

# Financial Results for the first half of fiscal 2019 and medium-term management plan

N o v 6 , 2 0 1 9  
Systema Corporation  
Security code:2317  
(First Section of the Tokyo Stock Exchange)

# Company Outline

**[Company name]** **Systema Corporation**

**[Established]** March 1983

**[Fiscal period]** March

**[Director]**

Representative Director : Yoshichika Hemmi  
and Chairman  
Representative Director : Kenji Miura  
and President  
Managing Director : Takafumi Kai

Managing Director : Shinichiro Kawachi  
Director : Makoto Taguchi  
Director : Hiroyuki Fujii

TSE 1st Section

1,513,750,000 Yen

**[Capital Stock]**

112,720,000 shares

**[Number of outstanding shares]**

**[Auditor]**

Full-time Corporate Auditor : Toru Hishida  
(Outside Corporate Auditor)  
Outside Corporate Auditor : Masao Sato, Yoshihiro Nakamura, Hiroshi Adagawa

**[Number of Employees]** Non-Consolidated:2,602/Consolidated:3,554 (As of October 1, 2019)

## Solution Design Business

- ▶ Development of self-driving and in-vehicle systems
- ▶ Development of various social infrastructure systems
- ▶ Development smartphone and web applications
- ▶ Embedded development using robotics, artificial intelligence and IoT
- ▶ Comprehensive support for various systems and services from planning to design, development verification and operation

## Framework Design Business

- ▶ Development of mission-critical systems for the financial sector (for the non-life insurance, life insurance, and banking industries), the industrial sector, public sector and other industries
- ▶ Development of infrastructure systems
- ▶ Planning, development and offering of product introduction service

## IT Service Business

- ▶ Operation, maintenance, and monitoring of systems and networks
- ▶ Help desk and user support

## Solution Sales Business

- ▶ IT-related products for corporate customers, such as servers, computers, peripherals, and software
- ▶ Provision of infrastructure building, virtualization and other IT device/equipment-related services

## Cloud Business

- ▶ Offering Systema's own service, 'Canbus.' 'Canbus.IoT', 'Cloudstep', 'Web Shelter'.
- ▶ Offering and supporting introduction of G Suite, Microsoft Office 365, and other cloud services

## Overseas Business

- ▶ Mobile communication-related technical support, development and verification support, provision of various solutions
- ▶ Trend research and commercialization of the latest technologies and services

## Investment & Incubation Business

- ▶ New business promoted by subsidiary Internet of Things
- ▶ Planning and management of social games for mobile, smartphone, PC

# Domestic Group Companies

## ● Consolidated subsidiaries

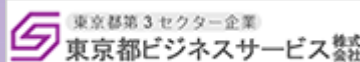


### ProVision Co., Ltd.

【Capital】 85,000,000 Yen  
【Ratio of capital contribution】  
100%

Information terminal software development support, technical support, Mobile device and web-based app quality verification, System operation and maintenance

(Solution Design Business)



### Tokyo Business Service Co., Ltd

【Capital】 100,000,000 Yen  
【Ratio of capital contribution】  
Systema 51% TOKYO METROPOLITAN GOVERNMENT 49%

Data entry, Large volume output, Mailing service, Secretariat agency, Paperwork agency. Model company for employing heavily disabled persons incorporated jointly with TOKYO METROPOLITAN GOVERNMENT.

(IT Service Business)



### IDY Corporation

【Capital】 65,000,000 Yen  
【Ratio of capital contribution】  
76.7%

Design, manufacture and sales of IoT/M2M router, LTE/3G/WiMAX2+/PHS router, Wi-Fi board, Android terminal, wireless digital signage, antenna etc

(Solution Design Business)



### HIS HOLDINGS, INC.

【Capital】 95,000,000 Yen  
【Ratio of capital contribution】  
25.36%

Development and sale of products (software) for computers and related equipment, Provision of personnel including computer engineers and technicians.

(Solution Design Business)



### GaYa Co.Ltd.

【Capital】 75,000,000 Yen  
【Ratio of capital contribution】  
65%

Planning and management of social games for mobile, smartphone, PC

(Consumer Service Business)



### TBSOPERATION CO., LTD

【Capital】 30,000,000 Yen  
【Ratio of capital contribution】  
Tokyo Business Service Co., Ltd 100%

Employment transition support and continuous employment support based on the General Support for Persons with Disabilities Act. Employment training for persons with disabilities.

(IT Service Business)



### Internet of Things, Inc.

【Capital】 50,000,000 Yen  
【Ratio of capital contribution】  
100%

Provide planning, development, sales and other services in the fields of IoT, robots, Fintech and social media.

(Investment & Incubation Business)

# Overseas group companies

- Consolidated subsidiaries



**Systema America Inc.**

【Capital】 28,000,000 US dollar  
【Ratio of capital contribution】 100%

Mobile communications-related technical support, development and verification support, Provision of various solutions, Trend research and commercialization of the latest technologies and services

(Overseas Business)



**Systema Vietnam Co.,Ltd.**

【Capital】 200,000 US dollar  
(4,200,000,000 Vietnamese DONG)  
【Ratio of capital contribution】 100%

Software development, evaluation and verification, operation and maintenance, IT Service in General.  
(Solution Design Business)  
(Framework Design Business)

- Equity method affiliated companies



**StrongKey, Inc.**

【Capital】 7,650,000 US dollars  
【Ratio of capital contribution】 28.84%

Development and sale of encryption and authentication products

※ StrongAuth, Inc. changed business name to StrongKey, Inc.

(Overseas Business)

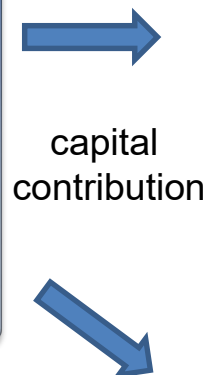


**ONE Tech, Inc.**

【Capital】 6,000,000 US dollars  
【Ratio of capital contribution】 50%

Development and sale of IoT solution packages

(Overseas Business)



# Financial Results for the first half of fiscal 2019 (Consolidated)

# Financial Results 1H (Consolidated)

Software development has continued to perform strongly, primarily in the areas of Internet Business, In-Vehicle Systems, IoT, Robotics and AI. The business scope of IT services have expanded significantly. The Solution Sales Business focused on strong system integration business. For the Cloud Business, we actively expanded the sales promotion of in-house commercial products. As a result of these efforts, we achieved a significant **increase in both revenue and profits**.

