



Densan System Holdings Co., Ltd.

Densan System Holdings Presentation Materials for the 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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July 2021: Establishment of Densan System Holdings Co., Ltd. and transition to a holding company structure

April 2022: Transition to TSE "Prime Market"

Amid significant changes in the business environment, we recognize that the Group working as one to swiftly and efficiently manage business is an important issue.

We will shift to the Prime Market, consolidate corporate functions in the holding company, concentrate execution of business in Group companies, and strengthen coordination throughout the Group.

Passionately facing the challenge and innovating for further growth aimed at the realization of Challenge1000

(Taking on the challenge to become a company with ¥100 billion in net sales by 2027!)



Densan System Holdings Co., Ltd.

We will create new value through "co-creation" and contribute to society.



Y-o-y change in parentheses

Net sales

¥50,335 million
(10.1% up)

Operating income

¥3,139 million
(10.7% up)

Net income attributable to
shareholders of the parent company

¥1,978 million
(3.3% up)

Business results

- ✓ Sales and income were higher YoY
- ✓ Sales surpassed ¥50 billion and operating income exceeded ¥3 billion, enabling the Group to take the first step to ¥100 billion in net sales by 2027.
- ✓ The low growth rate of net income was due to factors such as a loss on valuation of investment securities.

FY2021 Business Results Highlights

(Unit: Million yen)

- ✓ **The sales target of ¥52 billion could not be reached.**
- ✓ **The operating income ratio was at the same level as the previous fiscal year at 6.2%.**
- ✓ **Personnel expenses rose but the income ratio did not fall.**
- ✓ **People are required to achieve our long-term goals.**

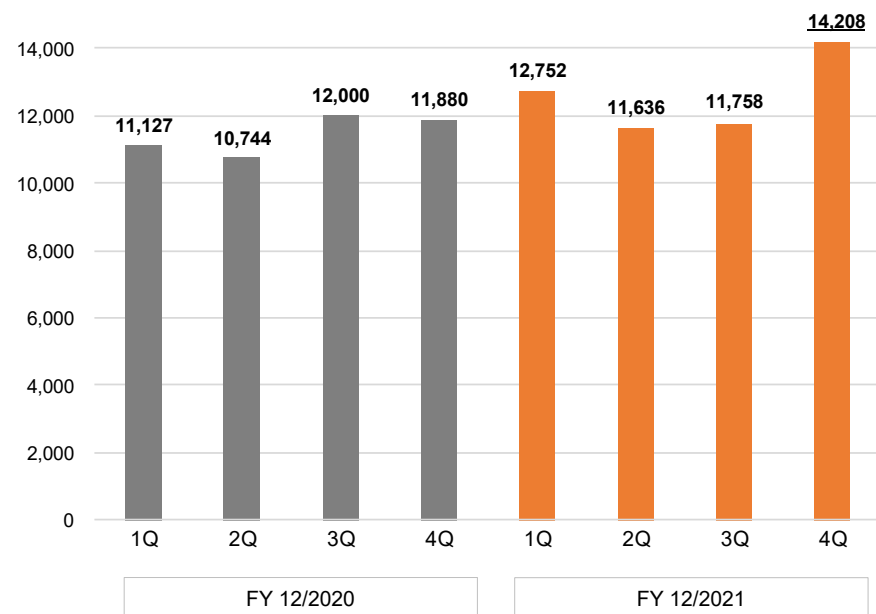
	FY 12/2020	FY 12/2021	Y-o-y (%)	Plan	Attainment ratio
Net sales	45,752	50,356	10.1%	52,000	96.8%
Operating income	2,836	3,139	10.7%	2,850	110.2%
Income ratio	6.2%	6.2%	-	5.5%	
Ordinary income	2,916	3,215	10.3%	2,920	110.1%
Income ratio	6.4%	6.4%	-	5.6%	
Net income	1,915	1,978	3.3%	1,945	101.7%

FY2021 Transition in Quarterly Business Results

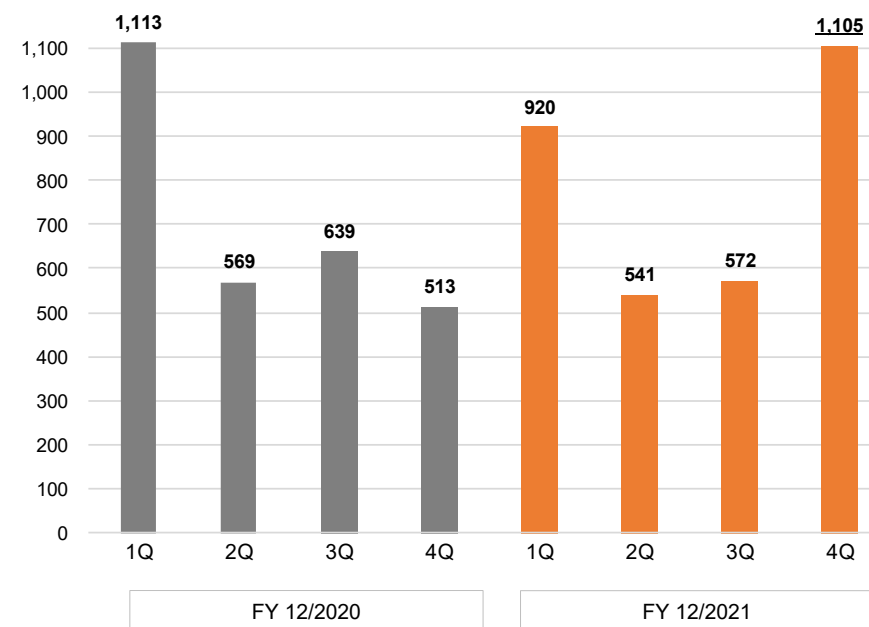
(Unit: Million yen)

