Integrated Report 2025

Apr. 1, 2024 – Mar. 31, 2025

NSD

This English version of Integrated Report is a translation of the Japanese version published on October 10, 2025.

Founding Spirit

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

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.

Contents

Introduction

03 Vision
04 Value Creation History
05 Characteristics and Strengths
06 At a Glance
07 Business Lines

Value Creation Story

09 President's Message
11 Value Creation Process
12 Materiality
15 Management Resources
16 Business Model and Earnings Structure
17 Financial and Non-Financial Highlights

Growth Strategies

20 Business Strategies
25 Technological Strategies
29 Human Resources Strategies
34 Financial Strategies

Segment Overview

38 Business Segments
39 Financial IT
41 Industry IT
43 Social Infrastructure IT
45 IT Infrastructure Construction
47 Solution Business

Sustainability

50 Environmental Initiatives
54 Social Initiatives

Governance

59 Outside Directors' Round-Table Discussion
64 Governance Initiatives

Corporate Data

77 Financial and Non-Financial Data
81 Company Information

Editorial Policy

NSD has produced this integrated report to clearly communicate to shareholders, investors, and other stakeholders about the initiatives undertaken by the NSD Group to continuously enhance its corporate value. In the production of this report, our editing policy was to highlight topics that we want to convey, relating them to important financial and non-financial information. Explanations in this year's integrated report focus on the following two points in particular.

POINT 1

Research and technological development based on our unique concepts

At NSD, positioning "Social innovation with IT" as one of our key material issues, we promote research and the development of technologies that are useful for actual businesses. We will contribute to the enhancement of our customers' future value by identifying technological themes with an eye to commercialization in the next few years and conducting a full range of activities, from investigation and research to development. For information on these initiatives, please refer to "Technological Strategies."

P.25 Technological Strategies

POINT 2

Human capital investment policy and its effects

Based on the concept of human capital management, NSD invests in creating NSD people who are trusted by customers and creating an environment where our people can demonstrate high performance. We aim to achieve the sustainable growth of the organization through the circulation (reinvestment) of the revenue benefits that these investments bring.

P.29 Human Resources Strategies

For more information, please visit our website.

Reporting period: April 1, 2024 to March 31, 2025 (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.

Vision

Long-term vision

A company that offers a "Future for People and IT"

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

NSD has built relationships of trust with many customers since its foundation by addressing customers' issues in a sincere manner and doing its best to resolve them.
These days people are facing various social issues such as a decline in the working-age population, the diversification of work styles, and environmental problems. To build a sustainable society, society as a whole needs to be committed to resolving these issues.
The reason for the existence of NSD is to address social issues one by one in a sincere manner and to contribute to resolving them with the power of IT.
NSD will make the best possible use of its strengths, such as relationships of trust with major corporations responsible for social infrastructure, advanced technological prowess, and human resources, aiming to be a company that offers a "Future for People and IT."

Example 1 — Paper mill

Following the declining working-age population, the enhancement of efficiency of work dependent on the many years of experience and craftsmanship as well as succession of technology have been issues.

Example 2 — Local government

The standardization of mission-critical systems is a challenge common to local governments, and IT utilization for regional revitalization is also a challenge.

Example 3 — Water authorities

The challenge is to improve operational efficiency through DX to meet increasing social needs such as responding to aging facilities and strengthening facilities against earthquakes.

Example 4 — Chemical plant

The challenge is to ensure reliability and enhance work efficiency in identifying and quantifying chemical substances management of which is specified by laws.

For more information on the examples → P.25 Technological Strategies

Spirit that has been inherited since founding

"To be an extremely unique entity that combines practice and research," which are words written in our founding prospectus. 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.

Belief put into Management Philosophy

NSD's Management Philosophy includes the words "The NSD Group contributes to the sound development of society through efforts to create and provide new solutions beneficial to people and society." Thus, **solving social issues through IT** is at the core of NSD's business activities. We **wish to create a "Future for People and IT" through such activities**.

Value Creation History

Earning the trust of customers through our mainstay System Development Business

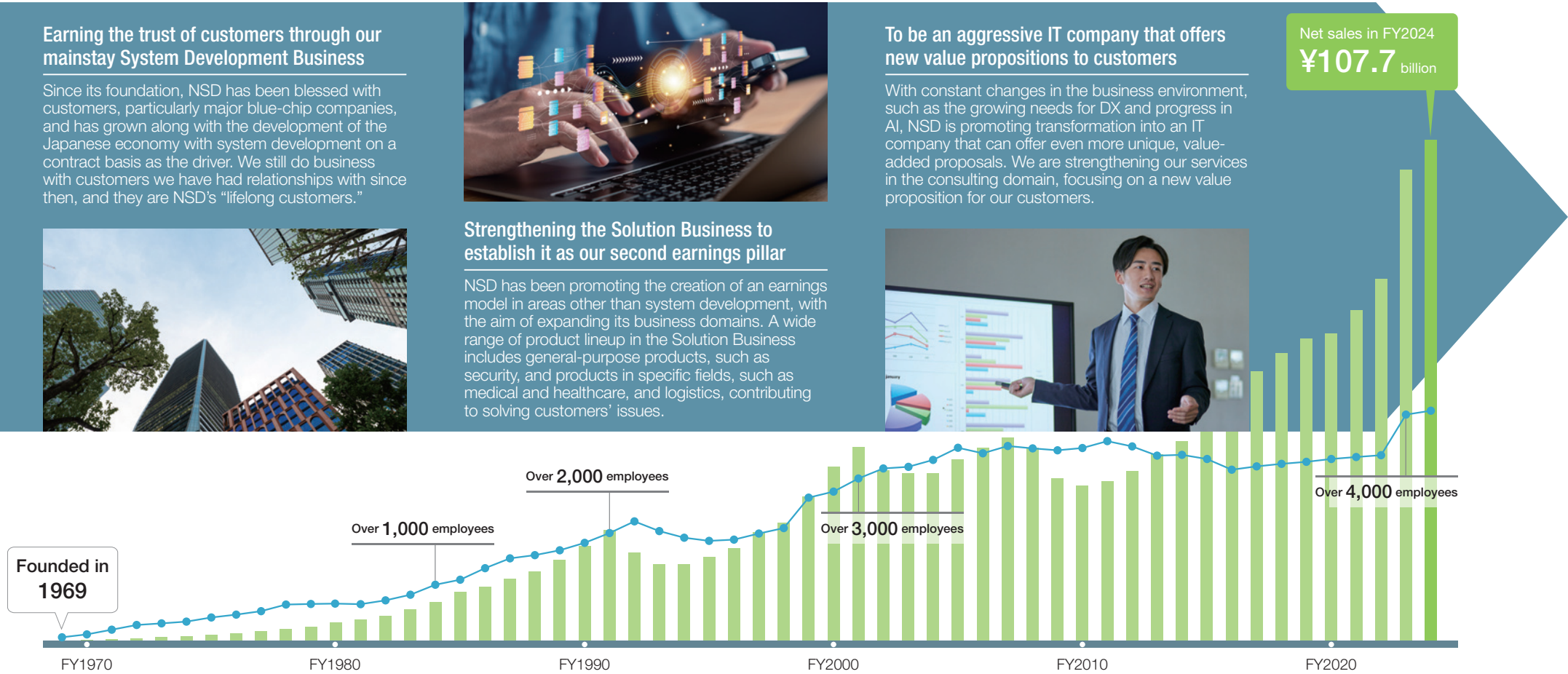
Since its foundation, NSD has been blessed with customers, particularly major blue-chip companies, and has grown along with the development of the Japanese economy with system development on a contract basis as the driver. We still do business with customers we have had relationships with since then, and they are NSD's "lifelong customers."

Strengthening the Solution Business to establish it as our second earnings pillar

NSD has been promoting the creation of an earnings model in areas other than system development, with the aim of expanding its business domains. A wide range of product lineup in the Solution Business includes general-purpose products, such as security, and products in specific fields, such as medical and healthcare, and logistics, contributing to solving customers' issues.

To be an aggressive IT company that offers new value propositions to customers

With constant changes in the business environment, such as the growing needs for DX and progress in AI, NSD is promoting transformation into an IT company that can offer even more unique, value-added proposals. We are strengthening our services in the consulting domain, focusing on a new value proposition for our customers.



∗: Figures for FY1998 and earlier are non-consolidated figures.

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

1999 Listed on the 1st Section of the Tokyo Stock Exchange
(Moved to the Prime Market of the Tokyo Stock Exchange in 2022)

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)

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.
(Company name at the time of establishment: NSD Advanced Technology Research Institute Co., Ltd.)

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.

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

Characteristics and Strengths

Stable customer base

For over half a century since our founding in 1969, NSD has worked on system development for many customers, including financial institutions, manufacturers, and social infrastructure companies. By addressing customers' issues in a sincere manner and developing systems together, 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.

Number of companies engaged in transactions*

1,403

Ratio of sales from top 10 companies*

29.2%

Outstanding technical capabilities

For over half a century, we have accumulated a wealth of technical knowledge and expertise through the development of systems for a variety of industries and operations. In more recent years, we have been enhancing our ability to adapt to advanced technologies, such as DX-related technology and AI, to leverage these in system development and actively introducing these technologies in the development of in-house solutions to provide services with higher added value.

Number of employees with IT credentials* (Total at the end of FY2024)

5,095

Ratio of DX- and AI-related sales (system development)

37.1%

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.

Employees

4,455

SE ratio*

96.3%

Top-class profit margins in the industry

With a customer base that enables a stable, continued order stream, NSD avoids the occurrence of unprofitable projects and maintains high profitability using its high-quality technical skills and project management capabilities. The leaders of the development divisions, who are well-versed in both the customers' operations and systems, present proposals. This allows us to allocate system engineers for projects systematically and efficiently and minimize necessary costs. Consequently, NSD achieves top-class profit margins in the industry.

Operating margin

15.6%

Ratio of unprofitable amount to net sales* (3-year average)

0.04%

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

At a Glance

Net sales

¥107.7 billion

Operating income

¥16.8 billion

Operating margin

15.6%

EBITDA margin

18.1%

ROE

18.2%

Dividend payout ratio

56.6%

Total return ratio

70.8%

TSR

254.4%

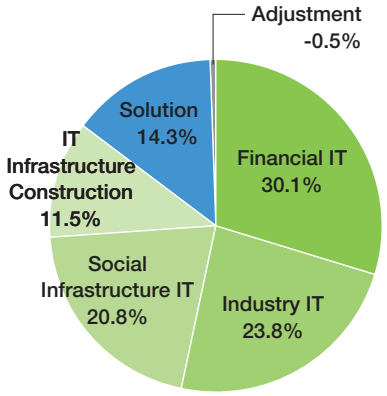
Number of employees

4,455

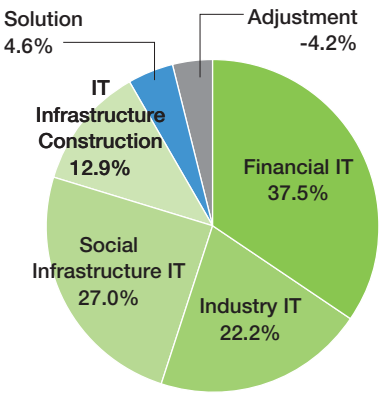
Turnover ratio*

3.3%

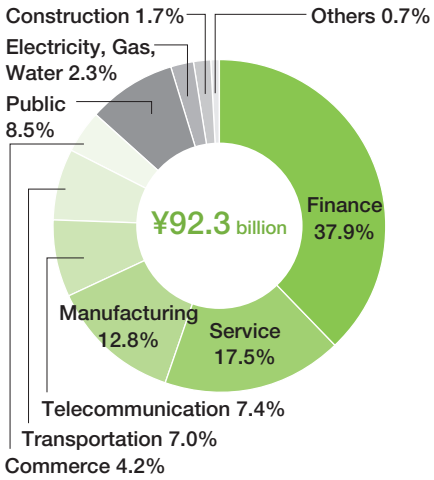
Net sales breakdown by segment



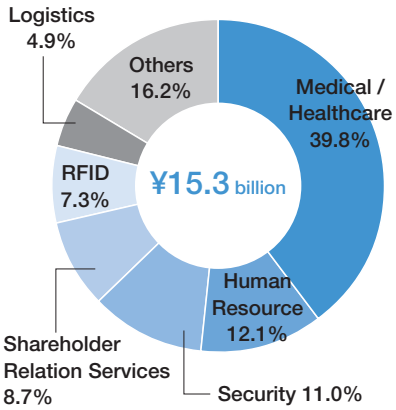
Operating income breakdown by segment



Net sales breakdown by customer industry



Net sales breakdown by solution category



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

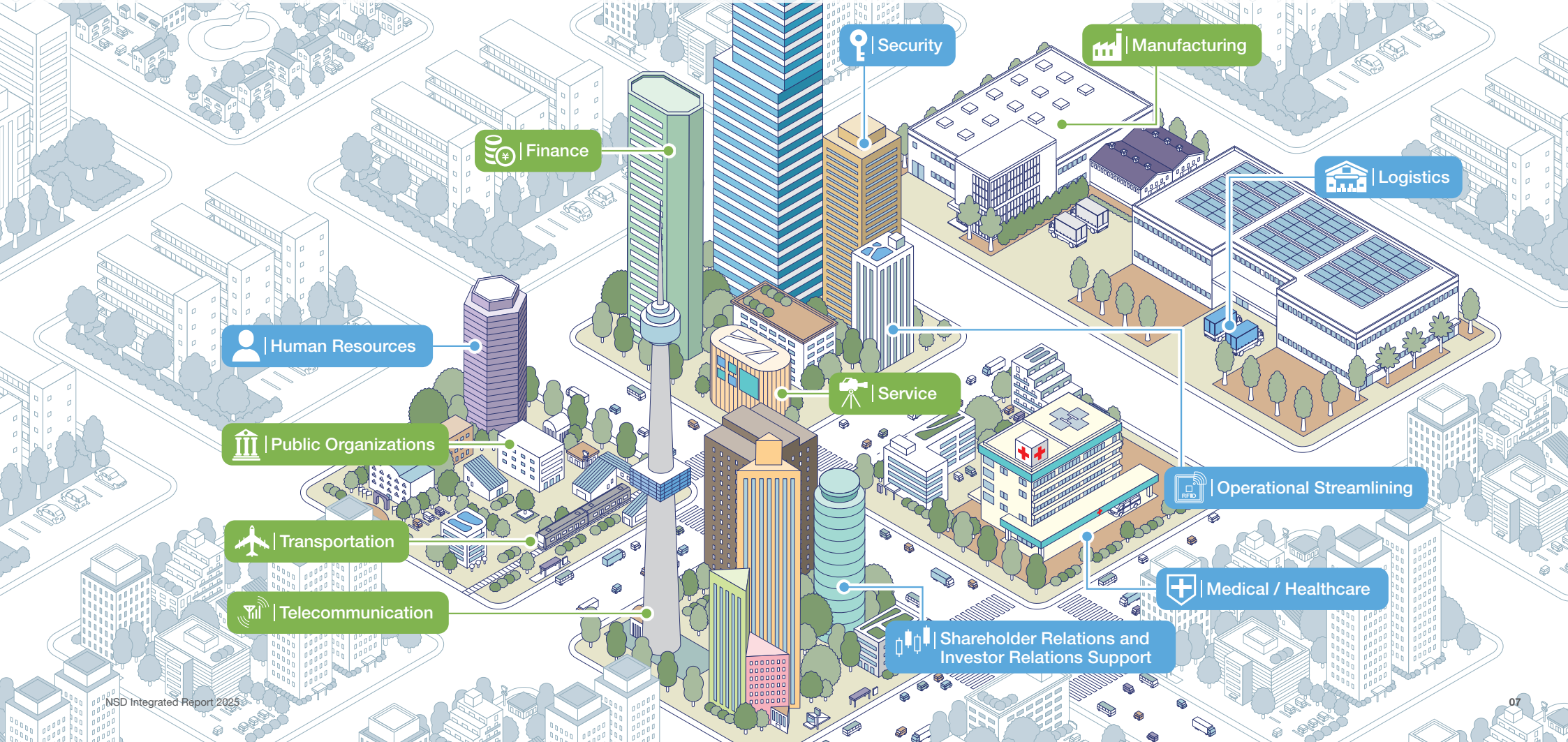
Business Lines

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 specific needs. This business has been a core business since our foundation, where we have had many years of business dealings with customers in a wide range of industries. By actively incorporating AI and other advanced technologies, we propose high-value-added systems and strongly support the implementation of DX by customers.

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. NSD's wide-ranging lineup of services includes solutions to issues common among diverse customers, such as security measures, human resource management, and operational efficiency, as well as solutions for specific industries such as medical and logistics.



Value Creation Story

09 President's Message

11 Value Creation Process

12 Materiality

15 Management Resources

16 Business Model and Earnings Structure

17 Financial and Non-Financial Highlights

President's Message

We will demonstrate NSD's true value and deliver the best solutions for our customers.

Yoshikazu Imajo President & CEO

FY2025 is the final year of our current five-year Medium-Term Management Plan ("current Plan"). In the current Plan, we declared our goal of becoming a corporate group with consolidated net sales of over 100 billion yen by FY2025. We achieved that target in FY2023, two years ahead of schedule. Our FY2024 results were also up on FY2023, and we have made steady progress in our earnings performance.

This fiscal year, as well as being the culmination of the current Plan, will also be a year in which we define our next steps in more concrete form. I would like to share both the achievements we have made to date and our strategies for the future, along with my own thoughts and intentions.

Progress of the current Medium-Term Management Plan

In the current Plan, for the sustainable growth of the System Development Business, we are working to address DX promotion and AI adoption needs in our customers, and strengthen our ability to cater to upstream processes.

With the absorption and merger of Trigger Inc., a company with strengths in IT consulting, in July 2024 after its inclusion in the Group in October 2022, we have incorporated that company's functions into NSD. Through this move, we have enhanced our comprehensive proposal capabilities in upstream processes and built a framework that will allow us to demonstrate synergies.

We also welcomed the ART Group into the Group in April 2023 as a means of securing human resources to drive growth. The following year, we merged with the four companies in the ART Group in our efforts to improve the efficiency of our business operations.

In December 2024, we reached a basic agreement on a business alliance with Hitachi, Ltd. regarding collaboration in the fields of DX and generative AI. Looking ahead, as well as responding to technological advances such as DX and generative AI, we are working on concrete initiatives for the provision of services with greater added value through personnel exchanges with Hitachi and by making use of both Hitachi's and our overseas Group companies.

Also, as an initiative for delivering solutions to social issues through business, we are working to identify issues and study countermeasures concerning "next-generation water business DX" that water authorities are currently promoting, to support secure and stable operation of water supply utilities from an IT perspective.

In addition, we contribute to solutions by utilizing our own algorithms and other technologies to systematize processes to address challenges such as the streamlining of production planning operations based on the many years of experience and craftsmanship of plant operations staff and the succession of technology, and challenges related to improving productivity and mitigating compliance violation risk in operations for the statutory management of chemical content, In such ways, we are advancing initiatives to contribute to solutions to social issues as a group of IT engineers who will create business transformation.

The implementation of these measures has resulted in the steady expansion of the System Development Business. The driver of that growth is the development of systems related to

DX and new technologies, for which there is strong social demand. It is now working to strengthen the consulting domain with the aim of even further expansion of its results going forward.

We also recognize that securing systems engineers and raising their technical skill levels are imperative for sustainable growth. To that end, we are working on initiatives such as the expansion of our personnel system and the enhancement of technical education and training programs.

The Solution Business is working on turning the expansion of subscription-based services into a growth opportunity for NSD. Under our strategy of aiming for a niche top position in multiple fields, we aim to grow revenues so that they are on par with those of the System Development Business through development of 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.

As an example of a problem-solving solution, we are proceeding with the development and provision of operational streamlining solutions using generative AI. Despite growing needs for the use of generative AI as a response to labor shortages, many companies are reluctant to adopt generative AI due to a lack of knowledge, as well as security concerns. In light of these issues, NSD has developed and started delivering to customers private generative AI platforms that can be used even without specialist knowledge.

Also, from the perspective of expanding our lineup, we brought NHOSA into the Group to strengthen the medical/healthcare field and the ART Group to enter into the RFID field.

The implementation of these measures has allowed us to elevate our Solution Business. We intend to keep proactively exploring M&A opportunities in niche areas to pursue solutions with future potential.

Toward our next Medium-Term Management Plan

The business environment that IT companies find themselves in continues to change dramatically. 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, we, too, must closely monitor market trends with a sense of urgency. On the other hand, the advancement of such technologies is a major business opportunity, and we are pursuing initiatives to link new technologies to new business, such as the development of solutions using generative AI that I mentioned earlier. Our subsidiary NSD-DX Technology, which began R&D on new technologies in 2019, is a core company in the utilization and practical application of AI and other new technologies. By coordinating across the entire Group, it will collaborate with customers to create new solutions that are useful for actual business.

Further, with the rise of AI, it is also likely that greater importance will be placed on things which can only be performed by humans. Instead of a mechanistic approach through which solutions are derived based on data, it will become more important than ever to first form an accurate understanding of customers' unique operations and issues, and link that understanding to value-added proposals.

In light of these kinds of changes in the environment, we recognize the importance of offering grounded proposals that will benefit actual business based on a thorough understanding of our customers' business issues, rather than simply adopting new technologies such as AI as an end in itself. This is a prime example of an initiative that is grounded in practical business, in which NSD can demonstrate the true value of its founding spirit of "practice and research," and I see it as an area in which NSD can leverage its strengths. In the next Medium-Term Management Plan, we intend to

further demonstrate our unique strengths with this approach.

Conclusion

NSD's most important capital is its people, who possess both the earnestness to respond to the trust of our customers as well as solid technical capabilities. The further development of these qualities is crucial for future growth, so we will continue to invest in our human resources. Precisely because our people have a good understanding of our customers' operations and are able to respond to them earnestly, I believe that they are able to contribute to solutions to customers' issues and, by extension, to the issues of society.

As a company that offers a "Future for People and IT," NSD will build, in its own unique way, a future in which IT enriches people, with the hope for coexistence and co-prosperity with our stakeholders.