(in millions of yens)

	1H Fiscal 2019		1H Fiscal 2018		YoY rate	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Net sales	<b>31,411</b>	—	27,210	—	<b>4,201</b>	<b>15.4%</b>
Operating profit	<b>4,109</b>	<b>13.1%</b>	3,235	11.9%	<b>874</b>	<b>27.0%</b>
Ordinary profit	<b>3,961</b>	<b>12.6%</b>	3,131	11.5%	<b>829</b>	<b>26.5%</b>
Profit attributable to owners of parent	<b>2,680</b>	<b>8.5%</b>	2,096	7.7%	<b>584</b>	<b>27.9%</b>

## Sales by Segment <YoY rate>

(in millions of yens)

	1H Fiscal 2019		1H Fiscal 2018		YoY rate	
	Amount	Sales distribution ratio	Amount	Sales distribution ratio	Amount of change	rate of change
Solution Design	<b>11,373</b>	<b>36.2%</b>	10,012	36.8%	<b>1,360</b>	<b>13.6%</b>
Framework Design	<b>2,804</b>	<b>8.9%</b>	2,546	9.4%	<b>258</b>	<b>10.2%</b>
IT Service	<b>4,117</b>	<b>13.1%</b>	3,701	13.6%	<b>416</b>	<b>11.2%</b>
Solution Sales	<b>12,407</b>	<b>39.5%</b>	10,299	37.8%	<b>2,107</b>	<b>20.5%</b>
Cloud	<b>682</b>	<b>2.2%</b>	545	2.0%	<b>136</b>	<b>25.0%</b>
Overseas	<b>55</b>	<b>0.2%</b>	53	0.2%	<b>2</b>	<b>4.3%</b>
Investment Incubation	<b>109</b>	<b>0.3%</b>	194	0.7%	<b>▲85</b>	<b>▲44.1%</b>
Adjustment	<b>▲137</b>	<b>▲0.4%</b>	<b>▲143</b>	<b>▲0.5%</b>	<b>6</b>	<b>—</b>
Total	<b>31,411</b>	<b>100.0%</b>	27,210	100.0%	<b>4,201</b>	<b>15.4%</b>

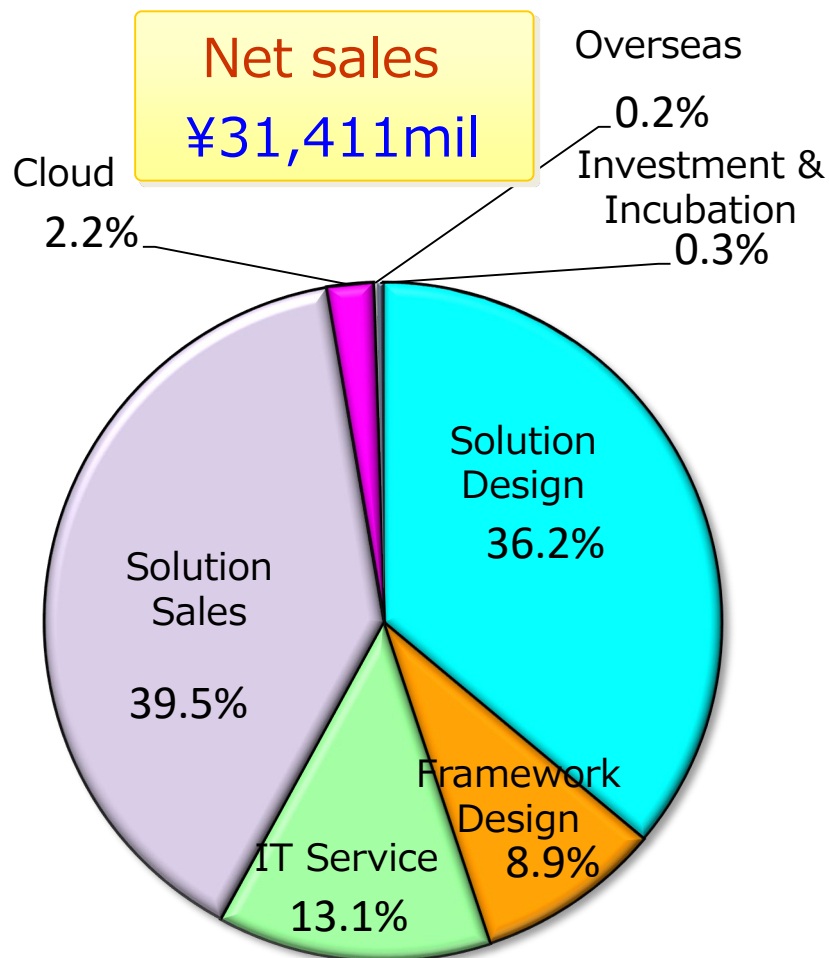
## Operating profit by Segment <YoY rate>

(in millions of yens)

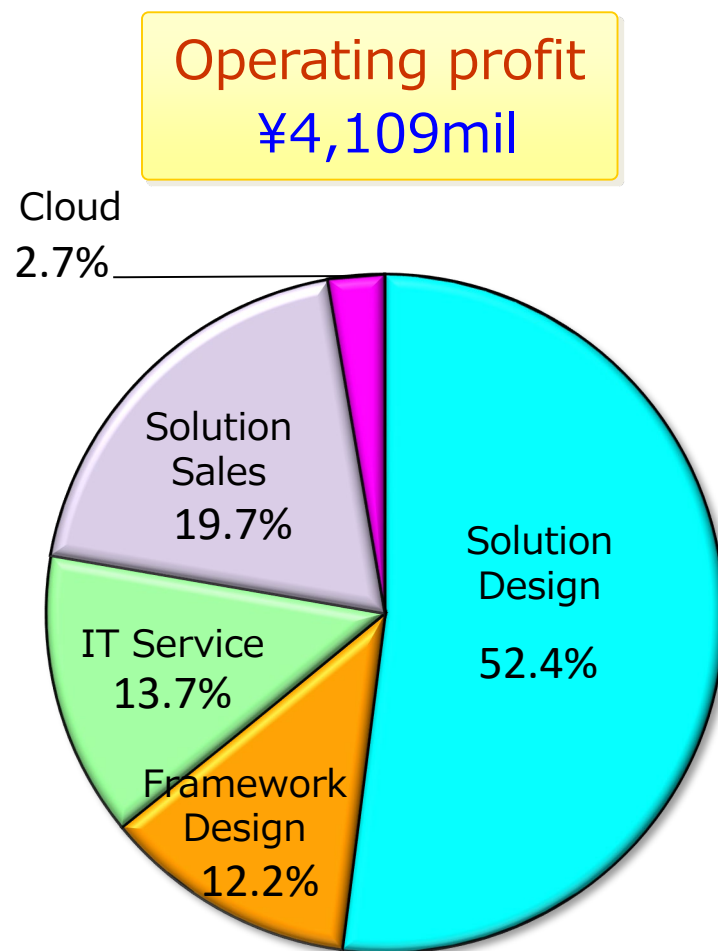
	1H Fiscal 2019		1H Fiscal 2018		YoY rate	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Solution Design	<b>2,153</b>	<b>18.9%</b>	1,709	17.1%	<b>443</b>	<b>25.9%</b>
Framework Design	<b>503</b>	<b>17.9%</b>	386	15.2%	<b>116</b>	<b>30.1%</b>
IT Service	<b>564</b>	<b>13.7%</b>	496	13.4%	<b>68</b>	<b>13.7%</b>
Solution Sales	<b>810</b>	<b>6.5%</b>	571	5.5%	<b>238</b>	<b>41.8%</b>
Cloud	<b>111</b>	<b>16.3%</b>	100	18.3%	<b>11</b>	<b>11.4%</b>
Overseas	<b>▲24</b>	<b>▲44.4%</b>	▲20	▲38.9%	<b>▲3</b>	—
Investment Incubation	<b>▲8</b>	<b>▲8.0%</b>	▲8	▲4.3%	<b>▲0</b>	—
Adjustment	—	—	—	—	—	—
Total	<b>4,109</b>	<b>13.1%</b>	3,235	11.9%	<b>874</b>	<b>27.0%</b>



