

Financial Results of fiscal 2020 and medium-term management plan

May 11, 2021
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
(Outside Corporate Auditor) : Toru Hishida

Outside Corporate Auditor : Yoshihiro Nakamura, Hiroshi Adagawa, Nobushige Tokuono

[Number of Employees] Non-Consolidated:3,456/Consolidated:4,650 (As of April 1, 2021)

Solution Design Business

- ▶ Planning, design, development and verification support for automated driving and in-car systems, products and telecommunications services
- ▶ Planning, design, development and verification support for Internet-based business, commercial apps, web services, social infrastructure-related systems, IoT, AI and robot-related services

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

IT Service Business

- ▶ Provision of IT outsourcing services including system and network operation, maintenance, monitoring, helpdesk and user support services, data entry, and high-volume data output.

Business Solution 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
- ▶ Provision of RPA solutions

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

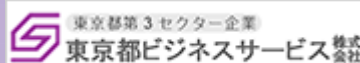


ProVision Co., Ltd.

【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

(IT Service 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

(Business Solution 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

(Investment & Incubation 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)

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)

capital contribution

Financial Results of fiscal 2020 (Consolidated) <YoY rate>

Financial Results (Consolidated)

As economic activities were restricted as a consequence of the state of emergency declared in response to the COVID-19 pandemic, we engaged in IT support, software development activities and other business activities through remote sales and telework. As a result of these efforts, business results began to recover from the second half of the year. Despite this, delays in the launch of new projects impacted overall performance, resulting in net sales of 60,871 million yen (down 5.7% YoY) and operating profit of 8,006 million yen (down 1.9% YoY).

(in millions of yens)

	Fiscal 2020		Fiscal 2019		YoY rate	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Net sales	60,871	—	64,552	—	▲3,681	▲5.7%
Operating profit	8,006	13.2%	8,163	12.6%	▲156	▲1.9%
Ordinary profit	7,507	12.3%	7,871	12.2%	▲364	▲4.6%
Profit attributable to owners of parent	4,974	8.2%	5,471	8.5%	▲497	▲9.1%

Point 1

Solution Design Business

Net Sales **23,819** million yen Year-on-year +4.0% Operating Profit **4,099** million yen Year-on-year +1.0%

- ✓ Orders were strong primarily for **5G, GIGA school initiative and cashless payments**. We continued to cater to customer demand by shifting toward telework in our business operations.
- ✓ We **cultivated new businesses actively** in growth areas such as those related to **mobility, AI and IoT**.
- ✓ We absorbed advance investments for future advancement—including as an increase in new graduate employees (2.5 times the number in the previous year) and opening of new locations—and increased operating profit.

Framework Design Business

Net Sales **5,105** million yen Year-on-year ▲11.5% Operating Profit **860** million yen Year-on-year ▲18.6%

- ✓ In the existing financial sector we were unable to resolve the issues of a **decrease in customer inquiries, delays and cancellations of new projects** as a result of the **COVID-19 pandemic**. We invested our energies into **web seminars and other web-based sales targeting new clients**. Project such as **public works-related development, maintenance jobs, infrastructure building and commissioned development** continued to show recovery.
- ✓ 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 9,384	million yen	Year-on-year +8.5%	Operating Profit 1,417	million yen	Year-on-year +12.1%
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- ✓ In the IT Service Business, **sales and profits** increased due to **high added-value** projects for creating customer workstyles, such as **mobile network building**, as customers accelerate their introduction of cloud solutions and **IT support to assist their business operations**.
- ✓ We strengthened our **alliances** with manufacturers and developed new customers, using services such as **IT training** and **security services** for facilitating telework as a sales hook.

Solution Sales Business

Net Sales 21,432	million yen	Year-on-year ▲17.2%	Operating Profit 1,392	million yen	Year-on-year ▲14.2%
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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 1,484 million yen Year-on-year +5.7% **Operating Profit** 300 million yen Year-on-year +43.5%

- ✓ 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 188 million yen Year-on-year +27.7% **Operating Profit** 7 million yen compared to previous period +24million 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** between Japanese companies in Silicon Valley and start-ups.
- ✓ **Output by our engineers is high, and customers are in the process of migrating operations from competitors to Systema.**
- ✓ With our aggressive sales activities even amid the COVID-19 pandemic, **we succeeded in starting transactions with some large companies.**
- ✓ **We achieved profitability throughout the year.**

Sales by Segment <YoY rate>

(in millions of yens)

