



Presentation Materials for the 2Q FY2020 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

21,871 million yen

(Up 10.0%)

Operating income

1,683 million yen

(Up 36.7%)

Net income attributable to
shareholders of the parent company

1,064 million yen

(Up 24.4%)

Business results

✓ Sales and earnings up y-o-y

✓ Net income in the interim results exceeded 1,000 million yen

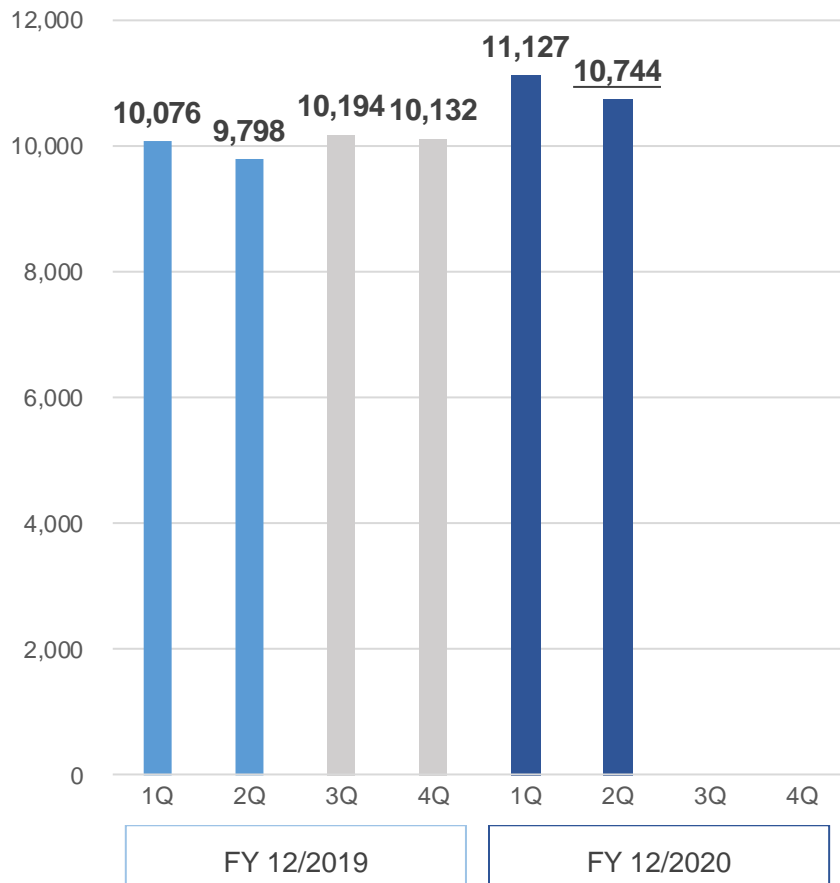
(Unit: Million yen)

- ✓ **Sales according to plan and high attainment ratio for income in the first half of the fiscal year**
- ✓ **Upward revision in full-year sales plan due to M&A and the GIGA School concept**

