

NSD Co., Ltd.

Supplement to Proposal 3 of the 55th Ordinary General Meeting of Shareholders

NSD Co., Ltd. (“the Company”) has recognized the fact that Institutional Shareholder Services Inc. (“ISS”) has issued a report recommending shareholders to vote against “Proposal 3: Approval of Merger Agreement for an Absorption of Subsidiary” in our 55th Ordinary General Meeting of Shareholders to be held on June 6, 2024. In this regard, the Company would like to provide the following supplementary explanation regarding the matters related to Proposal 3.

We kindly ask our shareholders to please review the information below before exercising their voting rights.

1 . Recommendations by ISS

ISS states that the Company already holds 94 percent shares of Trigger Inc. (“Trigger”) as the parent company, and there is effectively no visible financial impact or burden from the merger. Also, ISS states that the number of shares to be allocated to Trigger’s shareholders represents only 0.1 percent of the Company’s issued shares, so equity dilution itself will not be a concern in this case. However, ISS states that a lack of information makes it difficult for the Company’s shareholders to evaluate the merger.

As reasons for lack of information, ISS states that there is no disclosure concerning whether the Company retained financial advisers to obtain a valuation report of Trigger’s stock value nor a fairness opinion, whether the Company established a special committee, or how the Board of Directors resolved the merger. Also, the Company presents valuation ranges as a ground to determine the merger ratio, but ISS assumes that the ranges were calculated by the Company itself, not by a third party, so shareholders would find it difficult to rely on the calculation.

2. Supplementary Explanation

(1) Appointment of External Advisors

In carrying out the merger, the Company has appointed Ozawa & Akiyama (Minato City, Tokyo) as its legal advisor, and Corporate Advisers Accounting Co., Ltd. (Chiyoda City, Tokyo) (“CAA”) as a third-party valuation agency.

The valuation ranges of merger ratio disclosed by the Company was calculated by CAA based on information on May 7th, 2024, the day before the resolution of the Company's Board of Directors and was not calculated by the Company itself.

In addition, information on the appropriateness of the merger consideration has been disclosed on the website of the Tokyo Stock Exchange as a pre-disclosure document under the Companies Act of Japan.

URL : <https://www2.jpx.co.jp/disc/97590/140120240513592912.pdf>

(available in Japanese)

(2) Examination Structure

To carry out the merger, the Company formed a project team that consists of Corporate Planning Division and the related departments. In addition, as this matter does not raise concerns about a conflict of interest between the Company and its management, a special committee was not established. However, as described below, the matter was examined at the Management Meeting that included outside directors and was resolved by the Board of Directors. The Company believes that it gives the matter careful consideration, and that there is no issue with the examination structure in terms of independence and fairness.

(3) Decision Procedures

The merger was considered by the project team and examined at the Management Meeting which included outside directors. The proposal was then presented at the Board of Directors held on May 8th and approved by all directors. In addition, no opposing opinions have been expressed by any of the Audit & Supervisory Board members, including the outside members. The fact that the Board of Directors resolved the merger was disclosed as the news release "Notice of Absorption-type Merger of Consolidated Subsidiary" on May 8th.

URL : <https://contents.xj-storage.jp/xcontents/AS06235/b7b24bff/4bd4/4e88/940c/57d6d49635a4/20240508150852016s.pdf>

3 . The Purpose of the Merger

The Company believes that the merger will contribute to the expansion of the IT consulting business and system development business of NSD Group.

(1) Consolidation of Management Resources

Following the merger, the consulting businesses operated by the Company and Trigger will be consolidated into the Company's IT Consulting Business Division to be established. This will likely make it possible to efficiently and effectively share various types of information and expertise.

(2) Improvement of Management

Recruitment of human resources primarily for consulting services will be integrated and human resources required for the services will be flexibly allocated from other business divisions within the Company. In addition, the management operations of Trigger will be relegated to the Company's management department to improve efficiency.

4 . Conclusion

The Company believes that the merger will contribute to increasing its corporate value. Therefore, the Company is carrying out the necessary legal, accounting and tax procedures in an accurate and appropriate manner by not only establishing solid examination structure, but also considering advice from external experts.

The Company sincerely ask its shareholders to check the Company's opinions and would appreciate its shareholders' understanding of this proposal.