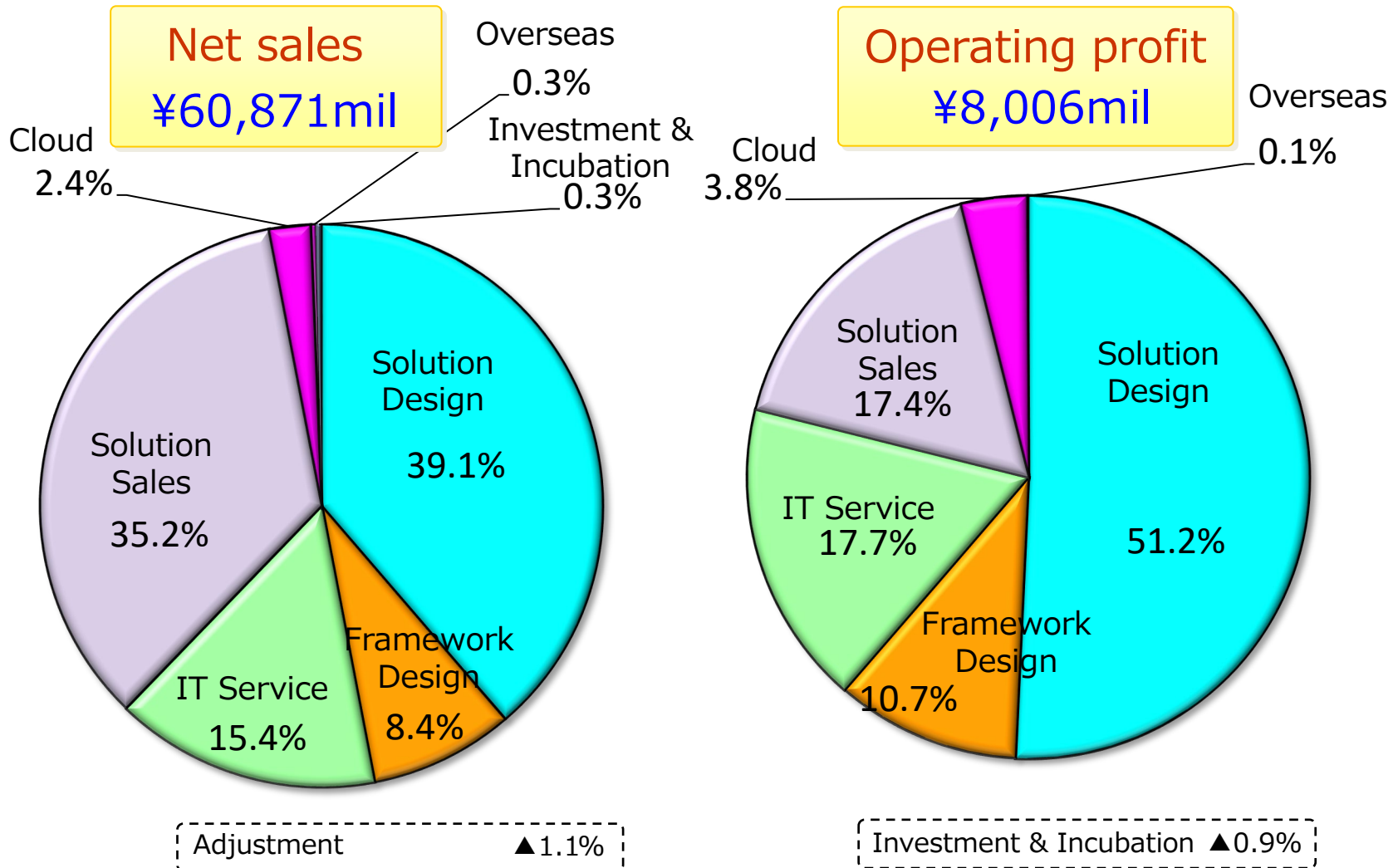
	Fiscal 2020		Fiscal 2019		YoY rate	
	Amount	Sales distribution ratio	Amount	Sales distribution ratio	Amount of change	rate of change
Solution Design	23,819	39.1%	22,914	35.5%	905	4.0%
Framework Design	5,105	8.4%	5,771	8.9%	▲665	▲11.5%
IT Service	9,384	15.4%	8,650	13.4%	733	8.5%
Solution Sales	21,432	35.2%	25,887	40.1%	▲4,455	▲17.2%
Cloud	1,484	2.4%	1,404	2.2%	79	5.7%
Overseas	188	0.3%	147	0.2%	40	27.7%
Investment Incubation	178	0.3%	213	0.3%	▲35	▲16.5%
Adjustment	▲721	▲1.1%	▲437	▲0.6%	▲284	—
Total	60,871	100.0%	64,552	100.0%	▲3,681	▲5.7%

Operating profit by Segment <YoY rate>

(in millions of yens)

	Fiscal 2020		Fiscal 2019		YoY rate	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Solution Design	4,099	17.2%	4,059	17.7%	40	1.0%
Framework Design	860	16.9%	1,057	18.3%	▲196	▲18.6%
IT Service	1,417	15.1%	1,264	14.6%	152	12.1%
Solution Sales	1,392	6.5%	1,622	6.3%	▲230	▲14.2%
Cloud	300	20.2%	209	14.9%	91	43.5%
Overseas	7	4.0%	▲16	—	24	—
Investment Incubation	▲71	▲39.9%	▲33	—	▲37	—
Adjustment	—	—	—	—	—	—
Total	8,006	13.2%	8,163	12.6%	▲156	▲1.9%

Composition of Net Sales and Operating Profit by Segment



Earnings Forecast for Fiscal 2021 (Consolidated, Full Year)

Earnings Forecast for the Full Year (Consolidated)

(in millions of yens)

	Fiscal 2021 Earnings Forecast		Fiscal 2020		YoY rate	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Net sales	66,100	—	60,871	—	5,228	8.6%
Operating profit	8,300	12.6%	8,006	13.2%	293	3.7%
Ordinary profit	8,004	12.1%	7,507	12.3%	496	6.6%
Profit attributable to owners of parent	5,371	8.1%	4,974	8.2%	396	8.0%

1-1. Solution Design Business

Outlook for this Period

Net Sales 20,750 million yen compared with previous period + 8.3%

Operating Profit 3,870 million yen compared with previous period +6.8%

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.

