databases using locally generated AI, we have been steadily expanding these development efforts.

Additionally, we are working to promote DX through close, mutual cooperation under a cooperative structure with our customers, and are pursuing the understanding of their needs and the further improvement of accuracy and accumulation of knowledge for practical use.

[Examples of Initiatives in the DX Field]

Entered into a collaborative agreement with the Sendai City Waterworks Bureau for the promotion of digital transformation (DX) in its water business

The Sendai City Waterworks Bureau is in the midst of examining the construction of “next-generation water business DX infrastructure” to improve operational efficiency and customer service by introducing services that utilize new digital technologies and reforming business processes in the Bureau’s water business. To that end, it concluded a collaborative agreement with NSD to identify issues and study countermeasures. Through this initiative, we will contribute to the promotion of DX in water businesses.



►Scene from the agreement signing ceremony

(March 15, 2024)

Right: Administrator of Sendai City Waterworks Bureau (at the time)
Shinji Sato
Left: President & CEO of NSD
Yoshikazu Imajo

Realized algorithmic implementation of white paperboard production planning

At Nippon Paper Industries Co., Ltd., operations to prepare production plans have been carried out using the many years of experience and craftsmanship of plant operations staff. However, automation and efficiency have been issues. NSD-DX Technology used mathematical optimization technology to realize algorithms for complex conditions based on the experience of personnel and production facilities. This enabled operations that used to take several hours to be performed in seconds or minutes, thereby contributing to the enhancement of efficiency and succession of technology.

[Examples of the Development of In-House Solutions]

“Quick Digest” AI-powered meeting minutes solution that automatically creates minutes with high accuracy

Records entire meetings to completely eliminate any doubts of things that may have been said or not said. Supports both face-to-face and online meetings. Also supports meeting review and information-sharing with meeting minutes that capture a sense of presence.



“Tracking Navi” worker analysis tool (functional enhancement)

Uses autonomous navigation to visualize the location information of workers operating indoors. NSD commenced collaboration with “Nazca Neo Linka,” an IoT-enabled factory visualization system offered by Godo Solution Inc., to achieve more accurate performance and cost management with the same system.



Private generative AI platform (under development)

Integrates diverse data scattered throughout the company to realize advanced analysis and generation through AI. Enables immediate use just by loading your company data, with no need for building or configuration. Because no cloud is used, your company data is used securely in a private environment. Simultaneously realizes swift deployment and risk management.



These results are due in large part to the fact that the technologies researched at our subsidiary NSD-DX Technology (formerly NSD Advanced Technology Research Institute) have progressed to the demonstration phase. NSD-DX Technology continues its research and proof-of-concept efforts on generative AI and other DX-related technologies that have high social needs.

[Main Track Record of NSD-DX Technology]

Numerical analysis and mathematical optimization

This technology uses mathematical methods to find solutions that maximize objectives among various constraints. By applying this technology, we are contributing to the enhancement of the efficiency of various business processes, such as production planning, warehouse optimization, and traffic forecasting. We offer the technology in formats that facilitate the lightweightness of algorithms and are suitable for practical use.

Generative AI

We successfully achieved certain results in the analysis of medical incidents, which we have been working on. In the future, we plan to implement and offer generative AI as a service. In our initiatives to utilize RAG (Retrieval-Augmented Generation) for the automation of inquiry handling operations, we succeeded in utilizing our accumulated know-how to receive consulting projects. We are also implementing generative AI in our own solutions and taking advantage of it for information extraction, shaping, and the like. We will continue to focus on the rapidly-evolving field of generative AI.

Other forms of new technology utilization

We are investigating, researching, and utilizing new technologies that are essential to our ecosystem, such as traditional containers (Kubernetes), microservices, and modern frameworks and languages.

Progress in M&A

During our current Medium-Term Management Plan, we carried out the three below M&A. In FY2023, these contributed to increased revenues in both the System Development Business and the Solution Business. In the Solution Business in particular, new solutions through M&A contributed significantly to business expansion.

To manifest further synergies, we are promoting PMI (Post-Merger Integration) such as the consolidation of management resources.

Our investment target under the current Medium-Term Management Plan (total of 20 billion yen) was achieved through the following three M&A. We will continue to consider any promising investment targets, particularly companies that contribute to the DAS Business.

Status of implementation of M&A and PMI under current Medium-Term Management Plan

Target company (date of share acquisition)	Key areas to be strengthened through M&A	Status of PMI
Trigger Inc. (October 2022)	<ul style="list-style-type: none"> Strengthening the consulting domain in the System Development Business 	Absorbing into NSD and newly establishing Consulting Business Unit to realize greater synergy
ART Holdings Co., Ltd. (April 2023)	<ul style="list-style-type: none"> Securing high-quality SEs in system development Enhancing lineup in the Solution Business 	Merging four of the company's seven subsidiaries to maximize the use of human resources and enhance management efficiency. Currently also promoting cooperation projects with the company group
NHOSA Corporation (May 2023)	<ul style="list-style-type: none"> Enhancing lineup in the Solution Business 	Reinforcing the DX field through personnel exchanges with NSD to share IT technology and know-how

Sample solutions provided by M&A target companies



(NHOSA Corporation)

Dental chart receipt (medical fee billing particulars) computer system. Online system characterized by its accuracy, stability, and support. Constantly provides the latest functions and information.



(ART Finex Co., Ltd.)

RFID board that can be used to gather process results by just placing a card. Enables the easy gathering of process-specific work results in manufacturing businesses, etc.

Future Strategies: Becoming an Aggressive NSD

Given changes in the external environment such as the evolution of IT including AI, the diversification of IT service needs, and the resulting intensified competition (P.12), NSD is promoting aggressive strategies to propose IT solutions with greater uniqueness and more added value.

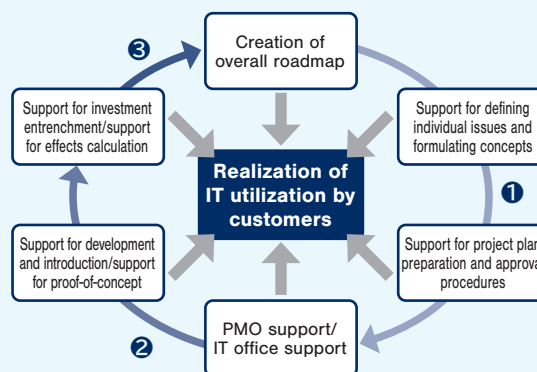
● Strengthening of the consulting domain

NSD offers customer-driven consulting services on an integrated basis, covering the entire process from IT strategy planning to system design, development, and operation. We support the implementation of customer management strategies until results are established.

In July 2024, we merged with Trigger Inc., a subsidiary with strengths in the consulting business, and established the Consulting Business Unit, which is centered on Trigger. By combining the consulting know-how of this business unit with the technological prowess and understanding of customer operations of our existing divisions, we aim to provide swift and substantial consulting services through collaboration across the entire company.

Additionally, in order to develop consulting human resources, we are also working on human resources strategies matched to our business strategies, such as enhancing our personnel systems and conducting internal recruitment (P.25).

[Consulting Services Offered by NSD]



① Prior to project initiation

- Devising optimal plans based on thorough understanding of customers
- Visualizing and analyzing operational processes and extracting specific issues and themes

② Project implementation

- Managing and promoting projects alongside customers, including project management and vendor coordination
- Leveraging the Group's extensive development expertise
- Grasping technological trends with accuracy and speedily resolving issues with success

③ Following project completion

- Conducting stable operation and making continuous improvements
- Performing quantitative measurements of effects

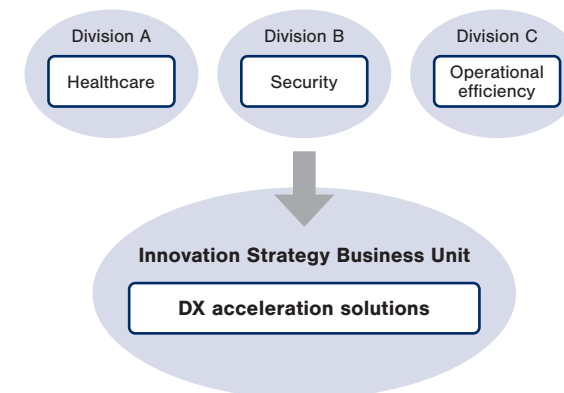
● Improved responsiveness and speed in our Solution Business

NSD has focused on expanding its solution lineup over time. In addition to acquiring solutions through M&A, we have had multiple divisions independently develop solutions after ascertaining their respective growth potential.

In order to further expand our business, it is important that we develop new solutions as well as strengthen our sales capabilities and endeavor to speed up market launches and acquire standards.

To that end, in April 2024, we established the Innovation Strategy Business Unit to comprehensively promote the planning, development, and even sales of solutions. Through the optimization of internal resources, we will improve our response speed as well as manifest the synergistic effects resulting from the combined know-how and services of multiple divisions to offer more attractive solutions that link to the acceleration of customer DX.

▶ Operating structure



Human Resources Strategies

Strengthening the organization by increasing NSD fans



Overview of NSD's Human Resources Strategies

NSD is implementing various measures based on the following four pillars of its human resources strategies.

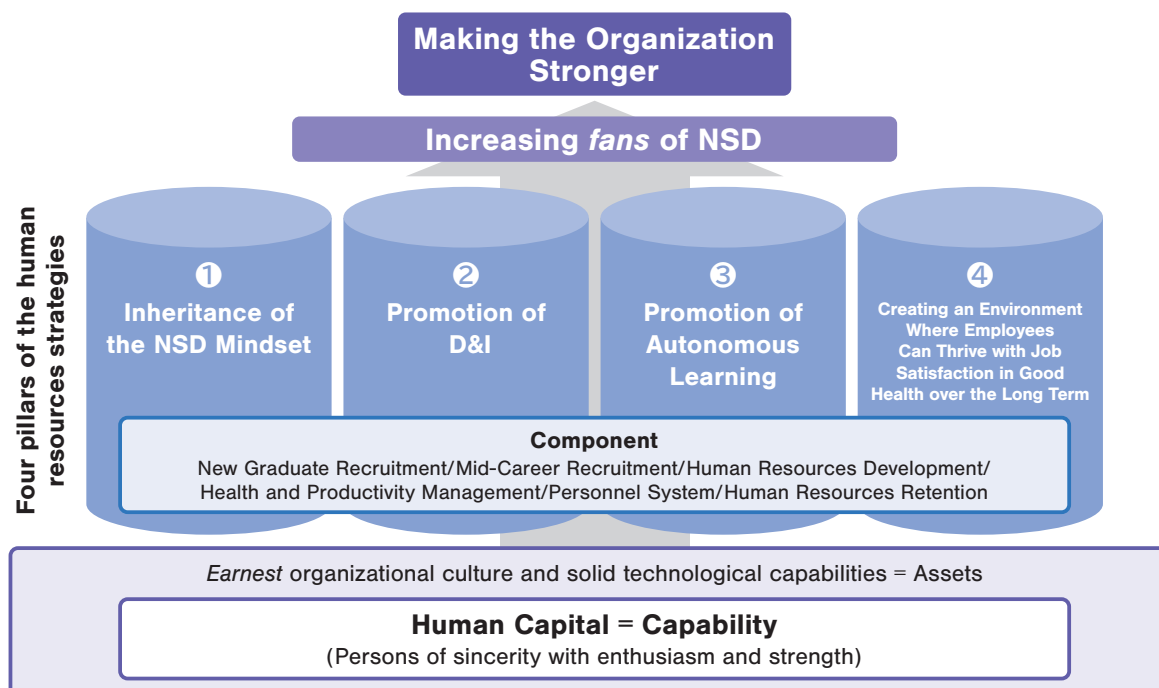
Our assets are our *earnest* organizational culture, which responds to the trust of our customers, as well as our solid technical capabilities. It is our people who foster this environment—individuals who are sincere, passionate, and possess inner strength.

We hold dear the NSD mindset that is passed down from senior staff to newer hires through focusing on new graduate recruitment. At the same time, we 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 inhouse 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.

In an era where people have more choices in the way they work, we believe that having employees with the sentiment "I like this company" strengthens the organization. By implementing our human resources strategies, we will increase the number of people with the sentiment "I like this company," in other words, fans, and strengthen our organizational capabilities.

► Overview of human resources strategies



Inheritance of the NSD Mindset

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.

The instructors for the technical training of new employees and the on-the-job trainers are senior employees from the assigned departments. They passionately teach not only technical skills but also the behaviors expected of members of society and the fundamentals of being a system engineer, just as they were taught themselves. One of the characteristics we value is the organizational culture fostered by the earnestness that employees naturally teach each other and pass on.

In recent years, we have also been focusing on mid-career hiring in line with our business objectives, and through onboarding, which supports the adaptation of new joiners to their workplaces and roles, we are working to promote a corporate culture of mutual respect and affinity with the NSD organizational culture.



Promotion of D&I

The Company strives to promote diversity in human resources and work styles, creating a comfortable workplace that respects the diversity of each individual, regardless of gender, sexual orientation, age, educational background, or physical, intellectual, or mental disability.

● Diversity of human resources

While continuing to focus on recruiting new graduates, who have helped to create our corporate culture, we are also broadening perspectives by expanding our mid-career hires in line with our business objectives. Additionally, we pursue various strategies to be an attractive place of employment by establishing offices in regions other than where our main offices are located, catering to the needs of locally-oriented engineers.

● Diversity of work styles

To enable all talent to fully demonstrate their abilities and support a balance between childcare, nursing care, medical treatment and employment, NSD is enhancing some of its benefits programs, including the accrual leave system and return-to-work interviews. The Company is also 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.

In addition to promoting diversity, we aim to instill a culture of acceptance and mutual respect within the Company by implementing D&I training, on-boarding and other inclusion strategies.

Promotion of Autonomous Learning

● Robust training curriculum

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 DX-related technology research departments serve as instructors, making it a venue to roll out technologies internally as well.

We also provide extensive training to improve soft skills, and until the third year of employment, we provide annual training to build basic skills for members of society, as well as training related to career design and vision formation, training related to management, and other training that allows employees to acquire knowledge and skills according to their work, position, and role.

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. In addition, by sharing goals, issues and learning with managers before and after training, NSD is creating a system that encourages employees to participate in training more proactively.

● Promotion of autonomous learning

We have established a financial incentive system for gaining qualifications, targeting a wide range of credentials. We keep the eligible qualifications and incentive amounts under regular review.

In addition, we are promoting autonomous learning by developing IT-specialized subscription-based educational services that can be used according to each person's purpose and timing, developing book summarization services, and introducing learning management systems, with the aim of improving individual skills and by extension strengthening the technical capabilities that are the Company's assets.

Creating an Environment Where Employees Can Thrive With Job Satisfaction in Good Health Over the Long Term

Health and Productivity Management

For each and every employee to fully demonstrate their capabilities and play an active role, they must be mentally and physically healthy and have a fulfilling private life. At NSD, we strive for "improved employee performance" as a goal of Health and Productivity Management. In this regard, we aim for the sustainable growth of the Company through initiatives to create and maintain an environment where employees can work in good health and safety from the following perspectives.

- Health promotion and disease prevention
- Supporting the balance of work with childcare, nursing care and medical treatment
- Reducing long overtime hours and creating an environment where employees can feel free to take paid leave

As part of our Health and Productivity Management initiatives, we drew up "Health and Productivity Management Strategy Map" (P.28), which clarifies relations between initiatives and effects, and are strategically promoting each measure while verifying them.

Organization structure for Health and Productivity Management

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 Medical Healthcare Promotion Department and the NSD Health Insurance Association.

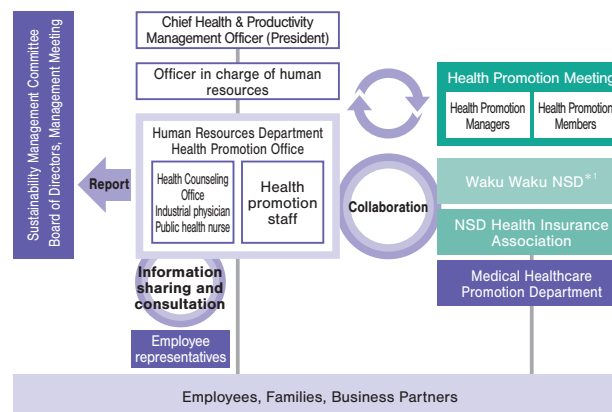
In particular, the NSD Health Insurance Association takes advantage of its unique characteristic as the Group's unified health insurance association to offer proactive support on both mental and physical health issues common across the Group,

in collaboration with the Company. This support extends to the health and well-being of employees and their families.

The officer in charge of human resources meets regularly with the Health Promotion Office (part of the Human Resources Department) to discuss policies and measures, and reports the results of implementation of measures and analysis of indicators over time to the Board of Directors and other meeting bodies. The Health Promotion Office engages in Health and Productivity Management across the organization through the efforts of industrial physicians and public 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



*1: Waku Waku NSD is a project team made up of volunteers from among the employees, with the mission of making NSD a rewarding company to work at. The team is working to revitalize communication across departments and create a sense of fulfillment in the workplace.

NSD's unique approach

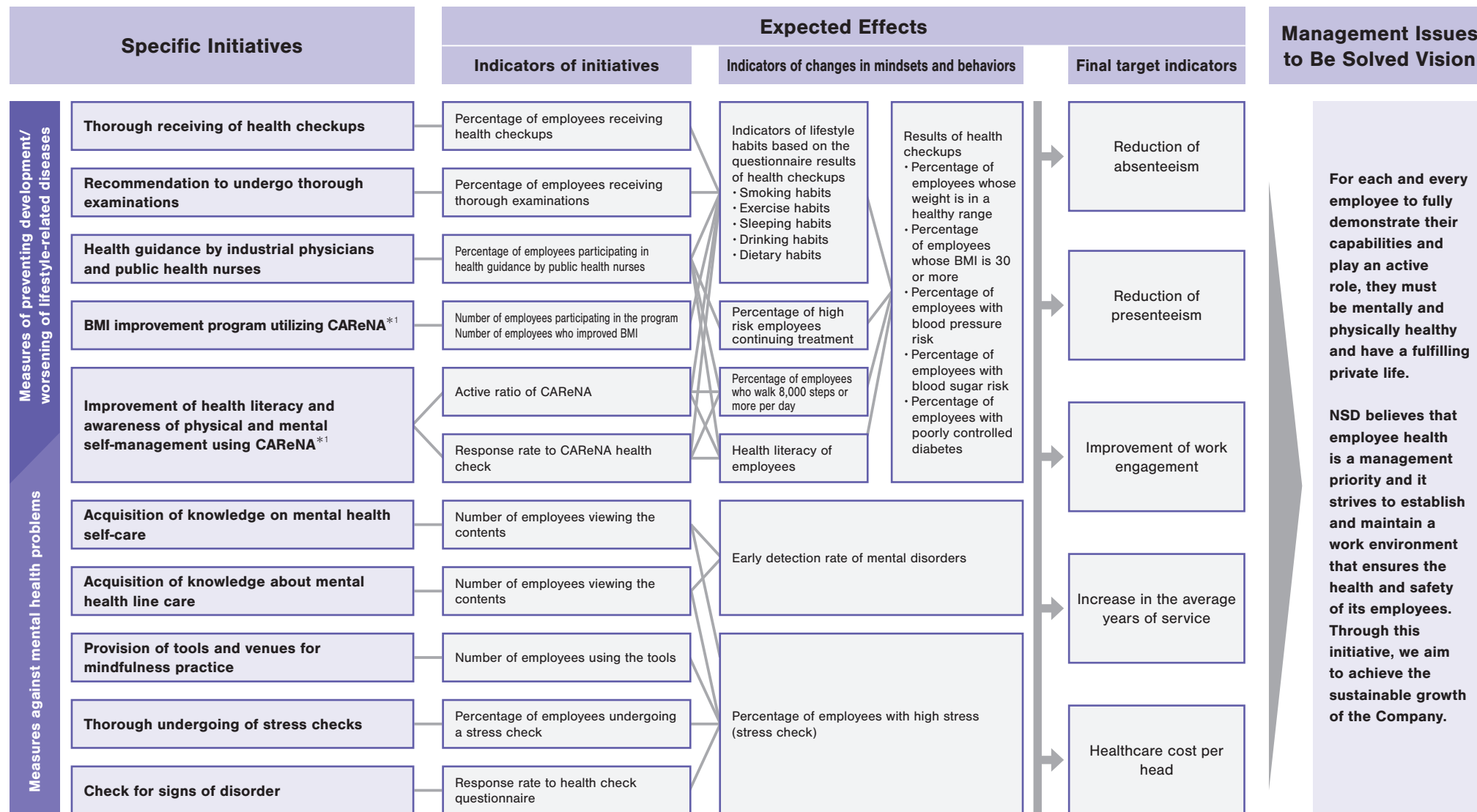
The Medical Healthcare Promotion Department develops and provides solutions that support the Health and Productivity Management of corporations. By utilizing these solutions and the expertise possessed by this department in our own Health and Productivity Management initiatives, we are promoting a style of Health and Productivity Management that leverages NSD's distinctive features.

One example is the health points system. This system has been in operation since FY2017. Points are awarded for logging vital data in the health app developed by the department, responding to various questionnaires, participating in various events, etc., and can be exchanged for health-related goods. Since October 2022, 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.

