

Medium-Term Management Plan from FY2008-2010

Customer Business Innovator

Support Customers to Innovate Their Business

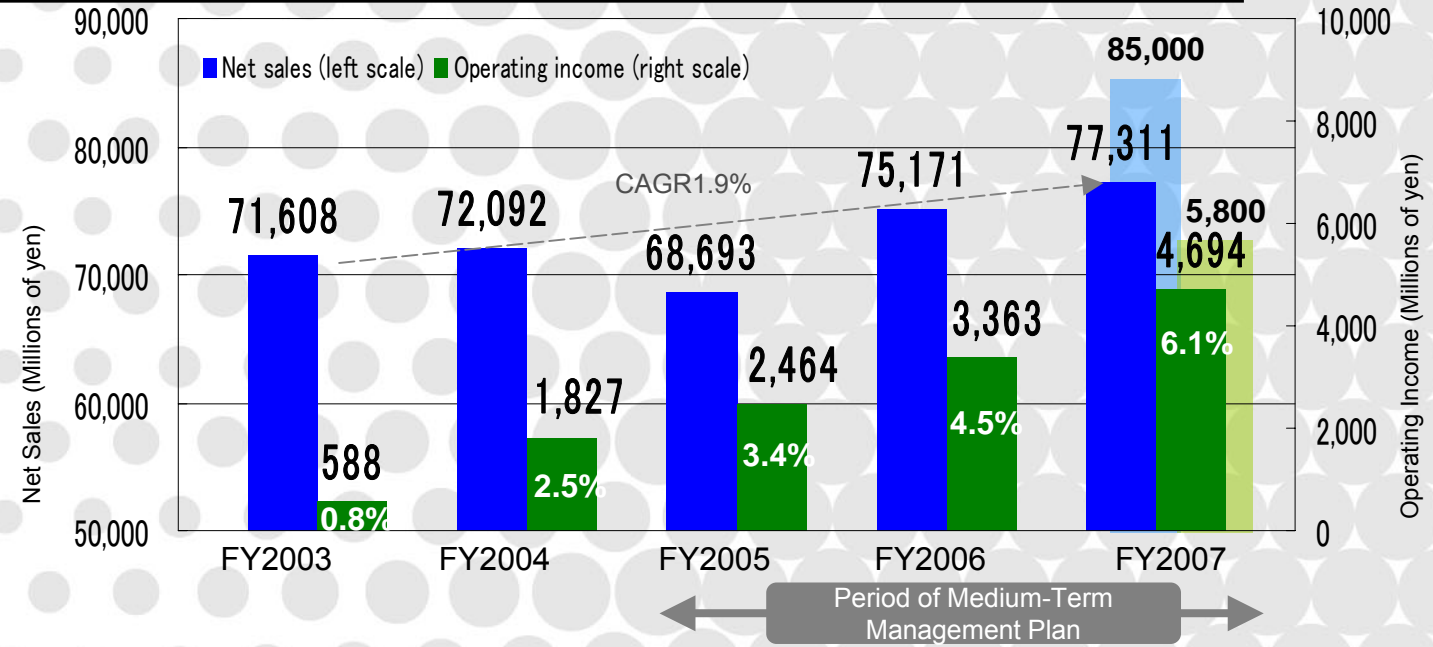
2. Overview of the Previous Medium-Term Management Plan (FY2005-2007)



IT Solution Innovator

Goal of the Previous Medium-Term Management Plan	Outcome
1. Practice of IT Solution Innovator (providing leading and high-quality IT services, reforming and improving the management system)	- Renovate business processes - Prevent unprofitable cases from occurring, and strengthen project management - Standardize the development process (attain CMMI Level 3) - Restructure the group management
2. Recovery of Profitability (7% of consolidated operating income ratio in FY2007)	- Expand the software product lines, and open new services (RiskTaker, STRAVIS, Affinium, On-Demand Workspaces, internal control consulting, etc.) - Reduce outsourcing costs, and expand offshore development - Operating income ratio 0.8% (FY2003) → 6.1% (FY2007)
3. Restart the Course of Growth (The annual average growth rate from FY2003 to 2007 is expected to be over 4%)	- The C3P business for manufacturers did not grow as planned - The annual growth rate from FY2003 to 2007 was 1.9%

FY2005-2007
 Improve and Reorganize Business Bases
 3 Years to Standardize



3. Awareness of the Management Environment

Awareness of Management Environment 1. Perspectives on the IT Market “Expect steady and sustained investment, but price reduction remains possible”

- The future picture of the business climate is unclear. However, the prospect is that overall, steady investment, including that for system development, software development, etc., will continue.
- Demand for outsourcing system maintenance and operations is estimated to remain strong.
- Through extensive direct business deals with low-cost offshore vendors and further development of SaaS-type solutions, possibilities are, on the other hand, that costs will be further reduced, except for costs for strategic business projects directly linked to customers’ management issues, or alternatively, shifted to more usage of SaaS.

