

IT & YouT^

May 10, 2021

# Medium-Term Management Plan

(from FY2021 to FY2025)



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# Formulating the New Medium-Term Management Plan

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We have now formulated a new Medium-Term Management Plan that begins this fiscal year. In this Medium-Term Management Plan, NSD will lay the foundation for advancing to the next new stage in terms of both quantity and quality for five years.

Specifically, we aspire for the corporate group to achieve 100 billion yen in net sales. To that end, we will expand our business foundation by utilizing M&A deals in addition to further extending our existing businesses. Also, we will accelerate efforts to adapt to a digitalizing society in the fields of new technology, digital transformation, and solutions, thereby working to transform into a company of greater added value. At the same time, While working on management that contributes to the realization of a sustainable society, we aim to be a "company that proposes the future of people and IT."

We at NSD shall always proceed forward as a professional IT industry group capable of fulfilling your expectations. We hope to continue receiving your unwavering support.

May 10, 2021

NSD Co., Ltd.  
President & CEO  
Yoshikazu Imajo



## Results of Previous Medium-term Management Plan (Policies)

Basic  
Strategies

- Pursue new growth opportunities in new business, new technology domains, etc.
- Improve compatibility with new technologies in systems development
- Further strengthen people and organization

Specific  
Strategies

### Systems development

- Drive group-wide sales growth, supported by customer needs for investment in systems development
- There is also a growth trend in sales related to new technology

### New business, new technology domains, etc.

- Set up expert teams like the new Advanced Technology Business Division and new company NSD Advanced Technology Research Institute Co., Ltd.  
Finish building the company's structure, such as deploying a variety of resources to new fields of technology
- Collaborate with customers to engage in co-creation

### Personnel development and organization

- Carry out aggressive efforts to reform working lifestyles and for health and productivity management
- Ongoing action to cope with COVID-19

### Business partners, M&A deals, alliances

- Add personnel from business partners, focus on spurring communication with management ranks
- Further alliances that mix a variety of players in Japan and abroad with partnerships and capital in operations



## Results of Previous Medium-term Management Plan (Consolidated Figures)

- The previous Medium-Term Management Plan (from FY2018 to FY2020) had a strong environment for receiving orders and the plan's targets were revised upward twice
- Over the three years, the average growth rate for net sales was 4.7%, we achieved operating income of 8.1%, and we increased operating income margin by 1.4%
- The final fiscal year was impacted by COVID-19

(million yen)

