

BRIDGE REPORT



President
Kenji Miura

Systema Corporation (2317)



Corporate Information

Exchange	TSE Prime
Industry	Information and communications
Representative Director & Chairperson	Yoshichika Hemmi
President & Representative Director	Kenji Miura
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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
¥390	357,455,837 shares		¥139,407 million	24.0%	100 shares
DPS (Estimate)	Dividend Yield (Estimate)	EPS (Estimate)	PER (Estimate)	BPS (Actual)	PBR (Actual)
¥12.0	3.1%	¥24.76	15.8x	¥90.82	4.3x

*The share price is the closing price on May 23. 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 value as of the end of fiscal year ended March 2025. DPS and EPS is taken from the estimates of fiscal year ending March 2026.

Consolidated Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (yen)	DPS (yen)
March 2022 (Actual)	65,272	9,106	8,578	5,992	15.47	-(*)
March 2023 (Actual)	74,526	9,844	9,955	7,317	18.89	8.00
March 2024 (Actual)	76,940	9,713	9,942	7,232	18.67	10.00
March 2025 (Actual)	83,621	12,067	11,855	8,480	23.17	12.00
March 2026 (Estimate)	89,100	12,700	12,700	8,850	24.76	12.00

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

•With December 1, 2021, being the effective date, a 4-for-1 stock split was conducted. EPS in the fiscal year ended March 2022 takes the stock split in question into account. Both EPS and DPS were not retroactively adjusted for the stock split.

•DPS(*) in the fiscal year ended March 2022 was 10.00 yen for the interim period and 3.50 yen for the end of the term, but the simple total amounts are not shown due to the implementation of the stock split in question.

This Bridge Report reviews the summary of the financial results of the fiscal year ended March 2025 and forecasts for the fiscal year ending March 2026 of Systema Corporation.

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Key Points

- In the fiscal year ended March 2025, sales grew 8.7% year on year to 83,621 million yen, and operating income increased 24.2% year on year to 12,067 million yen. The new segment Next-generation Mobility Business remained a growth driver, although its sales growth rate declined in the third quarter. In terms of profit, the annual profit of the Solution Design Business, which was struggling, showed a significant recovery. Gross profit margin rose 1.6 points to 25.1%. The ratio of SGA to sales decreased 0.2 points to 10.7%.
- For the fiscal year ending March 2026, sales are projected to grow 6.6% year on year to 89.1 billion yen and operating income is forecast to rise 5.2% year on year to 12.7 billion yen. Cementing the cooperation among departments across business segments, they will concentrate on the improvement in productivity and the expansion of higher value-added businesses with the “All-Systema” structure, with the aim of attaining the goals for the first year of the new 3-year medium-term management plan. Operating income margin is projected to be 14.3%, almost unchanged from the previous fiscal year. At the beginning of the fiscal year, the company planned to pay an interim dividend of 6 yen/share and a year-end dividend of 6 yen for a total of 12 yen/share per year, unchanged from the previous fiscal year (expected payout ratio: 48.5%).
- During the briefing on promoting the “All-Systema” framework, it was mentioned that the company intentionally refrained from announcing specific target figures, such as sales and profit for each business segment in the forecast for the current fiscal year and the medium-term plan to avoid generating internal limitations. During the same briefing, concrete examples of the “All-Systema” framework, which the company has positioned as a key concept, were provided as supplementary information, and it was evident that the company is making steady progress, as reflected in their own confidence. On the other hand, there was also an explanation that recruiting and developing talent would be a key factor in reaching the goals for the final year of the medium-term plan. However, given the competitive hiring environment among industry peers, the company believes that further enhancement of the system may be required in the future.

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 8 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.

1-1 Business description

From the fiscal year ended March 2025, the business segments of Systema Corporation are Solution Design Business, Next-Generation Mobility Business, Framework Design Business, IT & DX Service Business, Business Solution Business, DX & Recurring-revenue Business, and Other Businesses. In the fiscal year ending March 2026, part of the “Solution Design Business” was transferred and named the “Project Management Design Business,” and the “Framework Design Business” was changed to the “Digital Integration Business” (*See “3-2 Initiatives in each segment” and “3-1 Consolidated performance”).

◆Solution Design Business (Composition ratio for FY3/25: 21.0%)

The segment name remains unchanged. In the fiscal year ending March 2025, however, out of the former five categories that are in-vehicle systems, social infrastructure, Internet business, smart devices/robots/AI, and business systems, Systema made the in-vehicle category an independent segment named Next-Generation Mobility Business and transferred DX services to the DX & Recurring-revenue Business, a newly established segment that specializes in businesses related to the company's own services. In this Solution Design Business, the company engages in planning, design, development, and verification support for Internet businesses, apps for business use, online services, social infrastructure-related systems, IoT, artificial intelligence, robot-related services as well as planning, design, development, and verification support for various products and telecommunications carrier services.

◆Next-Generation Mobility Business (Composition ratio for FY3/25: 6.0%)

While this business was part of the Solution Design Business before the business segment reclassification, the company has made it a new independent segment. This business is intended primarily to provide the company's original services, such as engineering and Mobility as a Service (MaaS), targeting the automobile industry, especially original equipment manufacturers (OEMs) and suppliers.

◆Framework Design Business (Composition ratio for FY3/25: 10.1%)

No significant change has been made to this business. While principally focusing on development of apps for business use, the company offers a host of services ranging from development of mission-critical systems to support for adoption of cloud-based and digital transformation (DX) solutions and technical consulting regarding various advanced technologies to clients including financial businesses (non-life and life insurance companies and banks), public institutions, and corporations.

