

Financial Results for the third quarter of fiscal 2020 and medium-term management plan

F e b 4 , 2 0 2 1
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 (Outside Corporate Auditor) : Toru Hishida
Outside Corporate Auditor : Yoshihiro Nakamura, Hiroshi Adagawa, Nobushige Tokuono

[Number of Employees] Non-Consolidated:2,877/Consolidated:4,002 (As of January 1, 2021)

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 Google Workspace, 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

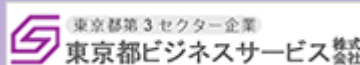


ProVision Co., Ltd.

【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】
25.2%

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】 40,000,000 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

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】 28.8%

Development and sale of encryption and authentication products

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

(Overseas Business)

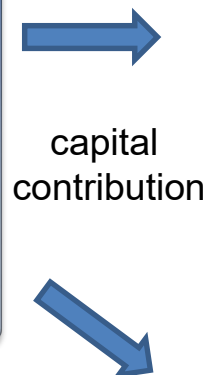


ONE Tech, Inc.

【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 2020 (Consolidated)

<YoY rate>

Financial Results 1Q-3Q (Consolidated)

Despite sharply deteriorating economic conditions following the declaration of a state of emergency due to the COVID-19 pandemic, we advanced business activities through the implementation of remote sales and the provision of teleworking-based IT support and software development support services to achieve the total operation rate of 100% or higher. As a result, sales came to 44,393 million yen, down 6.2% year on year, and operating profit stood at 5,770 million yen, down 3.5% year on year.

(in millions of yens)

	1Q-3Q Fiscal 2020		1Q-3Q Fiscal 2019		YoY rate	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Net sales	44,393	—	47,335	—	▲2,941	▲6.2%
Operating profit	5,770	13.0%	5,980	12.6%	▲209	▲3.5%
Ordinary profit	5,814	13.1%	5,791	12.2%	22	0.4%
Profit attributable to owners of parent	3,897	8.8%	3,903	8.2%	▲5	▲0.1%

Point 1

Solution Design Business

Net Sales **17,661** million yen Year-on-year +4.1% Operating Profit **2,899** million yen Year-on-year ▲2.8%

- ✓ Many orders were received mainly in relation to **Cashless, the GIGA School Initiative and EC**. We continued to promote businesses by shifting to teleworking and strived to meet customers' demand.
- ✓ We **cultivated new businesses actively** in growth areas such as those related to **mobility, AI and IoT**.
- ✓ Operating profit decreased due to an increase in the number of new graduates employees (up 2.5 times from the previous year) and advance investments made with an eye toward future growth, such as the establishment of new facilities.

Framework Design Business

Net Sales **3,784** million yen Year-on-year ▲11.3% Operating Profit **622** million yen Year-on-year ▲21.9%

- ✓ A decrease in the number of inquiries, extension or suspension occurred for new projects due to the spread of the COVID-19 infection in the existing financial sector. We continued to conduct online sales activities through online seminars and other means with a focus on the development of new business operations and building of infrastructure systems (cloud). Projects for the development of systems for the public sector, maintenance, infrastructure system building and the outsourced development of small-scale systems were recovering slightly.
- ✓ In the area of new services, we **enhanced robotic process automation (RPA) solution services**. We shifted sales initiatives and facilitated online-based sales instead of exhibition-oriented sales, leveraging online seminars, among other initiatives. Although we struggled with *product introduction services*, we made solid progress in license sales, operation and development support, among other areas.

Point 2

IT Service Business

Net Sales 6,931	million yen	Year-on-year +9.3%	Operating Profit 1,065	million yen	Year-on-year +16.1%
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- ✓ Sales and profits were driven by **high value-added** one-off projects that featured the provision of services tailored to customers' workstyles, such as **IT support and mobile environment building to help customers promote their businesses**.
- ✓ We strengthened the **inside sales** by spotlighting **IT training** that facilitates teleworking as a selling point, and developed new customers.

Solution Sales Business

Net Sales 15,299	million yen	Year-on-year ▲18.6%	Operating Profit 1,053	million yen	Year-on-year ▲10.9%
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- ✓ Sales decreased due to a decline in renewal demand for Windows 7-based computers in reaction to their high growth in the previous year. Even so, the system integration business expanded primarily due to the building of security and VDI environments and HCI projects.
- ✓ We expanded the scope of cloud solutions in response to the **New Normal** brought by COVID-19.
- ✓ 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 **971** million yen Year-on-year +0.7% **Operating Profit** **179** million yen Year-on-year +25.0%

- ✓ The number of inquiries for **Canbus** increased as companies that encourage rapid workstyle reforms through teleworking shifted their operations to **data-driven** ones.
- ✓ Following the announcement of Google Workspace, inquiries were on the rise from companies that were considering the rebuilding of groupware suitable to teleworking. Orders for **Cloudstep** increased as well.

