



株式会社 電算システム
ホールディングス

Densan System Holdings

Presentation Materials for the 2Q FY2021

Results Briefing

Tokyo Stock Exchange, First Section
Nagoya Stock Exchange, First Section
Securities Code: 4072

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.



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Y-o-y change in parentheses

Net Sales ¥24,389 million (up 11.5%)	Operating Income ¥1,461 million (down 13.1%)	Net income <small>attributable to shareholders of the parent company</small> ¥928 million (down 12.8%)
Business results		

- ✓ Net sales exceeded the previous year, but income fell short
- ✓ Although net sales fell slightly short of the plan for the first half of the fiscal year, income exceeded the plan significantly
- ✓ The coronavirus outbreak had an impact, but it was minor, and results for the first half were acceptable
- ✓ Net sales are expected to have a bias toward the second half of the fiscal year

2Q FY2021 Business Results Highlights

(Unit: Million yen)

- ✓ Net sales grew by ¥2,500 million, with a growth rate of 11.5%
- ✓ Progress in net sales has been poor, but a large volume of net sales is expected in the second half due to factors such as M&A
- ✓ Although the profit margin decreased, it remained at 6%

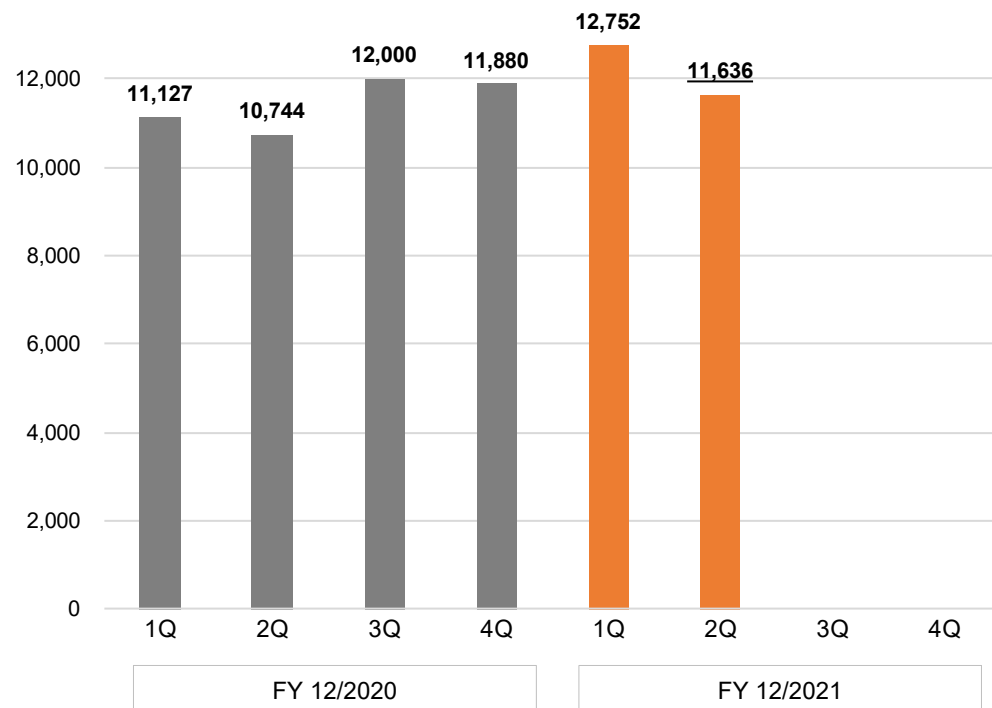
	2020 2Q cumulative total	2021 2Q cumulative total	YoY change	Full-year plan	Progress
Net Sales	21,871	24,389	11.5%	52,000	46.9%
Operating Income	1,683	1,461	-13.1%	2,850	51.3%
Income ratio	7.7%	6.0%	1.7%pt Down	5.5%	
Ordinary Income	1,765	1,543	-12.5%	2,920	52.9%
Income ratio	8.1%	6.3%	1.7%pt Down	5.6%	
Net income	1,064	928	-12.8%	1,945	47.7%

