

To Our Shareholders

We are pleased to notify you that the 55th Ordinary General Meeting of Shareholders will be held on Wednesday, June 26, 2024.

We hope that you will find this notice informative.

June 2024

Yoshikazu Imajo
President & CEO, NSD Co., Ltd.

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Note:

This is unofficial translation of the Japanese Language original version, and is provided for your convenience only, without any warranty as to its accuracy or as to the completeness of information. The Japanese original version of the report is the sole official version.

Security code: 9759

(Date sent) June 4, 2024

(Start date of measures for electronic provision) May 31, 2024

To Our Shareholders

NSD Co., Ltd.

2-101, Kanda-awajicho, Chiyoda-ku, Tokyo, Japan

Yoshikazu Imajo

President & CEO

NOTICE OF CONVOCATION OF
THE 55th ORDINARY GENERAL MEETING OF
SHAREHOLDERS

We are pleased to notify you that the 55th Ordinary General Meeting of Shareholders will be held as stated below.

The Company takes measures for electronic provision on the information contained in the Reference for the Ordinary General Meeting of Shareholders, etc. (the items subject to measures for electronic provision), and we post them on the Company's website on the Internet, please access the following website to check the details.

The Company's website:

https://www.nsd.co.jp/ir/kabu_material/oshirase.html (Full text of measures for electronic provision are available only in Japanese language)

In addition to the above, the items subject to measures for electronic provision are also posted on the Tokyo Stock Exchange (TSE) website. Access the "Listed Company Search" below, enter "NSD" in "Issue name (company name)" or "9759" in "Code" and select "Basic information" and "Documents for public inspection/PR information" in order to view.

"Listed Company Search"

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (Full text of measures for electronic provision are available only in Japanese language)

In the event that you exercise your voting rights in writing, or via the Internet, please take a time to examine the "Reference for the Ordinary General Meeting of Shareholders" (pages 4 through 18), and exercise your voting rights in accordance with the "Guidance on the Exercise of Voting Rights" (pages 3 through 4 of the Japanese original).

Particulars

1. **Date and Time:** 10:00 a.m., Wednesday, June 26, 2024
(The reception is scheduled to open at 9:00 a.m.)
2. **Place:** sola city Hall (2F) at ochanomizu sola city
4-6 Kandasurugadai, Chiyoda-ku, Tokyo.
3. **Purpose of Meeting:**
Matters to be reported Report on business report, consolidated financial statements, non-consolidated financial statements, and audit results of consolidated financial statements by the independent auditor and the Audit & Supervisory Board for the 55th fiscal year (from April 1, 2023 to March 31, 2024)

Matters to be resolved

- Proposal 1:** Election of Eight (8) Directors
- Proposal 2:** Election of One (1) Audit & Supervisory Board Member
- Proposal 3:** Approval of Merger Agreement for an Absorption of Subsidiary

4. Decisions on the Convocation

The following items among the items subject to measures for electronic provision are not included in the document to be delivered to shareholders who have requested delivery of the document (document stating the items subject to measures for electronic provision) pursuant to the provisions of laws and regulations and the Articles of Incorporation of the Company. The subject documents that were audited by the Audit & Supervisory Board Members and Accounting Auditor included the following items.

[Reference for the Ordinary General Meeting of Shareholders]

Proposal 3

- Details of Trigger's financial statements for the most recent fiscal year

[Business Report]

Matters Concerning the Current Status of the Group

- Issues to be Addressed
- Changes in Assets and Profit and Loss
- Principal Businesses
- Principal Offices
- Status of Employees
- Status of Principal Lenders

Matters Concerning the Company's Stock

Matters Concerning Stock Acquisition Rights, etc., of the Company

Matters Concerning the Company's Directors and Audit & Supervisory Board Members

- Matters concerning Outside Directors and Outside Audit & Supervisory Board Members
- Matters concerning Directors, Audit & Supervisory Board Members and Officers

Liability Insurance Agreement

Status of Accounting Auditors

Corporate Structure and Policies

[Consolidated Financial Statements]

Consolidated Statement of Changes in Equity

Notes to Consolidated Financial Statements

[Financial Statements]

[Audit Report]

Audit Report on Consolidated Financial Statements

Audit Report on Financial Statements

- In the event of any modifications to the items subject to measures for electronic provision, the Company will post such modifications on the Company's website and the TSE's website.

Reference for the Ordinary General Meeting of Shareholders

Proposals and References

Proposal 1: Election of Eight (8) Directors

The term of all seven (7) Directors will expire at the close of this Ordinary General Meeting of Shareholders. Therefore, in order to further strengthen corporate governance, the Board proposes that the number of Directors be increased by one (1), and eight (8) Directors including four (4) Outside Directors be elected.

The candidates are as follows.


Candidate No.	Name	Gender	Position and Responsibility in the Company	Attendance of the meetings of the Board of Directors
1	Yoshikazu Imajo 【Reappointment】	Male	President & CEO	15/15 (100%)
2	Hideshi Maekawa 【Reappointment】	Male	Director, Senior Managing Executive Officer Chief General Manager, Corporate Service Division Chief General Manager, Corporate Planning Division	15/15 (100%)
3	Osamu Yamoto 【Reappointment】	Male	Director, Senior Managing Executive Officer COO	14/15 (93.3%)
4	Hidetaka Kikawada 【Reappointment】	Male	Director, Managing Executive Officer Head of Innovation Strategy Business Unit Chief General Manager, Enterprise Business Division	15/15 (100%)
5	Yuriko Kajiwara 【New appointment】 【Outside】 【Independent】	Female	—	—
6	Atsuhiko Kawamata 【Reappointment】 【Outside】 【Independent】	Male	Outside Director	15/15 (100%)
7	Kumiko Jinnouchi 【Reappointment】 【Outside】 【Independent】	Female	Outside Director	15/15 (100%)
8	Toru Takeuchi 【Reappointment】 【Outside】 【Independent】	Male	Outside Director	15/15 (100%)


【Reappointment】 : Candidate for Director to be reappointed

【New appointment】 : Candidate for Director to be newly appointed


【Outside】 : Candidate for Outside Director


【Independent】 : Independent Officer

Candidate No.	Name (Date of Birth)	Resume, Position and Responsibility in the Company and Principal Concurrent Positions	Number of shares of the Company Owned
1	 Yoshikazu Imajo (October 13, 1961) [Reappointment] [Male]	April 1984 Joined NSD Co., Ltd. (NSD) April 2001 General Manager, Tokyo Systems Sales Department 4 April 2005 Executive Officer Chief General Manager, Systems Division 1 June 2006 Director & Executive Officer Deputy Chief General Manager, Sales Promotion & Planning Division June 2007 Managing Director & Executive Officer Deputy Chief General Manager, Sales Promotion & Planning Division April 2008 Senior Managing Director Chief General Manager, Sales Promotion & Planning Division April 2009 President & COO Chief General Manager, Sales Promotion & Planning Division April 2011 President & CEO (Present Position)	246,572
Attendance of the meetings of the Board of Directors		15/15 (100%)	
[Reasons for the appointment as a candidate for Director] Mr. Yoshikazu Imajo has sufficient experience and a proven track record as the President & CEO of the Company, as well as his deep insight for management. Accordingly, the Company expects him to continue executing business, making decisions and supervising the activities of management appropriately.			