Value Creation Process

External Environment

- Decline in working-age population
- Evolution of IT and increased demand
- Expectations for environmental contribution

Materiality P.12

Environment
Reducing impact on global environment

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

Creating workplace where diverse human resources can thrive with job satisfaction

Governance
Strengthening the foundation for the Company's existence

- Diversification of work styles
- Greater cyber risks

Management Resources P.15

- Human Resources
- Technology & Expertise
- Customer Base
- Finance

Business Strategies P.20

- Financial Strategies P.34
- Technological Strategies P.25
- Human Resources Strategies P.29

Foundation of Value Creation

- Human Resources and Organizational Culture
- Governance
- Financial Base

Business Model and Earnings Structure P.16

Business Activities

System Development
- IT Consulting
- Software Development
- IT Infrastructure Development
- Maintenance & Operation

Solution

Long-term vision

A company that offers a "Future for People and IT"

Value Creation

Social Value

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

Customers
- Sustained growth
- Innovation

Business Partners
- Value creation through co-creation
- Fair and equitable business transactions

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

Communities
- Solutions that support social infrastructure
- Employment opportunities

Economic Value

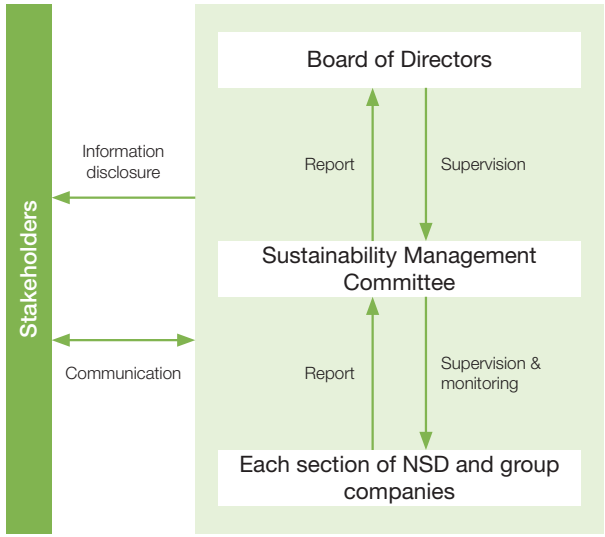
Net sales	¥107.7 billion
Operating income	¥16.8 billion
Net income attributable to owners of the parent	¥11.7 billion
ROE	18.2% (FY2024 Results)

Materiality

Sustainability Management Structure

The NSD Group, in an effort to practice management conducive to building a sustainable society, has adopted a Sustainability Declaration and identified materiality issues that it should preferentially address. The Sustainability Management Committee plays a central role in promoting company-wide initiatives from a long-term perspective.

In line with the identified materiality items, the Sustainability Management Committee discusses the Group's sustainability policies, monitors the status of initiatives, collects information, and educates officers and employees to promote concrete initiatives on items with particularly high materiality priority. We have a supervisory structure in which matters such as policies, items for resolution, and activities deliberated and discussed at the Committee are regularly raised to or reported to the Management Meeting and the Board of Directors, and the Board of Directors then deliberates and resolves important matters.



Sustainability Declaration

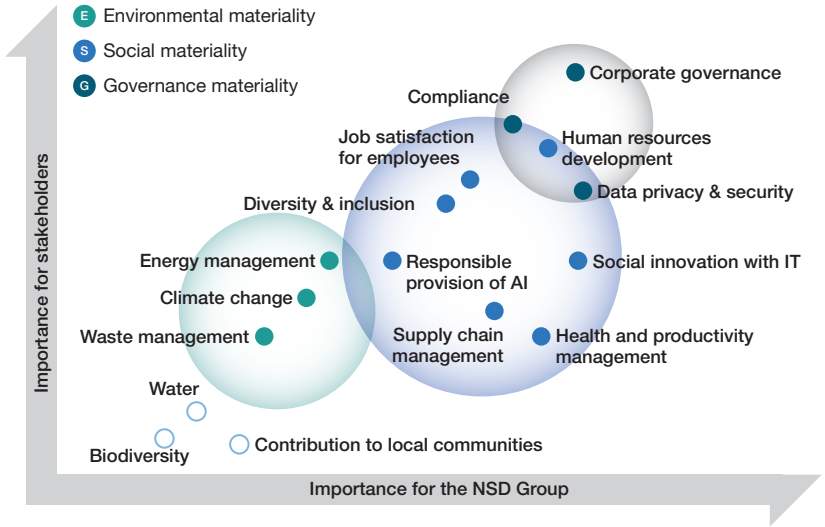
Recognizing that the realization of a sustainable society is essential, we fulfill our social responsibilities by actively contributing to the sound development of society through the creation and provision of new solutions beneficial to people and society, viewing coexistence and co-prosperity with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

Materiality Identification Process

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.

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

To achieve a sustainable society, NSD recognizes that global environmental conservation is one of its management issues, and will help build a better, more prosperous global environment in collaboration with customers and business partners.

Opportunities

- Increased use of IT services
  - Providing IT solutions for managing greenhouse gas emissions

Risks

- Handling of social responsibility
  - Response throughout the supply chain

Materiality	Measures	Initiatives and achievements
Climate change/Energy management	● Information disclosure based on TCFD Recommendations ● Thorough environmental management based on ISO14001 ● Environmentally friendly initiatives Target CO_2 Emissions* FY2030: 1,395 t-CO_2 (42% reduction from FY2020 levels) FY2044: Achieving net zero emissions	● 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. ● FY2024 CO_2 emissions* were 1,808 t-CO_2, a 24.9% reduction from FY2020 levels (base year).
Waste management	● Reducing waste by going paperless and recycling computers, etc. Target Sheets of printing paper used FY2030: 500,000 sheets (45% reduction from FY2020 levels)	● 610,000 sheets of printing paper were used in FY2024, a 32% reduction from FY2020 levels (base year). ● The rate of reusing and recycling computers was kept at 100%.

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

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

By creating and providing new solutions beneficial to people and society through exploring AI and other leading-edge technologies, we create new value in advanced technology and DX fields together with customers to contribute to building a sustainable society.

Opportunities

- Earning the trust of society
  - Capabilities as a responsible IT company
- Expansion of DX-related and Solution Businesses
  - Business creation through progress in introducing DX and solutions at various companies

Risks

- Handling of social responsibility
  - Response throughout the NSD Group
- Lack of technical knowledge
  - Drop in competitiveness due to insufficient accommodation of technological innovation

Materiality	Measures	Initiatives and achievements
Social innovation with IT	● Solving social issues by creating and providing advanced technologies and DX-related solutions We are focusing particularly on this materiality item to realize our vision: a company that offers a "Future for People and IT". NSD is aiming for coexistence and co-prosperity with society by both solving social issues and enhancing its corporate value.	● Development and provision of the "BizInsight" private generative AI platform to flexibly meet companies' demand for generative AI utilization ● Automated the preparation of production plans for white paperboard production processes to help enhance efficiency. ● Supported secure and stable operation of water supply utilities from an IT perspective through the promotion of DX for next-generation water business. ● Supported the introduction of the public service for personal identification in the "e-Kaga Citizen System" to satisfy the need for IT utilization for regional revitalization. ● Developed a system to identify and quantify chemical substances in the customer's factories, contributing to improved operational efficiency.
Responsible provision of AI	● Formulating rules for responsible provision of AI, which is an IT company's mission	● Established an "AI policy" and "AI rules", aiming for both the "promotion of AI business" and "thorough AI governance".

Materiality

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

NSD develops its employees, an important asset for supporting its business, into true professionals and strives to create and maintain a comfortable working environment, creating a workplace where diverse human resources can play an active role with job satisfaction.

Opportunities

- Acquisition of diverse human resources
  - Acquisition of human resources by promoting diverse working styles
- Enhanced market competitiveness
  - Improved quality and productivity through the acquisition of diverse human resources

Risks

- 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.

Materiality	Measures	Initiatives and achievements
Human resources development	● Skills development through extensive training systems and practical guidance • Improving technical skills as engineers (from the basics to exploring advanced technologies) • Improving human skills as members of society	● In FY2024, conducted training with an emphasis on agile development and technology trends. ● Expanded credentials eligible for financial incentives. As of the end of FY2024, there were a total of 5,095 employees with IT credentials. ● Improved compensation through base pay increases, etc., from FY2022 to FY2025. ● In FY2024, the personnel system was enhanced by dividing career paths into subcategories, etc.
Job satisfaction for employees	● Providing appropriate and sufficient opportunities for employees to develop their skills ● Having a fair personnel system that rewards contribution	
Health and productivity management	● Providing an environment where employees can work safely and in good health Target Continue average monthly overtime hours (non-statutory) of less than 20.0 hours Target 75% or more of paid vacation days taken	● In FY2024, the number of overtime hours worked was 16.9, continuing the trend of keeping it under 20.0 hours. The rate of paid leave taken was down 1.4 points from the previous year. ● Selected as a "2025 Health & Productivity Stock" and recognized as a "2025 Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category, White 500)".
Diversity & inclusion	● Steady rollout of initiatives for women's advancement in the workplace ● Creating a comfortable working environment that respects employee diversity 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 FY2030: 80% or more	● In FY2024, the ratio of female employees was 22.8%, and the ratio of women in management positions was 11.6%, both on an upward trend. ● The ratio of women in new graduate hires in FY2025 was 49.7%. ● Held seminars for male employees on childcare support systems. The ratio of male employees who took childcare leave in FY2024 was 66.7%, up about 17 points from the previous year. ● Promoted understanding through D&I training, distribution of educational booklets on LGBTQ issues, etc. ● Received the highest level of the Eruboshi Certification.
Supply chain management	● Encouraging equal and fair dealings with business partners ● Sharing and taking on sustainability challenges together with business partners	● Regular sharing of information with senior management of business partners through the Sustainability Procurement Guidelines. ● Conducted a survey on sustainability to find the status of these awareness-raising initiatives and held seminars to promote sustainability activities and health and productivity management.

G Strengthening the foundation for the Company's existence

In addition to prudent and efficient implementation of corporate governance, we, as a company that handles important information, will strive to handle information assets safely and securely and earn the trust of society.

Opportunities

- Earning the trust of society
  - Capabilities as a responsible IT company

Risks

- Cyber risks
  - Information leaks and cyber-attacks caused by unauthorized access
- Handling of social responsibility
  - Prudent business operations throughout the NSD Group

Materiality	Measures	Initiatives and achievements
Corporate governance	● 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	● 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	● Fostering and enforcing an awareness around compliance ● Ensuring fair trade and preventing corruption ● Preventing compliance violations, etc.	● 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	● Improving employee literacy on information security ● Strengthening security through measures against cyberattacks, vulnerability diagnostics, etc.	● 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.

Management Resources

Human Resources

- Professional IT human resources
- Trustworthy business partners

- A group of professionals with over 4,000 system engineers (ratio of system engineers: 96.3%)
- An organizational culture of approaching all tasks with earnestness and a sincere attitude that our customers appreciate
- A total of more than 5,000 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

Number of employees with IT credentials*

Total at the end of FY2024

5,095

Number of business partners*

Results for March 2025

355

Initiatives to strengthen capital base

We are making an annual investment of approximately 3.0 billion yen in "Developing 'NSD human resources' who earn the trust of customers" and "Creating an environment conducive to outstanding performance."

P.29 Human Resources Strategies

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 over half a century, NSD has accumulated a wealth of business knowledge and technical expertise through the development of systems for customers in a wide range of industries
- Thorough project management and strict management standards prevent unprofitable projects
- DX- and AI-related technology expertise and application capabilities accumulated through practice and research led by NSD-DX Technology

DX- and AI-related sales in system development

37.1%

Ratio of unprofitable amount to net sales*

3-year average

0.04%

Initiatives to strengthen capital base

We are promoting R&D investments with the main objectives of constantly exploring cutting-edge technologies and developing new products to roll out new businesses.

P.25 Technological Strategies

Customer Base

- Customer base of blue-chip companies in a wide range of industries
- 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
- A continued order stream underpinned by solid relationships of trust with customers
- Of the top 50 companies, more than 80% have been our retained 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

Number of companies engaged in transactions*

FY2024 results

1,403

Ratio of sales from top 10 companies*

29.2%

Initiatives to strengthen capital base

We are deepening relationships further by sharing management issues with customers through strengthening the consulting domain utilizing the understanding of customer operations.

P.20 Business Strategies

Finance

- High cash flow generation capability
- Efficient capital management
- Sound 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 financial base through safe and secure investment of surplus funds and a conservative basic policy for strategic shareholdings

Free cash flow

13.2 billion

ROE

18.2%

EBITDA margin

18.1%

Total return ratio

70.8%

Initiatives to strengthen capital base

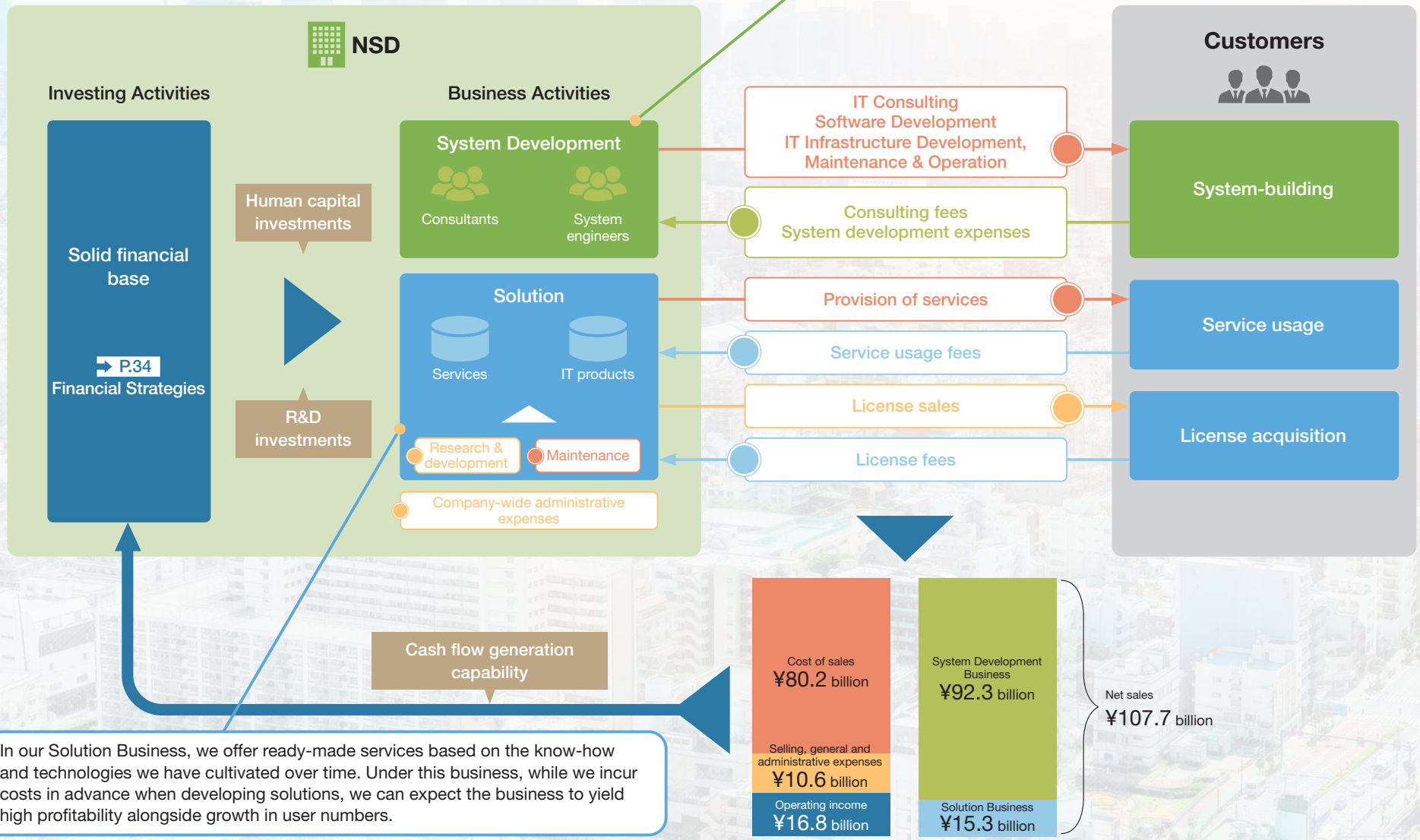
In order to achieve a good balance between growth investments and shareholder returns, we are striving to maintain and enhance our cash flow generation capability and to manage capital efficiently while being aware of capital cost.

P.34 Financial Strategies

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

Business Model and Earnings Structure

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.



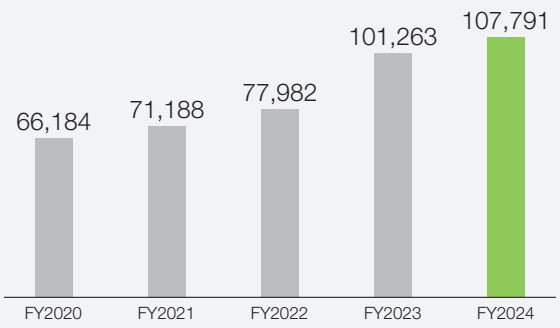
In our Solution Business, we offer ready-made services based on the know-how and technologies we have cultivated over time. Under this business, while we incur costs in advance when developing solutions, we can expect the business to yield high profitability alongside growth in user numbers.

Financial and Non-Financial Highlights

Financial Highlights (Consolidated)

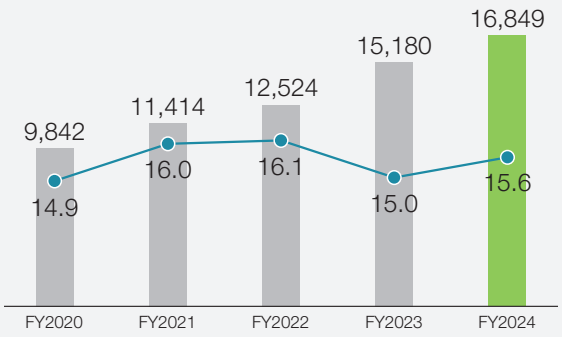
Net sales

Net sales (millions of yen)



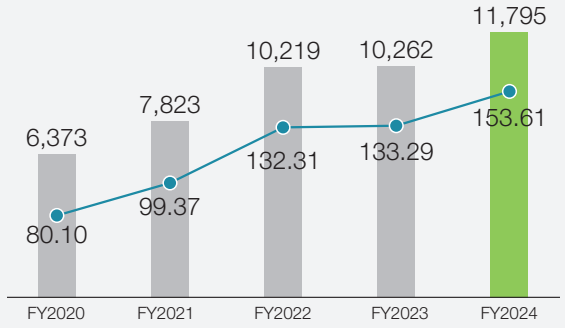
Operating income / Operating margin

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



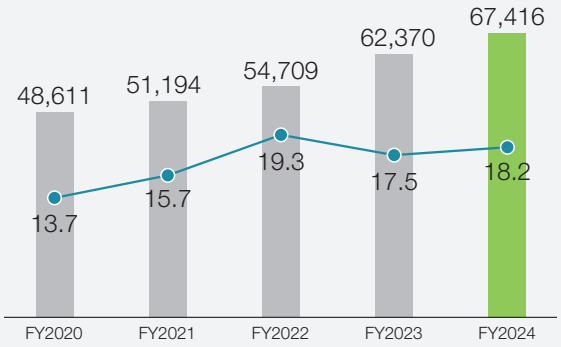
Net income attributable to owners of the parent / Net income per share

Net income attributable to owners of the parent (millions of yen)
Net income per share (yen)



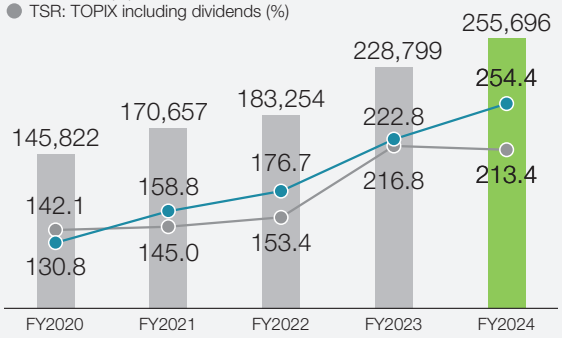
Shareholders' equity / Return on equity (ROE)

Shareholders' equity (millions of yen)
ROE (%)



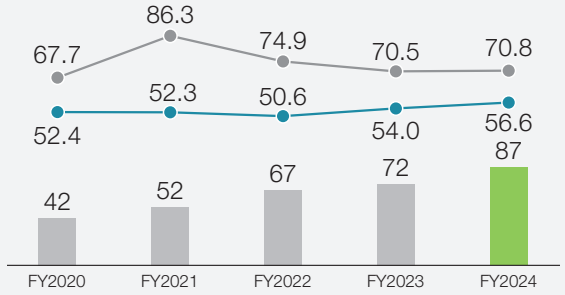
Market capitalization / Total shareholder return (TSR)

Market capitalization (millions of yen)
TSR: NSD (%)
TSR: TOPIX including dividends (%)



Shareholder returns

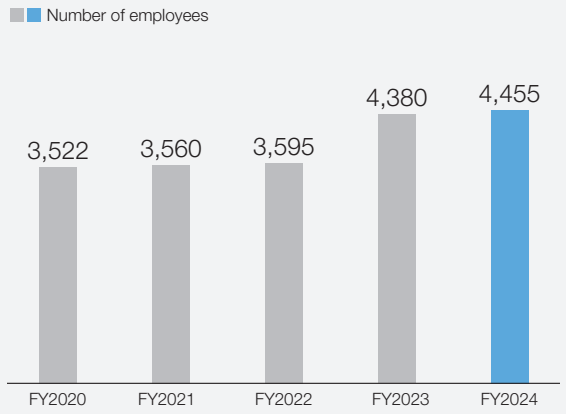
Dividend per share (yen)
Dividend payout ratio (%)
Total return ratio (%)



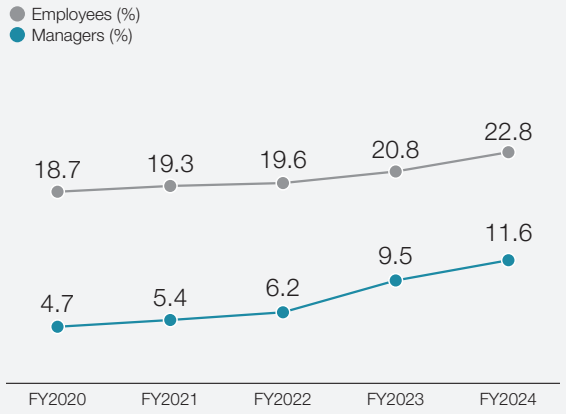
Financial and Non-Financial Highlights

Non-Financial Highlights (Non-consolidated)

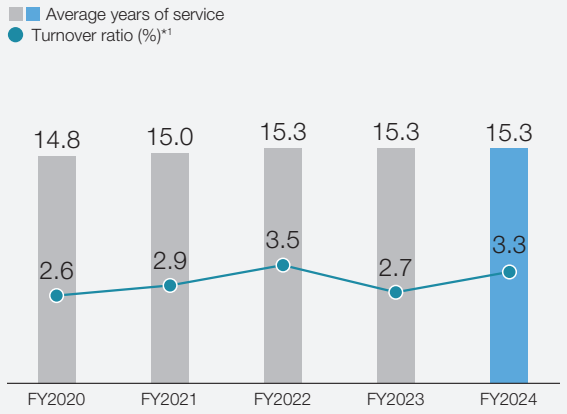
Employees



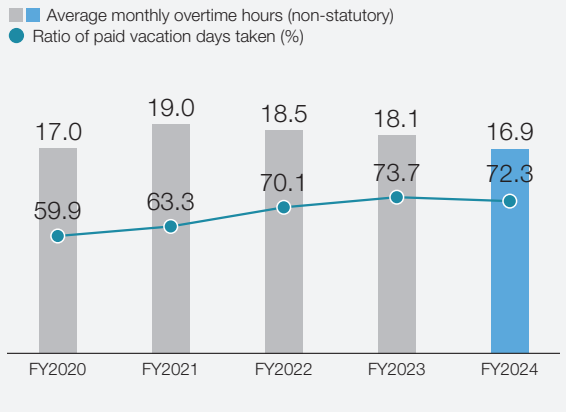
Female ratios



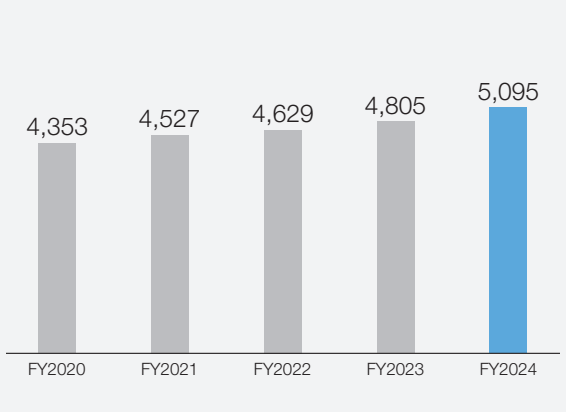
Average years of service / Turnover ratio



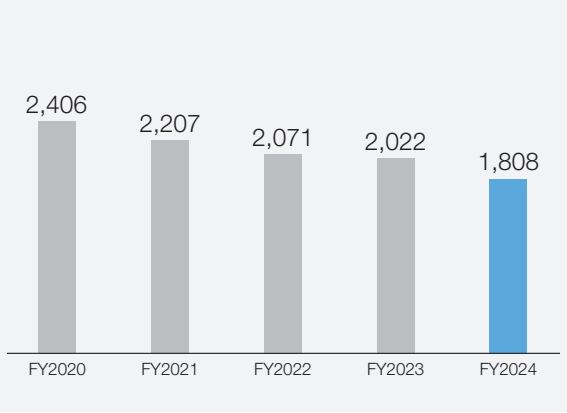
Average monthly overtime hours (non-statutory) / Ratio of paid vacation days taken



Number of employees with IT credentials



CO_2 Emissions



*1: Calculated excluding mandatory retirements and persons using the Company's early retirement incentive program.
*2: NSD and its subsidiaries are the subject of the calculations.