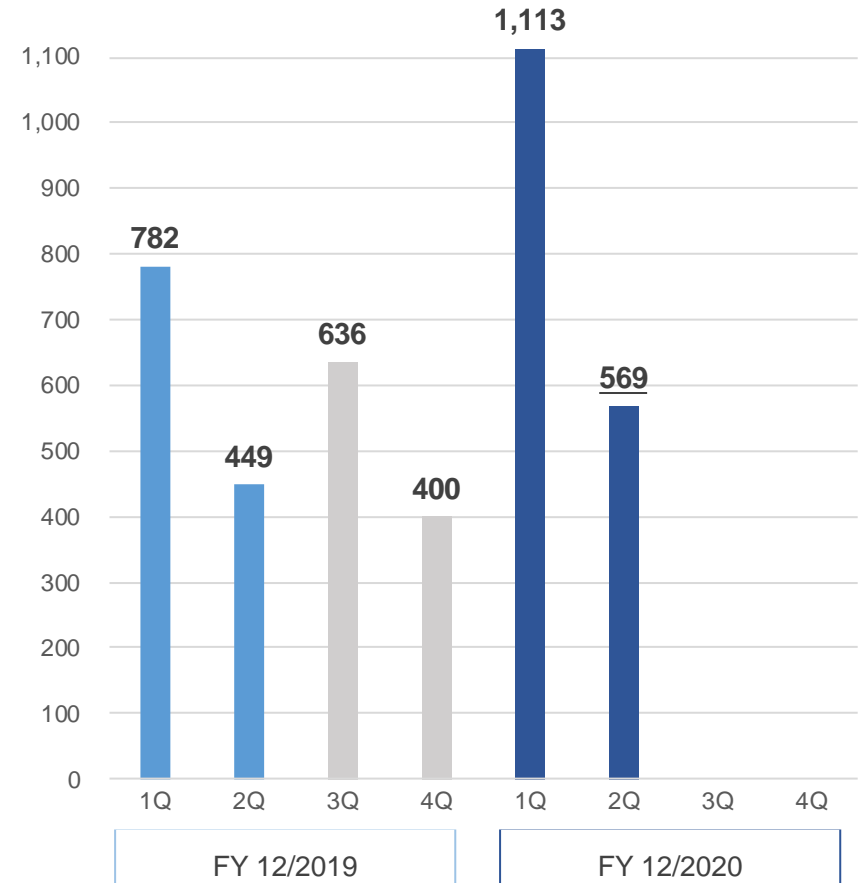
	FY 12/2019 2Q cumulative total	FY 12/2020 2Q cumulative total	YoY Ratio	1H forecast	Attainment ratio	Full-year plan	Progress
Sales	19,874	21,871	10.0%	21,273	102.8%	46,200	47.3%
Operating income	1,231	1,683	36.7%	1,124	149.7%	2,500	67.3%
Income ratio	6.2%	7.7%	1.5%pt up	5.3%		5.4%	
Ordinary income	1,277	1,765	38.2%	1,153	153.0%	2,590	68.2%
Income ratio	6.4%	8.1%	1.6%pt up	5.4%		5.6%	
Net income	856	1,064	24.4%	748	142.5%	1,604	66.4%

