

Financial Results for the third quarter of fiscal 2019 and medium-term management plan

F e b 4 , 2 0 2 0
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

**[Listed Monetary and
Commodities Exchange]**

[Capital Stock]

[Number of outstanding shares]

112,720,000 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:2,574/Consolidated:3,552 (As of January 1, 2020)

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 ONE Tech Japan
- ▶ Planning and management of social games for mobile, smartphone, PC by subsidiary GaYa

Domestic Group Companies

● Consolidated subsidiaries

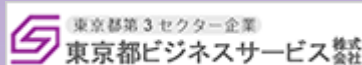


ProVision Co., Ltd.

【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)

ONE Tech Japan, Inc.*

【Capital】 85,000,000 Yen
【Ratio of capital contribution】
87.5%

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

(Investment & Incubation Business)

● Equity method affiliated companies

* The company name changed from Internet of Things, Inc. in January 2020.

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)

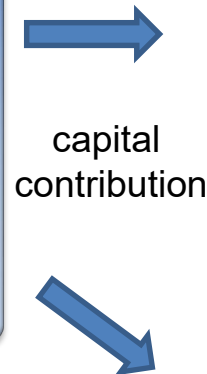


ONE Tech, Inc.

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

Development and sale of IoT solution packages

(Overseas Business)



Financial Results for the third quarter of fiscal 2019 (Consolidated)

Financial Results 1Q-3Q (Consolidated)

Software development continued to perform strongly, primarily in the areas of 5G, Internet Services and Digital Transformation. 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 double-digit **growth in both revenue and profits**.

(in millions of yens)

	1Q-3Q Fiscal 2019		1Q-3Q Fiscal 2018		YoY rate	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Net sales	47,335	—	43,032	—	4,302	10.0%
Operating profit	5,980	12.6%	5,194	12.1%	785	15.1%
Ordinary profit	5,791	12.2%	5,049	11.7%	742	14.7%
Profit attributable to owners of parent	3,903	8.2%	3,391	7.9%	511	15.1%

Sales by Segment <YoY rate>

(in millions of yens)

	1Q-3Q Fiscal 2019		1Q-3Q Fiscal 2018		YoY rate	
	Amount	Sales distribution ratio	Amount	Sales distribution ratio	Amount of change	rate of change
Solution Design	16,972	35.9%	15,439	35.8%	1,533	9.9%
Framework Design	4,268	9.0%	3,910	9.1%	358	9.2%
IT Service	6,340	13.4%	5,750	13.4%	590	10.3%
Solution Sales	18,802	39.7%	17,025	39.6%	1,776	10.4%
Cloud	965	2.0%	760	1.8%	204	26.9%
Overseas	97	0.2%	83	0.2%	14	17.9%
Investment Incubation	158	0.3%	267	0.6%	▲109	▲40.8%
Adjustment	▲270	▲0.5%	▲203	▲0.5%	▲66	—
Total	47,335	100.0%	43,032	100.0%	4,302	10.0%

* From this fiscal year onwards, Consumer Service is included in Invest Incubation.

Financial Results 1Q-3Q (Consolidated)

