



# Presentation Materials for the 2Q FY2019 Results Briefing

## Densan System Co., Ltd.

Tokyo Stock Exchange, First Section  
Nagoya Stock Exchange, First Section  
Securities Code: 3630

Forward-looking statements contained in this document are based on current estimates and projections and include potential risks and uncertainties. Future results are therefore not guaranteed. Please note that actual results may differ from projections due to changes in the business environment and other factors.

Amounts are displayed rounded down to units of one million yen. Aggregate totals stated in charts may not tally with a result. Percentages are displayed rounded to the second decimal point.

Y-o-y change in parentheses

### Sales

**19,874**  
million yen  
(Up 10.2%)

### Operating income

**1,231**  
million yen  
(Up 65.4%)

Net income attributable to  
shareholders of the parent company

**856**  
million yen  
(Up 64.6%)

### Business results

✓ Sales and earnings up y-o-y

✓ Operating income showed high growth, up 65.4% y-o-y

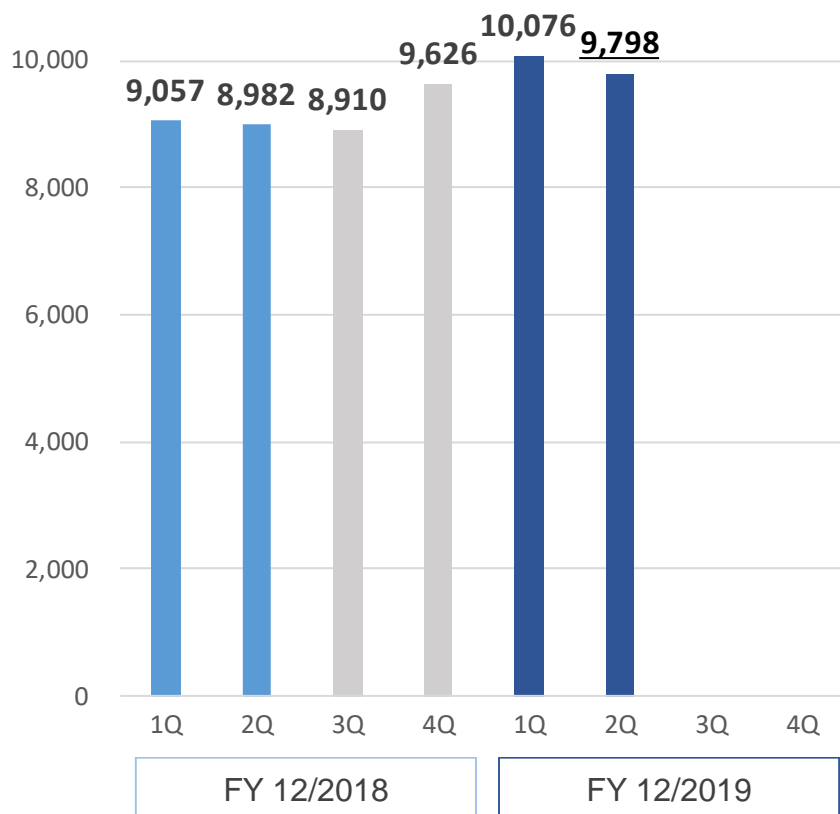
✓ Sales according to plan, income up substantially, well ahead of plan