✓ While operating income was up YoY in 2Q, it was particularly higher in 1Q

Sales



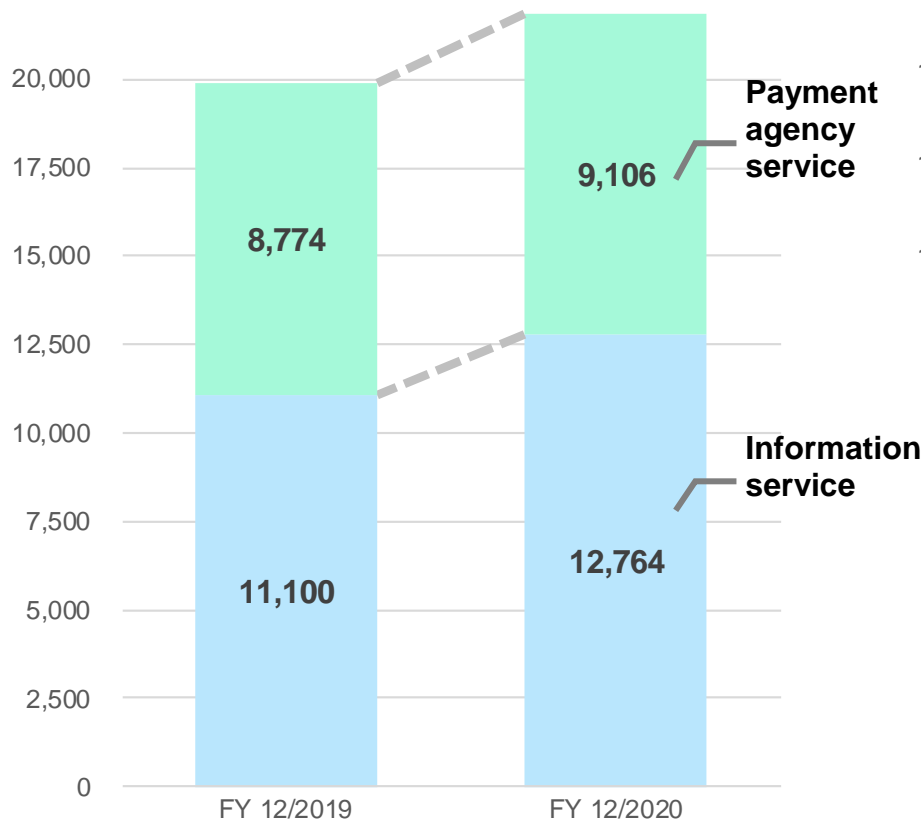
Operating income



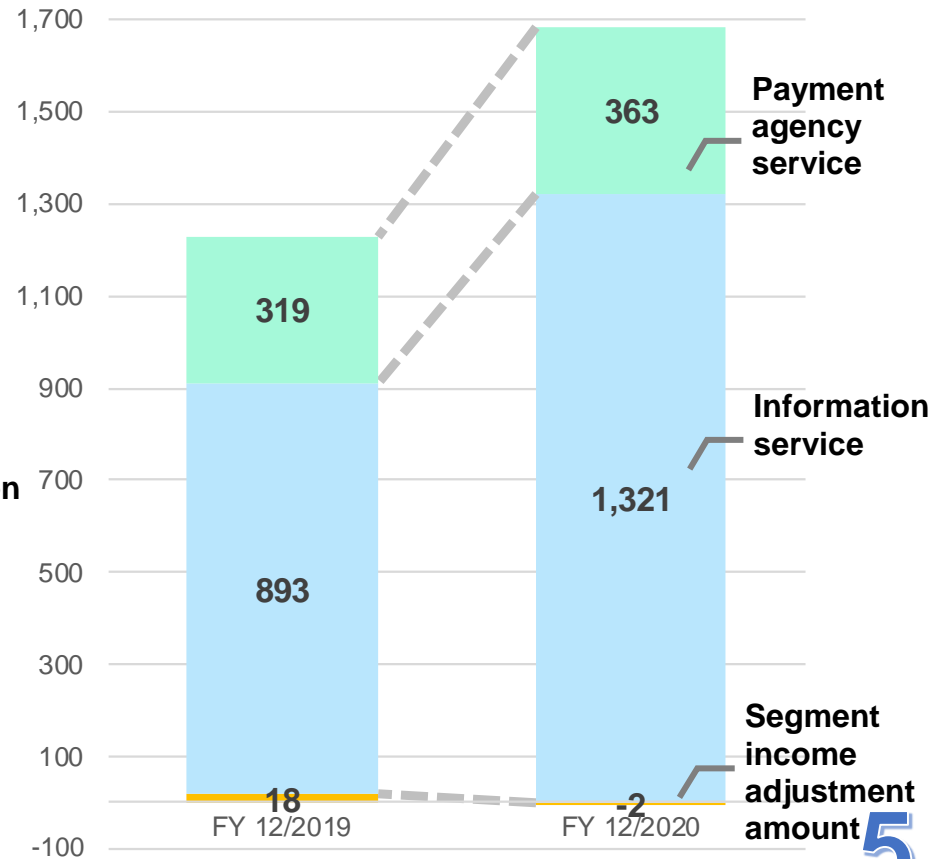
(Unit: Million yen)

- ✓ The information service segment had particularly strong profit growth
- ✓ Sales and income both up slightly in the payment agency service segment

Sales



Operating income



- ✓ In SI and software development, auto auctions and software development commissions were robust
Sales were strong due to telework demand
- ✓ Revenues were down for information processing due to the impact of the coronavirus

	FY 12/2019	FY 12/2020	YoY		1H forecast	Attainment ratio	Full-year plan	Progress
	2Q cumulative total	2Q cumulative total	Amount	Ratio				
Sales	11,100	12,764	1,664	15.0%	11,921	107.1%	27,248	46.8%
SI and software development	7,194	9,041	1,846	25.7%	8,372	108.0%	19,172	47.2%
Information processing	2,966	2,634	-332	-11.2%	2,797	94.2%	6,242	42.2%
Merchandise sales	938	1,088	150	16.0%	752	144.7%	1,834	59.4%
Operating income	893	1,321	428	48.0%	822	160.7%	1,906	69.4%
Operating income ratio	8.0%	10.4%	2.3%pt up		6.9%		7.0%	

Google business

- ✓ **Telework contributed to sales of Chromebooks**
- ✓ **Digital signage contributed to profits**

