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Nov 1, 2018

Presentation of Financial Results for the Second Three Months of the Fiscal Year Ending March 31, 2019



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※ Amounts less than the display unit are rounded down.
Percentage figures are rounded off.

Financial Results



■ Net Sales

Net Sales increased by ¥1.7 billion (+6.1%) year on year, to ¥30.5 billion, reflecting a favorable business environment.

■ Operating Income・Ordinary Income・Net Income

Incomes increased, as a result of an increase of profits due to growth in Net Sales and improvement of profit ratio.

(Unit : Millions of yen)

	2018/3 2Q	2019/3 2Q			2019/3
	Results	Results	YoY	YoY(%)	Estimate of 2Q Total (2018/5/10)
Net Sales	28,765	30,515	1,750	6.1%	29,500
Gross Profit	(19.4%) 5,566	(20.6%) 6,295	(1.3%) 728	13.1%	(20.3%) 6,000
SG & A Expenses	(6.9%) 1,980	(7.5%) 2,287	(0.6%) 307	15.5%	(7.8%) 2,300
Operating Income	(12.5%) 3,586	(13.1%) 4,007	(0.7%) 421	11.7%	(12.5%) 3,700
Ordinary Income	3,641	3,976	335	9.2%	3,700
Income before Income Taxes	3,543	3,973	430	12.1%	3,700
Net Income Attributable to Owners of the Parent	(8.0%) 2,313	(8.4%) 2,548	(0.3%) 234	10.1%	(8.1%) 2,400

※The ratios on the upper-left corners are percentage to Net Sales.

Revisions of the Financial Estimation Results



Considering that the financial results has exceeded the plans because of favorable business environment and that businesses in the next three months of the fiscal year is trending, estimated results of the whole financial year will be revised as in below.

(Unit : Millions of yen)

	2018/3 Results	2019/3 Estimated Results of Whole Fiscal Year			
		Original Estimate (Released 2018/5/10)	Revised Estimate (Released 2018/10/31)	Ratio of Original Estimated Results	YoY(%)
Net Sales	58,080	60,000	61,300	1,300	2.2%
Gross Profit	(20.5%) 11,907	(21.0%) 12,600	(21.1%) 12,950	(0.1%) 350	2.8%
SG & A Expenses	(6.9%) 3,989	(7.5%) 4,500	(7.4%) 4,510	(△0.1%) 10	0.2%
Operating Income	(13.6%) 7,918	(13.5%) 8,100	(13.8%) 8,440	(0.3%) 340	4.2%
Ordinary Income	8,119	8,200	8,510	310	3.8%
Income before Income Taxes	8,014	8,200	8,508	308	3.8%
Net Income Attributable to Owners of the Parent	(9.2%) 5,368	(9.2%) 5,500	(9.2%) 5,670	(0.0%) 170	3.1%

※The ratios on the upper-left corners are percentage to Net Sales.



Net Sales and Gross Profit by Business Segments

■ Net Sales

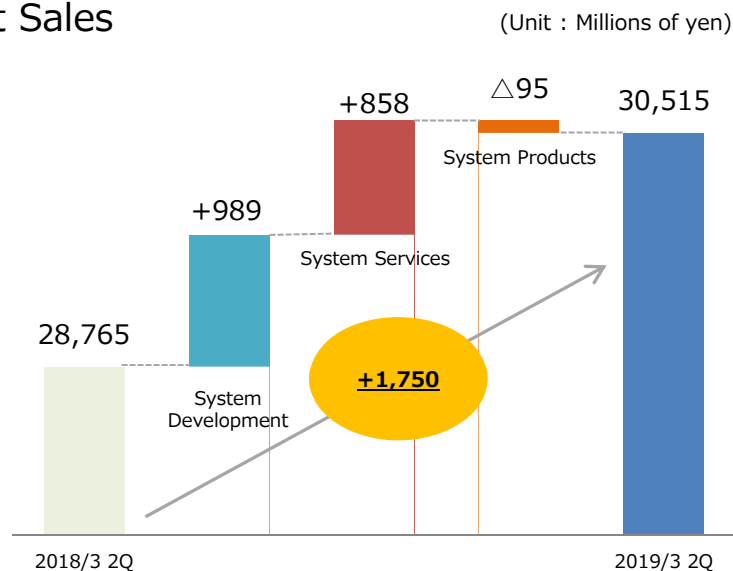
Net Sales increased by ¥1.7 billion (+6.1%) year on year, to ¥30.5 billion in system development and system services business, while system products business decreased.

