

# Financial Results of fiscal 2018 and New medium-term management plan

May 15, 2019  
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 and Chairman	: Yoshichika Hemmi	Managing Director	: Shinichiro Kawachi	Director	: Shingo Hemmi
Representative Director and President	: Kenji Miura	Director	: Makoto Taguchi	Outside Director	: Yukio Suzuki
Managing Director	: Takafumi Kai	Director	: Hiroyuki Fujii	Outside Director	: Kouichi Ogawa

**[Auditor]**  
Full-time Corporate Auditor (Outside Corporate Auditor) : Toru Hishida  
Outside Corporate Auditor : Masao Sato, Yoshihiro Nakamura, Masao Hamano

**[Number of Employees]** Non-Consolidated:2,565/Consolidated:3,430 (As of April 1, 2019)

**[Listed Monetary and Commodities Exchange]**

TSE 1st Section

**[Capital Stock]**

1,513,750,000 Yen

**[Number of outstanding shares]**

112,720,000 shares

## 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)  
(Framework Design Business)

 東京都第3セクター企業  
東京都ビジネスサービス株式会社  
**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)

## ● Equity method affiliated companies

 **HiS Group**  
HOKUYO INFORMATION SYSTEM  
HISホールディングス株式会社  
**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)

 株式会社ティービーエスオペレーション  
**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】 19,000,000 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)

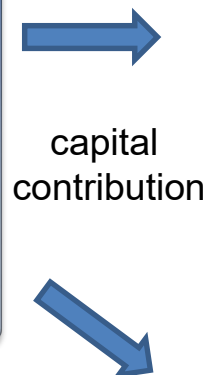


**ONE Tech, Inc.**

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

Development and sale of IoT solution packages

(Overseas Business)



# Financial Results of fiscal 2018 (Consolidated) <YoY>

# Financial Results (Consolidated)

Software development has continued to perform strongly, primarily in the areas of Internet Business, e-Commerce, 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)

	Fiscal 2018		Fiscal 2017		YoY rate	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Net sales	<b>59,742</b>	—	54,320	—	<b>5,422</b>	<b>10.0%</b>
Operating profit	<b>6,902</b>	<b>11.6%</b>	5,170	9.5%	<b>1,731</b>	<b>33.5%</b>
Ordinary profit	<b>6,706</b>	<b>11.2%</b>	5,147	9.5%	<b>1,559</b>	<b>30.3%</b>
Profit attributable to owners of parent	<b>4,584</b>	<b>7.7%</b>	3,542	6.5%	<b>1,042</b>	<b>29.4%</b>

## Solution Design Business

**Net Sales 21,214** million yen Year-on-year +12.6% **Operating Profit 3,666** million yen Year-on-year +37.9%

In the Solution Design Business, systems development displayed particularly strong performance in areas such as in-vehicle systems and internet services. We also received many orders in growth areas such as robotics and AI. **Net sales increased by 12.6%, while operating profit increased by 37.9%.**

## Framework Design Business

**Net Sales 5,294** million yen Year-on-year +15.1% **Operating Profit 841** million yen Year-on-year +37.9%

- ✓ The Framework Design Business continued to perform well. In addition to receiving additional orders for insurance systems from existing customers, we also saw an increase in orders for infrastructure-building projects, and our shift into **new domains such as payment settlement** also continued to progress.
- ✓ We **increased the number of orders received** for **installation/deployment services for work process automation tools** by including inquiries for license sales and deployment support, with a focus on inter-divisional collaboration and cooperative partnerships with product vendors.

## IT Service Business

**Net Sales 7,827** million yen Year-on-year +11.7% **Operating Profit 1,067** million yen Year-on-year +30.1%

- ✓ 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**.
- ✓ We used **security-related products** as a sales hook for developing relationships with new customers.

## Solution Sales Business

**Net Sales 24,032** million yen Year-on-year +5.0% **Operating Profit 1,155** million yen Year-on-year +15.9%

- ✓ 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.

## Cloud Business

**Net Sales 1,129** million yen Year-on-year +16.1% **Operating Profit 197** million yen Year-on-year +27.6%

- ✓ **Orders received** for the new **Canbus**. Service were **brisk**. We conducted promotional activities through web to strengthen sales promotion. **We stimulated demand** by employing the keywords **Digital transformation(DX)** and **IT management** to our advantage.
- ✓ Due to migrating groupware to the cloud as a part of **workstyle reform**, we enjoyed strong sales of **Cloudstep**.