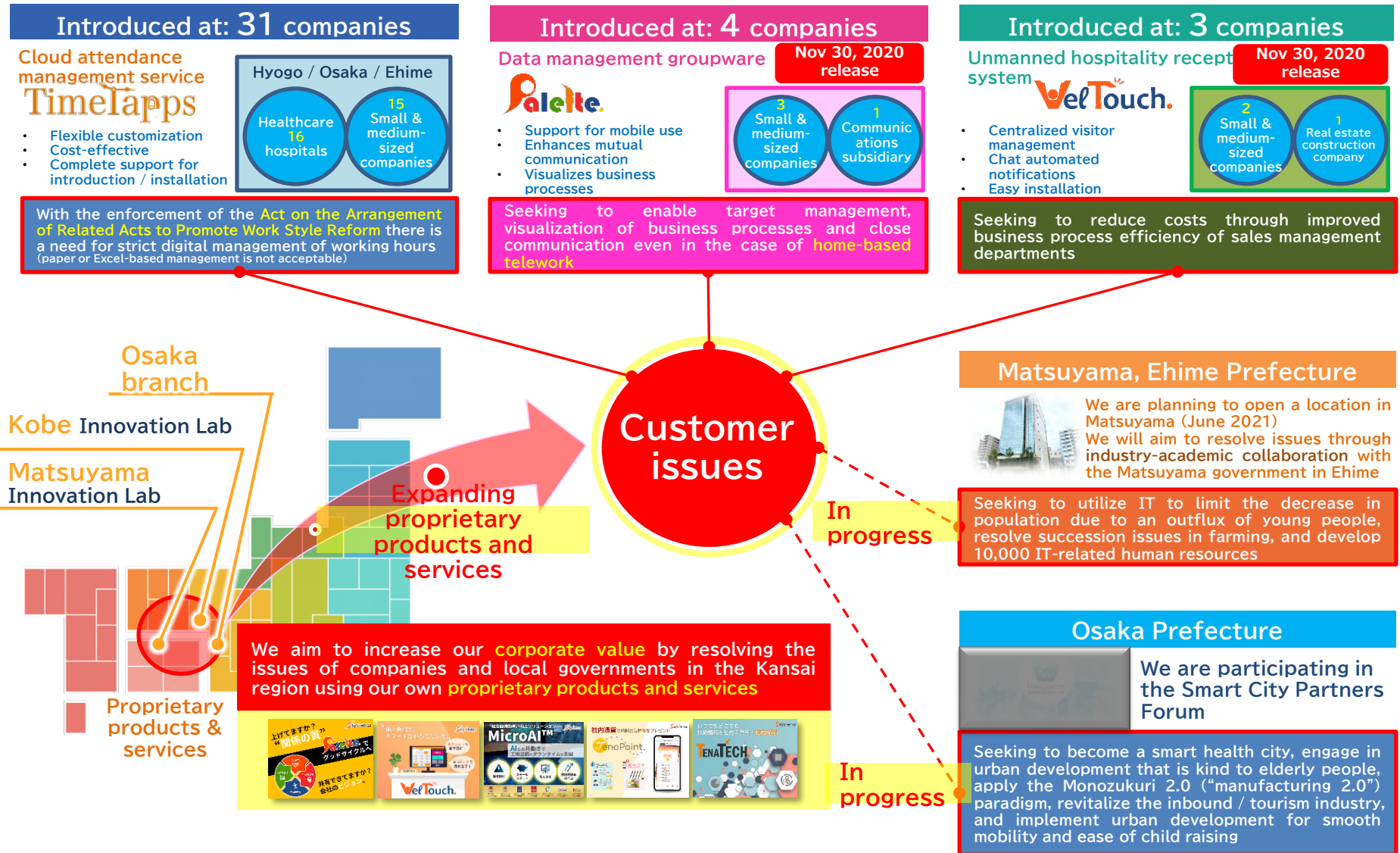
3. Cultivating new markets and new business areas

- **Aim to create new business** by enhancing **digital transformation (DX)** related services.

*As of this fiscal year ProVision (results forecast for this fiscal year: net sales 5,000 million yen, operating profit 500 million yen), which was included in the Solution Design Business segment has been reassigned to the IT Service Business segment; and IDY (results forecast for this fiscal year: net sales 342 million yen, operating profit 16 million yen), which was also included in the Solution Design Business segment, has been reassigned to the Business Solution Business segment. Results for each segment for the previous year (the year ended March 31, 2021) have been rearranged according to these changes in order to calculate YoY comparisons.

1-2. Solution Design Business

(Examples of DX service initiatives at Osaka branch)



2. Framework Design Business

Outlook for this Period

Net Sales 5,121 compared to previous period
million yen +13.8%

Operating Profit 867 compared to previous period
million yen +12.2%

We will invest our energies into growth areas and aim to maximize orders through both existing business operations primarily in the financial sector and new operations in new business domains.

1. Maximizing existing businesses and expanding into growth areas

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

2. Actively securing orders for digital transformation (DX) projects

- We will enhance our organizational structure in terms of both sales and technology, in order to secure orders for renewals of core mission-critical systems and infrastructure building (cloud-based) projects.

3. Expanding service-type business operations

- We will seek to expand and enhance our services, beginning with commissioned development, business process support and cloud services. We will expand orders by enhancing coordination between divisions and service vendors.

*As of this fiscal year the new services area (results forecast for this fiscal year: net sales 1,000 million yen, operating profit 110 million yen), which was included in the Framework Design Business segment, has been reassigned to the Business Solution Business segment. Results for each segment for the previous year (the year ended March 31, 2021) have been rearranged according to these changes in order to calculate YoY comparisons.

3-1. IT Service Business

Outlook for this Period

Net Sales 15,383

compared to previous period
million yen +12.6%

Operating Profit 1,950

compared to previous period
million yen +4.1%

The number of customers **advancing digital transformation (DX)** and companies **engaged in further workstyle reforms** is **increasing** in all industries. We will concentrate our energies into responding to the following, for which there is growing demand.

- **Rebuilding / optimization of existing IT environments**
- **Expanding IT support services for companies creating new business models**

1. Increasing efforts in areas with high added-value projects

- Based on know-how developed in providing personnel mobilization-type services, we will focus **on providing services** that are more directly linked to customer business growth and speedup; including high added-value **contract-type services** such as IT support, IT infrastructure and PMO, as well as **assessment and consulting services** utilizing our track record in catering to customer needs in response to environmental changes.

2. Expanding software quality assurance (QA) services

- We will focus on expanding existing business and developing new business in **the enterprise segment**, utilizing **quality assurance (QA) services developed in the entertainment segment**, where there are also growing number of orders for content such as social games and net business.

3. Developing new customers and creating new business models

- We will provide **new services** through **investment in human resources development** and **alliances with group companies and partner companies**; and **enhance sales** and services by **expanding the scope of support**, strengthening **inside sales**, and **opening regional business bases**.

*As of this fiscal year the subsidiary ProVision (results forecast for this fiscal year: net sales 5,000 million yen, operating profit 500 million yen), which was included in the Solution Design Business segment, has been reassigned to the IT Service Business segment. Results for each segment for the previous year (the year ended March 31, 2021) have been rearranged according to these changes in order to calculate YoY comparisons.

3-2. IT Service Business (Aggressive Synergies)

(1) Exchange of human resources

(2) Expansion of services



ProVision

Fields for Aggressive expansion

Expand range Layer up



Tokyoto Business Service

(3) Expand locations

(4) Enhance sales

New value creation [New services / new customers / expansion of locations / strengthening alliances]



ProVision

In addition to expansion in the entertainment segment including social games and net business (BtoBtoC), ProVision will aim to **utilize Systema's business knowledge to expand the enterprise segment.**



Tokyoto Business Service

Tokyoto Business Service will aim to **expand work by employees with disabilities and support services** (support center and consulting services) **to customers of Systema and ProVision** in order to establish an organizational structure with 200 employees with disabilities.



