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Jan 30, 2019

# Presentation of Financial Results for the Third 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.

# Summary of Financial Results



## ■ Net Sales

Net Sales increased by ¥2.9 billion (+6.8%) year on year, to ¥46.0 billion, reflecting a favorable business environment.

## ■ Operating Income·Ordinary Income·Net Income

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

(Unit : Millions of yen)

	2018/3 3Q	2019/3 3Q			2019/3 Estimate (2018/10/31)
	Results	Results	YoY	YoY(%)	
Net Sales	43,143	46,079	2,936	6.8%	61,300
Gross Profit	(20.0%) 8,612	(21.1%) 9,719	(1.1%) 1,107	12.9%	(21.1%) 12,950
SG & A Expenses	(6.8%) 2,924	(7.3%) 3,376	(0.5%) 451	15.5%	(7.4%) 4,510
Operating Income	(13.2%) 5,687	(13.8%) 6,343	(0.6%) 655	11.5%	(13.8%) 8,440
Ordinary Income	5,867	6,414	547	9.3%	8,510
Income before Income Taxes	5,778	6,409	631	10.9%	8,508
Net Income Attributable to Owners of the Parent	(8.9%) 3,835	(9.1%) 4,201	(0.2%) 366	9.5%	(9.2%) 5,670

※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 ¥2.9 billion (+6.8%) year on year, to ¥46.0 billion in system development and system service businesses, while there was a small decrease in system product business.

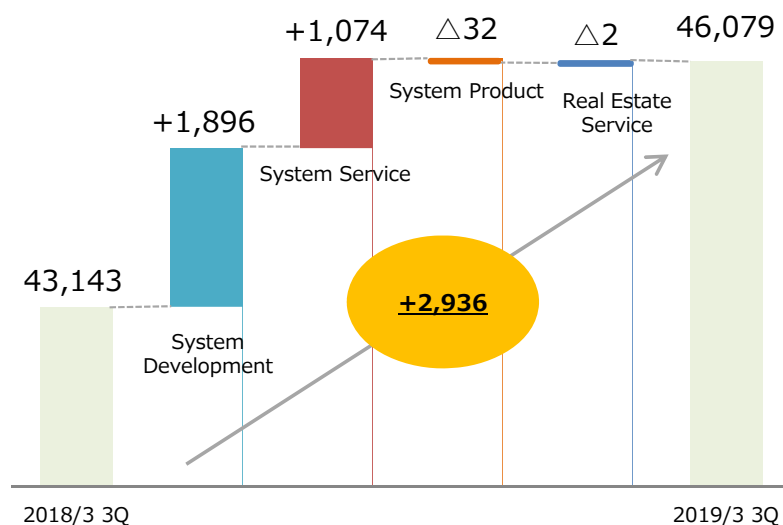
## ■ Gross Profit

Gross Profit increased by ¥1.1 billion (+12.9%) year on year, to ¥9.7 billion, as a result of an increase in profits due to growth of Net Sales and an improvement of profit margins.

- ✓ System development business: Net Sales and Gross Profit increased due to an increase in orders from the financial sector, service sector, transportation sector, and electricity & gas sector.
- ✓ System service business : Net Sales and Gross Profit increased due to an increase in orders of subsidiaries and the consolidation of Japan Job Posting Service, Inc.
- ✓ System product business : Gross Profit increased due to an improvement of profit margins, resulting from steady sales of own products, such as security products, while there was a small decrease in the Net Sales of hardware sales accompanied by system development.

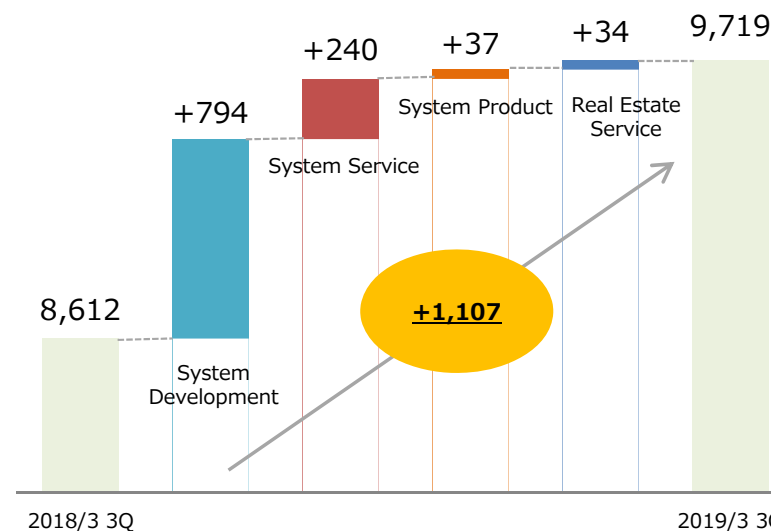
## ■ Net Sales

(Unit : Millions of yen)