## Overseas Business

**Net Sales 120** million yen Year-on-year +66.8% **Operating Profit ▲31** million yen compared to previous period +141million yen

- ✓ **We posted advertisements in magazines** to drive sales of StrongKey's security services in Japan.
- ✓ **We received orders for IoT business development** from **major Japanese-owned automotive parts manufacturers** in a joint effort with **One Tech**.
- ✓ We **received orders for IoT and software development** from **multiple Japanese-run corporations** utilizing **offshore development in Vietnam**.
- The above efforts enabled us to achieve **positive monthly profits for several months**.



# Sales by Segment (Consolidated) <YoY rate>

(in millions of yens)

	Fiscal 2018		Fiscal 2017		YoY rate	
	Amount	Sales distribution ratio	Amount	Sales distribution ratio	Amount of change	rate of change
Solution Design	<b>21,214</b>	<b>35.5%</b>	18,833	34.7%	<b>2,380</b>	<b>12.6%</b>
Framework Design	<b>5,294</b>	<b>8.9%</b>	4,600	8.5%	<b>694</b>	<b>15.1%</b>
IT Service	<b>7,827</b>	<b>13.1%</b>	7,010	12.9%	<b>817</b>	<b>11.7%</b>
Solution Sales	<b>24,032</b>	<b>40.2%</b>	22,885	42.1%	<b>1,147</b>	<b>5.0%</b>
Cloud	<b>1,129</b>	<b>1.9%</b>	972	1.8%	<b>156</b>	<b>16.1%</b>
Consumer Service	<b>397</b>	<b>0.7%</b>	501	0.9%	<b>▲103</b>	<b>▲20.6%</b>
Overseas	<b>120</b>	<b>0.2%</b>	72	0.1%	<b>48</b>	<b>66.8%</b>
Investment Incubation	—	—	5	0.0%	<b>▲5</b>	—
Adjustment	<b>▲272</b>	<b>▲0.5%</b>	<b>▲559</b>	<b>▲1.0%</b>	<b>287</b>	—
Total	<b>59,742</b>	<b>100.0%</b>	54,320	100.0%	<b>5,422</b>	<b>10.0%</b>