■ Gross Profit

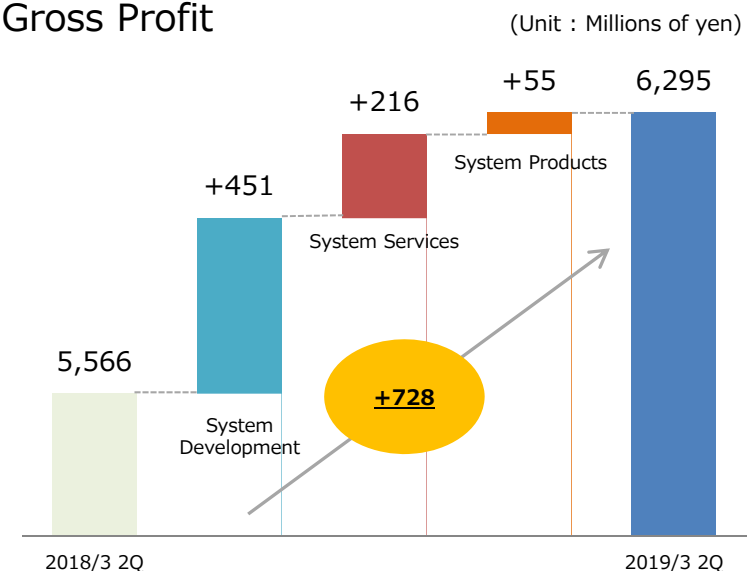
Gross Profit increased by ¥700 million (+13.1%) year on year, to ¥6.2 billion, as a result of an increase in profits due to growth of Net Sales and an improvement of profit ratio.

- ✓ System development business: Increased due to an increase of orders from the service sector, transportation sector, electricity & gas sector, and financial sector.
- ✓ System services business : Increased due to an increase in service business orders of subsidiaries and the consolidation of Japan Job Posting Service, Inc.
- ✓ System products business : Increased due to an improvement of profit ratio; relating to a favorable increase of security-related own products sales, while hardware sales accompanied by system development decreased.

■ Net Sales



■ Gross Profit



Net Sales and Gross Profit by Business Segments



(Unit : Millions of yen)

■ Net Sales	2018/3 2Q		2019/3 2Q	
	Results	Results	YoY	YoY(%)
※ The ratio on the upper-left corners are composition ratio to sales.				
System Solution Services Business	(99.3%) 28,575	(99.4%) 30,327	1,751	6.1%
System Development Business	(78.6%) 22,616	(77.4%) 23,605	989	4.4%
New technology *	(-) -	(0.7%) 215	215	-
System Services Business	(15.9%) 4,582	(17.8%) 5,440	858	18.7%
IT as a Service *	(4.7%) 1,357	(7.0%) 2,125	768	56.6%
System Products Business *	(4.8%) 1,377	(4.2%) 1,281	△95	△6.9%
Real Estate Services Business	(0.7%) 189	(0.6%) 188	△1	△0.9%
Total	28,765	30,515	1,750	6.1%
"New Core Business" of Medium-term Management Plan (marked *)	(9.5%) 2,734	(11.9%) 3,622	887	32.5%