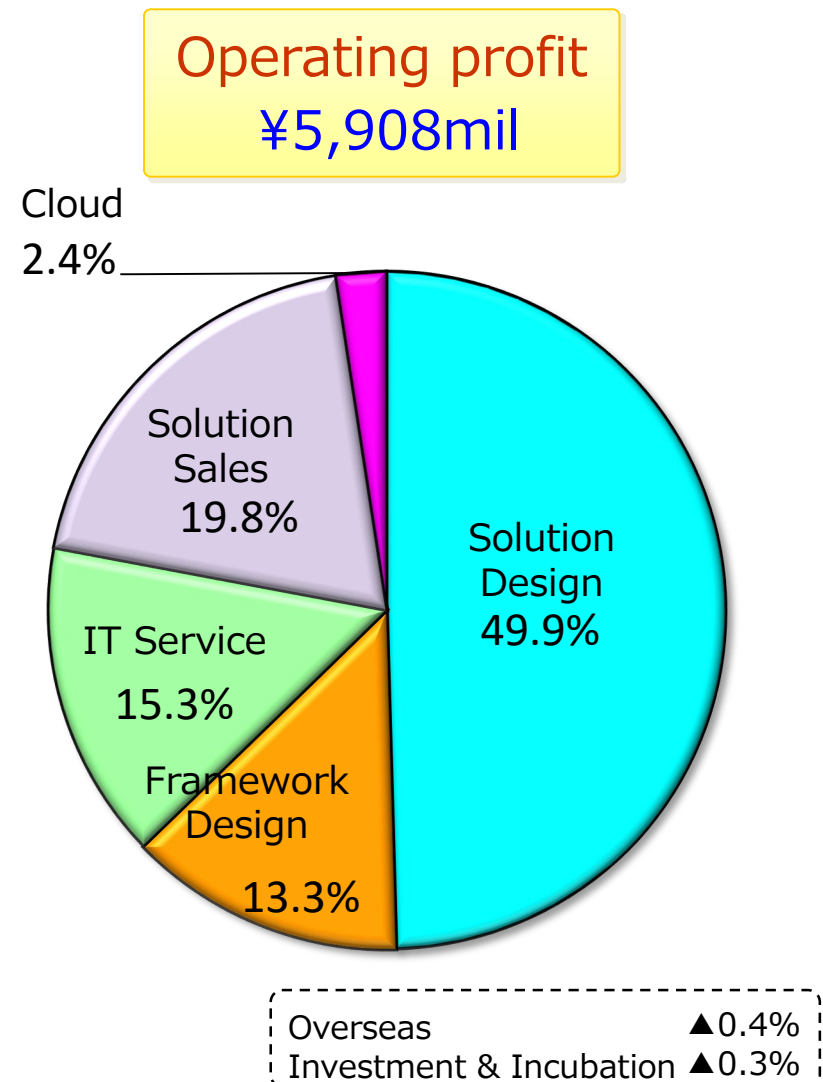
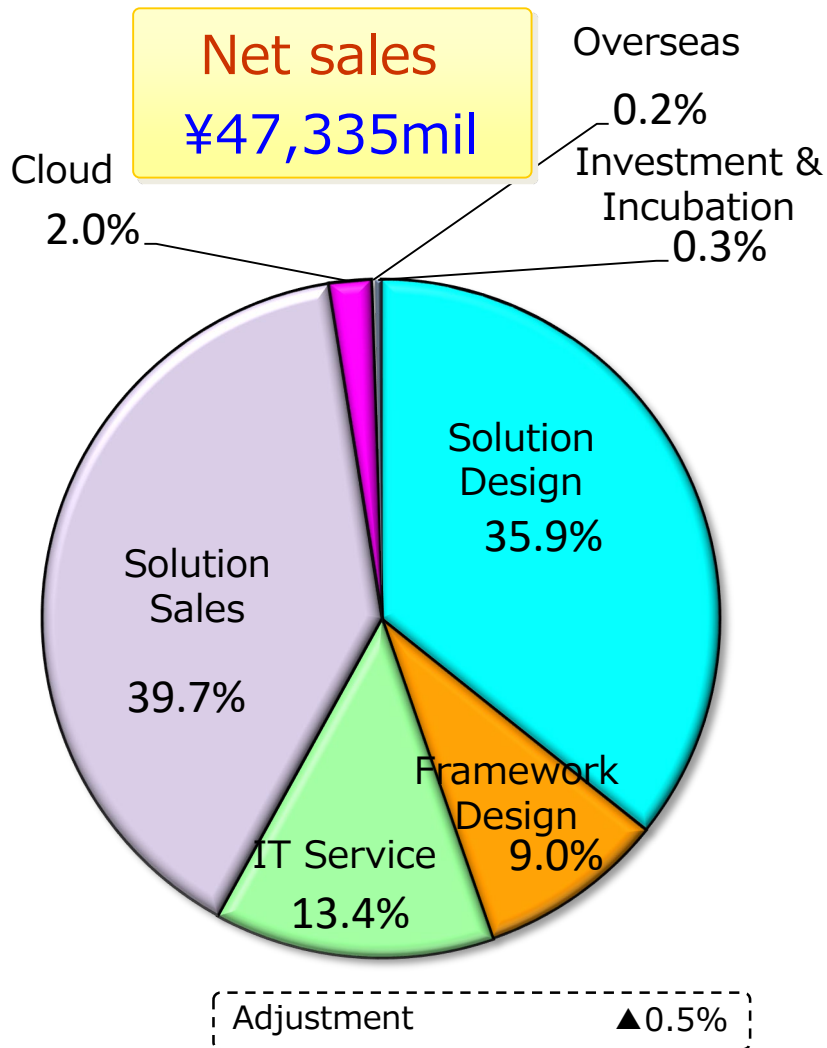
Operating profit by Segment <YoY rate>