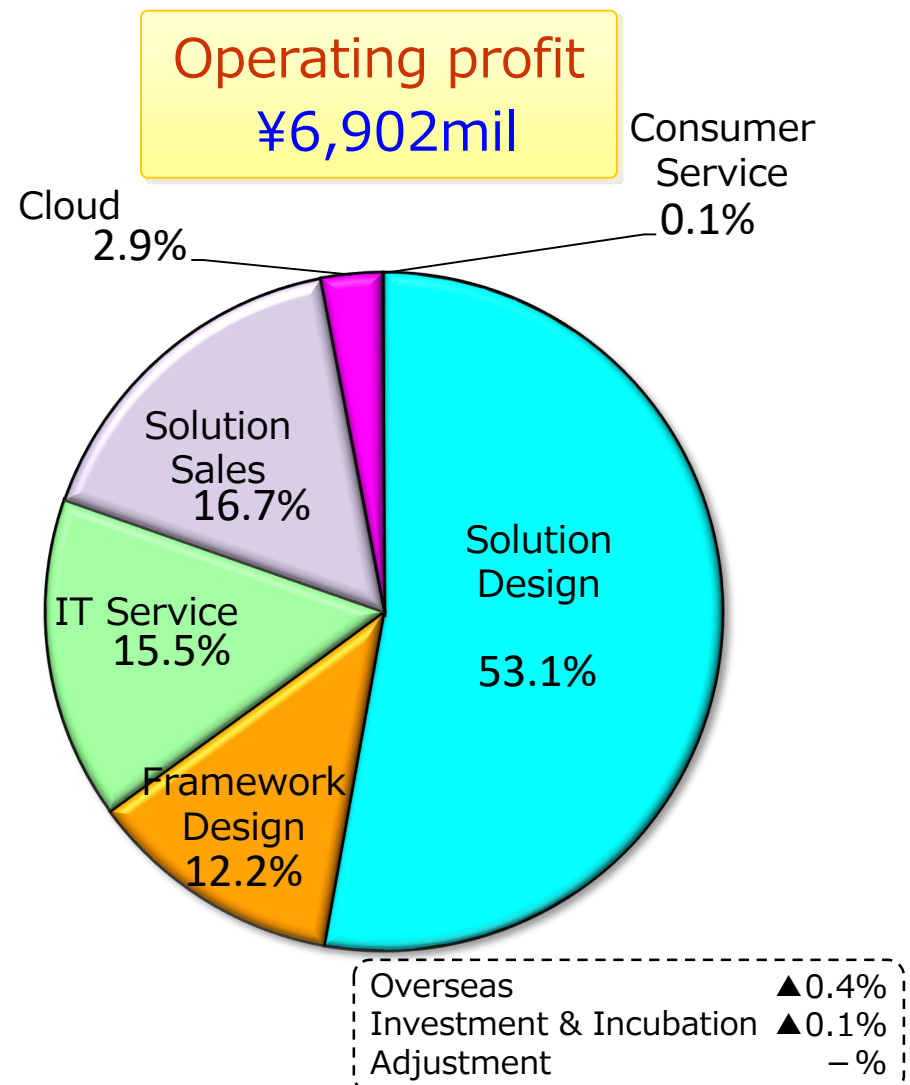
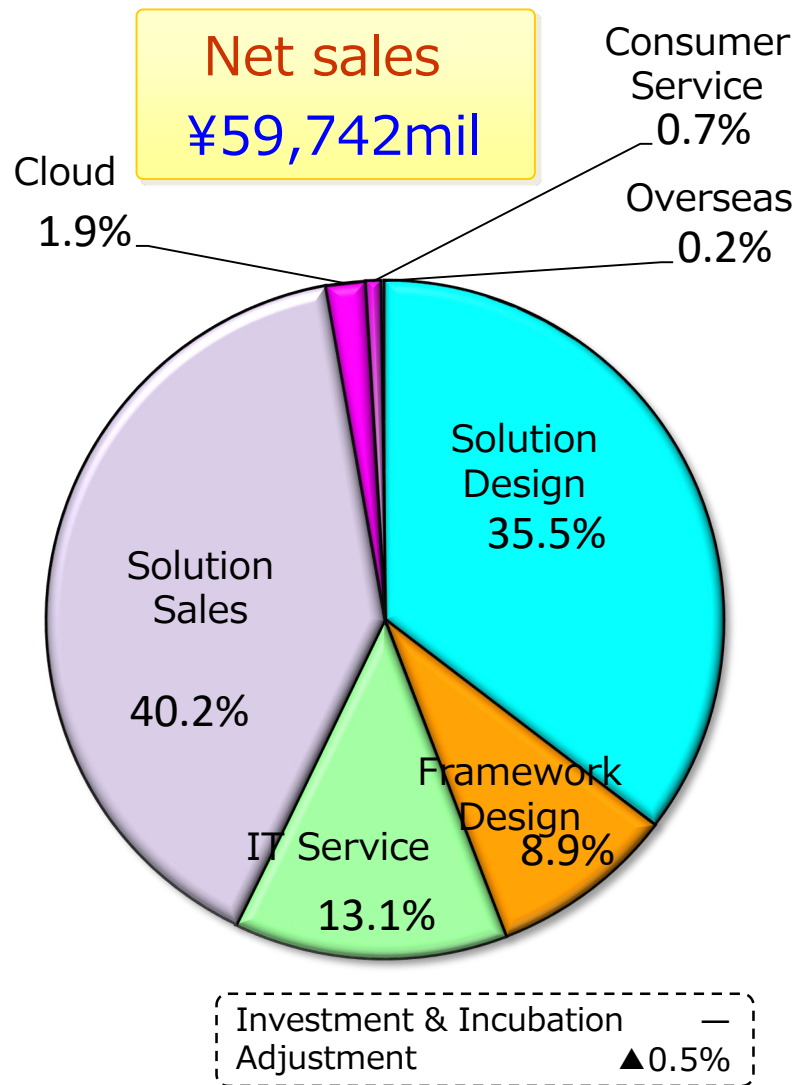
# Operating profit by Segment (Consolidated) <YoY rate>

(in millions of yens)

	Fiscal 2018		Fiscal 2017		YoY rate	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Solution Design	<b>3,666</b>	<b>17.3%</b>	2,657	14.1%	<b>1,008</b>	<b>37.9%</b>
Framework Design	<b>841</b>	<b>15.9%</b>	662	14.4%	<b>178</b>	<b>27.0%</b>
IT Service	<b>1,067</b>	<b>13.6%</b>	820	11.7%	<b>247</b>	<b>30.1%</b>
Solution Sales	<b>1,155</b>	<b>4.8%</b>	997	4.4%	<b>158</b>	<b>15.9%</b>
Cloud	<b>197</b>	<b>17.5%</b>	155	15.9%	<b>42</b>	<b>27.6%</b>
Consumer Service	<b>8</b>	<b>2.0%</b>	65	13.0%	<b>▲56</b>	<b>▲86.5%</b>
Overseas	<b>▲31</b>	—	<b>▲172</b>	—	<b>141</b>	—
Investment Incubation	<b>▲3</b>	—	<b>▲19</b>	—	<b>16</b>	—
Adjustment	—	—	5	—	<b>▲5</b>	—
Total	<b>6,902</b>	<b>11.6%</b>	5,170	9.5%	<b>1,731</b>	<b>33.5%</b>

# Composition of Net Sales and Operating Profit by Segment

Link People for Happiness



# Achievement status of Four-Year Medium-Term plan (Fiscal 2015~Fiscal 2018)

## Strategies

- (1) Autonomous driving
- (2) Smart cities
- (3) Robotics
- (4) IoT solutions

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 2018

\* Effective June 1, 2018, Systema split each of its common shares into four, but figures that do not take this split into account are listed.