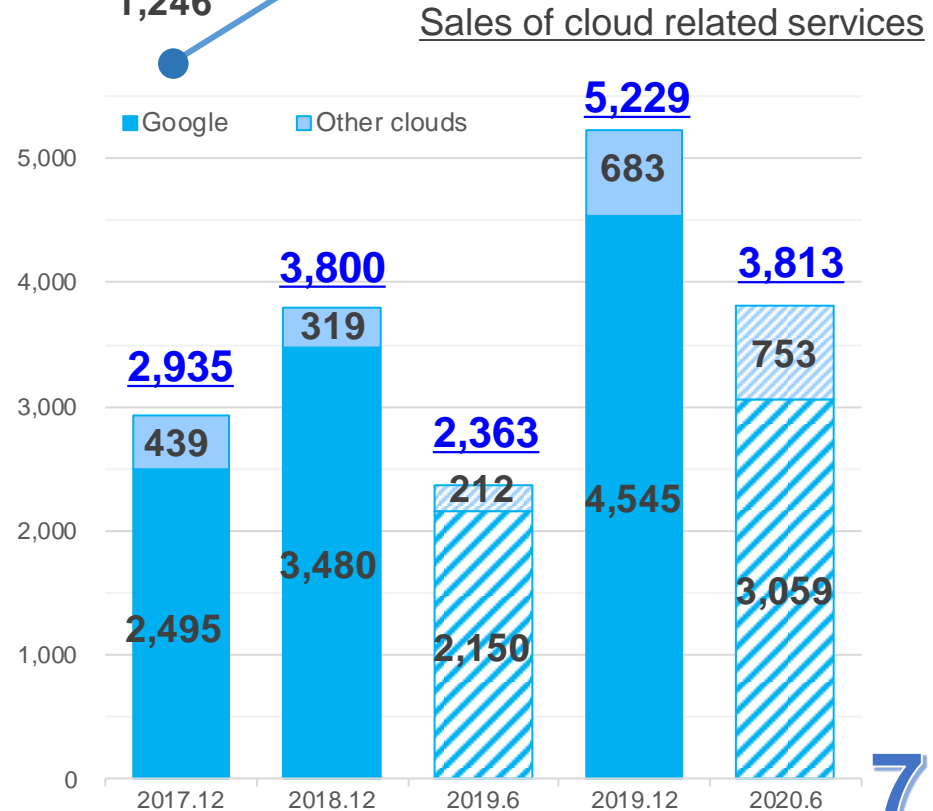
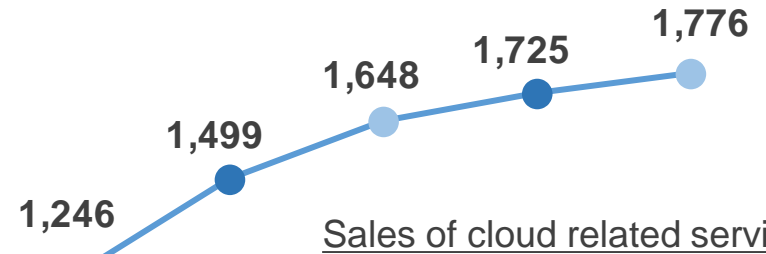
Number of Google (G Suite) adopter companies

: Exceeded 1,770 projects

Sales of cloud related services

: Up 61.4%

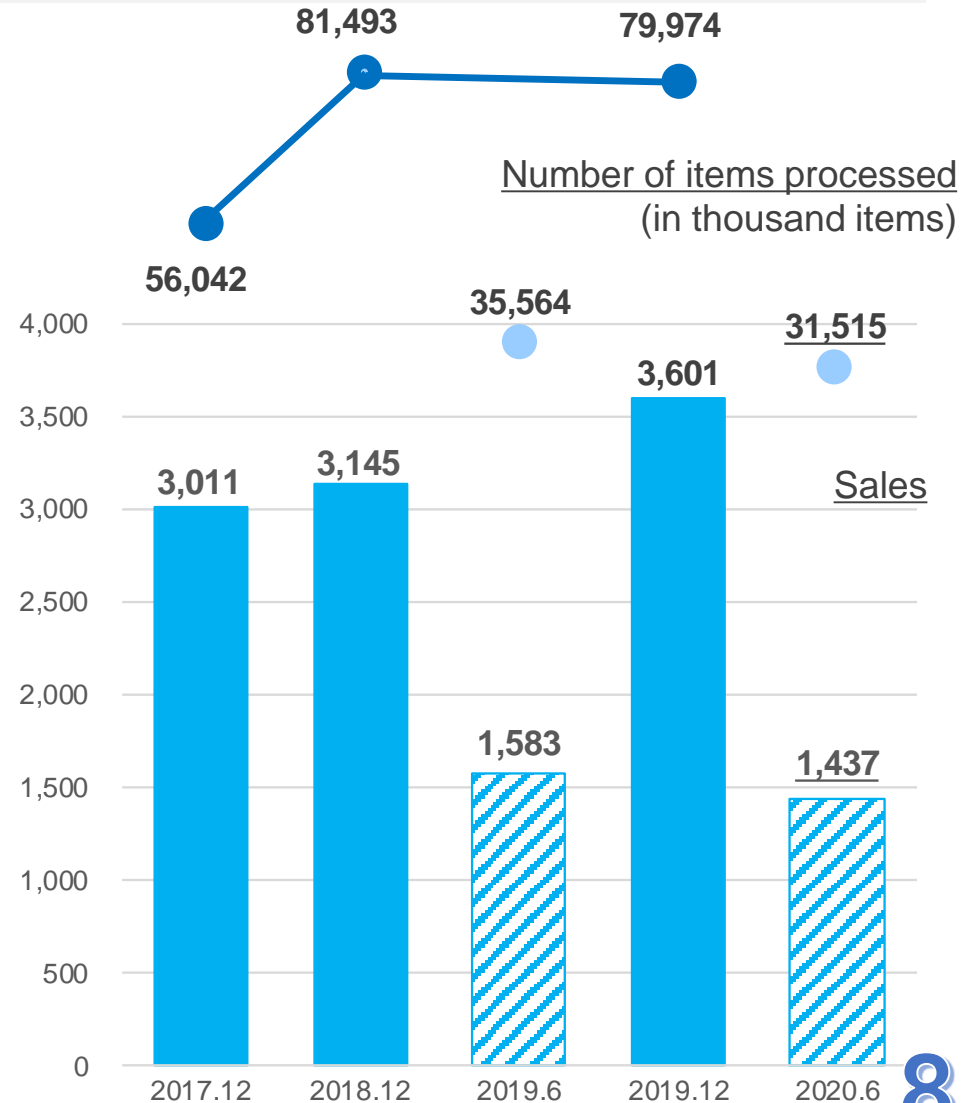
Number of Google (G Suite) adopter companies