Overseas Business

Net Sales **141** million yen Year-on-year +44.6% **Operating Profit** **12** million yen compared to previous period +34million yen

- ✓ **Inquiries and orders** received from U.S.- or Japan-based companies **increased in conjunction with projects for the establishment of original cold chain services and smart factories that use AI and IoT (LoRa).**
- ✓ **Inquiries and orders** for **projects on the development of PoC** between Japanese companies in Silicon Valley and start-ups.
- ✓ **We conducted** sales activities for StrongKey's **security services** following the enforcement of the CCPA*.
- ✓ **With our aggressive sales activities even amid the COVID-19 pandemic, we succeeded in starting transactions with some large companies.**
- ✓ **We maintained consistent monthly operating profitability continuing from the second half of the previous year.**

* 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.

Sales by Segment <YoY rate>

(in millions of yens)

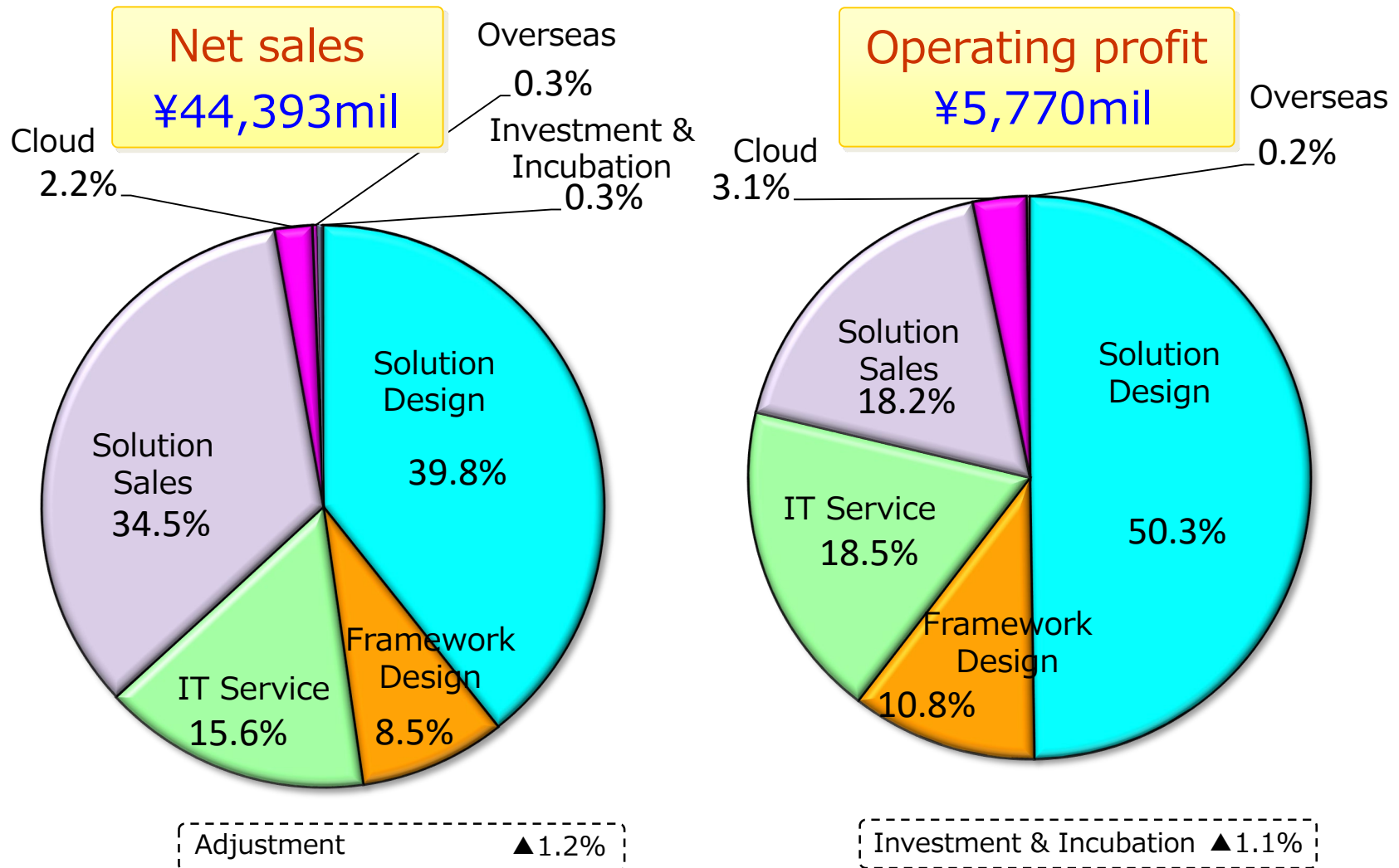
	1Q-3Q Fiscal 2020		1Q-3Q Fiscal 2019		YoY rate	
	Amount	Sales distribution ratio	Amount	Sales distribution ratio	Amount of change	rate of change
Solution Design	17,661	39.8%	16,972	35.9%	689	4.1%
Framework Design	3,784	8.5%	4,268	9.0%	▲483	▲11.3%
IT Service	6,931	15.6%	6,340	13.4%	590	9.3%
Solution Sales	15,299	34.5%	18,802	39.7%	▲3,502	▲18.6%
Cloud	971	2.2%	965	2.0%	6	0.7%
Overseas	141	0.3%	97	0.2%	43	44.6%
Investment Incubation	129	0.3%	158	0.3%	▲28	▲18.3%
Adjustment	▲527	▲1.2%	▲270	▲0.5%	▲256	—
Total	44,393	100.0%	47,335	100.0%	▲2,941	▲6.2%

