Integrated Report 2026

AI Integrator

Transforming Frontlines

This English version of Integrated Report is a translation of the Japanese version published on October 9, 2026.

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.

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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

Formulation of the new three-year Medium-Term Management Plan

In the new Medium-Term Management Plan, in order to strengthen the business foundation for further growth, we have set forth the following major measures: shifting to businesses centered on upstream processes, including the consulting domain; expanding scale of the Solution Business; and responding to advanced technologies related to AI and DX. For more details, please refer to "Overview of the New Medium-Term Management Plan" and "Business Strategies."

P.17 **Overview of the New Medium-Term Management Plan**

P.18 **Business Strategies**

POINT 2

AI integrator transforming frontlines

NSD's mission is to create IT solutions that will lead to the resolution of issues facing customers and society, and we believe that AI and other technologies are means to solve the issues. In "Special Feature: NSD's AI Strategy," based on this thought, we explained our initiatives as an "AI integrator transforming frontlines" combining our long-standing emphasis on "frontline perspective" system development with our extensive knowledge of AI.

P.23 **Special Feature: NSD's AI Strategy AI Integrator Transforming Frontlines**

For more information, please visit our website.

Reporting period: April 1, 2025 to March 31, 2026 (This report includes some information pertaining to after the reporting period.)
Reporting Scope: NSD Co., Ltd. and NSD Group companies

Guidelines referred to

The IFRS Foundation "International Integrated Reporting Framework"
Ministry of Economy, Trade and Industry, "Guidance for Collaborative Value Creation"

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 factory, etc.

Resolving issues—the enhancement of efficiency of work dependent on the many years of experience and craftsmanship as well as succession of technology—through systems that leverage new technologies such as AI.

Example 2 Local government

Resolving challenges associated with IT utilization for standardization of core operational systems and regional revitalization through solid technical capabilities.

Example 3 Water authorities

Supporting operational efficiency improvements through DX to meet increasing social needs such as responding to aging facilities and strengthening facilities against earthquakes.

Example 4 Chemical plant

Resolving efficiency challenges related to identifying and quantifying chemical substances using proprietary technology powered by AI.



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 continue to do business with customers we have had relationships with since then.



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 focusing on proposing new value to our customers by actively implementing initiatives in new technologies such as AI, shifting toward upstream business activities, and strengthening our consulting capabilities.

∗: 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 AI 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 Group as a subsidiary
2023 Acquired NHOSA Corporation as a subsidiary
2024 Merged with Trigger Inc.

∗: The companies merged in 2018. The current company name is NSD Digital Solutions Co., Ltd.

Characteristics and Strengths

At NSD, over the past 57 years, we have developed a deep understanding of our customers' businesses even better than they do, and cultivated an attitude of staying empathetic with them.
These are the sources of NSD's earning power and crucial assets that cannot be easily replaced by AI.

Human resources that inspire trust

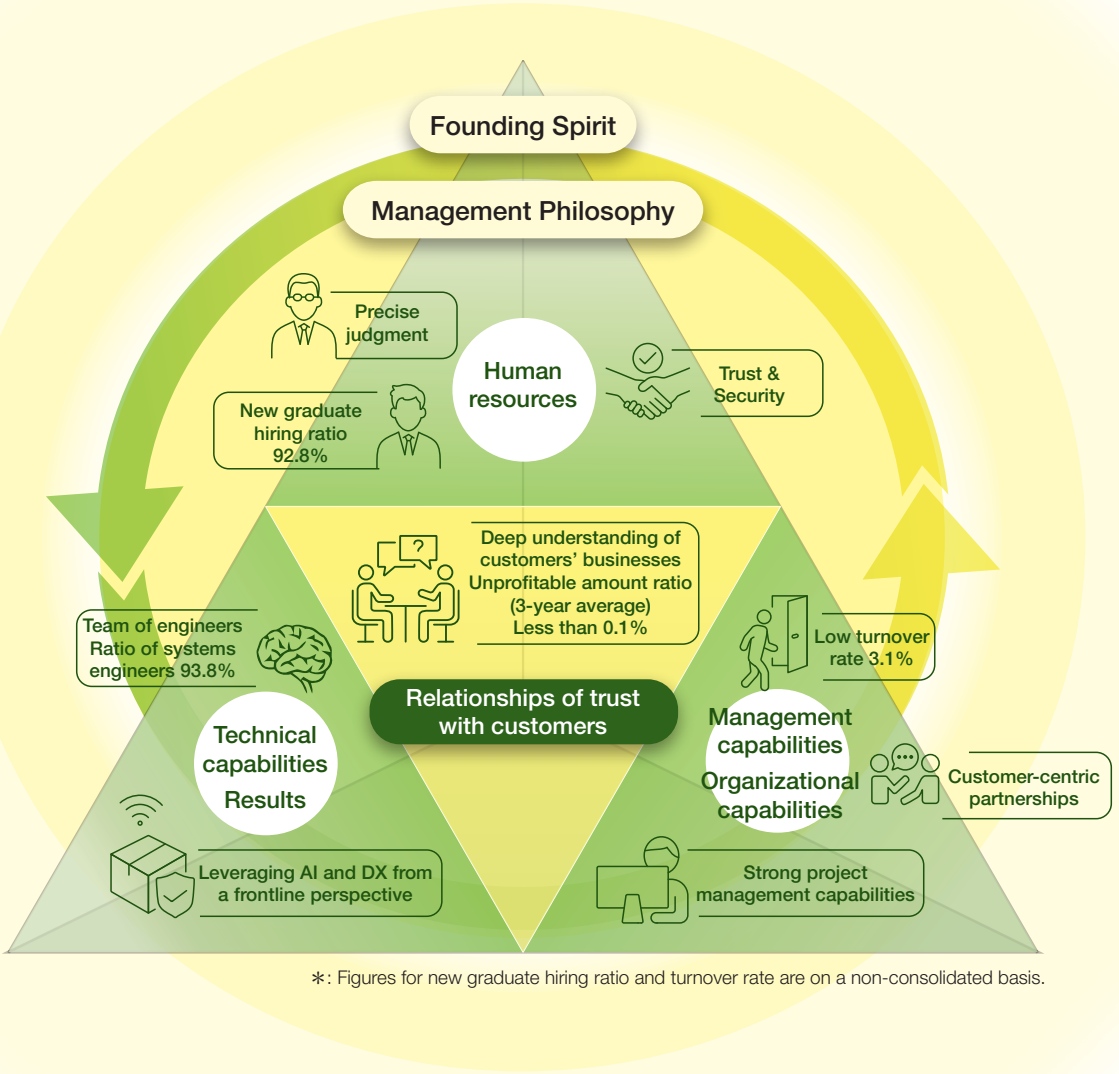
The development of large-scale, complex, mission-critical systems requires not only a wealth of knowledge about customers' businesses but also the judgement and technical expertise to determine where and how to best apply emerging technologies such as AI. Through long-standing relationships, NSD's people understand our customers' businesses even better than they do. At the same time, guided by human resources development that nurtures both technical expertise and human capabilities, they continuously sharpen their precise judgment and ability to propose solutions for diverse needs. By mastering emerging technologies such as AI to maximize their impact, these professionals are fostering relationships of trust with our customers.

Outstanding technical capabilities and proven track record

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 recent years, we have focused on solving customers' management issues and supporting the advancement of their strategies by leveraging emerging technologies such as AI. In doing so, we deliver systems development that integrates the technical capabilities and expertise we have cultivated over the years. Meanwhile, in solution development, we propose optimal ways to utilize emerging technologies and collaborate with customers to create solutions that are useful for real businesses.

Strong management and organizational capabilities

By integrating advanced technical capabilities with strong project management capabilities, NSD avoids the occurrence of unprofitable projects and maintains high profitability. Furthermore, our management team intentionally creates opportunities for employee communication, thereby building a strong sense of unity across the Company and fostering a vibrant culture that encourages innovation.



∗: Figures for new graduate hiring ratio and turnover rate are on a non-consolidated basis.

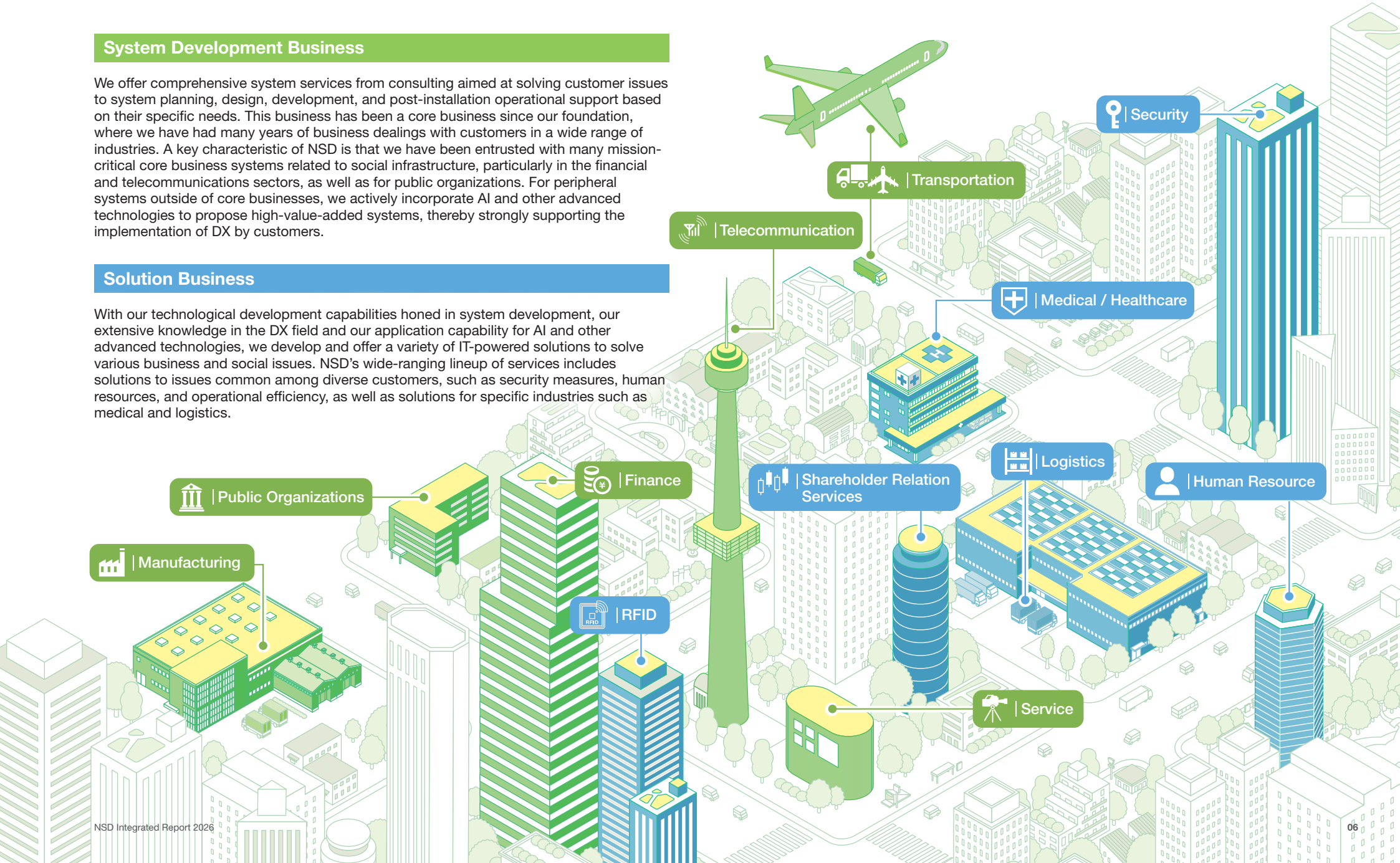
Business Lines

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. A key characteristic of NSD is that we have been entrusted with many mission-critical core business systems related to social infrastructure, particularly in the financial and telecommunications sectors, as well as for public organizations. For peripheral systems outside of core businesses, we actively incorporate AI and other advanced technologies to propose high-value-added systems, thereby strongly supporting 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 resources, and operational efficiency, as well as solutions for specific industries such as medical and logistics.



We will drive the creation of new value as an AI integrator that focuses on solving customers' issues.

Yoshikazu Imajo
President & CEO



In recent years, the evolution of new technologies such as AI has brought about significant changes in society. Amid such changes, NSD has engaged deeply with our customers' frontline operations and been involved in the development of systems that support the core of their business, while sharing their management vision and strategies. Building on that track record and expertise, we hope to remain a presence that paves the way toward the future alongside our customers as an "AI integrator transforming frontlines."

Review of the previous Medium-Term Management Plan

As the adoption of new technologies has increased rapidly throughout society, and strengthening corporate competitiveness with the use of IT has become increasingly important, requests from customers, particularly those that support social infrastructure in sectors such as financial services and the public sector, have become more and more sophisticated. We responded to these requirements with a strong awareness of our mission as an IT company. In the previous Medium-Term Management Plan, as well as expanding our business by positioning DX-related system development, for which social demand is particularly strong, as a growth driver, we took on more system engineers and expanded our range of solutions through M&A. We were also able to achieve results in multiple areas, including resolving customers' management issues through AI-driven system development and creating new in-house solutions using AI.

As a result, NSD achieved net sales of 100 billion yen two years ahead of schedule and recorded increases in net sales and operating income for 14 consecutive years. Further, we invested in human capital to support our growth, including in research and development and base salary increases, while also proactively working to return profits to stakeholders, including the enhancement of shareholder returns.

Reflecting on the five years of the previous Medium-Term Management Plan, it struck me anew that the true source of NSD's growth lies with our people. No matter how much technology evolves, it is the ability of our people to think and act that will help us to gain a deep understanding of our customers' business processes and issues and come up with optimal solutions. I believe that, the more AI technology continues to advance, the greater the value of people who approach customers' issues head-on with enthusiasm and a sense of responsibility and are able to take action grows.

President's Message

We aim to be an "AI integrator transforming frontlines" in the new Medium-Term Management Plan

We have made our recently formulated new Medium-Term Management Plan a three-year plan. This is because technological innovation, particularly in AI, is advancing at an extremely rapid pace, and we decided on a plan period that would allow us to respond swiftly and flexibly to changes in the environment.

Japan has a history of individual companies creating their own systems to deliver services that take advantage of their strengths and characteristics, and many Japanese companies have complex business processes. In particular, the large companies that are our major customers have many mission-critical systems that, as social infrastructure, cannot be stopped. It is not realistic to place AI at the center of these kinds of systems. There has been talk of "the death of SaaS," but even under these circumstances, we expect that demand for conventional system development will continue going forward.

On the other hand, I also view the rise of AI as a major business opportunity for NSD. This is because I see AI not as the "protagonist" of a system, but merely as a "means to an end." I believe that people who can accurately determine where, in addressing issues in our customers' business processes, the utilization of AI would be effective and where its application would entail significant risks, and who can apply it responsibly, will be the ones who are able to win the trust of customers. Recent examples of the use of AI include the systematization at factories and other facilities through the development of proprietary algorithms using AI. Specifically, we are promoting the development of systems that will help improve the efficiency of customers' operations, such as the automation of production planning in the manufacturing industry and the creation of algorithms for optimal shelf placement in the warehouse and logistics industries.

At the same time, in the System Development Business, the utilization of AI will enable to allocate more people to upstream processes, such as system planning and definition of requirements, which require dialog with customers, and to provide high-value-added services that focus on solving customers' management issues. Further, by actively promoting the adoption of AI in the area of solution development, we hope to work together with our customers to further accelerate the creation of solutions that are essential to business.

Through the previous Medium-Term Management Plan, we reaffirmed that the decision-making capabilities of our people, backed by their operational knowledge and experience, are, in fact, more outstanding in the age of AI. Our aim is not simply to introduce AI, but to be an "AI integrator transforming frontlines," working closely with our customers in the field and taking responsibility for everything from system design and development through to operation, while addressing difficult challenges alongside our customers. How should AI be applied and in what areas, and what should be done to reduce the customers' risks to as close to zero as possible? The people who are able to make appropriate decisions on these issues are those individuals who are even more familiar with the customer's business processes than the customer themselves and who can work closely with the customer to resolve their issues. I believe that the capabilities of the Group, which has accumulated expertise for strengthening competitiveness by identifying the essence of management issues from the customer's perspective, will be essential. Therefore, in the new Medium-Term Management Plan, through proactive investment in human capital, including the development of consulting personnel and AI personnel, we will work to further strengthen our people, who are the source of our growth.

Conclusion

Despite the dizzying pace of AI's evolution, it is just one means, and our people remain at the center of our value creation. I am confident that, if our people, with their exhaustive knowledge of our customers' frontline operations, combine AI with the best technologies and use it in the best way as a true business advantage, we will be able to expand our business opportunities.

Going forward, we will continue to value our people and strive to remain a corporate group that contributes to society without losing the true essence of NSD, building on the relationships of trust we have built with our customers through an understanding of their business processes, our technical capabilities, and an attitude of staying empathetic with customers. So that we may meet the expectations of our stakeholders, we will continue taking on new challenges as a united team.

NSD's Value Creation

- Value Creation Process P.10
- Materiality P.11
- Earnings Structure P.12
- Management Capital P.13

Value Creation Process

External Environment IT Trends

- Decline in working-age population
- Greater cyber risks
- Evolution of IT including AI

Materiality
P.11

Environment

Reducing impact on global environment

Social

Contributing to society by using our characteristics as an IT company

Creating workplace environment where diverse human resources can thrive with job satisfaction

Governance

Strengthening the foundation for the Company's existence

- Diversification of work styles
- Expectations for environmental contribution

INPUT

Management Capital
P.13

- Human Capital
- Intellectual Capital
- Social and Relationship Capital
- Financial Capital

Business Activities

- Business Strategies P.18
- AI Strategies P.23
- Financial Strategies P.29
- Business Activities
  - System Development Business
  - Solution Business
- Earnings Structure P.12
- Human Resources Strategies P.25

Governance

OUTPUT

- IT Consulting
- Software Development
- IT Infrastructure Development
- Solution Services

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
- Solving customers' management issues through 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	¥117.8 billion
Operating income	¥19.0 billion
Net income attributable to owners of the parent	¥13.0 billion
ROE	18.4%

(FY2025 Results)

Materiality

Identification of Materiality

In an effort to practice management conducive to building a sustainable society, the NSD Group has identified materiality issues that it should preferentially address and is promoting company-wide initiatives from a long-term perspective.

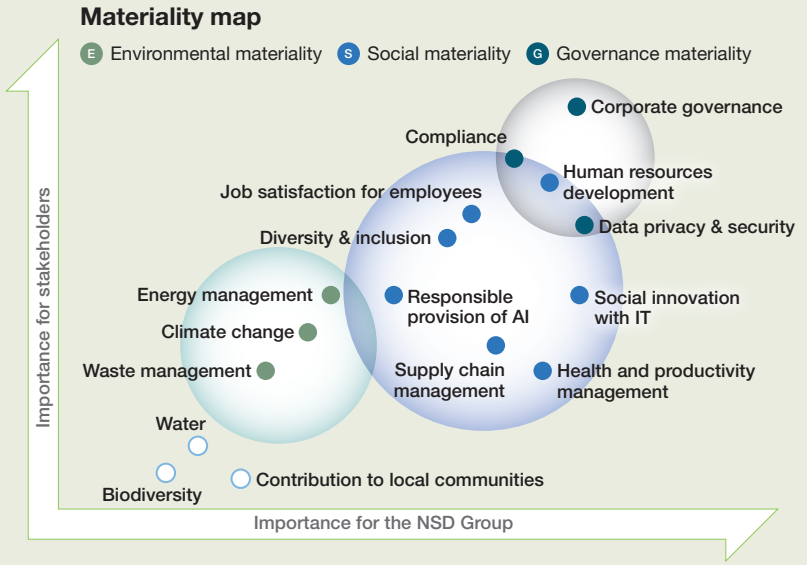
In identifying materiality, we carried out the process with the advice of outside experts, based on the two perspectives of "importance for stakeholders" and "importance for the Group."

STEP 1 Issues and the voices of each stakeholder that the Group should deal with are identified.

STEP 2 While receiving advice from a third party (external expert), each materiality item is prioritized and organized in the form of a map.

STEP 3 The Sustainability Management Committee takes the lead in discussing the validity of priorities.

STEP 4 Final decision after deliberation by the Board of Directors.

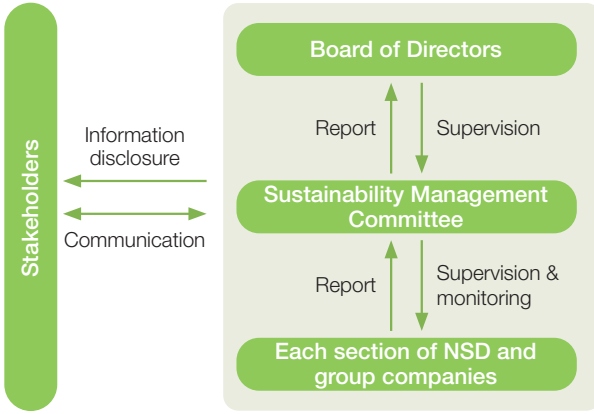


One of our key materiality items, "Social innovation with IT," focuses particularly on the realization of NSD's vision: a company that offers a "Future for People and IT." In recent years, we have been working to solve customers' management and social issues by combining our long-standing emphasis on "frontline perspective" system development with our extensive knowledge of AI, positioning ourselves as an "AI integrator transforming frontlines."

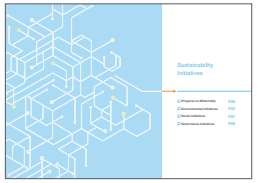
P.23 Special Feature: NSD's AI Strategy
AI Integrator Transforming Frontlines

Sustainability Governance

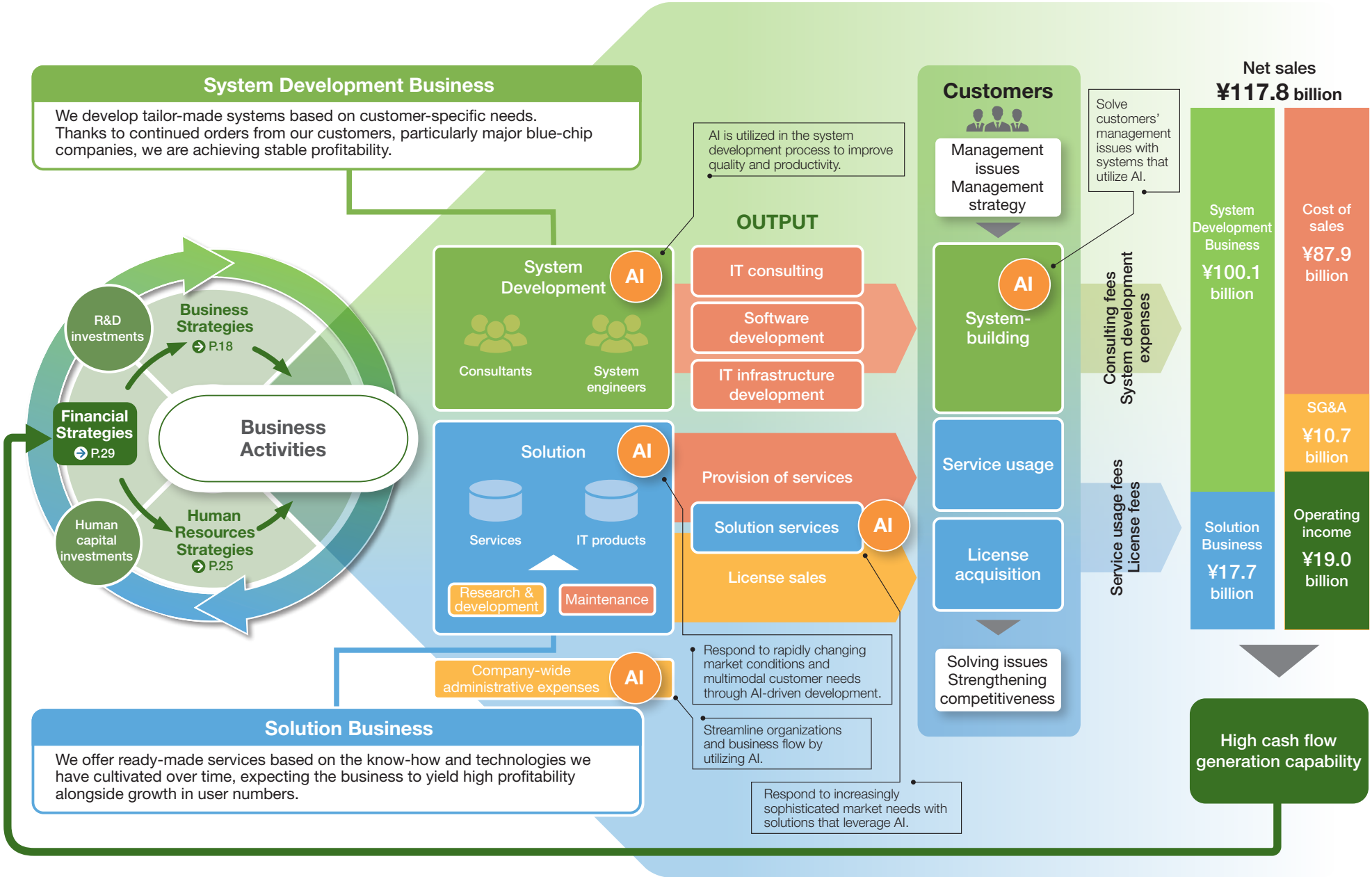
In line with the identified materiality items, the Sustainability Management Committee discusses the Group's sustainability policies, monitors the status of initiatives, collects information, and educates officers and employees to promote concrete initiatives on items with particularly high materiality 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.



Please also refer to
P.49
Sustainability Initiatives
for more information on materiality.



Earnings Structure

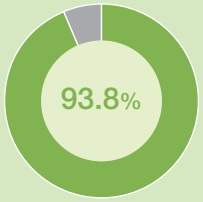


Management Capital

Human Capital

- A group of professionals with over 4,000 system engineers

SE ratio



- Understand customers' businesses better than themselves based on business of many years
- Personnel with deep knowledge of both customers' operations and systems propose the optimal use of AI
- There are a large number of employees with IT credentials, Oracle Certification, and AWS Certification, etc.
- A high level of engagement with the organization, resulting in a turnover ratio*1 of around 3%

Initiatives to strengthen capital base

We are aiming for the perpetual growth of the organization by actively investing in "Developing 'NSD human resources' who earn the trust of customers" and "Creating an environment conducive to outstanding performance."

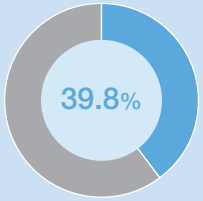
Intellectual Capital

- 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

Ratio of unprofitable amount to net sales
3-year average
Less than 0.1%

- AI- and DX-related technology expertise and application capabilities accumulated through practice and research led by NSD AI Technology

AI- and DX-related sales (System Development)



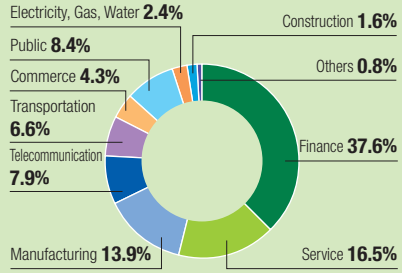
Initiatives to strengthen capital base

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.

Social and Relationship Capital

- 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 (Over approximately 1,500 companies engaged in transactions*1)

Net sales by industry (System Development)



- Customers from a wide range of industries are becoming the investing and member companies of NSD AI Technology, working together to develop AI/DX support and solutions
- Ensuring high mobilization capabilities with business partners that meet selection criteria, primarily core partners

Initiatives to strengthen capital base

NSD, who is familiar with both customers' operations and systems, promotes DX initiatives aimed at solving management issues that are directly linked to customers' businesses, and works to further deepen relationships.