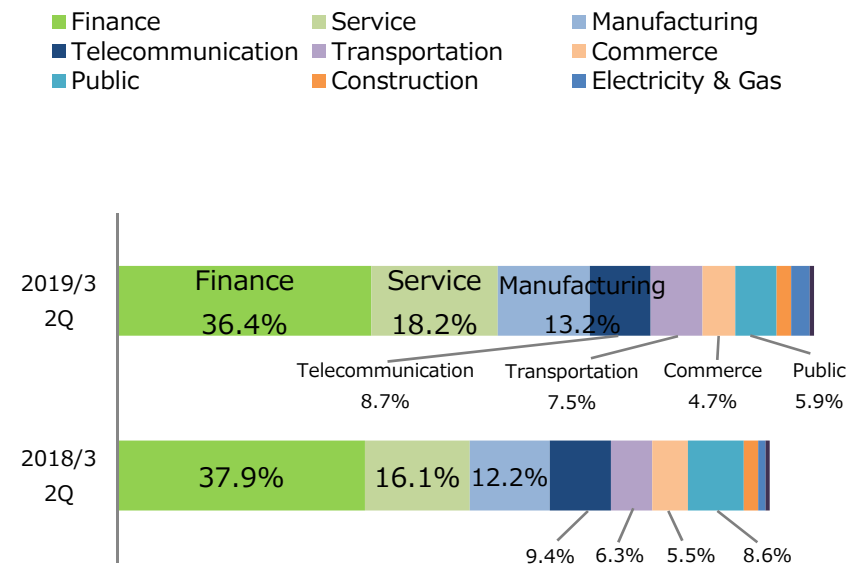
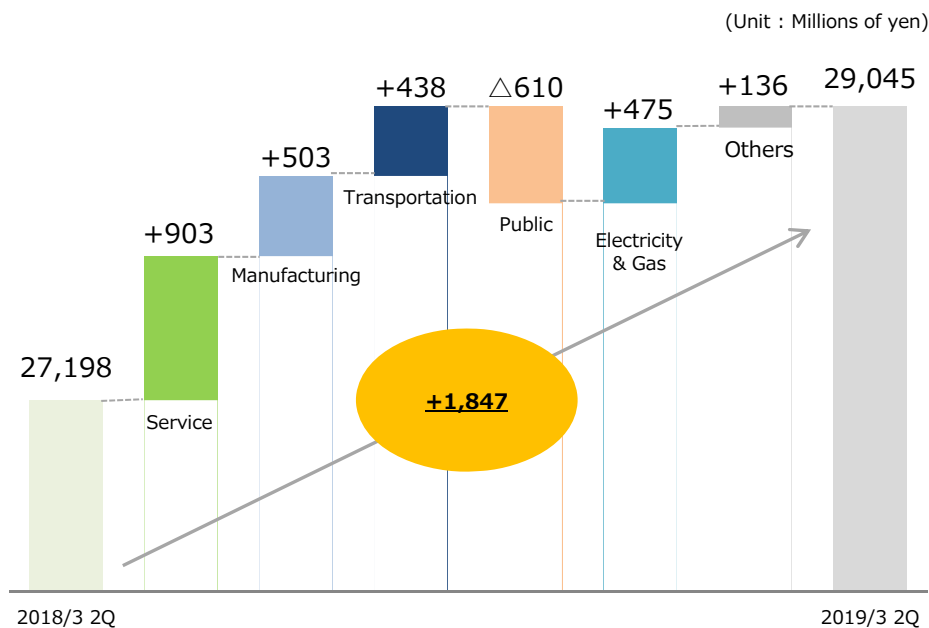
■ Gross Profit	2018/3 2Q		2019/3 2Q	
	Results	Results	YoY	YoY(%)
※ The ratios on the upper-left corners are Gross Profit margin.				
System Solution Services Business	(19.2%) 5,479	(20.5%) 6,203	724	13.2%
System Development Business	(19.1%) 4,328	(20.3%) 4,780	451	10.4%
New technology *	(-) -	(25.4%) 54	54	-
System Services Business	(17.8%) 814	(18.9%) 1,030	216	26.6%
IT as a Service *	(5.5%) 74	(15.4%) 327	253	337.7%
System Products Business *	(24.5%) 336	(30.6%) 392	55	16.5%
Real Estate Services Business	(45.7%) 86	(48.7%) 91	4	5.6%
Total	(19.4%) 5,566	(20.6%) 6,295	728	13.1%
"New Core Business" of Medium-term Management Plan (marked *)	(15.1%) 411	(21.4%) 775	363	88.2%