Candidate No.	Name (Date of Birth)	Resume, Position and Responsibility in the Company and Principal Concurrent Positions	Number of shares of the Company Owned
2	 <p data-bbox="288 651 480 775">Hideshi Maekawa (February 16, 1962) [Reappointment] [Male]</p>	<p data-bbox="560 315 671 338">April 1982</p> <p data-bbox="735 315 847 338">Joined NSD</p> <p data-bbox="560 349 671 371">April 2000</p> <p data-bbox="735 349 1262 371">General Manager, Tokyo Systems Sales Department 6</p> <p data-bbox="560 383 671 405">April 2006</p> <p data-bbox="735 383 911 405">Executive Officer</p> <p data-bbox="735 416 1222 439">Chief General Manager, Corporate Staffs Division</p> <p data-bbox="560 450 671 472">June 2006</p> <p data-bbox="735 450 1023 472">Director & Executive Officer</p> <p data-bbox="735 483 1222 506">Chief General Manager, Corporate Staffs Division</p> <p data-bbox="560 517 671 539">April 2013</p> <p data-bbox="735 517 1086 539">Director & Senior Executive Officer</p> <p data-bbox="735 551 1270 573">COO, Public & Telecommunication Business Division</p> <p data-bbox="735 584 1270 607">Senior General Manager, IT Services Business Division</p> <p data-bbox="560 618 671 640">April 2014</p> <p data-bbox="735 618 927 640">Managing Director</p> <p data-bbox="735 651 1094 674">COO, IT Services Business Division</p> <p data-bbox="560 685 671 707">April 2016</p> <p data-bbox="735 685 991 707">Senior Managing Director</p> <p data-bbox="735 719 1070 741">COO, Industrial Business Division</p> <p data-bbox="560 752 671 775">June 2017</p> <p data-bbox="735 752 1174 775">Director, Senior Managing Executive Officer</p> <p data-bbox="735 786 1270 853">In Charge of Corporate Administration and Investor Relations Office, Human Resources Department, General Affairs Department</p> <p data-bbox="560 864 671 887">April 2018</p> <p data-bbox="735 864 1174 887">Director, Senior Managing Executive Officer</p> <p data-bbox="735 898 1222 920">Chief General Manager, Corporate Staffs Division</p> <p data-bbox="560 931 671 954">June 2020</p> <p data-bbox="735 931 1174 954">Director, Senior Managing Executive Officer</p> <p data-bbox="735 965 1238 987">Chief General Manager, Corporate Service Division</p> <p data-bbox="735 999 1254 1021">Chief General Manager, Corporate Planning Division</p> <p data-bbox="560 1032 671 1055">April 2022</p> <p data-bbox="735 1032 1174 1055">Director, Senior Managing Executive Officer</p> <p data-bbox="735 1066 1238 1088">Chief General Manager, Corporate Service Division</p> <p data-bbox="735 1099 1254 1122">Chief General Manager, Corporate Planning Division</p> <p data-bbox="735 1133 1142 1155">In charge of Healthcare Business Division</p> <p data-bbox="560 1167 671 1189">April 2024</p> <p data-bbox="735 1167 1174 1189">Director, Senior Managing Executive Officer</p> <p data-bbox="735 1200 1238 1223">Chief General Manager, Corporate Service Division</p> <p data-bbox="735 1234 1254 1256">Chief General Manager, Corporate Planning Division</p> <p data-bbox="735 1267 903 1290">(Present Position)</p>	98,338
	Attendance of the meetings of the Board of Directors	15/15 (100%)	
	<p data-bbox="240 1245 791 1267">[Reasons for the appointment as a candidate for Director]</p> <p data-bbox="256 1279 1477 1368">Mr. Hideshi Maekawa has sufficient experience and a proven track record with respect to the business execution of our corporate service division and system development division, as well as his insight for management as a Director. Accordingly, the Company expects him to continue executing business, making decisions and supervising the activities of management appropriately.</p>		


Candidate No.	Name (Date of Birth)	Resume, Position and Responsibility in the Company and Principal Concurrent Positions	Number of shares of the Company Owned	
3	 <p data-bbox="284 651 485 775">Osamu Yamoto (February 20, 1963) [Reappointment] [Male]</p>	<p data-bbox="555 315 1270 887"> April 1987 Joined NSD February 2004 General Manager, Systems Sales Division 5 Department 1 September 2007 Executive Officer Chief General Manager, Systems Division 5 April 2014 Senior Executive Officer COO, Public & Telecommunication Business Division June 2014 Director & Senior Executive Officer COO, Public & Telecommunication Business Division June 2016 Managing Director COO, Public & Telecommunication Business Division Senior General Manager, Business Sales Division June 2017 Director, Managing Executive Officer COO, Public & Telecommunication Business Division Senior General Manager, Business Sales Division April 2018 Director, Senior Managing Executive Officer Chief General Manager, Business Headquarter (Present Position) </p>	67,778	
	Attendance of the meetings of the Board of Directors			14/15 (93.3%)
	[Reasons for the appointment as a candidate for Director] Mr. Osamu Yamoto has sufficient experience and a proven track record with respect to the business execution of our system development division and sales division, as well as his insight for management as a Director. Accordingly, the Company expects him to continue executing business, making decisions and supervising the activities of management appropriately.			

Candidate No.	Name (Date of Birth)	Resume, Position and Responsibility in the Company and Principal Concurrent Positions	Number of shares of the Company Owned
4	 <p data-bbox="284 651 480 775">Hidetaka Kikawada (May 18, 1973) [Reappointment] [Male]</p>	<p data-bbox="555 320 660 342">April 1998</p> <p data-bbox="746 320 863 342">Joined NSD</p> <p data-bbox="555 353 660 376">April 2011</p> <p data-bbox="746 353 1286 398">General Manager, Industry & Distribution Systems Business Unit Department 6</p> <p data-bbox="555 409 660 432">July 2015</p> <p data-bbox="746 409 1286 454">Chairman & CEO, Chengdu Renbenxindong Technology Ltd.</p> <p data-bbox="555 465 660 488">April 2017</p> <p data-bbox="746 465 1286 521">Executive Officer Chief General Manager, Public & Telecommunication Business Division 1</p> <p data-bbox="555 533 660 555">April 2018</p> <p data-bbox="746 533 1286 589">Executive Officer Chief General Manager, Advanced Technology Promotion Division</p> <p data-bbox="555 600 660 622">April 2019</p> <p data-bbox="746 600 1286 656">President & CEO, NSD Advanced Technology Research Institute Co., Ltd. (Present Position)</p> <p data-bbox="555 667 660 689">October 2021</p> <p data-bbox="746 667 1286 712">Managing Executive Officer Head of Advanced Technology Strategic Business Unit</p> <p data-bbox="555 723 660 745">June 2022</p> <p data-bbox="746 723 1286 790">Director, Managing Executive Officer Head of Advanced Technology Strategic Business Unit In charge of Market Development Business Division</p> <p data-bbox="555 801 660 824">October 2022</p> <p data-bbox="746 801 1286 891">Director, Managing Executive Officer Head of Advanced Technology Strategic Business Unit In charge of Market Development Business Division In charge of Social Platform Division</p> <p data-bbox="555 902 660 925">April 2024</p> <p data-bbox="746 902 1286 992">Director, Managing Executive Officer Head of Innovation Strategy Business Unit Chief General Manager, Enterprise Business Division (Present Position)</p>	25,167
Attendance of the meetings of the Board of Directors		15/15 (100%)	
<p data-bbox="236 1055 791 1077">[Reasons for the appointment as a candidate for Director]</p> <p data-bbox="252 1081 1489 1176">Mr. Hidetaka Kikawada has sufficient 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, as well as his insight for management as a Director. Accordingly, the Company expects him to continue executing business, making decisions and supervising the activities of management appropriately.</p>			

