

Financial Results for the third quarter of fiscal 2021 and medium-term management plan

Feb 3, 2022
Systema Corporation
Security code: 2317
(First Section of the Tokyo Stock Exchange)

Company Outline

[Company name] **Systema Corporation**

[Established] March 1983

[Fiscal period] March

**[Listed Monetary and
Commodities Exchange]**

TSE 1st Section

[Capital Stock]

1,513,750,000 Yen

[Number of outstanding shares]

450,880,000 shares

[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
Director : Shingo Hemmi
Director : Hiroshi Kotani
Outside Director : Yukio Suzuki
Outside Director : Kouichi Ogawa
Outside Director : Mari Ito

[Auditor] Full-time Corporate Auditor (Outside Corporate Auditor) : Toru Hishida
Outside Corporate Auditor : Yoshihiro Nakamura, Hiroshi Adagawa, Nobushige Tokuono

[Number of Employees] Non-Consolidated:3,334/Consolidated:4,622 (As of January 1, 2022)

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 operation/maintenance/monitoring of systems and networks, help desk/user support, data input, large-volume output, software development support and technical support for information devices, quality verification of mobile devices/Web applications

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

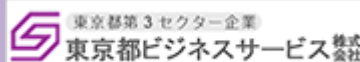


ProVision Co., Ltd.

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

• Comprehensive internet service business focusing on development support and quality evaluation of mobile terminal apps and internet content

(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)



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)



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)



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)



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)



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)

capital contribution

Financial Results for third quarter of fiscal 2021 (Consolidated)

<YoY rate>

Financial Results 1Q-3Q (Consolidated)

Amid the economic restrictions associated with the COVID-19 pandemic, we have primarily focused on business activities involving remote sales, IT support via teleworking, and software development support. As a result, net sales were 47,039 million yen, a 6.0% increase year on year, and operating profit was 6,371 million yen, a 10.4% increase year on year.

(in millions of yens)

	1Q-3Q Fiscal 2021		1Q-3Q Fiscal 2020		YoY rate	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Net sales	47,039	—	44,393	—	2,645	6.0%
Operating profit	6,371	13.5%	5,770	13.0%	600	10.4%
Ordinary profit	6,179	13.1%	5,814	13.1%	365	6.3%
Profit attributable to owners of parent	4,164	8.9%	3,897	8.8%	266	6.8%

Point 1

Solution Design Business

Net Sales	15,142 million yen	Year-on-year +6.5%	Operating Profit	2,900 million yen	Year-on-year +14.6%
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- ✓ The in-car business, social infrastructure business, and net business, mainly "mobility," "5G," and "cashless payment," remained firm.
- ✓ The number of inquiries for Digital Transformation projects increased with an eye to a post-COVID-19 society. We are actively promoting new business development as a growth field.

Framework Design Business

Net Sales	3,720 million yen	Year-on-year +12.0%	Operating Profit	722 million yen	Year-on-year +28.9%
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- ✓ In the financial sector, the number of inquiries, especially for DX-related projects, increased. We are actively expanding into new areas such as cloud business and internet banking.
- ✓ In the public sector, the expansion advanced thanks to new project orders related to the Social Security and Tax Number (My Number), which led to an increase in orders. We are also actively promoting new DX-related projects.
- ✓ In the distribution/services sector, we have bolstered the commissioned development business and acquired new projects through integrated services of maintenance and development using development labs.

Point 2

IT Service Business

Net Sales 11,452

million yen

Year-on-year
+14.1%

Operating Profit 1,536

million yen

Year-on-year
+10.3%

- ✓ The **sales and profits** increased due to high value-added projects that create a new workstyle for customers such as **assessment and consulting services**, in a situation where **IT support that assists customers in advancing their business** and the **reconstruction/optimization of conventional IT environments** are advancing.
- ✓ 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.

Business Solution Business

Net Sales 15,699

million yen

Year-on-year
▲2.0%

Operating Profit 1,002

million yen

Year-on-year
▲13.3%

- ✓ Both sales and profits decreased partly because of the continued situation where it is difficult to procure IT devices due to the global resurgence of the COVID-19 infection and shortage of semiconductor supply.
- ✓ In the system integration business, we received orders to replace virtual platforms on which mission-critical systems are mounted, building of hybrid environments, migration to a cloud environment for digitalization at the DX Promotion Dept., which was consolidated at the beginning of the fiscal year, and system development projects.
- ✓ We expanded the number of high added-value **one-stop service** projects over what we had envisioned in the **roadmap** in a number of areas, including the introduction of IT equipment, infrastructure building, system development, maintenance and operation.

Cloud Business

Net Sales 1,219 million yen Year-on-year +25.5% **Operating Profit** 247 million yen Year-on-year +37.6%

- ✓ The number of inquiries for Canbus increased as companies shifted their operation to **data-driven** ones with an eye on a post-COVID-19 society.
- ✓ The number of orders for integration for operational reforms increased from the customers that use "**Canbus.**" to facilitate their digital transformation.