Operating profit by Segment <YoY rate>

(in millions of yens)

	1Q-3Q Fiscal 2020		1Q-3Q Fiscal 2019		YoY rate	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Solution Design	2,899	16.4%	2,983	17.6%	▲83	▲2.8%
Framework Design	622	16.5%	797	18.7%	▲174	▲21.9%
IT Service	1,065	15.4%	917	14.5%	147	16.1%
Solution Sales	1,053	6.9%	1,182	6.3%	▲129	▲10.9%
Cloud	179	18.5%	143	14.9%	35	25.0%
Overseas	12	8.6%	▲22	▲23.2%	34	—
Investment Incubation	▲62	▲48.5%	▲21	▲13.6%	▲41	—
Adjustment	—	—	—	—	—	—
Total	5,770	13.0%	5,980	12.6%	▲209	▲3.5%

Composition of Net Sales and Operating Profit by Segment



Earnings Forecast for Fiscal 2020 (Consolidated, Full Year)

Earnings Forecast for the Full Year (Consolidated)

(in millions of yens)

	Fiscal 2020 Earnings Forecast		Fiscal 2019		YoY rate	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Net sales	62,227	—	64,552	—	▲2,325	▲3.6%
Operating profit	7,634	12.3%	8,163	12.6%	▲529	▲6.5%
Ordinary profit	7,370	11.8%	7,871	12.2%	▲501	▲6.4%
Profit attributable to owners of parent	4,967	8.0%	5,471	8.5%	▲504	▲9.2%

Outlook for this Period

Net Sales 24,059 million yen compared with previous period + 5.0%

Operating Profit 4,106 million yen compared with previous period + 1.1%

Selection and concentration. We will focus on business development in growth areas. **We aim to create high value-added business areas.**

1. Actively focusing on businesses development in growth areas

- **Actively cultivate new markets** in highly prospective areas such as Mobility, 5G, the GIGA School Initiative, AI , IoT and Digital Transformation.

2. Shifting to the provision of total solutions

- **Support** customers' services **at all processes from planning to implementation.** Provide added value to customers and establish a **highly profitable business structure** by expanding the scope of services from conventional designing, development and evaluation services to planning and implantation.

3. Cultivating new markets and new business areas

- Seek to **cultivate new markets** by providing services related to open source software (OSS), telework and strengthening alliances.

2. Framework Design Business

Outlook for this Period

Net Sales 5,667 million yen compared to previous period ▲1.8%

Operating Profit 1,010 million yen compared to previous period ▲4.5%

Although market trends are unclear due to the spread of COVID-19, we will continue and horizontally expand existing businesses, expand services in new businesses, and review sales methods.

1. Continue and horizontally expand existing businesses

- Continuation and horizontal expansion of projects centered on insurance/financial systems, business systems and infrastructure building.

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

- Accumulate know-how and establish sales channels in order to receive orders for core system renewal and infrastructure building (cloud computing) projects.

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

- Expand services such as business automation (RPA), AI, security, cloud, and remote operation, and increase orders for license sales and implementation support services by strengthening cooperation between headquarters, manufacturers, and agents..

4. Response to the declaration of a state of emergency (refraining from going outside)

- Promotion of staggered working hours, shift work, telework, and remote support for business continuity
- From exhibitions, seminars, and face-to-face sales to webinars, web conferences, and web sales

Outlook for this Period

Net Sales 9,282

compared to previous period
million yen +7.3%

Operating Profit 1,116

compared to previous period
million yen ▲11.7%

1. Shift management resources to high value-added projects

- We have transformed our services from help desk and system operator, services that mobilize human resources, to **high value-added IT support, IT infrastructure, PMO, DX-related support, and cloud installation/support**, to develop contracted operations on a per-service basis, providing services **directly related to customer business development**.