(hundreds of millions of yen)

KPI	FY2014 Results	FY2015 Results	FY2016 Results	FY2017 Results	FY2018 Results	Initial Target	Comparison with target	
							Amount of change	rate of change
Net Sales	36,951	42,695	46,255	54,320	<b>59,742</b> 1.6x	<b>56,000</b> 1.5x	3,742	6.7%
Operating Profit	2,226	3,172	3,693	5,170	<b>6,902</b> 3.1x	<b>5,500</b> 2.5x	1,402	25.5%
EPS (yen)	37	90.59	89.68	145.26	※ <b>188.08</b>	—	—	—
Dividends (yen) Payout ratio	30 81.0%	32 35.3%	36 40.1%	46 31.7%	※ <b>64</b> <b>34.0%</b>	<b>52yen</b> <b>At least</b> <b>40%</b>	12	23.0%
ROE	7.3%	17.2%	15.7%	22.4%	<b>24.6%</b>	<b>At least</b> <b>20%</b>	◎	◎

# 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>



# 1. Solution Design Business

## Key Points for previous period

<b>Net Sales 21,214</b> million yen	Year-on-year +12.6%	<b>Operating Profit 3,666</b> million yen	Year-on-year +37.9%
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In the Solution Design Business, systems development displayed particularly strong performance in areas such as in-vehicle systems and internet services. We also received many orders in growth areas such as robotics and AI. **Net sales increased by 12.6%, while operating profit increased by 37.9%.**

## Outlook for this Period

<b>Net Sales 23,450</b> million yen	compared with previous period + 10.5%	<b>Operating Profit 4,408</b> million yen	compared with previous period +20.2%
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**The primary focus of our business operations will be in the field of Internet Services, for which we are currently receiving large numbers of inquiries. We will also aim to drive the steady expansion of our operations in In-vehicle Systems (one key area in which we are currently investing our energies), with a pivotal focus on growth in robotics and AI.**

### 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.

### 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 **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 **E-commerce, payments, and educational systems**, 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 **IoT** and **AI**.
- We will also seek to expand the scale of orders received utilizing offshore development in Vietnam.

### 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.
- We will expand the scale of orders received by expanding our OSS services and use of offshore development in Vietnam.



## 2. Framework Design Business

### Key Points for previous period

**Net Sales 5,294**

million yen    Year-on-year  
+15.1%

**Operating Profit 841**

million yen    Year-on-year  
+37.9%

- ✓ The Framework Design Business continued to perform well. In addition to receiving additional orders for insurance systems from existing customers, we also saw an increase in orders for infrastructure-building projects, and our shift into new domains such as payment settlement also continued to progress.
- ✓ We increased the number of orders received for installation/deployment services for work process automation tools by including inquiries for license sales and deployment support, with a focus on inter-divisional collaboration and cooperative partnerships with product vendors.

### Outlook for this Period

**Net Sales 5,770**

million yen    compared to previous period  
+9.0%

**Operating Profit 968**

million yen    compared to previous period  
+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 previous period

Net Sales **7,827** million yen Year-on-year +11.7%

Operating Profit **1,067** million yen Year-on-year +30.1%

- ✓ 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 security-related commercial products 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 AI chat bots and RPA new commercial products while upgrading and expanding our existing offerings.

# 4. Solution Sales Business

## Key Points for previous period

**Net Sales 24,032** million yen Year-on-year +5.0%

**Operating Profit 1,155** million yen Year-on-year +15.9%

- ✓ 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.

## 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

### 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 previous period

**Net Sales 1,129** million yen Year-on-year +16.1%

**Operating Profit 197** million yen Year-on-year +27.6%

- ✓ **Orders received** for the new **Canbus**. Service were **brisk**. We conducted promotional activities through web to strengthen sales promotion. **We stimulated demand** by employing the keywords **Digital transformation(DX)** and **IT management** to our advantage.
- ✓ Due to migrating groupware to the cloud as a part of **workstyle reform**, we enjoyed strong sales of **Cloudstep**.