In recognition of these initiatives, we have been selected as "2024 Health & Productivity Stock" and recognized as "2024 Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category/White 500)"



► Health and Productivity Management Strategy Map

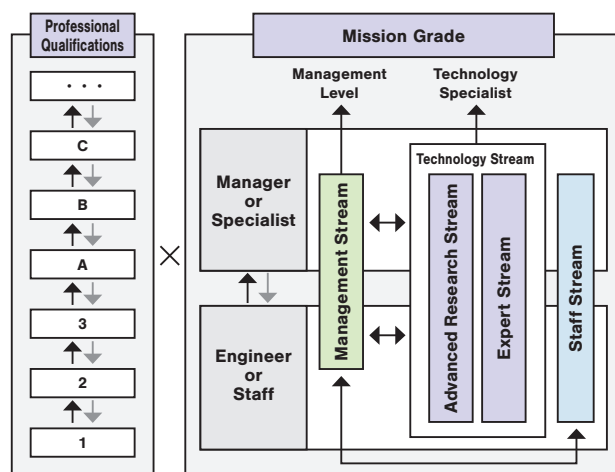


*1: CARENA: In-house developed health application with functions of health guidance in cooperation with medical corporations and health point/incentive granting functions.

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 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.

NSD's personnel system



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. The system of advanced specialist positions was divided into a Technical

Stream and a Staff Stream. Furthermore, within the Technical Stream, we established 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.

In addition, to strengthen our consulting business, we have established a new position of Consultant in our Expert Stream and improved the remuneration of employees active in new fields.

NSD is also working to create an environment where its employee can take on new challenges and choose new career paths by applying to open recruitment for organizational strengthening and specialized fields that match its business strategy.

Human resources retention

NSD's employee turnover rate hovers around the 3% mark, which is low compared with others in the industry. The average years of service is also increasing, reaching 15.3 years in FY2023. This also compares favorably with industry peers.

We regard our employees as our greatest asset and maintain a high retention rate of talented staff through the implementation of various measures aimed at creating and maintaining a comfortable working environment.

Enhancing mental and physical health and work-life balance

We believe for each and every employee to fully demonstrate their capabilities and play an active role, they must be mentally and physically healthy and have a fulfilling private life. We are therefore working to create and maintain an environment where our employees can work in good health and safety.

We promote Health and Productivity Management (P.27) through measures such as the provision of generous health support by the Group's unified health insurance association, and we support the maintenance of the mental and physical health of our employees,

while also working to enhance their work-life balance. We are creating an environment in which employees can continue working at any stage of their lives, and this is leading to the retention of human resources.

Stability of lives

We are working to create an environment where employees can focus on their work with peace of mind by supporting the stability of their lives and promoting solid asset accumulation.

In addition to steadily increasing base pay every year from FY2022 to FY2024 (the pay increase rate for the same period was 9.04%), NSD is working to stabilize the lives of its employees by measures such as increasing regional allowances, taking into account the current situation and market conditions nationwide.

In addition, 20% of contributions are provided as an incentive in the employee stock ownership association in order to support asset accumulation.

Fostering a sense of unity among employees

As most of our employees are embedded at client sites, it is easy for communication between employees to become sparse, so the senior management team is consciously creating opportunities for communication and promoting interaction by holding events such as the Company's founding anniversary ceremony and recreational events for all, thereby fostering a sense of unity.

As a result of these initiatives, the figures for employees' willingness to continue working for the Company and their engagement in FY 2023 were as follows.

Results of the internal survey for FY2023

I want to continue working for this Company going forward **86%**

I want to contribute more than what is expected of me by the Company and my manager **81%**

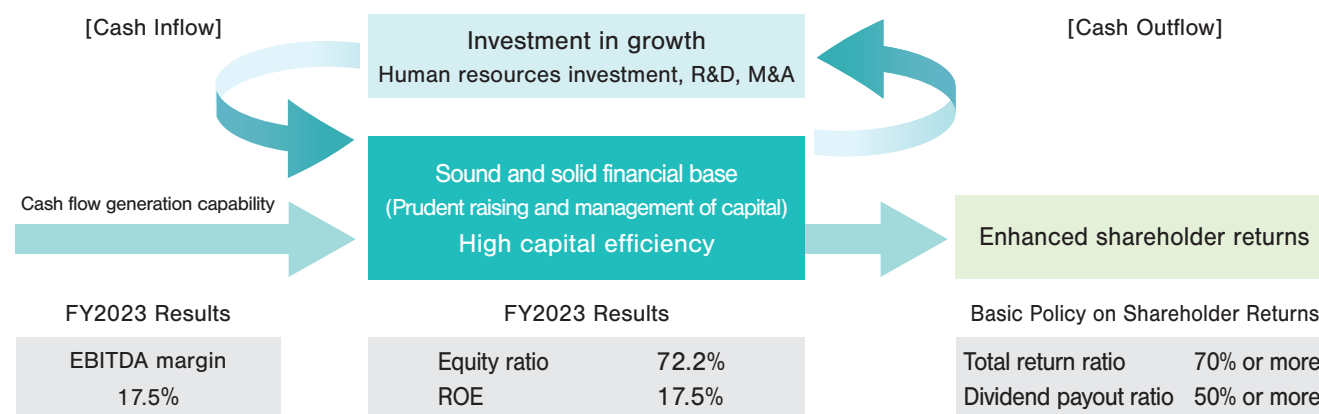
Financial Strategies

Supporting growth through prudent and efficient financial management

● Basic policies for 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 are actively pursuing inorganic growth in order to accelerate the growth of our Solution Business. 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 70% or more as our basic policy.

In order to achieve a good balance between the above growth investments and shareholder returns, we are striving to maintain and enhance our cash flow generation capability and to manage capital efficiently while being aware of capital cost. For this reason, we have set EBITDA margin and ROE as KPIs in our Medium-Term Management Plan, and are working to improve them.



● Progress of KPIs, etc.

The EBITDA margin increased from 15.7% to 17.5% in the last five years. In FY2022 and FY2023 in particular, although expenses increased due to base pay increases, we were able to absorb these expenses and raise the margin thanks in part to revenue growth.

ROE increased from 13.8% to 17.5% in the last five years. In FY2022, ROE rose temporarily due to a large increase in net income attributable to owners of the parent caused by special factors, such as the recording of a large gain on the sale of shares following the dissolution of a capital and business alliance. However, when this gain is excluded, ROE was 16.1% in real terms, still on an upward trend. We recognize that our

capital cost is around 7%, but we are maintaining a level that is well above this.

Operating cash flow has also been on an upward trend along with the expansion of our business scale, currently exceeding 10 billion yen. In addition, since the Company's business does not require large-scale capital investment, free cash flow is almost at the same level as operating cash flow, and we believe that the Company has the potential to generate approximately 10 billion yen. Over the past two fiscal years, free cash flow fluctuated significantly due to temporary special factors. In FY2022, revenue totaled 16 billion yen from sales of shares of subsidiaries, etc. (5.1 billion yen), and in FY2023, expenditures totaled 5.6 billion yen from approximately 17.4 billion yen in M&A.

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 resources investment and research and development costs. In addition, to further accelerate our growth in a robust way, we are also earnestly working on inorganic growth from this Medium-Term Management Plan. With regard to M&A, while paying attention to capital efficiency after the merger, the Company

evaluates value using methods and indicators according to the characteristics of the target company, the impact of amortization of goodwill arising, investment profitability, and other factors in a comprehensive manner to determine whether the acquisition is acceptable or not.

In FY2023, the EV/EBITDA ratio for M&A (System Development Business) was approximately 10x, and the impact of goodwill and other factors on ROE was also suppressed.

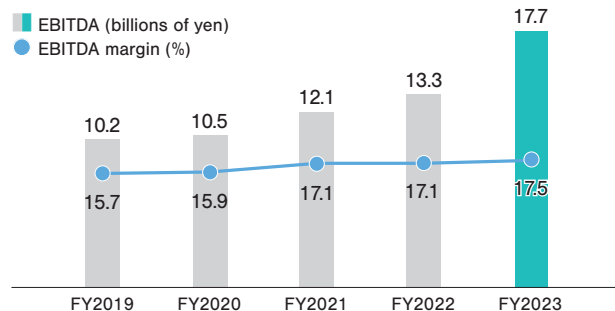
Cross-shareholdings

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

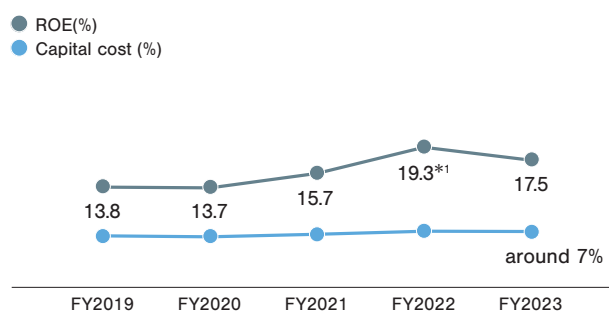
- (1) They must contribute to the development and expansion of the Group's businesses or the welfare and benefits of our employees
- (2) The invested company's ROE (5-year average) must exceed our capital cost

We also review whether these conditions of holding are being met for each invested company on an annual basis.

EBITDA (margin)

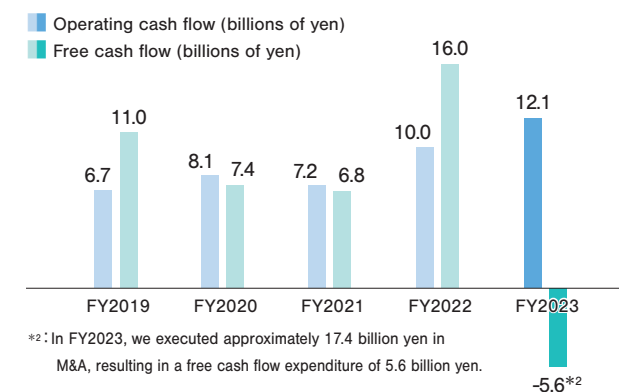


ROE / Capital cost



^{*1}: The ROE for FY2022 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. Excluding these gains, it is 16.1%.

Operating cash flow / Free cash flow



^{*2}: In FY2023, we executed approximately 17.4 billion yen in M&A, resulting in a free cash flow expenditure of 5.6 billion yen.

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 FY2023, our cross-shareholdings comprised 12 stocks valued at 1.3 billion yen (including non-listed shares). The proportion of cross-shareholdings to total assets stands at 1.6%.

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. 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 FY2023, we achieved a dividend payout ratio of 54.0%, with a total return ratio of 70.5%. This was a result of providing total shareholder returns of 7.2 billion yen, comprised of

dividends of 5.5 billion yen (72 yen per share) and share repurchases of 1.6 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%.

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 assets through conservative measures, such as setting prudent policies for the management of surplus funds and strategic shareholdings.

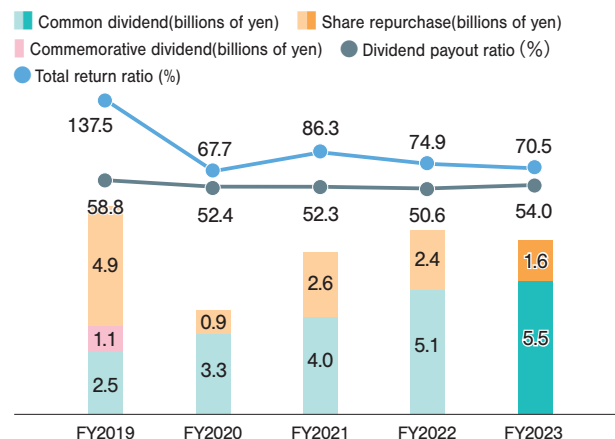
At the same time, by proactively carrying out shareholder returns, we avoid an excessive accumulation of cash and capital, and pay attention to efficient management of capital. As a result, the equity ratio has been maintained at 70 to 80% (in a downward trend)

Market assessment

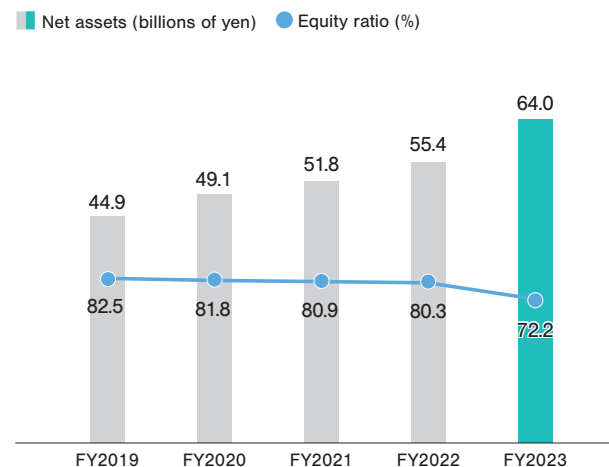
In addition to steady earnings growth, our stock prices continue to rise thanks to promoting constructive dialogue with shareholders and investors and providing enhanced shareholder returns. As a result, our market capitalization at the end of FY2023 doubled from the end of FY2019 to 228.7 billion yen, and our price-to-book ratio (PBR) rose to 3.67x at the end of FY2023.

Moreover, we have been selected to be part of the JPX-Nikkei Index 400, which is composed of companies that have high appeal for investors, for the third consecutive year, as well as the JPX Prime 150 Index for the second consecutive year, thanks to our capital returns. The target period for both is from August 30, 2024 to August 28, 2025.

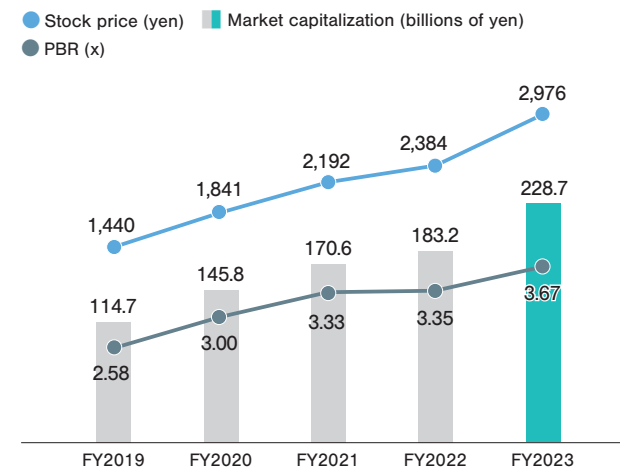
Dividend amounts / Share repurchases / Dividend payout ratio / Total return ratio



Net assets / Equity ratio



Year-end stock price / Market capitalization / PBR



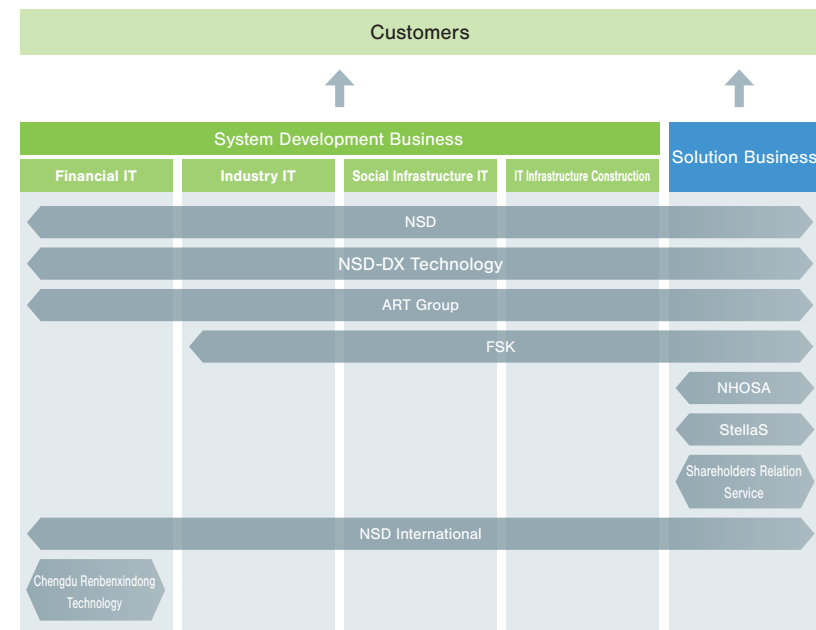
Segment Overview

Contributing to customers in a wide range of business categories with our abundant experience and deep operational knowledge

NSD's businesses are comprised of System Development Business and Solution Business.

System Development Business consists of four subsegments: Financial IT, Industry IT, Social Infrastructure IT and IT Infrastructure Construction. We provide consulting services aimed at realizing our customers' management strategies and solving their management issues as well as tailor-made services such as software development and IT infrastructure-building based on customer-specific needs.

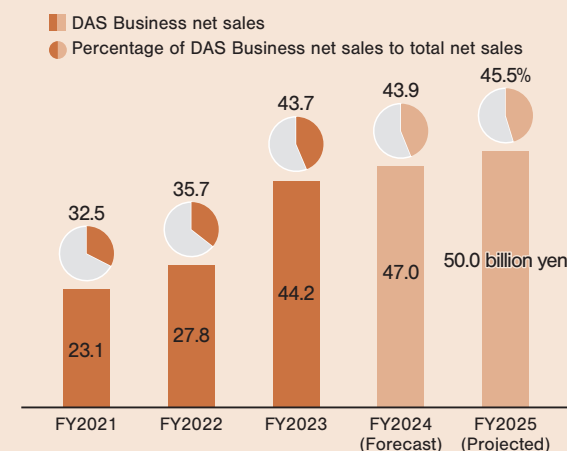
Solution Business develops and provides customers with solutions as cloud-based services and IT products that address issues common to many of our customers, such as challenges common to each business category and those related to security.



DAS Business

One of our Group's flagship businesses, the DAS Business refers to System Development Business aimed at DX, the System Development Business utilizing new technologies such as AI and Solution Business. (It was previously defined as the New Core Business. DAS stands for "DX", "AI" and "Solution".)

In FY2023, net sales in the DAS Business increased by 58.6% year on year to 44.2 billion yen, making a steady increase in the quantitative aspect. We have set a target of achieving DAS Business net sales of 50.0 billion yen (accounting for 45% of consolidated net sales) in FY2025, the final year of our current Medium-Term Management Plan.



System Development Business

We offer comprehensive system services from consulting aimed at solving customer issues to system planning, design, development, and post-installation operational support based on their needs. Our main customers are banks, insurance companies, securities companies, and other financial institutions in Financial IT, manufacturing and commerce businesses in Industry IT, and telecommunication, transportation, electricity, gas, water, and other businesses and public organizations in Social Infrastructure IT. Additionally, in IT Infrastructure Construction, we build IT platforms and networks and offer system maintenance and operation services mainly to financial institutions and the public sector.

Having greater responsiveness in the consulting domain has recently enabled us to support customers in building their business models. In addition, with the use of AI and other advanced technology, we appropriately meet customers' DX needs.

Strengths in the System Development Business



In-depth operational knowledge and technical expertise gained from many years of business dealings with customers in a number of industries



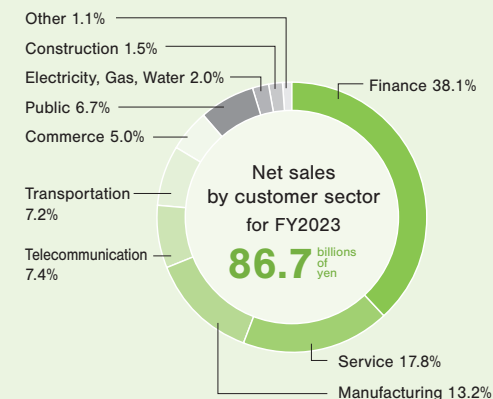
Extensive knowledge in the field of DX and application capability for AI and other advanced technologies in actual business



Around 4,000 engineers with advanced expertise



Solid customer base centered on major blue-chip companies



Solution Business

With our technological development capabilities honed in system development, our extensive knowledge in the DX field and our application capability for AI and other advanced technologies, we develop and offer a variety of IT-powered solutions to solve various business and social issues.

We offer a wide-ranging lineup of solutions, including medical and healthcare solutions such as a receipt computer system for dental clinics, human resource solutions that provide one-stop support for recruitment and staffing operations, security solutions to deal with information leakage and unauthorized access, and full outsourcing services for shareholder benefits.

Strengths in the Solution Business



Wealth of technical skills gained from system development



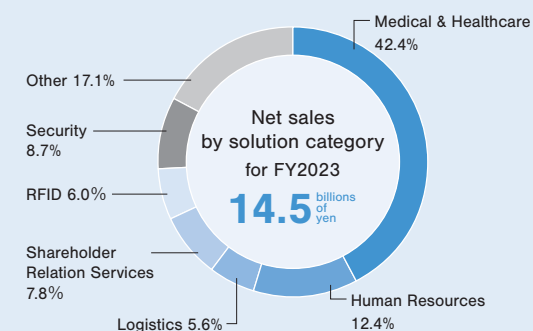
Extensive knowledge in the field of DX and application capability for AI and other advanced technologies in actual business



Ability to gain insight into customer needs using a customer base consisting of companies in a number of industries



Extensive solutions offered by multiple subsidiaries with strengths in specific fields





Financial IT

We propose the optimal solutions to solve our customers' issues based on the technological capabilities and know-how we have cultivated since NSD's founding.



Managing Executive Officer
Head of Financial Business Unit

Satoshi Kiyota

Subsegment Overview

We provide software development and system consulting for a broad range of financial services to customers, such as banks, insurance, and securities companies.

We handle a broad range of domains, such as accounting and information systems for banks and processes from new policies to insurance payments for insurance companies. For securities companies and credit card companies, we are also involved in the development of a wide range of systems, including integration projects and package enhancement development.