2. Step up efforts to cultivate new markets by enhancing the lineup of products and services.

- We will increase the number of customers and sales by **strengthening products** that address new markets and needs and **facilitating the creation and development of services** through **inside sales and other initiatives**. Efforts will be **made to build alliances** with suppliers to provide solutions, such as programs aimed at facilitating teleworking.

3. Provide services by considering the impacts on customers' businesses

- We will **promote teleworking** in consideration of the spread of the COVID-19 pandemic. A system will be established to ensure that a range of measures can be taken flexibly, including **the provision of services remotely**, instead of conventional on-site workstyles.

4. Solution Sales Business

Outlook for this Period

Net Sales 22,000 million yen compared to previous period ▲15.0%

Operating Profit 1,199 million yen compared to previous period ▲26.1%

Facing a difficult start due to a reduction in sales activities because of the spread of COVID-19 and the end of special demand for Windows with the end of support for Windows 7.

Shift the focus to existing business expansion and growth areas based on the expanded customer base

1. Investment in expanding the solutions segment

- **Expand the service menu** and expand sales to the profit division

2. Enhance initiatives aimed at hybrid environments

- **Bolster response for hybrid environments** and alliances with cloud partners

3. Strengthen earnings capacity through expanded sales of services

- Provide **ALL Systema's services on a one-stop basis**

Outlook for this Period

Net Sales 1,327 compared to previous period
million yen ▲5.5%

Operating Profit 190 compared to previous period
million yen ▲9.2%

The number of inquiries appears to be increasing as companies strive to improve their operations and internal infrastructure to make the digital transformation and telework standard operations. We seek to expand businesses by actively making advance investment in our services, such as Canbus.

1. Advance investment to enhance the awareness of Canbus and strengthen sales promotions

- We will seek to enhance brand awareness by strengthening alliances and implementing online promotions.

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**.

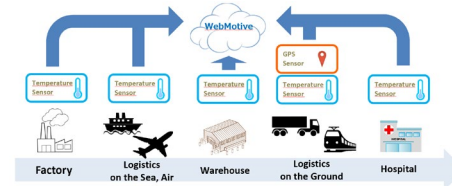
6. Overseas Business (Systema America Inc.)

Outlook for this Period

Net Sales 158 million yen Year-on-year +7.2%

Operating Profit ▲22 million yen compared to previous period ▲5million yen

- 1. Sales expansion of AI/IoT services in collaboration with ONE Tech Inc. and ONE Tech Japan Inc.**
 - We will expand our sales to the same industries where we have introduced services.
 - We will promote sales of original AI- or IoT (LoRa)-based services for cold chains and smart factories.
- 2. Technical support for the development of PoC between Japanese companies in Silicon Valley and start-ups.**
 - Acquisition of projects for the development of PoC between Japanese companies in Silicon Valley and start-ups, and utilize offshore development in Vietnam
- 3. Begin full-scale sale of StrongKey products in the U.S. as well**
 - Coverage in Japan is via the insurance plan of Tokio Marine & Nichido Fire Insurance Co., Ltd. We will strengthen sales in collaboration with Tokio Marine & Nichido Fire Insurance Co., Ltd. and Marsh Japan, Inc.
 - 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 2020 July.



Sales by Segment

(in millions of yens)