Net Sales by End-user Sector[※]

■ Net Sales

Net Sales increased by 1.8 billion (+6.8%) year on year, to ¥29 billion, as sales of financial sector remained high, and orders in the service sector, manufacturing sector, transportation sector and electricity & gas sector has steadily increased, while Net Sales in the public sector decreased due to the peak-out of large scale projects.



※ Figures indicate net sales of system development business segment and system services business segment.

Net Sales by End-user Sector[※]



(Unit : Millions of yen)

	2018/3 2Q		2019/3 2Q		YoY	YoY(%)
	Results	Composition Ratio(%)	Results	Composition Ratio(%)		
Finance	10,314	37.9%	10,577	36.4%	263	2.6%
Service	4,368	16.1%	5,272	18.2%	903	20.7%
Manufacturing	3,336	12.2%	3,839	13.2%	503	15.1%
Telecommunication	2,552	9.4%	2,537	8.7%	△15	△0.6%
Transportation	1,724	6.3%	2,162	7.5%	438	25.4%
Commerce	1,487	5.5%	1,371	4.7%	△115	△7.8%
Public	2,330	8.6%	1,720	5.9%	△610	△26.2%
Construction	601	2.2%	606	2.1%	5	0.8%
Electricity & Gas	302	1.1%	778	2.7%	475	157.0%
Others	179	0.7%	177	0.6%	△2	△1.2%
Total	27,198	100.0%	29,045	100.0%	1,847	6.8%

※ Figures indicate net sales of system development business segment and system services business segment.

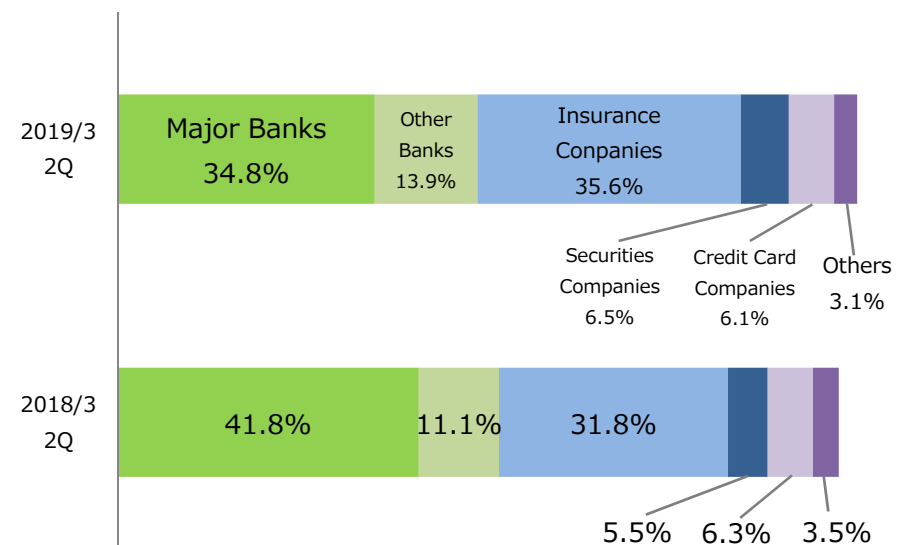
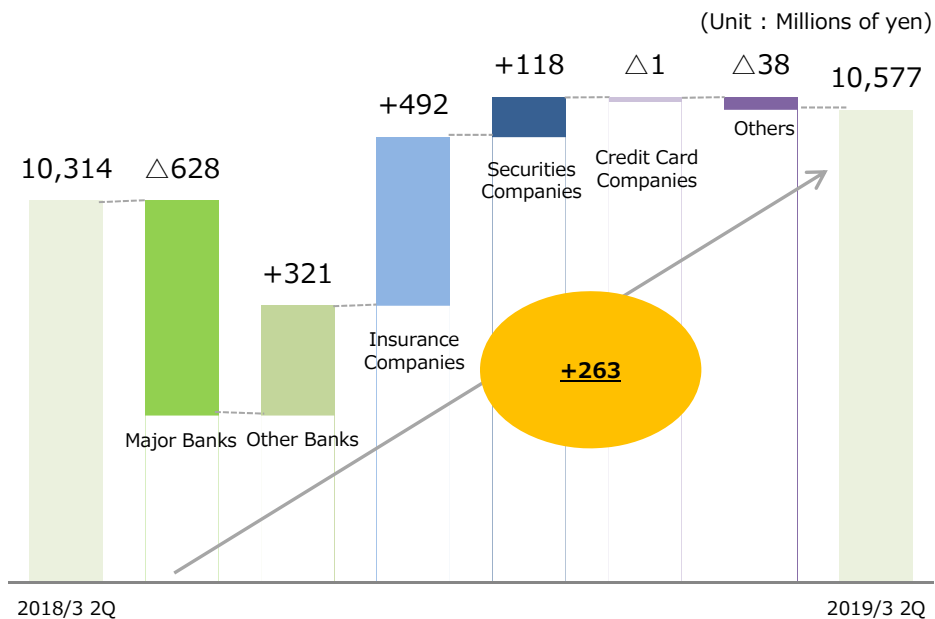