## ■ Gross Profit

(Unit : Millions of yen)



# Net Sales and Gross Profit by Business Segments



(Unit : Millions of yen)

■ Net Sales	2018/3 3Q		2019/3 3Q	
	Results	Results	YoY	YoY(%)
※ The ratio on the upper-left corners are composition ratio to sales.				
System Solution Service Business	(99.3%) 42,860	(99.4%) 45,799	2,938	6.9%
System Development Business	(78.9%) 34,058	(78.0%) 35,954	1,896	5.6%
New technology *	( - ) -	(0.9%) 406	406	-
System Service Business	(16.1%) 6,937	(17.4%) 8,012	1,074	15.5%
IT as a Service *	(4.7%) 2,020	(6.5%) 3,002	982	48.6%
System Product Business *	(4.3%) 1,865	(4.0%) 1,832	△32	△1.8%
Real Estate Service Business	(0.7%) 282	(0.6%) 279	△2	△1.0%
Total	43,143	46,079	2,936	6.8%
"New Core Business" of Medium-term Management Plan (marked *)	(9.0%) 3,885	(11.4%) 5,242	1,356	34.9%

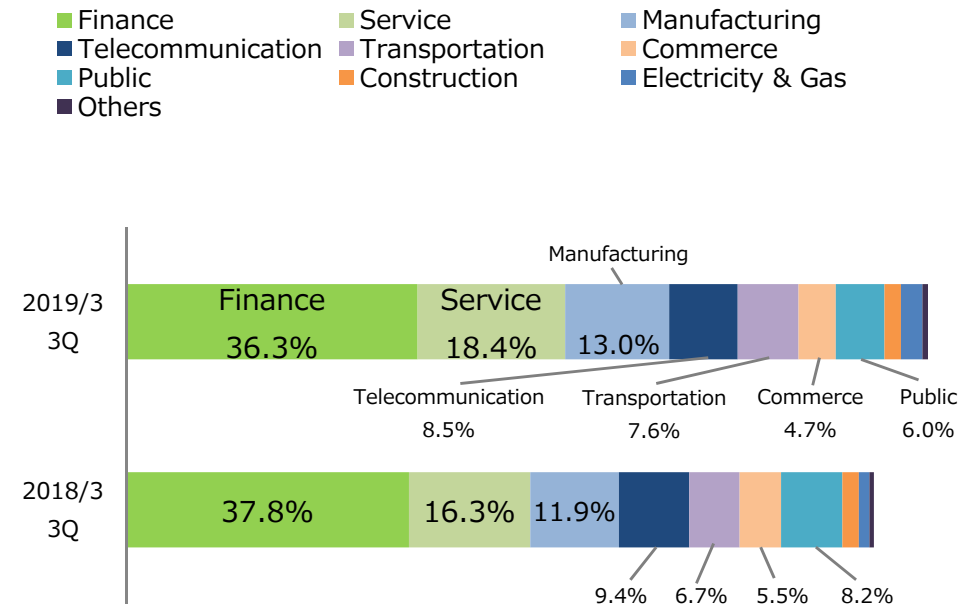
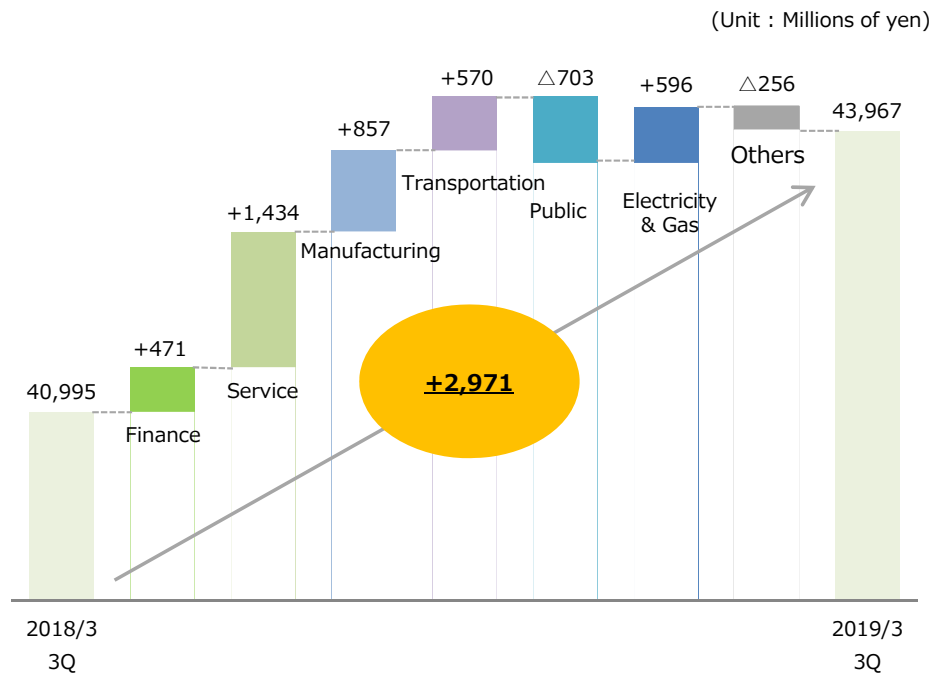
■ Gross Profit	2018/3 3Q		2019/3 3Q	
	Results	Results	YoY	YoY(%)
※ The ratios on the upper-left corners are Gross Profit margin.				
System Solution Service Business	(19.9%) 8,512	(20.9%) 9,584	1,072	12.6%
System Development Business	(19.8%) 6,731	(20.9%) 7,526	794	11.8%
New technology *	( - ) -	(25.7%) 104	104	-
System Service Business	(18.7%) 1,295	(19.2%) 1,535	240	18.6%
IT as a Service *	(7.6%) 152	(14.6%) 437	284	186.0%
System Product Business *	(26.0%) 485	(28.5%) 522	37	7.8%
Real Estate Service Business	(35.5%) 100	(48.2%) 134	34	34.5%
Total	(20.0%) 8,612	(21.1%) 9,719	1,107	12.9%
"New Core Business" of Medium-term Management Plan (marked *)	(16.4%) 638	(20.3%) 1,064	426	66.9%