## Composition of Net Sales and Operating Profit by Segment



Adjustment ▲0.4%



Overseas ▲0.5%  
Investment & Incubation ▲0.2%

## Outlook by Segment

- 1.Solution Design Business**
- 2.Framework Design Business**
- 3.IT Service Business**
- 4.Solution Sales Business**
- 5.Cloud Business**
- 6.Overseas Business**

# 1. Solution Design Business

## Key Points for 1H

**Net Sales 11,373** million yen Year-on-year +13.6% **Operating Profit 2,153** million yen Year-on-year +25.9%

In the Solution Design Business, systems development performed strongly performance in areas such as in-vehicle systems and internet services. In addition, **net sales increased by 13.6%, while operating profit increased by 25.9%**. These increases were due, in part, to a substantial increase in the sales of work process system development projects relating to keywords such as digital transformation (DX) and workstyle reform.

## Outlook for this Period

**Net Sales 23,450** million yen compared with previous period + 10.5% **Operating Profit 4,408** million yen compared with previous period +20.2%

### 1. In-vehicle Systems Business ~ Focus on winning orders from high-growth areas! ~

- Orders in the **information field** (infotainment) aimed at improving the comfort of in-vehicle spaces will expand.
- In the **safety field** related to passenger vehicles and fixed route buses, etc., we will expand projects and accumulate expertise based around autonomous driving.
- We will make a full-scale foray into the MaaS field by participating in the MONET consortium.

### 2. Internet Services Business ~ Focus on highly profitable areas through selection and concentration! ~

- **The development of solutions** that utilize service robots and related **consulting** will expand.
- We will also engage in projects utilizing robots, based around the keywords of **5G** and **IoT** and **AI**.

### 3. Internet Services Business ~ Focus on highly profitable areas through selection and concentration! ~

- We will aim to increase the number of orders received in the fields of **service development, for cashless payment**, and to expand and enhance our outsourced development laboratories.
- Orders will grow in the **web business field** utilizing smart devices.
- We will expand into internet service projects based around **5G** and **IoT** and **AI**.

### 4. Work Process Systems Business ~Invest energies into alliance-based business!~

- By utilizing **OSS (Open Source Software)**, we will aim to deliver low-cost services in short delivery times.
- The number of inquiries and offers for work process system development projects for companies aiming to achieve DX will increase.

## 2. Framework Design Business

### Key Points for 1H

**Net Sales 2,804** million yen Year-on-year +10.2%

**Operating Profit 503** million yen Year-on-year +30.1%

- ✓ The Framework Design Business continued to display strong performance. In addition to maintaining insurance systems for existing customers from the previous fiscal year, new developments of financial, insurance and work process systems **went smoothly**.
- ✓ Along with the increased license sales due to the expanded commercial products for work process automation tools, we increased the number of inquiries for their introduction support and development support, etc., which resulted in an increase in the number of orders received.

### Outlook for this Period

**Net Sales 5,770** compared to previous period million yen +9.0%

**Operating Profit 968** compared to previous period million yen +15.1%

**We will aim to achieve a balance between both existing and new business operations, by pursuing projects with high growth potential and profitability through the lateral deployment of existing business operations in various other fields, while at the same time proactively securing orders for new business operations.**

#### **1. Expand orders for lucrative projects with growth potential**

- We will pursue projects with a focus on insurance systems, payment systems and infrastructure building.

#### **2. Work proactively to secure orders for projects based on the keyword of Digital Transformation (DX)**

- We will seek to accumulate knowledge and establish sales routes with a view to building a growth engine for the next period.

#### **3. Engage proactively in new business operations with a focus on collaboration throughout Systema, and collaborative partnerships with manufacturers and vendors**

- We will expand our services in areas such as robotic process automation (RPA), cloud systems, data analysis, voice recognition and image recognition; and to increase orders for license sales and deployment support by bolstering our inter-divisional collaboration and cooperative partnerships with product manufacturers and vendors.

### 3. IT Service Business

#### Key Points for 1H

Net Sales 4,117 million yen Year-on-year +11.2%

Operating Profit 564 million yen Year-on-year +13.7%

- ✓ We stepped up sales efforts targeting customers' profit-making divisions while high value-added on-off projects such as Windows 10 migration for internal IT divisions and the associated smart device adoption drove sales and profits.
- ✓ Additionally, we cultivated new customers using AI chat bots and IT training as sales hooks.

#### Outlook for this Period

Net Sales 8,692 million yen compared to previous period +11.0%

Operating Profit 1,220 million yen compared to previous period +14.2%

In addition to expanding our market share, the market itself, and sales, we will also seek to shift to a high-profit business model, and shift management resources to projects in high added-value fields.

- We will shift from conventional services utilizing the ability to mobilize human resources such as help desk and system operator services to per-service contracted business services underpinned by expertise gained from projects and English language ability, such as high added-value IT support, IT infrastructure, PMO and lab services. We will make changes to providing services more directly linked to the expansion of customers' businesses, and also expand the number of customers we serve and net sales by deploying and enhancing AI chat bots, RPA, and security enhancement support and other new commercial products and services.

# 4. Solution Sales Business

## Key Points for 1H

**Net Sales** 12,407 million yen Year-on-year +20.5% **Operating Profit** 810 million yen Year-on-year +41.8%

- ✓ Systems-related projects have increased as a result of the end of support for the Windows7 and WindowsServer2008 operating systems.
- ✓ Leveraging **workstyle reform** as a key concept, we have stimulated demand primarily in the areas of **mobile, security and cloud computing**.
- ✓ We expanded the number of high added-value **one-stop service** projects over what we had envisioned in the **roadmap** in various areas including the introduction of IT equipment, infrastructure building, system development, maintenance and operation.
- ✓ We experienced a **rush in demand** caused by the consumption tax hike.

## Outlook for this Period

**Net Sales** 24,000 million yen compared to previous period ▲0.1% **Operating Profit** 1,242 million yen compared to previous period +7.5%

### 1. Investment in expanding the solutions segment

- We will upgrade and expand the range of services we offer, and devote greater resources
- We extended our sales activities to include profit centers.

### 2. Enhance initiatives aimed at hybrid environments

- We will strengthen support for customers moving from on-premise systems (owned and operated by the customer) to **hybrid environments**.
- We will also work to bolster alliances with cloud partners.

### 3. Strengthen earnings capacity through expanded sales of services

- Provide all services through ALL Systema.
- **Launch a new one-stop service centered around apps.**

### 4. Strengthen coordination with Systema America, Inc.

- **Sale and development of IoT-related commercial products** with a strong focus on security.

