Sustainability Management

Improving the effectiveness of sustainability management to contribute to a sustainable society and increase corporate value

Hideshi Maekawa
Director, Senior Managing Executive Officer
Head of Corporate Service Division
Head of Corporate Planning Division
In charge of Healthcare Business Division

The NSD Group's management philosophy is to contribute to the sound development of society by creating and providing solutions beneficial to people and society, while viewing coexistence and co-prosperity with employees, customers, and shareholders as the very essence of its corporate activities. Solving the varied and increasingly problematic social issues related to sustainability with the power of IT to help build a sustainable society is precisely the point of our management philosophy and is something we simply must do. To resolve these issues, the NSD Group has identified the following materiality items and is working to address them.

Firstly, as an IT company, we believe that it is our mission to leverage NSD's strengths in technological capabilities and wealth of business knowledge to solve not only our own issues but also those of our customers. We are therefore striving to solve social issues under the materiality item of social innovation with IT.

At the same time, since human resources are the most crucial asset for supporting these initiatives, we recognize that developing talent is also the most important materiality item. As such, we are developing diverse human resources into true professionals. In addition, we are actively working on employee health, job satisfaction, and diversity and inclusion. We are making every effort to create a workplace where diverse human resources can thrive with job satisfaction. For example, we are reducing overtime hours, we have a fair personnel system, and we are promoting the active participation of women in the workplace.

Environmental issues such as climate change and waste are also important issues, hence we are working to reduce the amount of power used in our offices, moving to a paperless office, and we are reusing and recycling our computers.
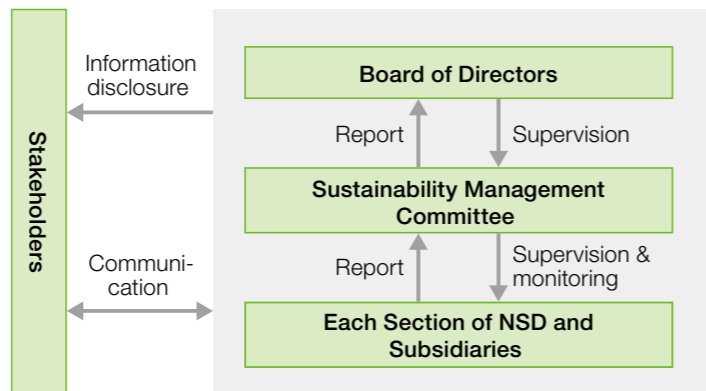
We also recognize that corporate governance and compliance are important foundations for corporate management. We will therefore cement these systems to build an unshakable management foundation.

Through our sustainability initiatives, the NSD Group will create new value needed to solve social issues, aiming for sustainable growth together with society as a Company that offers a "future for people and IT."

● Sustainability Management Structure

We have established the Sustainability Management Committee to oversee our sustainability activities.

General managers from departments within the Corporate Planning Division and Corporate Service Division serve as members of the committee, which is chaired by the President & CEO. The committee is responsible for gathering information, promoting cross-functional actions, as well as planning and implementing sustainability activities.

Stakeholders

Information disclosure →
Communication ↔

Board of Directors
↑ Report | Supervision ↓
Sustainability Management Committee
↑ Report | Supervision & monitoring ↓
Each Section of NSD and Subsidiaries

Sustainability Declaration

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

Sustainability Initiatives Implemented by NSD

E

● Environmentally friendly business activities such as the use of renewable energy

Target CO₂ Emissions

FY2030: 827t-CO₂e
(35% reduction compared to FY2020 levels)
FY2050: 356t-CO₂e
(72% reduction compared to FY2020 levels)

S

● Providing opportunities for skill development
● Promoting women's advancement in the workplace
● Creating a comfortable working environment that respects diversity
● Solving social issues by creating and providing solutions
● Taking on sustainability challenges together with business partners

Target Overtime hours
Maintain less than 20 hours

Target Ratio of paid vacation days taken
75% or more

Target Ratio of male with childcare leave
FY2025: 30% or more

Target Ratio of female employees
FY2025: 20% or more

Target Ratio of women in management positions
FY2030: 10% or more

G

● Highly effective supervision and transparent management decisions
● Business execution that leads to efficient and sustainable growth
● Fostering and enforcing an awareness around compliance

Materiality

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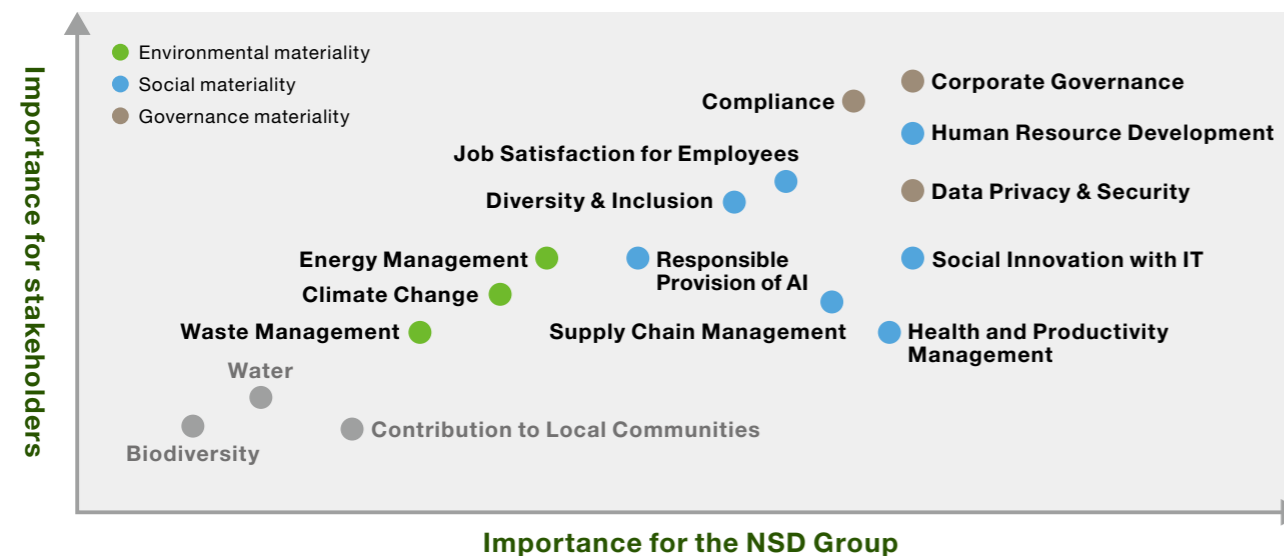
From among a wide range of ESG-related issues, we have identified materiality items based on the strengths of the NSD Group and industry characteristics and promote initiatives to effectively help build a sustainable society.

Materiality Identification Process

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

Step 1	List issues facing the NSD Group	Issues and the voices of each stakeholder (shareholders, customers, employees, etc.) that each department or affiliated company should deal with are identified by means of questionnaires and interviews.
Step 2	Create materiality proposal	While receiving advice from a third party (external expert), each materiality item is prioritized and organized in the form of a map. (See the Materiality Map below)
Step 3	Verify the validity of the materiality proposal	The Sustainability Management Committee takes the lead in discussing the validity of content and priorities of each item of materiality.
Step 4	Identify materiality	Final decision after deliberation by the Board of Directors. (See the NSD Group's Materiality on the next page)

● **Materiality Map**

- ● Environmental materiality
- ● Social materiality
- ● Governance materiality

Compliance
Corporate Governance
Job Satisfaction for Employees
Human Resource Development
Diversity & Inclusion
Data Privacy & Security
Energy Management
Responsible Provision of AI
Social Innovation with IT
Climate Change
Waste Management
Supply Chain Management
Health and Productivity Management
Water
Biodiversity
Contribution to Local Communities

Importance for stakeholders
Importance for the NSD Group

NSD Group's Materiality

	Materiality	Measures	
E	Climate Change Energy Management	● Thorough environmental management based on ISO 14001 ● Environmentally friendly initiatives	
	Waste Management	● Reducing waste by going paperless and recycling computers, etc.	
S	Human Resource Development	● Skills development through extensive training systems and practical guidance · Improving technical skills as engineers (from the basics to exploring advanced technologies) · Improving human skills as members of society	
	Health and Productivity Management	● Providing an environment where employees can work safely and in good health	
	Job Satisfaction for Employees	● Providing opportunities for employees to develop their skills ● Having a fair personnel system that rewards contribution	
	Diversity & Inclusion	● Steady rollout of initiatives for women's advancement in the workplace ● Creating a comfortable working environment that respects employee diversity	
	Supply Chain Management	● Encouraging equal and fair dealings with business partners ● Sharing and taking on sustainability challenges together with business partners	
	Social Innovation with IT	● Solving social issues by creating and providing solutions that use advanced technologies	
G	Corporate Governance	● A Board of Directors that supports highly effective supervision and transparent management decisions ● Officer remuneration system to support business execution that leads to efficient and sustained growth	
	Compliance	● Fostering and enforcing an awareness around compliance through regular training sessions ● Establishing a verification system to ensure fair trade and prevent corruption ● Preventing compliance violations, etc. by way of a whistleblowing hotline	
	Data Privacy & Security	● Improving employee literacy on information security ● Strengthening security through measures against cyberattacks, and vulnerability diagnostics, etc.	

Environmental Initiatives

NSD recognizes that the conservation of the earth's environment is one of the issues for management. In an effort to limit our impact on the environment, the NSD Group is working to reduce energy consumption and waste derived from our business activities in accordance with our Environmental Policy.
NSD will contribute to a better, more prosperous global environment in collaboration with our customers and business partners across various industries.

Environmental Policy

To create a sustainable society, the NSD Group will, in accordance with the Group's Sustainability Declaration, systematically and continuously work to conserve the earth's environment, including tackling the problem of climate change, helping to build a better, more prosperous global environment in collaboration with customers and business partners across various industries.

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

Climate Change & Energy Management

■ Tackling Climate Change

In order to address the increasingly serious issue of global climate change, NSD has positioned climate change and energy management as one of its material items, and is working to reduce greenhouse gas (CO_2) emissions by setting medium- to long-term targets in line with the framework of the Paris Agreement.
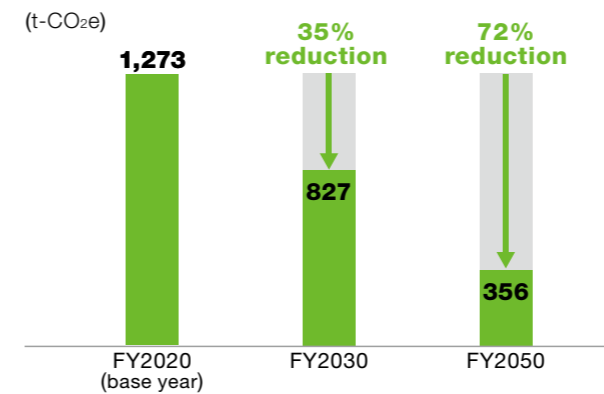
We conduct business with customers in a wide range of industries, and so we recognize the importance of predicting the impact that climate change, which brings more abnormal weather, storms and flood damage, will have on our business activities. Based on this understanding, we will analyze the risks and opportunities that climate change poses to our business and we will disclose all such information.

