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Revised on  
April 27, 2017

# Midterm Management Plan

2015.4-2018.3

『*Change For Innovation 2018*』

Original plan published on April 30, 2015



# For Reform to Business Structure

Since NSD was established in 1969, we have been proud to keep our corporate mission, which is to provide our customers with high quality services and contribute to the improvement of their enterprise value. Our customers have spread over various industries including financial institutions, services, manufacturing and telecommunications, and the company are going to mark 50th anniversary in 2019.

The speed of change is accelerated at IT industry and some report predicts that almost all of the people in the world will be connected by online network. The shift from “owning a system” to “utilizing it” becomes the predominant trend, and the progress of IT technology creates a new IT products and tools. The customer needs are also increasingly sophisticated and diversified. Some of them are to utilize IT technologies to the business judgement.

We take these environments as a great business opportunity and have made the 3 years mid term management plan “Change for Innovation 2018” starting at April 2015. In this management plan, we are going to advance the reform of business structure. We think it is important to enhance distinct and unique services and solutions such as health care IT and foster the Non-Contract Based Software Development business to a new pillar of income as well as to strengthen furthermore the Contract Based Software Development business which is our core business. We will also continue to focus on the enlargement of global business and M&A.

NSD CO., LTD.  
President & CEO  
Yoshikazu Imajo

April 30, 2015

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# Results of Previous Midterm Management Plan (Figures)

## 【Original Plan】

Consolidated	Results	First Term	Second Term	Third Term
	FY2012	FY2013	FY2014	FY2015
Net Sales	34,412	37,000	40,000	44,000
Operating Income	3,386	4,000	4,500	5,300
Operating Income Ratio(%)	9.8%	10.8%	11.3%	12.0%
Ordinary Income	3,668	4,100	4,600	5,500
Net Income	1,867	2,100	2,700	3,200
ROE(%)	4.7%	-	-	8.0%

## 【Results】

(¥ Million)

First Term	Second Term	Third Term
FY2013	FY2014	FY2015
36,632	40,285	42,990
4,483	4,848	5,144
12.2%	12.0%	12.0%
4,530	5,076	5,326
2,454	3,165	2,973
6.0%	7.5%	6.9%

1. During the period covered by the previous midterm management plan (FY2013 to FY2015), sales growth increased by about 25%.
2. Operating income ratio, ROE increased substantially.



# Results of Previous Midterm Management Plan (Policies)

## 1. Strengthen further competitiveness in Contract Based Software Development

- Further develop existing and new customers through combining our all-round know-how, new specialized sales division, and proposal-based sales.
- During the period covered by the previous midterm management plan (FY2013 to FY2015), Net sales of Contract Based Software Development increased by 22.7% (¥27.8 → ¥34.1 billion) in the last 3 years. Sales growth increased 7% and over per year.

## 2. Aim at becoming a leader in a niche market of Services-Provision-Oriented Solution Application

- New services are launched. Telehealth is the connecting patients to clinicians by using telecommunication technologies. FIND is used for the smart device application developed with local government which contributes to the regional revitalization.
- Sales strength was improved by new subsidiaries as below.
  - April 2013 Founded Business Innovation Co., Ltd.
  - March 2015 Acquired NMsystems CO., LTD.

## 3. Promote global business expansion · Actively seek M&A opportunities

- USA May 2012 Founded "NSD INTERNATIONAL INC." in New York.  
April 2013 Viterion Corporation, a subsidiary of NSD International, Inc. acquired telehealth business from US subsidiary of Bayer Corp.
- China Oct. 2012 Founded "Renbenxindong Technology Ltd." in Beijing.  
Renbenxindong Technology Ltd. provides health care business.  
Feb. 2014 Founded "Chengdu Renbenxindong Technology Ltd." as a subsidiary of Renbenxindong Technology Ltd. Chengdu Renbenxindong Technology Ltd. Provides offshore development services.



# ● Business Environment

The Reform to Business Structure is necessary

1

The shift from Contract Based Software Development to SaaS (Software as a Service) solutions is accelerated.

2

Customer needs are increasingly sophisticated and diversified.

