



Presentation Materials for the 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

Net Sales

45,752 million yen

(Up 13.8%)

Operating income

2,836 million yen

(Up 25.0%)

Net income attributable to
shareholders of the parent company

1,915 million yen

(Up 22.9%)

Business results

- ✓ Sales and income were much higher YoY
- ✓ Operating income was in the 2.8 billion yen range, as we began to develop a profitable structure
- ✓ Achievement rate of 91.5% against the sales target of 50 billion yen for the final year of PLAN 2020

(Unit: Million yen)

✓ While sales were slightly below the upward revision, profits were significantly higher

✓ Profit margin improved by 0.6 points

	FY 12/2019	FY 12/2020	Y-o-y (%)	Plan	Attainment ratio
Sales	40,202	45,752	13.8%	46,200	99.0%
Operating income	2,268	2,836	25.0%	2,500	113.5%
Income ratio	5.6%	6.2%	0.6%pt up	5.4%	
Ordinary income	2,338	2,916	24.7%	2,590	112.6%
Income ratio	5.8%	6.4%	0.6%pt up	5.6%	
Net income	1,559	1,915	22.9%	1,604	119.4%

FY2020 Transition in Quarterly Business Results

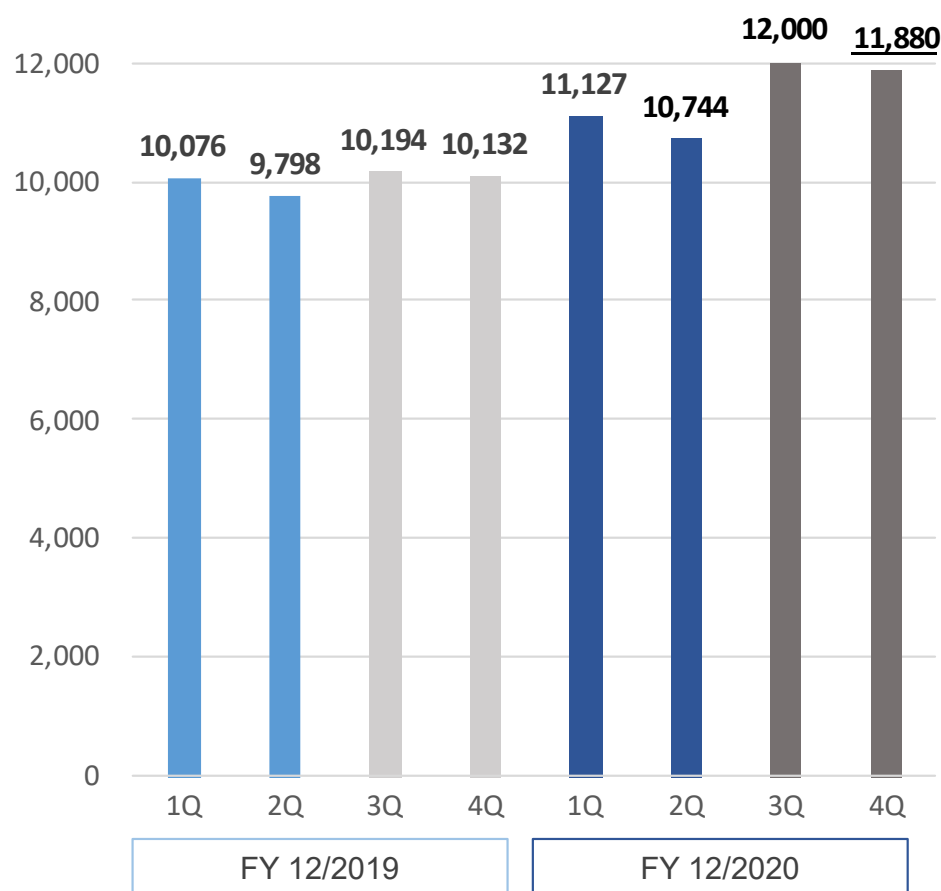


(Unit: Million yen)

- ✓ In 4Q, it was possible to exceed the previous year for all periods
- ✓ Profit exceeded the plan at the beginning of the fiscal year by 450 million yen

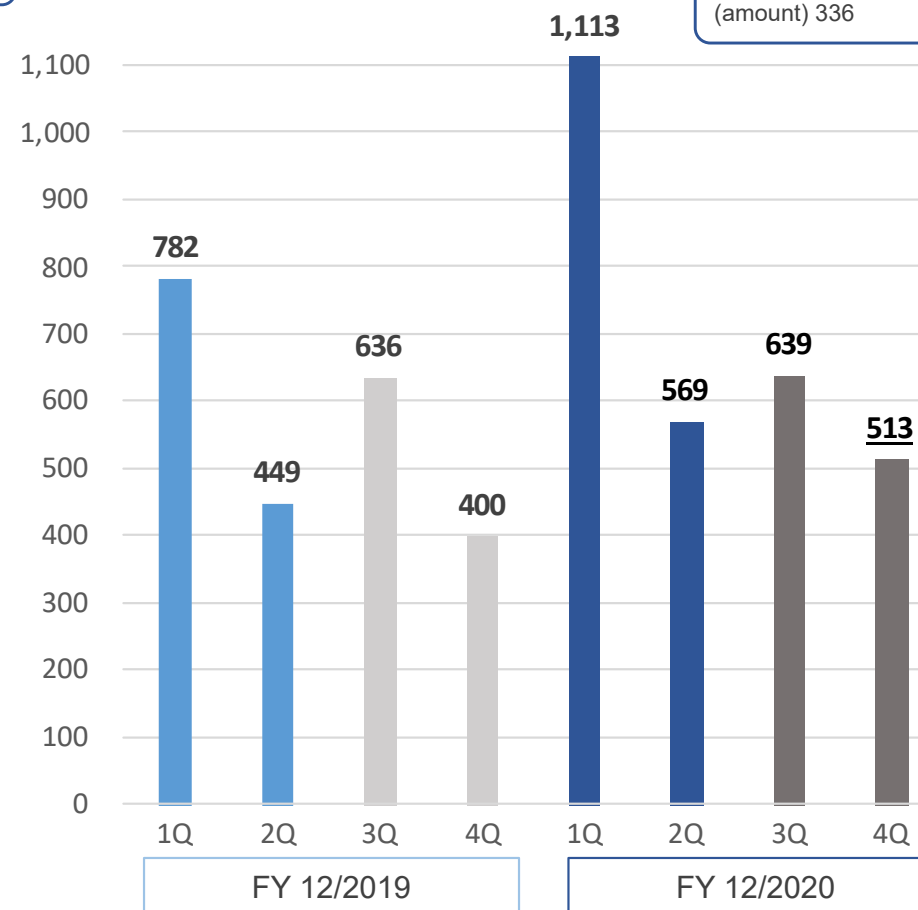
Net Sales

FY 12/2020 45,452
Plan (start of period) 44,000
Plan (adjusted) 46,200
Compared with plan (amount) -448