Overseas Business

Net Sales 133 million yen Year-on-year ▲5.9% **Operating Profit** ▲2 million yen Year-on-year ▲14 million yen

- ✓ **Factory projects using AI and IoT (LoRa)** from companies and factories in the U.S. and Japan remain good.
- ✓ **The number of inquiries and orders for "Canbus.,"** a DX service for work efficiency improvement that has established a track record in Japan, **increased in the U.S. as well.**
- ✓ Given our existing customers' satisfaction with our capabilities in proposals and technologies, **the transfer of their business from competitors to us accelerated.**

Sales by Segment <YoY rate>

(in millions of yens)

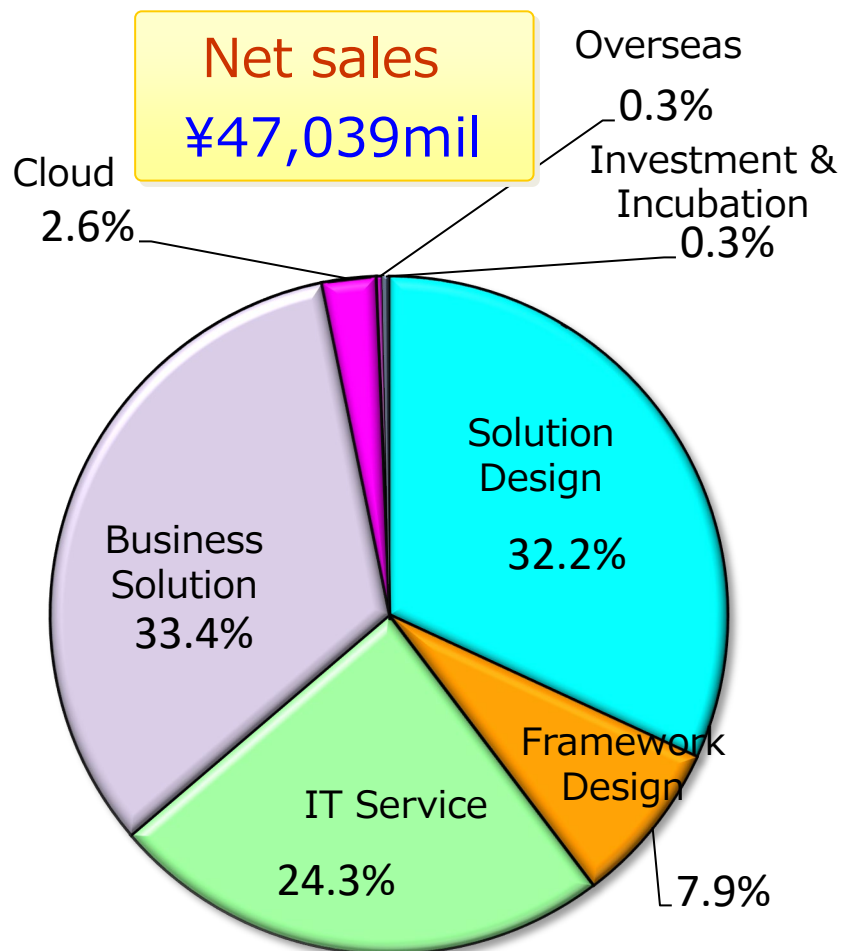
	1Q-3Q Fiscal 2021		1Q-3Q Fiscal 2020		YoY rate	
	Amount	Sales distribution ratio	Amount	Sales distribution ratio	Amount of change	rate of change
Solution Design	15,142	32.2%	14,216	32.0%	925	6.5%
Framework Design	3,720	7.9%	3,323	7.5%	397	12.0%
IT Service	11,452	24.3%	10,041	22.6%	1,411	14.1%
Business Solution	15,699	33.4%	16,027	36.1%	▲328	▲2.0%
Cloud	1,219	2.6%	971	2.2%	247	25.5%
Overseas	133	0.3%	141	0.3%	▲8	▲5.9%
Investment Incubation	134	0.3%	129	0.3%	5	4.0%
Adjustment	▲462	▲1.0%	▲457	▲1.0%	▲5	—
Total	47,039	100.0%	44,393	100.0%	2,645	6.0%

