Systena medium-term management plan

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Systena Corporation
Security code:2317
(First Section of the Tokyo Stock Exchange)

Systena Group Management Objectives and Basic Policy

The management objective of the Systena 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.

Systena
Link People for Happiness

> ➢ 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.

Systena 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 Systena-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.

New Five-Year Medium-Term plan

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
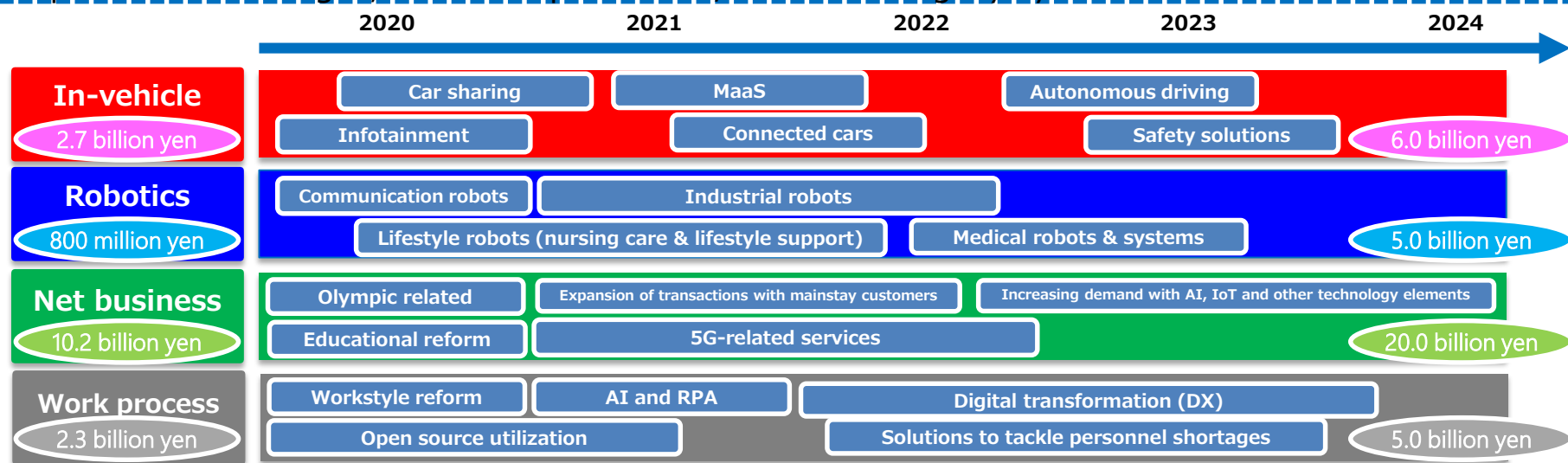
(hundreds of millions of yen)

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.

| 2020 | 2021 | 2022 | 2023 | 2024 |

In-vehicle
2.7 billion yen
- Car sharing
- Infotainment
- MaaS
- Connected cars
- Autonomous driving
- Safety solutions
6.0 billion yen

Robotics
800 million yen
- Communication robots
- Industrial robots
- Lifestyle robots (nursing care & lifestyle support)
- Medical robots & systems
5.0 billion yen

Net business
10.2 billion yen
- Olympic related
- Expansion of transactions with mainstay customers
- Increasing demand with AI, IoT and other technology elements
- Educational reform
- 5G-related services
20.0 billion yen

Work process
2.3 billion yen
- Workstyle reform
- AI and RPA
- Digital transformation (DX)
- Open source utilization
- Solutions to tackle personnel shortages
5.0 billion yen

FY2018 **FY2019** **FY2020 outlook** **FY2023 target**

Net Sales: 21.2 billion yen
Operating Profit: 3.7 billion yen

Net Sales: 22.9 billion yen
Operating Profit: 4.0 billion yen

Net sales growth of 1.9x and operating profit growth of 2.2x

Net Sales: 40.95 billion yen
Operating Profit: 8.1 billion yen

State of progress

Net Sales: 24 billion yen
Operating Profit: 4.1 billion yen

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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