Operating Income

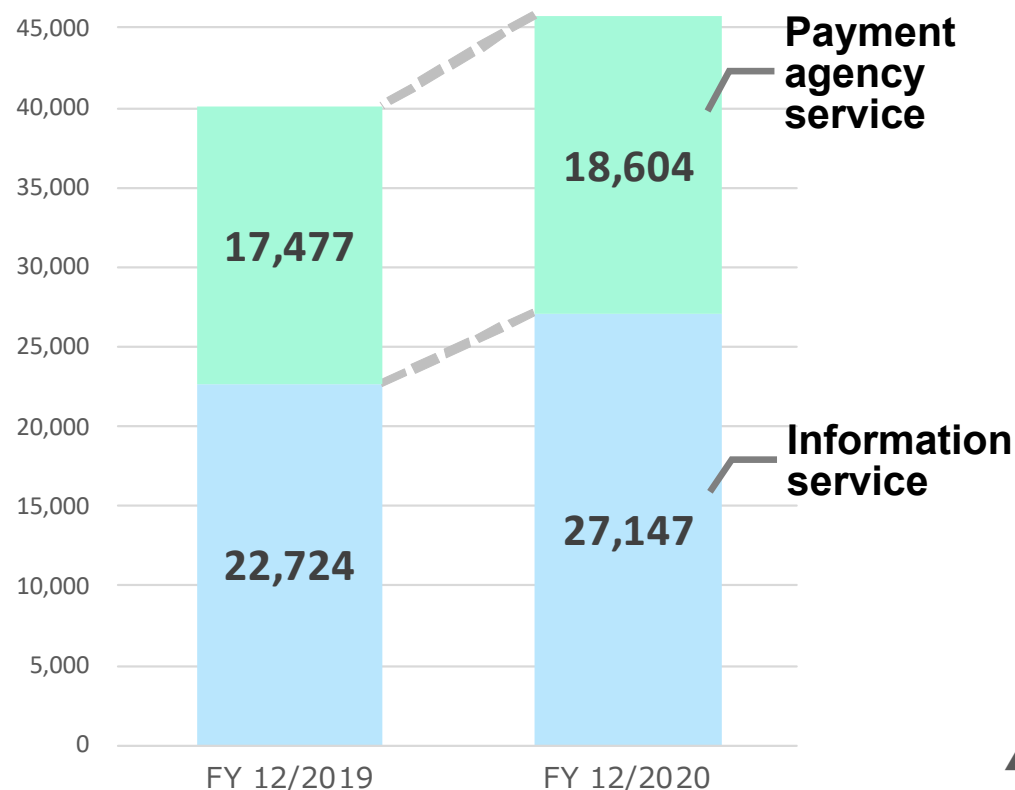
FY 12/2020 2,836
Plan (start of period) 2,385
Plan (adjusted) 2,500
Compared with plan (amount) 336



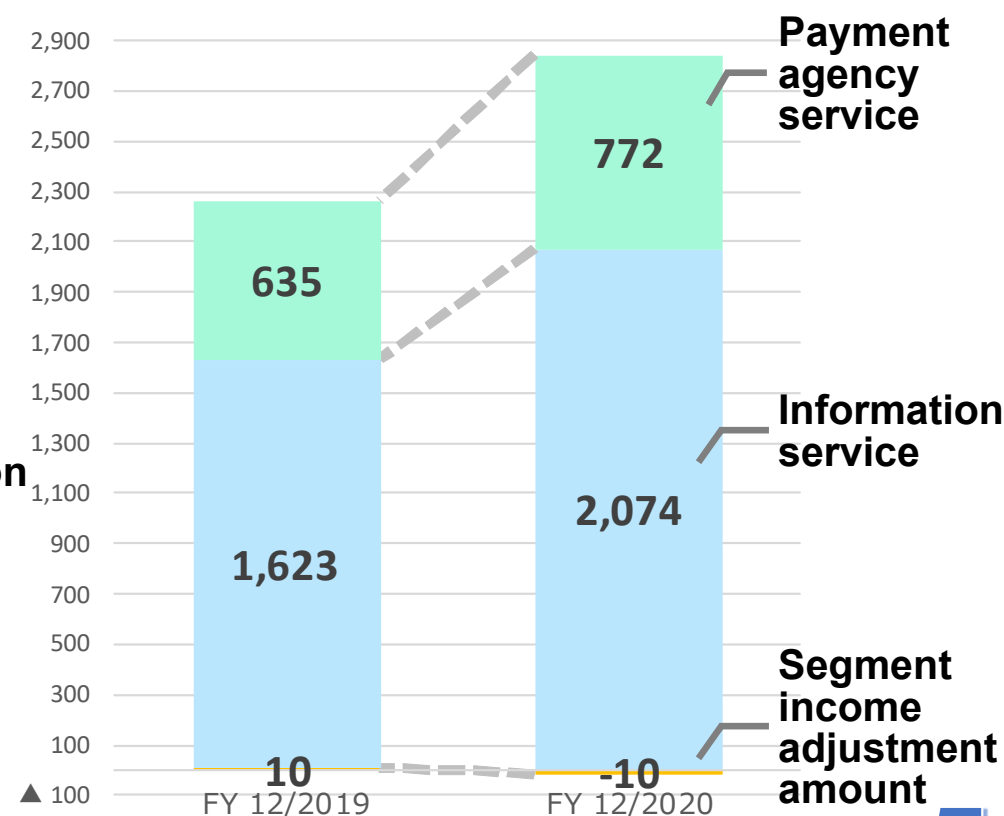
(Unit: Million yen)

- ✓ Operating profit for information services exceeded 2 billion yen
- ✓ The profitability of payment agency services has also improved, and both sales and profit are steadily increasing

Net Sales



Operating Income



- ✓ Auto auction and GIGA School contributed in SI and software development
- ✓ In information processing, performance was poor for BPO and gasoline information processing due to the coronavirus outbreak

	FY 12/2019	FY 12/2020	Y-o-y		Plan	Attainment ratio
			Amount	Ratio		
Sales	22,724	27,147	4,423	19.5%	27,248	99.6%
SI and software development	14,398	19,372	4,973	34.5%	19,172	101.0%
Information processing	6,274	5,719	-555	-8.8%	6,242	91.6%
Merchandise sales	2,051	2,055	4	0.2%	1,834	112.1%
Operating income	1,623	2,074	451	27.8%	1,906	108.9%
Operating income ratio	7.1%	7.6%	0.5%pt up		7.0%	

Google business (SI and software development)

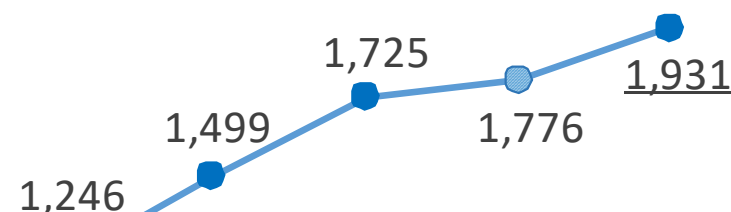
✓ **Number of Google (Google Workspace (formerly G Suite)) adopter companies**
: **1931** companies

