



Densan System Holdings Co., Ltd.

Densan System Holdings

Presentation Materials for the 1Q FY2022

Results Briefing

Tokyo Stock Exchange Prime
Nagoya Stock Exchange Premier
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

¥11,822 million
(7.3% Down)

Operating income

¥613 million
(33.3% Down)

Net income attributable to
shareholders of the parent company

¥562 million
(2.5% Down)

Business results

- ✓ Results for 1Q were lower than last year in terms of both sales and income
- ✓ The new revenue standard also exerted a negative effect on results
- ✓ Ongoing software development is progressing well
- ✓ Business results remain unchanged for the full year

(Unit: Million yen)

- ✓ **Although erroneous calculations failed to predict that the new revenue standard would cause PSI to show a loss, the company's main focus is security, and orders are growing**
- ✓ **Sales and income declined due to a slump in digital textbook development**
- ✓ **Sales and income were higher YoY for software development**
- ✓ **Operating income ratio decreased but is expected to recover over the full year**

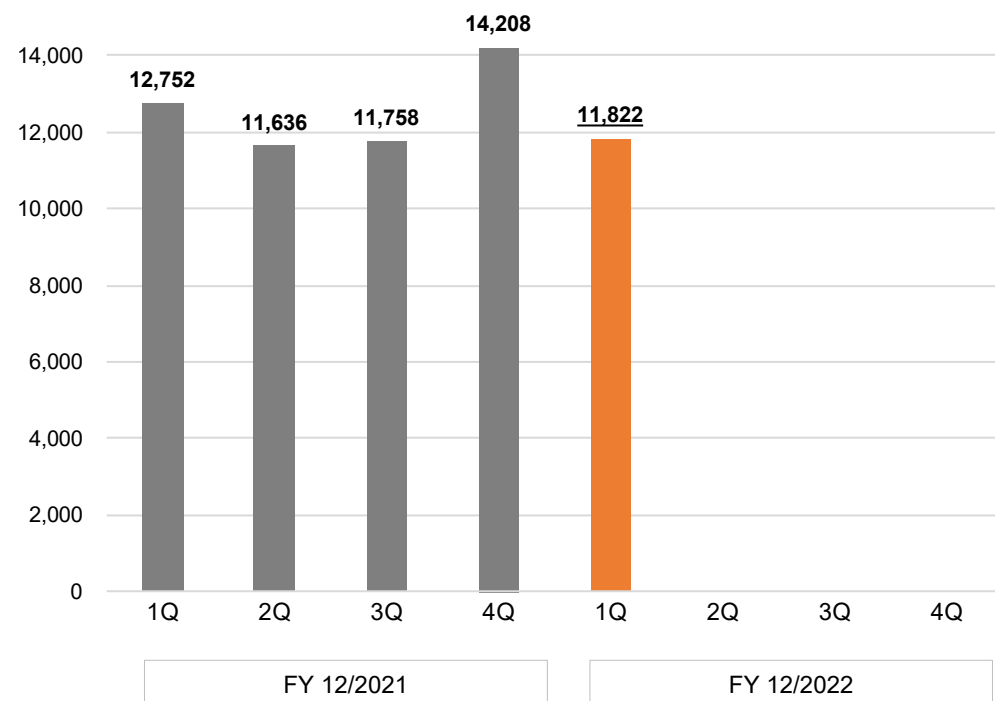
	FY 12/2021 1Q	FY 12/2022 1Q	YoY change	Full-year plan	Progress
Net sales	12,752	11,822	-7.3%	55,500	21.3%
Operating income	920	613	-33.3%	3,270	18.8%
Income ratio	7.2%	5.2%	-	5.9%	
Ordinary income	992	820	-17.3%	3,290	24.9%
Income ratio	7.8%	6.9%	-	5.9%	
Net income	576	562	-2.5%	2,247	25.0%