Growth Strategies

20 Business Strategies

25 Technological Strategies

29 Human Resources Strategies

34 Financial Strategies

Business Strategies

Proposing IT services with great uniqueness through promoting aggressive strategies

Osamu Yamoto
Director, Senior Managing Executive Officer
COO
Chief General Manager, Social Platform Division

Strategies and Progress under the Medium-Term Management Plan

Basic strategies

Under our current Medium-Term Management Plan for the five years from FY2021 to FY2025, 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.

NSD's businesses consist 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, utilizing AI, and providing systems with higher added value. The second is addressing the shortage of human resources necessary for the first strategy by recruiting and developing human resources and securing system engineers who can be an immediate asset through M&A.

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. In addition to handling highly ubiquitous security software, we offer packages for specific industries under the strategy of aiming for a niche top position in multiple fields. We aim to develop problem-solving solutions that combine needs for solving social issues with technologies in the DX and AI fields 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 DX- and AI-related businesses and our Solution Business, we have set net sales under our DAS Business as the KPI for our current Medium-Term Management Plan.

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, as a result of efforts to meet the needs in the DX field and expand our business through M&A, we succeeded in

Overview of current Medium-Term Management Plan

● Vision

- 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

Achieve net sales of 100 billion yen

● Basic strategies

DAS Business

- Achieve sustainable growth in the System Development Business
- Make the Solution Business a second pillar of the Company

Expand DX- and AI-related businesses

Effectively use M&A

Business Strategies

achieving net sales of 100 billion yen, the final year target in our current Medium-Term Management Plan, two years ahead of schedule. After that, we have been steadily implementing measures to steadily implement measures set out in the current Medium-Term Management Plan and have been working on various initiatives to further expand our business. In FY2024, in addition to substantial growth in orders received in the Social Infrastructure IT subsegment, orders received in the Financial IT and Industry IT subsegments remained firm in the System Development Business. As a result, net sales totaled 107.7 billion yen, up 6.4% year on year.

Our flagship business, the DAS Business has continued to expand steadily. In FY2024, our DX-related System Development Business using the cloud grew significantly. As a result, DAS Business net sales accounted for approximately 46% of total net sales, reaching the target 45% under the current Medium-Term Management Plan.

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

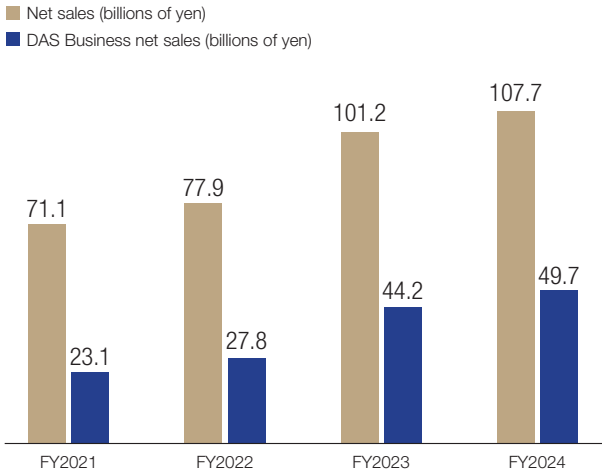
Numerical targets and results under current Medium-Term Management Plan

(billions of yen)

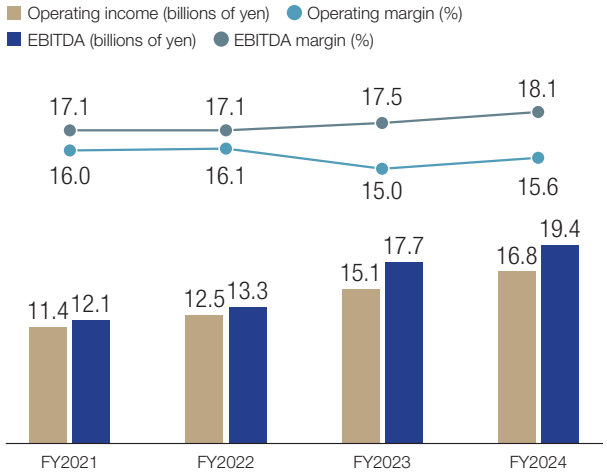
	FY2021		FY2022		FY2023		FY2024		FY2025	
	Initial projections	Results	Initial projections	Results	Initial projections	Results	Earnings forecast	Results	Initial projections	Earnings forecast
Net sales	70.0	71.1	74.0	77.9	78.0	101.2	107.0	**107.7**	100.0	113.2
DAS Business	22.0	23.1	26.0	27.8	30.0	44.2	48.0	**49.7**	40.0	52.5
Operating income	10.0	11.4	10.7	12.5	11.3	15.1	16.8	**16.8**	14.5	17.1
Operating margin	14.3%	16.0%	14.5%	16.1%	14.5%	15.0%	15.7%	**15.6%**	14.5%	15.1%
Net income attributable to owners of the parent	6.8	7.8	7.2	10.2	7.6	10.2	11.2	**11.7**	10.0	12.0
EBITDA	—	12.1	—	13.3	—	17.7	19.5	**19.4**	—	19.5
EBITDA margin	—	17.1%	—	17.1%	—	17.5%	18.2%	**18.1%**	—	17.2%
ROE	13.7%	15.7%	13.9%	19.3%	14.0%	17.5%	17.4%	**18.2%**	15.0%	—

*: Initial projections are figures disclosed on May 10, 2021; earnings forecast for FY2024 are figures disclosed on October 31, 2024; and earnings forecast for FY2025 are figures disclosed on May 8, 2025.

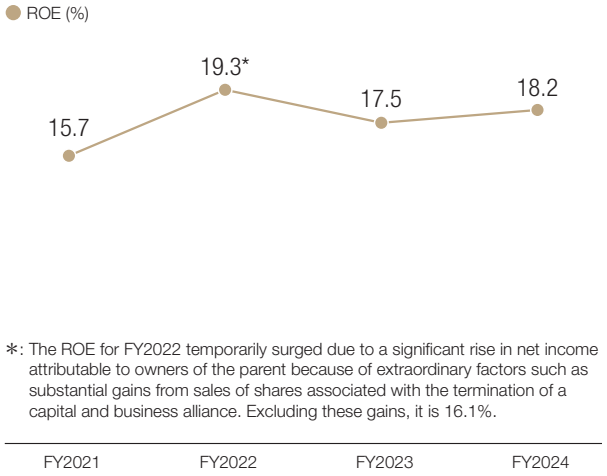
Net sales / DAS Business net sales



Operating income (margin) / EBITDA (margin)



ROE



*: 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%.

Details and results of initiatives

Initiatives under current Medium-Term Management Plan

Aggressive NSD

FY2021 | FY2022 | FY2023 | FY2024 | FY2025

Achieve sustainable growth in the System Development Business

- Strengthen project acquisition capabilities by improving responsiveness in upstream processes
- Seize new business opportunities such as government digitalization
- Secure human resources to drive growth

- Integrated Trigger into the Group to solidify our foundation in the consulting domain
- Absorbed Trigger and established Consulting Business Unit
- Orders from the public sector increased, such as for the standardization of government cloud computing
- Promoted an increase in the number of hires, base pay increases, work style reforms for employees, and deepened relationships with business partners
- Opened offices in Sendai and Hiroshima to bolster our local sites and create employment opportunities in local areas
- Integrated Art Group into the Group to increase system engineers

Make the Solution Business a second pillar of the Company

- Accelerate the roll out of strategies in the healthcare field in Japan and overseas
- Effectively use M&A

- Continued roll out of healthcare-related products
- Integrated NHOSA into the Group to expand business in the medical and healthcare fields
- Integrated Art Group into the Group to branch out into the RFID field

Expand DX- and AI-related businesses

- Speed up the business expansion of AI product development
- Enhance training programs to develop DX human resources and improve technological levels
- Extend knowledge and expertise from the specialized units to other business divisions in the Company
- Deepen collaboration with and realize co-creation with business partner

- Established Advanced Technology Strategic Business Unit to speed up product development and business expansion
- The expansion of the incentive system led to an increase in the number of AI or cloud credential holders
- Employees from DX-related technology specialized units serve as instructors to roll out technologies internally
- NSD-DX Technology promotes co-creation in the DX field with customers from the investing and member companies
- Release of "Quick Digest" AI-powered meeting minutes tool
- Established the Innovation Strategy Business Unit to seamlessly manage all processes from planning to development and sales of products and services
- Promotion of the "next-generation water business DX" initiative in cooperation with water authorities
- Promotion of collaboration with Hitachi
- Release of "BizInsight" private generative AI platform

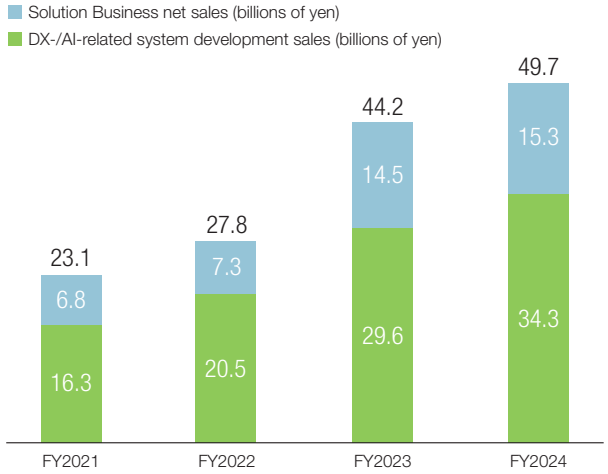
Achieve sustainable growth in the System Development Business

In the System Development Business, DX- and AI-related development has been favorable, and net sales, which stood at 16.3 billion yen in FY2021, expanded significantly to 34.3 billion yen in FY2024. By industry, orders from the public sector substantially increased due to the need to standardize government cloud computing.

In FY2022, we welcomed Trigger Inc., a company with strengths in consulting business, into our Group to improve responsiveness in upstream processes. In FY2024, we absorbed and merged Trigger and established the Consulting Business Unit to pursue strengthening of the consulting domain.

To tackle the challenge of securing human resources, we have secured high-quality system engineers by welcoming the Art Group in addition to bolstering our local sites.

DAS business net sales



Make the Solution Business a second pillar of the Company

In FY2023, NSD bolstered its business foundation in the medical and healthcare fields by welcoming NHOSA, a company with strengths in IT solutions for medical institutions such as dental clinics and dialysis facilities. We also welcomed the Art Group into our Group. This made it possible for us to provide RFID-related solutions.

Sales in the organic business category have expanded steadily, driven by security products. We are further strengthening our sales capabilities through the optimization of internal resources by the Innovation Strategy Business Unit, which was established in April 2024.

Expand DX- and AI-related businesses

NSD's technical capabilities are improving by sharing technologies through personnel exchange across the organizations and enhancing training, and DX- and AI-related businesses are expanding steadily.

We have been steadily building our track record in the use of DX to solve customers' challenges such as the enhancement of work efficiency and succession of technology at a paper mill and the improvement of productivity and elimination of compliance violation risks at a chemical plant.

We are also actively engaged in the development of solutions using AI, and started initiatives in FY2024 to provide a private generative AI platform (launched in August 2025).

➔ P.25 Technological Strategies

Future Strategies with an Eye on Next Medium-Term Management Plan: 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, NSD is promoting aggressive strategies to propose IT services with greater uniqueness and more added value.

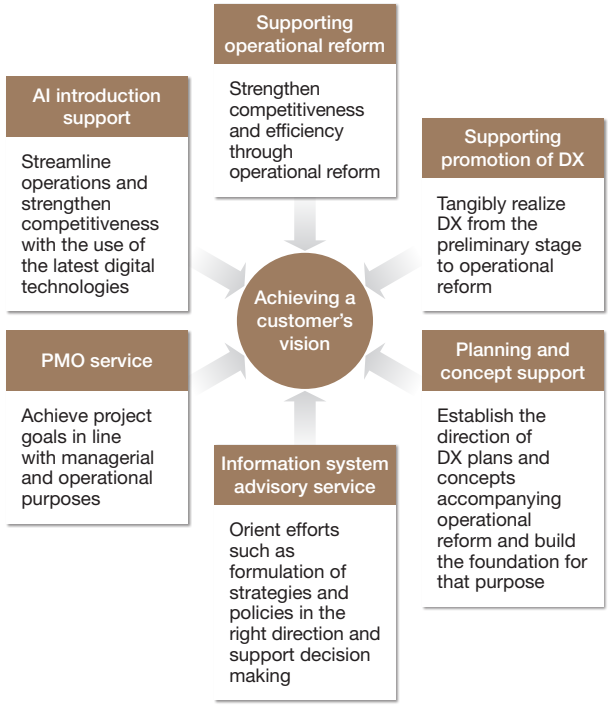
Strengthening of the consulting domain

NSD's consulting service emphasizes a cooperation-oriented approach. This means staying empathetic with and deeply understanding customers' visions and goals and cooperating also in the stage of implementation. The promotion of DX is indispensable for a company's growth. In light of this, we propose tangible solutions to resolve customers' issues, providing consistent support from the reform and improvement of business processes to the development of a DX strategy for the entire organization. In addition, we provide expertise necessary for the promotion of DX to help customers boost their competitiveness and achieve sustainable growth.

In FY2024, we absorbed and merged a subsidiary with strengths in the consulting business and established the Consulting Business Unit. NSD is focusing on securing new projects in the fields where it has not been able to win projects by strengthening collaboration between business divisions in the Company. Specifically, these projects require us to face customers' issues from a broader perspective, albeit within the IT field, involving visualizing IT challenges, creating roadmaps, or establishing security organizations. By steadily winning such projects and expanding capabilities, we will provide customers with IT services covering all processes

in an integrated fashion, aiming to be an entity that earns their trust more than before.

Consulting services offered by NSD



Strengthen responsiveness and promote the use of generative AI in our Solution Business

NSD has focused on expanding its solution lineup over time. In addition to acquiring solutions through M&A, our multiple divisions have been in charge of independently developing solutions in their respective fields. 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 FY2024, by establishing the Innovation Strategy Business Unit, we put a structure in place to comprehensively promote the planning, development, and even sales of solutions. The Business Unit strengthens collaboration between our sales departments located in the eastern and western parts of Japan and performs cross selling in an effort to develop new customers and expand sales.

We are developing private generative AI platforms to help Japanese companies improve their productivity and strengthen international competitiveness through the provision of solutions using generative AI. There are many companies reluctant to adopt generative AI due to a lack of knowledge about utilization methods as well as security concerns. In light of such issues, the platform contains know-how NSD has accumulated and offers a solution to the issues by being made accessible to even those who are not versed in generative AI and enabling safe and secure use in a private environment. In this way, NSD, which emphasizes the attitude of staying empathetic with customers, will continue to provide highly useful solutions that take into account real voices at the frontlines.

Deepen collaboration with and realize co-creation with business partner

NSD reached a basic agreement on a business alliance with Hitachi, Ltd. in December 2024, regarding collaboration in the fields of DX and generative AI, and subsequently entered into the business alliance.

While the social need for DX is remarkably growing, raising technical standards and securing human resources in the field of system development for building and maintaining infrastructure for DX are urgent social issues. Based on this understanding, NSD believes that it is important to further strengthen collaboration between the two companies in solving these issues.

Under the business alliance, in addition to promoting collaboration for system development in the DX and generative AI fields, NSD will provide more value-added new solutions, with the focus on raising the technical standards through personnel exchange and utilizing overseas Group companies.

Details of business alliance

- Collaboration in the DX and generative AI fields
- Collaboration to raise technical standards
- Utilization of overseas resources

Technological Strategies

Providing new value to society by fulfilling an IT company's mission

Hidetaka Kikawada
Director, Senior Managing Executive Officer
Head of Innovation Strategy Business Unit
President & CEO, NSD-DX Technology Co., Ltd.

NSD's Technological Strategies

NSD has positioned "Social innovation with IT" and "Responsible provision of AI" as its materiality issues, based on the understanding that contributing to society by using our characteristics as an IT company is a vital mission. We are therefore pursuing research and technological development, possessing our major characteristic of "identifying advanced technological themes with an eye to commercialization in the next few years and conducting a full range of activities, from investigation and research to solution development." While general research and development may involve conducting basic research first over a span of 10 or 20 years to look into underlying technologies, the NSD Group recognizes research and technological development as one approach to the enhancement of customers' future value, as its track record displays so.

Collaboration structure

- Bolster AI product development and operating base, and speed up business expansion
- Deepen collaboration with and realize co-creation with business partners, and expand our external network in the new technological field

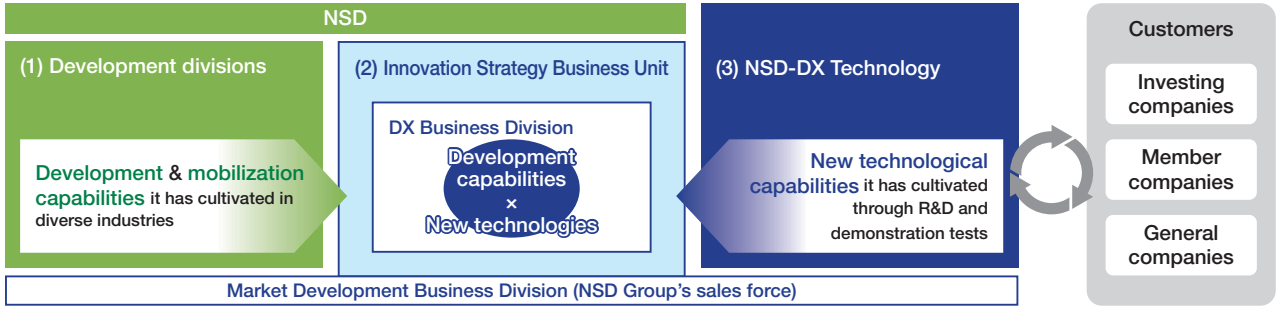
NSD Group's collaboration structure

Based on the view about NSD's technological strategies shown at the left, we focus on application and practical use of new technologies, which are the key to customers' sustainable growth in the future, and provide our customers with new value that manifests the synergistic effects of the Group through collaboration of three members: (1) NSD's development divisions with development and mobilization capabilities, (2) Innovation Strategy Business Unit, which pursues commercialization by comprehensively promoting planning, development, and sales, and (3) NSD-DX Technology with research and technological capabilities.

Partnership with customers

Even for customers with whom we do business in traditional system development, it is essential to promote management strategies through the use of new technologies. We realize co-creation with customers based on proposals that only NSD, who are well-versed in both the customers' operations and systems, can present. Furthermore, by leveraging relationships of trust with customers, which are NSD's strengths, NSD-DX Technology pursues practical research into new technologies that are useful for actual business, through partnership it has formed with its customers, major blue-chip companies that lead their respective industries.

Collaboration structure map



Development of advanced technology specialists

- Extend knowledge and expertise from the specialized units to business divisions in the Company
- Develop advanced technology and DX human resources and expand training and incentive system to increase credential holders and technological levels

Human resources development through collaboration

Personnel exchange has been progressing through three-part collaboration among NSD's development divisions, Innovation Strategy Business Unit, and NSD-DX Technology. This facilitates the fusion of each other's knowledge, speeding up development. By collaborating with one another, we can, for example, propose underlying technologies to appropriately and quickly resolve a challenge relating to new technology that is collected from a customer with whom we do business in system development. In this way, the process of collaboration produces synergistic effects including not only a speedup in solving challenges but also a frontline sense sharpened by a real feeling of customers' needs and improved technical capabilities and know-how.

In addition, we are pursuing initiatives to improve the level of know-how about new technology across the organization, such as employees from NSD-DX Technology serving as instructors to conduct in-house training programs aimed at promoting the use of generative AI.

Recruitment and incentive

NSD-DX Technology constantly hires graduate students who have studied AI, and they have started to demonstrate great performance after their three or four years of experience. We consider that they are stimulated by the workplace where they, at times, pursue co-creation with customers through research with commercialization in view. We plan to continue focusing on creating an environment where employees can accumulate a variety of experiences.

NSD is considering ideas about what framework is instrumental in improving the motivation and satisfaction levels of its employees and is practicing such ideas. With an Advanced Research Stream established, NSD's personnel system is designed to encourage the career development of human resources who lead new technologies and DX-related fields through cutting-edge and pioneering research. We have expanded our financial incentive system for qualifications, such as keeping the eligible qualifications and incentive amounts under regular review. As a result, the number of AI or cloud credential holders has doubled.

Research & Development Investments

The NSD Group is promoting R&D activities with the main objectives of constantly exploring cutting-edge technologies and developing new products to roll out new businesses. In FY2024, the NSD Group's R&D expenses were 501 million yen, and we conducted R&D mainly in the following growth areas.

1. Verification of the need for generative AI under an on-premises environment and research and development to seek solutions
2. Research and development of solutions to put speeches and other voice data into an asset and facilitate the use of such data
3. Research and development of solutions to boost sales at large-scale restaurant chains, etc.
4. Research and development of solutions to facilitate digitalization for manufacturing and logistics
5. Implementation of an AI analysis function in a medical incident management system
6. Enhancement of functions and performance of a platform for promoting health and productivity management to increase the number of platform users
7. Identifying challenges and considering measures concerning "next-generation water business DX"
8. Research and development relating to policy trends (medical DX, etc.)
9. Research and development concerning function enhancement of products, such as next-generation dental appointment systems

Examples

DX

With "Social innovation with IT" positioned as its materiality issue, we have been focusing on solving social issues by using our characteristics as an IT company. In recent years, we have done our utmost to resolve the following social issues.

Automated the preparation of white paperboard production plans

Social issue	Enhancement of work efficiency and succession of technology

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, following the declining working-age population, the enhancement of work efficiency and succession of technology 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.