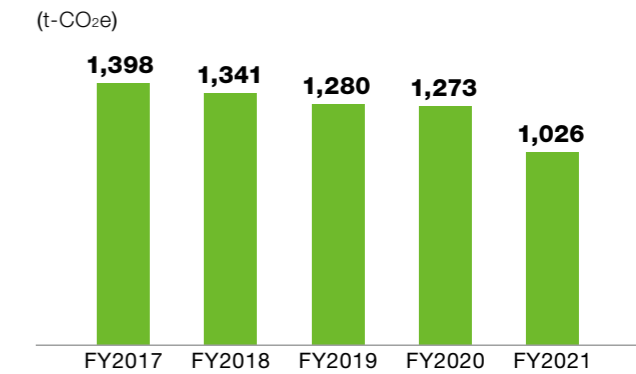### ■ Reducing Greenhouse Gas (CO_2) Emissions

Since NSD is mainly engaged in software development and does not have facilities, such as data centers, that use large amounts of energy, the Group's direct CO_2 emissions are very small. For this reason, we aim to reduce CO_2 emissions by attempting to cut down on the amount of electricity and air conditioning we use in our offices. As such, we have set and are working toward long-term targets of a 35% reduction by fiscal 2030, ending March 31, 2031, and a 72% reduction by fiscal 2050 (compared to fiscal 2020 levels).

CO_2 emissions in fiscal 2021 were 1,026 t-CO_2e, a 19.4% reduction compared to fiscal 2020 (base year) and down approximately 26.6% compared to fiscal 2017.

● CO_2 emissions reduction targets

(t-CO_2e)

FY2020 (base year)	FY2030	FY2050
1,273	35% reduction → 827	72% reduction → 356

● CO_2 emissions

(t-CO_2e)

FY2017	FY2018	FY2019	FY2020	FY2021
1,398	1,341	1,280	1,273	1,026

Note: CO_2 emissions calculation formula: Electricity consumption at each site x Emission factor at each site

■ Renewable Energy and LED Lighting

NSD has few in-house facilities with many of its offices rented in office buildings. Since it is difficult for us to introduce renewable energy and LED lighting by ourselves when implementing initiatives in our offices, we are making requests to the building management companies at each of our sites to switch to renewable energy CO_2-free energy tariffs and to change to LED lighting.

We have already switched to renewable energy power at our head office and Nagoya branch office.

LED lighting has also been installed at our head office, cutting the amount of lighting energy used by about half.

Waste Management

NSD has been working to reduce waste, mainly with the recycling of computers that are no longer used in its business. We recognize that the reuse and recycling of waste and resources through separation is one of the issues of conserving the environment.

We will continue to actively work to reduce waste by going paperless and through maintaining a 100% reuse/recycling rate of computers in order to reduce the impact our offices have on the environment.

Environmental Management System

In order to ensure our environmental initiatives are carried out, NSD has established an EMS* Promotion Team under the Sustainability Management Committee, led by the Chief General Manager of Corporate Service Division as Chief Environmental Officer. The EMS Promotion Team supervises the status of initiatives in each department of the Company and works to improve and enhance the Company's environmental measures by sharing information with customer and business partner contact points.

* Environmental Management System
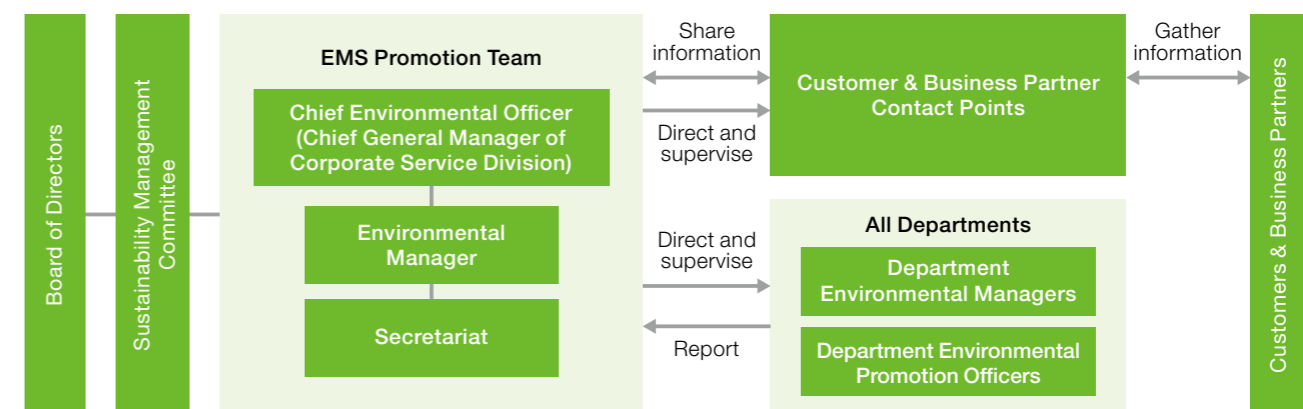
Social Initiatives

Recognizing that our employees are our greatest asset, NSD strives to; operate a fair personnel system that rewards contribution; provide ample and well-suited opportunities for skill development; create a comfortable working environment, and; create a workplace where diverse human resources can thrive with job satisfaction. These initiatives are being promoted not only within the Company but throughout the whole supply chain.
We are also aiming for coexistence and co-prosperity with society by actively engaging in social innovation and social contribution with IT.

Human Resource Development

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

In addition to such training programs, NSD nurtures employee growth through the practice of assigning the right person to the right job.

■ Training to Improve Technical Skills

NSD conducts training for employees based on their position and experience in the Company. The training is aimed at giving employees the basics of systems development and project management, including risk management training and drawing up project plans for systems development.

We also have some elective training programs so that employees can improve on their skills. This type of training seeks to provide employees with system development skills related to trends in technology, new technologies and digital transformation-related businesses, as well as the project management skills required for the respective roles and positions of the employee. In fiscal 2021, we conducted training on various topics such as Agile Development—Testing and Quality, and the Foundations of Web Application Development with Spring Boot. We also provide our employees with opportunities to participate in a variety of training programs, including external group training, SEcollege

(a course for system engineers), and e-learning courses.

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

* The PMI® ATP logo is a registered trademark of the Project Management Institute, Inc.
* PMP® is a registered trademark of the US-based Project Management Institute.

■ Training to Improve Human Skills

NSD conducts training for employees based on their position and experience in the Company to help them develop their human skills around the idea of becoming self-starters. Such training includes facilitation and coaching, vision formation, and strengthening value proposition capabilities. By combining these programs with on-the-job training to encourage employees in gaining the job knowledge and expertise as well as the skills specific to each workplace, we help support the growth of our employees with respect to every individual's unique characteristics.

We also conduct training on specific topics to foster an awareness of compliance issues, ensure a thorough understanding on information security, and improve leadership skills for junior employees.

Health and Productivity Management Initiatives

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

and implementing initiatives is the officer in charge of human resources. The Human Resources Department promotes health and productivity management in cooperation with the Healthcare Business Division and the NSD health insurance association.

● **Organizational structure for promoting health and productivity management**

■ Health promotion and disease prevention

NSD strives to help improve employees' lifestyle habits and health literacy, and prevent mental and physical illnesses.
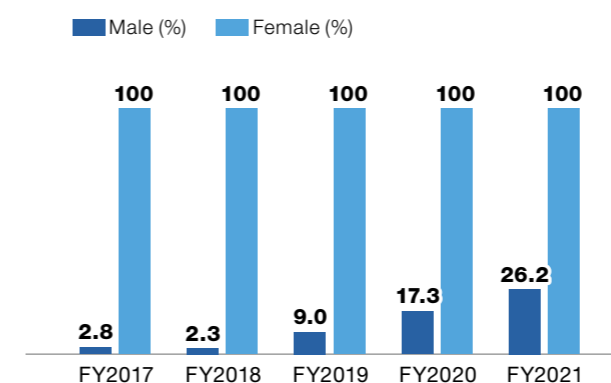
We have also put into place a consultation system staffed by industrial physician, health nurse and health staff of the Human Resources Department. Depending on the results of their health exam, an employee may undergo ongoing medical follow-up or may be encouraged to take more thorough examinations.

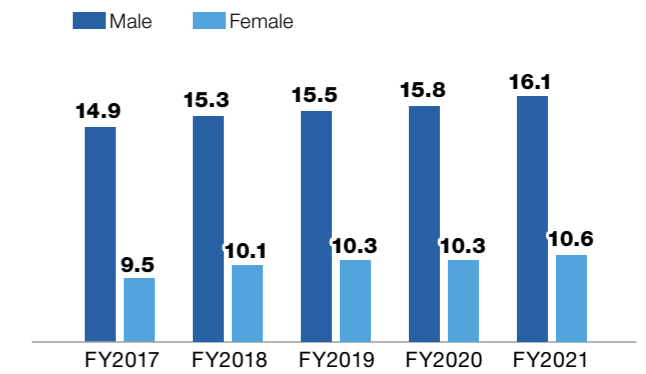### ■ Balancing work with childcare, nursing care and medical treatment

NSD has created a considerate system so that employees bringing up children can continue to work comfortably with peace of mind. As well as establishing a system that surpasses the requirements of Japanese law, such as allowing childcare leave to be extended until the end of April of the fiscal year following the date the child reaches the age of two, and allowing employees with children to work shorter hours until the child finishes elementary school, we provide support for employees returning to work and provide information even during childcare leave. We have established a corporate culture where employees can feel free to take childcare leave and NSD follows up with them when they return to work. As a result, the percentage of female employees taking childcare leave has been 100% since FY2000, when we began taking this statistic. We also encourage male employees to take childcare leave, with the number of male employees doing so, on the rise.

● **Ratio of employees taking childcare leave**

■ Male (%) ■ Female (%)

	FY2017	FY2018	FY2019	FY2020	FY2021
Male (%)	2.8	2.3	9.0	17.3	26.2
Female (%)	100	100	100	100	100

● **Trends in average years of service**

■ Male ■ Female

	FY2017	FY2018	FY2019	FY2020	FY2021
Male	14.9	15.3	15.5	15.8	16.1
Female	9.5	10.1	10.3	10.3	10.6

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 an environment where employees can continue to work, and as a result, the average years of service of both male and female employees have been increasing.
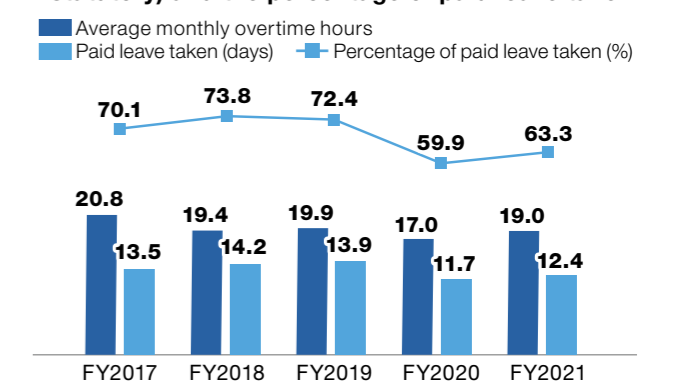
■ Reducing long overtime hours and creating an environment where employees can feel free to take paid leave

NSD aims to achieve average overtime hours of 20 hours or less and employees taking 75% or more of their paid leave. We strive to reduce overtime hours and create an environment where employees can feel free to take paid leave.