✓ Income ratio up

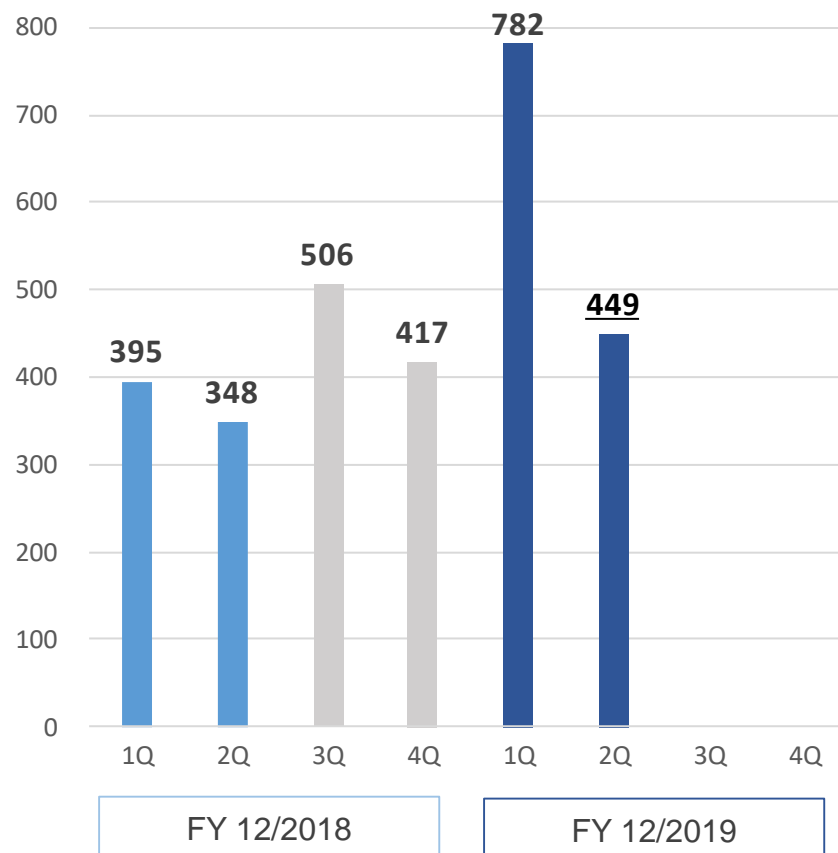
	FY 12/2018 2Q cumulative total	FY 12/2019 2Q cumulative total	Y-o-y Ratio	1H forecast	Attainment ratio	Full-year plan	Progress
Sales	18,039	19,874	10.2%	19,731	100.7%	40,000	49.7%
Operating income	744	1,231	65.4%	803	153.3%	1,810	68.0%
Income ratio	4.1%	6.2%	Up 2.1%	4.1%		4.5%	
Ordinary income	785	1,277	62.7%	834	153.1%	1,850	69.1%
Income ratio	4.4%	6.4%	Up 2.1%	4.2%		4.6%	
Net income	520	856	64.6%	548	156.4%	1,228	69.7%