Financial Capital

- Achieving ROE exceeding capital cost through efficient business operations

EBITDA margin	ROE
18.3%	18.4%

- Aggressive investment in growth and enhanced shareholder returns through high cash flow generation capability

Cumulative total for three years of the new Medium-Term Management Plan (planned amount)

Investment in growth
¥25.0 billion
- AI and solutions
- Human capital
- M&A and startups

Shareholder returns
¥30.0 billion
Total return ratio of 70% or more and dividend payout ratio of 50% or more

- Avoiding excessive accumulation of cash and capital and paying attention to efficient management of capital

Initiatives to strengthen capital base

Emphasizing the effective use of cash and the balancing of investments and profits, NSD is proactively investing in the DAS business*2 and other areas that will drive the Company's growth.

*1: Figures for turnover ratio and companies engaged in transactions are actual non-consolidated results.
*2: The DAS Business refers to System Development Business aimed at DX, System Development Business leveraging AI and other new technologies, and the Solution Business.

Growth Strategies

- Evolution of Growth Strategy P.15
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Evolution of Growth Strategy

IT Trends

With the rapid evolution of technologies, including the widespread adoption of cloud computing and advancements in AI, IT needs are becoming increasingly diverse and sophisticated. In particular, the advancement of generative AI over the past few years is significantly reshaping the nature of society.

- Advances in cloud technology
- Evolution of IT including AI
- Advances in generative AI
- Shortage of system engineers
- Increasing sophistication of DX demand
- Expansion of AI agent usage
- Greater cyber risks

Medium-Term Management Plan

1st Phase FY2012-2014 → 2nd Phase FY2015-2017 → 3rd Phase FY2018-2020 → 4th Phase FY2021-2025 P.16 → 5th Phase FY2026-2028 P.17

Basic Strategies

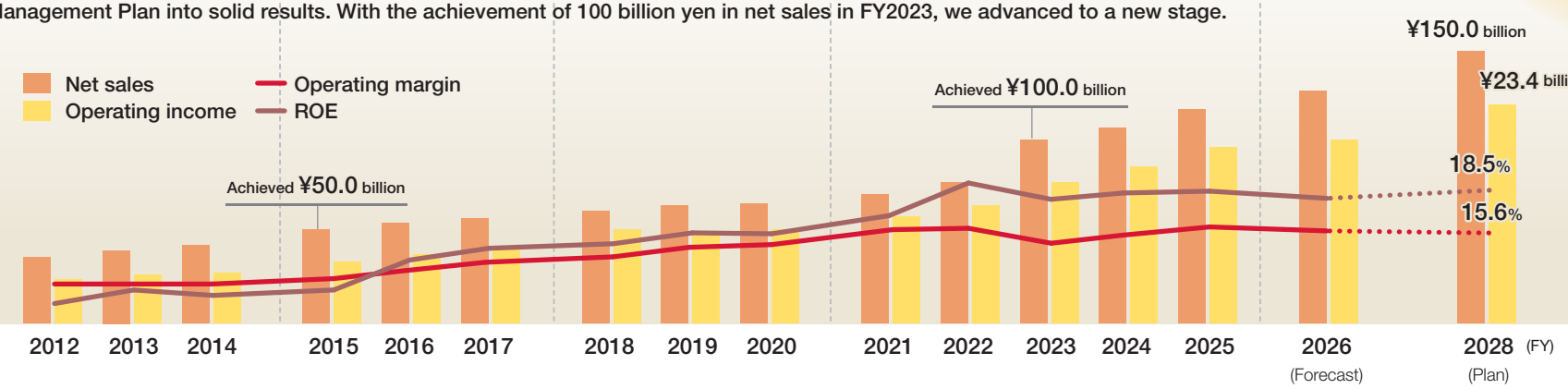
Building on the solid track record we have established since our founding, we have deployed aggressive strategies to adapt to the rapidly changing business environment and achieve sustainable growth.

4th Phase FY2021-2025	5th Phase FY2026-2028
Further strengthen competitiveness of the System Development Business	Shift toward upstream processes
Focus efforts on new technologies and the DX field	
Strengthen service-driven solutions	Expand scale and improve profitability of the Solution Business
Expand the scale of the Solution Business	
Actively promote M&A	Further strengthen the AI and DX areas

The "true essence of NSD" we aspire to

Numerical Figures

We achieved increases in net sales and operating income for 14 consecutive fiscal years by steadily translating the strategies of the Medium-Term Management Plan into solid results. With the achievement of 100 billion yen in net sales in FY2023, we advanced to a new stage.



Review of the Previous Medium-Term Management Plan

FY2021-2025

Strategies and Measures

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 Art Group, which shares a high affinity with our business domains, foundation, and strategy, into the Group to increase system engineers
- Integrated Trigger which has strengths in the consulting business, into the Group, later absorbing it into NSD, and established the Consulting Business Unit
- Addressed public sector needs, such as for the standardization of government cloud computing and reinforcement of security
- Promoted base pay increases, work style reforms for employees, and deepened relationships with business partners
- Opened business sites in Sendai and Hiroshima to bolster our local sites and create employment opportunities in local areas

Make the Solution Business a second pillar of the Company

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

- Integrated NHOSA, which has the top market share in Japan for receipt computer systems for dental clinics, into the Group to expand business in the medical and healthcare fields
- Brought Art Group into the Group to branch out into the RFID field

Expand AI- and DX-related businesses

- Speed up AI product development and business expansion
- 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

- Supported AI utilization and DX for solving management issues directly related to businesses
- Released AI-driven solutions, including "Quick Digest," an AI-powered meeting minutes tool, and "BizInsight," a private generative AI platform
- Promoted collaboration with Hitachi
- Transformed into an organization that seamlessly manages all processes from planning to development and sales of products and services
- Expanded incentive systems, leading to an increase in the number of AI or cloud credential holders
- Rolled out technologies internally, with employees from DX-related technology specialized units serving as instructors

Outcomes

In addition to reaching our target of 100 billion yen in net sales two years ahead of schedule, due partly to M&A synergies, operating income also set a new record, absorbing the expenses incurred from M&As and investments in human capital. In the final year of the plan, the operating margin was 16.2% and ROE was 18.4%, showing steady progress in strengthening earnings and improving profitability.

(millions of yen)

	FY2020	FY2025	Change	Growth rate	
				Cumulative total	Annual average
Net sales	66,184	117,813	51,629	78.0%	12.2%
DAS Business*	18,004	57,578	39,573	219.8%	26.2%
Operating income (Operating margin)	9,842 (14.9%)	19,073 (16.2%)	9,230 (1.3 points)	93.8% (—)	14.1% (—)
EBITDA (EBITDA margin)	10,509 (15.9%)	21,596 (18.3%)	11,086 (2.5 points)	105.5% (—)	15.5% (—)
ROE	13.7%	18.4%	4.7 points	—	—

*: The DAS Business refers to System Development Business aimed at DX, System Development Business leveraging AI and other new technologies, and the Solution Business.

Furthermore, as a result of implementing various wage increases during the Medium-Term Management Plan period, including a total of six base salary increases, the average annual wage rose from 6.51 million yen in the first year of the plan to 7.50 million yen in its final year. Regarding shareholder returns, we successfully maintained a dividend payout ratio of 50% or more and a total return ratio of 70% or more.

Examples of AI utilization and DX

— Automated the preparation of white paperboard production plans

For production planning operations at a paper mill, where the enhancement of work efficiency and succession of technology had been issues, we used mathematical optimization technology to develop algorithms that automatically generate production schedules. This contributed to improved accuracy and operational efficiency, as well as reduced production waste.

— System development for chemical substance management tasks

Leveraging AI, we developed a system driven by our proprietary algorithm to identify chemical substances and track their usage in factories. By streamlining complex management reporting tasks, this system has helped to reduce workload.

— Supporting next-generation water business DX

We identified issues and considered countermeasures regarding "next-generation water business DX" to provide IT support for safe and stable operation of water lifelines.

Overview of the New Medium-Term Management Plan

FY2026-2028

Positioning of the New Medium-Term Management Plan

The new Mid-Term Management Plan ("new Plan") is a step toward strengthening the foundation for realizing and sustaining the "true essence of NSD" that the NSD Group aspires to.

While maintaining high profitability and a sound financial standing based on our track record to date, we have positioned the investments necessary for the NSD Group's sustainable growth as "growth investments," and we will execute them aggressively as a priority during the Plan period.

The "true essence of NSD" we aspire to

A group of IT engineers who leverage their knowledge of customer operations and close customer relationships in continuing to support essential social infrastructure across the finance, industry, and public sectors through the power of IT

New Medium-Term Management Plan
FY2026-2028

Previous Medium-Term Management Plan
FY2021-2025

Themes in the new Plan

- Implement a strategy of "going on the offensive" and cultivate multiple areas of business expertise.
- Actively integrate new technologies, especially AI
  P.23 Special Feature: NSD's AI Strategy AI Integrator Transforming Frontlines
- Actively deliver returns to stakeholders, such as employees and shareholders

Investment in growth cumulative total for three years of the new Plan (planned amount) 25.0 billion yen

- AI and solutions
- Human capital
- M&A and startups

Key Numerical Figures and Measures

Numerical targets (consolidated)

Net sales	Operating income	ROE	Dividend payout ratio Total return ratio
¥150.0 billion Average Annual Growth Rate: 8.4%	¥23.4 billion Operating margin: In the 15% range	18.5% Maintain in the 18% range	50% or more and 70% or more Maintain

Summary of initiatives

Upstream Processes

Shift toward businesses centered on upstream processes

- **System Development Business** is the core business of NSD, and we aim for **sustainable growth** even in the AI era.
- By **shifting personnel and sales** from our traditional businesses centered on midstream processes toward **upstream processes** (including the consulting domain), we aim to further strengthen our earnings structure and enhance our corporate value.

Strategic Areas

Aggressive investment in AI, DX, and solution fields (DAS)

- We will **further strengthen the DAS Business** which we have been actively pursuing.
- We will place a particular **focus on the AI area** while aiming to expand the scale and improve the profitability of our Solution Business.
- We will launch an in-house "AI Expert Certification System." We aim to develop 70% of our mid-career employees (engineers) into experts.

Financial Capital

Maintaining a sound financial position and focusing on returns to employees and shareholders

- **Our knowledge of customer business processes**, cultivated since our founding, is **the source of NSD's earning power** that cannot be easily replaced by AI.
- We will leverage this strength to maintain a sound financial position, and on the non-financial front, we will **focus on human capital investments**, starting with enhancing our employees' technological skills.
- We will maintain our current dividend payout ratio and deliver **high shareholder returns**, including share buybacks.



Hidetaka Kikawada

Representative Director,
Senior Managing Executive Officer
COO

Business Issues

During the five years of the previous Medium-Term Management Plan, we made significant progress in our business performance. On the other hand, there are issues that have yet to be addressed, as well as new issues that have arisen due to changes in the business environment.

In the new Medium-Term Management Plan that began this fiscal year, we will address these issues and develop measures to solidify the foundations for further growth.

Contributing to the sound development of society as a group of IT engineers with knowledge of field operations

Securing and developing human resources in the System Development Business

Recognizing that customers' willingness to invest in system development will remain firm for the immediate future, we believe that further strengthening the relationships of trust with our customers by steadily improving project management and quality will lead to the sustainable growth of our System Development Business. For this reason, it is important that we take measures such as developing and strengthening our leadership talent to enhance their ability to lead projects.

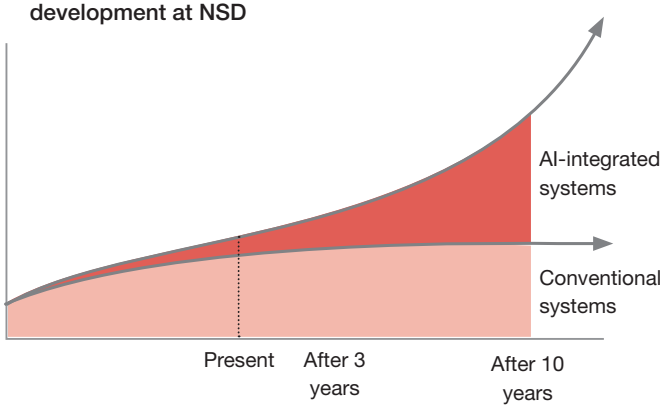
Impact of generative AI on existing businesses

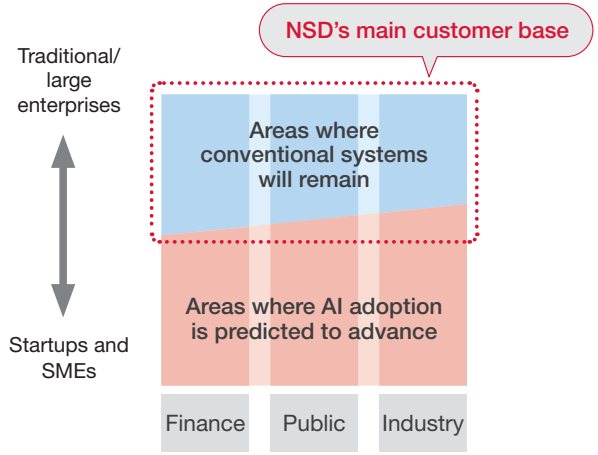
It is expected that generative AI will be widely utilized in system development in Japan going forward. Even at large enterprises, which form our main customer base, while demand for conventional development is expected to remain strong to a certain extent, demand for AI utilization is expected to expand, primarily in the area of midstream processing (programming and testing). For this reason, we need to improve our capabilities in system development utilizing AI and make it a new strength for the company. At the same time, anticipating changes and greater efficiency in our operational processes through the use of AI, we must take measures such as retraining and reallocating personnel to shift resources toward upstream processes.

Expansion of scale of the Solution Business

In the previous Medium-Term Management Plan, we incorporated businesses working in the fields of medical/healthcare and RFID into the Group through M&As and made progress in expanding our solution lineup. It is important to continue to further expand and develop this business to establish it as a second pillar of our business after the System Development Business. In terms of profitability, the Solution Business's operating margin is currently below the company-wide level, partly due to the impact of increased expenses associated with the M&As. We will therefore work to improve profitability.

Conceptual image of future trends in system development at NSD





Measures Under the New Medium-Term Management Plan

System Development Business

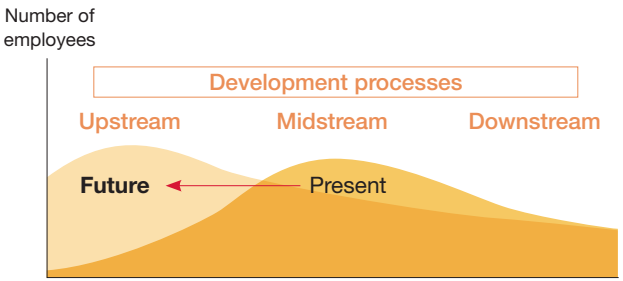
System Development Business net sales*
¥100.8 billion → ¥124.0 billion

*: Before elimination of intra-group transactions.

Shift to upstream businesses

With regard to our business zones in system development, we will further promote the shift from midstream processes to upstream processes in our efforts to improve profitability and respond to the AI era.

Conceptual image of personnel allocation



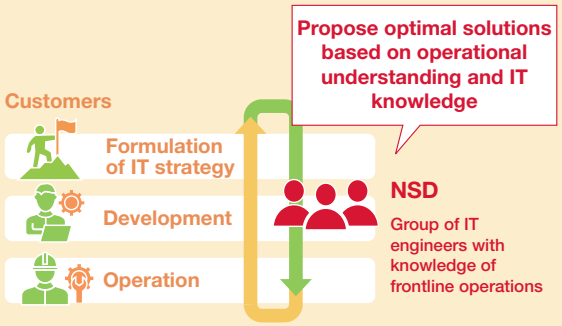
NSD's strengths in upstream processes

The customer base of our System Development Business consists of many customers with whom we have done business for many years. For example, over 80% of our top 50 customers have worked with us for at least 10 years. This has enabled us to accumulate know-how regarding our customers' operations.

In addition, because we handle the entire development process from the system conception stage to maintenance and operation, we can gain an understanding of the issues on the ground where the systems are actually being used. Through a cycle of proposing system improvements based on these issues and actually developing the systems, we have continued to contribute to the improvement of our customers' operational efficiency and the enhancement of their competitiveness. In doing so, we have earned the trust of many customers.

Through AI utilization and other means, we will be able to shift more personnel to upstream processes such as system planning and definition of requirements, which require dialog with customers. This will enable us to be even more proactive in proposing solutions to issues based on our deep understanding of our customers' operations.

By leveraging our strengths as a group of IT engineers with knowledge of frontline operations, we will continue to aim for co-existence and co-prosperity as our customers' business partners.



Strengthening of consulting capabilities

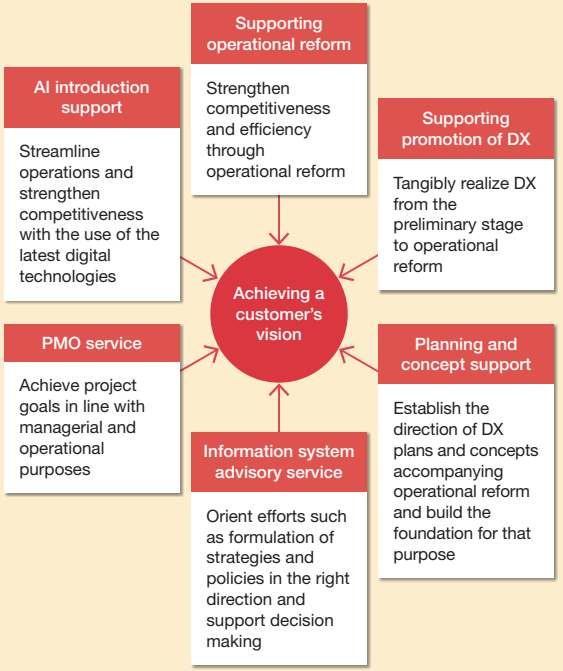
We will work to increase the number of personnel and build a track record in the consulting business. Working with the relevant business divisions and group companies to address the system development needs of customers that we engage with in consulting services, we will expand opportunities to win projects.

Consulting services offered by NSD

NSD's consulting service emphasizes a cooperation-oriented approach. This means staying empathetic with and deeply understanding customers' visions and business goals, while also cooperating in the stage of operation and establishment.

To solve customers' management issues, we provide total support from operations and business consulting to system architecture design, including AI utilization, as well as system development, infrastructure construction and operation, and solution proposals that follow. In the process, we also propose human support for customers' project management offices and outsourcing services for their IT-related operations.

Leveraging our knowledge of customers' operations and system development technologies developed over many years, we will support all aspects of our customers' IT projects, including DX promotion.



Solution Business

Solution Business net sales*
¥17.7 billion → ¥23.0 billion

*: Before elimination of intra-group transactions.

Expansion of business scale

We will continue our efforts to secure a certain share of the Group's consolidated net sales and profit margin to make it the "second pillar" of NSD's business. To this end, we will promote the development and sale of new products and services for customers of medium-sized to large enterprises, as well as collaborating with and investing in other companies.

We will also establish a department dedicated to research and development of AI solutions and concentrate the allocation of resources primarily on this organization.

New organization, "Incubation Lab"



Soloviev Ivan
Executive Officer,
Chief General Manager,
Incubation Lab

Newly established in April 2026 under the AI & Solution Business Unit, the Incubation Lab is structured so that the same team can rapidly handle the entire cycle from formulating hypotheses about customers' issues to the implementation and verification testing of Minimum Viable Products (MVPs), and onto full-scale development. It also aims to speed up the development of in-house solutions by using AI as standard in all processes from planning to development.

Enhancement of corporate brand

We will work on PR strategies to enhance the Group's corporate brand in the Solution Business. By doing so, we will work to improve our sales capabilities and product image, aiming for benefits in terms of both quality and quantity.

Responses to advanced technologies related to AI and DX

DAS Business* net sales
¥57.5 billion → ¥80.0 billion

*: The DAS Business refers to System Development Business aimed at DX, System Development Business leveraging AI and other new technologies, and the Solution Business.

Enhancement of ability to propose AI solutions to customers

We will continue to focus our efforts on the development of AI- and DX-related products and services and aim to convert them into businesses with a sense of speed. AI is incorporated as standard in the system development process to improve both quality and productivity. In our customers' operations, our aim is to be an "AI integrator" that handles the entire process end-to-end from the incorporation of AI to its establishment and the generation of outcomes.

For more information on our AI strategies

P.23

Special Feature NSD's AI Strategy AI Integrator Transforming Frontlines

Development of internal frameworks for AI utilization

We will promote the utilization of AI within the NSD Group, improve the efficiency of organizational and operational processes, and develop personnel capable of making AI proposals to customers. In line with the "responsible provision of AI," which is one of our materiality issues, we will conduct company-wide operations based on internal rules to ensure the appropriate and safe provision and use of AI.

Investment in M&A and startups
¥10.0 billion

M&As and collaborations with startups

We will pursue M&As and capital alliances for the purpose of developing new products and services. We will set up a dedicated department to invest in startups and facilitate collaboration within the Group in connection with these investments.

Human resources strategies

Our human resource strategies in line with the above business plan will involve the allocation of personnel to upstream processes, reinforcement of leadership talent, increasing and strengthening consulting human resources, and engaging more actively with new technologies such as AI.

For more information about our human resources strategies

P.25 Human Resources Strategies



Osamu Yamoto

Director, Senior Managing Executive Officer,
Chief Group Governance Officer

NSD's Group Management

During the previous Medium-Term Management Plan, which outlined the proactive use of M&A as a measure, we welcomed three companies into the NSD Group. Through these acquisitions and the growth of our existing affiliated companies, total net sales of consolidated subsidiaries almost quadrupled from that of the final year of the Medium-Term Management Plan before the previous Plan, and their percentage of the Group's consolidated net sales increased from around 10% to over 20%.

As this shows, the presence and importance of affiliated companies in the Group have expanded, making group management increasingly important.

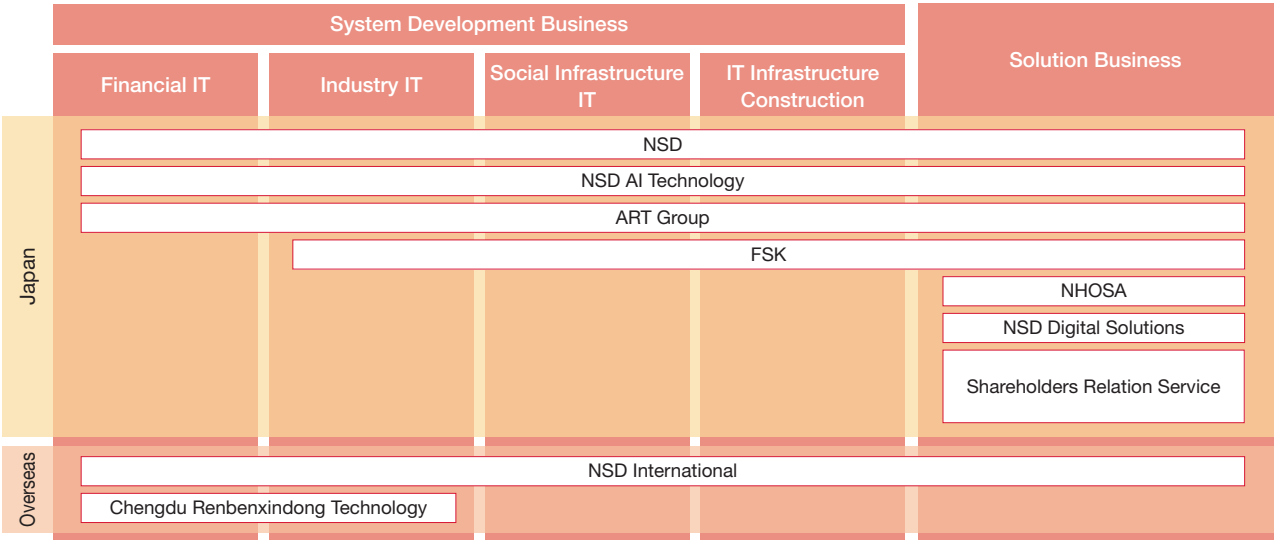
For this reason, in April 2026, we established a new Group Governance Headquarters, under which we have been advancing initiatives to strengthen the entire Group's organizational capabilities and create further synergy across the Group.

M&A in the previous Medium-Term Management Plan

Acquired companies (Date of acquisition of shares)	Key areas for strengthening through M&A	PMI status
Trigger Inc. (Oct. 2022)	● Strengthen the consulting domain in the System Development Business	To generate greater synergies, Trigger was merged with NSD and a new Consulting Business Unit was established.
ART Holdings Co., Ltd. (Apr. 2023)	● Secure high-quality SEs in system development ● Expand lineup in Solution Business	To consolidate management resources and improve the efficiency of business operations, the eight companies in the ART Group at the time of the M&A were reorganized twice into a three-company structure. We are also advancing collaborations with the ART Group.
NHOSA Corporation (May 2023)	● Expand lineup in Solution Business	NHOSA now accounts for over one-third of the net sales of the NSD Group's Solution Business and is a pillar of growth for that business.

Overall image of the NSD Group

The NSD Group is comprised of NSD, 12 subsidiaries, and three associated companies (as of October 1, 2026). The segments handled by the major subsidiaries are shown in the diagram below.



Group collaboration and synergy creation

AI Business

NSD AI Technology undertakes investigation and research, as well as proof-of-concept demonstration in the AI sector as the company leading the NSD Group's AI business. Through close collaboration with NSD's various divisions, it is generating synergies and supporting customers in solving their management issues.

For more information about NSD AI Technology's initiatives

P.23 Special Feature: NSD's AI Strategy
AI Integrator Transforming Frontlines

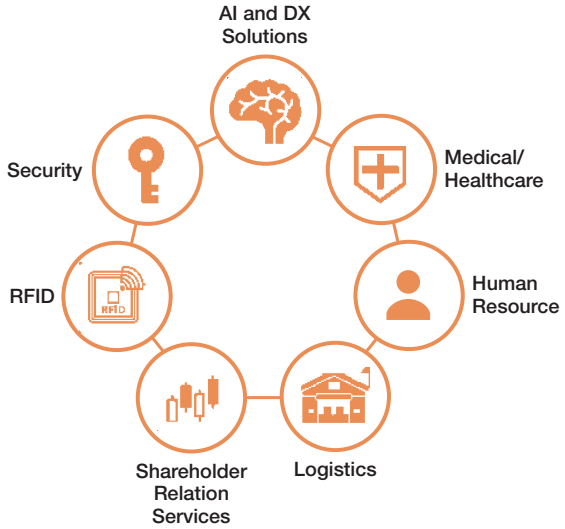


System Development Business

The ART Group and FSK are primarily engaged in the system development business. They are highly compatible with NSD's own business fields and platforms and are generating synergies through collaboration. In addition, as they are based in the Hokuriku and Tohoku regions respectively, they contribute to the NSD Group's regional bases.

Solution Business

NHOSA, NSD Digital Solutions, Shareholders Relation Service, and ART Finex, which is part of the ART Group, each offer distinctive solutions in niche fields and are pursuing sales with effective sales methods tailored to each solution.



Overseas business and offshore development

NSD International is based in the United States, where it provides a wide range of IT services to Japanese and non-Japanese companies.

Chengdu Renbenxindong Technology in China conducts offshore development services and operation systems development for Japanese companies in China.

Group governance and risk management

As the NSD Group's action guidelines, we have established the NSD Group Code of Conduct and the NSD Group Behavioral Guidelines and communicated them to all officers and employees across the Group, to ensure that business operations are carried out appropriately and in compliance with these guidelines.

We have also established the Affiliated Company Management Regulations, under which decisions on certain important matters of affiliated companies are subject to prior approval by NSD. Also under these rules, a framework has been established in which information necessary to understand the condition of these companies' business management, events at affiliated companies that are subject to timely disclosure by NSD, and important business information such as serious complaints or conflicts are promptly reported to NSD by the affiliated companies affected. In addition, as a general rule, we appoint one or more Executive Officers of NSD is elected as Director or Audit & Supervisory Board member of each affiliated company, and the business performance and state of business execution of those companies are reported to NSD's Board of Directors as appropriate.

NSD's Risk Management Committee manages priority risks, which includes the risks associated with the operational controls of affiliated companies. NSD's Legal & Compliance Department manages risks for the entire NSD Group.