We allow employees to take half-day leave and take leave by the hour. We also provide leave for meritorious long service. We provide a variety of leave options so that each employee can take leave flexibly in ways that are convenient for them. As a result, employees took more than 70% of their paid leave from FY2017 to FY2019 (the government's target is 70% by 2020).

In FY2020 and FY2021, the percentage of paid leave taken by employees was below 70%, reflecting a reduction in the frequency of people going out and restrictions on everyday life due to the pandemic.

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

■ Average monthly overtime hours
■ Paid leave taken (days) — Percentage of paid leave taken (%)

	FY2017	FY2018	FY2019	FY2020	FY2021
Percentage of paid leave taken (%)	70.1	73.8	72.4	59.9	63.3
Average monthly overtime hours	20.8	19.4	19.9	17.0	19.0
Paid leave taken (days)	13.5	14.2	13.9	11.7	12.4

Diversity & Inclusion

NSD strives to create and maintain a comfortable working environment, creating a workplace where diverse human resources can play an active role with job satisfaction, regardless of gender, sexual orientation, age, educational background, race, ethnicity, nationality, ideology, beliefs, or physical, intellectual, or mental disability.

■ Efforts to promote women's advancement in the workplace

In order to promote the active participation of women in the workplace, NSD has set a target of increasing the ratio of female employees to 20% or more by fiscal 2025 and to 10% or more for women in management positions by fiscal 2030. Our recruitment activities are based on the policy of ensuring that at least 40% of all new graduates hired each year are women. Our aim is to increase the ratio of female talent, including in management positions as core to the Company's human resources, by increasing the ratio of female employees.

● Ratio of women

	2018	2019	2020	2021	2022
Employees (March 31)	16.7%	17.0%	17.6%	18.7%	19.3%
Managers (March 31)	1.2%	3.5%	3.5%	4.7%	5.4%

	2018	2019	2020	2021	2022
New graduate hires (joined April 1)	27.0%	30.9%	37.2%	35.7%	32.3%

As part of our efforts in recruiting new graduates, we provide opportunities for female students to come and speak with female employees of different age groups and careers helping to give them an idea of what their career could be like after joining the Company. We have also set up a page on our website introducing some of our female engineers and managers in an effort to provide more information.

■ Creating a Workplace Where Diverse Human Resources Can Thrive

Diversity in the workforce and equal opportunity initiatives

As well as enhancing some of our benefits programs, including the accrual leave system and return-to-work interviews, to support a balance between childcare, nursing care, medical treatment and employment, NSD is actively working to foster an internal culture that makes it easy to benefit from such systems with, for example, messages from senior management, educational booklets, and seminars on work-life balance.

D&I training

NSD carries out training on diversity and inclusion in an effort to create a workplace free from discrimination. Furthermore, we respect the diversity of our employees and promote mutual understanding through e-learning programs and educational booklets on LGBTQ issues.

■ Human Rights Initiatives

NSD supports international norms on human rights stipulated in the UN's International Bill of Human Rights and the International Labour Organization's ILO Declaration on Fundamental Principles and Rights at Work. In compliance with laws and regulations, we respect the basic labor rights of workers to act collectively, bargain collectively, and the right to organize.

At any time in or outside of the workplace, we will not engage in any behavior or make any remark that violates human rights, and we will not discriminate on the basis of gender, sexual orientation, age, educational background, race, ethnicity, nationality, ideology, beliefs, or physical, intellectual, or mental disability. In addition, we do not tolerate forced labor or child labor under any circumstances.

Supply Chain Management

NSD's business operations are supported by many business partners. We recognize that further deepening cooperation with these business partners will be vital to our efforts to achieve a sustainable society. To this end, as well as engaging in equal and fair business transactions, we are actively promoting work style reforms together with our business partners, with focus on telework and reducing working hours by streamlining business processes.

■ 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 created 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.

■ Initiatives to Deepen Collaboration with Business Partners

Fair and equitable business transactions

Whenever we commence business dealings with a new business partner, the Development Support Department reviews the transaction to ensure compliance with laws.

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

Regular sharing of information with senior management of business partners

The understanding and cooperation of business partners are vital to achieving a sustainable society. NSD visits its business partners regularly to hold dialogue with senior management so as to gain their understanding about our approach to sustainable procurement and request their active involvement in our sustainability activities.

In addition, we have established the Sustainability Procurement Guidelines to clarify our approach. We are also working to inform business partners about our approach to sustainability through a dedicated contact desk.

Creating a comfortable work environment for our diverse workforce

NSD is also working to foster workplaces that are comfortable and offer diverse work styles for our business partners, too, in much the same way as our own employees.

During the pandemic, we quickly expanded our network equipment for remote connections to establish a telework environment accessible also to business partners.

We are working to prevent long working hours by sharing working hour data with the managers of our business partners and discussing ways to increase the efficiency of business processes. Each procurement department uses an IT system to carefully monitor the working hours of dispatched workers in particular to ensure compliance with Article 36 of the Labor Standards Act.

Training support for business partners

NSD offers the same IT training programs provided to its new employees to the new employees of its business partners, too, to help enhance their IT skill level.

Rigorous information security countermeasures with business partners

To maintain good supply chains, it is vital to have a high degree of awareness on information security matters so that measures can be continuously taken.

NSD assesses new business partners based on its Information Security Policy to make sure that they have an appropriate information security management system in place. If they fail to satisfy our requirements, we may refuse to do business with them.

Additionally, every year we provide information security training to our business partners to foster understanding of and ensure compliance with our Information Security Policy.

Contributing to Society

■ Developing Talent in IT for the Future

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

Sponsor of the All Japan KOSEN Programming Contest

The contest invites technical college students from national, public, and private schools nationwide to submit programs and source codes with the aim to supply the very best talent to the IT industry. (Organized by the Japan Federation of KOSEN Association)

Sponsor of the PCN Kids Programming Contest

The contest invites elementary and junior high school students from across Japan to participate in games, online programming, digital crafts, and more, providing children with the opportunity to take on new challenges and create new things. (Organized by the Programming Club Network (PCN))

Photo courtesy of PCN

Sponsor of CyberSakura

CyberSakura is an educational program aimed at fostering future talent in cybersecurity. The program aims to improve literacy in computers, networks, and security for junior high and high school students nationwide through practice sessions where students can gain practical experience, as well as competitions where students compete for the highest score. (Organized by L community)

■ Contributing to Local Communities

Regional revitalization initiatives

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

In conjunction with the opening of our Sendai office, we donated to a growth industry promotion project run by Sendai City, showing our support for regional revitalization initiatives that back the development of IT human resources and promote the IT industry through industry-academia-government collaboration.

Initiatives to support disaster-affected areas

In the wake of the Great East Japan Earthquake, in addition to providing network diagnostic services* free of charge and gifting money to affected areas, NSD passed on donations from employees to the West Japan Heavy Rain Disaster Relief Fund, helping to provide disaster relief and assist with recovery from natural disasters.

* A service that quickly collects and analyzes the communication status of network equipment and work devices such as the servers, switches and routers of companies in disaster-stricken areas, and then makes proposals for system recovery and business continuity.

Social Contribution through a Shareholder Benefit Program

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

- Supporting IT education for the children of the future
- Supporting children's cafeterias
- Support for disaster areas
- Support for developing countries
- Support for medical workers and medical institutions fighting the pandemic

Social Innovation with IT

The rise of new technologies in recent years, such as AI and IoT, has led to the use of big data and business digitalization. Information technology, therefore, not only helps to improve operational efficiency but also plays a role in creating new businesses.

Against this backdrop, NSD makes full use of new technologies in developing systems for customers, helping to solve through digital transformation (DX), the many different problems customers face.

Through the development and provision of solutions and products, NSD is working to solve many of the issues common to its customers with the following key DXs.

■ DX of work sites such as factories and warehouses

In order to improve operational efficiency at work sites, such as in factories and warehouses, it is necessary to have a number of different constructs in place beyond merely trusting to our intuition or experience. These can include accurate and unbiased data for analyzing the movement of workers, data visualization to better understand the information, and digital means to share work site conditions.

By visualizing the data of workers' locational information through the use of autonomous navigation technology, Tracking Navi provides an analysis tool that helps to create layouts to ensure safety, reduces congestion and shortens walking distances at work sites. With Tracking Navi it is possible to dramatically improve work efficiency and worker safety.

■ DX of health management

Amid the demand for health and productivity management, it is essential for companies to actively encourage, and for employees to willingly take part, so that health management measures can be publicized and take root. Moreover, as working from home becomes more widespread, there is a need for a new way of health management not constrained by work location or working hours.

CAReNA provides the solution where information on health measures can be shared, vital data such as weight, blood pressure, blood glucose levels, and step count can be registered, and health check surveys can be carried out all with a single app on a smartphone. CAReNA can also be used as a platform for companies and employees to communicate with each other.

■ DX of school education

School education is also beginning to move toward digitalization, as seen in programming education becoming a compulsory subject in an effort to develop future talent in IT. The use of IT in education has various advantages, for example, education can be provided regardless of location, and learning processes and outcomes can be recorded and shared.

MANA BOX is a learning portfolio that enables information sharing among teachers, students, and parents by centrally managing learning objectives, learning processes, assignments, and learning outcomes for each subject, as well as self-assessments, evaluations from teachers, and evaluations from other students.

Schools that were among the first to start to introduce digitalization in educational settings were able to continue to provide education without closing even during the pandemic.

Governance Initiatives

NSD Group recognizes that both corporate governance and compliance are critical components of company management.
We will continue to strive to maintain and strengthen relevant systems to further solidify the foundation for NSD's existence.
As an IT company, NSD is focused on enhancing data privacy and security as well as improving quality management.

Corporate Governance

NSD's basic approach to corporate governance is to earn the trust of our shareholders and investors by applying the principles and provisions of our Management Philosophy and Basic Management Policy towards accelerating decision-making, clarifying management responsibilities, enhancing and strengthening our compliance structure, and by 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 Board of Directors, Audit & Supervisory Board, Audit & Supervisory Board members, and accounting auditors. We also have established various committees, including a Governance Committee as an advisory body to the Board of Directors, a Management Meeting and Executive Meeting as deliberation bodies for the President & CEO, and various committees such as Sustainability Management Committee and 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.