The sales weighting of the Financial IT subsegment within the System Development Business has been consistently high since NSD has been involved in numerous system development projects for financial institutions since its founding and has a strong customer base built on many years of business.

▶ Examples of Development

Banking	: Accounting systems (deposits, loans, forex, etc.) Information systems (DWH, customer management, etc.)
Life insurance	: Individual insurance policy systems Group insurance and pension systems
Non-life insurance	: Automotive insurance design systems Fire insurance design systems
Securities	: Retail core systems Sales support systems
Credit card	: Customer management/franchisee management systems Membership screening systems

Strengths and Challenges

■ Flexible organizational capabilities for optimal staffing

The Financial Business Unit is divided into three divisions, and broadly categorizing our customers by business realm would be banks, insurance companies, and securities and credit card companies.

Although it is easy for the organization to become siloed, through proactive information sharing, the entire Financial Business Unit is able to grasp customer trends, such as what technologies are required and what needs are emerging in each area of responsibility. By consciously increasing the mobility of our human resources, we prevent the know-how related to specific tasks from becoming overly specialized. As a result, we are able to strategically allocate talent to meet the latent needs of our customers without being restricted by specific business types or tasks.

■ Deepening collaboration with business partners

Demand for IT in the financial industry continues to be strong, and securing human resources is a challenge to ensure that we can meet customer needs and further strengthen relationships. We are also promoting Group responses through M&A and recruitment activities, but deepening collaboration with business partners is extremely important in terms of on-site responses. I believe it is important to build win-win relationships with business partners, and we rely on them to provide us with excellent human resources to win projects, and in return, these partners can pass on the technology and know-how to their own employees, strengthening their talent in the same way as we do. We are aggressively deepening collaboration through these initiatives.

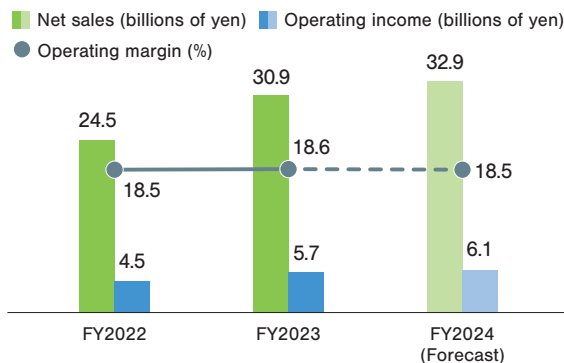
Vision in the Medium-Term Management Plan

Vision

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

Open systems are becoming more prevalent in various industries; in the financial industry, however, many legacy systems are being used due to the enormous volume of data handled. NSD has a wealth of knowledge about legacy systems owing to our many years in the business and is proud to be a company that its customers can rely on. Through the aforementioned initiatives to increase talent mobility, we are also passing on our knowledge to younger system engineers, and we believe this will give us an advantage in an environment where the number of legacy system experts is dwindling. At the same time, the transition to open systems within the financial industry has progressed dramatically in recent years, and it is necessary to accumulate a track record in new fields and earn the trust of customers in these areas as well. We will continue to maintain stable operations through reliable service and further deepen our relationships with our customers.

► Net sales / Operating income (margin)



FY2023 Results

In a favorable business environment, we made better progress than expected thanks to the trust we have built with our customers. Owing to the expansion of existing projects, including system renewal projects, orders from major banks, insurance companies and credit card companies increased significantly. In addition, net sales and operating income increased due to the effect of the acquisition of ART Group. We felt a sense of accomplishment in both achieving our numerical targets and the process that lead to the results, and we were able to make our foundations even stronger as we strive for future growth. As the financial industry is expected to continue to have strong IT investment needs, we will focus on further strengthening our management layer to expand our customer base and deepen relationships and thus further improve our ability to win projects.

Future Strategies

■ Acquisition of new customers

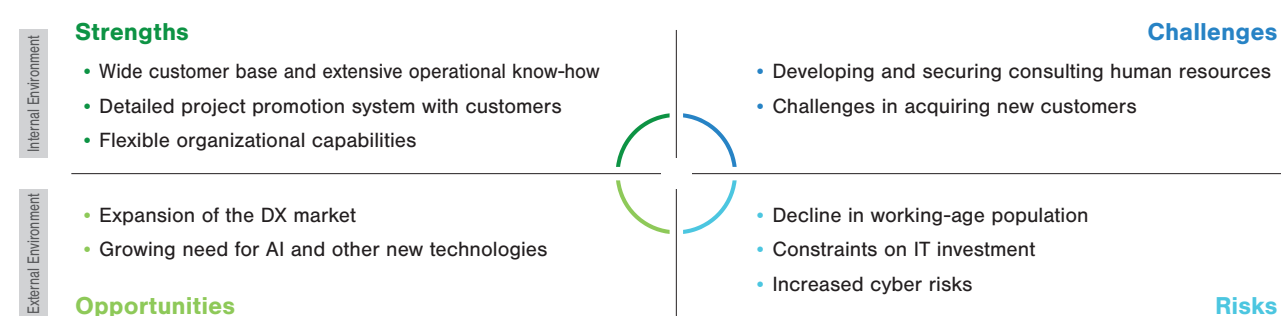
To grow in the future, it is vital to expand our customer base by developing and acquiring new customers in addition to deepening relationships with established customers. NSD has achieved sustained project acquisition through specific and persuasive proposals, with leaders of the development divisions, who are

well-versed in both the customer's operations and systems, also in charge of sales. In winning new customers as well, we will promote proactive sales activities by making proposals based on the trust and track record we have accumulated to date.

■ New value proposals utilizing new technologies

There is a high demand for the use of new technologies in financial institutions, and we are receiving an increasing number of such requests from customers. In such situations, it is important to understand the intrinsic needs that are expressed in the keywords such as DX and AI that customers convey. When deploying AI, for instance, it may be more effective for resolving issues to use it as a tool to improve productivity in the development process, rather than to place it in the core of the system. Rather than making proposals based on technologies, we consider the benefits we can provide to the customers by utilizing the technologies. By doing so, we are careful not to lose sight of the intrinsic needs of our customers. Furthermore, NSD's greatest strength in the field of new technologies lies in having a specialized technical research team within the Group known as NSD-DX Technology Co., Ltd. To fully leverage this strength, we will bolster collaboration between NSD, who works closely with customers on the front lines, and NSD-DX Technology. Establishing a robust platform that possesses deep expertise in both our customers' operations and new technologies enables us to offer new value propositions.

► Strengths and Challenges





Industry IT

We approach latent customer needs by leveraging our business knowledge in a wide range of industries.



Managing Executive Officer
Head of Industry & Solution Business Unit
(In Charge of) IT Infrastructure Business Division

Akio Shinno

Subsegment Overview

We provide software development and system consulting to customers in industries like manufacturing, commerce, service, and construction sectors.

In the manufacturing and commerce sectors, we develop systems that contribute to operational efficiency and productivity improvements through the use of AI/IoT and the deployment of robotic process automation (RPA), thus supporting the achievement of diverse work styles for our customers. Additionally, we are engaged in the development of embedded systems for customers in the automotive sector.

For the service sector, we work with customers in the broadcasting industry, some of whom have adopted our election package software. We also provide DX-related proposals aimed at cloud-based management of videos and other materials.

Our customer portfolio includes major blue-chip companies that lead their respective industries. We provide them with wide variety of systems that are tailored to individual business needs.

► Examples of Development

Manufacturing	Production control systems Parts ordering and receiving systems Product supply/demand systems
Service	Teleprompter systems for broadcasters Electronic book selling systems
Commerce	Sales promotion support systems Electronic payment systems EDI systems
Construction	Ordering and receiving systems IoT systems for smart houses

Strengths and Challenges

■ Diverse operational and technical knowledge

As we conduct business with customers in a wide range of industries, we have a great deal of expertise in diverse fields. Also, as we receive repeat orders, this expertise is accumulated and leveraged as the basis for new proposals. Moreover, many of our customers in this subsegment are aggressive in adopting new initiatives utilizing IT, which allows us to quickly acquire the latest development technologies and proactively and practically accumulate knowledge. We have strengths in both a wide range of know-how and technology and provide high-value-added support to help our customers promote DX.

■ Strengthening project acquisition capabilities

In system development within this subsegment, there are many relatively small-scale, short-term projects compared to other subsegments. So development here is characterized by each system engineer handling a large number of projects per year. This enhances the mobility of talent and facilitates the sharing of know-how, but it also makes it important to secure an uninterrupted pipeline of projects. For this reason, we believe it is important to not only make effective use of the human resources of our Group at our head office, branch offices and business sites, but also to work with business partners who have excellent talent to strategically allocate personnel and ensure a reliable order-winning system. Also, as efficiency continues to improve due to technological advances, we will focus on the consulting domain utilizing NSD's know-how and will put more effort into winning projects without interruption.

Vision in the Medium-Term Management Plan

Vision

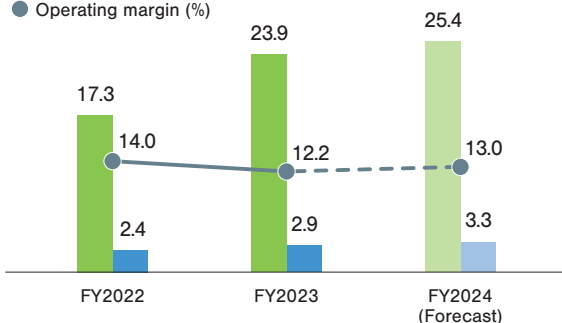
- Contribute to solving customer issues by improving response capabilities to new technology and DX projects and focusing on the solutions field.

In this subsegment, where many customers are proactive in taking on new initiatives, we want to focus on the solutions field in addition to system development in the DX and AI fields.

Our Solution Business is undertaken mainly by the Innovation Strategy Business Unit and subsidiaries and targets primarily at new customers. In contrast, the system engineers in this subsegment, who are embedded at customer sites to develop and maintain systems, have a deep understanding of their customers' issues due to their close involvement with them. These engineers contribute to solving their customers' issues by drawing out the optimal solution and responding flexibly.

Net sales / Operating income (margin)

- Net sales (billions of yen)
- Operating income (billions of yen)
- Operating margin (%)



FY2023 Results

We saw brisk business in large-scale projects such as compliance with the new qualified invoice system and significant growth in orders from the manufacturing and commerce sectors. Also lifting net sales and operating income were the effects of the acquisitions of Art Group and Trigger.

Currently, there is strong demand for IT investment in the automotive industry driven by the need to adapt to changes in the business environment, such as the shift toward EVs and autonomous driving, as well as the growing expansion of the rental businesses. We are focusing on steadily acquiring orders and building up a track record in such fields where demand is expected to expand.

Future Strategies

Support the promotion of customers' management strategies through the use of new technologies

In light of rising system development costs, there is a growing demand among customer companies to in-source system development by utilizing low-code and no-code tools. To make effective use of such tools, it is critical to consider how to convert business operations into a system, and NSD will support our customers by making use of our knowledge of

both business operations and systems. We also note that there are functions that cannot be achieved with the use of existing tools or packages alone under current technology. We intend to continue responding carefully to each customer's specific requests based on their individual circumstances.

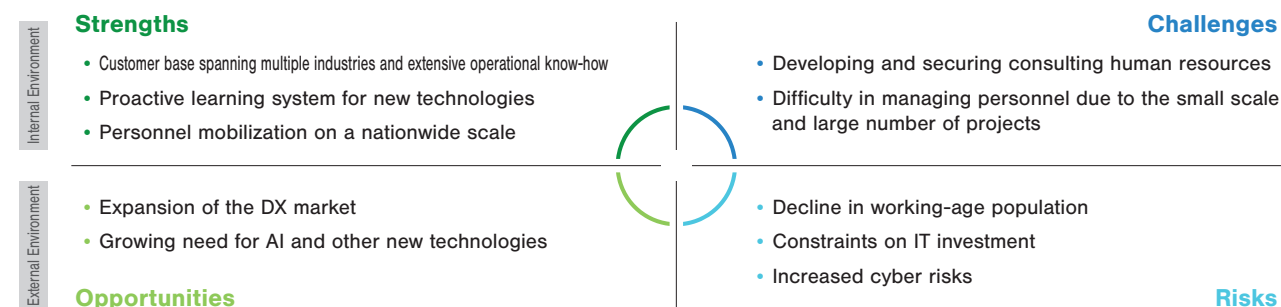
Taking on the challenge of new fields

The adoption of packaged software is accelerating at Japanese companies, and there is an increasing number of system development projects utilizing such software. NSD intends to accumulate know-how related to these software and leverage it as a new strength.

Furthermore, as part of NSD's aggressive strategy, we are strengthening our capabilities in the consulting domain. In this subsegment, proposal activities are vital to acquiring projects in an uninterrupted pipeline, so we are also focusing on developing human resources in the consulting field. We aim to foster human resources who can pinpoint customers' latent needs and make high-value-added proposals.

We are actively taking on challenges in new fields and hope to continue to be a good business partner for our customers.

Strengths and Challenges



Social Infrastructure IT

Promoting aggressive proposals to customers in a wide range of industries based on our practical technological capabilities.



Managing Executive Officer
Head of Social Infrastructure Business Unit
(In Charge of) Social Platform Division

Atsuji Kobayashi

Subsegment Overview

We provide software development and system consulting to customers in industries like telecommunication; transportation; electricity, gas, and water; and public sectors.

Given the nature of our customers, many of their systems are essential social infrastructure, requiring high quality and safety. NSD contributes to the safe operation of systems that are indispensable to people's daily lives based on its many years of experience.

In the telecommunication sector, the pace of technological innovation is extremely rapid, and we are engaged in considerable system development that utilizes technologies that have yet to become widespread. This is also a business field where many system modifications are required due to statutory revisions. We are steadily building our track record in developing systems that support the foundation of society, while also accurately capturing this extraordinary demand and aiming to provide truly valuable services from the perspective of consumers.

► Examples of Development

Transportation	: Mileage service systems Reservation and ticketing systems
Telecommunication	: Core systems for fee/point management Customer management/fee calculation systems
Public	: Resident's record systems National health insurance systems
Electricity, gas, water	: Fee calculation systems Supply/demand adjustment systems

Strengths and Challenges

■ Practical technological acquisition and transfer through work

In the case of projects for telecommunication sector, there are many opportunities to learn new technologies through practical work. Until now, we have been focusing on the acquisition of qualifications as a facet of our talent development efforts, and the numerous opportunities to practically apply the acquired qualifications have deepened our understanding of technology. This, in turn, encourages the acquisition of further qualifications, resulting in a more substantial pool of experts. We are also fostering a culture of accumulating and passing on knowledge through internal teach-ins and external training. Additionally, thanks to our long-standing relationships with customers, we not only possess essential know-how but also facilitate the transfer of this knowledge to new personnel. As a result, the increase in experts enables us to make new proposals to our customers that leverage our technological capabilities and business know-how, which is our greatest strength.

■ Maintaining profitability while adapting to changes in development methods

As technology evolves, there is a growing demand for faster and more flexible development methods to augment traditional development methods. Meanwhile, there is a growing trend toward low-code development and package implementation, which facilitate relatively fast development. There is also considerable interest in cloud-native architecture and the optimization of development processes using machine learning. Up until now, NSD has primarily focused on scratch development, building a strong track record. Moving forward, we aim to maintain and enhance profitability while adapting to such changes in the business environment. Toward this end, we are working to acquire and respond to more projects by strengthening our consulting domain, and we aim to promote initiatives to improve productivity by accumulating and sharing know-how on new development methods.

Vision in the Medium-Term Management Plan

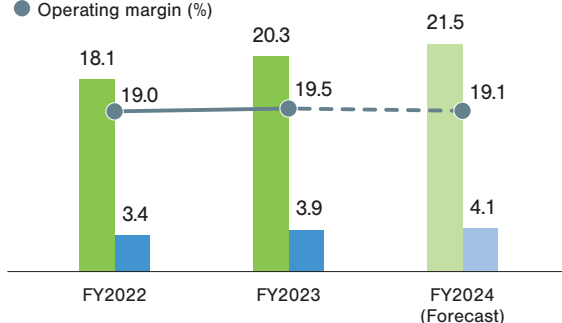
Vision

- Expansion of order domains by utilizing 5G, 6G, AI, etc.
- Improve ability to adapt to new technologies and DX projects

We will continue to contribute to the realization of our customers' management strategies using new technologies, and aim to expand our order domains. In the telecommunication sector, use cases of 5G utilization that are gaining societal attention are emerging, such as video streaming and the use of avatars at Expo 2025 to be held in Osaka. The pace of technological innovation continues to be extremely rapid resulting in customer needs becoming increasingly sophisticated and diverse. By utilizing these technologies even for customers beyond the telecommunication sector, we expect to achieve business expansion through the roll out of new services to augment our established businesses. We are therefore deepening our knowledge of the latest technologies and implementing proactive proposals with an aggressive approach to develop business opportunities for customers in a wide range of industries.

Net sales / Operating income (margin)

- Net sales (billions of yen)
- Operating income (billions of yen)
- Operating margin (%)



FY2023 Results

Orders from the telecommunication, public, and the electricity, gas, and water sectors rose substantially; in addition, net sales and operating income increased due to the effect of the acquisition of ART Group.

In the telecommunication sector, we made greater progress than expected owing to the upgrades of core systems and strong demand for IT investment associated with the roll out of new services outside the core business, such as e-money and insurance services.

We also note that there was good progress in the public sector, with projects related to the standardization of government cloud computing, as well as in electricity, owing to brisk demand for supply/demand adjustment systems.

Future Strategies

Use new technologies to contribute to the increase of productivity at our customers

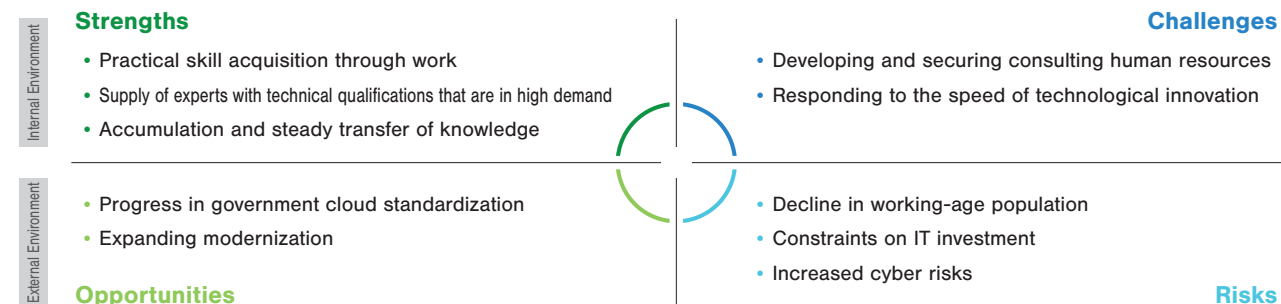
Similarly to other industries, the need for DX is also increasing greatly among customers in this subsegment. Public organizations are facing challenges such as transitioning away from paper-based operations, passing on operational know-how in line with the decline in the working-age population, and reducing

working hours. As such, we are receiving an increasing number of inquiries regarding the use of AI and the RPA domain. These issues faced by our customers, who are responsible for social infrastructure, are also issues for society as a whole, and we recognize that it is our mission to provide IT solutions that will help to resolve them. We aim to improve our knowledge of the latest technologies and do our utmost to resolve the issues of more customers.

Implementation of strategic sales activities with an eye on market changes

In the telecommunication sector, studies and research into the latest technology is progressing at an astonishing pace. It is important to quickly obtain information about the latest technologies, and gauge how they can be used to meet customer needs and translate into a business opportunity for NSD. We also anticipate more large-scale system upgrades and an expansion of DX projects among customers in other industries in this subsegment. Amid this business environment, we will accurately capture market changes and, through deepening relationships, quickly grasp customer trends. By doing so, we will drive proactive sales activities to stay one step ahead of the competition. Another priority is further enhancing our technological skills, which are one of our strengths, and strengthen our system for winning projects.

Strengths and Challenges





IT Infrastructure Construction

Providing a stable IT infrastructure environment for customers in all industries by utilizing our flexible proposal capabilities.



Managing Executive Officer
Head of Industry & Solution Business Unit
(In Charge of) IT Infrastructure Business Division

Akio Shinno

Subsegment Overview

Without drawing lines between industries or business formats, this subsegment provides one-stop infrastructure-related services to customers in all industries, from planning to construction and operation of IT infrastructure and network environments.

In recent years, our focus has been on building infrastructure environments that utilize cloud computing. But we also handle a wide array of other services, including on-premises environment construction, hardware sales, and kitting work. The subsegment has a particularly large number of projects with customers in the financial and public sectors and has a solid track record of supporting systems that are essential for the stable operation of social infrastructure over many years. We are also engaged in numerous projects that are linked to software development in the Financial IT, Industry IT, and Social Infrastructure IT subsegments, and so conduct business with customers from a wide range of industries.

► Examples of Development

Planning and procurement	: Requirements definition, issue setting, and planning support IT infrastructure service sales support
Design, construction, and implementation	: Design and build-up support of cloud, platforms, networks, storage, virtualization infrastructure and security Application development support
Operation and maintenance	: System management and maintenance services System operation services Life cycle management services Help desk services

Strengths and Challenges

■ Flexible proposal capabilities leveraging the strengths as an independent system integrator

Owing to the advantages of our status as an independent not tied to any particular manufacturer, we are able to make the optimal proposals to meet the individual needs of our customers. Recently, many of our customers have been introducing cloud computing. We support the introduction of optimal cloud environments that make the most of the service and functional characteristics ranging from public (AWS, Azure, etc.) to private clouds (VMware, etc.).