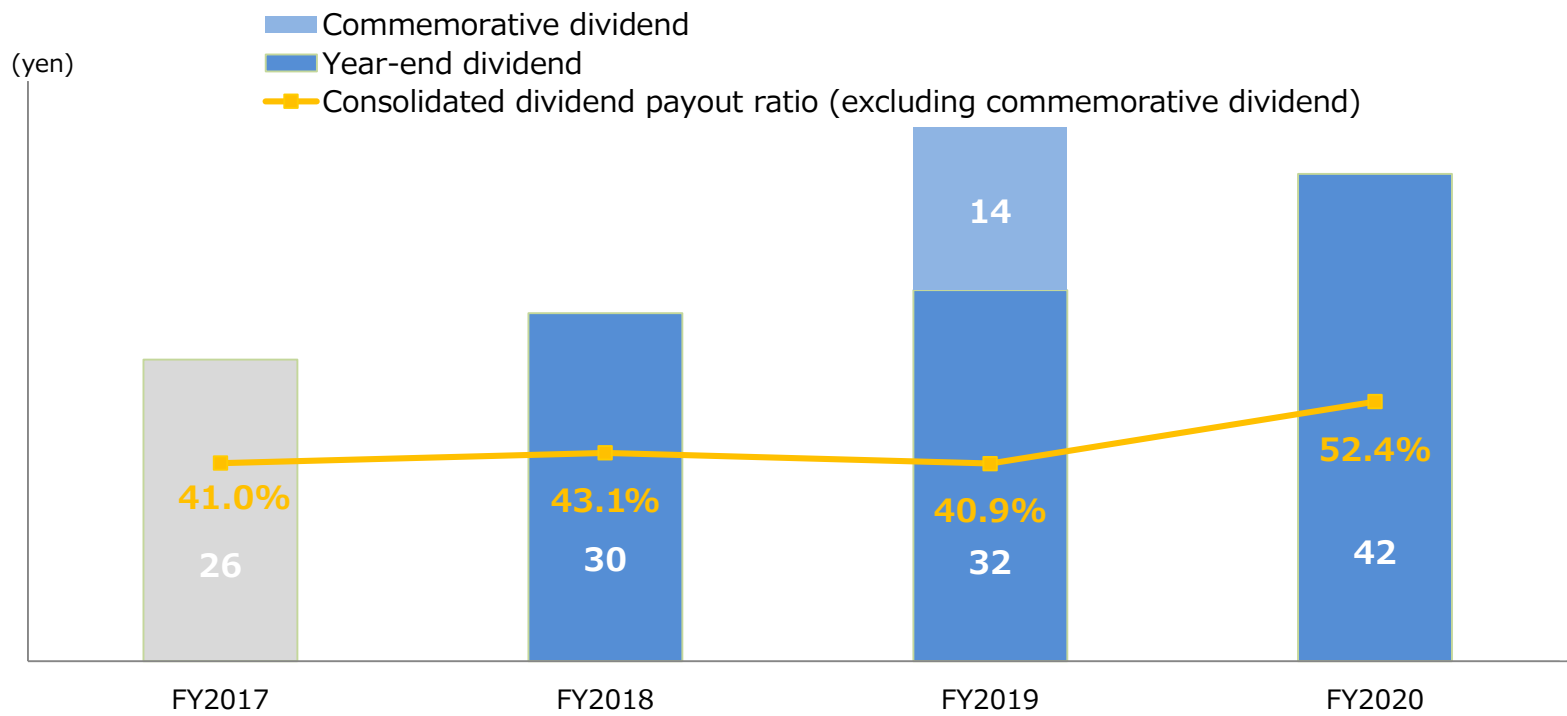
	2018/3 Results	2019/3 Plan	2020/3 Plan	2021/3 Plan	2021/3 Revised	2019/3 Results	2020/3 Results	2021/3 Results
Net Sales	57,704	60,000	61,500	63,000	70,000	61,573	65,063	66,184
New core business net sales	5,595	6,600	7,800	10,000	12,000	7,048	8,541	9,025
Operating Income	7,799	8,100	8,300	8,500	10,000	8,492	9,545	9,842
Operating Income Margin (%)	13.5	13.5	13.5	13.5	14.3	13.8	14.7	14.9
Ordinary Income	8,119	8,200	8,400	8,600	10,100	8,756	9,661	9,955
Net Income	5,368	5,500	5,300	5,700	6,800	5,817	6,314	6,373
ROE (%)	12.1	11.8	10.9	11.3	13.7	12.6	13.8	13.7



# Results of Previous Medium-term Management Plan (Shareholder Returns)

- The dividend during the previous Medium-Term Management Plan rose by 16 yen per share, while there were approximately 8 billion yen in purchases of treasury shares
- In FY2019, we paid a commemorative dividend of 14 yen per share and retired 1 million treasury shares
- In FY2020, the consolidated dividend payout ratio was 50% or more (an increase of over 10%)

### Dividend and Consolidated Dividend Payout Ratio per Share



\*1. The value of the dividend per share is based on the number of shares after the January 1, 2020 stock split

\*2. The consolidated dividend payout ratio including the FY2019 commemorative dividend was 58.8%



## In the IT Industry

- Expanded investment to accelerate DX and business opportunities arising therefrom
- The performance of digital business utilizing new technology will be future lifelines
- Distinctive emerging companies and organizations/people will arise and establish a certain share and status
- Focus on recruiting and developing skilled talent (i.e. IT engineers)