# 5. Cloud Business

## Key Points for 1H

**Net Sales 682** million yen Year-on-year +25.0%

**Operating Profit 111** million yen Year-on-year 11.4%

- ✓ As a part of **workstyle reform**, we enjoyed strong sales of system integration related to **G Suite** and **Cloudstep**.
- ✓ **The number of orders received** for the **Canbus increased** as a result of **stimulating demand** based on keywords such as digital transformation (DX) and data-based management.

## Outlook for this Period

**Net Sales 1,230** compared to previous period million yen +8.9%

**Operating Profit 64** compared to previous period million yen ▲67.6%

During this period, we will aim to increase and expand sales of our own proprietary services, primarily Canbus., and stimulate demand through advance investments aimed at **increasing brand recognition**, **enhancing product power** and **improving the level of customer satisfaction**.

### 1. Improving recognition of Canbus. and bolstering sales promotion through advance investment

- Using industry-targeted approaches such as web promotion, aimed primarily at work process and management issues such as DX and workstyle reform, we will engage in activities to improve offline brand recognition (i.e. brand power).

### 2. Enhancing services through advance investment

- In order to enable the realization of various services, we will **enhance our product power** and **bolster our human resources** to improve our support capabilities. We will also achieve an **increased level of customer satisfaction**.



# 6. Overseas Business (Systema America Inc.)

## Key Points for 1H

**Net Sales 55** million yen

Year-on-year  
+4.3%

**Operating Profit ▲24** million yen

Year-on-year  
▲3million yen

- ✓ Through consideration for service creation and joint sales activities with **One Tech, Inc. and Internet of Things, Ltd.**, **we have secured requests and orders for end-to-end IoT solutions using LoRa** from companies and factories.
- ✓ **We have increased orders for IoT and software development and support services** from **multiple Japanese-owned companies**
- ✓ **We commenced sales of StrongKey's security services** in the U.S. as well, along with the enforcement of the CCPA.

## Outlook for this Period

**Net Sales 150** million yen

Year-on-year  
+24.8%

**Operating Profit ▲15** million yen

compared to previous period  
+16million yen

- 1. Sales expansion of IoT solutions through a joint venture with One Tech, Inc. and Internet of Things, Ltd.**
  - We will exhibit end-to-end IoT solutions at multiple exhibitions in the U.S.
  - Stronger sales of LPWA equipment, sensors and IoT gateways.
- 2. Technical support for Japanese-owned manufacturing industry in the U.S.**
  - We will work to maintain orders for continuous projects and secure orders for new projects from Japanese-owned companies with which we have existing transactions, and utilize the offshore development in Vietnam.
- 3. Begin full-scale sale of StrongKey products in the U.S. as well**
  - At the same time as selling in Japan, we will also bolster sales of Security products for companies with branches in California, USA, to coincide with the enforcement of the CCPA\* in 2019.

\* The CCPA (California Consumer Privacy Act) is a California state law that gives consumers the right for control of the handling of their own personal information. The act applies not only to companies located within the state of California, but all companies that have net sales of a certain level (\$25 million and above) and have acquired personal information (including business cards and e-mail addresses) from citizens of the state of California.



# Earnings Forecast for Fiscal 2019 (Consolidated, Full Year)

# Earnings Forecast for the Full Year (Consolidated)

(in millions of yens)

	Fiscal 2019 Earnings Forecast		Fiscal 2018		YoY rate	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Net sales	<b>63,147</b>	—	59,742	—	<b>3,404</b>	<b>5.7%</b>
Operating profit	<b>7,865</b>	<b>12.5%</b>	6,902	11.6%	<b>962</b>	<b>14.0%</b>
Ordinary profit	<b>7,622</b>	<b>12.1%</b>	6,706	11.2%	<b>915</b>	<b>13.7%</b>
Profit attributable to owners of parent	<b>5,140</b>	<b>8.1%</b>	4,584	7.7%	<b>555</b>	<b>12.1%</b>

## Sales by Segment

(in millions of yens)

	Fiscal 2019 Earnings Forecast		Fiscal 2018		YoY rate	
	Amount	Sales distribution ratio	Amount	Sales distribution ratio	Amount of change	rate of change
Solution Design	<b>23,450</b>	<b>37.1%</b>	21,214	35.5%	<b>2,235</b>	<b>10.5%</b>
Framework Design	<b>5,770</b>	<b>9.1%</b>	5,294	8.9%	<b>475</b>	<b>9.0%</b>
IT Service	<b>8,692</b>	<b>13.8%</b>	7,827	13.1%	<b>864</b>	<b>11.0%</b>
Solution Sales	<b>24,000</b>	<b>38.0%</b>	24,032	40.2%	<b>▲32</b>	<b>▲0.1%</b>
Cloud	<b>1,230</b>	<b>2.0%</b>	1,129	1.9%	<b>100</b>	<b>8.9%</b>
Overseas	<b>150</b>	<b>0.2%</b>	120	0.2%	<b>29</b>	<b>24.8%</b>
Investment Incubation	<b>305</b>	<b>0.5%</b>	397	0.7%	<b>▲92</b>	<b>▲23.3%</b>
Adjustment	<b>▲450</b>	<b>▲0.7%</b>	<b>▲272</b>	<b>▲0.5%</b>	<b>▲177</b>	<b>—</b>
Total	<b>63,147</b>	<b>100.0%</b>	59,742	100.0%	<b>3,404</b>	<b>5.7%</b>

\*Consumer services are included in Investment Incubation for this period.

