

IT & YouT^

Medium-term Management Plan from FY2018 to FY2020

『NSD ~ TO THE NEXT STAGE』

Original Plan Published on May 10, 2018



Approach to new technologies

NSD will celebrate the 50th anniversary on April 2019, the second year of this medium-term management plan. During the past 50 years, we have greatly appreciated our customers' support, in a wide range of sectors, such as financial, service, manufacturing, and telecommunications.

Looking ahead to the future, aggressive efforts towards developing our capabilities in new technologies are key words, as stated in NSD's management philosophy "always explore state-of-the-art IT technology". Recent trend of digitalization is progressing rapidly and our customers are trying to incorporate these trend and change even their business model. Under these circumstances, in order to respond to these customers' movements, we need to explore and develop new technologies which are essential for our customers, in the system development which is NSD's core business. Also in strengthening the system services business, we develop new businesses through learning new technologies and creating solutions by collaboration with user companies, as well as through M&A and strategic alliance.

Although the digital revolution makes the performance accumulated by the Japanese IT industry antiquated, NSD takes this change as an opportunity, and aims to be a company which push forward "the Future for Human and IT" to contribute for sustainable society based on our business origin, the mutual-beneficial with employees, customers and shareholders. With these things in mind, we formulated our three year medium-term management plan which starts on April, 2018.

NSD will pay commemorative dividend for 50th anniversary on the Fiscal year ending March 31, 2020 as gratitude for all the support from shareholders. NSD intends to continue our efforts to contribute to development of the society. Thank you.

May 10, 2018

NSD CO., LTD
President & CEO
Yoshikazu Imajo

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Results of Previous Medium-term Management Plan (Policies)

1. Strengthen the NSD brand power by enhancement of the custom made software development

NSD has enhanced the custom made software development to strength the NSD brand name as IT strategic partner with customers in various sectors. NSD increased Net Sales in this business from 341 billion yen to 454 billion yen, also achieved 10.0% of the annual growth rate during these 3 years.

2. Enhance the software development as a service solution

NSD has promoted enhancement of the software development as a service solution, and has established multiple strong pillars of income to reform business structure.

Healthcare IT	: Started to provide CARENA*1, as a telehealth care management service to support lifestyle modification by medical fitness in collaboration with medical corporation.
HR IT	: Enhanced HR package promotion and seeking synergy effect by M&A.
Educational IT	: Started to provide electronic-portfolio system, ManaBOX*2 for active and independent learning of students.

3. Actively seeking M&A opportunities

Promote M&A actively in the software development as a service solution.

- Signed the strategic alliance with Pro-ship on November, 2017
- Acquired Japan Job Posting Service on December, 2017.

*1) System that medical trainer provides exercising guidance for each users based on their physical and mental conditions.

*2) System that students can invent their learning process by registering all related items such as assignment, learning process, deliverables and appraisal.

Results of Previous Medium-term Management Plan (Figures)

【Original Plan】

	Results	First Year	Second Year	Third Year
	2015/3	2016/3	2017/3	2018/3
Net Sales	42,990	46,500	48,000	50,000
Operating Income	5,144	5,600	5,800	6,100
Operating Income margin(%)	12.0%	12.0%	12.1%	12.2%
Ordinary Income	5,326	5,700	5,900	6,200
Net Income	2,973	3,500	3,800	4,100
ROE(%)	6.9%	-	-	8.0%

【Results】

(¥ Million)

First Year	Second Year	Third Year
2016/3	2017/3	2018/3
51,585	55,234	58,080
6,378	7,173	7,918
12.4%	13.0%	13.6%
6,456	7,300	8,119
3,110	4,543	5,368
7.5%	10.8%	12.1%



1. Achieved **10.5%** of the annual growth rate in Net Sales during 3 years.
2. Achieved **15.5%** of the annual growth rate in Operating Income during the same period. Both Operating Income margin and ROE are significantly improved.

● Changes in the environment around NSD

Progress of new technologies



AI

Artificial Intelligence



IoT

Internet of Things

Customers' **strategic IT technologies** are highly advancing and accelerating.

Enhancement of capability for new technologies are essential.

● Goal for long-term and after 3 years

-----Goal for long-term-----

Be a company to propose

the Future for Human and IT

- Evolve, deepen and modernize our outstanding business .
- Ability of valuable proposals for customers.
- corporate culture that employees can exercise their creativity.

-----Goal after 3 years-----

1 . Be a company having **outstanding business** in various business area

- Be a company to be able to propose solutions through the network in new technology area.
- Establish a reputation in healthcare IT business.

2 .Accelerate to create **NSD's uniqueness** in the system development.

- Original advantage + performance using new technologies + enhancement of ability to proposal.