Board of Directors

The Board of Directors is comprised of seven directors, of which three are outside directors. The Board of Directors convenes, as a general rule, at least once per month to decide on important matters related to management and business execution, as well as to monitor the status of the 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 the execution of duties by directors.
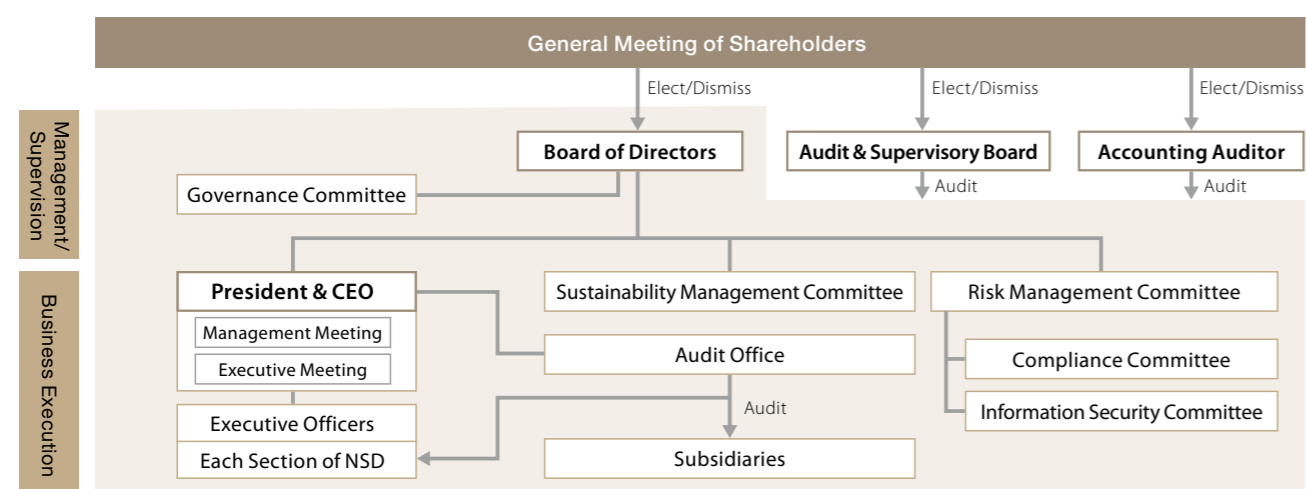
Audit & Supervisory Board and Audit & Supervisory Board members

The Audit & Supervisory Board is comprised of one full-time Audit & Supervisory Board member and two outside Audit & Supervisory Board members. The Audit & Supervisory Board members audit the status of the execution of duties by directors and the 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 determines audit policy and the division of duties for Audit & Supervisory Board members, and holds regular meetings to discuss the audit results of each Audit & Supervisory Board member.

Governance Committee

We have established a Governance Committee as an advisory body to the Board of Directors to ensure fairness, transparency, and objectivity in decision-making conducted by the Board of Directors. The Governance Committee is chaired by the President & CEO, and is comprised of a total of four members: the President & CEO and three outside directors. The Committee provides advice and recommendations to the Board of Directors based on deliberations of various matters, including the nomination and removal of directors and Audit & Supervisory Board members and remuneration systems for directors, and decides on matters delegated by the Board of Directors.

Management Meeting and Executive Meetings

We have established a Management Meeting and Executive Meeting as deliberation bodies for the President & CEO.

The Management Meeting is chaired by the President & CEO, and is comprised of a total of eight members: seven directors (including three outside directors), and the Full-time Audit & Supervisory Board member. The Management Meeting convenes at least one 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 are comprised of a total of 12 members: seven directors (including three outside directors), the full-time Audit & Supervisory Board member, and four executive officers. The Executive Meeting is convened at least one per month to deliberate and report on important matters related to business execution, including budget creation and the status of implementation.

Various committees

As organizations under the Board of Directors, we have established the Sustainability Management Committee, which addresses the SDGs and ESG issues cross-functionally, and the Risk Management Committee, which manages risks facing the entire company.

Also, as an organization under the Risk Management Committee, we established the Compliance Committee, which addresses compliance violations and formulates measures to prevent these violations, and the Information Security Committee, which establishes company-wide security countermeasures and formulates regulations, such as the information security policy.

■ Officer Remuneration

Policy and details of director remuneration
The remuneration of NSD's directors is calculated based on the roles and responsibilities of each position, while also emphasizing links with performance in order to strengthen the incentive for enhancing the Company's performance. Therefore, director remuneration consists of base remuneration as fixed remuneration, bonus as short-term incentive-based remuneration, and stock remuneration as medium- to long-term incentive-based remuneration. The ratio of incentive-based remuneration to total remuneration of each individual director is at least 30%.

However, outside directors, who occupy a position of independence from business execution and who are responsible for the supervision of management, only receive base remuneration, which is fixed remuneration, because performance-linked remuneration is not suited to their role.

Base Remuneration
Base remuneration is paid monthly as fixed remuneration for the performance of duties. It is paid according to the base remuneration table following the roles and responsibilities of each position.

Bonus
Bonuses are paid annually as short-term incentive-based remuneration for achieving the business plan for each fiscal year.
They are calculated by reflecting the performance and qualitative evaluation results in the standard bonus amount prescribed by position following the bonus calculation standards. Performance evaluations use net sales, operating profit, ordinary profit and net profit (consolidated basis) as financial indicators for appropriately reflecting performance in each year under evaluation. The ratio calculated based on the rate of achievement of these targets is used as an evaluation indicator. Qualitative evaluations consider the directors' roles, implementation of responsibilities, and their activities for the year under evaluation that cannot be assessed using financial indicators.

Stock Remuneration
Stock remuneration provides an incentive for continuously enhancing the Company's corporate value and promotes shared value between directors and shareholders. It comprises restricted shares issued annually as medium- to long-term incentive-based remuneration.

Procedures for approving director remuneration
The details and procedures for approving director remuneration are stipulated in the Policy on Remuneration for Directors and Executive Officers. This policy is determined by the Board of Directors based upon deliberations held at meetings of the Governance Committee.

Management/Supervision

General Meeting of Shareholders

Elect/Dismiss — Board of Directors
Governance Committee

Elect/Dismiss — Audit & Supervisory Board → Audit

Elect/Dismiss — Accounting Auditor → Audit

Business Execution

President & CEO
- Management Meeting
- Executive Meeting
- Executive Officers
- Each Section of NSD

Sustainability Management Committee

Audit Office → Audit

Subsidiaries

Risk Management Committee
- Compliance Committee
- Information Security Committee

● **Total Remuneration for Each Officer Category (FY2021)**

Category	Payment amount (thousands of yen)	Total amount for each type of remuneration (thousands of yen)			Number of recipients
		Fixed remuneration	Performance-linked remuneration	Non-monetary remuneration	
Directors (Outside directors)	157,323 (25,200)	118,500 (25,200)	27,200 (—)	11,623 (—)	7 (4)
Audit & Supervisory Board members (Outside Audit & Supervisory Board members)	28,800 (13,200)	28,800 (13,200)	—	—	3 (2)
Total	186,123	147,300	27,200	11,623	10

*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, 2022, 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.

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 this individual-specific payment proposal and resolves the total amount of payment at meetings of the Board of Directors.

■ Internal Controls System

NSD has established and operates an internal controls system in compliance with the Basic Policy on Establishment of Internal Controls System established under the provisions of the Companies Act and the Regulations for Enforcement of the Companies Act. We report the status of the system and its implementation to the Board of Directors every fiscal year as part of our assessment of the internal controls system as a whole, and when required, we make improvements to the system.

Additionally, we have established the Governance Committee as an advisory body to the Board of Directors. This committee ensures fairness, transparency and objectivity in decisions made by the Board of Directors and works to strengthen NSD's corporate governance.

Compliance

NSD recognizes that compliance forms an important foundation of its corporate activities. Accordingly, we have established the NSD Group Code of Conduct and the NSD Group Behavioral Guidelines, and have developed a compliance structure. In addition, through training and other means, we strive to increase awareness of compliance among officers and employees and to carefully abide by laws and regulations.

■ Compliance Structure

NSD has established the Compliance Committee under the Risk Management Committee, which carries out company-wide cross functional risk management.

The Compliance Committee is chaired by the President & CEO and consists of members including related officers and department managers. It strives to ensure employee compliance with laws and regulations through response to compliance violations and the formulation of preventive measures.

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

■ Compliance Training

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

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

■ Compliance and Workplace Harassment Hotlines

From the standpoint of ensuring the effectiveness of our compliance structure and in an effort to prevent compliance violations and harassment in the workplace, NSD has established a compliance hotline and harassment hotline allowing all individuals involved in the NSD Group's operations, including officers, employees and business partners, to submit a report or share a concern without fear of reprisal.

Each hotline has both internal and external (law office) contact points, providing an environment where reports or consultations can be made without hesitation.

■ Ensuring Fair Trade and Preventing Corruption

Ensuring Fair Trade

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

Prior to commencing business dealings with a new customer or business partner, we review the transaction to ensure compliance with various laws and ordinances, such as Japan's Subcontractor Act and Temporary Staffing Services Act.

Actions to Prevent Corruption

We engage in fair business activities following social norms and comply with anti-corruption laws and regulations, including Japan's Unfair Competition Prevention Act.

The NSD Group Code of Conduct prohibits business entertainment and gift giving, along with provision of improper money, goods, benefits, or other economic benefits to public officials and those in similar positions. Through compliance training, we ensure that appropriate action is taken in all relevant situations.

Data Privacy & Security

As an IT company responding to the era of digital transformation, NSD is working on data privacy and security as one of our most important challenges in order to earn the trust of customers and society.

Recognizing information security incidents such as leaks and unlawful disclosure of information as major risks for corporate management, we strive to safely and securely handle (maintain confidentiality, integrity, and availability) information assets, including personal information, as a company that handles important information for customers and employees.

■ Basic Policy on Information Security

To maintain the confidentiality, integrity, and availability of all information assets, thereby earning the trust of customers and society, NSD has established its Basic Policy on Information Security in an effort to ensure the security of information.

Moreover, specific measures are stipulated in the Information Security Standards and Information Security Procedures as sub-provisions of the Basic Policy on Information Security to ensure that measures are effective.

Basic Policy on Information Security

1. We will establish and comply with an information security policy in order to protect information assets from the 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.

■ Establishment of an Information Security Management System

NSD has established the Information Security Committee under the Risk Management Committee to strengthen information security. The committee regularly assesses information security risks facing the company as a whole, put in place preventive measures, and reports on the status of compliance with rules.

Moreover, we are taking physical measures by developing systems such as equipment and functions to prevent the risk of information leaks, malware and other virus infections, as well as unauthorized access to the Internet and e-mails.