2Q FY2021 Transition in Quarterly Business Results

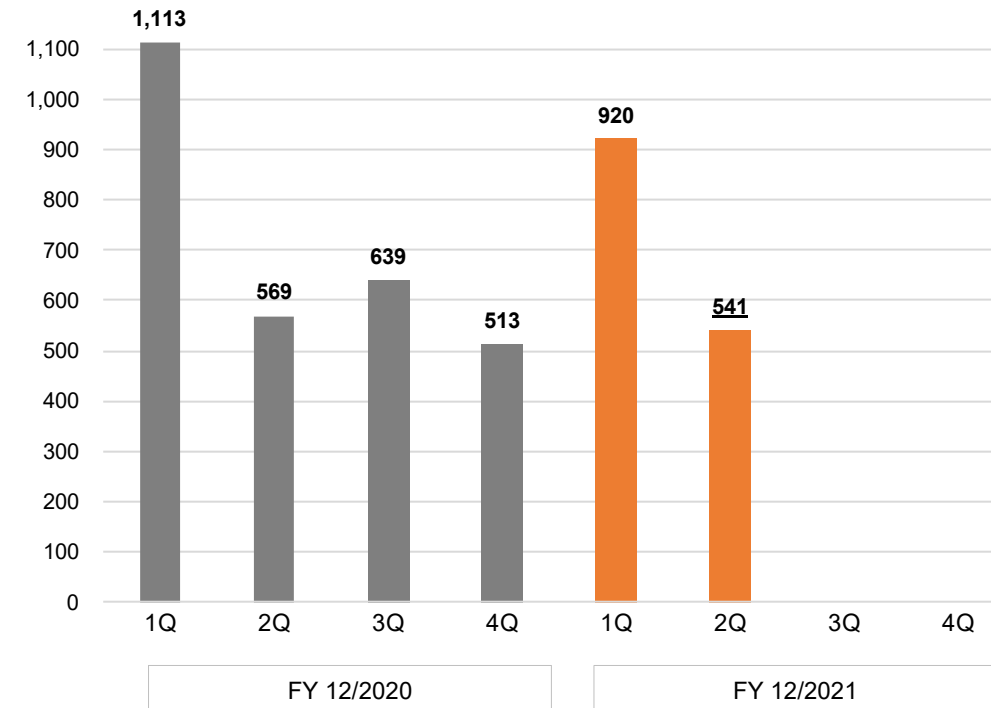
(Unit: Million yen)

- ✓ Operating income fell below the previous year's level in 1Q and 2Q, but exceeded the plan
- ✓ The expenses required for implementation of the holding company were generally absorbed by 2Q