Awareness of Management Environment 2. Market Trends of Major Accounts “Pursue further evolution under the environment of global competition”

<p>Manufacturing Industry</p>	<ul style="list-style-type: none"> - Because of growing needs for integration and overall optimization of the entire manufacturing process is a major business concern. - Active moves to overseas business development for higher international competitiveness are promoted, and stable management foundations are being arranged, for global operation. - Contribution of IT is expected not only for efficient operations, but also for customer loyalty, profit increase, and market share increase.
<p>Finance Industry</p>	<ul style="list-style-type: none"> - Proper response to market-based financial products, which are rapidly developing and expanding. - Requests from companies for provision of more advanced finance services. - Production and sales of financial products are more separated, which encourages the trend of strengthening retail business. - Globalization intensified competition with foreign financial companies and those from other industries.
<p>Services, Distribution, and Others</p>	<ul style="list-style-type: none"> - Proper response to act on the rapid development of media digitalization. - Proper response to more complicated and advanced marketing communication.
<p>Cross-Industry</p>	<ul style="list-style-type: none"> - Proper actions to requests from stakeholders for compliance and further increase of profitability, internal control, quarterly account settlement, etc. can cause companies to facilitate still more advanced functions in consolidated management. - It will be more important to have human resources management such as proper handling of changes in employment and its structures, strategic utilization and training of human resources.

4. Medium-Term Management Objectives

Medium-Term Management Objectives

Create Solutions to Accelerate the
Evolution of Customers

Sustainable Evolution of Business Bases

Performance Index FY2010

Consolidated Net Sales: 88,000 million yen

Consolidated Operating Income Ratio: 7%

ROE: 8%

5. Create Solutions to Accelerate the Evolution of Customers: Strengthen the “3 Key Powers”

Strengthen Insight into Customer’s Business

(Power to comprehend changes in a customer’s business, and set an objective for further evolution, based on knowledge of businesses)

- Organize a better sales and marketing structure in a cross-department way
- Improve liaison between groups
- Expand contact with customers through extensive organization of sales and technical teams

Furtherance of iCT(*) Initiatives

(Power to plan and propose solutions by iCT, toward the goal of a customer’s solution of business issues and its further evolution)

- Enhance development of human resources for IT architect, consultant, solution sales, marketing, etc.
- Improve consulting services
- Update and renovate software products

Effective Execution of System Integration

(Power to use optimum methods for implementation and solution, such as introduction of packages specific to each customer, scratch development, etc.)

- Enhance Development Management
Make sustainable efforts to avoid unprofitable projects
- Standardize the development process
CMMI level 3 (FY2007) → CMMI level 5 (FY2010)
- Facilitate and promote offshore development
Expand the scale of order placement and establish development framework and methods

(*)iCT...A business concept of the ISID Group that apprehends and uses IT to realize overall optimization of information distribution, storage conversion, etc. that occur in all the processes of a company, to enhance communication throughout the enterprise.
iCT is an abbreviation of information Communication Technology.

6. Create Solutions to Accelerate the Evolution of Customers: Solution Business for Manufacturing Industry

Business Trend of Customers

- Because of growing needs for integration and overall optimization of the entire manufacturing process is a major business concern.
- Active moves to overseas business development for higher international competitiveness are promoted, and stable management foundations are being arranged, for global operation.
- Contribution of IT is expected not only for efficient operations, but also for customer loyalty, profit increase, and market share increase.



1

Optimization proposals of the entire company and execution by the ISID Group. Marketing + C3P + ERP, accounting and others are all realized in an integrated structure of operations. (Realization of IM3C)

IM3C (Integrated Marketing – Manufacturing – Management Communication)

This is the ISID Group's vision for solution, where information flow in each process of marketing, design, development, production and ERP (management) is linked and integrated from a viewpoint of optimization of communication.