*Does not include GOGA packages or MAP

BPO business

- ✓ **The impact of voluntary restraint led to a drop in the number of items processed**
- ✓ **Self-restraint in sales is a cause for concern in the second half of the fiscal year**
- ✓ **The number of educational material projects and user schools has increased steadily**



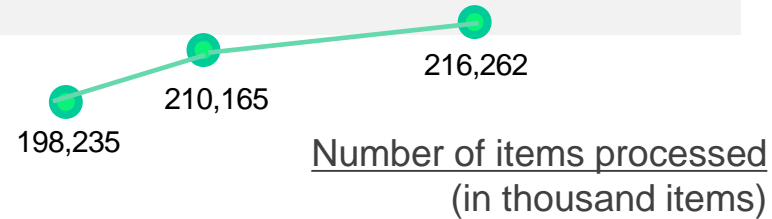
2Q FY2020 Payment Agency Services Summary

(Unit: Million yen)

- ✓ The decrease for the paperless payment service was due to factors including a decrease in ticket sales and event participation fees
- ✓ The increase for the remittance service was largely due to an increase in refund processing due to the cancellation of events

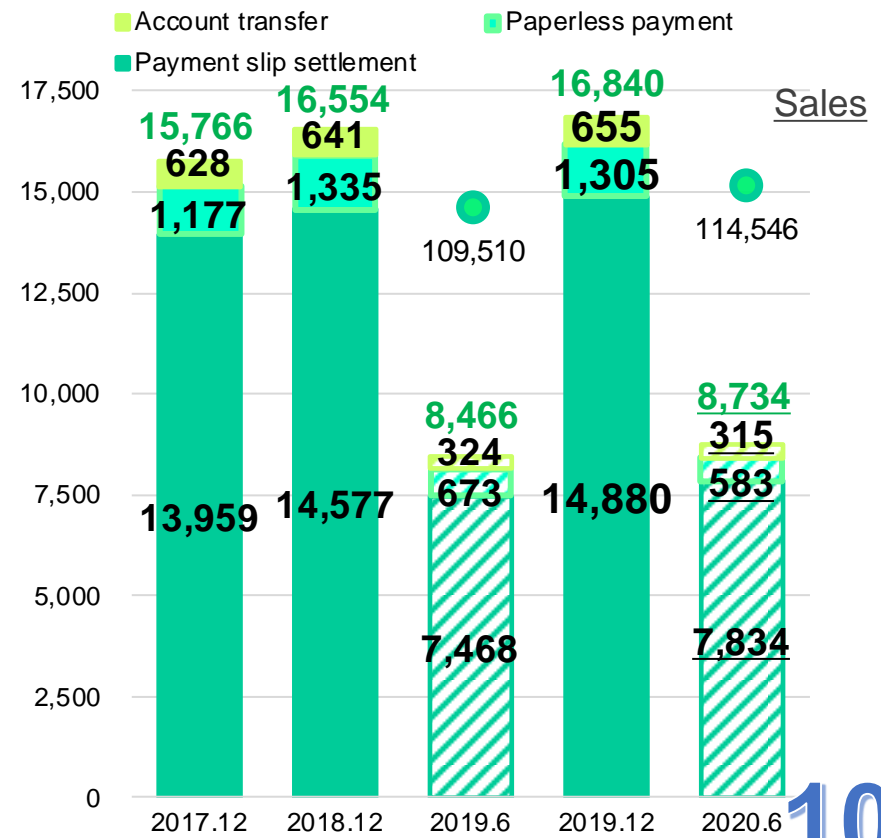
	FY 12/2019 2Q cumulative total	FY 12/2020 2Q cumulative total	YoY		1H forecast	Attainment ratio	Full-year plan	Progress
			Amount	Ratio				
Sales	8,774	9,106	331	3.8%	9,351	97.4%	18,951	48.1%
Payment service	8,466	8,734	267	3.2%	9,026	96.8%	18,174	48.1%
Payment slip settlement service	7,468	7,834	365	4.9%	8,037	97.5%	16,389	47.8%
Paperless payment service	673	583	-89	-13.3%	659	88.5%	1,134	51.5%
Account transfer service	324	315	-8	-2.7%	329	96.0%	650	48.5%
Payment innovation	308	372	64	20.8%	325	114.5%	776	48.0%
Remittance service	140	207	66	47.3%	—	—	—	—
Counter payment collection services	167	165	-2	-1.4%	—	—	—	—
Operating income	319	363	43	13.7%	319	113.8%	670	54.2%
Operating income ratio	3.6%	4.0%	0.35%pt up		3.4%	—	3.5%	—