1Q FY2022 Transition in Quarterly Business Results

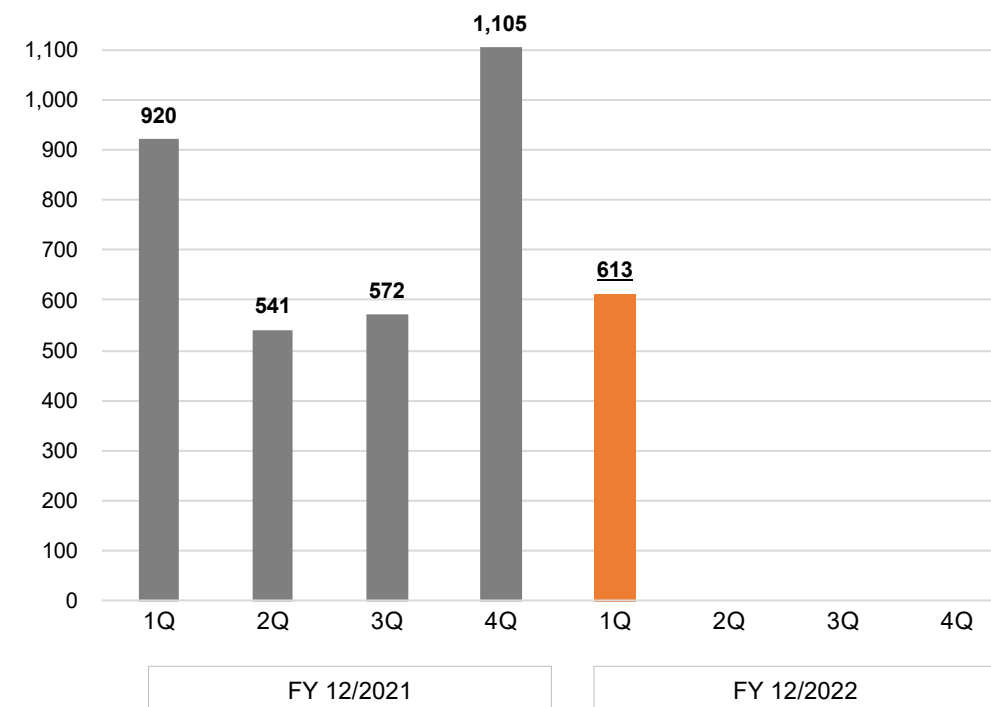
(Unit: Million yen)

- ✓ **Chromebook sales decreased significantly due to the end of the GIGA School concept**
- ✓ **PSI sales dropped due to the new revenue standard, for the most part offsetting sales from Micro Research, which has been consolidated since 3Q last year**
- ✓ **Due to the impact of the new revenue standard, Chromebooks, and electronic textbooks, income did not grow**