Special Feature

NSD's AI Strategy
AI Integrator Transforming Frontlines

AI has evolved dramatically in recent years, bringing major changes to industrial structures and work styles. For IT companies, AI is more than simply a technological field. It is the source of new value creation and competitiveness. By combining our long-standing emphasis on "frontline perspective" system development with our extensive knowledge of AI, we will provide IT solutions that offer more value than ever as an "AI integrator transforming frontlines."



NSD Corporate Presentation Video
AI Integrator Transforming Frontlines

NSD's official YouTube channel



AI without knowledge of frontline operations is meaningless



AI Integrator Transforming Frontlines

Basic approach to the utilization of AI

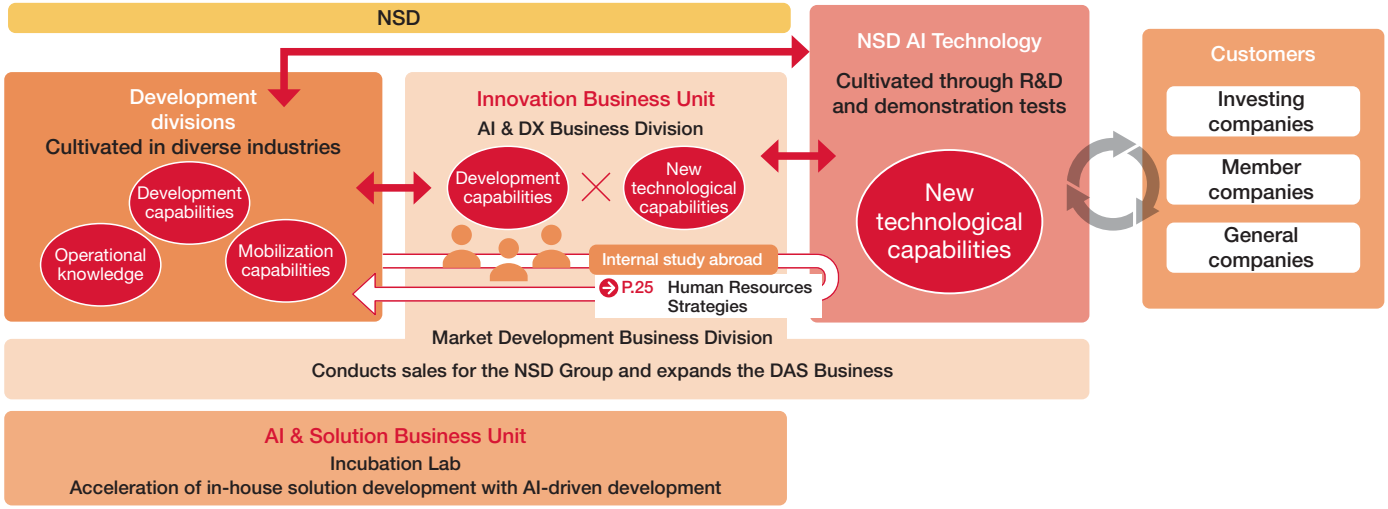
NSD's Management Philosophy includes the words, "The NSD Group contributes to the sound development of society by pushing the boundaries of IT to create and provide new solutions beneficial to people and society." Our mission is to generate IT solutions that will help solve issues faced by our customers and by society, and our view of AI and other technologies is that their use is not an end in itself, but a means to solving those issues.

Based on this thinking, we pursue research and technological development always with an eye to the "commercialization" that lies beyond them, and our basic approach is to "put into practice" the full range of activities, from investigation and research to solution development.

With regard to AI, we established an AI Utilization Promotion Office in 2017 and began researching the potential of the AI business. This eventually led to today's AI development team. With this team playing a central role, its research conducted over the past ten years or so has borne fruit as a business, including the launch of multiple AI solutions that have been developed over the past several years.

NSD AI Technology, which was established in 2019 (company name at the time of establishment: NSD Advanced Technology Research Institute Co., Ltd.), conducts investigation and research into AI-related technologies, as well as demonstration of proof-of-concept models. This company has built a unique structure in which it engages in research and development in partnership with leading companies in a wide range of industries. In this way, it is able to obtain real-world opinions from the frontlines about what kind of operational issues customers are facing and what kind of IT solutions they are seeking. This makes it possible to discover more practical solutions.

Through collaboration by NSD's development divisions with its development and mobilization capabilities, the Innovation Business Unit, which pursues commercialization by comprehensively promoting planning, development, and sales, and NSD AI Technology, which handles research and technological capabilities, we will demonstrate Group synergies. As an "AI integrator" that focuses on solving customers' issues, we will leverage AI in all manner of frontline operations to deliver outcomes.



Special Feature

NSD's AI Strategy
AI Integrator Transforming Frontlines

Driving frontline operations! Examples of AI utilization

To maximize the benefits of the utilization of AI, "knowledge of frontline operations" is crucial. Precisely because NSD has built relationships of trust with our customers, after correctly defining management issues and operational issues, we combine them with optimal technologies to produce outcomes, lending strong support to the solution of customers' issues as their business partner.

Automated the preparation of production plans

Leveraging mathematical optimization technology that NSD AI Technology specializes in, we have realized the automation of production plan preparation by turning complex constraints that differ for each manufacturing site into models and algorithms.

Case 1 Paper mill

When cutting giant rolls of paper into sheets of multiple sizes to order, the task of determining efficient cutting patterns that minimized waste was carried out relying on the many years of experience and craftsmanship of factory personnel.

Case 2 Stainless steel processing plant

The processes of calculating slit coil* shortages, etc. based on inventory levels and selecting specific slitters (cutting machines) suited to the stainless steel material's grade and thickness were carried out relying on the experience and craftsmanship of operations staff.

In both of these cases, the automation of these operations has been a long-standing issue from the perspective of improving operational efficiency and succession of technology. However, the conditions for preparing efficient production plans that minimized production waste are extremely complex, and automation had not been realized.

NSD **clarified the rules applied in the frontline operations through meticulous interviews** and applied those rules to algorithms one by one.

Through automation, operations that used to take several hours can now be performed in less than 20 minutes, thereby contributing to the enhancement of efficiency and succession of technology.

*: A slit coil is produced by cutting stainless steel material with a slitter (cutting machine) and winding it into a roll.

System development for chemical substance management tasks

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 AI 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.

By working closely with the factory personnel and **carefully confirming their requirements**, we minimized discrepancies in the user experience and delivered a system that is easy for everyone to use. Furthermore, we 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.



Representative of NSD



Customers

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.

Lowering the hurdles to AI utilization! Private generative AI platform

BizInsight

While generative AI is the key to improving companies' productivity and creating added value, on the other hand, many customers are hindered by the security risks and are not making progress in the introduction of cloud-based generative AI services. In light of this issue, NSD provides "BizInsight," a generative AI platform that has all the necessary features for the use of generative AI and can be used safely either on premises or in the cloud. It is also compatible with the development of Retrieval-Augmented Generation (RAG) and generative AI applications for individual customers, providing a solution that combines the cost effectiveness of a package with the flexibility of individualized development.

Through its many years of working in development on a contract basis, NSD has delved deeply into customers' business frontlines and has cultivated engineering frameworks for handling everything from identification of operational issues to the design and implementation of solutions to those issues. With the provision of BizInsight as well, we are leveraging this strength to the maximum extent to propose and execute measures for the use of generative AI based on a deep understanding of customers' operations. In doing so, we are supporting the realization of operational transformation that goes beyond the introduction of tools.

We are also actively using this product in our own administrative division, leading to improved operational efficiency.

Application example

Taking advantage of the ability to use this product on premises, we have registered our own product information and technical documentation as knowledge on BizInsight and built a mechanism whereby technical inquiries from customers or sales personnel can be answered immediately using a Q&A agent app. We have succeeded in cutting the time required to search documents or prepare written answers by 50-70% compared with the previous system.

Human Resources Strategies



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

Basic 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.

We believe that our employees are our greatest asset and that the growth of each employee leads to its long-term development and contribution to society. Based on this view, we will actively implement human resources strategies that are aligned with our business plan, aiming for further growth and stronger competitiveness.

Maximizing the power of "NSD people" to enhance corporate value

Human Resources Strategies Under the New Medium-Term Management Plan

In the new Medium-Term Management Plan ("new Plan"), our focus is on strengthening upstream processes and the DAS fields, while also prioritizing returns to employees and shareholders. To realize this business plan, we will advance our human resources strategies under the new Plan based on the following three pillars:

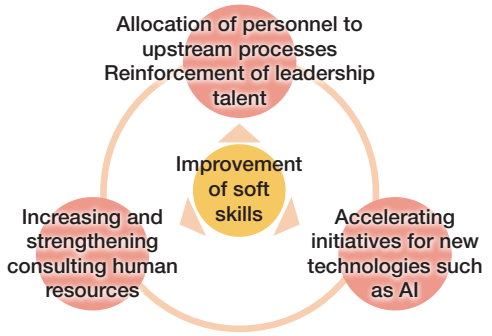
- Allocation of personnel to upstream processes and reinforcement of leadership talent
- Increasing and strengthening consulting human resources
- Accelerating initiatives for new technologies such as AI

Strategies in the new Plan

Business Strategies

- Shifting toward businesses centered on upstream processes
- Aggressive investment in AI, DX, and solution fields (DAS)
- Maintaining a sound financial position and focusing on returns to employees and shareholders

Human Resources Strategies



Creating a work environment as the foundation of our human resources strategies

Allocation of personnel to upstream processes, reinforcement of leadership talent

As the AI utilization advances, the value added by humans, such as the ability to make proposals based on a deep understanding of customers' businesses and the leadership to drive projects forward, is becoming increasingly important. We believe that developing such people will lead to the sustainable growth of the Company's System Development Business. To this end, we will implement new training and development programs aimed at expanding the talent pool for upstream processes, while also promoting a mindset shift within the Company. At the same time, we will work even harder to develop and expand the leadership talent required to drive projects forward, and in doing so, deliver greater value to our customers and ensure the sustainable growth of our business.

Human Resources Strategies

Increasing and strengthening consulting human resources

Consulting human resources are responsible for upstream processes and play a leading role in solving our customers' business challenges. Therefore, it is important to strengthen both their technical capabilities and their understanding of customers' operations. For this reason, we will select people within the company who possess strong consulting skills and further strengthen their capabilities. At the same time, we will promote the sharing of knowledge that we have accumulated to date to raise the level of our understanding of client operations across the entire organization. In addition, to reinforce our talent pool, we will look beyond in-house personnel by strengthening mid-career recruitment and adopting and implementing incentive systems tailored to the characteristics of each operation. Through these measures, we will promote both the development and securing of consulting human resources.



Accelerating initiatives for new technologies such as AI

We will focus on developing talent to support AI-related businesses with the introduction of an AI skill certification program. The program is structured in five stages, from Level 1 to Level 5. All employees are required to achieve Levels 1 and 2, and we will train at least 70% of our mid-career engineers to reach Level 3 or higher, which will qualify them as "AI Experts." At the same time, we will actively promote our internal study abroad program, sending people to study at NSD AI Technology, to accelerate the sharing of AI knowledge across the Group. Through these initiatives, we will strengthen our AI-powered proposal capabilities and contribute even more to solving our customers' business and management challenges.

AI skill certification program

	Definition	Certification Requirements
Level 1	Has completed introductory AI and literacy training	Possesses basic knowledge and literacy of generative AI
Level 2	Able to use Copilot Chat and other tools in actual operations	Able to use generative AI in day-to-day operations
AI Expert		
Level 3	Able to build AI agents or use GitHub Copilot and other tools in actual operations	Able to execute projects that use generative AI
Level 4	Able to use multi-agent systems in actual operations	Able to drive forward projects that use generative AI as a leader
Level 5	Consultant capable of proposing generative AI-powered projects from the upstream process	Able to propose generative AI-powered projects from the upstream processes

TOPICS What is the Internal Study Abroad Program?

Program Overview

In September 2025, we launched an internal study abroad initiative in which we send system engineers from our development divisions to study at NSD AI Technology, the company leading the utilization of AI and other advanced technologies within the NSD Group.

Through this program, we aim to **improve our group-wide technical capabilities** and **foster a corporate culture that encourages people to embrace the challenge of new technologies**. We will achieve this by **developing human resources who can apply new technologies in actual operations** and promoting personnel exchanges across organizational boundaries.

Details of Initiative

In FY2025, the first year of the program, we began **practical initiatives to apply new technologies such as generative AI and AI agents to actual system development operations**. Going beyond the mere acquisition of knowledge, by validating how new technologies can be applied to development processes and used to drive business transformation, we are **developing talent capable of implementing new technologies in actual operations to generate outcomes**.

We will continue to build on these practices and share the knowledge and expertise thus obtained across the Group. This will lead to the enhancement of our capabilities in the use of AI and other new technologies.

Human Capital Investment and Its Benefits

We have long been actively making investments in "Developing 'NSD human resources' who earn the trust of customers" and "Creating an environment conducive to outstanding performance."

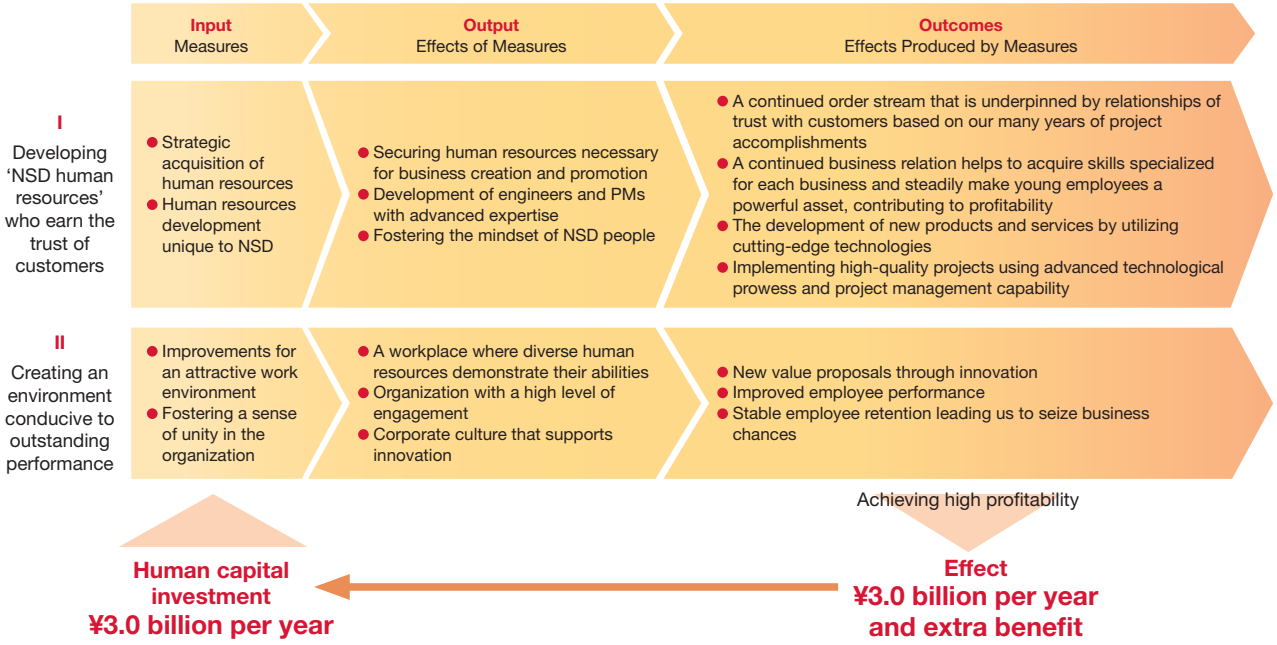
These investments have generated a variety of successful outcomes. Building on the foundation of trust from our many years of project accomplishments, we secure continued orders, steadily make young employees a powerful asset, implement high-quality projects, and improve employee performance. We aim to achieve continual organizational growth through the circulation (reinvestment) of the earnings benefits brought about by these outcomes.

I. Developing 'NSD human resources' who earn the trust of customers

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 these values within the organization, we focus our recruitment activities on new graduate hires.

In recent years, we have also focused on the mid-career recruitment of job-ready professionals who align with our business goals. Through the onboarding process, we aim to foster understanding of our organizational culture and a culture of mutual respect. As a result, we have continued to secure 150 or more new graduate hires and 30 or more mid-career hires a year.

NSD's model of human capital investment circulation



Further, to meet the rapidly diversifying and sophisticated needs of customers, we are implementing a variety of technical training programs to ensure that employees can acquire cutting-edge skills. The sharing of internal knowledge broadly within the organization, including by asking employees from our AI and DX research departments to serve as instructors, is leading to the enhancement of our technological capabilities.

In addition, the technical training instructors and OJT trainers for new employees are experienced senior colleagues from their assigned departments, who are thoroughly familiar with the workplace. As well as providing practical, hands-on training rather than more formal instruction, this enables the passing on of professional standards and the mindset expected of engineers. This culture of learning from and developing each other has become deeply entrenched, passing down from generation to generation as our corporate culture of integrity. It now forms an important foundation that underpins the sustainable growth of the Company. In addition, to support autonomous learning, we have enhanced our financial incentive system for gaining qualifications, while also introducing specialized IT education services and a learning management system. Through these initiatives, we are driving the growth of each individual employee and further enhancing the technological capabilities that are our core strength. This ensures the receipt of continued orders built on trust and enables us to deliver high-value-added IT services powered by cutting-edge technologies.

II. Creating an environment conducive to outstanding performance

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

Human Resources Strategies

growth of the Company through initiatives to create and maintain an environment where employees can work in good health and safety.

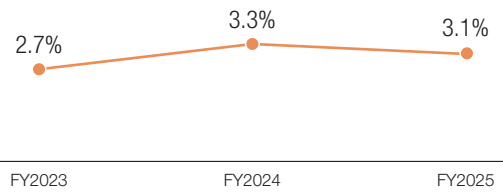
In addition, as NSD's personnel system is a meritocratic system where both younger employees and mid-career hires are promoted to important roles, we are creating an environment where each and every employee can autonomously manifest their creativity.

For more information on Health and Productivity Management, Diversity & Inclusion, and Job Satisfaction for Employee

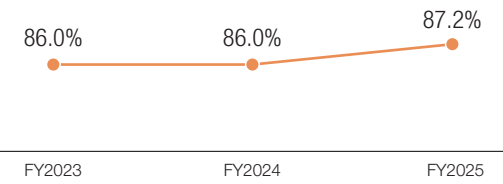
P.57 Social Initiatives

As a result, our employee turnover rate has hovered around the 3% mark, which is low compared with others in the industry. In an internal survey, the percentage of employees who responded, "I want to continue working for this Company going forward" is on a rising trend, reaching 87.2% in FY2025. 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.

Turnover ratio (excluding mandatory retirements, etc.)



Employees who responded that they wish to continue working at the Company



Results of the internal survey for FY2025 (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
80.1%	80.7%

We are also promoting cross-functional initiatives across divisions and departments, while fostering a corporate culture where employees feel safe to take on new challenges.

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. Employees who are awarded these honors are given opportunities to encounter cutting-edge technologies at first hand, such as participating as members of a study tour to CES* in Las Vegas that takes place every January. This encourages them to stay motivated and play an even greater role in the Company.

*: Consumer Electronics Show, one of the world's largest international technology trade shows.

TOPICS Feedback from CES 2026 Tour Participants



Attendee
Mr. T
12th year with the Company

At this year's CES, many advanced technologies, including generative AI, were presented. What impressed me the most was that companies are shifting their focus away from AI itself to how to use AI. I felt that it is not about AI per se, but about how AI will transform the way we work. **Going forward, it will become increasingly necessary to have a perspective of utilizing IT based on an understanding of business operations.**

I look forward to using this experience to improve our daily operations and enhance our proposal activities.



Supporting growth through prudent and efficient financial management

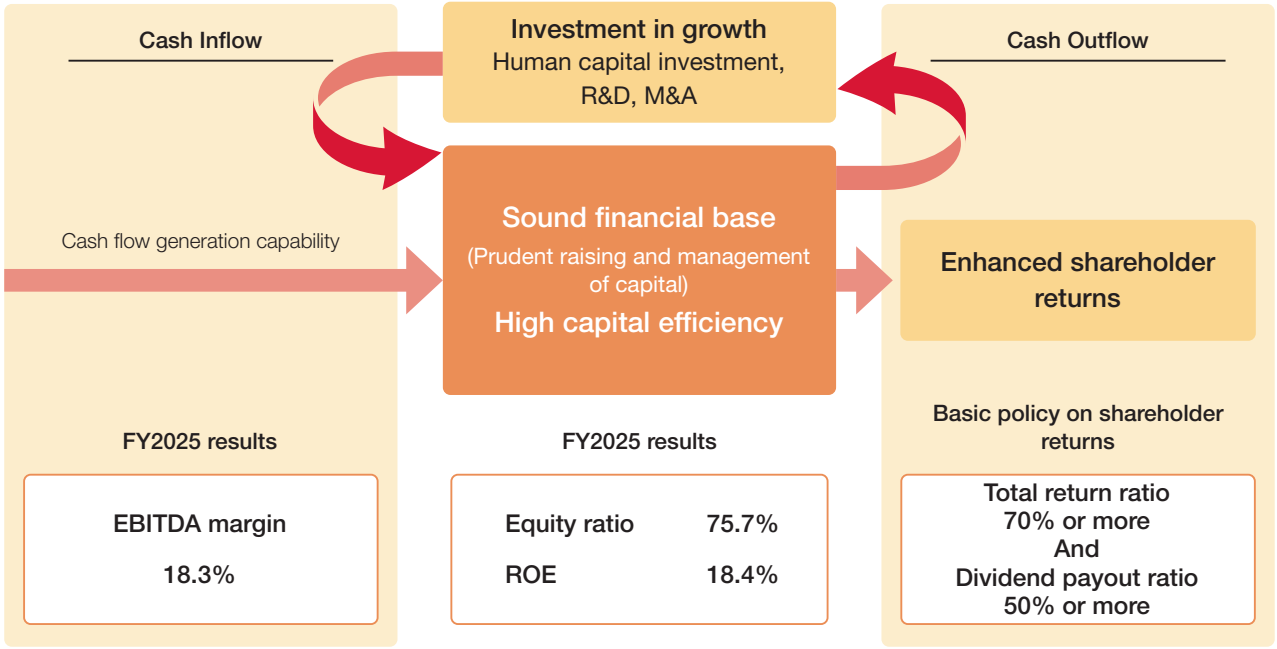
Basic Policies for Financial Management

NSD's financial strengths lie in its high cash flow generation capabilities and solid financial base. By leveraging these strengths in both flow and stock, we strike a balance between growth investments and shareholder returns. At the same time, we aim to further enhance corporate value by being aware of our capital cost and achieving high capital efficiency. For this reason, we have set EBITDA margin and ROE as KPIs and are working to improve them.

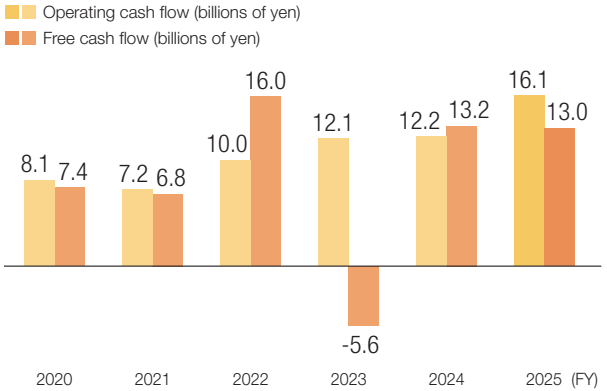
Review of the Previous Medium-Term Management Plan

Results of KPIs, etc.

During the previous Medium-Term Management Plan period (FY2021–FY2025), operating cash flow had been on an upward trend along with the expansion of our business scale, reaching 16.1 billion yen in FY2025. Free cash flow stood at 13.0 billion yen in FY2025, despite significant fluctuations caused by temporary special factors*.



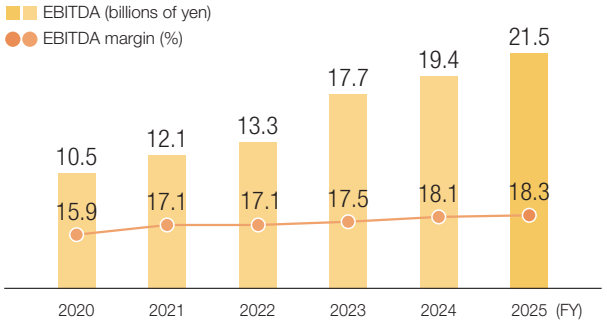
Operating cash flow / Free cash flow



*: Regarding free cash flow, FY2022 saw income of 16.0 billion yen mainly due to the sale of shares in affiliated companies (5.1 billion yen); in FY2023, we executed M&A transactions (approximately 17.4 billion yen), resulting in an expenditure of 5.6 billion yen.

The EBITDA margin remained at 17% or more due to improved profit margins resulting from factors such as revenue growth and higher unit prices. Although we made aggressive investments in human capital and research and development during the period, we were able to absorb these increased expenses.

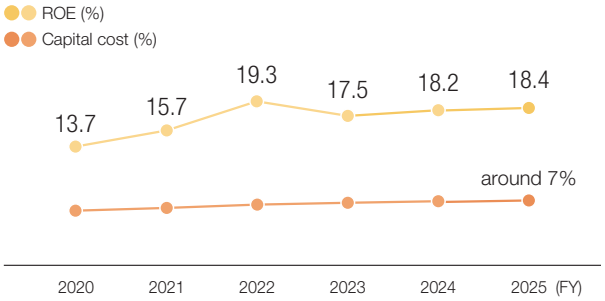
EBITDA (margin)



Financial Strategies

Excluding special factors* in FY2022, ROE also remained on an upward trend, rising from 13.7% in the final year of the Medium-Term Management Plan prior to the last one to 18.4%. We recognize that our capital cost is around 7%, but we are maintaining a level that is well above this.

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%.

Investment in growth and shareholder returns

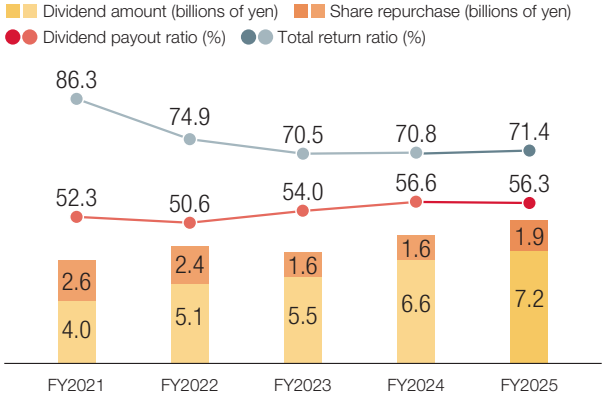
During the previous Medium-Term Management Plan period, we executed M&A transactions totaling approximately 20 billion yen. At the same time, we actively invested in research and development and human capital, promoting the development of new solutions and human resources for sustainable growth.

Major investments during the previous Medium-Term Management Plan period

M&A	Integration of Trigger, ART Group, and NHOSA into the Group
R&D	Research and development for function enhancement of in-house solutions; research into new technologies related to generative AI; market research for planning new services, etc.
Human capital	Diverse technical training to acquire cutting-edge skills, enhancement of employee welfare and benefits, base pay increases, and other measures to create a work environment conducive to outstanding performance

Having regarded the return of profits to shareholders as the most important management issue, we implement shareholder returns based on a basic policy of a dividend payout ratio of 50% or more and a total return ratio of 70% or more (both on a consolidated basis) to share consolidated outcomes of the Group with shareholders. Guided by this policy, the Company implemented aggressive shareholder returns during the previous Medium-Term Management Plan period, resulting in a dividend payout ratio of 56.3% and a total return ratio of 71.4% for FY2025. 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%. During the previous Medium-Term Management Plan period, we carried out three share retirements.