# Net Sales by End-user Sector<sup>※</sup>



## ■ Net Sales

Net Sales increased by ¥2.9 billion (+7.2%) year on year, to ¥43.9 billion, as orders in the service, manufacturing, transportation, and electricity & gas sectors increased significantly, in addition to favorable increase in the orders of the financial sector.



※ 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 3Q		2019/3 3Q			
	Results	Composition Ratio(%)	Results	Composition Ratio(%)	YoY	YoY(%)
Finance	15,492	37.8%	15,964	36.3%	471	3.0%
Service	6,658	16.3%	8,093	18.4%	1,434	21.5%
Manufacturing	4,855	11.9%	5,712	13.0%	857	17.7%
Telecommunication	3,862	9.4%	3,755	8.5%	△107	△2.8%
Transportation	2,761	6.7%	3,332	7.6%	570	20.7%
Commerce	2,272	5.5%	2,052	4.7%	△220	△9.7%
Public	3,366	8.2%	2,663	6.0%	△703	△20.9%
Construction	906	2.2%	910	2.1%	4	0.5%
Electricity & Gas	575	1.4%	1,172	2.7%	596	103.8%
Others	243	0.6%	310	0.7%	66	27.5%
<b>Total</b>	<b>40,995</b>	<b>100.0%</b>	<b>43,967</b>	<b>100.0%</b>	<b>2,971</b>	<b>7.2%</b>