Net sales



Operating income

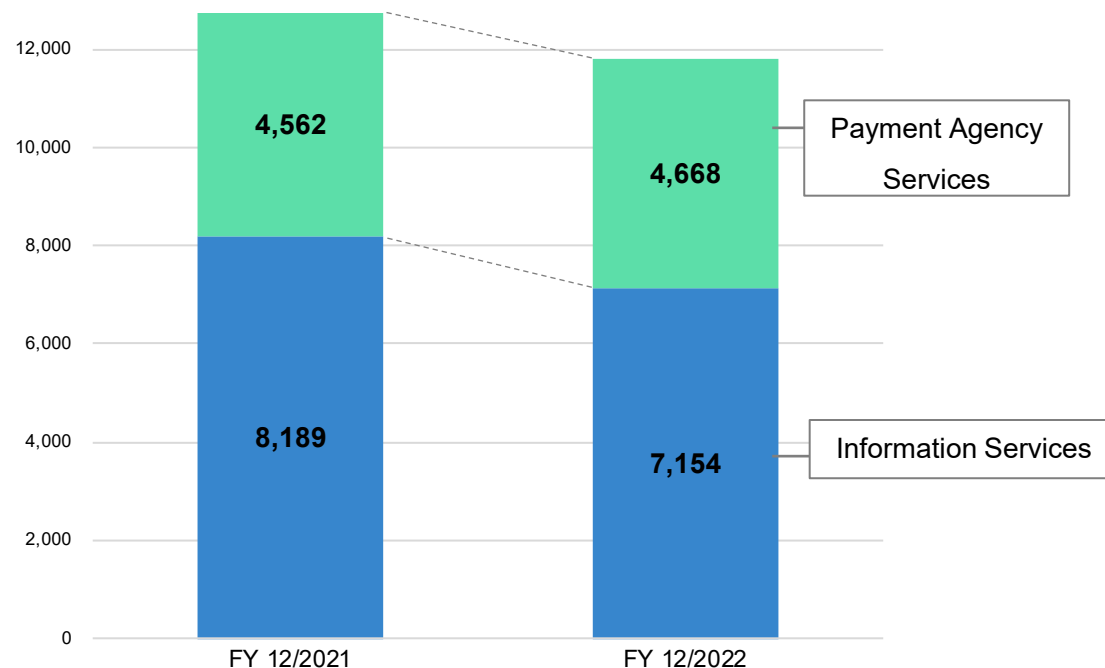


1Q FY2022 By Segment

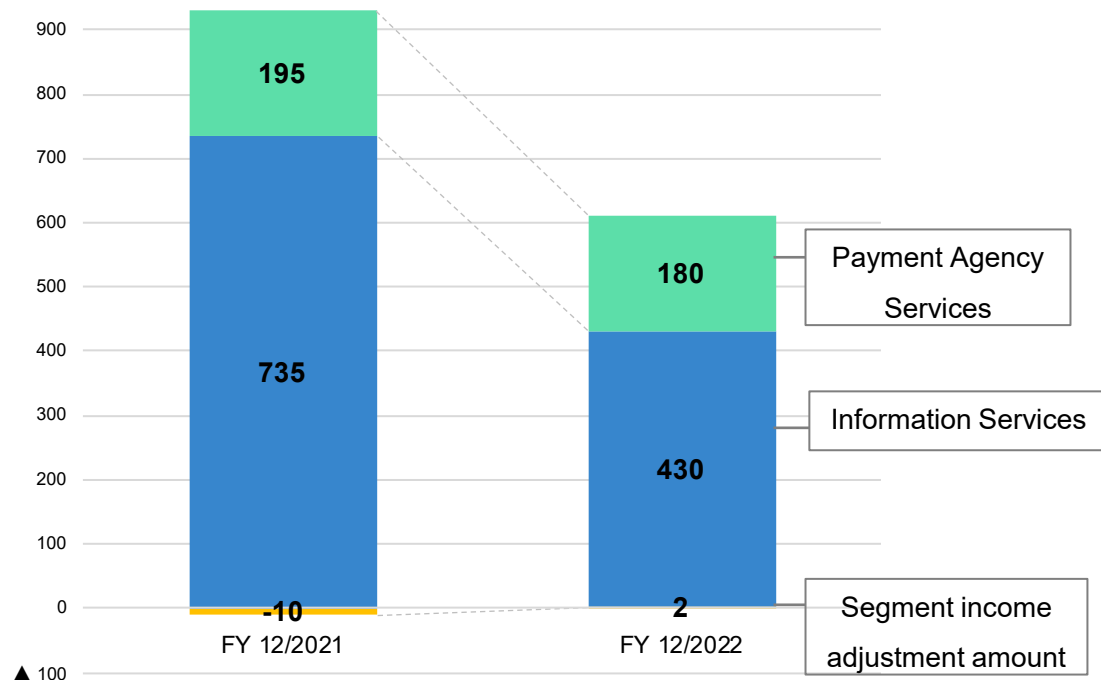
(Unit: Million yen)

- ✓ **Payment agency services did not drop, due to the strengths of stock business**
- ✓ **Both sales and income for information services dropped sharply due to the mix of stock and flow businesses**

Net sales



Operating income



1Q FY2022 Information Services Summary

(Unit: Million yen)

- ✓ **For SI and software development, 1Q last year represented the final stage of the GIGA School concept, with sales of Chromebooks at approximately ¥1,300 million causing a reactionary decline**
- ✓ **Although information processing has been affected by the COVID-19 pandemic, it is finally recovering**
- ✓ **Sales of merchandise and finished goods include sales from Micro Research Ltd.**
- ✓ **Other revenues include financial and lease transactions, with server leasing being applicable**

	FY 12/2021 1Q	FY 12/2022 1Q	YoY change		Full-year plan	Progress
			Amount	Ratio		
Net sales	8,189	7,154	-1,035	-12.6%	34,110	21.0%
SI and software development	6,378	5,164	-1,214	-19.0%	25,470	20.3%
Information processing	1,317	1,315	-1	-0.1%	6,072	21.7%
Sales of merchandise and finished goods	493	671	177	36.0%	2,568	26.2%
Other revenue	0	2	2	-	0	-
Operating income	735	430	-305	-41.5%	2,312	18.6%
Operating income ratio	9.0%	6.0%	3.0%pt Down		6.8%	

(Unit: Million yen)