Net Sales



Operating Income

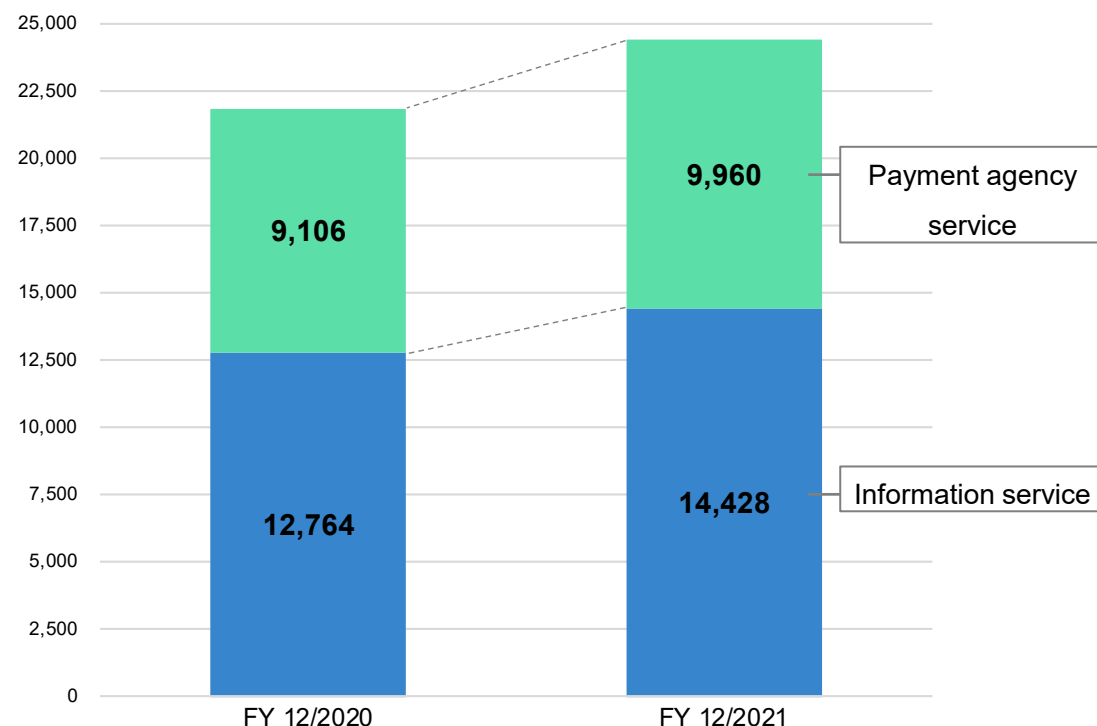


2Q FY2021 By Segment

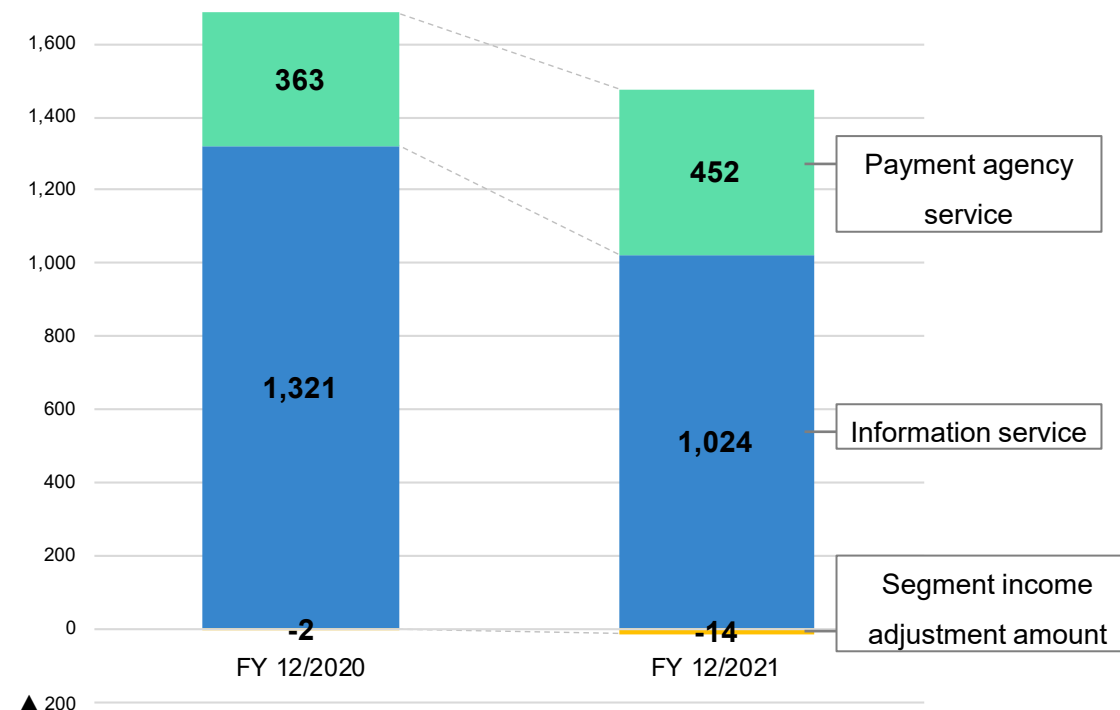
(Unit: Million yen)

- ✓ Net sales grew year on year in each segment, but growth was particularly strong in Information Services
- ✓ Operating income grew year on year in Payment Agency Services with strong stock business, but decreased in Information Services with much flow business

Net Sales



Operating Income



(Unit: Million yen)

- ✓ Although auto auctions decreased sales in SI and software development, Chromebook sales increased due to the impact of the GIGA School concept. Furthermore, sales for PSI, which became a Group company through M&A, were recorded in 1Q and 2Q this fiscal year because it fell under the scope of consolidation from 3Q last year
- ✓ Information processing stopped decreasing but it was not unaffected by the coronavirus outbreak
- ✓ The decrease in operating income is due to a decline in auto auction income, and although Chromebook income increased, the difference in profit margin is a significant factor

	2020	2021	YoY		Full-year plan	Progress
	2Q cumulative total	2Q cumulative total	Amount	Ratio		
Net Sales	12,764	14,428	1,664	13.0%	31,313	46.1%
SI and software development	9,041	10,834	1,792	19.8%	23,501	46.1%
Information processing	2,634	2,724	90	3.4%	6,149	44.3%
Merchandise sales	1,088	869	-218	-20.1%	1,663	52.3%
Operating Income	1,321	1,024	-297	-22.5%	2,119	48.3%
Operating income ratio	10.4%	7.1%	3.3%pt Down		6.8%	

(Unit: Million yen)

Google business

- ✓ **Sluggish growth of new business is concentrated on the acquisition of three-year contracts (the limit of three-year contracts is until September 2021)**
- ✓ **Chromebook sales increased due to the impact of the GIGA School concept**
- ✓ **Digital signage is back to normal after the end of special demand for the Olympics**