Operating profit by Segment <YoY rate>

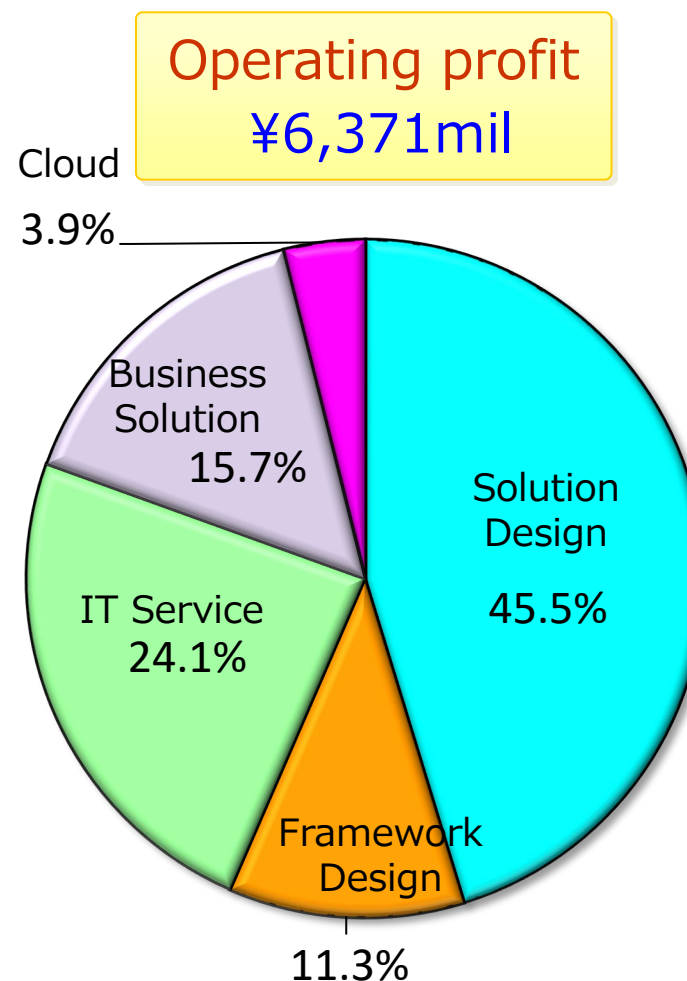
(in millions of yens)

	1Q-3Q Fiscal 2021		1Q-3Q Fiscal 2020		YoY rate	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Solution Design	2,900	19.2%	2,530	17.8%	369	14.6%
Framework Design	722	19.4%	560	16.9%	162	28.9%
IT Service	1,536	13.4%	1,393	13.9%	142	10.3%
Business Solution	1,002	6.4%	1,156	7.2%	▲154	▲13.3%
Cloud	247	20.3%	179	18.5%	67	37.6%
Overseas	▲2	▲1.7%	12	8.6%	▲14	—
Investment Incubation	▲35	▲26.3%	▲62	▲48.5%	27	—
Adjustment	—	—	—	—	—	—
Total	6,371	13.5%	5,770	13.0%	600	10.4%

Composition of Net Sales and Operating Profit by Segment



Adjustment ▲1.0%



Overseas ▲0.0%
Investment & Incubation ▲0.5%

Revised earnings forecast for Fiscal 2021 (Consolidated, Full Year)

Revised Earnings Forecast for the Full Year

(Consolidated, YoY rate)

(in millions of yens)

	Fiscal 2021 Revised Earnings Forecasts		Fiscal 2020		YoY rate	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Net sales	64,237	—	60,871	—	3,365	5.5%
Operating profit	8,700	13.5%	8,006	13.2%	693	8.7%
Ordinary profit	8,500	13.2%	7,507	12.3%	992	13.2%
Profit attributable to owners of parent	5,727	8.9%	4,974	8.2%	752	15.1%

Revised Earnings Forecast for the Full Year

(Consolidated, Changes from initial earnings forecasts)

(in millions of yens)

	Fiscal 2021 Revised Earnings Forecasts		Fiscal 2021 Initial earnings forecasts		Changes from initial earnings forecasts	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Net sales	64,237	—	66,100	—	▲1,863	▲2.8%
Operating profit	8,700	13.5%	8,300	12.6%	400	4.8%
Ordinary profit	8,500	13.2%	8,004	12.1%	496	6.2%
Profit attributable to owners of parent	5,727	8.9%	5,371	8.1%	356	6.6%

1-1. Solution Design Business

Outlook for this Period

Net Sales 20,535 million yen compared with previous period + 7.2%

Operating Profit 4,030 million yen compared with previous period + 11.2%

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, AI, IoT, Cashless payment and Digital Transformation.

2. Shifting to the provision of total solutions

- **Support all processes** of customers' services **from IT consultation to operation.** By expanding the areas from not only design, development, and assessment, but also to planning, operation, IT consulting, and service operation, we provide added value to customers and **aim to be a highly profitable company.**

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.

2. Framework Design Business

Outlook for this Period

Net Sales 5,121	<small>compared to previous period million yen +13.8%</small>	Operating Profit 980	<small>compared to previous period million yen +26.9%</small>
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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

- The continuation of projects centered on insurance/financial systems and infrastructure building and the active expansion to the public sector and distribution/services area.

