

 Yoshichika Hemmi, Chairman	 Kenji Miura, President	Systema Corporation (2317)
		

Corporate Information

Exchange	TSE 1 st Section
Industry	Information and communications
Representative Director	Yoshichika Hemmi, Kenji Miura
Address	14F Shiodome Building 1-2-20 Kaigan, Minato-ku, Tokyo
Year-end	March
URL	https://www.systema.co.jp/

Stock Information

Share Price	Shares Outstanding (Excluding Treasury Shares)		Total Market Cap	ROE (Actual)	Trading Unit
¥1,959	96,843,661 shares		189,716 million	20.6%	100 shares
DPS (Estimate)	Dividend Yield (Estimate)	EPS (Estimate)	PER (Estimate)	BPS (Actual)	PBR (Actual)
¥20.00	1.0%	¥55.46	35.3 x	¥264.68	7.4 x

*The share price is the closing price on May 24. The number of shares issued was obtained by subtracting the number of treasury shares from the number of outstanding shares as of the end of the latest quarter.

*ROE and BPS are the values as of the end of FY 3/21. EPS and DPS are estimates of FY 3/22.

Consolidated Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent	EPS	DPS
March 2018 (Actual)	54,320	5,170	5,147	3,542	36.32	46.00
March 2019 (Actual)	59,742	6,902	6,706	4,584	47.00	16.00
March 2020 (Actual)	64,552	8,163	7,871	5,471	56.22	20.00
March 2021 (Actual)	60,871	8,006	7,507	4,974	51.36	20.00
March 2022 (Estimate)	66,100	8,300	8,004	5,371	55.46	20.00

*The estimated values were provided by the company. Unit: Million yen

*In June 2018, a 4-for-1 stock split was conducted. (EPS is revised retroactively.) DPS for FY 3/18 is the number before stock split.

This Bridge Report reviews fiscal year March 2021 earnings results of Systema Corporation.

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Key Points

- For FY 3/21, sales dropped 5.7% year on year and operating income declined 1.9% year on year. The company carried out business activities through online marketing with a web conferencing system and support for IT and software development through telework. Sales and profit grew in the Solution Design business, in which the company healthily received orders for mainly “5G,” “GIGA School Initiative,” and “cashless payment,” and the IT Service business, in which the company increased customers by enhancing promotional activities, conducting remote marketing, etc. On the other hand, sales and profit decreased in the Solution Sales business, which was affected by the recoil from the demand for the update of PC with Windows 7 in the previous term, and the Framework Design business, which was affected by the decrease of marketing opportunities and the postponement or suspension of new transactions due to the spread of COVID-19.
- For FY 3/22, the company estimates that sales and operating income will rise 8.6% and 3.7%, respectively, year on year. As the IT investment by clients, which has been restricted due to the spread of COVID-19, is expected to recover and the activities for promoting DX and popularizing telework are estimated to be intensified, sales and profit are projected to grow in all of the core businesses: the Solution Design, Framework Design, IT Service, and Business Solution (previous name: Solution Sales) businesses. On the other hand, the Cloud business is estimated to see an increase in sales and a decrease in profit, due to the application of the new accounting standards and the setting of new prices. The dividend is to be 20 yen/share per year, unchanged from the previous term (an interim dividend of 10 yen/share and a term-end dividend of 10 yen/share).
- The spread of COVID-19 is still lingering, but corporate IT investment and DX cannot be restricted forever, and they are expected to expand sooner or later. This trend is estimated to be strong especially in the fields of “mobility,” “5G,” “GIGA School Initiative,” “AI,” “IoT,” “DX,” etc., where the company is expanding business actively. It is noteworthy what kinds of outcomes will be produced by their active investment for growth, including the increases of employees, business footholds, business domains, and alliance partners, amid the harsh business environment.

1. Company Overview

Systema Corporation was founded, when System Pro Corp. absorbed Katena Corp., which was an equity-method affiliate, on April 1, 2010. It is cultivating new domains by operating the business that fuses the former System Pro’s technologies, know-how, and open technologies for designing, developing, and testing mobile terminals and the financial knowledge and infrastructure technologies of the former Katena Corp. It forms a corporate group with 9 consolidated subsidiaries and 3 equity-method affiliates.

【Management goal — To become one of Japan's leading IT companies and support the Japanese economy from the ground up!】

In order to attain this objective, the company pursues good balances between conflicting items, such as “destruction and creation”, “stability and growth,” and “maintenance and innovation” as its basic policy.

【Target management indicators】

The company sets stably high dividends, high return on equity and high operating income rate as target managerial indicators. To achieve these goals, the company aims to develop a highly profitable structure under its basic policy for business administration. As for its near-term goals (mid-term management goals), the company declares to generate consolidated sales of 101 billion-yen, operating income of 15.2 billion yen (an operating income rate of 15%), per-capita operating income of 2.6 million yen, and 25% ROE in the term ending March 2025.

1-1 Business description

The business of Systema Corporation is classified into the Solution Design Business, the Framework Design Business the IT Service Business, the Solution Sales, the Cloud Business, the Overseas Business, and the Investment & Incubation Business.

Involving all group companies, they offer comprehensive solution services for planning, designing, developing, installing, and maintaining systems and giving user support, including the development and quality check of software for automatic driving and in-vehicle systems, social infrastructure systems, online business systems, IoT-related systems, robots, AI, and mobile devices, the development of systems for financial institutions, system operation, help desk management, the sale of IT products, system integration, the provision of cloud services, and the development of game content.

◎Solution Design Business (accounting for 39.1% in FY 3/21)

The company concentrates its managerial resources on five business categories; “in-vehicle” items such as automatic driving technology and telematics where its know-how nurtured through the development of mobile terminals can be utilized, “social infrastructure” in the fields of electric power, transportation, aviation, space, defense, etc., “Internet business” for communications carriers, e-commerce, education, e-books, etc., “smart devices/robots/AI,” including smartphones, home appliances, and robots, and “business operation systems,” including workflow and order receipt/placement systems. In every category, the company is swamped with inquiries about the development, testing of IoT-related systems and services. In addition, Systema Vietnam Co., Ltd., which is an overseas affiliate, functions as an offshore foothold for developing, testing, evaluating, maintaining, and operating software, handling all kinds of IT services, and so on. Clients include telecommunications carriers, telecom equipment manufacturers, automobile manufacturers, Internet business enterprises, etc.

◎Framework Design Business (accounting for 8.4% in FY 3/21)

Systema Corporation develops financial systems and foundational systems for not only life and non-life insurance companies, but also banks inside and outside Japan. As for life and non-life insurance tasks, the company has developed solutions for dealing with a broad range of tasks, including information management, contract management, insurance premium calculation, agency business, and sales management. As for banking tasks, the company has developed a variety of systems for sales branches and external channels in the field of open systems, while handling main frames. In the past, development and operation of financial systems accounts for most parts of the work, but nowadays, new businesses such as robotic process automation (RPA), cloud services, data analysis, voice recognition, and image recognition have grown to make up 40% of total sales. The company is further cultivating the financial market and expanding its business horizontally to other business fields, through cross-selling to customers of the IT Service Business and the Solution Sales or the cooperation with the Solution Design Business in solutions, such as smartphone apps and online apps. Like the Solution Design Business section, Systema Vietnam Co., Ltd. is functioning as an offshore foothold.

