



44th Term, Second Quarter Company Presentation

Value Engagement Partner



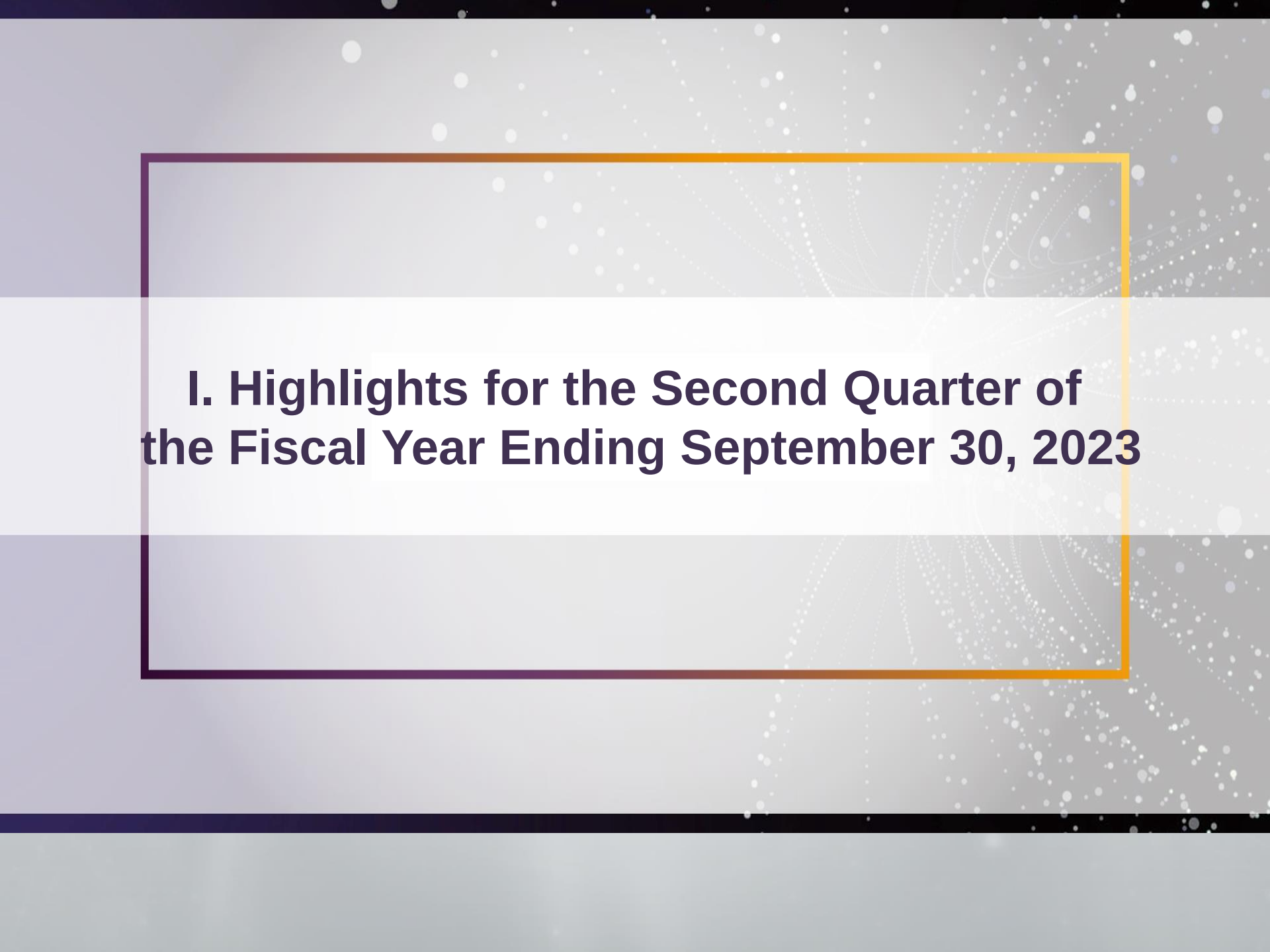
SYSTEM INFORMATION
Co.,Ltd.

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- I. Highlights for the Second Quarter of the Fiscal Year Ending September 30, 2023
- II. Forecasts for the Fiscal Year Ending September 30, 2023 (Full-Year Forecasts)
- III. Recent Topics
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Reference

- (1) Company Information
- (2) Continuous Initiatives for Sustainable Growth
- (3) ESG, SDGs, Social Contribution Activities



I. Highlights for the Second Quarter of the Fiscal Year Ending September 30, 2023

I-1. Summary of Financial Results (Consolidated)

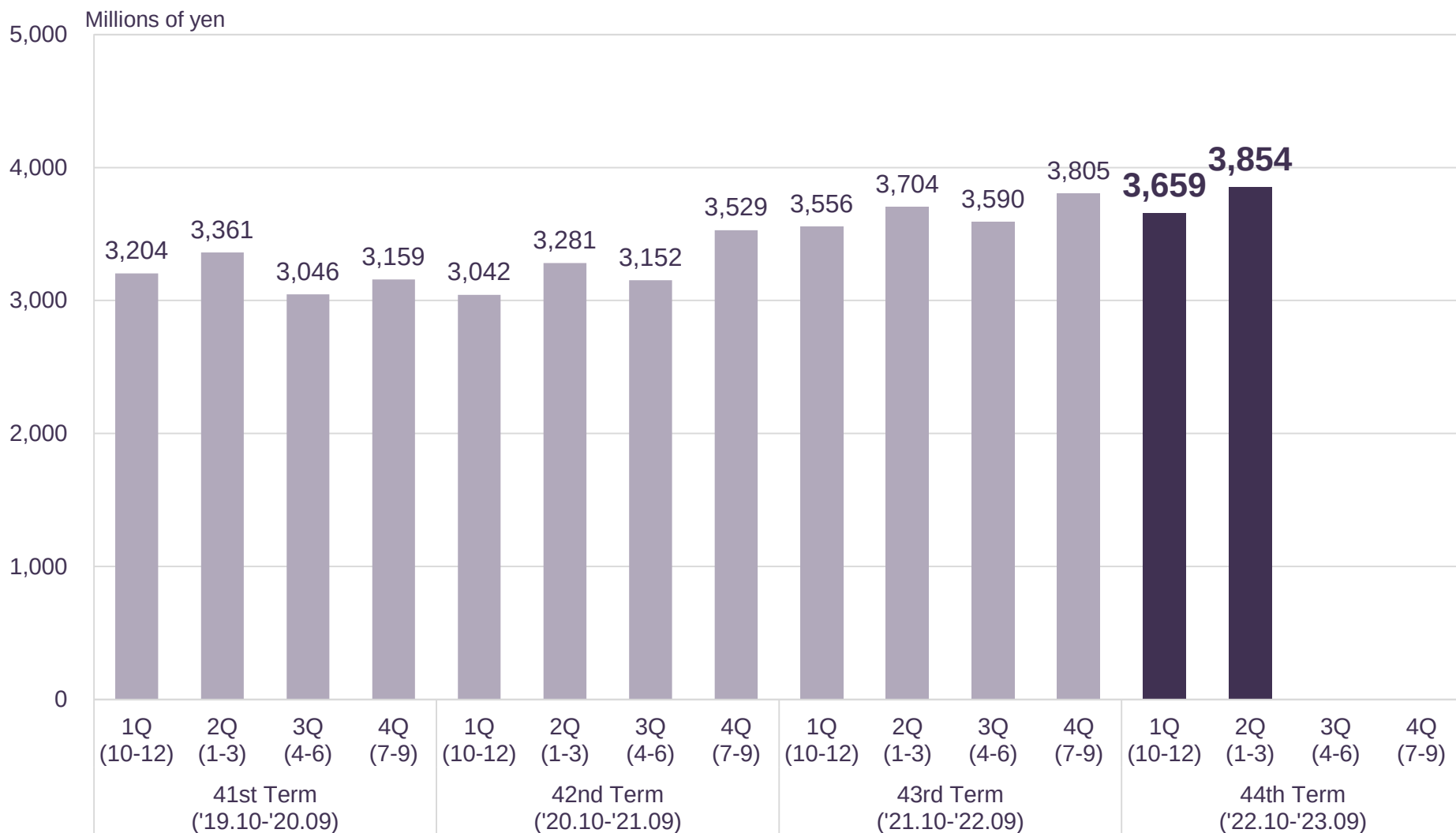
Consolidated statement of income

Millions of yen

Items	Six Months Ended March 31, 2022		Six Months Ended March 31, 2023		YoY
	Amount	% of Net sales	Amount	% of Net sales	
Net sales	7,259	100.0%	7,511	100.0%	3.5%
Gross profit	1,661	22.9%	1,561	20.8%	-6.0%
Selling, general and administrative expenses	575	7.9%	688	9.2%	19.5%
Operating profit	1,085	15.0%	873	11.8%	-19.5%
Ordinary profit	1,085	15.0%	878	11.7%	-19.1%
Profit	737	10.2%	588	7.8%	-20.2%
Earnings per share (yen)	31.55	-	25.54	-	-19.1%

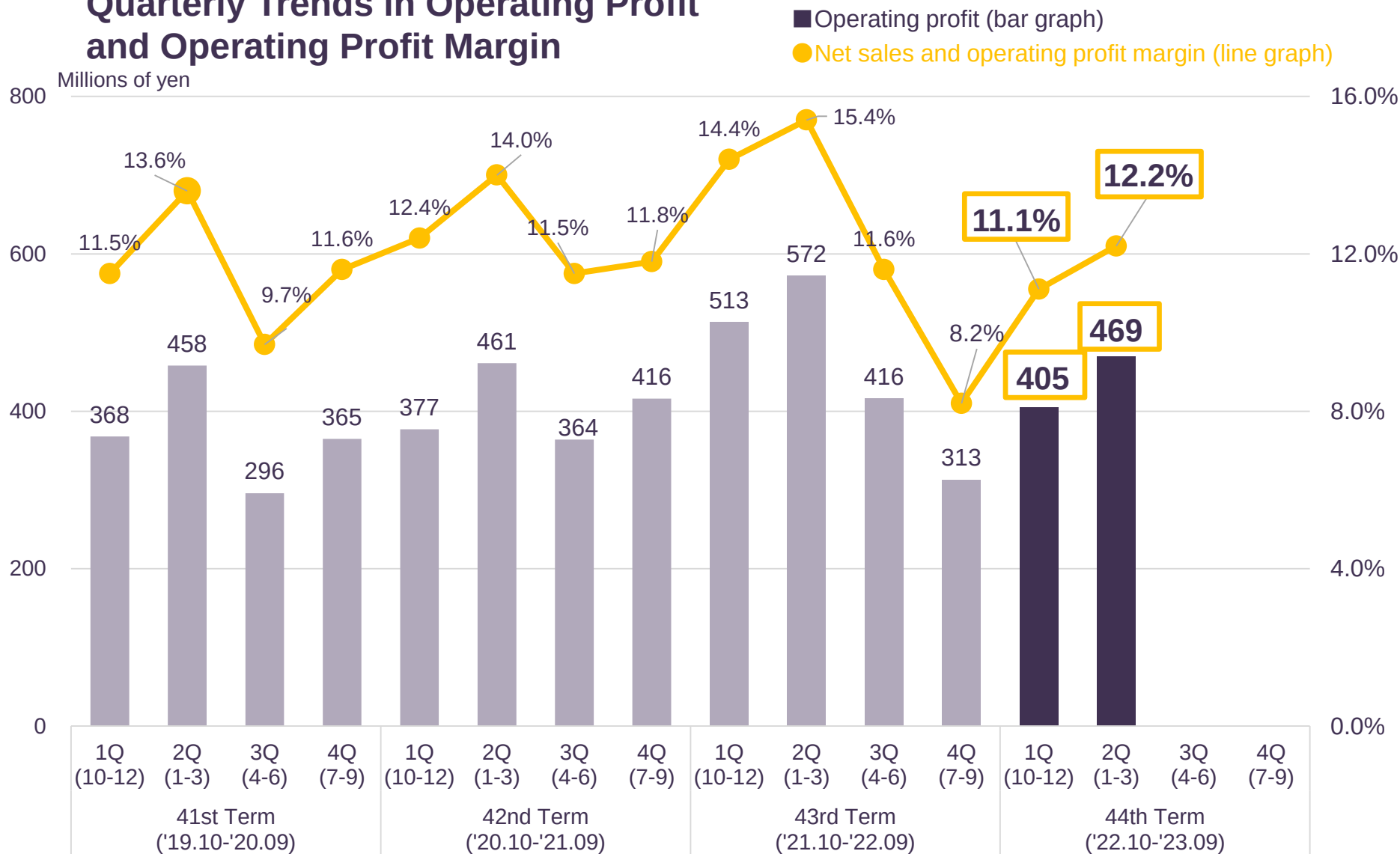
I-2. Quarterly Trends (1) Net Sales

Quarterly Trends in Net Sales



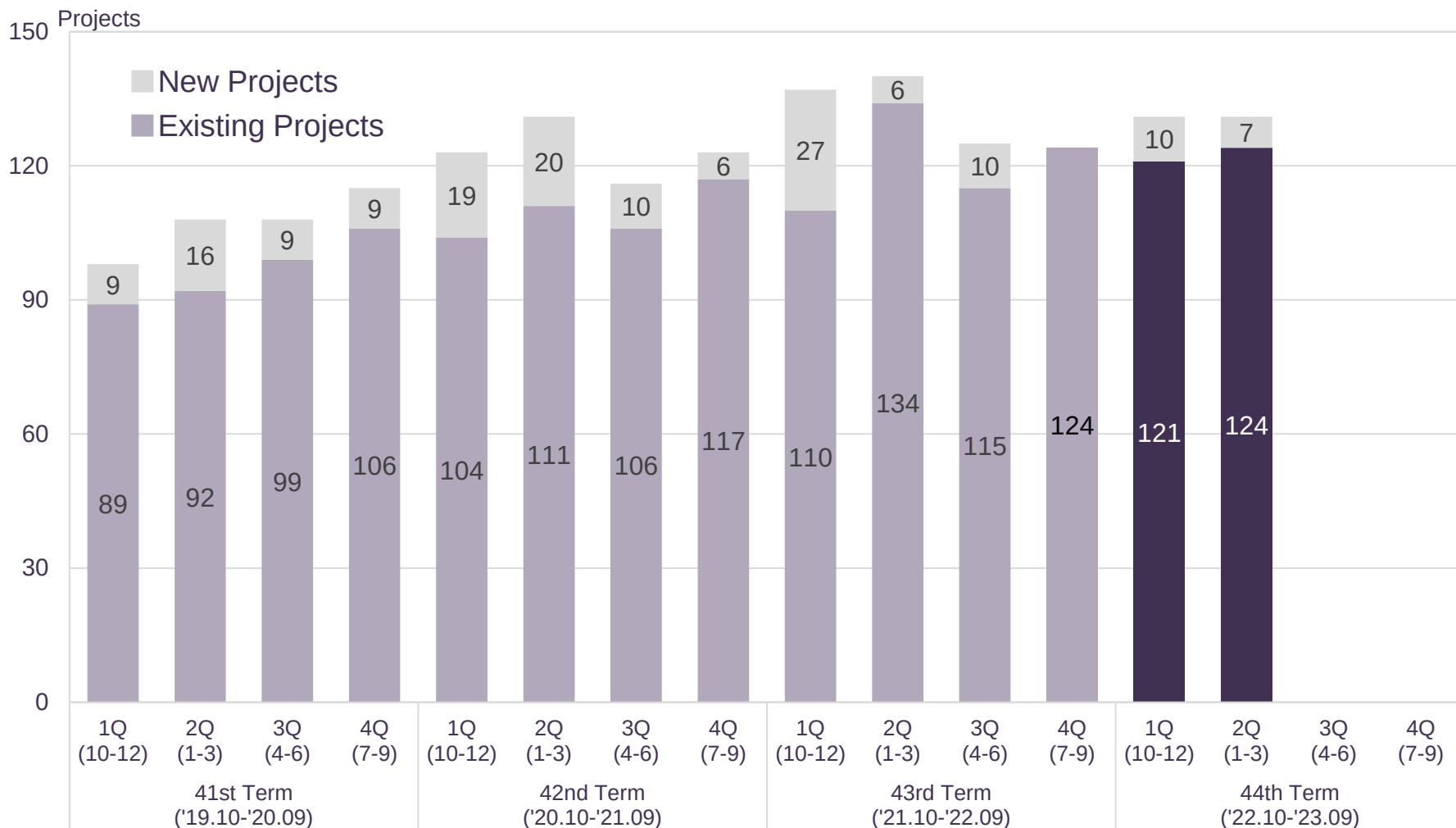
I-2. Quarterly Trends (2) Operating Profit and Operating Profit Margin