Basic Strategies



Seek additional growth opportunities in new business and new technologies.

Improve adaptability of new technologies in system development.

```
<?php get_header(); ?>
<div id="abc">
  <div id="inner-content" role="main">
    <?php get_header(); ?>
    <?php while ( have_posts() ) : the_post(); ?>
      <?php get_template_part( 'content', 'page' ); ?>
      <?php comments_template( 'true' ); ?>
      <?php endwhile; ?>
    </div>
  </div>
  <div id="sidebar">
    <?php get_footer(); ?>
  </div>
</div>
```



Further enhancement of human resource and capability of organization.



Specific Strategies

1. System development

- Improve adaptability of new technologies for customers who advances digitalization
- Enhance proposal by improving consulting ability
- Enhance project monitoring process to detect problems early.
- Training young PM and PL to enhance the level of NSD

2. New business / new technology

- Extend NSD's experience through collaboration and co-creation.
- Use human resources effectively
- Advance M&A actively to extend business opportunity in new areas.



3. Human resource development / organization

- Develop human resources who can act autonomously with high ownership and adaptability.
- Form the corporate culture to take advantage of human resources

5. M&A/Alliance

- Promote by specialized department
- Promote strategy in new business and new technology area

4. Business partner

- Form partnership with business partner from long-term perspective.
- Build networks with venture capitals and startup user companies.

● Target Figures

Fiscal year ending March 31, 2021

Net Sales

63

billion yen

Operating
Income margin

More than
13%

Net Sales from New
core business

10

billion yen

※1

ROE

More than
11%

※1 New core business consists of system development using new technologies, system services and products

~Planning aggressive investment to new business and new technologies.

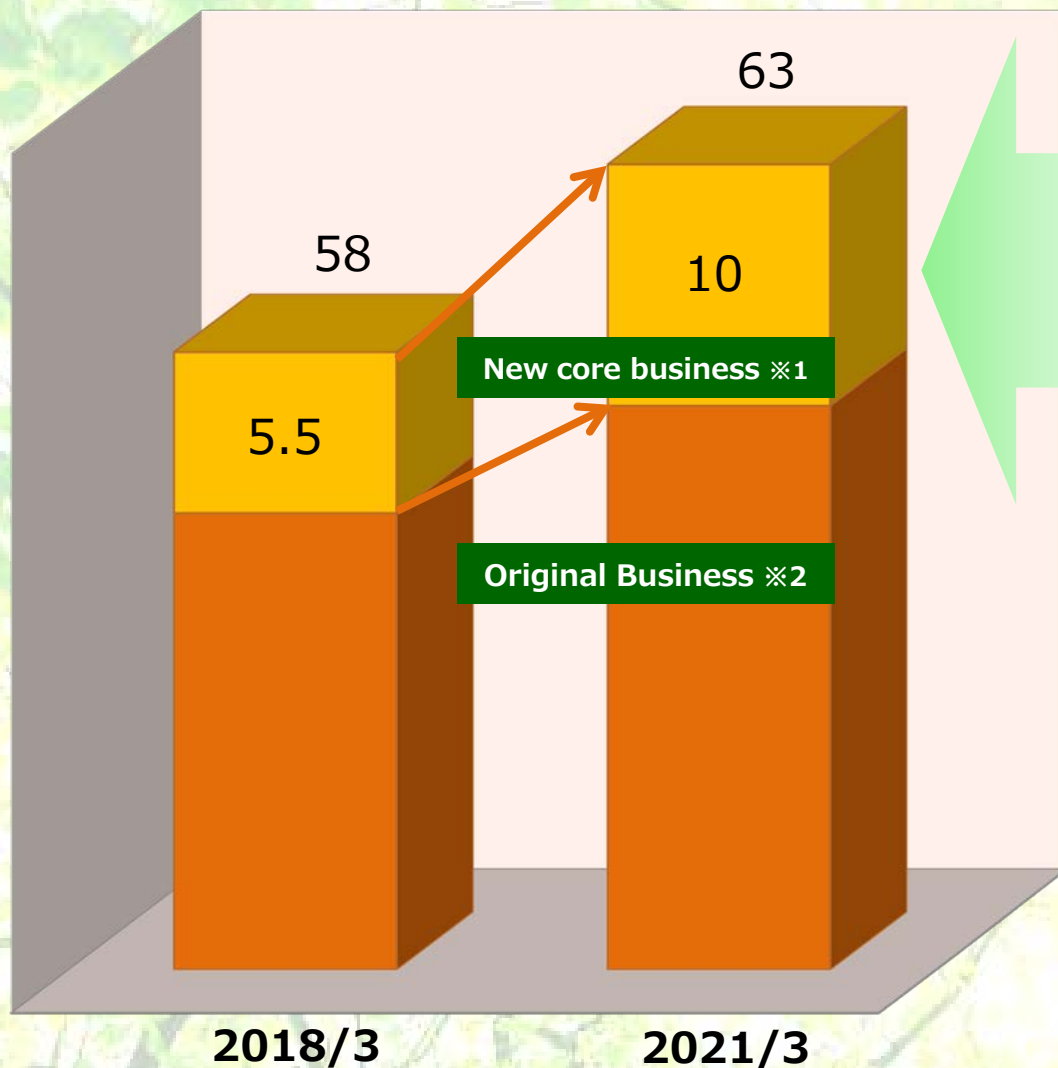
(¥ Million)