2

Focus on consulting for business process innovation and engineering, in the field of design and development.

3

Expansion of the service coverage from C3P support to production and sales control systems support for the overseas business locations of manufacturers.

7. Create Solutions to Accelerate the Evolution of Customers: Solution Business for Finance Industry

Business Trend of Customers

- Proper response to market-based financial products, which are rapidly developing and expanding.
- Requests from companies for provision of more advanced finance services.
- Production and sales of financial products are more separated, which encourages the trend of strengthening retail business.
- Globalization intensified competition with foreign financial companies and those from other industries.



1

Focus on four areas where finance businesses will be changed via technology.

Financial Markets Solution

Provides solutions for a variety of financial products.

Corporate Finance

Provides solution, mainly through our integrated financial solution system *RiskTaker*, which can handle more advanced and complicated financing operations.

Retail Communication

Leverages achievements of Internet banking and Internet trading, to provide high added value services, focusing on customer experiences.

Global Business

Assists megabanks and regional banks in strategic overseas operations.
Keeps a leading position in overseas branch support systems.

2

Customer segmentations, in addition to typical financial institutions, will expand to different industries of businesses that handle financing operations or services.

8. Create Solutions to Accelerate the Evolution of Customers: Solution Business for Services, Distribution and Other Industries

Business Trend of Customers

- Proper response to act on the rapid development of media digitalization.
- Proper response to more complicated and advanced marketing communication.

**1**

Work on digitalization for the Dentsu Group, as a technology partner.

2

Encourage research and development and business operations for solutions in the integrated field of broadcast and telecommunications.

3

Provide and encourage marketing solutions for distribution business, finance business, etc.
Realize the integration between an interactive communication with consumers, and enterprise business operations.

9. Create Solutions to Accelerate the Evolution of Customers: Solution Business for Cross-Industry

Business Trend of Customers

- Proper actions to requests from stakeholders for compliance and further increase of profitability, internal control, quarterly account settlement, etc. can cause companies to facilitate still more advanced functions in consolidated management.
- It will be more important to have human resources management such as proper handling of changes in employment and its structures, strategic utilization and training of human resources.



Enhancement of the solution family to support customers to advance consolidated group management

1

Update and improve the consolidated accounting package system “**STRAVIS**”

2

Update and improve human resources management system “**POSITIVE**”

3

Introduce extensively solutions for management control that can realize visualization and efficiency of management and operations.

10. Sustainable Evolution of Business Bases

1 Standardize and streamline the business process

- Build up a new in-house management system. Launch in April 2009.

2 Organize personnel administration systems and facilitate training in human resources in a group

3 Streamline management of the administrative division

4 Optimize overall structure of the corporate group

5 Enhance governance by improving internal control

11. For Investment and Improved System Operations & Maintenance Services

Investment

- Business investment and investment on corporate infrastructure should be actively implemented, for the purpose of business development and arrangement of business bases toward the future, such as creation of new solutions.
- Investment planed in FY2008: Acquisition of data center and development of new in-house management system, in addition to development of new or enhanced function of software products, research of system development framework technology,etc.

【Consolidated】 FY2008-2010 Investment Plan (millions of yen)	
Business investment (total of costs and assets)	10,550
Investment in corporate infrastructure	3,524
Total	14,074

Improve System Operations & Maintenance Services

- Reorganize the service support systems that assist in the entire solution from consulting to system operations.
- Expand the stable profit base.
- “Outsourcing Business Development Department” was set up in April 2008, to propel further business development of system operations and maintenance services.

12. Performance Objectives in FY2010

<Unit: Millions of yen; persons>

	FY2007	FY2010
Consolidated Net Sales	77,311	88,000 Compound Annual Growth Rate: 4.5%
Operating Income Ratio	6.1%	7.0%
ROE	7.0%	8.0%
Number of Employees (average during period)	2,233	2,500

13. To the Next Stage

FY2008-2010

**Create Solutions to Accelerate
the Evolution of Customers**

**Sustainable Evolution of
Business Bases**

Active Investment

**Improve System Operation
& Maintenance Services**

3 Years to Differentiation
=Realization of a Strong ISiD Group=

FY2005-2007

Improve and
Reorganize
Business Bases

3 Years
to Standardize



The forecast has been calculated based on the currently available information as of the disclosure date of this document. The actual performance results of operation may differ from the forecast in accordance with changes in the various business factors.