Candidate No.	Name (Date of Birth)	Resume, Position and Responsibility in the Company and Principal Concurrent Positions	Number of shares of the Company Owned
5	 <p data-bbox="284 651 475 703">Yuriko Kajiwara (October 13, 1963)</p> <p data-bbox="268 725 491 846">[New appointment] [Candidate for Outside Director] [Independent Officer] [Female]</p>	<p data-bbox="552 322 660 344">April 1988</p> <p data-bbox="743 322 1126 344">Joined Japan Broadcasting Corporation</p> <p data-bbox="552 353 660 376">June 2017</p> <p data-bbox="743 353 1198 376">Head of Programming Division, Osaka Station</p> <p data-bbox="552 385 660 407">June 2019</p> <p data-bbox="743 385 970 407">Director, Chiba Station</p> <p data-bbox="552 416 660 439">June 2021</p> <p data-bbox="743 416 1254 472">Deputy Director, Secretariat for Board of Governors (Retired in March 2023)</p>	-
<p data-bbox="233 875 1158 898">[Reasons for the appointment as a candidate for Outside Director and outline of roles expected]</p> <p data-bbox="252 904 1485 1021">Ms. Yuriko Kajiwara has great insight into social issues and sufficient experience in governance gained in the public broadcasting corporation. The Company believes that its corporate governance will be further reinforced with her advice for the Board of Directors and the Governance Committee from an objective, extensive and highly professional viewpoint leveraging her experience and expertise. Ms. Yuriko Kajiwara has not been directly involved in corporate management, but the Company believes, for the reason above, that she is suitable to appropriately perform her duty as an Outside Director.</p>			
<p data-bbox="233 1028 762 1050">[Supplementary explanations regarding independence]</p> <p data-bbox="252 1057 1477 1173">The Company believes that Ms. Yuriko Kajiwara is suitable to appropriately perform her duty from an independent standpoint as an Outside Director because although the Company's group has business relationship for system development with Japan Broadcasting Corporation, which she worked for, the percentage of the transaction amount in the fiscal year ended March 31, 2024 was less than 0.03% of its business revenue and the consolidated net sales of the Company's group, which is immaterial and accordingly does not affect her independence.</p>			

Candidate No.	Name (Date of Birth)	Resume, Position and Responsibility in the Company and Principal Concurrent Positions	Number of shares of the Company Owned
6	 <p data-bbox="272 651 480 707">Atsuhiko Kawamata (August 14, 1961)</p> <p data-bbox="268 723 491 846">[Reappointment] [Candidate for Outside Director] [Independent Officer] [Male]</p>	<p data-bbox="552 320 1046 342">April 1984 Joined Japan Tobacco Inc. (JT)</p> <p data-bbox="552 349 1286 398">November 2005 Director, Business Planning Department, Food Business Division</p> <p data-bbox="552 405 1286 454">July 2008 Senior Vice President, Head of China Division, Tobacco Business Headquarters</p> <p data-bbox="552 461 1222 589">January 2015 President & CEO, TableMark Holdings Co., Ltd. (Retired in December 2018) President & CEO, TableMark Co., Ltd. (Retired in December 2018)</p> <p data-bbox="552 595 1286 645">January 2019 Senior Vice President, Head of Food Business, Food Business Planning Division, JT</p> <p data-bbox="552 651 1158 678">January 2020 Advisor, Food Business (Present Position)</p> <p data-bbox="552 685 1142 712">June 2020 Outside Director, NSD (Present Position)</p>	-
	Term of office as Outside Director at the close of this Ordinary General Meeting of Shareholders 4 years	Attendance of the meetings of the Board of Directors 15/15 (100%)	
	<p data-bbox="233 954 1158 981">[Reasons for the appointment as a candidate for Outside Director and outline of roles expected]</p> <p data-bbox="252 981 1469 1077">Mr. Atsuhiko Kawamata has sufficient experience and great insight into management gained in Japan and overseas as a member of management of a manufacturing company, and has high capability for supervision. The Company believes that its corporate governance will be further reinforced with his advice for the Board of Directors and the Governance Committee from an objective, extensive and highly professional viewpoint leveraging his experience and expertise.</p>		
	<p data-bbox="233 1088 759 1115">[Supplementary explanations regarding independence]</p> <p data-bbox="252 1115 1422 1182">The Company believes that Mr. Atsuhiko Kawamata is suitable to appropriately perform his duty from an independent standpoint as an Outside Director because the Company's group had no business relationship with JT's group companies (including TableMark Co., Ltd.) during the fiscal year ended March 2024.</p>		

Candidate No.	Name (Date of Birth)	Resume, Position and Responsibility in the Company and Principal Concurrent Positions		Number of shares of the Company Owned
7	 <p data-bbox="280 651 480 701">Kumiko Jinnouchi (February 16, 1967)</p> <p data-bbox="268 723 493 842">[Reappointment] [Candidate for Outside Director] [Independent Officer] [Female]</p>	April 1989	Joined The Sanwa Bank, Limited. (now MUFG Bank, Ltd.) (Retired in June 1995)	1,000
	January 2002	Registered as an attorney-at-law (Dai-ni Tokyo Bar Association)		
	January 2014	Established Jinnouchi Law Offices Representative Attorney-at-law (Present Position)		
	June 2019	Outside Director, NSD (Present Position)		
Term of office as Outside Director at the close of this Ordinary General Meeting of Shareholders		Attendance of the meetings of the Board of Directors		
5 years		15/15 (100%)		
<p data-bbox="233 954 1155 981">[Reasons for the appointment as a candidate for Outside Director and outline of roles expected]</p> <p data-bbox="252 983 1485 1122">Ms. Kumiko Jinnouchi has sufficient experience and expertise in overall legal affairs as an attorney-at-law. The Company believes that its corporate governance will be further reinforced with her advice for the Board of Directors and the Governance Committee from an objective, extensive and highly professional viewpoint leveraging her experience and expertise. Ms. Kumiko Jinnouchi has not been involved in corporate management other than as an Outside Director or Outside Audit & Supervisory Board Member, but the Company believes, for the reason above, that she is suitable to appropriately perform her duty as an Outside Director.</p>				
<p data-bbox="233 1131 762 1158">[Supplementary explanations regarding independence]</p> <p data-bbox="252 1160 1481 1252">The Company believes that Ms. Kumiko Jinnouchi is suitable to appropriately perform her duty from an independent standpoint as an Outside Director because the Company's group has not concluded an advisory agreement with Jinnouchi Law Offices for which Ms. Kumiko Jinnouchi herself serves as the Representative Attorney-at-law, and had no payment of fees to Jinnouchi Law Offices during the fiscal year ended March 2024.</p>				