Quarterly Trends in Operating Profit and Operating Profit Margin



I-2-(3). Quarterly Trends

Trends in the Number of Projects



I-3. Second Quarter Points of Financial Highlights / Overall

- ◆ Amid-changing business and consumption trends

Accelerating digitalization and further increase in DX-related demand

- ◆ By hiring and educating new potential personnel and securing time for reskilling existing personnel

Net sales increased only 3.5% (up 252 million yen) year-on-year due to restrained utilization rates

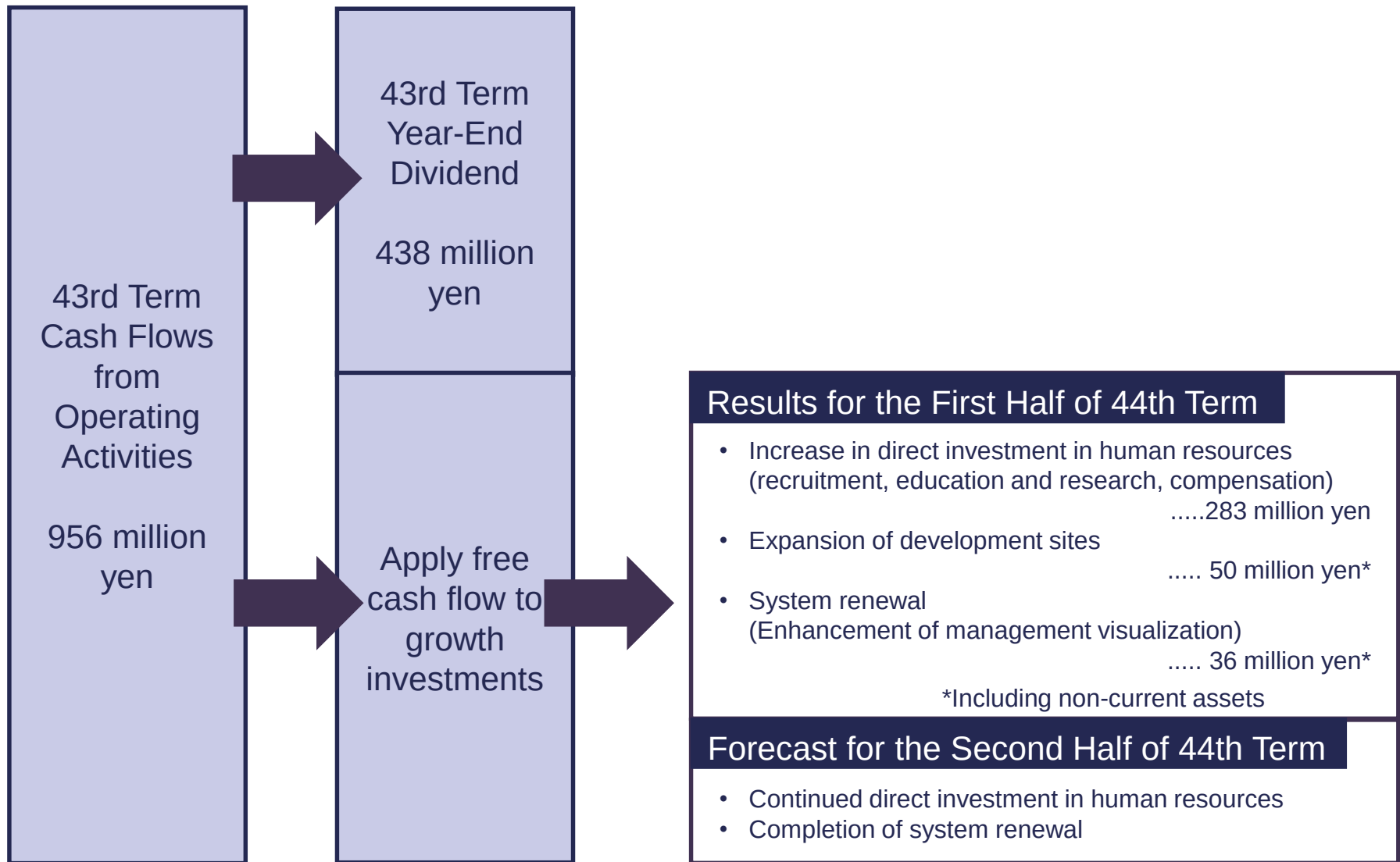
- ◆ Through recruitment, education and research, improved compensation, system renewal, etc.

Expenses increased by approximately 300 million yen



- **The ratio of DX deals exceeded 30%** as a result of the creation of high-value-added human resources
- **Quarterly net sales reached a record high**, up 3.5% year-on-year
- **Operating profit declined 234 million yen year-on-year to 874 million yen (dividend forecast unchanged)** due to higher expenses from human resource investment, etc.

I-3. Second Quarter Points of Financial Highlights / Growth Investments



I-4. Progress in Second Quarter

Second Quarter Forecast : **7,640** million yen

Net sales



Operating profit

Second Quarter Forecast : **885** million yen



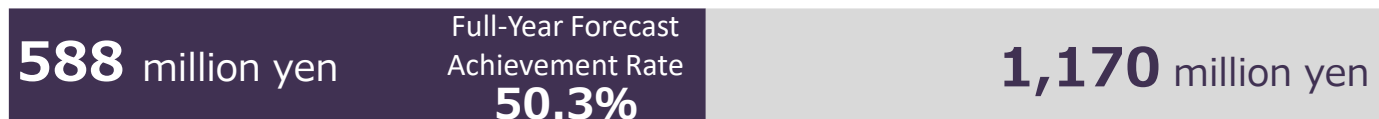
Ordinary profit

Second Quarter Forecast : **890** million yen



Profit

Second Quarter Forecast : **600** million yen

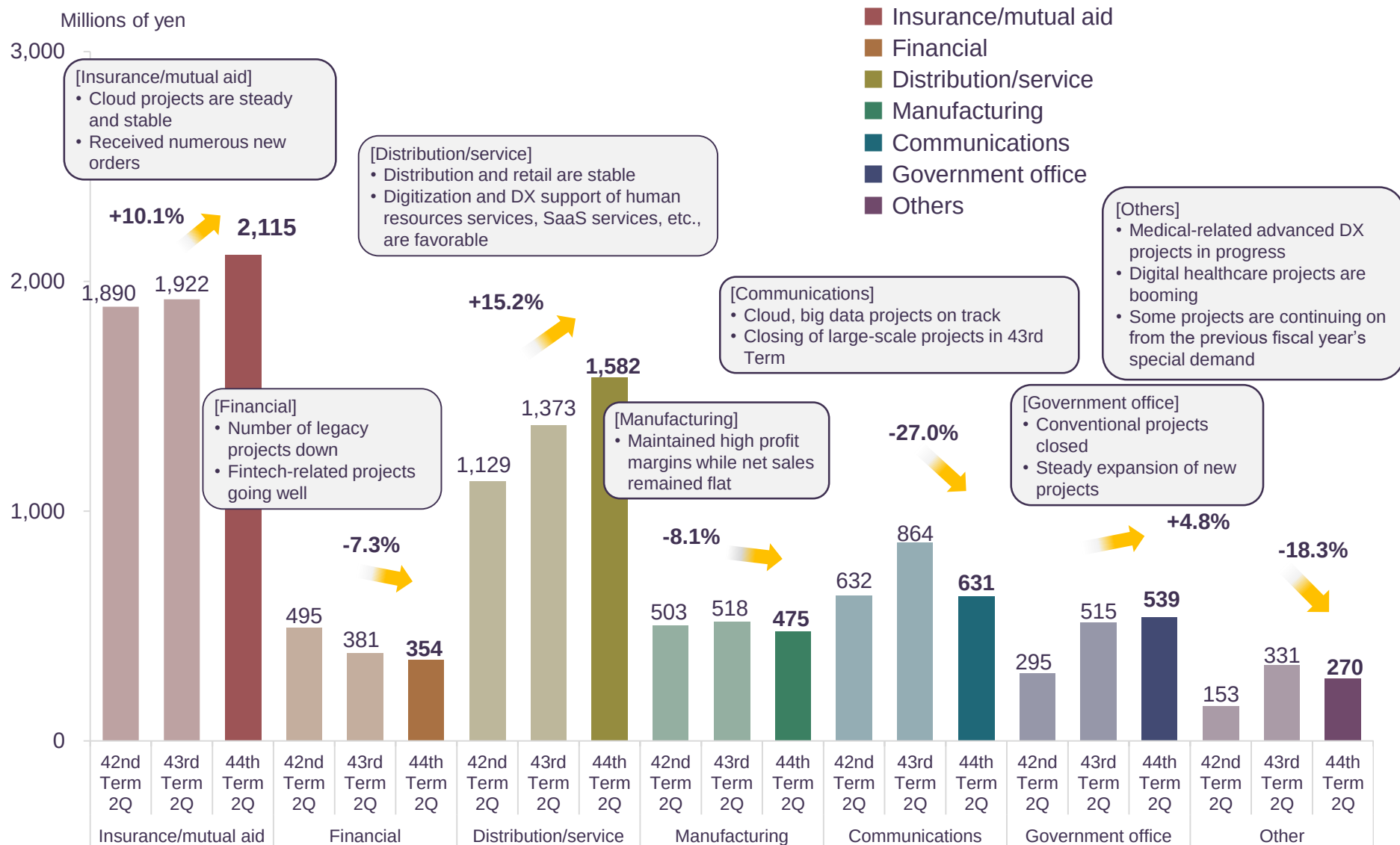


0%

50%

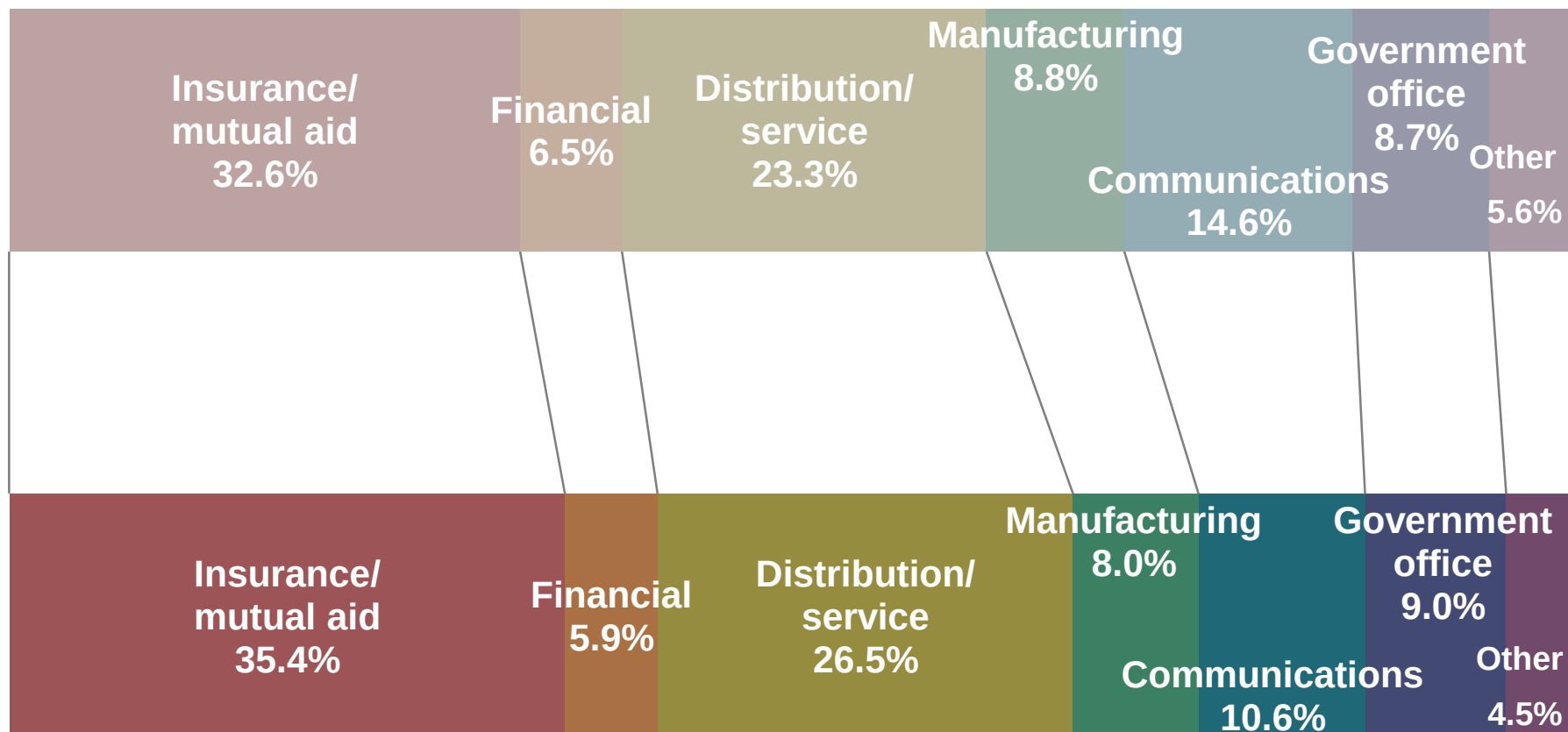
100%

I-5-(1). Trends in Net Sales by Industry (Non-consolidated)