◆IT & DX Service Business (Composition ratio for FY3/25: 23.4%)

As orders for DX-related projects are noticeably growing in number, the company has renamed the conventional IT Service Business the IT & DX Service Business. It engages chiefly in multitudinous outsourcing services related to IT, such as operation, maintenance, and monitoring of systems, help desk and user support services, and project management office (PMO) services.

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◆Business Solution Business (Composition ratio for FY3/25: 35.3%)

No significant change has been made to this business. In this business, the company sells IT-related products, including servers, computers, computer peripherals, and software, mainly to corporations and offers system integration services (such as provision of services relating to IT equipment, including infrastructure construction and virtualization, and robotic process automation (RPA) solutions) primarily to foreign-affiliated companies and leading medium-sized companies.

◆DX & Recurring-revenue Business (Composition ratio for FY3/25: 3.3%)

The company has added the business related to its own services in the DX service category of the Solution Design Business to the existing Cloud Business and renamed the Cloud Business the DX & Recurring-revenue Business. With a principal focus on Canbus., which is its original service, Systema provides such cloud-based services as Google Workspace and Microsoft 365 and helps clients adopt them, as well as offers various services including Cloudstep and Web Shelter

◆Other Businesses (Composition ratio for FY3/25: 0.9%)

This segment consists of the former Overseas Business and the former Investment & Incubation Business. In the Overseas Business, the company offers technical support related to mobile communications, development and verification support, solutions, and trend research and commercialization regarding state-of-the-art technologies and services. Furthermore, in the field of investment and incubation, it plans, develops, and sells game content for smartphones and tablets.

1-2 Group Companies

	Group companies	Capital / Investment Ratio	Business Descriptions
Domestic consolidated subsidiaries ▶	ProVision	ProVision Co., Ltd.	85 million yen 99.6%
	Tokyoto Business Service Co., Ltd.	Tokyoto Business Service Co., Ltd.	100 million yen Systema Corporation: 51%, Tokyo Metropolitan Government: 49%
	TBSOPERATION Co., Ltd.	TBSOPERATION Co., Ltd.	40 million yen Tokyoto Business Service Co., Ltd. 100%
	IDY	IDY Corporation	65 million yen 76.7%
	GaYa	GaYa Co., Ltd.	75 million yen 100%
	MINGAL	MINGAL, Inc.	100 million yen 60.0%
Domestic equity-method affiliates ▶	HIS Group	HIS Holdings, Inc.	95 million yen 25.0%
Overseas consolidated subsidiaries ▶	systema	Systema America Inc.	28 million US dollars 100%
	systema	Systema Vietnam Co., Ltd.	200,000 US dollars 100%
Overseas equity-method affiliates ▶	StrongKey	StrongKey, Inc.	7.65 million US dollars 28.8%
	ONE	ONE Tech, Inc.	6 million US dollars 50.0%

(Taken from the reference material of the company)

1-3 Medium-term management plan (FY 3/2026-FY 3/2028)

The company formulated a 3-year medium-term plan for the fiscal year ending March 2028. In FY 3/2028, which is the final fiscal year of the medium-term plan, they aim to achieve sales of 102.7 billion yen, an operating income of 16 billion yen, and an operating income margin of 15.6%. In order to attain these goals, they plan to enhance marketing, enrich recurring-revenue business, invest in mainly growing domains, withdraw and rebuild existing businesses, and improve productivity by investing in human resources.

■ Details of the management policy

In order to complete the 3-year medium-term plan, they will cement the cooperation among departments across business segments, and concentrate on productivity improvement and the expansion of high value-added business with the “All-Systema” system. In the Solution Design Business, whose growth is slowing down, they will keep pursuing each field, redeveloping each business domain, appoint specialists who possess technical knowledge in each industry for conventional specs determination and design processes, at which this business excels, and then expand the business domain, including the support in solving IT-related issues through the combination of overall project management and specs designing.

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While the shortage of manpower is becoming serious in all industries, it is imperative for the corporate group to secure excellent personnel. They will keep improving the treatment of employees and raising wages, and actively recruit engineers with advanced skills, look for subcontractors, and invest in recurring-revenue business for securing revenues. In addition to productivity improvement, they will concentrate on the expansion of high value-added businesses, such as the consulting business for supporting DX in software development, and project management office (PMO)-related projects in order to pass on increased costs to prices as soon as possible..

■ Management indicators on which they put emphasis and goals for FY 3/2028

	Results in FY 3/2025	Forecast for FY 3/2026	Forecast for FY 3/2027	Forecast for FY 3/2028
Sales [million yen]	83,621	89,100	94,700	102,760
Operating income [million yen]	12,067	12,700	13,800	16,000
Operating income margin	14.4%	14.3%	14.6%	15.6%

2. Fiscal Year Ended March 2025 Earnings Results

2-1 Consolidated business performance

	FY 3/24	Ratio to net sales	FY 3/25	Ratio to net sales	YoY
Net sales	76,940	100.0%	83,621	100.0%	+8.7%
Gross profit	18,078	23.5%	20,978	25.1%	+16.0%
SG&A expenses	8,364	10.9%	8,910	10.7%	+6.5%
Operating income	9,713	12.6%	12,067	14.4%	+24.2%
Ordinary income	9,942	12.9%	11,855	14.2%	+19.2%
Profit Attributable to Owners of Parent	7,232	9.4%	8,480	10.1%	+17.2%

*Unit: Million yen

Sales increased 8.7% YoY and operating income 24.2% YoY

The economy continued to recover moderately against the backdrop of improvements in the employment and income environments. However, due to the global situation, energy and raw material prices have remained high. Furthermore, the economic outlook remained uncertain due to exchange rate fluctuations caused by interest rate increases in European countries and the U.S., as well as developments in the Trump administration in the U.S. Under these conditions, in addition to reallocating management resources and increasing productivity, the corporate group will concentrate on recurring-revenue businesses to secure profits while promoting the expansion of high value-added businesses such as consulting services to support DX and PMO projects in the software development business. As mentioned above, in the fiscal year ended March 2025, the company reorganized its “Reportable Segments” and changed some of their names.