Payment service



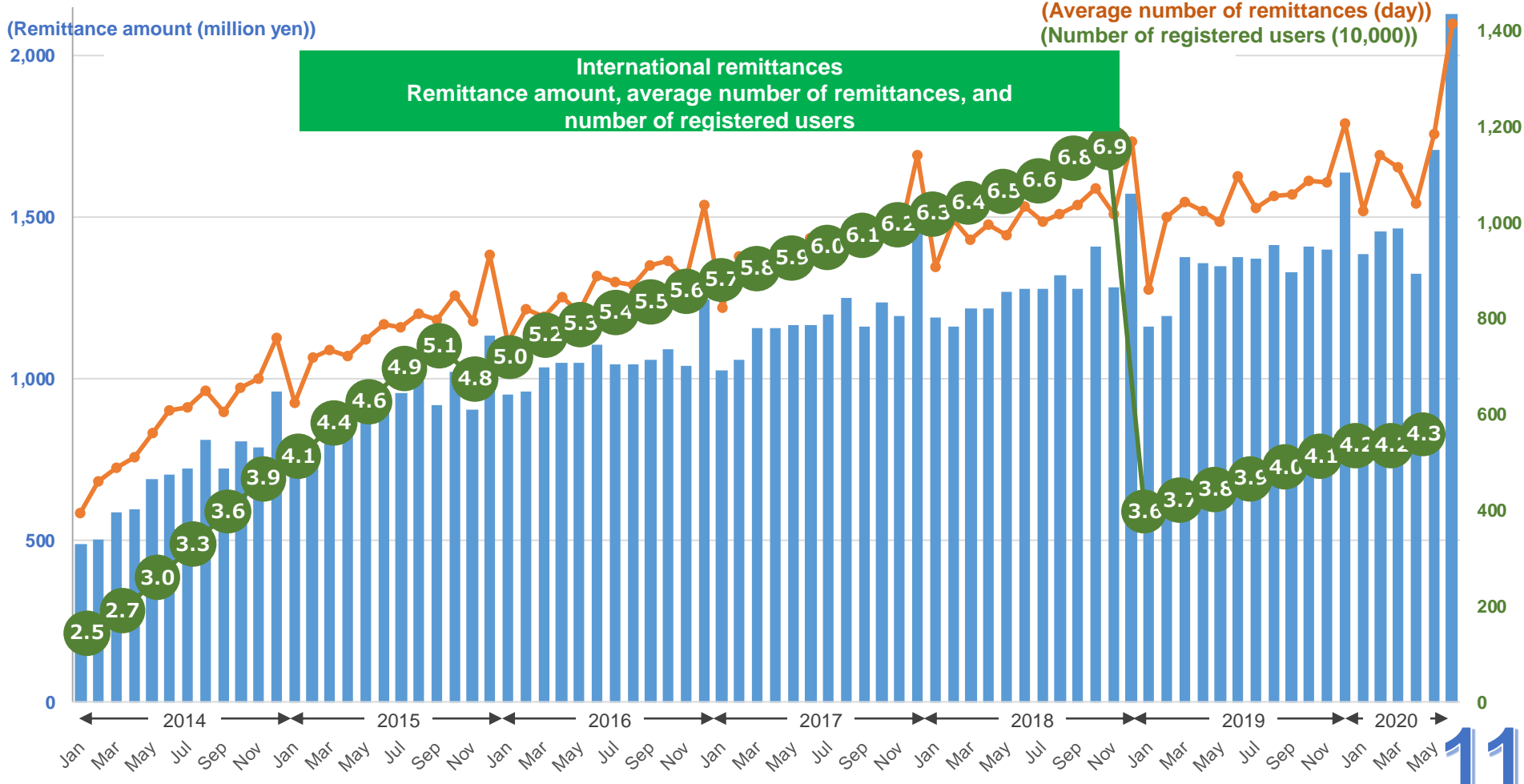
✓ **Start of DSK deferred payment**

✓ **Full-scale launch of large projects**



Status of payment innovation

- ✓ Counter payment service - 3,728 adopter stores
- ✓ Profits achieved due to an increase in the number of stores offering the Will Call international remittance service and temporarily closures of other stores



Signed a partnership agreement with Works Human Intelligence Co., Ltd. (March 24, 2020)

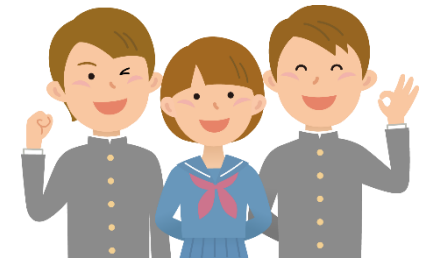
- ✓ **Conducted and promoted a business partnership in the COMPANY® business, a package software for the integrated management of human resources operations overall**

COMPANY

- **Sales cooperation for the sale and introduction of COMPANY®**