✓ **Sales of cloud related services** : **59.9 %** increase

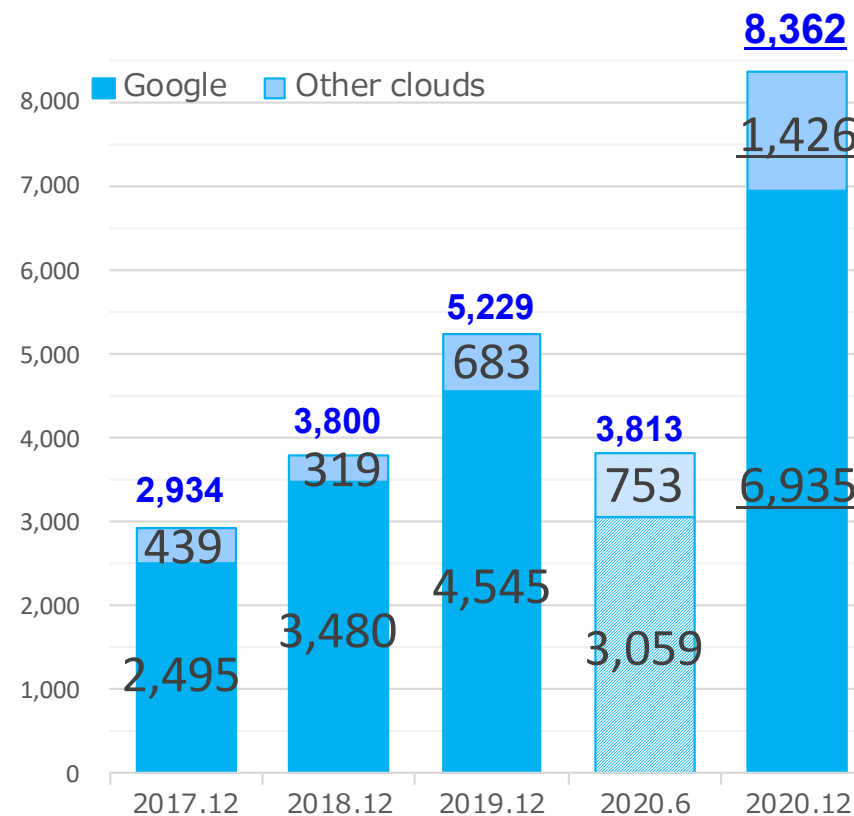
✓ **Sales of Chromebooks were high due to GIGA School concept**

✓ **Digital signage also made a significant contribution**

Number of Google (Google Workspace) adopter companies



Sales of cloud related services



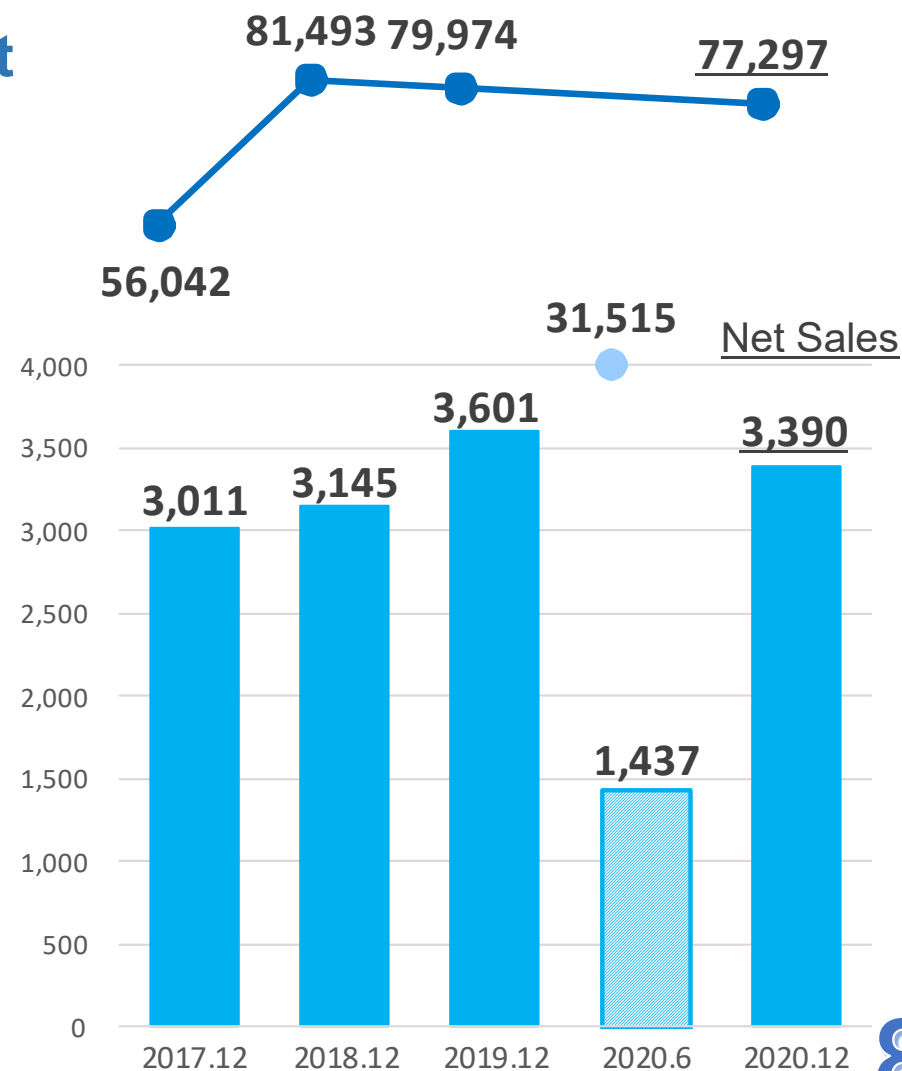
BPO business (information processing)

✓ Both the number of items and sales struggled due to the significant impact of the coronavirus outbreak

✓ Although invoicing agency business increased significantly, it was not enough to cover sales

✓ Although the share of sales from school materials is still low, it is growing steadily

Number of items processed (in thousand items)



- ✓ Sales of mainstay payment slips increased due to nesting demand
- ✓ Remittance (refund) services with high profit margins boosted profit

	FY 12/2019	FY 12/2020	Y-o-y		Plan	Attainment ratio
			Amount	Ratio		
Sales	17,477	18,604	1,126	6.4%	18,951	98.2%
Payment service	16,840	17,805	964	5.7%	18,174	98.0%
Payment slip settlement service	14,880	16,090	1210	8.1%	16,389	98.2%
Paperless payment service	1,305	1,076	-228	-17.5%	1,134	95.0%
Account transfer service	655	637	-17	-2.6%	650	98.0%
Payment innovation	637	799	162	25.5%	776	103.0%
Remittance service	298	462	163	54.7%	—	—
Counter payment collection services	338	337	0	-0.2%	—	—
Operating Income	635	772	137	21.6%	670	115.2%
Operating income ratio	3.6%	4.2%	0.52%pt up		3.5%	—