■ Further strengthening IT infrastructure human resources

IT infrastructure requires a wealth of knowledge regarding various technologies and manufacturers. Moreover, the know-how required to ensure safety and availability becomes important for the IT infrastructure that supports the increasingly sophisticated and diverse needs of customers as technology advances. Moreover, the know-how required to ensure safety and availability becomes important for the IT infrastructure that supports the increasingly sophisticated and diverse needs of customers as technology advances. In this environment, the number of IT infrastructure experts in Japan is still small, and securing personnel is also a priority for NSD in order to respond reliably to customer needs. We are responding to this shortage by securing human resources strategically through both our own recruiting activities and by strengthening relationships with business partners. Furthermore, we are focusing on actively sharing knowledge in order to elevate the entire organization by rolling out the know-how of the many excellent IT infrastructure personnel in NSD to other system engineers.

Vision in the Medium-Term Management Plan

Vision

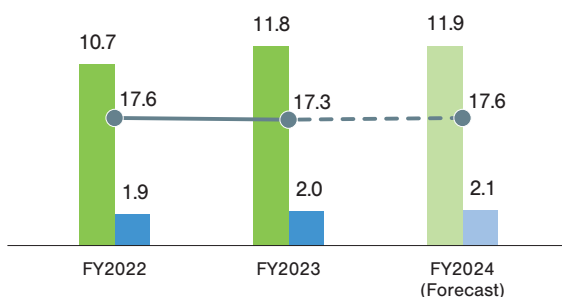
- Foster technical skills and mobilization capabilities that lead a response to non-functional requirements mainly using cloud technologies
- Expand new business to help companies transit away from legacy systems and promote government digitalization

As the reliability of security in cloud services has improved, the use of cloud services are increasing in the financial industry and public organizations and a broad range of other industries. NSD has an extensive track record of successful deployments and apply the know-how we have accumulated to provide high-quality services that contribute to improving the credibility of our corporate customers in society.

Furthermore, the demand for migration from legacy systems within customer corporations and advancing government digitalization initiatives remains robust, and the design of infrastructure is vital for meeting these needs. We will focus on expanding orders by further strengthening our ability to respond to upstream processes such as in the consulting domain and design.

► Net sales / Operating income (margin)

- Net sales (billions of yen)
- Operating income (billions of yen)
- Operating margin (%)



FY2023 Results

Orders grew significantly from public and financial sectors, such as infrastructure construction projects for the government and cloud projects for banks and insurance companies. We believe securing and strategically allocating talent, including our business partners, with a proactive approach has been key to consistently winning projects. Going forward, we will not only respond to customer requests, but also proactively uncover latent needs and promote further business expansion.

Future Strategies

■ Gauging the flow of technological innovation

The technology that is currently at the core of IT infrastructure is cloud computing. There are several mainstream products within this, but given the blistering speed of technological innovation, it is becoming very difficult to gauge how technology trends will change moving forward. NSD is responsible for the IT infrastructure of its customers at the forefront of a variety of industries and as an independent company, we can handle a wide range of products without restriction. Given this position, we aim to keep our antennae finely tuned to identify current trends and to develop our business sustainably by swiftly understanding trends.

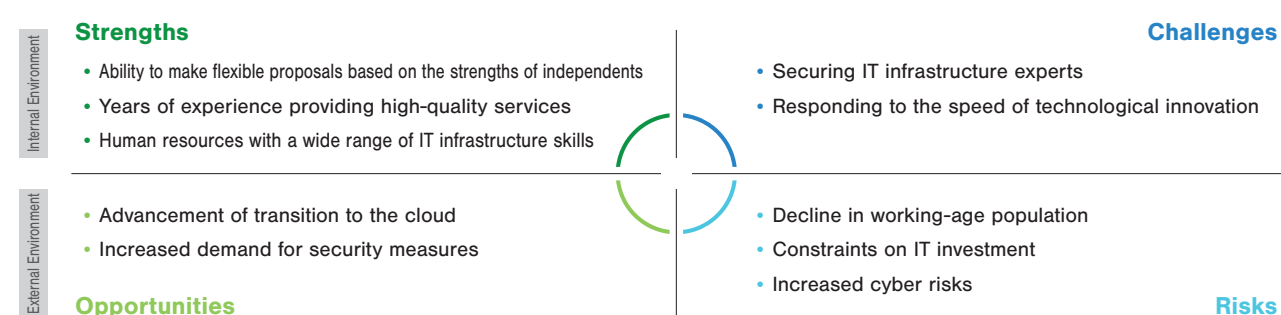
■ Respond to the diversification of work styles

Teleworking has spread rapidly in the wake of the pandemic, and work styles are anticipated to continue diversifying. While using external networks increases security risks, NSD is able to mitigate this with its track record in constructing infrastructure for the financial industry and public organizations as well as other industries with strict security requirements. We will utilize this know-how to build a safe and secure IT infrastructure to support the diversification of our customers' work styles.

■ Creation of new businesses using generative AI

While the advancement of generative AI can pose a threat to those in the IT industry, such as automation of programming, it is also a major business opportunity. NSD has a wealth of know-how based on many years of experience, and it will apply this to both developing AI itself and incorporating it into its services and thus promoting the creation of new businesses.

► Strengths and Challenges





Solution Business

Becoming the second pillar of earnings by quickly capturing global trends.



Director, Managing Executive Officer
Head of Innovation Strategy Business Unit
Chief General Manager, Enterprise Business Division
(In Charge of) Consulting Business Unit

Hidetaka Kikawada

Segment Overview

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

In the security field, many customers have introduced our mainstay eTransporter file transfer system. In the medical and healthcare fields, we have achieved dramatic business expansion by welcoming NHOSA Corporation, which has the top market share in Japan for dental receipt computer systems for medical fee billing, into our Group. Our core business is offering in-house developed products, leveraging the technological capabilities we have cultivated through software development. In this way, we provide optimal solutions tailored to support our clients' management strategy initiatives.

Examples of Solutions

Medical and healthcare	<ul style="list-style-type: none"> : Receipt computer system for dental clinics Dialysis treatment support systems Medical incident management systems Remote health support services
Human resources	<ul style="list-style-type: none"> : Recruitment management systems Staffing services support systems
Logistics	<ul style="list-style-type: none"> : Commercial warehouse management systems
Operational efficiency	<ul style="list-style-type: none"> : RFID* solutions Tools for analyzing the movement of workers in factories, warehouses, and other work sites
Security	<ul style="list-style-type: none"> : Secure file-sharing systems Systems to prevent misdirected emails
SR and IR support : Complete outsourcing services for shareholder benefit programs	

*:Automatic identification technology that uses radio waves to read and write information on IC tags in a non-contact manner

Strengths and Challenges

Develop flexible sales methods that leverage organizational capabilities

NSD Group has several subsidiaries that offer distinctive solutions in niche fields. Until now, these subsidiaries have used a sales approach of conducting conscientious sales activities reflecting the characteristics of each customer's industry. On the other hand, NSD handles many general-purpose solutions that can be expected to be in demand regardless of the customer's industry, such as security and operational efficiency. We have established efficient and effective sales methods in this area through our track record spanning over 10 years. Thanks to the increase in the number of solution lineups resulting from last year's M&A, the overall Group has seen an increase in the depth of its sales methods. By aggregating this know-how, we are promoting sales development in a more effective way for each solution. The organizational strength that enables such flexible responses is the greatest strength of the NSD Group's Solution Business.

Entrenching the brand image of NSD = Solution

Thanks in part to the effects of M&A, sales in the Solution Business are steadily increasing and lifting the proportion of net sales accounted for by this business. However, although NSD has gained a certain level of recognition in the System Development Business, customer awareness of the Solution Business has considerable upside. As such we consider raising and establishing recognition to be both a key challenge and a major business opportunity. The approach required in the Solution Business, which is important for expanding the customer base, differs from that of the System Development Business, which is mainly focused on deepening relationships with established customers. We will therefore continue to focus on promotional activities to improve awareness while seeking effective methods.

Vision in the Medium-Term Management Plan

Vision

- Expand the scale of the Solution Business into the second pillar of the Company

As the promotion of DX by companies is becoming a key to the growth of the Japanese economy, related system development is increasing considerably. That said, we believe it is necessary to create innovative ideas in the form of solutions for the sustainable growth of NSD. We are focusing on making the Solution Business our second pillar of earnings, alongside System Development Business. Yet we are not just looking to increase sales. Based on the concept of "growing together with our customers", that we have cherished for many years, we are working to accomplish our greatest mission of solving our customers' problems and improving their corporate value. With this in mind, DX is an important keyword in the promotion of the NSD Group's Solution Business. In this environment, our subsidiary NSD-DX Technology began R&D on new technologies in 2019. In recent years, it has focused on responding to the wider DX field, and is collaborating with

customers to create new solutions that are useful for actual business. Through initiatives such as this, we are promoting the expansion of our Solution Business while sharing value with our customers.

FY2023 Results

New solutions gained through M&A in the fields of medical and healthcare, and RFID contributed significantly to business expansion, resulting in a large increase in net sales. NSD's existing solutions are performing well, and there is persistently brisk demand for security measures, including PPAP measures and security solutions related to increasing cloud adoption. We have successfully secured new projects in these areas through steady and proactive sales initiatives.

Future Strategies

Swift response to the life cycle of solutions

In recent years, the life cycles of solutions and technology trends has become exceptionally compressed. Subscription-based services make it easier for users to switch from previous solutions to new ones, creating an environment that is enabling game-changing shifts. We see this business

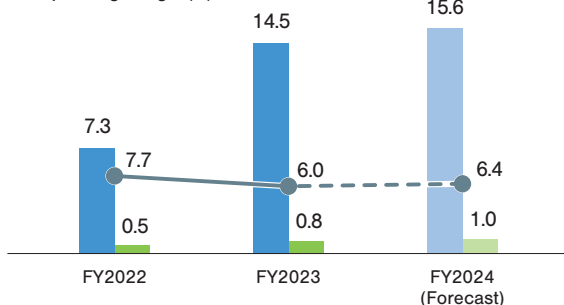
environment as an opportunity, and we want to keep our antennae finely tuned to quickly grasp global trends and create solutions that respond to them.

▶ NSD Group Solution Categories



▶ Net sales / Operating income (margin)

- Net sales (billions of yen)
- Operating income (billions of yen)
- Operating margin (%)



▶ Strengths and Challenges

Strengths

- Flexible sales methods that leverage organizational capabilities
- Lineups of leading solutions in niche markets
- Co-creation of value with customers

Internal Environment

- Expansion of the DX market
- Growing need for AI and other new technologies

Opportunities

Challenges

- Brand recognition of Solution Business
- Number of solutions lineups

- Compression of the solution life cycle
- Constraints on IT investment

Risks

Sustainability

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.



Environmental Initiatives

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Social Initiatives

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Governance Initiatives

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Environment

Environmental Initiatives

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, to help build a better, more prosperous global environment in collaboration with customers and business partners across various industries.

Environmental Policy

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.

Climate change/Energy management/Waste

Tackling climate change

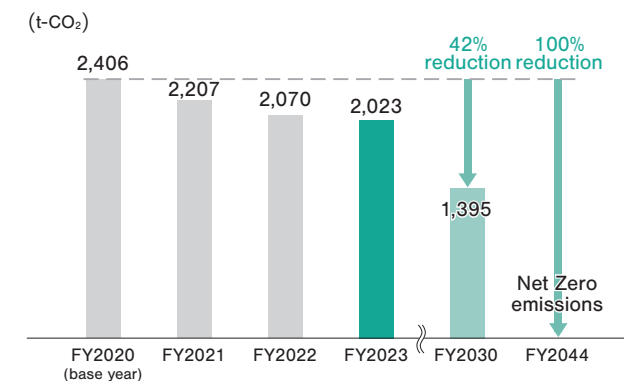
In order to address the increasingly serious issue of global climate change, NSD has positioned climate change/energy management/waste as one of its material items, and is working to reduce greenhouse gas (CO₂) emissions by setting medium to long-term targets in line with the framework of the Paris Agreement. 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 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.

With respect to Scope1 and Scope2 emissions, we have set and are working towards long-term targets of a 42% reduction by FY2030, ending March 31, 2031, and net zero emissions by FY2044, ending March 31, 2045 (compared to FY2020 levels). As for Scope3 emissions, we made progress in ascertaining the actual situation in FY2023. Going forward, we will continue examining measures to reduce emissions across our entire supply chain.

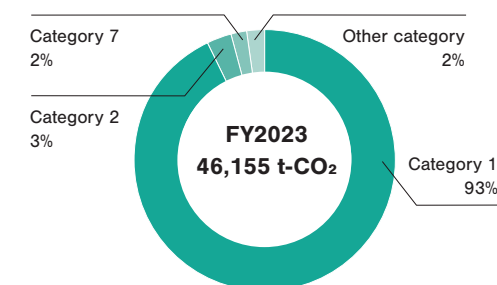
Scope1+2 emissions and reduction targets



* : Energy subject to measurement is the total value of Scope1+2, and the scope of calculations is NSD and its subsidiaries.

* : The formula for calculating CO₂ emissions is the consumption of electricity, gas, gasoline, etc. by each site multiplied by the emission factors (emission factors are based on those disclosed by the Ministry of the Environment).

Scope3 emissions



Scope3 categories

- | | |
|---|---------------------------------------|
| Category 1:
Purchased goods and services | Category 6:
Business travel |
| Category 2:
Capital goods | Category 7:
Employer commuting |
| Category 3:
Fuel and energy-related activities | Category 8:
Upstream leased assets |

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, Osaka branch 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 maintaining a 100% rate of reusing and recycling computers in order to reduce the impact our offices have on the environment.

Environmental Management System

Environmental Management Structure

To ensure that our environmental initiatives are carried out, NSD has established an EMS Promotion Team*¹ under the Sustainability Management Committee. The EMS Promotion Team directs and supervises the environmental initiatives in each department of the Company, and works to continuously improve the Company's environmental measures through dedicated internal contact points with customers and business partners across various industries.

*¹: EMS Promotion Team: Environmental Management System Promotion Team

ISO14001 certification

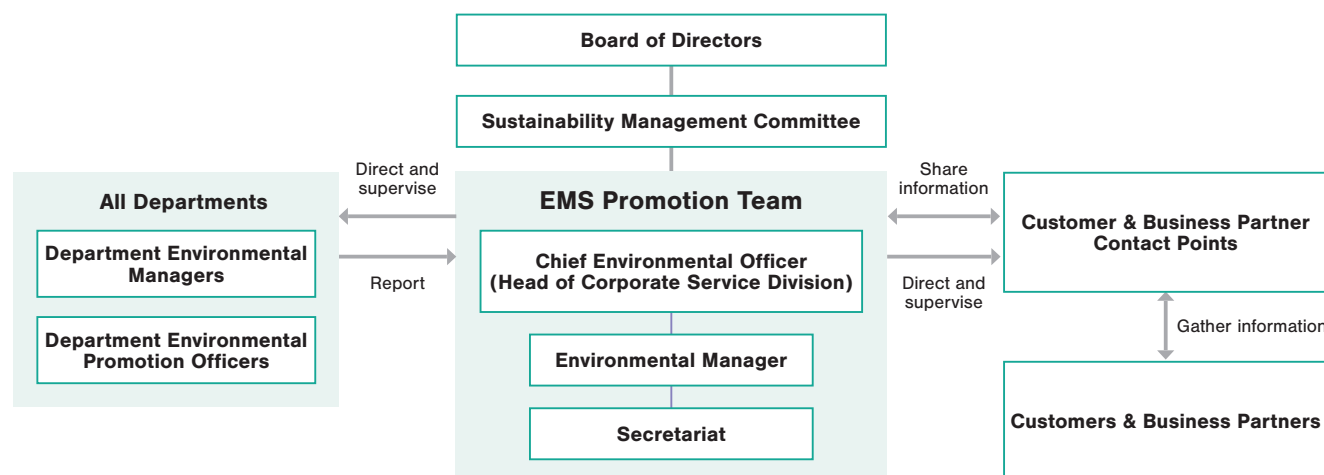
NSD has established an Environmental Management System in compliance with the ISO14001:2015 certification standard, and operates and manages it using a PDCA cycle in order to clarify

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, disseminates 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.

Environmental Management Structure



Information Disclosure Based on TCFD Recommendations

Disclosure of climate change-related information based on TCFD Recommendations

NSD supports the recommendations of the Task Force on Climate Change-related Financial Disclosures (TCFD) and discloses information regarding the impact of climate change on our business based on the framework of the TCFD Recommendations.

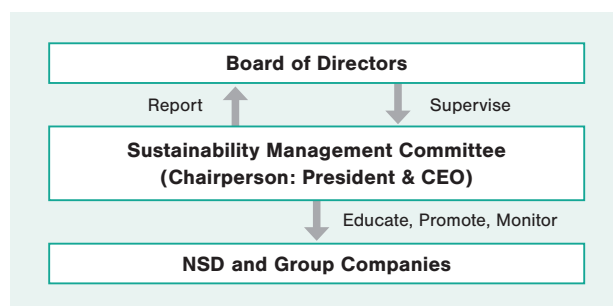
We will continue to address the issues of climate change from a medium- to long-term perspective, deepen our understanding of the impact of climate change on our business, and enhance management transparency through the timely and accurate disclosure of matters related to climate change, including its impact on governance, strategies, risk management, and finance.

Governance

NSD established the Sustainability Management Committee, chaired by the President & CEO, as a subordinate body to the Board of Directors for the purpose of promoting the Group's sustainability activities, including responding to climate change.

In principle, the committee meets once a quarter to discuss the Group's sustainability policies, monitor the status of initiatives, collect information, and educate officers and employees.

Climate change-related governance system



The contents of the deliberations of the Committee are regularly reported to the Company's Board of Directors, and the Board of Directors then makes resolutions on important matters.

Strategies

The risks and opportunities associated with climate change that are expected to affect the NSD Group's businesses are summarized below based on the framework of the TCFD Recommendations.

“Risks,” “Opportunities,” and financial impacts related to climate change

Transition Risks	<ul style="list-style-type: none"> Decrease in number of current/potential customers, due to industry reorganization or decline of business which may occur by climate change. Decrease in orders received, due to NSD's inability to respond to requests from customers to address climate change. Increase in necessary expenses (e.g. carbon offset costs), necessary to NSD's climate change related countermeasures. Increase in NSD's R&D expenses and capital expenditures, due to requests from customers to develop innovative technologies and products related to climate change. Increase in NSD's tax burden, due to introduction of new environmental taxes (e.g. carbon tax). Decline in NSD's stock price, due to NSD's inability to respond to shareholders' requests for information disclosure regarding climate change.
Physical Risks	<ul style="list-style-type: none"> Decrease in productivities, due to the health damage of NSD's employees caused by abnormal weather such as increase in average temperature. Instability in NSD's business operations, due to frequent occurrence of extreme weather events such as cyclones, floods, etc.

Opportunities

- Business expansion, caused by increasing needs for BCP related IT system development from current/potential customers in preparation for abnormal weather.
- Business expansion in medical/healthcare IT system field, caused by growing interest in health in worldwide.
- Increase in orders received and rise in NSD's stock price due to improved reputation with stakeholders such as customers, shareholders, caused by proactive disclosure of information on climate change.

Risk Management

At NSD, the Sustainability Management Committee plays a central role in managing the risks that climate change poses to our business.

The committee is composed of experts on climate change. It strives to collect information on the Group's potential future risks and discusses appropriate monitoring methods suited to the nature of such risks.

Indicators and Targets

The NSD Group has positioned climate change and energy management as one of its materiality issues in order to address the growing problem of climate change on a global scale, and we are working to reduce carbon dioxide (CO₂) emissions, which are a greenhouse gas.

Greenhouse gas carbon dioxide (CO₂) emission reduction targets

FY2020 Results	Target Time	Target Value
2,406 t-CO ₂ (base year)	FY2030	42% reduction (compared to FY2020)
	FY2044	Achieve net zero emissions

* : For NSD and its subsidiaries.



Society

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.

Job Satisfaction for Employee

● Basic approach

As a basic management policy, NSD recognizes that its employees are its greatest asset. The Group believes in the boundless potential of each and every employee, provides a healthy and comfortable working environment, and aims to be a Company where people can dream and take pride in their work.

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.

● A fair personnel system that rewards contribution

NSD's personnel system is a foundation for employees to set goals for growth. Based on the understanding that the growth of each employee leads to better service for customers and that employee growth strengthens the growth and competitiveness of the Company, NSD operates a personnel system based on the following policies to encourage and support employee self-development.

1. The system clarifies a model description of the type of worker the Company envisions so as to foster and develop human resources with the required skills.
2. The remuneration system is based on the degree to which individuals achieve results, and how they demonstrate their abilities and duties for which they are responsible.
3. The personnel evaluation criteria are clarified so as to lead to human resources development and skill improvement
4. The personnel system is aimed at bringing improved productivity.

NSD has also introduced performance-linked bonuses to reward employees' contributions, which are paid according to the individual's level of contribution.

● Opportunities for skill development

NSD recognizes that its employees are an important and indispensable asset for supporting its business. As such, the Group positions the development of diverse human resources into true professionals as one of its most important management tasks.