Technological Strategies

Supporting next-generation water business DX

Social issue	Safe and stable operation of lifelines and reform of business processes

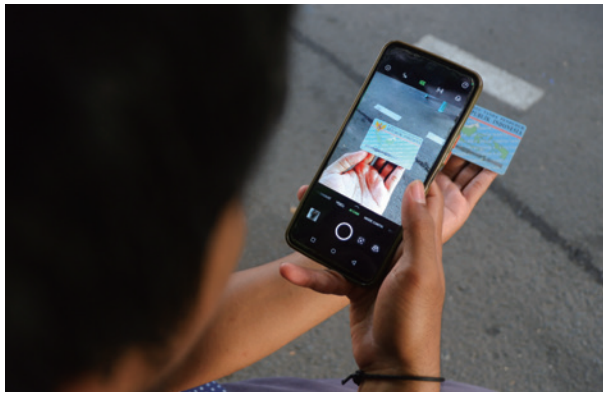
The NSD Group is identifying issues and considering taking measures regarding the "next-generation water business DX" initiative, which is being responded by water authorities. In March 2025, the Group concluded a cooperation agreement with Matsumoto City Waterworks and Sewerage Bureau on promoting DX, following the agreement with the Sendai City Waterworks Bureau in March 2024. The Group will provide IT support for the safe and stable operation of water lifelines through this initiative.

Introduction of public service for personal identification in the KAGA e-Residency Program

Social issue	Productivity improvement and regional revitalization

NSD supported the introduction of the public service for personal identification in the "KAGA e-Residency Program," which is promoted by Kaga City, Ishikawa Prefecture. NSD is encouraging initiatives for regional revitalization by opening local offices or donating to regional revitalization projects. As part of this effort, we provided an iOS application designed to perform My Number Card-based authentication to the "KAGA e-Residency Program," under which persons who do not actually reside in Kaga City but visit Kaga City for sightseeing or workcation purposes are allowed to have an online "Kaga residency" status and receive various administrative services.

NSD has strengthened the City's security measures concerning personal identification by allowing the system to scan users' My Number Card through the iOS scan function (NFC) and make an inquiry to the public service for personal identification. We also provided consulting concerning not only application development but also preparation and progress control necessary for the platform side to run services.

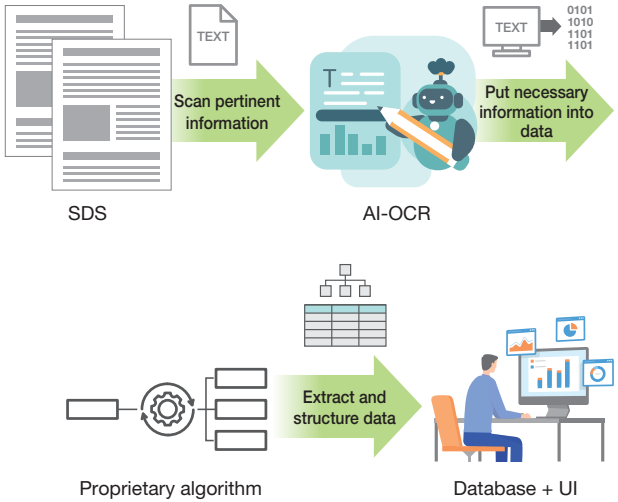


System development for chemical substance management tasks

Social issue	Productivity improvement and compliance violations

Nippon Steel Metal Products Co.,Ltd. obtains safety data sheets from its product or material suppliers to investigate the chemical substance content as specified by laws, and lists this information by product and manages usage amounts. Since it had prepared these lists and checked the information manually, the customer faced issues such as a compliance violation risk caused especially by misunderstanding and reduced work efficiency due to omissions, rechecking, etc. NSD has developed a system for such management tasks by leveraging its AI-OCR technology and the extraction algorithm and document structurization technologies independently developed by NSD-DX Technology. This makes it possible to automatically extract a vast amount of information on chemical substances subject to inspection and prepare lists of the information, thereby contributing significantly to improved operational efficiency.

NSD's approach (AI-OCR technology + document structurization)



- Safety data sheets (SDS) in different forms are scanned by AI-OCR, and necessary information is put into data
- A system has been created so that a database of chemical substance information built by extraction and document structurization with our own algorithm can be used for a chemical substance management system

While I was convinced that "just replacing hard and steady tasks can considerably change the way we work," this project helped me to correctly understand the image of AI.

Customer

Representative NSD

I offered one proposal after another for improved convenience and something extra. These proposals were rated highly, such as the customer receiving a company award from their president and placing an order for additional development.

Intellectual property applications

The NSD Group pursues technological research with an eye to practical use and promotes the use of research findings as solutions that are useful for actual business to resolve issues common to a wide range of customers.

Title of the invention	Handwashing evaluation system and its method

Overview

A handwashing evaluation system that includes a display device configured to simultaneously display an example video for handwashing guidance and a user's handwashing procedure captured by a camera.

Application example

Solution for handwashing evaluation: TeA-L / Right

AI constantly checks hand washing procedures on behalf of humans. The system offers support through example videos until the handwashing procedure can be done correctly. It reliably records who washed their hands and when, and thus this information can then be used as evidence for hygiene management checks at customers' sites, such as convenience stores and food factories, where hygiene management is important. AI learns from handwashing procedures that differ among different organizations or factories, and the system helps users to reliably develop a systematic routine based on their environment. The system contributes to raising awareness about hygiene in the food business, where recruitment of diverse human resources is accelerated.

テアライト
TeA-L / Right

Title of the invention	Speaker diarization system and its method

Overview

A technology that enables the recording of voices of speakers without overlapping while identifying each speaker at places where several people speak in the shared space, such as meetings, call centers, and sites at which microphone headsets are used.

Application example

Solution for preparing meeting minutes: Quick Digest

Quick Digest, which incorporates the above technology, records meetings in full. The application automatically prepares written records and summaries, enhancing efficiency in minutes preparation. This technology enables persons in an organization who have not attended a meeting to grasp the meeting entirely, since minutes data can be shared across the organization. It also supports both face-to-face and online meetings, contributing to improved operational efficiency and productivity.

Quick Digest

Technological research

As the technologies researched at NSD-DX Technology have progressed to the demonstration phase, DX-related business achievements have been accumulated. NSD-DX Technology continues its research and proof-of-concept efforts on generative AI and other DX-related technologies that have high social needs.

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 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 have launched the "BizInsight" private generative AI platform. The product is a packaged solution that enables the safe and easy use of generative AI in an in-house exclusive environment such as on-premises. Combining the product with in-house data contributes to dramatically improved efficiency in business affairs such as inquiry handling, planning, and sales.

BizInsight

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.

Human Resources Strategies

Maximizing the power of “NSD people” to enhance corporate value

Mayuko Miike
Director, Executive Officer
Chief General Manager, Corporate Service Division

NSD’s Approach to Human Capital Management

NSD has been growing through earning the trust of many customers. This growth is supported by our earnest organizational culture, which responds to the trust of our customers, our solid technical capabilities including deep understanding of customer operations, and our people who build up these assets—individuals who are sincere, passionate, and possess inner strength.

NSD believes that its employees are its greatest asset and the growth of each employee leads to its long-term development and contribution to society. Based on this view, we pursue initiatives for human capital management to be an aggressive NSD that strengthens further growth and competitiveness.

NSD’s Human Capital Investment Policy and Its Effects

Based on its approach to human capital management, NSD makes an annual investment of approximately 3.0 billion yen in “Developing NSD people who earn the trust of customers” and “Creating an environment conducive to outstanding performance.”

The results of measures supported by these investments include a continued order stream that is underpinned by relationships of trust with customers based on our many years of project accomplishments. Moreover, the measures have helped us to “steadily make young employees a powerful asset,” “implement high-quality projects,” and “improve employee performance.” These results are equivalent to earnings, the impact of which exceeds 3.0 billion yen a year.

We aim to achieve continual organizational growth through the circulation (reinvestment) of the benefits of these human capital investments.

NSD’s human capital investment policy and its effects

Investment in developing NSD people who earn the trust of customers

and

creating an environment conducive to outstanding performance

¥3.0 billion per year

NSD’s unique human capital management

creates the impact of earnings

¥3.0 billion per year and extra benefit

Developing NSD people who earn the trust of customers

Input (measures)

Strategic acquisition of human resources

- Recruitment of potential new graduates
- Mid-career hires who can be immediately effective in line with business objectives

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.

In recent years, we have also been focusing on mid- career hiring of persons who can be immediately effective 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.

Human resources development unique to NSD

- Sophistication of IT skills and deep understanding of NSD operations
- Inheritance of the "earnestness" that represents a uniquely NSD touch

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.

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 order to promote 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 implementing initiatives such as 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.

NSD's model of human capital investment circulation

	Input (measures)	Output (effects of measures)	Outcomes (results delivered by effects)
Developing NSD people who earn the trust of customers	**Strategic acquisition of human resources** ● Recruitment of potential new graduates ● Mid-career hires who can be immediately effective in line with business objectives	Securing human resources necessary for business creation and promotion	A continued order stream that is underpinned by relationships of trust with customers based on our many years of project accomplishments
	Human resources development unique to NSD ● Sophistication of IT skills and deep understanding of NSD operations ● Inheritance of the "earnestness" that represents a uniquely NSD touch	Development of engineers and PMs with advanced expertise	A continued business relation helps to acquire skills specialized for each business and steadily make young employees a powerful asset, contributing to profitability
		Fostering the mindset of NSD people	The development of new products and services by utilizing cutting-edge technologies Implementing high-quality projects using advanced technological prowess and project management capability
Creating an environment conducive to outstanding performance	**Improvements for an attractive work environment** ● An environment where diverse human resources can thrive in good health ● An environment where autonomous human resources can manifest their creativity	A workplace where diverse human resources demonstrate their abilities	New value proposals through innovation
	Fostering a sense of unity in the organization ● Revitalizing communication across departments Examples) The Company's founding anniversary ceremony, sports day, and other events	Organization with a high level of engagement	Improved employee performance
		Corporate culture that supports innovation	Stable employee retention leading us to seize business chances

Human capital investment
¥3.0 billion per year

Achieving high profitability

Effect
¥3.0 billion per year and extra benefit

Output (effects of measures)

Securing human resources necessary for business creation and promotion

As a result of recruiting activities, we have continued to secure 150 or more new graduate hires and 30 or more mid-career hires a year. In FY2025, we are also promoting recruiting activities to further secure human resources.

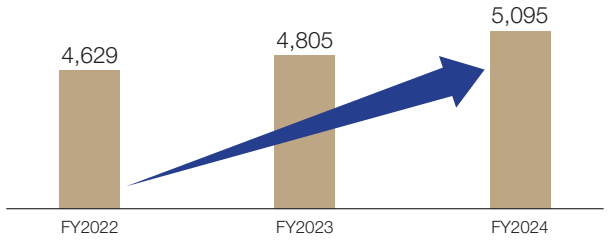
Number of hires

	FY2023	FY2024	FY2025
Number of new graduate hires	150	155	**155**
Number of mid-career hires	35	34	**(recruiting)**

Development of engineers and PMs with advanced expertise

The number of IT experts is increasing year by year mainly due to a variety of technical training programs and a financial incentive system for gaining qualifications.

Number of employees with IT credentials



Fostering the mindset of NSD people

Multi-rater feedback surveys conducted on managers in FY2023 and FY2024 showed the following behavioral characteristics common to people who produce excellent results.

Behavioral characteristics common to people who produce excellent results at NSD

Behavioral characteristics	Description
Tolerance	A person who engages positively even with tough situations
Sincerity	A person who inspires those around him/her to behave correctly and ethically
Issue setting	A person who analyzes an issue to find its root cause
Ability to act	A person who is persevering in completing a task

We believe that the mindset of NSD people is made up of such behavioral characteristics.

This mindset has been passed down unbroken, as "the attitude toward your work" is one of high-ranking responses to the question "what you feel thankful for among things you were taught by the on-the-job trainer" in a questionnaire at the end of on-the-job training for new employees every year.

Creating an environment conducive to outstanding performance

Input (measures)

Improvements for an attractive work environment

- An environment where diverse human resources can thrive in good health
- An environment where autonomous human resources can manifest their creativity

In addition to encouraging women's advancement, NSD strives to create a workplace where diverse human resources can thrive. 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.

At the same time, 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.

In addition, as NSD's personnel system is a meritocratic system where both younger employees and mid-career hires are promoted to important roles, we are creating an environment where each and every employee can autonomously manifest their creativity.

Fostering a sense of unity in the organization

- Revitalizing communication across departments

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 by holding events such as the Company's founding anniversary ceremony and recreational events for all, thereby fostering a sense of unity.

Output (effects of measures)

A workplace where diverse human resources demonstrate their abilities

The ratio of female employees and the ratio of women in management positions have been increasing year by year, and the ratio of women in new graduate hires over the latest period was approximately 50%. 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. The percentage of female employees taking childcare leave has been 100% since FY2000, when we began taking this statistic, and the percentage of male employees taking childcare leave has increased substantially.

Female ratios

	Target (FY2030)	FY2022	FY2023	FY2024
Employees	30% or more	19.6%	20.8%	**22.8%**
In management positions	20% or more	6.2%	9.5%	**11.6%**

Percentage of male employees taking childcare leave

	Target (FY2030)	FY2022	FY2023	FY2024
Ratio of childcare leave taken	80% or more	30.9%	49.0%	**66.7%**

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

The skills and performance of personnel are measured using the indicators "Absenteeism"*1 and "Presenteeism"*2 as numerical targets. NSD focuses on improving these indicators.

*1: Refers to absence from work due to health problems.
*2: Refers to a state in which absenteeism is not apparent in terms of attendance management, but productivity is reduced due to health problems.

Organization with a high level of engagement

NSD's employee turnover rate hovers around the 3% mark, which is low compared with others in the industry. In an internal survey for FY2024, 86% of the employees responded "I want to continue working for this Company going forward." In this manner, we maintain a high retention rate of talented

staff through the implementation of various measures aimed at creating and maintaining a comfortable working environment. Moreover, the retention rate is measured using "Work Engagement"* as a numerical indicator. NSD focuses on improving this indicator.

*: Refers to a positive and fulfilled state of mind and attitude toward work.

Turnover ratio

	FY2022	FY2023	FY2024
Turnover ratio (excluding mandatory retirements, etc.)	3.5%	2.7%	**3.3%**

Results of the internal survey for FY2024 (engagement)

I want to continue working for this Company going forward	I want to contribute more than what is expected of me by the Company and my manager
86%	80%

Corporate culture that supports innovation

In the DAS Business, our key business, we actively engage in system development projects relating to new technology and honor employees that have produced excellent results. In order to further expand operations, we encourage initiatives pursued across organizational units such as divisions and departments and foster a corporate culture that allows employees to take on challenges with peace of mind.

Results of the internal survey for FY2024 (corporate culture)

I am not criticized even if I fail after a challenge	I feel that my ideas or opinions are respected by my manager at work
79%	79%

Human Resources Development

In order to respond to changes in the business environment, such as with the ever-advancing technologies and rapid progress in digital transformation, NSD conducts a range of technical training programs so that employees can acquire leading-edge technological skills.

Examples of training to improve technical skills

Training based on experience or position	● Training based on experience Unit test related, creating work breakdown structures, etc. ● Training based on position Project leaders development, fundamentals of a project manager, requirements management, etc.
Elective skills training	● Training for Agile development Scrum development, Agile and Waterfall, Agile test-driven development and automation, etc. ● Technological trends training Getting started with Angular, getting started with Nest.js, AWS Lambda, NoSQL, Docker, Keycloak, Amazon ESC/VPC, etc.
PMP® training*	● Exam preparation course ● Agile development training for students ● Exam preparation for certification

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

As well as the in-house training programs shown above, 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.

We implement robust training programs to improve soft skills as well as to enhance these IT skills. In addition to providing training for younger employees to learn basic skills for members of society every year, we conduct training that allows employees to think about their vision as well as training related to management when they are promoted to a higher position.

Examples of training to improve soft skills

Training based on experience	● Group training for new employees ● Correspondence materials for new employees ● 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	● 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 and balancing hitting targets with human resources development) ● Training for new department heads (role understanding and health management awareness) ● Training for newly appointed executive officers (Power to Execute and Innovate) ● Training for newly appointed directors (Increase Corporate Value and See the Bigger Picture)
Training based on topic	● 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

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.

Website Human Resources Development

Health and Productivity Management

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," which clarifies relations between initiatives and effects, and are strategically promoting each measure while verifying them.

In recognition of these initiatives for health and productivity management, we have been selected as "2025 Health & Productivity Stock"*1 and recognized as "2025 Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category/White 500)."*2

*1: 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." NSD has been selected for the second time for two years in a row.

*2: 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. NSD has been selected for the fourth time for two years in a row.

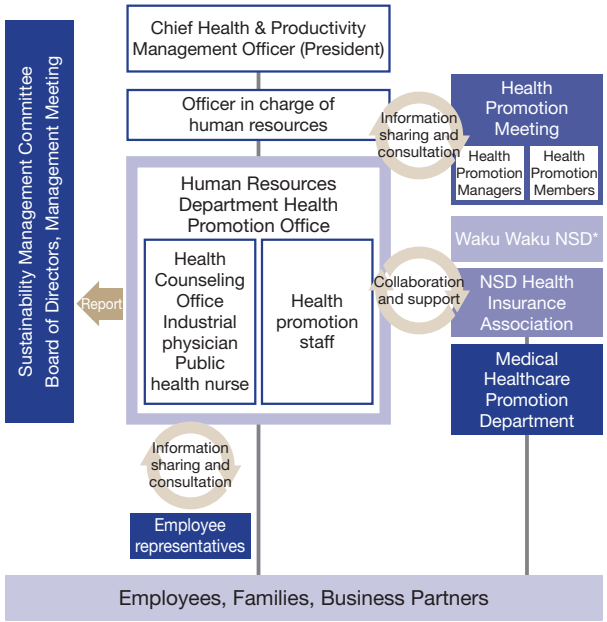
2025 健康経営銘柄 KENKO Investment for Health

2025 健康経営優良法人 KENKO Investment for Health 大規模法人部門 ホワイト500

Unique to NSD | Proactive health support provided by the Group's unified health insurance association

The NSD Health Insurance Association is the Group's unified health insurance association. By taking advantage of such a unique characteristic, it offers 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.

Organizational structure for promoting Health and Productivity Management



*: 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.

Website Health and Productivity Management

Diversity & Inclusion

NSD strives to create 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. In addition to making company-wide efforts to promote women's advancement in the workplace, NSD is involved in initiatives for diversity in the workforce and equal opportunity by actively working to enhance our benefits programs for work-life balance and also by fostering an internal culture that makes it easy to benefit from such programs. In order to create a workplace free of discrimination, we respect the diversity of our employees and promote mutual understanding through D&I training and other programs.

Unique to NSD | Considerate programs for work-life balance

We provide programs such as more childcare leave than statutory requirements and commuting at off-peak times as well as reduced working hours for employees with children under the 6th grade of primary school. We also provide leave options, such as allowing employees to take leave by the hour or accrue paid leave days to certain extent and granting annual leave for meritorious long service to employees with 10 or more years of service, so that each employee can readily take leave.

女性が活躍しています！

プラチナくるみん 子育てサポートしています

Website Diversity & inclusion

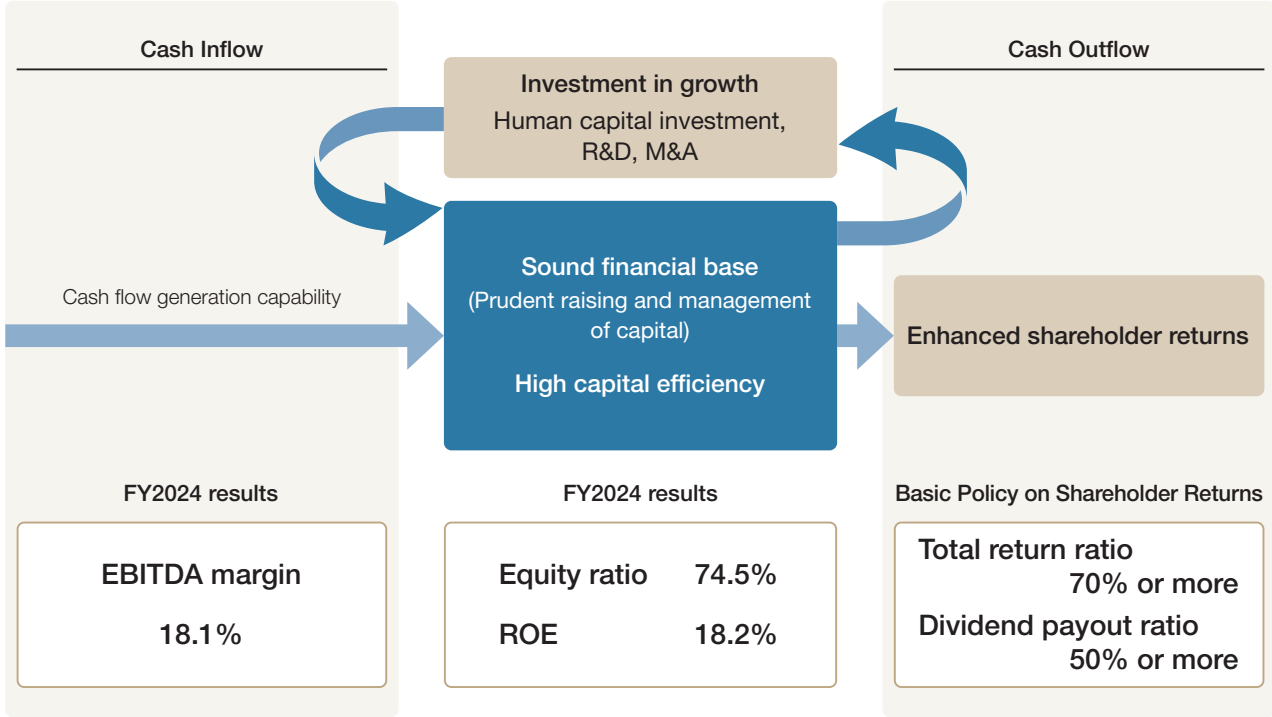
Financial Strategies

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 has remained at 17% or more during the current Medium-Term Management Plan. In FY2022 to FY2024 in particular, although expenses increased due to base pay increases, we were able to absorb these expenses thanks in part to revenue growth.

ROE increased from 13.7% to 18.2% 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. In FY2024, operating cash flow amounted to 12.2 billion yen, and free cash flow was 13.2 billion yen.

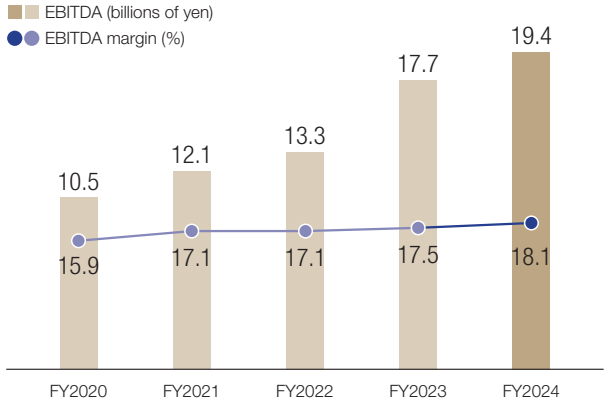
Raising and management of capital

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.