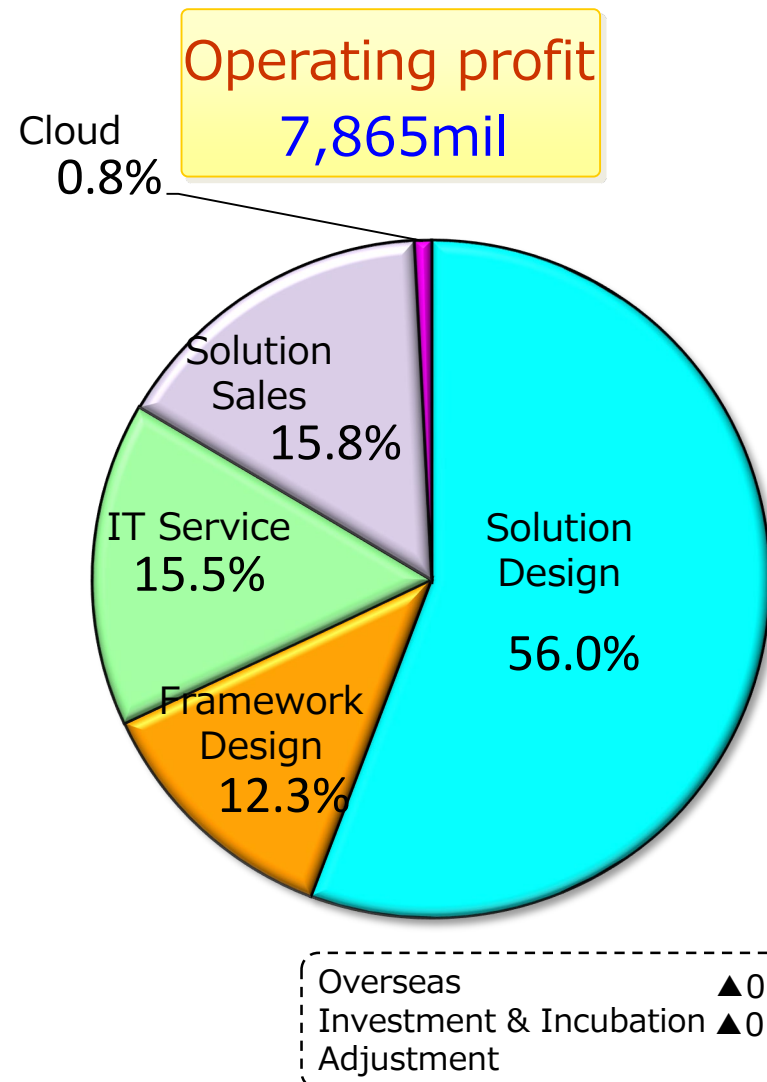
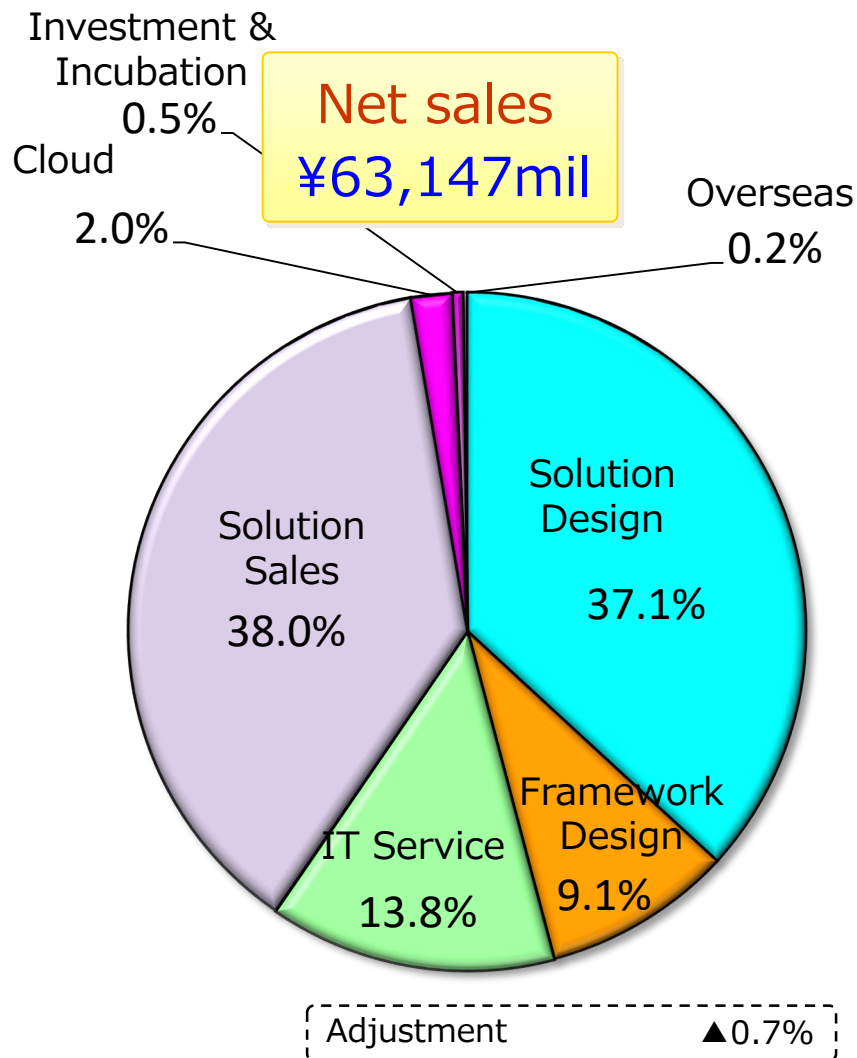
## Operating profit by Segment

(in millions of yens)

	Fiscal 2019 Earnings Forecast		Fiscal 2018		YoY rate	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Solution Design	<b>4,408</b>	<b>18.8%</b>	3,666	17.3%	<b>741</b>	<b>20.2%</b>
Framework Design	<b>968</b>	<b>16.8%</b>	841	15.9%	<b>126</b>	<b>15.1%</b>
IT Service	<b>1,220</b>	<b>14.0%</b>	1,067	13.6%	<b>152</b>	<b>14.2%</b>
Solution Sales	<b>1,242</b>	<b>5.2%</b>	1,155	4.8%	<b>86</b>	<b>7.5%</b>
Cloud	<b>64</b>	<b>5.2%</b>	197	17.5%	<b>▲133</b>	<b>▲67.6%</b>
Overseas	<b>▲15</b>	<b>▲10.0%</b>	▲31	—	<b>16</b>	<b>—</b>
Investment Incubation	<b>▲22</b>	<b>▲7.2%</b>	5	1.3%	<b>▲27</b>	<b>▲520.4%</b>
Adjustment	<b>—</b>	<b>—</b>	—	—	<b>—</b>	<b>—</b>
Total	<b>7,865</b>	<b>12.5%</b>	6,902	11.6%	<b>962</b>	<b>13.9%</b>

\*Consumer services are included in Investment Incubation for this period.

## Composition of Net Sales and Operating Profit by Segment



# Systema Group Management Objectives and Basic Policy

The management objective of the Systema Group is  
**to become one of Japan's leading IT  
companies and support the Japanese  
economy from the ground up!**

To achieve this, we embrace the basic policy of balanced management, controlling the conflicting qualities of “destruction and creation,” “stability and growth” and “maintenance and innovation” in the right balance while continually placing the axis of management at the central point of the pendulum.

- Stable and high dividends
- High return on equity
- High ratio of operating profit to sales

To achieve these targets, we will strive to establish a high earnings structure consistent with a basic management policy emphasizing balance between growth and stability.



# **Systema**

## **New medium-term management plan <five-year> (Fiscal 2019~ Fiscal 2023)**

## Major Management Policy

# Improve Productivity with Data-Driven Management

- We will implement high-precision cost price management and grasp real profits and losses at an early stage by utilizing IT business management systems built using our proprietary Systema-developed platform Canbus.
- Based on visualization of management data and management information enumerated using predictive AI, we will seek to thoroughly improve productivity with the aim of maximizing profits.

## Strategies

- (1) **Automotive**
- (2) **"Cashless"/payment settlement**
- (3) **Robotics/IoT/RPA/cloud**
- (4) **Own-brand products and services**

We will **focus management resources** on the fields expected to experience the most growth over the next decade.