Human Resources Development ▶ P.50

● A comfortable working environment

NSD strives to create and maintain an environment in which every employee can fully demonstrate their abilities to work in a healthy and safe way. NSD also seeks to create a comfortable working environment that respects the diversity of each and every employee based on the principle of equal treatment and promotion regardless of gender, sexual orientation, age, educational background, or physical, intellectual, or mental disability.

Health and Productivity Management ▶ P.51
Diversity & Inclusion ▶ P.54

● Other initiatives

With the aim of ensuring that employees build their assets and lead a secure life after retirement, NSD has established a number of plans including a defined benefit corporate pension plan (DB), a defined contribution pension plan (DC), a group long-term disability insurance plan (GLTD), a lump-sum retirement allowance, a nest-egg savings plan (with incentives), and an employee stock ownership plan (with a 20% incentive per share).

Human Resources Development

● Basic approach

In order to respond to changes in the business environment, such as with the ever-advancing 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

With the aim of improving system development and project management skills, we conduct training for all eligible employees based on their position and experience in the Company, and offer elective training programs to improve project management skills and system development skills. Through these training programs, we strive to improve our technical skills so that we can continue to provide high-quality systems and solutions that meet the needs of our customers.

Training Description	
Training for Agile development	<ul style="list-style-type: none"> Scrum development for beginners Project management: Agile and Waterfall Agile project management using scrum development Agile development-test-driven development and automation
Technological trends training	<ul style="list-style-type: none"> Getting started with Angular Getting started with Nest.js AWS Lambda NoSQL Docker Keycloak Amazon ESC/VPC

As well as the in-house training programs shown at the left, curriculums provided by external training institutes are provided to support the people at NSD in improving their system development and project management skills. We offer a wide range of different training programs which includes: external group training to help employees improve their technical skills and give them the knowledge needed for their respective jobs, position, and role; SEcollege where employees can take courses in all the different technology fields such as databases, networks, AI and more; as well as many other e-learning courses.

PMP® training

Aiming to give and help employees improve their project management skills, NSD encourages employees to obtain PMP (Project Management Professional)®*1 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.

Training Description	
PMP® training	<ul style="list-style-type: none"> Gaining knowledge on PMP® Gaining knowledge on Agile development Gaining knowledge on PMP® (e-learning)

*1 : PMP (Project Management Professional)® is a registered trademark of the US-based Project Management Institute.

● Training to improve soft skills

By combining soft skills training 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. In addition, as part of our support for autonomous knowledge acquisition, we are developing a book summarization service for managers that can be used according to their own purposes and timing.

Training on specific topics includes company-wide training aimed at acquiring an awareness of compliance issues and to ensure a thorough understanding of information security. Other training is aimed at acquiring knowledge and improving communication skills according to work, position and role, using themes such as creating a workplace free of discrimination and improving the ability to lead subordinates and juniors.

Training Description	
Training based on experience	<ul style="list-style-type: none"> New employee training (group/correspondence materials) Follow-up training for new employees 2nd year training (Basic skills for working people: ability to communicate and plan) 3rd year training (Basic skills for working people: ability to listen and identify issues) 5th year training (Career design and vision formation)
Training based on position	<ul style="list-style-type: none"> Rank-up training (leadership and coaching) Training for new managers/specialists certification (vision formation and strengthening value proposition capabilities) Training for newly appointed management-level employees (management/balancing hitting targets with human resources development) Training for new department heads (role understanding and health management awareness)
Training based on topic	<ul style="list-style-type: none"> Compliance and internal control Information security and personal information protection Diversity & Inclusion training Training to strengthen negotiation skills Personnel evaluation training Facilitation training OJT trainer training

Health and Productivity Management

● Health and Productivity Management declaration

The greatest assets of NSD are its employees. For each and every employee to fully demonstrate their capabilities and play an active role, they must be mentally and physically healthy and have a fulfilling private life. NSD believes that employee health is a management priority and it strives to establish and maintain a work environment that ensures the health and safety of its employees. Through these initiatives, we aim to achieve the sustainable growth.

● Initiatives for Health and Productivity Management

Health promotion and disease prevention

NSD believes the health of its employees is an important management resource, and strives to help improve employees' lifestyle habits and health literacy to prevent physical and mental illnesses. As part of our initiatives, we drew up a Health and Productivity Management Strategy Map, which clarifies relations between initiatives and effects, and are strategically promoting each measure while verifying them.

We introduced a health points system in FY2017 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 previously lack of exercise was an issue 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.

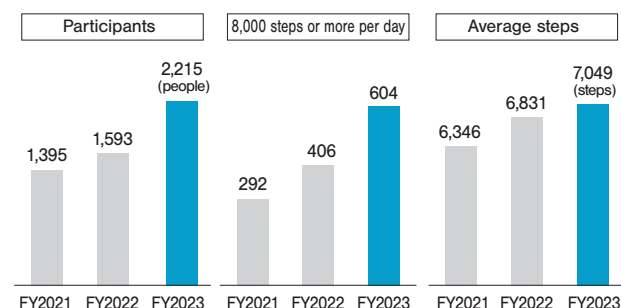
For example, as an in-house event using this system, we have held a walking rally event that involved a virtual tour around Japan by converting the number of steps logged in the app. In this walking rally event, we aim to make walking even more

fun through earning souvenirs (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 also support the health management of employees by subsidizing part of the costs of thorough examinations, cancer screenings and outpatient smoking cessation.

▶ Number of participants and effectiveness of the walking rally event



We have also put into place a consultation system staffed by staff from the Health Counseling Office and Health Promotion Office, providing ongoing follow-up or encouraging employees to undergo thorough examinations based on the results of health checkups as well as face-to-face meetings with employees experiencing a mental health challenge or returning to work from one.

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.

In the area of mental health, we have conducted line care and self-care training to improve the knowledge of employees,

with the goal of early detection of mental disorders, so that each and every employee can fully demonstrate their capabilities and play an active role.

Through such training, we educate employees about how to deal with stress and share information on consultation desk services, and provide managers with correct knowledge about mental health, such as signs of subordinates' mental health issues and timing of consultations with the Human Resources Department Health Promotion Office.

As a result of these efforts, the number of high-stress patients is decreasing. Since FY2022, we have been working to enhance our early detection of mental health challenges, with early-stage detection rate as one of our key indicators.

▶ Trends in percentage of employees taking stress checks and mental health indicators

	FY2021	FY2022	FY2023	
Percentage of employees undergoing a stress check	88.3%	89.4%	93.3%	
	Target	FY2021	FY2022	FY2023
High-stress employees* ¹	10.0%	12.4%	11.5%	12.2%
Early-stage detection rate of mental challenges* ²	45.5%	15.4%	33.3%	34.7%

*¹: Percentage of employees who have strong subjective symptoms whose stress is due to very serious causes and who have very inadequate support (according to the standards of the Ministry of Health, Labour and Welfare).

*²: Percentage of employees on the first long-term leave who submitted a medical certificate (started leave) on or after the eighth day after consultation.



Balancing work with childcare, nursing care and medical treatment

NSD is striving to build a work environment where employees can continue to work while raising children, caring for family members, and being treated for diseases, aiming to diversify ways of working and promote the achievement of a healthy work-life balance.

We provide more childcare leave than statutory requirements and have created a system where employees who have a child who is in the 6th grade of primary school or younger children are allowed to work shorter working hours. We also help employees taking childcare leave return to work and provide information to them. We have established a corporate culture where employees can feel free to take childcare leave and NSD follows up with them when they return to work. As a result, the percentage of female employees taking childcare leave has been 100% since FY2000, when we began taking this statistic. The number of male employees taking childcare leave has been

steadily increasing, with the number of days taken rising 1.7-fold over the past five years. Going forward, we aim to have more days taken and to achieve a rate of 55% or more in FY2025.

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

We have developed a system where employees can feel free to receive counseling. We have established an internal work-life balance consultation desk and a consultation desk where external experts counsel employees.

As a result of improving the work environment, the percentage of women among all employees continues to rise, and the average years 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

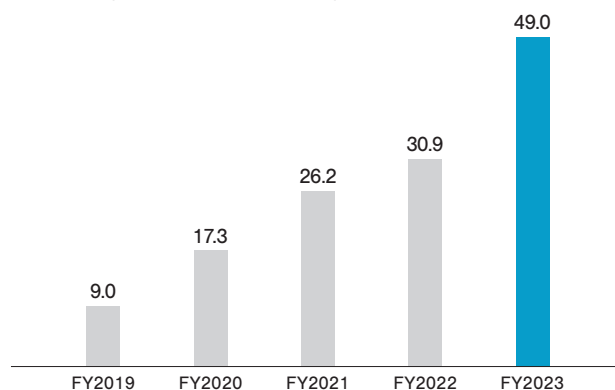
NSD believes that we can strengthen our management foundation by establishing an employee-friendly workplace environment where employees can work while maintaining their health. This enables us to secure good human resources and it increases the productivity of each employee. We aim to achieve average overtime hours of 20 hours or less and employees taking 75% or more of their paid leave. We strive to reduce overtime hours and create an environment where employees can feel free to take paid leave.

We allow employees to take half-day leave and take leave by the hour. We also provide leave for meritorious long service and 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.

▶ Percentage of male employees taking childcare leave

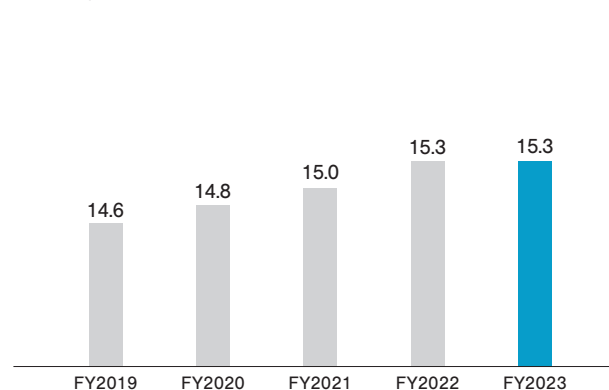
■ Percentage of male employees taking childcare leave



* : Male employees who took childcare leave from April to March of the following year/male employees who had a child during the same period.

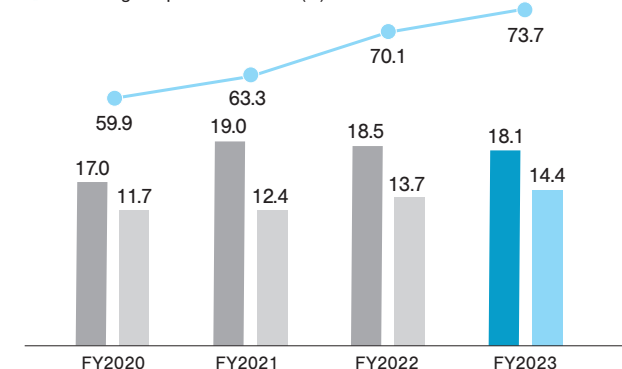
▶ Average years of service

■ Average years of service



▶ Monthly overtime hours (non-statutory) and paid leave taken

■ Average monthly overtime hours (non-statutory) ■ Paid leave taken (days)
● Percentage of paid leave taken (%)



Outside evaluation of our Health and Productivity Management initiatives

NSD has received the following certifications.

● Health & Productivity Stock / Certified Health & Productivity Management Outstanding Organizations (White 500)

We have been selected as "2024 Health & Productivity Stock" and recognized as "2024 Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category/White 500)".

Health & Productivity Stocks are jointly selected by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange from listed companies as an enterprise with excellent "health and productivity management", which are "attractive to investors who prioritize improving corporate value from a long-term perspective."

In addition, Certified Health & Productivity Management Outstanding Organizations are jointly selected by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi as corporations that practice particularly excellent health and productivity management from among those that responded to the Survey on Health and Productivity Management conducted by the said Ministry. The top corporations are awarded the White 500 designation.



● Kurumin mark

NSD has been certified as a company that actively help employees balance childcare with work by the Ministry of Health, Labour and Welfare. The Kurumin Mark certification is the proof of a company that has received this certification. NSD has acquired this certification four times: in 2008, 2013, 2016, and 2021.



● Corporate declaration of health and productivity (Silver certification)

Since 2018, we have been certified as a health and productivity organization by the Tokyo Federation of the National Federation of Health Insurance Societies for making a corporate declaration of health and productivity and for actively engaging in health initiatives.



Health and Productivity Organization Certification No. Silver #290 (6)

● Sports yell company and tokyo sports promotion company

Since 2020, we have been certified as a Sports Yell Company and a Tokyo Sports Promotion Company for four years in a row, having been praised for our active efforts in promoting exercise with the goal of having employees able to be active with good mental and physical health.

The Sports Yell Company is a certification program created in 2017 by the Japan Sports Agency to back companies working to support and promote sports activities aimed at improving employee health.

In addition, the Tokyo Sports Promotion Company is a

program by the Tokyo Metropolitan Government to certify companies engaged in initiatives to promote employee sports activities and in social action in the field of sports.



Health and Productivity Management support for business partners

We hold seminars on Health and Productivity Management for our partner companies, introducing examples of our efforts such as a hands-on mindfulness experience. We also provide additional support for our business partners by providing information on Health and Productivity Management initiatives.

● Occupational health and safety

NSD has established the Occupational Health and Safety Committee, which manages occupational safety, takes steps to improve the work environment, and carries out health management.

In addition to efforts to identify hazards and assess risks at business sites through monthly workplace inspections by industrial physicians, the committee also works to reduce overtime and monitors how many days of paid vacation are taken, assists with the health exam workflow, and addresses employees' mental health. Furthermore, the results of these activities are shared throughout the company via the Occupational Health and Safety Committee and made known to employees during training on health advancement and ways to reduce working hours.

Diversity & Inclusion

● Basic approach

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.

● Women's advancement

Efforts to promote women's advancement in the workplace

In order to promote the active participation of women in the workplace, NSD has set a target of increasing the ratio of female employees to 30% or more and to 20% or more for women in management positions by FY2030. Our recruitment activities are based on the policy of ensuring that at least 50% of all new graduates hired each year are women, with our aim to increase the ratio of female talent, including in management positions, as core to the Company's human resources.

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 from a female perspective.

► Female ratios

	FY2019	FY2020	FY2021	FY2022	FY2023
Employees (March 31)	17.6%	18.7%	19.3%	19.6%	20.8%
In management positions (March 31)	3.5%	4.7%	5.4%	6.2%	9.5%

	FY2020	FY2021	FY2022	FY023	FY2024
New graduate hires (joined April 1)	37.2%	35.7%	32.3%	46.7%	46.5%

● 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 also 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.

In particular, we hold a childcare support system seminar for male employees in an effort to have more than 55% (by FY 2025) of all male employees take childcare leave.

Furthermore, we respect the diversity of our employees and promote understanding through D&I training, e-learning programs and educational booklets on LGBTQ issues.

D&I training

As part of its efforts to create workplaces where diverse human resources can thrive, NSD provides D&I training on themes such as "understanding D&I trends and company policies" and "measures against unconscious bias." We will continue to improve our training and measures with the aim of instilling a culture of acceptance and respect for diversity within the Company.

● 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

● Basic approach

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 initiatives 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

The NSD Group Code of Conduct and 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.

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

Since FY2019, NSD has been supporting the KOSEN Programming Contest for technical colleges across Japan hosted by the Japan Federation of KOSEN Association. The contest invites technical college students from national, public, and private schools nationwide to submit programs and source codes with the aim to supply the very best talent to the IT industry.

Sponsor of the PCN Kids Programming Contest

NSD has been supporting the Kids Programming Contest, hosted by the Programming Club Network (PCN), since FY 2017. PCN is a nationwide activity group based around the concept of providing programming opportunities for all children. 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.

Sponsor of CyberSakura

NSD has been supporting CyberSakura (a cyber security education program), hosted by the NPO L community, since FY2022. 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.

Sponsor of "Generative AI 100 School Project" targeting elementary, junior high, and high schools

In FY2023, NSD supported the "Generative AI 100 School Project" undertaken by NPO "Code for Everyone"^{*1}. This project provides a beta version of "Generative AI Course" to 100 elementary, junior high, and high schools. Code for Everyone provides an environment where teachers can learn from videos at any time, from the basics of generative AI to practical classroom examples, through this project and other efforts.

^{*1}: Code for Everyone is an organization that supports children's IT education, and works to develop information and technology education in all elementary, junior high, and high schools.

●Contributing to local communities

Regional revitalization initiatives

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

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.

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

Initiatives to support disaster-affected areas

In the event of a large-scale natural disaster, NSD provides support for recovery from natural disasters and disaster relief by providing donations to the affected areas and providing services free of charge^{*2} to support companies based in the affected areas.

^{*2}: We provided network diagnosis service free of charge when the Great East Japan Earthquake occurred. This is a service that quickly collects and analyzes the communication status of network equipment and work devices such as the servers, switches and routers of companies in disaster-stricken areas, and then makes proposals for system recovery and business continuity.

●Social contribution through a shareholder benefit program

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

(FY2023 Results)

- Supporting IT education for the children of the future
- Supporting children's cafeterias
- Supporting a decarbonized society to prevent global warming

Aiming for Sustainable Growth Through the Strengthening of Group Governance and the Roll Out of Aggressive Strategies

NSD is steadily strengthening its business through proactive M&A.

With net sales exceeding 100 billion yen and the Company continuing to expand, what is needed is the strengthening of governance across the entire Group and the development of the next strategy for sustainable growth.

NSD's outside directors spoke about these initiatives, their evaluation, and future challenges, and expectations.



Outside Director
Toru Takeuchi

Outside Director
Kumiko Jinnouchi

Outside Director
Atsuhiro Kawamata

Evaluation and expectations of the three M&A transactions carried out during the current Medium-Term Management Plan

Kawamata: NSD concluded three M&A deals during the current Medium-Term Management Plan. NSD invested in Trigger to strengthen its consulting function, in ART Group to secure excellent IT personnel, and in NHOSA to establish the healthcare field as a pillar of Solution Business. I believe that each M&A transaction has a clear purpose and can be evaluated positively on the whole. Even now, Trigger is performing well with PMI and synergies are being achieved. Following its merger with NSD, further contributions to business strengthening can be expected. Meanwhile, ART Group is contributing to the securing of a diverse talent pool and the expansion of NSD's client base. Although NHOSA's business model differs from NSD's, and this is a new challenge, this M&A is a sign of its strong will to create a pillar of its Solution Business, so I have high expectations for emerging synergies.

Jinnouchi: More than a year has passed since each of the M&A transactions, and it is encouraging to see that no major issues have arisen. As Director Kawamata says, there are some aspects that can be evaluated as they are now, but I think that at least three to five years are needed to judge true success, so I will continue to objectively monitor the trends at each acquired company. In my view, how NSD's culture of valuing employees becomes embedded in the new Group companies and its employees will also be an indicator of success.

Takeuchi: Yes, I agree. It inevitably takes time to achieve significant results in an M&A. The key to NSD's growth is its evolution in the consulting and Solution Business, so I anticipate that extracting something new from these M&A deals and integrating it into the NSD Group will translate to significant growth and progress.

Proceeding with the post-M&A integration process

Takeuchi: In an integration, it is critical to remove any hierarchical relationship between the acquirer and the acquired party and to consider how to accept differences. Fortunately, the management teams of each company feel a great sense of responsibility in being entrusted with expanding the business as the NSD Group. Yet by joining NSD, which as a listed company and accountable to the public, there are many more rules to follow, and so their situation has changed greatly. That is why, as we move forward with PMI, the NSD as the parent company must be in constant dialogue with Group companies and provide explanations that ensure they are well understood. If executed successfully, the unique and excellent aspects of each company will be expressed, yielding a positive impact overall. That said, if only nominal rules are applied, the substance may not follow, and things often do not go well. To avoid this situation, I think that NSD needs to fulfill its obligations as a listed company, while also keeping abreast of the issues facing the entire Group and implementing flexible communication.

Jinnouchi: During the Board of Directors meetings in FY2023, there were many discussions about Group management, partly in light of the three acquisitions, where various measures were proposed by the management team, such as granting stock remuneration to the presidents of Group companies. NSD's M&A transactions were not about figuratively buying land, but about welcoming new members. So I think that the style of repeating a PDCA cycle and taking even better action is the optimal way to proceed with Group governance.

Kawamata: As for the specific ways to proceed with PMI at individual companies, in my opinion Trigger needs to align its business processes with NSD's following the merger. This will require a considerable effort to execute, but it is necessary to

do so prudently one step at a time. As ART Group's business model is the same as NSD's, I hope that further synergies can be generated by making good use of NSD's management base. Since NHOSA's business model is different from NSD's, it is necessary to clarify what should be monitored as KPIs. Also, NHOSA was originally preparing for an IPO and has a solid governance system, so NSD should consider how to leverage this asset.

Maintaining and advancing a sound corporate structure

Kawamata: While it is important to be mutually accepting, there are also areas where I feel NSD needs to strengthen governance. As the number of subsidiaries increases, there is a tendency for misconduct to occur in areas that are not being monitored. As the saying goes, "strike while the iron is hot," so it is important to show newly joined companies the minimum rules that need to be followed to ensure thorough compliance. The Board of Directors has also discussed this point and clearly communicated the rules to each company.

Jinnouchi: In terms of preventing misconduct, I believe it is important to have a corporate culture where employees are encouraged to take the initiative to report problems. At NSD, the president himself has fostered such a culture, as he explains the potential issues at Board of Directors meetings even at the very early stages, when it is not clear if they will become material. I have never been told of a problem until it was resolved without being informed. I consider this one of the excellent aspects of NSD.