Sales increased 8.7% YoY to 83,621 million yen. The Next-generation Mobility business, which was separated as a business segment this fiscal year, continued to be the driving force, although the rate of revenue growth slowed from the third quarter. In addition, the Framework Design business and the DX & Recurring-revenue business also maintained strong performance.

In terms of profits, the Solution Design business, which had struggled in the previous fiscal year due to the increased impact of unprofitable projects, showed a significant recovery in the full fiscal year, and the Next-Generation Mobility business, which greatly contributed to sales growth, also contributed to profits. As a result, overall operating income increased 24.2% YoY to 12,067 million yen. Gross profit margin improved 1.6 points YoY to 25.1%. SG&A expenses ratio declined 0.2 points YoY to 10.7%.

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2-2 Trends by segment

	FY 3/24	Composition ratio/ Income margin	FY 3/25	Composition ratio/ Income margin	YoY
Solution Design	18,642	24.2%	17,565	21.0%	-5.8%
Next-Generation Mobility	2,512	3.3%	5,045	6.0%	+100.8%
Framework Design	6,901	9.0%	8,482	10.1%	+22.9%
IT&DX Service	18,297	23.8%	19,750	23.4%	+7.9%
Business Solution	27,481	35.7%	29,729	35.3%	+8.2%
DX & Recurring-revenue Business	2,231	2.9%	2,783	3.3%	+24.7%
Other	1,292	1.7%	797	0.9%	-38.3%
Consolidated Sales	76,940	100.0%	83,621	100.0%	+8.7%
Solution Design	2,215	11.9%	3,048	17.4%	+37.6%
Next-Generation Mobility	642	25.6%	1,779	35.3%	+177.1%
Framework Design	1,642	23.8%	1,883	22.2%	+14.7%
IT&DX Service	2,922	16.0%	2,651	13.4%	-9.3%
Business Solution	1,917	7.0%	2,263	7.6%	+18.0%
DX & Recurring-revenue Business	232	10.4%	460	16.5%	+98.1%
Other	142	11.0%	-19	-	-
Consolidated Operating Income	9,713	12.6%	12,067	14.4%	+24.2%

*Unit: Million yen

Solution Design Business - Sales: 17,565 million yen (down 5.8% YoY), Operating Income: 3,048 million yen (up 37.6% YoY)

As a result of the project-based inventory without exception, some management resources were reallocated to other businesses, resulting in a decrease in sales. On the other hand, profitability has further improved in the company's core and specialty areas, such as the support in solving IT problems, project management projects, and system development. Furthermore, the company developed a strong reputation for being closely involved in clients' efforts to solve business issues, primarily for major carriers. It also received orders for high value-added projects by improving communication and operational efficiency. In addition, by strengthening on-site support, they received more orders for high value-added projects that contribute to clients' businesses.

Next-Generation Mobility Business - Sales: 5,045 million yen (up 100.8% YoY), Operating Income: 1,779 million yen (up 177.1% YoY)

In addition to conventional information display systems, the company received several new orders for development projects related to functions other than information systems. In addition, obtaining orders from new automobile manufacturers is a significant accomplishment. The number of orders for in-vehicle cockpit and in-vehicle software development, such as IVI*¹ and CDC*², has expanded substantially as a result of leveraging mobile development knowledge and technology. Active investment and activities in the company's in-house services to support SDVs (Software Defined Vehicles) have also led to an increase in the number of inquiries. Especially in the second half of the fiscal year, both orders and development were active, including the start of a joint project with Systema America.

*¹ IVI: In-Vehicle Infotainment (an integrated in-vehicle system that realizes the provision of both information and entertainment elements)

*² CDC: Cockpit Domain Controller (combines various functions of the cockpit into a single electronic control unit)

Framework Design Business - Sales: 8,482 million yen (up 22.9% YoY), Operating Income: 1,883 million yen (up 14.7% YoY)

In the financial sector, the company has established a solid track record in the development of mission-critical systems, such as contract management systems for life and non-life insurance companies and accounting systems for banks. In recent years, the company has seen a steady increase in related projects in response to growing needs for DX, such as cloud and system migrations. In the public sector, projects related to central government ministries and agencies are continuing to grow against the backdrop of the Individual Number Card system, and business is expanding in a wide range of areas, such as system update, infrastructure construction, and operation/maintenance. Regional governments are also actively promoting DX, which is playing a role as a growth engine for the business.

In the corporate sector, the company specializes in delivering rapid technical support using low-code development tools, as well as receiving orders for system development projects that help customers promote their DX. The integrated laboratory system's support, from system planning to post-development operation and maintenance, has resulted in good evaluations and increased the company's competitiveness. Furthermore, regarding the use of generative AI, the company actively focused on improving not only operational efficiency, but also development productivity, as well as strengthening its technological capabilities. Technical support services utilizing low-code development tools made a substantial contribution to projects for end users and major companies, resulting in the receipt of orders for 38 new projects from 35 end-user companies.