(in millions of yens)

	1Q-3Q Fiscal 2019		1Q-3Q Fiscal 2018		YoY rate	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Solution Design	2,983	17.6%	2,760	17.9%	223	8.1%
Framework Design	797	18.7%	635	16.3%	161	25.4%
IT Service	917	14.5%	791	13.8%	126	15.9%
Solution Sales	1,182	6.3%	916	5.4%	266	29.1%
Cloud	143	14.9%	144	19.0%	▲1	▲0.4%
Overseas	▲22	▲23.2%	▲27	▲32.8%	4	—
Investment Incubation	▲21	▲13.6%	▲26	▲9.9%	4	—
Adjustment	—	—	—	—	—	—
Total	5,980	12.6%	5,194	12.1%	785	15.1%

* From this fiscal year onwards, Consumer Service is included in Invest Incubation.

Composition of Net Sales and Operating Profit by Segment



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 3Q

Net Sales 16,972 million yen Year-on-year +9.9% **Operating Profit 2,983** million yen Year-on-year +8.1%

Due to an unprofitable project in the Work Process Systems Business, the sales and profit growth rate dipped temporarily. Meanwhile, we continued to receive plenty of inquiries on systems development related to 5G, Internet services, digital transformation (DX), workstyle reforms and other areas. We will step up efforts to win orders and strengthen our project management system to improve performance.

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 3Q

Net Sales 4,268 million yen Year-on-year +9.2%

Operating Profit 797 million yen Year-on-year +25.4%

- ✓ The Framework Design Business continued to perform strongly. While large insurance system projects peaked in the existing financial domain, new projects for developing financial, insurance and work process systems progressed well and stayed bullish.
- ✓ In the area of new services, license sales for robot process automation (RPA) solutions, accompanying introduction support and development support showed strong performance.

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 3Q

Net Sales 6,340 million yen Year-on-year +10.3%

Operating Profit 917 million yen Year-on-year +15.9%

- ✓ We stepped up sales efforts targeting customers' profit-making divisions while high value-added on-off projects, such as Windows 10 migration and AI and RPA introduction support for internal IT divisions, 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 expand our business lineup from conventional services utilizing the ability to mobilize human resources, such as help desk and system operator services, to per-service contracted business services based on our expertise and global response capabilities cultivated through past projects, 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 3Q

Net Sales 18,802 million yen Year-on-year +10.4% **Operating Profit** 1,182 million yen Year-on-year +29.1%

- ✓ 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
- 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 3Q

Net Sales 965 million yen Year-on-year +26.9%

Operating Profit 143 million yen Year-on-year ▲0.4%

- ✓ The number of orders received stimulating demand for the **Canbus increased** as a result of demand based on keywords such as **digital transformation (DX) and data-based** management.
- ✓ We enjoyed brisk sales of systems integration related to **Canbus, G-Suite and Cloudstep**, due partly to the momentum towards **workstyle reforms**.

Outlook for this Period

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

Operating Profit 64 million yen compared to previous period ▲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 3Q

Net Sales 97 million yen

Year-on-year
+17.9%

Operating Profit ▲22 million yen

Year-on-year
+4million yen

- ✓ We considered service creation and conducted joint sales activities with **ONE Tech, Inc. and Internet of Things, Inc.** to gain inquiries and orders for different solutions based on **AI and IoT (LoRa) from a wide range of companies and factories**
- ✓ **We have increased orders for IoT and software development and support services** from multiple Japanese-owned companies
- ✓ **We conducted** sales activities for **StrongKey's security services** in the U.S. as well, following the enforcement of the CCPA.
- ✓ **From September onwards, we maintained consistent profitability.**

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 AI/IoT solutions in collaboration with ONE Tech Inc. and Internet of Things, Inc.