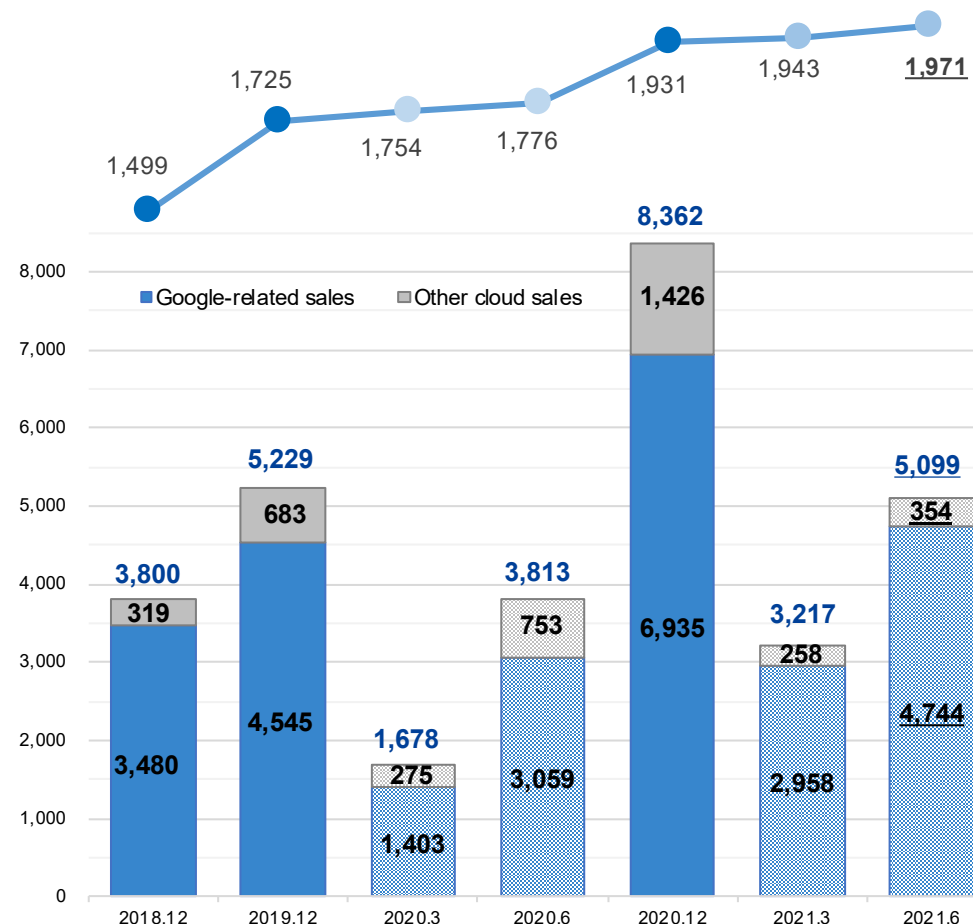
Number of Google (Google Workspace

(formerly G Suite)) adopter companies : 1,971 projects

Sales of cloud related services : Up 33.7%

*Does not include GOGA packages or MAP

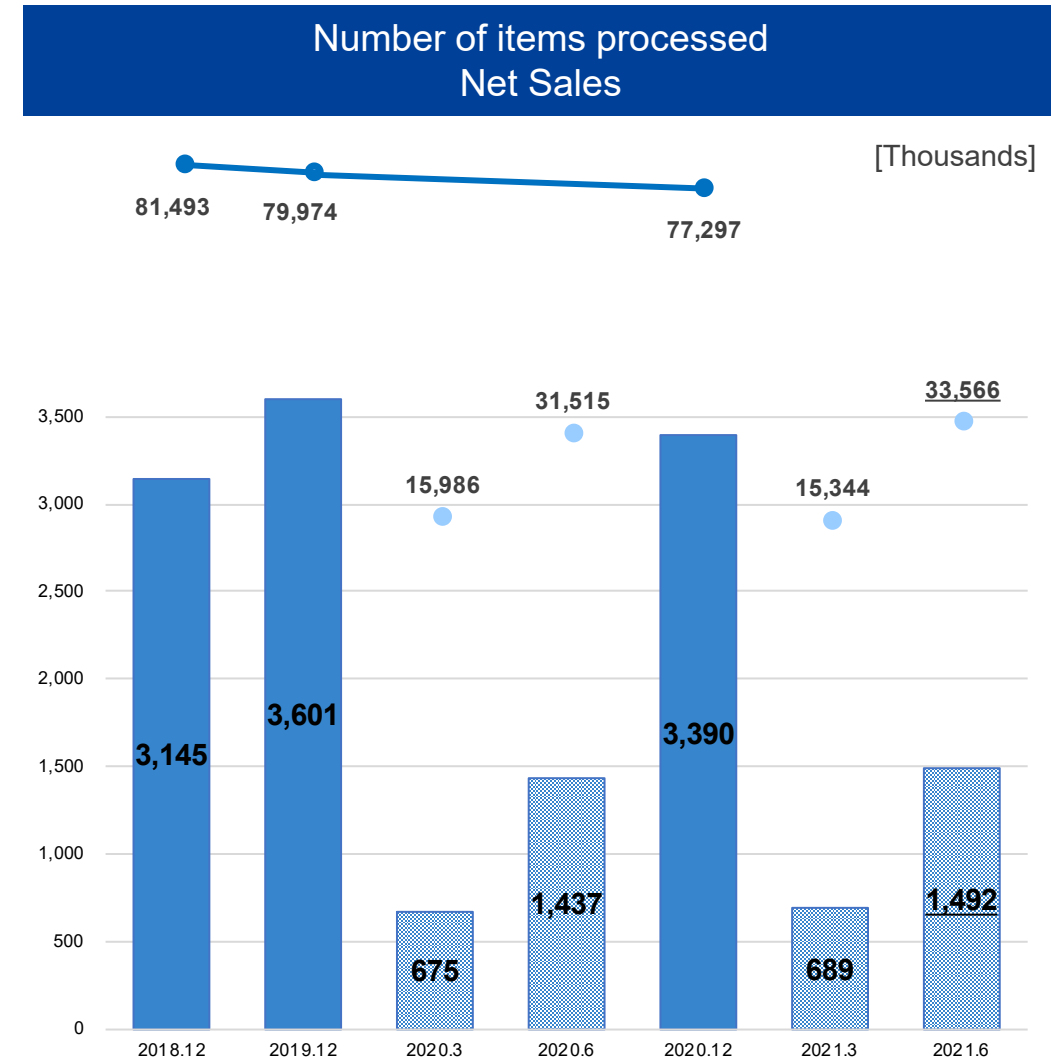
Number of Google (Google Workspace) implementations
Cloud-related sales



(Unit: Million yen)

BPO business

- ✓ The impact of the coronavirus outbreak has been prolonged, and due to the large proportion of gift processing sales from customers reliant on stores for contact with end users, the impact may appear in the form of decreased sales in the same way as in the previous fiscal year
- ✓ Invoice preparation services performed well