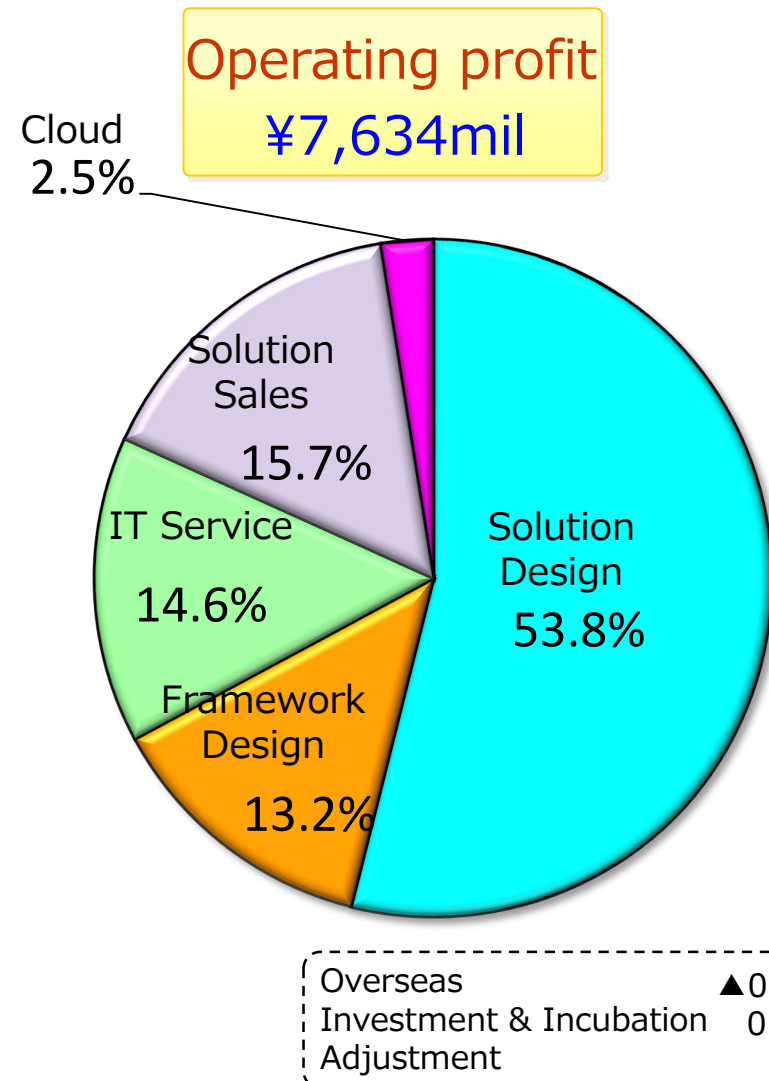
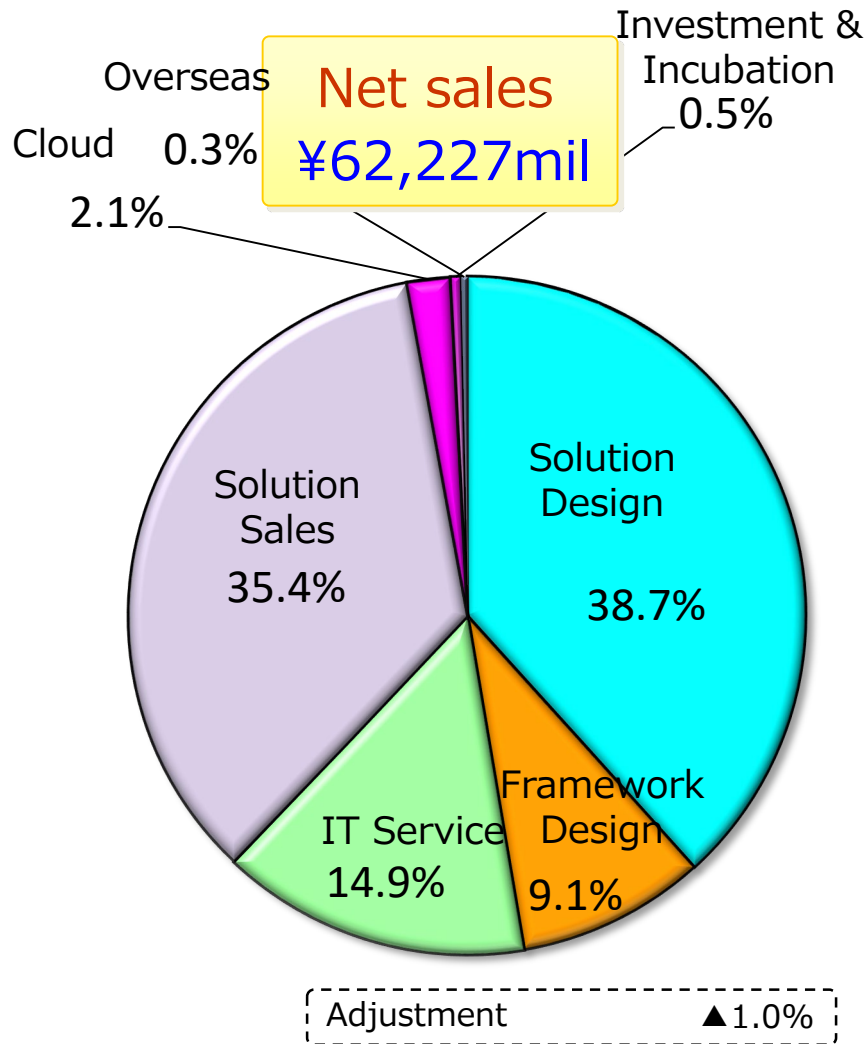
	Fiscal 2020 Earnings Forecast		Fiscal 2019		YoY rate	
	Amount	Sales distribution ratio	Amount	Sales distribution ratio	Amount of change	rate of change
Solution Design	24,059	38.7%	22,914	35.5%	1,144	5.0%
Framework Design	5,667	9.1%	5,771	8.9%	▲104	▲1.8%
IT Service	9,282	14.9%	8,650	13.4%	631	7.3%
Solution Sales	22,000	35.4%	25,887	40.1%	▲3,887	▲15.0%
Cloud	1,327	2.1%	1,404	2.2%	▲77	▲5.5%
Overseas	158	0.3%	147	0.2%	10	7.2%
Investment Incubation	334	0.5%	213	0.3%	120	56.5%
Adjustment	▲600	▲1.0%	▲437	▲0.6	▲162	—
Total	62,227	100.0%	64,552	100.0%	▲2,325	▲3.6%