## Targeted Management Indicators and Outlook for Fiscal 2023

(hundreds of millions of yen)

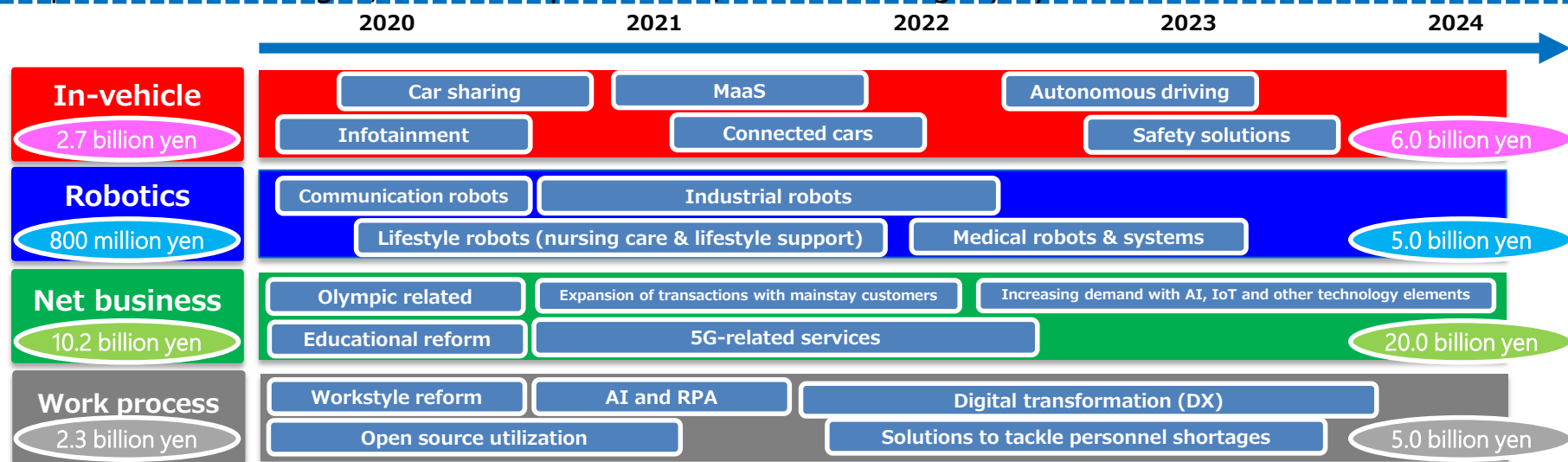
KPI	2019/3	2024/3
Net Sales	59,742	<b>101,000</b> (1.7x)
Operating Profit	6,902	<b>15,200</b> (2.2x)
Operating profit margin	11.6%	<b>15.0%</b>
Operating profit per employee	2.16	<b>2.60</b> (20% increase)
ROE	24.6%	<b>25%</b>

We will aim to achieve:

- ✓ Net sales of **101 billion yen**
- ✓ Operating profit of **15.2 billion yen**
- ✓ Operating profit margin of **15%**
- ✓ Operating profit per employee of **2.6 million yen**
- ✓ ROE of **25%**

# 1. Solution Design Business

- ✓ **Aim to expand business operations to a wide range of industries** with technical support utilizing **technological capabilities developed through service experience in the in-vehicle and net business fields**, which have grown into core business areas.
- ✓ **Aim to expand business operations in the robotics industry**, where demand is expected to **increase** due to personnel shortages and other such factors, based on our **extensive development track record**.
- ✓ **Also aim to expand business operations in the work process field by increasing our track record in developing work process systems**, the need for which stems from factors such as personnel shortages, DX and replacement/renewal of legacy systems.



FY2018

FY2019 outlook

FY2023 target

Net Sales: 21.2 billion yen

Operating Profit: 3.7 billion yen

Net sales growth of 1.9x and operating profit growth of 2.2x

Net Sales: 23.45 billion yen

Operating Profit: 4.41 billion yen

Net Sales: 40.95 billion yen

Operating Profit: 8.1 billion yen

State of progress

## 2. Framework Design Business

- ✓ **Deploy finance and insurance-related expertise** accumulated so far, while at the same time seeking to **accumulate expertise for responding to needs for digitalization** and **deploying this expertise proactively in serving both new and existing customers.**
- ✓ Expand and enhance services with a focus on automation.

Net Sales: 0 → 1.5 billion yen

Operating Profit: 0 → 300 million yen

Accumulate and deploy expertise for response to needs for digitalization in new fields

Cloud

Agile

Open source

Package utilization

Front system

SCM/CRM

Net Sales: 4.76 → 6.0 billion yen

Operating Profit: 750 → 800 million yen

Expand business domains, renew and integrate mission-critical systems to respond to digitalization with respect to existing customers

Cashless payment

FinTech

Digitalization

Point conversion

Net banking

Net Sales: 0.54 → 2.5 billion yen

Operating Profit: 100 → 500 million yen

Expansion and enhancement of new services with a focus on automation and streamlining

Automated diagnosis

Deployment support

License sales

AI-related

FY2018

FY2019 outlook

FY2023 target

Net Sales: 5.3 billion yen

Operating Profit: 800 million yen

Net sales growth of 1.8x and operating profit growth of 2.0x

Net Sales: 9.4 billion yen

Operating Profit: 1.6 billion yen

State of progress

Net Sales: 5.77 billion yen

Operating Profit: 97 billion yen

# 3. IT Service Business

**Create and implement a new business model together with customers, and become a transformational organization that raises corporate value** through continually tackling new challenges based on experiences and past results.

- We will engage in **outsourced business operations** on an individual service basis, with services such as **IT support, IT infrastructure, PMO** and **LABO** offering high added value based on expertise developed through various projects.
- As market trends become more short-lived and change drastically, we will shift to providing services to match essential (i.e. indispensable) parts and trends in order to **link in directly with customers business operations**.
- Most recently, we are working to **increase customer number and sales by investing efforts into delivering new products and services** such as AI, chat bots and RPA.

## Stable recruitment of engineers

Speed up & bolster human resources development, shorten development time from 5 years to 2 years

Infrastructure work

PMO work

RPA, AI, chat bots

980 → 1600

An increase of 620

Bolster recruitment

By increasing sales from outsourced businesses such as IT support, IT infrastructure, PMO and LABO from current sales of 4.5 billion yen to **8.0 billion yen** five years from now, we will seek to increase our overall **gross profit margin** from **30%** to **34%**.

FY2018

FY2019 outlook

FY2023 target

Net Sales: 7.8 billion yen

Operating Profit: 1.1 billion yen

Increase number of customers

Enhance product lineup

Net sales growth of 1.4x and operating profit growth of 2.2x

Net Sales: 11.06 billion yen

Operating Profit: 2.35 billion yen

Net Sales: 8.69 billion yen

Operating Profit: 1.22 billion yen

State of progress

# 4. Solution Sales Business

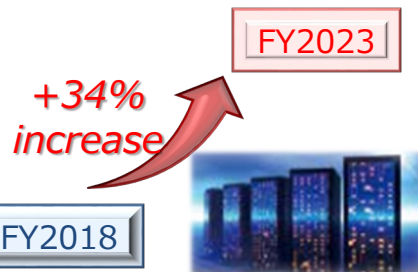
Provide solution services aimed at solving management issues faced by customers (such as improving productivity, reducing costs, and bolstering security) using Systema's overall sales capabilities in order to create and expand added-value business, and transform into **an ICT partner that supports customers' business operations**; and link this transformation on to a **continuous improvement in sales and profits**.