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 DX solutions. 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 15,195

compared to previous period
million yen +11.2%

Operating Profit 2,070

compared to previous period
million yen +10.5%

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

- We will focus **on providing services** that are more directly linked to customer business growth and the acceleration; including **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 changes in the operating environment.

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**.

4. Promoting active participation of people with disabilities

- We will understand individual characteristics, promote the building of an environment that enables their active participation, and focus on a wide range of services, mainly in **BPO business**.

*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



Tokyoto Business Service

Fields for
Aggressive expansion

Expand range Layer up

(3) Expand locations

(4) Enhance sales

Building a structure that can approach customers across departments by harnessing the strengths of the three companies



ProVision

Systema will aim to create new value and expand the field by making use of the strengths of systema/TBS service while expanding **QA/development solutions** to the **enterprise segment** in addition to the **game/entertainment** and net **business segments**.



Tokyoto Business Service

As a new initiative aiming to establish a structure creating jobs for 200 employees with disabilities, **Systema will expand operations by employees with disabilities and support/consulting services for the customers of Systema and ProVision.**



Systema will provide IT services in the high value-added **PMO business**, which adds **assessment** and **consulting**, and will seek to expand it across the country using IT training and security products as hooks.

Outlook for this Period

Net Sales 21,488 compared to previous period
million yen ▲3.8%

Operating Profit 1,400 compared to previous period
million yen ▲6.6%

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 1,711 compared to previous period
million yen +15.3%

Operating Profit 330 compared to previous period
million yen +9.9%

The number of inquiries is on the increase, reflecting an improvement in operations and the establishment of internal infrastructure with an eye on a post-COVID-19 society. 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

- Actively work on **strengthening alliances** for Canbus. And **start to provide OEM services** for Canbus.

2. Enhancing services through advance investment

- To enable the realization of various services from the perspective of DX platforms, we will **strengthen human resources** to improve our support capabilities and achieve an **increased level of customer satisfaction** while simultaneously **enhancing** product power.

6. Overseas Business (Systema America Inc.)

Outlook for this Period

Net Sales 102 million yen compared to previous period ▲45.8%

Operating Profit ▲10 million yen compared to previous period ▲17million yen

- 1. Sales expansion of AI/IoT services in collaboration with ONE Tech Inc. and ONE Tech Japan Inc.**
 - Actively expand sales of the services using AI and IoT (LoRa) with cold chain and Smart Factory services as the core.
- 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. Sales expansion of BPO service "Remo-oTe"**
 - Increase orders for Remo-oTe, a ticket-based business support service that is available remotely and by time, against a background of soaring labor costs in the U.S. and the COVID-19 pandemic.
- 4. Launching sales of Canbus.**
 - Increase orders for the DX service "Canbus.," which has steadily established a track record in Japan, as a support service for local companies in the U.S. to realize paperless operations and DX services.

Sales by Segment

(in millions of yens)

	Fiscal 2021 Revised Earnings Forecasts		Fiscal 2020		YoY rate	
	Amount	Sales distribution ratio	Amount	Sales distribution ratio	Amount of change	rate of change
Solution Design	20,535	32.0%	19,163	31.5%	1,371	7.2%
Framework Design	5,121	8.0%	4,498	7.4%	622	13.8%
IT Service	15,195	23.6%	13,662	22.4%	1, 532	11.2%
Business Solution	21,488	33.4%	22,343	36.7%	▲855	▲3.8%
Cloud	1,711	2.7%	1,484	2.4%	226	15.3%
Overseas	102	0.2%	188	0.3%	▲86	▲45.8%
Investment Incubation	85	0.1%	178	0.3%	▲93	▲52.3%
Adjustment	—	—	▲647	▲1.0%	647	—
Total	64,237	100.0%	60,871	100.0%	3,365	5.5%

*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 Revised Earnings Forecasts		Fiscal 2020		YoY rate	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Solution Design	4,030	19.6%	3,624	18.9%	405	11.2%
Framework Design	980	19.1%	772	17.2%	207	26.9%
IT Service	2,070	13.6%	1,873	13.7%	196	10.5%
Business Solution	1,400	6.5%	1,499	6.7%	▲99	▲6.6%
Cloud	330	19.3%	300	20.2%	29	9.9%
Overseas	▲10	▲9.8%	7	4.0%	▲17	—
Investment Incubation	▲100	▲117.6%	▲71	▲39.9%	▲28	—
Adjustment	—	—	—	—	—	—
Total	8,700	13.5%	8,006	13.2%	693	8.7%

Sales by Segment

(in millions of yens)