Google business

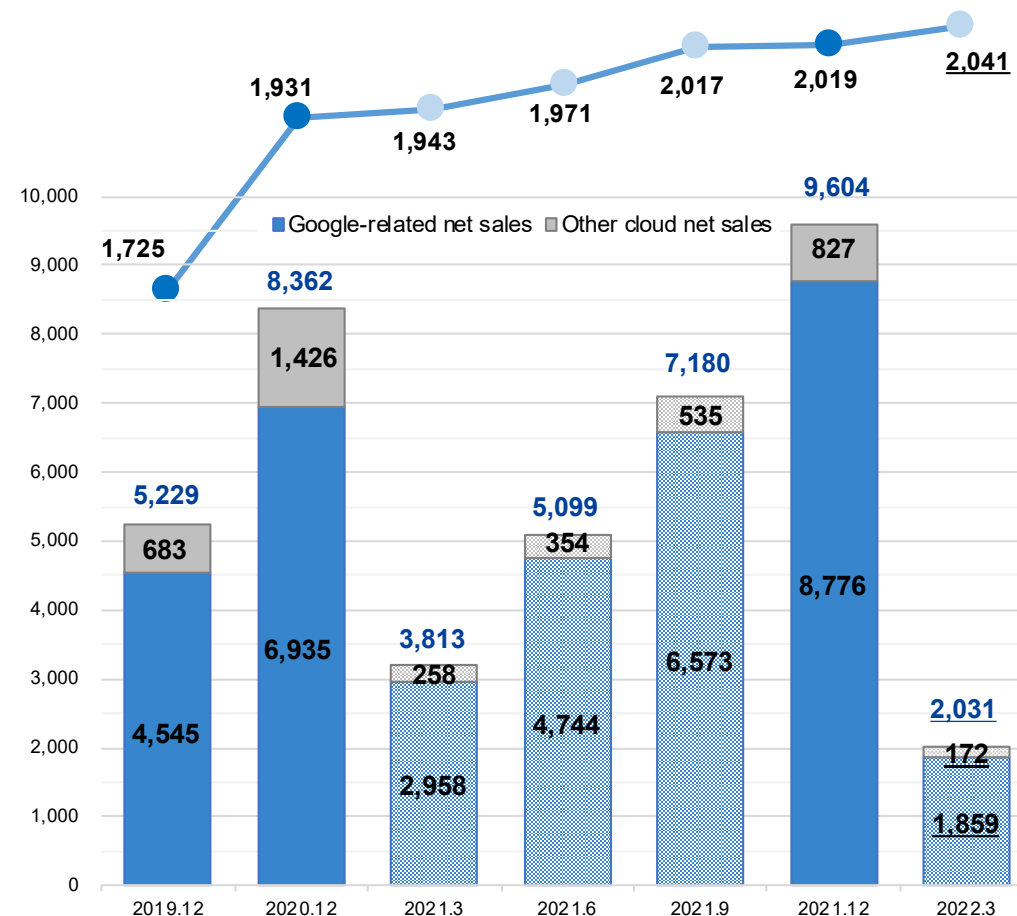
- ✓ Chromebook sales to academic market decreased significantly due to the end of the GIGA School concept
- ✓ Although Chromebook sales were down, gross margin was up (returning to normal)
- ✓ There has been no significant impact in 1Q, but depreciation of the yen will have an impact if it continues

Number of Google (Google Workspace) adopter companies : 2,041 companies

Sales of cloud related services : 36.9% down

*Does not include GOGA packages or MAP.

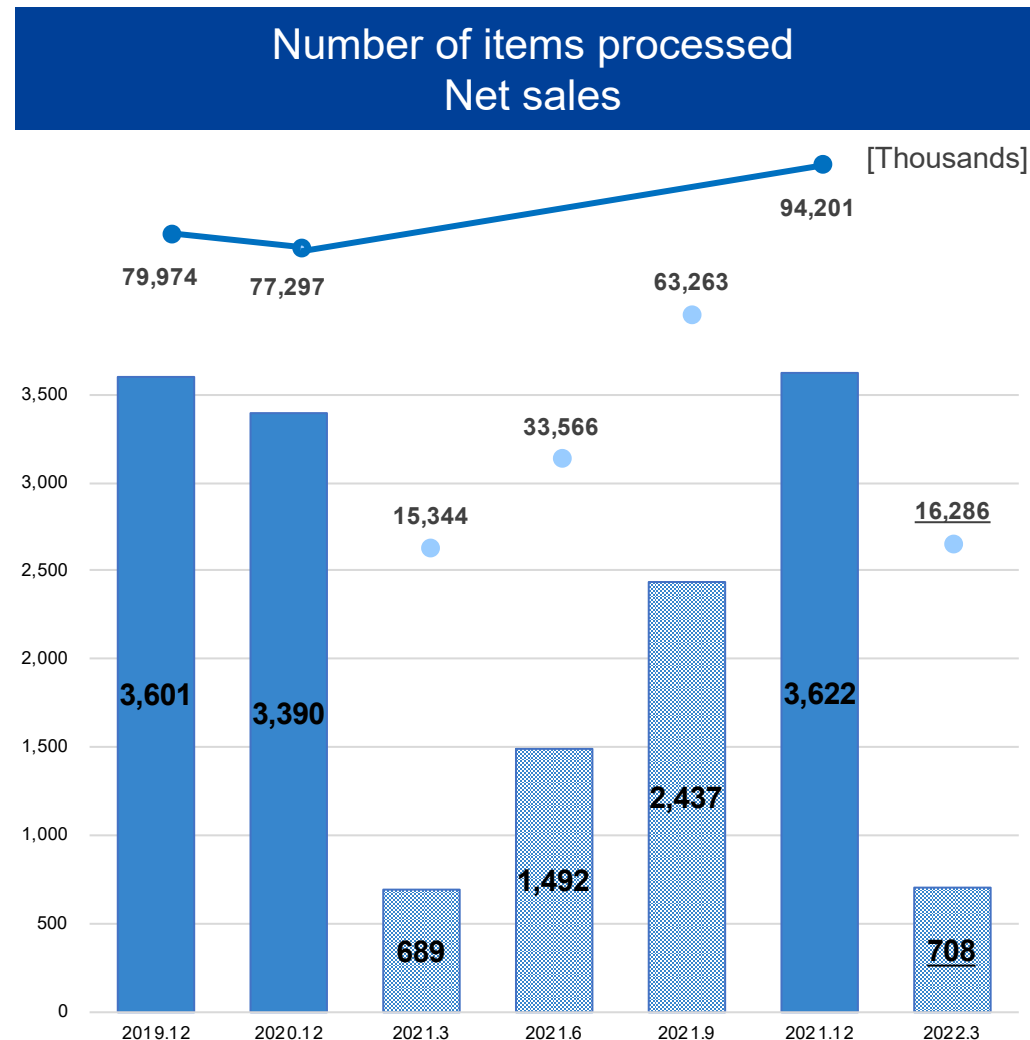
Number of Google (Google Workspace) implementations Cloud-related net sales