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



Cash Allocation Under the New Medium-Term Management Plan

Investment in growth

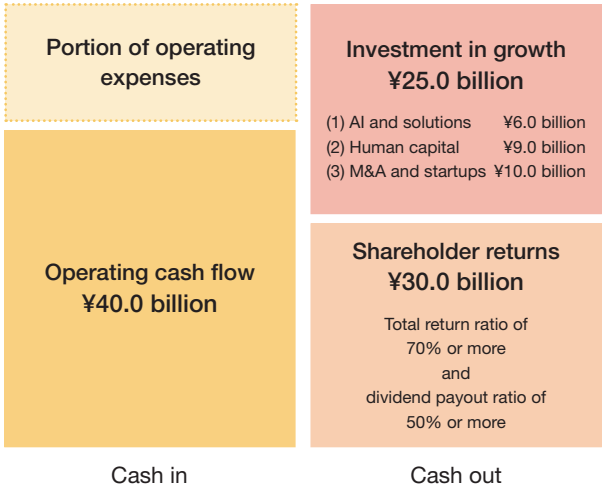
Under the new Medium-Term Management Plan, the Company places emphasis on the effective use of cash and the balance between investment and profits. The Company has designated the following areas as "growth investments" and will prioritize and proactively pursue them: (1) DAS-related investments centered on AI and solutions (R&D, corporate branding, etc.); (2) investments in human capital (recruitment, talent development, organizational culture, etc.); and (3) M&A and startup investments (including capital and business alliances). We plan to invest a total of approximately 25 billion yen across these areas over the three-year period. While some of these investments will be expensed, the Company aims to maintain an operating margin in the 15% range during this period.

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.

Shareholder returns

Under the new Medium-Term Management Plan, we will maintain our basic policy of a dividend payout ratio of 50% or more and a total return ratio of 70% or more, continuing to implement high returns to shareholders.

Projected cumulative amounts during the new plan period (FY2026–FY2028)



Financial Strategies

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, adopting a policy of not investing in financial instruments that carry the risk of loss of principal due to price fluctuations upon redemption.

Cross-shareholdings

At the end of FY2025, our cross-shareholdings comprised 12 stocks valued at 1.4 billion yen (including non-listed shares). The proportion of cross-shareholdings to total assets stands at 1.5%.

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

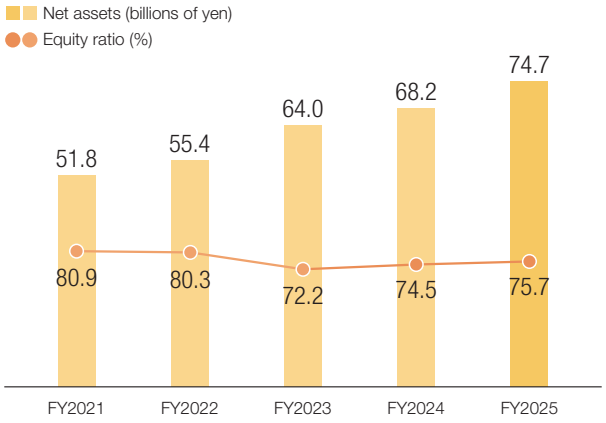
(2) The invested company's ROE (5-year average) must exceed our capital cost

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, and proceed with the reduction of any cross-shareholdings that do not satisfy the criteria for holding

Sound Financial Base

A sound financial base is essential for operating a business in a stable manner. From this perspective, by proactively carrying out growth investments and shareholder returns while realizing the ability to generate high cash flows, we avoid an excessive accumulation of cash and capital and pay attention to efficient management of capital.

Net assets / Equity ratio

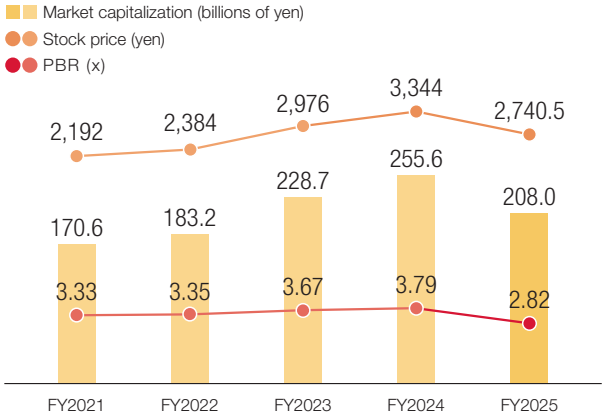


Market Assessment

In addition to steady earnings growth, we aim to enhance our corporate value and market valuation by promoting constructive dialogue with shareholders and investors and providing enhanced shareholder returns. At the end of FY2025, our market capitalization totaled 208.0 billion yen, with a price-to-book ratio (PBR) of 2.82x.

Moreover, we have been selected to be part of the JPX-Nikkei Index 400, which is composed of companies that have high appeal for investors, for the fifth consecutive year (The target period is from August 31, 2026 to August 30, 2027).

Market capitalization / Year-end stock price / PBR



Segment Overview

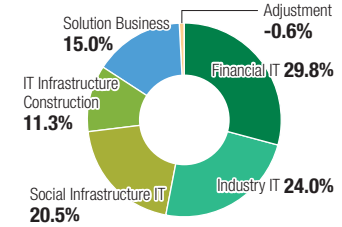
- Business Segments P.33
- Financial IT P.34
- Industry IT P.35
- Social Infrastructure IT P.36
- IT Infrastructure Construction P.37
- Solution Business P.38

Business Segments

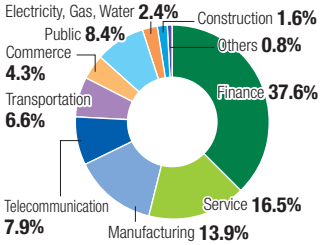
NSD's businesses are comprised of System Development Business and Solution Business. System Development Business is further divided into four subsegments: Financial IT, Industry IT, Social Infrastructure IT and IT Infrastructure Construction.

In each segment, we engage deeply with the operations of customers across diverse industries, gaining a deep understanding of their operations. As a group of IT engineers with firsthand knowledge of the field, we support them in solving their management issues.

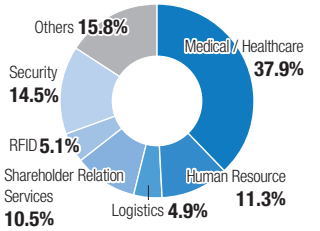
Net sales by segment



Net sales by industry (System Development)



Net sales by solution category (Solution)



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.

- **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 and franchisee management systems / Membership screening systems

Industry IT

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

- **Manufacturing:** Production control systems / Parts ordering and receiving systems
- **Service:** Teleprompter systems for broadcasters / Electronic book selling systems
- **Commerce:** Electronic payment systems / EDI systems
- **Construction:** Ordering and receiving systems / IoT systems for smart houses
- **Distribution and logistics:** Transportation and delivery systems / Domestic freight tracking services

Social Infrastructure IT

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

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

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.

- **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

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, while also offering solutions for specific industries.

- **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
- **Shareholder Relation Services:** Outsourcing services for shareholder benefit programs
- **RFID:** RFID solutions
- **Security:** Secure file-sharing systems / Systems to prevent misdirected emails

Please refer to the Solution List for details on each of the solutions shown above and for information on the rest of the lineup.

P.82 Solution List

Financial IT

Promoting productivity improvements and a shift toward upstream processes based on the technological capabilities and know-how we have cultivated since NSD's founding.



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

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.

Characteristics and Strengths

Financial projects require specialized operational expertise. NSD's major strengths lie in the fact that it has undertaken numerous system development projects for financial institutions since its founding, it executes projects seamlessly from the most upstream process to the final process, backed by a strong customer base built on many years of business, and it possesses a wealth of business experts and experienced people.

Our flexible organizational capabilities are another strength. The Financial Business Unit is divided into four divisions. While the types of customer businesses served by each division differ, we actively share information and increase the mobility of our human resources across these divisions. 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.

Review of the Previous Medium-Term Management Plan

Amid a favorable business environment, we further strengthened our relationships of trust with customers through the smooth execution of projects and expanded into new business areas. Coupled with the benefits of integrating the Art Group, net sales in this subsegment during the final year of the previous Medium-Term Management Plan grew to approximately 1.7 times the level recorded in the final year of the plan before that. In addition to achieving our numerical targets, we believe we have solidified the foundation for sustainable growth by fostering the development of our human resources through large-scale projects and strengthening relationships with various business partners.

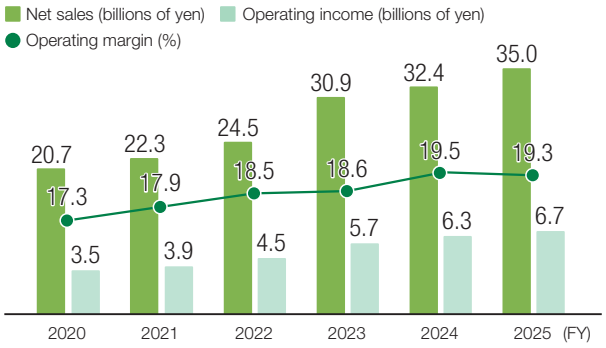
Furthermore, through collaboration with NSD AI Technology, we have paved the way for future business expansion—with generative AI and DX as keywords—including the launch of new projects and the implementation of proof-of-concept (PoC) trials.

Strategies Under the New Medium-Term Management Plan

In many projects, there is a growing need to utilize generative AI to improve productivity and quality. To meet these needs, we are establishing a development process utilizing generative AI to build a track record of success and work toward standardization. By leveraging this process to make proactive proposals, we aim to earn greater trust and recognition from our customers and expand into other business areas. At the same time, we are nurturing experts in cutting-edge technologies such as DX and generative AI through work. Furthermore, as productivity in the development process improves, system engineers, who have traditionally been responsible for mid-stream processes, are shifting toward participating in the upstream phases of the development process, such as architecture design and consulting for system construction, thereby leveraging the operational know-how cultivated within their teams.

On the other hand, although financial institution customers have a strong need to modernize large-scale core systems, the nature of the industry, which demands a high degree of reliability and continuity, means that traditional development methods and legacy systems are likely to remain in use; consequently, we are also focusing on securing personnel capable of addressing these needs.

Net sales / Operating income (margin)



Industry IT



Establishing a new market position by combining our business knowledge in a wide range of industries with the use of generative AI.

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

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 are promoting operational efficiency and productivity improvements through the use of AI and the deployment of robotic process automation (RPA), thus supporting the achievement of diverse work styles for our customers. For the service sector, our election package software has been adopted by customers in the broadcasting industry. We also provide DX-related proposals aimed at cloud-based management of videos and other materials.

Characteristics and Strengths

We possess a wide range of operational expertise gained through dealings with customers across diverse business sectors. In addition, many of our projects are relatively small-scale and short-term compared to those in other subsegments. This enhances the mobility of talent, which in turn facilitates the sharing of know-how and the acquisition of technical skills. The expertise and technologies accumulated and shared in this way are leveraged in new proposals, enabling us to provide a wide variety of systems. Moreover, many of our customers in this subsegment are proactive in adopting new initiatives utilizing IT, which allows us to quickly acquire the latest technologies and proactively and practically accumulate knowledge. By leveraging our strengths in both a wide range of know-how and technology, we provide high-value-added support to help our customers promote AI/DX.

Review of the Previous Medium-Term Management Plan

During the previous Medium-Term Management Plan period, net sales expanded significantly, driven by steady orders across various industries—particularly in the manufacturing sector, where mobility projects performed well—as well as the effects of M&A. Our ability to increase participation in projects from the very upstream process—leveraging the relationships of trust with customers and operational expertise we have cultivated over many years—also contributed to the net sales expansion. In addition, we improved response capabilities to new technology and DX projects; for instance, we collaborated with NSD AI Technology to utilize new technologies and greatly streamline our customers' businesses. We also made progress in training engineers in no-code and low-code development tools—areas where customers' needs are strong—and we believe we have successfully implemented measures aimed at further growth.

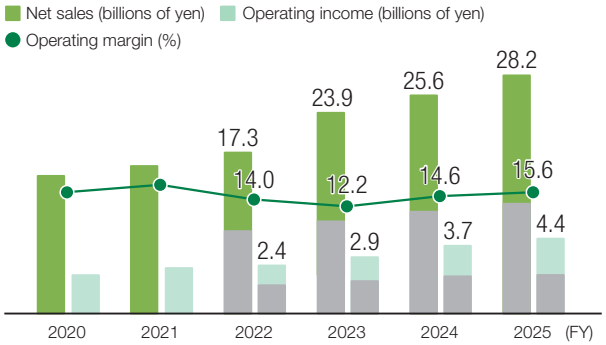
Strategies Under the New Medium-Term Management Plan

Leveraging our many years of experience as a strength, we are advancing our current operations based on our track record in development and maintenance. Furthermore, NSD is transforming customer business know-how—currently held as tacit, individual-dependent knowledge—into explicit knowledge. By combining this with efficiency measures centered on generative AI, we aim to develop human resources capable of handling upstream processes and create new positions.

To achieve these goals, we are promoting the real-world implementation of our proprietary generative AI platform, "BizInsight," to streamline customers' businesses and improve IT productivity. At the same time, by innovating development processes through the use of low-code and no-code tools, we intend to achieve a balance between productivity and quality, while strengthening our organizational capabilities by shifting personnel toward upstream processes and developing leaders. This will enable us to provide high-value-added services with short lead times, aiming for sustainable growth and the establishment of a competitive advantage.

Furthermore, we are committed to enhancing communication and project management skills to ensure thorough prevention and early detection of issues through visualization of project health.

Net sales / Operating income (margin)



*: For fiscal years prior to FY2021, the graph represents the Industry & Infrastructure IT segment.
*: The gray portion of the graph for FY2022 and beyond represents the Social Infrastructure IT segment.

Social Infrastructure IT



Promoting the safe operation of systems that support the foundation of society, as well as aggressive proposals utilizing new technologies such as AI.

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

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. Based on its many years of experience, NSD aims to provide truly valuable services from the perspective of consumers, contributing to the safe operation of systems that support the foundation of society—systems that are indispensable to people's daily lives.

Characteristics and Strengths

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. A framework has also been put in place to pass on to next-generation personnel the know-how accumulated from many years of consistent business dealings with customers. 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.

Review of the Previous Medium-Term Management Plan

During the previous Medium-Term Management Plan period, net sales expanded significantly. This growth was driven by a substantial increase in orders from the public sector, particularly projects related to government cloud standardization, as well as steady orders from the telecommunication and the electricity, gas, water sectors, and the benefits of integrating the Art Group. We also saw the benefits of strengthening our operational structure through the active utilization of the Sendai and Hiroshima Business Sites, which were established during this period. Furthermore, we promoted initiatives aimed at realizing our long-term vision of a company that offers a "Future for People and IT"; this included identifying issues and studying countermeasures concerning "next-generation water business DX" currently being pursued by water authorities.

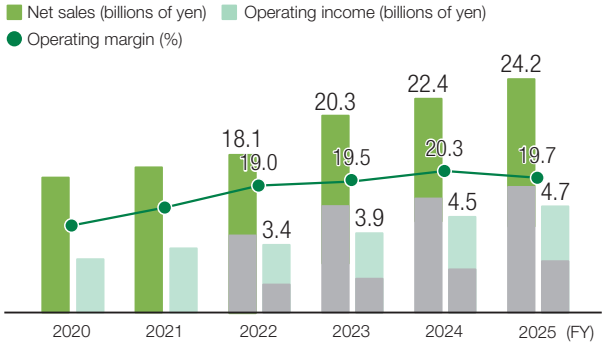
Strategies Under the New Medium-Term Management Plan

In the telecommunication sector, technological innovation, including advancements in IT infrastructure, is occurring at a rapid pace, requiring us to continuously absorb new knowledge. Therefore, we are focusing on developing human resources who are well-versed in system development utilizing advanced technologies such as DX and AI, as well as those capable of proposing new services that leverage solutions, all through practical work at many development sites.

In the transportation sector, we leverage the business knowledge we have accumulated through many years of consistent business dealings with customers in industries such as railways and aviation to make proposals starting from the upstream phases of the development process—all from the customer's perspective—and strive to further deepen and strengthen our relationships of trust.

In addition to advancing the above strategies, and given that this subsegment handles projects for customers across diverse industries, NSD is committed to promoting the development of a robust, multi-layered team of management personnel to ensure the smooth execution of each project. Furthermore, we are actively utilizing our local offices to further strengthen our execution of projects in the Tokyo metropolitan area while aiming to develop businesses specialized for each region in the future.

Net sales / Operating income (margin)



∗: For fiscal years prior to FY2021, the graph represents the Industry & Infrastructure IT segment.
∗: The gray portion of the graph for FY2022 and beyond represents the Industry IT segment.

IT Infrastructure Construction



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

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

Segment Overview

This subsegment provides one-stop infrastructure-related services, from planning to design, construction, and operation, with a focus on IT infrastructure, cloud computing, and security. We seamlessly deliver optimal hybrid environments tailored to customer needs, ranging from cutting-edge infrastructure built using public cloud technologies to traditional on-premises construction. We offer flexible support across all industries; this 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 absolutely stable operation of social infrastructure over many years.

Characteristics and Strengths

IT infrastructure serves as the heart of business, providing a "rock-solid foundation" that underpins the digital society. The greatest strength of this subsegment lies in its ability to achieve a high level of both the "peace of mind that comes from uninterrupted operation (system stability)" and the "ability to adapt to changes in the business environment (flexibility)." We powerfully drive our customers' business growth by optimally combining their mission-critical on-premises infrastructure with cutting-edge cloud technology. By leveraging our advantage as an independent not tied to any particular manufacturer, we are able to offer proposals tailored to each customer's specific needs. We provide comprehensive support for the implementation of an optimized IT infrastructure environment by maximizing the potential of each service and its functional characteristics.

Through this approach, we build long-term relationships of trust with our customers.

Review of the Previous Medium-Term Management Plan

In addition to handling numerous infrastructure construction projects in the public sector, primarily for central government agencies and local governments, we saw steady growth in orders from customers across various industries, including the financial sector. Consequently, net sales in this subsegment during the final year of the previous Medium-Term Management Plan expanded to approximately 1.7 times the level recorded in the final year of the plan before that. We believe strategically reallocating talent with a proactive approach has been key to consistently securing project orders.

Under the previous Medium-Term Management Plan, we set a goal of fostering our technical skills and mobilization capabilities to lead in all aspects of non-functional requirements mainly using cloud and virtualization technologies. Over the past five years, we have not only developed a large pool of talent skilled in non-functional requirements but also established a support framework for public clouds, primarily AWS and Azure. We believe these initiatives have facilitated a shift toward projects in new, high-value-added areas and have helped strengthen our earnings base.

Strategies Under the New Medium-Term Management Plan

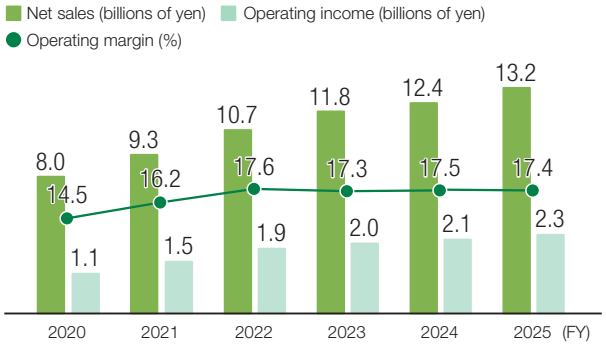
Leveraging our strengths as a multi-vendor provider, we are utilizing a wide range of services and IT technologies to offer flexible proposals tailored to each customer's needs and support the introduction of optimal cloud environments.

Under the new Medium-Term Management Plan, we have established the vision to "become a partner that supports our customers' DX by providing a next-generation digital infrastructure that is resilient to change and never stops." To this end, we are providing services covering all processes—from implementation to maintenance and operation—that incorporate cutting-edge technologies in cloud computing, AI, automation, and security.

NSD is focusing on adapting to the evolution and hybridization of cloud environments, automation through AI-driven operations (AIOps), and the widespread adoption of robust security measures such as the Zero Trust model. By promoting the transition from traditional labor-intensive methods to highly efficient models powered by AI and automation, we provide strong support for our customers' businesses, starting from upstream processes such as consulting and diagnosis.

To achieve this high level of responsiveness, we are addressing the challenge of the shortage of IT infrastructure talent in Japan through strategic hiring, strengthened partnerships, and thorough internal knowledge sharing. By raising the overall level of our organization, we aim to establish a system capable of reliably meeting customer needs at any time.

Net sales / Operating income (margin)



Solution Business

Proactively utilizing AI to deliver compelling solutions to the market.



Yasushi Wada

Managing Executive Officer
Head of Innovation Business Unit
Head of AI & Solution Business Unit
Chief General Manager, Market Development Business Division, Innovation Business Unit

Segment Overview

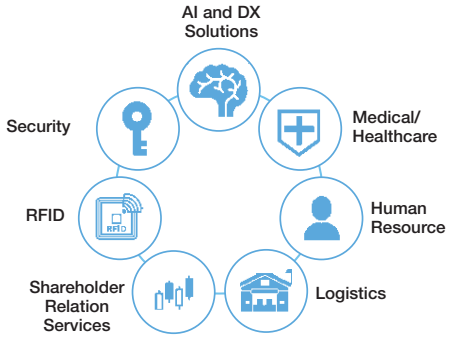
Leveraging our technological development capabilities honed in system development, our extensive knowledge in the DX field and our application capability for AI and other advanced technologies, we develop and offer a variety of IT-powered solutions. NSD proposes solutions optimized to promote its customers' management strategies, ranging from highly ubiquitous offerings, such as security measures, human resource management, and operational efficiency, to those tailored to specific industries such as medical and logistics.

Characteristics and Strengths

NSD Group has several subsidiaries that offer distinctive solutions in niche fields. Until now, these subsidiaries have conducted conscientious sales activities reflecting the characteristics of their customers' industries. On the other hand, NSD handles many general-purpose solutions 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 its M&A activities in recent years, the overall Group has seen an increase in the depth of its sales methods. By aggregating this know-how, we are promoting sales operations in ways that are highly effective and tailored to each solution. The organizational strength that enables such flexible responses is the greatest strength of the NSD Group's Solution Business.

Review of the Previous Medium-Term Management Plan

In addition to the significant contribution to business expansion made by new solutions resulting from M&A in the medical/healthcare and RFID-related sectors, and driven by factors such as the increased needs for strengthened security in the public sector and the acquisition of major clients for shareholder relation services, the Solution Business achieved dramatic growth—with net sales in the final year of the previous Medium-Term Management Plan reaching approximately 2.5 times the level recorded in the final year of the plan before that. Furthermore, we developed and launched several AI-powered solutions—including "TeA-L / Right," a handwashing evaluation solution required for food factory hygiene; "Quick Digest," an AI-powered meeting minutes tool; and "BizInsight," a private generative AI platform—thereby successfully expanding our product lineup in sectors where demand is expected to grow.



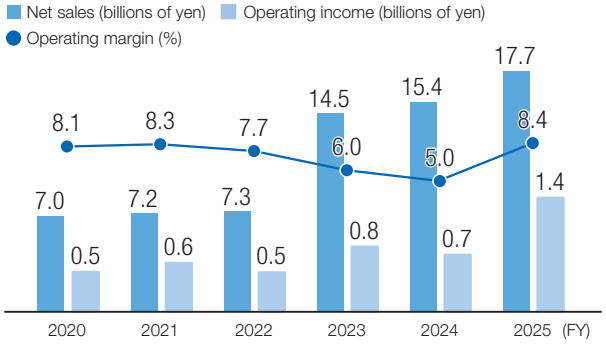
Strategies Under the New Medium-Term Management Plan

NSD intends to establish a specialized unit dedicated to planning and developing new solutions that leverage or incorporate AI; the Company is concentrating its resources on this initiative. In the development of solutions and services for medium-sized and large enterprises, we are accelerating AI-driven development and establishing a framework capable of responding to rapidly changing market conditions and diverse customer needs, thereby expanding the scale of our Solution Business.

To improve profit margins in the Solution Business, NSD is implementing measures such as scrutinizing the profitability of existing solutions, streamlining sales operations, and collaborating with other companies' solutions, while also promoting collaboration within the Group and adding AI-powered features to each solution.

In addition, in coordination with corporate departments, we are actively pursuing PR strategies such as investments in startups, M&A, and corporate branding to strengthen our sales capabilities and enhance the image of our solutions and services.

Net sales / Operating income (margin)



Governance

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Outside Directors' Round-Table Discussion

Vision for NSD's Transformation in the New Medium-Term Management Plan

The new three-year Medium-Term Management Plan began this fiscal year. We asked the Outside Directors for their assessment of the previous Medium-Term Management Plan, along with their opinions on the keys to NSD's future growth and their role in driving our strategies forward.



Outcomes of the previous Medium-Term Management Plan

Kawamata During the previous Medium-Term Management Plan ("previous Plan") period, NSD achieved its sales target of 100 billion yen two years ahead of schedule. The greatest highlight for me was the significant growth that the Company achieved by integrating Trigger Inc., ART Group, and NHOSA Corporation into the Group. While we can commend the Company for achieving results with such speed, we must remember that the business environment is changing at an even faster pace.

It is for this reason that, while the previous Plan covered a five-year period, the new Medium-Term Management Plan ("new Plan"), which began this fiscal year, is a three-year plan. However, we are now in an era where change is accelerating so rapidly, driven in part by the evolution of AI, that to carry it to the extreme, it would even be appropriate to review the plan on an annual basis. Furthermore, while the previous Plan initially focused primarily on NSD as a single entity, the scale of the Group has since expanded significantly through M&A and other activities. Going forward, I view it as increasingly critical to have a perspective on how to effectively manage the entire Group while responding to changes in the environment with a sense of speed.

Takeuchi I also consider the three M&A transactions conducted between 2022 and 2023 to be major highlights of the previous Plan. I see it as a significant outcome that NSD saw these M&A transactions through by clearly defining the objectives of each acquisition and determining the appropriate acquisition prices, post-acquisition management structures, and integration processes.

In my view, M&A can be broadly categorized into two categories—those that aim to strengthen the acquiring company's own business, and those aimed at acquiring resources its own business lacks, or in other words, that create change within the company. Of these three M&A targets, the ART Group possesses strengths in the system development business, so the aim of its acquisition was to expand and strengthen NSD's business. On the other hand, Trigger and NHOSA possess strengths in the consulting business and IT solutions for medical institutions respectively, both of which are business fields that NSD is focusing on as growth areas. Therefore, I believe that these two acquisitions were designed to bring change to NSD. In addition to strong business compatibility, ART Group has a similar corporate

Outside Directors' Round-Table Discussion

culture to NSD, which allowed it to integrate with NSD in a relatively short period of time. On the other hand, Trigger and NHOSA will require continuous efforts to generate synergies while preserving their unique qualities that differ from NSD. In my view, this remains an ongoing theme under the new Plan.

Kajiwara I assumed office as a Director of NSD in June 2024, which was a time of significant momentum, not long after the Company had achieved its sales target ahead of schedule. What first impressed me about NSD's efforts was the post-acquisition initiatives in the M&A transactions that you have both just mentioned. I found it highly commendable that improvements were carefully addressed by checking the total working hours, overtime, and leave uptake of the companies that had been brought into the Group. When issues arose, the reasons were investigated, including whether there were exceptional circumstances in a particular month, before consideration was given to the best path toward resolution of those issues. My sense is that this sincere approach to improving the working environment for employees not only brings happiness to the companies and individuals that have joined the Group, but it also provides the very source of power that will make the entire NSD Group stronger.

Furthermore, as an "AI integrator transforming frontlines" that NSD aspires to be, it focused on AI-driven system development, working with major materials and building materials manufacturers to solve customer management issues during the previous Plan period. There was also the launch of "Quick Digest," an AI-powered meeting minutes tool, and "BizInsight," a private generative AI platform. All of these were significant outcomes. BizInsight is a service that allows for the introduction of a closed, company-exclusive environment in as little as three business days. I believe it will serve as a key catalyst for NSD to capture corporate AI needs.