	Fiscal 2021 Revised Earnings Forecasts		Fiscal 2021 Initial earnings forecasts		Changes from initial earnings forecasts	
	Amount	Sales distribution ratio	Amount	Sales distribution ratio	Amount of change	rate of change
Solution Design	20,535	32.0%	20,750	31.4%	▲215	▲1.0%
Framework Design	5,121	8.0%	5,121	7.7%	—	—
IT Service	15,195	23.6%	15,383	23.3%	▲188	▲1.2%
Business Solution	21,488	33.4%	23,835	36.1%	▲2,347	▲9.8%
Cloud	1,711	2.7%	1,500	2.3%	211	14.1%
Overseas	102	0.2%	230	0.3%	▲128	▲55.7%
Investment Incubation	85	0.1%	211	0.3%	▲126	▲59.7%
Adjustment	—	—	▲930	▲1.4%	930	—
Total	64,237	100.0%	66,100	100.0%	▲1,863	▲2.8%

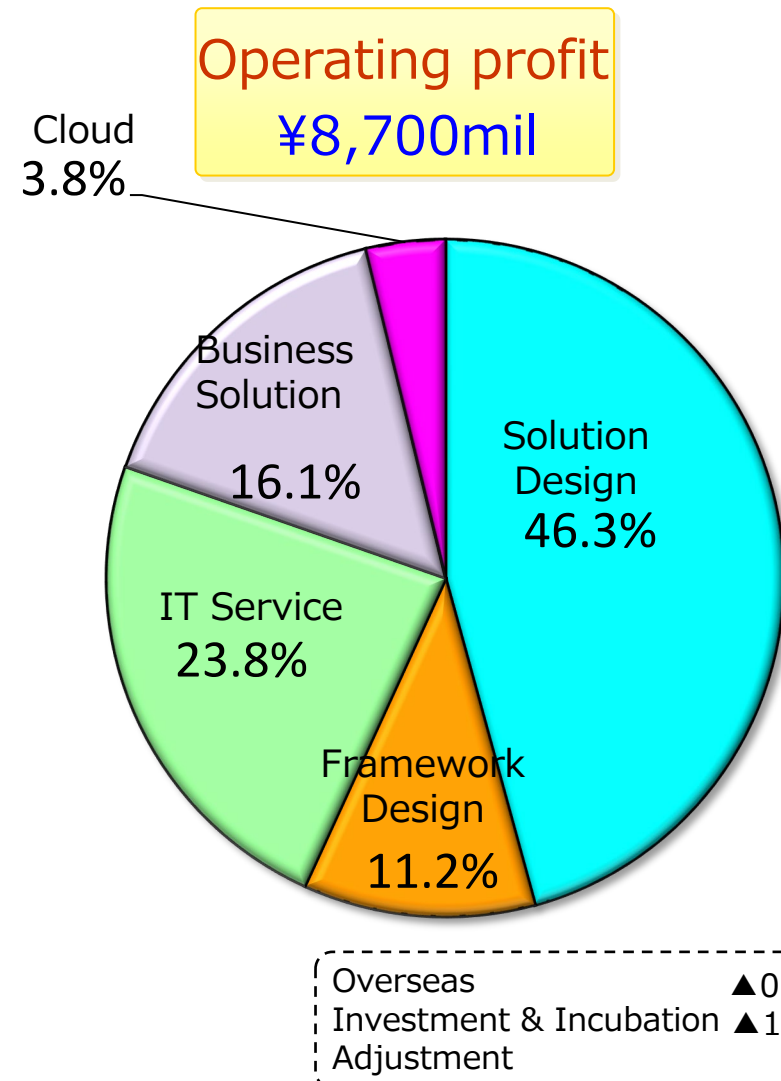
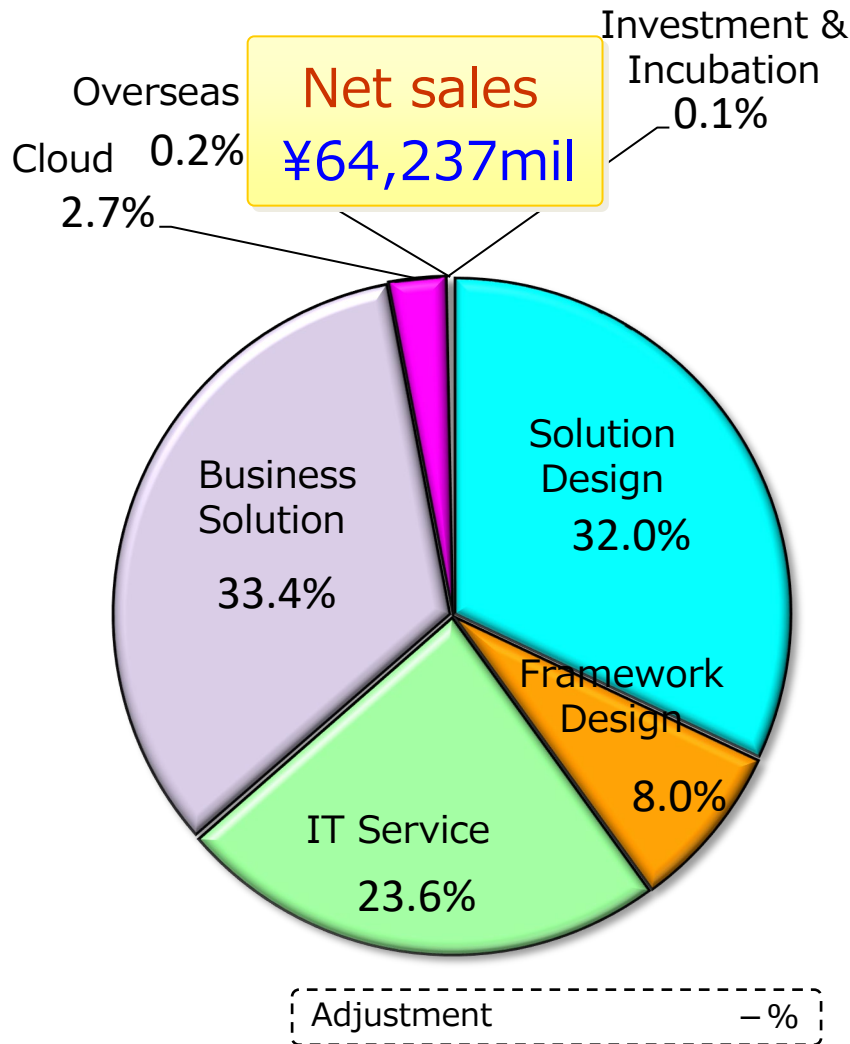
*As of this fiscal year the subsidiary ProVision (results forecast for this fiscal year: net sales 5,000 million yen, operating profit 500 million yen), which was included in the Solution Design Business segment, has been reassigned to the IT Service Business segment; the subsidiary IDY (results forecast 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 Revised Earnings Forecasts		Fiscal 2021 Initial earnings forecasts		Changes from initial earnings forecasts	
	Amount	Profit ratio	Amount	Profit ratio	Amount of change	rate of change
Solution Design	4,030	19.6%	3,870	18.7%	160	4.1%
Framework Design	980	19.1%	867	16.9%	113	13.0%
IT Service	2,070	13.6%	1,950	12.7%	120	6.2%
Business Solution	1,400	6.5%	1,634	6.9%	▲234	▲14.3%
Cloud	330	19.3%	100	6.7%	230	230.0%
Overseas	▲10	▲9.8%	8	3.5%	▲18	—
Investment Incubation	▲100	▲117.6%	▲142	▲67.3%	42	—
Adjustment	—	—	13	—	▲13	—
Total	8,700	13.5%	8,300	12.6%	400	4.8%