Overall, the company was able to select and win profitable projects with a good portfolio. This fiscal year was the time when the company was able to build the foundation for such a system.

IT & DX Services Business - Sales: 19,750 million yen (up 7.9% YoY), Operating Income: 2,651 million yen (down 9.3% YoY)

With the development of new business models and the promotion of DX, inquiries regarding the improvement or optimization of business processes, such as standardization and automation, are becoming more active. Rather than simply making proposals in response to customer needs, the company has focused on expanding PMO services that provide comprehensive support, such as support for introducing various tools, developing post-introduction operations, and restructuring business processes after visualizing (assessing) potential issues. Furthermore, based on an understanding of customers' IT investment plans and IT events, the best service menu was created, and the growth of new divisions and customers within customers' businesses was encouraged.

In the DX Verification Service business, amid difficult conditions for customers in the Internet business/game domain, the company reviewed wages and strengthened recruitment activities to put a brake on competition for resources. Furthermore, in addition to growing the existing customer base and developing new businesses in the enterprise domain, the unit in charge of enterprise evaluation was transferred to the subsidiary ProVision as part of the Solution Design Business's management resource reallocation. Profit was somewhat weak, partly because the company was in the middle of a management reform focusing on its subsidiary ProVision.

Business Solution Business – Sales: 29,729 million yen (up 8.2% year on year), Operating income: 2,263 million yen (up 18.0% year on year).

While there are still uncertainties due mainly to the weakened yen and soaring prices of raw materials and commodities, the number of orders that it received for projects aimed at productivity enhancement, cost reduction, and competitiveness improvement through DX and AI have been gradually raising. Specifically, the company received a number of orders for such projects as ones regarding Lift & Shift, which is one of the cloud migration methods, in the cloud-related system integration business. It also got a myriad of inquiries for system development, maintenance and operation, security services, and support services with an eye toward digitization of corporations using RPA and data coordination tools, and orders increased.

The replacement of Windows 10 due to the end of support (October 2025) and the upgrade of peripheral tools, which had been delayed overall, have also contributed to sales since Q4. In the fiscal year ending March 2026, the number of such plans increased, and the company is working on proposals.

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DX & Recurring-revenue Business - Sales: 2,783 million yen (up 24.7% YoY), Operating income: 460 million yen (up 98.1% YoY)

The number of orders surged due to high demand for a mix of a guidance service that promotes DX based on clients' needs for human resources and a no-code DX platform, "Canbus." In addition, the number of public-sector projects from partner companies that have newly started collaboration based on "Canbus." has also increased, which is a factor in boosting sales. In the future, the company plans to expand its recurring business through "Canbus." × "Generative AI" and sales of packages specialized in industries and applications, with a focus on supporting customers in addressing the shortage of human resources.

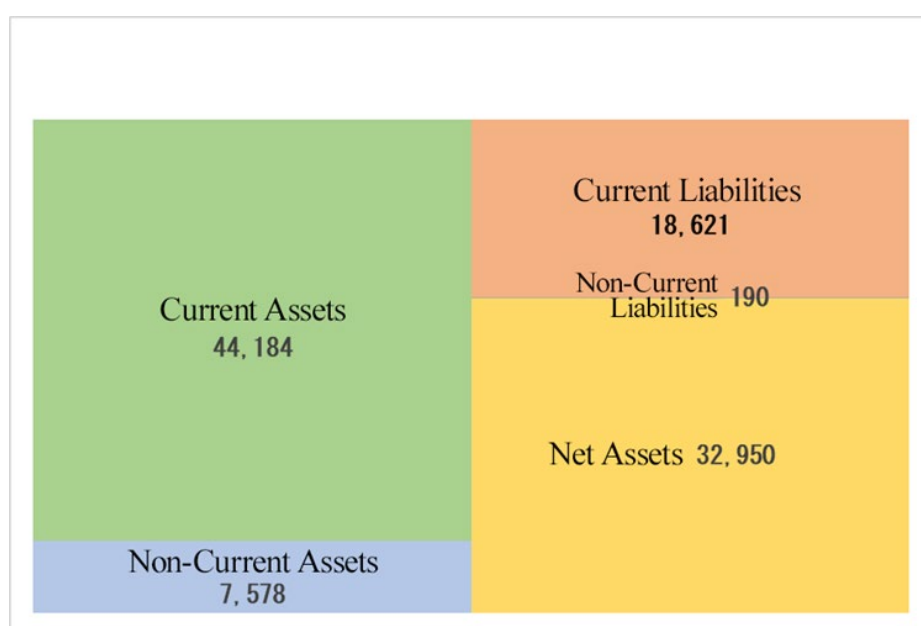
Other Businesses - Sales: 797 million yen (down 38.3% YoY), Operating loss: 19 million yen (a profit of 142 million yen in the previous fiscal year)

At the U.S. subsidiary, as a result of continuing sales activities in collaboration with the "Next-generation Mobility Business" centered on the in-vehicle infotainment-related business, new orders were received from multiple Japanese automobile manufacturers and Tier 1 companies. In game development, the company included a new function called "Cross Fate" in the smartphone game "Horse Racing Legend PRIDE" that allows users to increase their competitiveness by purchasing and organizing certain racehorses, thereby improving the gameplay experience. In the commissioned game production, the company achieved stability by providing PMO assistance for projects in which it is involved and monitoring total man-hours. In the non-game field, commissioned development from existing customers increased steadily.