## Business Strategy

- Bolster response to data centers and hybrid environments
- Increase inter-divisional synergies and expand services
- Expand subscription and stock businesses

## Numerical Targets

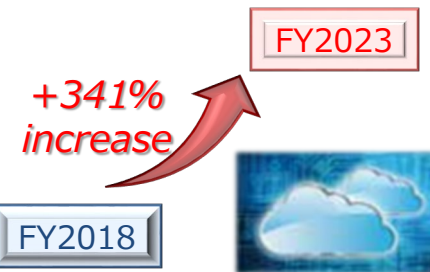
### Existing business



### Service business



### Cloud business



FY2018

FY2019 outlook

FY2023 target

Net Sales: 24.0 billion yen

Operating Profit: 1.2 billion yen

State of progress

Net Sales: 2.40 billion yen

Operating Profit: 1.24 billion yen

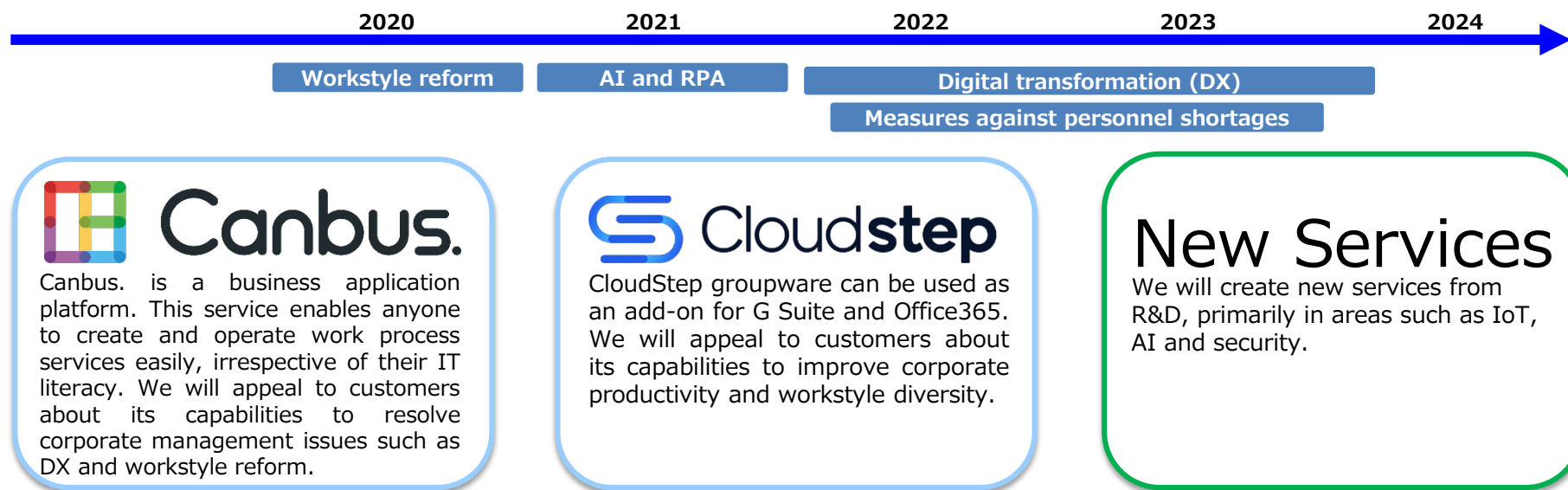
Operating profit of 6%, net service sales of 11.4 billion yen and percentage sales of 30%

Net Sales: 36.58 billion yen

Operating Profit: 2.3 billion yen

# 5. Cloud Business

- ✓ **Implement a high added-value subscription model**, primarily for Canbus.
- ✓ **Aim to achieve growth with high added-value business operations in the field of work process SI**, utilizing the advantages of Canbus.
- ✓ **Aim to expand and enhance new services and achieve further growth through research and development of new technology elements such as AI and IoT.**



**FY2018**

**FY2019 outlook**

**FY2023 target**

Net Sales: 1.1 billion yen

Operating Profit: 200 million yen

**Achieve targets in global business, armed with own-brand products and services and content based in Japanese culture**

Net Sales: 1.97 billion yen

Operating Profit: 500 million yen

State of progress

Net Sales: 1.23 billion yen

Operating Profit: 60 million yen



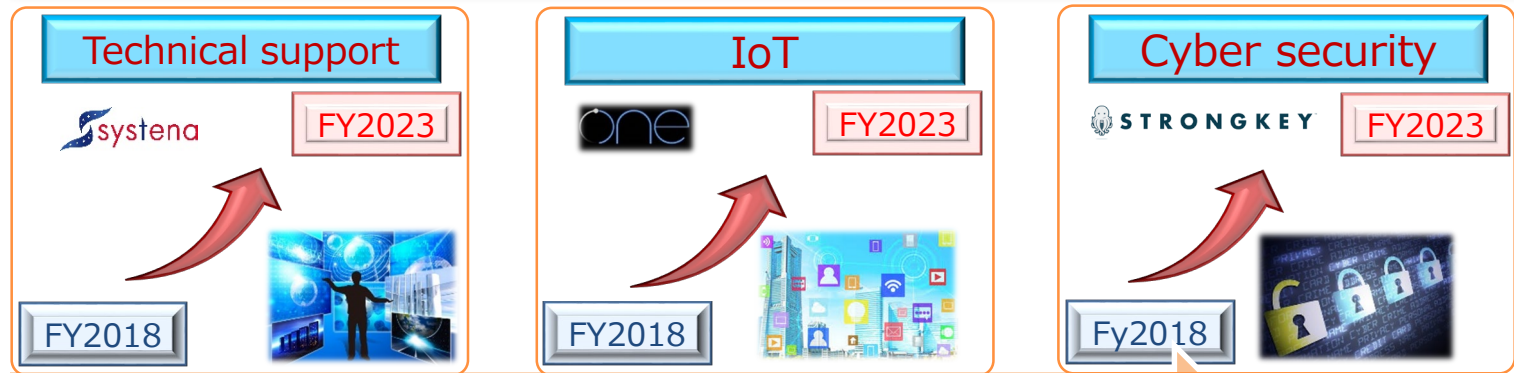
# 6. Overseas Business (Systema America Inc. )

- ✓ **Aim to increase joint orders with OneTech in the continuously expanding field of IoT,** based on technical support for Japanese-owned companies in the United States.
- ✓ **Provide support for countermeasures against data leaks for public institutions and private sector companies in Japan, by providing the latest technologies** including **StrongKey cyber security products;** and **unearth new technologies and markets.**

## Business Strategy

- Bolster technical support for Japanese-owned companies in the U.S.
- Increase orders received for IoT projects, both in the U.S. and globally
- Bolster support for cyber security measures in Japan

## Key fields



Contribution to Systema (Japan): Net Sales: 1.5 billion yen, Operating Profit: 800 million yen