Takeuchi In terms of social contribution, I was highly impressed by the DX support extended to the water business. While upgrading aging infrastructure is a critical issue for many local governments, they are reaching a limit in their capacity to respond, due to issues such as labor and budget shortages. NSD's initiatives focus on supporting and deploying next-generation DX-based infrastructure for water authorities. I believe that these kinds of initiatives allow NSD's employees to experience firsthand how their work contributes to solving social issues.

During the previous Plan period, in addition to achieving significant outcomes in terms of business performance, NSD was able to lay a solid foundation for the future over those five years by taking on new business challenges, including M&A and the adoption of AI.

Key points of the new Medium-Term Management Plan and the path toward sustainable growth

Kawamata Compared with the previous Plan, the new Plan makes it much clearer what needs to be done and provides a far more specific roadmap for achieving it. I have always said that for NSD to continuously enhance its corporate value, it must look at itself more objectively than ever and clearly define its vision for the future. The new Plan defines the "true essence of NSD," while at the same time, it presents specific measures aimed at driving the era as an AI integrator for its client companies.

The new Plan sets numerical targets, including net sales of 150 billion yen for FY2028. In terms of measures to achieve those targets, there are two key themes. One is to shift the focus from conventional businesses centered on mid-stream processes toward businesses that are centered on upstream processes, including consulting, to ensure the sustainable growth of the System Development Business. The second theme is to further strengthen the DAS Business (System Development Business aimed at DX, System Development Business leveraging AI and other new technologies, and the Solution Business), with a particular focus on proactive



initiatives in the AI sector, expanding the scale of the Solution Business, and improving profitability.

While the measures outlined in the Plan are specific, as I mentioned at the beginning, in today's rapidly changing world, I believe that the most important thing is to grasp the essence of what matters as we move forward with the new Plan. While measures such as shifting toward upstream processes and strengthening the DAS Business are certainly key initiatives, the fundamental aim of the new Plan is to proactively consider how to solve customers' social issues and for NSD to continuously evolve itself, so it can transform into what could be described as a "marketing company."

Today, NSD has adopted an "AI integrator transforming frontlines" as its corporate message, emphasizing that NSD, with its deep understanding of its customers' frontline operations, is uniquely positioned to turn AI into a true business advantage. It could be said that showing clearly who we are is, in itself, the first step as a marketing company.

Takeuchi Companies do not change overnight; instead, they evolve gradually. I believe that the true test for NSD over the three years of this new Plan will be how effectively it is able to reinforce its proactive and aggressive business stance. This is because, while NSD's conventional business was more about solving problems brought to it by customers, the consulting and Solution Businesses it will focus on going forward require it to proactively identify issues from the customer's perspective and propose solutions.

Outside Directors' Round-Table Discussion

Amid the rapid evolution of AI, it is necessary to anticipate what is achievable, formulate strategic moves, and put them into action. While the "Anthropic Shock" earlier this year triggered a market misconception that AI might replace IT companies, affecting stock prices both in Japan and overseas, the reality is that to utilize AI safely and reliably, it is essential for an AI integrator like NSD to exercise proper governance. In short, the AI era demands highly skilled people who possess a deep understanding of customers' frontline operations, a strong sense of responsibility and ethics, and the ability to propose proactive solutions. I hope that these next three years will be a period of significant mutual growth for both employees and NSD, so that, when they look back, the employees will be able to feel a deep sense of satisfaction, knowing that they did great work right in the midst of the AI revolution.

Kajiwara To use AI in a healthy way in society, the presence of an "AI Integrator," which NSD aspires to be, is of critical importance. Furthermore, because many of its customers are companies that support social infrastructure, I want each and every employee to approach their work with the proud determination that the future of NSD will shape the growth of Japanese society.



On the other hand, even within NSD, there is potential for situations to arise in which some of its current work, such as certain areas of development, will be replaced by AI. When that happens, I believe that the most important thing will be not to cling to the jobs that are being replaced, but instead to leverage the manpower that has been freed up to commit to higher-level work, and to maintain a proactive mindset that both employees and NSD will grow and evolve.

Kawamata Lately, I have been fascinated by a concept proposed by a certain biologist known as "dynamic equilibrium." This concept holds that even if there is no visible change on the outside, human cells are constantly changing in a repeated cycle of generation and decomposition. I believe that this concept applies to companies as well. This is because a company is made up of diverse components, including its employees, and it achieves growth through a mechanism that could be described as creative destruction, in which it changes itself by allocating resources to specific areas and injecting new blood through M&A. The new Plan projects growth investments of 25 billion yen, including six billion yen in AI and solutions, nine billion yen in human capital, and ten billion yen in M&A and startups. However, that 25 billion-yen numerical framework itself is not what matters. The true meaning lies in the intent, that is, what we want to achieve and the kind of company we aspire to become. Therefore, it will be necessary to review the amount and breakdown according to circumstances while monitoring the status of progress. I hope that NSD can continue to grow, while staying firmly grounded as NSD, while also embracing new ideas and transforming, thus maintaining that state of "dynamic equilibrium."

Key focus areas in human resource strategy

Kawamata My sense of the IT industry is that it has evolved into a structure in which individual capabilities directly impact corporate management. For this reason, to accelerate corporate growth, we must also focus closely on the power of the individual. Similar to the concept of "dynamic equilibrium" that I mentioned earlier, just as cells in the hand and cells in the heart serve different functions within the same human body, a company is made up of people with diverse roles. Therefore, I believe it needs the organizational strength to support individuals, ensuring that everyone can identify their own path for growth and realize it within the company. I hope that the new Plan will serve as a milestone on NSD's path to evolving into such an organization.

Takeuchi I agree. In addition to enhancing individual capabilities, I believe that, as a theme for the future, the time has come to fundamentally reconsider how people connect with one another. At NSD, because many members of the management team come from a system engineering background, they have a deep understanding of frontline operations and have communicated directly with employees when making business decisions. However, with the total number of Group employees now exceeding 4,500, it is becoming increasingly difficult for a small number of executives to pay attention to every single employee as they have done in the past. To enable faster and more appropriate decision-making in frontline operations, I believe that NSD needs to thoroughly communicate its management philosophy, codify its rules, and establish clear criteria that employees can rely on when they are unsure.

Kajiwara I consider it a remarkable outcome that, during the previous Plan period, NSD achieved a level of employee compensation that is among the highest in the industry, including a total of six base salary increases. I believe that greater financial security also influences the mindset as employees, enabling them to approach their work with fresh ideas, pride, and confidence. Building on the foundation built during the previous Plan, a human resource strategy designed to drive NSD's further evolution will be executed under the new Plan.

Outside Directors' Round-Table Discussion

As I mentioned earlier, some jobs will be replaced by AI, and employees' roles will change. We must keep in mind that the necessity of ensuring that every single employee remains aware that they are a valuable asset to the company at all times. It is extremely important to maintain a workplace environment where all employees can feel a sense of growth, while flexibly transforming the organization. I believe that this is something that NSD, which values its people, will be able to achieve.

NSD has been recognized in the "2026 KENKO Investment for Health" Program. Such investments in employee health will help create an environment where employees, in a state of mental and physical stability, are able to work proactively with pride and a sense of self-esteem. In an era where a certain level of answers can be provided by AI, the value of simply finding answers is declining, and this is becoming less and less of a task for humans. On the other hand, the ability to pose questions that only humans can formulate is becoming increasingly important. I believe that having employees who can enhance the quality of the answers by asking excellent questions will become NSD's greatest strength. In short, initiatives such as Health and Productivity Management and giving back to employees are expected to contribute to strengthening NSD's corporate competitiveness even further. For that reason, as stated in the measures of the new Plan, I hope that NSD will continue to promote a proactive human resources strategy.

Roles of Outside Directors

Takeuchi The Corporate Governance Code, which was revised in July of this year, requires that Outside Directors participate in Board of Directors meetings with a greater focus on the shareholders' perspective. In an era where a diverse range of stakeholders, including the media, influence corporate management, I believe that as an Outside Director, I need to approach discussions in Board of Directors meetings without being swayed by the wide variety of information that I encounter. On the other hand, in relation to the "Anthropic Shock" that was mentioned earlier, the importance of companies proactively communicating information has also increased. I feel that information disclosures need to be made with a conscious balance between offense and defense.

Kajiwara Communicating information is certainly important for ensuring that the market accurately evaluates NSD. Looking at it from another angle, if NSD communicates evidence-based information that demonstrates the high esteem in which its client companies, many of which are Japan's leading corporations, hold NSD, and that highlights the fact that the source of this success lies in its people and its high rate of staff retention, it will become a significant point of appeal for students who are searching for post-graduation jobs and other job seekers. I believe that strategic information disclosure, which will ultimately lead to higher market valuation and create a virtuous cycle, is critical.

The fact that NSD's employees are working with a sense of security will instill in customers the confidence that they can rely on NSD with peace of mind. I believe that we are entering an era in which the value of such factors is increasingly being recognized, and I hope we will continue to protect NSD's commitment to value its people.

Takeuchi For a company, employees are just as important a stakeholder as its shareholders. If a company strives to make the workplace, where its people spend a significant part of their lives, a truly worthwhile place for them, the company itself will naturally grow as a result. Therefore, I hope to steadily advance investment in human resources under the new Plan.

I completely agree with Ms. Kajiwara's point that, in an era where a certain level of answers can be provided by AI, it is the caliber of the questions that humans formulate that truly matters. This "human questioning" is particularly crucial in the consulting and solution businesses where NSD aims to expand further, and I believe that taking the initiative in these



fields and forging its own path forward will be the key to NSD's growth. In my capacity as an Outside Director as well, I hope to gain a firm understanding of the company's position and stimulate discussions aimed at growth.

Kawamata In this rapidly changing business environment, the Board of Directors also needs to change. As both of you have mentioned, we are in an era where asking AI instantly provides an answer based on past data. In contrast, I believe that the strength of humans lies in our diversity, which enables us to formulate infinite questions for the present and the future. The value of our existence as Outside Directors lies in our expertise outside the IT industry. This is precisely why we can ask questions that go beyond the industry perspective. I feel strongly that we must further enhance this kind of diversity in the Board of Directors. While continuing to transform the Board as well, let's deepen our strategic discussions for the enhancement of NSD's corporate value.

Message from a New Outside Director

I look forward to using my diverse experience to contribute to the Company's sustainable growth and the enhancement of corporate value.



Kazumi Yoshida
Outside Director

Continuing to do the work that I love is the driving force behind my growth and willingness to take on challenges.

After joining Nomura Research Institute, Ltd. in 1995, I transferred to Nomura Securities Co., Ltd., where I spent around 12 years as a quantitative analyst. My experiences in this role included the development and refinement of investment trust management models, as well as basic research and research of derivatives. After attending night law school and passing the bar exam, I have been practicing as an attorney-at-law since 2013.

Looking back on my career in this way, I have realized that a common thread has run through everything I have done. That is, to continue working over the long term, it is important to stay true to your original motivation and continue to love what you do. It is also important to find happiness every day in being able to do work that you love, and to use that feeling as a driving force to keep growing. I believe that this spirit of "what one loves, one will do well" is imperative throughout one's life, and that maintaining this mindset enables us to overcome challenges and expand our own potential.

When I was first approached by NSD about serving as an Outside Director, the connection I felt with the Company became the deciding factor in my choice to accept. The first time I met with President Imajo, he shared his views on the future of the IT industry and the Company's vision. I was deeply impressed not only by what he said, but also by his sincere attitude and the expression on his face as he looked toward the future.

Also, believing as I do in the importance of finding happiness every day doing work I love, I sensed that NSD's corporate culture shared a common spirit with my beliefs. NSD has low staff turnover, and many of its employees have continued to grow and thrive for many years. The Company's corporate culture of valuing its people lies behind this. Believing that I could put my own experience and expertise to good use to contribute to the Company's growth, I decided to accept the position of Outside Director.

Corporate growth supported by free and open discussions

The first thing that struck me when I attended the Board of Directors meetings was that the discussions were both lively and constructive. In response to reports from the officers in charge, Outside Directors ask questions and give their opinions based on their respective experience and areas of expertise, which deepens the discussions from a wide range of perspectives. Seeing this approach among the management team, I sense that a similar culture of openness, where employees feel comfortable voicing their opinions, has been firmly established throughout the Company. I believe that this culture, where every employee can exchange views regardless of their rank or role, and where communication is free and open, is a key strength that supports the Company's sustainable growth.

Compliance is a crucial foundation underpinning corporate value

In recent years, there have been numerous reports of companies severely damaging their public trust due to scandals stemming from declining compliance awareness among employees. For this reason, ensuring compliance has become increasingly important as a management challenge that supports a company's sustainable growth and the trust it earns from society.

NSD is also working to develop its compliance structure and raise compliance awareness, based on the recognition that compliance is a crucial foundation of corporate activities. Over my career, I have accumulated knowledge and insights in the analysis of management indicators. In addition, as an attorney-at-law, I have been involved in general civil cases in Japan, whistleblowing cases, and corporate internal investigations. Leveraging these experiences, I believe that I can contribute to strengthening NSD's governance and to maintaining and improving its compliance structure. Going forward, I intend to continue providing advice and recommendations from an objective and independent standpoint, and in doing so, contribute to the enhancement of corporate value.

Toward the realization of a prosperous society through the enhancement of corporate value

For many years, NSD has provided numerous systems and IT services to society, supporting people's daily lives and corporate activities. As an Outside Director, I intend to leverage the experience I have gained throughout my career to contribute to the enhancement of NSD's corporate value. In doing so, I will contribute not only to serving the interests of stakeholders, including shareholders, employees, and customers, but also to enriching the lives of many through the Company's business activities.

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.

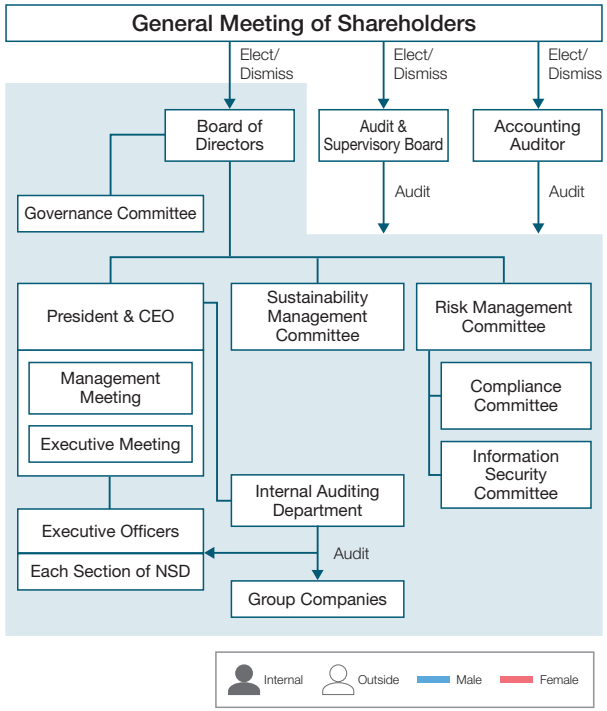
Corporate Governance Structure

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.

All of the Company's outside officers meet the independence criteria established by Tokyo Stock Exchange, Inc. and have been designated as independent officers.

Corporate governance structure map

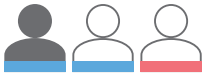


Board of Directors



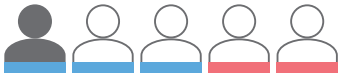
The Board of Directors is comprised of eight directors, of which four are outside directors. The Board of Directors convenes, as a general rule, at least once per month to decide on important matters related to management and business execution, as well as to monitor the status of execution of duties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

Audit & Supervisory Board



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 convenes, as a general rule, at least once per month to deliberate and decide on important audit-related matters and forms audit opinions by sharing information gathered and investigation results obtained based on the division of duties among the members.

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

Corporate Governance

& 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 15 members: eight directors (including four outside directors), a full-time Audit & Supervisory Board member, and six 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 others.

● Information Security Committee

The purpose of the Information Security Committee is to outline Group security measures and information security policies. The committee is chaired by the COO, and is comprised of related officers and department managers.

For more information on specific activities, the evaluation of effectiveness of the Board of Directors, and officer remuneration

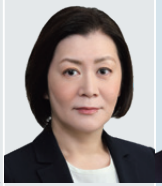
P.69 Governance Initiatives

Structures of each organization (as of October 1, 2026)

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	Representative 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	○		○	○	○				
Toru Takeuchi	Outside Director	○		○	○	○				
Kazumi Yoshida	Outside Director	○		○	○	○				
Kiyokimi Yagi	Full-Time Audit & Supervisory Board Member	○	◎		○	○	○	○		
Tetsuo Tamura	Outside Audit & Supervisory Board Member	○	○							
Chieko Nishiura	Outside Audit & Supervisory Board Member	○	○							
Satoshi Kiyota	Senior Managing Executive Officer					○		○	○	○
Akio Shinno	Managing Executive Officer					○		○	○	○
Kazunori Tachibana	Managing Executive Officer					○		○	○	○
Hideyuki Fujikawa	Managing Executive Officer					○		○	○	○
Yasushi Wada	Managing Executive Officer					○		○	○	○
Related officers, department managers, etc.						○	○	○	○	○

◎: Chair, ○: Member

Management System (As of October 1, 2026)

		Directors								Audit & Supervisory Board members		
												
Position and name		President & CEO **Yoshikazu Imajo**	Representative Director, Senior Managing Executive Officer **Hidetaka Kikawada**	Director, Senior Managing Executive Officer **Osamu Yamoto**	Director, Executive Officer **Mayuko Miike**	Independent Outside Director **Yuriko Kajiwara**	Independent Outside Director **Atsuhiro Kawamata**	Independent Outside Director **Toru Takeuchi**	Independent Outside Director **Kazumi Yoshida**	Full-Time Audit & Supervisory Board Member **Kiyokimi Yagi**	Independent Outside Audit & Supervisory Board Member **Tetsuo Tamura**	Independent Outside Audit & Supervisory Board Member **Chieko Nishiura**
Attendance record in FY2025	Term of office	20 years	4 years	12 years	1 year	2 years	6 years	5 years	Newly appointed	2 years	Newly appointed	3 years
	Board of Directors meetings	15/15	15/15	15/15	11/11	15/15	15/15	15/15	–	15/15	–	15/15
	Audit & Supervisory Board meetings	–	–	–	–	–	–	–	–	15/15	–	15/15
	Governance Committee meetings	4/4	–	–	–	4/4	4/4	4/4	–	–	–	–
Basic Skills	Corporate Management	●	●	●	●	●	●	●		●		●
	Legal & Compliance	●			●	●			●	●	●	●
	Finance & Accounting						●	●	●	●		●
	Global Business						●	●				
Operational Skills	Technology	●	●	●								
	Operational Expertise	●	●	●								

∗: Term of office represents the period as of June 2026.
∗: 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, 2026)

Names of executive officers and their responsibilities are presented below.

Name	Position	Responsibility in the Company
Hidetaka Kikawada	Representative Director, Senior Managing Executive Officer	COO
Osamu Yamoto	Director, Senior Managing Executive Officer	Chief Group Governance Officer, (In Charge of) 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, (In Charge of) Social Platform Division
Akio Shinno	Managing Executive Officer	Head of Industry Business Unit, (In Charge of) IT Infrastructure Business Division
Kazunori Tachibana	Managing Executive Officer	Head of Consulting Business Unit
Hideyuki Fujikawa	Managing Executive Officer	Head of Cross-Industry IT Business Unit
Yasushi Wada	Managing Executive Officer	Head of Innovation Business Unit, Head of AI & Solution Business Unit, Chief General Manager, Market Development Business Division, Innovation 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
Ikue Umehara	Executive Officer	Chief General Manager, Business Division 1, Consulting 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
Yasuo Konomi	Executive Officer	Chief General Manager, Social Platform Division
Tatsuya Sawa	Executive Officer	Chief General Manager, Business Division 2, Financial Business Unit
Hajime Shinagawa	Executive Officer	Chief General Manager, IT Infrastructure Business Division
Soloviev Ivan	Executive Officer	Chief General Manager, AI & DX Business Division, Innovation Business Unit Chief General Manager, Incubation Lab, AI & Solution 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 4, 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
Shinya Honda	Executive Officer	Chief General Manager, Business Division 3, Financial Business Unit

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

Sustainability Initiatives

- Progress on Materiality P.50
- Environmental Initiatives P.53
- Social Initiatives P.57
- Governance Initiatives P.69

Progress on Materiality

Connection to Our Vision

In an effort to practice management conducive to building a sustainable society, NSD has identified materiality issues that it should preferentially address and is promoting company-wide initiatives from a long-term perspective.

Environment

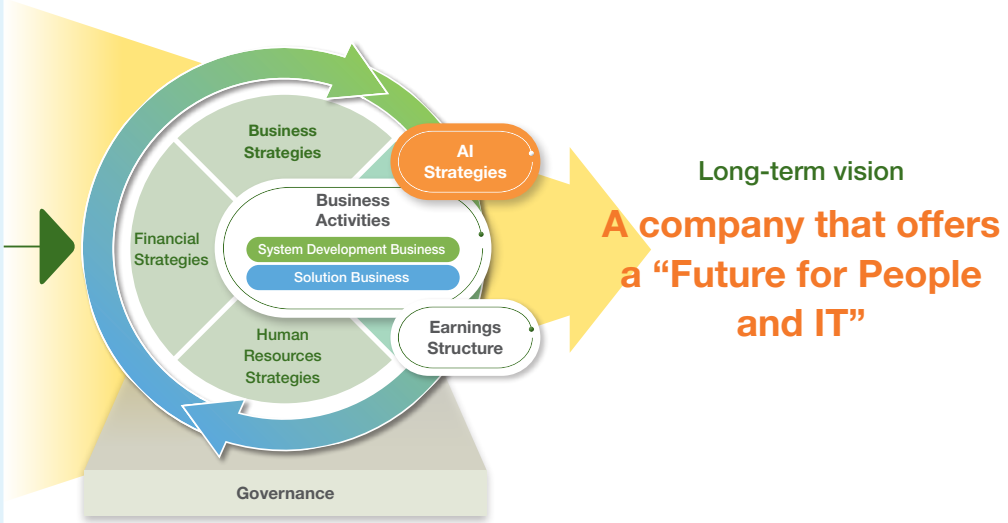
Reducing impact on global environment	To achieve a sustainable society, NSD recognizes global environmental conservation as one of its management issues. Aiming to build a better, more prosperous global environment, NSD is working to conserve the global environment in collaboration with customers and business partners across diverse industries.

Social

Contributing to society by using our characteristics as an IT company Creating a work environment where diverse human resources can thrive with job satisfaction	At NSD, where we aim to be a company that offers a "Future for People and IT," we are working to solve various social issues by leveraging the power of IT. We also value the people who drive the realization of our Vision and actively promote human resources strategies designed to maximize individual capabilities.

Governance

Strengthening the foundation for the Company's existence	To ensure the Company's sustainable growth, we are committed to maintaining and strengthening our corporate governance and compliance structure. At the same time, as an IT company, we are focusing on initiatives such as strengthening security to earn the trust of society.



List of Materiality Issues

Reducing impact on global environment

Materiality	Key anticipated opportunities and risks (○: Opportunity, △: Risk)	Status of initiatives	Indicators, results, etc.	Related pages
Climate change/ Energy management	○ Providing IT solutions for managing greenhouse gas emissions △ Decline in social reputation due to delayed response	● Supporting the TCFD Recommendations and disclosing climate change-related information based on those recommendations ● Thorough environmental management based on ISO14001	● CO_2 emissions (Scope1, 2): 1,640 t-CO_2 FY2030 Target 1,395 t-CO_2 ● CO_2 emissions (Scope3): 54,571 t-CO_2 FY2030 Target 25,363 t-CO_2	Environmental Initiatives P.53
Waste management	○ Enhancing corporate value through responsible action △ Decline in social reputation due to delayed response	● Reducing waste by going paperless and recycling computers, etc.	● Sheets of printing paper used: 540,000 sheets FY2030 Target 500,000 sheets ● Maintain a 100% rate of reusing and recycling computers	

Progress on Materiality

Contributing to society by using our characteristics as an IT company

Materiality	Key anticipated opportunities and risks (○: Opportunity, △: Risk)	Status of initiatives	Indicators, results, etc.	Related pages
Social innovation with IT	○ Solving social issues by creating and providing solutions that leverage advanced technologies △ Drop in competitiveness due to insufficient accommodation of technological innovation	● Providing "BizInsight" private generative AI platform ● Automated production planning in the manufacturing sector through the use of advanced technologies such as AI 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. ● Developed a system to identify and quantify chemical substances in the customer's factories using proprietary AI-powered technology, contributing to improved operational efficiency.	● DAS Business net sales: ¥57.5 billion FY2028 Target ¥80.0 billion ∗: The DAS Business refers to System Development Business aimed at DX, System Development Business leveraging AI and other new technologies, and the Solution Business.	Business Strategies P.18 Human Resources Strategies P.25
Responsible provision of AI	○ Earning trust through our capabilities as a responsible IT company △ Decline in social reputation and market competitiveness due to delayed response	● Established an AI policy and AI rules, aiming for both the promotion of AI business and thorough AI governance.		

Creating a work environment where diverse human resources can thrive with job satisfaction

Materiality	Key anticipated opportunities and risks (○: Opportunity, △: Risk)	Status of initiatives	Indicators, results, etc.	Related pages
Human resources development	○ Capturing business opportunities and improving quality by strengthening human capital △ Drop in competitiveness due to insufficient accommodation of technological innovation	● Focusing on developing talent capable of handling upstream processes including consulting, and talent supporting AI-related businesses	● Developing "AI Experts" FY2028 Target 70% of mid-career employees (engineers)	Human Resources Strategies P.25
Job satisfaction for employees	○ Promoting corporate growth through the contributions of highly engaged employees △ Decline in sustainable growth potential due to outflow of human resources	● The personnel system was enhanced by dividing career paths into subcategories, etc. ● Improved compensation through base pay increases, etc., from FY2022 to FY2026. ● Expanded credentials eligible for financial incentives.	● I want to continue working for this Company going forward (Internal survey): 87.2%	
Health and productivity management	○ Promoting corporate growth through high performance △ Decline in sustainable growth potential due to outflow of human resources	● The NSD Health Insurance Association, the Group's unified health insurance association, is working in collaboration with the Company to offer proactive support on both mental and physical health issues common across the Group. ● Implementing employee health promotion initiatives through a health points program that utilizes an in-house developed app	● Recognized as a "2026 KENKO Investment for Health" and "2026 Outstanding Organizations of KENKO Investment for Health (Large Enterprise Category, White 500)". ● Average monthly overtime hours (non-statutory): 17.8 hours Target Continue an average of less than 20.0 hours ● Ratio of paid vacation days taken: 74.3% Target 75% or more	

Progress on Materiality

Creating a work environment where diverse human resources can thrive with job satisfaction

Materiality	Key anticipated opportunities and risks (○: Opportunity, △: Risk)	Status of initiatives	Indicators, results, etc.	Related pages
Diversity & inclusion	○ Improved quality and productivity through the acquisition of diverse human resources. △ Outflow of human resources due to delayed response	● Steady rollout of initiatives for women's advancement in the workplace has led to an upward trend in the ratios of female employees and female managers. ● Held seminars for male employees on childcare support systems.	● Received Platinum Kurumin Certification and the highest level of the Eruboshi Certification. ● Ratio of female employees: 23.6% FY2030 Target 30% or more ● Ratio of female managers: 12.7% FY2030 Target 20% or more ● Percentage of male employees taking childcare leave: 75.6% FY2030 Target 80% or more	Human Resources Strategies P.25
Supply chain management	○ Ensuring high mobilization capabilities and capturing business opportunities through deepened collaboration △ Decline in business opportunities due to insufficient responsiveness	● 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.	—	Social Initiatives P.57

Strengthening the foundation for the Company's existence

Materiality	Key anticipated opportunities and risks (○: Opportunity, △: Risk)	Status of initiatives	Indicators, results, etc.	Related pages
Corporate governance	○ Gaining social trust through prudent business operations △ Reduced effectiveness resulting from improper internal controls	● Ensuring diversity by appointing outside officers based on factors such as management experience at other companies, knowledge of legal and financial matters, and international experience ● Director remuneration consists of base remuneration, bonuses, and stock-based remuneration (at least 40% is incentive remuneration).	● Ratio of women among officers: 36.4% ● Ratio of independent outside directors: 50.0% ● Ratio of independent outside Audit & Supervisory Board members: 66.7%	Governance Initiatives P.69
Compliance	○ Enhancing social reputation by fostering awareness across the entire Group △ Violations of regulations and rules resulting from a decline in compliance awareness	● Regularly conducted training on important laws and regulations such as Japan's SME Transactions Act and Antimonopoly Act, as well as on harassment prevention.	● Maintained a 100% compliance training participation rate.	
Data privacy & security	○ Earning trust through our capabilities as a responsible IT company △ Information leaks and cyber-attacks caused by unauthorized external access	● Regularly conducted training on information security and the protection of personal information.	● Maintained a 100% participation rate for information security and personal information protection training.	