◎IT Service Business (accounting for 15.4% in FY 3/21)

Systema Corporation operates and maintains systems and networks, and offers IT outsourcing services including help desk operation, user support, data inputting, and large-volume output. Clients are mainly electric-appliance manufacturers, financial institutions, foreign-affiliated enterprises, and public offices.

◎Solution Sales Business—Renamed the Business Solution business in FY 3/22 (accounting for 35.2% in FY 3/21)

The company sells IT products including servers, PCs, peripheral devices, and software, to enterprises and integrates systems. The company is shifting business model from selling hardware to offering services. The company aims to expand its business and improve its added value by meeting the changing demands from ownership to usage (cloud, etc.) in cooperation with the IT Service Business section, etc. Clients are mainly electric-appliance manufacturers and foreign-affiliated enterprises.

◎Cloud Business (accounting for 2.4% in FY 3/21)

The company offers services ranging from the support for installation of cloud services to the provision of apps. For example, it offers cloud services of the Systema version of groupware combined with “Cloudstep,” which was developed jointly by the company and “Google Workspace” , “Canbus,,” a cloud database service, which was launched in May 2017, and “Web Shelter,” an anti-phishing solution for smartphones. It currently specializes in the public cloud, but it is also preparing for offering the private cloud service. “Cloudstep” is a collective term including business applications for improving the usability of cloud services, such as “ Google Workspace”, and management tools for administrators. Clients include medium to large-sized companies that conduct general business, etc.

◎Overseas Business (accounting for 0.3% in FY 3/21)


The U.S. subsidiary operates two core businesses; one is the support for development and testing mobile and communications-related products, and the other is the researching on trends of the latest technologies and services and incubation in the U.S. The Vietnamese subsidiary is recognized as an offshore foothold that develops, tests, evaluates, maintains, and operates software, and handles all kinds of IT services. Clients include Japanese enterprises, American enterprises, telecommunications carriers, telecom equipment manufacturers, etc.

◎Investment & Incubation Business (accounting for 0.3% in FY 3/21)






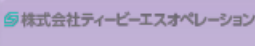

The strategic subsidiary “ONE Tech Japan, Inc.” conducts the planning, development, sale, and service provision in the fields of IoT, robots, FinTech, and social media. GaYa Co., Ltd. develops game content for smartphones, offers the contents to leading SNS websites and undertakes the operation of video games developed and released by other companies.

*Adjustment ▲1.1%

1-2 Group Companies



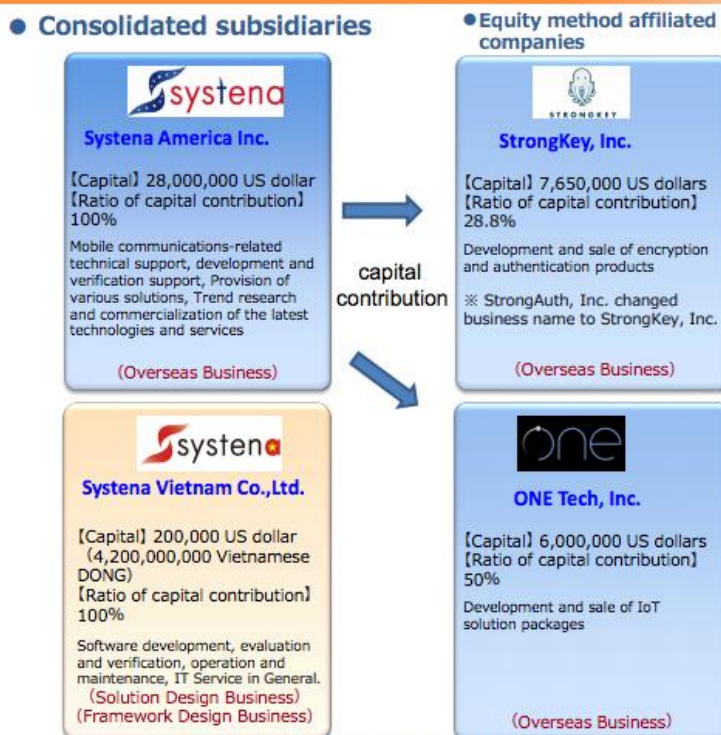
Domestic Group Companies

● Consolidated subsidiaries			● Equity method affiliated companies
<div style="text-align: center;">  <p>ProVision Co., Ltd.</p> </div> <p>[Capital] 85,000,000 Yen [Ratio of capital contribution] 100%</p> <p>Information terminal software development support, technical support, Mobile device and web-based app quality verification, System operation and maintenance</p> <p style="text-align: center;">(IT Service Business)</p>	<div style="text-align: center;">  <p>Tokyoto Business Service Co.,Ltd</p> </div> <p>[Capital] 100,000,000 Yen [Ratio of capital contribution] Systema 51% TOKYO METROPOLITAN GOVERNMENT 49%</p> <p>Data entry, Large volume output, Mailing service, Secretariat agency, Paperwork agency. Model company for employing heavily disabled persons incorporated jointly with TOKYO METROPOLITAN GOVERNMENT.</p> <p style="text-align: center;">(IT Service Business)</p>	<div style="text-align: center;">  <p>IDY Corporation</p> </div> <p>[Capital] 65,000,000 Yen [Ratio of capital contribution] 76.7%</p> <p>Design, manufacture and sales of IoT/M2M router, LTE/3G/WiMAX2+/PHS router, Wi-Fi board, Android terminal, wireless digital signage, antenna etc</p> <p style="text-align: center;">(Business Solution Business)</p>	<div style="text-align: center;">  <p>HIS HOLDINGS,INC.</p> </div> <p>[Capital] 95,000,000 Yen [Ratio of capital contribution] 25.2%</p> <p>Development and sale of products (software) for computers and related equipment, Provision of personnel including computer engineers and technicians.</p> <p style="text-align: center;">(Solution Design Business)</p>
<div style="text-align: center;">  <p>GaYa Co.Ltd.</p> </div> <p>[Capital] 75,000,000 Yen [Ratio of capital contribution] 65%</p> <p>Planning and management of social games for mobile, smartphone, PC</p> <p style="text-align: center;">(Investment & Incubation Business)</p>	<div style="text-align: center;">  <p>TBSOPERATION CO., LTD</p> </div> <p>[Capital] 40,000,000 Yen [Ratio of capital contribution] Tokyoto Business Service Co.,Ltd 100%</p> <p>Employment transition support and continuous employment support based on the General Support for Persons with Disabilities Act. Employment training for persons with disabilities.</p> <p style="text-align: center;">(IT Service Business)</p>	<div style="text-align: center;">  <p>ONE Tech Japan, Inc.</p> </div> <p>[Capital] 85,000,000 Yen [Ratio of capital contribution] 87.5%</p> <p>Provide planning, development, sales and other services in the fields of AI, IoT, robots, Fintech and social media.</p> <p style="text-align: center;">(Investment & Incubation Business)</p>	

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(Taken from the reference material of the company)

Overseas group companies



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(Taken from the reference material of the company)

2. Medium-Term Management Plan (FY 3/19-FY 3/25)

The company has been promoting its 5-year medium-term plan, which was formulated in 2019 and will end in FY 3/24. However, in FY 3/21, the company was faced with a decline in sales due to stagnation of the economic activity caused by COVID-19. In light of these circumstances, the company has decided to postpone the achievement year of the mid-term plan for one year and set FY 3/25 as the final year of the new plan, aiming for the previous plan targets of 101 billion yen in sales and 15.2 billion yen in operating income. FY 3/22 and FY 3/23 will be a period of upfront investment, whereas full-scale business expansion is expected in FY 3/24 and FY 3/25.