Candidate No.	Name (Date of Birth)	Resume, Position and Responsibility in the Company and Principal Concurrent Positions	Number of shares of the Company Owned	
8	 Toru Takeuchi (January 1, 1959) [Reappointment] [Candidate for Outside Director] [Independent Officer] [Male]	April 1981 Joined Nitto Denko Corporation April 2002 General Manager of Accounting & Finance Department June 2010 Vice President, General Manager of Corporate Accounting Division June 2011 Director, Vice President, General Manager of Corporate Accounting Division June 2014 Director, Senior Vice President, General Manager of Corporate Sector June 2015 Director, Executive Vice President, General Manager of Corporate Strategy Sector June 2018 Director, Senior Executive Vice President (Retired in June 2020) June 2021 Outside Director, NSD (Present Position)	700	
		Term of office as Outside Director at the close of this Ordinary General Meeting of Shareholders 3 years		Attendance of the meetings of the Board of Directors 15/15 (100%)
		[Reasons for the appointment as a candidate for Outside Director and outline of roles expected] Mr. Toru Takeuchi has sufficient experience and great insight into management gained in Japan and overseas as a member of management of a manufacturing company, and has high capability for supervision. The Company believes that its corporate governance will be further reinforced with his advice for the Board of Directors and the Governance Committee from an objective, extensive and highly professional viewpoint leveraging his experience and expertise.		
		[Supplementary explanations regarding independence] The Company believes that Mr. Toru Takeuchi is suitable to appropriately perform his duty from an independent standpoint as an Outside Director because the Company's group had no business relationship with Nitto Denko Corporation's group companies during the fiscal year ended March 2024.		


Notes

1. The candidates have no special interests in the Company.
2. Ms. Yuriko Kajiwara, Mr. Atsuhiko Kawamata, Ms. Kumiko Jinnouchi, and Mr. Toru Takeuchi are candidates for Outside Directors. As of the close of this Ordinary General Meeting of Shareholders, Mr. Atsuhiko Kawamata, Ms. Kumiko Jinnouchi, and Mr. Toru Takeuchi will have held their positions as Outside Directors for four (4) years, five (5) years, and three (3) years, respectively.
3. The Company entered into liability limitation agreements with Mr. Atsuhiko Kawamata, Ms. Kumiko Jinnouchi, and Mr. Toru Takeuchi. If election of the candidates is approved at this General Meeting of Shareholders, such agreement will continue to be in effect. If election of Ms. Yuriko Kajiwara is approved at this General Meeting of Shareholders, the Company plans to enter into the liability limitation agreement with her. The summary of the contents of the agreement is pursuant to Article 427, Paragraph 1 of the Companies Act and the Articles of Incorporation of the Company and the maximum amount of potential liability will be set as the statutory amount for such purpose.
4. The Company has entered into Directors, Audit & Supervisory Board Members and Officers Liability Insurance Agreement with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to compensate for damages, expenses arising from litigation, and other losses incurred by the insureds due to their assuming liability for their execution of duties. The insurance premiums are fully borne by the Company. If election of the candidates is approved at this General Meeting of Shareholders, each candidate will be insured under the said insurance agreement. The Company plans to renew the insurance agreement during the term of office of each candidate.
5. The Company has registered Mr. Atsuhiko Kawamata, Ms. Kumiko Jinnouchi, and Mr. Toru Takeuchi as Independent Directors with Tokyo Stock Exchange, Inc. If election of Ms. Yuriko Kajiwara is approved at this General Meeting of Shareholders, the Company plans to register her as an Independent Director with Tokyo Stock Exchange, Inc.

Proposal 2: Election of One (1) Audit & Supervisory Board Member

The term of Audit & Supervisory Board Member, Mr. Kiyoshi Kondo, will expire at the close of this General Meeting of Shareholders. Therefore, the Board proposes that one (1) Audit & Supervisory Board Member be elected. This proposal has already gained the consent of the Audit & Supervisory Board.

The candidate is as follows.

Name (Date of Birth)	Resume, Position and Responsibility in the Company and Principal Concurrent Positions	Number of shares of the Company Owned
 <p data-bbox="248 958 395 1010">Kiyokimi Yagi (July 16, 1963)</p> <p data-bbox="228 1032 416 1079">[New appointment] [Male]</p>	<p data-bbox="496 595 1198 645">April 1986 Joined Toyo Trust and Banking Company, Limited (now Mitsubishi UFJ Trust and Banking Corporation)</p> <p data-bbox="496 656 1038 705">October 2015 Joined NSD General Manager, Office of President</p> <p data-bbox="496 716 1038 766">April 2016 Executive Officer General Manager, Office of President</p> <p data-bbox="496 777 1209 848">June 2017 Executive Officer General Manager, Corporate Administration and Investor Relations Office</p> <p data-bbox="496 860 1166 931">April 2019 Executive Officer General Manager, Corporate Secretary Department (Present Position)</p>	<p data-bbox="1294 824 1362 853">13,012</p>
<p data-bbox="177 1084 1007 1113">[Reasons for the appointment as a candidate for Audit & Supervisory Board Member]</p> <p data-bbox="197 1113 1406 1205">Mr. Kiyokimi Yagi has sufficient experience and a proven track record with respect to the execution of business management and IR in our corporate service division, as well as extensive experience and insight in finance and compliance at a financial institution. Accordingly, the Company expects him to audit the Company's overall business and management and to provide advanced advice at meetings of the Board of Directors.</p>		

Notes

1. Mr. Kiyokimi Yagi has no special interests in the Company.
2. The Company has entered into Directors, Audit & Supervisory Board Members and Officers Liability Insurance Agreement with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act to compensate for damages, expenses arising from litigation, and other losses incurred by the insureds due to their assuming liability for their execution of duties. The insurance premiums are fully borne by the Company. If election of Mr. Kiyokimi Yagi is approved at this General Meeting of Shareholders, he will be insured under the said insurance agreement.

The Company plans to renew the insurance agreement during her term of office.

Proposal 3: Approval of Merger Agreement for an Absorption of Subsidiary

At a meeting of the Directors held on May 8, 2024, the Company resolved to implement an absorption-type merger (the “Merger”) on the condition that the general meeting of shareholders approves it, with an effective date of July 1, 2024, and with the Company as the surviving company and Trigger Inc. (“Trigger”), a subsidiary of the Company, as the disappearing company, and the Company entered into a merger agreement concerning the Merger on May 8, 2024. The approval regarding the merger agreement is kindly requested since the Company may incur a loss (*) from merger as a result of the Merger in its non-consolidated financial results.

* As the Merger is a merger with a consolidated subsidiary of NSD, there will be no effect of the Merger on NSD’s consolidated financial results.

1. Reason for the Merger

Trigger is the subsidiary of the Company and engages in IT consulting and system development. The Company has decided to absorb Trigger in order to further grow Trigger’s business, to consolidate management resources and to improve management efficiency, by integrating business operations.

2. Details of the Merger Agreement

The details of the merger agreement concerning the Merger are as follows:

Merger Agreement (Copy)

NSD Co. Ltd. (Address: 2-101, Kanda-awajicho, Chiyoda-ku, Tokyo. “X”) and Trigger Inc. (Address: 3-8-11, Iwamotocho, Chiyoda-ku, Tokyo. “Y”) shall enter into a merger agreement (this “Agreement”) as follows.

Article 1 (Method of Merger)

X and Y shall conduct a merger (the “Merger”), where X will be the company surviving the absorption-type merger, and Y will be the company disappearing in the absorption-type merger.