■ Employee Training on Information Security

Every year, NSD carries out training for employees on the Company's rules and risks. Furthermore, we regard problems related to information security that occur on a daily basis outside NSD as issues of our own. As such, we verify whether there are any similar problems within the Company, and make them known to all employees. When laws and regulations such as the Act on the Protection of Personal Information are revised, we provide education to employees to ensure thorough compliance with such laws and regulations.

■ Cyber Attack Countermeasures

In addition to information leaks and cyberattacks by hackers, the risks of organized terrorist cyberattacks from other countries, such as ransomware demanding money and the shutting down of vital infrastructure, have recently come to the fore.

In light of these heightened security risks, NSD outsources vulnerability assessments of internal and external systems to a third-party in order to prevent unauthorized access and malware infection. Furthermore, we are working to strengthen security by providing targeted attack countermeasures, firewalls, web content filtering, and an intrusion prevention system (IPS).

As targeted email attacks are evolving and becoming even more sophisticated, we will strengthen our defenses and provide training and education to eliminate human vulnerabilities.

Quality Management

To provide quality that satisfies our customers, NSD aims to improve quality and productivity by way of a continuous implementation of the PDCA cycle through three initiatives: quality management based on quality guidelines, process improvements through the rollout of a standard process, and training for improving our technical skills.

We have established the Quality Support Department as a specialized unit in charge of quality management, and the Technology & Process Support Department as a specialized unit in charge of process improvements and technical skills training.

■ Quality Management based on Quality Guidelines

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

### ■ Process Improvement Through Rollout of a Standard Process

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

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

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

* CMMI is a framework developed at Carnegie Mellon University's Software Engineering Institute to improve software development processes.

### ● Project flow for quality evaluation and improvement
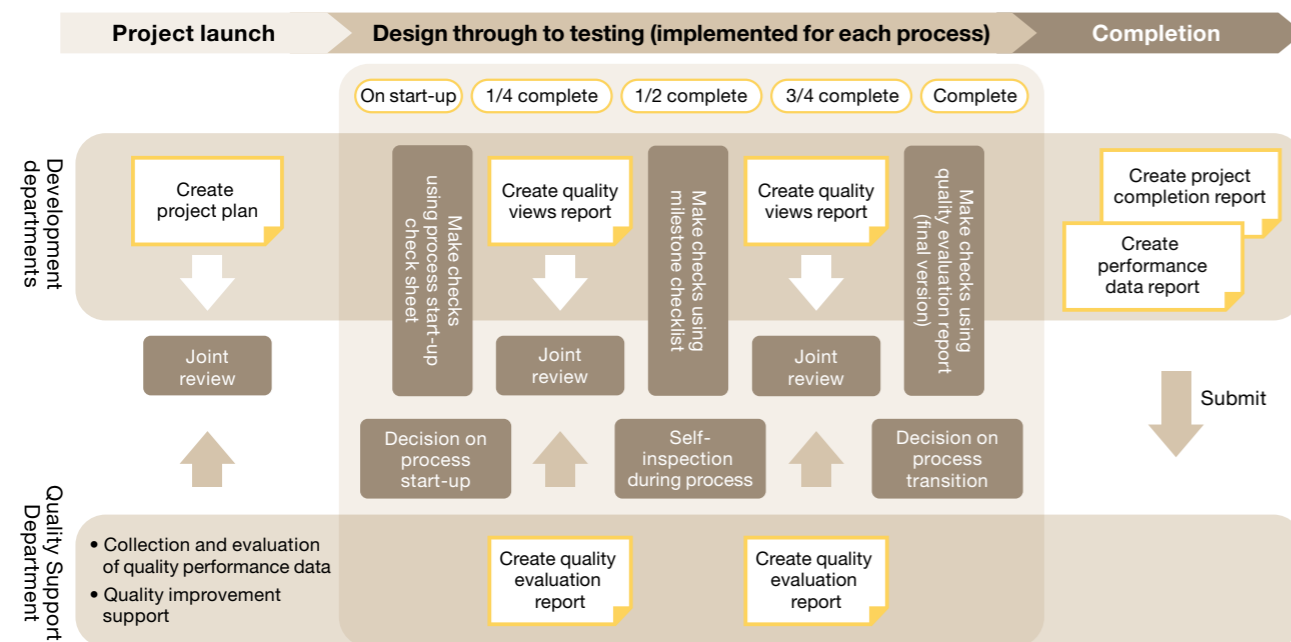
■ Achieving QCD+CE

At NSD, we define the successful elements of a project in terms of achieving the five elements QCD+CE, and we proceed with a project with these elements in mind.

We define the three basic elements of project success as: Quality, ensuring the quality demanded by the customer; Cost, achieving the target productivity; and Delivery, meeting not only the delivery date to the customer but also the completion of each process. We have also defined two additional elements of project success as an organization: Customer satisfaction; and Employee satisfaction; upskilling of project members. At NSD, our aim is to ensure we achieve all these five elements in every project.

● The five elements of project success
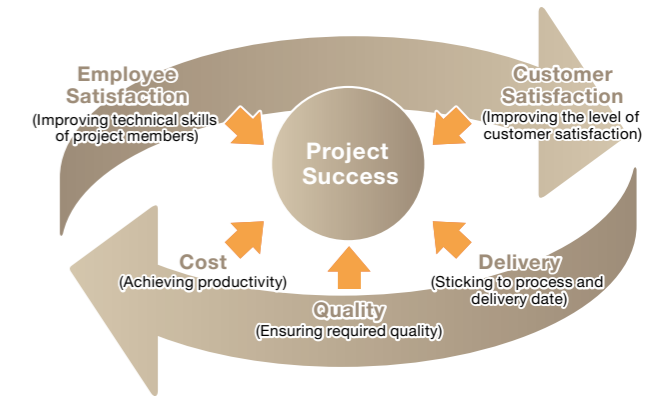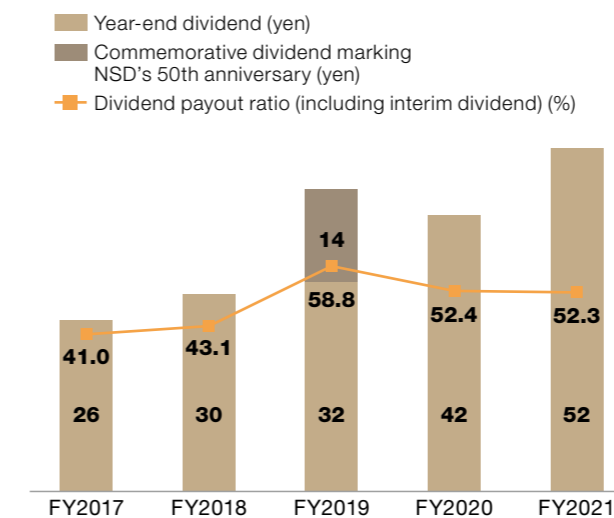

Return of Profits to Shareholders

Positioning the return of profits to shareholders as the most important task of management, NSD actively returns profits to shareholders based on its policy to share outcomes of the Group on a consolidated basis with its shareholders.

NSD's basic policy is to achieve a total return ratio of at least 70% (announced in May 2021). We return at least 50% of net income attributable to owners of the parent as dividends and buy back shares equivalent to at least 20% of this amount.

In fiscal 2021, we achieved a total return ratio of 86.3% (dividend payout ratio of 52.3%) as a result of providing total shareholder returns of ¥6.7 billion, comprising dividends of ¥4.0 billion and share buybacks of ¥2.6 billion.

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

● Dividend Per Share* and Dividend Payout Ratio

Year-end dividend (yen)
Commemorative dividend marking NSD's 50th anniversary (yen)
Dividend payout ratio (including interim dividend) (%)

	FY2017	FY2018	FY2019	FY2020	FY2021
Payout ratio	41.0	43.1	58.8	52.4	52.3
Commemorative			14		
Year-end dividend	26	30	32	42	52

* The per share dividend amount is based on the number of shares after the Company's stock split executed on January 1, 2020.

● Total Payout of Dividends and Share Buybacks

Year-end dividend (millions of yen)
Commemorative dividend marking NSD's 50th anniversary (millions of yen)
Share buybacks (millions of yen)
Total return ratio (%)

	FY2017	FY2018	FY2019	FY2020	FY2021
Total return ratio	66.3	77.1	137.5	67.7	86.3
Share buybacks	1,362	1,999	4,999	989	2,699
Commemorative			1,132		
Year-end dividend	2,196	2,484	2,550	3,326	4,048
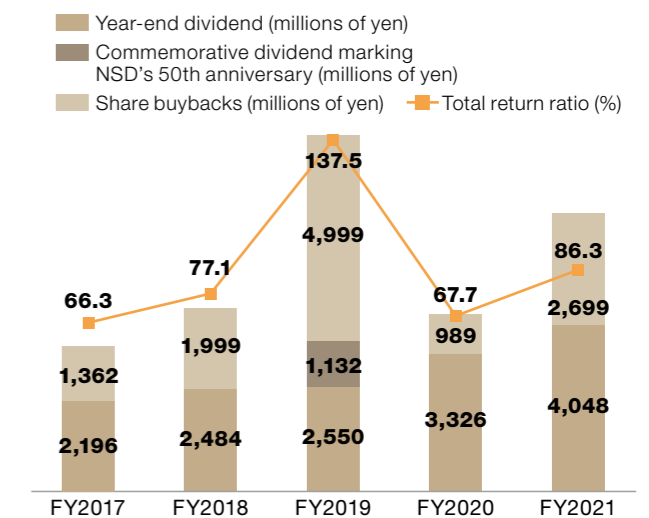
*1 Amounts of share buybacks and total return ratio indicate the acquisition amount and total return ratio for the period from April to March the following year.

*2 NSD retired 1 million shares of treasury stock in December 2019, 2.344 million shares of treasury stock in March 2022, and 3 million shares of treasury stock in September 2022.

Management System

■ Directors and Auditors

Yoshikazu Imajo
(Born October 13, 1961)
President & CEO

Resume
Apr. 1984 Joined NSD Co., Ltd. (NSD)
Apr. 2005 Executive Officer
Chief General Manager, Systems Division 1
Jun. 2006 Director & Executive Officer
Deputy Operating Officer
Jun. 2007 Managing Director & Executive Officer
Deputy Operating Officer
Apr. 2008 Senior Managing Director, COO
Apr. 2009 President & CEO, COO
Apr. 2011 President & CEO (present position)

Reasons for appointment
Mr. Yoshikazu Imajo has extensive experience and a proven track record as President & CEO of the Company. This, together with his deep insight for management, enables him to continue executing business, making decisions, and supervising the activities of management appropriately.