[Major Management Policies - Improving Productivity through Data Management -]

- To conduct cost control precisely and grasp real profits and losses early by utilizing the IT management system established with the Canbus. Platform, which was developed in house
- The company aims to maximize profits by thoroughly improving productivity based on management information quantified by visualization of management data and AI-based prediction.

[Strategy, Key Management Indicators, and Targets for FY 3/25]

The company will concentrate its management resources on automotive, cashless/payment, robotics/IoT/RPA/cloud, and its own products and services, which it positions as the areas that will grow the most in the next 10 years.

Key Management Indicators, and Targets for FY 3/25

The company's key management indicators are consolidated net sales, operating income, operating margin, operating income per capita, and ROE. For FY 3/25, the company has set the following targets: consolidated net sales of 101 billion yen, operating income of 15.2 billion yen, operating margin of 15%, operating income per capita of 2.6 million yen, and ROE of 25%.

[Targets and Initiatives by Segment]

◎Solution Design Business

	FY 3/19 Results	FY 3/20 Results	FY 3/21 Results	FY 3/22 Estimates	FY 3/25 Targets
Sales	212	229	238	208	395
Operating income	37	40	41	39	71

*Unit: Hundred Million yen

*From FY3/22, the segment of subsidiary ProVision, which had been included in the Solution Design business, was changed to the IT Services business, and the segment of subsidiary IDY was changed to the Business Solution business. Figures for FY 3/22 and beyond have been adjusted to reflect the change.

The company is aiming for sales of 39.5 billion yen in FY 3/25 (21.2 billion yen in FY 3/19) and an operating income of 7.1 billion yen (3.7 billion yen in FY 3/19). They aim to expand the industry by concentrating on the Internet business, which is experiencing an increase in social demand due to the impact of COVID-19. The in-vehicle business, which is undergoing a period of transformation in the industry, will be selected and concentrated on with a long-term perspective. The company also aims to stimulate demand for digital transformation by transforming customers' business models and processes and to expand its business by providing not only system integration but also its own services.

The plan for FY 3/25 by field is as follows: sales of 6.5 billion yen in automotive (2.7 billion yen in FY 3/19), sales of 8.0 billion yen in social infrastructure/products (0.8 billion yen in FY 3/19), sales of 20.0 billion yen in the Internet business (10.2 billion yen in FY 3/19), and sales of 5.0 billion yen in DX services (2.3 billion yen in FY 3/19).

In addition to infotainment and sharing, which are the current mainstays of the automotive industry, there are many business opportunities in MaaS, connected cars, automated driving, and safety measures. In the area of social infrastructure/products, demand is expected to grow for the development of communication robots as well as lifestyle robots such as nursing care, industrial robots, and robots and systems for medical use. In the Internet business, the focus will be on education-related and 5G-related services, as well as AI and IoT. In business systems, in addition to work style reforms and open source applications, which are currently in high demand, development demand can be expected for AI, business automation, DX, and countermeasures for human resource shortages.

◎Framework Design Business

	FY 3/19 Results	FY 3/20 Results	FY 3/21 Results	FY 3/22 Estimates	FY 3/25 Targets
Sales	53	58	51	51	75
Operating income	8.4	410.6	8.6	8.7	12.5

*Unit: Hundred Million yen

*From FY3/22, the new service field segment included in the Framework Design business was changed to the Business Solution business. Figures for FY 3/22 and beyond have been adjusted to reflect the change.

The company is aiming for sales of 7.5 billion yen in FY 3/25 (5.3 billion yen in FY 3/19) and an operating income of 1.25 billion yen (840 million yen in FY 3/19). While developing know-how in financial system development, the company will make changes to become DX-compatible and actively expand its business to new and existing customers. In addition, the company will strengthen its contract development system, achieve comprehensive support for development, infrastructure, and maintenance, create a new growth engine for the DX era, and expand into SaaS utilization development. In the insurance, banking, and social infrastructure sectors, the company will work to expand the domain of existing customers, renew core systems in response to digitalization, and acquire support for integration. In public and distribution services, the company aims to expand into new areas by deploying its know-how in the financial sector and to maximize the value of DX-related development.

The plan for FY 3/25 by business field is as follows: 3.0 billion yen in sales from existing financial businesses (2.5 billion yen in FY 3/19), 2.0 billion yen in sales from new businesses in the public and other sectors (0.5 billion yen in FY 3/19), and 1.5 billion yen in sales from DX-related businesses (no track record).

BRIDGE REPORT



◎IT Service Business

	FY 3/19 Results	FY 3/20 Results	FY 3/21 Results	FY 3/22 Estimates	FY 3/25 Targets
Sales	78	87	94	154	180
Operating income	11	13	14	20	35.5

*Unit: Hundred Million yen

*From FY3/22, the segment of the subsidiary ProVision, which was included in the Solution Design Business, was changed to the IT Services Business. Figures for FY 3/22 and beyond have been adjusted to reflect the change.

The company aims to achieve sales of 18 billion yen in FY 3/25 (7.8 billion yen in FY 3/19) and an operating income of 3.55 billion yen (1.1 billion yen in FY 3/19). Based on know-how cultivated through projects, the company will focus on high value-added outsourced contracting services of IT support, IT infrastructure, and PMO, as well as assessment and consulting services. In addition to the expansion of "Software Quality Assurance Services" BtoBtoC "Social Games," "Internet Business" and other entertainment domains, the company aims to expand the BtoB enterprise domain. In these areas, the company will work to expand its business field by strengthening alliances and new services and expanding its bases.

The company's plan by field for FY 3/25 is as follows: sales of "IT support," "IT infrastructure," "PMO," and outsourced contracting services will be 8 billion yen (4.5 billion yen in FY 3/19), and sales of quality inspection services will be 6 billion yen (3.3 billion yen in FY 3/19).

◎Solution Sales Business—Renamed the Business Solution business in FY 3/22

	FY 3/19 Results	FY 3/20 Results	FY 3/21 Results	FY 3/22 Estimates	FY 3/25 Targets
Sales	240	259	214	238	353.9
Operating income	12	16	14	16	24.5

*Unit: Hundred Million yen

*From FY3/22, the new service field included in the Framework Design business and the segment of subsidiary IDY included in the Solution Design business were changed to the Business Solution business. Figures for FY 3/22 and beyond have been adjusted to reflect the change.

The company is aiming to achieve sales of 35.39 billion yen in FY 3/25 (24 billion yen in FY 3/19) and an operating income of 2.45 billion yen (1.2 billion yen in FY 3/19). The company will create and expand value-added businesses by providing solution services to solve customers' management issues such as productivity improvement, cost reduction, and security enhancement as a comprehensive sales force, and transform itself into an ICT partner that supports customers' businesses, leading to continuous sales and profit growth. The numerical targets for FY 3/25 are a 40% increase compared to FY3/19 in the existing business, a 180% increase in the service business, and a 350% increase in the DX business.