## ✓ 1Q income stands out among results by quarter

### Sales



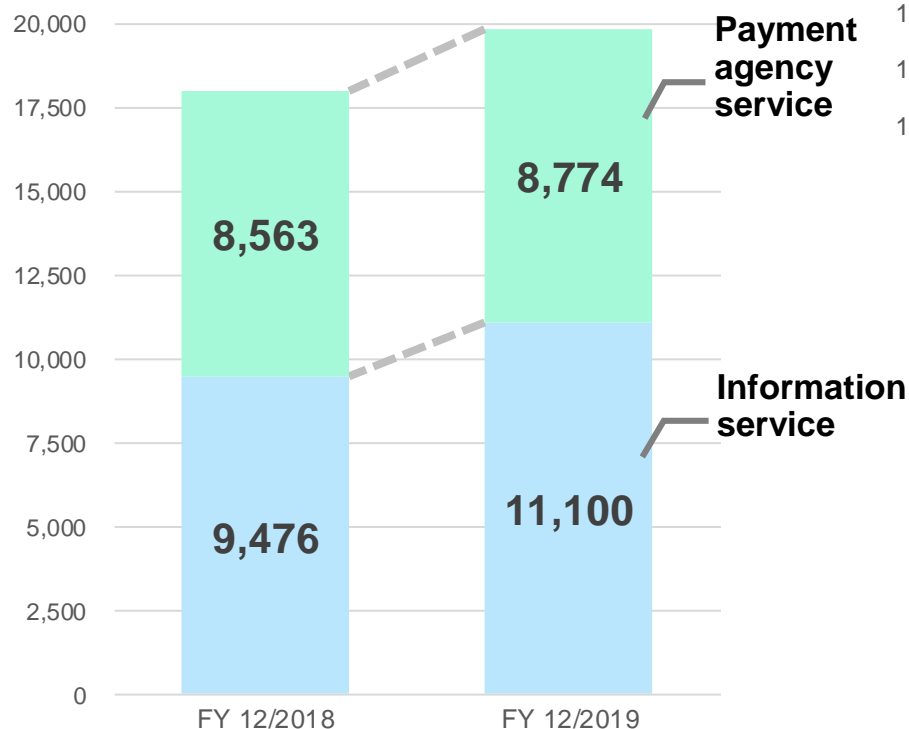
### Operating income



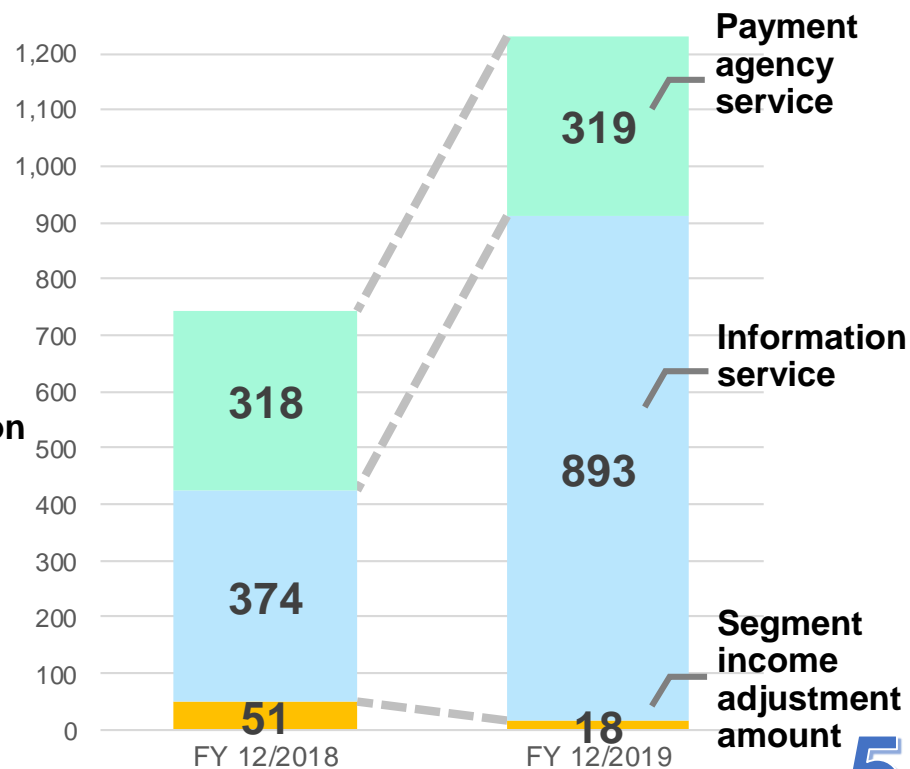
✓ Sales and income both up significantly y-o-y in information services segment

✓ Sales up y-o-y in payment agency service segment, but income flat

Sales



Operating income



## 2Q FY2019 Information Services Summary



(Unit: Million yen)

- ✓ Sales as planned in SI and software development, but income up with improved operating ratio
- ✓ Income up significantly in BPO business included in information processing
- ✓ Merchandise sales ahead of plan despite decrease associated with reactionary drop from previous year

	FY 12/2018	FY 12/2019	Y-o-y		1H forecast	Attainment ratio	Full-year plan	Progress
	2Q cumulative total	2Q cumulative total	Amount	Ratio				
Sales	9,476	11,100	1,623	17.1%	10,542	105.3%	21,607	51.4%
SI and software development	5,541	7,194	1,652	29.8%	7,137	100.8%	14,491	49.6%
Information processing	2,597	2,966	369	14.2%	2,649	112.0%	5,783	51.3%
Merchandise sales	1,336	938	-398	-29.8	754	124.4%	1,332	70.5%
Operating income	374	893	518	138.3%	518	172.3%	1,170	76.4%
Operating income ratio	4.0%	8.0%	Up 4.1%		4.9%		5.4%	