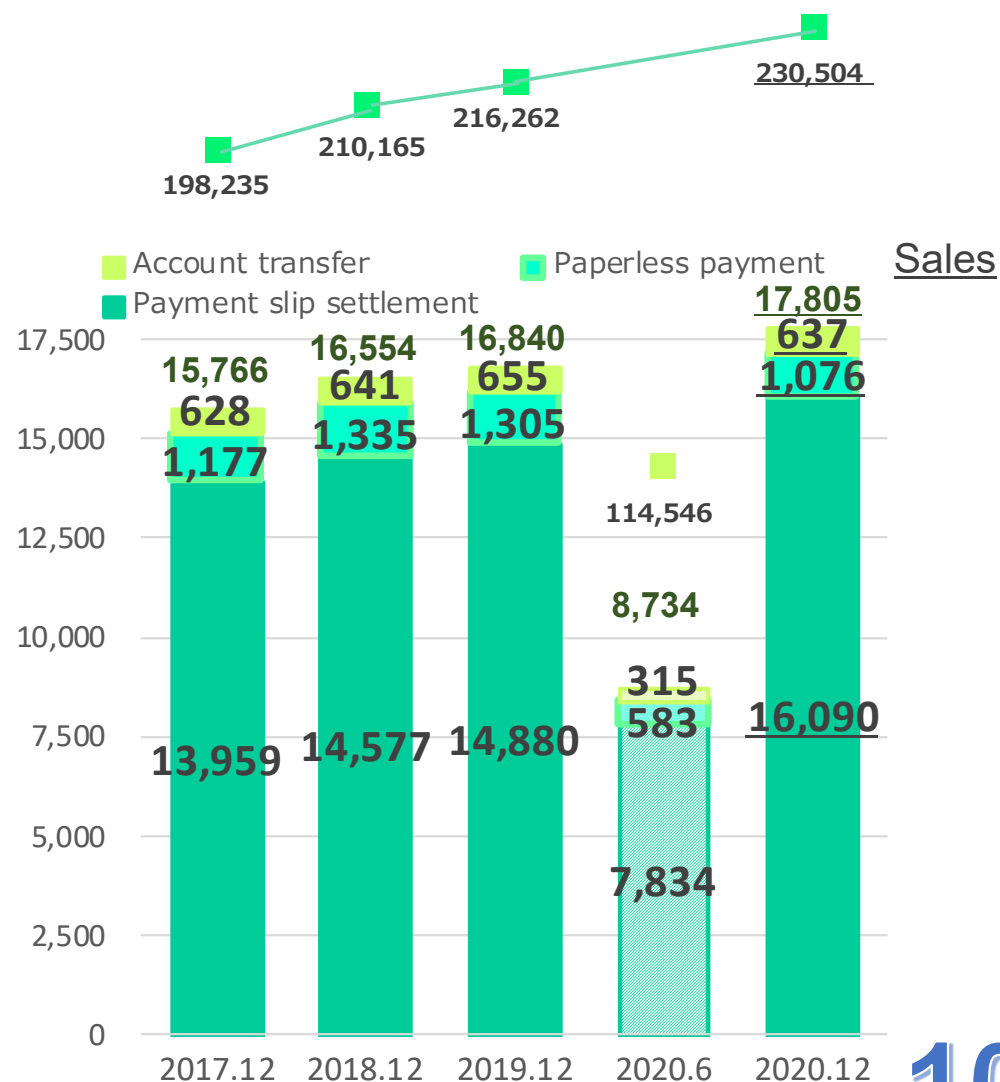
Payment service

✓ The number of transactions has been growing steadily, and the number of payments for the year has exceeded 230 million

✓ Infrastructure development for which the amount of money handled by the Company exceeds 2 trillion yen is important

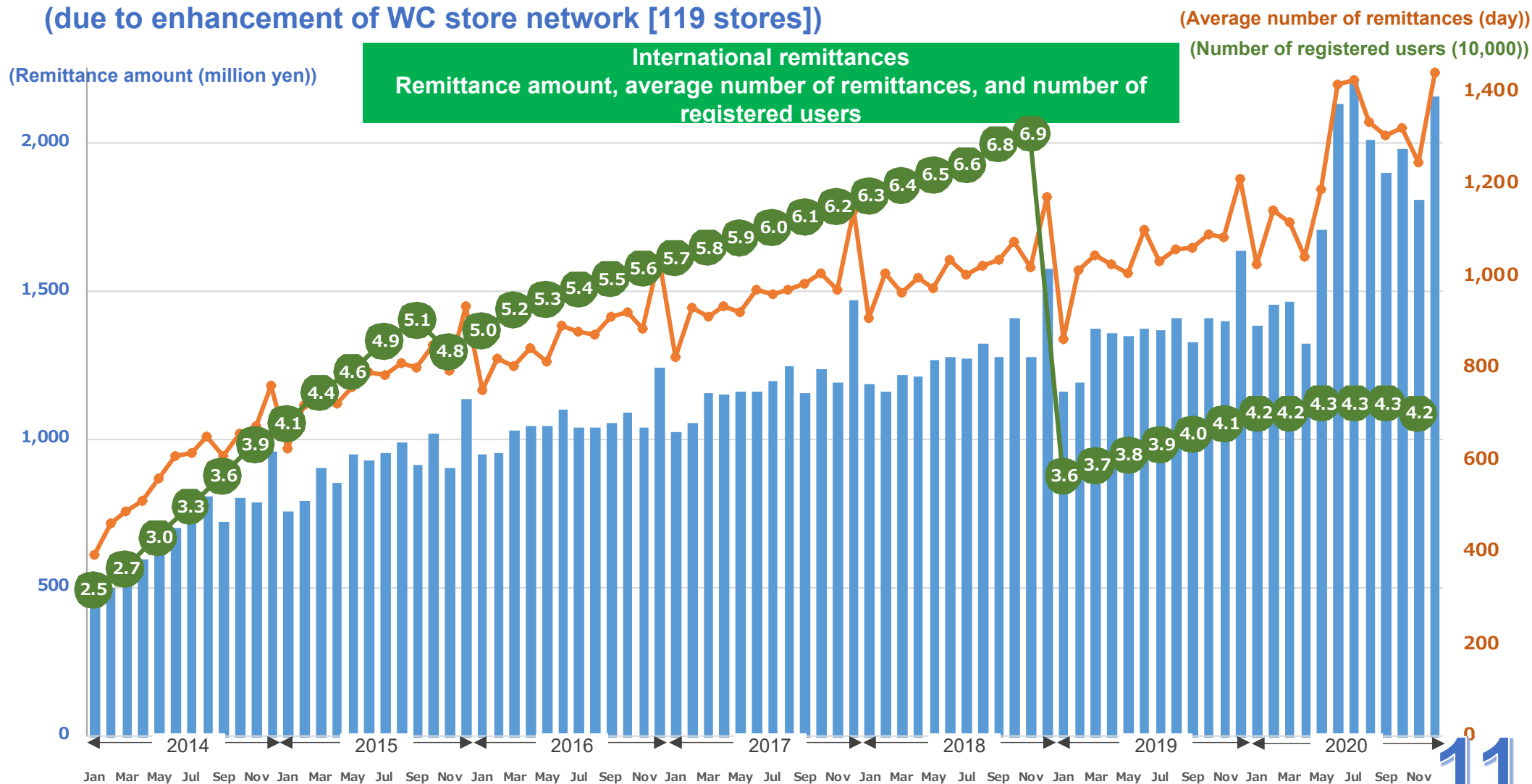
✓ While the number of cashless payments is still low, this is an area we want to focus on