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.

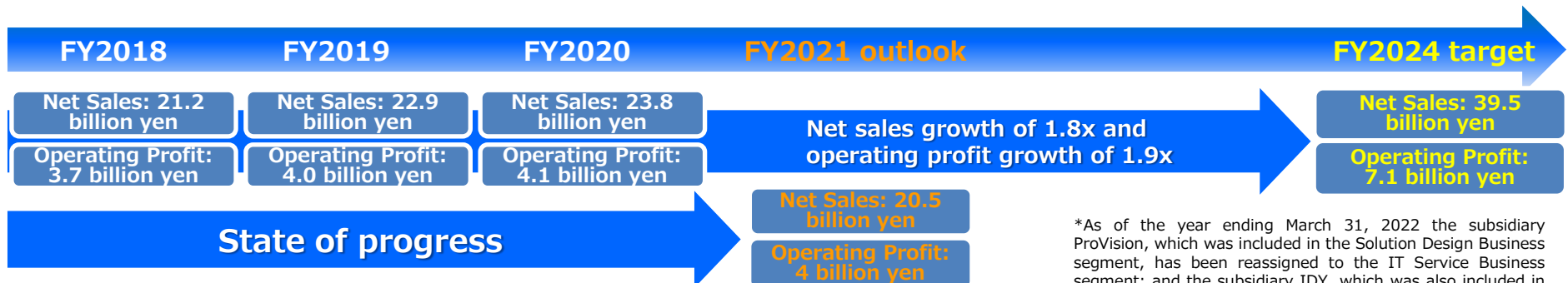
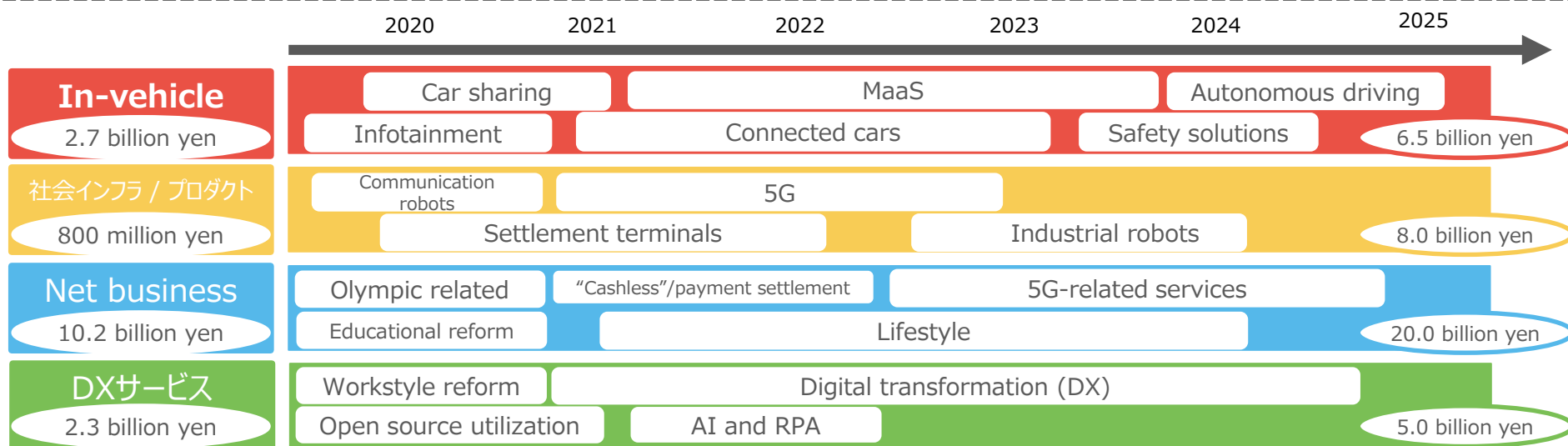
Targeted Management Indicators and Outlook for Fiscal 2024