◎Cloud Business

	FY 3/19 Results	FY 3/20 Results	FY 3/21 Results	FY 3/22 Estimates	FY 3/25 Targets
Sales	11	14	15	15	19.7
Operating income	2	2	3	1	5

*Unit: Hundred Million yen

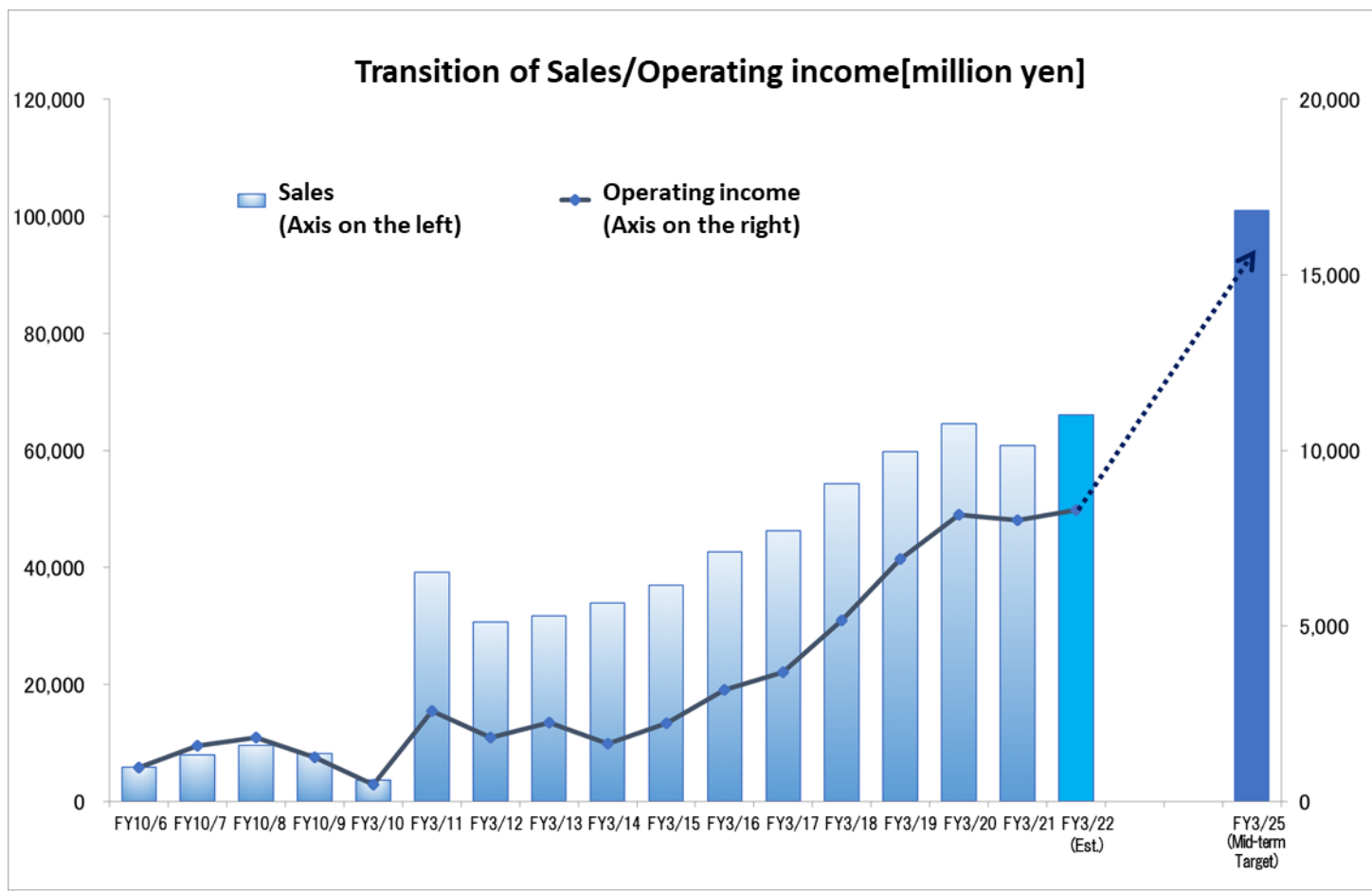
The company is aiming for sales of 1.97 billion yen in FY 3/25 (1.1 billion yen in FY 3/19) and an operating income of 500 million yen (200 million yen in FY 3/19). The company will accelerate the subscription model through its DX platform "Canbus." which promotes DX. In addition, they aim to grow their high value-added business with "Cloudstep" and "Canbus." to support process innovation through remote work and other work style reforms.

◎Overseas Business

	FY 3/19 Results	FY 3/20 Results	FY 3/21 Results	FY 3/22 Estimates	FY 3/25 Targets
Sales	1	1	1.9	2.3	6.4
Operating income	-0.3	-0.2	0.07	0.08	2.5

*Unit: Hundred Million yen

The company aims to achieve sales of 640 million yen in FY 3/25 (100 million yen in FY 3/19) and an operating income of 250 million yen (30 million yen loss in FY 3/19). In the U.S., the company will promote joint sales with One Tech in the field of edge AI building on its technical support for Japanese companies. The company will also provide technical support to Japanese companies in the U.S., PoC in the U.S., and incubation support services to solidify its sales and profit base.



*The fiscal year ended March 2010 was an irregular five-month period due to changing the accounting period.

3. Fiscal Year March 2021 Earnings Results

3-1 Consolidated Business Result of fiscal year March 2021

	FY 3/20	Ratio to net sales	FY 3/21	Ratio to net sales	YOY
Net sales	64,552	100.0%	60,871	100.0%	-5.7%
Gross profit	14,412	22.3%	14,372	23.6%	-0.3%
SG&A expenses	6,248	9.7%	6,365	10.5%	+1.9%
Operating income	8,163	12.6%	8,006	13.2%	-1.9%
Ordinary income	7,871	12.2%	7,507	12.3%	-4.6%
Profit Attributable to Owners of Parent	5,471	8.5%	4,974	8.2%	-9.1%

*Unit: Million yen

Sales down 5.7% YoY and operating income down 1.9% YoY

As economic activities were restricted due to the declaration of a state of emergency in response to the spread of the novel coronavirus, they promoted business activities through remote sales and IT support and software development support through telework. Although the business started to recover in the second half of the year, the delay in the launch of new projects was a factor behind the lower sales and profits.

Sales decreased 5.7% year on year to 60,871 million yen. Sales increased in the Solution Design business, which saw strong orders mainly for 5G, the GIGA School Initiative, and cashless settlement, as well as in the IT Services business, which saw an increase in high-value-added projects to create ways for customers to work, including IT support and mobile environment construction to help customers promote their businesses. On the other hand, sales declined in the Solution Sales business, which was affected by the rebound in demand for the replacement of PCs with Windows 7 in the previous fiscal year, and in the Framework Design business, where sales opportunities decreased and new projects were postponed or suspended due to the spread of COVID-19.

In terms of profits, operating income decreased 1.9% year on year to 8,006 million yen due to a decline in the operating ratio and an increase in personnel costs associated with the active hiring of new graduates. Although profits increased in the IT Services business, where sales increased, and in the Solution Design business, where upfront investments for future growth including the increase in the number of new graduates (2.5 times that of the previous year) and the opening of new bases were covered, profits decreased in the Solution Sales and Framework Design businesses, which were affected by a decline in sales. Gross profit margin improved 1.3 points from the previous fiscal year to 23.6%. Although the SG&A-to-sales ratio rose 0.8 points to 10.5%, operating margin improved 0.6 points to 13.2%. Ordinary income was 7,507 million yen, a decrease of 4.6% year on year, mainly due to the posting of 748 million yen in loss on equity method investments as non-operating expenses. The main reason for this was that StrongKey, Inc., an equity-method affiliate, recorded an impairment loss of 547 million yen after reassessing the value of its investments due to difficulties in sales activities caused by the spread of the novel coronavirus in the United States.