Article 2 (Consideration for the Merger)

1. Upon the Merger, X shall deliver X shares to shareholders of Y in exchange for Y shares held by such shareholders. The number of shares to be delivered will be calculated by multiplying the total number of Y shares held by Y’s shareholders stated in the shareholder register of Y as of the time immediately preceding the Merger becoming effective (such shareholders do not include X.) by 18.5.
2. Upon the Merger, X shall allot the number of shares of X to each Y’s shareholder stated in the shareholder register of Y as of the time immediately preceding the Merger becoming effective. The number of shares to be allotted will be calculated by multiplying the number of Y’s share held by such each shareholder (such shareholder does not include X.) by 18.5.

Article 3 (Matters concerning the Amounts of X’s Stated Capital and Capital Reserve)

The amount of stated capital and capital reserve of X to be increased due to the Merger shall be determined by X according to the provisions of Article 35 or Article 36 of the Regulation on Corporate Accounting.

Article 4 (Effective Date)

The date on which the Merger will become effective (the “Effective Date”) shall be July 1, 2024. However, if it is necessary in accordance with the progress of the procedures of the Merger, the Effective Date could be amended upon discussion between X and Y.

Article 5 (Approval of General Meeting of Shareholders)

1. X shall hold a general meeting of shareholders and obtain approval for this Agreement and any matters necessary for the Merger by the date immediately preceding the Effective Date.
2. Pursuant to Article 784, paragraph 1 of the Companies Act, Y shall conduct the Merger without obtaining the approval of a general meeting of its shareholders.

Article 6 (Duty of Care as a Prudent Manager)

From the conclusion of this Agreement to the date before the Effective Date, X and Y shall execute their operations of business and manage and operate their properties, with the due care of a prudent manager, and if undertaking an act that may materially affect their assets, rights and obligations, execute such act upon prior discussion and agreement between X and Y.

Article 7 (Transfer of Company Assets)

Y shall transfer all assets, liabilities, rights and obligations held by Y to X on the Effective Date, and X shall succeed to them.

Article 8 (Changes to Merger Conditions, Cancellation of the Merger Agreement)

In the event that a material change occurs in the assets or management status of X or Y due to a natural disaster or other reason between the date of this Agreement and the day before the Effective Date, X and Y may, upon discussion between X and Y, amend the terms of the Merger or cancel this Agreement in writing.

Article 9 (Effect of this Agreement)

This Agreement shall lose its effectiveness if X cannot obtain the approval of its general meeting of shareholders, defined in Article 5, paragraph 1 of this Agreement, or if the approval of the relevant government agencies required by law cannot be obtained.

Article 10 (Matters other than the provisions of this Agreement)

In addition to the provisions of this Agreement, matters necessary for the Merger shall be determined upon discussion between X and Y in accordance with the purport of this Agreement.

IN WITNESS WHEREOF, X and Y shall execute this Agreement in duplicate by affixing their respective name and seals, and retain one copy each.

May 8, 2024

X

NSD Co., Ltd.

2-101, Kanda-awajicho, Chiyoda-ku, Tokyo

Yoshikazu Imajo, President & CEO

Y

Trigger Inc.

3-8-11, Iwamotocho, Chiyoda-ku, Tokyo

Naoki Matsumoto, President & CEO

3. Outline of the matters provided for in each of the items of Article 191 of the Regulations for Enforcement of the Companies Act

(1) Matters concerning the appropriateness of the provisions regarding the matters listed in Article 749, paragraph 1, items 2 and 3 of the Companies Act (Article 191, item 1 of the Regulation for Enforcement of the Companies Act)

i) Method of the Merger

Absorption-type merger with the Company as the company surviving the absorption-type merger and Trigger as the company disappearing in the absorption-type merger.

ii) Details of allotment pertaining to the Merger

	NSD (surviving company)	Trigger (disappearing company)
Shares allocation ratio for the Merger	1	18.5

Note: The Company will allot 18.5 its common shares against 1 Trigger common share to Trigger's shareholder as of the date immediately preceding the Merger becoming effective. The Company will apportion its treasury shares as the shares to be allotted and does not plan to issue new shares.

iii) Concept of calculation for share allocation upon the Merger

For the Company, market share price method was adopted as the Company is a listed company. For Trigger that is not listed, discounted cash flow method ("DCF method") and comparable multiple valuation method were adopted. No significant increase or decrease in profit is expected in Trigger's business forecast, which is the premise for the calculation. Evaluation range of merger ratio was found as below.

Calculation Method		Calculation Result of Merger Ratio
NSD	Trigger	
Market Share Price Method	DCF method	15.8 to 24.7
	Comparable Multiple Valuation method	14.3 to 24.5

Note: "Calculation Result of Merger Ratio" shows the number of NSD common share to be allotted against 1 Trigger common share.

Based on the calculation result above, the Company held discussions with Trigger and concluded the allocation ratio of the Merger as above 3 (1) ii).

- (2) Matters regarding appropriateness of stated capital and capital reserve of the Company
The amount of stated capital and capital reserve of X to be increased due to the Merger shall be determined by the Company according to the provisions of Article 35 or Article 36 of the Regulation on Corporate Accounting.
- (3) Matters regarding appropriateness of provisions for stock acquisition rights
Not applicable.
- (4) Details of Trigger's financial statements for the most recent fiscal year (from November 1, 2022, to March 31, 2023)
Detail of Trigger's financial statements for the most recent fiscal year are posted on the Company's website (<https://www.nsd.co.jp/>). As of the date of the advance disclosure documents regarding to the absorption-type merger stipulated in Article 794, Paragraph 1 of the Companies Act and Article 191 of the Regulations for Enforcement of the Companies Act, the financial statements, etc. of Trigger for the fiscal year ended March 2024 have not yet been approved. Therefore, the financial statements, etc. for the fiscal year ended March 2023 have been posted.
- (5) Details of events that would have a material impact on the status of company assets, such as the disposal of significant assets or the imposition of significant liabilities that occurred in the Company and Trigger after the last day of the most recent fiscal year
Not applicable.

<Reference for Proposal 1 and Proposal 2>

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

The followings are the expected expertise as the members of the Board of Directors.

	Name	Basic Skills				Operational Skills	
		Corporate management	Legal & Compliance	Finance & Accounting	Global business	Technology	Operational expertise
Directors	Yoshikazu Imajo	○	○			○	○
	Hideshi Maekawa	○		○		○	○
	Osamu Yamoto	○				○	○
	Hidetaka Kikawada	○				○	○
	Yuriko Kajiwara	○	○				
	Atsuhiko Kawamata	○		○	○		
	Kumiko Jinnouchi	○	○				
	Toru Takeuchi	○		○	○		
Audit & Supervisory Board Members	Kiyokimi Yagi	○	○	○			
	Kunio Kawa	○	○	○			
	Chieko Nishiura		○	○			

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

Skill categories, reasons for selection, and skill requirements are shown on the next page.

■ Skill categories and reasons for selection

In implementing the management strategy, the Company has categorized the skills that the members of the Board of Directors of the Company should possess into “basic skills” and “operational skills.”

For the basic skills, we have selected four general skills that are necessary for effective supervision of management: corporate management, legal & compliance, finance & accounting, and global business.

For the operational skills, we have selected the skills required in consideration of the Company’s management strategy and business characteristics. Our mission is to propose and provide customers and society with IT solutions that are truly needed. For this purpose, we believe that we must have advanced technical skills to give shape to customers’ needs and a deep understanding of their business operations, and we have selected technology and operational expertise based on this belief.

■ Skill requirements

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

Note: “Experience” refers to three or more years in basic skills and five or more years in operational skills.