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

# Net Sales by End-user Sector (Financial Sector)<sup>※</sup>

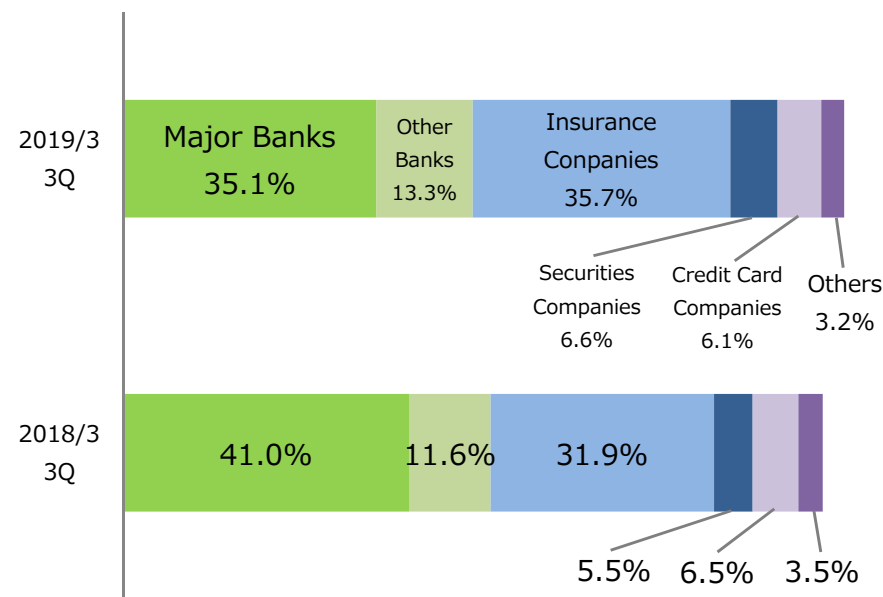
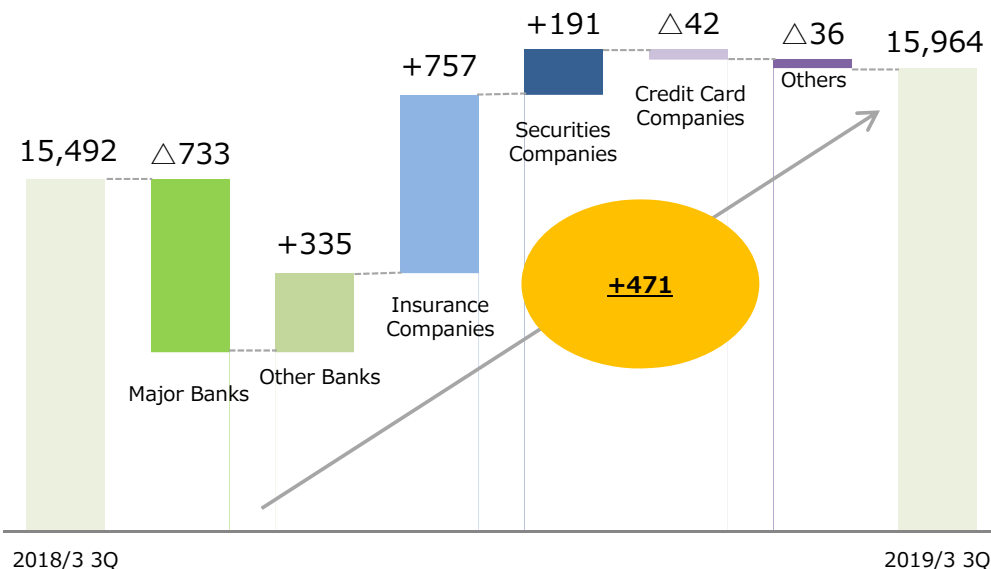


## ■ Net Sales (Financial Sector)

Net Sales increased by ¥0.4 billion (+3.0%) year on year, to ¥15.9 billion, covering the decrease in sales of major banks by the increase in sales of 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 receiving 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.

(Unit : Millions of yen)



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



# Net Sales by End-user Sector (Financial Sector)<sup>※</sup>



(Unit : Millions of yen)

	2018/3 3Q		2019/3 3Q			
	Results	Composition Ratio(%)	Results	Composition Ratio(%)	YoY	YoY(%)
Major Banks	6,344	41.0%	5,611	35.1%	△733	△11.6%
Other Banks	1,794	11.6%	2,130	13.3%	335	18.7%
Insurance Companies	4,945	31.9%	5,703	35.7%	757	15.3%
Securities Companies	855	5.5%	1,046	6.6%	191	22.3%
Credit Card Companies	1,012	6.5%	969	6.1%	△42	△4.2%
Others	540	3.5%	504	3.2%	△ 36	△6.7%
<b>Total</b>	<b>15,492</b>	<b>100.0%</b>	<b>15,964</b>	<b>100.0%</b>	<b>471</b>	<b>3.0%</b>

※ 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%
	3Q	13,023	8.8%	14,921	8.2%	12,278	15.0%

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

# Reference1 : Trends of Financial Results



(Unit : Millions of yen)