3-2 Trends by segment

	FY 3/20	Composition ratio/ Income margin	FY 3/21	Composition ratio/ Income margin	YOY
Solution Design	22,914	35.5%	23,819	39.1%	+4.0%
Framework Design	5,771	8.9%	5,105	8.4%	-11.5%
IT Service	8,650	13.4%	9,384	15.4%	+8.5%
Solution Sales	25,887	40.1%	21,432	35.2%	-17.2%
Cloud	1,404	2.2%	1,484	2.4%	+5.7%
Overseas Business	147	0.2%	188	0.3%	27.7%
Investment & Incubation Business	213	0.3%	178	0.3%	-16.5%
Adjustment	-437	-0.6%	-721	-1.1%	-
Consolidated Sales	64,552	100.0%	60,871	100.0%	-5.7%
Solution Design	4,059	17.7%	4,099	17.2%	+1.0%
Framework Design	1,057	18.3%	860	16.9%	-18.6%
IT Service	1,264	14.6%	1,417	15.1%	+12.1%
Solution Sales	1,622	6.3%	1,392	6.5%	-14.2%
Cloud	209	14.9%	300	20.2%	+43.5%
Overseas Business	-16	-10.9%	7	4.0%	-
Investment & Incubation Business	-33	-15.5%	-71	-39.9%	-
Adjustment	-	-	-	-	-
Consolidated Operating Income	8,163	12.6%	8,006	13.2%	-1.9%

*Unit: Million yen

Solution Design Business - Sales: 23,819 million yen (+4.0% YoY), Operating income: 4,099 million yen (+1.0% YoY)

The company's efforts to establish a remote sales and telework system for existing customers, focusing on 5G, the GIGA School Initiative, and cashless payment, led to the acquisition of orders, while proactively seeking new customers in growth areas such as Mobility, AI, and IoT also contributed to the increase in sales. The increased burden of upfront investments including the increase in new graduates (2.5 times from the same period of the previous year to just under 300) and the opening of new bases was offset, resulting in higher profits. By quickly shifting the training of aggressively recruited new graduates to be conducted remotely, any deterioration in productivity was prevented.

Framework Design Business - Sales: 5,105 million yen (-11.5% YoY), Operating income: 860 million yen (-18.6% YoY)

The existing financial sector is centered on a large and long-term project that is developed in collaboration with other vendors, making it difficult to remotely develop separately. As a result, the company was more severely impacted by the spread of COVID-19 and continued to experience a decline in inquiries, postponement, and suspension of new projects. Against this backdrop, the company focused on web seminars and other web-based sales activities for new clients and focused on developing new business in the public, transportation, social infrastructure, service, and distribution sectors. In the new service field, the company expanded its services for robotic process automation (RPA) solutions and promoted web-based sales using web seminars, etc., instead of focusing on sales at exhibitions. In addition, license sales, operation and development support were solid, although implementation support struggled. As a result, the ratio of the financial sector, which was about 65% in FY 3/20, has dropped to about 40%.

IT Services Business - Net sales: 9,384 million yen (+8.5% YoY), Operating income: 1,417 million yen (+12.1% YoY)

The increase in sales and profits was driven by high value-added spot projects that attract clients, such as IT support and mobile environment construction to help clients promote their businesses. In addition, there was an increase in the number of projects such as support for cloud-based web conferencing, system modification projects, and security reviews from companies that had hastily established remote systems in an effort to optimize and make these systems permanent. In addition, the company strengthened alliances with sales hooks in IT training and security services which promote telework, leading to the acquisition of new customers.

Solution Sales Business: Sales: 21,432 million yen (down 17.2% YoY), Operating Income: 1,392 million yen (down 14.2% YoY)

Although the system integration business expanded mainly in security and VDI environment construction projects and HCI projects, and the number of high-value-added one-stop service projects from roadmap understanding to IT equipment installation, infrastructure construction, system development, and maintenance and operation also increased, the company was unable to absorb the rebound from the demand for replacement of PCs with Windows7, which contributed approximately 6 billion yen to sales in the previous fiscal year. Despite this challenging environment, the number of training items in the areas of server, storage, ACI, network, and cloud, which are expected to expand rapidly in the future, increased by about five times, and the number of qualifications, including database, doubled. Operating income decreased by approximately 230 million yen from the previous fiscal year, but exceeded the company's plan by approximately 200 million yen.

Cloud Business - Sales: 1,484 million yen (+5.7% YoY), Operating income: 300 million yen (+43.5% YoY)

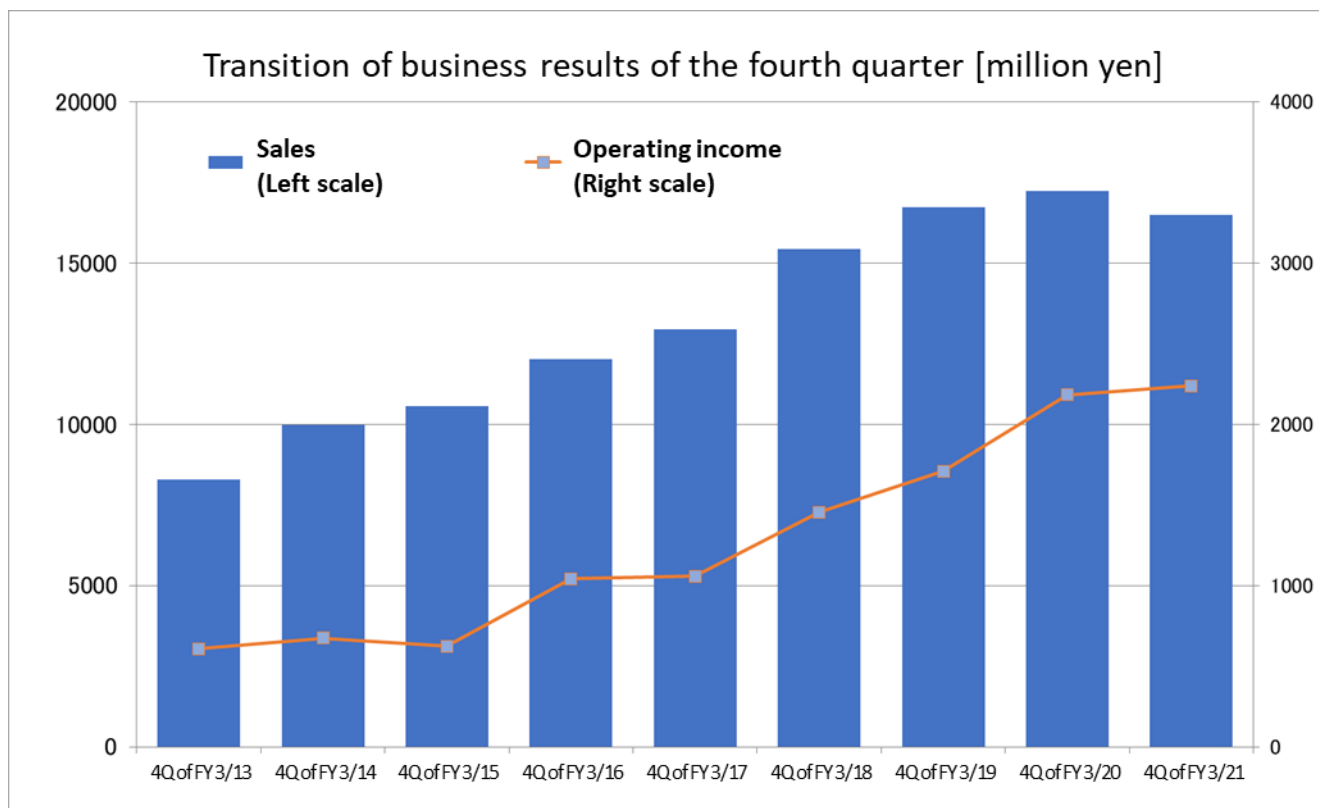
The number of inquiries about Canbus. has increased from companies that are reforming their work styles through telework to shift to data-driven operations. In addition, with the announcement of Google Workspace, there has been an increase in inquiries from companies considering restructuring their groupware to be suitable for telework, and orders for Cloudstep have also increased.