Attendance record in FY2021
Meetings of the Board of Directors: 13/13
Governance Committee meetings: 4/4
Term of office: 16 years

Hideshi Maekawa
(Born February 16, 1962)
**Director
Senior Managing Executive Officer**

Resume
Apr. 1982 Joined NSD
Apr. 2006 Executive Officer
Head of Corporate Staffs Division
Jun. 2006 Director & Executive Officer
Head of Corporate Staffs Division
Apr. 2013 Director & Senior Executive Officer
Head of Public & Telecommunication Business Division and Senior General Manager, IT Services Business Division
Apr. 2014 Managing Director
Head of IT Services Business Division
Apr. 2016 Senior Managing Director
Head of Industrial Business Division
Jun. 2017 Director, Senior Managing Executive Officer
Apr. 2018 Director, Senior Managing Executive Officer
Head of Corporate Administration Division
Apr. 2019 Director, Senior Managing Executive Officer
Head of Corporate Service Division
Jun. 2020 Director, Senior Managing Executive Officer
Head of Corporate Service Division
Head of Corporate Planning Division (present position)

Reasons for appointment
Mr. Hideshi Maekawa has extensive experience and a proven track record with respect to the business execution of our corporate service division and system development division. This, together with his insight for management as a director, enables him to continue executing business, making decisions, and supervising the activities of management appropriately.

Attendance record in FY2021
Meetings of the Board of Directors: 13/13
Term of office: 16 years

Osamu Yamoto
(Born February 20, 1963)
**Director
Senior Managing Executive Officer**

Resume
Apr. 1987 Joined NSD
Sep. 2007 Executive Officer
Chief General Manager, Systems Division 5
Apr. 2014 Senior Executive Officer
Head of Public & Telecommunication Business Division
Jun. 2014 Director & Senior Executive Officer
Head of Public & Telecommunication Business Division
Jun. 2016 Managing Director
Head of Public & Telecommunication Business Division
Senior General Manager, Business Sales Division
Jun. 2017 Director, Managing Executive Officer
Head of Public & Telecommunication Business Division
Senior General Manager, Business Sales Division
Apr. 2018 Director, Senior Managing Executive Officer, COO (present position)

Reasons for appointment
Mr. Osamu Yamoto has extensive experience and a proven track record with respect to the business execution of our system development division and sales division. This, together with his insight for management as a director, enables him to continue executing business, making decisions, and supervising the activities of management appropriately.

Attendance record in FY2021
Meetings of the Board of Directors: 13/13
Term of office: 8 years

Hidetaka Kikawada
(Born May 18, 1973)
**Director
Managing Executive Officer**

Resume
Apr. 1998 Joined NSD
Jul. 2015 Chairman & CEO, Chengdu Renbenxindong Technology Ltd.
Apr. 2017 Executive Officer
Chief General Manager, Public & Telecommunication Business Division 1
Apr. 2018 Executive Officer
Chief General Manager, Advanced Technology Promotion Division
Apr. 2019 President & CEO
NSD Advanced Technology Research Institute Co., Ltd. (present position)
Oct. 2021 Managing Executive Officer
Head of Advanced Technology Strategic Business Unit
Jun. 2022 Director & Managing Executive Officer
Head of Advanced Technology Strategic Business Unit (present position)

Reasons for appointment
Mr. Hidetaka Kikawada has extensive experience and a proven track record with respect to the business execution of our system development division, advanced technology strategic business division, as well as our affiliated companies in Japan and abroad. This, together with his insight for management, will enable him to execute business, make decisions, and supervise the activities of management appropriately as a director.

Term of office: New appointment

Atsuhiro Kawamata
(Born August 14, 1961)
Director

Outside Director
Independent Officer

Resume
Apr. 1984 Joined Japan Tobacco Inc. (JT)
Nov. 2005 Director, Business Planning Department, Food Business Division
Jul. 2008 Senior Vice President, Head of China Division, Tobacco Business Headquarters
Jan. 2015 President & CEO, TableMark Holdings Co., Ltd. (Retired in December 2018)
President & CEO, TableMark Co., Ltd. (Retired in December 2018)
Jan. 2019 Senior Vice President, Head of Food Business, Food Business Planning Division, JT
Jan. 2020 Advisor, JT (present position)
Jun. 2020 Outside Director, NSD (present position)

Reasons for appointment
Mr. Atsuhiro Kawamata has extensive experience, great insight into management, and capability of supervision gained in Japan and overseas as a member of management of a manufacturing company. Based on his experience and insight, the Company believes he will continue to provide advice from an objective, extensive and highly professional viewpoint at the Board of Directors and the Governance Committee.

Attendance record in FY2021
Meetings of the Board of Directors: 13/13
Governance Committee meetings: 4/4
Term of office: 2 years

Kumiko Jinnouchi
(Born February 16, 1967)
Director

Outside Director
Independent Officer

Resume
April 1989 Joined The Sanwa Bank, Limited. (now MUFG Bank, Ltd.) (retired in June 1995)
Jan. 2002 Registered as an attorney-at-law (Dai-ni Tokyo Bar Association)
Jan. 2014 Established Jinnouchi Law Offices
Representative Attorney-at-Law (present position)
Jun. 2019 Outside Director, NSD (present position)
Mar. 2022 Independent Corporate Auditor, AlphaPurchase Co., Ltd. (present position)

Reasons for appointment
Ms. Kumiko Jinnouchi has extensive experience and specialized expertise in all aspects of legal affairs as an attorney-at-law. Based on her experience and insight, the Company believes she will continue to provide advice from an objective, extensive and highly professional viewpoint at the Board of Directors and the Governance Committee.

Attendance record in FY2021
Meetings of the Board of Directors: 13/13
Governance Committee meetings: 4/4
Term of office: 3 years

Toru Takeuchi
(Born January 1, 1959)
Director

Outside Director
Independent Officer

Resume
Apr. 1981 Joined Nitto Denko Corporation
Apr. 2002 General Manager of Accounting & Finance Department
Jun. 2010 Vice President, General Manager of Corporate Accounting Division
Jun. 2011 Director, Vice President, General Manager of Corporate Accounting Division
Jun. 2014 Director, Senior Vice President, General Manager of Corporate Sector
Jun. 2015 Director, Executive Vice President, General Manager of Corporate Strategy Sector
Jun. 2018 Director, Senior Executive Vice President (retired in June 2020)
June 2021 Outside Director, NSD (present position)

Reasons for appointment
Mr. Toru Takeuchi has extensive experience, great insight into management, and capability of supervision gained in Japan and overseas as a member of management of a manufacturing company. Based on his experience and insight, the Company believes he will continue to provide advice from an objective, extensive and highly professional viewpoint at the Board of Directors and the Governance Committee.

Attendance record in FY2021
Meetings of the Board of Directors: 10/10
Governance Committee meetings: 3/3
Term of office: 1 year

Kiyoshi Kondo
(Born September 19, 1954)
**Full-Time
Audit & Supervisory
Board Member**

Resume
Apr. 1977 Joined Toyo Trust and Banking Company, Limited (now Mitsubishi UFJ Trust and Banking Corporation)
Apr. 2006 Joined NSD
Executive Officer
General Manager, Public Relations Department
Jun. 2008 Director
Apr. 2011 Director & Executive Officer
General Manager, Office of President
Apr. 2013 Director & Senior Executive Officer
General Manager, Office of President
Apr. 2015 Managing Director
Jun. 2016 Full-Time Audit & Supervisory Board Member (present position)

Reasons for appointment
Mr. Kiyoshi Kondo has extensive experience and a proven track record with respect to the business execution of our corporate service division and has insight into management. As a corporate auditor, he has conducted audits on directors' execution of operations as well as on the establishment and implementation of the internal control system. This enables him to render high-quality advice at the meetings of the Board of Directors and the Audit & Supervisory Board.

Attendance record in FY2021
Meetings of the Board of Directors: 13/13
Meetings of the Audit & Supervisory Board: 13/13
Term of office: 6 years

Note: Term of office represents the period as of June 2022.

Kunio Kawa

(Born July 16, 1955)

Audit & Supervisory Board Member

Outside Audit & Supervisory Board Member

Independent Officer

Resume

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

Reasons for appointment

Mr. Kunio Kawa has extensive experience, great insight into management, and capability of supervision gained as a member of management and as a corporate auditor of a manufacturing company. Based on his experience and insight, the Company believes he will provide advice from an objective, extensive and highly professional viewpoint at the Board of Directors and the Audit & Supervisory Board.

Term of office: New appointment

Norio Hashizume

(Born December 4, 1952)

Audit & Supervisory Board Member

Outside Audit & Supervisory Board Member

Independent Officer

Resume

Apr. 1975	Joined Nippon Kogaku K.K. (now NIKON Coporation)
Jun. 2003	General Manager of Financing & Accounting Department
Jun. 2005	Operating Officer
	General Manager of Financing & Accounting Department
Jun. 2009	Director, Member of the Board, Operating Officer
	General Manager of Financing & Accounting Department
Jun. 2010	Director, Member of the Board, Executive Officer
	General Manager of Finance & Accounting Headquarters
Jun. 2015	Standing Corporate Auditor
Jun. 2016	Director
	Full-Time Audit & Supervisory Committee Member
Jun. 2017	Counselor (retired in June 2020)
Jun. 2019	Audit & Supervisory Board Member, NSD (present position)
Jun. 2021	Outside Director, Aval Data Corporation (present position)

Reasons for appointment

Mr. Norio Hashizume has extensive experience, great insight into management, and capability of supervision gained as a member of management and as a corporate auditor of a manufacturing company. The Company believes he will continue to provide advice from an objective, extensive and highly professional viewpoint at the Board of Directors and the Audit & Supervisory Board.

Attendance record in FY2021
Meetings of the Board of Directors: 12/13
Meetings of the Audit & Supervisory Board: 13/13
Term of office: 3 years

The expertise of the members of the Board of Directors above is as follows.

		Corporate Management	IT	Legal & Compliance	Finance & Accounting	Global Business
Directors	Yoshikazu Imajo	○	○	○	○	○
	Hideshi Maekawa	○	○	○	○	○
	Osamu Yamoto	○	○			
	Hidetaka Kikawada	○	○			○
	Atsuhiro Kawamata	○		○	○	○
	Kumiko Jinnouchi	○		○	○	
	Toru Takeuchi	○		○	○	○
Audit & Supervisory Board Members	Kiyoshi Kondo	○		○	○	
	Kunio Kawa	○		○	○	
	Norio Hashizume	○		○	○	

Note: The table above does not represent all of the knowledge and experience held by each person.