Net Sales by End-user Sector (Financial Sector)※

■ Net Sales (Financial Sector)

Net Sales increased by +2.6% year on year, to ¥10.5 billion, covering the decrease of sales from major banks by insurance companies, other banks, and securities companies.

- ✓ Major Banks: While orders for RPA and overseas projects increased, Net Sales declined due to the peak-out of large-scale projects.
- ✓ Other Banks: Net Sales increased due to orders of new projects and expansions of existing projects.
- ✓ Insurance Companies: Net Sales increased due to continuing orders of large projects and additional projects from existing customers.



※ Figures indicate net sales of system development business segment and system services business segment.

Net Sales by End-user Sector (Financial Sector)※



(Unit : Millions of yen)

	2018/3 2Q		2019/3 2Q			
	Results	Composition Ratio(%)	Results	Composition Ratio(%)	YoY	YoY(%)
Major Banks	4,308	41.8%	3,679	34.8%	△628	△14.6%
Other Banks	1,145	11.1%	1,466	13.9%	321	28.0%
Insurance Companies	3,276	31.8%	3,769	35.6%	492	15.0%
Securities Companies	566	5.5%	685	6.5%	118	21.0%
Credit Card Companies	648	6.3%	646	6.1%	△1	△0.3%
Others	369	3.5%	330	3.1%	△ 38	△10.5%
Total	10,314	100.0%	10,577	100.0%	263	2.6%

※ Figures indicate net sales of system development business segment and system services business segment.

Trends of Order Value / Net Sales / Order Backlog※



(Unit : Millions of yen)

		Order Value	YoY(%)	Net Sales	YoY(%)	Order Backlog	YoY(%)
2018/3	1Q	14,678	—	13,522	7.2%	12,439	—
	2Q	13,743	—	13,676	6.4%	12,506	—
	1st-half	28,421	—	27,198	6.8%	12,506	—
	3Q	11,966	—	13,796	4.8%	10,675	—
	4Q	15,659	—	13,917	1.8%	12,418	—
	Full-year	56,047	—	54,912	5.0%	12,418	10.1%
2019/3	1Q	15,676	6.8%	14,346	6.1%	13,748	10.5%
	2Q	15,127	10.1%	14,699	7.5%	14,176	13.4%
	1st-half	30,803	8.4%	29,045	6.8%	14,176	13.4%

※ Figures indicate sum of system development business segment and system services business segment.