(Unit: Million yen)

BPO business

- ✓ Although the COVID-19 pandemic has had some effect, both the number cases and the amount of them were in excess of last year
- ✓ Invoice preparation services performed well
- ✓ Although gift processing plays a principal role, invoice preparation services are catching up (with over 50% of the total cases in 1Q this year)
- ✓ Focus on multi-invoice



✓ **Created subsegments to match financial statements**

New subsegments	Subsegments for past financial statements	Details
Payment and collection agency service	Payment slip settlement service Account transfer service	Payment slip services and bank account transfer services that allow payment at major convenience stores, etc. Convenience store payment agency services (not including DSK deferred payment service) Japan Post Bank transfer payment service Cashless payment services (PayPay, LINEPay, Bank Pay...) Mobarai ☆ DSK (Mobile payment service) Account transfer service
Online payment service	Paperless payment service	Credit payment service Paperless payment service Convenient payment at a range of venues without using payment slips or requiring postage Business operators simply need to send a payment information e-mail to the customer
Remittance service	Remittance service	Domestic remittance (Type 2 fund transfer business) Accurate handling of complex operations such as refunds and remittances to customers in Japan Convenient for providing refunds associated with the cancellation of events, etc. International remittances Linked with the Western Union international remittance service Remittances possible to 500,000 locations in more than 200 countries around the world FamilyMart's Famiport (advance registration style) WillCall stores (no advance registration required)
Payment agency peripheral services	Counter payment collection services	A service enabling payment in not only convenience stores and financial institutions, but also stores other than convenience stores such as supermarkets and drug stores as a payment location for "payment slips."
Other revenue	Payment slip settlement service	DSK deferred payment service

1Q FY2022 **Payment Agency Services** Summary

(Unit: Million yen)

- ✓ **Growth in sales for payment and collection agency services was poor year-on-year (2.1%), but is expected to recover with the commencement of operations by a major payment processor in the second half of the year**
- ✓ **Online payment services experienced positive growth after a decline in sales last year**
- ✓ **DSK deferred payment services are handled as other revenue**