I-5-(2). Net Sales Ratio by Industry (Non-consolidated)

Total net sales for the second quarter of 43rd Term: 5,902 million yen



Total net sales for the second quarter of 44th Term: 5,966 million yen

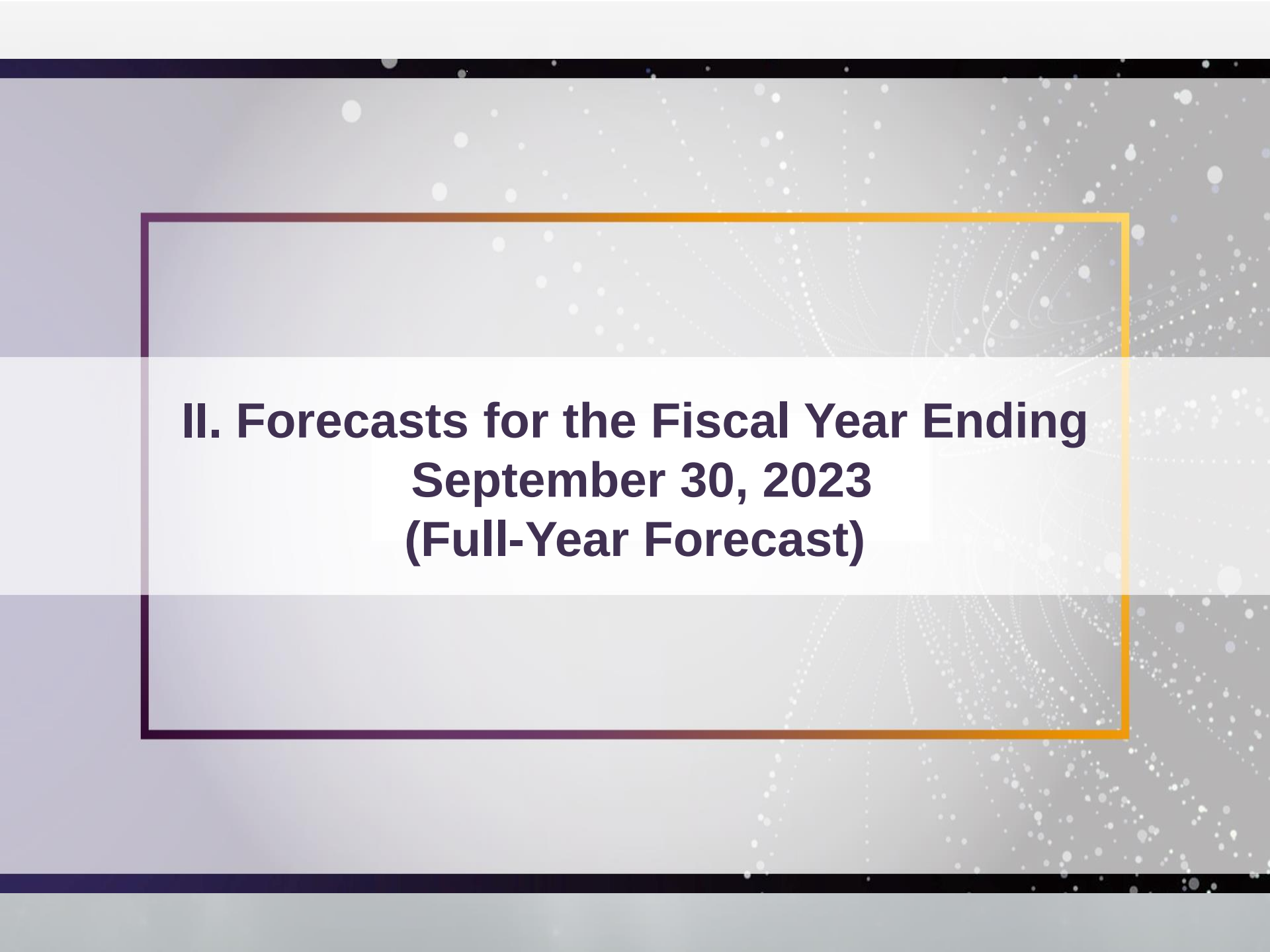
I-6. Financial Position (Consolidated)

Consolidated balance sheet

Millions of yen

		Fiscal year ended September 2022	Six Months Ended March 31, 2023	Change	Reasons for Changes
	Current assets	6,139	6,094	-44	(-) Cash and deposits
	Non-current assets	1,656	1,828	171	(+) Investments and other assets
	Total assets	7,795	7,922	126	
	Current liabilities	2,098	1,937	-161	
	Non-current liabilities	295	390	94	(+) Long-term borrowings
	Total liabilities	2,394	2,327	-67	
	Total net assets	5,400	5,595	194	(+) Retained earnings (-) Annual dividends
	Total liabilities and net assets	7,795	7,922	126	

Equity ratio **70.6%**

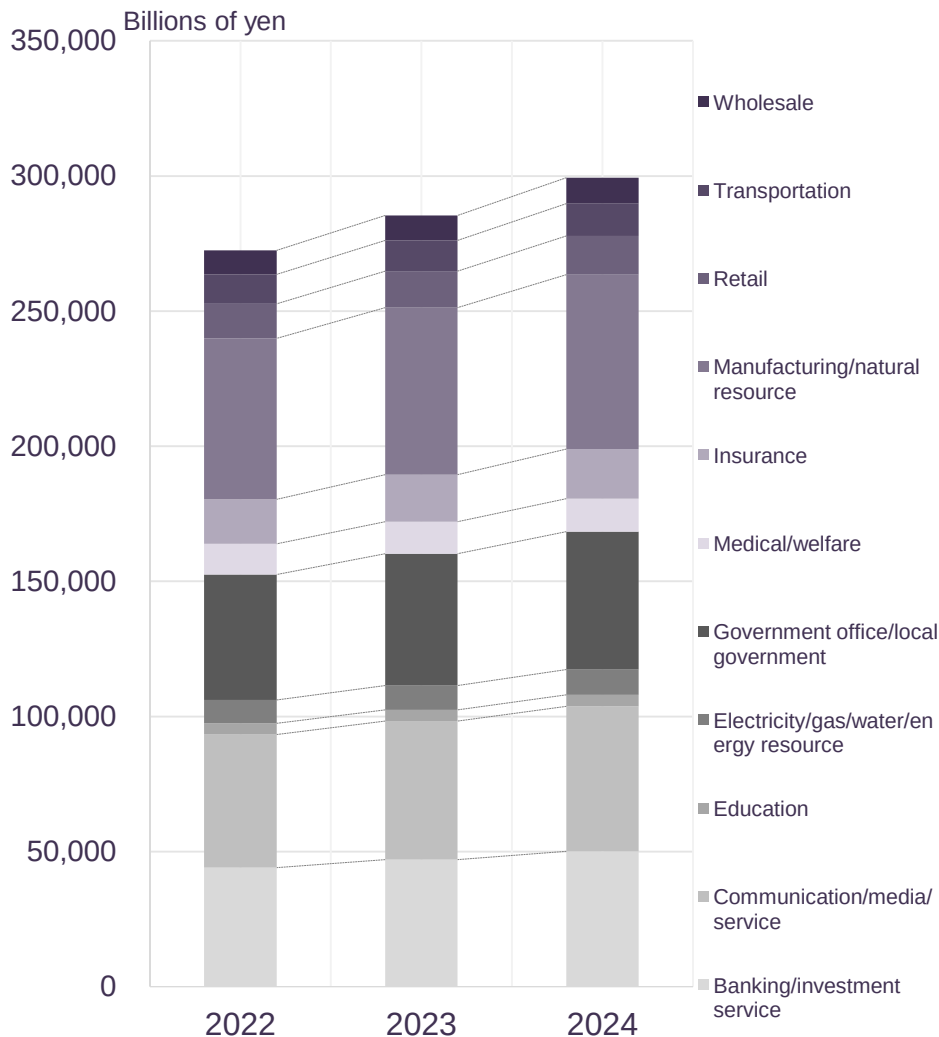


II. Forecasts for the Fiscal Year Ending September 30, 2023 (Full-Year Forecast)

II-1. Industry Trends

Gartner* “IT Spending Forecast by Industry in Japan”

*Gartner Japan Limited
A U.S. company that conducts research and advises mainly in the IT field



Industry	Annual Growth Rate (2022)	Annual Growth Rate (2023)	Annual Growth Rate (2024)
Wholesale	3.5%	3.5%	3.8%
Transportation	3.8%	5.0%	4.5%
Retail	4.9%	6.0%	6.6%
Manufacturing/natural resource	3.4%	3.7%	4.5%
Insurance	5.2%	5.0%	4.9%
Medical/welfare	4.1%	3.9%	3.8%
Government office/local government	7.7%	5.3%	4.3%
Electricity/gas/water/energy resource	2.5%	3.1%	5.2%
Education	-11.5%	1.1%	2.5%
Communication/media/service	6.2%	4.2%	4.5%
Banking/investment service	7.9%	6.8%	6.6%

- Japan's enterprise IT market is expected to grow at a CAGR of 4.6% from 2022 to 2026
- Many companies position digitalization-related investments as one of their top priorities
- High growth expected in bank/investment service and retail

II-2. Business Environment Outlook for the Fiscal Year Ending September 2023 (Second Half)

Business Environment Outlook

- ◆ Business sentiment among large companies will worsen in the manufacturing industry, but improve slightly in the non-manufacturing sector (Bank of Japan's Tankan survey)
- ◆ Capital investment plans for large companies in the non-manufacturing industry in fiscal 2023 is slightly more bullish than usual (Bank of Japan's Tankan survey)
- ◆ Software investment by large companies in fiscal 2023 is expected to increase 5.7% in the manufacturing industry and 6.1% in the non-manufacturing industry (Bank of Japan's Tankan)
- ◆ DX market is on an expansion trend/DX-related domestic market is forecasted to grow 2.8 times from fiscal 2021 to fiscal 2030 (Fuji Chimera Research Institute)
- ◆ Corporate system development is generally favorable although there are strong and weak trends across industries

Estimated Impact on Our Company

- ◆ Increase in inquiries, mainly for DX projects
- ◆ Projects in the distribution and retail, service, and other non-manufacturing industries remain strong
- ◆ Expanding needs by highlighting the speed of development matched to the speed of business development in areas where our Company excels such as:
 - Effective combination of “CAMBRIC and other advanced technologies” + “SaaS”
 - High-speed development using “no-code, low-code development”

II-3. Business Activities for the Fiscal Year Ending September 2023 (Second Half)

Our Business Activities

- ◆ Expansion of DX business
⇒ Boosting orders received for projects with a high DX ratio
- ◆ No change in full-year net sales forecast (15.5 billion yen) as the Company continues to strengthen human resource development
- ◆ Receipt of orders for projects in advanced areas and pass-through of high-value-added human resource costs leading to higher unit prices
⇒ Expense increases due to hiring and education enhancements are expected to be absorbed gradually
- ◆ Continue to aggressively invest cash flow from operating activities in the previous fiscal year in the second half of the current fiscal year
- ◆ Educate new graduate hires (gradual transition from basic training to on-the-job training)
⇒ Become a driver of earnings from the fourth quarter of the current term to the next term
- ◆ DX Education (DX Expert Academy) for mid-career hires, mainly cultivation of currently unemployed recent graduates with work experience to help them become a driver of earnings
- ◆ Reskilling of existing employees (methodological enhancements including design thinking)

Our Financial Activities

- ◆ Maintain dividend per share (19 yen)

II-4. Forecasts for the Fiscal Year Ending September 30, 2023 (Consolidated)