Reference1 : Trends of Financial Results



(Unit : Millions of yen)

	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3			2019/3		
						Results	YoY	YoY(%)	※3 Estimate	YoY	YoY(%)
Net Sales	36,632	40,285	42,990	51,585	55,234	58,080	2,845	5.2%	61,300	3,219	5.5%
Gross Profit	(20.6%) 7,564	(21.4%) 8,630	(21.4%) 9,213	(21.2%) 10,911	(20.8%) 11,472	(20.5%) 11,907	435	3.8%	(21.1%) 12,950	1,042	8.8%
SG & A Expenses	(8.4%) 3,080	(9.4%) 3,781	(9.5%) 4,069	(8.8%) 4,532	(7.8%) 4,298	(6.9%) 3,989	△309	△7.2%	(7.4%) 4,510	520	13.1%
Operating Income	(12.2%) 4,483	(12.0%) 4,848	(12.0%) 5,144	(12.4%) 6,378	(13.0%) 7,173	(13.6%) 7,918	745	10.4%	(13.8%) 8,440	521	6.6%
Ordinary Income	4,530	5,076	5,326	6,456	7,300	8,119	819	11.2%	8,510	390	4.8%
Net Income Attributable to Owners of the Parent	(6.7%) 2,454	(7.9%) 3,165	(6.9%) 2,973	(6.0%) 3,110	(8.2%) 4,543	(9.2%) 5,368	825	18.2%	(9.2%) 5,670	301	5.6%
Net Income per Share (yen)	58.37	76.19	72.04	70.98	105.81	126.76	20.95	19.8%	135.70	8.94	7.0%
DPS (yen)	27	32	※2 33	37	44	52	—	—	57	—	—
Dividend Payout Ratio	46.3%	42.0%	※2 45.8%	52.1%	41.6%	41.0%	—	—	—	—	—
Shareholder Equity	41,940	42,714	42,229	40,999	43,374	45,368	1,993	4.6%			
Shareholder Equity Ratio	88.6%	88.4%	84.8%	85.1%	85.2%	83.9%	△1.3%	—			
ROE	6.0%	7.5%	6.9%	7.5%	10.8%	12.1%	1.3%	—			

※1 The rates on the upper-left comers are percentage to Net Sales.

※2 DPS and Payout ratio are shown excluding commemorative dividends.

In the fiscal year ended March 31, 2015, a dividend of 45 yen was paid to commemorate the 45th anniversary of the founding.

※3 Revised estimation announced on October 31, 2018.

Reference2 : Summary of Medium-term Management Plan(FY2018 ~ FY2020)



【Changes in the environment】

New technologies (AI, IoT) are progressing.

Customers' strategic IT technologies are accelerating.

Needs to enhance capability for new technologies.

【Basic Strategies】

1. Seek additional growth opportunities in **new business and new technologies area.**
2. **Improve adaptability of new technologies** in system development.
3. Further enhancement of **human resource and capability of organization.**

Net Sales
63 billion yen

Net Sales from
New core business
10 billion yen

Operating Income
margin
More than **13%**

ROE
More than **11%**

* The new core business refers to business related to new technology areas, system service business, and system product business.

(¥ Million)