Operating profit by Segment

(in millions of yens)

	Fiscal 2020 Earnings Forecast		Fiscal 2019		YoY rate	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Solution Design	4,106	17.1%	4,059	17.7%	46	1.1%
Framework Design	1,010	17.8%	1,057	18.3%	▲47	▲4.5%
IT Service	1,116	12.0%	1,264	14.6%	▲148	▲11.7%
Solution Sales	1,199	5.5%	1,622	6.3%	▲423	▲26.1%
Cloud	190	14.3%	209	14.9%	▲19	▲9.2%
Overseas	▲22	▲13.9%	▲16	▲11.2%	▲5	—
Investment Incubation	35	10.5%	▲33	▲15.7%	68	204.6%
Adjustment	—	—	—	—	—	—
Total	7,634	12.3%	8,163	12.6%	▲529	▲6.5%

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)

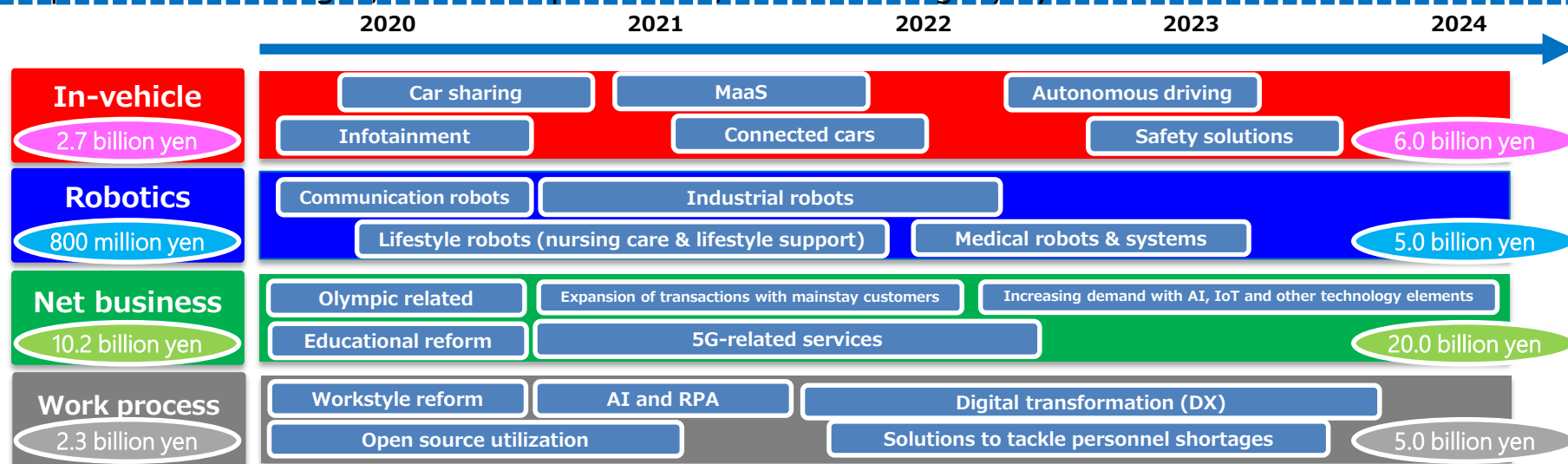
KPI	2019/3	2020/3	2021/3 Earnings Forecast	2024/3
Net Sales	59,742	64,552	62,227	101,000 (1.7x)
Operating Profit	6,902	8,163	7,634	15,200 (2.2x)
Operating profit margin	11.6%	12.6%	12.3%	15.0%
Operating profit per employee	2.16	2.32	1.89	2.60 (20% increase)
ROE	24.6%	25.5%	20.6%	25%

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.