2-3 Financial Conditions
◎BS

	March 2024	March 2025		March 2024	March 2025
Cash and deposits	30,168	21,860	Trade payables	6,438	9,063
Trade receivables	14,916	18,604	Accounts payable and accrued expenses	2,463	2,530
Merchandise	1,216	2,053	Income taxes payable	1,656	2,167
Current assets	48,088	44,184	Provision for bonuses	1,872	2,068
Tangible Assets	1,395	1,321	Interest-Bearing Liabilities	1,550	1,550
Intangible Assets	254	169	Liabilities	15,437	18,812
Investments and Others	4,299	6,087	Net assets	38,601	32,950
Noncurrent assets	5,950	7,578	Total Liabilities and Net Assets	54,038	51,762

*Unit: Million yen. Trade receivables are the sum of notes, accounts receivable and contract assets.



*Produced by Investment Bridge Co., Ltd. with reference to the material of the company.

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The total assets as of the end of March 2025 stood at 51,762 million yen, down 2,276 million yen from the end of the previous fiscal year. In the side of assets, cash and deposits significantly decreased in the section of current assets. There was also a notable increase in investment securities. Liabilities increased 3,375 million yen from the end of the previous fiscal year to 18,812 million yen, mainly due to the increase in accounts payable. Net assets decreased 5,651 million yen from the end of the previous fiscal year to 32,950 million yen. Equity ratio was 62.7%, down 7.8 points from the end of the previous fiscal year.

Cash Flow (CF)

	FY 3/24	FY 3/25	YoY	
Operating CF (A)	9,036	7,979	-1,057	-11.7%
Investing CF (B)	-251	-2,576	-2,325	-
Free CF (A + B)	8,785	5,403	-3,382	-38.5%
Financing CF	-3,504	-14,024	-10,520	-
Balance of cash and cash equivalents as of the end of the quarter	30,092	21,464	-8,628	-28.7%

*Unit: Million yen.

In terms of cash flows, operating cash flow decreased from the previous fiscal year due to increases in accounts receivables and inventory assets, but net income before taxes and other adjustments provided a certain level of support. The cash outflow from financing activities augmented significantly due to the acquisition of treasury shares. As a result, cash and cash equivalents at the end of the fiscal year decreased 28.7% from the previous fiscal year.

2-4 Recent Topics**(1) Establishment of the Nomination and Remuneration Committee**

On March 27, 2025, the company announced that it had decided to form a voluntary Nomination and Remuneration Committee as an advisory body to the Board of Directors with the goal of strengthening the independence, objectivity, and accountability of the Board of Directors' functions related to director nomination (including succession planning) and remuneration, as well as improving corporate governance.

•Role of the Committee

In response to the Board of Directors' consultation and delegation, the Nomination and Remuneration Committee shall deliberate on the following matters and report to the Board of Directors.

(1) Proposal for appointment and dismissal of directors at a general meeting of shareholders. (2) Matters concerning the appointment and dismissal of executive officers and other senior management staff. (3) Establishment, amendment, or abolition of basic policies, rules, procedures, etc. necessary to resolve the preceding 2 items above. (4) Establishment, amendment, and abolition of basic policies, rules, procedures, etc. necessary for the resolution of individual remuneration, etc. of directors, executive officers, and other senior management. (5) Establishment, amendment, and abolition of basic policies, rules, procedures, etc. necessary for the resolution of the remuneration limit of directors. (6) Other matters deemed necessary by the Nomination and Remuneration Committee with respect to the appointment and dismissal of senior management staff, including directors and executive officers, and their remuneration.

•Structure of the Committee

The Nomination and Remuneration Committee shall consist of a majority of independent external directors and at least three directors appointed by a resolution of the Board of Directors. The chairperson of the committee shall be selected from among the committee members by resolution of the Nomination and Remuneration Committee.

(2) Collaboration with TwoFive for anti-spam solutions

On May 8, 2025, the company announced that it will collaborate with TwoFive Inc. to develop anti-spoofing e-mail solutions. As a result, Systema will use "DMARC/25 Analyze," a cloud-based DMARC analysis service developed and provided by TwoFive, to support countermeasures against spoofed emails.

Furthermore, “DMARC (Domain-based Message Authentication, Reporting and Conformance)” is an industry-standard technology for sending domain authentication that is being promoted by the public and private sectors as a countermeasure against spoofed e-mails. It can detect and block spoofed emails by detecting whether the sender's email address is from a valid domain.

3. Fiscal Year Ending March 2026 Earnings Estimates

3-1 Consolidated Earnings Estimates

	FY 3/25 Results	Ratio to net sales	FY 3/26 Estimates	Ratio to net sales	YoY
Net sales	83,621	100.0%	89,100	100.0%	+6.6%
Operating income	12,067	14.4%	12,700	14.3%	+5.2%
Ordinary income	11,855	14.2%	12,700	14.3%	+7.1%
Profit Attributable to Owners of Parent	8,480	10.1%	8,850	9.9%	+4.4%

*Unit: Million yen

Forecast: 6.6% Year-on-Year Increase in Sales and 5.2% Growth in Operating Income

For the fiscal year ending March 2026, the company projects sales of 89.1 billion yen, representing a 6.6% increase from the previous fiscal year, and an operating income of 12.7 billion yen, a 5.2% increase from the previous fiscal year. The company plans to strengthen cross-departmental collaboration more than ever without being constrained by existing business segments under the “All-Systema” framework. The focus will be on improving productivity and expanding higher value-added businesses to achieve the goals of the first year of the newly announced three-year medium-term management plan. The company has already dismantled the Solution Design Business and dynamically reallocated management resources by transferring related projects to other business units. As a result, this fiscal year, segments were reorganized. The “Solution Design Business” has become the “Project Management Design Business,” and the “Framework Design Business” has become the “Digital Integration Business.” In addition, the Next-Generation Mobility Business will now operate as a newly established headquarters rather than a regular department.