Business Report (April 1, 2023 - March 31, 2024)

■ Current Situation of Corporate Group

□ Operating Results

【Business Environment】

During the fiscal year under review, the Japanese economy remained on a gradual recovery trend, as the income environment improved due to the spread of wage increase nationwide, along with the signs of improvement of corporate performance and employment conditions, despite uncertainty about the future due to inflation and the depreciation of the yen. However, it is important to pay close attention to future trends because there are concerns about the risk of an economic downturn, resulting from the slowdown in overseas economies, prolonged situation in the Middle East, and the changes in the monetary policy by the Bank of Japan.

Under these circumstances, the order environment in the information service industry, where the NSD Group operates, remained favorable because of strong demand for IT investment in digital transformation (DX) and for core system renewal.

【Measures and Initiatives】

The NSD Group adopted the five-year Medium-term Management Plan beginning in the fiscal year ended March 31, 2022, with the aim of becoming a corporate group with consolidated net sales of more than 100 billion yen until the fiscal year ending March 31, 2026. The Group has now achieved this goal two years ahead of schedule.

To achieve these performance targets, the Group has pursued the sustainable expansion of the System Development Business, with the development of systems related to DX and new technologies, for which there are ever-increasing social needs, as a growth driver. In addition, to make the Solution Business its second earnings pillar, the Group has been creating new solutions and bolstering its sales capabilities. As part of this, the Group established Innovation Strategy Business Unit as a new organization in April 2024, and changed its structure that can handle everything from planning to development, and sales of products and services. The Group will enhance existing solutions and strengthen the creativity for new solutions by utilizing the capabilities of new technologies it has cultivated over the years.

As for inorganic measures, in April 2023 to deal with the shortage of system engineers (SE), the Group acquired ART Holdings Co., Ltd. and its seven subsidiaries (ART Group) which has strengths in the System Development Business. In May 2023 in order to strengthen the Solution Business, the Group acquired NHOSA Corporation which has strengths in the dental system business. After acquisition, in order to conduct efficient business operations, the Group focused on PMI of each company, and in April 2024, the Group merged four companies under ART Holdings.

The Group has invested a total of 19.4 billion yen, including Trigger Inc. in 2022, against the Medium-term Management Plan of 20 billion yen. However, since securing SE and the expansion of solution lineup are still important issues, the Group will continue to engage in M&A if there are good investment opportunities.

【Operating Results】

Reflecting the high demands for IT investment and M&A effects, net sales and operating income continued to increase for twelve years.

Net sales increased by 29.9% year on year to 101,263 million yen as a result of the steady organic growth and business expansion by M&A. Net sales of DAS Business*, which the Group focuses on, increased by 58.6% year on year to 44,209 million yen as a result of the significant growth of System Development Business related to DX utilizing cloud technologies, as well as the contribution of new solutions acquired by M&A.

Operating income increased by 21.2% year on year to 15,180 million yen while expenses such as pay raise and amortization of goodwill increased. Ordinary income increased by 21.1% year on year to 15,340 million yen.

Net income attributable to owners of the parent slightly increased to 10,262 million yen due to 2,150 million yen due to the reaction to gain on sale of affiliated shares in the last fiscal year.

In the Medium-term Management Plan (revised upward in May 2023), the Group set net sales targets of 97 billion yen, DAS Business sales of 37.5 billion yen, and operating income of 14 billion yen as performance targets for the current fiscal year. As the business expansion progressed steadily, the Group achieved all targets. As a result, the Group achieved the goal of 100 billion yen two years ahead of the original schedule.

In terms of profitability indicators, operating income margin was 15.0% against the target of 14.4%, EBITDA margin was 17.5% against the target of 17.1%, and ROE was 17.5% against the target of 15.4%, showing the results of profitability indicators exceeding the targets.

* DAS Business consists of System Development Business related to DX, System Development Business utilizing new technologies such as AI, and Solution Business. (Formerly New Core Business. DAS is the abbreviation of DX, AI, and Solution.)

(Unit: Millions of yen)

	FY ended March, 2023	FY ended March, 2024	YoY	
System Development Business	70,695	86,721	16,025	22.7%
Solution Business	7,286	14,542	7,256	99.6%
Net sales	77,982	101,263	23,281	29.9%
DAS Business	27,878	44,209	16,331	58.6%
Operating income	12,524	15,180	2,655	21.2%
Ordinary income	12,662	15,340	2,677	21.1%
Net income attributable to owners of the parent	10,219	10,262	43	0.4%
EBITDA	13,351	17,751	4,399	32.9%
EBITDA margin	17.1%	17.5%	0.4 points	—

Notes

1. EBITDA is calculated by operating income + depreciation + amortization of goodwill.
2. Segment classification is changed from the fiscal year ended March 31, 2024 due to the organization change and results of the previous year are restated based on the new classification.

【Operating Results by Segment】

Operating results by segment are as below.

(Net Sales by Segment)

(Unit: Millions of yen)

		FY ended March, 2023	FY ended March, 2024	YoY	
System Development Business	Financial IT	24,561	30,921	6,360	25.9%
	Industry IT	17,322	23,939	6,617	38.2%
	Social Infrastructure IT	18,157	20,306	2,148	11.8%
	IT Infrastructure Construction	10,797	11,870	1,073	9.9%
Solution Business		7,302	14,555	7,253	99.3%
Adjustment		(159)	(330)	(170)	—
Total		77,982	101,263	23,281	29.9%

(Operating Income by Segment)

(Unit: Millions of yen)

		FY ended March, 2023	FY ended March, 2024	YoY	
System Development Business	Financial IT	4,546	5,739	1,193	26.2%
	Industry IT	2,425	2,931	505	20.9%
	Social Infrastructure IT	3,458	3,963	505	14.6%
	IT Infrastructure Construction	1,902	2,055	152	8.0%
Solution Business		560	870	309	55.2%
Adjustment		(368)	(380)	(12)	—
Total		12,524	15,180	2,655	21.2%

* Numbers are written including inter-segment sales and incomes.

* Adjustments are the total of inter-segment sales eliminations and costs of whole company (mainly G&A costs which do not attribute to the segments).

* From the fiscal year ended March 31, 2024, segment classification is changed so that “Industry & Infrastructure IT” is divided into “Industry IT” and “Social Infrastructure IT” due to organization change. Due to this change, the results of previous year are restated based on the new classification.

<System Development Business (Financial IT)>

Net sales increased by 25.9% year on year to 30,921 million yen and operating income increased by 26.2% year on year to 5,739 million yen due to a significant increase in orders from major banks, insurance companies, and credit card companies resulting from expansion of existing projects such as system renewal projects, as well as the effects of M&A of ART Group.

<System Development Business (Industry IT)>

Net sales increased by 38.2% year on year to 23,939 million yen due to a significant increase in orders from manufacturing and commerce sectors, as well as the effects of M&A of ART Group and Trigger Inc. Operating income increased by 20.9% year on year to 2,931 million yen due to an increase in amortization of goodwill.

<System Development Business (Social Infrastructure IT)>

Net sales increased by 11.8% year on year to 20,306 million yen and operating income increased by 14.6% year on year to 3,963 million yen due to a significant increase in orders from telecommunication, public, and electricity, gas, water sectors, as well as the effects of M&A of ART Group.