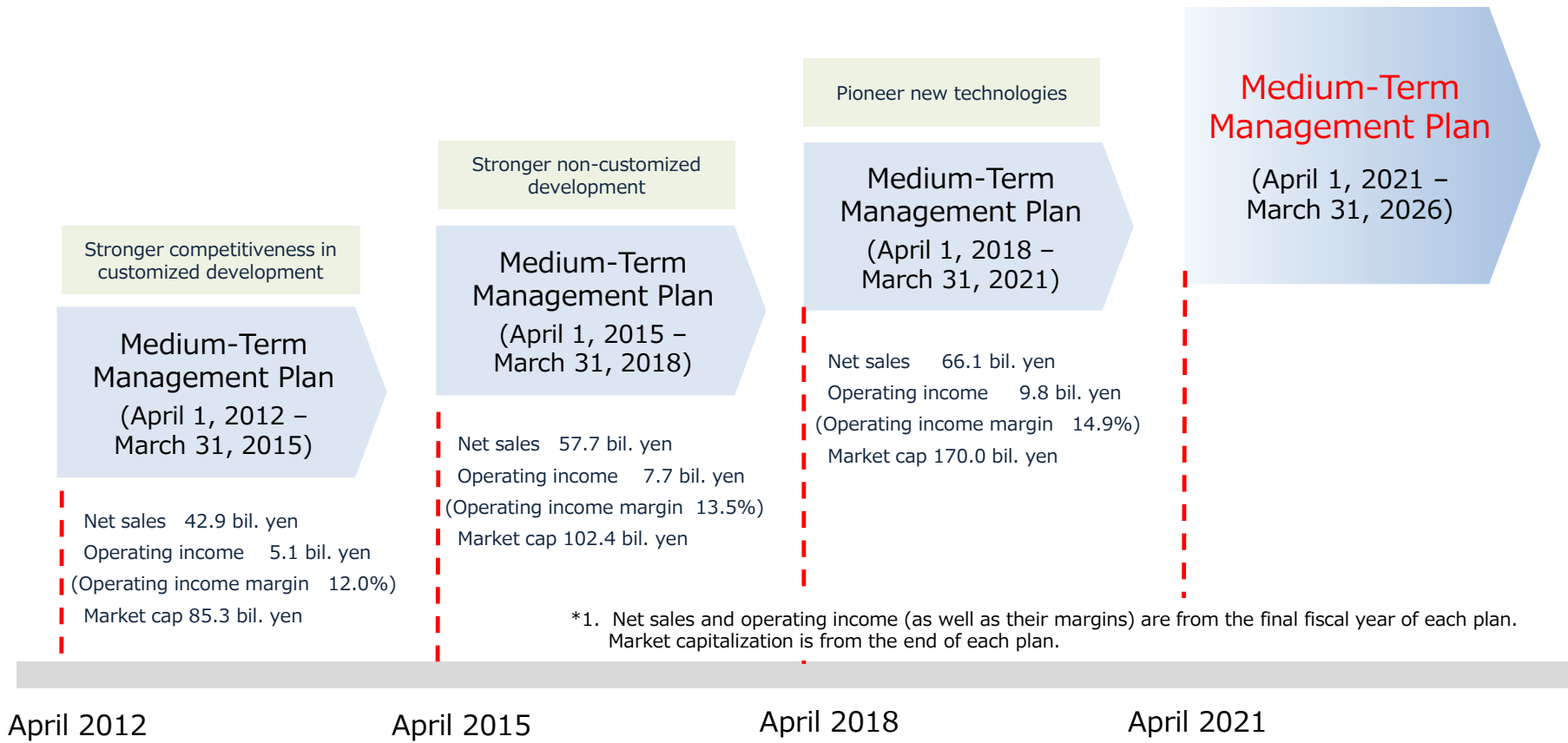
## Throughout Society

- While COVID-19 currently impacts the economy, we expect it to stabilize over the long term
- Post-pandemic trends and adaptation to a digital society will lead to the introduction of new lifestyles
- Action with a sustainability focus will become more of an entrenched norm throughout society
- Awareness of individual working lifestyles will further increase and change