Moreover, amid a worsening labor shortage across industries, securing top talent remains an urgent issue for the group. The company will continue its efforts to improve the treatment of employees and raise wages, with a particular focus on hiring highly skilled engineers. It will also actively invest in discovering reliable partner companies and shifting toward subscription-based business models to ensure stable profits. Plans are in place to quickly pass on cost increases to prices. Operating income margin is projected to be 14.3%, almost unchanged from the previous fiscal year.

Regarding dividends, the company initially forecasts an interim dividend of 6 yen and a year-end dividend of 6 yen, totaling 12 yen annually, unchanged from the previous year (projected dividend payout ratio: 48.5%).

3-2 Efforts for each segment

(1) Next-Generation Mobility Business

Policy: With the shift toward SDVs (Software Defined Vehicles) in the automotive industry, the company aims to leverage its experience in mobile and mobility technologies to expand into new business areas as a tier-one software supplier.

1. Focus on SDV Development Utilizing Mobile Technology

- The company will apply its experience in mobile development to focus on in-vehicle cockpits and information systems such as IVI and CDC.

2. Strategic Emphasis on In-Vehicle Communication Leveraging Expertise in the Communications Domain

- Drawing on extensive experience in wireless communication control, protocol design, and security measures gained in the telecommunications industry, the company will strategically focus on in-vehicle communication systems.

3. Enhancing Automotive Brand Value through Communication Technologies and Mobile Device Development

•By leveraging its expertise in communication technologies and mobile device development, the company will support the enhancement of automotive brand value through SDV development, thereby strengthening competitiveness through advancements in entertainment and connectivity.

(2) Project Management Design Business (*Note: Part of the solution design business was transferred.)

Policy: Aim to create high value-added business domains.

1. Active Expansion into Growing Areas

•By leveraging strengths in IT problem-solving support, project management, and system development, which are core competencies, the company will proactively expand into various fields. By expanding upstream processes such as planning, it aims to receive more orders and improve profitability across all phases, including post-implementation development.

2. Strengthening Organizational Capabilities

•To support clients' digital transformation and business expansion, the company will invest in hiring and training talent specialized in solving IT challenges.

3. More Aggressive Investment Toward Expanding Strategic and Planning Areas

•To support client companies in creating new business models and generating value through generative AI and cutting-edge technologies, the company will actively invest in its own services.

(3) Digital Integration Business (*Note: Former name: the Framework Design Business)

Policy: To grasp the needs for digital transformation in business system development and provide integration services that support client growth.

1. Thorough Strengthening of the Customer Base

•By identifying customer needs for the full-scale adoption of digital transformation, the company aims to drive ongoing business growth and strengthen its customer base.

2. Shift to High Value-Added Business

•Enhance development productivity by fully utilizing generative AI to strengthen competitiveness in system development.
•Expand services that support digital transformation advancement, including low-code development and digital transformation solutions.

3. Transformation of the Business Model

•Convert system development expertise into assets to drive a shift toward a proactive business model in which the company itself delivers value to clients.

(4) IT & DX Services Business

Policy: Rather than simply responding to customer needs with proposals; the company aims to strengthen comprehensive services by visualizing (assessing) customers' latent issues.

1. Focus on Providing Services for Clients' Digital Business

•Further expand hands-on PMO services that support customers throughout processes such as tool implementation, post-deployment operation, and business process reengineering.

2. Promotion and Enhancement of Service Packages

•Propose optimal service packages by combining services, products, and expertise to support the enhancement of client enterprise value.

3. Expansion of Risk Management Services

•Understand and predict service-related risks facing clients and enhance service operations across all phases, from consulting to testing, to provide solutions.

(5) Business Solution Business

Policy: To shift focus from the business of products to the business of services

1. To invest for expanding the solution domain

- To enrich the menu of services and conduct marketing targeted at profit-earning sections

2. To enhance initiatives for the hybrid environment

- To enhance initiatives for the hybrid environment and alliances with cloud service producers
- To enrich the menu of services for Win10EOL (End Of Life)

3. To expand DX-related services

To improve the business of rebuilding an app under the multi-cloud while developing systems

4. To improve profitability by expanding the range of services

- To offer all services of ALL Systema in a one-stop manner

(6) DX & Recurring-revenue Business

Policy: To actively conduct upfront investment in in-house services, mainly “Canbus,” with the aim of operating business in the DX field

1. To enhance the sales promotion of Canbus.

- To improve services with generative AI, add the direction for DX, and meet the demand from clients, with the aim of increasing new clients

2. To improve the popularity of Canbus.

- To conduct a variety of advertisement activities, including exhibiting it at events, holding joint events with business partners, and marketing through social media

3. Upfront investment for service improvement

- To plan services for specific business categories or specific purposes of use and conduct sales promotion for the “Canbus.” series

4. Conclusions

During the briefing on promoting the “All-Systema” framework, it was mentioned that the company intentionally refrained from announcing specific target figures, such as sales and profit for each business segment in the forecast for the current fiscal year and the medium-term plan to avoid generating internal limitations. During the same briefing, concrete examples of the “All-Systema” framework, which the company has positioned as a key concept, were provided as supplementary information, and it was evident that the company is making steady progress, as reflected in their own confidence. On the other hand, there was also an explanation that recruiting and developing talent would be a key factor in reaching the goals for the final year of the medium-term plan. However, given the competitive hiring environment among industry peers, the company believes that further enhancement of the system may be required in the future.