Consolidated statement of income

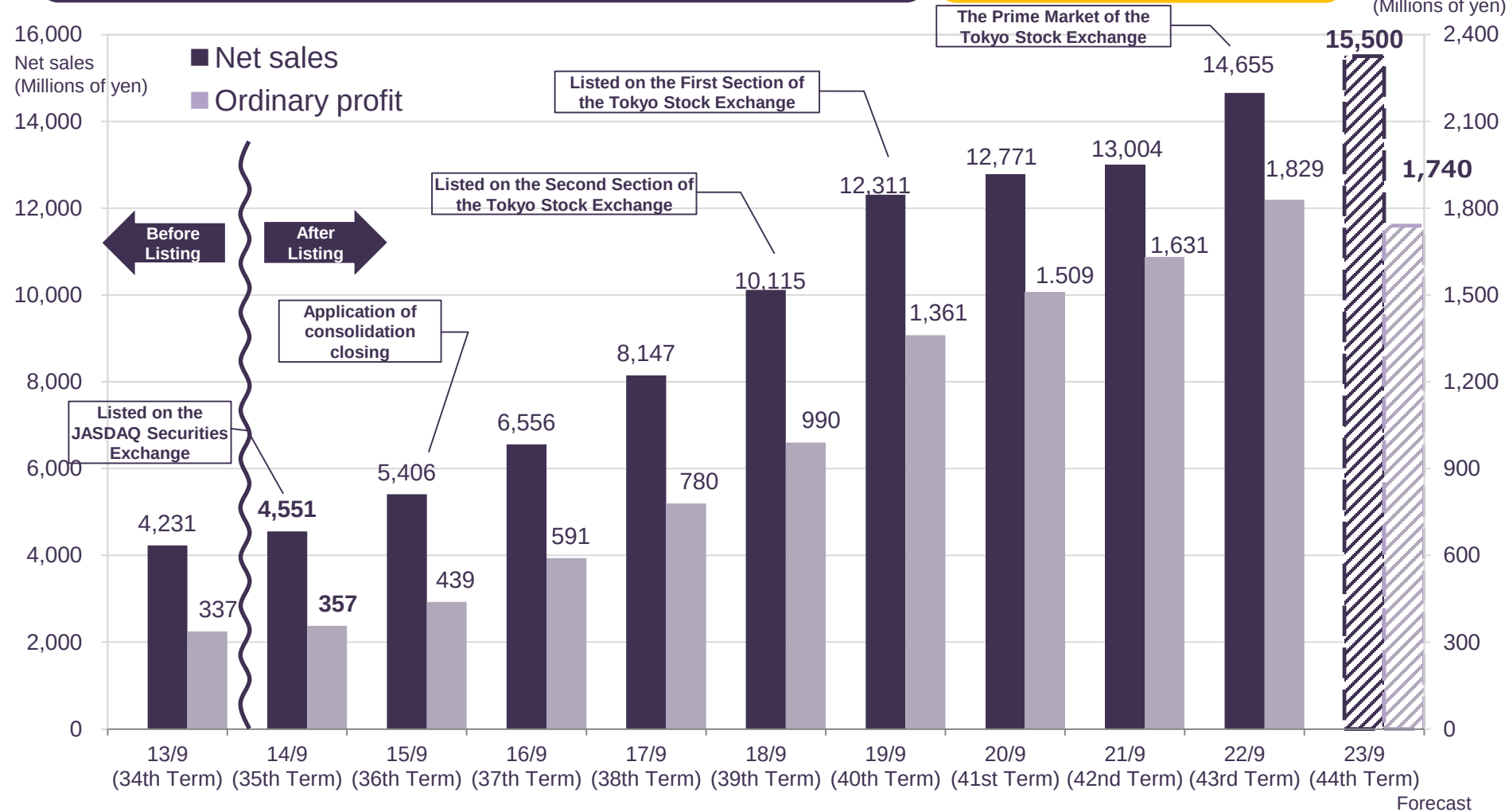
Millions of yen

Items	Fiscal year ended September 2022 (Results)		Fiscal year ending September 2023 (Forecasts)		YoY
	Amount	% of Net sales	Amount	% of Net sales	
Net sales	14,655	100.0%	15,500	100.0%	5.8%
Operating profit	1,815	12.4%	1,720	11.1%	-5.3%
Ordinary profit	1,829	12.5%	1,740	11.2%	-4.9%
Profit	1,242	8.5%	1,170	7.5%	-5.9%
Earnings per share	53.36	-	50.78	-	-4.8%
Dividend per share and dividend payout ratio	19.0 yen (35.6%)		19.0 yen (37.5%)		-

II-5. Business Performance Trends(Net Sales / Ordinary Profit)

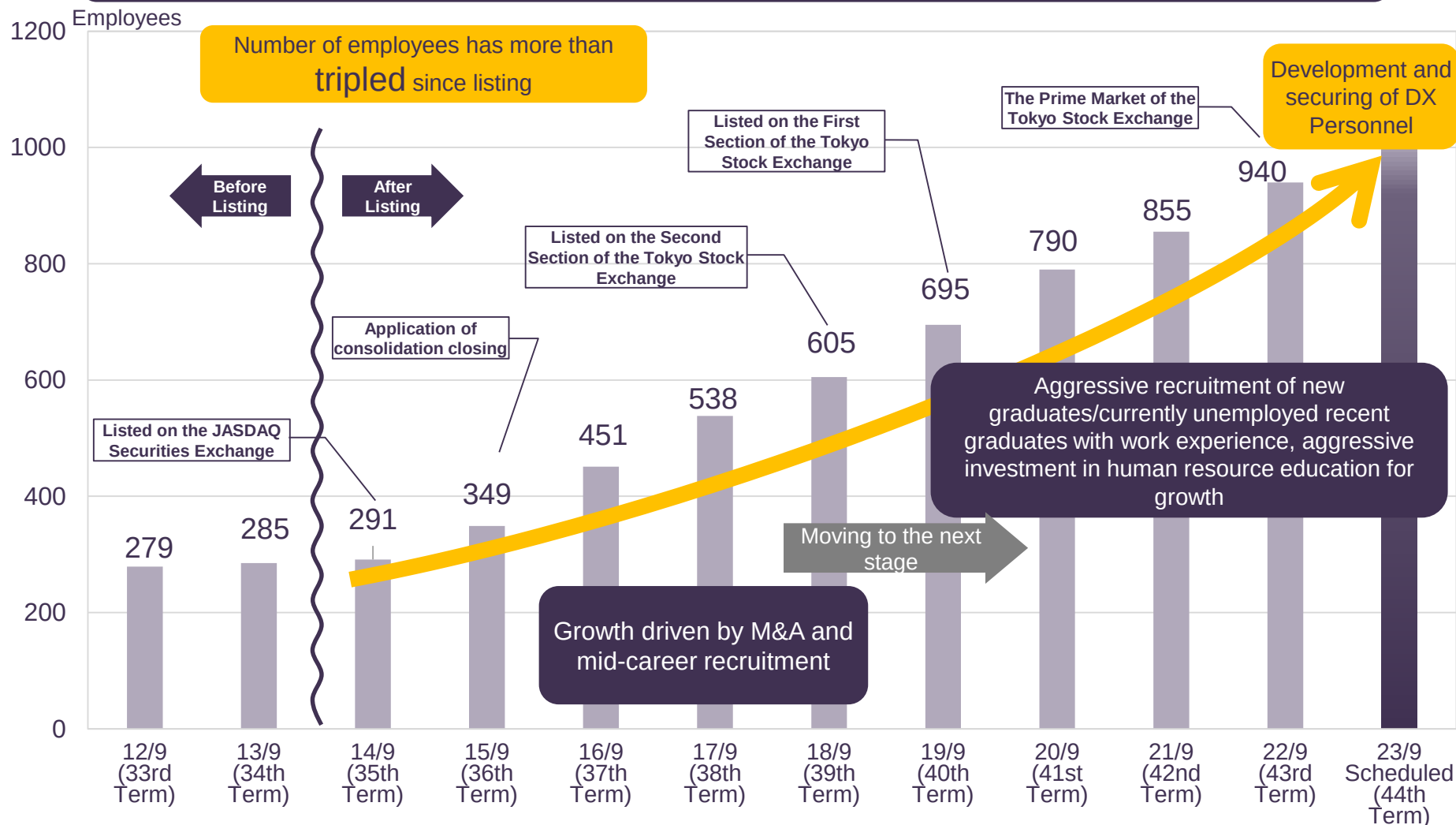
Net sales are expected to increase for 10 consecutive years since listing.
Net sales are expected to record a record high.

Net sales **3.4** times
Ordinary profit **4.9** times since listing



II-6. Trends in the Number of Employees

External growth (M&A & Mid-career recruitment) ⇒ Internal growth
(Young engineer recruitment education investment)

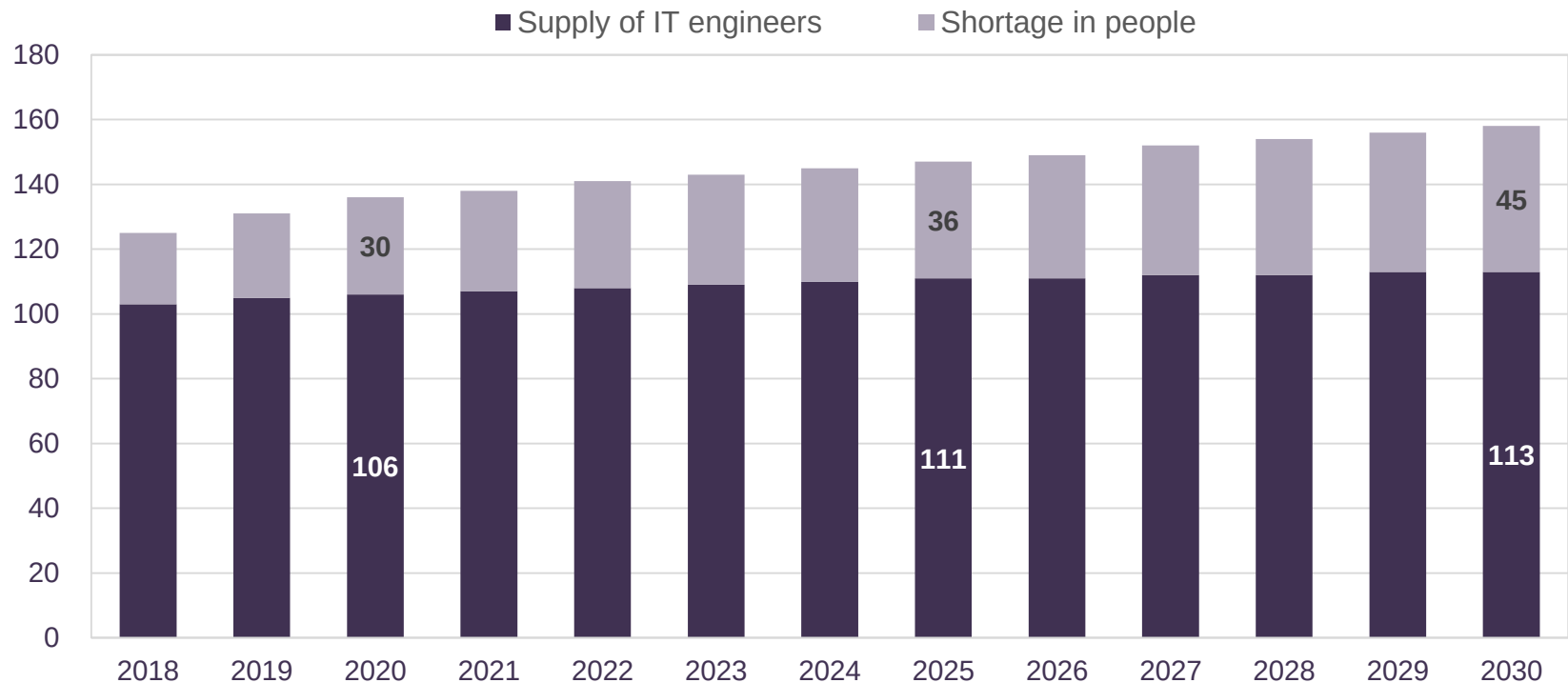


II-7. Situation of IT Engineer Demand and Supply (Survey by Ministry of Economy, Trade and Industry/Trial Calculation)

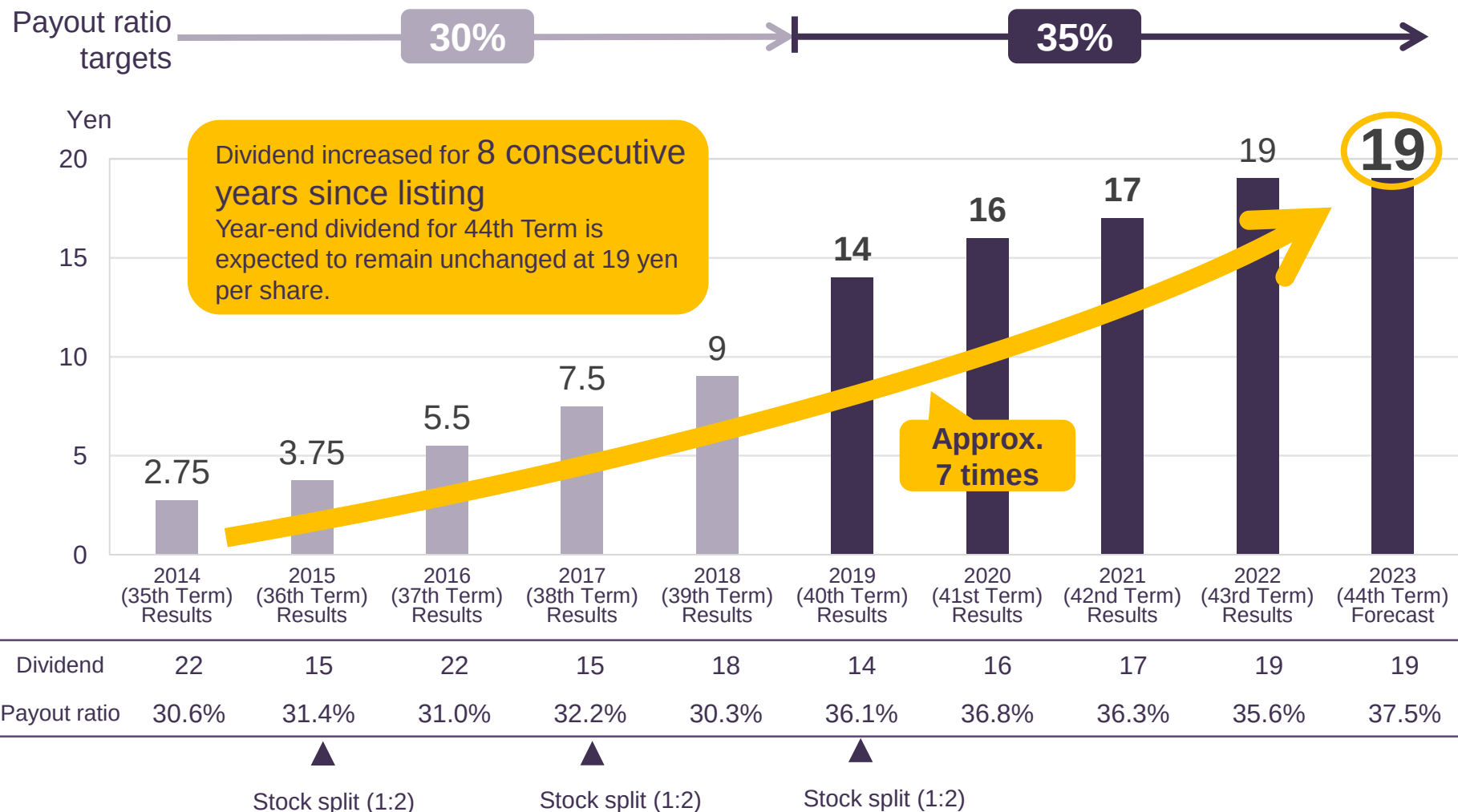
The gap between demand and supply for IT engineers is large

According to trial calculation by Ministry of Economy, Trade and Industry, in 2030 the shortage of IT engineers is estimated to be around 450,000. If IT demand's uptrend is high, the shortage of IT engineers is estimated to increase to around 790,000.

◆ Trial calculation of IT engineer supply and shortage (in 10,000 people)



II-8. Dividend and Shareholder Return Policy



Note) We conducted a stock split on July 1, 2015, at a ratio of 2 stocks for every one common stock; on June 1, 2017, at a ratio of 2 stocks for every one common stock; and on May 1, 2019, at a ratio of 2 stocks for every one common stock. Dividend refers to the amount after stock split.