# Direction of the New Medium-Term Management Plan

- Continue in the direction of the previous Medium-Term Management Plan in the new Medium-Term Management Plan
- Meanwhile, reflect the current trends in the external environment and factors behind anticipated changes
- A plan that will realize our long-term goals





# Goals in the New Medium-Term Management Plan

## Long-Term Goals

### A company offering a vision for the future of people and IT

- Advance, deepen, and update alliances in Japan and abroad with a progressive, solid business foundation
- Upstream planning and proposals for value propositions that resonate with customers
- An organizational culture where independent workers can demonstrate creativity

## Five-Year Goals

1. Being advantages in certain fields, a corporate group develops business over multiple domains
  - Drive companywide growth in new core and new technology domains
  - Establish a certain degree of name recognition in the solutions field
2. A company culture that adds a uniquely NSD touch to systems development
  - Praise for our combination of original advantage + performance using new technologies + stronger proposals; achievement of sustained growth
3. An IT engineer group that creates business transformation with our customers
  - A customer-oriented company that practices DX implementation for the public





# Basic Strategies in the New Medium-Term Management Plan

- The strategies to implement the Five-Year Goals are our Basic Strategies
- The strategies to turn those Basic Strategies into reality are our Specific Strategies

## Four Basic Strategies

Being advantages in certain fields, a corporate group develops business over multiple domains

**Five-Year Goals**

A company culture that adds a uniquely NSD touch to systems development

An IT engineer group that creates business transformation with our customers

- (1) Achieve sustained growth in the systems development business
- (2) Greater focus on new technologies and DX business to build up results
- (3) Expand size of the solutions business into a second pillar of the company
- (4) Stronger efforts for the SDGs and ESG (Environment, Social, and Governance)



# Specific Strategies in the New Medium-Term Management Plan

## Systems development

- Stronger ability to win projects from customers and greater responsiveness in upstream processes to that end
- Build up results in new technologies and DX business
- Win new business in domains such as administrative digitalization by the government and 5G/6G
- Recruit the talent needed to drive growth (e.g. securing excellent new graduates, more mid-career hires, deeper collaboration with business partners, expanded utilization of offshoring)

## New technology and DX

- Develop AI products (e.g. location information solutions, image analysis, voice recognition), strengthening sales base, speed up business development
- Deepen collaboration and co-create with customers, expand outside networks in new technologies
- Specialized departments share knowledge with the company's divisions
- Train personnel in new technologies and DX, expand training and incentive systems to add more personnel and improve their technical skills

## Solutions business

- Accelerate the rollout of leading healthcare brand CARENA in Japan and abroad
- Further strengthen sales capabilities of HR products (ORDIA and JobSuite) and educational products (manabox)
- Develop and commercialize new services in shareholder services
- Expand business size and accelerate it by acquiring existing products and brands through M&A deals

## SDGs/ESG (Environment, Social, and Governance)

- Establish implementation organization in-house
- Formulate KPIs and build a system to routinely check progress toward them



# Consolidated Numerical Targets in the New Medium-Term Management Plan (1)

➤ Five-year numerical targets:

Net sales 100 billion yen (of which new core business net sales\*<sup>1</sup> of 40 billion)  
 Operating income 14.5 bil. yen  
 Net income 10.0 bil. yen

	2021/3 Results	2022/3 Plan	2023/3 Plan	2024/3 Plan	(million yen) 2026/3 Goal
Net Sales	66,184	70,000	74,000	78,000	100,000
New core business net sales* <sup>1</sup>	18,004	22,000	26,000	30,000	40,000
Operating Income	9,842	10,000	10,700	11,300	14,500
Operating Income Margin (%)	14.9	14.3	14.5	14.5	14.5
Ordinary Income	9,955	10,100	10,700	11,300	14,500
Net Income	6,373	6,800	7,200	7,600	10,000
ROE (%)	13.7	13.7	13.9	14.0	15.0

\*1. The definition of new core business net sales has been revised in the new Medium-Term Management Plan. Net sales now includes systems development net sales from new technology and solutions businesses in which NSD is involved, as well as newly-added net sales from new DX business.