Number of items processed (in thousand items)



Status of payment innovation

- ✓ Counter payment service - 3,776 adopter stores
- ✓ The international remittance business became profitable for the full year (due to enhancement of WC store network [119 stores])



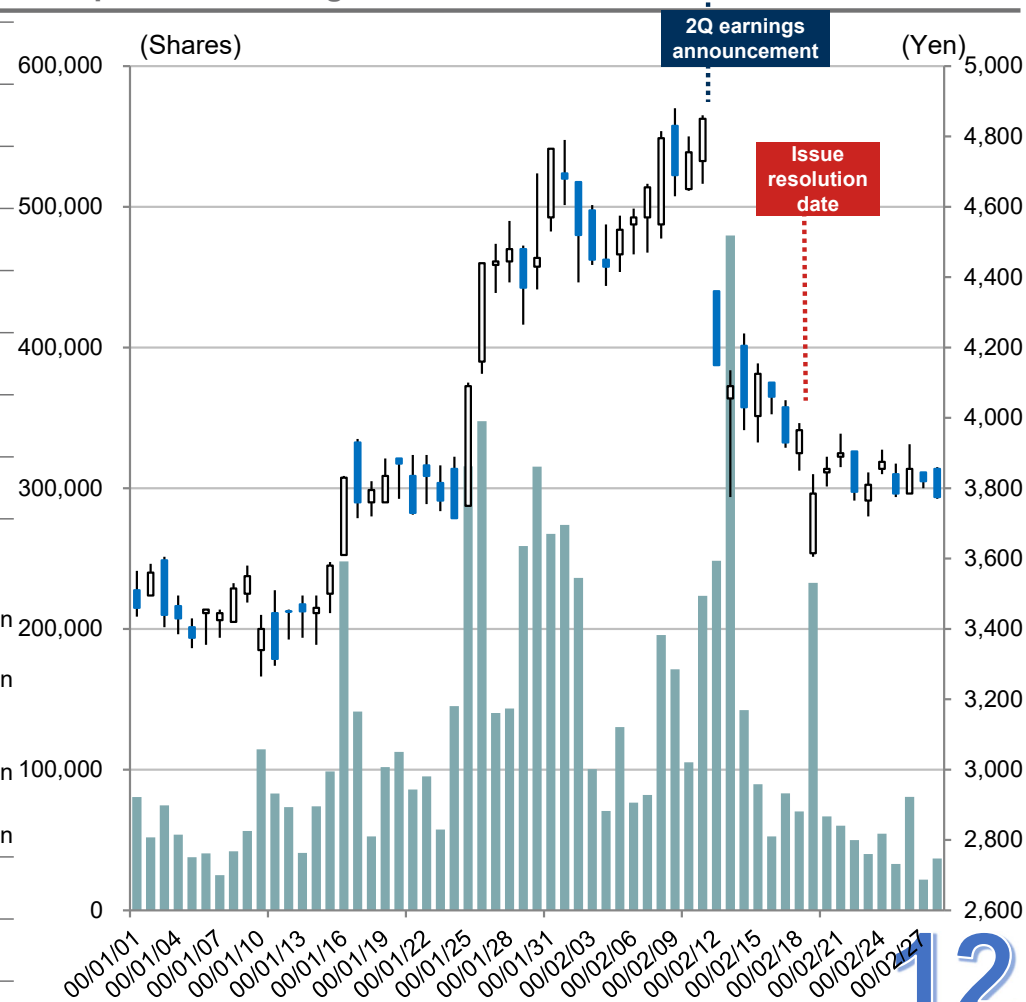
✓ Enables new business investment

Capital	1,229 million yen	→	2,469 million yen	(+1,239 million yen)
Capital reserve	929 million yen	→	2,169 million yen	(+1,239 million yen)
Other capital surplus	0 yen	→	765 million yen	(+765 million yen)
Treasury stock	-84 million yen	→	-0 million yen	(+84 million yen)

Details of issuance

Number of shares issued	1,000,000 shares (dilution rate: 9.46%)
Issue resolution date	August 11, 2020
Allotment date	August 28, 2020
Exercise period	3 years
Payment amount	20,000,000 yen
Initial exercise price	3,965 yen (closing price on the issue resolution date)
Revision of exercise price	Revised to 92% of the closing price on the trading day immediately preceding the date of each exercise request
Upper and lower limits of exercise price	Upper limit: none; lower limit: 2,776 yen
Use of the funds	<ul style="list-style-type: none"> ■ Repayment of bridge loan related to the acquisition of PSI Inc. : 1,700 million yen ■ Funds for the Company and investments in and loans to subsidiaries in connection with the launch of the credit guarantee-type deferred payment services business : 930 million yen ■ Investment funds for the expansion of the Tono Internet Data Center : 350 million yen ■ Funds for future acquisitions and strategic investments : 1,000 million yen
Average exercise price ²	Approximately 3,330 yen
Amount procured	3,330,258,000 yen (including the amount to be paid for the stock acquisition rights)