## SI and software development

✓ Improved operating ratio in contracted development contributed to income

✓ Auto auctions performed well

Number of Google (G Suite) adopter companies

: **Exceeded 1,600 projects**

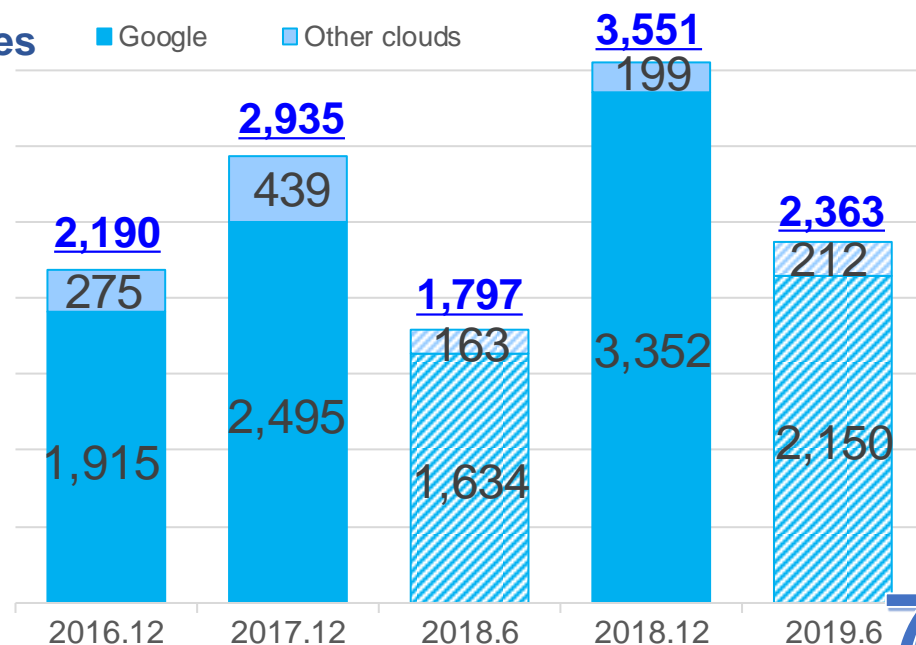
Sales of cloud related services

: **Up 31.4%**

Number of Google (G Suite) adopter companies



Sales of cloud related services



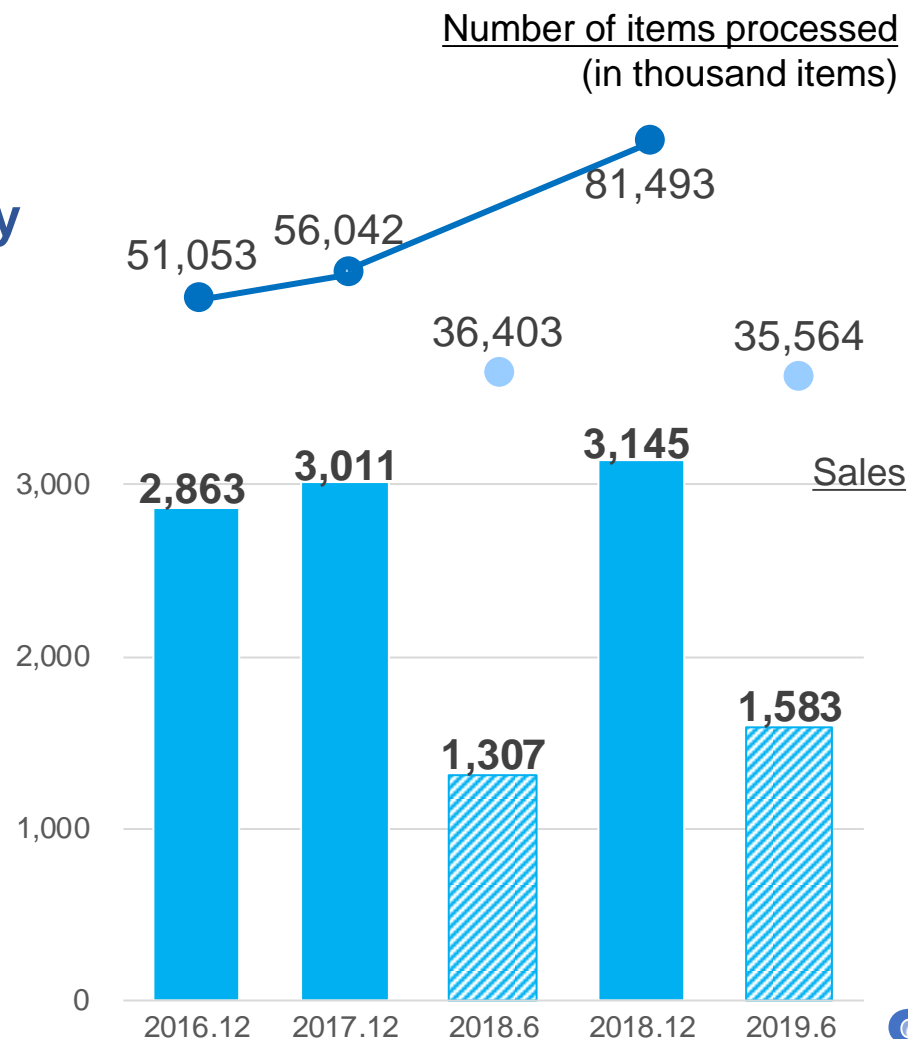
\*Does not include GOGA packages or MAP

## BPO business

✓ Income up with return to black by projects for large customers

✓ Several projects launching in 2H

✓ New projects increasing with stronger collaboration with payment agency service division