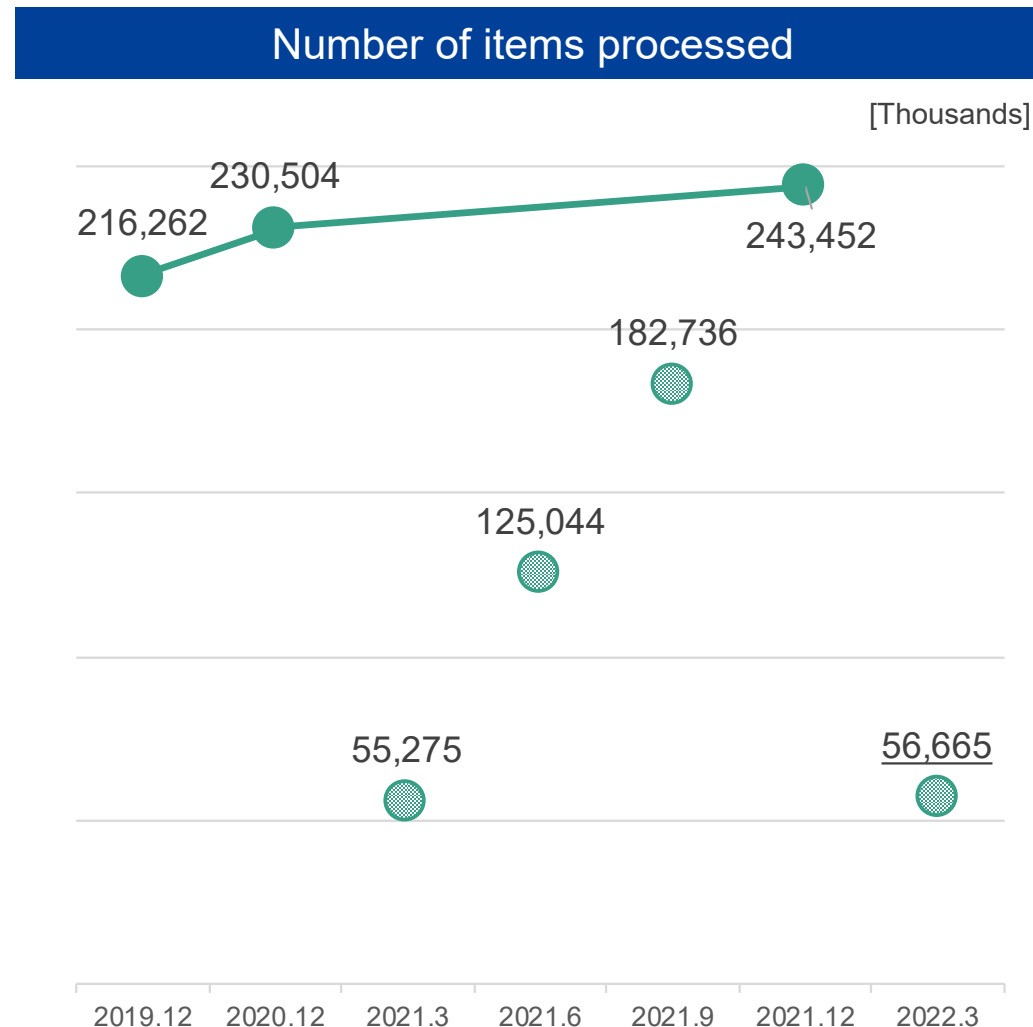
	FY 12/2021 1Q	FY 12/2022 1Q	YoY change		Full-year plan	Progress	FY 12/2021 Results for full year	Full year Change in amount	Full year Y-o-y
			Amount	Ratio					
Net sales	4,562	4,668	106	2.3%	21,390	21.8%	19,670	1,719	8.7%
Payment and collection agency service	4,126	4,215	88	2.1%	19,068	22.1%	17,844	1,223	6.9%
Online payment service	237	243	6	2.5%	963	25.3%	963	0	0.0%
Remittance service	102	95	-6	-6.7%	522	18.4%	424	97	22.8%
Payment agency peripheral services	86	89	3	3.6%	387	23.1%	356	30	8.4%
Other revenue	8	24	15	170.2%	450	5.4%	80	370	459.3%
Operating income	195	180	-14	-7.6%	958	18.9%	899	58	6.5%
Operating income ratio	4.3%	3.9%	0.42%pt Down		4.5%	—	4.6%		

*For the purpose of reference (Results from previous year in new subsegments)

(Unit: Million yen)

Payment and collection agency service/Online payment service

- ✓ **Payment and collection agency services are focused on PAYSLE**
- ✓ **Cashless payments are still around 2.6% in 1Q, but are double that of 1Q last year**
- ✓ **Cashless payments are anticipated to increase several fold in future, contributing significantly to profit**
- ✓ **Investment in new infrastructure is progressing according to plan**