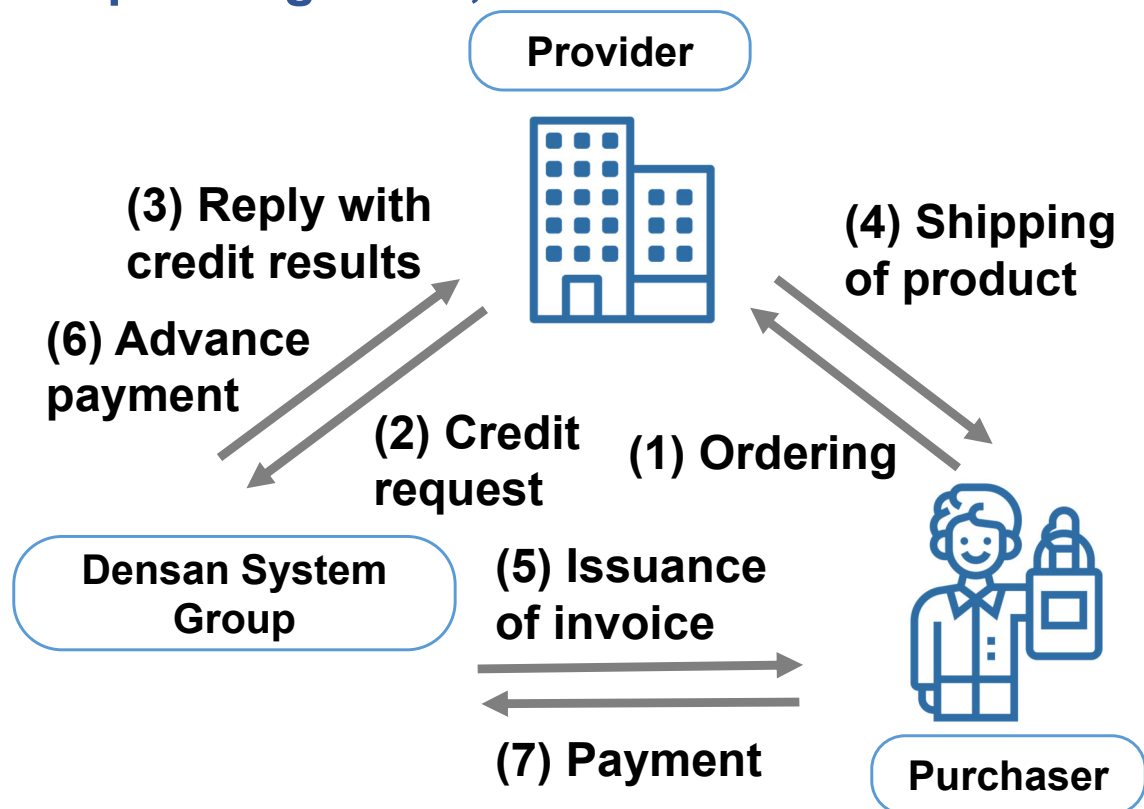
Stock price and trading volume before and after the resolution date



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



(1) Purchaser selects DSK deferred payment

(2) Credit review requested to the DSK Group

(3) DSK Group provides reply with the credit results

(4) Shipment of the product by the provider (registration of shipping form number)

(5) DSK Group sends the invoice to the purchaser

(6) Advance payment from the DSK Group

(7) Payment by the purchaser at a convenience store

✓ 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

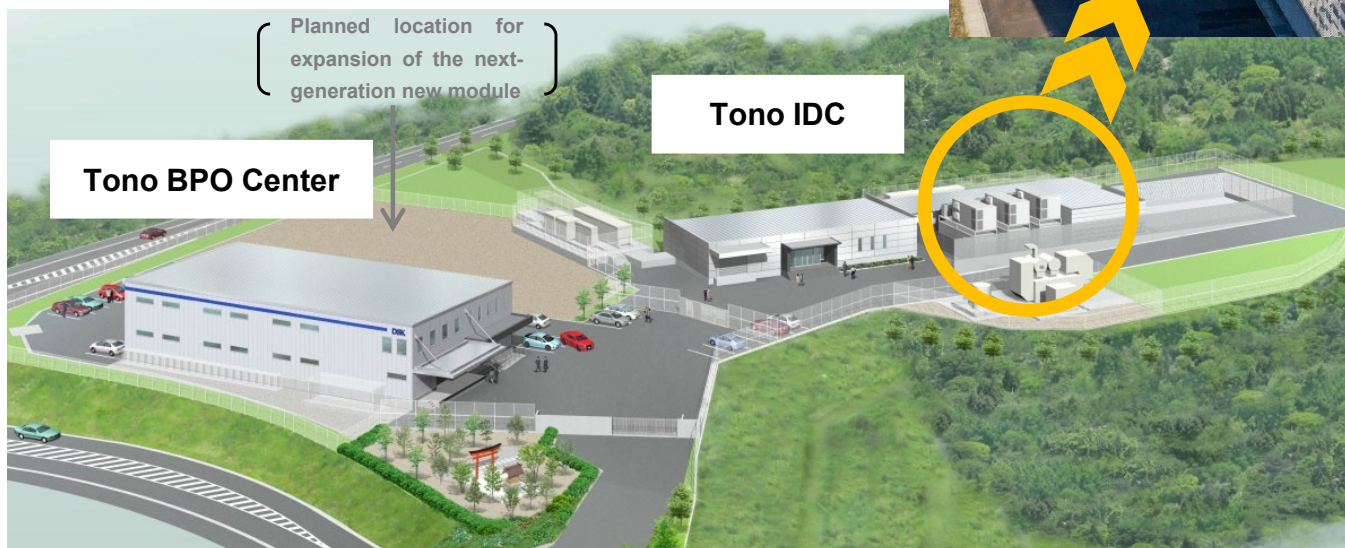
Tono IDC expansion

3 modules
to date

Tono IDC

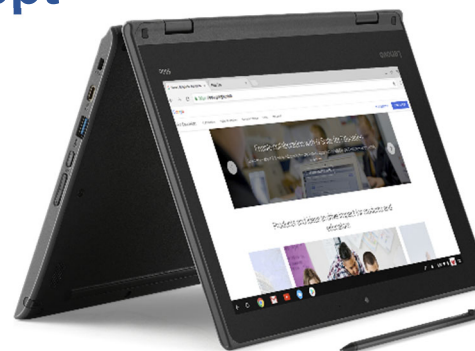
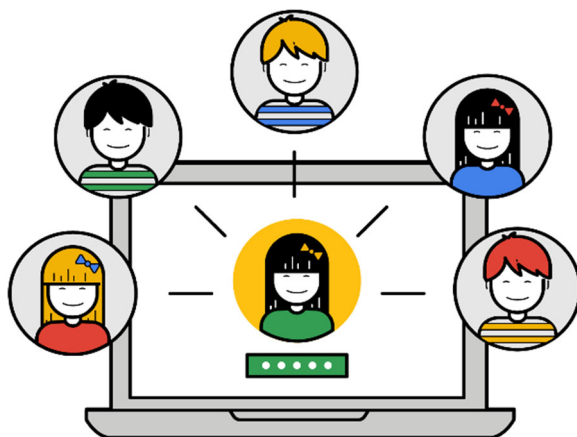
New module
added to
the building

DSK Tono IT Business Park



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

+

G Suite for Education made for educational institutions free of charge

Challenge 1000

Taking on the challenge to become a company **100 billion yen** with 100 billion yen in sales by 2027!

The coming of an era of great change that will radically transform business! Let's take on a bold challenge!