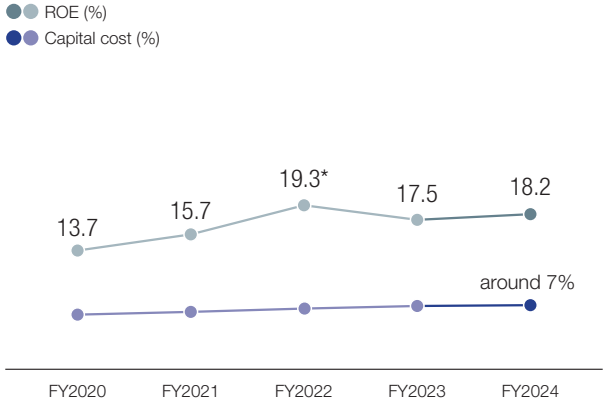
Investment in growth

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 capital 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.

EBITDA (margin)

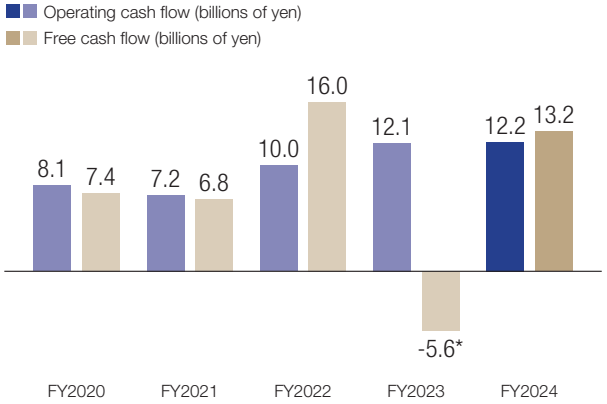


ROE / Capital cost



*: 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



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

Cross-shareholdings

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

(1) They must contribute to the development and expansion of the Group's businesses or the welfare and benefits of our employees

(2) The invested company's ROE (5-year average) must exceed our capital cost

We also review whether these conditions of holding are being met for each invested company on an annual basis. Based on the results of that review, we determine the holding policy for the fiscal year in question. As a result of reducing our cross-shareholdings based on this policy, at the end of FY2024, our cross-shareholdings comprised 12 stocks valued at 1.5 billion yen (including non-listed shares). The proportion of cross- shareholdings to total assets stands at 1.8%.

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 FY2024, we achieved a dividend payout ratio of 56.6%, with a total return ratio of 70.8%. This was a result of providing total shareholder returns of 8.3 billion yen, comprised of dividends of 6.6 billion yen (87 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 financial base

A sound 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 around 70%.

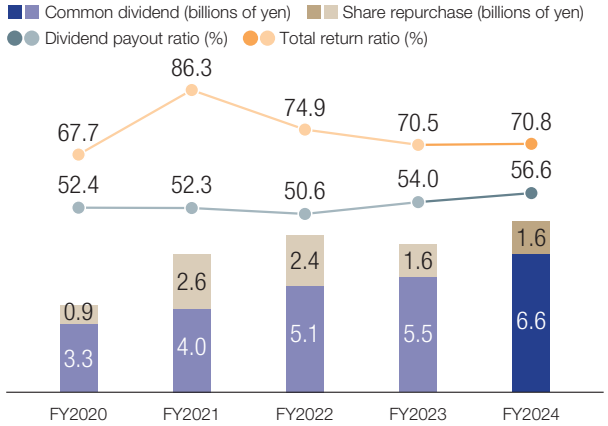
Market assessment

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 FY2024 totaled 255.6 billion yen, up approximately 1.8x from the end of FY2020, and our price-to- book ratio (PBR) rose to 3.79x at the end of FY2024.

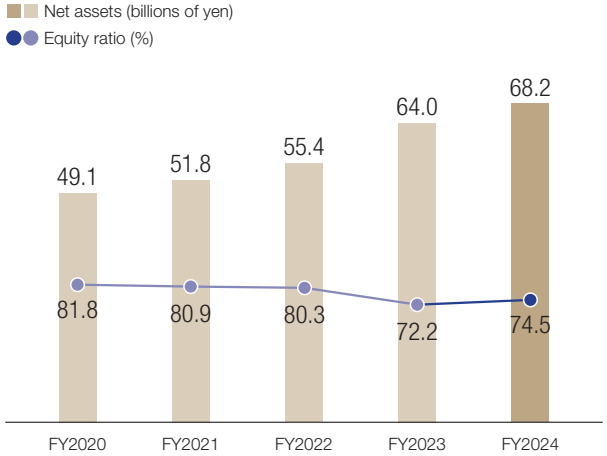
Moreover, we have been selected to be part of the JPX-Nikkei Index 400*1, which is composed of companies that have high appeal for investors, for the fourth consecutive year, as well as the JPX Prime 150 Index*2 for the third consecutive year, thanks to our capital returns.

*1: The target period is from August 29, 2025 to August 28, 2026.
*2: The target period is from August 29, 2025 to August 30, 2026.

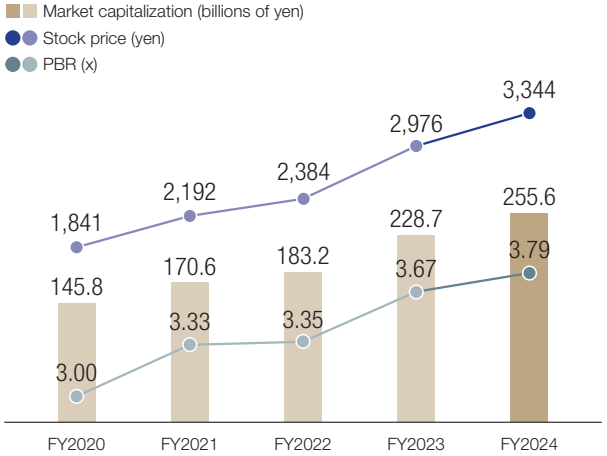
Dividend amounts / Share repurchases / Dividend payout ratio / Total return ratio



Net assets / Equity ratio



Year-end stock price / Market capitalization / PBR



Segment Overview

38 Business Segments

39 Financial IT

41 Industry IT

43 Social Infrastructure IT

45 IT Infrastructure Construction

47 Solution Business

Business Segments

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

System Development Business is further divided into four subsegments: Financial IT, Industry IT, Social Infrastructure IT and IT Infrastructure Construction.

NSD and its Group Companies are working to expand business in each segment and solve social issues by leveraging each company's strengths and business characteristics.

Segments	Business lines	Group companies	Strengths
System Development Business: Financial IT	We provide software development and system consulting for a broad range of financial services to customers, such as banks, insurance, and securities companies.	NSD, NSD-DX Technology, ART Group, FSK, NSD International, Chengdu Renbenxindong Technology	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
System Development Business: Industry IT	We provide software development and system consulting to customers in industries like manufacturing, commerce, service, and construction sectors.		
System Development Business: Social Infrastructure IT	We provide software development and system consulting to customers in industries like telecommunication; transportation; electricity, gas, and water; and public sectors.		
System Development Business: IT Infrastructure Construction	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.		
Solution Business	Solution Business develops and provides 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. We offer solutions for specific industries, including medical and healthcare solutions, human resource solutions, and outsourcing services for shareholder benefits.	NSD, NSD-DX Technology, ART Group, FSK, NHOSA, StellaS, Shareholders Relation Service, NSD International	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

Satoshi Kiyota

Senior Managing Executive Officer
Head of Financial Business Unit
Head of Social Infrastructure Business Unit

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.

Segment 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.

Sales in the Financial IT subsegment have consistently remained at a high level 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

Plenty of operational experts

We possess a large number of experts and people experienced in financial projects that require specialized operational expertise since we have conducted work from the most upstream process to the final process over a period of many years.

In addition, we promote the development of many human resources by sharing knowledge with customers within the framework for carrying out projects.

Internal Environment	● Wide customer base and extensive operational know-how ● Detailed project promotion system with customers ● Flexible organizational capabilities	Challenges	● Developing and securing consulting human resources ● Acquiring new customers
External Environment	● Expansion of the DX market ● Growing need for AI and other new technologies	Risks	● Decline in working-age population ● Constraints on IT investment ● Increased cyber risks

Flexible organizational capabilities for optimal staffing

The Financial Business Unit is divided into four 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.

Vision in the Medium-Term Management Plan

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 by accumulating a track record in new fields, we have earned 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.

FY2024 Results

In a favorable business environment, we made good progress 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, regional banks and securities companies increased significantly. 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

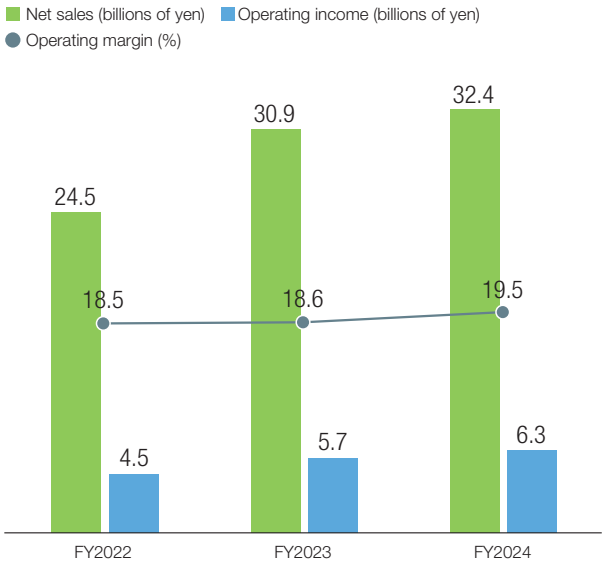
Acquisition of new customers

It remains 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 are promoting 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, with 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 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.

Net sales / Operating income (margin)



Industry IT

Akio Shinno

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

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

Segment Overview

We provide software development and system consulting to customers in industries like manufacturing, commerce, service, construction, distribution and logistics 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
Distribution and logistics	● Warehouse management systems ● Transportation and delivery systems ● Domestic freight tracking services

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.

Internal Environment	● Customer base spanning multiple industries and extensive operational know-how ● Proactive learning system for new technologies ● Personnel mobilization on a nationwide scale	Strengths	Challenges	● Developing and securing consulting human resources ● Difficulty in managing personnel due to the small scale and large number of projects
External Environment	● Expansion of the DX market ● Growing need for AI and other new technologies	Opportunities	Risks	● Decline in working-age population ● Constraints on IT investment ● Increased cyber risks

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

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.

FY2024 Results

We recorded greater growth than expected in mobility projects despite a slight decrease in orders in early FY2024 compared to the previous fiscal year in which we saw brisk business in large-scale projects such as compliance with the new qualified invoice system. Moreover, the acquisition of Trigger and the reinforcement of the consulting business allowed us to participate in projects primarily in the manufacturing, distribution and logistics sectors from the very upstream process. As a result, net sales and operating income increased.

In the automotive industry, there are signs of a decline in investor confidence compared to the previous fiscal year due in part to the tariff policy of the United States. However, most investments are expected to be made to adapt to changes in the business environment, such as the shift toward EVs and autonomous driving. 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 supports 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.

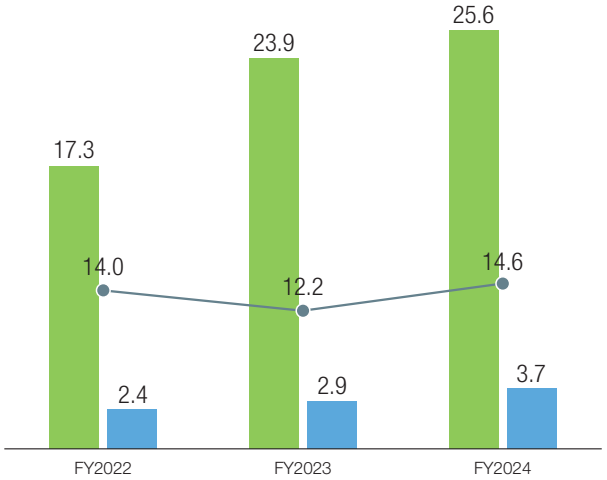
Taking on the challenge of new fields

The adoption of packaged software is accelerating at Japanese companies, and there is an increasing number of system development projects utilizing such software. NSD is accumulating know-how, aiming to leverage the ability to deal with these projects as a new strength.

In this subsegment, proposal activities are vital to acquiring projects in an uninterrupted pipeline, so we intend to continue to focus on developing consulting 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.

Net sales / Operating income (margin)



Social Infrastructure IT

Satoshi Kiyota

Senior Managing Executive Officer
Head of Financial Business Unit
Head of Social Infrastructure Business Unit

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

Segment 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 projects with customers in the telecommunication industry, there are a wealth of opportunities to experience the latest technologies on the front lines for system building and operation as well as service development, contributing significantly to the enhancement of technological skills of our engineers. In particular, we provide an environment where engineers can practically acquire technologies in a wide range of fields and operational knowledge through different projects. This helps to develop human resources with flexibility and application capability.

Internal Environment	● Practical skill acquisition through work ● Supply of experts with technical qualifications that are in high demand ● Accumulation and steady transfer of knowledge	Strengths	Challenges	● Developing and securing consulting human resources ● Responding to the speed of technological innovation
External Environment	● Progress in government cloud standardization ● Expanding modernization	Opportunities	Risks	● Decline in working-age population ● Constraints on IT investment ● Increased cyber risks

We have accumulated know-how about system design, operation, and maintenance, as well as service planning from many years of consistent business dealings with customers. A framework has also been put in place to pass on such knowledge to next-generation personnel. As a result, an expanded pool of experts enables us to make high-value-added proposals by combining technological capabilities and operational knowledge. This is our key 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 in addition to traditional scratch development. 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

- 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.

FY2024 Results

Orders from the public sector rose substantially mainly due to the expansion of existing projects; in addition, orders from the telecommunication and the electricity, gas, water sectors remained firm, resulting in increases in net sales and operating income.

Orders from the telecommunication sector remained firm due 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

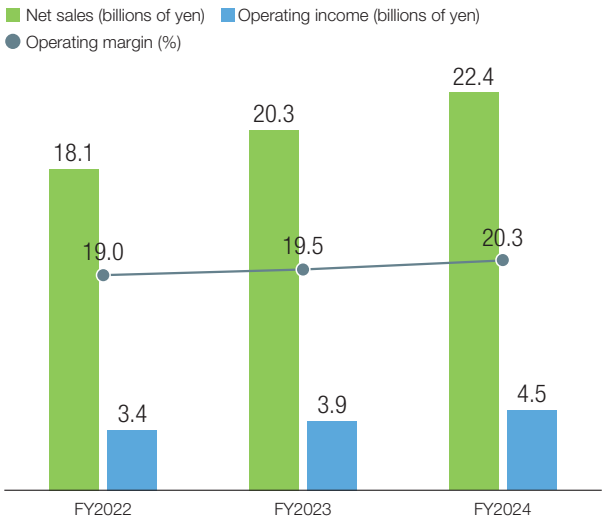
Use new technologies to contribute to the increase of productivity at our customers

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 are 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.

Net sales / Operating income (margin)



IT Infrastructure Construction

Akio Shinno
Managing Executive Officer
Head of Industry Business Unit
(In Charge of) IT Infrastructure Business Division

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

Segment 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.

Services offered

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.).

Internal Environment	● Ability to make flexible proposals based on the strengths of independents ● Years of experience providing high-quality services ● Human resources with a wide range of IT infrastructure skills **Strengths**	**Challenges**	● Securing IT infrastructure experts ● Responding to the speed of technological innovation
External Environment	**Opportunities** ● Advancement of transition to the cloud ● Increased demand for security measures	**Risks**	● Decline in working-age population ● Constraints on IT investment ● Increased cyber risks

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. 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

- 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 applies 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.

FY2024 Results

Orders from financial and public sectors, such as for infrastructure construction projects, remained firm, resulting in increases in net sales and operating income. 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.

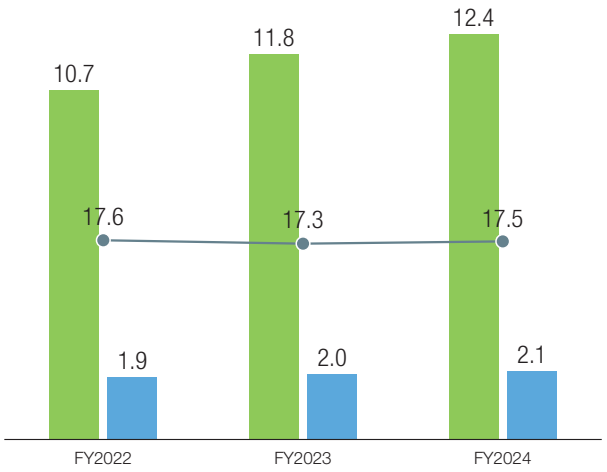
Respond to the widespread use of cloud services and the diversification of work styles

Cloud services and teleworking have spread rapidly, and the use of external networks is expected to continue spreading. In other words, security risks such as unauthorized access, information leaks, data loss, and cyberattacks are increasing. Nevertheless, NSD is able to mitigate this with its track record in constructing infrastructure for the financial industry and public organizations, which have strict security requirements. We utilize this know-how to build a safe and secure IT infrastructure to help increase the robustness of diversifying customer environments.

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 will promote the creation of new businesses, such as launching a service by combining a wealth of its know-how about customers' operations with generative AI.

Net sales / Operating income (margin)



Solution Business

Hidetaka Kikawada

Director, Senior Managing Executive Officer
Head of Innovation Strategy Business Unit
President & CEO, NSD-DX Technology Co., Ltd.

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

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 business expansion by welcoming NHOSA Corporation, which has strengths in IT solutions for medical institutions such as dental clinics and dialysis facilities, 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

Security	● Secure file-sharing systems ● Systems to prevent misdirected emails
Medical and healthcare	● Receipt computer system for dental clinics ● Dialysis treatment support systems ● Medical incident management systems ● Remote health support services
Human resources	● Recruitment management systems ● Staffing services support systems
Logistics	● Commercial warehouse management systems
Operational efficiency	● RFID solutions ● Private generative AI platform
SR and IR support	● Outsourcing services for shareholder benefit programs

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 its M&A in recent

Internal Environment	● Flexible sales methods that leverage organizational capabilities ● Lineups of leading solutions in niche markets ● Co-creation of value with customers	Strengths	Challenges	● Brand recognition of Solution Business ● Number of solutions lineups
External Environment	● Expansion of the DX market ● Growing need for AI and other new technologies	Opportunities	Risks	● Compression of the solution life cycle ● Constraints on IT investment

years, 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

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.

FY2024 Results

While net sales increased due to the increase in orders for security products, RFID-related solutions, shareholder relation services, etc., operating income decreased mainly due to a decline in profit margins for some solutions. Orders for NSD's existing solutions remained firm, and demand for PPAP measures and security solutions related to increasing cloud adoption remained brisk. We have successfully secured new projects in these areas through steady and proactive sales initiatives.

Future Strategies

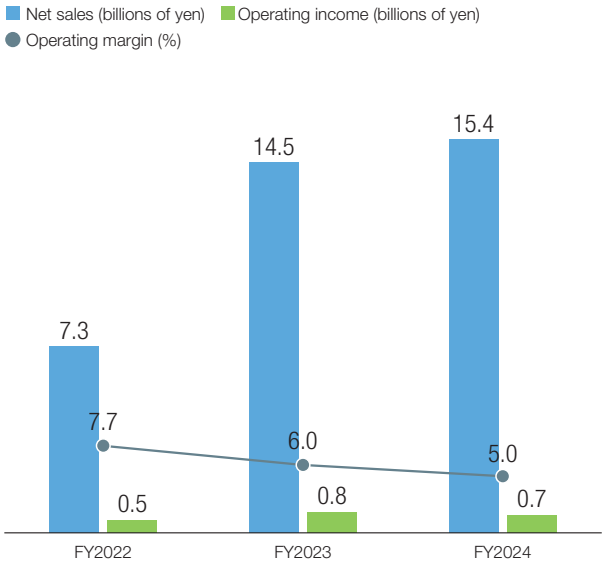
Swift response to the life cycle of solutions

In recent years, the life cycles of solutions and technology trends have 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.

Maximization of synergies

While the lineup of in-house solutions we handle have been favored as individual solutions by our customers, we need to shift from a "point strategy" to a "plane strategy" going forward. To promote activities that produce synergistic effects by leveraging the strengths of individual solutions, a planning team in the Innovation Strategy Business Unit is pursuing initiatives under the theme of synergy maximization while planning and implementing individual measures. We are aiming to offer continual services by evolving the in-house solutions into total solutions in each field.

Net sales / Operating income (margin)



Sustainability

50 Environmental Initiatives

54 Social Initiatives

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

NSD recognizes global environmental conservation as a management challenge, and has established an Environmental Policy to reduce our impact on the global environment. We are engaged in the systematic, ongoing reduction of energy consumption from our business activities.

Environmental policy

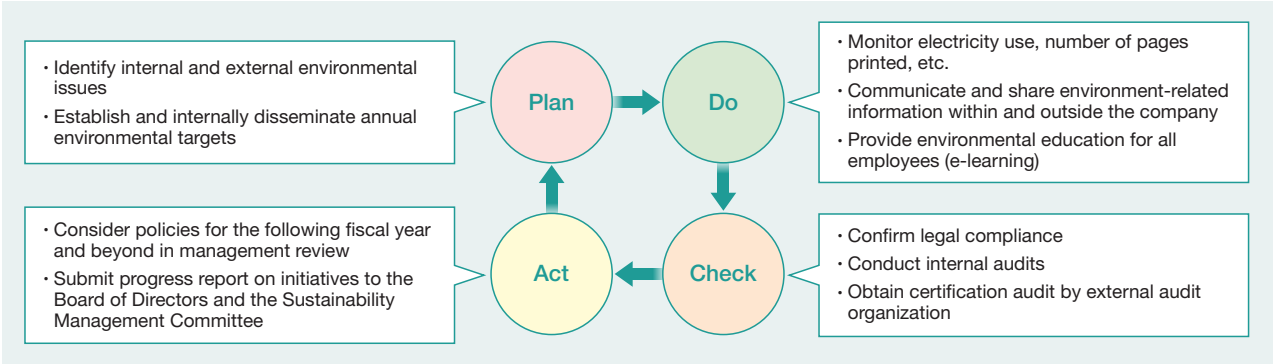
1. We will help conserve the global environment by reducing the impact our business activities, services, and products have on the environment.
2. We will clarify and comply with all environmental laws, regulations, and agreements associated with our business activities, as well as the requirements of 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. In addition, we will promote environmental education and awareness activities to raise environmental awareness among each and every employee.

Environmental Management System

To ensure that our initiatives to reduce environmental impact are carried out, 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. Led by the EMS (Environmental Management System) Promotion Team established under the Sustainability Promotion Committee, specific initiatives being undertaken include setting targets for reducing the amount of electricity and copy paper used and monitoring progress toward those targets, environmental education (e-learning) for all employees, internal audits to investigate and evaluate the status of environmental initiatives in each division, and responses to certification audits by external audit organizations.