## 2Q FY2019 Payment Agency Services Summary



(Unit: Million yen)

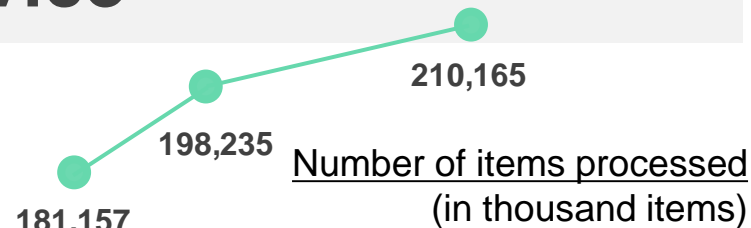
✓ Sales and income both short of 1H forecast

✓ Income ratio expected to improve in 2H

	FY 12/2018	FY 12/2019	Y-o-y		1H forecast	Attainment ratio	Full-year plan	Progress
	2Q cumulative total	2Q cumulative total	Amount	Ratio				
Sales	8,563	8,774	211	2.5%	9,188	95.5%	18,393	47.7%
Payment service	8,273	8,466	193	2.3%	8,873	95.4%	17,670	47.9%
Payment slip settlement service	7,279	7,468	188	2.6%	7,798	95.8%	15,577	47.9%
Paperless payment service	674	673	-1	-0.2%	746	90.2%	1,433	47.0%
Account transfer service	318	324	5	1.8%	327	99.0%	659	49.2%
Payment innovation	290	308	18	6.3%	315	97.8%	719	42.9%
Remittance service	141	140	0	-0.6%	—	—	—	—
Counter payment collection services	148	167	19	12.8%	—	—	—	—
Operating income	318	319	1	0.5%	354	90.2%	720	44.4%
Operating income ratio	3.7%	3.6%	Down 0.07%		3.9%	—	3.9%	—

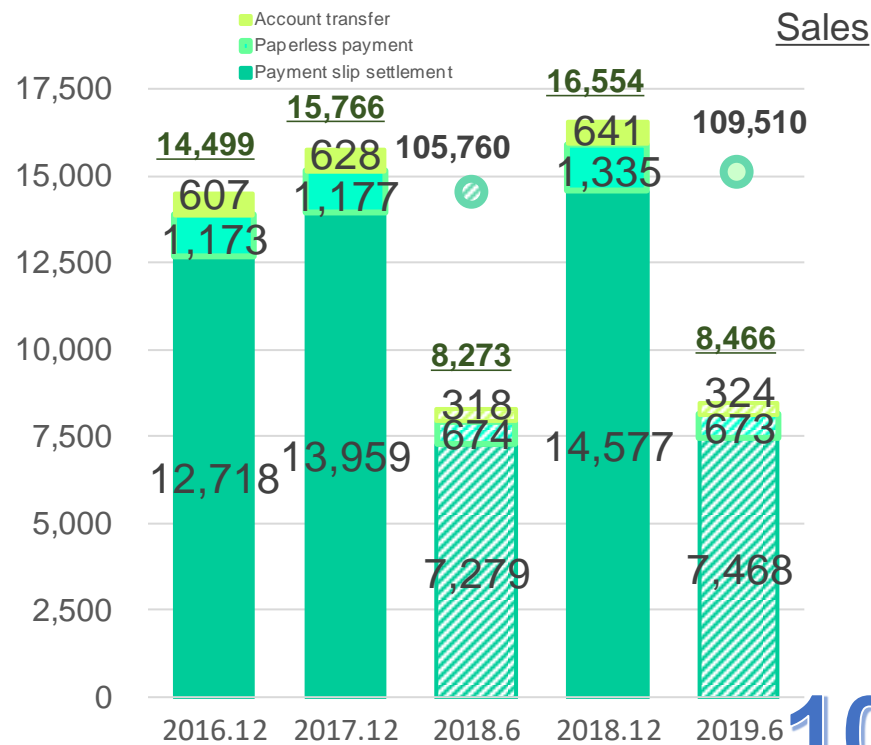
(Unit: Million yen)