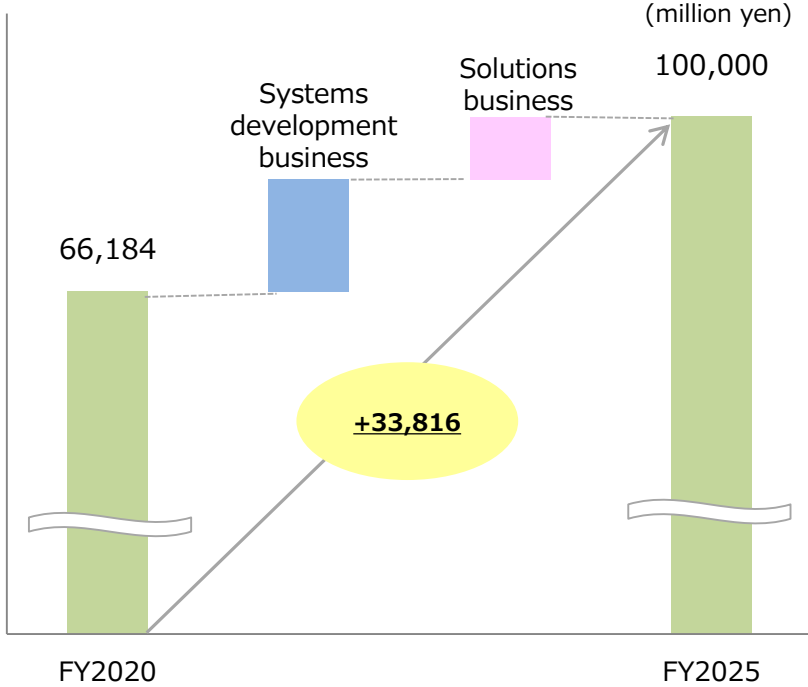


# Consolidated Numerical Targets in the New Medium-Term Management Plan (2)

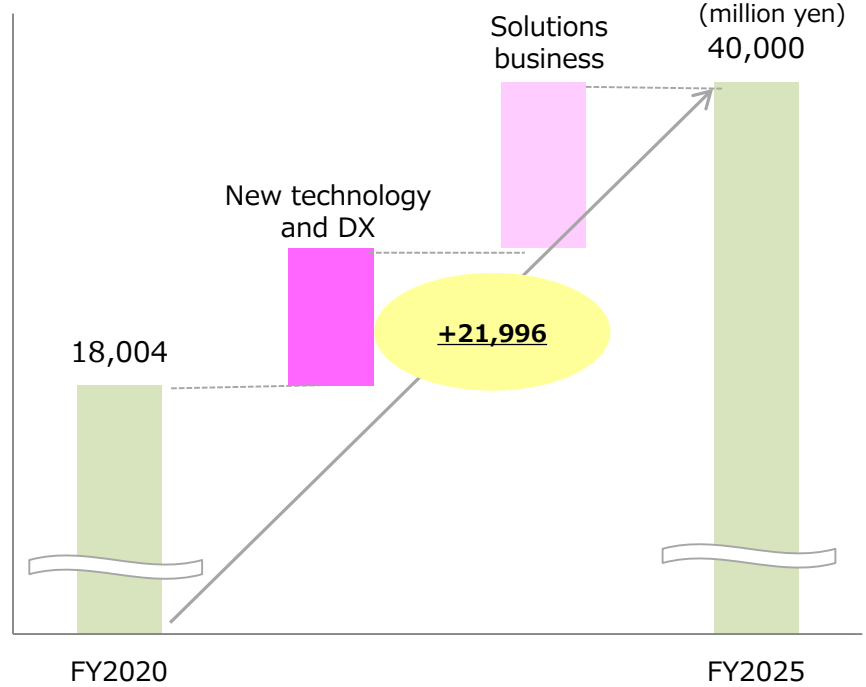
## Analysis of factors for achieving targets