- We will exhibit microAI and separate end-to-end IoT solutions at multiple exhibitions in the U.S to promote sales.
- We have changed the company name of Internet of Things, Inc. to ONE Tech Japan, Inc., aiming to bolster sales activities in Japan.

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	63,147	—	59,742	—	3,404	5.7%
Operating profit	7,865	12.5%	6,902	11.6%	962	14.0%
Ordinary profit	7,622	12.1%	6,706	11.2%	915	13.7%
Profit attributable to owners of parent	5,140	8.1%	4,584	7.7%	555	12.1%

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

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

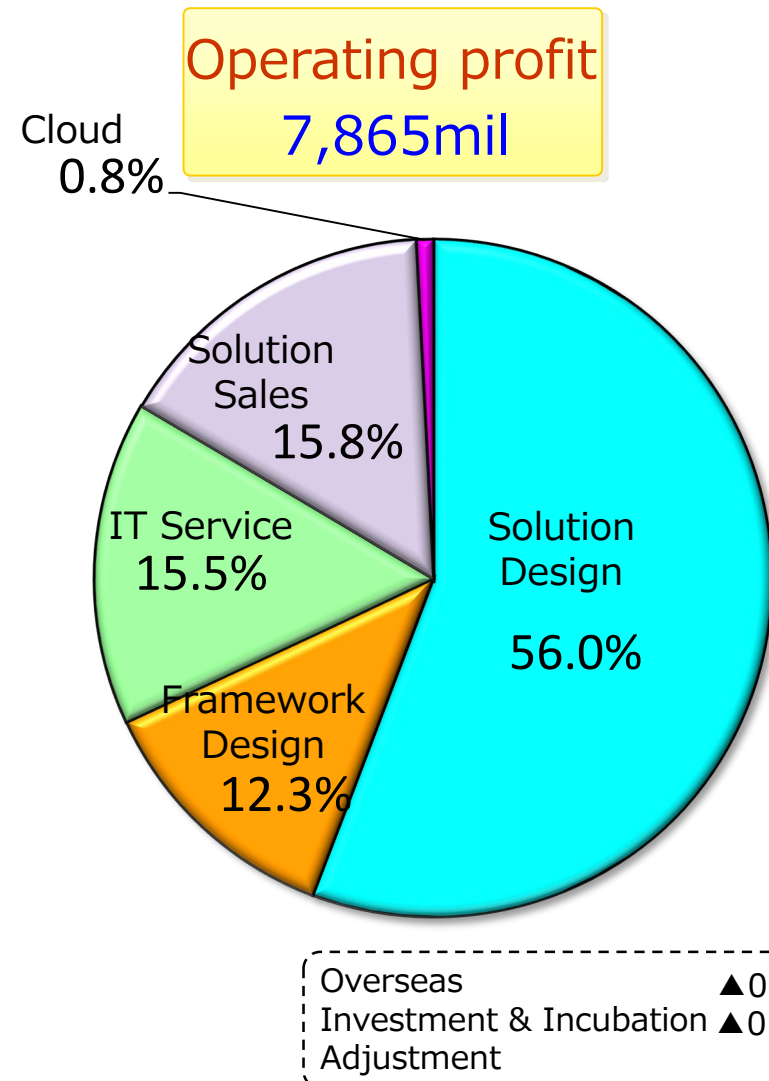
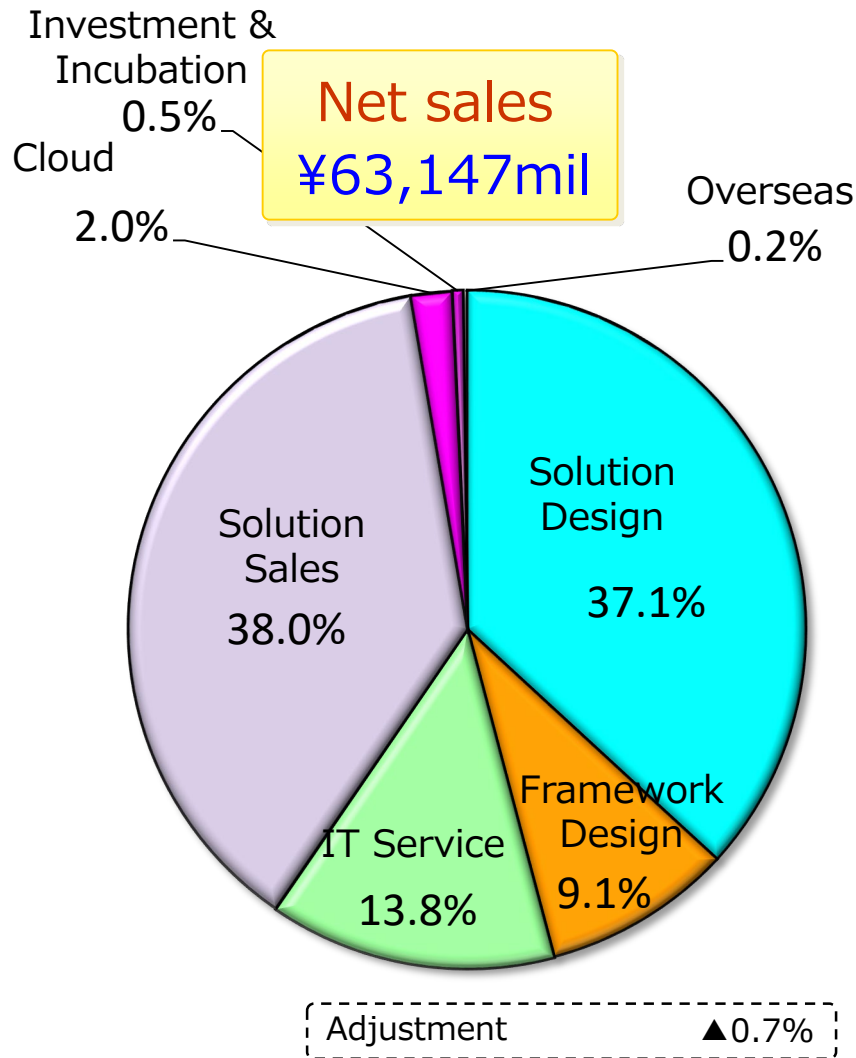
Operating profit by Segment