## Payment service



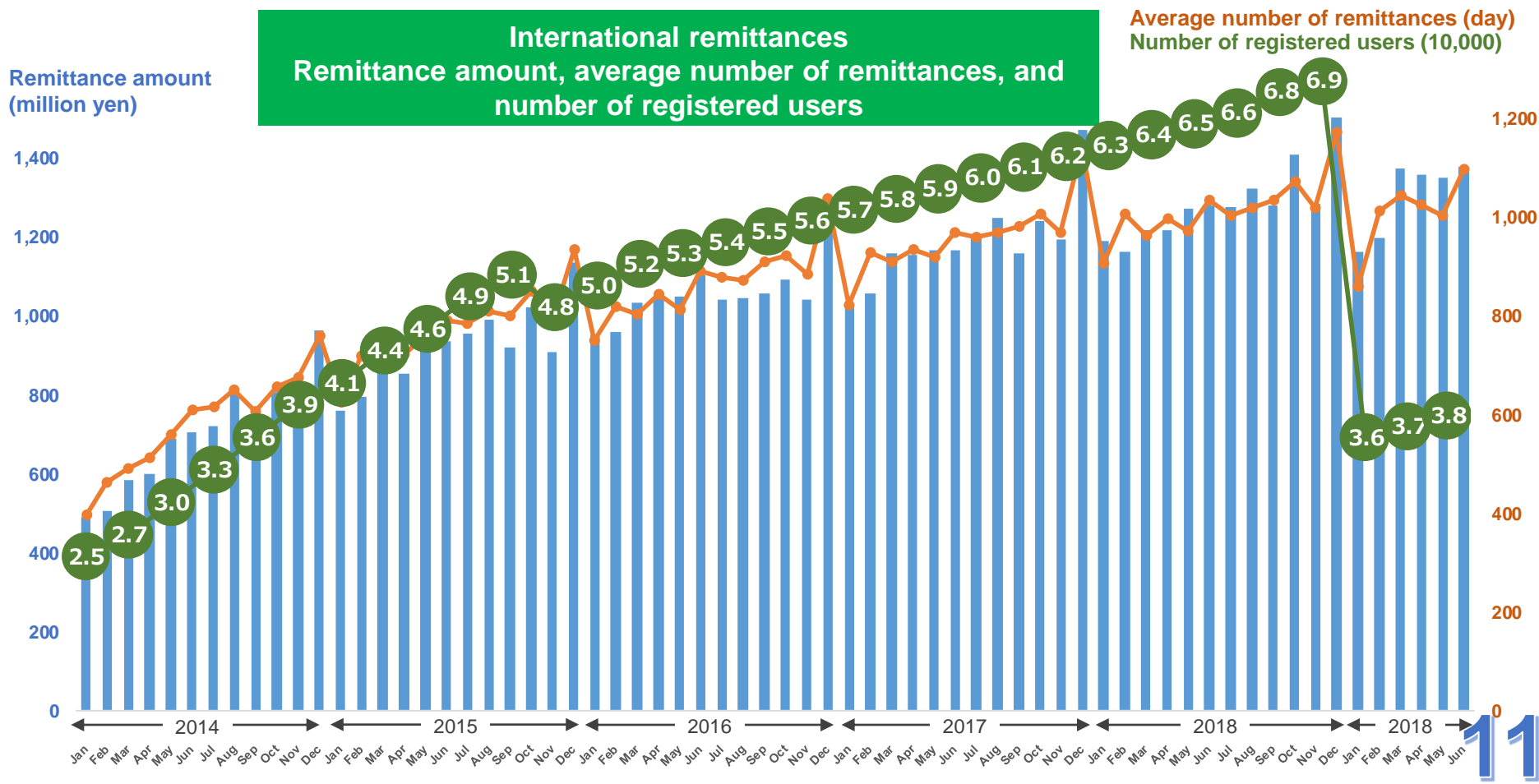
✓ Differentiation from competitors  
Cashless/paperless support

✓ Improve income from low of 1H



## Status of payment innovation

- ✓ **Counter payment service - 3,654 adopter stores**
- ✓ **International remittances - Number of registrants dropped sharply as interim measures for My Number expired, but number of remittances from January to June exceeded that of previous year**



## Auto auctions

- ✓ JU GIFU Hashima Auto Auction - Complete overhaul of bidding and search systems
- ✓ Arai Shoji - Auto auction operations system introduced at all four venues



↑ JU GIFU Hashima Auto Auction venue

Arai Auto Auction Oyama inventory yard →



# Topics (Status of Cashless Payment in Japan)

## Status of Main Cashless Payment Services and Densan System (DSK) Service

### QR code or barcode

At some stores, Lawson smartphone pay introduced / Bank Pay in preparation (2019 launch planned)