- **Development of human resource and payroll calculations services (BPO) business for COMPANY® users**
- **Various human resources exchanges for the purpose of improving technology and knowledge related to COMPANY®**
- **Operations incidental to the above that have been agreed upon by both companies**

Participation in Google for Education™ Distance Learning Support Program for schools that are closed

- ✓ Increase in inquiries regarding Google for Education™
- ✓ Classroom function to support online classes, assignment submissions, etc.
- ✓ Also supports the GIGA School concept



Devices that comply with the standard specifications for the GIGA School concept

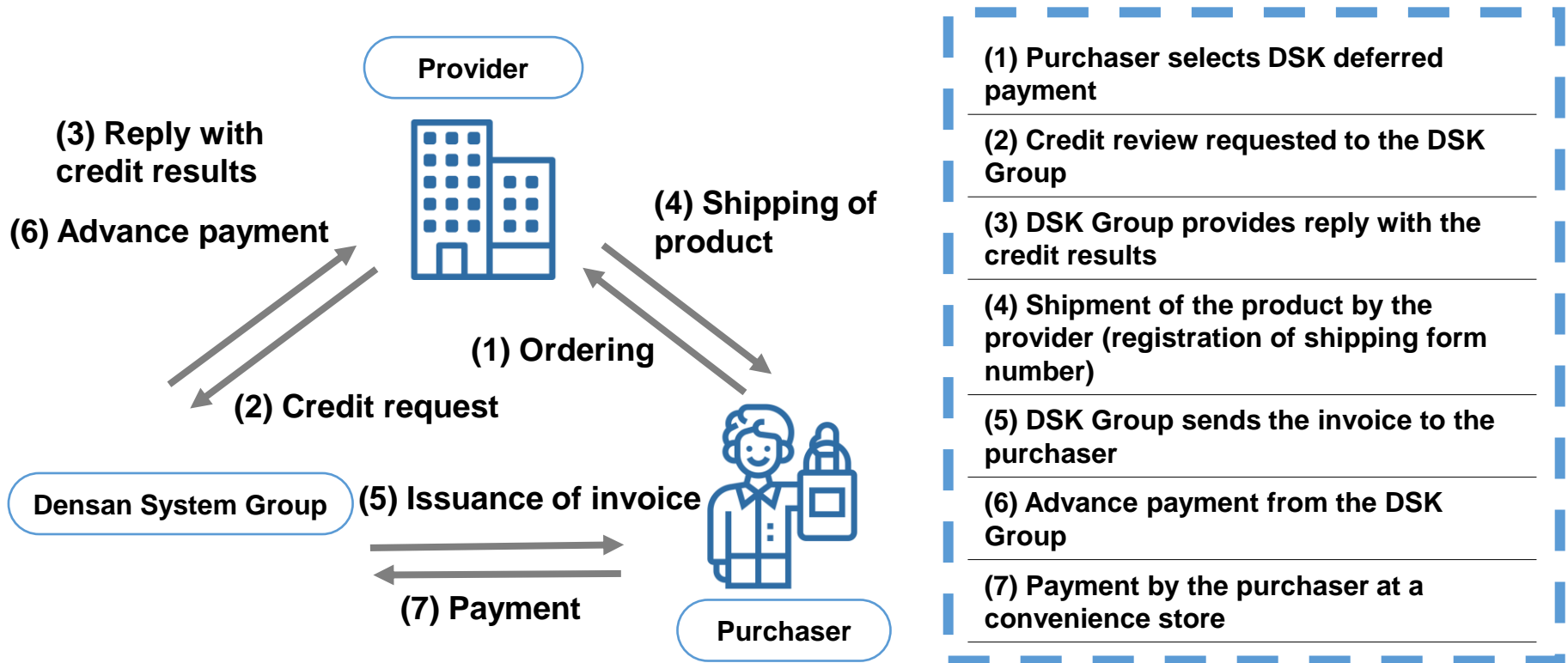
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G Suite for Education made for educational institutions free of charge