(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	4,408	18.8%	3,666	17.3%	741	20.2%
Framework Design	968	16.8%	841	15.9%	126	15.1%
IT Service	1,220	14.0%	1,067	13.6%	152	14.2%
Solution Sales	1,242	5.2%	1,155	4.8%	86	7.5%
Cloud	64	5.2%	197	17.5%	▲133	▲67.6%
Overseas	▲15	▲10.0%	▲31	—	16	—
Investment Incubation	▲22	▲7.2%	5	1.3%	▲27	▲520.4%
Adjustment	—	—	—	—	—	—
Total	7,865	12.5%	6,902	11.6%	962	13.9%

*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)

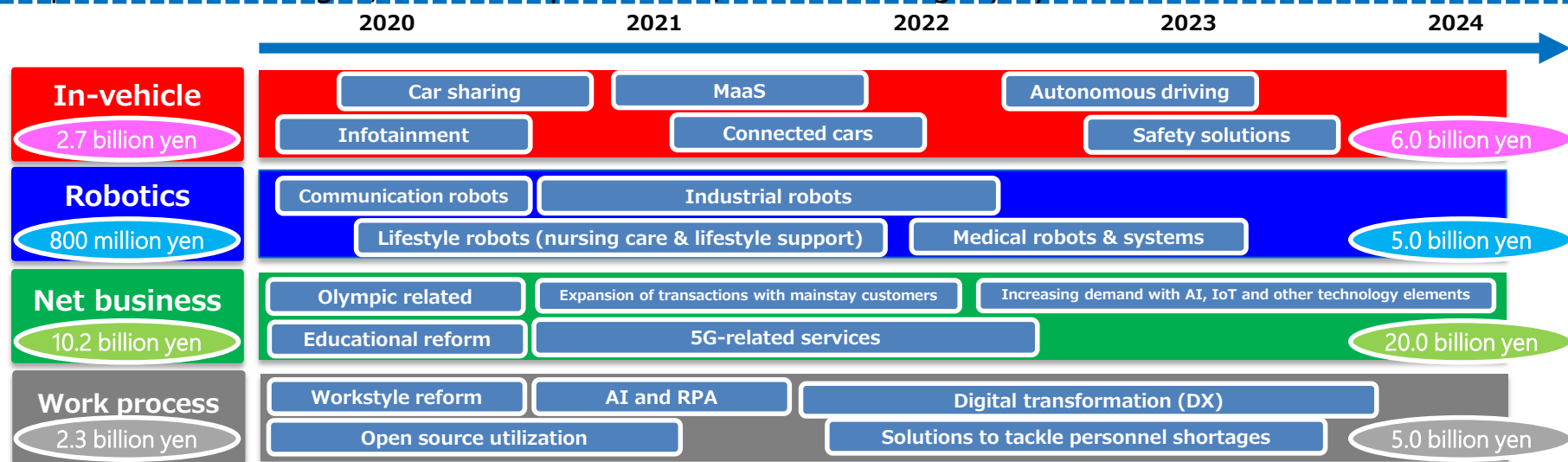
KPI	2019/3	2024/3
Net Sales	59,742	101,000 (1.7x)
Operating Profit	6,902	15,200 (2.2x)
Operating profit margin	11.6%	15.0%
Operating profit per employee	2.16	2.60 (20% increase)
ROE	24.6%	25%