3

Serious shortage of systems engineer

4

The globalization expands and competition from oversea IT suppliers

# ● Course of Action in Long Term

Contribute to enhancing the Enterprise Value of Customers

Through our High Quality Services

**1**

Become familiar with every aspect of financial operation and obtain unwavering confidence from Japanese financial institute in particular

**2**

In the field other than the financial industry, secure the position as one of the leading players in each field (Industry or Service)

**Develop  
Multiple Strong  
Pillars of Income**

**3**

Make distinguished presence in the Non-Contract Based Software Development field



# Target Indices (Consolidated)

Fiscal Year Ending March 31, 2018

- 1. Net Sales → **¥570 Million Revised\*1**
- 2. Non-Contract Based Software Development → **20% and Over Revised\*1**
- 3. Operating Income Ratio → **12% and Over**
- 4. ROE → **8% and Over**

(¥ million)

	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Revised *1
Net Sales	42,990	51,585	55,234	57,000
Operating Income	5,144	6,378	7,173	7,450
Ordinary Income	5,326	6,456	7,300	7,550
Net Income	2,973	3,110	4,543	5,000

[Ref.] Original Plan published on April 30, 2015 (¥ Million)

\*1 Revised on April 27, 2017

	FY2016	FY2017	FY2018
Net Sales	46,500	48,000	50,000
Operating Income	5,600	5,800	6,100
Ordinary Income	5,700	5,900	6,200
Net Income	3,500	3,800	4,100



# ● Key Policy : Basic Strategies



1. Create the NSD brand by enhancement of Contract Based Software Development
2. Enhance Non-Contract Based Software Development which based on SaaS Solutions
3. Expand global business by the full marketing and strategic investment
4. Actively seek M&A opportunities  
※ Excluded target indices



# ● Key Policy : Specific Strategies

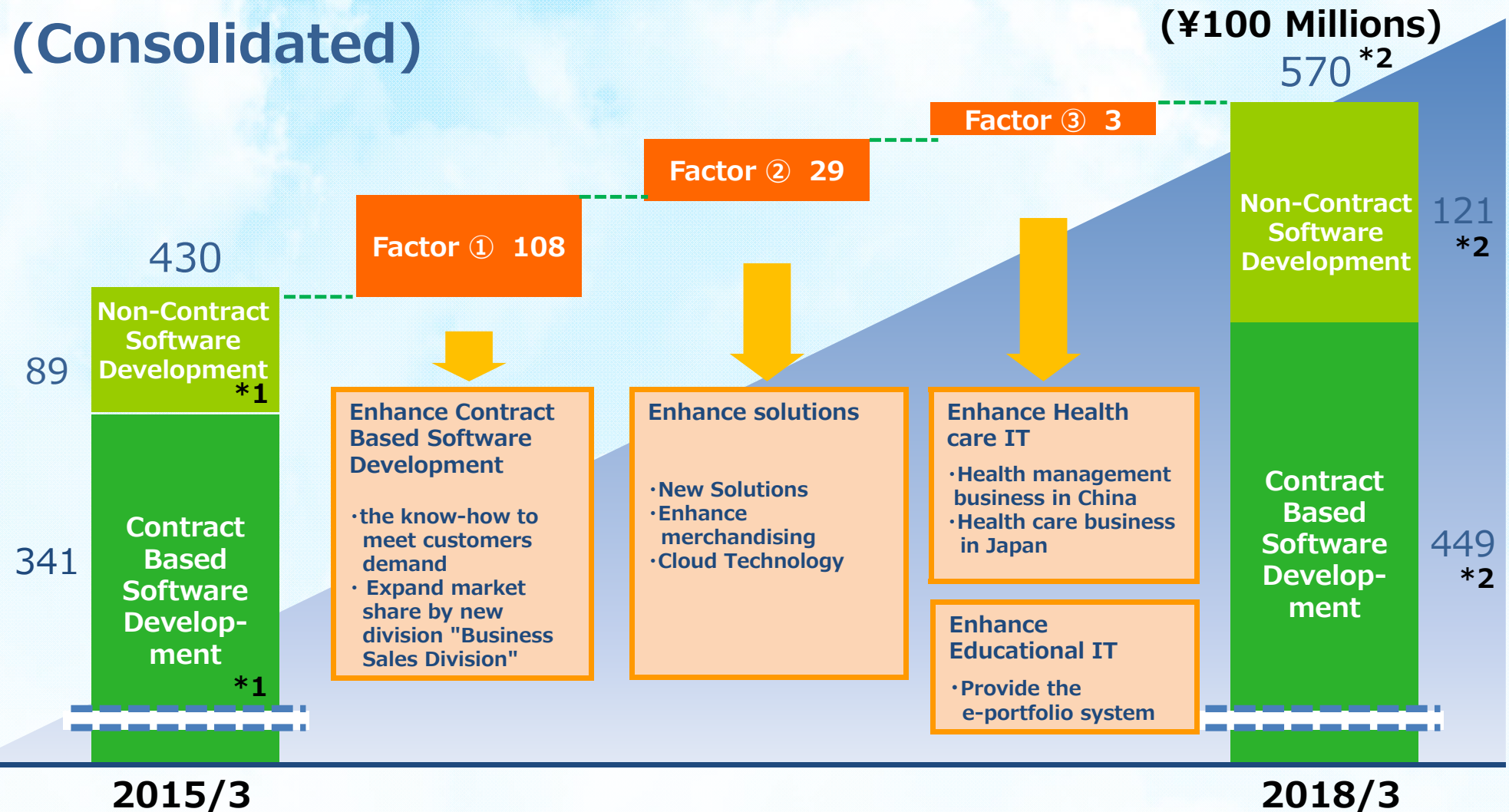




# Analysis of Factors to Achieve the Plan

Revised on  
April 27, 2017

## Net Sales (Consolidated)



\*1 Contract Based Software Development is Net sales of System Development division. Non-Contract Based Software Development is net sales excluded System Development division.

