


IT = YouT^

Midterm Management Plan 2013.3 – 2015.3

"Change as your No. 1 IT Partner"

2012.6.15





In pursuit of "Value Creation" only NSD is capable of achieving



While the environment that surrounds the IT industries is undergoing drastic changes such as the shift from the "On-Premise" system to the "Services-Provision" system represented by cloud computing, inroads of foreign IT companies into the Japanese market, and the trend of IT industry restructuring, we currently see many new business opportunities lying ahead, as the implementation of the National ID System has come in sight, the introduction of IT services is being accelerated to strengthen competitiveness in the field where they were hardly put to practical use in the past, and the IT-related corporate investment is likely to increase in the wake of the recovery of domestic economy.

The year 2019, seven years from now, will mark the 50th anniversary of the inauguration of NSD. Toward that important turning point, we have just started the Three-Year Midterm Management Plan from FY March 2013 as the initial year in order to make NSD established more firmly among IT industries as the valued and selected IT Partner for the customers through solving their issues and enhancing their enterprise value.

We will further expand and strengthen our Vertical Business Model (continuous provision of systems development services to longstanding customers) that has been cultivated through many years of business, and endeavor to become one of the leading players in each field including the financial industry to begin with. Also, considering various changes as business opportunities, we will exert every effort to maximize our enterprise value by developing and marketing new businesses and services that are highly unique, promoting global business expansion, and actively seeking M&A opportunities.

We reorganized our company structure this April. The divisional organization system has been underway so that each division is assigned the responsibility and authority to manage business flexibly. Under this new organization system, officers and employees as one will strive for achieving the target set forth in the Midterm Management Plan for which your corporation and support are highly appreciated. Thank you very much.

June 15, 2012



Yoshikazu Imajo
President & CEO
NSD CO., LTD.

Management Environment



- 1** In domestic market, Cloud, National ID System, etc. for new growth opportunities
- 2** Accelerated shift from “On-premise” to “Services-Provision”
- 3** Inroads of foreign IT companies into the Japanese market
- 4** Industry Restructuring well under way



Reform of the Business Structure is essential

Course of Action in Long-Term



**Contribute to enhancing the Enterprise Value of customers
by providing high quality services**

1

Become familiar with every aspect of financial operation and obtain unwavering confidence from Japanese financial institutions 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)

3

Make the presence felt not only in the Made-to-Order Contract Development but in other services



**Create multiple core businesses
with balanced earnings**

Target Indices



- 1 In the final fiscal year, aim for the Net Sales to exceed those peaking in FY March 2008
- 2 Ratio of “other than Made-to-Order Contract Development” 20% (Non-Consolidated)
- 3 Operating Income Ratio 12%
- 4 ROE 8%

2008/3 Net Sales 43,664 (¥million)

Consolidated	2012/3	2013/3	2014/3	2015/3
Net Sales	34,412	37,000	40,000	44,000
Operating Income	3,386	4,000	4,500	5,300
Ordinary Income	3,668	4,100	4,600	5,500
Net Income	1,867	2,100	2,700	3,200

2008/3 Net Sales 39,282

Non-Consolidated	2012/3	2013/3	2014/3	2015/3
Net Sales	30,157	33,000	36,000	40,000
Operating Income	2,922	3,700	4,200	5,000
Ordinary Income	3,535	4,100	4,500	5,300
Net Income	1,883	2,200	2,700	3,100



Basic Strategy

1	Boost further competitiveness in Made-to-Order Contract Development
2	Aim at becoming a leader in a niche market of Services-Provision-oriented Solution Application
3	Promote Global Business Expansion
4	Actively seek M&A opportunities