	2014/3	2015/3	2016/3	2017/3	2018/3			2019/3		
					Results	YoY	YoY(%)	※3 Estimate	YoY	YoY(%)
Net Sales	40,285	42,990	51,585	55,234	58,080	2,845	5.2%	61,300	3,219	5.5%
Gross Profit	(21.4%) 8,630	(21.4%) 9,213	(21.2%) 10,911	(20.8%) 11,472	(20.5%) 11,907			(21.1%) 12,950		
SG & A Expenses	(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	(12.0%) 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	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	(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)	76.19	72.04	70.98	105.81	126.76	20.95	19.8%	135.80	9.04	7.1%
DPS (yen)	32	※2 33	37	44	52	—	—	57	—	—
Dividend Payout Ratio	42.0%	※2 45.8%	52.1%	41.6%	41.0%	—	—	—	—	—
Shareholder Equity	42,714	42,229	40,999	43,374	45,368	1,993	4.6%			
Shareholder Equity Ratio	88.4%	84.8%	85.1%	85.2%	83.9%	△1.3%	—			
ROE	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 45<sup>th</sup> anniversary of the founding.

※3 Revised estimation announced on October 31, 2018.

# Reference2 : Summary of Medium-Term Management Plan



【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.**

Considering the financial results and the favorable trend of orders, the consolidated target was revised upwards.  
**(2021/3)**

Net Sales  
**66.5 billion yen**

Net Sales from New core business  
**11 billion yen**

Operating Income margin  
**More than 13%**

ROE  
**More than 11%**

(¥ Million)

	2018/3 Results	2019/3 Original Plan	2020/3 Revised Plan	2021/3 Revised Plan	Diff between Original Plan	(Reference) 2019/3 Estimate
Net Sales	58,080	60,000	64,500	66,500	3,500	61,300
New core business (※1)	5,595	6,600	8,000	11,000	1,000	6,600
Operating Income	7,918	8,100	9,000	9,300	800	8,440
Operating Income margin(%)	13.6	13.5	14.0	14.0	0.5	13.8
Ordinary Income	8,119	8,200	9,100	9,400	800	8,510
Net Income	5,368	5,500	(※2) 5,700	6,200	500	5,670

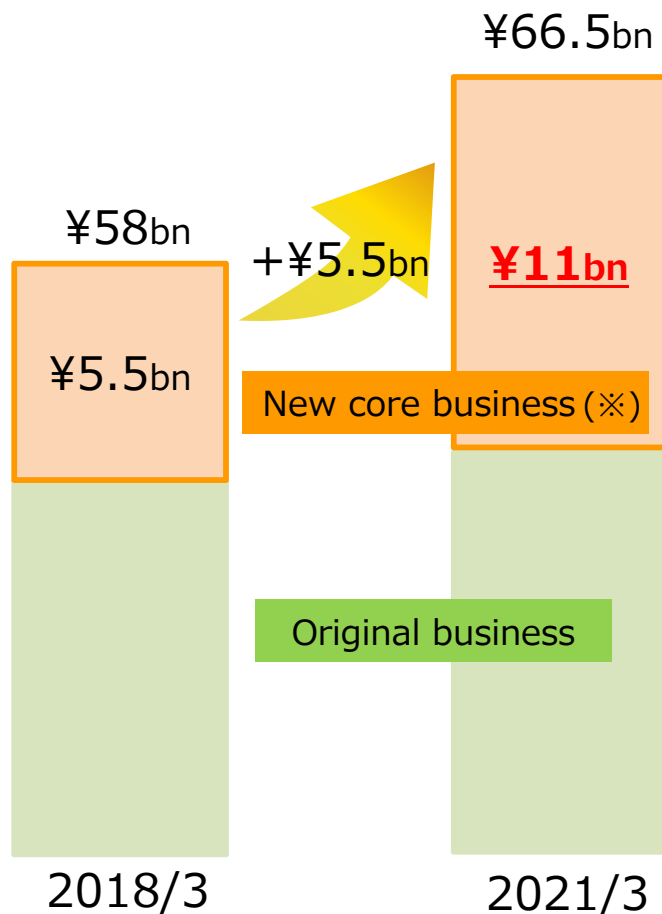
※1 New core business refers to system development business related to new technologies, system service business, and system product business.

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

# Reference2 : Summary of Medium-Term Management Plan



## ◆ Factors for achievement of the plan



※ New core business refers to system development business related to new technologies, system service business, and system product business.