Takeuchi: As Director Jinnouchi mentioned, the management team at NSD is very open, but as a company grows, the work of the top management is delegated down to the middle management. Amid this situation, I think it is necessary now that the Group's scale has expanded so rapidly to ensure that

the sound mindset of the current management team permeates down to the middle management layers and those closest to the on-site operations. I consider it essential for the management team to strive to maintain an environment in which each and every employee, including those who have recently joined the Group, can work with peace of mind, without eroding their genuine spirit or sound attitudes.





Good communication drives Health and Productivity Management

Jinnouchi: I believe that NSD's assets are its people, and I think that providing a healthy and comfortable working environment for employees is a factor underpinning its strong business performance. The reason the Company has been able to achieve this is because the management team and employees are able to communicate in close proximity. To cite one example, when I was invited to the Company sports day last year, I realized that there was close relationship and no barrier to communication between the officers and regular employees.

Kawamata: I felt the same way when I attended NSD's 55th anniversary ceremony. There were also many family members of employees participating, and I felt that there was a sense of unity that could be described favorably as a good old-fashioned tradition. In contrast, NSD's stance of incorporating cutting-edge DX technology is an unparalleled strength. NSD has been selected as a "2024 Health & Productivity Stock," but the essential point is not related to such evaluations, but rather that its employees feel loyalty toward the Company and its business,

and that they feel an affinity toward the management team. In my view, this is what creates NSD's culture and leads to strong Health and Productivity Management.

Takeuchi: Even at Board of Directors meetings, regular reports are made on items like employee overtime hours, turnover ratio, and remuneration levels, and I get the sense that the management team is very attuned to such matters. As the organization grows, I think NSD needs to be mindful about taking care of the middle management layer. As player-coaches, these managers are responsible for both business growth and managing their subordinates, so it's quite a challenge. I believe that fostering an environment where middle managers can maintain peace of mind and communicate smoothly with the on-site operations is essential for NSD to continue promoting its sound growth. I intend to carefully observe and ensure that the positive relationship between the current senior management and the front lines is also fostered between the middle managers and the on-site operations.

Strengthening the governance system and company growth

Takeuchi: Generally speaking, there are two points to consider when outside directors supervise internal directors: how much information is provided by the Company, and how much time the outside directors can devote to such supervision. At NSD, if information is requested, it will be received and will inevitably be provided with a thorough explanation until the requestor is satisfied. Outside directors are also well prepared when they join Board of Directors meetings. As a result, there is a lot of lively Q&A and very in-depth discussions. Furthermore, Yuriko Kajiwara, formerly of the national broadcaster NHK, joined us as a new outside director in June. As she has worked with news, I expect that she will be able to give NSD advice on how it is viewed and on how it should disseminate information.

Kawamata: In terms of the composition of the Board of Directors, the addition of Director Kajiwara brings the percentage of outside directors to 50%, which I think is ideal. In management decision-making, both the knowledge accumulated within the Company by internal directors and the diverse knowledge based on the experience of outside directors are needed. To me the equal exchange of opinions in a 4:4 director structure will revitalize discussions and the ability to exercise a check-and-balance function, creating stronger governance.

Jinnouchi: While it might be obvious, but if I were to point out a challenge with the management team, it would be that it lacks experience managing a company with net sales of 100 billion yen as NSD has reached that threshold. In this context, the current outside directors have experience managing some of Japan's leading companies and fulfilling social responsibility. Building on this experience, they can propose the way NSD "should be" as a large corporation. NSD's management team can take in these ideas and discuss how NSD should grow. I expect this process will lead to corporate management under effective governance in a positive sense.

On aggressive strategies

Jinnouchi: As an IT company, NSD is constantly pursuing new technologies and is driven to roll out new businesses, and I always feel a sense of urgency and positive tension from the management team. On the other hand, I think that it is necessary to have a stable management since being involved in a customer's system is in a sense, the work of taking care of the customer's assets themselves. I think NSD needs to be more conscious of the balance between constantly innovating and ensuring business stability as it rolls out its aggressive strategies moving forward.

Takeuchi: In the current favorable business environment, there is a plethora of IT companies, but I think that a time will come when many will be eventually weeded out. When that happens, only companies that have something unique to offer are expected to survive. NSD will also need to have multiple weapons to ensure its sustainable growth. To achieve this, I think it would be ideal to have a system comprising several unique organizations, each with the freedom to operate independently to some degree, while the Company serves as the infrastructure by securing the necessary capital. That said, such a system inevitably reduces capital efficiency. It is said that management should be conscious of the cost of capital. Yet rather than pursuing this numerically, I would prefer from a long-term view to aim for sustainable improvement in corporate value via forward-looking investments that may reduce efficiency slightly but will build up strength.

Kawamata: Yes, I think so. As its scale expands and it gains more attention from society, I think it is necessary for NSD to clarify not only the numbers, but also the vision of where it is heading as an IT company and in which fields it will contribute to society. NSD has set DAS (DX, AI, and Solution Businesses) as its key businesses. I think it is important for the Company including the outside directors to discuss what kind of position it is aiming for in the markets of these fields and to create a shared understanding throughout the Company.

Takeuchi: I also think that it is time to clarify the Company's vision more fully. NSD continues to grow steadily, but I think that a major challenge lurks in the road ahead. In overcoming such challenges, there will be times when you will have to tackle something that is somewhat tough, and your performance may temporarily decline. I think that NSD needs to create a banner so that it can continue to move forward without losing sight of its goal, even as it encounters bumps in the road. The clearer that is, the more stakeholders will follow.

The role of an outside director

Jinnouchi: As NSD is a B-to-B company, if it does a good job, it leads to inquiries and referrals for the next one. It values employees who do a good job. It has achieved growth through this kind of virtuous cycle. That said, as NSD has grown to its current scale, I think that the level of attention it receives and expectations of it have risen beyond what everyone in the Company believes them to be. As outside directors are also proxies of shareholders, our role should not just end with reporting that the Company's performance was good. We should also extract more specific explanations from the management team about things like factor analysis, forecasts, and future visions, and communicate them to all shareholders. I would like to do my best in this regard.

Kawamata: As Director Takeuchi commented earlier, I think NSD should be working to nurture new buds for the future, and I think it has become a company of a suitable size to accomplish that. And management will need to explain to the stakeholders that the costs involved are necessary. In addition, the Company's stakeholders and their requirements are becoming more complex and diverse, so it is no longer an environment in which only internal members can make sound decisions on various aspects of management. As an outside director, I will support these future initiatives and responses to environmental changes from a fresh and independent perspective.

Takeuchi: In my previous roles, I experienced management and executive positions as the companies grew. I oversaw organizations ranging from dozens to tens of thousands of employees. The way those who take on leadership positions in each organization was different. While there were times when I was happy that the organization synchronized well, there were other times when I struggled with unexpected developments. In reflection, I now understand that while there are a variety of factors that can lead to success, this is not the case with failure.



I have accumulated this kind of analytical data in my own mind. Therefore, as NSD continues to grow, I believe I can advise management to pause and reconsider if I think they are about to make a decision with a high probability of failure. There is a frank atmosphere where such opinions are welcomed, which I find rewarding. I have high expectations for NSD, which has moved up to its next stage, to make even greater advances going forward.

Message

I will strive to support the creation of a company where diverse and talented people want to join.

Making the most of a career based on the motto of "people development" and "workplace development"

I started my career as a director at a broadcasting station after graduating from university. After becoming a manager, I worked in not only the program production department but also the programming and management departments. Looking back, the methods I developed during my time as a director—focused on enhancing individual abilities and morale through "people development" and "workplace development" to improve output—have been beneficial in my subsequent positions as well.

When I was approached by NSD about becoming an outside director, I was surprised because it was an area I had no experience in. Yet I didn't have any major concerns, and what I felt more was that the offer was attractive. The reason for this is that the types of businesses NSD's customers are involved in are incredibly diverse, and opportunities for growth are expected to continue expanding. What also impressed me a lot is the low turnover rate at NSD. I thought it must be a company that values its employees and where each individual can feel a sense of growth. I thought that my career, which has been based on the motto of "people development" and "workplace development," might be of use at NSD. In my previous role, I respected staff and performers with different expertise to my own, and I worked hard to produce the best output that would be widely sought after by society. I accepted the position of outside director because I thought I could make use of my experience in this way.

Sensing a corporate culture that values its employees

I feel that the Board of Directors meetings are highly effective, with everyone able to speak out. I think that this frank atmosphere among the management team has led to quick and effective

business decisions and has helped the Company achieve its Medium-Term Management Plan target of 100 billion yen in net sales two years ahead of schedule. It is also noteworthy that while continuing to grow at a steady clip, NSD has also been selected as a "2024 Health & Productivity Stock." The management team often talks about the on-site operations in meetings and casual conversations. Every time I hear such comments, I feel that the corporate culture that values its employees is genuine.

Promoting diversity to increase the number of employees who can demonstrate their abilities with vitality

I believe my experience at a media organization can be put to good use in the areas of corporate management and compliance, and in particular, diversity, which has become increasingly vital in recent years.

In the puppet show I produced for television in my previous role, I wanted to enhance the self-affirmation of all children by conveying the message, "You are perfect just the way you are." The protagonist of that program was a dinosaur child with an unusually large body, and the elementary school that accepts her is overwhelmed dealing with her size. Meanwhile, the principal of the elementary school, a turtle of small stature, uses the small toilet for first-year students. While each of the other characters has their own unique traits, the worldview in which everyone can live with vitality, expressing their own authentic selves and abilities rather than feeling out of place, was quickly embraced by children, parents and guardians, and schools. The program is still being broadcast today, and it is said to have been a pioneering program that focused on diversity at a time when the term "diversity" was not yet commonly heard in Japan.

The same goes for companies. If each and every employee can improve their sense of self-affirmation and work with vitality, it will not only revitalize the organization and improve the quality

Outside Director

Yuriko Kajiwara



of work, but will also lead directly to customer satisfaction. Furthermore, promoting diversity can also lead to the uncovering of competencies unimaginable from a person's attributes. As an outside director, I will strive to provide appropriate advice so that a diverse and talented workforce will aspire to join NSD by increasing the number of employees who can demonstrate their abilities with vitality without being constrained by their attributes or work styles.

Striving to reduce risks and revitalize the organization, and contributing to improving corporate value

NSD achieved net sales of 100 billion yen, thanks in part to M&A, and a significant expansion in both human resources and projects. To make the most of this business opportunity, it is important to work on enhancing the compliance level of the Group and to foster a sense of unity. Although generally speaking, there may temporarily be some negative aspects, such as an increase in communication costs related to Group management, I firmly believe that NSD, which values its employees, will succeed.

I intend to monitor and support the company culture to ensure that each and every employee can work in good health and demonstrate their abilities. Furthermore, I will strive to reduce risk and revitalize the organization to further satisfy its stakeholders through continued advancement and contribute to the improvement of the corporate value of the Group.



Governance Initiatives

NSD 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

● Basic approach

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.

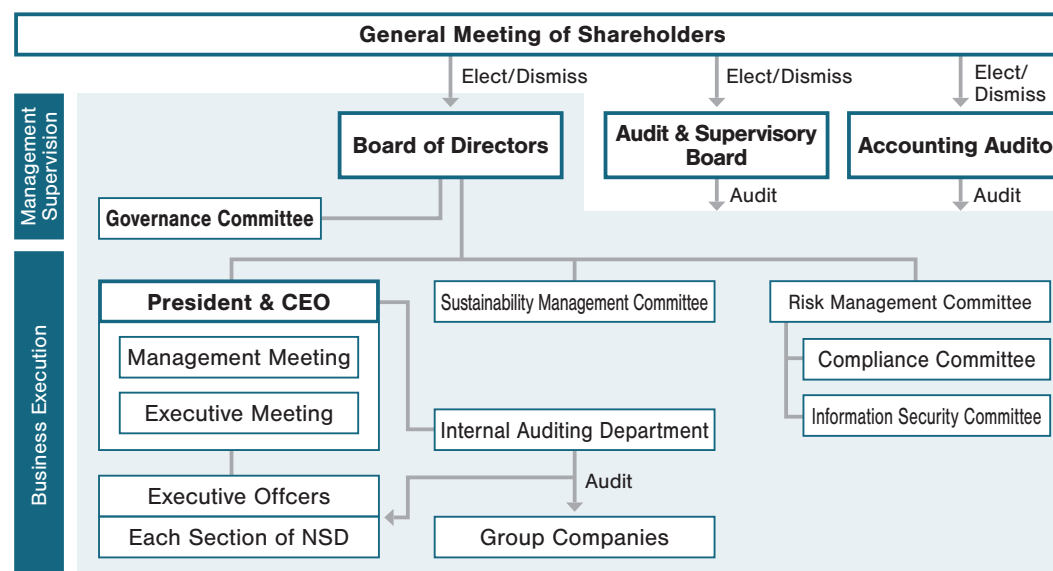
● Corporate governance structure

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.

► Corporate governance structure map



Board of Directors

The Board of Directors is comprised of eight directors, of which four 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 fulltime 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 five members: the President & CEO and four outside directors. The Committee provides advice and recommendations to the Board of Directors based on deliberations of various matters, including the nomination and removal of directors and Audit & Supervisory Board members and remuneration systems for directors, and decides on matters delegated by the Board of Directors.

Management Meeting and Executive 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 nine members: eight directors (including four 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 14 members: eight directors (including four outside directors), a full-time Audit & Supervisory Board member, and five executive officers. The Executive Meeting is convened, as a general rule, 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

NSD has 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.

Structures of each organization (as of October 1, 2024)

Name	Position	Board of Directors	Audit & Supervisory Board	Governance Committee	Management Meeting	Executive Meeting	Sustainability Management Committee	Risk Management Committee	Compliance Committee	Information Security Committee
Yoshikazu Imajo	President & CEO	◎		◎	◎	◎	◎	◎	◎	
Hideshi Maekawa	Director, Senior Managing Executive Officer	○			○	○	○	○	○	◎
Osamu Yamoto	Director, Senior Managing Executive Officer	○			○	○		○	○	○
Hidetaka Kikawada	Director, Managing Executive Officer	○			○	○		○	○	○
Yuriko Kajiwara	Outside Director	○		○	○	○				
Atsuhiko Kawamata	Outside Director	○		○	○	○				
Kumiko Jinnouchi	Outside Director	○		○	○	○				
Toru Takeuchi	Outside Director	○		○	○	○				
Kiyokimi Yagi	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					○		○	○	○
Naoki Matsumoto	Managing Executive Officer					○		○	○	○
Related officers, department managers, etc.						○	○	○	○	○

◎ : Chair, ○ : Member

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 policies. The committee is chaired by the Head of the Corporate Service Division and is comprised of related officers and department managers.

● 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, bonuses 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 incentive-based 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 is comprised of restricted shares issued annually per the following conditions, etc., as medium- to long-term incentive-based remuneration.

(Transfer restriction period and lifting of restrictions)

The transfer restriction period is from the day the shares are issued until the day that the Company's officer retires from any position of director, executive officer or the equivalent ("Officer"). The transfer restriction is lifted upon the expiration of the transfer restriction period, provided that the Officer has remained in the position of an Officer throughout the transfer restriction period.

(Acquisition Without Consideration)

In case an Officer resigns or retires from the position of Officer without justifiable reason, or commits an act that significantly damages the social credibility of the Company during the transfer restriction period, the Company will acquire all of the restricted shares without consideration. Provided, however, that in case an Officer resigns or retires from the position of Officer due to death or other reasons

▶ Total remuneration for each officer category and number of recipients (FY2023 Results)

Category	Payment amount (millions of yen)	Total amount for each type of remuneration (millions of yen)			Number of recipients
		Fixed remuneration	Performance-linked remuneration	Non-monetary remuneration	
Directors (Outside directors)	199 (25)	124 (25)	46 (—)	28 (—)	7 (3)
Audit & Supervisory Board members (Outside Audit & Supervisory Board members)	28 (13)	28 (13)	— (—)	— (—)	4 (3)
Total	228	153	46	28	11

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

* : Fixed remuneration is the amount of base remuneration paid during the fiscal year ended March 31, 2024, 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.

* : As of March 31, 2024, there are seven directors (three of whom are outside directors) and three Audit & Supervisory Board members (two of whom are outside Audit & Supervisory Board members). The number of recipients differs from the number of officers as of March 31, 2024 because it includes one Audit & Supervisory Board Member who retired due to expiration of his term of office at the conclusion of the 54th Ordinary General Meeting of Shareholders held on June 27, 2023.

deemed legitimate by the Board of Directors, the timing and number of shares for which to lift the transfer restriction will be reasonably adjusted.

The number of shares to be issued is calculated based on the stock remuneration threshold amount determined according to position held and the closing price of the Company's common stock on the business day preceding the resolution of the Board of Directors regarding the allocation of shares. Provided, however, that the total number of shares to be issued to directors shall be 40,000 shares or less per year. In case of a stock split or consolidation that requires adjustment of the total number of shares, the total number will be reasonably adjusted.

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.

Compliance

● Basic approach

NSD recognizes that compliance forms an important foundation for 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.

● NSD Group Code of Conduct and NSD Group Behavioral Guidelines

NSD Group Code of Conduct sets forth the basic policies on compliance that all officers and employees of NSD and its subsidiaries must follow in their business activities.

In order to realize the NSD Group Code of Conduct, we have established the NSD Group Behavioral Guidelines, which sets forth guidelines that all officers and employees of NSD and its subsidiaries must follow from the perspective of relationships with society, business activities, and the Company, as well as mutual relationships within the Company.

● Compliance structure

NSD has established the Risk Management Committee in order to carry out company-wide cross-functional risk management, and under this committee, we have established the Compliance Committee.

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 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 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, the Development Support Department reviews the transaction to ensure compliance with various

guidelines and laws, such as Japan's Subcontractor Act and Temporary Staffing Services Act, as well as various guidelines.

Actions to prevent corruption

We engage in fair business activities following social norms and comply with all laws and regulations related to anti-corruption, 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.

Anti-Bribery and Corruption Policy

1. Purpose

All officers and employees of the NSD Group shall be aware of the potential serious impact of bribery of public officials and others on the NSD Group and on society, and shall not tolerate any forms of corruption or bribery. We shall comply with anti-bribery and corruption laws and regulations and conduct ourselves in accordance with this policy.

2. Prohibition of gift giving and entertainment

We shall not offer anyone entertainment, money or other gifts, directly or indirectly through third parties, for the purpose of gaining unjust advantage. We shall always carry out the procedure for obtaining approval in accordance with internal rules before giving or receiving any entertainment or gifts within the scope of laws and regulations and within the bounds of social common sense.

3. Thorough management of accounting records

We shall prepare accounting books in reasonable detail and retain records of all of the transactions of NSD and its subsidiaries.

4. Development and operation of system for seeking advice and reporting

We shall report to our managers or the compliance division any requests for the payment of expenses or money received from public officials or others and deal with any such requests in an appropriate manner.

5. Continuous improvement

We shall develop appropriate internal systems for preventing bribery and corruption through monitoring and other means, and continuously review these systems and strive for improvement.

● Tax compliance

Under the following policy, NSD fulfills its tax obligations following the laws and regulations of the countries and regions where it operates.

Legal compliance

We comply with the tax laws of each country and international tax rules. We strive to fulfill our tax obligations according to a high standard of corporate ethics and good sense, fully understanding relevant tax laws, along with international situation and practices.

Tax planning

We do not engage in transactions or tax planning without economic basis for the purpose of tax avoidance.

Relationship with tax authorities

We disclose information in good faith and appropriately in response to requests from tax authorities in each country and region, strive to ensure tax transparency, and work toward building and maintaining fair relationships with tax authorities through sincere responses and dialogue.

Enhancing corporate value

We endeavor to optimize tax costs and enhance corporate value by appropriately utilizing tax incentives that suit the purpose of business operations.

Data Privacy & Security

● Basic approach

As an IT company responding to the era of digital transformation (DX), 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

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.

● Establishing an information security management system

NSD has established the Information Security Committee under the Risk Management Committee to strengthen information security. The Information Security Committee is chaired by the Head of the Corporate Service Division and its members are related officers and department managers. The committee regularly assesses information security risks facing the company as a whole, puts in place preventive measures, and confirms 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 specialized 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 continue to strengthen our defenses and provide training and education to eliminate human vulnerabilities.



Quality Management

● Basic approach

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 human resources development through various training programs.

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, NSD evaluates and improves quality in every phase and process, from project estimates to delivery. For projects over a certain size, members of the Quality Support Department are given exclusive responsibility, and together with the departments in charge of development, work on quality assurance activities.

● Process improvement through 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.

Purpose

- Improve the quality and productivity of work and work deliverables by using internally approved manuals and templates
- Enable execution of work at a certain level by reducing dependencies on individual tasks

Improvement model

NSD has adopted Capability Maturity Model Integration (CMMI)^{*1} as an improvement model and created an NSD standard process by imparting our experience and achievements in CMMI theory.