## 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.

# 6. Overseas Business (Systema America Inc.)

## Key Points for previous period

**Net Sales 120** million yen    Year-on-year +66.8%    **Operating Profit ▲31** million yen    Year-on-year +141million yen

- ✓ **We posted advertisements in magazines** to drive sales of StrongKey's security services in Japan.
- ✓ **We received orders for IoT business development** from major Japanese-owned automotive parts manufacturers in a joint effort with One Tech.
- ✓ We **received orders for IoT and software development** from multiple Japanese-run corporations utilizing offshore development in Vietnam.
- The above efforts enabled us to achieve **positive monthly profits for several months.**

## 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. Begin full-scale sale of StrongKey products

- We will bolster sales of security products to coincide with the toughening of GDPR and other regulations.

### 2. Global roll-out of end-to-end solutions through a joint venture One Tech, Inc.

- We will showcase our IoT solutions at the U.S.-based multiple IoT Expo and strengthen sales both inside and outside the United States.
- Stronger sales of LPWA equipment, sensors and IoT gateways.

### 3. 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.

## 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

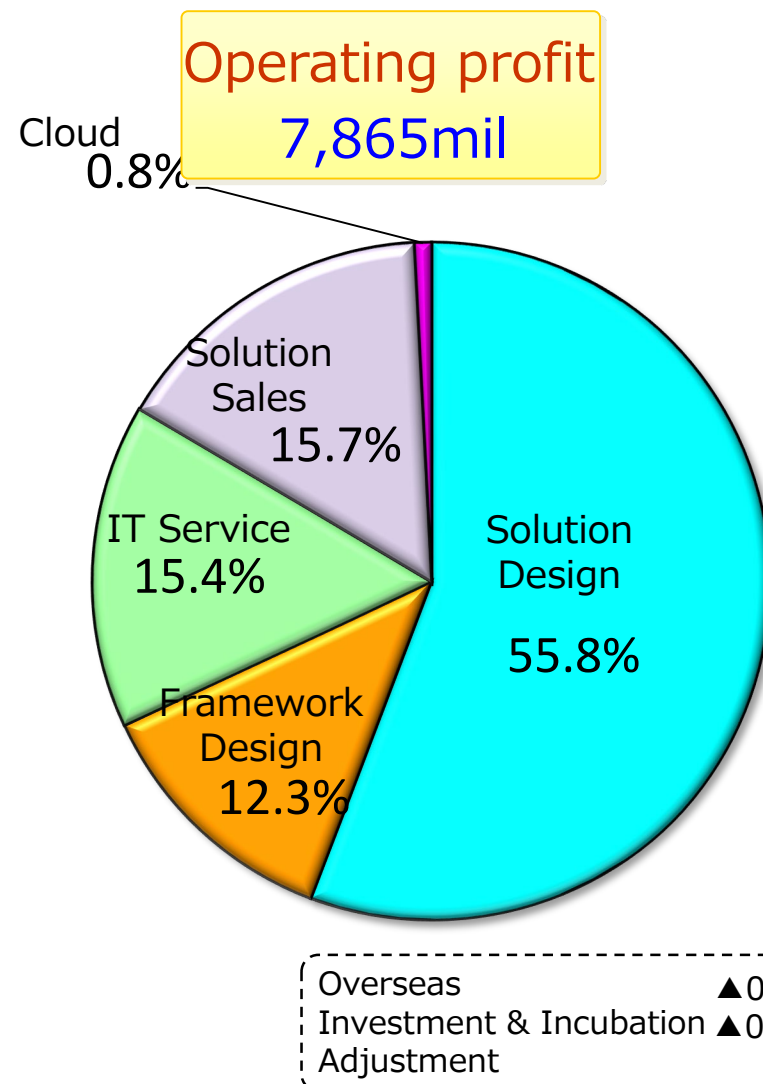
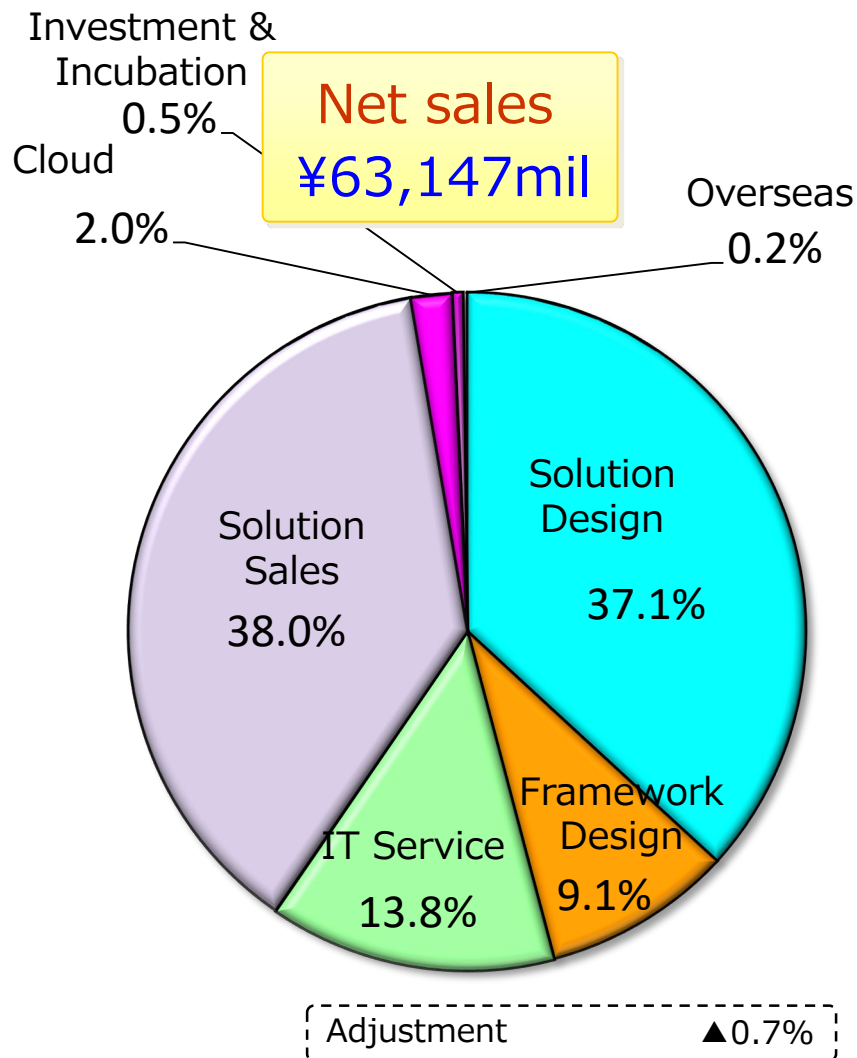
(in millions of yens)