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 committed to the systematic, ongoing reduction of energy consumption from our business activities. To achieve this goal, NSD will help build a better, more prosperous global environment in collaboration with customers and business partners across various industries.

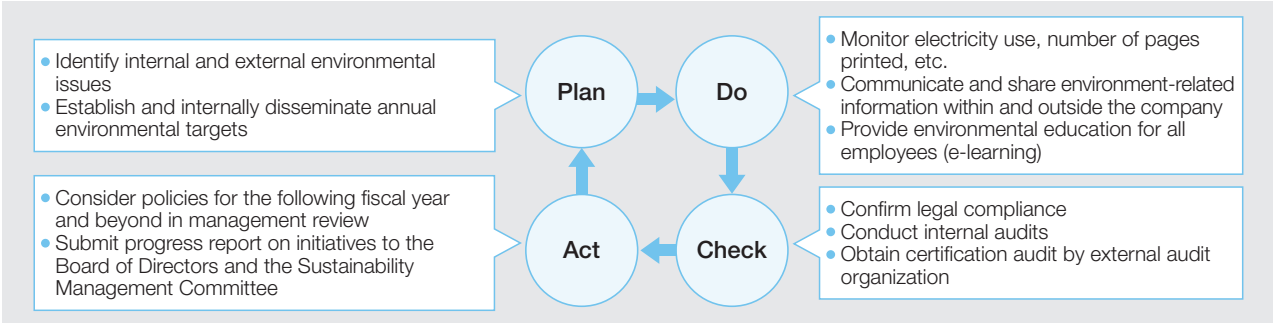
Environmental Policy

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

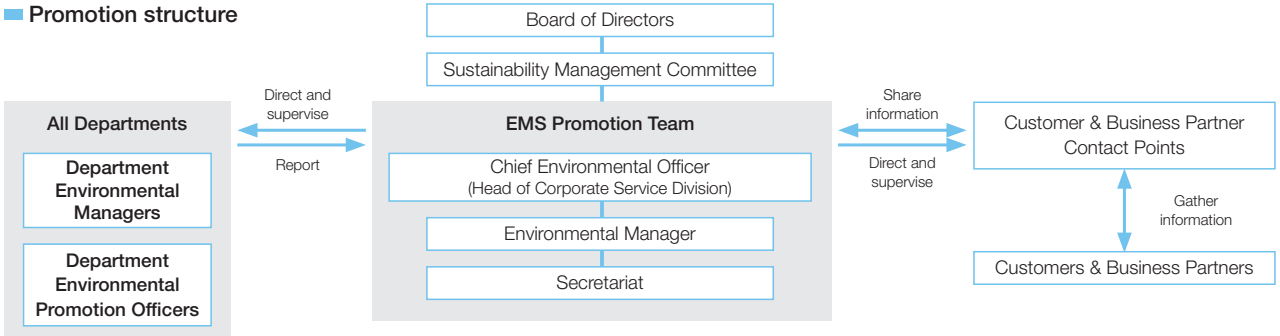
Environmental Management System

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



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

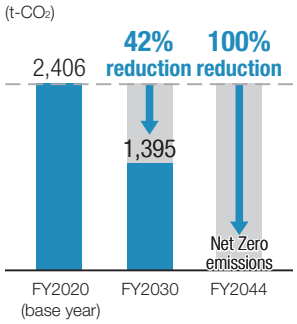
Reducing greenhouse gas emissions

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 electricity, gas, gasoline, etc. at each site multiplied by the emission factors (based on figures disclosed by the Ministry of the Environment).

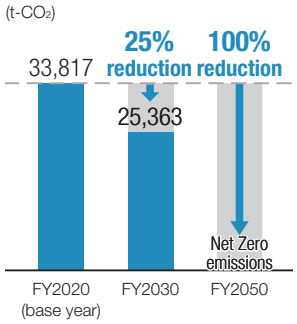
Greenhouse gas emission reduction targets

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. With respect to Scope 3 emissions, we have set and are working towards long-term targets of a 25% reduction by FY2030 and net zero emissions by FY2050 using FY2020 as the base year.

Scope 1+2 reduction targets



Scope 3 reduction targets

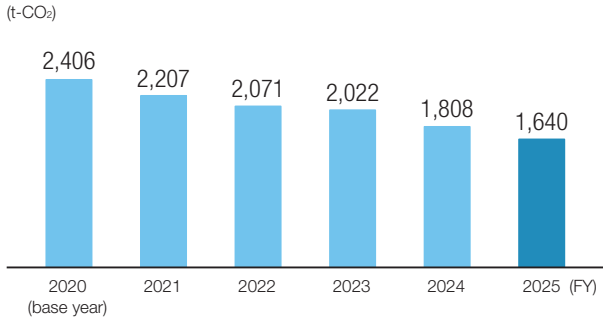


Statuses of greenhouse gas emissions

Scope 1+2 emissions

GHG emissions of Scope 1 and Scope 2 in FY2025 were 1,640 t-CO_2, a reduction of approximately 32% from FY2020 (the base year).

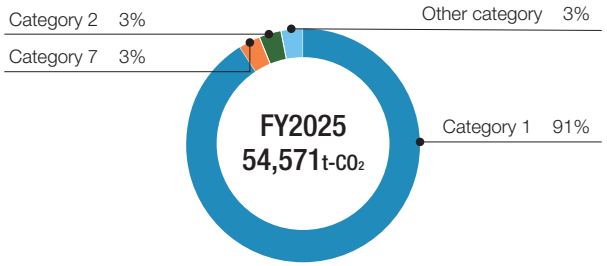
Trends in Scope 1+2 emissions



∗: NSD and its subsidiaries are the subject of the calculations.
∗: The formula for calculating CO_2 emissions is the consumption of electricity, gas, gasoline, etc. by each site multiplied by the emission factors (emission factors are based on those disclosed by the Ministry of the Environment).

Scope 3 emissions

GHG emissions of Scope 3 in FY2025 were 54,571 t-CO_2, an increase of approximately 61% from FY2020 (the base year). This increase compared to the base year is attributable to a rise in procurement and outsourced operations associated with the expansion of business activities. Going forward, we will work to strengthen collaboration with key suppliers and utilize primary data to improve the accuracy of emissions calculations and identify opportunities for reduction.



Category	Category breakdown	Results	Share
Category 1	Purchased goods and services	49,486	91%
Category 2	Capital goods	1,558	3%
Category 3	Fuel and energy-related activities	487	1%
Category 4	Upstream transportation and distribution	54	0%
Category 5	Waste generated from business activities	686	1%
Category 6	Business travel	594	1%
Category 7	Employer commuting	1,662	3%
Category 8	Upstream leased assets	44	0%
Total		54,571	100%

Obtaining third-party verification

To improve the reliability and transparency of greenhouse gas emissions, NSD has obtained third-party verification for its Scope 1, 2, and 3 GHG emissions in compliance with GHG protocols and internal standards. We will continue to work on improving data accuracy and enhancing information disclosure.

Promoting the use of renewable energy and the installation of LED lighting

NSD owns few facilities of its own, and most of its business sites are located in leased spaces within office buildings. Since it is difficult for us to independently implement renewable energy or install LED lighting in these sites, we are implementing initiatives such as submitting formal requests to the building management companies at each site to switch to CO_2-free electricity plans powered by renewable energy and to install LED lighting.

The switch to renewable energy electricity has already been completed at the Head Office, Osaka Branch Office, and Nagoya Branch Office. In addition, the installation of LED lighting has been completed at several business sites, including the Head Office.



Waste Management

Initiatives for the reduction of waste and resource recycling

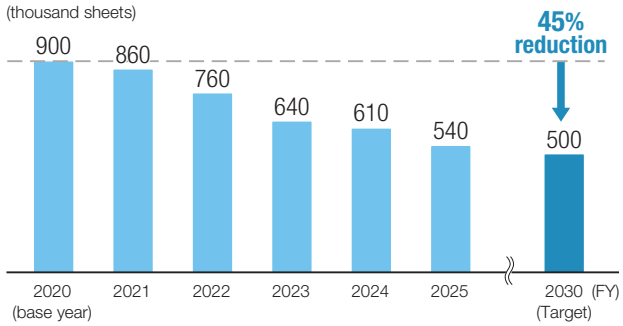
Maintaining a 100% rate of reusing and recycling computers

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.

For more information

P.57 Social Initiatives

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

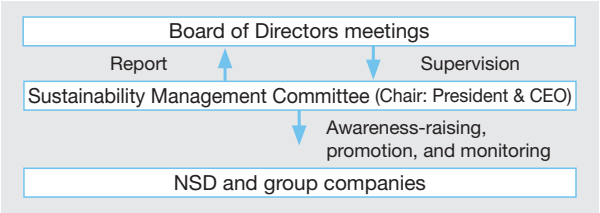
NSD supports the recommendations of the Task Force on Climate Change-related Financial Disclosures (TCFD) and discloses information regarding the impact of climate change on our business based on the framework of the TCFD Recommendations.

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.

NSD's governance structure regarding climate change



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 risk 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.

The current CO_2 reduction targets of the Company are as follows.

Categories	FY2030 Targets	Long-term Targets
Scope 1, 2	42% reduction (compared to FY2020)	Achieve net zero emissions (FY2044)
Scope 3	25% reduction (compared to FY2020)	Achieve net zero emissions (FY2050)

∗: For NSD and its subsidiaries.

Social Initiatives

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

Recognizing that our employees are our greatest asset, NSD strives to create a work environment across the entire supply chain where diverse human resources can thrive with job satisfaction.

Social Innovation with IT

Basic approach

In recent years, with the widespread adoption of advanced technologies such as AI, IT has expanded its role beyond mere operational efficiency to include the creation of new businesses. Against this backdrop, NSD leverages advanced technologies in system development to help solve various social issues and our customers' management issues through DX. For issues common to many of our customers, we work to resolve them by developing and providing solutions and products.

Examples

System Development

Automated the preparation of production plans for white paperboard production processes

At Nippon Paper Industries Co., Ltd. ("Nippon Paper"), production planning tailored to specific orders has traditionally been carried out for each production facility by plant operations staff relying on their many years of experience and craftsmanship. Although Nippon Paper had considered implementing a computerized system for over 10 years, the conditions required to prepare efficient production plans that minimized production waste were extremely specialized, and implementation had not been achieved.

In response to these concerns, NSD collaborated with its Group company, NSD AI Technology, to conduct a proof of concept based on order information, the combination criteria derived from the long-standing experience of plant operations staff, and conditions specific to each production facility. After a phase dedicated to refining accuracy in collaboration with the plant operations staff, the logic was successfully converted into an algorithm. As a result, the system became capable of generating production plans with a level of quality comparable to those prepared by plant operations staff. Full-scale operations began at Nippon Paper's Fuji Mill in April 2024.

While it previously took plant operations staff several hours to prepare a single day's production plan, the algorithm now enables this to be completed in a matter of seconds to minutes. This has not only enhanced efficiency but also facilitated the transfer of skills to staff with less experience in production planning.

Automated slitting (cutting) planning for stainless steel strips through AI optimization

At Mory Industries Inc. ("Mory Industries"), the processes of calculating slit coil* shortages and their timing based on inventory levels upon receiving product orders, as well as planning the assignment of specific slitters (cutting machines) suited to the stainless steel strip's grade and thickness, had traditionally been carried out relying on the experience and craftsmanship of operations staff. Although Mory Industries had considered implementing a computerized system for years, the conditions required to minimize production waste while efficiently utilizing inventory were extremely complex, and implementation had not been achieved.

In response to these concerns, NSD collaborated with NSD AI Technology and utilized mathematical optimization techniques in which NSD AI Technology excels. Based on various data, including the order volume, inventory information, and compatibility requirements for slitters, the companies conducted a proof of concept and developed an algorithm. As a result, the system successfully replicated processes nearly identical to those performed by the operations staff, and operations have begun at Mory Industries' flagship Kawachinagano Factory. While it previously took experienced operations staff several hours to prepare a single day's production plan, this system now enables the same task to be completed in just over ten minutes. This has not only enhanced operational efficiency but also made it easier to transfer skills to staff with less experience.

*: A slit coil is produced by cutting a stainless steel strip with a slitter (cutting machine) and winding it into a roll.

By working closely with the operations staff and repeatedly adjusting and refining the rules, we ensured a smooth transition to practical operation with a system tailored to the front-line environment.



Development staff (AI engineer)

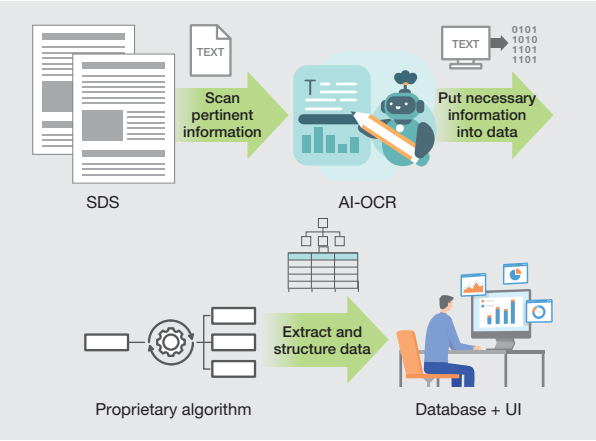
Developed a system to streamline the "identification and quantification of chemical substances" using proprietary AI-powered algorithm

The management of chemical substances is governed by two laws in Japan: the Industrial Safety and Health Act and the Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement (PRTR Act). At the manufacturing plants and factories of Nippon Steel Metal Products Co., Ltd. ("Nippon Steel Metal Products"), the process of investigating chemical substance content, as specified by laws, involved obtaining safety data sheets ("SDS") from suppliers of products and materials, creating lists at each facility, and tracking usage amounts and other data. The number of chemical substances regulated by these laws is vast and is likely to increase in the future. However, since the investigation method involved manually creating Excel spreadsheets and checking each product individually, the customer faced operational issues, including the risk of

compliance violations arising from mistakenly classifying regulated substances as non-regulated, as well as the significant time required to address omissions and perform re-checks.

In response to these concerns, NSD collaborated with its Group company, NSD AI Technology, to develop a system by leveraging its AI-OCR technology and the extraction algorithm and document structurization technologies independently developed by NSD AI Technology. Full-scale operations began at Nippon Steel Metal Products' OSAKA Works in April 2025. By importing chemical substance information (such as substance names) published by the Ministry of Health, Labour and Welfare and the Ministry of Economy, Trade and Industry into the system, relevant contained substances are automatically extracted from the registered data and listed, making it easy to verify compliance even as the number of regulated chemical substances increases.

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

Supporting next-generation water business DX



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. The Group concluded cooperation agreements on promoting DX with the Sendai City Waterworks Bureau in March 2024 and the Matsumoto City Waterworks Bureau in March 2025. The agreement with the Sendai City Waterworks Bureau concluded in March 2026, successfully achieving certain results such as assessing the current state of the water business, identifying challenges, and establishing the organizational framework necessary to build a DX infrastructure. Going forward, based on the outcomes of this agreement, NSD will begin developing a DX infrastructure-as-a-service model as a concrete measure for the future.

Solution

Supporting the safe and easy use of generative AI

BizInsight is a packaged solution that enables the safe and easy use of generative AI, supporting both on-premises and other in-house exclusive environments, as well as the cloud. When combined with in-house data, it contributes to dramatically improved efficiency in business affairs such as inquiry handling, planning, and sales.

BizInsight

AI helps check handwashing and raise hygiene awareness

With TeA-L / Right, AI constantly checks hand washing procedures. In addition, AI learns from handwashing procedures that differ among different users, helping them to reliably develop a systematic routine tailored to their specific environments. Since it reliably records who washed their hands and when, this information can be used as evidence in settings where hygiene management is important. 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

AI-powered meeting minutes tool turns meetings into information assets

Quick Digest ensures full recording of meetings by incorporating speaker diarization technology. In addition, using text summarization technology, the AI 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

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, and is actively creating a work environment 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.

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.

For more information

P.59 **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.

For more information

P.61 **Health and Productivity Management**

P.65 **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).

Human Resources Development

Basic approach

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

Training to improve technical skills

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

Training based on experience or position

This training is designed to teach the basics of system development and project management according to the employe's position and experience in the Company.

Training curriculum	
Training based on experience	● Unit test related ● Creating work breakdown structures
Training based on position	● Fundamentals of review ● Project leaders development ● Schedule management ● Stakeholders management ● Team management ● Fundamentals of a project manager ● Requirements management

Social Initiatives

Elective skills training

This type of training seeks to provide people at NSD with system development skills related to technology trends, advanced technologies and DX-related businesses, as well as the project management skills required for the respective positions and roles of employees. The Group's training programs are open to everyone at NSD.

Training curriculum	
Training for Agile development	● Scrum development for beginners ● Project Management - Agile and Waterfall ● Agile project management using scrum development ● Agile test-driven development and automation
Technological trends training	● Getting started with Angular ● Getting started with Nest.js ● AWS Lambda ● NoSQL ● Docker ● Keycloak ● Amazon ESC/VPC

PMP® training

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

Training curriculum	
PMP® exam preparation course	Gaining knowledge on PMP®
Agile development training for PMP® students	Gaining knowledge on Agile development
Exam preparation for PMP® certification	Gaining knowledge on PMP® (e-learning)

∗: PMP® is a registered trademark of the US-based Project Management Institute.

Other training

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.

Training to improve soft skills

NSD conducts training for employees based on their experience and position in the Company to help them develop their soft skills around the idea of becoming self-starters. By combining these programs with on-the-job training to encourage its people to gain the job knowledge and expertise as well as the skills specific to each workplace, NSD helps support the growth of its workforce with respect to every individual's unique characteristics. Training based on topic aims at acquiring knowledge and improving communication skills according to the job, position, and role on topics such as creating a discrimination-free work environment and improving leadership skills for team members and junior employees, in addition to company-wide training aimed at fostering compliance awareness and thorough information security. By conducting these training sessions in a self-application or e-learning format, NSD aims to promote autonomous learning.

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.

Training curriculum	
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 newly appointed managers/ specialists (vision formation and followership training) ● 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 ● Value proposal skills training ● Personnel evaluation training ● Facilitation training ● OJT trainer training

Health and Productivity Management

Towards realizing Health and Productivity Management

The NSD Group set forth in our Management Philosophy that we will "contribute to the sound development of society 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." We also state in our Basic Management Policy of "With Employees" that "we recognize that employees are our greatest asset, we believe in the unlimited potential of every employee, we provide a healthy and comfortable working environment", making "NSD a rewarding company to work at where employees can pursue their dreams with pride." We have declared our determination to achieve these goals in the "Health and Productivity Management Declaration," positioning health and productivity management as one of the NSD Group's growth strategies, and are implementing health and productivity management initiatives.

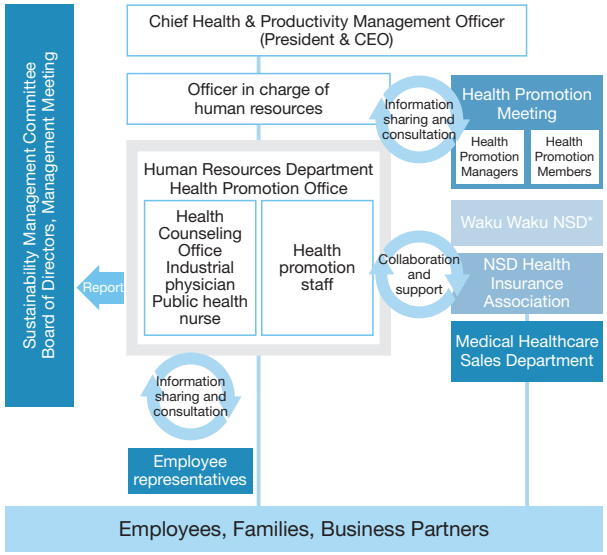
Health and Productivity Management Declaration

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

Organizational structure for Health and Productivity Management

The Chief Health & Productivity Management Officer is the President & CEO. The top officer responsible for planning and implementing initiatives is the officer in charge of human resources. The Human Resources Department promotes health and productivity management in cooperation with the Medical Healthcare Sales Department and the NSD Health Insurance Association. In particular, the NSD Health Insurance Association takes advantage of its unique characteristic as the Group's unified health insurance association to offer proactive support on both mental and physical health issues common across the Group, in collaboration with the Company. This support extends to the health and well-being of employees and their families. The officer in charge of human resources meets regularly with the Health Promotion Office (part of the Human Resources Department) to discuss policies and measures, and reports the results of implementation of measures and analysis of indicators over time to the Board of Directors and other meeting bodies. The Health Promotion Office engages in health and productivity management across the organization through the efforts of industrial physicians and public health nurses, who are healthcare professionals. In addition, with the aim of instilling the philosophy of health and productivity management, we have established the "Health Promotion Meeting" consisting of both managers and non-managers from our various business units and divisions. By collecting the opinions of employees, we are working to smoothly carry out health and productivity management measures.

Organizational structure for promoting Health and Productivity Management



*: 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.

Outside Evaluation of Our Health and Productivity Management Initiatives

Health & Productivity Stock and Certified Health & Productivity Management Outstanding Organization (White 500)

In recognition of our initiatives, we have been selected as a "2026 KENKO Investment for Health" and recognized as a "2026 Outstanding Organizations of KENKO Investment for Health (Large Enterprise Category/White 500)."

Sports Yell Company and Tokyo Sports Promotion Company

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

Corporate Declaration of Health and Productivity (Silver Certification)

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

健康優良企業
健康優良企業認定番号　健銀290号（7）

Health and Productivity Management Initiatives

As stated in NSD's Health and Productivity Management Declaration, the goal of health and productivity management is to ensure that each and every employee can fully demonstrate their capabilities and play an active role in order to achieve sustainable growth of the Company—or, in other words, to improve employee performance. NSD has set specific performance indicators and goals and engages actively in health and productivity management.

Performance indicators and targets

Improvement in employee performance is measured using three key indicators—"Absenteeism," "Presenteeism," and "Work Engagement"*—as numerical targets.

*: "Absenteeism" refers to absence from work due to health problems; "presenteeism" refers to a state in which absenteeism is not apparent in terms of attendance management, but productivity is reduced due to health problems; and "work engagement" refers to a positive and fulfilled state of mind and attitude toward work.

Health promotion and disease prevention

NSD believes the health of its employees is an important management resource, and strives to help improve employees' lifestyle habits and health literacy to prevent physical and mental illnesses. As part of these 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.

We introduced a health points system in FY2017 to improve employees' health literacy by supporting them to achieve health goals that they set themselves and providing health information. Points are awarded for the registration of health data responses to surveys, participation in walking events, etc. using the CAReNA health app developed by NSD. Points can be exchanged for health goods. There was previously an issue with lack of exercise due to work centered primarily around desk work. However, as an in-house event using the health points system, we have held a walk rally that simulates a trip around Japan based on the cumulative number of steps registered in the app. Consequently, the percentage of employees walking over 8,000 steps a day and the average number of steps have increased. In this walk rally, we aim to make walking even more fun through earning souvenirs (local specialties) and points by reaching checkpoints along the route. As a result, both the number of participants and the average number of steps increased compared to before the walk rally, leading to improved employee health. We provide assistance covering some expenses for thorough examinations, cancer screening, and smoking cessation outpatient services to support employees' management of their health.

Changes in employee performance indicators

Performance indicators		Target	FY2023		FY2024		FY2025	
			Achievements	Number of employees surveyed (Response rate)	Achievements	Number of employees surveyed (Response rate)	Achievements	Number of employees surveyed (Response rate)
Absenteeism	Percentage of employees taking a leave of absence	1.6%	1.7%	All employees (100%)*1	1.7%	All employees (100%)*1	2.3%	All employees (100%)*1
	Average number of days absent by all employees due to injury/illness or leave of absence	1.8 days	1.9 days	All employees (100%)*1	2.2 days	All employees (100%)*1	2.6 days	All employees (100%)*1
Presenteeism	Rank based on Wfun (Work Functioning Impairment Scale)*2	A rank	B rank	3,029 (92.2%)	B rank	3,169 (95.4%)	B rank	3,355 (96.6%)
Work engagement	Average of all responses for indicators showing degree of motivation and pride with regard to work*3	2.4	2.3	3,029 (92.2%)	2.3	3,169 (95.4%)	2.4	3,355 (96.6%)

*1: Data is extracted and aggregated from the attendance system into which all employees enter their attendance data.
*2: Questionnaire developed by the University of Occupational and Environmental Health, Japan, to measure the degree of impairment to labor/work functionality due to health problems.
*3: Calculated using the questions "Do you feel energized when you work?" and "Do you feel proud of your job?" in the stress check conducted among all employees. Scores are out of four, with higher scores indicating higher work engagement.

What is CAReNA?

CAReNA is a platform designed to help companies and organizations promote health and productivity management.

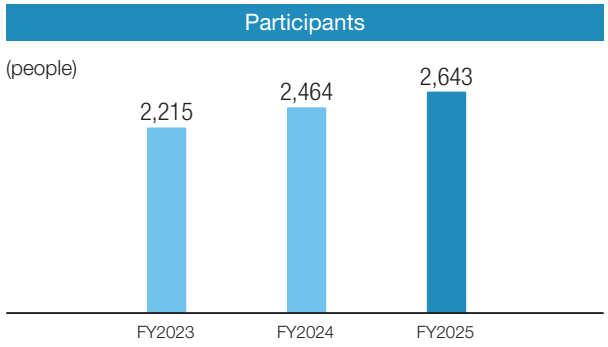
It enables the implementation and effectiveness measurement of various health management initiatives—from those targeting the entire workforce to those aimed at employees at higher health risk. By analyzing daily health data and survey responses collected from employees, it helps companies improve existing initiatives and develop new ones. Employees can access the platform from anywhere using a single smartphone app.

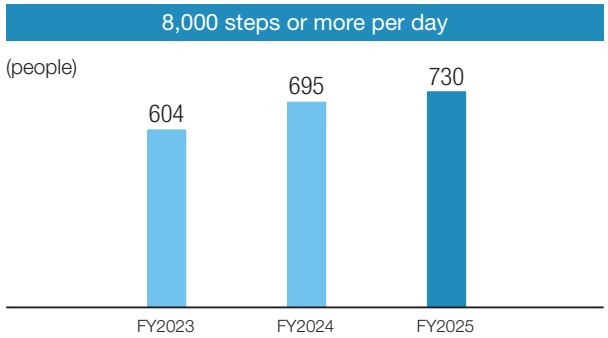
Furthermore, for employees at risk of lifestyle-related diseases—a risk that is increasing due to a lack of exercise caused by remote work—the platform facilitates collaboration with medical experts to provide guidance services on exercise and diet aimed at improving lifestyle habits and preventing illness.