Service	LINE Pay	Origami Pay	Rakuten Pay	d Pay	PayPay	Amazon Pay	PayB	Rakuten Bank Convenience Store Payment Service	merpay	pring	J-Coin Pay	Sarubobo Coin	au PAY	Yucho Pay (Bank Pay)	FamiPay
Provider group	LINE	Origami	Rakuten	NTT DOCOMO	SoftBank/ Yahoo!	Amazon Services International, Inc.	Billing System	Rakuten Bank	Mercari	pring	Mizuho Bank	Hidashin	KDDI	Japan Post Bank	FamilyMart
Main settlement method	Charge (Advance payment)	Bank account (Instant transfer) Credit card (deferred payment)	Credit card (deferred payment)	Paid with telephone bill (deferred payment) Credit card (deferred payment)	Charge (Advance payment) Credit card (deferred payment)	Credit card (deferred payment)	Bank account (Instant transfer)	Bank account (Instant transfer)	Mercari sales charge (Advance payment)	Charge (Advance payment)	Charge (Advance payment)	Charge (Advance payment)	Charge (Advance payment)	Bank account (Instant transfer)	Charge (Advance payment)
DSK payment agency service	Pay by barcode on payment slip						Pay by barcode on payment slip	Pay by barcode on payment slip				Pay by barcode on payment slip		Pay by barcode on payment slip	

### Non-contact IC

Service	Suica	Rakuten Edy	iD	QUICPay	WAON	nanaco
Provider group	JR East	Rakuten	NTT DOCOMO	JCB	Aeon Group	Seven & i Group
Main settlement method	Charge (Advance payment)	Charge (Advance payment)	Charge (Advance payment) Debit card (Instant transfer) Credit card (deferred payment)	Charge (Advance payment) Debit card (Instant transfer) Credit card (deferred payment)	Charge (Advance payment)	Charge (Advance payment)
DSK payment agency service	Pay by barcode on payment slip (Mobarai DSK)	Pay by barcode on payment slip (Mobarai DSK)				

### Other

Service	Credit card	J-Debit
	VISA Mastercard JCB AMEX Diners Club UnionPay Discover	Financial institution providing debit card service (use debit card)
Main settlement method	Credit card (Deferred payment, instant transfer, advance payment)	Bank account (Instant transfer)
DSK payment agency service	E-commerce site payments SS credit processing, gas bill payment	Debit card payment batch settlement service

\*QR code is a registered trademark of Denso Wave



# Convenience store payment service introduced for elementary school educational material sales nationwide

## Schools no longer need to collect payment!

Scan QR code printed on application flyer  
Visit order page

Choose product  
Enter child's information

DSK Payment  
Service page

The application flyer contains a QR code in the top left corner, circled in red. Below it, there is a section titled 'ご利用の流れ' (How to use) with five steps: 1. Customer information input, 2. Product selection, 3. Order confirmation, 4. Convenience store payment, and 5. Product delivery. The flyer also features images of various educational materials like calculators, rulers, and stationery.

Link between application flyer and system

This is a screenshot of the 'さいほうセット申し込みフォーム' (Order form). It shows a list of products under the heading '商品選択' (Product selection). The selected items are: 'スーパーマリオ・ゴールド' (Super Mario Gold) for 3,680 yen and 'ソーイングマシン' (Sewing machine) for 780 yen. The total amount is 4,460 yen. There are buttons for '注文変更' (Change order) and '注文確定' (Confirm order).

This is a screenshot of the 'さいほうセット申し込みフォーム' (Order form) showing the payment confirmation step. It displays the order number '12345678' and a message: 'ご注文完了' (Order completed). Below this, it says 'ご注文ありがとうございました。' (Thank you for your order). A green box highlights the text: 'ご登録のメールアドレスに注文詳細を送信しました。' (We have sent the order details to the registered email address). There is also a green speech bubble with the word 'SMS'.

Link with payment service

This is a screenshot of the 'お支払い方法の選択' (Payment method selection) page. It shows a table with the following information: 事業者名 (Business name): テストショップ (Test Shop), お名前 (Name): 電算 太郎 (Denzan Taro), 内容 (Content): テスト商品 (Test product), 金額 (Amount): 300円 (300 yen), 支払期限 (Payment deadline): 2018/12/06. Below the table, there is a section for selecting a payment method, with logos for Lawson, FamilyMart, Seicomart, and others.