	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)

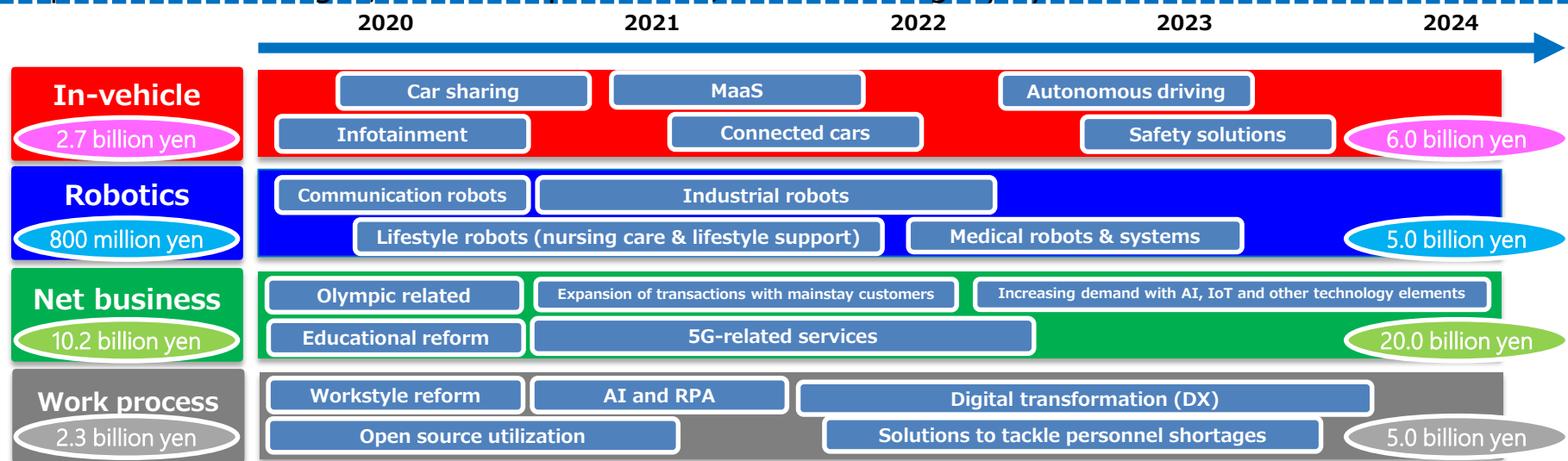
KPI	2019/3	2024/3
Net Sales	59,742	<b>101,000</b> (1.7x)
Operating Profit	6,902	<b>15,200</b> (2.2x)
Operating profit margin	11.6%	<b>15.0%</b>
Operating profit per employee	2.16	<b>2.60</b> (20% increase)
ROE	24.6%	<b>25%</b>