2Q FY2021 **Payment Agency Services** Summary

(Unit: Million yen)

- ✓ **The impact of stay-at-home consumption continues, and payment slip settlement service is growing**
- ✓ **The strong performance of 1Q last year when the impact of the coronavirus outbreak was still small had an impact on paperless payment**
- ✓ **Counter payment collection services are bouncing back from the coronavirus outbreak when sales activities could not be carried out**

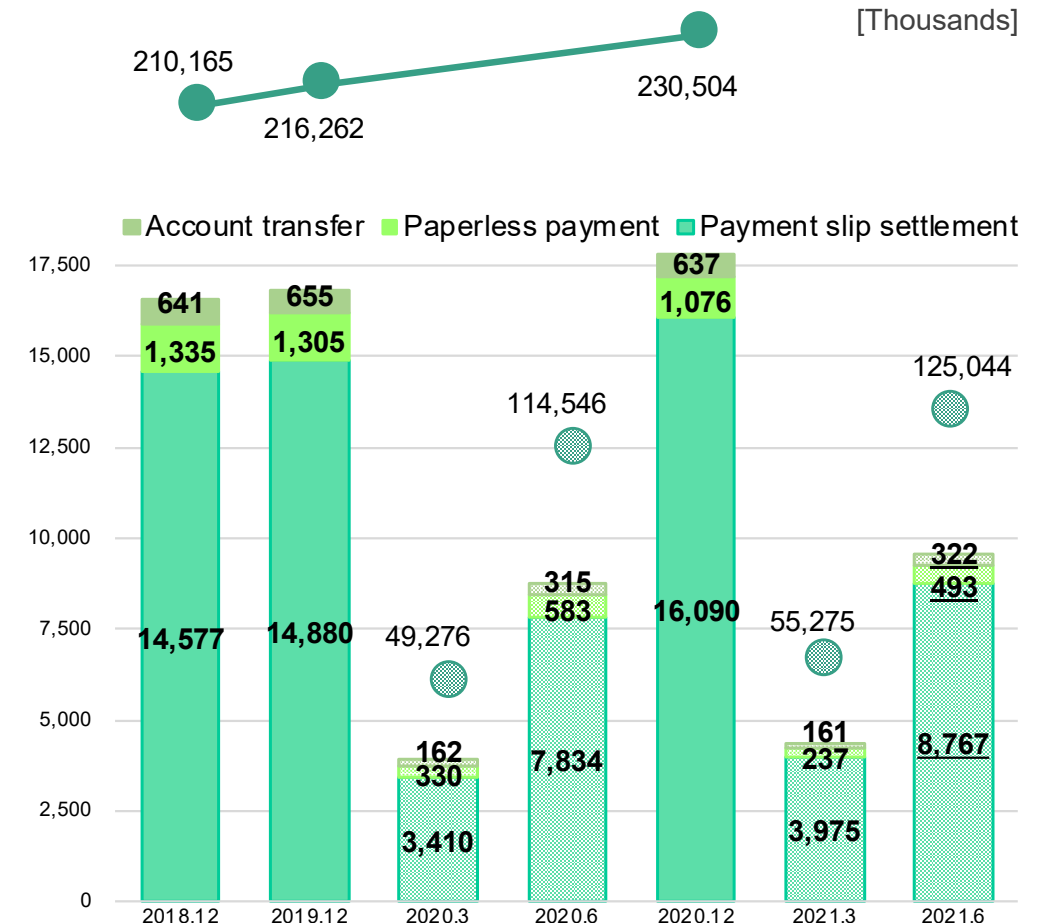
	2020	2021	YoY		Full-year plan	Progress
	2Q cumulative total	2Q cumulative total	Amount	Ratio		
Net Sales	9,106	9,960	853	9.4%	20,687	48.1%
Payment service	8,734	9,583	848	9.7%	19,877	48.2%
Payment slip settlement service	7,834	8,767	933	11.9%	17,992	48.7%
Paperless payment service	583	493	-90	-15.6%	1,191	41.4%
Account transfer service	315	322	6	2.0%	694	46.4%
Payment innovation	372	381	8	2.4%	810	47.1%
Remittance service	207	205	-1	-0.8%	—	—
Counter payment collection services	165	175	10	6.4%	—	—
Operating Income	363	452	88	24.3%	774	58.4%
Operating income ratio	4.0%	4.5%	0.54%pt Up		3.7%	—

(Unit: Million yen)

Payment service business

- ✓ The number of items processed, which is the basis for sales, increased steadily by over 10 million year on year to 125,044 thousand
- ✓ Stay-at-home consumption progressed due to the impact of the coronavirus outbreak, but it is expected that such consumer behavior will continue to a degree even after the coronavirus outbreak subsides due to being accustomed to the convenience
- ✓ While the number of cashless payments is still low, it is steadily increasing
- ✓ Although DSK deferred payment is behind schedule, the number of payments processed is increasing