Overseas business – Sales: 188 million yen (+27.7% YoY), operating income: 7 million yen (+24 million yen YoY)

There was an increase of inquiries and orders for unique cold chain services and smart factory projects using AI and IoT (LoRa) from companies in the U.S. and Japan, as well as an increase in inquiries and orders for development projects between Japanese companies in Silicon Valley and start-up companies. In addition, the company's engineers have been praised for the high quality of their output, and work is currently being shifted from competitors to the company. In addition, even during the pandemic, aggressive sales efforts have led to the start of transactions with several major companies. Through these efforts, the company was able to achieve profitability for the full year.

3-3 Transition of quarterly results

Transition of consolidated sales and operating income of the fourth quarter (Jan.-Mar.)



Both sales and operating income in the fourth quarter (January-March) are on an upward trend. In the fourth quarter (January-March) of the current fiscal year, sales declined year on year due to COVID-19, but operating income increased year on year, reaching a high level on a quarterly basis.

3-4 Financial Conditions and CF

Financial Conditions

	March 2020	March 2021		March 2020	March 2021
Cash and deposits	14,925	19,037	Trade payables	5,868	5,257
Trade receivables	13,883	12,826	Accounts payable and accrued expenses	1,858	1,872
Inventories	1,126	834	Income taxes payable	1,430	1,681
Current assets	30,840	33,420	Provision for bonuses	1,239	1,227
Tangible Assets	836	917	Interest-Bearing Liabilities	1,550	1,550
Intangible Assets	303	307	Liabilities	13,000	12,889
Investments and Others	3,976	4,240	Net assets	22,955	25,996
Noncurrent assets	5,115	5,465	Total Liabilities and Net Assets	35,956	38,886

*Unit: Million yen

As of the end of FY 3/21, total assets stood at 38,886 million yen, up 2,930 million yen from the end of the previous fiscal year. While notes and accounts receivable-trade and inventories decreased, cash and deposits, investment securities and other assets increased. In terms of liabilities and net assets, while notes and accounts payable-trade decreased, retained earnings increased due to the increase in income taxes payable and profit attributable to owners of parent. The capital adequacy ratio was 65.9%, up 2.9 points from the end of the previous fiscal year.

Cash Flow

	FY 3/20	FY 3/21	YOY	
Operating CF (A)	4,381	7,205	2,824	+64.5%
Investing CF (B)	-640	-1,562	-922	-
Free cash flow (A+B)	3,741	5,643	1,902	+50.8%
Financing CF	-3,145	-1,983	1,162	-
Cash and Equivalents at the end of term	15,221	18,875	3,654	+24.0%

*Unit: Million yen

In terms of cash flow, the surplus of operating CF increased due to a decrease in trade receivables and inventories. Free cash flow also expanded, while the deficit of the investing CF expanded due to the increase in purchase of investment securities. On the other hand, the deficit of financing CF narrowed due to a decrease in purchase of treasury stock. As a result of the above, cash and cash equivalents at the end of the fiscal year increased 24.0% from the previous fiscal year.

3-5 Recent Topics**The Affiliated Company ONE Tech, Inc. Releases Edge AI for MCU (Micro Controller Unit).**

ONE Tech, a pioneer in the edge AI technology, has released the MicroAI™ Atom Software Development Kit (SDK). SDK is available to the public through the portal for ONE Tech developers, and by downloading it, users can implement ONE Tech's machine learning platform (MicroAI™Atom) on microcontroller unit (MCU)-based hardware. SDK will enable the deployment of AI solutions using low-cost MCUs, which will reduce overall costs and accelerate the adoption of machine learning models in the field.

Signed a distributorship agreement with Astellia for Platio

The company and Astellia have signed a "Platio Subscription Partner" agreement as a sales agent for the mobile app creation tool Platio. By linking the company's RPA solutions with Platio, it will be possible to solve business issues in logistics and nursing care that were difficult to achieve with existing RPA products. By using no-code* to create applications that suit each company's site, it will be possible to smoothly realize information sharing at the site and also provide comprehensive support for solving issues between companies' headquarters and the sites. In the field of logistics and nursing care, various handwritten reports cannot be read by OCR and cannot be reflected in the system, and many sites are out of communication range, making it difficult to go paperless by installing IT tools. These issues have been creating hurdles to the adoption of RPA products. The Astellia's use of Platio will enable the input of handwritten reports, which has been a problem, and the input of information outside the communication range.

No code: A method of developing software that does not require the writing of source code using a programming language.

Completed NTT DOCOMO's IOT for iR730B-001, a 5G edge gateway made by the subsidiary IDY

IDY Corporation, the company's consolidated subsidiary, has completed NTT DOCOMO's interoperability test (IOT) for its 5G edge gateway iR730B-001. IDY has been focusing on reliable wireless technologies to meet customer needs in the growing IoT/M2M market. The LTE router/gateway products they sell are used in vending machines, digital signage, high-speed trains, AI robots, kiosk terminals, and many other places. In response to the demand for sustainable and reliable networks, the iR730B-001, a 5G edge gateway compliant with the 2020 3GPP Rel. 15 standard, was introduced to the market. The completion of NTT DOCOMO's IOT with iR730B-001 is expected to contribute to the further spread of 5G and the enhancement of new services and convenience.

4. Fiscal Year March 2022 Earnings Estimates

4-1 Consolidated Earnings Estimates

	FY 3/21 Results	Ratio to net sales	FY 3/22 Estimates	Ratio to net sales	YOY
Net sales	60,871	100.0%	66,100	100.0%	+8.6%
Operating income	8,006	13.2%	8,300	12.6%	+3.7%
Ordinary income	7,507	12.3%	8,004	12.1%	+6.6%
Profit Attributable to Owners of Parent	4,974	8.2%	5,371	8.1%	+8.0%

*Unit: Million yen

Sales and operating income are estimated to rise 8.6% and 3.7%, respectively, year on year.

For FY 3/22, the company estimates that sales will rise 8.6% year on year to 66.1 billion yen and operating income will rise 3.7% year on year to 8.3 billion yen. As the IT investment by clients, which has been restricted due to the spread of COVID-19, is expected to recover and the activities for promoting DX and popularizing telework are estimated to be intensified, sales and profit are projected to grow in all of the core businesses: the Solution Design, the Framework Design, the IT Service, and the Business Solution (previous name: Solution Sales) businesses. On the other hand, the Cloud business is estimated to see an increase in sales and a decrease in profit, due to the application of the new accounting standards and the setting of new prices. As the Framework Design business saw a significant decline in performance in the previous term due to the decrease of business inquiries about new transactions, the postponement and suspension of transactions amid the COVID-19 pandemic in the existing financial domain, the sales and operating income of this business are expected to grow at the highest rates. In addition, operating margin is projected to drop 0.6 points from the previous term to 12.6%, due to the rise in upfront investment, including the increase of employees, the expansion of business footholds, and the augmentation of promotional costs.