Systema will expand quality verification and public bidding-related services comprehensively, tackle the challenges of establishing regional business locations, and **aim to expand PMO services.**

4-1. Business Solution Business

Changed name from
"Solution Sales"

Outlook for this Period

Net Sales 23,835 million yen compared to previous period +6.7%

Operating Profit 1,634 million yen compared to previous period +9.0%

Despite limitation of investment due to the COVID-19 pandemic, we are expanding efforts toward digital transformation (DX) and the normalization of telework.

Expanding existing businesses and shifting our focus to growth areas

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. Expanding digital transformation (DX) related services

- Expanding our service menu, including **RPA** and **data integration tools**

4. Strengthen earnings capacity through expanded sales of services

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

*As of this fiscal year the new services area (results forecast for this fiscal year: net sales 1,000 million yen, operating profit 110 million yen), which was included in the Framework Design Business segment; and the subsidiary IDY (results forecast for this fiscal year: net sales 342 million yen, operating profit 16 million yen), which was included in the Solution Design Business, have both been reassigned to the Business Solution Business segment. Results for each segment for the previous year (the year ended March 31, 2021) have been rearranged according to these changes in order to calculate YoY comparisons.

4-2. Business Solution Synergies

We aim to resolve customer ICT issues by providing products as a one-stop service, from introduction to system building, development and support.

● Product Sales Business

Enterprise sales of IT-related products and services including servers, PCs, peripheral devices, software and Microsoft 365

Lineup:

1,200 companies

2 million items

Strengthening alliances with each firm

● Solution Business

- Server virtualization / HCI infrastructure
- VDI solutions
- Authentication infrastructure solutions
- Storage solutions
- Security solutions
- Backup business continuity solutions

Expanding service menu by strengthening alliances with hardware manufacturers and other companies

● DX Business

- RPA solutions
- Database migration
- Modernization
- Cloud solutions
- BI solutions
- SoC / managed services

Strengthening alliance with Microsoft and expanding and enhancing solutions menu

● Collaboration with IDY

- 5G edge gateway
- M2M solutions
- Network connection services



Selling IDY products and expanding and enhancing solutions menu



Total
Solutions
Service

Supporting product / service lifecycles for over 10,000 customers

Outlook for this Period

Net Sales 1,500 compared to previous period
million yen +1.1%

Operating Profit 100 compared to previous period
million yen ▲66.7%

We are seeing an increase in inquiries for improving companies' internal infrastructure and improving business processes toward normalizing telework. We are making proactive advance investments in our own services, primarily Canbus., with the aim of deploying these services in the field of digital transformation (DX).

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

- We receive many inquiries for engaging in digital transformation efforts. We will work to **enhance our services** to enable an easy start on these projects. We will also work proactively to **strengthen alliances**, and **aim to develop new ones**.

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**.

Outlook for this Period

Net Sales 230 million yen compared to previous period +22.2%

Operating Profit 8 million yen compared to previous period +6.1%

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. Expanding the scope of orders in businesses with existing transactions

- The process of customers transferring jobs that were previously entrusted to competitors to Systema is accelerating, due to the high output quality, flexible customer-oriented response and proposal-making capabilities of Systema engineers.

Earnings Forecast for the Full Year (Consolidated)

Sales by Segment

(in millions of yens)

	Fiscal 2021 Earnings Forecast		Fiscal 2020		YoY rate	
	Amount	Sales distribution ratio	Amount	Sales distribution ratio	Amount of change	rate of change
Solution Design	20,750	31.4%	19,163	31.5%	1,586	8.3%
Framework Design	5,121	7.7%	4,498	7.4%	622	13.8%
IT Service	15,383	23.3%	13,662	22.4%	1,720	12.6%
Business Solution	23,835	36.1%	22,343	36.7%	1,491	6.7%
Cloud	1,500	2.3%	1,484	2.4%	15	1.1%
Overseas	230	0.3%	188	0.3%	41	22.2%
Investment Incubation	211	0.3%	178	0.3%	32	18.4%
Adjustment	▲930	▲1.4%	▲647	▲1.0%	▲282	—
Total	66,100	100.0%	60,871	100.0%	5,228	8.6%