(hundreds of millions of yen)

KPI	2019/3	2020/3	2021/3	2022/3 Revised Earnings Forecast	2025/3 target
Net Sales	59,742	64,552	60,871	64,237	101,000 (1.7x)
Operating Profit	6,902	8,163	8,006	8,700	15,200 (2.2x)
Operating profit margin	11.6%	12.6%	13.2%	13.5%	15.0%
Operating profit per employee	2.16	2.32	1.99	1.78	2.60 (20% increase)
ROE	24.6%	25.5%	20.6%	20.9%	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: 980 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

State of progress

Net Sales: 15.2
billion yen

Operating Profit:
2.07 billion yen

*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

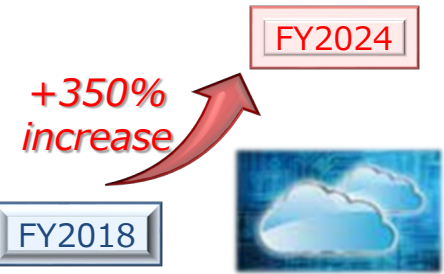
Existing business



Service business



DX business



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: 21.5 billion yen

Operating Profit: 1.4 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

Net Sales: 1.7 billion yen

Operating Profit: 330 million yen

State of progress

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

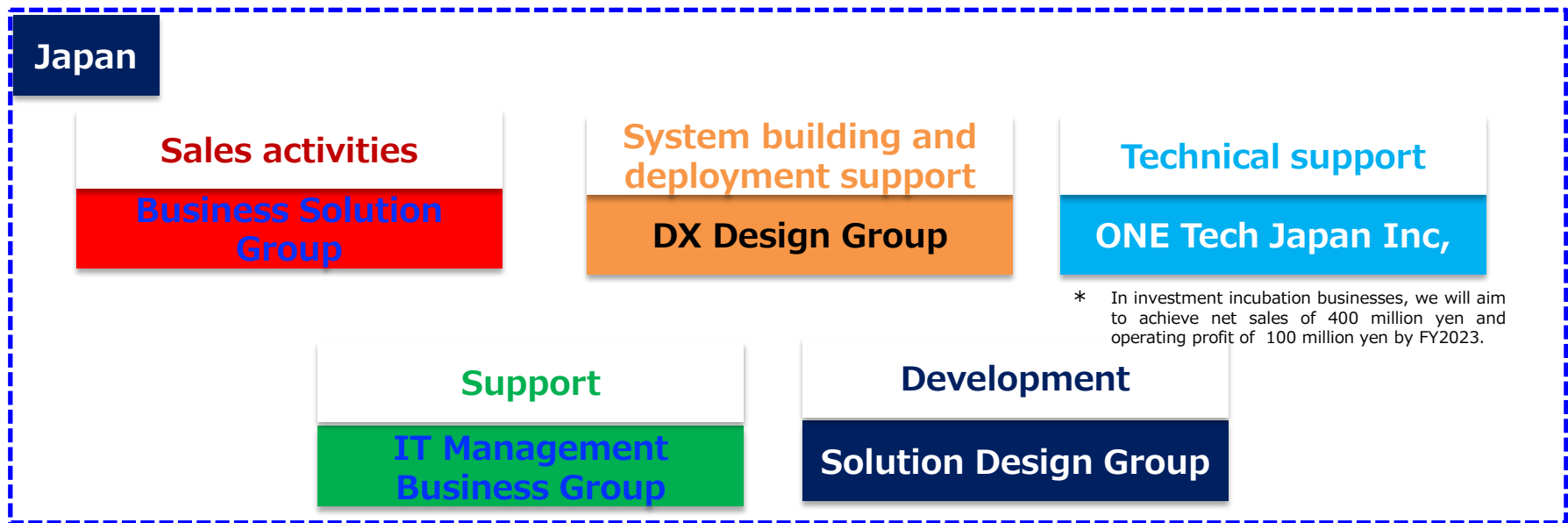
Net Sales: 640
million yen

Operating Profit:
250 million yen

Net Sales: 100
million yen

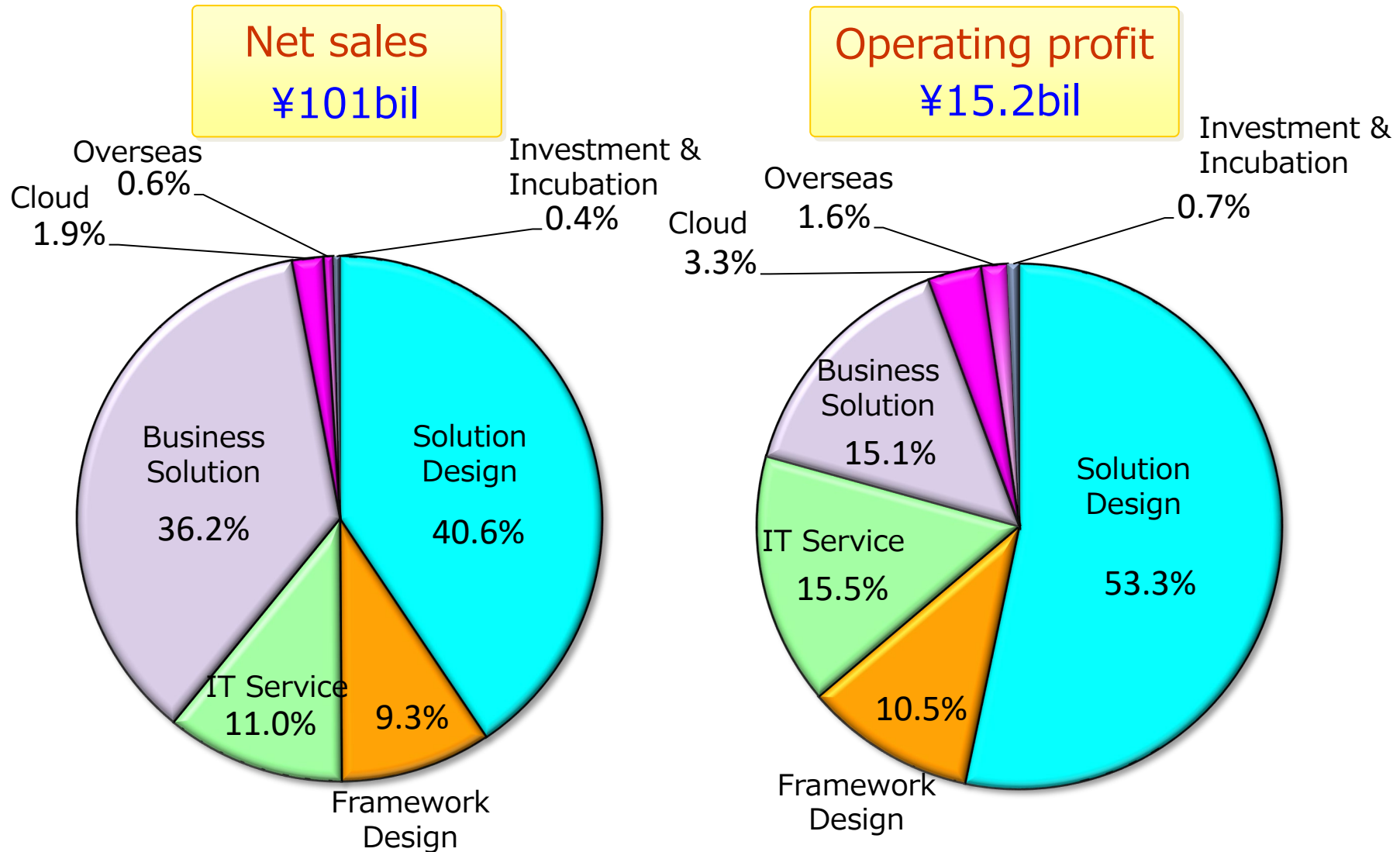
Operating Profit:
▲10million yen

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.