■ Structures of Each Organization

	Position	Board of Directors	Audit & Supervisory Board	Governance Committee	Management Meeting	Executive Meeting
Yoshikazu Imajo	President & CEO	◎		◎	◎	◎
Hideshi Maekawa	Director, Senior Managing Executive Officer	○			○	○
Osamu Yamoto	Director, Senior Managing Executive Officer	○			○	○
Hidetaka Kikawada	Director, Managing Executive Officer	○			○	○
Atsuhiro Kawamata	Outside Director	○		○	○	○
Kumiko Jinnouchi	Outside Director	○		○	○	○
Toru Takeuchi	Outside Director	○		○	○	○
Kiyoshi Kondo	Full-Time Audit & Supervisory Board Member	○	◎		○	○
Kunio Kawa	Outside Audit & Supervisory Board member	○	○			
Norio Hashizume	Outside Audit & Supervisory Board member	○	○			
Satoshi Kiyota	Managing Executive Officer					○
Akio Shinno	Managing Executive Officer					○
Tatsuo Kawauchi	Executive Officer					○
Masataka Komatsu	Executive Officer					○

◎: Chair ○: Member

■ Executive Officers*

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

	Position	Responsibilities
Satoshi Kiyota	Managing Executive Officer	Head of Financial Business Unit
Akio Shinno	Managing Executive Officer	Head of Industrial & Social Solution Business Unit
Tatsuo Kawauchi	Executive Officer	Head of Development Support Division
Yoshihiko Kurihara	Executive Officer	General Manager of Corporate Planning Department, Corporate Planning Division
Atsuji Kobayashi	Executive Officer	General Manager of Social Infrastructure Business Division 2, Industrial & Social Solution Business Unit
Masataka Komatsu	Executive Officer	General Manager of Healthcare Business Division
Kyoko Gondo	Executive Officer	General Manager of Financial Business Division 3, Financial Business Unit
Hajime Shinagawa	Executive Officer	General Manager of IT Infrastructure Business Division, Industrial & Social Solution Business Unit
Shingo Shinohara	Executive Officer	General Manager of Social Infrastructure Business Division 1, Industrial & Social Solution Business Unit, and General Manager of Social Platform Division
Toshiya Shimura	Executive Officer	General Manager of Market Development Business Division
Masaru Sugiura	Executive Officer	General Manager of Industrial Business Division 2 and General Manager of Enterprise Business Division, Industrial & Social Solution Business Unit
Shinji Suzuki	Executive Officer	General Manager of Financial Business Division 1, Financial Business Unit
Umon Takahashi	Executive Officer	General Manager of Advanced Technology Business Division, Advanced Technology Strategic Business Unit
Shuji Takahashi	Executive Officer	General Manager of Industrial Business Division 1, Industrial & Social Solution Business Unit
Tsuyoshi Takeda	Executive Officer	General Manager of Financial Business Division 2, Financial Business Unit
Hideyuki Fujikawa	Executive Officer	In Charge of Human Resources Department and General Affairs Department, Corporate Service Division
Kiyokimi Yagi	Executive Officer	General Manager of Corporate Secretary Department, Corporate Service Division

* Executive officers as of October 1, 2022.

Outside Directors' Messages

I will continue to support NSD as it grows into a Company that coexists and prospers with society, while making the world a better place.

Atsuhiro Kawamata
Outside Director

Having been involved in management in the food industry for many years until I became an outside director at NSD, I had the impression that many companies in the IT industry made rather cut-and-dried decisions. Yet, the corporate culture of valuing people has spread throughout NSD. A culture has been established in which the more experienced employees mentor the lesser experienced ones, giving them the tools to stand on their own two feet. As a result, I feel that the Company has taken on one of the good points of Japanese companies in that the turnover rate is much lower than that of other companies. At the same time, I think it is highly commendable that NSD has been able to solidly improve business performance, continuing to grow steadily.

As for governance, I believe that an appropriate system has been built in line with the scale of the Company and the industry, and that it is being operated very purposefully and in good faith. For example, the Board of Directors is preceded by the Management Meeting and the Executive Meeting, and because we are informed on the contents and points of discussion raised in these meetings each time, we outside directors are able to express our opinions, including our own experiences, so I feel that we are able to have somewhat frank discussions. I also think that NSD's attentiveness and diligence is reflected in the fact that it keeps accurate records by taking minutes of the meetings and circulating them to the attendees for any clarification.

I believe that strengthening Group governance is what we need to work on in order to further improve governance. NSD's medium-term management plan includes M&A as one of its growth strategies. For M&A to succeed, it is important to focus on how to govern the acquired company, so we need to establish a system for that purpose. I also think it is important for management to visit the workplace for themselves so they can see the employees' motivation and awareness of compliance issues.

One other issue is the need to be conscious of whether there is a gap between common knowledge inside and outside the Company. For example, terms that are commonly used within the Company may not be understood by people outside the Company. I think we should start by reviewing these terms. I believe that being able to explain what we are doing in words that anyone can understand is important from the standpoint of diversity as the Company continues to grow.

With regard to sustainability, we must determine what kind of similarities or connections there are between business and society, for instance, finding out what it is in NSD's business activities that contributes to a more sustainable society. By communicating that we want to create such a world, and that NSD will do this for that purpose, thereby improving our reputation, will, I believe, lead to a prosperous coexistence with society.

Up until now, I feel that NSD has been a somewhat behind-the-scenes player due to the very nature of the system development business, but I believe that the solution business that we are currently focusing on has great potential to make NSD's name more widely known to the public. Going forward, I too will continue to support NSD with greater enthusiasm so that it can grow into a Company with the power to change the world.

Using my knowledge as a corporate attorney-at-law, I will help to bring more lively, diverse discussions.

Kumiko Jinnouchi
Outside Director

I was appointed as an outside director in 2019 and this year marks my fourth year, and I have come to the impression that NSD's management places great importance on building on our daily efforts. This is my interpretation, but I think that the job of IT that replaces the work process people deal with in complex ways with a simple process called the binary system, creates a disharmonious world unless we share not only the process of creating products and services, but also our values and vision for the future with our customers. It is precisely because NSD has been doing such work, accumulating logical and practical experience together with its customers, that, I believe, a culture of making improvements to every issue to produce results, rather than seeking temporary solutions in formulating management plans or solving daily problems, has taken root here at NSD.

In terms of understanding the proposals that form the basis for discussions at the Board of Directors, there is an environment where even I, as an IT novice, can give my opinions freely by joining in with the Executive Meeting. Moreover, executive officers closely in touch with the field can also participate in these meetings, giving us all a realistic sense of what it is like in the workplace. Comments and questions are also often reflected in the actual board meeting's agenda, so I believe that the effectiveness of the Board of Directors will further increase if there are more such opportunities in the future.

And, as there are several people on the Board of Directors with management experience in different industries, discussions are always extremely diverse. So I feel that decision-making that conveys everybody's opinions and queries helps to ensure the interests of all our many different stakeholders. I believe that this is the best aspect of NSD's governance.

In such discussions, as an attorney-at-law specializing in corporate legal affairs, I try to offer opinions from two perspectives. On the one hand, I want to confirm what benefits and risks will arise for various stakeholders, including shareholders, when implementing the proposals that have been decided. Indeed, I believe that it is my basic mission as an outside director to question the appropriateness and rationality of M&A, one of the Company's growth strategies, by asking, "Why this company?" And on the other hand, I try to verify from a legal point of view whether there is, at any time, any discord between the decision-making and conventional management policies, plans, and external announcements. When formulating policies for the medium-term management plan, I try to check every word until I am satisfied.

In this way, I would like to contribute to the diversity of the Board of Directors by providing opinions from the perspective of an attorney-at-law. Another thing I would like to share is that NSD has never asked me to give my opinion simply because I am a woman. It may not be a job that is particularly influenced by gender differences, but the experience gives me a strong sense of the value of assessing people based on their day-to-day ability. In March 2022, NSD announced its Sustainability Declaration. For NSD, people have always been the most important asset for management. I personally would like to make proposals for NSD to achieve sustainable growth, not only for women's active participation in the workplace, but also to develop people's skills, employee job satisfaction and health, and a return of profits to employees.

I will help to pass on the values of the management team so that the next generation can continue to work with pride.

Toru Takeuchi
Outside Director

I was appointed as an outside director of NSD in 2021. When I began to take part in discussions at board meetings, the first thing that impressed me was that all the directors and executive officers have a good understanding of every facet of the Company outside of their normal working duties. NSD is a company with a history of more than 50 years, and I believe that the current management team knows the Company inside out as colleagues who have experienced the various difficulties and failings over the course of the Company's significant growth. As a result, we have very clear-cut discussions and decisions are made swiftly without any misgivings. With such a management team leading the company, I feel a strong sense of security as an outside director, knowing that decisions are made with confidence and without ambiguity. Going forward, if we give more opportunities to those in the workplace to participate in briefings on proposals at the Board of Directors and other meetings, we will be able to lay the foundation for the next management team. This in turn will allow us to systematically maintain our ability to make stable decisions.

As for governance, since NSD is managed by a team that has grown the Company through its business, they have been able to look after the Company without getting above themselves ensuring that effective governance is in place. In order to continue this kind of governance going forward, it is important to pass on the thinking of the current management team. The president gives his thoughts on behalf of the Company on all sorts of different scenarios, but with other members of the management team giving their own interpretations and ideas, and putting these into practice, will allow their sense of values to be felt more closely, eventually shaping the corporate climate and culture. As an outside director, I would like to leverage the expertise and experience of all three of us to help strengthen governance and support long-term growth from different perspectives.

With regard to sustainability management, I think it is important to ask ourselves where we place the starting point of our corporate activities. In the Sustainability Declaration announced in March 2022, we were able to clarify and publicly maintain what NSD considers important and how we want to contribute to society. To get our sustainability management on track, it is vital that we continue to convey the thoughts contained in the declaration both inside and outside the Company. By clarifying what NSD itself should do and what it wants to contribute to society through its business activities, I believe that we will be able to promote both sustained growth for the Company and help build a sustainable society.

Finally, I feel that NSD is a Company that values people at every available opportunity. I hope that NSD will carry on growing as a Company where employees can continue to work with peace of mind and with a sense of purpose. To that end, I believe we need to not only improve our systems and frameworks but also instill the values I mentioned earlier. In doing so, we will be able to develop the human resources who will lead NSD into the future with the same aspirations to create a sustainable organization. I would like to help the people who will lead the next generation so that they can continue to work with pride.