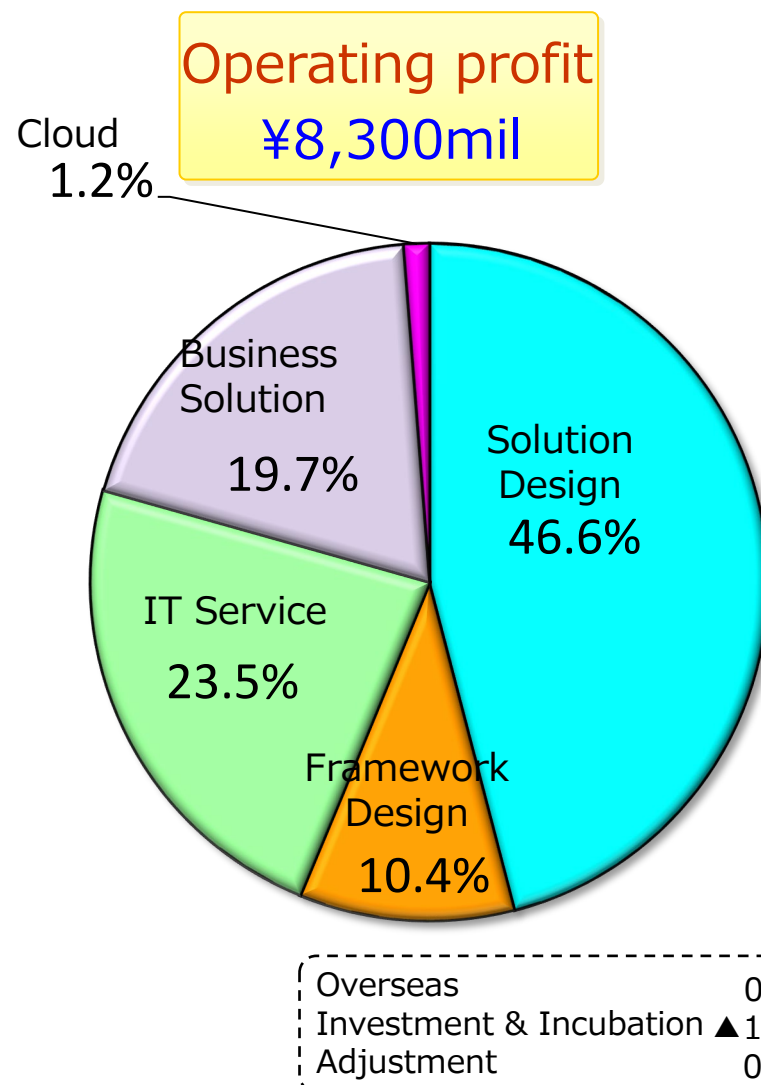
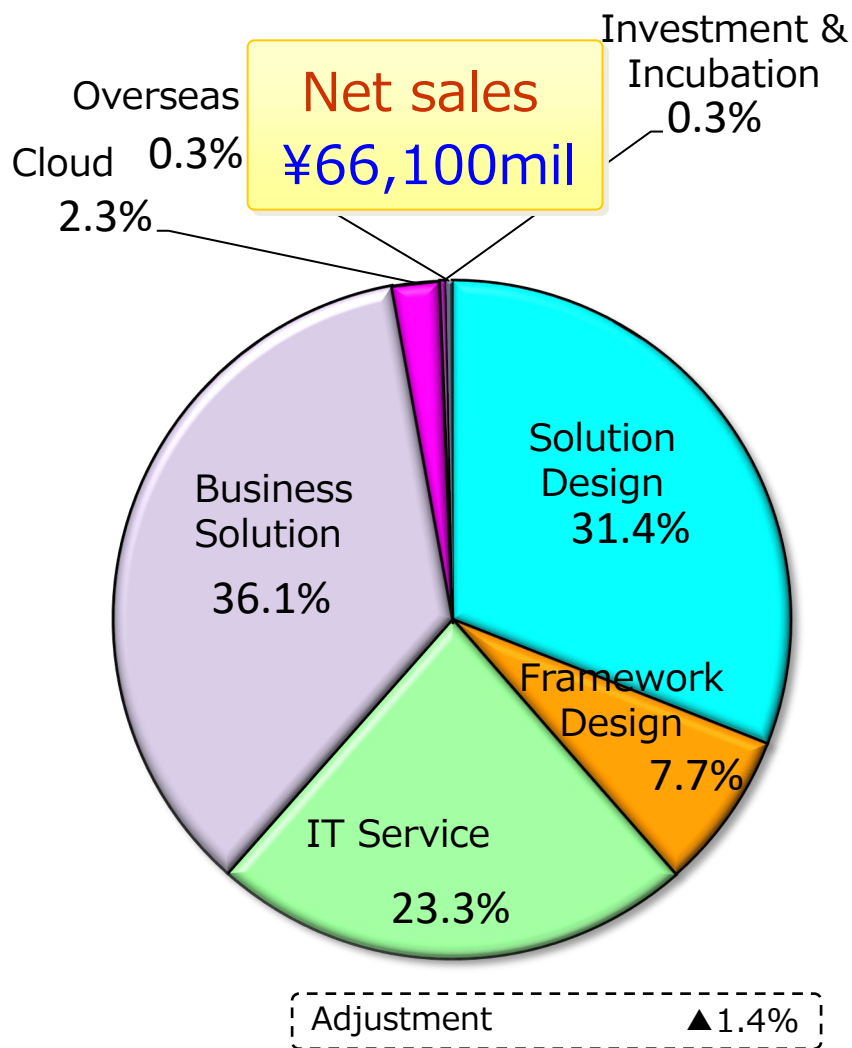
*As of this fiscal year the subsidiary ProVision (results forecast for this fiscal year: net sales 5,000 million yen, operating profit 500 million yen), which was included in the Solution Design Business segment, has been reassigned to the IT Service Business segment; the subsidiary IDY (results forecast for this fiscal year: net sales 342 million yen, operating profit 16 million yen), which was included in the Solution Design Business segment, has been reassigned to the Business Solution Business segment; and the new services area (results forecast for this fiscal year: net sales 1,000 million yen, operating profit 110 million yen), which was included in the Framework Design Business segment, has been reassigned to the Business Solution Business segment. Results for each segment for the year ended March 31, 2021 have been rearranged according to these changes.

Operating profit by Segment

(in millions of yens)

	Fiscal 2021 Earnings Forecast		Fiscal 2020		YoY rate	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Solution Design	3,870	18.7%	3,624	18.9%	245	6.8%
Framework Design	867	16.9%	772	17.2%	94	12.2%
IT Service	1,950	12.7%	1,873	13.7%	76	4.1%
Business Solution	1,634	6.9%	1,499	6.7%	134	9.0%
Cloud	100	6.7%	300	20.2%	▲200	▲66.7%
Overseas	8	3.5%	7	4.0%	0	6.1%
Investment Incubation	▲142	▲67.3%	▲71	▲39.9%	▲70	—
Adjustment	13	—	—	—	13	—
Total	8,300	12.6%	8,006	13.2%	293	3.7%

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 medium-term management plan (Fiscal 2019~ Fiscal 2024)

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.