The dividend is to be 20 yen/share per year, unchanged from the previous term (an interim dividend of 10 yen/share and a term-end dividend of 10 yen/share).

4-2 Outlook and efforts for each segment

	FY 3/21	Composition ratio/ Income margin	FY 3/22	Composition ratio/ Income margin	YOY
Solution Design	19,163	31.5%	20,750	31.4%	+8.3%
Framework Design	4,498	7.4%	5,121	7.7%	+13.8%
IT Service	13,662	22.4%	15,383	23.3%	+12.6%
Business Solution	22,343	36.7%	23,835	36.1%	+6.7%
Cloud	1,484	2.4%	1,500	2.3%	+1.1%
Overseas Business	188	0.3%	230	0.3%	+22.2%
Investment & Incubation	178	0.3%	211	0.3%	+18.4%
Adjustment	-647	-1.0%	-930	-1.4%	-
Consolidated Sales	60,871	100.0%	66,100	100.0%	+8.6%
Solution Design	3,624	18.9%	3,870	18.7%	+6.8%
Framework Design	772	17.2%	867	16.9%	+12.2%
IT Service	1,873	13.7%	1,950	12.7%	+4.1%
Business Solution	1,499	6.7%	1,634	6.9%	+9.0%
Cloud	300	20.2%	100	6.7%	-66.7%
Overseas Business	7	4.0%	8	3.5%	+6.1%
Investment & Incubation	-71	-39.9%	-142	-67.3%	-
Adjustment	-	-	13	-	-
Consolidated Operating Income	8,006	13.2%	8,300	12.6%	+3.7%

*Unit: Million yen

The segment of the subsidiary ProVision (earnings forecast for this term: sales of 5 billion yen and an operating income of 500 million yen) has been transferred from the Solution Design business to the IT Service business. The segment of the subsidiary IDY (earnings forecast for this term: sales of 342 million yen and an operating income of 16 million yen) has been transferred from the Solution Design business to the Business Solution business. The segment of new services (earnings forecast for this term: sales of 1 billion yen and an operating income of 110 million yen) has been transferred from the Framework Design business to the Business Solution business. The results for FY 3/21 are those after the above transfer, and year-on-year changes are based on the figures after the above transfer.

◎Solution Design business - Sales: 20,750 million yen(+ 8.3% YoY), Operating Income: 3,870 million yen (+6.8% YoY)

Through selection and concentration, the company will concentrate on promising domains and aim to create business domains with high added value.

◆Aggressive expansion into growing areas

Work on new development in growing areas such as Mobility, 5G, GIGA School Initiative, AI, IoT, and DX.

◆The shift to the IT services field

The company expanded the scope of business to include IT services, which have a wider range of customers. The company will achieve high added value by expanding the scope of its business from conventional design, development, and evaluation to maintenance, operation, infrastructure construction, and other IT service areas. The company aims to expand sales in the IT service field, which was approximately 1.6 billion yen in FY 3/21.

◆Development of new business and new fields by strengthening services

The company will strengthen its DX-related services and create new businesses.

They aim to expand their own products and services developed to reflect the needs of their customers, such as cloud attendance management services (TimeTapps), groupware that supports data management (Palette), and unattended hospitality reception systems (WelTouch). In addition, they will develop their own commercial products and services to solve the problems of local governments and expand them to other local governments as well as SI.

◎Framework Design Business - Sales: 5,121 million yen (+13.8% YoY), Operating Income: 867 million yen (+12.2% YoY)

The company aims to maximize orders by focusing on growing areas, both in existing businesses centered on the financial sector and in new business areas.

From FY 3/22, the new service field included in this business will be changed to the Business Solution business. By specializing more in contract development and SI, the company aims to attract new customers in the newly launched fields of public services, transportation, infrastructure, services, logistics, etc.

◆Maximize existing businesses and expand into growing areas

The company will pursue the continuation and horizontal development of projects centered on insurance and financial systems, business systems, and infrastructure construction.

◆Actively seek orders for DX projects

The company will strengthen both its sales and technical systems in order to win orders for core system renewal and infrastructure construction (cloud computing) projects associated with DX.

◆Expansion of service-oriented business

They will expand their services in the areas of "contract development," "business support," and "cloud deployment." In addition, they will increase orders by strengthening cooperation between headquarters and service vendors.

◎IT Service Business - Sales: 15,383 million yen (+12.6% YoY), Operating Income: 1,950 million yen (+4.1% YoY)

In an environment where more and more customers are promoting DX and accelerating work style reforms, the company will restructure and optimize the existing IT environment and expand IT support services for companies creating new business models.

In FY 3/21, the company gained 72 new client companies and will work to increase transactions with these clients. In addition, 15 new services are planned for this fiscal year.

◆Further focus on high added value areas

Based on the know-how accumulated through the provision of staff-assigned services such as "helpdesk" and "system operator" services, the company will focus on providing services that are more directly linked to the growth and speed up of customers' businesses thereof, such as value-added commissioned services including "IT support," "IT infrastructure," and "PMO," as well as "assessment" and "consulting" services that take advantage of the company's experience in responding to customer requests in response to changes in the business environment.

◆Expansion of software quality assurance services (QA services)

The company will focus on expanding existing domains and developing new business in the enterprise domain by leveraging the quality assurance services which has been developed in the entertainment domain, where orders for social games online business, etc. are growing.

◆Attracting new customers and creating business models

The company will expand the scope of new services and support through investment in human resource development and alliances with group companies and partner companies. They will also strengthen their services and sales by strengthening remote marketing and opening regional offices.

In addition, ProVision, which changed its segment from Solution Design to IT Services from this fiscal year, aims to expand in the entertainment domain, such as social games and online business (BtoBtoC), as well as to expand in the enterprise domain by utilizing the company's business knowledge. In addition, for Tokyo Metropolitan Business Service, in order to establish a system of 200 people with disabilities, the company aims to expand its business and support services for people with disabilities to both the company's and ProVision's customers (support centers, consulting services).

◎Business Solution Business - Sales: 23,835 million yen (+6.7% YoY), Operating Income: 1,634 million yen (+9.0% YoY)

The name of the business segment was changed from Solution Sales to Business Solution Business in FY 3/22. Despite investment restraint due to the spread of the novel coronavirus, efforts to normalize DX and telework are expanding. In this environment, the company will work to expand existing businesses and shift its focus to growing areas. From FY 3/22, IDY, a subsidiary with strengths in new service fields primarily in RPA, which was included in the Framework Design business, and in 5G edge gateways, which was included in the Solution Design business, was reclassified to the Business Solution business segment. The company will link its expanded service menu in the RPA and 5G fields to the enhancement of its sales capabilities.

◆Investment to expand the solution domain

To expand its service lineup and conduct marketing targeting profit divisions.

◆Strengthening initiatives to the hybrid environment

To adapt to the hybrid environments and strengthen alliances with cloud partners

◆Expansion of DX-related services

The company will expand its service menu including RPA and data collaboration tools.

◆Improving profitability by expanding sales of services

To provide one-stop services for all services of All Systema.