Specific Strategy

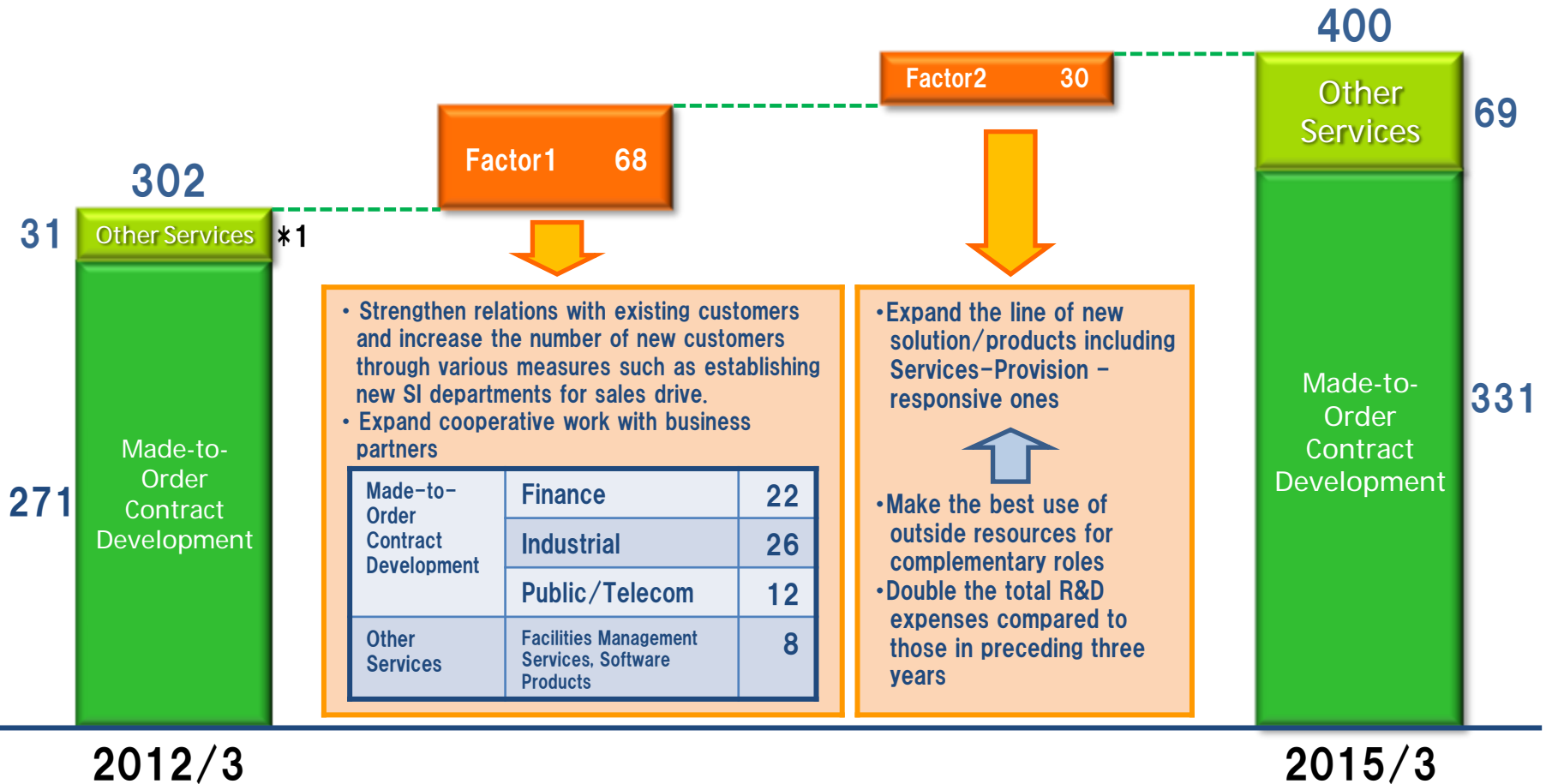
Finance	Enter new areas of operation of existing customers
Industry/Public/Telecom	Obtain orders by improving sales systems, and enter new areas of operation and fields
IT Services	Expand Non-Resident Services in addition to the continuous improvement of service quality
Software Package	Step up the care of the assigned accounts and introduce new solution packages
New business development	Create new market by putting highly unique services into the market (strengthen R & D)
Business Partners	Subcontract Ratio:14% ⇒ 25% Aim at the level of FY March 2008
Global Business Expansion	North America: Resumed activities in USA. Develop business in collaboration with Japanese-affiliated companies in USA Asia: Discover and cope with local needs in anticipation of establishing local subsidiaries
M & A	Seek synergy benefit and make the most of outside management resources
Process Improvement	Aim at acquiring CMMI L3

Analysis of factors to achieve the Plan



Net Sales (Non-Consolidated)

(¥100 million)



*1 Facilities Management and Software Product

*2 The CAGR for 2011 through 2016 is 3.2% according to the forecast of domestic software product market by IDC Japan.