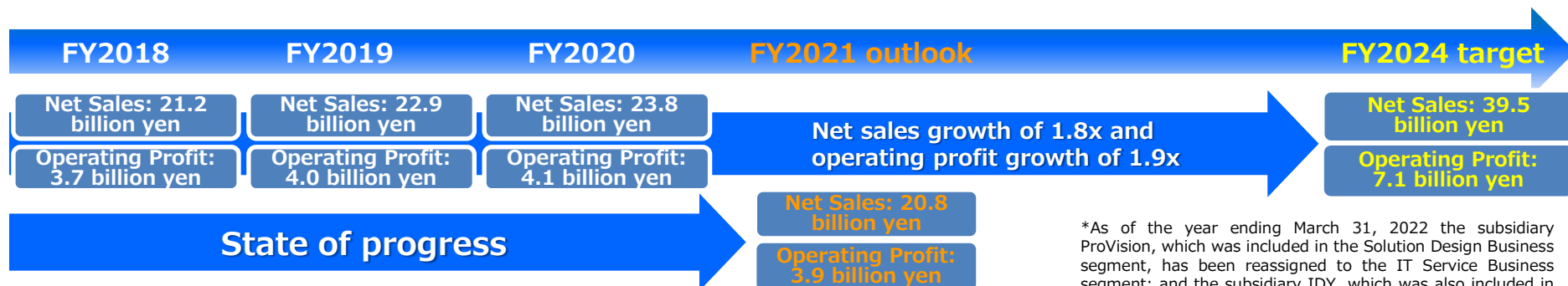
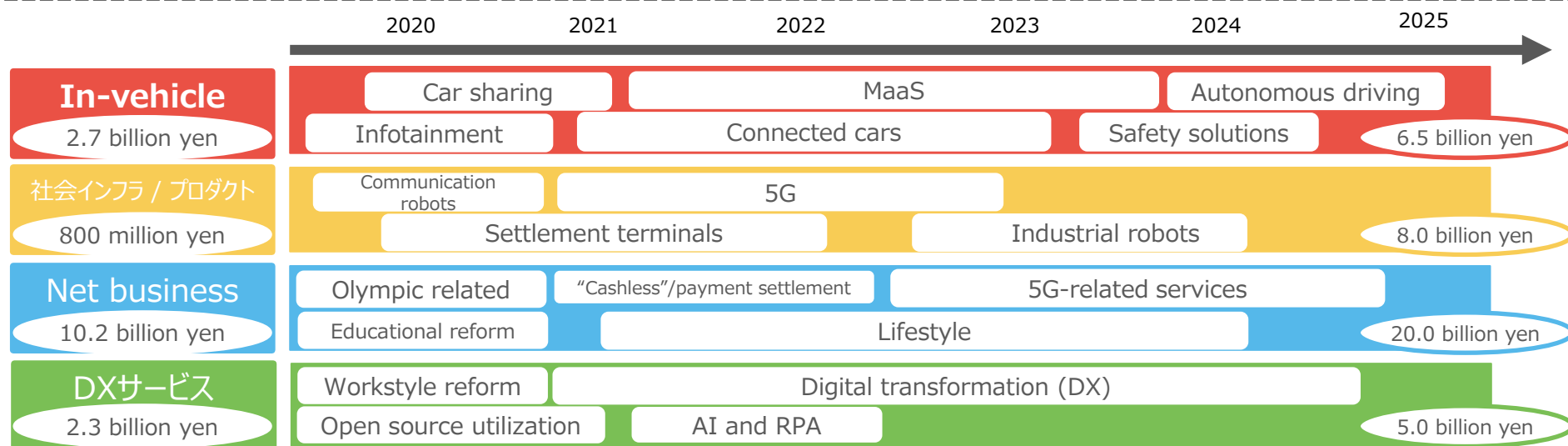
Targeted Management Indicators and Outlook for Fiscal 2024

(hundreds of millions of yen)

KPI	2019/3	2020/3	2021/3	2022/3 Earnings Forecast	2025/3 target
Net Sales	59,742	64,552	60,871	66,100	101,000 (1.7x)
Operating Profit	6,902	8,163	8,006	8,300	15,200 (2.2x)
Operating profit margin	11.6%	12.6%	13.2%	12.6%	15.0%
Operating profit per employee	2.16	2.32	1.99	1.70	2.60 (20% increase)
ROE	24.6%	25.5%	20.6%	19.6%	25%

1. Solution Design Business

- ✓ We will focus on net business, for which there is an increase in social demand due to the impact of COVID-19, with the aim of industry expansion. We will also be selecting and focusing on in-car business, which is currently undergoing an industry-wide transformation, with a view to establishing long-term competitiveness.
- ✓ There is an increasing demand for digital transformation as a result of customers transforming their business models and processes. We will aim to expand business operations not only through system integration but also through the provision of our own proprietary services.



*As of the year ending March 31, 2022 the subsidiary ProVision, which was included in the Solution Design Business segment, has been reassigned to the IT Service Business segment; and the subsidiary IDY, which was also included in the Solution Design Business segment, has been reassigned to the Business Solution Business segment. Results for each segment for the year ending March 31, 2022 onward have been rearranged according to these changes.

2. Framework Design Business

In the Framework Design Business we will

- ✓ **Deploy know-how on financial systems development** while also **aiming to achieve transformations toward responding to DX**
- ✓ **Proactively develop both new and existing customers**
- ✓ Offer total support including development, infrastructure and maintenance by **enhancing our frameworks for undertaking commissioned development.**
- ✓ **Create new growth engines** for the DX era and deploy them in SaaS utilization development

Insurance Banking
Social infrastructure

Expand segments with existing customers, respond to digitalization needs, renew core systems, and acquire integrated response projects

Data utilization

Renewal of core systems

Shifting away from host-based systems

UI improvement

Public sector Distribution services

Expand new segments by deploying finance-related know-how, and aim to maximize with DX-related development

Cloud

Agile

CI/CD

SaaS utilization

Numerical targets

Finance business (existing)

19.3 Sales 2.5 billion → 25.3 Sales 3.0 billion **+20% increase**

New business domains (public, etc.)

19.3 Sales 0.5 billion → 25.3 Sales 2.0 billion **+4 times increase**

DX-related business

19.3 Sales 0.0 billion → 25.3 Sales 1.5 billion **New development**

FY2018

FY2019

FY2020

FY2021 outlook

FY2024 target

Net Sales: 5.3 billion yen

Net Sales: 5.8 billion yen

Net Sales: 5.1 billion yen

Operating Profit: 840 million yen

Operating Profit: 1.06 billion yen

Operating Profit: 860 million yen

Net sales growth of 1.7x and operating profit growth of 1.8x

Net Sales: 7.5 billion yen

Operating Profit: 1.25 billion yen

Net Sales: 5.1 billion yen

Operating Profit: 870 million yen

State of progress

*As of the year ending March 31, 2022 the new services area, which was included in the Framework Design Business segment, has been reassigned to the Business Solution Business segment. Results for each segment for the year ending March 31, 2022 onward have been rearranged according to these changes.

3. IT Service Business

Create and implement new business models with customers, continue to attempt new challenges based on experience and past performance, and become a transformation group that provides services that lead directly to business growth and speedup for companies.