<System Development Business (IT Infrastructure Construction)>

Net sales increased by 9.9% year on year to 11,870 million yen due to a significant increase in orders of infrastructure construction projects from public sector and cloud computing projects from banks and insurance companies. Operating income increased by 8.0% year on year to 2,055 million yen due to a rise in cost ratio, resulting from M&A.

<Solution Business>

New solutions through M&A related to medical/healthcare and RFID contributed significantly to business expansion, and existing solutions also expanded steadily, resulting in an increase of net sales by 99.3% year on year to 14,555 million yen. Operating income increased by 55.2% year on year to 870 million yen due to an increase in amortization of goodwill.

The parent company and significant subsidiaries

- The parent company
Not applicable.

- Significant subsidiaries (as of March 31, 2024)

Company name	Capital	Percentage of voting rights of subsidiaries held by the Company	Principal business
NSD Advanced Technology Research Institute Co., Ltd.	100 million yen	70.0%	Research and development of solutions utilizing AI, IoT and other advanced technologies
ART Holdings Co., Ltd.	63 million yen	89.5%	Holding company
NHOSA Corporation	95 million yen	91.6%	Development and sales of dental receipt computers and dialysis work support systems
FSK Co., Ltd.	16 million yen	82.2%	System development business, solutions business, outsourcing business
StellaS Co., Ltd.	25 million yen	100.0%	Human resource-related solutions, business warehouse-related solutions
Trigger Inc.	20 million yen	94.0%	IT consulting, system development business
Shareholders Relation Service, Inc.	100 million yen	100.0%	Shareholder benefit program related solutions, IR consulting for individual shareholders
NSD International, Inc.	2,956 million yen (US\$27.7 million)	100.0%	System development business and solutions business for Japanese companies in the United States
Chengdu Renbenxindong Technology Ltd.	33 million yen (CNY2 million)	70.0%	System development business (offshore development), system development business for Japanese companies in China

Financing of the Group

The Company's consolidated subsidiaries raise funds mainly by borrowing from financial institutions in order to secure working capital.

Capital expenditure of the Group

The total amount of capital investment made by the Group during the fiscal year under review was 566 million yen. The required funds were sourced from its own funds.

■ Policy to Determine Dividends of Surplus

The Company regards the return of profits to shareholders as the most important management issue, and the basic policy is to maintain total return ratio of 70% or more and payout ratio of 50% or more (both consolidated basis).

In addition, in order to strengthen growth potential and increase corporate value, a portion of profits will be retained to be used for investments to further strengthen existing businesses and pursue new growth opportunities in new businesses and new technology areas, as well as for M&A and forming alliances.

In consideration of the above basic policy and the operating results for the fiscal year under review, the Board of Directors has resolved to pay a year-end dividend per share of 72 yen* for the fiscal year under review.

* As the annual dividend per share for the fiscal year ended March 31, 2023 was 67 yen (interim dividend of 10 yen and year-end dividend of 57 yen), the annual dividend for the fiscal year ended March 31, 2024 will be 5 yen higher than the previous fiscal year.

■ Status of Corporate Officers

□ Status of Directors and Audit & Supervisory Board Members (as of March 31, 2024)

Position in the Company	Name	Responsibility in the Company and principal concurrent positions
President & CEO	Yoshikazu Imajo	
Director	Hideshi Maekawa	Senior Managing Executive Officer Chief General Manager, Corporate Service Division Chief General Manager, Corporate Planning Division In charge of Healthcare Business Division
Director	Osamu Yamoto	Senior Managing Executive Officer Chief General Manager, Business Headquarter
Director	Hidetaka Kikawada	Managing Executive Officer Head of Advanced Technology Strategic Business Unit In charge of Market Development Business Division In charge of Social Platform Division President & CEO, NSD Advanced Technology Research Institute Co., Ltd.
Outside Director	Atsuhiko Kawamata	Advisor, Food Business, Japan Tobacco Inc.
Outside Director	Kumiko Jinnouchi	Representative Attorney-at-law, Jinnouchi Law Offices
Outside Director	Toru Takeuchi	
Full-Time Audit & Supervisory Board Member	Kiyoshi Kondo	
Outside Audit & Supervisory Board Member	Kunio Kawa	
Outside Audit & Supervisory Board Member	Chieko Nishiura	Chief, Nishiura certified public accountant office Of Counsel, S&N Partners LAW AND ACCOUNTING OFFICE External Director and Full-Time Member of the Audit & Supervisory Committee, TSUKURUBA Inc.

- Notes: 1. Mr. Atsuhiko Kawamata, Ms. Kumiko Jinnouchi, and Mr. Toru Takeuchi are Outside Directors. Mr. Kunio Kawa and Ms. Chieko Nishiura are Outside Audit & Supervisory Board Members. The Company has registered these five persons as Independent Officers with Tokyo Stock Exchange, Inc.
2. Mr. Kunio Kawa has served as responsible for the finance and accounting department and as a full-time Audit & Supervisory Board Member of Mitsubishi Gas Chemical Company, Inc. for many years and has extensive knowledge in finance and accounting.
3. Ms. Chieko Nishiura is a certified public accountant and has extensive knowledge in finance and accounting.

- Matters concerning the policy for determining the amount of remuneration, etc. for officers or the method for calculating the amount thereof
- Policy and procedures for determining director remuneration, etc.

[Policy and details of director remuneration]

The remuneration of the Company's directors is calculated based on the roles and responsibilities of each position, while also emphasizing links with performance in order to strengthen the incentive for enhancing the Company's performance. Therefore, director remuneration consists of base remuneration as fixed remuneration, bonuses as short-term incentive-based remuneration, and stock remuneration as medium- to long-term incentive-based remuneration. The ratio of incentive-based remuneration to the total remuneration of each individual director is at least 40%.

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

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.

Bonuses

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 amount of bonus prescribed by position following the bonus calculation standards.

Performance evaluations use net sales, operating income, ordinary income, and net income (on a consolidated basis) as financial indicators for appropriately reflecting performance in each year under evaluation. The ratios 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 delivered annually as medium- to long-term incentive-based remuneration.

<Transfer restriction period and termination of transfer restrictions>

The period from the date of delivery to the date of resignation or retirement from any position of director, executive officer, or the equivalent ("Officer, etc.") of the Company shall be the transfer restriction period, and the transfer restrictions shall be terminated upon the expiration of the transfer restriction period, provided that such person has remained in the position of Officer, etc. continuously throughout the transfer restriction period.

<Acquisition without consideration>

The Company will acquire all of the restricted shares without consideration in the event that an Officer, etc. resigns or retires from the position of officer, etc. for any reason other than the justifiable reasons or conducts an act that seriously undermines the Company's social credibility, etc. during the transfer restriction period.

However, if an Officer, etc. resigns or retires from the position of officer, etc. due to death or other reasons that the Board of Directors deems justifiable, the timing of

termination of the transfer restrictions and the number of shares shall be reasonably adjusted.

The number of shares to be delivered will be calculated based on the standard amount of stock remuneration determined for each position and the closing price of the Company's common stock on the business day immediately prior to the Board of Directors' resolution concerning the allotment of shares.

However, the total number of shares to be delivered to directors shall be 40,000 or less per year (the total number of shares shall be adjusted to a reasonable extent if necessitated by a stock split, stock consolidation or other factor that requires an adjustment to the total number of shares).

[Procedures for determining director remuneration]

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

The Governance Committee, entrusted by the Board of Directors, approves the base remuneration table, bonus calculation standards and standard amount of bonus, and standard amount of stock remuneration based on this policy.