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

Insurance

Banking

Social
infrastruc
ture

IT infra
structure

Electronic
payments

FinTech

Digitalization

Cashless payment

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

FY2020 outlook

FY2023 target

Net Sales: 5.3
billion yen

Net Sales: 5.7
billion yen

Operating Profit:
800 million yen

Operating Profit:
1 billion 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: 5.6
billion yen

Operating Profit:
1 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

FY2020 outlook

FY2023 target

Net Sales: 7.8 billion yen

Net Sales: 8.6 billion yen

Operating Profit: 1.1 billion yen

Operating Profit: 1.2 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: 9.2 billion yen

Operating Profit: 1.1 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

FY2020 outlook

FY2023 target

Net Sales: 24.0
billion yen

Net Sales: 25.8
billion yen

Operating Profit:
1.2 billion yen

Operating Profit:
1.6 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: 22
billion yen

Operating Profit:
1.2 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** **FY2020 outlook** **FY2023 target**

Net Sales: 1.1 billion yen

Net Sales: 1.4 billion yen

Operating Profit: 200 million 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: 1.3 billion yen

Operating Profit: 200 million yen

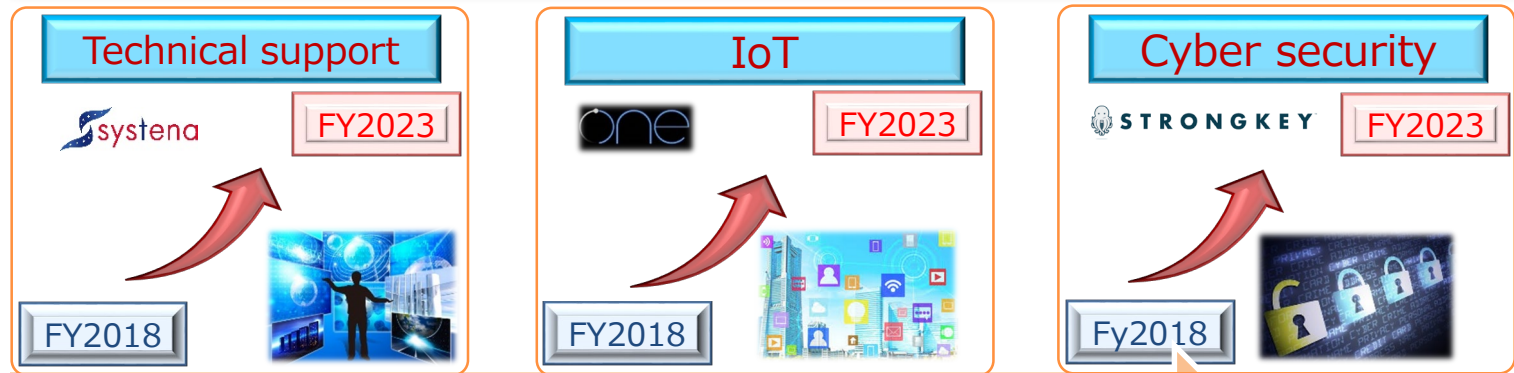
6. Overseas Business (Systema America Inc.)