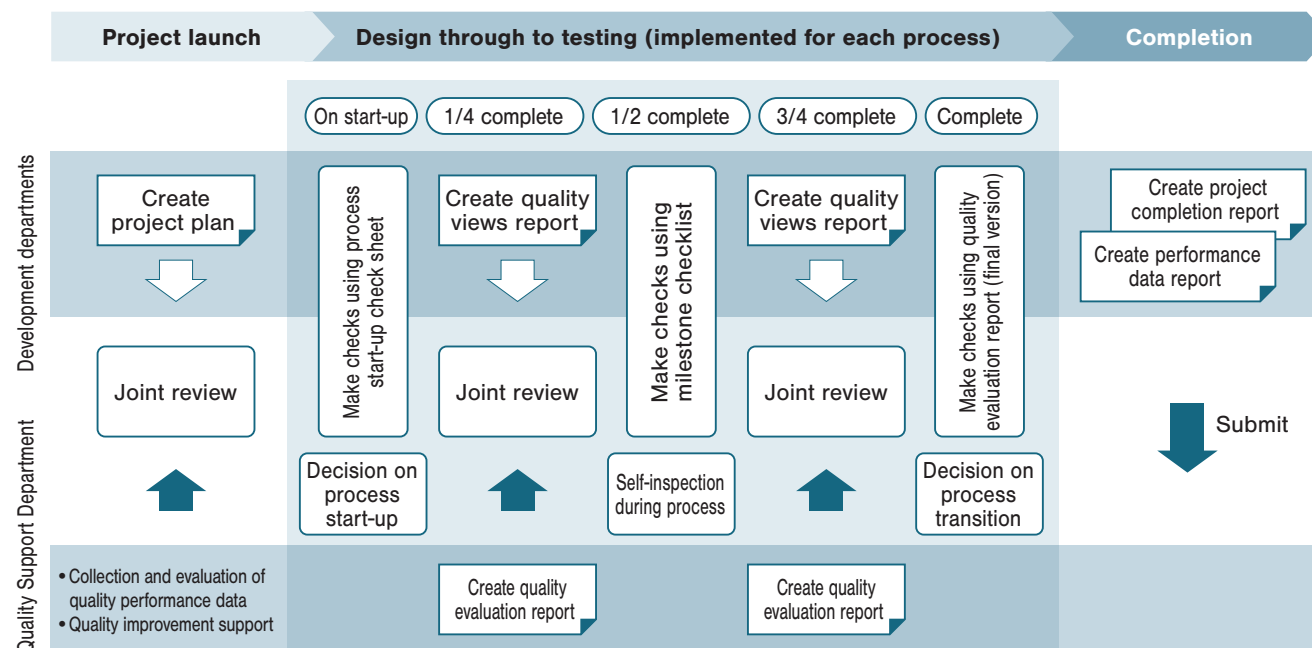
^{*1}: CMMI is a framework for improving software development processes developed at Carnegie Mellon University's Software Engineering Institute.

Tailoring

We are promoting utilization at development sites by tailoring^{*2} to suit the characteristics of each project.

^{*2}: Tailoring is the creation of project rules through the modification of basic standard processes to suit individual circumstances and customer improvement requests.

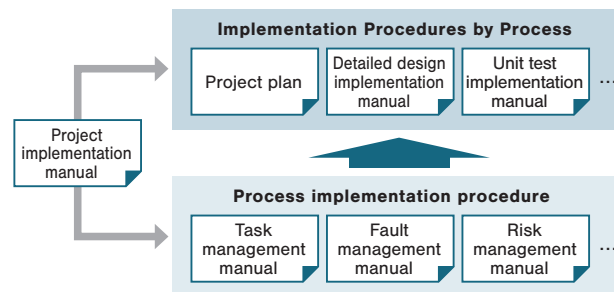
► Project flow for quality evaluation and improvement



Configuration

The NSD standard process consists of “organizational manuals” and “project templates.” The basic manuals for the NSD standard process is the “project implementation manuals.”

► Configuration of the NSD Standard Process



- Defines the organization's “standard process list,” “project policy,” and “project implementation procedure.”
- All manuals and templates are referenced and created derived from this.

● Human resources development through various training programs

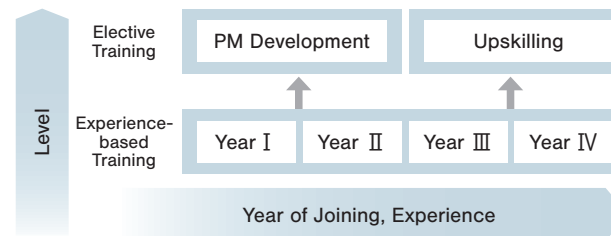
In addition to basic training based on experience in the Company, NSD provides training focused on nurturing project managers and training to improve technical skills in order to develop our human resources. Through these efforts, we are striving to meet customer expectations by further improving quality and productivity.

We are actively promoting human resources development with a particular emphasis on project management. More than 10% of employees are certified as a Project Management Professional (PMP)[®], which we encourage the employees to become certified.

Furthermore, the Project Management Institute (PMI)[®] has certified us as an “Authorized Training Partner (ATP).”

* : Project Management Institute (PMI) and Project Management Professional (PMP) are registered trademarks of PMI in the United States.

► Training model



- Experience-based training: Employees learn the basics of project management based on their experience and role in the Company .
- Elective training: Employees acquire the management skills required by their position.

● 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.

In order to achieve this, we establish targets from the perspective of QCD+CE during project planning, and check progress against those targets through milestone reviews during project execution. Furthermore, at the conclusion of a project, a review is conducted to evaluate whether the project has achieved its targets, in order to improve the quality of the project.

► Five elements of project success



● Third-party evaluations

In 2014, our Industrial Business Division*, Technology & Process Support Department, and Quality Support Department were certified as CMMI[®] Maturity Level 3, and we have continued to remain certified since then. CMMI[®] (Capability Maturity Model Integration) is a process improvement maturity model developed by Carnegie Mellon University's Software Engineering Institute and adopted worldwide as a global standard for measuring software development capabilities.

* : Currently Industrial Business Division 1 and Industrial Business Division 2



Management System (As of October 1, 2024)

Directors



Yoshikazu Imajo

(Born October 13, 1961)

President & CEO

Attendance record in FY2023:
Board of Directors mtgs:
15/15
Governance Committee mtgs:
4/4

Term of office: 18 years

Apr. 1984 Joined NSD Co., Ltd. (NSD)
Apr. 2005 Executive Officer Chief General Manager, System 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)



Hidetaka Kikawada

(Born May 18, 1973)

Director

Managing Executive Officer

Attendance record in FY2023:
Board of Directors mtgs:
15/15

Term of office: 2 years

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.
(Currently NSD-DX Technology Co., Ltd.)
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)
Apr. 2024 Director, Managing Executive Officer
Head of Innovation Strategy Business Unit
Chief General Manager, Enterprise Business Division (present position)



Hideshi Maekawa

(Born February 16, 1962)

Director,

Senior Managing

Executive Officer

Attendance record in FY2023:
Board of Directors mtgs:
15/15

Term of office: 18 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)



Yuriko Kajiwara

(Born October 13, 1963)

Director

Term of office:

Newly appointed

Apr. 1988 Joined Japan Broadcasting Corporation
Jun. 2017 Head of the Programming Division, Osaka Station
Jun. 2019 Director, Chiba Station
Jun. 2021 Deputy Director, Secretariat for Board of Governors
(Mar. 2023 Retired from Japan Broadcasting Corporation)
Jun. 2024 Outside Director, NSD (present position)
Outside Director, Daisue Construction Co., Ltd. (present position)

Outside Director
Independent Officer



Osamu Yamoto

(Born February 20, 1963)

Director,

Senior Managing

Executive Officer

Attendance record in FY2023:
Board of Directors mtgs:
14/15

Term of office: 10 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)



Atsuhiko Kawamata

(Born August 14, 1961)

Director

Attendance record in FY2023:
Board of Directors mtgs:
15/15
Governance Committee mtgs:
4/4

Term of office: 4 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

Management System (As of October 1, 2024)

● Directors



Kumiko Jinnouchi

(Born February 16, 1967)

Director

Attendance record in FY2023:
Board of Directors mtgs:
15/15
Governance Committee mtgs:
4/4

Term of office: 5 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
Representative Attorney-at-law (present position)
Jun. 2019 Outside Director, NSD (present position)

Outside Director
Independent Officer



Toru Takeuchi

(Born January 1, 1959)

Director

Attendance record in FY2023:
Board of Directors mtgs:
15/15
Governance Committee mtgs:
4/4

Term of office: 3 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

● Audit & Supervisory Board Members



Kiyokimi Yagi

(Born July 16, 1963)

Full-Time Audit &
Supervisory Board Member

Term of office:
Newly appointed

Apr. 1986 Joined Toyo Trust and Banking Company,
Limited (now Mitsubishi UFJ Trust and Banking Corporation)
Oct. 2015 Joined NSD
General Manager, Office of President
Apr. 2016 Executive Officer
General Manager, Office of President
Jun. 2017 Executive Officer
General Manager, Corporate Administration and Investor Relations Office
Apr. 2019 Executive Officer
General Manager, Corporate Secretary Department
Jun. 2024 Full-Time Audit & Supervisory Board Member (present position)



Kunio Kawa

(Born July 16, 1955)

Audit & Supervisory
Board Member

Attendance record in FY2023:
Board of Directors mtgs:
15/15
Governance Committee mtgs:
16/16

Term of office: 2 years

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)
Jun. 2024 Outside Audit & Supervisory Board Member, Toshiba Tec Corporation
(present position)

Outside Audit & Supervisory Board Member
Independent Officer



Chieko Nishiura

(Born March 1, 1984)

Audit & Supervisory
Board Member

Attendance record in FY2023:
Board of Directors mtgs:
11/11
Governance Committee mtgs:
12/12

Term of office: 1 year

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)
Oct. 2023 Outside Director, TSUKURUBA Inc. (present position)

Outside Audit & Supervisory Board Member
Independent Officer

* : Term of office represents the period as of June 2024.

Major Areas of Experience and Expertise of Board Members (Skills Matrix)

Position	Name	Gender	Basic Skills				Operational Skills	
			Corporate Management	Legal & Compliance	Finance & Accounting	Global Business	Technology	Operational Expertise
Director	Yoshikazu Imajo	Male	○	○			○	○
	Hideshi Maekawa	Male	○		○		○	○
	Osamu Yamoto	Male	○				○	○
	Hidetaka Kikawada	Male	○				○	○
	Yuriko Kajiwara	Female	○	○				
	Atsuhiko Kawamata	Male	○		○	○		
	Kumiko Jinnouchi	Female	○	○				
	Toru Takeuchi	Male	○		○	○		
Audit & Supervisory Board Member	Kiyokimi Yagi	Male	○	○	○			
	Kunio Kawa	Male	○	○	○			
	Chieko Nishiura	Female		○	○			

* : The table above indicates the main categories of skills (up to four) of ones each person holds.

● Skill categories and reasons for selection

NSD classifies the skills that the Board of Directors should possess in carrying out management strategies into “basic skills” and “operational skills.”

Basic skills include four general skills necessary for effective management supervision: corporate management, legal & compliance, finance & accounting, and global business.

Necessary operational skills are selected based on our management strategies and business characteristics. Our mission is to propose and provide IT solutions that are truly needed by our customers and society. To this end, we select technologies and operational expertise based on the belief that we need to have high-level technical capabilities and a deep understanding of customers' operations to realize their needs.

● Skill requirements

Skill		Requirements
Basic Skills	Corporate Management	Experience as a director of a listed company or equivalent
	Legal & Compliance	Experience as an attorney-at-law, experience as an auditor of a listed company, or experience in legal and compliance departments
	Finance & Accounting	Experience working as a certified public accountant or in finance and accounting departments
	Global Business	Experience working overseas
Operational Skills	Technology	Expertise in IT or experience in system development experience in IT companies/departments
	Operational Expertise	Extensive insight into the businesses, products, etc. of customers, or experience in system design and consulting

* : “Experience” is defined as three years or more for basic skills and five years or more for operational skills.

Executive Officers (As of October 1, 2024)

Names of executive officers and their responsibilities are presented below.

Name	Position	Responsibility in the Company
Hideshi Maekawa	Director, Senior Managing Executive Officer	Head of Corporate Service Division Head of Corporate Planning Division
Osamu Yamoto	Director, Senior Managing Executive Officer	COO (Responsible for) Development Support Division
Hidetaka Kikawada	Director, Managing Executive Officer	Head of Innovation Strategy Business Unit Chief General Manager, Enterprise Business Division (In Charge of) Consulting Business Unit
Satoshi Kiyota	Managing Executive Officer	Head of Financial Business Unit
Atsuji Kobayashi	Managing Executive Officer	Head of Social Infrastructure Business Unit Chief General Manager, Social Infrastructure Business Division 2, Social Infrastructure Business Unit (In Charge of) Social Platform Division
Akio Shinno	Managing Executive Officer	Head of Industry & Solution Business Unit (In Charge of) IT Infrastructure Business Division
Naoki Matsumoto	Managing Executive Officer	Head of Consulting Business Unit
Toshiyuki Oue	Executive Officer	Corporate Service Division, (In Charge of) Accounting & Finance Department
Yoshihiko Kurihara	Executive Officer	Corporate Planning Division, (In Charge of) Corporate Planning Department, (In Charge of) Legal & Compliance Department
Hajime Shinagawa	Executive Officer	Chief General Manager, IT Infrastructure Business Division
Shingo Shinohara	Executive Officer	Chief General Manager, Social Infrastructure Business Division 1, Social Infrastructure Business Unit Chief General Manager, Social Platform Division
Masaru Sugiura	Executive Officer	Chief General Manager, Industrial Business Division 2, Industry & Solution Business Unit

Name	Position	Responsibility in the Company
Shinji Suzuki	Executive Officer	Chief General Manager, Financial Business Division 1, Financial Business Unit
Shinsuke Tai	Executive Officer	General Manager, Corporate Secretary Department, Corporate Service Division
Umon Takahashi	Executive Officer	Chief General Manager, DX Business Division, Innovation Strategy Business Unit
Shuuji Takahashi	Executive Officer	Chief General Manager, Industrial Business Division 1, Industry & Solution Business Unit
Tsuyoshi Takeda	Executive Officer	Chief General Manager, Financial Business Division 2, Financial Business Unit
Takayuki Tanabe	Executive Officer	Chief General Manager, Development Support Division
Kiyoharu Taniguchi	Executive Officer	Chief General Manager, Financial Business Division 3, Financial Business Unit
Shuichi Tamura	Executive Officer	Chief General Manager, SI Strategy Business Division, Consulting Business Unit
Mayuko Miike	Executive Officer	Corporate Service Division, (In Charge of) Human Resources Department, (In Charge of) General Affairs Department
Koubun Yanagisawa	Executive Officer	Chief General Manager, IT Consulting Business Division, Consulting Business Unit
Yasushi Wada	Executive Officer	Chief General Manager, Market Development Business Division, Innovation Strategy Business Unit

● Key financial data (consolidated)

(millions of yen)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Operating Results										
Net sales	42,990	51,585	55,234	58,080	61,944	65,063	66,184	71,188	77,982	101,263
Cost of sales	33,777	40,674	43,762	46,172	48,780	51,118	52,145	55,350	60,431	76,302
Gross profit	9,213	10,911	11,472	11,907	13,164	13,945	14,038	15,837	17,550	24,961
Selling, general, and administrative expenses	4,069	4,532	4,298	3,989	4,509	4,400	4,195	4,422	5,025	9,781
Operating income	5,144	6,378	7,173	7,918	8,654	9,545	9,842	11,414	12,524	15,180
EBITDA (Operating income + Amortization of goodwill + Depreciation)	5,507	6,904	7,666	8,470	9,355	10,208	10,509	12,156	13,351	17,751
Ordinary income	5,326	6,456	7,300	8,119	8,756	9,661	9,955	11,654	12,662	15,340
Net income attributable to owners of the parent	2,973	3,110	4,543	5,368	5,817	6,314	6,373	7,823	10,219	10,262
Orders received (System Development Business)	35,576	42,836	43,778	46,415	48,999	58,916	59,817	67,640	72,411	87,239
Order backlog (System Development Business)	7,195	8,511	8,460	9,423	10,068	13,175	13,895	17,581	19,830	21,901
Profitability Indices										
Gross profit margin (%)	21.4	21.2	20.8	20.5	21.3	21.4	21.2	22.2	22.5	24.6
Operating margin (%)	12.0	12.4	13.0	13.6	14.0	14.7	14.9	16.0	16.1	15.0
EBITDA margin (%)	12.8	13.4	13.9	14.6	15.1	15.7	15.9	17.1	17.1	17.5
Ratio of net income to net assets attributable to NSD shareholders (ROE) (%)	6.9	7.5	10.8	12.1	12.6	13.8	13.7	15.7	19.3	17.5
Ratio of ordinary income to total assets (%)	10.9	13.2	14.7	15.5	15.9	17.6	17.6	19.0	19.3	19.8
Financial Position										
Current assets	34,887	34,543	37,073	34,425	35,819	39,654	44,068	48,206	55,119	50,121
Non-current assets	14,910	13,649	13,836	19,621	20,058	14,230	15,390	15,067	13,040	36,284
Total assets	49,797	48,193	50,910	54,046	55,878	53,885	59,458	63,274	68,159	86,405
Current liabilities	6,345	6,171	6,525	7,392	7,701	7,820	8,823	9,435	11,123	14,547
Non-current liabilities	744	459	407	640	830	1,086	1,461	1,994	1,577	7,825
Total liabilities	7,090	6,631	6,932	8,033	8,532	8,907	10,284	11,429	12,701	22,373
Net assets	42,707	41,561	43,977	46,013	47,345	44,978	49,173	51,844	55,458	64,032

* : 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).

●Key financial data (consolidated)

(millions of yen)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Per Share Indices ^{*1}										
Net income per share (EPS) (yen)	36.02	35.49	52.90	63.38	69.65	78.21	80.10	99.37	132.31	133.29
Net assets per share (yen)	473.17	471.17	505.34	537.08	566.36	557.46	613.71	657.57	711.73	811.26
Annual dividend per share (yen) ^{*2}	39.0	18.5	22.0	26.0	30.0	46.0	42.0	52.0	67.0	72.0
Capital Expenditure, Depreciation & Amortization and Research & Development Expenses										
Capital expenditure	998	532	295	213	314	553	689	560	390	566
Depreciation & amortization	297	413	424	443	468	427	423	492	490	1,287
Research & development expenses	239	263	147	65	157	155	118	184	190	236
Cash Flows										
Cash flows from operating activities	4,512	2,304	5,115	6,457	5,461	6,764	8,157	7,244	10,067	12,188
Cash flows from investing activities	285	263	1,500	-5,822	-412	4,285	-658	-377	6,018	-17,849
Cash flows from financing activities	-4,937	-3,463	-2,692	-3,321	-4,556	-8,569	-3,628	-6,146	-7,574	-5,770
Free cash flow	4,798	2,568	6,615	634	5,048	11,050	7,499	6,867	16,085	-5,661
Cash and cash equivalents at end of period	21,930	20,942	24,875	22,168	22,681	25,172	29,029	29,757	38,297	26,987
Shareholder Returns ^{*2}										
Dividend payout ratio (%)	108.3	52.1	41.6	41.0	43.1	58.8	52.4	52.3	50.6	54.0
Total return ratio (%)	165.7	112.1	63.7	66.3	77.1	137.5	67.7	86.3	74.9	70.5
Stock Price Indicators										
Year-end stock price (yen)	885.50	832.00	804.00	1,085.50	1,288.50	1,440.00	1,841.00	2,192.00	2,384.00	2,976.00
Market capitalization	79,028	72,398	69,009	91,693	106,697	114,789	145,822	170,657	183,254	228,799
Price-to-book-ratio (PBR)(x)	1.87	1.77	1.59	2.02	2.28	2.58	3.00	3.33	3.35	3.67
Price-earnings-ratio (PER)(x)	24.58	23.44	15.20	17.13	18.50	18.41	22.98	22.06	18.02	22.33
Total shareholder return (TSR)(%) ^{*3}	—	—	—	—	—	115.3	149.7	181.0	201.1	252.6
(Comparison index: TOPIX including dividends [%])	(—)	(—)	(—)	(—)	(—)	(90.5)	(128.6)	(131.2)	(138.8)	(196.2)

*1: 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.

*2: The dividends for FY2014 and FY2019 include a 45th anniversary commemorative dividend (22.5 yen) and a 50th anniversary commemorative dividend (14 yen), respectively.

*3: Total shareholder return is the total return, including dividends and capital gains, and is calculated with the stock price at the end of FY2018 as a base of 100%.

Key financial data (consolidated)

(millions of yen)

	FY2020	FY2021	FY2022*4		FY2023
			Previous Standard	New Standard	
By Segment*5					
Net sales					
System Development Business					
Financial IT	20,790	22,307	24,561	24,561	30,921
Industry IT				17,322	23,939
Social Infrastructure IT	30,339	32,509	35,506	18,157	20,306
IT Infrastructure Construction	8,052	9,353	10,275	10,797	11,870
Solution Business	7,098	7,257	7,836	7,302	14,555
Adjustment	-97	-239	-197	-159	-330
Total	66,184	71,188	77,982	77,982	101,263
Operating income					
System Development Business					
Financial IT	3,597	3,991	4,522	4,546	5,739
Industry IT				2,425	2,931
Social Infrastructure IT	4,694	5,569	5,919	3,458	3,963
IT Infrastructure Construction	1,166	1,518	1,750	1,902	2,055
Solution Business	572	604	702	560	870
Adjustment	-188	-268	-368	-368	-380
Total	9,842	11,414	12,524	12,524	15,180
DAS Business*7					
Net sales	18,004	23,537	28,411	27,878	44,209

*4: In line with our organizational changes, since FY2023 we have been reviewing our business segments, such as splitting "Industry & Infrastructure IT" into "Industry IT" and "Social Infrastructure IT." Accordingly, figures based on the previous standard are also presented for FY2022 in order to compare with figures for the previous years.