● Business processing business

- BPO services
- Software development, operation, and maintenance services
- Medical services

● Cloud business

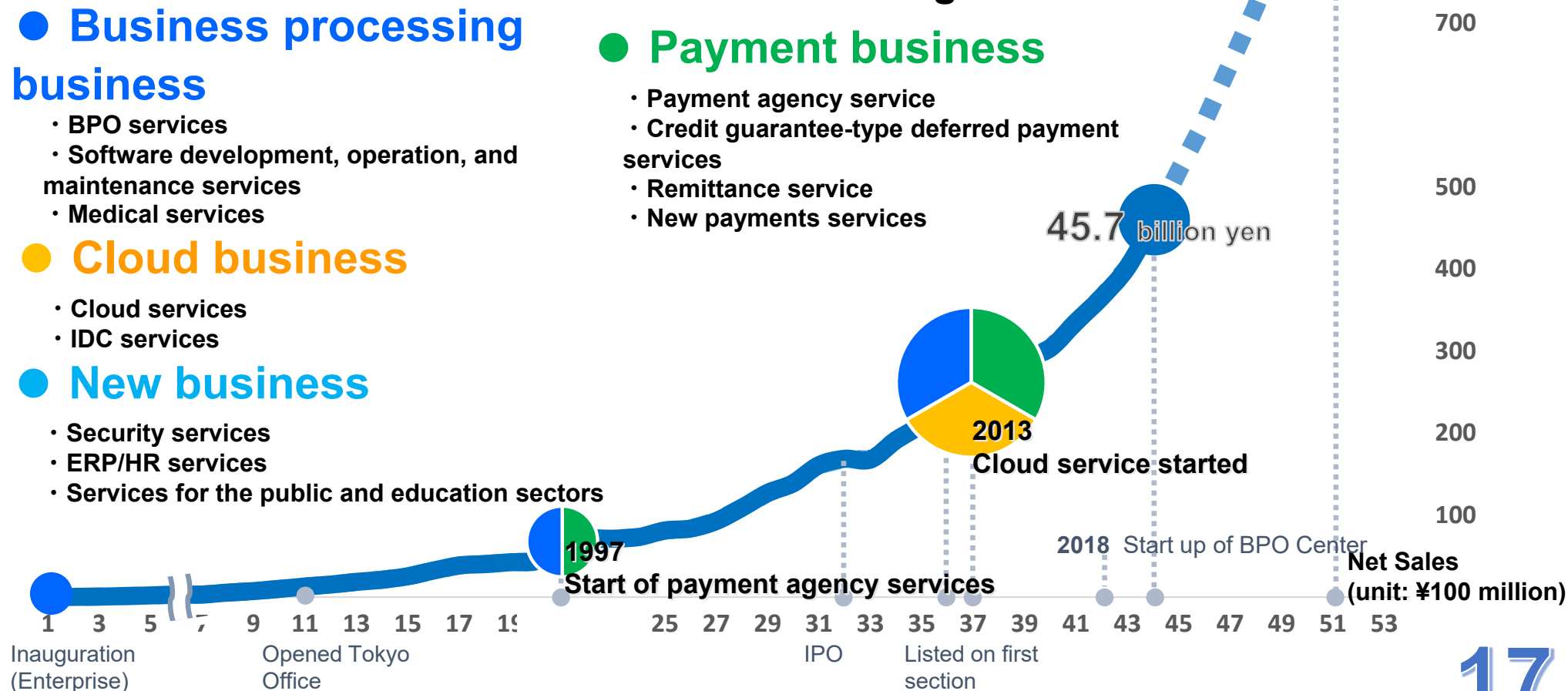
- Cloud services
- IDC services

● New business

- Security services
- ERP/HR services
- Services for the public and education sectors

● Payment business

- Payment agency service
- Credit guarantee-type deferred payment services
- Remittance service
- New payments services



Transition to a holding company structure through a sole stock transfer

✓ The Group will establish Densan System Holdings Co., Ltd. on July 1, 2021, and shift to a holding company structure.

[Objectives]

Establish a structure that will enable the Group to conduct business operations swiftly and efficiently as one in order to achieve sustainable growth and create new corporate value.

[Effects]

Maximization of Group synergies

Aggressive promotion of M&A and business alliances, etc.

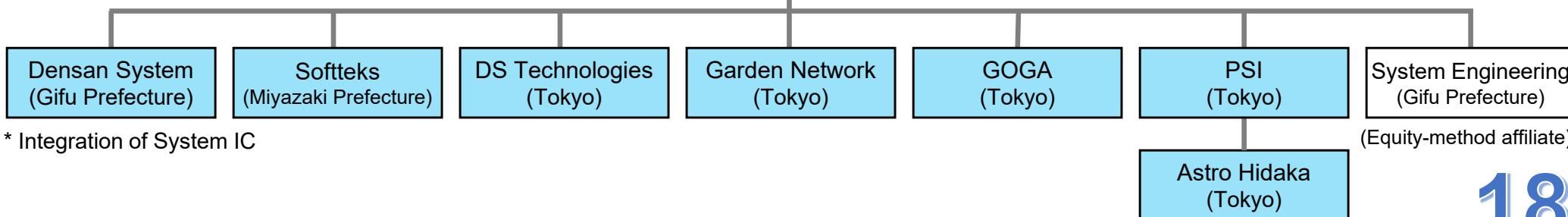
Strengthen governance in Group management

[Outline of the newly established company (holding company)]

Name of company	Densan System Holdings Co., Ltd.
Address	1-58, Hikie, Gifu-shi, Gifu
Representative	Chairman and Representative Director Masanao Miyachi President and Representative Director Yasunori Tanaka
Description of business	Business management of Group companies and related operations
Capital	2,469 million yen
Fiscal year-end	December 31
Net Assets	Undetermined
Total Assets	Undetermined

[New structure]

Densan System Holdings [Holding company]



* Integration of System IC

(Equity-method affiliate)

(Unit: Million yen)

✓ Will not be profitable in 2021 due to planned investment in software

✓ DSK deferred payment is planned to be unprofitable until 2021

	FY 12/2020 Actual	FY 12/2021 Plan	FY 12/2022 Plan	FY 12/2023 Plan	Growth rate y-o-y Average
Sales	45,752	52,000	58,000	65,000	12.4%
Information service	27,147	31,313	35,212	39,194	
Payment agency service	18,604	20,688	22,788	25,806	
Operating income	2,836	2,850	3,300	3,900	11.5%
Information service	2,074	2,119	2,346	2,635	
Payment agency service	772	774	984	1,295	
Income ratio	6.2%	5.5%	5.7%	6.0%	
Information service	7.6%	6.8%	6.7%	6.7%	
Payment agency service	4.2%	3.7%	4.3%	5.0%	

* The Company plans to establish a holding company through a share transfer as of July 1, 2021, subject to approval at the General Meeting of Shareholders and approval by the relevant authorities. The forecast of financial results has been calculated based on the current organization of the Company, and the financial forecast of the holding company will be announced at a later date.