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

State of progress

Net Sales: 8.69 billion yen

Operating Profit: 1.22 billion yen

# 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

FY2023

+34%  
increase

FY2018



### Service business

FY2023

+176%  
increase

FY2018



### Cloud business

FY2023

+341%  
increase

FY2018



FY2018

FY2019 outlook

FY2023 target

Net Sales: 24.0  
billion yen

Operating Profit: 1.2  
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

State of progress

Net Sales: 2.40  
billion yen

Operating Profit:  
1.24 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

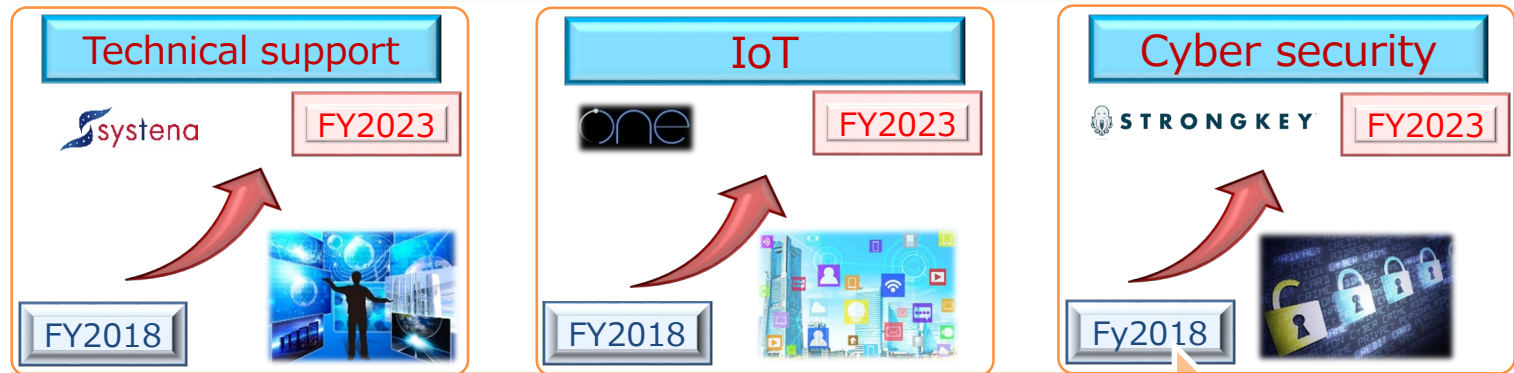
# 6. Overseas Business (Systema America Inc. )