Additionally, while the automobile industry is significantly affected by issues such as the U.S. tariffs, it remains to be seen whether the Next-generation Mobility business, which is a key driver of earnings, can continue its high growth. Furthermore, in the Digital Integration business, the company anticipates that large-scale public-sector projects will gradually wind down. As such, we would like to closely monitor whether those can be successfully offset by projects in the financial and corporate sectors, as the company aims.

<Reference: Regarding Corporate Governance>

◎Organization type, and the composition of directors and auditors

Organization type	Company with corporate auditors
Directors	10 directors, including 4 outside ones
Auditors	4 auditors, including 4 outside ones.

◎Corporate Governance Report (Updated on June 21, 2024)

Basic policy

The Company intends to enhance corporate governance with the aim of responding to rapid changes in the business climate, to promote management emphasizing speed based on promote decision-making to increase management efficiency, to work toward sustainable growth of the business, increasing shareholder value and continuous shareholder returns, to harmonize the interests of shareholders, customers, business partners, employees, local communities and other stakeholders (interested parties) and to maximize general benefits as a whole while endeavoring to secure soundness in management and full regulatory compliance. To archive this, the Company intends to take very seriously the advice and suggestions of external experts (audit firms, lead underwriters, lawyers, social insurance and labor consultants, judicial scriveners, etc.) and stakeholders and will work to enhance the fairness and transparency of management, to build systems appropriate to the size of the Company using its inherent mobility, to further promote self-improvement as a listed company in full awareness of stakeholders, to enhance corporate governance and to disclose information in a timely and appropriate manner.

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

【Supplementary Principle 2-4-(1) Ensuring Diversity in the Promotion of Core human Resources, etc.】

The Company promotes employees to management positions regardless of attributes such as gender, age, race, nationality or whether they were hired mid-career or as a new graduate. The Company's policy is to treat employees according to their abilities and to assign the right people to the right positions. Please refer to the Company's website for further details.

“Policy for securing the diversity of central personnel” https://www.systema.co.jp/sustainability/esg_society/

【Supplementary Principle 3-1-3 Approaches to Sustainability】

The Company's initiatives on sustainability are described on the webpage below. Here, the Company explains its disclosures based on the TCFD recommendations or an equivalent framework, which is mandatory only for companies listed on the Prime Market.

The Company engages in the business of providing IT service, and does not operate any business with high environmental impact, such as the manufacturing of goods. Accordingly, at present the climate change problem is not expected to affect the Company's business significantly. However, the Company began to acquire ISO 14001 certification in 2004 and has since been striving to reduce resource consumption and waste emissions based on its understanding that the global environment is an asset held by all of mankind that is valuable and must be preserved for future generations. In addition, all IT-related climate change measures taken by companies are in the Company's business domain. The increase of the Company's helps increase the efficiency of customers' business and leads to their reduction of resources they consume and the waste they emit, which contributes to the protection of the global environment. Therefore, the Company believes that its growth leads to the ability to control climate change. The Company plans to start initiatives for measuring Scope 1, 2, and 3 GHG emissions in the fiscal year ending March 2025, and launch projects to achieve a target reduction amount of GHG emissions by the end of the fiscal year ending March 2026, while considering the disclosure based on the TCFD or the like when necessary. The Company's environmental initiatives are described on the webpage below.

[The Company's Sustainability Initiatives] <https://www.systema.co.jp/sustainability/>

[The Company's Environmental Initiatives] https://www.systema.co.jp/sustainability/esg_environment.html

【Supplementary Principle 4-1-3 Succession plan for the CEO and others】

We are at the stage of development as an owner-operated company, with the Founder & President directly steering the company's management under a management policy of selection and concentration. As the current succession plan depends on the future business environment and management policy, we believe that the best way for the development of the company is for the CEO to have the exclusive authority to make succession plans at this time. For this reason, the Board of Directors is not currently involved in the formulation and operation of a specific succession plan. We will consider this matter in the future as necessary.

【Supplementary Principle 4-3-3 Establishment of an objective, timely and transparent procedures for CEO dismissal】

As the founder and owner of the company, Representative Director & Chairperson steers the company in a major management direction as CEO and leads the company through appropriate evaluation of business performance. In addition, the Company structure is such that the Representative Director is kept in check by eight Outside Officers (four Outside Directors and four Outside Audit & Supervisory Board Members) who each meet the requirements of independent offices, and the Company believes that if a situation which might involve the dismissal of the Representative Director & Chairperson arose, the Board of Directors would come to a decision through discussion based on recommendation of the Independent Officers and would be able to deal with the situation. Accordingly, the Company has not, at present, established an objective, timely and transparent procedure for CEO dismissal. The Company will consider the matters where necessary in the future.

【Supplementary Principle 4-10-1 Establishment of independent advisory committees, such as arbitrary non-mandatory Nomination Committee and Executive Compensation Committees】

All eight Independent Officers – the four Outside Directors plus four Outside Audit & Supervisory Board Members -- satisfy the requirements for independent officers determined by the Tokyo Stock Exchange and they each leverage their specialist knowledge and extensive experience to actively express opinions during deliberations of important matters at board meetings and the Company is afforded timely and appropriate advice and has, therefore, not currently established independent advisory committees. The Company will consider the matters where necessary in the future.