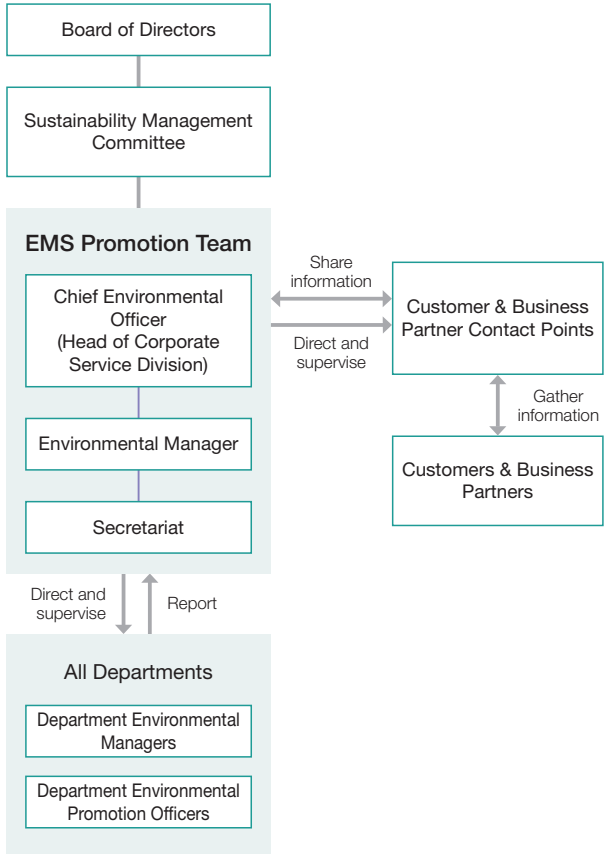
In addition, we are working to continuously improve the Company's environmental measures through dedicated internal contact points with customers across various industries and business partners on a daily basis.

Implementation cycle



Environmental Initiatives

Promotion structure



Climate Change/Energy Management

Tackling climate change

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

NSD conducts 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 emissions

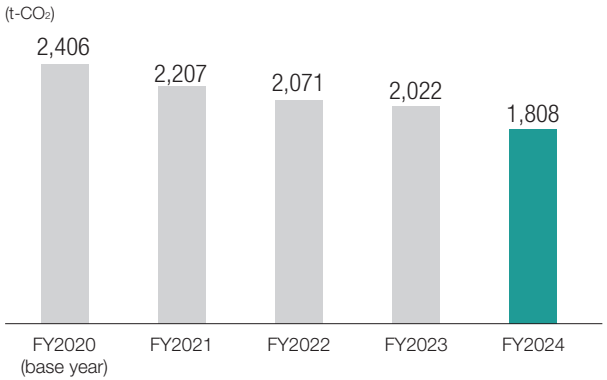
NSD's main business is software development, and it belongs to an industry with relatively low direct greenhouse gas emissions compared with manufacturers, shipping operators, and other energy-intensive industries. Our main source of emissions is electricity use at offices. For this reason, we are working to reduce GHG emissions by promoting energy saving initiatives and switching to electricity from renewable energy sources.

The scope of GHG emissions calculations is NSD and its subsidiaries. The formula for calculating GHG emissions is the consumption of energy such as electricity and gasoline by each site multiplied by the emission factors (based on figures disclosed by the Ministry of the Environment).

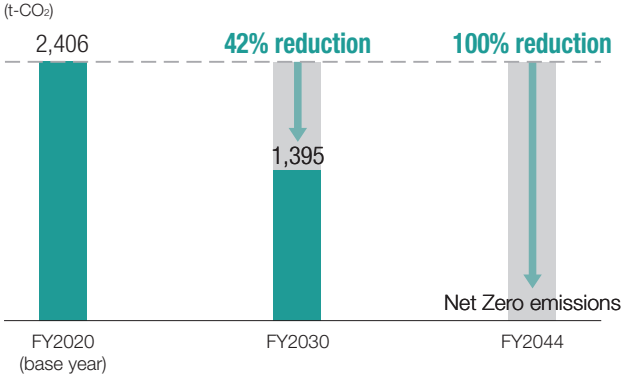
Scope 1+2 emissions and reduction targets

With respect to Scope 1 and Scope 2 emissions, we have set and are working towards long-term targets of a 42% reduction by FY2030 and net zero emissions by FY2044 using FY2020 as the base year. GHG emissions in FY2024 were 1,808 t-CO_2, a reduction of approximately 24.9% from the base year.

Emissions



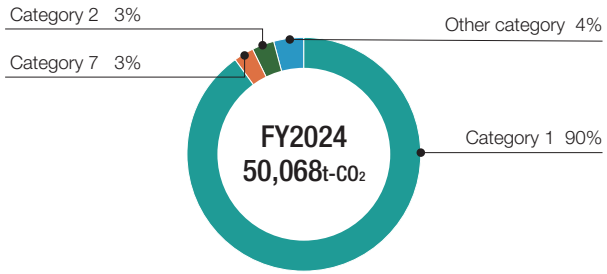
Reduction targets



Scope 3 emissions

As for Scope 3 emissions, we made progress in ascertaining the actual situation in FY2024. Going forward, we will continue examining measures to reduce emissions across our entire supply chain.

Emissions



Category	Category breakdown	Results	Share
Category 1	Purchased goods and services	45,277	90%
Category 2	Capital goods	1,353	3%
Category 3	Fuel and energy-related activities	463	1%
Category 4	Upstream transportation and distribution	26	0%
Category 5	Waste generated from business activities	674	1%
Category 6	Business travel	581	1%
Category 7	Employer commuting	1,634	3%
Category 8	Upstream leased assets	60	0%
Total		50,068	100%

Obtaining third-party verification

With the objective of improving the reliability and transparency of greenhouse gas emissions, in FY2024, NSD obtained third-party verification for its Scope 1, 2, and 3 GHG emissions in compliance with GHG protocols and internal standards. For the realization of a sustainable society, we will continue to work on improving data accuracy and enhancing information disclosure.

Waste Management

NSD recognizes the reduction of environmental impact due to business activities as an important management issue. As part of these efforts, we are working to reduce waste and promote resource recycling.

Initiatives for the reduction of waste and resource recycling

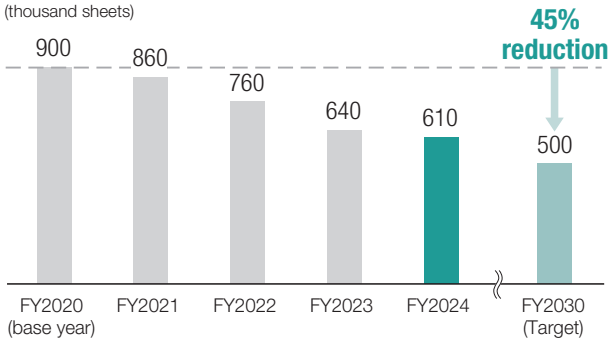
Maintaining a 100% rate of reusing and recycling computers

NSD considers the reuse of used PCs and other information and communications equipment within the company as a matter of priority, and if reuse proves difficult, we pass the equipment on appropriately to contractors. In this way, we have maintained a reuse/recycling rate of 100%. From the viewpoint of information security, data stored in the equipment is completely deleted either by physical destruction or by using data erasure software to ensure thorough prevention of leakage of personal and confidential information.

Promotion of paperless operations

In its advancement of digitalization of work processes, NSD is promoting the digitization of internal documents, such as approval and application forms, thereby eliminating the need for paper-based circulation and storage as much as possible. In addition, as part of our ISO14001 initiatives, we focused on the use of paper resources and set a long-term environmental target of reducing the number of sheets of printing paper used by 45% by FY2030 compared with FY2020. Through monthly monitoring and reduction activities, we have made progress toward achieving this target.

Sheets of printing paper used



Conservation of Water and Biodiversity

Conservation of water resources

NSD supports safe and sustainable water supply through the promotion of digital transformation (DX) in water businesses.

P.25 Technological Strategies

Conservation of biodiversity

With regard to biodiversity conservation, while direct involvement in our business activities is extremely limited, we recognize that there is indirect impact through the use of purchased goods and energy. NSD is working to minimize its impact on ecosystems by promoting the optimization of resources use through the reuse and recycling of information and communications equipment and by going paperless. Going forward, we will continue to consider future initiatives to respond to growing social demands regarding biodiversity.

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.

The members of the committee are the officers responsible for corporate governance, resources and energy management, supply chain, health management, and external disclosures. Its main roles are deliberation of the Group's approaches to sustainability, monitoring of the status of initiatives, collecting information, and raising awareness among officers and employees. Committee meetings are convened once every quarter as a general rule.

The details of deliberations by the committee are reported to the Board of Directors on a regular basis, with decisions on important matters to be made by the Board of Directors.

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	• 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	• 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 worldwide. • Improved evaluation from stakeholders (e.g., customers and shareholders) as a result of NSD's proactive disclosure of climate change-related information and resulting expansion of NSD's business and increase in stock price.

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 (CO_2) emissions, which are a greenhouse gas.

Greenhouse gas carbon dioxide (CO_2) emission reduction targets

FY2020 Results	Target Time	Target Value
2,406t-CO_2 (base year)	FY2030	42% reduction (compared to FY2020)
	FY2044	Achieve net zero emissions

*: For NSD and its subsidiaries.

Social Initiatives

Recognizing that our employees are our greatest asset, NSD strives to 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.

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.

Website Human Resources Development

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.

Website Health and Productivity Management
Diversity & Inclusion

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).

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

In recent years, companies have been called on to carry out activities for the sustainable growth of society across their entire supply chains. Here at NSD as well, we are actively working on sustainability activities that are conscious of our supply chain to respond to the expectations and trust placed in us by society.

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

We believe in the importance of improving IT skills in the supply chain to enable us to continue providing our customers with high-quality products and services.

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 Programmer Fair

NSD has been supporting the Kids Programmer Fair (formerly Kids Programming Contest), hosted by the General Incorporated Association Programming Club Network (PCN), since FY2017. PCN is a nationwide activity group based around the concept of providing programming opportunities for all children. The fair invites elementary, junior high, and high school students from across Japan to create various works using their programming skills, such as software-based works (AI-driven software, websites, tools, etc.), robots, and electronics. It gives participants the opportunity to take on new challenges and create new things.

Sponsor of CyberSakura (a cybersecurity education program)

NSD has been supporting CyberSakura (a cybersecurity education program), hosted by the NPO, L community, since FY2022. CyberSakura is an educational program aimed at fostering future talent in cybersecurity for junior high and high school students nationwide. The program aims to improve literacy in cybersecurity technologies and handling information through experiential educational programs that combine events and videos which participants can gain knowledge and experience necessary to advance in the cybersecurity field.

Sponsored training (for teachers) on utilizing generative AI to improve IT education for children

NSD has been supporting a project for the promotion of an educational program, “Generative AI Course,” which helps children to learn about generative AI in school lessons. This project has been conducted by the non-profit organization, Code for Everyone,* since FY2024. In FY2025, the project will provide training for school teachers to learn about generative AI from the basics to examples of practical application in class. This will lead to the realization of classes where teachers and children across the country can learn about generative AI in a safe and enjoyable way. We will continue to support activities like this that will help improve children’s IT education.

*: 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* to support companies based in the affected areas.

*: 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.

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

Sponsor of e-sports

From FY2024, NSD has been sponsoring the ExCROSS BLUE LEAGUE, an e-sports event for students nationwide, ranging from high school to graduate school.

The goals of this sponsorship are to help foster the younger generation capable of utilizing advanced technologies such as AI and IoT and to contribute to regional revitalization. We also seek to support the advancement of e-sports as an activity in which anyone can participate, regardless of age, gender, nationality, or disability.

NSD Onepiece

NSD Onepiece Co., Ltd. is a special subsidiary company that understands the individual characteristics of people with disabilities and provides them with suitable working environments. These include the provision of office cleaning and clerical services for NSD Group companies and the hydroponic production of agricultural produce at a farm in Yamanashi.

In the agricultural production area, efforts are made to reduce food loss by processing non-standard (imperfect) produce generated during the production process into soups and other products.

NSD Onepiece Co., Ltd.

Governance

59 Outside Directors' Round-Table Discussion

64 Governance Initiatives

Outside Directors' Round-Table Discussion

NSD is transforming toward a new stage, based on the diversification and growing scale of the Group

NSD's five-year Medium-Term Management Plan has entered its final fiscal year in FY2025.
As well as seeking their assessment of the Group's performance over the past four years, we asked the Outside Directors for their frank opinions about how to deal with the organization that has changed significantly due to the strategies implemented in the current Medium-Term Management Plan, and about future themes for NSD as it moves into a new stage.

Medium-Term Management Plan achieved ahead of schedule

Kawamata The current Medium-Term Management Plan is a five-year plan that began in April 2021. With basic strategies of achieving sustainable growth in the System Development Business and growing the Solution Business into a second pillar of the Company, NSD is also actively engaged in making use of M&A. Looking back over the past four years, the former Trigger Inc., ART Holdings Co., Ltd., and NHOSA Corporation were brought into the Group by M&A, and post-merger integration has also been proceeding well, including Trigger's absorption into NSD. The final fiscal year (FY2025) target of ¥100 billion in net sales was reached in FY2023, and it appears to me that the Company is delivering the outcomes declared at the beginning of the Medium-Term Management Plan ahead of schedule.

Meanwhile, as a company with ¥100 billion in net sales, it is now close to being the largest independent systems integrator (SIer), and my sense is that the future expectations of NSD held by stakeholders, including investors, have risen significantly.

Jinnouchi As well as the M&A of those three companies, the business alliance with Hitachi Ltd. announced in December 2024 was also a major topic. In addition to conventional system development projects, NSD will further collaborate with Hitachi in the fields of DX and generative AI. While the approach may differ, this initiative shares the same direction as M&A in that it creates "new arenas" while continuing to value the traditional development business.

The challenge for the future will be what to place in those "new arenas" created through M&A and business alliances,

how to make them produce results, and how to meet the expectations of others.

Takeuchi I was involved in M&A projects at my previous employer. With so many stakeholders and conflicting interests, it is not easy to complete an M&A that will also make the employees of the acquired company happy. In my view, the reason for the steady progress of NSD's M&A strategy is that it started pursuing it only after thoroughly discussing and clarifying the key points, such as the purpose of the acquisition, the appropriate acquisition price for NSD, and the management structure and process of integration with NSD post-acquisition. This process does involve trial and error, but I hope that NSD can leverage its creditworthiness and human resources to generate further synergies in the businesses that have joined the Group.

Generally speaking, companies tend to place undue strain on employees when pursuing their growth strategies. NSD, however, seems to have succeeded with an extremely well-balanced approach of meeting the expectations of shareholders and other stakeholders by achieving steady results, while also formulating reliable plans that consider the burden on employees.

Kajiwara In the year since I became a director in June 2024, my greatest impression of NSD is that it is a company that values people. I was particularly impressed by NSD's message of offering a "Future for People and IT." To achieve this, as well as understanding the needs of customers, it must also stay alert to changes in society. Amid the rapid pace of social change, it is remarkable that NSD has been able to achieve steady results and that its employees have maintained a sense of growth.

While there is a tendency to evaluate M&A based on short-term business gains and losses, the company's people, an intangible asset, always hold the potential for dramatic growth. Going forward, I hope we can create a positive cycle in which employees of both the acquiring company and the acquired company in M&A deals have more opportunities to interact with mutual respect and elevate each other's skills, and in doing so, further strengthen the NSD Group's potential and employees' sense of personal growth.

Responses to risks associated with diversification of organization

Jinnouchi NSD's strength lies in its steady growth through sustained increases in net sales and profits. I believe that this is a strength that is appreciated by its employees, shareholders, and other stakeholders. As a general point, however, there is often a risk that a company that has always experienced stable growth may fail to recognize when it has fallen into a state of stable stagnation. In this regard, NSD's management team has always maintained a strong sense of crisis, which is precisely why it has been working on new business areas and its own transformation.

With the promotion of M&A and other initiatives, NSD's culture, which had been relatively homogeneous until now, has been injected with new blood, and for this reason, one of the most crucial challenges for NSD's management in the years ahead will be how to embrace diversification. In the year following the M&As of the three companies, the NSD Group has established basic common rules as an organization. I intend to keep discussing the extent to which

commonality should be pursued across the NSD Group in order to further develop its business.

Kajiwara As companies continue to diversify and their culture changes, I think that it is important for management to continue to convey the message that they value their employees. For example, while NSD has been selected as a "2025 KENKO Investment for Health Stock," it is important for the Group companies to convey to their employees that they will also promote Health and Productivity Management based on similar indicators. This will help employees understand that the company values the dignity of all employees equally.

In response to increasing diversity, I also believe that it is important to take proper care of middle-level management. Middle managers are expected to serve as a link between their superiors and subordinates and between generations with different values, all while delivering results. If systems to provide them with constant support can be put in place to ensure that they do not burn themselves out without

realizing it, they should be able to achieve further personal growth.

Kawamata As NSD Group diversifies and expands in scale, I believe it will need to objectively recognize where it currently stands and define what it wants to be. Terms like "IT company" and "SIer" can be somewhat vague, and what such companies actually do varies significantly from one company to another. For example, NSD has plans to expand its DAS Business (System Development Business aimed at DX, the System Development Business utilizing new technologies such as AI, and the Solution Business), but what parts of the domestic and global markets 20 years from now should it focus on and how will it position itself for its survival? While the traditional System Development Business is categorized as a BtoB business, in the DAS Business, there is potential for growth in the number of businesses that are closer to general consumers, such as BtoBtoC or BtoC. To define what NSD will be in the future, I believe that backcasting would be an effective approach for determining what actions should be taken now, using forecasts such as demographic trends that look ten or twenty years ahead.

Through the M&As of the three companies mentioned earlier, NSD has strengthened the System Development Business itself through the ART Group, the Consulting Business as a gateway to system development by absorbing the former Trigger Inc., and the Solution Business through NHOSA Corporation. In order to generate further synergies, it will need to clarify what it is and what areas it will focus on from now on. To take it a step further, given the growing momentum for industry consolidation, there is no guarantee that NSD itself will never become a target of acquisition itself. However, no matter what position it is in, if it is clear about its strengths and its raison d'etre, I am sure that it can survive forever.

Takeuchi The total number of employees across the entire NSD Group is approaching 5,000. NSD has always valued opportunities for management to interact directly with employees, but there may be a limit to what can be done in this regard as the organization grows. I think it is time for NSD to clearly define what it values and what its principles are. Having said that, if the principles that guide decisions are defined too rigidly, it may undermine the discretion of each group company and impede employees' ability to seek personal fulfillment. I think that a good approach would be to include both experienced employees and the younger generation who will lead the future in a process of first identifying what NSD truly values. The ideas that arise from that process could then be refined to clearly define the core principles that should be upheld.

In addition, amid the expansion of the Solution Business, responding to customers' diversifying needs will likely require giving the Group companies a certain level of discretion. Even in the process of clearly defining those principles, keeping the diversity of the Group in mind will be crucial.

Jinnouchi The increasing diversity and growing scale of the Group has also led to a review of the risk management system. In 2024, NSD's legal affairs office was re-organized into the Legal & Compliance Department to manage risk for the entire NSD Group. At recent Board of Directors meetings, during reports about subsidiaries' issues, we often hear that, as well as consulting their own attorneys, these companies have also discussed their issues with NSD's Legal & Compliance Department and legal counsel. This gives me the impression that the new organization is functioning well in terms of risk management within the Group.

I also believe that responses to increasing diversity are needed in risk management as well. There has been an increase in subsidiaries with differing business models, for example, differences in contract boilerplates between NSD itself and NHOSA. As such, the increasing breadth of the Group's business has the potential to generate unforeseen risks. In the risk management of the Group overall, instead of relying only on the experience to date of NSD itself, it will need to establish systems that will enable flexible responses to more diverse risks. To achieve this, NSD's Legal & Compliance Department needs to deepen its understanding of the characteristics of the individual Group companies, and the Board of Directors must also be conscious of the increasing diversity of the Group in all its discussions.

Strategies for sustainable growth and the human capital to execute them

Takeuchi One future direction for NSD that I am focusing my attention on is a business that will take on the challenge of solving social issues. NSD originally grew through its core business of developing systems for financial institutions, such as payment processing systems. Today, the evolution of IT technologies with entertainment appeal, such as autonomous driving and gaming, are often in the spotlight. Personally, I believe that one possible path for NSD is to contribute to the construction of social infrastructure, which could become a new pillar to follow on from its work in financial systems.

One example that I particularly have my eye on is support for the water business. In March 2024, NSD entered into a collaborative agreement with the Sendai City Waterworks Bureau for the promotion of digital transformation (DX). This was followed by a similar agreement concluded with the Matsumoto City Waterworks and Sewerage Bureau in March 2025. The replacement of regional infrastructure amid increasingly tight regional finances is a nationwide issue in Japan. Of course, as a business enterprise, even with businesses that contribute to society, it is not possible to ignore profitability. On the other hand, if NSD can contribute through its business to pressing social issues such as waterworks infrastructure, while also supporting NSD's own growth, I believe that its employees will recognize the social value of their own work, which will give them a strong sense of fulfillment.

Kawamata Regarding the balance between contributing to society and profitability, management theory suggests that achieving short-term gains to satisfy capital markets and making medium- to long-term investments are not mutually exclusive concepts. Rather, this theory holds that it is by realizing both that sustainable growth can be achieved. In NSD's case, this means securing profits with its mainstay System Development Business, while also engaging, from medium- to long-term perspectives, in multiple businesses, such as the water business, that have the potential to become core businesses in the future while contributing to solutions to social issues at the same time.

Kajiwara As the IT sector is also expected to face increasing difficulties in securing talent, projects that support infrastructure for local governments and similar entities offer various opportunities, including enhancing the company's social recognition by fostering a direct sense of familiarity with NSD among local residents.

And the realization of a Group that offers a "Future for People and IT" will require an environment in which employees can achieve self-realization. It is also important that an awareness of the SDGs and compliance is instilled in each employee. So, during meetings with customers, while profitability calculations do matter, employees who can also assess which proposals align better with the principles of the SDGs are more likely to make proposals that will stand the test of time. This will also earn greater social trust from customers.

I believe that it is important for employees to feel that, by upholding compliance with a natural awareness of diversity and contributing to society, they are making customers happy and contributing to their own growth as well as that of NSD.

Jinnouchi I am once again strongly reminded that NSD's business is the result of the collective efforts of every one of its employees. Currently, my impression is that employees feel extremely fulfilled, with a sense of reward and pride in working at NSD. I believe that, if those feelings can be maintained, even amid significant social changes, NSD's greatest strength will continue to be its people. When discussing the outlook for NSD in the Board of Directors, I hope that we will never lose sight of the core principle, that this is a company that always values its people.

Takeuchi I imagine that the internal and outside directors share an awareness that, for NSD, its people are its most important management resource for the generation of corporate value. Having said that, as seen in media reports about the need for restructuring when business results deteriorate, investors may not place the same emotional value on human resources. I believe that, as well as internal messaging, NSD needs to communicate to external stakeholders, including investors, that it will not readily pursue workforce reductions simply for the sake of improving operational efficiency. At the same time, as explained in the

"NSD's Human Capital Investment Policy and Its Effects" section of this report, I believe that it is important for NSD to demonstrate the correlation between investment in human resources and profitability to external stakeholders, using its own metrics.

P.29 Human Resources Strategies

Kawamata My sense is that the core reason why NSD's greatest strength is its people is that the management team is working hard to realize human capital-focused management. NSD has the potential to grow into a truly unique IT enterprise group in the world by making "a company that values its people" its corporate brand. To achieve this, as I mentioned at the beginning, I believe that it is essential to define who we are and where we will direct our efforts.

To become a more effective Board of Directors for the future of NSD

Kajiwara As everyone has said, I do feel that NSD is a wonderful company that cherishes its people. To enhance that strength even further, one option is to create opportunities for employees themselves to propose to management what kind of work styles they want to adopt for the future ten or twenty years from now. Regarding work styles, I talked about taking care of middle managers earlier. The same applies to promoting women's advancement as well. Considering women's unique life stages, such as childbirth, creating systems that will allow women to keep building their careers naturally without placing undue pressure on themselves is an ongoing challenge. Communicating these kinds of internal efforts to external stakeholders as well will help create a cycle of earning external understanding and recognition, which will surely help NSD to grow as a truly unique company. As an Outside Director, I too intend to keep offering proposals that closely support the employees.