Corporate Information & Data

Key Financial Data (Consolidated)[1]

(Millions of yen)

	FY2017	FY2018	FY2019	FY2020	FY2021
Operating Results					
Net sales	58,080	61,944	65,063	66,184	71,188
New core business net sales	–	–	–	18,004	23,537
Cost of sales	46,172	48,780	51,118	52,145	55,350
Gross profit	11,907	13,164	13,945	14,038	15,837
Selling, general, and administrative expenses	3,989	4,509	4,400	4,195	4,422
Operating income	7,918	8,654	9,545	9,842	11,414
Ordinary income	8,119	8,756	9,661	9,955	11,654
Net income attributable to owners of the parent	5,368	5,817	6,314	6,373	7,823
Orders received (System Development Business)	46,415	48,999	58,916	59,817	67,640
Order backlog (System Development Business)	9,423	10,068	13,175	13,895	17,581
Net Sales by Segment (Sales to External Customers)					
Financial IT	–	–	20,560	20,790	22,307
Industry & Infrastructure IT	–	–	29,745	30,253	32,299
IT infrastructure Construction	–	–	7,650	8,052	9,347
Solution Business	–	–	7,107	7,087	7,233
Profitability Indices					
Gross profit margin (%)	20.5	21.3	21.4	21.2	22.2
Operating margin (%)	13.6	14.0	14.7	14.9	16.0
Ratio of net income to net assets attributable to NSD shareholders (ROE) (%)	12.1	12.6	13.8	13.7	15.7
Ratio of ordinary income to total assets (%)	15.5	15.9	17.6	17.6	19.0
Financial Position					
Current assets	34,127	35,819	39,654	44,068	48,206
Non-current assets	19,919	20,058	14,230	15,390	15,067
Total assets	54,046	55,878	53,885	59,458	63,274
Current liabilities	7,392	7,701	7,820	8,823	9,435
Non-current liabilities	640	830	1,086	1,461	1,994
Total liabilities	8,033	8,532	8,907	10,284	11,429
Net assets	46,013	47,345	44,978	49,173	51,844
Per Share Indices[2]					
Net income per share (EPS) (yen)	63.38	69.65	78.21	80.10	99.37
Net assets per share (yen)	537.08	566.36	557.46	613.71	657.57
Capital Expenditure, Depreciation & Amortization and Research & Development Expenses					
Capital expenditure	213	314	553	689	560
Depreciation & amortization	443	468	427	423	492
Research & development expenses	65	157	155	118	184
Cash Flows					
Cash flows from operating activities	6,457	5,461	6,764	8,157	7,244
Cash flows from investing activities	-5,822	-412	4,285	-658	-377
Cash flows from financing activities	-3,321	-4,556	-8,569	-3,628	-6,146
Free cash flow	634	5,048	11,050	7,499	6,867
Cash and cash equivalents at end of period	22,168	22,681	25,172	29,029	29,757
Shareholder Returns[3]					
Dividend payout ratio (%)	41.0	43.1	58.8	52.4	52.3
Total return ratio (%)	66.3	77.1	137.5	67.7	86.3
Stock Price Indicators					
Year-end stock price (yen)	1,085.50	1,288.50	1,440.00	1,841.00	2,192.00
Market capitalization	91,693	106,697	114,789	145,822	170,657
Price-earnings ratio (PER) (x)	17.13	18.50	18.41	22.98	22.06
Total shareholder return (TSR) (%)	138.2	167.2	191.8	246.9	297.0
(Comparison index: TOPIX including dividends [%])	(115.9)	(110.0)	(99.6)	(141.5)	(144.3)

Key Non-Financial Data

	FY2017	FY2018	FY2019	FY2020	FY2021
Personnel					
Number of employees (consolidated)	3,379	3,428	3,467	3,522	3,560
Number of employees (non-consolidated)	2,975	3,003	3,051	3,080	3,106
Male	2,479	2,493	2,514	2,505	2,506
Female	496	510	537	575	600
Ratio of female employees (%)	16.7	17.0	17.6	18.7	19.3
Ratio of female managers (%)	1.2	3.5	3.5	4.7	5.4
Number of new graduate hires	120	137	139	137	129
Male	97	100	96	86	83
Female	23	37	43	51	46
Ratio of women in new graduate hires (%)	19.2	27.0	30.9	37.2	35.7
Number of mid-career hires	13	10	15	11	20
Male	12	10	8	8	11
Female	1	0	7	3	9
Turnover ratio (%)[4]	3.5	2.8	3.8	2.6	2.9
Average years of service	14.0	14.3	14.6	14.8	15.0
Male	14.9	15.3	15.5	15.8	16.1
Female	9.5	10.1	10.3	10.3	10.6
Average salary (yen)	6,270,744	6,362,181	6,411,394	6,423,166	6,515,058
Average monthly overtime hours	20.8	19.4	19.9	17.0	19.0
Number of paid vacation days taken	13.5	14.2	13.9	11.7	12.4
Ratio of paid vacation days taken (%)	70.1	73.8	72.4	59.9	63.3
Number of employees taking childcare leave					
Male	3	2	8	13	17
Female	34	30	19	34	20
Ratio of employees taking childcare leave (%)					
Male	2.8	2.3	9.0	17.3	26.2
Female	100	100	100	100	100
Ratio of female employees returning from childcare leave (%)	100	100	100	100	94.1
Number of employees working reduced hours due to childcare					
Male	1	1	1	1	2
Female	64	74	93	93	98
Number of employees using the family care leave system	1	2	1	3	3
Number of employees working reduced hours due to family care	2	1	1	3	2
Number of IT credential holders	2,563	2,585	2,547	2,528	2,523
Number of PMP®[5] credential holders	311	308	312	284	316
Environment					
CO_2 emissions (Scope 2) (t-CO_2e)[6]	1,398	1,341	1,280	1,273	1,026
Governance					
Number of female directors	0	1	1	1	1
Ratio of female directors (%)	0.0	16.7	16.7	16.7	14.3
Number of independent outside directors	2	2	3	3	3
Ratio of independent outside directors (%)	33.3	33.3	50.0	50.0	42.9
Number of independent outside Audit & Supervisory Board members	2	2	2	2	2
Ratio of independent outside Audit & Supervisory Board members (%)	66.7	66.7	66.7	66.7	66.7

*1 The Company changed reporting segments in fiscal 2019 following the elimination of the Real Estate Service Business segment. Figures for fiscal 2018 and prior are presented based on the data before this change.
*2 Per share indicators are based on the number of shares after the Company's share split executed on January 1, 2020.
*3 Fiscal 2019 indicators for dividend payout ratio and total return ratio are calculated to include the Company's 50th anniversary commemorative dividend (14 yen per share).
*4 The turnover rate is calculated excluding mandatory retirements and persons using the Company's early retirement incentive program.
*5 Project Management Professional (PMP®) is an international credential granted by the Project Management Institute (PMI) to professionals who possess certain experience, training and knowledge in project management. Furthermore, PMP® is a registered trademark of the US-based Project Management Institute.
*6 CO_2 emissions cover the head office, branch offices, business sites, and subsidiaries in Japan and are calculated by multiplying electricity usage of each business location by the emissions coefficient.

Corporate Information & Data

Company Information

■ Corporate Profile (As of March 31, 2022)

Name	NSD Co., Ltd.
Established	April 8, 1969
Business lines	System Development Business 　(1) Planning, design and development of IT systems 　(2) 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	3,560 (consolidated)
Head Office	WATERRAS TOWER, 2-101 Kanda-awajicho, Chiyoda-ku, Tokyo 101-0063, Japan TEL: +81-3-3257-1130

■ Offices (As of December 1, 2022)

Head Office	WATERRAS TOWER, 2-101 Kanda-awajicho, Chiyoda-ku, Tokyo, Japan
Osaka Branch Office	DOJIMA AVANZA, 1-6-20 Dojima, Kita-ku, Osaka-shi, Osaka, Japan
Nagoya Branch Office	NAGOYA Lucent Tower, 6-1 Ushijimacho, Nishi-ku, Nagoya-shi, Aichi, Japan
Fukuoka Branch Office	Kyukan Jotenjidori Building, 1-13-1 Hakataekimae, Hakata-ku, Fukuoka-shi, Fukuoka, Japan
Sendai Business Site	AER, 1-3-1 Chuo, Aoba-ku, Sendai-shi, Miyagi, Japan
Hiroshima Business Site	HIROSHIMA TRAIN VERT BUILDING, 1-2-22 Kamiyacho, Naka-ku, Hiroshima-shi, Hiroshima, Japan

■ Group Companies (As of October 1, 2022)

**13 Group companies (9 subsidiaries and 4 affiliated companies)**
(Main subsidiaries)

Company name	Address	Business lines
NSD Advanced Technology Research Institute Co., Ltd.	Chiyoda-ku, Tokyo	Research and development of solutions using advanced technology
StellaS Co., Ltd.	Chiyoda-ku, Tokyo	Provision of human resource solutions and business warehouse solutions
FSK Co., Ltd.	Iwaki-shi, Fukushima	IT system development, operation, maintenance, and business process support
Trigger Inc.	Chiyoda-ku, Tokyo	IT consulting, system development and operational support
Shareholders Relation Service, Inc.	Chiyoda-ku, Tokyo	Provision of solutions related to shareholder benefits and IR consulting for individual shareholders
NSD International, Inc.	New York State, USA	Development of IT systems and provision of solutions to the US subsidiaries of Japanese companies
Chengdu Renbenxindong Technology Ltd.	Chengdu, China	Offshore development and system development for the Chinese subsidiaries of Japanese companies
Renbenxindong Technology Ltd.	Beijing, China	Provision of healthcare management services

■ Stock Information (As of September 30, 2022)

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 and outstanding shares	87,000,000
Number of shareholders	29,211
Administrator of shareholder registry	Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo

■ Share Distribution by Type of Shareholder
(As of September 30, 2022)

Type of shareholder	Ownership ratio (%)
Financial institutions	25.39%
Financial instruments firms	0.51%
Other corporations	11.20%
Foreign corporations, etc.	23.72%
Individuals and others	27.68%
Treasury shares	11.50%

Treasury shares **11.50%**
Financial institutions **25.39%**
Financial instruments firms **0.51%**
Individuals and others **27.68%**
Ownership ratio by shareholder type
Foreign corporations, etc. **23.72%**
Other corporations **11.20%**
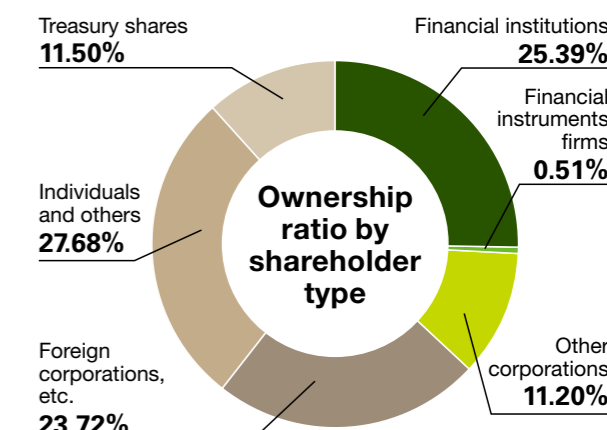
■ Major Shareholders (As of September 30, 2022)

Name	Number of shares held (thousands)	Ownership ratio (%)*
The Master Trust Bank of Japan, Ltd.	9,169	11.90
IPC Co., Ltd.	5,658	7.34
Northern Trust Co. (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	4,362	5.66
State Street Bank and Trust Company (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	3,634	4.71
Custody Bank of Japan, Ltd.	3,627	4.71
State Street Bank and Trust Company (Standing proxy: Mizuho Bank, Ltd.)	3,399	4.41
The Nomura Trust and Banking Co., Ltd.	3,259	4.23
KD Associates, Ltd.	2,697	3.50
JP Morgan Chase Bank (Standing proxy: Mizuho Bank, Ltd.)	2,461	3.19
NSD Employee Stock Ownership Association	2,251	2.92

* Although the Company owns treasury stock (10,003 thousand shares), it is excluded from the calculation of ownership ratio.