III. Recent Topics

III-1. Topics. 1: Strengthen Human Resources and Recruitment

Strengthen recruitment of new graduates and mid-career hires, including currently unemployed recent graduates with work experience

Net increase of 114 employees during the current fiscal year due to active recruitment of the digital native generation (as of April 30, 2023, including new graduates)

Our Company's Digital Technology

×

Generation Z's Digital Sensibility

×

Understanding Client's Business

||

Accelerate DX, Increase Business Value for Customers

76 new graduates joined the Company in April

Significant improvement in the male/female ratio



New graduates enrolled in the current fiscal year

Male 60% : Female 40%

Existing employees

Male 80% : Female 20%

Industry in general

Male 80% : Female 20%

*The figure for industry in general is based on a survey by the Japan Information Technology Services Industry Association (JISA).

III-3. Topics 2: Providing Solutions for New Value Creation

Salesforce Certified Consulting Partner



Our Company's Advanced Technology

Cloud, DMP (*1 Data Management platform)
AI, IoT, and iPaaS (*2) technologies

×

Salesforce



Expand the Salesforce-based DX promotion service business providing human resource support and system building support to companies that adopt and operate Salesforce's services.



**Evolve into a DX
Solution Partner**

- (*1) DMP: An information platform for the integrated management of various types of data in order to maximize the value of data and improve the competitiveness of companies.
- (*2) iPaaS: Service for centralized coordination of data and business systems distributed across multiple cloud services and on-premises environments

III-4. Topics. 3: Launch New Service

“DMP Solutions” to Improve Corporate Competitiveness through Data Utilization

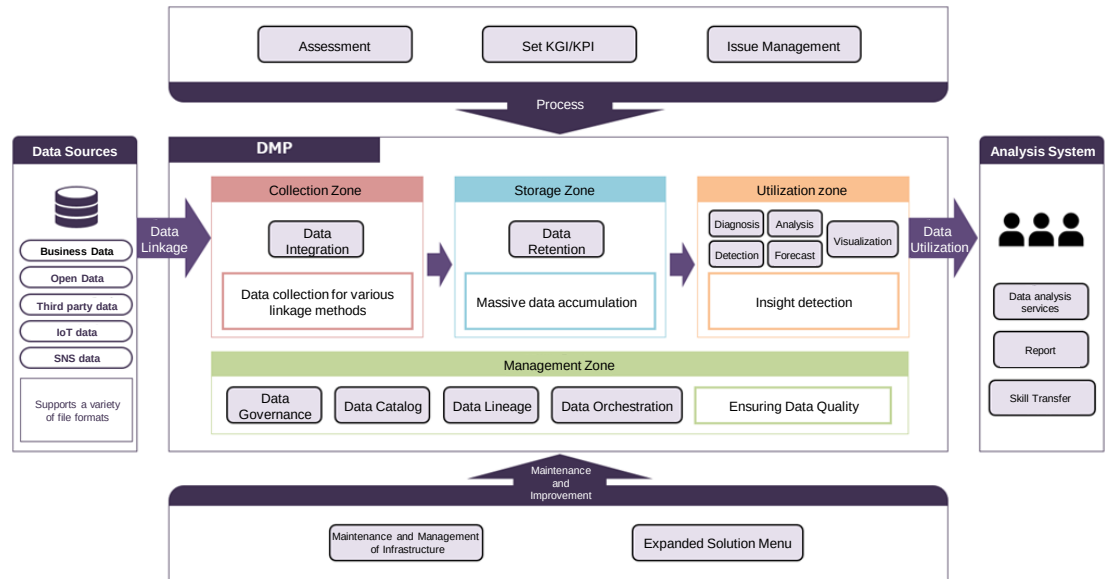
Companies that manage high-quality data and promote the use of data in all aspects of management strategy, product and service planning, and customer analysis are becoming more competitive, and this polarization is expected to continue in the future.

This solution is designed to meet the needs of the market by consolidating our expertise in data management*, data analysis methods, and advanced technologies such as AI and cloud computing.

*Data management: Utilization of data for business growth and results through “organizational initiatives to continuously maintain and further evolve the ability of data to be used in business.”

Overall Conceptual Diagram of the Solution

We provide everything from ultra-upstream process assessment to maintenance and analysis operations in a single package.



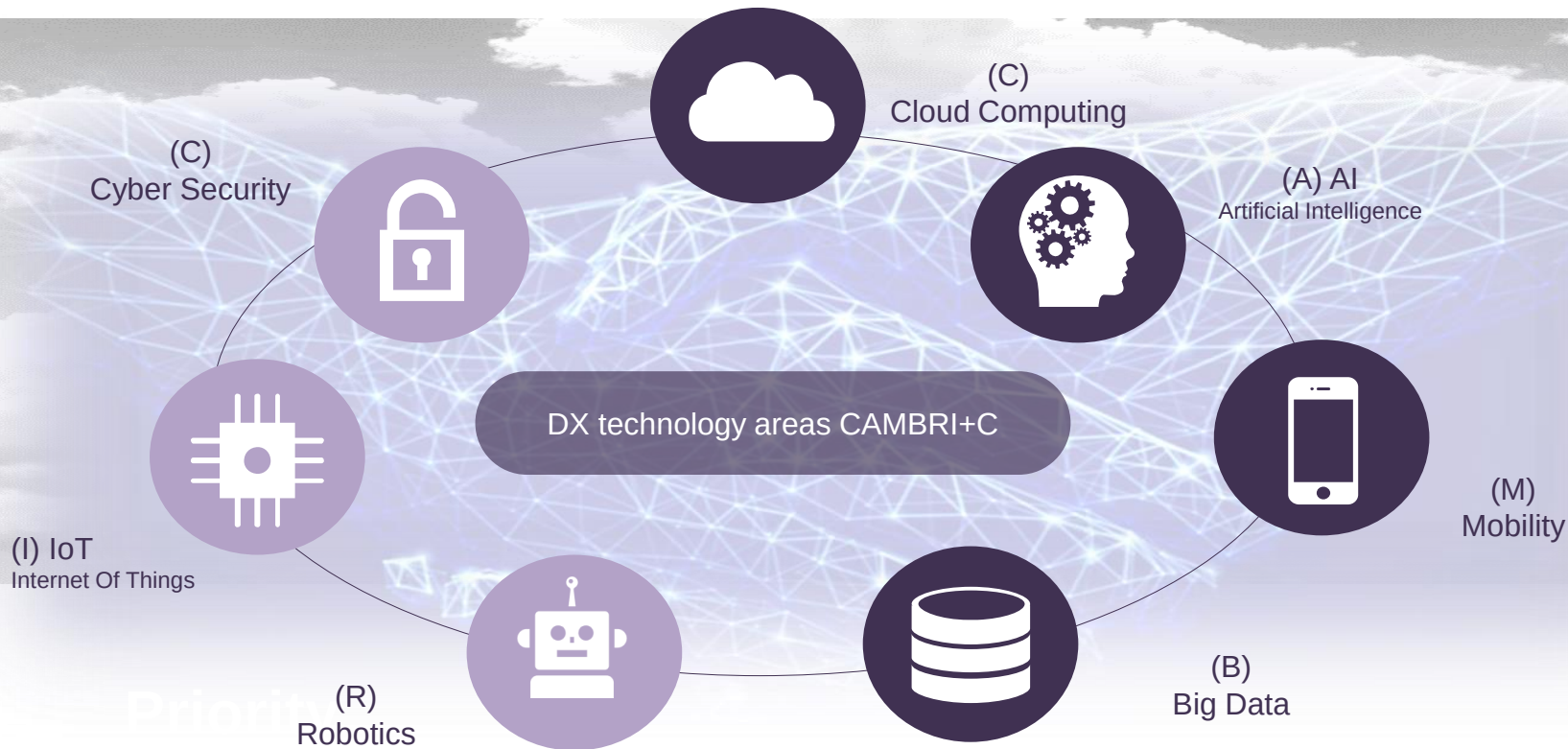
**Co-creating customer business value
such as improving competitiveness**



IV. Initiatives for DX

IV-1. DX Technology Areas “CAMBRIC”

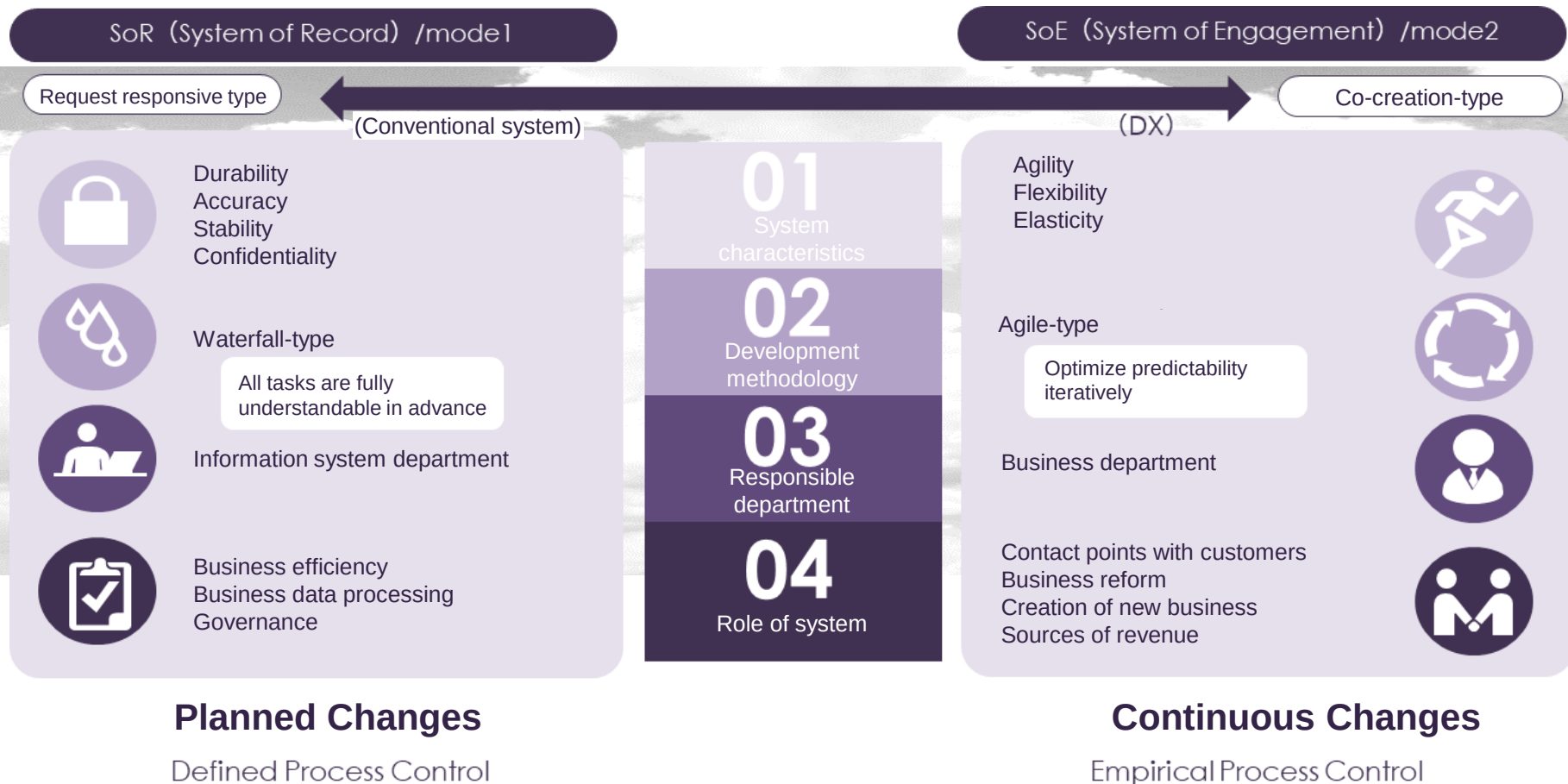
CAMBRIC areas in which we have reliable technologies and experience



...Areas which are focusing on R&D and formation of ecosystem

IV-2. Best Practices: Co-Creation-Type Business

We have abundant experience in “co-creation-type” business necessary for DX



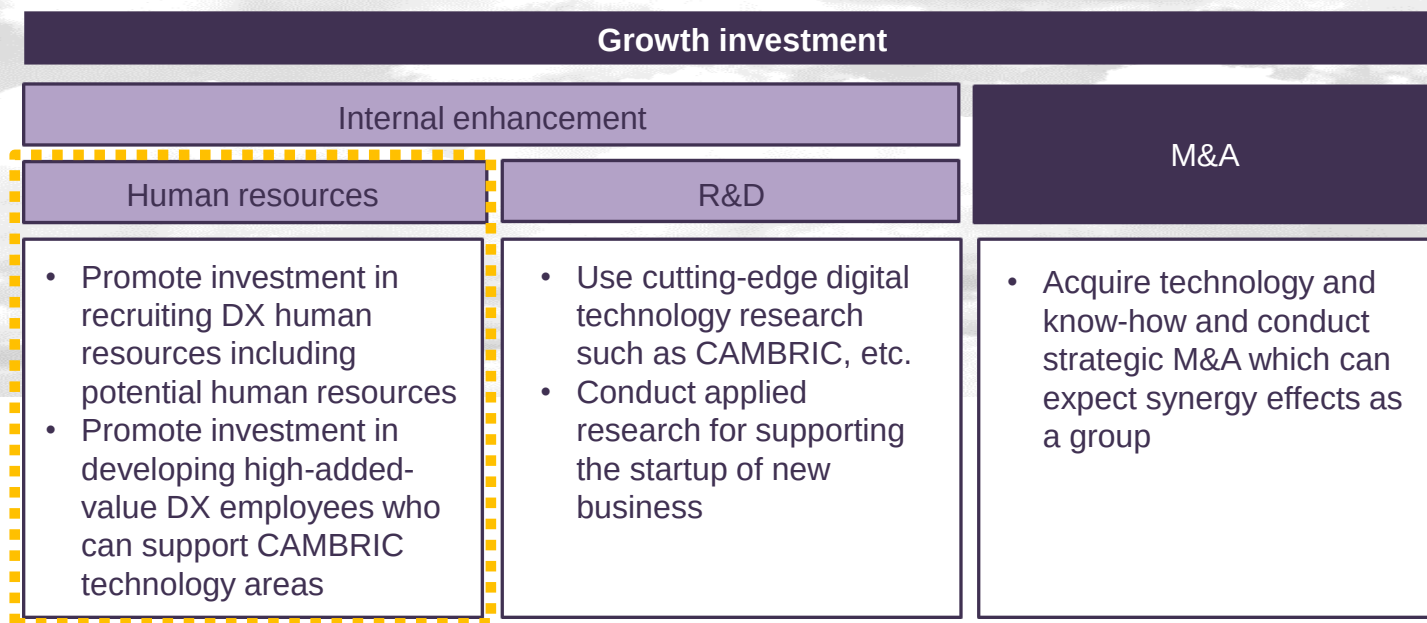
IV-3. Measures for Strengthening DX Engineers

Establishment of DX Expert Academy

Aggressive recruitment of “Generation Z^{*1}” who are digital native and DX education

(*1) Generation Z: Those who were born after the mid- to late-1990s. They tend to become familiar with the Internet and portable digital devices at a young age, known as first generation of digital native.