	2018/3 Results	2019/3	2020/3	2021/3
Net Sales	58,080	60,000	61,500	63,000
New core business	5,595	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	(※2) 5,300	5,700
ROE(%)	12.1	11.8	10.9	11.3

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

● Factors for achievement of the plan

Net Sales (billion yen)



<New core business>

Factor① + 2.0

Enhancement of the system service.

Factor② + 0.5

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

Factor③ + 0.5

Enhancement of the system products.

Factor④ + 1.5

Improvement of the adaptability of new technologies in the system development

※1 New core business consists of system development using new technologies, system services and products.

※2 Original business consists of the system development (exclude factor ④) and IT service business such as operation and maintenance.

Details of New core business factors

Factor① Enhance the system service

- Healthcare
 - ~Regarding the remote health support service “CARENA”, in addition to health guidance functions in cooperation with medical corporations, we expand services for all employees by expanding functions such as health points and incentives.
 - ~Develop business model taking advantage of visualization service of blood sugar level.
- HR
 - ~ Realization of synergy effect among group companies and development of new solutions.
- Educational IT
 - ~ Expansion of E-portfolio “ManaBOX” through collaboration with major learning cram schools.

Factor② Seeking additional growth opportunities in new business and new technology area

- Newly established Advanced Technology Promotion Division, actively put resources into new technology areas.
- Taking advantage of our development capabilities, we will develop new business models through the discovery of venture companies by specialized departments of M&A and alliance, utilization of venture funds, and collaboration with user companies.

Factor③ Enhancement of the system products

- Strengthen and improve group sales structure, promote cross-selling.
- Development of new products through technical collaboration with other companies.
- Strengthen product lineup, develop new solution.

Factor④ Improve the adaptability of new technologies in the system development

- Respond to changes in needs of customers who promptly digitize, improve capability for new technologies for customers.
- Improve consulting capabilities and enhance proposal capabilities from upstream processes.
- New cultivation based on RPA etc. by sales division across each business division.
- Speeding up PM / PL development with increase of projects and raising overall skill level.

● Shareholder Returns

Basic strategies

1. **Maintain consolidated dividend payout ratio, 40% or more.**

2. **Actively return profits to shareholders, judging business performance and stock price trends comprehensively.**

- The consolidated payout ratio kept 40% or more by increasing dividends every year during the previous medium-term management plan.(2016.4 – 2018.3)
- Repurchased own shares, about 4.2 billion yen in total 4 times, during the same period.

In commemoration of the 50th anniversary in the fiscal year ending march 31, 2020 the following memorial dividend is scheduled.

① **Consolidated dividend payout ratio is 50% or more.**

(commemorative dividend 10%+ usual dividend 40% or more)

② **Furthermore, the total dividend amount increased by 500 million yen**

- Because we plan to post an extraordinary loss of about 500 million yen as an annual event cost, same amounts will be increased in dividend as a commemorative dividend for the shareholders.



~In addition to the business activities, NSD is engaged in following activities.

○ **Social contribution**

- A donation menu is prepared for the shareholder benefit plan, and NSD serves as a window for shareholders and contributes activities.

- ~Result of FY 2017 : Donated to Great East Japan Earthquake, the Kumamoto earthquake and Zabun award.

○ **Sponsorship**

- NSD agree with children to experience programming from an early stage and sponsors “Children’s programming contest” held by PCN (Programming Clun Network).
- NSD sponsored *International Convention of Nordic Skiing* for disabled skiers.

○ **Support for disabled people**

- NSD operates farms with disabled people in Yatsugatake southern foot, Yamanashi prefecture. 10 disabled people work in the farms.
- 36 disabled people doing simple tasks at head office and brunches. In addition, visually impaired person works at massage room at head office.

○ **Health and productivity management**

- In order to improve the health and productivity of our employees, we are making various efforts such as shortening working hours, reducing overtime hours, setting up an employee massage room, health point system with our own product CARENA. As a result, it was certified as a health business superior corporation 2018 (White 500).