## Google-related services to be expanded!



### GCP (Google Cloud Platform)

- Free business support to be launched
- GCP managed services to be launched



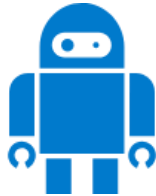
### GCP-related services provided by DSK



#### G Suite -linked tools

LogSuiter

DriveBase



#### AI / machine learning

MAGELLAN  
BLOCKS

Chat bot



#### Data storage / analytical machine learning

Google Cloud  
Storage

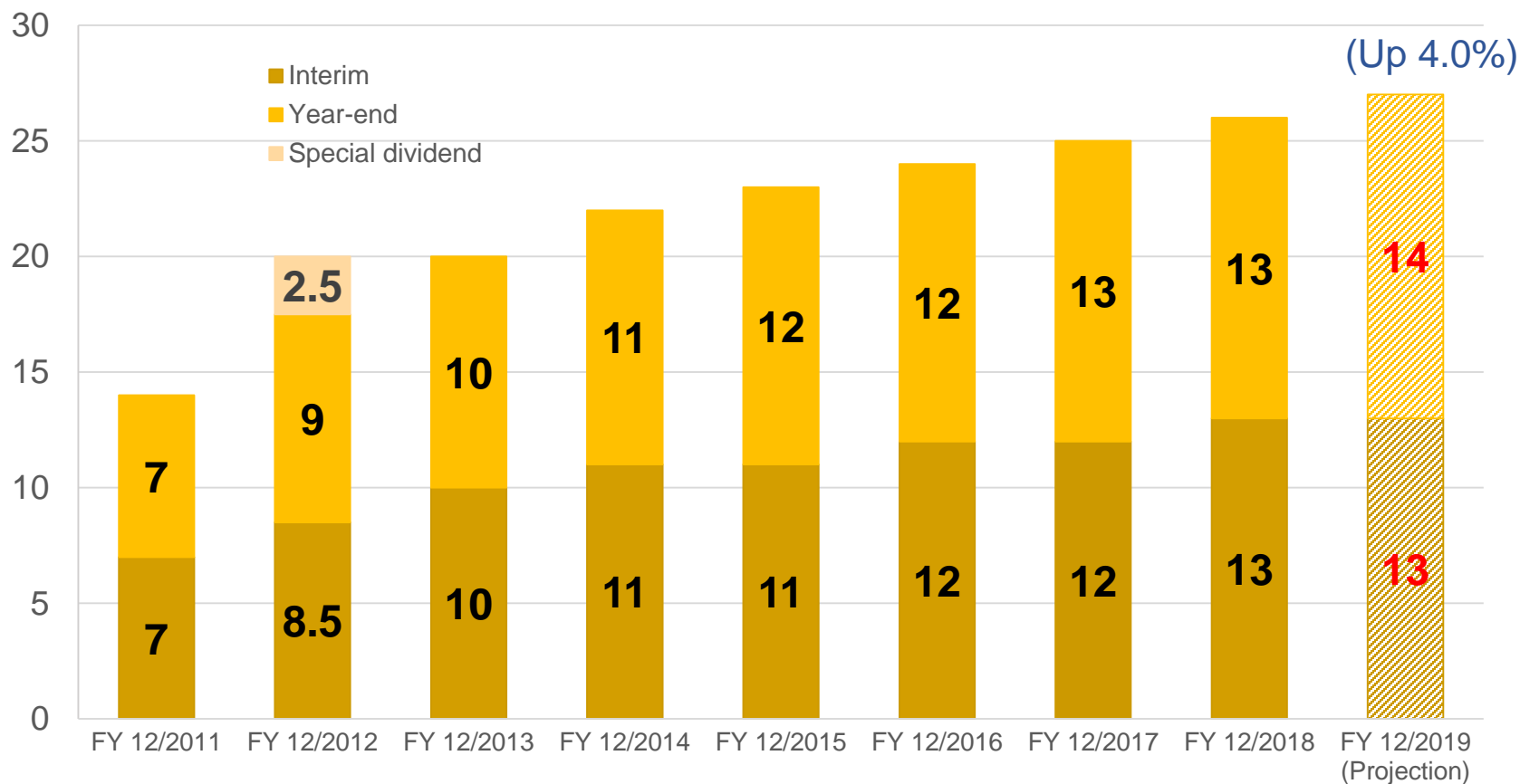


#### Cloud platform development

Platform  
development  
support service

Can be linked with backbone system, and apps can be run on Google Drive

✓ **Annual ordinary dividend per share: ¥27**  
 (interim dividend of ¥13 and year-end dividend of ¥14)





Thank you for your attention.