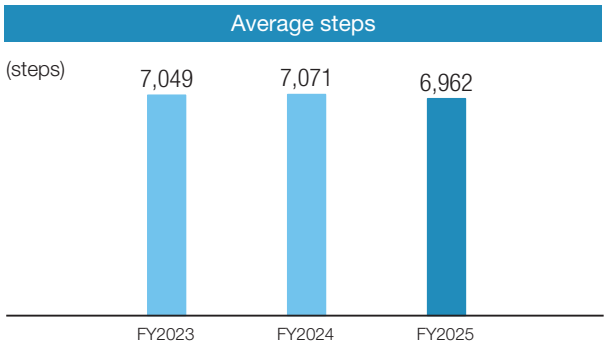


Social Initiatives

Results of introducing the health points system







We have also established a consultation system staffed by staff from the Health Counseling Office and Health Promotion Office, providing ongoing follow-up or encouraging employees to undergo more thorough examinations based on the results of health checkups, and face-to-face meetings with employees experiencing a mental health challenge or returning to work from one. We are also focusing on initiatives to prevent the occurrence of mental and physical illnesses, such as operating a BMI improvement program that provides exercise and dietary guidance to employees with a high BMI, providing e-learning on mental and physical health, and streaming videos on mindfulness. Because it will take some time for improvements in lifestyle habits to appear in the results for the ratio of individuals at an appropriate weight and the ratio of those with BMI of 30 or over, we will continue to implement measures to achieve our targets.

Trends in the percentage of employees receiving regular health checkups and other health-related indexes

Item	Target	FY2023	FY2024	FY2025
Percentage of employees receiving regular health checkups	Keep 100.0%	100.0%	100.0%	100.0%
Percentage of employees receiving thorough examinations	Keep over 85.0%	82.7%	87.5%	87.9%
Percentage of employees whose weight is in a healthy range*	65.0%	62.7%	63.6%	63.3%
Percentage of employees whose BMI is 30 or more	6.3%	6.7%	6.6%	6.5%

*: Percentage of employees whose BMI is 18.5 or more and less than 25

In the area of mental health, we have conducted line care and self-care training to improve the knowledge of employees, with the goal of early detection of mental disorders, so that each and every employee can fully demonstrate their capabilities and play an active role. Through such training, we educate employees about how to deal with stress and share information on consultation desk services, and provide managers with correct knowledge about mental health, such as signs of subordinates' mental health issues and timing of consultations with the Human Resources Department Health Promotion Office. Since FY2022, we have been working to enhance our early detection of mental health challenges, with early-stage detection rate as one of our key indicators.

Trends in the percentage of employees undergoing a stress check and other mental health-related indexes

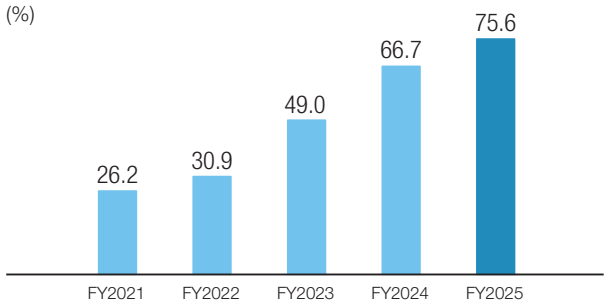
Item	FY2023	FY2024	FY2025
Percentage of employees undergoing a stress check	93.3%	95.6%	96.8%
Percentage of employees under high stress*1	12.2%	14.4%	11.8%
Rate of early-stage detection of mental health challenges*2	34.7%	27.9%	28.8%

*1: Percentage of employees who have strong subjective symptoms whose stress is due to very serious causes and who have very inadequate support (according to the standards of the Ministry of Health, Labour and Welfare)
*2: Percentage of employees on the first long-term leave who submitted a medical certificate (started leave) on or after the eighth day after consultation

Supporting the balance of work with childcare, nursing care and medical treatment

NSD is striving to build a work environment where employees can continue to work while raising children, caring for family members, and being treated for diseases, aiming to diversify ways of working and promote the achievement of a healthy work-life balance. We provide more childcare leave than required by laws or regulations and have created a system where employees who have a child who is in the 6th grade of primary school or younger children are allowed to work shorter working hours. We also help employees taking childcare leave return to work and provide information to them. We have established a corporate culture where employees can feel free to take childcare leave and NSD follows up with them when they return to work. The percentage of female employees taking childcare leave has been 100% since FY2000, when we began taking this statistic. The rate of male employees taking childcare leave has also increased significantly over the past five years, reaching 75.6% in FY2025. In addition, male employees are given flexibility in choosing the number of days they wish to take leave based on their family situation, with over 80% of male employees taking two weeks or more. Going forward, we aim to achieve an 80% rate of male employees taking childcare leave in FY2030.

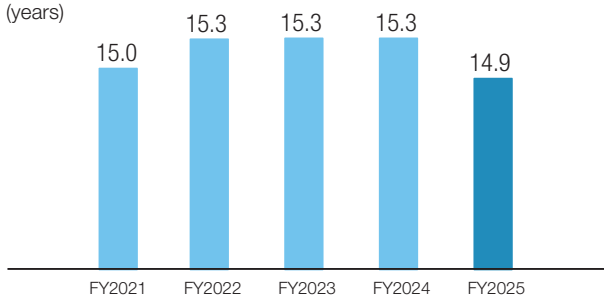
Trends in percentage of male employees taking childcare leave



We have also created a system where employees can balance work and caring for family members by taking leave or working shorter hours. Industrial physicians and public health nurses counsel employees who are being treated for cancer, cardiac diseases, or brain diseases and share information with their bosses. In this way, we help employees being treated for a medical condition balance treatment and work. We have developed a system where employees can feel free to receive counseling. We have established an internal work-life balance consultation desk and a consultation desk where external experts counsel employees.

As a result of our efforts to improve work environment, the average length of service continues to trend at around 15 years.

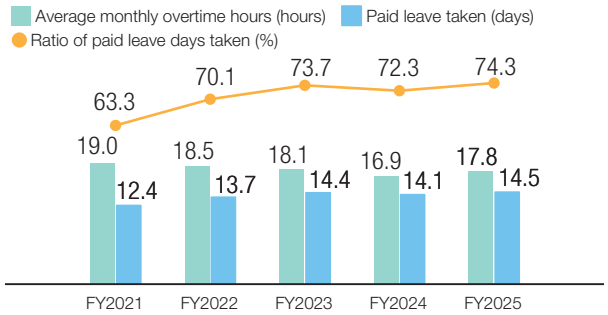
Trends in average years of service



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

NSD believes that we can strengthen our management foundation by establishing an employee-friendly workplace environment where employees can work while maintaining their health. This enables us to secure good human resources and it increases the productivity of each employee. We are working to reduce overtime and create an environment where employees can feel free to take paid leave as a medium-term goal of an average overtime hours (non-statutory) of less than 20 hours and employees taking 75% or more of their paid leave. We allow employees to take half-day leave and take leave by the hour. We also provide leave for meritorious long service. We provide a variety of leave options so that each employee can take leave flexibly in ways that are convenient for them. We are striving to reduce overtime hours by strengthening management—that is, by providing training to managers and increasing the percentage of PMP®-certified employees.

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



Health and productivity management support for business partners

We regularly hold seminars on health and productivity management for our partner companies, covering topics such as strategic approaches to health and productivity management and introducing examples of our efforts. We also support their promotion of health and productivity management by providing know-how regarding health and productivity management through individual consultation sessions.

Occupational Health and Safety

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

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

In FY2025, there were six occupational accidents (falls during work). The Occupational Safety and Health Committee is issuing warnings with the aim of achieving zero occupational accidents going forward.



Diversity & Inclusion

Basic approach

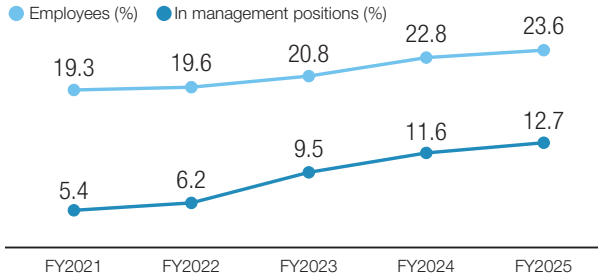
NSD is promoting the creation of a work environment where diverse human resources can play an active role with job satisfaction. In addition to making company-wide efforts to promote women's advancement in the workplace, NSD is involved in initiatives for diversity in the workforce and equal opportunity 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 work environment free of discrimination, we respect the diversity of our employees and promote mutual understanding through D&I training and other programs.

Creating a work environment where diverse human resources can thrive

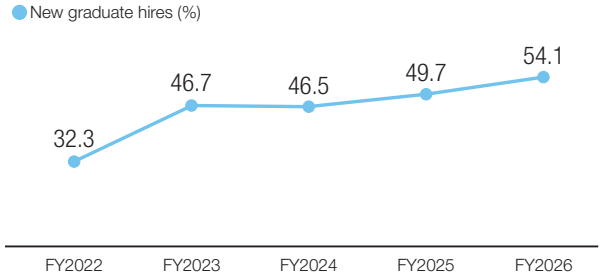
Efforts to promote women's advancement in the workplace

In order to promote the active participation of women in the workplace, NSD has set a target of increasing the ratio of female employees to 30% or more and the ratio of women in management positions to 20% or more by FY2030. Our recruitment activities are based on the policy of ensuring that at least 50% of all new graduates hired each year are women, with our aim to increase the ratio of female talent, including in management positions, as core to the Company's human resources. As part of our efforts in recruiting new graduates, we provide opportunities for female students to come and speak with female employees of different age groups and careers helping to give them an idea of what their career could be like after joining the Company. We have also set up a page on our website introducing some of our female engineers and managers in an effort to provide more information from a female perspective. As a result, 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 55%. 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 (employees, in management positions)



Female ratios (new graduate hires)



Diversity in the workforce and equal opportunity training and initiatives

At NSD, 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. We respect the diversity of our employees and promote understanding through D&I training on topics such as "understanding D&I trends and company policies" and "countermeasures against unconscious bias," as well as e-learning programs and educational booklets on LGBTQ issues.

Outside Evaluation

Eruboshi mark

The Ministry of Health, Labour and Welfare has recognized NSD as a company that supports women's participation and advancement in the workplace, and NSD has received the highest level of the Eruboshi Certification, Level 3, based on the number of criteria we met.

Platinum Kurumin Certification

NSD has received "Platinum Kurumin Certification" in recognition of its high-level efforts as a "childcare support company."

Human rights initiatives

NSD supports international norms on human rights stipulated in the UN's International Bill of Human Rights and the International Labour Organization's ILO Declaration on Fundamental Principles and Rights at Work. In compliance with laws and regulations, we respect the basic labor rights of workers to act collectively, bargain collectively, and the right to organize. At any time in or outside of the workplace, we will not engage in any behavior or make any remark that violates human rights, and we will not discriminate on the basis of gender, sexual orientation, age, educational background, race, ethnicity, nationality, ideology, beliefs, or physical, intellectual, or mental disability. In addition, we do not tolerate forced labor or child labor under any circumstances. In order to engage in procurement that takes human rights into consideration throughout the entire supply chain, we have established our Sustainability Procurement Guidelines which we encourage all our business partners to understand and implement.

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 various guidelines and laws, such as Japan's Proper Transactions Act and Temporary Staffing Services Act. 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 a work environment that is comfortable and offers 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.

Social Initiatives

Contributing to Society

Developing talent in IT for the future

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

Sponsor of the All Japan KOSEN Programming Contest

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 generative AI education support for elementary, junior high, and high schools nationwide to improve IT education for children

NSD has been supporting a project that provides educational program "Generative AI Course," that supports children to develop the ability to safely and appropriately utilize generative AI in school classes, undertaken by the non-profit organization, Code for Everyone,* since FY2024. In FY2026, this project aims to provide this educational program free of charge to elementary, junior high, and high schools nationwide, supporting education on generative AI so that children living in the AI era can become "responsible users" of information technology. 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 technology education, and works to bridge the gap in information education for children.

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.

Support for people with disabilities

As part of our efforts to realize an inclusive society where diverse human resources can thrive, NSD supports the creation of employment opportunities through special subsidiary companies and the holding of sports events for people with disabilities.

NSD Onepiece initiatives

NSD Onepiece Co., Ltd. is a special subsidiary company of NSD 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.





Sponsoring ski competitions for people with disabilities

As part of our sustainability management efforts aiming for sustainable growth alongside society, we support ski competitions for people with disabilities. In FY2025, we sponsored the 28th All-Japan Para Cross-Country Ski Championship, which aims to "contribute to the realization of an inclusive society where everyone connects and supports one another regardless of disability," as well as the 4th All-Japan Intellectual Disability Ski Competition, whose stated purpose is to "foster the personal growth and self-esteem of participating athletes and to promote the importance of inclusive education."

Social Initiatives

Contributing to local communities

Regional revitalization initiatives

In addition to our main offices in Tokyo, Osaka, Nagoya, and Fukuoka, NSD is branching out into regional areas, having opened offices in Sendai and Hiroshima in 2022, and in Sapporo in 2026. 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.

- Sabae City's promotion project for IT education
- Hiroshima City's support project for universities developing human resources who contribute to the local society
- 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.

Support for creating environments where children can experience cutting-edge technology

Through donations to Code for Everyone, an NPO that supports IT education for children, shareholders can help to provide an environment where all children from many different families and economic backgrounds can come into contact with cutting-edge technology free of charge.



Supporting the operations of children's cafeterias

Through donations to the Nationwide Children's Cafeteria Support Center, Musubie, a Certified Nonprofit Corporation that helps run children's cafeterias, shareholders can help to provide a warm space with free or inexpensive nutritious meals, as well as opportunities for people of wide range of ages to eat together.

Supporting a decarbonized society to prevent global warming

Through donations to a certified NPO organization, Kiko Network, shareholders can help to support building a sustainable, safe, secure, and happy decarbonized society as well as climate change research and proposals, energy efficiencies and renewable energy promotions, campaign activities, and community revitalizations.

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.

Activities of the Board of Directors

During FY2025, the Board of Directors held 15 meetings. Attendance and major matters subject to discussion and reporting were as follows.

Attendance

Name	Position*1	Attendance
Yoshikazu Imajo	President & CEO	15/15
Hidetaka Kikawada	Director, Senior Managing Executive Officer	15/15
Osamu Yamoto	Director, Senior Managing Executive Officer	15/15
Mayuko Miike*2	Director, Executive Officer	11/11
Yuriko Kajiwara	Directors (Outside Director)	15/15
Atsuhiro Kawamata	Directors (Outside Director)	15/15
Kumiko Jinnouchi	Directors (Outside Director)	15/15
Toru Takeuchi	Directors (Outside Director)	15/15
Kiyokimi Yagi	Full-Time Audit & Supervisory Board Member	15/15
Kunio Kawa	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	15/15
Chieko Nishiura	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	15/15

∗1: Positions listed are those held as of March 31, 2026, the end of fiscal year 2025.
∗2: Ms. Mayuko Miike was appointed as a new director at the 56th Ordinary General Meeting of Shareholders held on June 25, 2025.
∗3: Mr. Hideshi Maekawa, who retired as Director and Senior Managing Executive Officer upon the conclusion of the 56th Ordinary General Meeting of Shareholders held on June 25, 2025, attended all four Board of Directors meetings for which attendance was required.

Major matters discussed and reported

Management and finance

- Matters concerning management strategies and financial forecasts
- Investment policy and financing plans
- Matters concerning investment
- Matters concerning Group risk management
- 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

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 FY2025, 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 overall evaluation has improved compared to the previous fiscal year and that the effectiveness of the Board of Directors as a whole has been ensured.

Conducted questionnaire survey among all members of the Board of Directors (including Audit & Supervisory Board members)

↓

Conducted individual evaluations based on the survey results

↓

Shared and discussed evaluation results at the Board of Directors meetings

↓

Implemented initiatives to further improve effectiveness, based on the evaluation results

Key matters in questionnaire	● 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
Overview of FY2025 evaluation results	Overall evaluation improved compared to the previous fiscal year ● Management strategy ● Group companies' management and risk management ● Check-and-balance functions among members ● Objective and multifaceted examination
Issues for FY2026	● Promoting even more constructive discussions regarding management strategies and other initiatives in accordance with the Medium-Term Management Plan, in light of recent changes in the business environment, such as the rise of AI

Governance Initiatives

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 (FY2025 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)	215 (37)	134 (37)	45 (—)	35 (—)	9 (4)
Audit & Supervisory Board members (Outside Audit & Supervisory Board members)	30 (14)	30 (14)	—	—	3 (2)
Total	245	165	45	35	12

∗1: Director remuneration does not include salary paid to directors who serve concurrently as employees.
∗2: Fixed remuneration is the amount of base remuneration paid during the fiscal year ended March 31, 2026, 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.
∗3: As of March 31, 2026, 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, 2026 because it includes one Director who retired due to expiration of his term of office at the conclusion of the 56th Ordinary General Meeting of Shareholders held on June 25, 2025.

Governance Initiatives

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. 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 the increasingly diverse and complex nature of business activities, it is becoming even more important to foster awareness of legal compliance among employees and increase their compliance literacy. Toward this end, we are working to enhance our training and awareness program on compliance.

Compliance training

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

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

Compliance and workplace harassment hotlines

From the standpoint of ensuring the effectiveness of our compliance structure and in an effort to prevent compliance violations and harassment in the workplace, NSD has established a compliance hotline and harassment hotline allowing all individuals involved in the NSD Group's operations, including officers, employees, and business partners, to submit a report or share a concern without fear of reprisal. Each hotline has both internal and external (law office) contact points, providing an environment where reports or consultations can be made without hesitation.

Ensuring fair trade and preventing corruption

Ensuring fair trade

The NSD Group Code of Conduct and NSD Group Behavioral Guidelines both require that our actions abide by correct corporate ethics and comply with relevant laws and regulations, including Japan's Unfair Competition Prevention Act and Antimonopoly 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 SME Transactions 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 FY2025.

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

In today's society, where the use of cutting-edge technologies such as AI is expanding, 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 security incidents, such as leaks and unlawful disclosure of information and the unintentional flow of data into AI systems, as serious risks to corporate management, we strive to safely and securely handle information assets and to maintain rigorous data governance that addresses the latest threats, 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 conventional information leaks caused by hackers, ransomware and organized cyberterrorism targeting infrastructure functions have become major risks in recent years.

In light of these advanced security risks, we regularly conduct comprehensive vulnerability assessments through a specialized third-party and strive to eliminate potential risks. Furthermore, we are enhancing measures against targeted attacks and strengthening capabilities such as firewalls and intrusion prevention systems (IPS), while also optimizing endpoint security and access control.

To combat increasingly sophisticated, targeted email attacks, we are working to build a "human firewall" (a human defense layer) by raising employee security awareness through initiatives such as education, in conjunction with strengthening technical defenses.

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

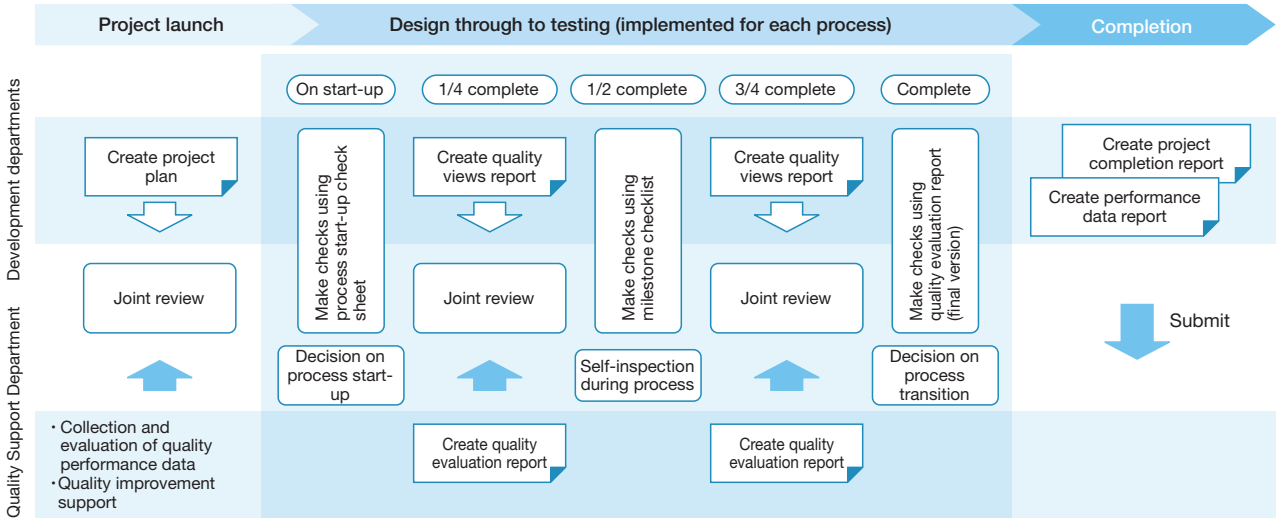
As part of our efforts for process improvement, we have established an NSD standard process, which is being rolled out across the Company.

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



Governance Initiatives

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

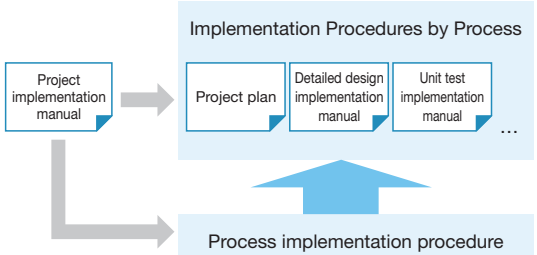
We are promoting utilization at development sites by tailoring* to suit the characteristics of each project.

*: 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 PMP®, which we encourage the employees to become certified.

Furthermore, the 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: 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



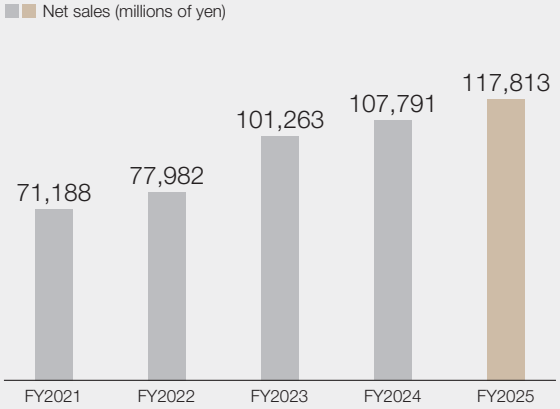
Data Collection

- Financial and Non-Financial Highlights P.76
- Financial and Non-Financial Data P.78
- Solution List P.82
- Company Information P.84

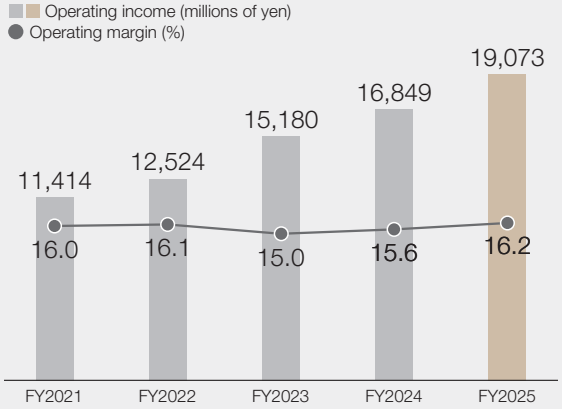
Financial and Non-Financial Highlights

Financial Highlights (Consolidated)

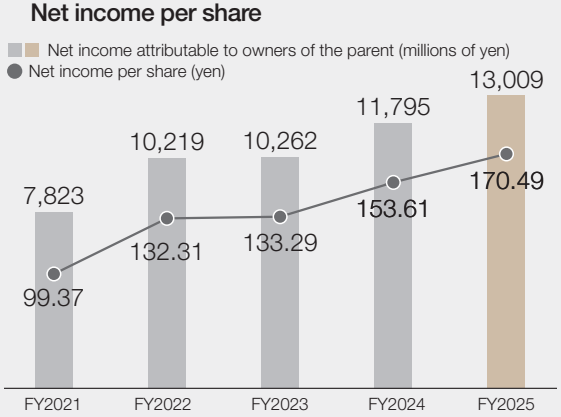
Net sales



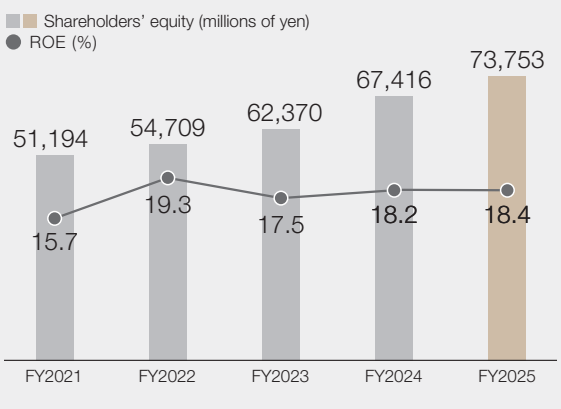
Operating income / Operating margin



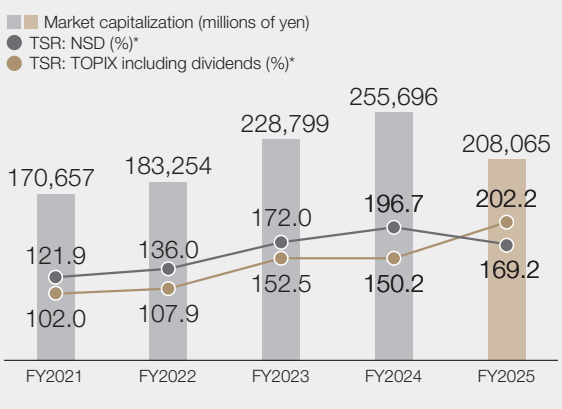
Net income attributable to owners of the parent / Net income per share



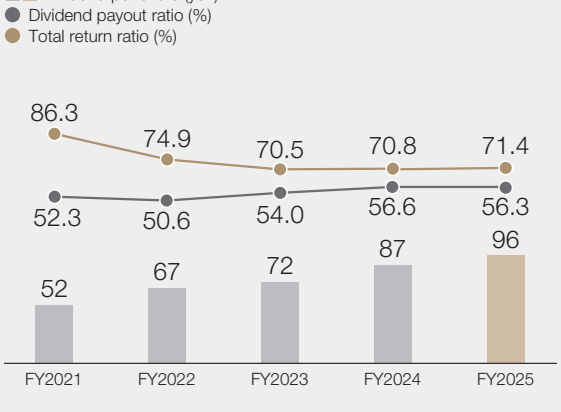
Shareholders' equity / Return on equity (ROE)



Market capitalization / Total shareholder return (TSR)



Shareholder returns

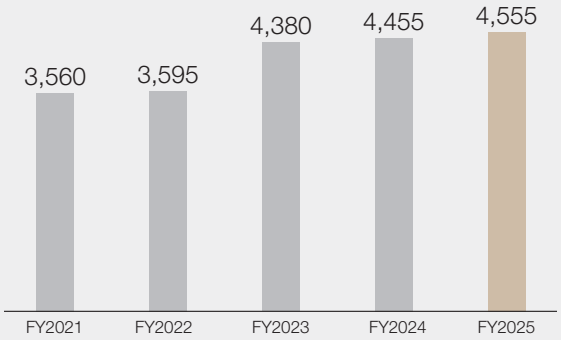


*: Total shareholder return is the total return, including dividends and capital gains, and is calculated with the stock price at the end of FY2020 as a base of 100%.