The position of “engineer development” in medium-term management plan

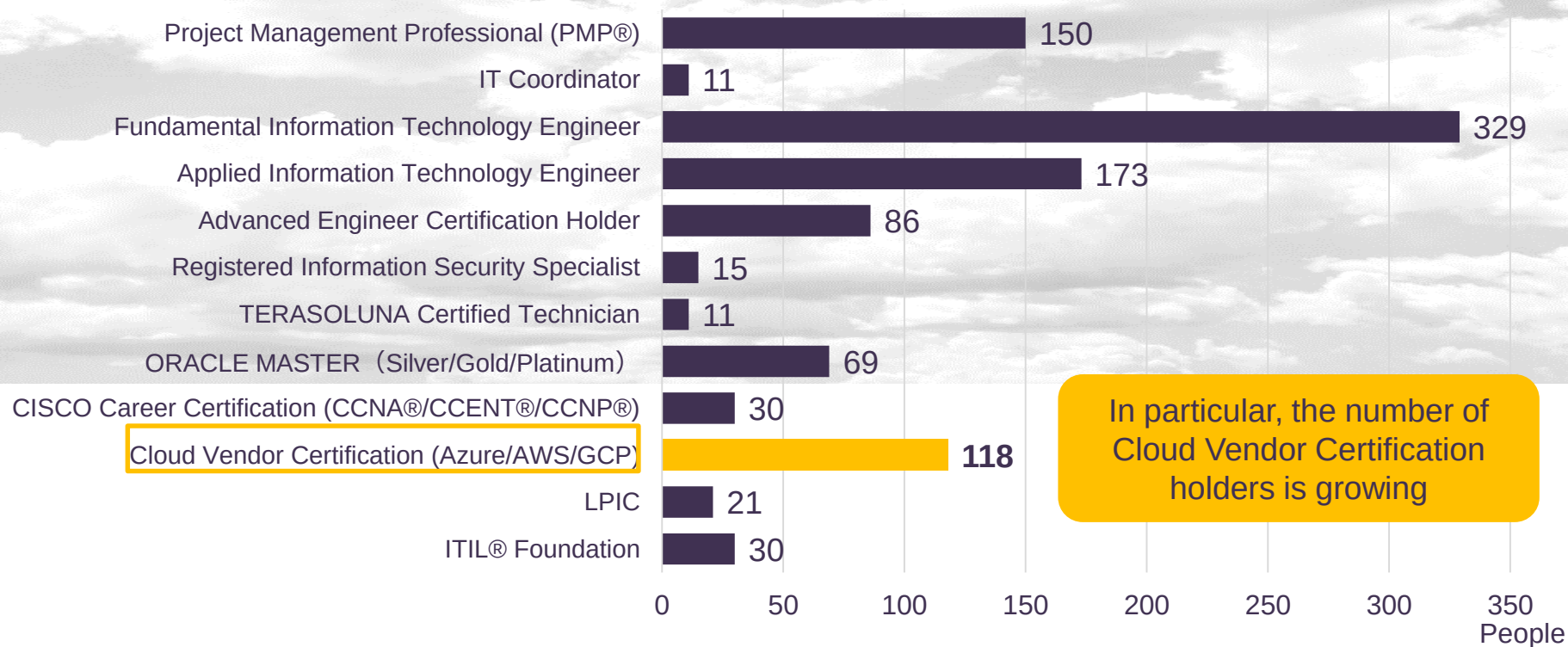


Source: Disclosed in November 12, 2021 “Medium-term management plan (October 2021 – September 2026)”

IV-4. Strengthening Skills for DX Growth

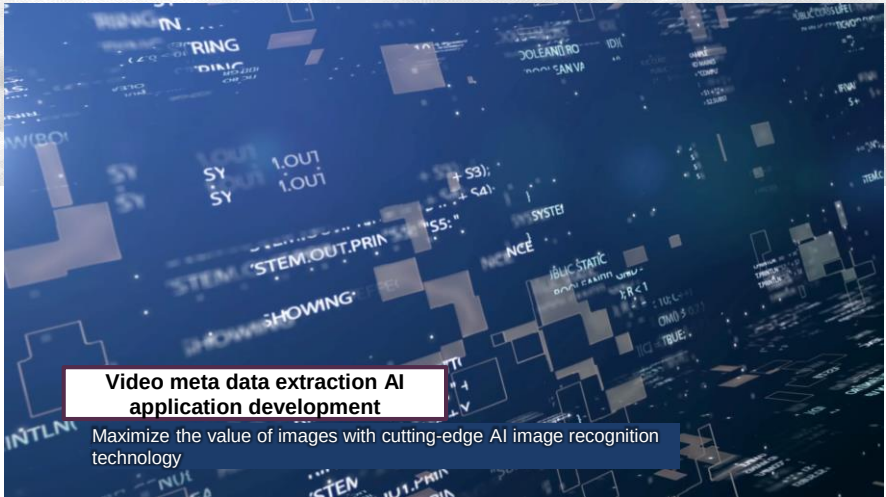
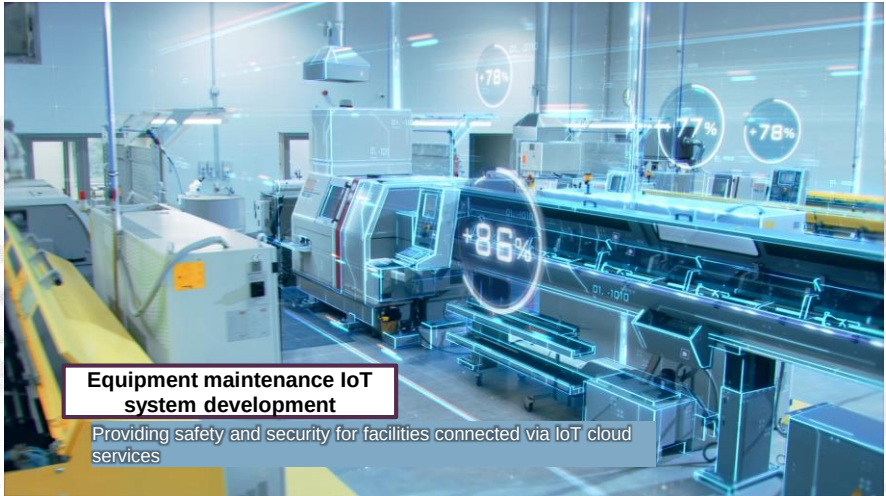
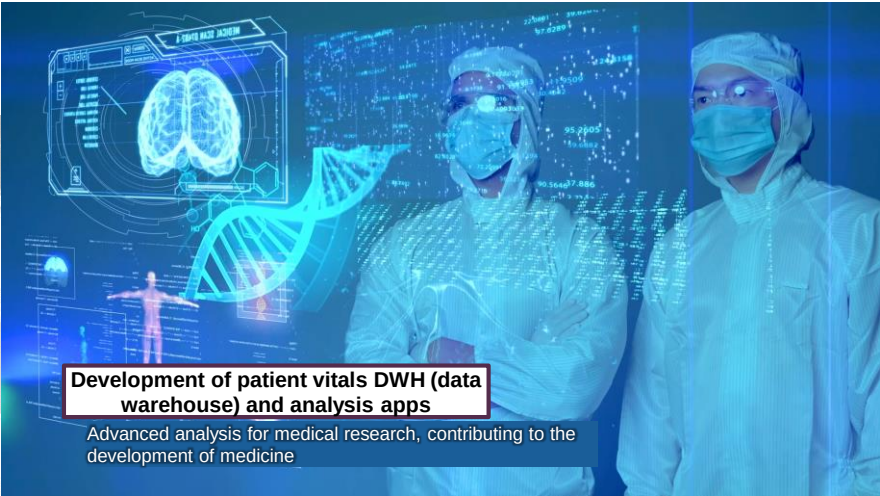
There are various types of certificate holders including global certificate, vendor certification in the company

◆ Skills Matrix of Certification



IV-5. Examples of Development Utilizing Technology and Proposal Capabilities (1)

The following examples were presented at the 43rd Ordinary General Meeting of Shareholders



IV-5. Examples of Development Utilizing Technology and Proposal Capabilities (2)

The following examples were presented at the 43rd Ordinary General Meeting of Shareholders



Speech synthesis AI smartphone application development

The "Koe" (voice) created by state-of-the-art speech synthesis AI creates a new future



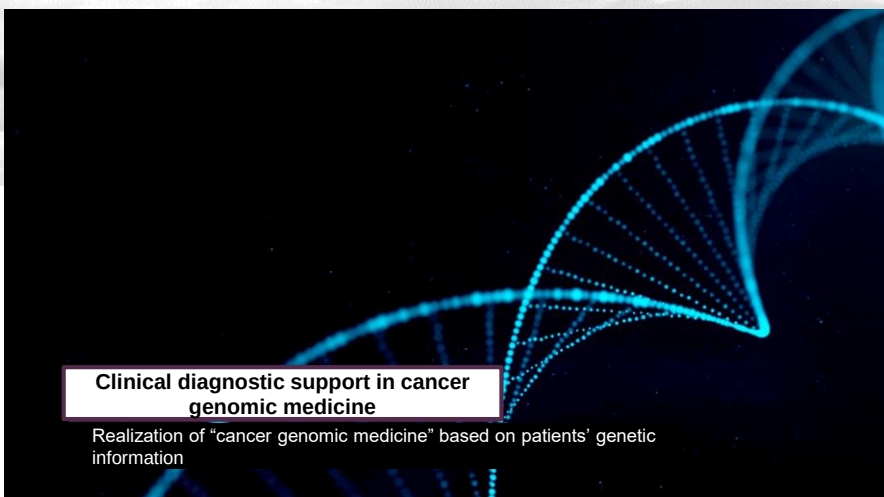
Sales management digital automation

Automation of routine tasks with next-generation digital labor



Smart fulfillment development

Accelerating e-commerce with cloud-based fulfillment services



Clinical diagnostic support in cancer genomic medicine

Realization of "cancer genomic medicine" based on patients' genetic information

IV-5. Examples of Development Utilizing Technology and Proposal Capabilities (3)

The following examples were presented at the 43rd Ordinary General Meeting of Shareholders



Source: Business report video presented at the 43rd Ordinary General Meeting of Shareholders (held on December 22, 2022)

<Reference>

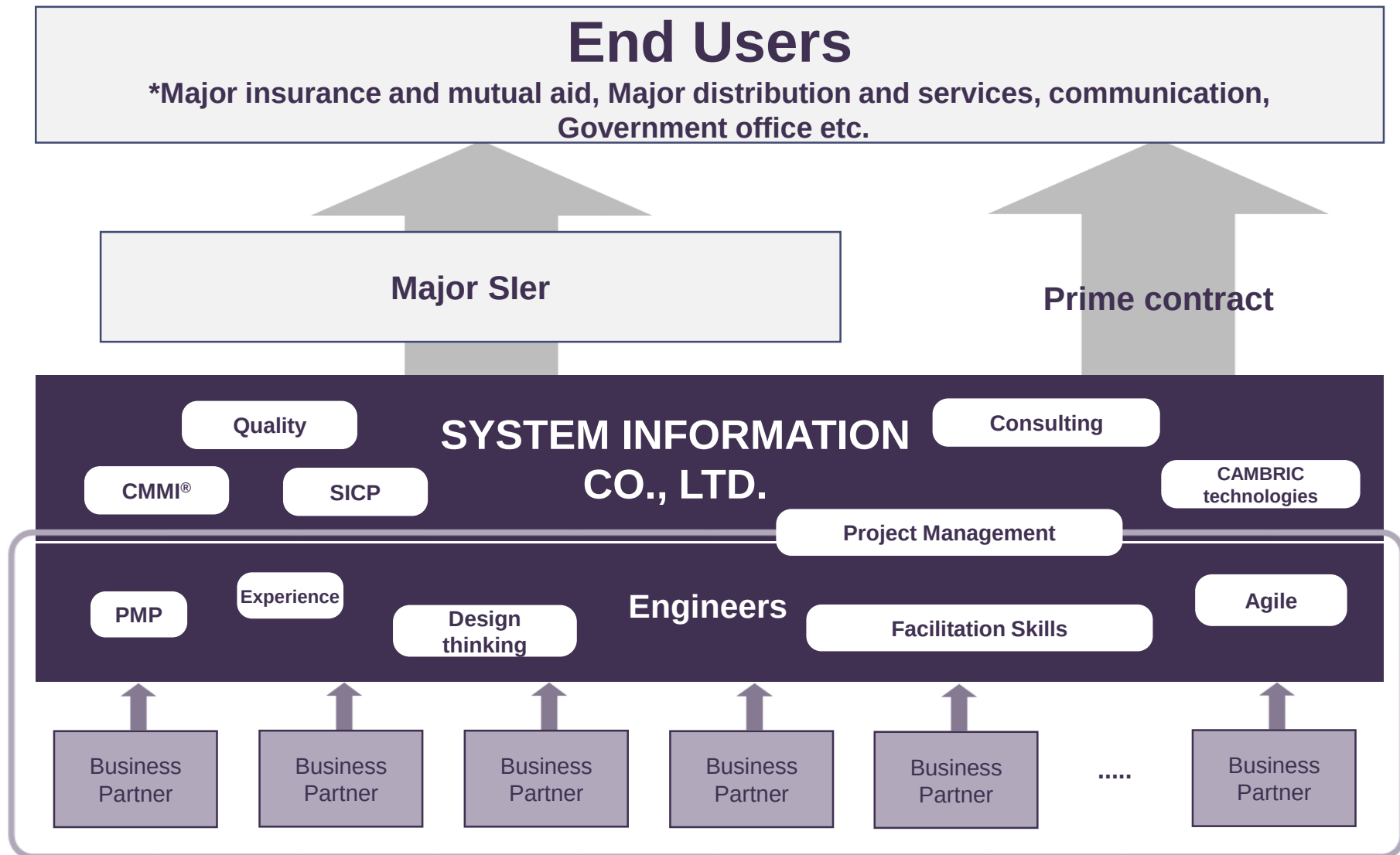


- (1) COMPANY INFORMATION**
- (2) CONTINUOUS INITIATIVES FOR
SUSTAINABLE GROWTH**
- (3) ESG, SDGs, SOCIAL
CONTRIBUTION ACTIVITIES**