- When expanding net sales, we consider both the systems development business and solutions business drivers of growth
- Sustain an operating income margin of around 14.5% while including spending on new technology and DX (e.g. procuring and training needed personnel), goodwill amortization arising from M&A deals, etc.
- For new core business net sales, aim for consolidated net sales of 40% while focusing on addressing new technology and DX
- Expected total spending on M&A deals is around 20 billion yen

Consolidated net sales



New core business net sales





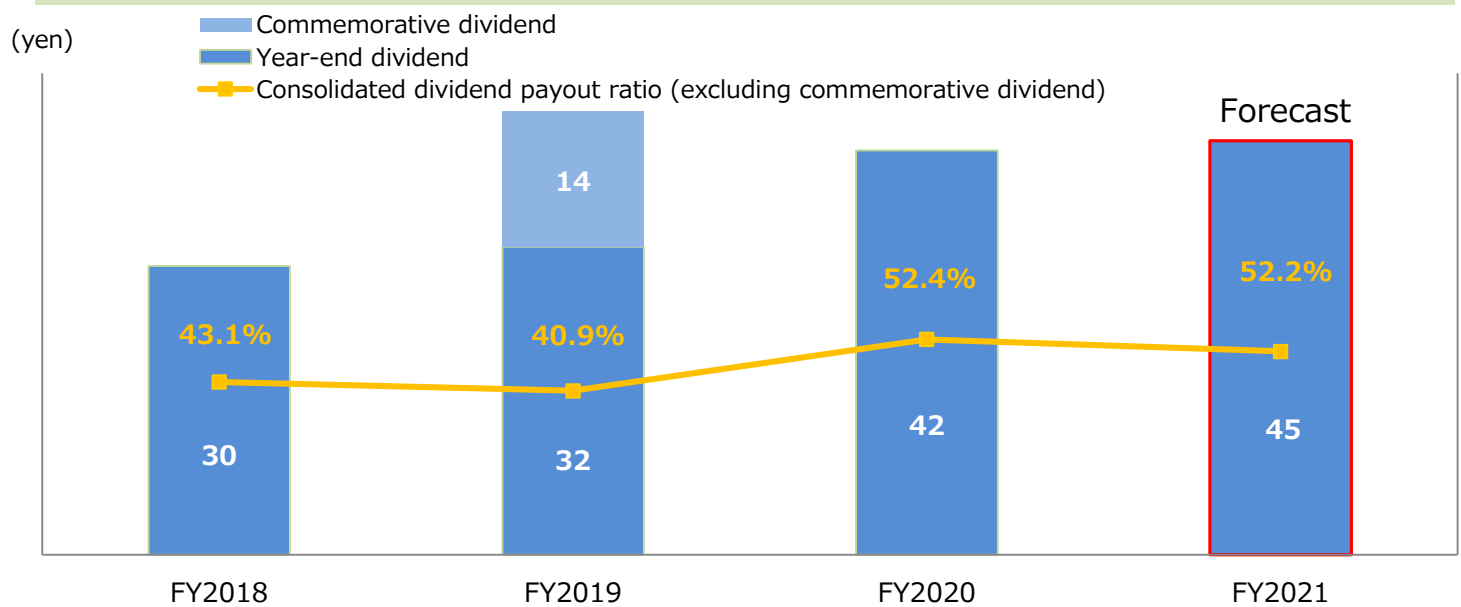
# Shareholder Returns in the New Medium-Term Management Plan

## Profit return policy to shareholders

Actively pay dividends and acquire treasury stock based on a basic policy of a total return ratio of 70% or more

- Dividends are 50% or more of consolidated net income
- Acquisition of treasury stock is 20% or more of consolidated net (Acquired between July and June of the following year)
- ※ Aim to own 10% of issued treasury shares, and if exceeding 15%, retire shares until the ratio is approximately 10%

## Dividend and Consolidated Dividend Payout Ratio per Share



\*1. The value of the dividend per share is based on the number of shares after the January 1, 2020 stock split  
\*2. The consolidated dividend payout ratio including the FY2019 commemorative dividend was 58.8%