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: 40.95 billion yen
Operating Profit: 8.1 billion yen

Net Sales: 23.45 billion yen
Operating Profit: 4.41 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

+34%
increase

FY2023

FY2018



Service business

+176%
increase

FY2023

FY2018



Cloud business

+341%
increase

FY2023

FY2018



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

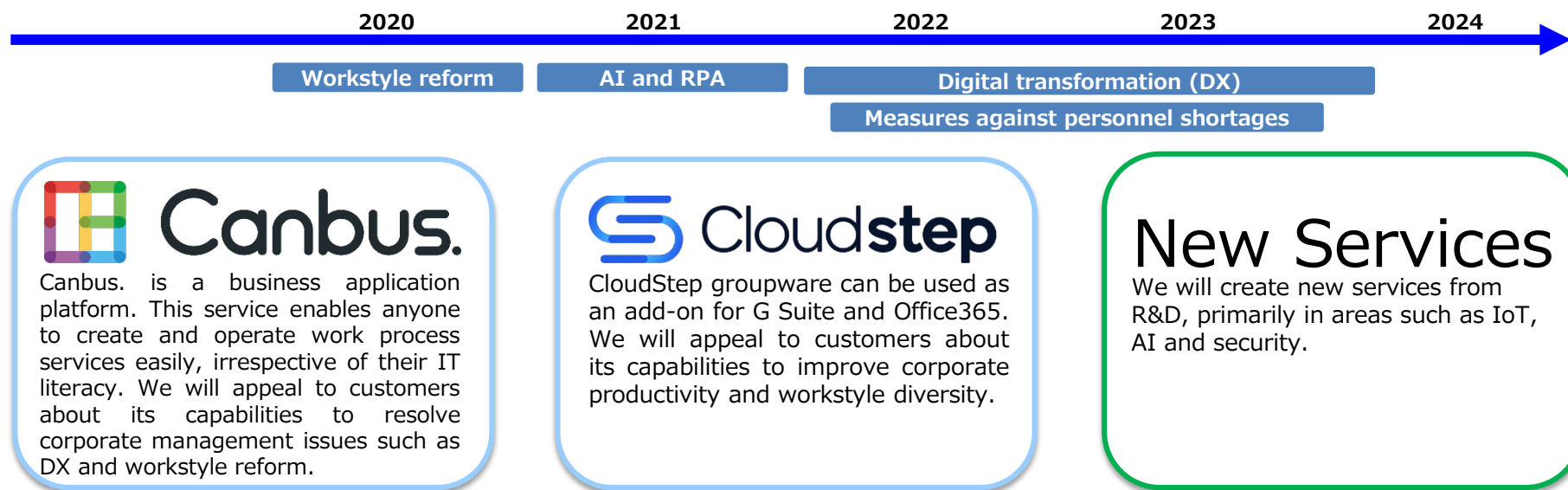
Operating profit of 6%, net service sales of 11.4 billion yen and percentage sales of 30%