◎Cloud Business —Sales: 1,500 million yen (+1.1% YoY), Operating Income: 100 million yen (-66.7% YoY)

Inquiries are on the rise for business improvement and internal infrastructure development towards the normalization of telework. The company aims to expand into the DX field through aggressive upfront investment in its own services, centered on “Canbus.” By the way, the adoption of the new accounting standards which requires accounting for profits according to the percentage-of completion method is expected to result in a decrease of approximately 100 million yen of operating income. In addition, the price revisions for Google products purchased by the company are expected to result in another decrease of approximately 100 million yen of operating income.

◆Upfront investment to increase awareness of "Canbus." and promote it

There are many inquiries on DX, and the company will strengthen its services to make it easier to get started. Additionally, they will actively strengthen alliances and aim to develop new clients.

◆Upfront investment accompanying service enhancements

In order to make a variety of operations feasible, the company will enhance its product capabilities and strengthen its human resources to improve support capabilities and increase customer satisfaction.

◎Overseas Business —Sales: 230 million yen (+22.2% YoY), Operating Income: 8 million yen (+6.1% YoY)

As measures, the company is expanding sales of AI and IoT services, providing technical support for PoC development between Japanese companies in Silicon Valley and startup companies, and expanding the scope of orders received in existing transactions. Existing business' SI is expected to expand, and PoC development technical support is not expected to grow much due to the impact of the spread of the novel coronavirus infection.

◆Expanding Sales of AI and IoT Services

In addition to horizontal expansion to industries that have already introduced the service, the company will aggressively market its unique cold chain and smart factory services powered by AI and IoT (LoRa).

◆Expansion of technical support for PoC development between Japanese companies in Silicon Valley and start-ups

They aim to acquire PoC development projects with Japanese companies in Silicon Valley and startup companies and to reduce costs by utilizing offshore Vietnam.

◆Expanding the scope of orders in existing business

Due to the high quality of the company's engineers' output and their ability to respond flexibly and make proposals from the customer's point of view, there has been an accelerating trend of transferring the work of competitors to the company.

5. Conclusions

In the previous term, their business performance was affected by COVID-19, but the decrease rate in operating income was only 1.9%. This can be highly evaluated. This is an outcome of their efforts to swiftly respond to the changes in the business environment to meet customer needs by developing systems for remote marketing, IT support and software development support through telework. It can be said that the speed of business administration and the advanced management capacity have been reconfirmed through the results for the previous term. The spread of COVID-19 is still lingering, but corporate IT investment and DX cannot be restricted forever, and they are expected to expand sooner or later. This trend is estimated to be strong especially in the fields of “mobility,” “5G,” “GIGA School Initiative,” “AI,” “IoT,” “DX,” etc., where the company is expanding business actively. In the Solution Design business, the company increased the number of new graduates employed 2.5 times compared with the previous term, and plans to increase them further this term. Despite the harsh environment, the company is making the utmost effort to invest for growth, including the increase of recruitment, business footholds, business domains, and alliance partners. The difference in management capacity amid the stringent environment would cause a gap in performance from competitors in the future recovery phase. It is noteworthy what kinds of outcomes will be produced through their management efforts in the previous term.

It is a shame that the estimated timing of completing the mid-term management plan has changed from FY3/24 to FY3/25. This implies that it is not easy to attain their goals, although their industry is growing. We would like to pay attention to how the company will effectively use cash and deposits amounting to about 19 billion yen as of the end of FY 3/21.

<Reference: Regarding Corporate Governance>

◎Organization type, and the composition of directors and auditors

Organization type	Company with a board of corporate auditors
Directors	9 directors, including 2 outside ones
Auditors	4 auditors, including 4 outside ones.

◎Corporate Governance Report (Updated on April 9, 2021)

Basic policy

Our company will promote speedy business administration based on swift decision making to keep up with the rapid changes in the business environment and enhance the efficiency of business administration, and achieve sustainable business development, the increase in shareholder value, and the continuous return of profit to shareholders. In addition, our company will tighten our corporate governance in order to harmonize the interests of stakeholders, including shareholders, customers, business partners, employees, and local communities, maximize overall profit, secure the soundness of business administration, and comply with laws and regulations thoroughly. To do so, we will sincerely accept instructions and suggestions from external experts (audit corporations, lead-managing securities firms, lawyers, labor and social security attorneys, judicial scriveners, and others) and stakeholders, and strive to improve the fairness and transparency of our business administration. Then, we will develop a structure suited for our corporate scale by utilizing our inherent flexibility and make efforts to brush up ourselves as a listed company that always cares for stakeholders, including shareholders, strengthen corporate governance, and disclose appropriate information in a timely manner.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

【Supplementary Principle 4-3-3 Establishment of objective, timely, transparent procedures for dismissing the CEO】

In our company, the representative director and chairperson, who is the founder and owner of our company, leads our business administration as CEO, and the representative director and president marshals employees based on appropriate evaluation of their performance, etc. as chief operating officer (COO). In addition, each representative director is monitored by 6 outside executives (2 outside directors and 4 outside auditors) who satisfied the requirements for becoming independent executives. If an event which would lead to the dismissal of a representative director occurs, the board of directors will have discussions and make decisions based on suggestions from independent executives, to cope with said event. Therefore, the board of directors has not yet established objective, timely, transparent procedures for dismissing the CEO. We will discuss this matter, when necessary.

【Supplementary Principle 4-10-1 Establishment of independent advisory committees, such as arbitrary nominating committees and compensation committees】

Two out of nine directors of our company are independent outside ones, who do not form a majority of the board of directors, but 6 outside executives, including them and 4 outside auditors, satisfy the requirements for independent executives specified by Tokyo Stock Exchange. Each independent executive actively expresses their opinions and gives timely, appropriate advice during deliberations about important matters at meetings of the board of directors, by utilizing their expertise and plenty of experience. Accordingly, we have not yet established an independent advisory committee. We will discuss this matter, when necessary.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>**【Supplementary Principle 4-11-3: Analysis and Evaluation of the Effectiveness of the Entire Board of Directors, and Summary of Results】**

The Company's Board of Directors consists of 13 members, six of whom are outside directors or auditors and are independent officers as defined by the Tokyo Stock Exchange. To analyze and evaluate the effectiveness of the Board of Directors, all directors and corporate auditors conducted a self-evaluation of the composition and operation of the Board of Directors using the "Questionnaire for the Evaluation of the Board of Directors," and two outside directors and four outside corporate auditors discussed the results of the questionnaire in an outside directors' meeting. As a result of the analysis of the self-evaluation in the questionnaire and the discussions at the outside directors' meeting, we have confirmed that the Board of Directors of the Company is engaged in discussions that contribute to sustainable growth and the enhancement of shareholder value from a medium- to long-term perspective by utilizing the knowledge and experience of each of the directors and officers, and that sufficient discussions are taking place for the supervision of management, which we believe ensures the effectiveness of the Board of Directors. In principle, we will analyze and evaluate the effectiveness of the Board of Directors as a whole every year with reference to the self-evaluation of directors and auditors, and make further improvements to ensure that the Board remains effective and that there is effective discussion.

【Principle 5-1 Policy on Constructive Dialogue with Shareholders】

We have established and disclosed a disclosure policy to promote constructive dialogue with our shareholders. For more information, please refer to the details posted on our website. <https://www.systema.co.jp/ir/management/disclosure.html>
For more information on the systems and measures to be taken, please refer to "2. IR Activities" in "III. Status of Implementation of Measures Related to Shareholders and Other Stakeholders" in this report.

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