+2.3

### 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)

+1.0

### 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.

+1.7

### 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.



## 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 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 function, which Palsbots Inc. is developing.
  - ~ Speed up and improve efficiency of developments through joint development of AI system with Palsbots Inc

### Corporate Profile of Palsbots Inc.

- ✓Palsbots Inc. is a venture company which has strength in developing robot-related communication engines and VUI (Voice User Interface) for smart speakers.
  - ~ Develops applications for robots, and provides communication engines and interaction engines for robots.
  - ~ Has strength in developing technologies, such as voice 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	<p>NSD signed partner alliance with ABBYY Japan Co., Ltd.</p> <ul style="list-style-type: none"> <li>• NSD became an official agent of ABBYY products in Japan.</li> <li>• Provides solutions in AI-OCR field together.</li> </ul>
April / 20 / 2018	Strategic Alliance	<p>NSD signed basic agreement on establishment of joint venture company with Konoike Transport Co., Ltd.</p> <ul style="list-style-type: none"> <li>• Established joint venture company of system development. (July 2018)</li> <li>• Improving SE's skill of Konoike group on advanced technology and introducing IT services to customers of Konoike group.</li> </ul>
May / 10 / 2018	Medium-term Management Plan	<p>Released Medium-term Management Plan (FY2018~FY2020).</p> <ul style="list-style-type: none"> <li>• Target Net Sales on FY2020 is 63 billion yen.</li> <li>• Enhancement of New Core Business focusing on new technologies.</li> <li>• Memorial dividend of the 50<sup>th</sup> anniversary is scheduled on FY2019.</li> </ul>
May / 10 / 2018	Corporate Finance	<p>Resolved Share Repurchase.</p> <ul style="list-style-type: none"> <li>• Resolved share purchase to exercise agile management of capital policy and to return our profits to shareholders furthermore.</li> </ul> <p>※Results (Released on June 25)            ~Period : 2018/5/11~6/22            Total number : 414 thousand shares            Total amount : 999 million yen</p>
July / 30 / 2018	Organization Restructuring	<p>Merger of subsidiaries and Change of the Company's Trade Name.</p> <ul style="list-style-type: none"> <li>• 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)</li> <li>• Tries to improve management efficiency and promptly demonstrate synergy effects, thereby NSD will further expand our business in human resources management system.</li> </ul>



Release Date	Category	Details
Sept / 27 / 2018	Strategic Alliance	<p>NSD signed strategic alliance with Palsbots Inc., an AI venture company.</p> <ul style="list-style-type: none"> <li>Speed up and improve efficiency of developments through joint development of AI system with Palsbots Inc., by using "IFRO", an interactive communication engine installed with an AI function, which Palsbots Inc. is developing.</li> </ul>
Oct / 31 / 2018	Corporate Finance	<p>Resolved Financial Forecast Revisions.</p> <ul style="list-style-type: none"> <li>Considering the results of the second three months of FY2018 and the favorable trend of orders from the third three months of FY2018 onwards, the forecast was revised upward.</li> </ul>
Oct / 31 / 2018	Corporate Finance	<p>Resolved Dividend Forecast Revisions.</p> <ul style="list-style-type: none"> <li>Following with the upward revision of the financial forecast, the dividend forecast announced in 2018/5/10 was revised from 54 yen to 57 yen.</li> </ul>
Oct / 31 / 2018	Corporate Finance	<p>Resolved Share Repurchase.</p> <ul style="list-style-type: none"> <li>Resolved share purchase to exercise agile management of capital policy and to return our profits to shareholders furthermore.</li> </ul> <p>※Results (Released on December 11)                      ~Period : 2018/11/1~12/10                      Total number : 211 thousand shares                      Total amount : 499 million yen</p>
Jan / 30 / 2019	Medium-term Management Plan	<p>Resolved upward revision of the Medium-Term Management Plan (FY2018~FY2020), considering the financial results and the favorable trend of orders.</p>
Jan / 30 / 2019	Corporate Finance	<p>Resolved Share Repurchase.</p> <ul style="list-style-type: none"> <li>Resolved share purchase to exercise agile management of capital policy and to return our profits to shareholders furthermore.</li> </ul> <p>~Planned period : 2019/1/31~2/28                      Planned total number : 230 thousand shares (maximum)                      Planned total amount : 500 million yen (maximum)</p>





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