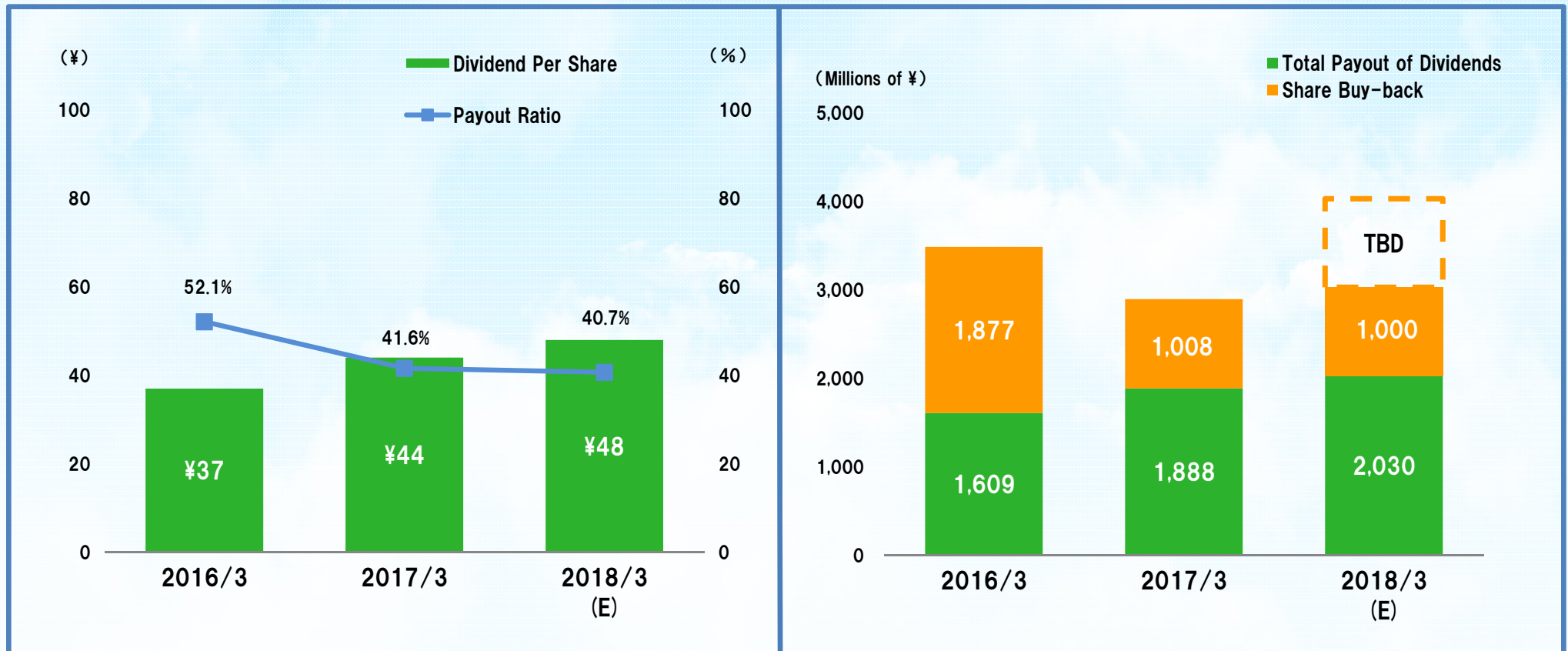
\*2 On April 27, 2017, we modified the consolidated net sales in the fiscal year of 2018 from ¥54bill to ¥57bill, Contract Based Software Development sales from ¥40.1 bill to ¥44.9bill (Factor① : From ¥6bill to ¥10.8bill), and Non-Contract Based Software Development sales from ¥13.9 bill to ¥12.1bill (Factor②:From ¥3bill to ¥2.9bill, Factor③:From ¥2bill to ¥0.3bill)



# Shareholder Return

1. Maintain a stable consolidated dividend payout ratio, more than 40%.
2. Trying to preferential returns to shareholders, taking the performance and the trend of the stock price into account comprehensively.

## Changes in Shareholder Returns



\*1 On April 27, 2017, we announced the dividends per share (Anticipated) in the fiscal year ending March 31, 2018.

\*2 The forecast figures above are based on the information currently available, which may be changed and affected by various future factors.