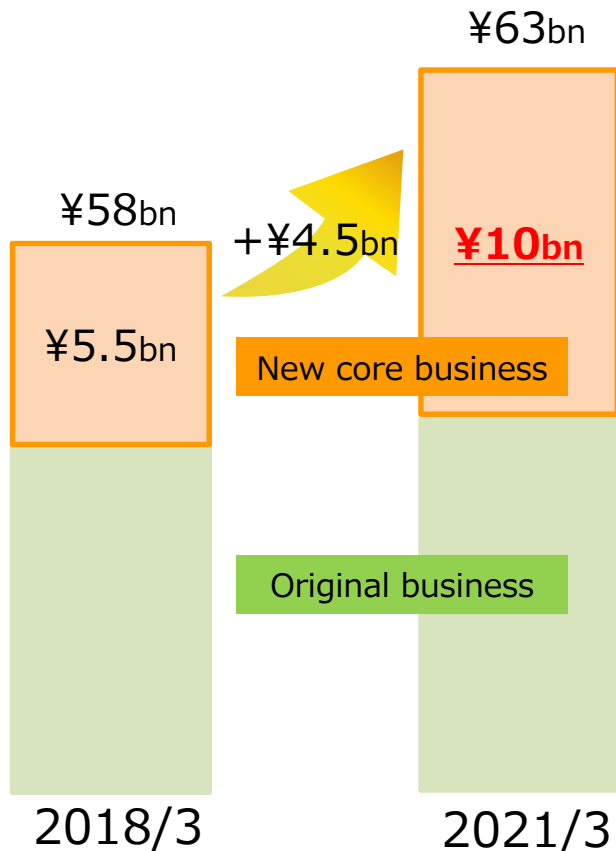
	2018/3 Results	2019/3	2020/3	2021/3
Net Sales	58,080	60,000	61,500	63,000
New core business	5,559	6,600	7,800	10,000
Operating Income	7,918	8,100	8,300	8,500
Operating Income margin(%)	13.6	13.5	13.5	13.5
Ordinary Income	8,119	8,200	8,400	8,600
Net Income	5,368	5,500	* 5,300	5,700

* Extra ordinary losses about 500 million yen is planned to be accounted as anniversary event cost.

Reference2 : Summary of Medium-term Management Plan(FY2018 ~ FY2020)



◆ Factors for achievement of the plan



+2.0

1 .Enhance the system service.

- Healthcare IT Expansion of functions of the remote health support service "CARENA".
- Educational IT Deployment of e-portfolio "ManaBOX" through collaborating with major learning cram schools.
- Human Resource IT Realizing of synergy effects among NMsystems and Japan Job Posting Service.
*Merged both companies in Oct 1st (Current name: StellaS CO. LTD)

+0.5

2 .Seek additional growth opportunities in new business and new technology area.

- Established Advanced Technology Promotion Division, put resources actively into new technology areas.
- Developing new business models through the alliance with venture companies.

+0.5

3 .Strengthen the system products.

- Strengthen and improve our sales force, promote cross-selling.
- Develop of new products through technical collaboration with other companies.

+1.5

4 .Improve the adaptability of new technologies in the system development.

- Improve consulting capabilities and enhance proposal capabilities.
- New cultivation based on RPA etc. by sales division across each business division.
- Speeding up project managers and project leaders and rising overall skill level.

Reference3 : Efforts in the field of new technology and new business



New technology field

Newly established

Advanced Technology promotion Division (April 2018)

- ✓ Consolidated 3 related departments to expand seriously our business in new technology field.
 - Promote basic research of advanced technology such as AI and IoT.
 - Fuse our know-how of system development and knowledge of new technology.
- ⇒Promote to apply new technologies for existing and new customers.

Signed strategic alliance with Rist Inc., an AI venture company from Kyoto University (May 2018)

- ✓ Work in joint research and development in advanced technology field utilizing AI such as deep learning and machine learning.
- ✓ SE from Rist participate to projects in Advanced Technology Promotion Division, and promote to develop new solutions.
- ※ Rist has strengths in know-how to put the latest algorithms into practical use.

Signed strategic alliance with Palsbots Inc., a venture company (September 2018)

- ✓ Work in joint development of new services/systems using "IFRO", an interactive communication engine installed with an AI system, which Palsbots Inc. is developing.
- ※ Palsbots Inc. not just widely develops applications for robots, but also has an advantage in developing technologies such as speech synthesis/recognition, machine learning, etc.