*5: Figures include sales and incomes between segments.

*6: Figures based on external sales.

*7: The DAS business refers to the System Development Business aimed at DX, the System Development Business utilizing new technologies such as AI, and the Solution Business. (Previously defined as the New Core Business, DAS stands for DX, AI, and Solution)

(millions of yen)

	FY2020	FY2021	FY2022 ^{*4}		FY2023
			Previous Standard	New Standard	
System Development Business (By Industry) ^{*6}					
By customer industry					
Finance	21,319	22,840	26,127	26,153	33,029
Service	10,272	11,303	11,998	11,891	15,390
Manufacturing	7,578	8,402	9,103	9,250	11,485
Telecommunication	5,670	5,605	5,560	5,575	6,384
Transportation	4,976	5,706	6,066	6,075	6,256
Commerce	3,000	3,086	3,229	3,300	4,315
Public	3,007	4,133	4,859	5,187	5,774
Electricity, Gas, Water	1,541	792	856	866	1,767
Construction	1,362	1,295	1,139	1,146	1,326
Others	366	787	1,220	1,248	989
Total	59,097	63,954	70,162	70,695	86,721
Breakdown of Financial sector					
Major Banks	7,417	8,194	9,636	9,669	12,700
Other Banks	2,586	2,524	3,040	3,018	2,847
Insurance Companies	8,333	8,272	8,862	8,867	11,080
Securities Companies	1,113	1,201	1,315	1,315	1,689
Credit Card Companies	994	1,595	2,045	2,053	3,274
Others	873	1,052	1,228	1,228	1,437
Total	21,319	22,840	26,127	26,153	33,029
Solution Business (By Solution Category) ^{*6}					
Medical / Healthcare	—	—	—	—	6,163
Human Resource	1,877	2,288	2,222	2,222	1,809
Logistics	746	808	694	694	817
Shareholder Relation Services	1,069	904	969	969	1,136
RFID	—	—	—	—	868
Security	832	1,076	1,027	1,023	1,266
Others	2,560	2,155	2,906	2,377	2,480
Total	7,087	7,233	7,819	7,286	14,542

● Key non-financial data (Non-Consolidated)

	FY2019	FY2020	FY2021	FY2022	FY2023
Personnel					
Number of employees (consolidated)	3,467	3,522	3,560	3,595	4,380
Male	2,809	2,818	2,830	2,826	3,311
Female	658	704	730	769	1,069
Number of employees (non-consolidated)	3,051	3,080	3,106	3,109	3,133
Male	2,514	2,505	2,506	2,499	2,481
Female	537	575	600	610	652
Ratio of female employees (%)	17.6	18.7	19.3	19.6	20.8
Ratio of female managers (%)	3.5	4.7	5.4	6.2	9.5
Number of new graduate hires	139	137	129	130	150
Male	96	86	83	88	80
Female	43	51	46	42	70
Ratio of women in new graduate hires (%)	30.9	37.2	35.7	32.3	46.7
Number of mid-career hires	15	11	20	18	35
Male	8	8	11	16	23
Female	7	3	9	2	12
Turnover ratio (%) ^{*8}	3.8	2.6	2.9	3.5	2.7
Average age	38.9	39.1	39.3	39.4	39.4
Average years of service	14.6	14.8	15.0	15.3	15.3
Male	15.5	15.8	16.1	16.3	16.5
Female	10.3	10.3	10.6	10.9	10.7
Average salary (yen)	6,411,394	6,423,166	6,515,058	6,714,129	6,960,512
Average monthly overtime hours	19.9	17.0	19.0	18.5	18.1
Number of paid leave days taken	13.9	11.7	12.4	13.7	14.4
Ratio of paid leave days taken (%)	72.4	59.9	63.3	70.1	73.7
Number of employees taking childcare leave	27	47	37	36	48
Male	8	13	17	17	25
Female	19	34	20	19	23
Ratio of employees taking childcare leave (%)	25.0	43.1	43.5	48.7	64.9
Male	9.0	17.3	26.2	30.9	49.0
Female	100	100	100	100	100
Ratio of employees returning from childcare leave (%)	96.9	100	95.7	97.3	97.3
Number of employees working reduced hours due to childcare	94	94	100	103	97
Number of employees using the family care leave system	1	3	3	0	1
Number of employees using the short-term family care leave system	4	6	3	4	4
Number of employees working reduced hours due to family care	1	3	2	2	1
Number of IT credential holders ^{*9}	4,001	4,353	4,527	4,629	4,805

Environment

	FY2019	FY2020	FY2021	FY2022	FY2023
CO ₂ emissions (Scope1)(t-CO ₂) ^{*10}	—	507	508	501	478
CO ₂ emissions (Scope2)(t-CO ₂) ^{*10}	—	1,899	1,699	1,570	1,544
CO ₂ emissions (Scope3)(t-CO ₂) ^{*10}	—	33,817	36,959	40,828	46,155
Electricity consumption (kWh)	—	3,686,889	3,782,127	3,789,692	3,836,800

Governance

	FY2019	FY2020	FY2021	FY2022	FY2023
Number of female directors	1	1	1	1	1
Ratio of female directors (%)	16.7	16.7	14.3	14.3	14.3
Number of independent outside directors	3	3	3	3	3
Ratio of independent outside directors (%)	50.0	50.0	42.9	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

^{*8} : The turnover ratio is calculated excluding mandatory retirements, transfers, etc.

^{*9} : The total number of employees with qualifications such as for the Japan Information Technology Engineers Examination, PMP[®], various vendor certifications, and other group qualifications. PMP (Project Management Professional)[®] is a registered trademark of PMI in the United States.

^{*10} : CO₂ emissions for NSD and its subsidiaries are calculated by multiplying the consumption of electricity, gas, gasoline, etc., by the emission factors (emission factors are based on those disclosed by the Ministry of the Environment).

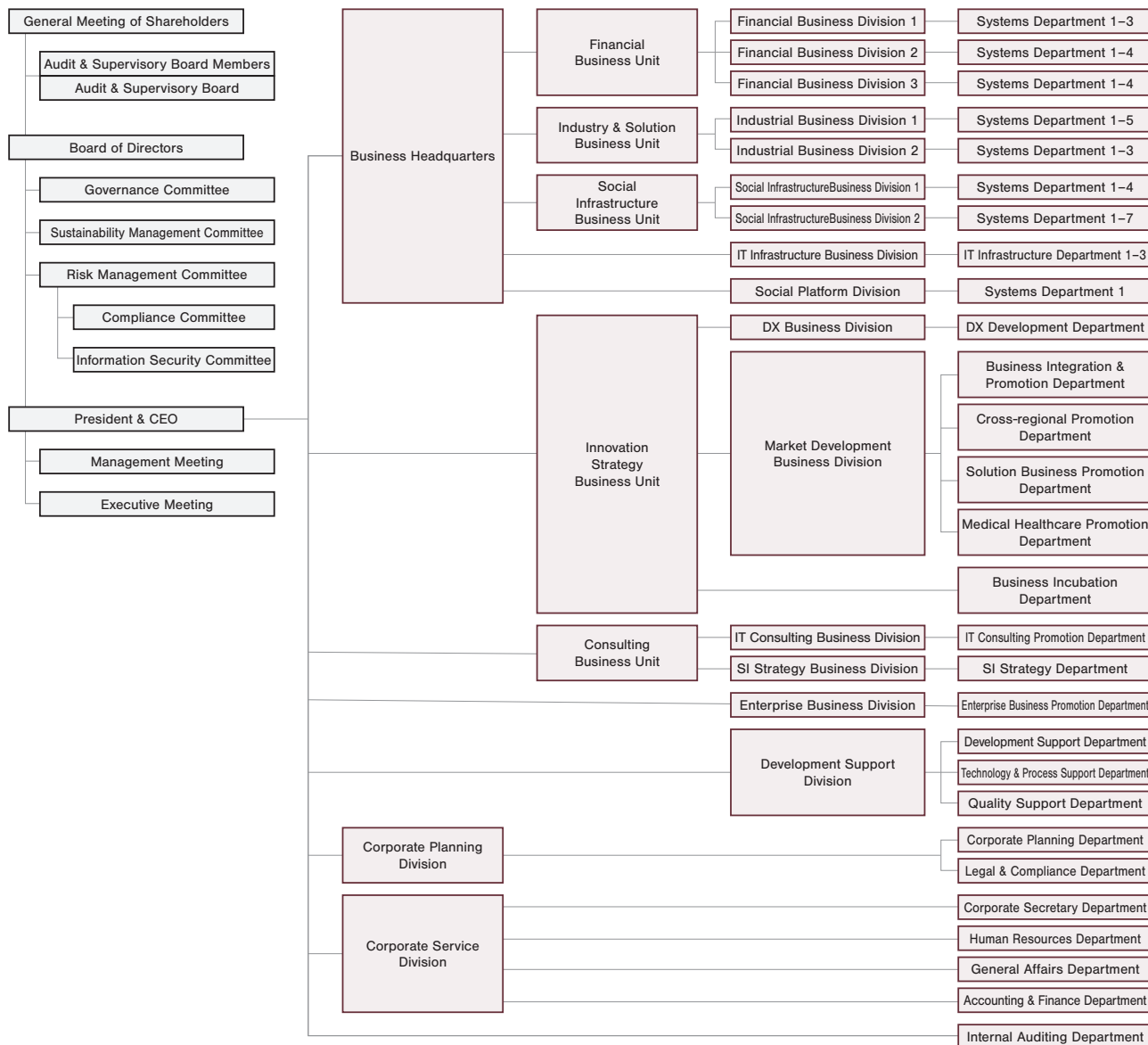
● Corporate profile

Name	NSD Co., Ltd.
Established	April 8, 1969
Business lines	System Development Business (1) IT consulting (2) Planning, design and development of IT systems (3) Construction of IT infrastructure Solution Business (1) Provision of services that utilize IT (2) Sales of software products
Capital	7,205 million yen
Number of employees (consolidated)	4,380

● 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

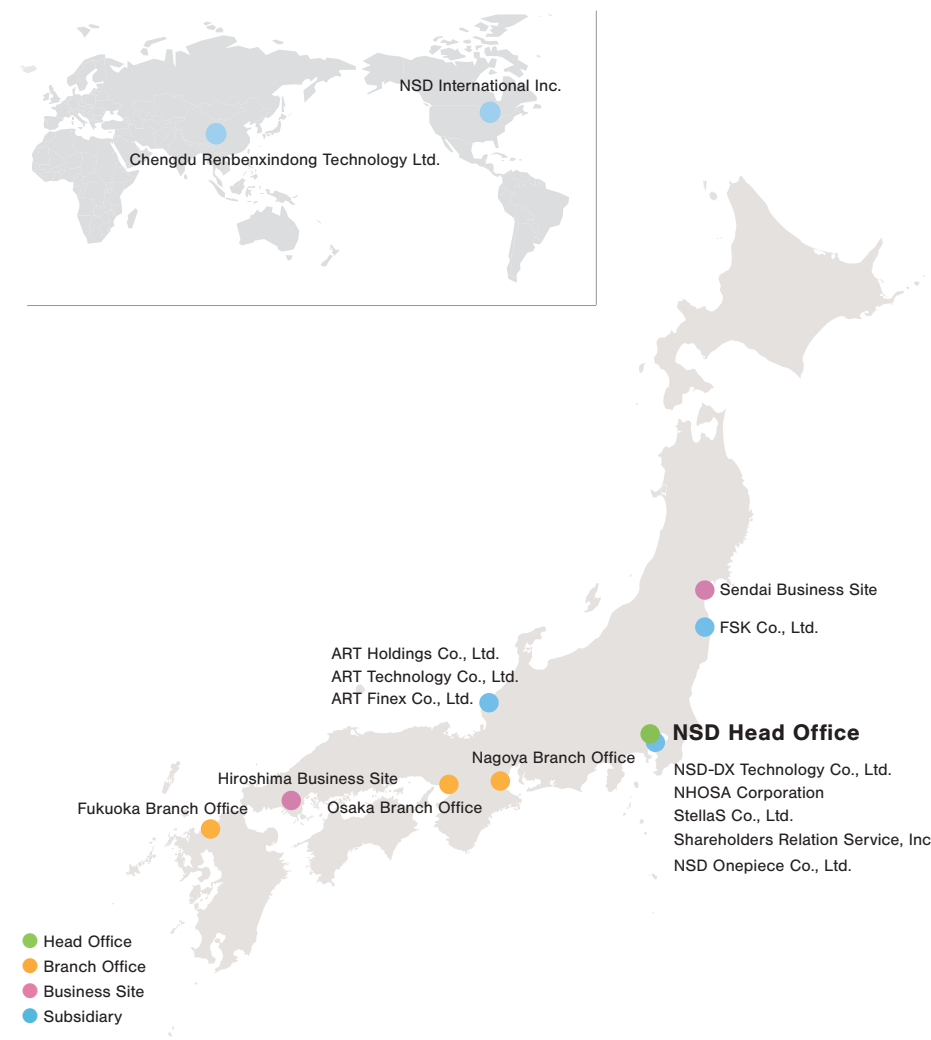
● Organizational chart (As of October 1, 2024)



Group companies (As of October 1, 2024)

Company name	Address	Business lines
NSD-DX Technology Co., Ltd.	Chiyoda-ku, Tokyo	Research and development of DX-related technology and creation of new businesses
ART Holdings Co., Ltd.	Sabae-shi, Fukui	Holding company of the ART Group
ART Technology Co., Ltd.	Sabae-shi, Fukui	System development and solutions
ART Finex Co., Ltd.	Sabae-shi, Fukui	RFID product development and solutions
NHOSA Corporation	Nakano-ku, Tokyo	Development and sales of systems for dental clinics and dialysis facilities
FSK Co., Ltd.	Iwaki-shi, Fukushima	System construction, operation support, maintenance, and business support
StellaS Co., Ltd.	Chiyoda-ku, Tokyo	Human resource solutions and logistics solutions
Shareholders Relation Service, Inc.	Chiyoda-ku, Tokyo	IR support services for individual shareholders
NSD Onepiece Co., Ltd.	Chiyoda-ku, Tokyo	Office operation support aimed at creating jobs for people with disabilities, crop production at a farm in Yamanashi
NSD International, Inc.	New York, USA	Services for Japanese companies in the United States
Chengdu Renbenxindong Technology Ltd.	Chengdu, China	Offshore development and services for Japanese companies in China

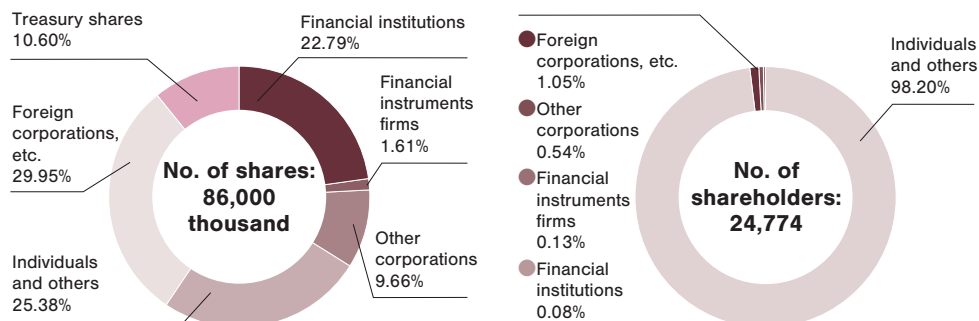
Business network (As of October 1, 2024)



● 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	86,000,000
Number of shareholders	24,774
Administrator of shareholder registry	Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo

● Shareholder distribution by type



● Major shareholders

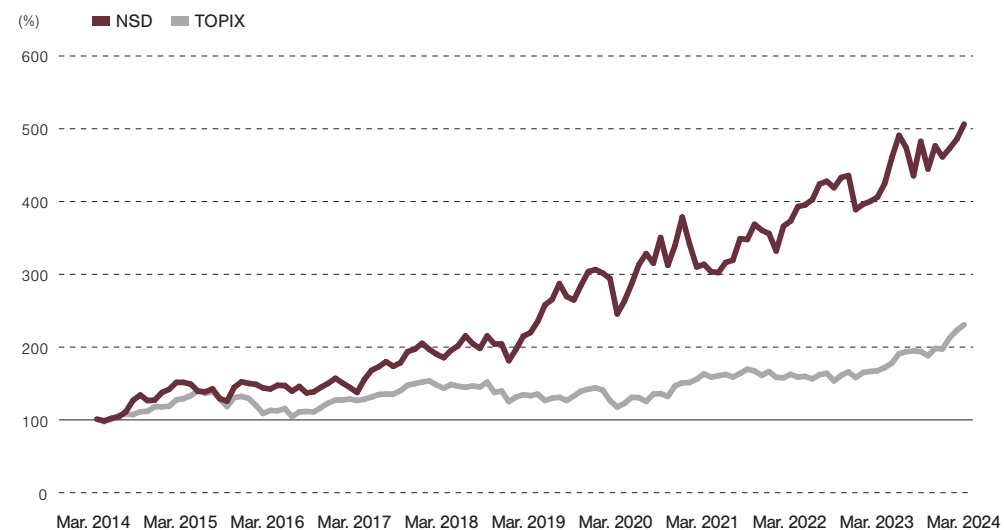
Name	Number of shares held (thousands)	Ownership ratio (%)*
The Master Trust Bank of Japan, Ltd. (Trust account)	9,516	12.37
IPC Co., Ltd.	5,158	6.70
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy:The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	4,642	6.03
NORTHERN TRUST CO.(AVFC) RE FIDELITY FUNDS (Standing proxy:The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	4,256	5.53
Custody Bank of Japan, Ltd. (Trust account)	3,548	4.61
NSD Employee Stock Ownership Association	2,197	2.85
KD Associates, Ltd.	2,197	2.85
The Dai-ichi Life Insurance Company, Limited	2,070	2.69
Nippon Life Insurance Company	1,818	2.36
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy:Mizuho Bank, Ltd.)	1,616	2.10

* : Although the Company holds treasury stock (9,118 thousand shares), it is excluded from the above list of major shareholders.

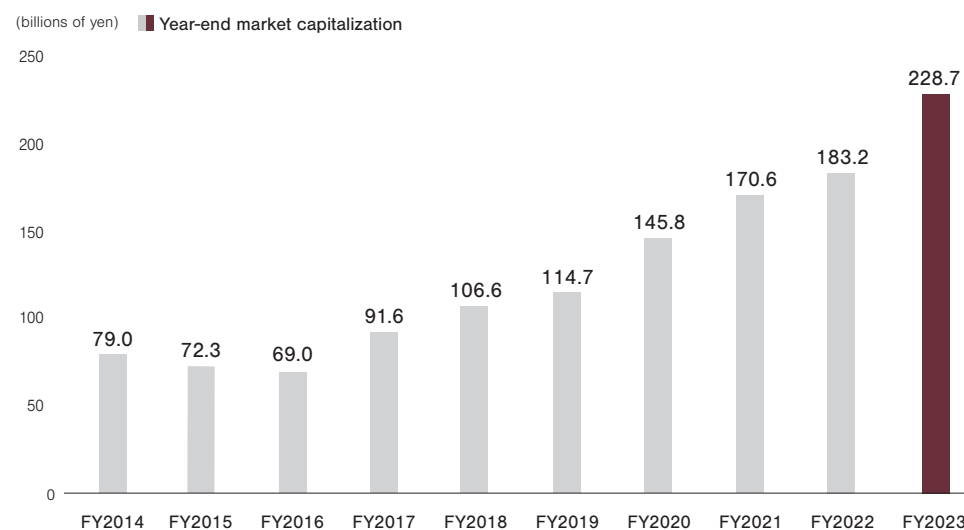
* : The ownership ratio is the ratio of the number of shares held to the number of issued shares (excluding treasury stock).

* : Number of shares held less than 1,000 are rounded down, and ownership ratios are rounded down to the second decimal place.

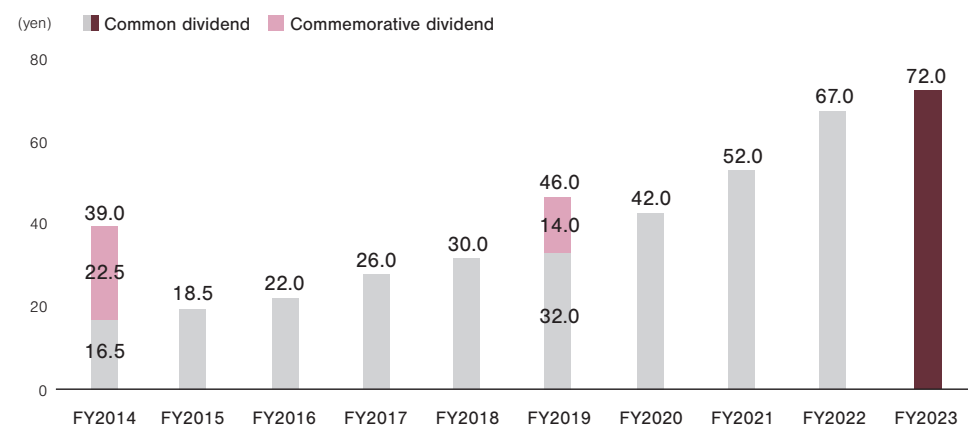
NSD stock price (comparison with TOPIX)



Market capitalization



Dividend per share



Our website

Corporate Information



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

Investor Relations



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

Sustainability



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