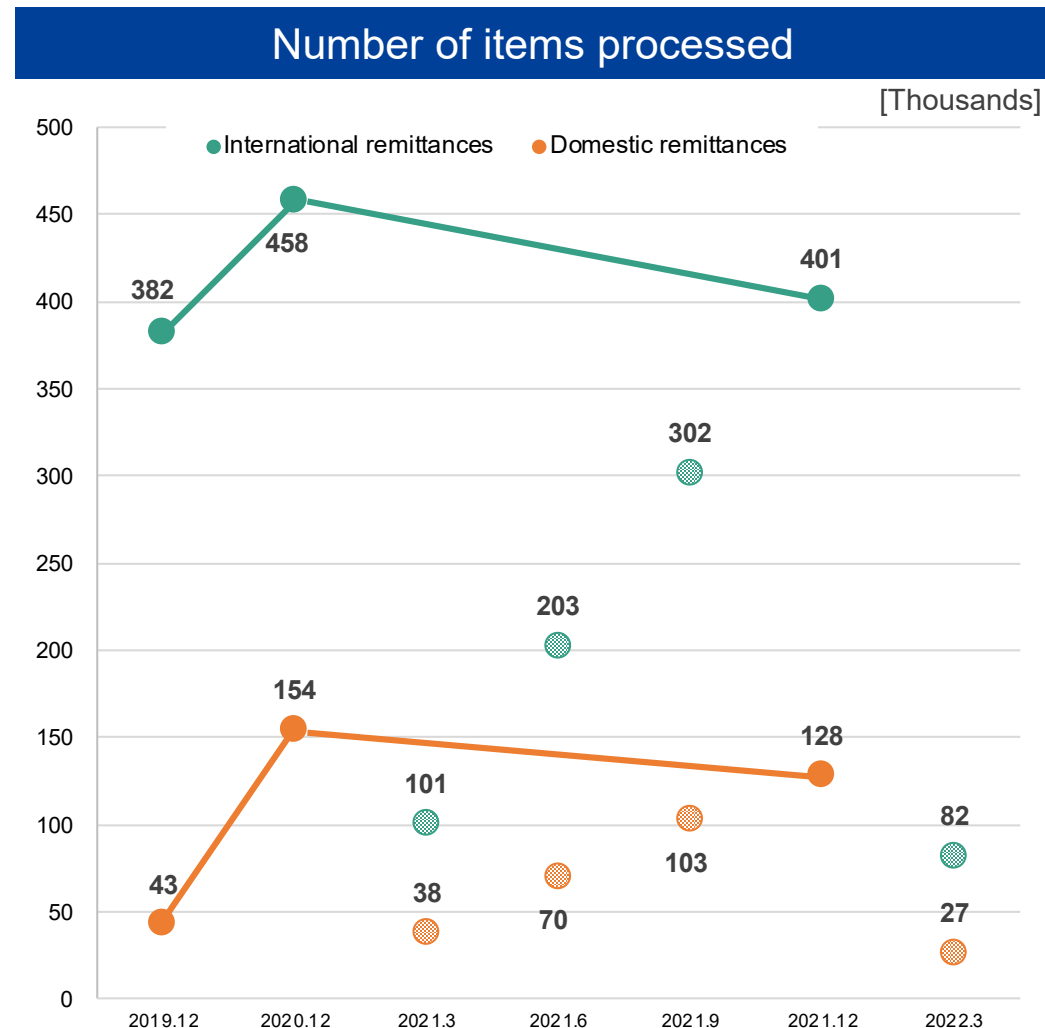
Remittance service/Payment agency peripheral services

✓ Remittance service (international remittances)

Although there is a feeling that things have turned a corner, the yen continues to depreciate, leaving the outlook uncertain

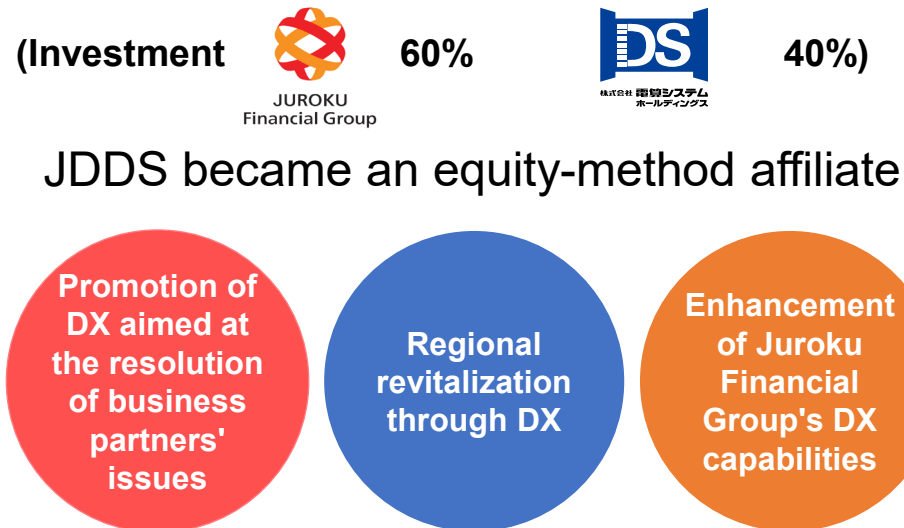
✓ Payment agency peripheral services

Although sales are low, these comprise a broad set of services ranging from the payment slip processing performed in payment and collection agency services to the back-office processing performed in the BPO business