Insurance   Banking

Social infrastructure   IT infrastructure   Electronic payments

Expand business domains, renew and integrate mission-critical systems to respond to digitalization with respect to existing customers

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

Net sales growth of 1.8x and operating profit growth of 2.0x

Net Sales: 9.4 billion yen

Operating Profit: 800 million yen

Operating Profit: 1 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**

Increase number of customers Enhance product lineup

| Net Sales: 7.8 billion yen | Net Sales: 8.6 billion yen | | Net Sales: 11.06 billion yen |
| Operating Profit: 1.1 billion yen | Operating Profit: 1.2 billion yen | **Net sales growth of 1.4x and operating profit growth of 2.2x** | 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 Systena'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 of 6%, net service sales of 11.4 billion yen and percentage sales of 30%**	**Net Sales: 36.58 billion yen**
Operating Profit: 1.2 billion yen	**Operating Profit: 1.6 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.**

2020	2021	2022	2023	2024

Workstyle reform　　**AI and RPA**　　**Digital transformation (DX)**

Measures against personnel shortages

Canbus.

Canbus. is a business application platform. This service enables anyone to create and operate work process services easily, irrespective of their IT literacy. We will appeal to customers about its capabilities to resolve corporate management issues such as DX and workstyle reform.

Cloudstep

CloudStep groupware can be used as an add-on for Google Workspace and Office365. We will appeal to customers about its capabilities to improve corporate productivity and workstyle diversity.

New Services

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

FY2018　　**FY2019**　　**FY2020 outlook**　　　　　　　　　　　**FY2023 target**

FY2018	FY2019		FY2023 target
Net Sales: 1.1 billion yen	Net Sales: 1.4 billion 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: 200 million yen	Operating Profit: 200 million yen		Operating Profit: 500 million yen

State of progress

Net Sales: 1.3 billion yen

Operating Profit: 200 million yen

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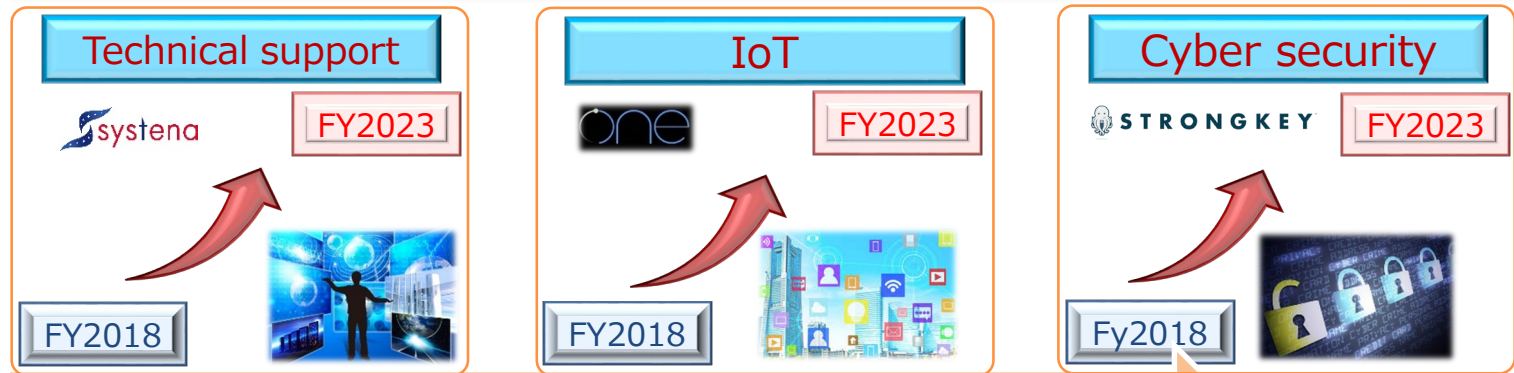**✓ Aim to increase joint orders with OneTech in the continuously expanding field of IoT**, based on technical support for Japanese-owned companies in the United States.