- We will focus on high added-value **contract-type services** such as **IT support, IT infrastructure and PMO**, and **assessment and consulting services**, based on know-how developed through other projects.
- In addition to expanding software quality assurance (QA) services, social games, net business and other BtoBtoC services in the **entertainment segment**, we will also expand the BtoB **enterprise segment**.
- We will also enhance synergies with Systema Group services, locations and human resources.

Expanding business fields

Alliances / enhancing new services /
expanding locations

IT support
services

Infrastructure
services

PMO
services

Quality
verification
services

- We aim to increase net sales for contract-type services such as IT support, IT infrastructure and PMO from the current level of 4.5 billion yen to **8.0 billion yen**.
- We aim to increase net sales for quality verification services from the current level of 3.3 billion yen to **6.0 billion yen**.

FY2018

FY2019

FY2020

FY2021 outlook

FY2024 target

Net Sales: 7.8
billion yen

Net Sales: 8.7
billion yen

Net Sales: 9.4
billion yen

Increase number of
customers

Enhancing IT services

Operating Profit:
1.1 billion yen

Operating Profit:
1.3 billion yen

Operating Profit:
1.4 billion yen

Net sales growth of 2.1x and
operating profit growth of 3.0x

Net Sales:
18 billion yen

Operating Profit:
3.55 billion yen

Net Sales: 15.4
billion yen

Operating Profit:
2.0 billion yen

State of progress

*As of the year ending March 31, 2022 the subsidiary ProVision, which was included in the Solution Design Business segment, has been reassigned to the IT Service Business segment. Results for each segment for the year ending March 31, 2022 onward have been rearranged according to these changes.

4. Business Solution 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 hybrid environments
- Expand DX business services
- Expand synergies and services from collaboration between Systema Group companies and divisions

Numerical Targets

Existing business

+40% increase

FY2024

FY2018



Service business

+180% increase

FY2024

FY2018



DX business

+350% increase

FY2024

FY2018



FY2018

FY2019

FY2020

FY2021 outlook

FY2024 target

Net Sales: 24.0 billion yen

Net Sales: 25.9 billion yen

Net Sales: 21.4 billion yen

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

Net Sales: 35.39 billion yen

Operating Profit: 1.2 billion yen

Operating Profit: 1.6 billion yen

Operating Profit: 1.4 billion yen

Operating Profit: 2.45 billion yen

State of progress

Net Sales: 23.8 billion yen

Operating Profit: 1.6 billion yen

*As of the year ending March 31, 2022 the new services area, which was included in the Framework Design Business segment, and the subsidiary IDY, which was included in the Solution Design Business segment, have been reassigned to the Business Solution Business segment. Results for each segment for the year ending March 31, 2022 onward have been rearranged according to these changes.

5. Cloud Business

- ✓ We will seek to accelerate subscription model business with Canbus., our DX platform for driving digital transformation.
- ✓ We will aim to achieve growth in high added-value businesses with Cloudstep and Canbus., in order to support the transformation of business processes through telework and other forms of workstyle reform.

2020 2021 2022 2023 2024 2025

Workstyle reform

AI and RPA

Digital transformation (DX)

Measures against personnel shortages



Canbus.

A DX platform that enables anyone to create and operate DX apps easily, regardless of their level of IT literacy. It will solve corporate management issues such as DX and workstyle reform.



Cloudstep

A piece of groupware that can be used as an addon for Google Workspace and Office365. It facilitates improvements in enterprise productivity and greater workstyle diversity.

New Services

We will create new services from R&D, primarily in areas such as IoT, AI and security.

FY2018

FY2019

FY2020

FY2021 outlook

FY2024 target

Net Sales: 1.1 billion yen

Net Sales: 1.4 billion yen

Net Sales: 1.5 billion yen

Operating Profit: 200 million yen

Operating Profit: 200 million yen

Operating Profit: 300 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: 1.5 billion yen

Operating Profit: 100 million yen

6. Overseas Business (Systema America Inc.)

- ✓ **We will aim to expand joint orders with One Tech in the ever-growing field of edge AI,** based on technical support for Japanese-owned companies in the US.
- ✓ We will also seek to establish a robust business base in terms of sales and profits, through tech support for Japanese-owned companies, as well as PoC and incubation support services in the US.

Business
Strategy

- Bolster technical support for Japanese-owned companies in the U.S.
- Joint IoT project orders with One Tech utilizing edge AI, in the US and globally