With regard to bonuses, executive directors conduct performance and qualitative evaluations of those eligible for payment through consultation, and formulate a plan for the amount of bonuses for each individual. The Governance Committee verifies the appropriateness of the individual payment amounts, and then the total payment amount is to be resolved at a meeting of the Board of Directors.

The Governance Committee verified the proposed payment of bonuses for each individual for the fiscal year under review on March 11, 2024, and the Board of Directors resolved on March 14, 2024, the total payment amount of bonuses.

As stated above, remuneration for each individual director is determined or verified by the Governance Committee from a fair and objective perspective in accordance with the Policy on Remuneration for Directors and Executive Officers, and therefore, the Board of Directors believes that it is appropriate.

The Company has established a Governance Committee to ensure fairness, transparency, and objectivity in decision-making on personnel matters and remuneration for officers, and utilizes it as an advisory body and entrusts it to approve the base remuneration table and other matters. In addition, the Governance Committee is composed mainly of independent outside directors in order to ensure the neutrality and objectivity of its decisions and verifications, as follows.

Chair	Yoshikazu Imajo	President & CEO
Member	Atsuhiko Kawamata	Independent Outside Director
Member	Kumiko Jinnouchi	Independent Outside Director
Member	Toru Takeuchi	Independent Outside Director

■ Policy and procedures for determining remuneration, etc. for Audit & Supervisory Board Members

Remuneration for Audit & Supervisory Board Members consists only of base remuneration, which is fixed remuneration, from the viewpoint of ensuring independence and objectivity from the execution of business operations, since the Audit & Supervisory Board Members are engaged in a supervising function of management.

The amount of remuneration for each individual is discussed at the Audit & Supervisory Board and determined by unanimous consent of all Audit & Supervisory Board Members.

- Total amount of remuneration, etc., total amount by type of remuneration, etc. and number of recipients for each officer category

Category	Payment amount	Total amount by type of remuneration, etc.			Number of recipients
		Fixed remuneration	Performance-linked remuneration	Non-monetary remuneration	
		(Unit: Millions of yen)			
Directors (Outside Directors)	199 (25)	124 (25)	46 (-)	28 (-)	7 (3)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	28 (13)	28 (13)	-	-	4 (3)
Total	228	153	46	28	11

- Notes: 1. Director remuneration, etc. do not include any other remuneration that is paid to directors who have duties as employees for carrying out such duties.
2. Fixed remuneration is the amount of base remuneration paid during the fiscal year under review, 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 that should be expensed during the fiscal year under review.
3. As of March 31, 2024, there were 7 Directors (including 3 Outside Directors) and 3 Audit & Supervisory Board Members (including 2 Outside Audit & Supervisory Board Members). The reason for the discrepancy in the number of Audit & Supervisory Board Members above is that one Audit & Supervisory Board Member retired due to the expiration of term of office at the close of the 54th Ordinary General Meeting of Shareholders held on June 27, 2023 is included.
4. The targets of the indicators for performance evaluation, which are the basis for the above performance-linked remuneration, are net sales of 97,000 million yen, operating income of 14,000 million yen, ordinary income of 14,000 million yen, and net income of 8,700 million yen, and the actual results are 101,263 million yen, 15,180 million yen, 15,340 million yen, and 10,263 million yen, respectively.
5. As for director remuneration, a resolution was passed at the 45th Ordinary General Meeting of Shareholders held on June 26, 2014 that the annual amount of remuneration, including bonuses, shall be no more than 420 million yen (of which remuneration for Outside Directors shall be no more than 30 million yen per year). As of the close of the said Ordinary General Meeting of Shareholders, the number of Directors was 8 (including 1 Outside Director). In addition, a resolution was passed at the 52nd Ordinary General Meeting of Shareholders held on June 24, 2021 that stock remuneration shall be delivered within the above remuneration limit, with the amount of stock remuneration no more than 60 million yen per year and the number of shares no more than 40,000 per year (outside directors are not eligible for stock remuneration). As of the close of the said Ordinary General Meeting of Shareholders, the number of Directors was 3 (excluding Outside Directors).
- As for remuneration for Audit & Supervisory Board Members, a resolution was passed at the 45th Ordinary General Meeting of Shareholders held on June 26, 2014 that the annual amount of remuneration for Audit & Supervisory Board Members shall be no more than 60 million yen. As of the close of the said Ordinary General Meeting of Shareholders, the number of Audit & Supervisory Board Members was 4 (including 2 Outside Audit & Supervisory Board Members).

Consolidated Financial Statements

Consolidated Balance Sheet

(As of March 31, 2024)

(Unit: Millions of yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	50,121	Current liabilities	14,547
Cash and deposits	27,221	Accounts payable	4,600
Notes, accounts receivable, and contract assets	19,406	Short-term borrowings	1,250
Lease receivables and lease investment assets	43	Long-term debt scheduled to be repaid within one year	512
Securities	2,199	Income taxes payable	2,299
Merchandise and finished goods	357	Provision for bonuses	630
Work in process	1	Provision for shareholder benefit program	67
Raw materials and supplies	186	Other current liabilities	5,187
Other current assets	758	Non-current liabilities	7,825
Allowance for doubtful accounts	(52)	Long-term debt	1,458
Non-current assets	36,284	Deferred tax liabilities	4,474
Property and equipment	5,040	Retirement benefit liabilities	1,407
Buildings and structures	1,855	Other non-current liabilities	485
Land	2,598	Total liabilities	22,373
Other property and equipment	586	(Net assets)	
Intangible assets	19,777	Shareholders' equity	58,580
Goodwill	10,303	Capital stock	7,205
Software	996	Capital surplus	6,773
Customer-related assets	8,224	Retained earnings	56,395
Other intangible assets	252	Treasury stock	(11,794)
Investments and other assets	11,466	Accumulated other comprehensive income	3,790
Investment securities	1,653	Net unrealized gains or losses on available-for-sale securities	709
Retirement benefit assets	7,716	Revaluation reserve for land	(8)
Deferred tax assets	103	Foreign currency translation adjustments	534
Other assets	1,993	Remeasurements of retirement benefit plans	2,554
Allowance for doubtful accounts	(1)	Non-controlling interests	1,661
		Total net assets	64,032
Total assets	86,405	Total liabilities and net assets	86,405

Consolidated Statement of Income

(April 1, 2023-March 31, 2024)

(Unit: Millions of yen)

Description	Amount	
Net sales		101,263
Cost of sales		76,302
Gross profit		24,961
Selling, general and administrative expenses		9,781
Operating income		15,180
Non-operating income		
Interest income	7	
Dividend income	35	
Insurance dividend income	106	
Insurance cash value	52	
Other	78	279
Non-operating expense		
Interest expenses	22	
Foreign exchange losses	22	
Commission paid	25	
Loss on investments in investment partnerships	13	
Damage compensation	12	
Other	22	119
Ordinary income		15,340
Extraordinary income		
Gain on sales of investment securities	42	
Other	0	42
Extraordinary loss		
Loss on sales of non-current assets	1	
Loss on sales of facility membership	4	
Loss on sales of investment securities	2	7
Income before income taxes		15,375
Income taxes-current	5,030	
Income taxes-deferred	(144)	4,886
Net income		10,489
Net income attributable to non-controlling interests		226
Net income attributable to owners of the parent company		10,262