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

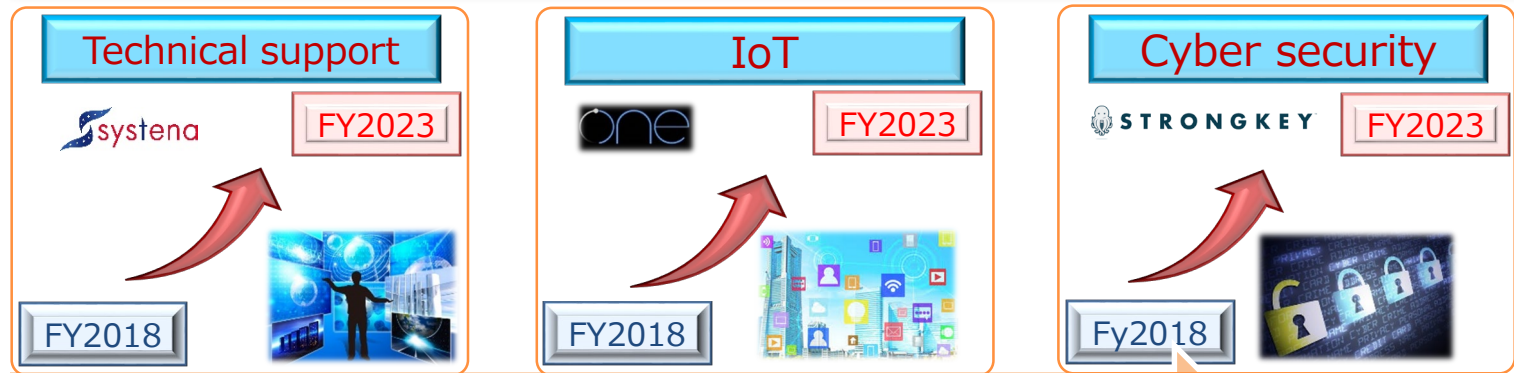
6. Overseas Business (Systema America Inc.)