✓ 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

Technical support	IoT	Cyber security
FY2023 / FY2018	FY2023 / FY2018	FY2023 / Fy2018

Contribution to Systena (Japan): Net Sales: 1.5 billion yen, Operating Profit: 800 million yen

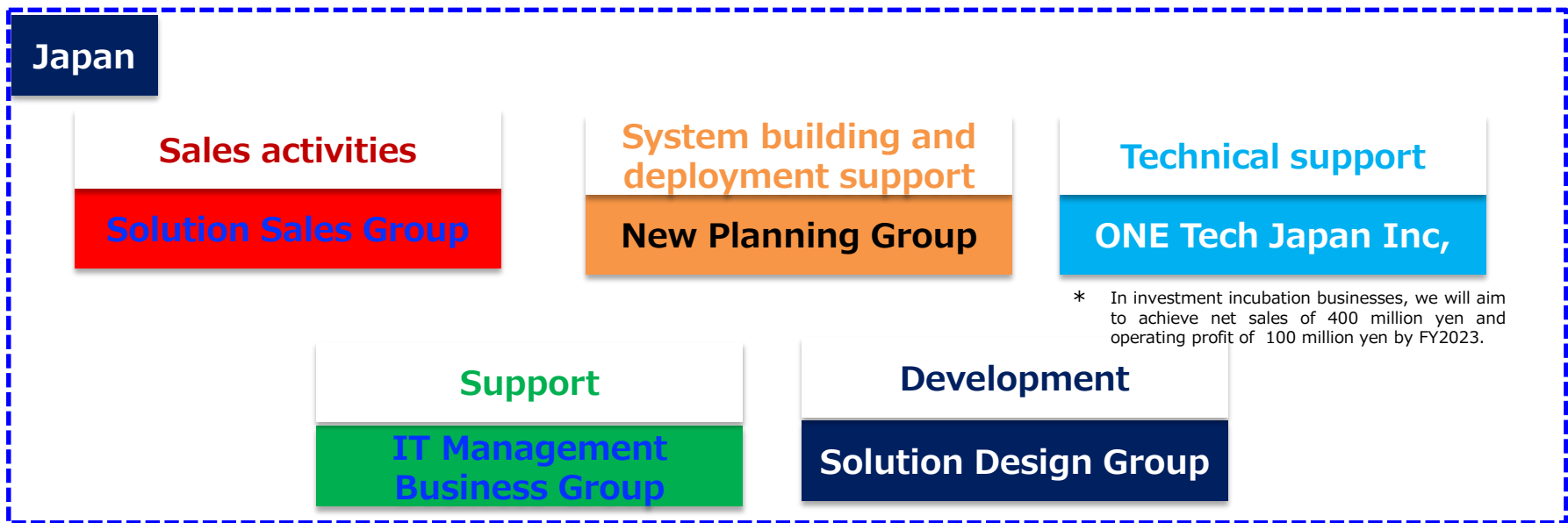| FY2018	FY2019	FY2020 outlook		FY2023 target
Net Sales: 100 million yen	Net Sales: 100 million yen			Net Sales: 640 million yen
Operating Profit: -30 million yen	Operating Profit: -10 million yen	Unearh the next new technologies and markets		Operating Profit: 250 million yen