- ✓ **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

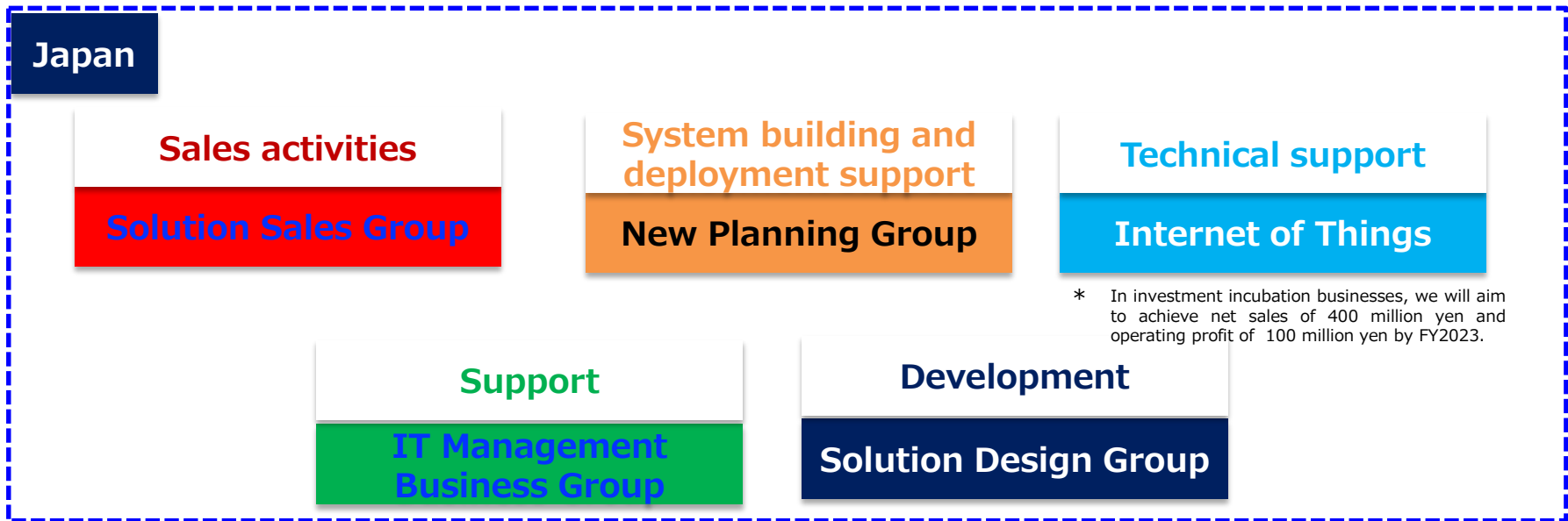
Net Sales: 640  
million yen

Operating Profit:  
250 million yen

State of progress

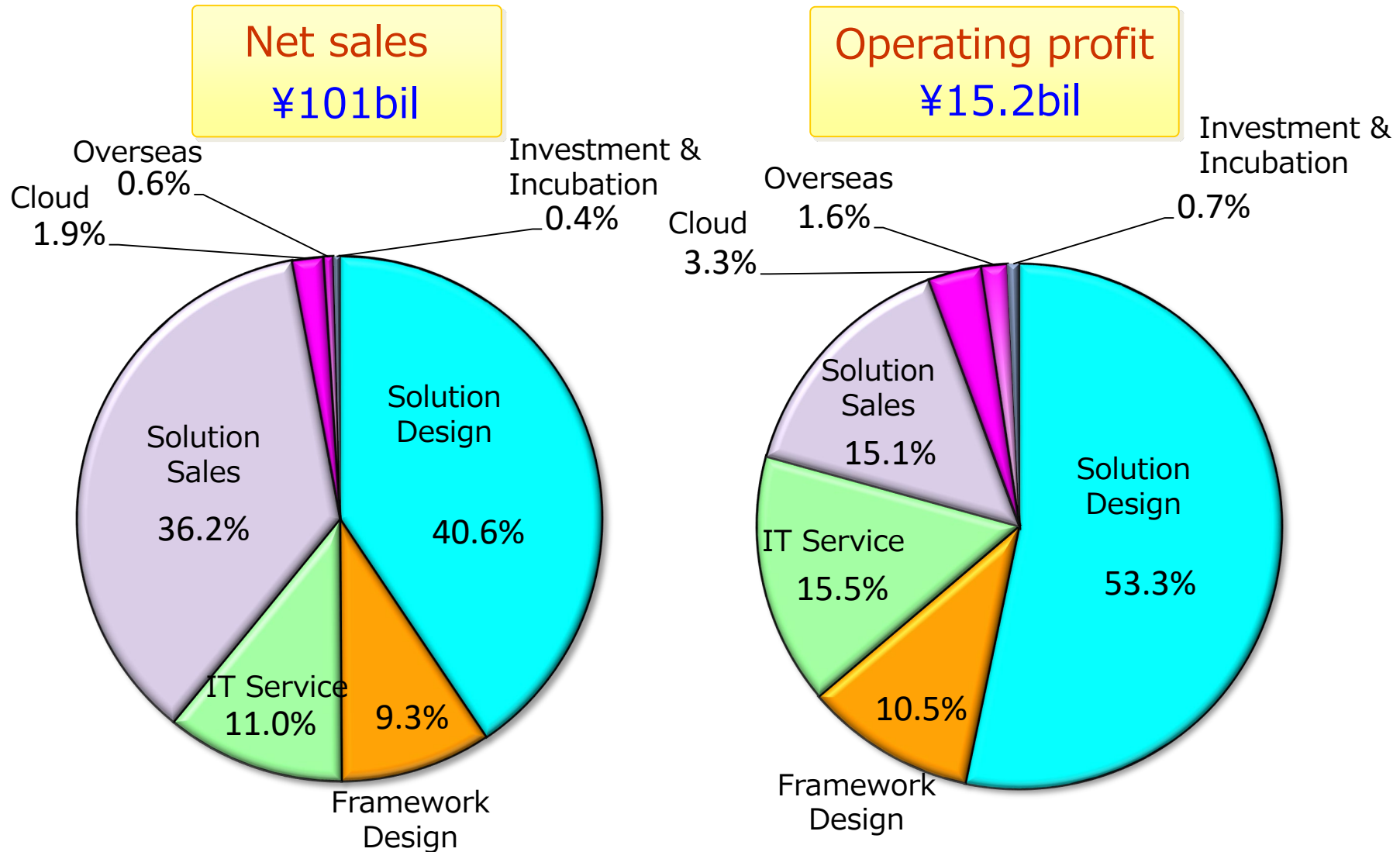
Net Sales: 150  
million yen

Operating Profit:  
20 million yen



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/>

The earnings forecasts described in this document and mentions of future events are predications based on the information available at the time of publication, and may incorporate uncertain factors.  
Please note that actual business performance can fluctuate due to various factors including changes in the economic or business environment.