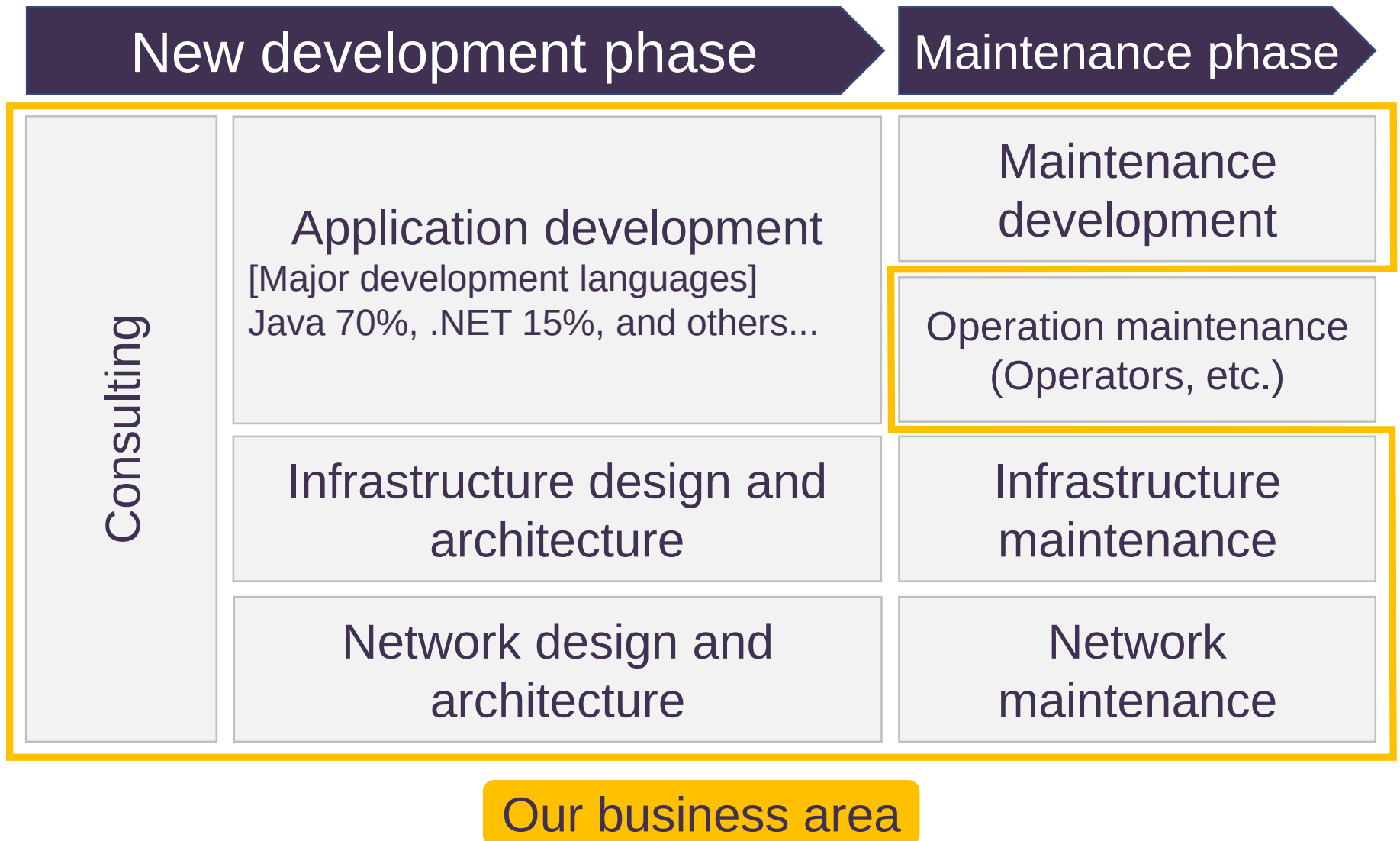
(1)-1. Company Information

Company name	SYSTEM INFORMATION CO., LTD.
Established	January 1980
Description of business	Commissioned software development / integrated IT services mainly for enterprises
Address	7th Floor, Kachidoki Sun Square Bldg., 1-7-3 Kachidoki, Chuo-ku, Tokyo
Share capital	502,636 thousand yen (as of the end of March 2023)
Representative	Takashi Suzuki, President
Major shareholders	HMT Co., Ltd. (11.4%), The Master Trust Bank of Japan, Ltd. (8.3%), Haruo Matsubara (7.5%), Tokyo Small and Medium Business Investment & Consultation Co., Ltd. (6.2%), Takashi Suzuki (5.8%), Matsubara foundation (4.3%), Employees' shareholding association (2.5%) (as of the end of March 2023)
Major business partners	NTT DATA Group, The Dai-ichi Life Information System Co., Ltd., NS Solutions Corporation, TOSHIBA DIGITAL SOLUTIONS CORPORATION, MITSUBISHI ELECTRIC INFORMATION SYSTEMS CORPORATION, IBM Japan, Ltd., Ricoh IT Solutions Co., Ltd., DXC Technology Japan, LLC, DOCOMO Datacom, Inc.
Certification	CMMI® level 5 (achieved 2012, continued 2015, 2018, September 2021) ISO/IEC 27001 (information security management systems: ISMS) (December 2010) ISO 14001 (environmental management systems) (January 2007) Privacy Mark (December 2005) Kurumin (January 2021), Health & Productivity Management Outstanding Organization (March 2023) Scaled Agile Framework® (SAFe®) (February 2021)

(1)-2. SI Business Structure



(1)-3. Business Area of SI Business



(1)-4-1. Driving Force of Differentiation(Evolution of development quality)

History of CMMI accomplishments

Level 3
September 2006
achieved

Level 4
September 2010
achieved

Highest Level: Level 5
November 2012 achieved
November 2015 achieved
October 2018 achieved
September 2021 achieved



CMMI DEV / 5SM

CMMI is the process improvement maturity model developed by Software Engineering Institute in the United States and a systematic process improvement model to measure an organization's process ability in five levels. It drives continuous improvement.

Maturity Level **5** **Optimizing**

“Stable and flexible.” Organization is focused on continuous improvement and is built to pivot and respond to opportunity and change. The organization's stability provides a platform for agility and innovation.

Maturity Level **4** **Quantitatively Managed**

“Measured and controlled.” Organization is data-driven with quantitative performance improvement objectives that are predictable and align to meet the needs of internal and external stakeholders.

Maturity Level **3** **Defined**

“Proactive, rather than reactive.” Organization-wide standards provide guidance across projects, programs, and portfolios.

Maturity Level **2** **Managed**

“Managed at the project level.” Projects are planned, performed, measured, and controlled.

Maturity Level **1** **Initial**

“Unpredictable and passive reactive.” Work gets completed but is often delayed and over budget.

Maturity Level **0** **Incomplete**

“Ad hoc and unknown.” Work may or may not get completed.

(1)-4-2. Driving Force of Differentiation(Utilizing CMMI® for SI business)

Only four domestic companies* achieved the new CMMI® V2.0 Maturity Level 5

*As of April 30, 2023

Differences between CMMI® V2.0 and CMMI® V1.3

In CMMI® V2.0 two new practice areas, Governance and Implementation Infrastructure have been created. CMMI makes sure whether we have infrastructure necessary for continuing the success of projects and governance is working well.



To make use of speed and flexibility which is good for Agile development and acquire the necessary quality, we made the process of quality assurance for Agile in our development standard “SICP”



Foothold for expanding large-scale Agile projects

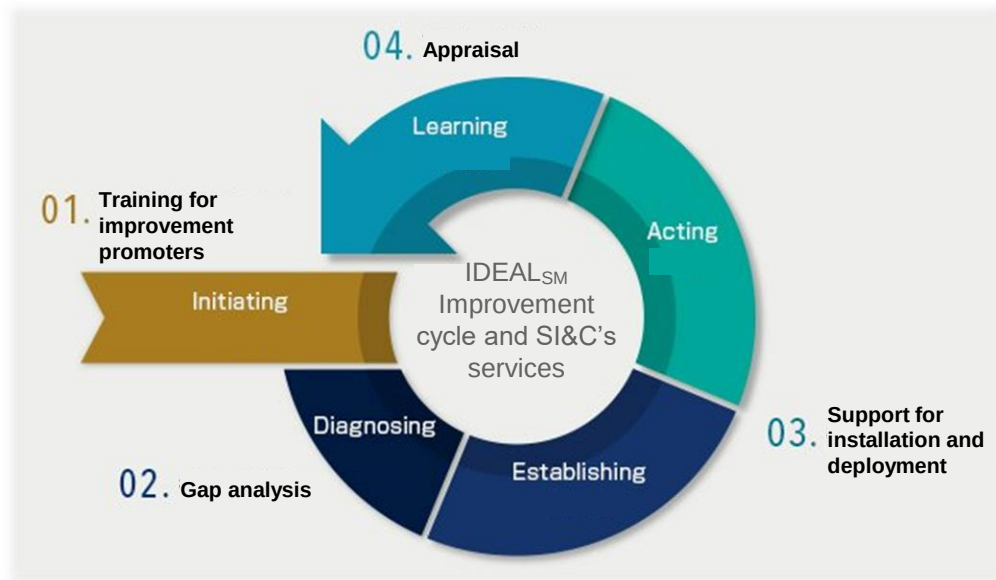


(1)-4-3. Driving Force of Differentiation(Further use of CMMI® knowledge)

Proven CMMI consulting/service

CMMI lead appraisers and experienced consultants support business process improvement. We provide consulting services based on an improvement cycle in the IDEALSM model*.

*IDEALSM model: SEI Software Engineering Institute defined business improvement approach and is composed of five phases (Initiating/Diagnosing/Establishing/Acting/Learning).