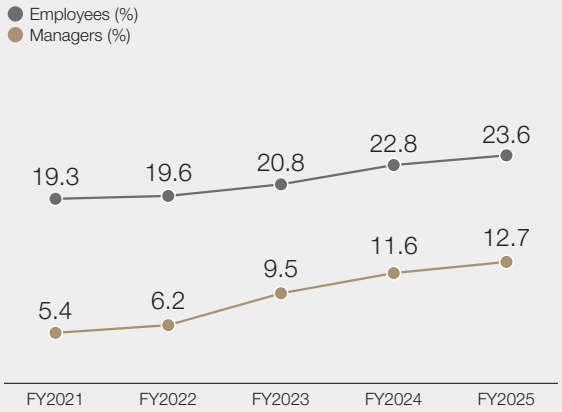
Financial and Non-Financial Highlights

Non-Financial Highlights (Non-consolidated)

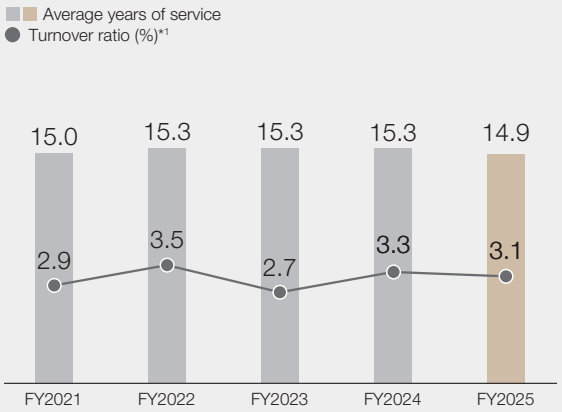
Employees



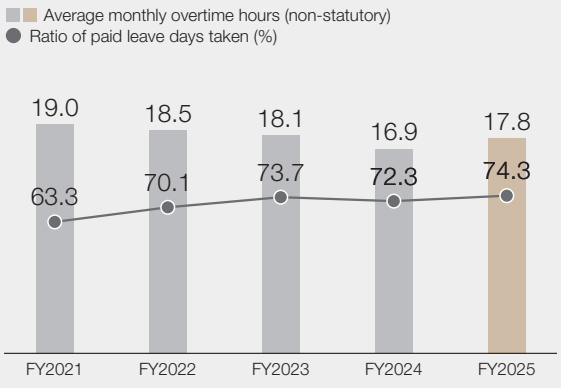
Female ratios



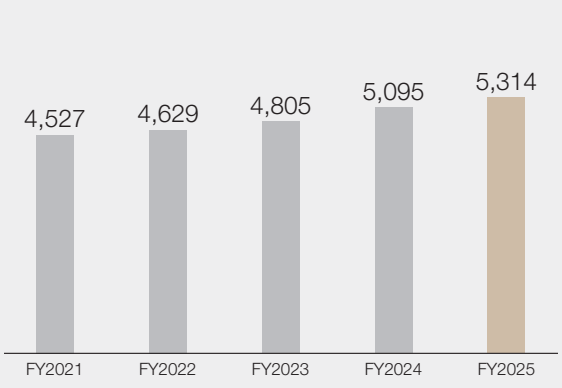
Average years of service / Turnover ratio



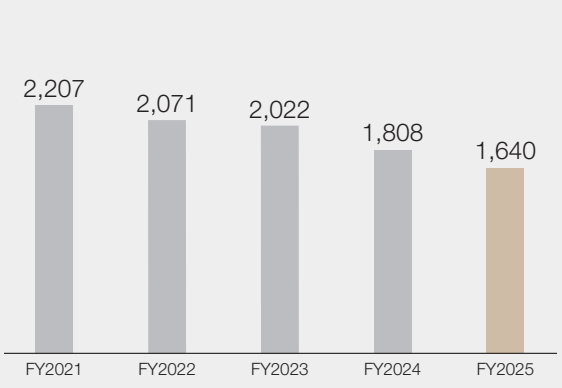
Average monthly overtime hours (non-statutory) / Ratio of paid vacation days taken



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: 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.
∗3: These figures are calculated for NSD and its subsidiaries 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).

Financial and Non-Financial Data

Key Financial Data (Consolidated)

(millions of yen)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Operating Results										
Net sales	55,234	58,080	61,944	65,063	66,184	71,188	77,982	101,263	107,791	117,813
Cost of sales	43,762	46,172	48,780	51,118	52,145	55,350	60,431	76,302	80,257	87,989
Gross profit	11,472	11,907	13,164	13,945	14,038	15,837	17,550	24,961	27,534	29,824
Selling, general, and administrative expenses	4,298	3,989	4,509	4,400	4,195	4,422	5,025	9,781	10,684	10,751
Operating income	7,173	7,918	8,654	9,545	9,842	11,414	12,524	15,180	16,849	19,073
EBITDA (Operating income + Amortization of goodwill + Depreciation)	7,666	8,470	9,355	10,208	10,509	12,156	13,351	17,751	19,472	21,596
Ordinary income	7,300	8,119	8,756	9,661	9,955	11,654	12,662	15,340	17,038	19,326
Net income attributable to owners of the parent	4,543	5,368	5,817	6,314	6,373	7,823	10,219	10,262	11,795	13,009
Orders received (System Development Business)	43,778	46,415	48,999	58,916	59,817	67,640	72,411	87,239	95,585	103,794
Order backlog (System Development Business)	8,460	9,423	10,068	13,175	13,895	17,581	19,830	21,901	25,093	28,782
Profitability Indices										
Gross profit margin (%)	20.8	20.5	21.3	21.4	21.2	22.2	22.5	24.6	25.5	25.3
Operating margin (%)	13.0	13.6	14.0	14.7	14.9	16.0	16.1	15.0	15.6	16.2
EBITDA margin (%)	13.9	14.6	15.1	15.7	15.9	17.1	17.1	17.5	18.1	18.3
Ratio of net income to net assets attributable to NSD shareholders (ROE) (%)	10.8	12.1	12.6	13.8	13.7	15.7	19.3	17.5	18.2	18.4
Ratio of ordinary income to total assets (%)	14.7	15.5	15.9	17.6	17.6	19.0	19.3	19.8	19.3	20.6
Financial Position										
Current assets	37,073	34,425	35,819	39,654	44,068	48,206	55,119	50,121	54,432	59,995
Non-current assets	13,836	19,621	20,058	14,230	15,390	15,067	13,040	36,284	36,052	37,446
Total assets	50,910	54,046	55,878	53,885	59,458	63,274	68,159	86,405	90,485	97,442
Current liabilities	6,525	7,392	7,701	7,820	8,823	9,435	11,123	14,547	14,725	15,278
Non-current liabilities	407	640	830	1,086	1,461	1,994	1,577	7,825	7,507	7,364
Total liabilities	6,932	8,033	8,532	8,907	10,284	11,429	12,701	22,373	22,233	22,642
Net assets	43,977	46,013	47,345	44,978	49,173	51,844	55,458	64,032	68,252	74,799

Financial and Non-Financial Data

Key Financial Data (Consolidated)

(millions of yen)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Per Share Indices*1										
Net income per share (EPS) (yen)	52.90	63.38	69.65	78.21	80.10	99.37	132.31	133.29	153.61	170.49
Net assets per share (yen)	505.34	537.08	566.36	557.46	613.71	657.57	711.73	811.26	881.67	971.43
Annual dividend per share (yen)*2	22	26	30	46	42	52	67	72	87	96
Capital Expenditure, Depreciation & Amortization and Research & Development Expenses										
Capital expenditure	295	213	314	553	689	560	390	566	841	1,200
Depreciation & amortization	424	443	468	427	423	492	490	1,287	1,167	1,210
Research & development expenses	147	65	157	155	118	184	190	236	501	383
Cash Flows										
Cash flows from operating activities	5,115	6,457	5,461	6,764	8,157	7,244	10,067	12,188	12,298	16,156
Cash flows from investing activities	1,500	-5,822	-412	4,285	-658	-377	6,018	-17,849	904	-3,084
Cash flows from financing activities	-2,692	-3,321	-4,556	-8,569	-3,628	-6,146	-7,574	-5,770	-10,272	-10,517
Free cash flow	6,615	634	5,048	11,050	7,499	6,867	16,085	-5,661	13,202	13,071
Cash and cash equivalents at end of period	24,875	22,168	22,681	25,172	29,029	29,757	38,297	26,987	29,903	32,491
Shareholder Returns*2										
Dividend payout ratio (%)	41.6	41.0	43.1	58.8	52.4	52.3	50.6	54.0	56.6	56.3
Total return ratio (%)	63.7	66.3	77.1	137.5	67.7	86.3	74.9	70.5	70.8	71.4
Stock Price Indicators										
Year-end stock price (yen)	804.0	1,085.5	1,288.5	1,440.0	1,841.0	2,192.0	2,384.0	2,976.0	3,344.0	2,740.5
Market capitalization	69,009	91,693	106,697	114,789	145,822	170,657	183,254	228,799	255,696	208,065
Price-to-book-ratio (PBR)(x)	1.59	2.02	2.28	2.58	3.00	3.33	3.35	3.67	3.79	2.82
Price-earnings-ratio (PER)(x)	15.20	17.13	18.50	18.41	22.98	22.06	18.02	22.33	21.77	16.07
Total shareholder return (TSR) (%)*3	—	—	—	—	—	121.9	136.0	172.0	196.7	169.2
Comparison index: TOPIX including dividends (%)	—	—	—	—	—	102.0	107.9	152.5	150.2	202.2

∗1: In the event of a stock split, etc., per share indices are calculated based on the number of shares as of the end of the most recent fiscal year.
∗2: The 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 FY2020 as a base of 100%.

Financial and Non-Financial Data

Key Financial Data (Consolidated)

(millions of yen)

	FY2022	FY2023	FY2024	FY2025
By Segment[*4]				
Net sales				
System Development Business	70,838	87,038	92,968	100,857
Financial IT	24,561	30,921	32,487	35,073
Industry IT	17,322	23,939	25,635	28,286
Social Infrastructure IT	18,157	20,306	22,441	24,200
IT Infrastructure Construction	10,797	11,870	12,403	13,296
Solution Business	7,302	14,555	15,411	17,720
Adjustment	-159	-330	-588	-764
Total	77,982	101,263	107,791	117,813
Operating income				
System Development Business	12,332	14,690	16,792	18,253
Financial IT	4,546	5,739	6,326	6,774
Industry IT	2,425	2,931	3,746	4,410
Social Infrastructure IT	3,458	3,963	4,552	4,759
IT Infrastructure Construction	1,902	2,055	2,167	2,309
Solution Business	560	870	772	1,488
Adjustment	-368	-380	-715	-668
Total	12,524	15,180	16,849	19,073
DAS Business[*5]				
Net sales	27,878	44,209	49,702	57,578

(millions of yen)

	FY2022	FY2023	FY2024	FY2025
System Development Business (By Industry)[*6]				
By customer industry				
Finance	26,153	33,029	35,054	37,624
Service	11,891	15,390	16,133	16,522
Manufacturing	9,250	11,485	11,833	13,885
Telecommunication	5,575	6,384	6,853	7,871
Transportation	6,075	6,256	6,493	6,638
Commerce	3,300	4,315	3,851	4,323
Public	5,187	5,774	7,822	8,410
Electricity, Gas, Water	866	1,767	2,136	2,415
Construction	1,146	1,326	1,541	1,596
Others	1,248	989	672	818
Total	70,695	86,721	92,392	100,106
Breakdown of Financial sector				
Major Banks	9,669	12,700	14,163	15,862
Other Banks	3,018	2,847	3,299	3,417
Insurance Companies	8,867	11,080	10,884	10,959
Securities Companies	1,315	1,689	1,995	2,294
Credit Card Companies	2,053	3,274	3,450	3,674
Others	1,228	1,437	1,261	1,415
Total	26,153	33,029	35,054	37,624
Solution Business (By Solution Category)[*6]				
Medical / Healthcare	—	6,163	6,128	6,708
Human Resource	2,222	1,809	1,872	2,003
Logistics	694	817	756	865
Shareholder Relation Services	969	1,136	1,341	1,861
RFID	—	868	1,122	909
Security	1,023	1,266	1,688	2,563
Others	2,377	2,480	2,487	2,795
Total	7,286	14,542	15,398	17,707

∗4: Figures include sales and incomes between segments.
∗5: The DAS Business refers to System Development Business aimed at DX, System Development Business leveraging AI and other new technologies, and the Solution Business.
∗6: Figures based on external sales.

Financial and Non-Financial Data

Key Non-Financial Data (Non-Consolidated)

	FY2021	FY2022	FY2023	FY2024	FY2025
Personnel					
Number of employees (consolidated)	3,560	3,595	4,380	4,455	4,555
Male	2,830	2,826	3,311	3,324	3,366
Female	730	769	1,069	1,131	1,189
Number of employees (non-consolidated)	3,106	3,109	3,133	3,256	3,305
Male	2,506	2,499	2,481	2,514	2,525
Female	600	610	652	742	780
Ratio of female employees (%)	19.3	19.6	20.8	22.8	23.6
Ratio of female managers (%)	5.4	6.2	9.5	11.6	12.7
Number of new graduate hires	129	130	150	155	155
Male	83	88	80	83	78
Female	46	42	70	72	77
Ratio of women in new graduate hires (%)	35.7	32.3	46.7	46.5	49.7
Number of mid-career hires	20	18	35	34	47
Male	11	16	23	22	35
Female	9	2	12	12	12
Turnover ratio (%)*7	2.9	3.5	2.7	3.3	3.1
Average age	39.3	39.4	39.4	39.5	39.2
Average years of service	15.0	15.3	15.3	15.3	14.9
Male	16.1	16.3	16.5	16.8	16.5
Female	10.6	10.9	10.7	10.5	10.2
Average salary (yen)	6,515,058	6,714,129	6,960,512	7,167,716	7,509,985
Average monthly overtime hours (non-statutory)	19.0	18.5	18.1	16.9	17.8
Number of paid leave days taken	12.4	13.7	14.4	14.1	14.5
Ratio of paid leave days taken (%)	63.3	70.1	73.7	72.3	74.3
Number of employees taking childcare leave	37	36	48	58	52
Male	17	17	25	38	34
Female	20	19	23	20	18
Ratio of employees taking childcare leave (%)	43.5	48.7	64.9	75.3	82.5
Male	26.2	30.9	49.0	66.7	75.6
Female	100	100	100	100	100
Ratio of employees returning from childcare leave (%)	95.7	97.3	97.3	98.2	98.2
Number of employees working reduced hours due to childcare	100	103	97	105	102
Number of employees using the family care leave system	3	0	1	3	1
Number of employees using the short-term family care leave system	3	4	4	4	3
Number of employees working reduced hours due to family care	2	2	1	1	1
Number of IT credential holders*8	4,527	4,629	4,805	5,095	5,314

	FY2021	FY2022	FY2023	FY2024	FY2025
Environment					
CO_2 emissions (Scope1) (t-CO2)*9	508	501	478	558	569
CO_2 emissions (Scope2) (t-CO2)*9	1,699	1,570	1,544	1,250	1,071
CO_2 emissions (Scope3) (t-CO2)*9	36,959	40,828	46,155	50,068	54,571
Electricity consumption (kWh)	3,782,126	3,688,318	3,836,856	3,857,433	3,900,678
Governance					
Number of female directors	1	1	1	2	3
Ratio of female directors (%)	16.7	14.3	14.3	25.0	37.5
Number of independent outside directors	3	3	3	4	4
Ratio of independent outside directors (%)	50.0	42.9	42.9	50.0	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

∗7: The turnover ratio is calculated excluding mandatory retirements, transfers, etc.
∗8: 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.
∗9: 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).

Solution List

AI/DX Solutions

AI

BizInsight

RAG-equipped private generative AI platform fully utilizing in-house data

- Platform that can be used safely for both on-premise and cloud computing, and has functions necessary to utilize generative AI
- Provide applications that can be used immediately without specialized knowledge of generative AI
- Respond to development of customer-specific RAG and generative AI applications

AI

Quick Digest

AI-powered meeting minutes tool to make meeting minutes information asset

- Record every detail of a meeting with recording functions and transcription
- AI automatically formats transcription results into easy-to-read texts
- As all minutes created within an organization can be viewed, you can know details of meetings you did not attend

AI

TeA-L/Right

Hand-washing judgment system checked by AI

- Through image analysis using AI, correct hand washing is checked and practiced habitually, and thorough hygiene management is realized
- All hand-washing results can be recorded and stored, which are available as evidence for hygiene management check
- Equipped with AI learning functions as standard, enabling customers to follow their own hand-washing procedures

Tracking Navi

Traffic analysis tool for factories, warehouses, plants, and construction sites

- Support business and productivity improvement by visualizing three aspects, worker operation status, unnecessary travel, and crowded areas
- Data can be sent to Cloud and aggregated in real time just by having workers carry smartphones
- Can be used immediately without installation work

Security

eTransporter

Secure file-sharing system

- Ensure large files and highly confidential information can be sent and received securely
- Can also be linked with email, encryption, and traceability solutions, supporting customers not only with file transmission, but also additional value-added functions

Shareholder Relation Services

GoodP

Outsourcing service for shareholder benefit operations

- Support from planning of shareholder benefits to placing and receiving orders for preferential products and responding to inquiries from shareholders
- Realize a shareholder benefit service in which shareholders can select their favorite products from web site, etc., using benefit points granted according to the number of shares held and a holding period

RFID

Okudake Board

RFID Board for collecting process performance data in manufacturing, etc.

- Accurately collect data on which process workers started from and who worked how long, by simply placing a card on a RFID reader connected to Okudake Board

Solution List

Medical / Healthcare

clevia
Integrated computer system for dental clinics

- "Easily" create "accurate" electronic medical records through standard medical record entry procedures
- Provide online backups and version upgrades
- Both online and electronic media billing can be handled by a single server

STEP Series
Dialysis treatment support systems

- Support dialysis orders, patient authentication at reception, monitoring of dialysis information, and creation of dialysis records, etc.
- Linkage with electronic medical records and identification by biometrics are available

ePower/CLIP
Incident report creation support service

- Effectively support from preparation of reports on accidents that occurred in healthcare settings, to relevant analyses and formulation of countermeasures
- Application as part of an electronic medical record and quick information sharing through e-mail distribution functions, etc. are possible

CAReNA
Remote health support service using smartphone app

- Based on health data (weight and blood pressure, etc.) entered by users through smartphones, medical experts provide advice and recommended exercise menus with videos
- Support corporate health management measures and health guidance by health insurance associations

Gluketto
Service using visualization of blood sugar trends to improve living habits

- Record a person's daily blood sugar levels using a measurement device to visualize the relationship with living habits
- Inform users about how blood sugar readings are affected by their daily eating routine to support them in making changes and improving their living habits
- Can be used for health measures of companies and health insurance associations, such as specific health guidance

Human Resource

Job Suite
One stop solution service in the human resources field

- Provide a number of one-stop solutions in human resources, from creation of recruitment websites and recruitment marketing using advertisements to progress management involving the selection of new graduate and mid-career recruits.

ORDIA®
Package system for core business management specialized in staffing services

- Can collaborate with various peripheral systems such as staff management and accounting systems, which are industry-specific operations
- Full-time personnel familiar with staffing services support from system operation to business improvement

Logistics

MIMERIT
Business warehouse management solutions for inventory control of products and billing

- Assist companies with detailed management functions such as individual product identification and traceability required for quality assurance.
- Can provide solutions tailored to customers' needs through external coordination functions with equipment necessary for logistics operations and diverse fee structures

Corporate Data

Corporate Data

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)	4,555

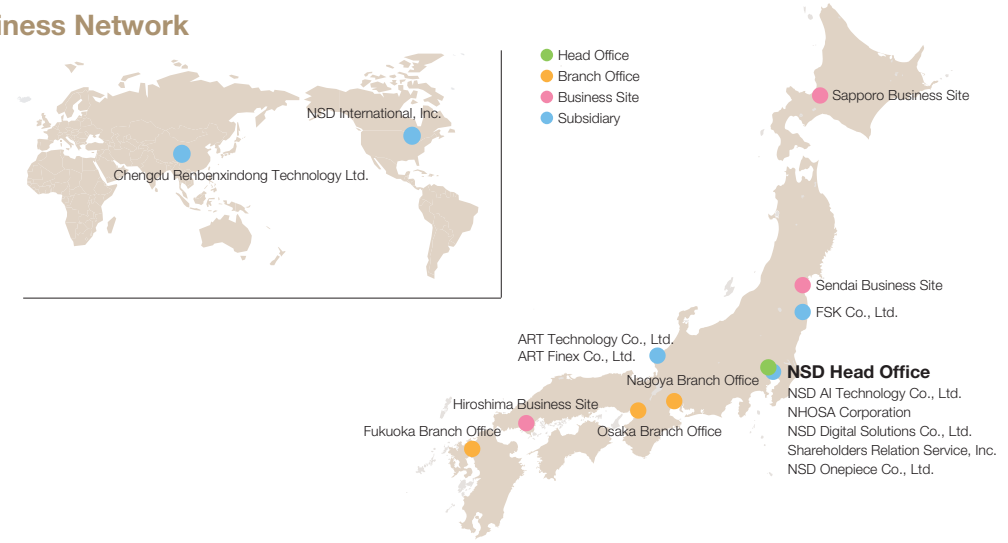
Offices

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
Sapporo Business Site	Daido Life Sapporo Building, 3-1, Kitasanjonishi, Chuo-ku, Sapporo-shi, Hokkaido, Japan
Sendai Business Site	AER, 1-3-1 Chuo, Aoba-ku, Sendai-shi, Miyagi, Japan
Hiroshima Business Site	HIROSHIMA TRAIN VERT BUILDING, 1-2-22 Kamiyacho, Naka-ku, Hiroshima-shi, Hiroshima, Japan

Group Companies

Company name	Address	Business lines
NSD AI Technology Co., Ltd.	Chiyoda-ku, Tokyo	Support for survey research and demonstration experiments using AI-related technologies, planning of services and products in the AI field, and demonstration of concept models
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	Provide services ranging from system development and sales to 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
NSD Digital Solutions 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 operating in the United States
Chengdu Renbenxindong Technology Ltd.	Chengdu, China	Offshore development services and operation systems development for Japanese companies operating in China

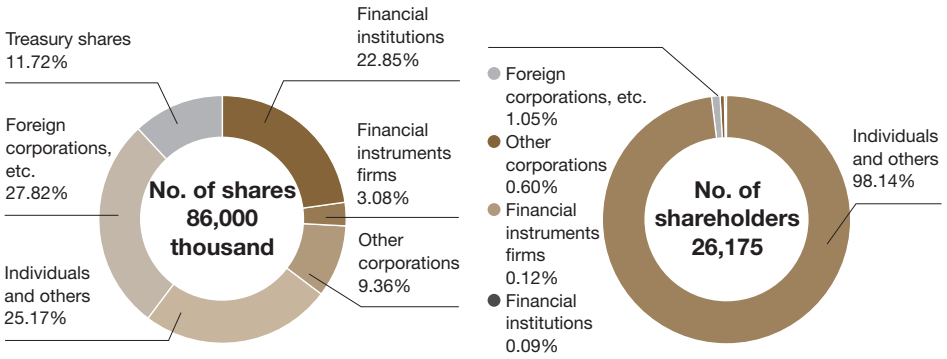
Business Network



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
No. of shareholders	26,175
Administrator of shareholder registry	Mitsubishi UFJ Trust and Banking Corporation

Shareholder Distribution by Type



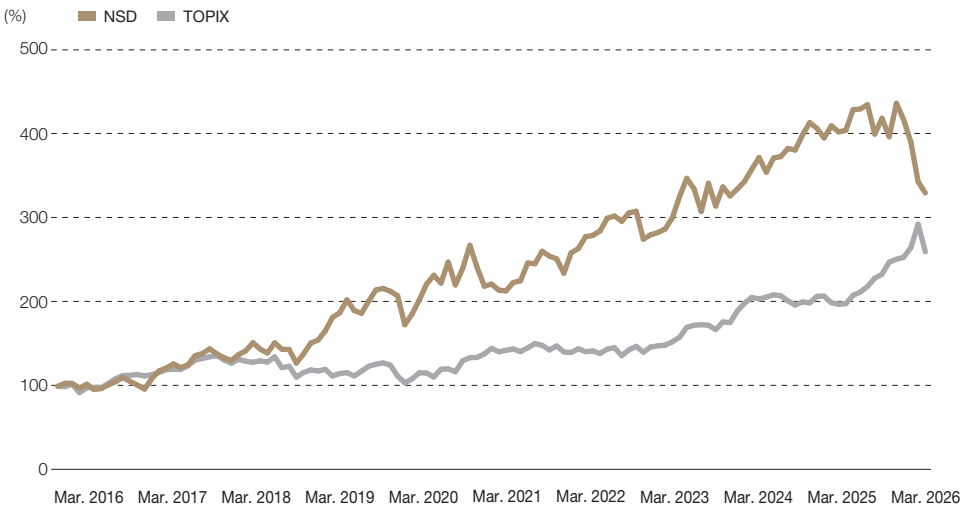
Major Shareholders (Top 10)

Name	Number of shares held (thousands)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	10,058	13.24
NORTHERN TRUST CO.(AVFC) RE FIDELITY FUNDS	3,254	4.28
Custody Bank of Japan, Ltd. (Trust account)	3,184	4.19
IPC Co., Ltd.	2,579	3.39
Bigeast.co.,Ltd.	2,579	3.39
NSD Employee Stock Ownership Association	2,199	2.89
The Dai-ichi Life Insurance Company, Limited	2,070	2.72
STATE STREET BANK AND TRUST COMPANY 505001	2,018	2.65
Nippon Life Insurance Company	1,818	2.39
RBC IST 15 PCT NON LENDING ACCOUNT - CLIENT ACCOUNT	1,303	1.71

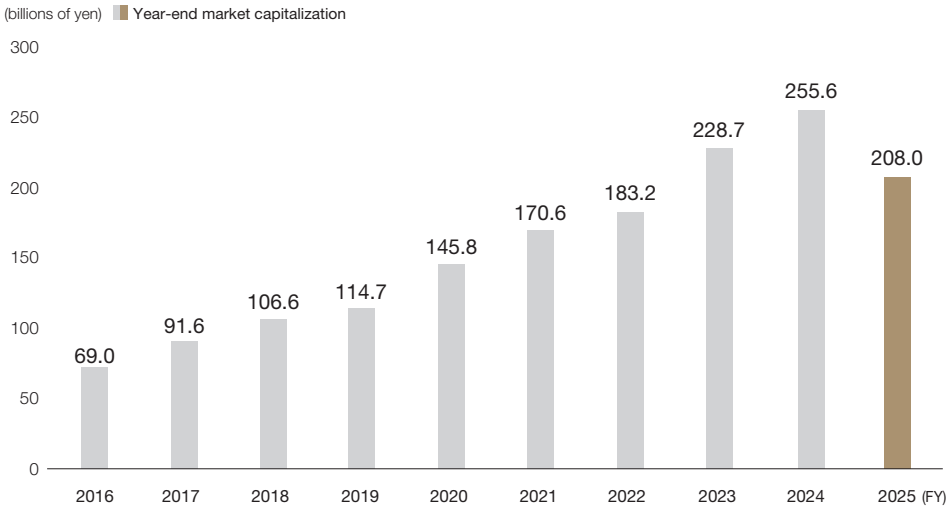
∗: Although the Company holds treasury stock (10,077 thousand shares), it is excluded from the above list of major shareholders.
∗: The ownership ratio is the ratio of the number of shares held to the number of issued shares (excluding treasury stock).
∗: Number of shares held less than 1,000 are rounded down, and ownership ratios are rounded down to the second decimal place.

Corporate Data

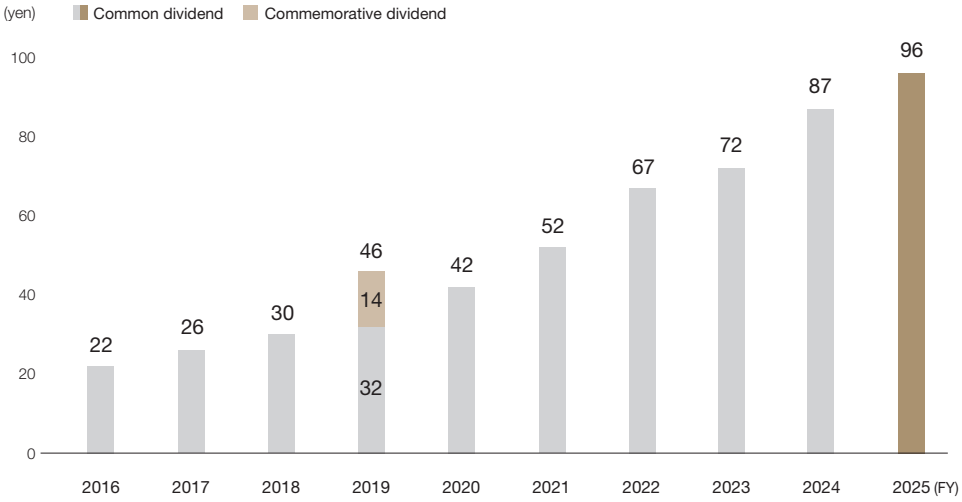
NSD Stock Price



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/**