Impact of the coronavirus

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

Become a company that can grow even in face of the coronavirus outbreak and the world after the coronavirus

In addition, integrate new graduates and mid-career hires with an awareness of their lack of training and communication

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 reduced face-to-face sales activities as much as possible, use of online seminars and conferences, and online participation in bids Depending on customer performance, we expect that the number of projects will continue to shrink, projects will be delayed, and the number of information processing cases will decrease. However, we will promote products necessary for responding to the coronavirus outbreak and society after the coronavirus including cloud-related services (Google, IDC), the security business, medical-related products, and BPO (business process outsourcing).
Information processing	Decline in the number of data items processed due to slow movement of gift-related products	
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, and non-face-to-face support is being provided	Aim to acquire more new customers by enhancing cashless services and the new DSK deferred payment service in line with the demands of providers In addition, the demand for non-face-to-face payment is expected to become stronger, and we will respond carefully to these needs with cashless settlement services, etc. We will also accumulate a track record in non-face-to-face sales activities by identifying growing industries and markets. While international remittances are likely to change significantly depending on the status of the coronavirus worldwide, we believe that the situation will remain similar to FY2020 to some extent.
Payment innovation	In international remittances, there was a temporary increase in the number of remittances for our agents that remained open during the coronavirus outbreak In domestic remittances, there are refunds for event cancellations and transfers of support funds to students	

✓ In sales, the consolidation of PSI from July contributed to the half-year increase

✓ Profit is expected to increase slightly due to the coronavirus outbreak and investment in software

	FY 12/2020	FY 12/2021 projection	Change in amount	Y-o-y
Sales	45,752	52,000	6,248	13.7%
Operating income	2,836	2,850	13	0.5%
Income ratio	6.2%	5.5%		
Ordinary income	2,916	2,920	4	0.1%
Income ratio	6.4%	5.6%		
Net income	1,915	1,945	29	1.5%
Segment income adjustment amount	-10	-44		

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✓ In SI and software development, factors including the GIGA School concept contributed to sales growth

✓ Despite the coronavirus outbreak, sales are expected to increase for information processing due to strong invoicing agency and back-office operations

	FY 12/2020	FY 12/2021 projection	Change in amount	Y-o-y
Sales	27,147	31,313	4,165	15.3%
SI and software development	19,372	23,501	4,129	21.3%
Information processing	5,719	6,149	429	7.5%
Merchandise sales	2,055	1,663	-393	-19.1%
Operating income	2,074	2,119	44	2.1%
Income ratio	7.6%	6.8%		

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FY2021 **Payment Agency Services** Projection



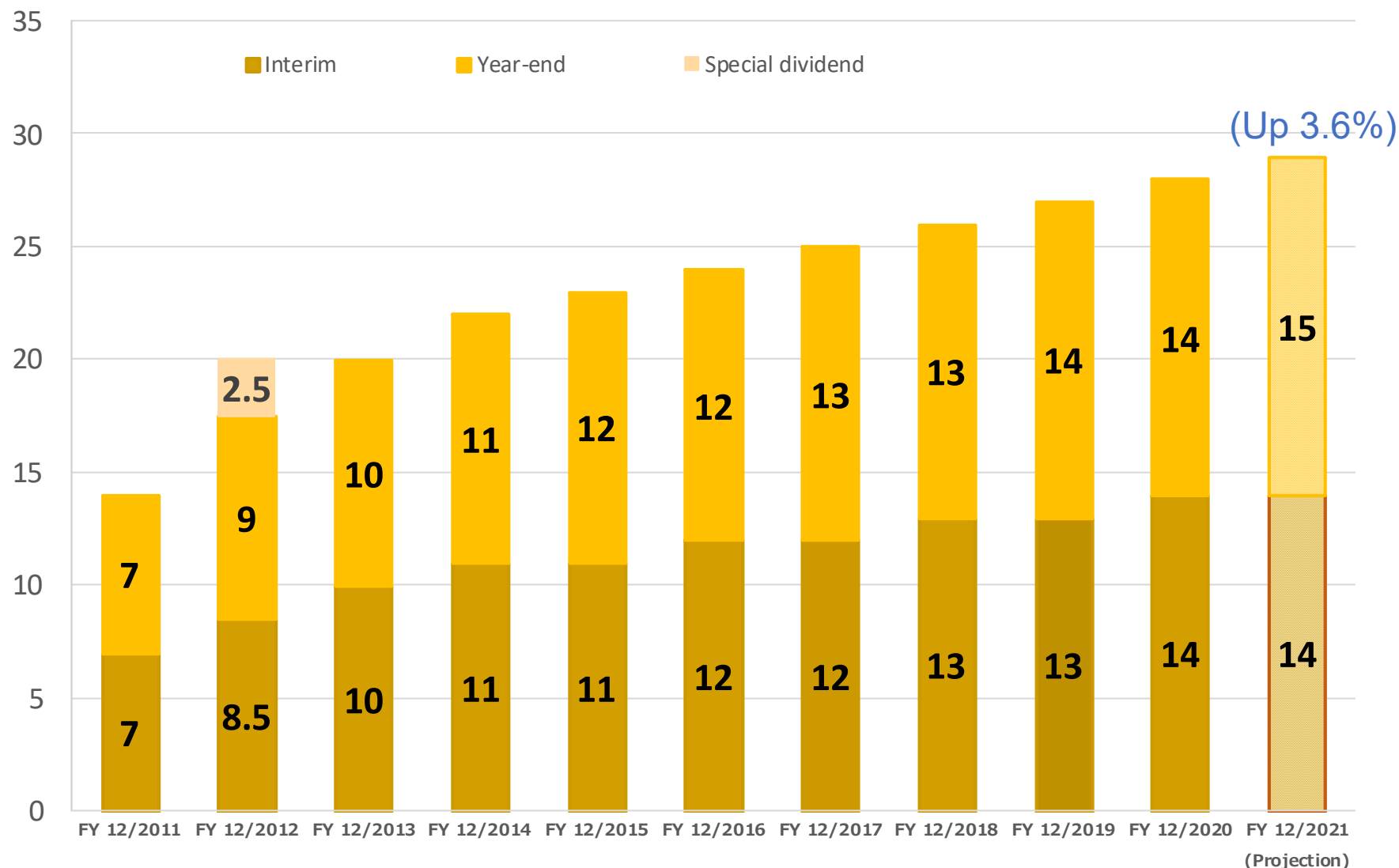
(Unit: Million yen)

- ✓ In addition to the steady acquisition of new customers and the expectation of sequential operation, the impact of nesting consumption and the shift to cashless transactions has resulted in strong growth in payment slip settlement
- ✓ Plan to achieve profitability with international remittances

	FY 12/2020	FY 12/2021 projection	Change in amount	Y-o-y
Sales	18,604	20,688	2,083	11.2%
Payment service	17,805	19,877	2,072	11.6%
Payment slip settlement service	16,090	17,992	1,901	11.8%
Paperless payment service	1,076	1,191	114	10.6%
Account transfer service	637	694	56	8.8%
Payment innovation	799	810	11	1.3%
Operating Income	772	774	1	0.2%
Income ratio	4.2%	3.7%		

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✓ Annual ordinary dividend per share: ¥29
(interim dividend of ¥14 and year-end dividend of ¥15)



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