Key fields



FY2018

FY2019

FY2020

FY2021 outlook

FY2024 target

Net Sales: 100 million yen

Net Sales: 100 million yen

Net Sales: 190 million yen

Operating Profit: -30 million yen

Operating Profit: -20 million yen

Operating Profit: 7 million yen

Unearth the next new technologies and markets

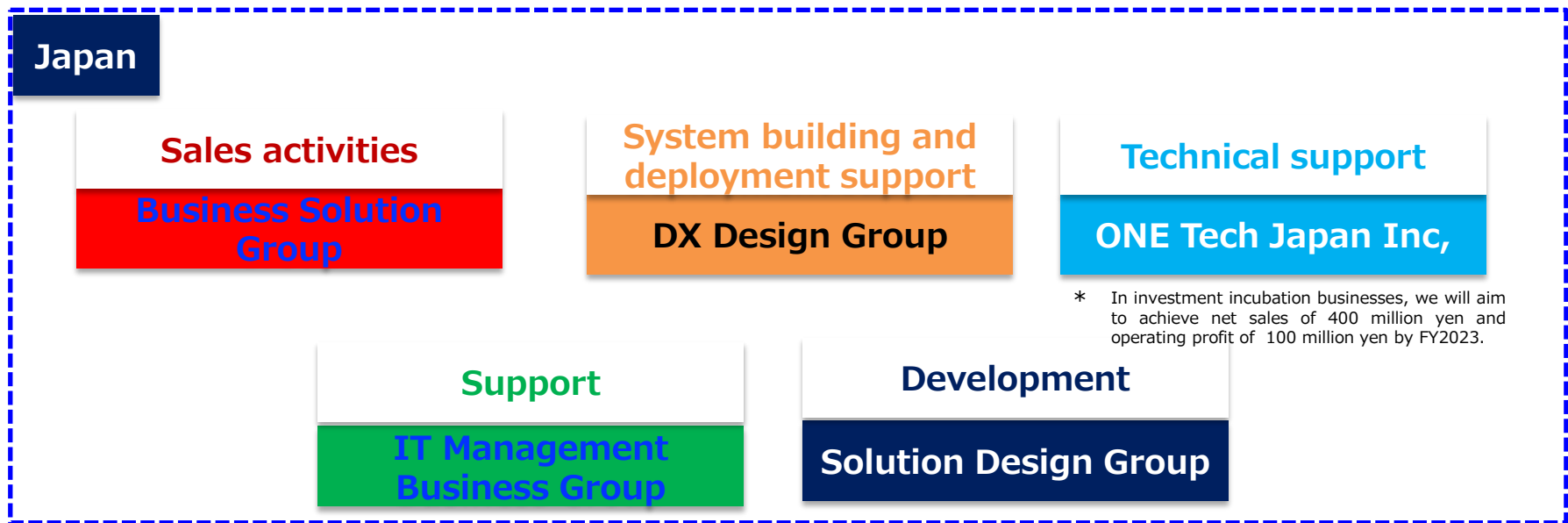
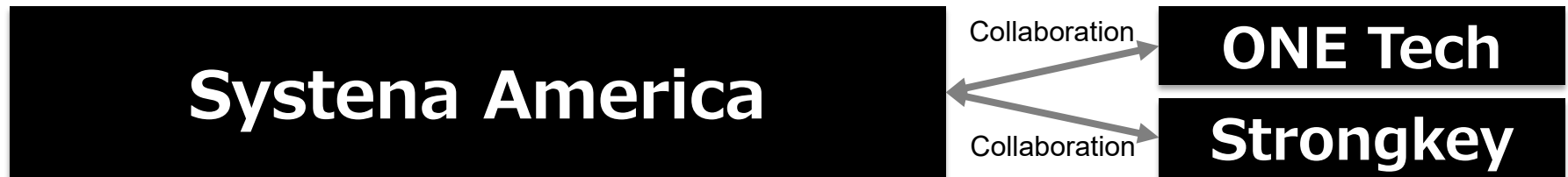
Net Sales: 640 million yen

Operating Profit: 250 million yen

Net Sales: 230 million yen

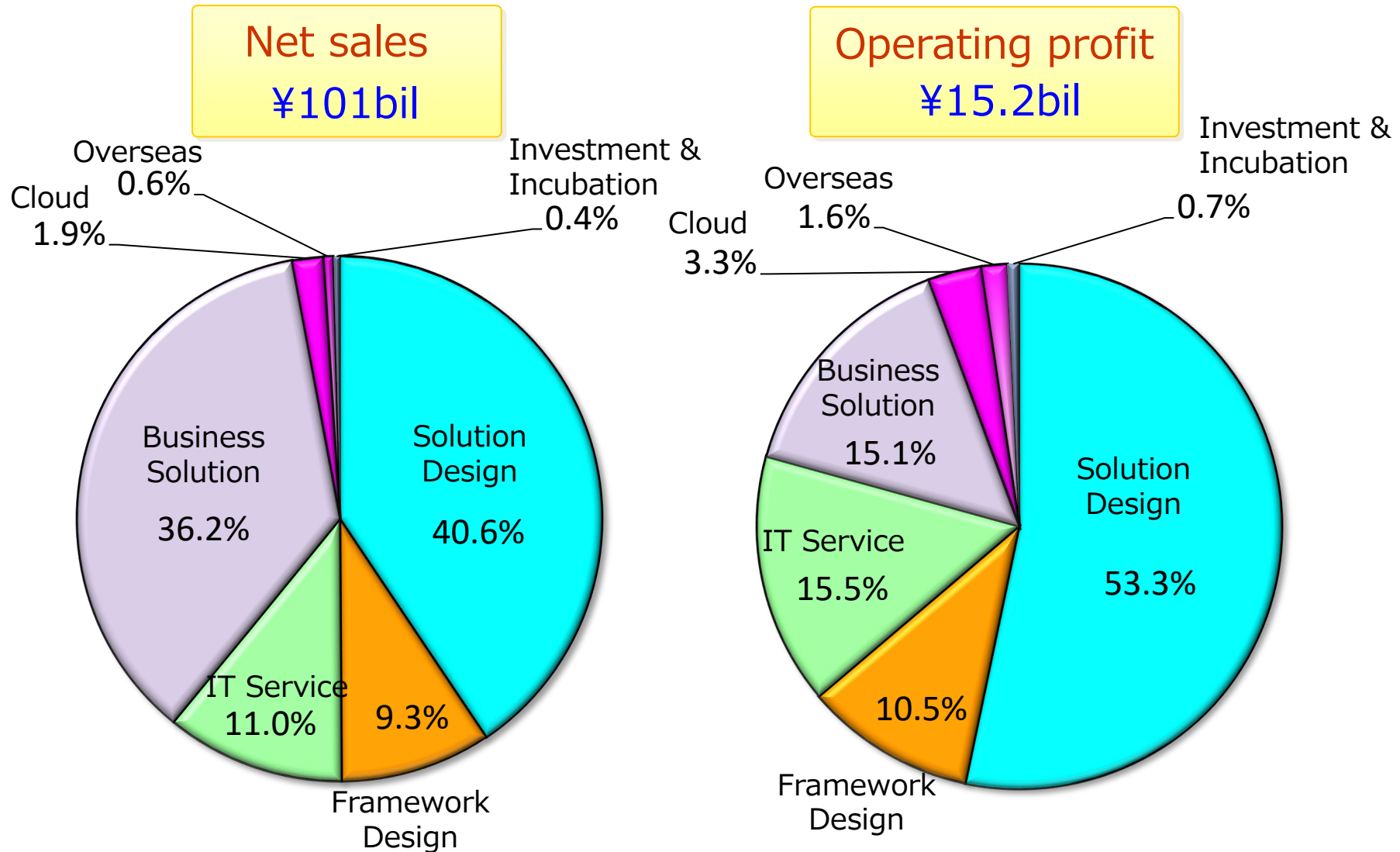
Operating Profit: 8 million yen

State of progress



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.