Our policy on returns to shareholders

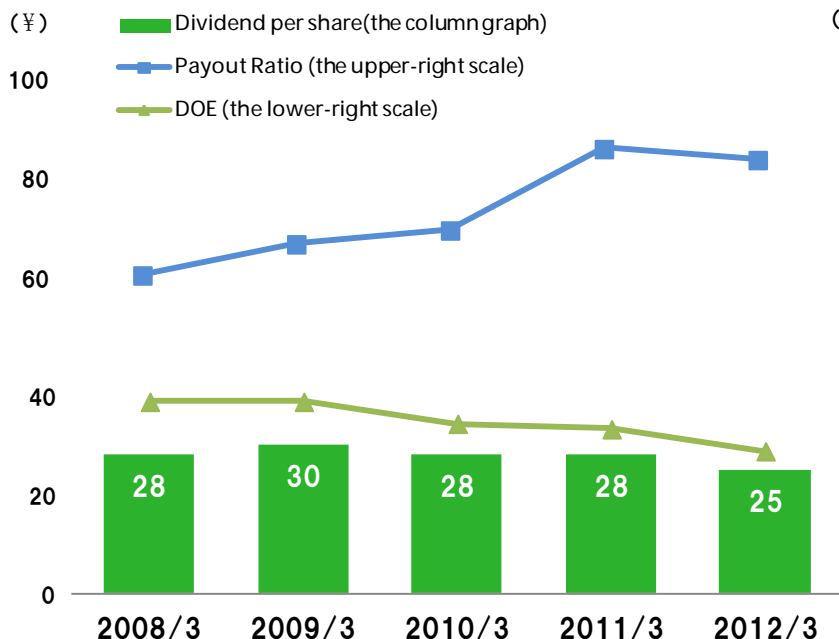


Returns to our shareholders have been regarded as one of the top priorities among management issues. It is our basic policy to maintain a steady payout as well as to pay returns flexibly to the shareholders by considering the performance and the trend of the share price as a whole.

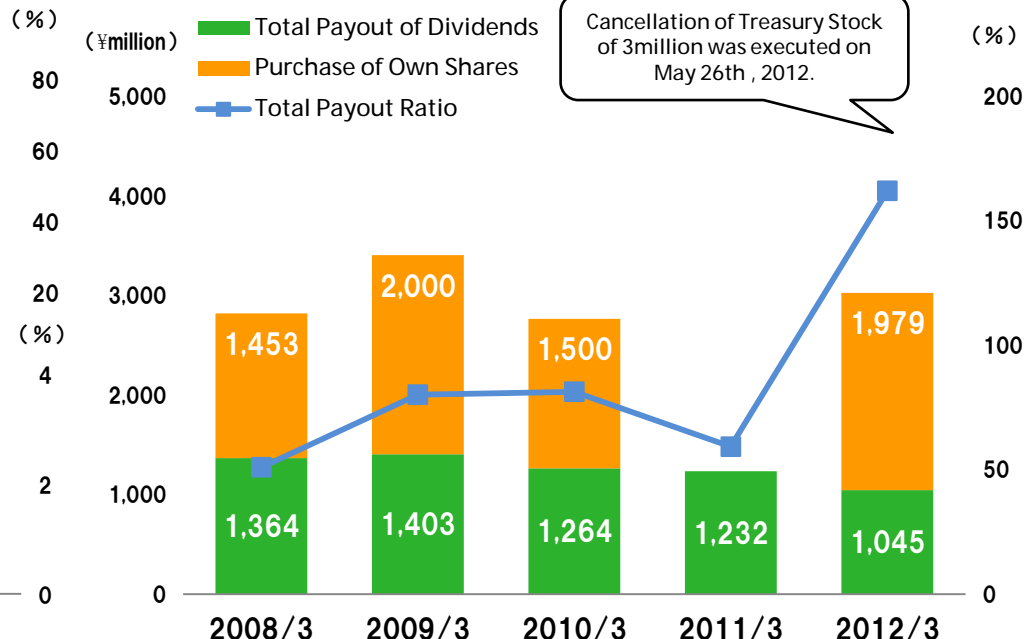
- 1 Maintain a steady payout aiming at the ratio of 30% and over
《 DOE target 3% as of FY March 2015 》
- 2 Consider flexibly the buyback of own shares, taking the performance and the trend of the share price into account as a whole

Note* DOE : Dividend on Equity

Changes in Dividends & Payout Ratio, and Purchase of Own Shares



Note: Dividend as for the term ended March 2009 includes ¥2 of 40th anniversary dividend.