- ✓ July 31, 2020: Introduction of the G Suite Enterprise for Education™ paid service at Azabu University (first time in Japan) to strongly support the use of ICT in education

DSK deferred payment service

- ✓ **July 1, 2020: Start of DSK deferred payment service**
Helps providers to reduce the risk of uncollectible receivables, reduce operating costs, and increase sales



- ✓ **Starting in the fall of 2020, the claims handling expense insurance system offered by Sompo Japan will be available as a supplementary service**

Full-scale entry in the security business (M&A)

- ✓ **July 31, 2020: Acquired 100% of the shares of PSI Inc., an information security business company, and added it to the Densan System Group**
- ✓ **August 1, 2020: Established a Security Business Division to become more reliable Densan System Group with the world's most advanced security technology together with PSI Inc.**



Overview of PSI Inc.

Established: January 10, 1994

Head office location: Shinjuku Ward, Tokyo

Main business: Sales of security equipment, etc.

Holds primary distributorship rights for the world's leading security vendors

FORTINET®



Check Point®
SOFTWARE TECHNOLOGIES LTD



DARKTRACE



PIOLINK

Impact of the coronavirus

Continue business and services and minimize the negative impact by implementing measures such as staggered working hours, telecommuting, changing desk locations, and staggered lunch breaks that can be implemented in each department

Voluntary restraint on sales activities and an impact on conditions for customers could occur in the second half of the fiscal year and beyond

Information service	FY 12/2020	From FY 12/2021
SI and software development	Schedule delays, reduction in scale, cancellation or postponement of projects, etc. Receipt of orders for public sector projects related to the coronavirus Impact on the acquisition of new projects, including business discussions	Minimize the impact of voluntary restraint on sales activities, use of online seminars and conferences, and online handling of bids, etc. Contraction of projects, delays, and a decrease in the number of information processing projects can be expected to continue as a result of client performance
Information processing	A decline in the number of cases will continue in the second half of the fiscal year due to reluctance among consumers to buy and a decrease in sales promotion events	Promote products necessary for responding to the coronavirus outbreak including cloud-related services (Google, IDC) and the security business
Merchandise sales	Increase in laptops and Chromebooks due to demand for telecommuting	
Payment agency service	FY 12/2020	From FY 12/2021
Payment service	Despite the negative effects of a reluctance to buy among consumers, the suspension of sports clubs, and the cancellation of events, the demand for online business and inquiries have increased. However, the introduction of services is taking a longer time due to the lack of face-to-face meetings	Aim to acquire more new customers by enhancing cashless services and the new DSK deferred payment service in line with the demands of providers International remittances are expected to depend largely on the policies and openness of each country, so the current outlook is difficult to predict
Payment innovation	In international remittances, although the number of remittances increased for our agents that remained open during the coronavirus outbreak, other agents are also gradually opening. The number of remittances could be affected if there are fewer jobs for foreign workers In domestic remittances, there is demand for refunds for event cancellations and transfers of support funds to students	

✓ **Annual ordinary dividend per share: ¥28**
 (interim dividend of ¥14 and year-end dividend of ¥14)