State of progress

Net Sales: 150 million yen
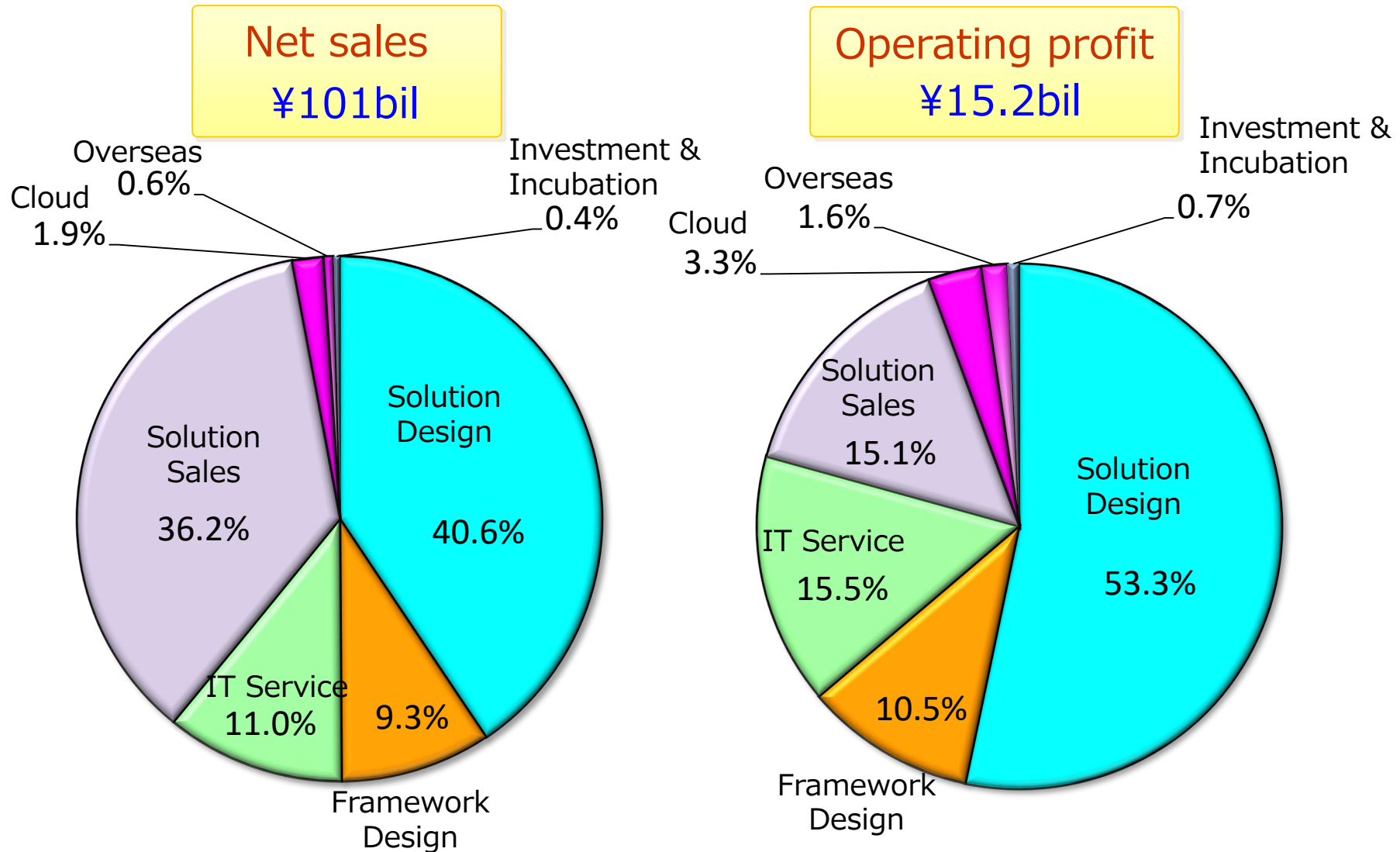Operating Profit: -20 million yen

7．Collaboration with Overseas Business

Systena America → Collaboration → **ONE Tech**

Systena America ← Collaboration → **Strongkey**

Japan

Sales activities

Solution Sales Group

System building and deployment support

New Planning Group

Technical support

ONE Tech Japan Inc,

* In investment incubation businesses, we will aim to achieve net sales of 400 million yen and operating profit of 100 million yen by FY2023.

Support

IT Management Business Group

Development

Solution Design Group

We will aim to consolidate the strengths of each division and deliver these services in Japan with an "All Systena" approach.

Composition of Net Sales and Operating Profit by Segment

Net sales
¥101bil

Cloud 1.9%
Overseas 0.6%
Investment & Incubation 0.4%
Solution Design 40.6%
Solution Sales 36.2%
IT Service 11.0%
Framework Design 9.3%

Operating profit
¥15.2bil

Cloud 3.3%
Overseas 1.6%
Investment & Incubation 0.7%
Solution Design 53.3%
Solution Sales 15.1%
IT Service 15.5%
Framework Design 10.5%

Making digital society a happy society.
Systena IT Services

https://www.systena.co.jp/