Regional (Tokai region) DX progress

- ✓ **March 1, 2022: Acquired a part-share of Juroku Computer Services Co., Ltd., a subsidiary of Juroku Financial Group, Inc. ("16FG"). Renamed the company to Juroku Densan Digital Service Co. Ltd., (JDDS), and began a joint venture business.**

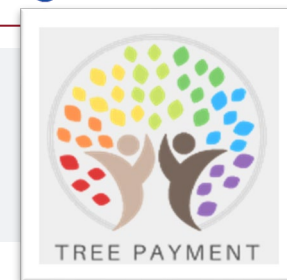


JDDS President Nishibu, 16FG Chairman Murase, Chairman Miyachi

- ✓ **March 9, 2022: CMC Co., Ltd. joins the Densan System Holdings Group (becomes a full subsidiary)**

In anticipation of more projects related to accounting systems at local companies, JDDS is expected to contribute to the expansion of company business by leveraging the strengths of its existing business, such as support for accounting system improvement

Insurance expense payment service platform for customers of Sumitomo Life Insurance "TREE PAYMENT" —Evolution in insurance premium payment service for use in a digital society—



- ✓ **October 1, 2021: CSS and Densan System jointly developed and launched "TREE PAYMENT," a new payment service platform allowing customers to pay when and how they wish**
- ✓ **April 1, 2022: PayPay Money added to "TREE PAYMENT"**

■ TREE PAYMENT evolution

Adaption to changes in the payment environment

Adaption to changes in settlement

- Start of ongoing billing with smartphone app payment
- Acceptance using the preferred method, etc.

New settlement methods

- Choose payment services to match the needs of businesses and customers!
- Automatically update new payment services

One-shot deposit

- Expansion of use scenarios
- Customers can pay with the method they want

Internet account transfer acceptance service

- Registration for account transfer is completed online

Densan System

- Convenience store payment agency service
- Paperless payment service
- Credit payment service
- Smartphone app payment, etc.

- ✓ **Information services faced delays in delivery and difficulties in negotiating business deals, both due to a shortage of semiconductors. The consequent requirement to increase development projects placed a greater load on the development team**
- ✓ **For payment agency services, there is no impact on the payment slip service, but international remittances have been affected by COVID-19 and the depreciated yen**

Information service segment

Although customers seem to have become more receptive to non face-to-face sales, closing sales with new customers still takes time.

The shortage of semiconductors has caused delays in deliveries to customers and in construction work for customers, and affected schedules. Additionally, while some sectors are making do with alternative equipment for H/W, the longer the delay the more significant the impact will be.

There are concerns that the steep rise in the price of raw materials will also have an affect.

In gift-related business, it is anticipated that the volume of goods purchased from Russia such as salmon or crab will decrease, with a consequent shortage of goods bringing about a decline in purchasing and thus a drop in sales.

Some tasks cannot be accomplished while working from home, and although measures are being taken to prevent the spread of COVID-19 and avoid operational stoppages, further increases in infection amongst younger people or a rapid spread in infection would make it difficult to secure the personnel required.

Currently, IT-focused investment in areas such as promotion of DX, the move to the cloud, and security measures is strong, and we are also moving to be compliant with the Electronic Storage of Accounts Law and the qualified invoice system. The situation in Ukraine and COVID-19 are also seen as a factor and we are working to develop new solutions with appropriate timing.

Payment agency service segment

With face-to-face activities subject to limits depending on the status of COVID-19 infection, our sales efforts remain hindered, and we are not yet in a "working with COVID-19" situation.

Although our payment slip service has yet to be affected significantly, the possibility that a decrease in the need to pay at locations such as convenience stores, for which customers must come to the store and pay in cash, etc., may require us to focus on online and cashless payment services.

With regard to international remittances, the situation in Ukraine, under which remittances to Russia have been halted while fees for remitting money to accounts in Ukraine are waived, will have little impact on results for this fiscal year. However, the impact of COVID-19 and the weak yen has acted a negative factor for our ex-Japan remittance business, which will remain negative unless the COVID-19 situation improves.

Dividends

- ✓ **FY2021: ¥5 commemorative dividend for the transition to a holding company structure**
- ✓ **FY2022 forecast: Annual ordinary dividend of ¥35 per share (interim dividend of ¥17 and year-end dividend of ¥18)**