FY2018

FY2019 outlook

FY2023 target

Net Sales: 100 million yen

Operating Profit: -30 million yen

Unearth the next new technologies and markets

Net Sales: 640 million yen

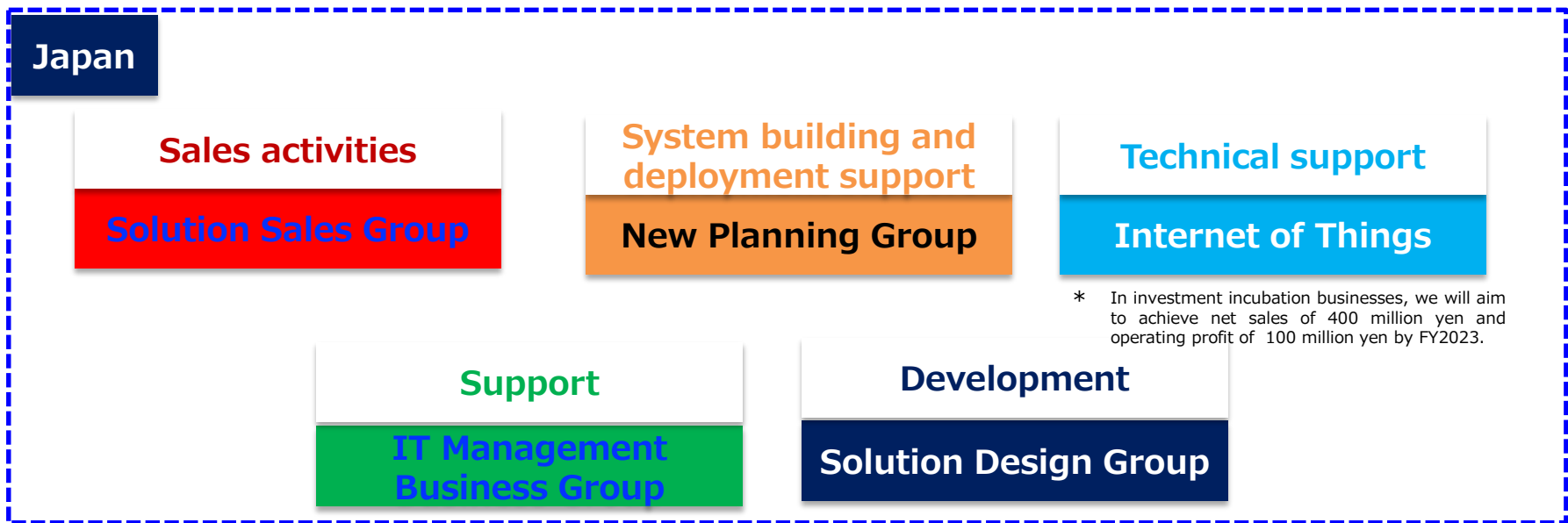
Operating Profit: 250 million yen

State of progress

Net Sales: 150 million yen

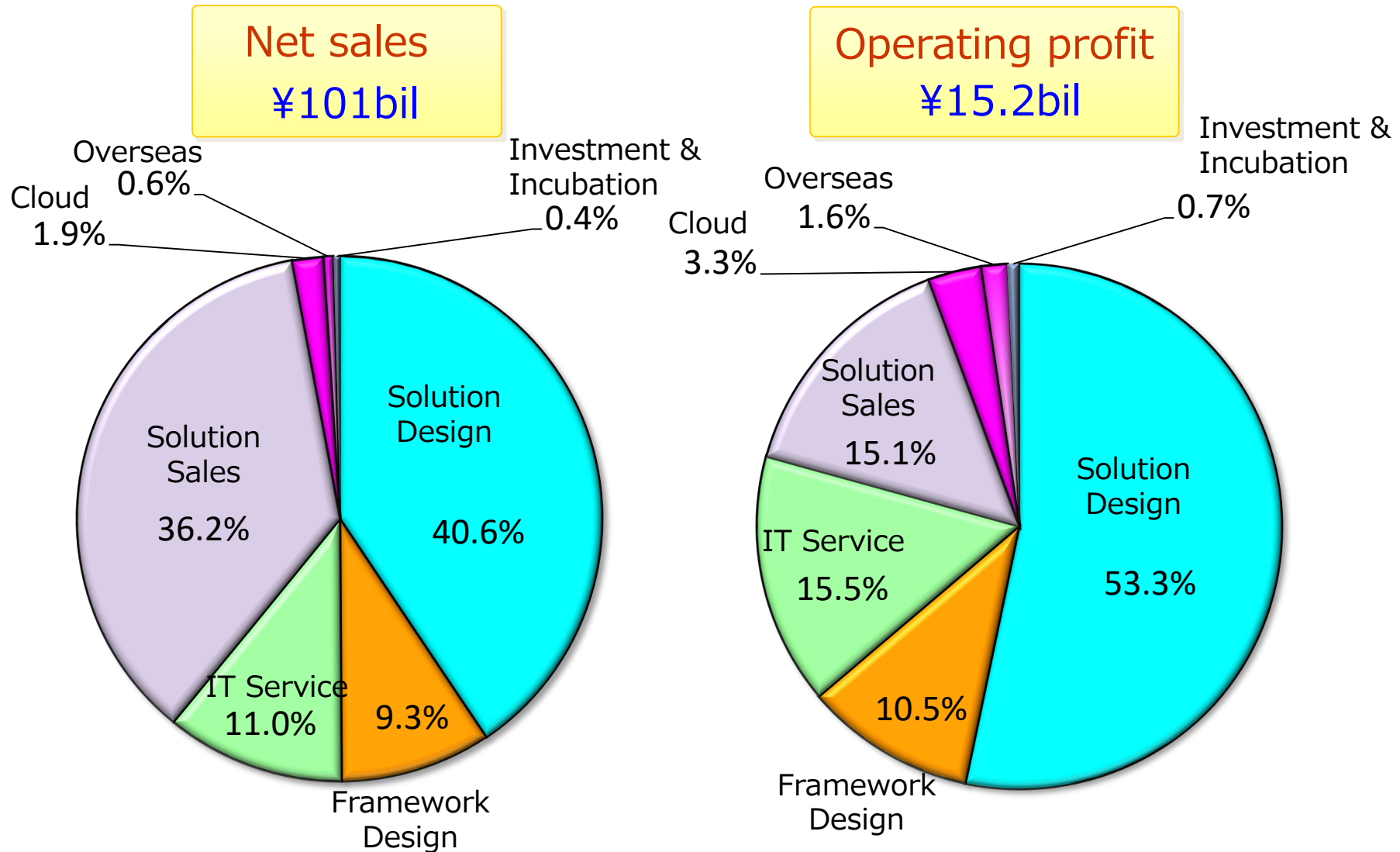
Operating Profit: 20 million yen

## 7. Collaboration with Overseas Business



We will aim to consolidate the strengths of each division and deliver these services in Japan with an “All Systema” approach.

## Composition of Net Sales and Operating Profit by Segment





# ALL Systema

Making digital society a happy society.  
Systema IT Services



<https://www.systema.co.jp/>

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Please note that actual business performance can fluctuate due to various factors including changes in the economic or business environment.