Takeuchi To provide appropriate advice and oversight as an Outside Director, I hope to deepen my understanding of the businesses that NSD is engaged in. Just recently, I learned that the development divisions and administrative divisions are working together on internal operational streamlining using generative AI. I felt that this was a topic that external stakeholders would also be very interested in. I would like to receive regular reports from employees about the areas and initiatives that NSD is currently tackling, so that I can increase my own understanding and offer more appropriate opinions.

Jinnouchi Since my appointment to the Board of Directors, I have perceived a steady improvement in the effectiveness of the Board. At today's roundtable discussion as well, everyone has expressed diverse opinions from their different specializations and experiences, while sharing common recognition of the issues. The discussions in actual Board meetings are no different. I genuinely feel that the multifaceted opinions expressed by the Outside Directors are received with sincerity by the internal Directors. In my view, it is rare to find a company in which such exchanges of opinions take place so effectively.

In recent years, with media reports of corporate scandals and the like, there has been renewed debate about the role of outside directors. I personally have been made reminded anew that it is the role of outside directors to say what needs to be said on a daily basis, not just when problems occur, and I intend to always approach my role with a healthy sense of tension.

Kawamata As a fundamental principle, the role of outside directors is not to be involved in execution, but to oversee the executive side. However, with the emergence of activists who proactively exercise shareholders' rights and the increasing diversity of stakeholders surrounding companies today, it is no longer acceptable for those serving on Boards of Directors, the organizations that oversee governance, to completely refrain from commenting on the company's internal matters.

The role of the Board of Directors is for the internal and outside directors to communicate fully and decide on NSD's destination while maintaining a balance, based on the demands of customers, employees, and shareholders, and the needs and rules of society. Now, with NSD at a stage of major growth, to ensure that it does not stumble at unforeseen hurdles, I hope to contribute to the reinvigoration of discussions in the Board of Directors and to the enhancement of NSD's corporate value.

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

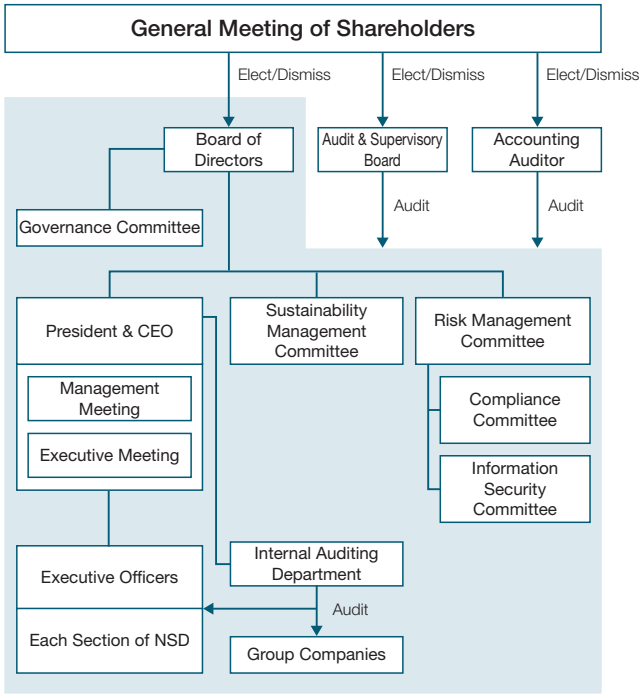
NSD has adopted an Audit & Supervisory Board structure. In addition to the General Meeting of Shareholders and directors, our corporate bodies include the Board of Directors, the Audit & Supervisory Board, Audit & Supervisory Board members, and accounting auditors. We have also established various committees,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

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.

Corporate governance structure map



Audit & Supervisory Board

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.

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 an executive with extensive information security knowledge, and is comprised of related officers and department managers.

Structures of each organization (as of October 1, 2025)

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	◎		◎	◎	◎	◎	◎	◎	
Hidetaka Kikawada	Director, Senior Managing Executive Officer	○			○	○		○	○	○
Osamu Yamoto	Director, Senior Managing Executive Officer	○			○	○		○	○	◎
Mayuko Miike	Director, Executive Officer	○			○	○	○	○	○	○
Yuriko Kajiwara	Outside Director	○		○	○	○				
Atsuhiro 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	Senior Managing Executive Officer					○		○	○	○
Akio Shinno	Managing Executive Officer					○		○	○	○
Hideyuki Fujikawa	Managing Executive Officer					○		○	○	○
Naoki Matsumoto	Managing Executive Officer					○		○	○	○
Related officers, department managers, etc.						○	○	○	○	○

◎ : Chair, ○ : Member

Activities of the Board of Directors

The major matters subject to discussion and reporting at the meetings of the Board of Directors in FY2024 were as follows.

Management and Finance

- Matters concerning management strategies and financial forecasts
- Investment policy and financing plans
- Matters concerning business alliances
- Matters concerning investment
- Matters concerning shareholder returns
- Matters concerning individual projects

Governance and Organizational Management

- Matters concerning risk management/ internal control
- Matters concerning the General Meeting of Shareholders
- Matters concerning investor relations
- Evaluation of effectiveness of the Board of Directors

Sustainability

- Matters concerning human capital and human resources strategies
- Matters concerning Health and Productivity Management
- Matters concerning climate change
- Activities of the Sustainability Management Committee

Every effort is made to ensure that discussions on the day of the Board of Directors meetings are meaningful by distributing materials in advance, as well as by organizing the issues and conducting preliminary discussions in the Management Meeting and Executive Meeting.

We also support outside directors and outside Audit & Supervisory Board members in the execution of their duties through timely and appropriate communication.

Evaluation of effectiveness of the Board of Directors

We analyze and evaluate the effectiveness of the Board of Directors every year based on a questionnaire survey of individual directors and Audit & Supervisory Board members. The outcomes are used to improve the operation of the Board of Directors.

In FY2024, as a result of analysis and evaluation from the perspectives of composition and operation of the Board of Directors, exercise of their influence on business operations, and other matters, it was confirmed that the effectiveness of the Board of Directors as a whole has been ensured. This included improvements in the evaluation of the Group companies' management, risk management, and check-and-balance functions compared with the previous fiscal year.

Evaluation process

1. Conducted questionnaire survey among all members of the Board of Directors (including Audit & Supervisory Board members)
2. Conducted face-to-face interviews based on the survey results
3. Shared and discussed evaluation results at the Board of Directors meetings
4. Implemented initiatives to further improve effectiveness, based on the evaluation results

Key Matters in Questionnaire	Overview of FY2024 Evaluation Results	Issues for FY2025
• Composition of the Board of Directors • Operation of Board of Directors meetings • Discussions in Board of Directors meetings • Check-and balance functions of Board of Directors • Group companies' management and risk management • Overall evaluation	Improvement in evaluation in the following key matters compared to the previous fiscal year • Group companies' management and risk management • Check-and-balance functions among members • Objective and multifaceted examination	• Based on situation on the frontlines, promote more detailed discussions toward the formulation of the next Medium-Term Management Plan

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 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.

Total remuneration for each officer category and number of recipients (FY2024 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)	208 (29)	129 (29)	45 (—)	33 (—)	8 (4)
Audit & Supervisory Board members (Outside Audit & Supervisory Board members)	29 (13)	29 (13)	—	—	4 (2)
Total	237	159	45	33	12

*: 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, 2025, there are eight directors (four 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, 2025 because it includes one Audit & Supervisory Board Member who retired due to expiration of his term of office at the conclusion of the 55th Ordinary General Meeting of Shareholders held on June 26, 2024.

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

The 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. The details are as follows.

- Fair trade practices, including compliance with Japan's Subcontract Act and prohibition of disguised contracting
- Prevention of bribery to public officials, etc.
- Prevention of accounting fraud, such as circular transactions and fictitious transactions
- Personal information, information security
- Insider trading
- Internal control
- Labor management
- Harassment
- Whistleblowing system (Compliance and workplace harassment hotlines)

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.

Cases exposed in relation to fair trade and corruption

We have never been investigated or punished by government authorities for violations of Japan's Unfair Competition Prevention Act, the Antimonopoly Act, or corruption.

Nor have we made any political donations in Japan or overseas in FY2024.

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

To maintain the confidentiality, completeness, and usability of all information assets and respond to the trust of society, including customers, NSD has established a Basic Policy on Information Security and strives to ensure information security.

As subordinate rules to the Basic Policy on Information Security, we have also established concrete measures in Information Security Response Standards and Information Security Implementation Manual to ensure the effectiveness of our responses.

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 an executive with extensive information security knowledge 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 are strengthening our defenses and providing 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

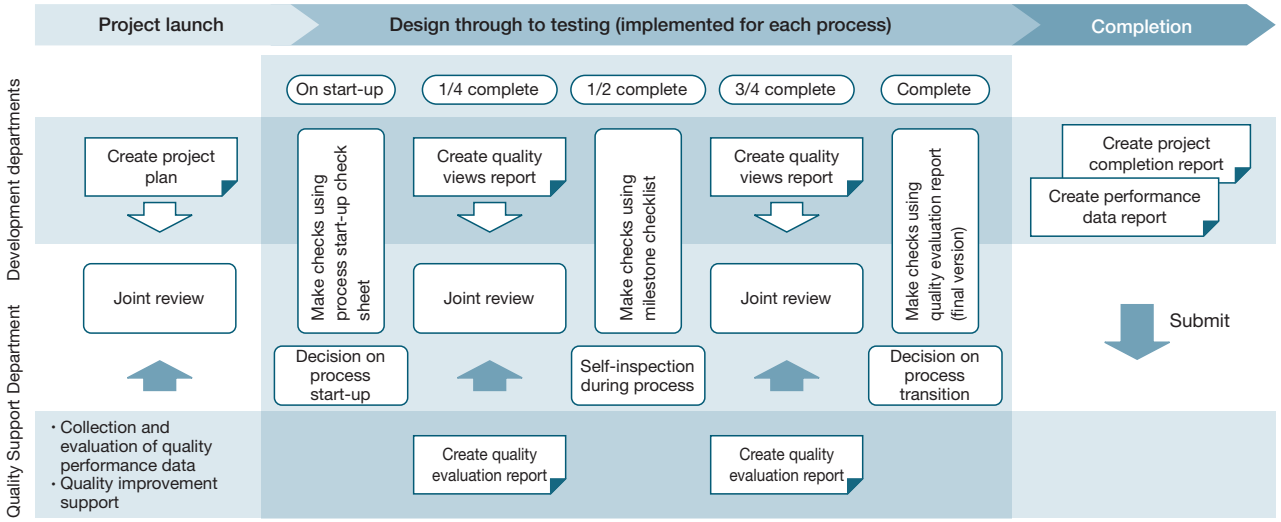
As part of our efforts for process improvement, we have established an NSD standard process, which is being rolled out across the Company.

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

Project flow for quality evaluation and improvement



Improvement model

NSD has adopted Capability Maturity Model Integration (CMMI®) as an improvement model and created an NSD standard process by imparting our experience and achievements in CMMI theory. CMMI® is a framework for improving software development processes developed at Carnegie Mellon University's Software Engineering Institute.

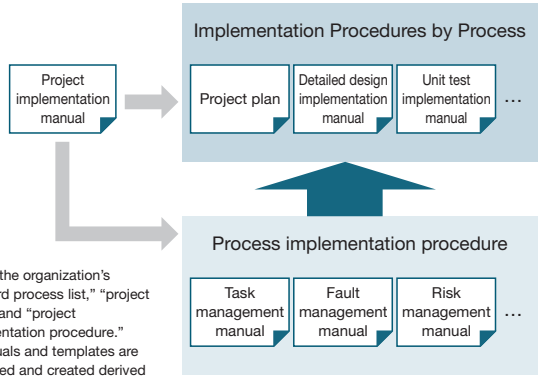
Tailoring

We are promoting utilization at development sites by tailoring* to suit the characteristics of each project. Tailoring is the creation of project rules through the modification of basic standard processes to suit individual circumstances and customer improvement requests.

Configuration

The NSD standard process consists of "organizational manuals" and "project templates." The basic manuals for the NSD standard process are 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.

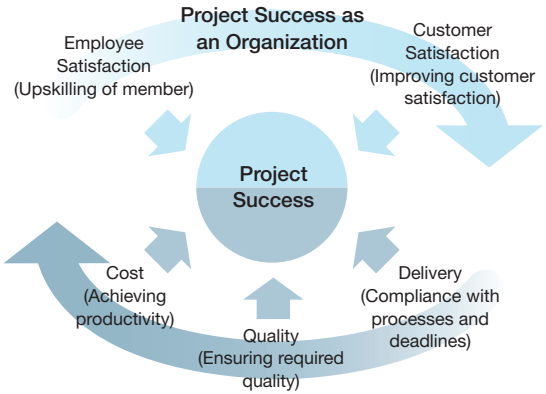
Achieving QCD+CE

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: Improvement of 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.

*: Currently Business Division 1 and Business Division 2 of Industry Business Unit

CMMI® DEV | ML 3 APPRAISED
Appraisal # 67089 | Exp. Nov 21, 2026

Management System (As of October 1, 2025)

Directors

President & CEO

Yoshikazu Imajo

(Born October 13, 1961)

Attendance record in FY2024:
Board of Directors mtgs: 15/15
Governance Committee mtgs: 2/2

Term of office: 19 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)

Director,
Senior Managing Executive Officer

Hidetaka Kikawada

(Born May 18, 1973)

Attendance record in FY2024:
Board of Directors mtgs: 15/15

Term of office: 3 years

Apr. 1998 Joined NSD
Jul. 2015 Chairman & CEO, Chengdu Renbenxindong Technology Ltd.
Apr. 2017 Executive Officer
Chief General Manager, Business Division 1, Public & Telecommunication Business Unit
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.) (present position)
Oct. 2021 Managing Executive Officer
Head of Advanced Technology Strategic Business Unit
Jun. 2022 Director & Managing Executive Officer
Head of Advanced Technology Strategic Business Unit
Apr. 2024 Director, Managing Executive Officer
Head of Innovation Strategy Business Unit
Chief General Manager, Enterprise Business Division
Apr. 2025 Director, Managing Executive Officer
Head of Innovation Strategy Business Unit
Oct. 2025 Director, Senior Managing Executive Officer
Head of Innovation Strategy Business Unit (present position)

Director,
Senior Managing Executive Officer

Osamu Yamoto

(Born February 20, 1963)

Attendance record in FY2024:
Board of Directors mtgs: 15/15

Term of office: 11 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
Oct. 2025 Director, Senior Managing Executive Officer COO
Chief General Manager, Social Platform Division (present position)

Director,
Executive Officer

Mayuko Miike

(Born December 3, 1981)
Term of office: Newly appointed

Apr. 2004 Joined STAFF SERVICE HOLDINGS CO., LTD. (Retired in February 2013)
Mar. 2013 Joined NSD
Apr. 2022 General Manager, Human Resources Department, Corporate Service Division
Apr. 2023 Executive Officer
General Manager, Human Resources Department, Corporate Service Division
Apr. 2024 Executive Officer
Corporate Service Division
In charge of Human Resources Department, General Affairs Department
Jun. 2025 Director, Executive Officer
Chief General Manager, Corporate Service Division (present position)

Outside Director
Independent Officer

Director

Yuriko Kajiwara

(Born October 13, 1963)

Attendance record in FY2024:
Board of Directors mtgs: 11/11
Governance Committee mtgs: 2/2

Term of office: 1 year

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

Director

Atsuhiro Kawamata

(Born August 14, 1961)

Attendance record in FY2024:
Board of Directors mtgs: 15/15
Governance Committee mtgs: 2/2

Term of office: 5 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 (Retired in December 2024)
Jun. 2020 Outside Director, NSD (present position)

Governance Initiatives

Directors

Outside Director
Independent Officer

Director
Kumiko Jinnouchi
(Born February 16, 1967)

Attendance record in FY2024:
Board of Directors mtgs: 15/15
Governance Committee mtgs: 2/2

Term of office: 6 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

Director
Toru Takeuchi
(Born January 1, 1959)

Attendance record in FY2024:
Board of Directors mtgs: 15/15
Governance Committee mtgs: 2/2

Term of office: 4 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)

Audit & Supervisory Board members

Full-Time Audit & Supervisory Board Member
Kiyokimi Yagi
(Born July 16, 1963)

Attendance record in FY2024:
Board of Directors mtgs: 11/11
Audit & Supervisory Board mtgs: 11/11

Term of office: 1 year

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)

Outside Audit & Supervisory Board Member
Independent Officer

Audit & Supervisory Board member
Kunio Kawa
(Born July 16, 1955)

Attendance record in FY2024:
Board of Directors mtgs: 15/15
Audit & Supervisory Board mtgs: 15/15

Term of office: 3 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

Audit & Supervisory Board member
Chieko Nishiura
(Born March 1, 1984)

Attendance record in FY2024:
Board of Directors mtgs: 15/15
Audit & Supervisory Board mtgs: 15/15

Term of office: 2 years

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, Full-time Audit and Supervisory Committee Member, TSUKURUBA Inc. (present position)

*: Officers are listed in Japanese syllabary order within each position.
*: Term of office represents the period as of June 2025.

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	○	○			○	○
	Hidetaka Kikawada	Male	○				○	○
	Osamu Yamoto	Male	○				○	○
	Mayuko Miike	Female	○	○				
	Yuriko Kajiwara	Female	○	○				
	Atsuhiro 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, 2025)

Names of executive officers and their responsibilities are presented below.

Name	Position	Responsibility in the Company
Hidetaka Kikawada	Director, Senior Managing Executive Officer	Head of Innovation Strategy Business Unit (In Charge of) Consulting Business Unit (In Charge of) Enterprise Business Division
Osamu Yamoto	Director, Senior Managing Executive Officer	COO Chief General Manager, Social Platform Division (Responsible for) Development Support Division
Mayuko Miike	Director, Executive Officer	Chief General Manager, Corporate Service Division
Satoshi Kiyota	Senior Managing Executive Officer	Head of Financial Business Unit Head of Social Infrastructure Business Unit
Akio Shinno	Managing Executive Officer	Head of Industry Business Unit (In Charge of) IT Infrastructure Business Division
Hideyuki Fujikawa	Managing Executive Officer	Head of Cross-Industry IT Business Unit
Naoki Matsumoto	Managing Executive Officer	Head of Consulting Business Unit
Manabu Aoki	Executive Officer	Chief General Manager, Business Division 1, Industry Business Unit
Michihiro Ito	Executive Officer	Chief General Manager, Business Division 1, Financial Business Unit
Toshiyuki Oue	Executive Officer	Corporate Service Division, (In Charge of) Accounting & Finance Department
Yoshihiko Kurihara	Executive Officer	Chief General Manager, Corporate Planning Division
Hajime Shinagawa	Executive Officer	Chief General Manager, IT Infrastructure Business Division

Name	Position	Responsibility in the Company
Shinji Suzuki	Executive Officer	Chief General Manager, Business Division 4, Financial Business Unit
Soloviev Ivan	Executive Officer	Chief General Manager, DX Business Division, Innovation Strategy Business Unit
Shinsuke Tai	Executive Officer	Chief General Manager, Corporate Secretary Division
Umon Takahashi	Executive Officer	Chief General Manager, Business Division 2, Industry Business Unit
Shuuji Takahashi	Executive Officer	Chief General Manager, Business Division 1, Cross-Industry IT Business Unit
Tsuyoshi Takeda	Executive Officer	Chief General Manager, Business Division 2, Financial Business Unit
Takayuki Tanabe	Executive Officer	Chief General Manager, Development Support Division
Kiyoharu Taniguchi	Executive Officer	Chief General Manager, Business Division 1, Social Infrastructure Business Unit
Shuichi Tamura	Executive Officer	Chief General Manager, Enterprise Business Division
Shinya Honda	Executive Officer	Chief General Manager, Business Division 3, Financial Business Unit
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

∗: Officers are listed in Japanese syllabary order within each position.

Corporate Data

77 Financial and Non-Financial Data

81 Company Information

Financial and Non-Financial Data

Key Financial Data (Consolidated)

(millions of yen)

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Operating Results										
Net sales	51,585	55,234	58,080	61,944	65,063	66,184	71,188	77,982	101,263	107,791
Cost of sales	40,674	43,762	46,172	48,780	51,118	52,145	55,350	60,431	76,302	80,257
Gross profit	10,911	11,472	11,907	13,164	13,945	14,038	15,837	17,550	24,961	27,534
Selling, general, and administrative expenses	4,532	4,298	3,989	4,509	4,400	4,195	4,422	5,025	9,781	10,684
Operating income	6,378	7,173	7,918	8,654	9,545	9,842	11,414	12,524	15,180	16,849
EBITDA (Operating income + Amortization of goodwill + Depreciation)	6,904	7,666	8,470	9,355	10,208	10,509	12,156	13,351	17,751	19,472
Ordinary income	6,456	7,300	8,119	8,756	9,661	9,955	11,654	12,662	15,340	17,038
Net income attributable to owners of the parent	3,110	4,543	5,368	5,817	6,314	6,373	7,823	10,219	10,262	11,795
Orders received (System Development Business)	42,836	43,778	46,415	48,999	58,916	59,817	67,640	72,411	87,239	95,585
Order backlog (System Development Business)	8,511	8,460	9,423	10,068	13,175	13,895	17,581	19,830	21,901	25,093
Profitability Indices										
Gross profit margin (%)	21.2	20.8	20.5	21.3	21.4	21.2	22.2	22.5	24.6	25.5
Operating margin (%)	12.4	13.0	13.6	14.0	14.7	14.9	16.0	16.1	15.0	15.6
EBITDA margin (%)	13.4	13.9	14.6	15.1	15.7	15.9	17.1	17.1	17.5	18.1
Ratio of net income to net assets attributable to NSD shareholders (ROE) (%)	7.5	10.8	12.1	12.6	13.8	13.7	15.7	19.3	17.5	18.2
Ratio of ordinary income to total assets (%)	13.2	14.7	15.5	15.9	17.6	17.6	19.0	19.3	19.8	19.3
Financial Position										
Current assets	34,543	37,073	34,425	35,819	39,654	44,068	48,206	55,119	50,121	54,432
Non-current assets	13,649	13,836	19,621	20,058	14,230	15,390	15,067	13,040	36,284	36,052
Total assets	48,193	50,910	54,046	55,878	53,885	59,458	63,274	68,159	86,405	90,485
Current liabilities	6,171	6,525	7,392	7,701	7,820	8,823	9,435	11,123	14,547	14,725
Non-current liabilities	459	407	640	830	1,086	1,461	1,994	1,577	7,825	7,507
Total liabilities	6,631	6,932	8,033	8,532	8,907	10,284	11,429	12,701	22,373	22,233
Net assets	41,561	43,977	46,013	47,345	44,978	49,173	51,844	55,458	64,032	68,252

Key Financial Data (Consolidated)

(millions of yen)

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Per Share Indices[*1]										
Net income per share (EPS) (yen)	35.49	52.90	63.38	69.65	78.21	80.10	99.37	132.31	133.29	153.61
Net assets per share (yen)	471.17	505.34	537.08	566.36	557.46	613.71	657.57	711.73	811.26	881.67
Annual dividend per share (yen)[*2]	18.5	22.0	26.0	30.0	46.0	42.0	52.0	67.0	72.0	87.0
Capital Expenditure, Depreciation & Amortization and Research & Development Expenses										
Capital expenditure	532	295	213	314	553	689	560	390	566	841
Depreciation & amortization	413	424	443	468	427	423	492	490	1,287	1,167
Research & development expenses	263	147	65	157	155	118	184	190	236	501
Cash Flows										
Cash flows from operating activities	2,304	5,115	6,457	5,461	6,764	8,157	7,244	10,067	12,188	12,298
Cash flows from investing activities	263	1,500	-5,822	-412	4,285	-658	-377	6,018	-17,849	904
Cash flows from financing activities	-3,463	-2,692	-3,321	-4,556	-8,569	-3,628	-6,146	-7,574	-5,770	-10,272
Free cash flow	2,568	6,615	634	5,048	11,050	7,499	6,867	16,085	-5,661	13,202
Cash and cash equivalents at end of period	20,942	24,875	22,168	22,681	25,172	29,029	29,757	38,297	26,987	29,903
Shareholder Returns[*2]										
Dividend payout ratio (%)	52.1	41.6	41.0	43.1	58.8	52.4	52.3	50.6	54.0	56.6
Total return ratio (%)	112.1	63.7	66.3	77.1	137.5	67.7	86.3	74.9	70.5	70.8
Stock Price Indicators										
Year-end stock price (yen)	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	3,344.00
Market capitalization	72,398	69,009	91,693	106,697	114,789	145,822	170,657	183,254	228,799	255,696
Price-to-book-ratio (PBR)(x)	1.77	1.59	2.02	2.28	2.58	3.00	3.33	3.35	3.67	3.79
Price-earnings-ratio (PER)(x)	23.44	15.20	17.13	18.50	18.41	22.98	22.06	18.02	22.33	21.77
Total shareholder return (TSR) (%)[*3]	—	—	—	—	—	130.8	158.8	176.7	222.8	254.4
Comparison index: TOPIX including dividends (%)	—	—	—	—	—	142.1	145.0	153.4	216.8	213.4

*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 shareholder returns for FY2019 include the Company's 50th anniversary commemorative dividend (14 yen).
*3: Total shareholder return is the total return, including dividends and capital gains, and is calculated with the stock price at the end of FY2019 as a base of 100%.