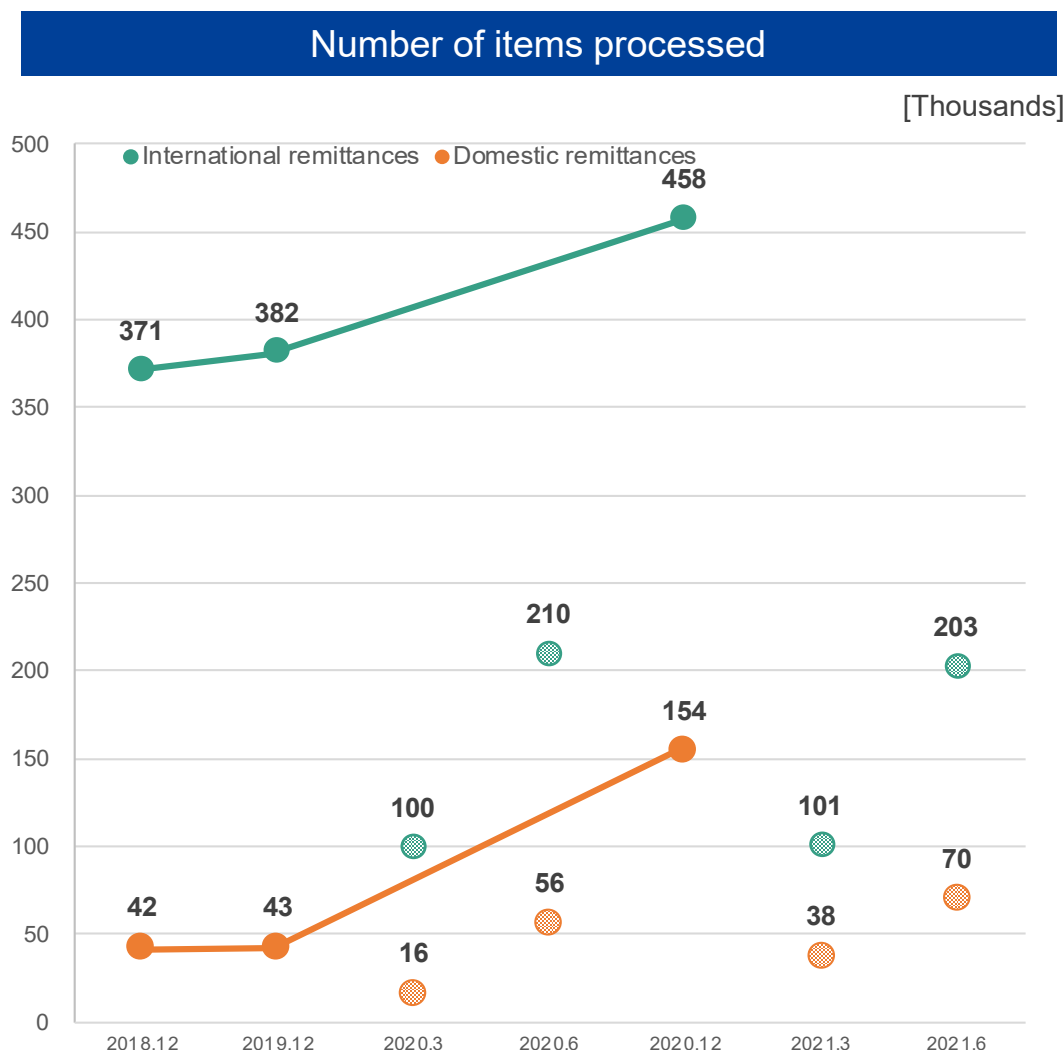
Number of items processed Net Sales



(Unit: Million yen)

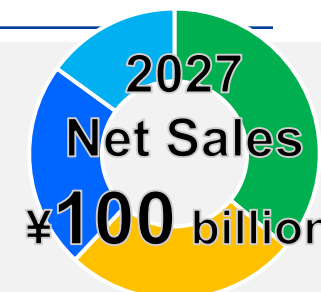
Payment innovation business

- ✓ **Counter payment service - 3,913 adopter stores**
- ✓ **International remittances - 132 WillCall adopter stores**
- ✓ **In counter payment service, the food supermarkets that are our customers are performing well, but they are unable to spend on face-to-face counters**
- ✓ **Profitability with international remittances continues**
- ✓ **In domestic remittances, processing of refunds for canceled events has settled down**
- ✓ **The number of WillCall adopter stores is increasing steadily**



Challenge1000

Taking on the challenge to become a company with ¥100 billion 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