- ✓ **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

FY2020 outlook

FY2023 target

Net Sales: 100
million yen

Net Sales: 100
million yen

Operating Profit:
-30 million yen

Operating Profit:
-10 million yen

Unearth the next new
technologies and markets

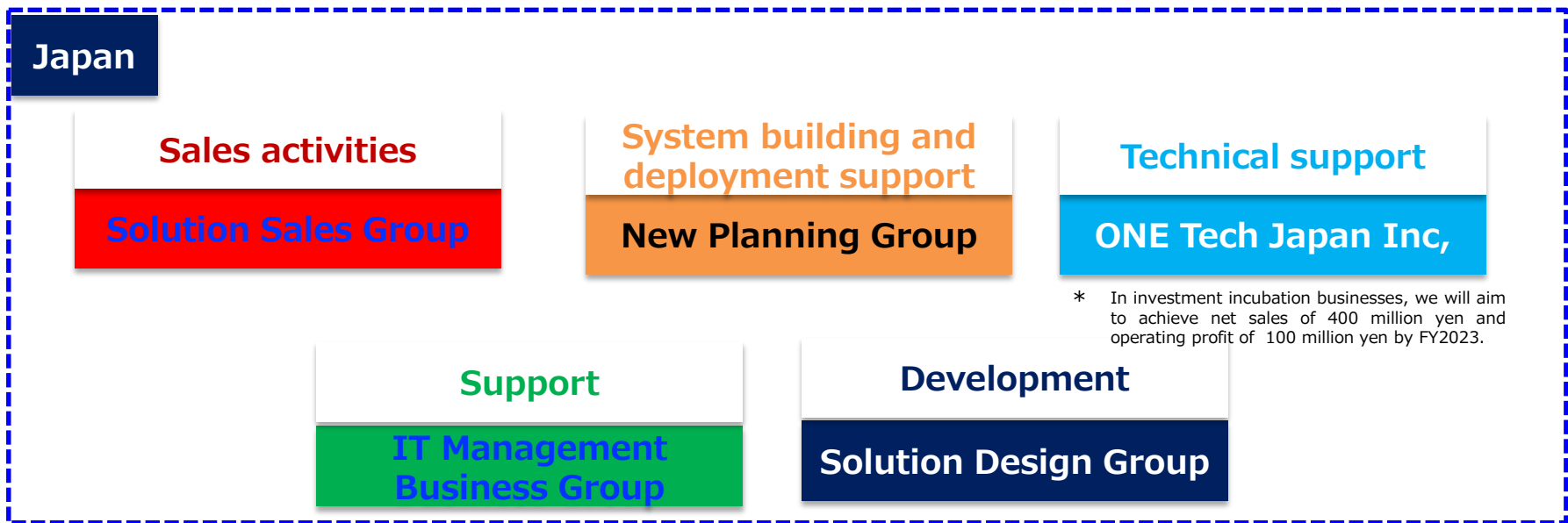
Net Sales: 640
million yen

Operating Profit:
250 million yen

State of progress

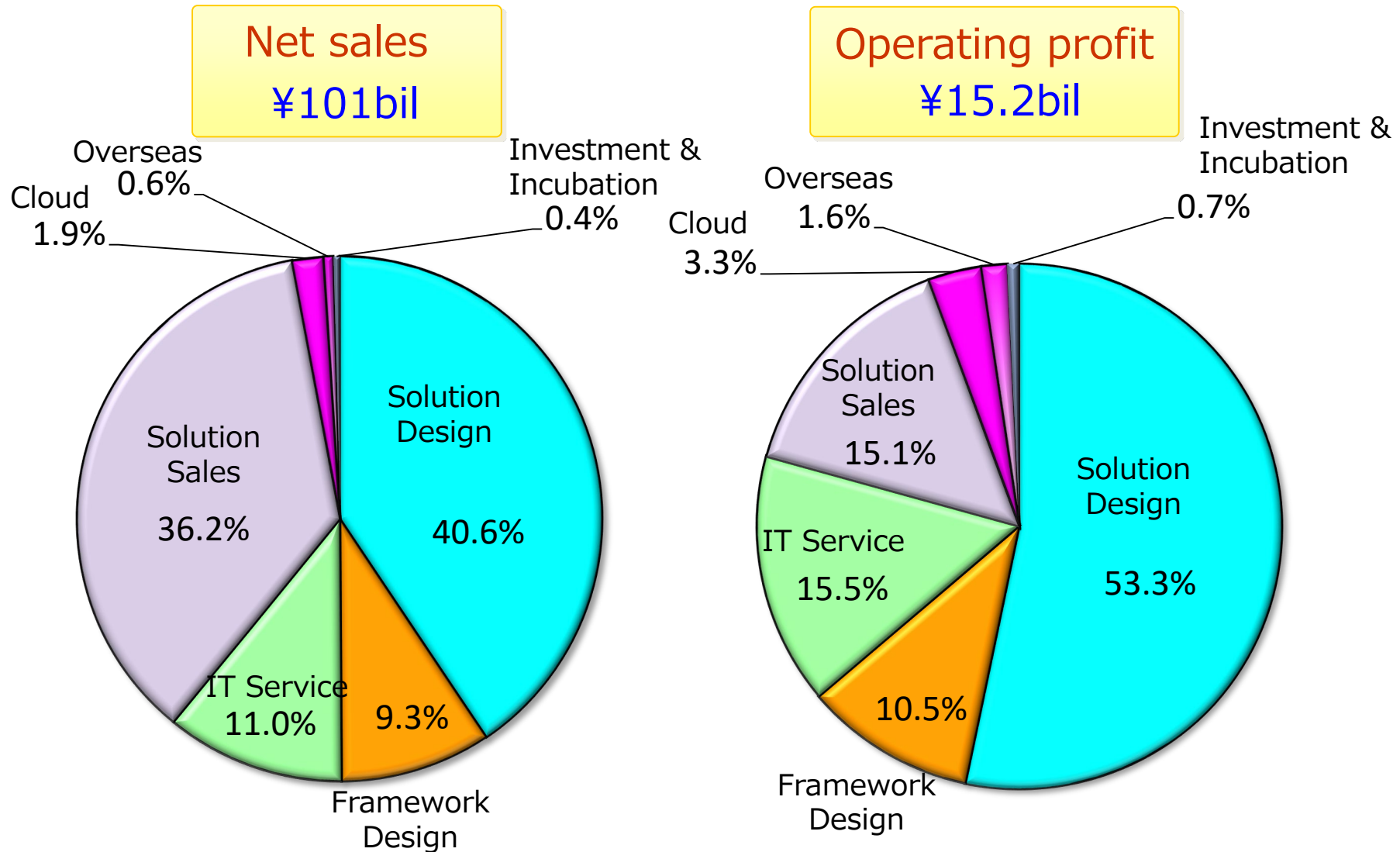
Net Sales: 150
million yen

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.