01 Training for improvement promoters

- CMMI training

02 Gap analysis

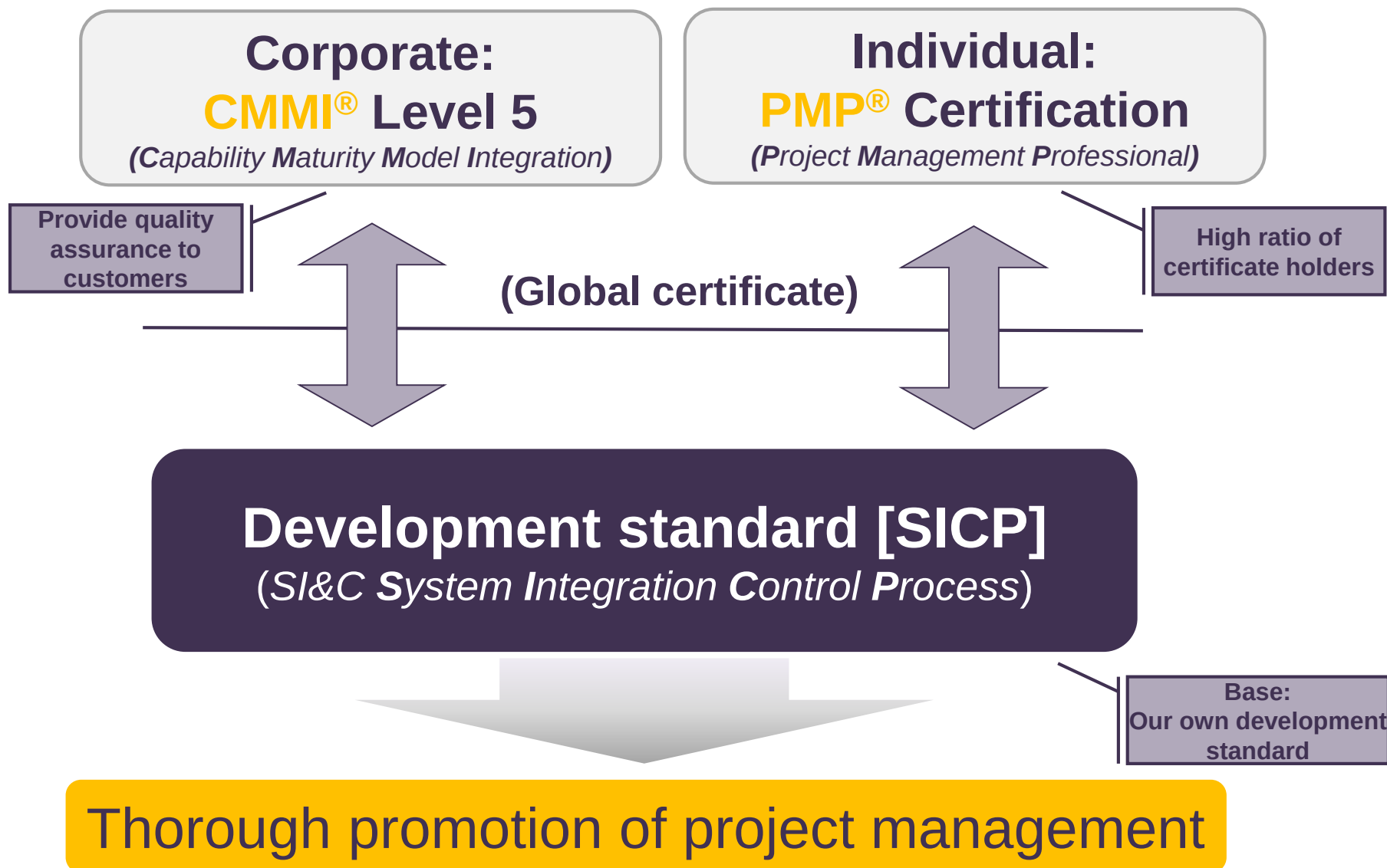
- Gap analysis with CMMI practice

03 Support for installation and deployment

- Prioritize issues
- Planning

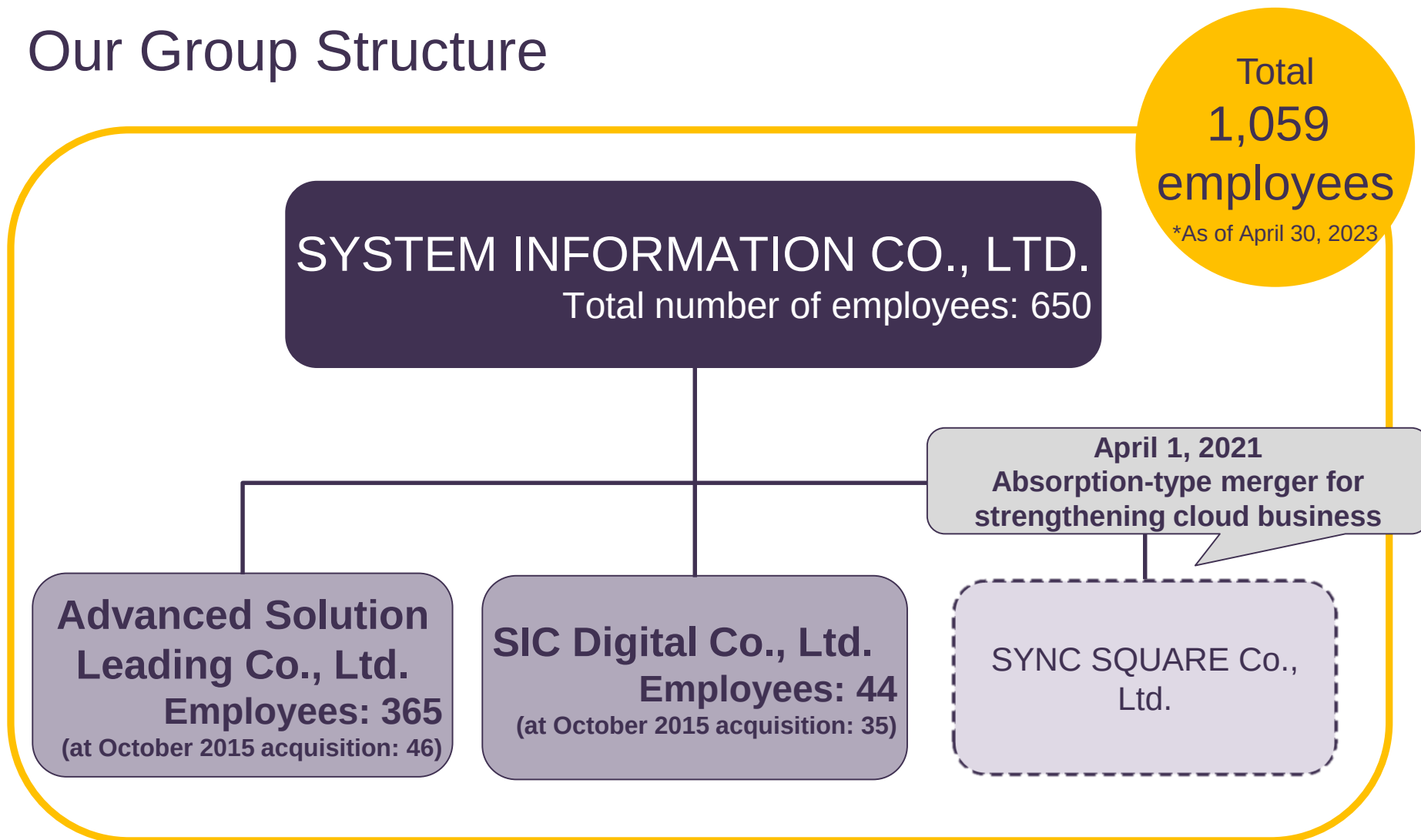
04 Appraisal

(1)-5. Our Strengths



(1)-6. Group Structure

Our Group Structure

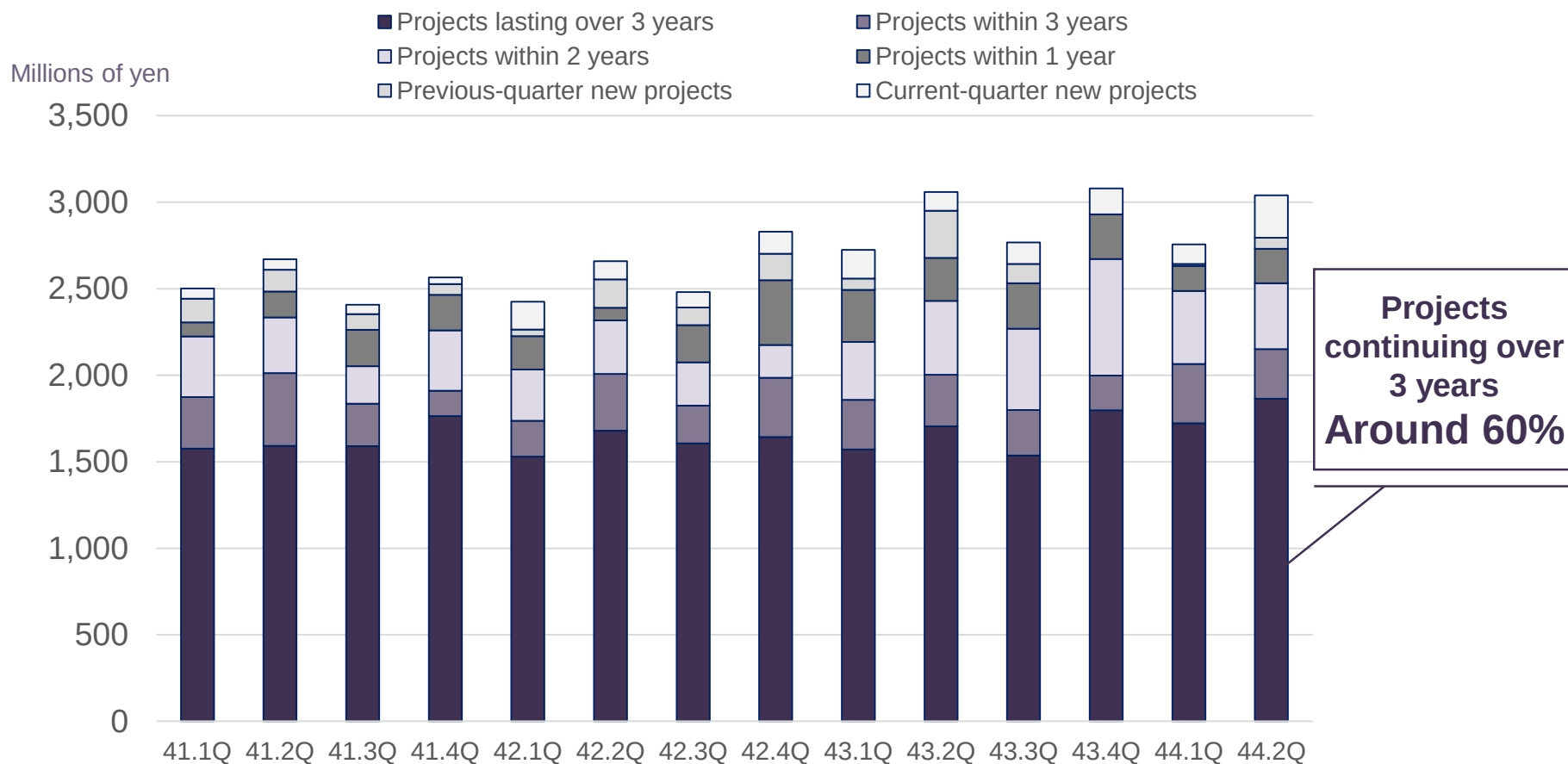


(2)-1. Continuous Initiatives for Sustainable Growth

Focus on expanding stock business*

*Long-term continuing projects

Continuing projects and new projects in SI business



(2)-2. Continuous Initiatives for Sustainable Growth

Measures to enhance profitability

Growth and Establishment of SICP ^(*1)
(Agile quality, UX (Design thinking))

(*1) SICP (SI&C system Integration Control Process)

The development standard made by SI&C's development know-how spanning 40 years, based on PMBOK® and CMMI® which are a global certificate/standard.

We apply SICP to all project developments and get high appraisals from customers.

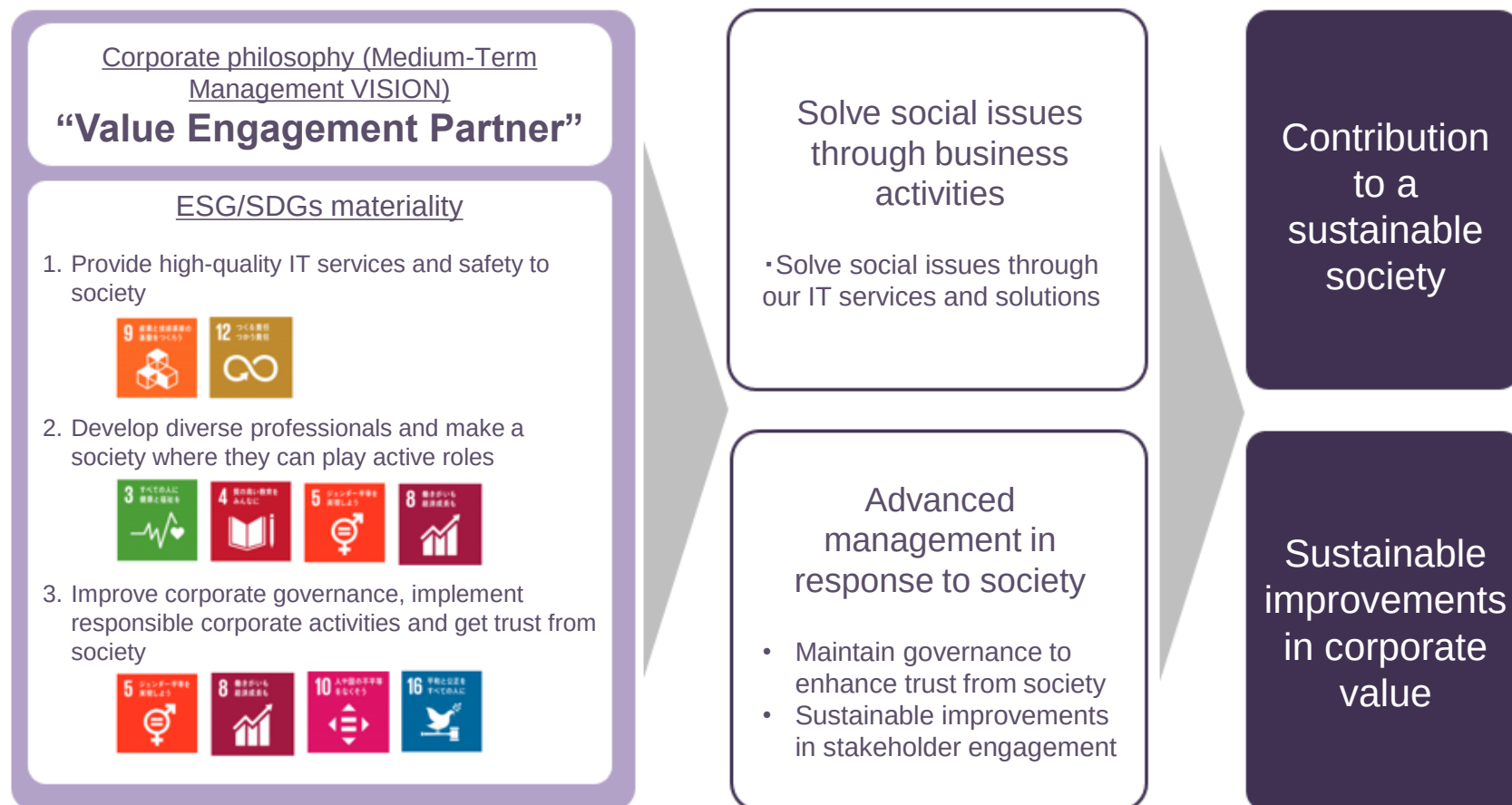
Thorough quality control in projects

**Continuous
initiatives**

**Ensuring high profitability by preventing
unprofitable projects**

(3)-1. Policy for ESG/SDGs Initiatives

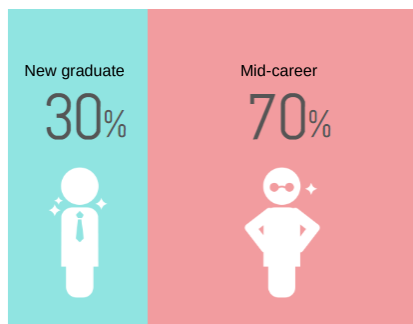
One of our basic policies is to create social and economic value through management based on our Medium-Term Management VISION “Value Engagement Partner” and contribute not only to the sustainable enhancement of corporate value but also to the realization of a sustainable society.



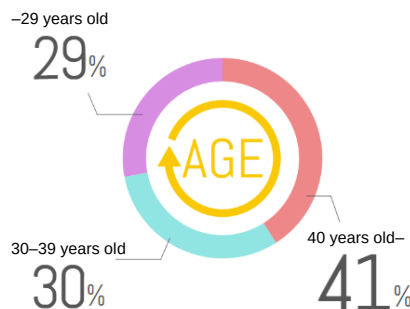
(3)-2. ESG Initiatives

Diversity of human resources

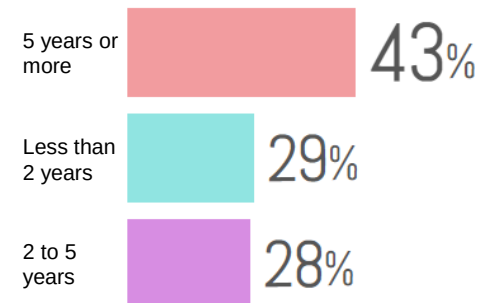
Ratio of new graduates and mid-career workers



Age



Years of service



Working environment

Average overtime hours

13.26



Maternity and childcare leave for female employees

Acquisition and reinstatement rates



6 employees on childcare leave of which 2 are male employees

**As of April 30, 2023*

**Each figure is based on unconsolidated data*

(3)-2. Social Contribution Activities

Promotion of Employment of Persons with Disabilities: Wakaba Farm



Community Contribution Activities Support for Children's Dining "Ohisama Kitchen"



School meal support activities in developing countries Support for TABLE FOR TWO International



Sponsorship of "Onigiri Action Program 2022" held by TABLE FOR TWO
(September 1, 2022, PR information)

Initiatives for IT education: Community ICT club activities



Since 2018, when Sayama City Industrial Development Division, local companies, and Waseda University Global Software Engineering Laboratory started cooperating, Washizaki, Director of the Company, and Kobayashi, Fellow, have been participating in ICT club activities conducted by Sayama City Community Center and the Institute. We support courses for elementary and junior high school students to learn programming and ICT through manufacturing experience.

Details <https://www.sysj.co.jp/company/company-approach-sustainability/sustainability-social-contributions>

This document contains forward-looking statements that reflect our plans and expectations based on information available to us at the time of preparation and on certain other information we believe to be reasonable. These forward-looking statements are not guarantees of future performance, and actual results, performance, achievements or financial position may differ materially from those expressed or implied herein due to a range of factors.

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