● Payment business

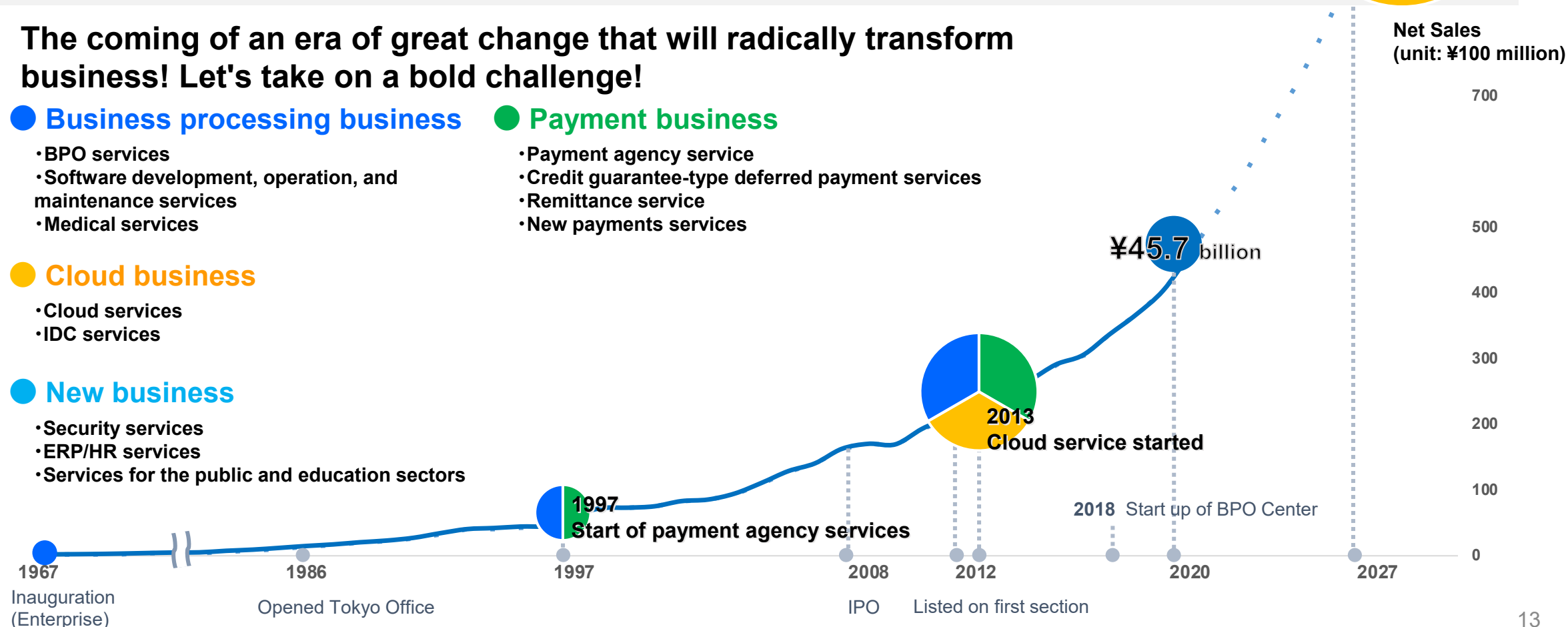
- Payment agency service
- Credit guarantee-type deferred payment services
- Remittance service
- New payments services

● Cloud business

- Cloud services
- IDC services

● New business

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



Medium-Term Management Plan
(3-year Plan from Dec. 2021 to Dec. 2023)

(Unit: Million yen)

✓ **Will not be an immediate increase in profit due to the large amount of planned investment in software in 2021**

✓ **DSK deferred payment is planned to be unprofitable until 2021**

	2020 Actual	2021 Plan	2022 Plan	2023 Plan	Growth rate y-o-y Average
Net 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%	

FY2021 Business Results Projections

(Unit: Million yen)

- ✓ In sales, the consolidation of PSI from July is expected to contribute to the half-year increase
- ✓ Profit is expected to increase slightly due to the coronavirus outbreak and investment in software
- ✓ The net sales of ¥52 billion planned for this fiscal year will not be reached even if net sales for the first half are doubled. However, sales are forecast to be biased toward the second half, and with the addition of Micro Research through M&A this fiscal year, the sales target for the second half can be reached.

	2020	2021 Projection	Change in amount	Y-o-y
Net 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		

(Unit: Million yen)

- ✓ In SI and software development, factors including the GIGA School concept are expected to contribute to sales growth
- ✓ Information processing is expected to increase due to the strong performance of invoice preparation services, and there is also a trend of actively using outsourcing for back office operations of information processing. Business could expand if this leads to orders being received.
- ✓ Sales from Micro Research, which was added through M&A, will be included from 3Q

	2020	2021 Projection	Change in amount	Y-o-y
Net 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%		

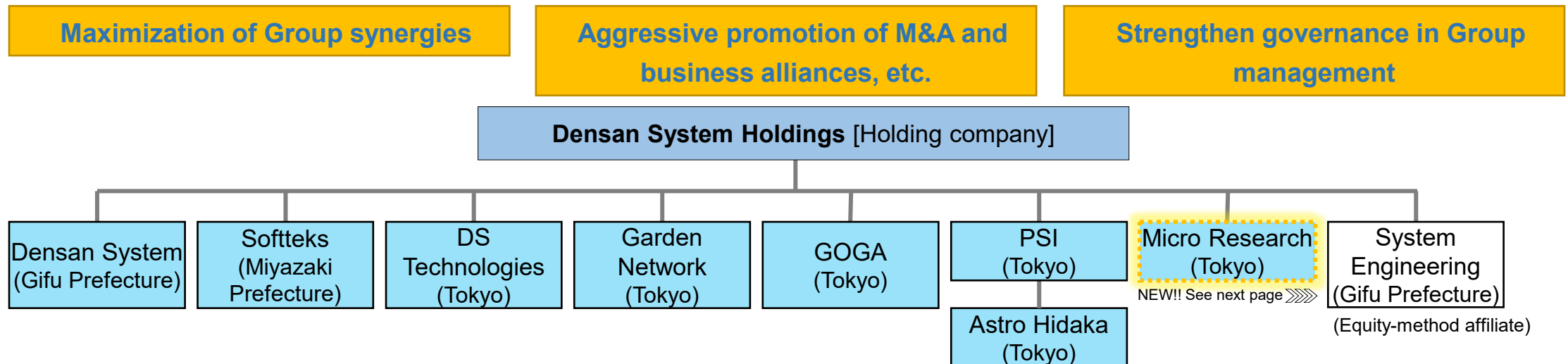
(Unit: Million yen)