- ✓ **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

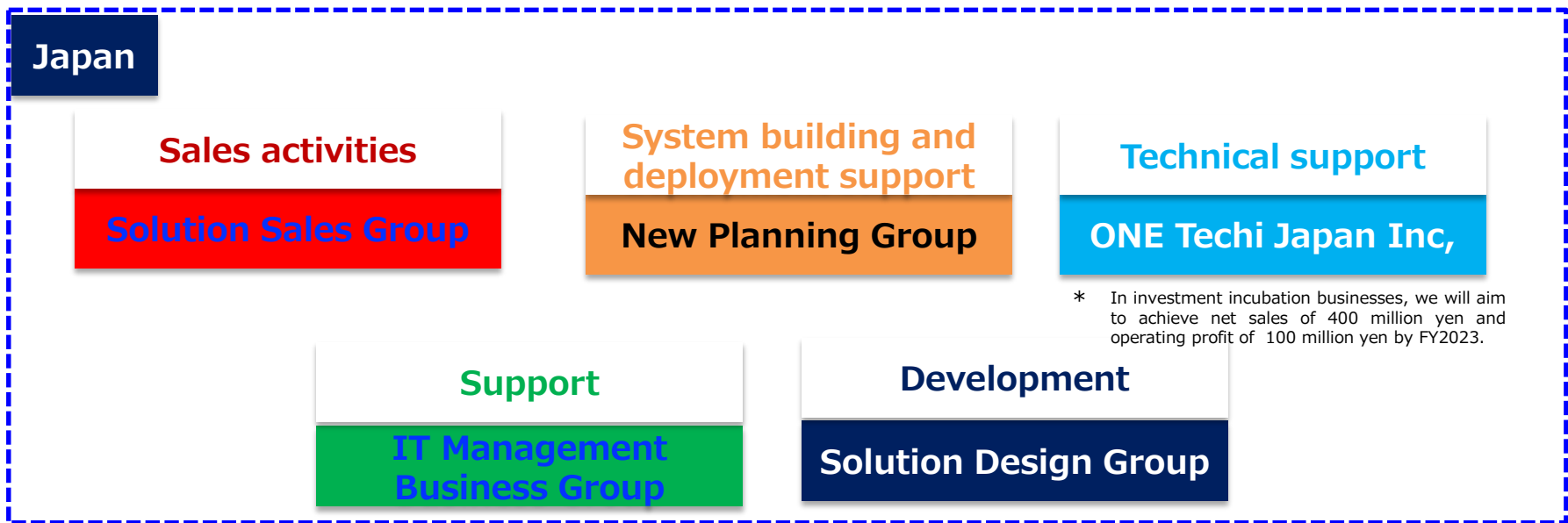
Net Sales: 640 million yen

Operating Profit: 250 million yen

State of progress

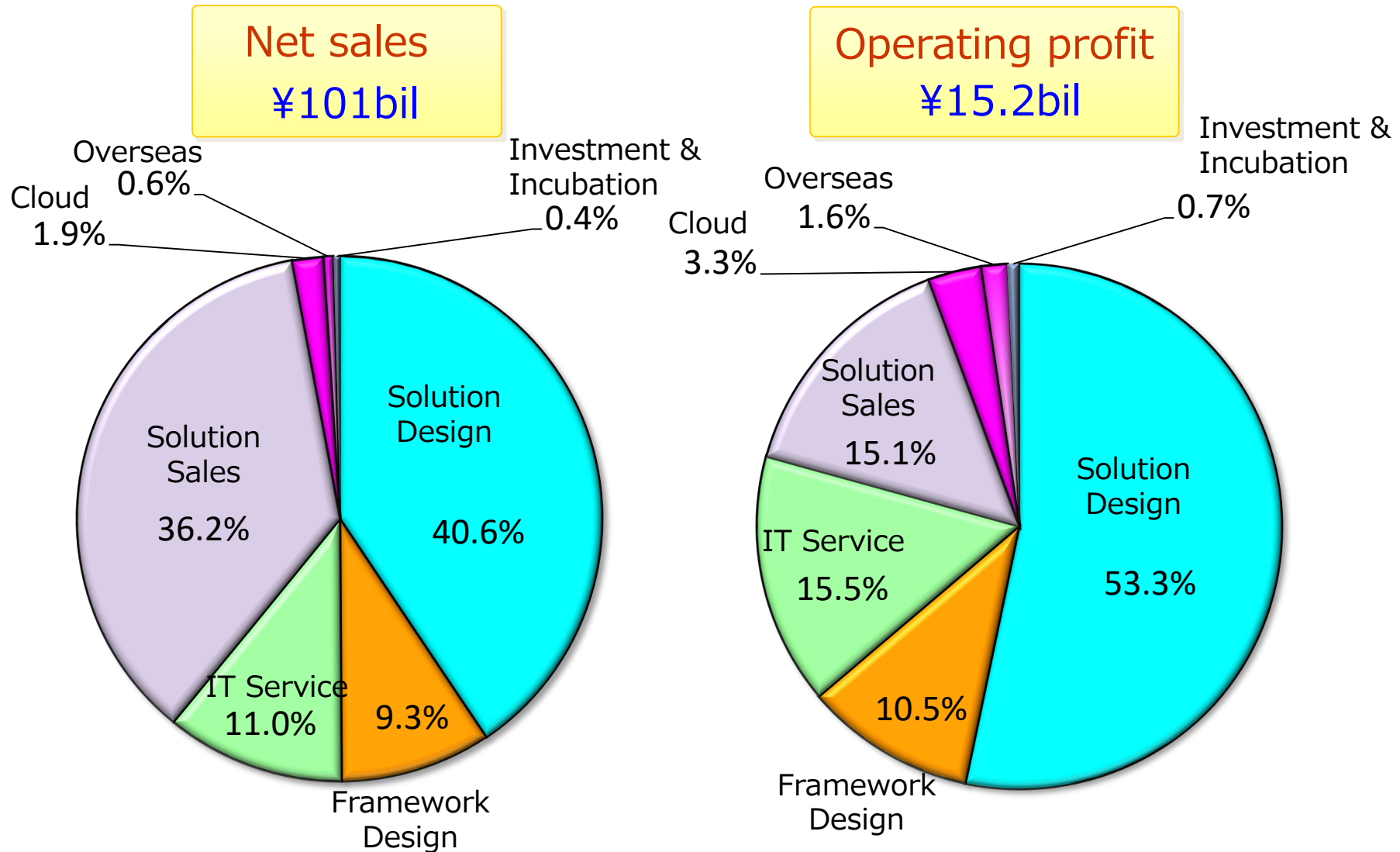
Net Sales: 150 million yen

Operating Profit: 20 million yen



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.