New business field

Established Joint Venture Company with Konoike Transport Co., Ltd. (July 2018)

- ◆ Purpose
 - ✓ Planning, designing, developing systems for KONOIKE Group.
 - ✓ Improving SE's skill of the group on advanced technology.
 - ✓ Introducing IT services such as IoT and robot technologies to customers of the group.
- ◆ Summary of joint venture
 - Name: KONOIKE IT Solutions CO., LTD.
 - Capitalization: ¥80 million (Konoike 70%, NSD 30%)
- ◆ Business Scheme
 - ✓ Konoike is in charge of IT strategy and management of the joint venture company.
Konoike outsources system related business to the joint venture company.
 - ✓ NSD sends PM · SE to the joint venture company to carry out projects and support education of SE. NSD receives projects from the joint venture company and support implementation of projects.

Corporate Profile of Konoike Transport

- ✓ General logistics company initiated in 1880 as a private merchant. Strength in integrated solutions business that undertakes various operations on the premises of customer's factory as well as transport business.

Foundation	May 30, 1945
Listed in	Tokyo Stock Exchange 1st Section
Consolidated net sales	FY 2016 ¥258.3billion
	FY 2017 ¥276.7billion

Reference4 : News (1/2)



Release Date	Category	Details
April / 11 / 2018	Strategic Alliance	NSD signed partner alliance with ABBYY Japan Co., Ltd. <ul style="list-style-type: none"> • NSD became an official agent of ABBYY products in Japan. • Provides solutions in AI-OCR field together.
April / 20 / 2018	Strategic Alliance	NSD signed basic agreement on establishment of joint venture company with Konoike Transport Co., Ltd. <ul style="list-style-type: none"> • Established joint venture company of system development. (July 2018) • Improving SE's skill of Konoike group on advanced technology and introducing IT services to customers of Konoike group.
May / 10 / 2018	Medium-term Management Plan	Released Medium-term Management Plan (FY2018~FY2020) <ul style="list-style-type: none"> • Target Net Sales on FY2020 is 63 billion yen. • Enhancement of New Core Business focusing on new technologies. • Memorial dividend of the 50th anniversary is scheduled on FY2019.
May / 10 / 2018	Strategic Alliance	NSD signed strategic alliance with Rist Inc., an AI venture company. <ul style="list-style-type: none"> • Trying to speed up the development through the joint research and development with Rist in advanced technology field using deep learning and AI.
May / 10 / 2018	Corporate Finance	Resolved Share Repurchase. <ul style="list-style-type: none"> • Resolved share purchase to exercise agile management of capital policy and to return our profits to shareholders furthermore. ※Results (Released on June 25) ~Period : 2018/5/11~6/22 Total number : 414 thousand shares Total amount : 999 million yen

Reference4 : News (2/2)



Release Date	Category	Details
July / 30 / 2018	Organization Restructuring	<p>Merger of subsidiaries and Change of the Company's Trade Name.</p> <ul style="list-style-type: none"> NMsystems CO., LTD. and Japan Job Posting Service, Inc. are merged and the trade name of NMsystems will be changed to StellaS CO., LTD. (October 2018) Tries to improve management efficiency and promptly demonstrate synergy effects, thereby NSD will further expand our business in human resources management system.
Sept / 27 / 2018	Strategic Alliance	<p>NSD signed strategic alliance with Palsbots Inc., an AI venture company.</p> <ul style="list-style-type: none"> Work in joint development of new services/systems using "IFRO", an interactive communication engine installed with an AI system, which Palsbots Inc. is developing.
Oct / 31 / 2018	Corporate Finance	<p>Resolved Dividend Payout</p> <ul style="list-style-type: none"> Previous dividend forecast (Released on 2018/5/10) : 54 yen Latest modified dividend forecast : 57 yen
Oct / 31 / 2018	Corporate Finance	<p>Resolved Share Repurchase.</p> <ul style="list-style-type: none"> Resolved share purchase to exercise agile management of capital policy and to return our profits to shareholders furthermore. <ul style="list-style-type: none"> ~Planned period : 2018/11/1~/12/14 Planned total number : 200 thousand shares (maximum) Planned total amount : 500 million yen (maximum)



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