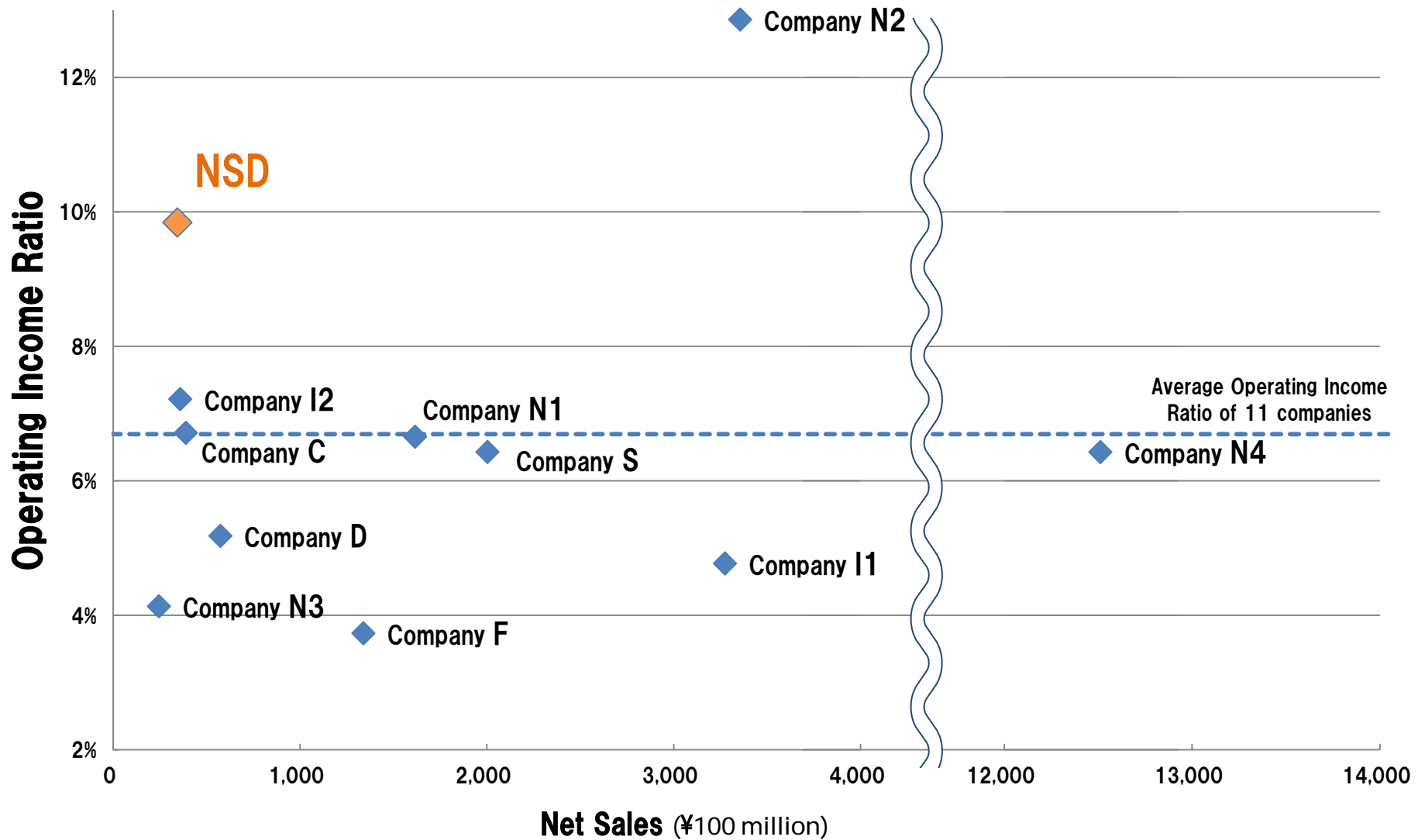


Note: Neither the total payout for the term ended March 2011 nor March 2012 includes dividend paid to ESOP Trust accounts.

Comparison with other IT Services Vendors (as of Recent Fiscal Year) [1]



Net Sales and Operating Income Ratio



Comparison with other IT Services Vendors (as of Recent Fiscal Year) [2]



ROE and Payout Ratio