<Disclosure Based on the Principles of the Corporate Governance Code>

【Principle 3-1 Enhancement of information disclosure】

(1) Management philosophy, management strategies and management plans of the Company

We have formulated and disclosed our management philosophy, management strategies, and medium-term management plan. For details, please refer to our website.

[Management Philosophy and Code of Conduct] <https://www.systema.co.jp/about/idea.html>

[Management Goals and Basic Management Policies] https://www.systema.co.jp/ir/management/business_plan.html

[Medium-term Management Plan] https://www.systema.co.jp/ir/management/business_plan.html

(2) Basic Concepts and Policies Regarding Corporate Governance

(As stated in “I.1. Basic Policy” of this report).

(3) Board policies and procedures in determining the remuneration of the senior management and directors

As stated in “II. 1. [Directors' Remuneration]” of this report.

(4) Board policies and procedures for the appointment/dismissal of senior executives and the nomination of candidates for directors and corporate auditors

In selecting and nominating candidates for the Board of Directors, the President & Representative Director proposes candidates to the Board of Directors based on a comprehensive evaluation of their performance, personality, insight, and ability in accordance with the Rules for Employment of Directors, and the Board of Directors selects suitable candidates to ensure a personnel structure that enables accurate and prompt decision-making, appropriate risk management and supervision of business execution.

In the event of circumstances requiring the dismissal of a director, corporate auditor, or executive officer, the Board of Directors shall deliberate on the matter and decide on the proposed dismissal of said director or corporate auditor, or the dismissal of the executive officer, respectively. Dismissal of directors and corporate auditors shall be conducted in accordance with the provisions of the Companies Act.

In selecting and nominating candidates for corporate auditors, the President & Representative Director proposes candidates to the Board of Directors based on a comprehensive evaluation of their performance, personality, insight and ability, and the Board of Directors selects candidates based on a balance of their knowledge of finance, accounting or law, and experience in management oversight. In addition, the Board of Corporate Auditors are required to consent to the nomination of candidates for corporate auditors.

(5) Explanations with respect to the individual appointments/dismissals and nominations of candidates for directors and corporate auditors by the Board of Directors based on (4)

Reasons for the selection, dismissal and nomination of candidates for outside directors and outside corporate auditors, as well as their brief CV, positions and responsibilities of other directors and corporate auditors are disclosed in the Notice of Convocation of the General Meeting of Shareholders and in the Annual Securities Report. For details, please refer to the company's website. In the event that circumstances necessitate the dismissal of an executive officer, the reason for such dismissal will be stated in the timely disclosure material.

[Reference Material Related to General Meetings of Shareholders] https://www.systema.co.jp/ir/library/general_meeting.html

[Annual Securities Report and Quarterly Reports] <https://www.systema.co.jp/ir/library/securities.html>

(6) Measures for realizing business administration conscious of capital cost and share price

The Corporate Group considers that business administration conscious of capital profitability is essential for achieving sustainable growth and improving corporate value in the medium/long term. The Company will allocate managerial resources appropriately, by implementing some measures, including the investment in human capital and the reform of the business portfolio. In addition, the Company aims to improve corporate value in the medium/long term, by achieving a good balance among growth potential, capital profitability, and financial soundness and optimizing the balance sheet.

【Supplementary Principle 4-11-3: Analysis and Evaluation of Effectiveness of Board of Directors as a Whole, and Summary of the Results】

The Company's Board of Directors is composed of 14 members who attend Board meetings, of whom eight are Outside Directors or Outside Audit & Supervisory Board Members who are Independent Officers in accordance with the provisions of the Tokyo Stock Exchange. To conduct an analysis/evaluation of the effectiveness of the Board of Directors, the Company uses a "Questionnaire Survey for Evaluation of the Board of Directors" and all Directors and Audit & Supervisory Board Members conduct self-evaluations of the composition and operations of the Board of Directors and the results of analysis of this survey are discussed at a meeting of Outside Officers consisting of the Outside Directors and Outside Audit & Supervisory Board Members.

The results of analysis of self-evaluations based on the questionnaire survey and the results of discussion at the meeting of Outside Officers confirmed that the Company's Board of Directors leverages the knowledge, experience and insights of each offices to engage in discussions which contribute to the sustainable growth and enhancement of shareholder value from a medium-to-long term perspective and that sufficient discussions for the supervision of management are held, and the Company, therefore, concluded from these findings that the effectiveness of the Board of Directors is ensured.

With reference to the self-evaluations of the Directors and Audit & Supervisory Board Members, the Company conducts an analysis and evaluation of the effectiveness of the Board of Directors every year, in principle, to maintain effectiveness and also pursues further improvement to ensure that effective discussions are held.

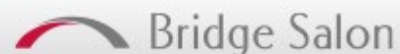
【Principle 5-1 Policy on Constructive Dialogue with Shareholders】

The Company establishes and discloses a disclosure policy to encourage constructive dialogue with shareholders. Please refer to the Company's website for further details.

[Disclosure Policy] <https://www.systema.co.jp/ir/management/disclosure.html>

Please refer to "2. Status of IR Activities" in "III. Implementation Status of Measures for Shareholders and Other Stakeholders" in this Report for information about the development of a framework and initiatives for this.

BRIDGE REPORT



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