Key Financial Data (Consolidated)

(millions of yen)

	FY2021	FY2022*4 Previous Standard	FY2022*4 New Standard	FY2023	FY2024
By Segment*5					
Net sales					
System Development Business					
Financial IT	22,307	24,561	24,561	30,921	32,487
Industry IT	32,509	35,506	17,322	23,939	25,635
Social Infrastructure IT			18,157	20,306	22,441
IT Infrastructure Construction	9,353	10,275	10,797	11,870	12,403
Solution Business	7,257	7,836	7,302	14,555	15,411
Adjustment	-239	-197	-159	-330	-588
Total	71,188	77,982	77,982	101,263	107,791
Operating income					
System Development Business					
Financial IT	3,991	4,522	4,546	5,739	6,326
Industry IT	5,569	5,919	2,425	2,931	3,746
Social Infrastructure IT			3,458	3,963	4,552
IT Infrastructure Construction	1,518	1,750	1,902	2,055	2,167
Solution Business	604	702	560	870	772
Adjustment	-268	-368	-368	-380	-715
Total	11,414	12,524	12,524	15,180	16,849
DAS Business*6					
Net sales	23,537	28,411	27,878	44,209	49,702

*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: 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.
*7: Figures based on external sales.

(millions of yen)

	FY2021	FY2022*4 Previous Standard	FY2022*4 New Standard	FY2023	FY2024
System Development Business (By Industry)*7					
By customer industry					
Finance	22,840	26,127	26,153	33,029	35,054
Service	11,303	11,998	11,891	15,390	16,133
Manufacturing	8,402	9,103	9,250	11,485	11,833
Telecommunication	5,605	5,560	5,575	6,384	6,853
Transportation	5,706	6,066	6,075	6,256	6,493
Commerce	3,086	3,229	3,300	4,315	3,851
Public	4,133	4,859	5,187	5,774	7,822
Electricity, Gas, Water	792	856	866	1,767	2,136
Construction	1,295	1,139	1,146	1,326	1,541
Others	787	1,220	1,248	989	672
Total	63,954	70,162	70,695	86,721	92,392
Breakdown of Financial sector					
Major Banks	8,194	9,636	9,669	12,700	14,163
Other Banks	2,524	3,040	3,018	2,847	3,299
Insurance Companies	8,272	8,862	8,867	11,080	10,884
Securities Companies	1,201	1,315	1,315	1,689	1,995
Credit Card Companies	1,595	2,045	2,053	3,274	3,450
Others	1,052	1,228	1,228	1,437	1,261
Total	22,840	26,127	26,153	33,029	35,054
Solution Business (By Solution Category)*7					
Medical / Healthcare	—	—	—	6,163	6,128
Human Resource	2,288	2,222	2,222	1,809	1,872
Logistics	808	694	694	817	756
Shareholder Relation Services	904	969	969	1,136	1,341
RFID	—	—	—	868	1,122
Security	1,076	1,027	1,023	1,266	1,688
Others	2,155	2,906	2,377	2,480	2,487
Total	7,233	7,819	7,286	14,542	15,398

Key Non-Financial Data (Non-Consolidated)

	FY2020	FY2021	FY2022	FY2023	FY2024
Personnel					
Number of employees (consolidated)	3,522	3,560	3,595	4,380	4,455
Male	2,818	2,830	2,826	3,311	3,324
Female	704	730	769	1,069	1,131
Number of employees (non-consolidated)	3,080	3,106	3,109	3,133	3,256
Male	2,505	2,506	2,499	2,481	2,514
Female	575	600	610	652	742
Ratio of female employees (%)	18.7	19.3	19.6	20.8	22.8
Ratio of female managers (%)	4.7	5.4	6.2	9.5	11.6
Number of new graduate hires	137	129	130	150	155
Male	86	83	88	80	83
Female	51	46	42	70	72
Ratio of women in new graduate hires (%)	37.2	35.7	32.3	46.7	46.5
Number of mid-career hires	11	20	18	35	34
Male	8	11	16	23	22
Female	3	9	2	12	12
Turnover ratio (%)*8	2.6	2.9	3.5	2.7	3.3
Average age	39.1	39.3	39.4	39.4	39.5
Average years of service	14.8	15.0	15.3	15.3	15.3
Male	15.8	16.1	16.3	16.5	16.8
Female	10.3	10.6	10.9	10.7	10.5
Average salary (yen)	6,423,166	6,515,058	6,714,129	6,960,512	7,167,716
Average monthly overtime hours (non-statutory)	17.0	19.0	18.5	18.1	16.9
Number of paid leave days taken	11.7	12.4	13.7	14.4	14.1
Ratio of paid leave days taken (%)	59.9	63.3	70.1	73.7	72.3
Number of employees taking childcare leave	47	37	36	48	58
Male	13	17	17	25	38
Female	34	20	19	23	20
Ratio of employees taking childcare leave (%)	43.1	43.5	48.7	64.9	75.3
Male	17.3	26.2	30.9	49.0	66.7
Female	100	100	100	100	100
Ratio of employees returning from childcare leave (%)	100	95.7	97.3	97.3	98.2
Number of employees working reduced hours due to childcare	94	100	103	97	105
Number of employees using the family care leave system	3	3	0	1	3
Number of employees using the short-term family care leave system	6	3	4	4	4
Number of employees working reduced hours due to family care	3	2	2	1	1
Number of IT credential holders*9	4,353	4,527	4,629	4,805	5,095

	FY2020	FY2021	FY2022	FY2023	FY2024
Environment					
CO_2 emissions (Scope1) (t-CO_2)*10	507	508	501	478	558
CO_2 emissions (Scope2) (t-CO_2)*10	1,899	1,699	1,570	1,544	1,250
CO_2 emissions (Scope3) (t-CO_2)*10	33,817	36,959	40,828	46,155	50,068
Electricity consumption (kWh)	3,686,889	3,782,126	3,688,318	3,836,856	3,857,433
Governance					
Number of female directors	1	1	1	1	2
Ratio of female directors (%)	16.7	16.7	14.3	14.3	25.0
Number of independent outside directors	3	3	3	3	4
Ratio of independent outside directors (%)	50.0	50.0	42.9	42.9	50.0
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: CO_2 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 Data

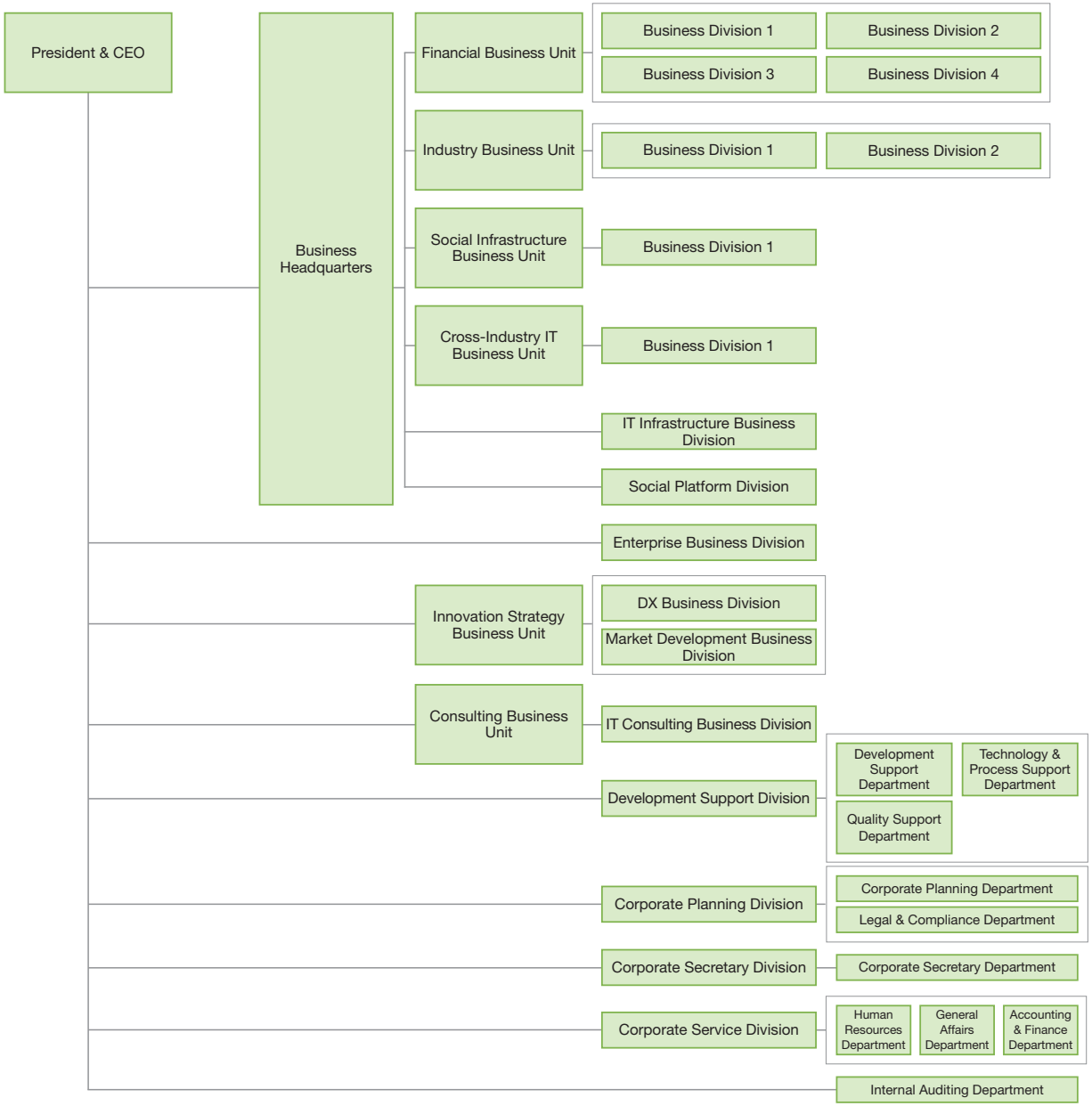
Corporate Profile

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)	4,455

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

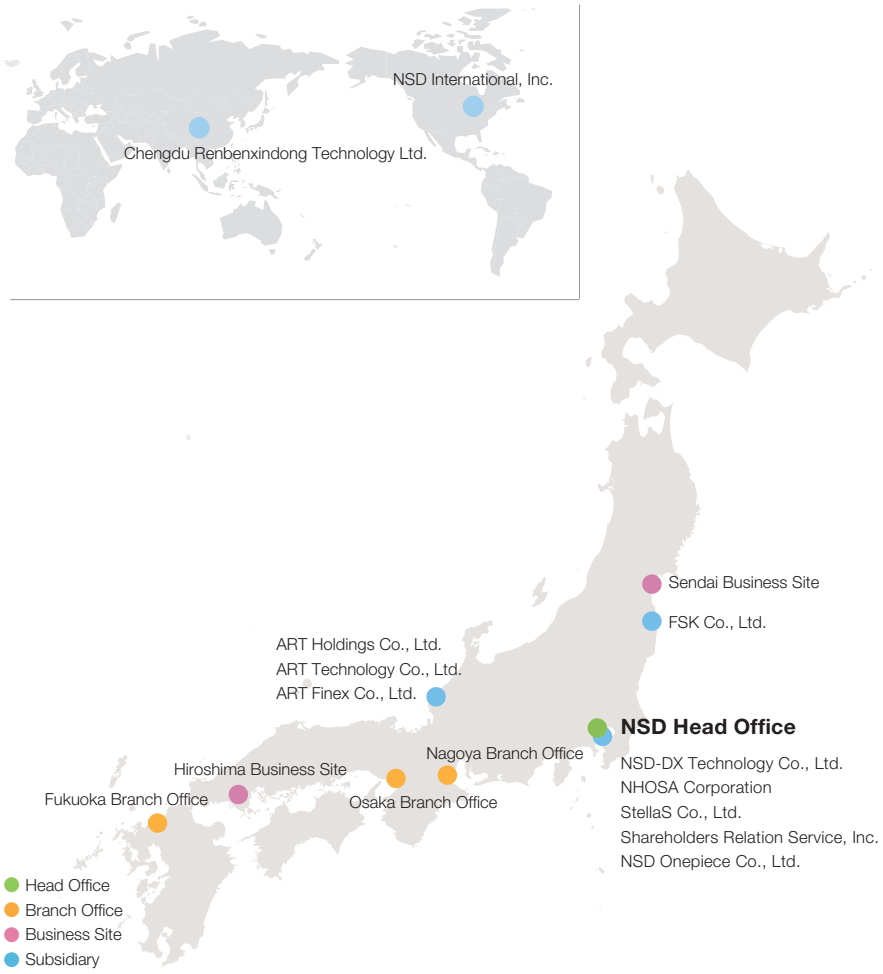
Organizational Chart (As of October 1, 2025)



Group Companies

Company name	Address	Business lines
NSD-DX Technology Co., Ltd.	Chiyoda-ku, Tokyo	Support for research and proof of concept in a wide range of DX-related technology fields, as well as development of services and products that utilize these technologies
ART Holdings Co., Ltd.	Sabae-shi, Fukui	Holding company of the ART Group
ART Technology Co., Ltd.	Sabae-shi, Fukui	Provision of solution services ranging from system development to maintenance to customers in a wide range of fields
ART Finex Co., Ltd.	Sabae-shi, Fukui	Provision of original RFID products, related system products, and peripheral devices
NHOSA Corporation	Nakano-ku, Tokyo	System development and sales, and installation support and maintenance for medical institutions such as dental clinics and dialysis facilities
FSK Co., Ltd.	Iwaki-shi, Fukushima	Provision of comprehensive services such as system construction, operation support, maintenance, and business support
StellaS Co., Ltd.	Chiyoda-ku, Tokyo	Provision of human resource solutions for recruitment and temporary staffing, and logistics solutions for commercial warehouse industry
Shareholders Relation Service, Inc.	Chiyoda-ku, Tokyo	Provision of solutions specialized for IR for individual shareholders, such as shareholder benefit point service
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	Provision of a wide range of IT services for Japanese companies in the United States
Chengdu Renbenxindong Technology Ltd.	Chengdu, China	Offshore development services and operation systems development for Japanese companies in China

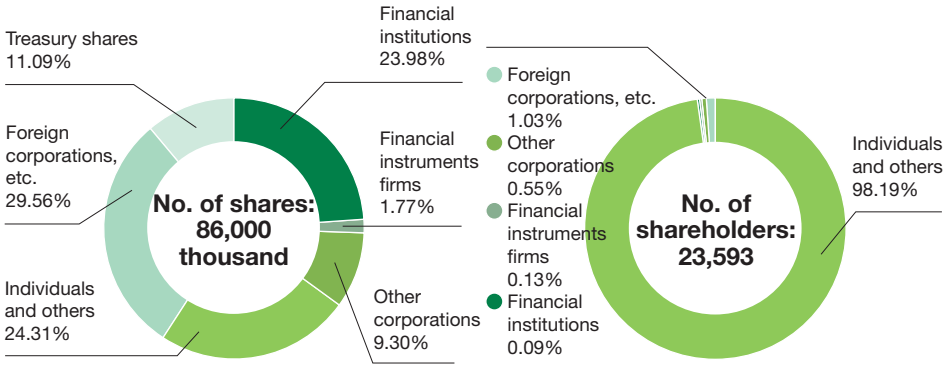
Business Network



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	23,593
Administrator of shareholder registry	Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo

Shareholder Distribution by Type



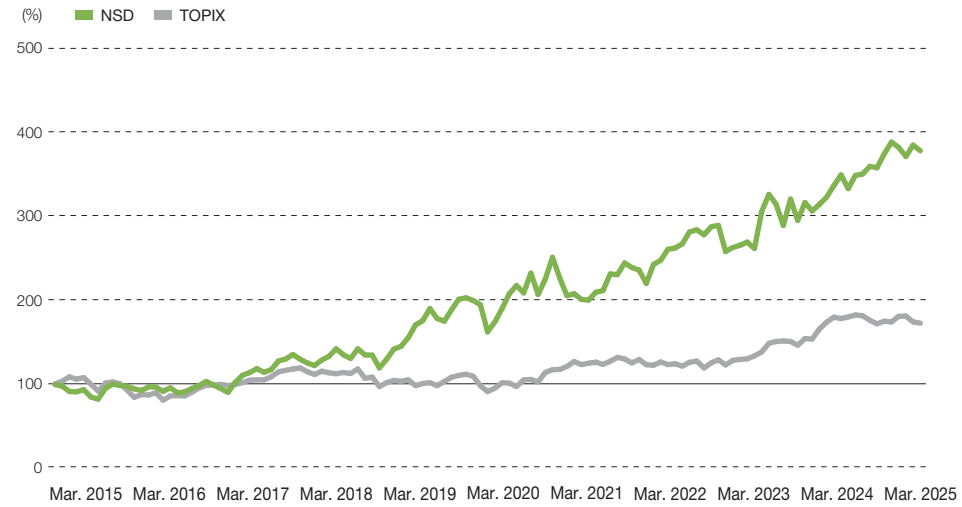
Major Shareholders (Top 10)

Name	Number of shares held (thousands)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	10,534	13.77
STATE STREET BANK AND TRUST COMPANY 505001	6,239	8.16
IPC Co., Ltd.	5,158	6.74
NORTHERN TRUST CO.(AVFC) RE FIDELITY FUNDS	4,070	5.32
Custody Bank of Japan, Ltd. (Trust account)	3,524	4.60
NSD Employee Stock Ownership Association	2,193	2.86
The Dai-ichi Life Insurance Company, Limited	2,070	2.70
KD Associates, Ltd.	1,997	2.61
Nippon Life Insurance Company	1,818	2.37
Reiko Hashida	1,324	1.73

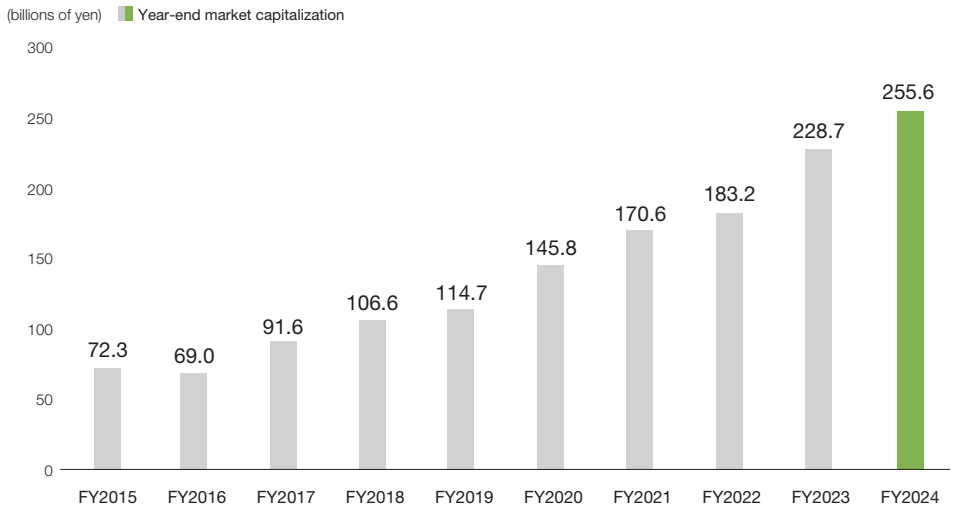
*: Although the Company holds treasury stock (9,535 thousand shares), it is excluded from the above list of major shareholders.
*: The ownership ratio is the ratio of the number of shares held to the number of issued shares (excluding treasury stock).
*: Number of shares held less than 1,000 are rounded down, and ownership ratios are rounded down to the second decimal place.

Corporate Data

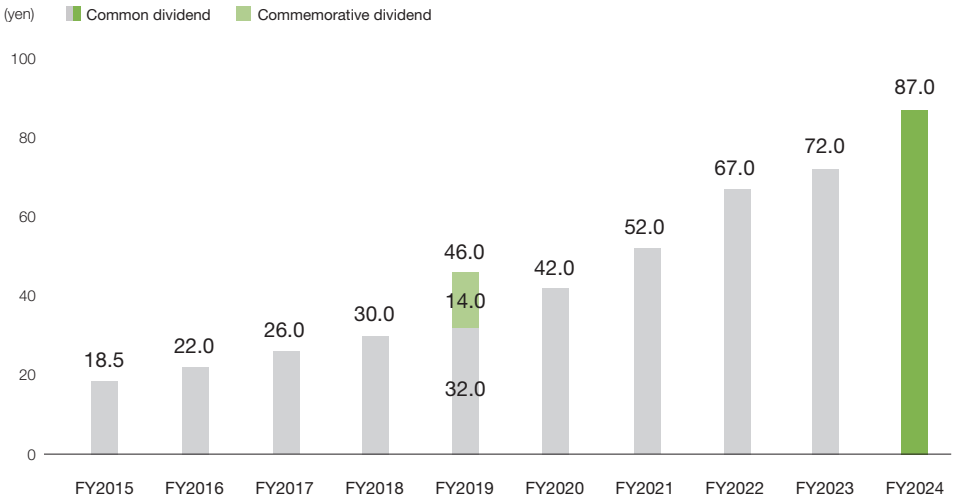
NSD Stock Price (Comparison with TOPIX)



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/**