- ✓ In addition to the steady acquisition of new customers and the expectation of sequential operation, the impact of stay-at-home consumption and the shift to cashless transactions is expected to result in strong growth in payment slip settlement
- ✓ Plan to achieve profitability with international remittances

	2020	2021 Projection	Change in amount	Y-o-y
Net 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%		

Establishment of Densan System Holdings

- ✓ Transition to a holding company structure through a sole stock transfer on July 1, 2021
- ✓ Challenge1000: Taking on the challenge to become a company with ¥100 billion in sales by 2027! (Established a new 7-year plan to replace PLAN 2020, and aiming toward its realization)
- ✓ Leveraging the uniqueness of Group companies
- ✓ Implementing strategic M&A



Strengthening expansion of network security and IoT business (M&A)

✓ **July 30, 2021: Acquired 100% of the shares of Micro Research Ltd., a network security business company, and added it to the Densan System Holdings Group**

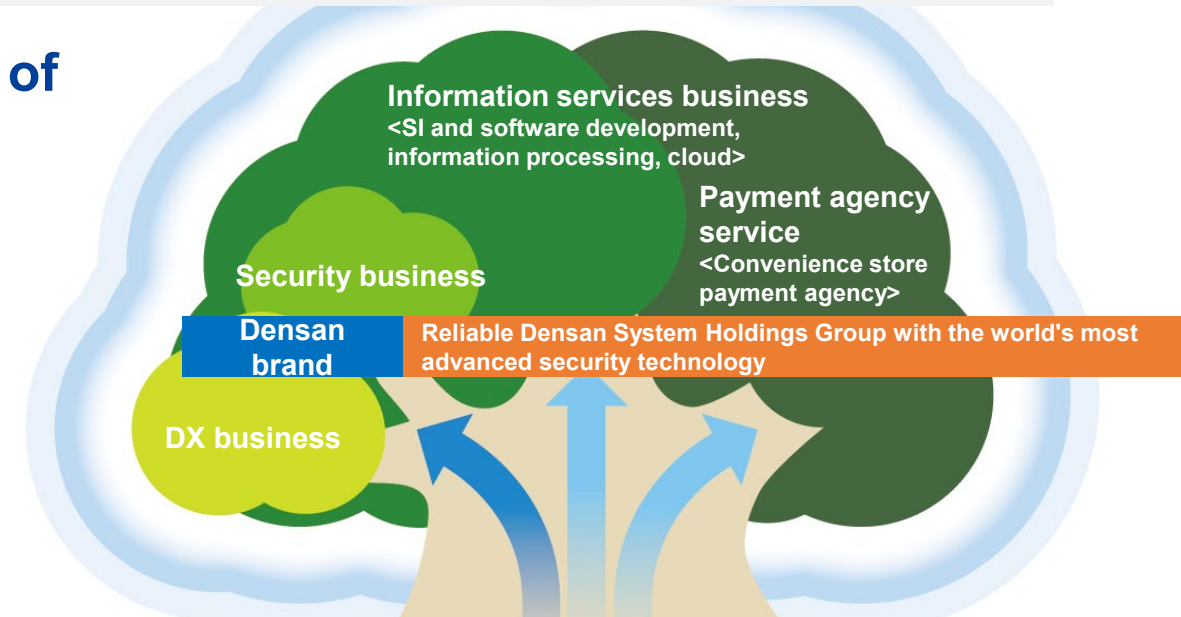
Company Overview of Micro Research Ltd.



Established: April 2008

Head office location: Shinagawa-ku, Tokyo

Main businesses: Planning, proposal, design, development, manufacture and sale of network equipment hardware and software, and analog/digital communications equipment, sale of security equipment, etc.



We aim for an optimal combination between PSI, which has strengths in the import and sales of the world's most advanced security products, and Micro Research, which has a strong track record and a good reputation in network technology.
The best next step: Make Micro Research part of the Group

- A company with great strength in network (security) technology
- A company with a strong track record and customer assets in network (security) technology
- A company with a unique brand in network (security) technology
- A company with strength in network (security) technology and particularly IoT (5G)



The Densan System Holdings Group has developed the following over 54 years:
A strong track record of trust
A track record of trust that has been built by sincerely dealing with customers
A track record of trust in operation of infrastructure handling payment funds

Dividends

- ✓ **Commemorative dividend for the transition to a holding company structure: ¥5**
- ✓ **Annual ordinary dividend per share: ¥29 (interim dividend of ¥14 and year-end dividend of ¥15) and Commemorative dividend of ¥5 for a total of ¥34 per share**

Commemorative dividend for the transition to a holding company structure