- ✓ **Significant increases in sales and income stood out in 4Q.**
- ✓ **In particular, 4Q income doubled compared to 4Q of the previous fiscal year and approached the level of 1Q of the previous fiscal year.**

Net sales



Operating income

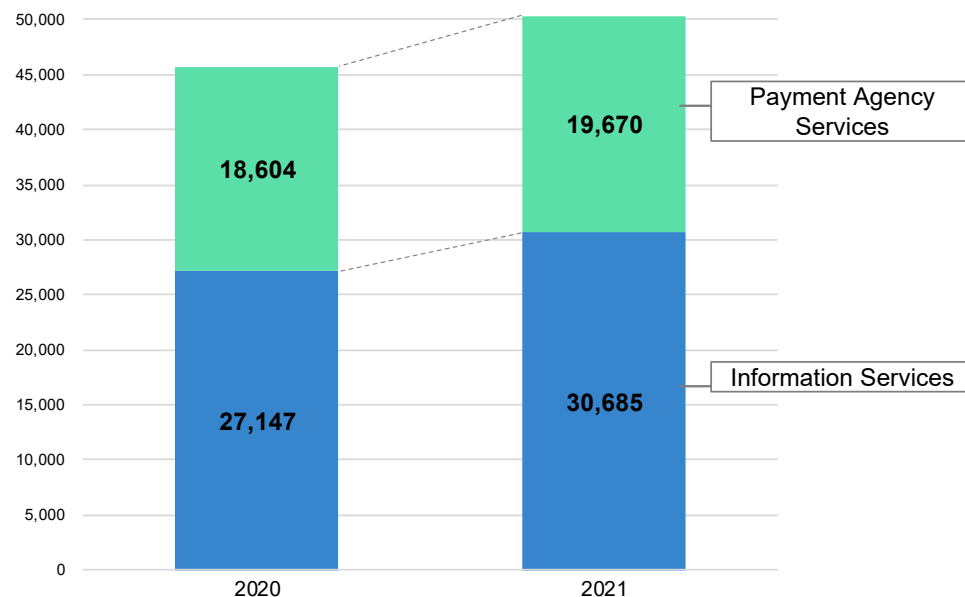


FY2021 By Segment

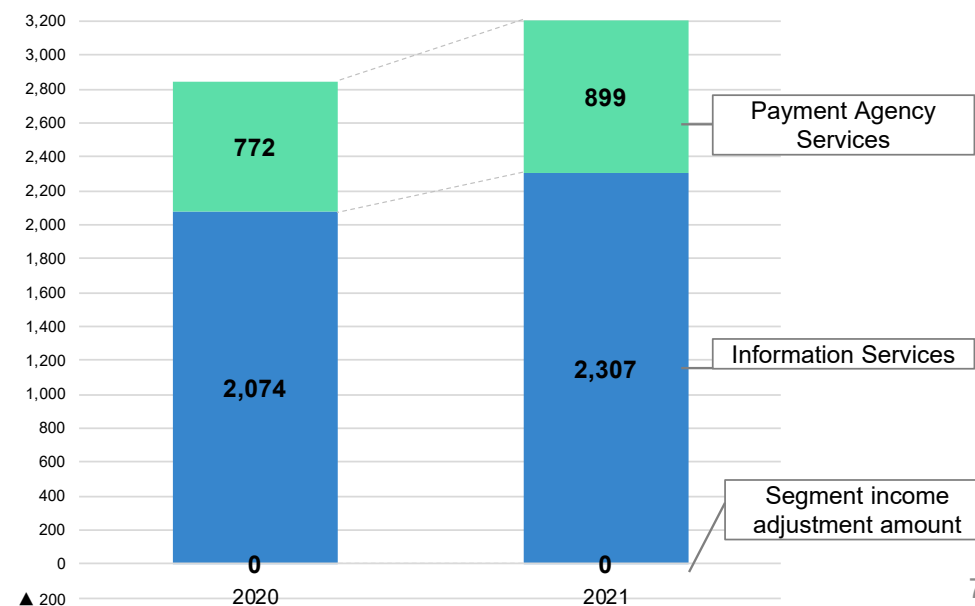
(Unit: Million yen)

- ✓ Sales and income grew year on year in each segment.
- ✓ In particular, operating income in Information Services until 3Q was less than the previous fiscal year, but this turned around and income significantly grew in 4Q.

Net sales



Operating income



(Unit: Million yen)

- ✓ In SI and software development, although auto auction business systems decreased year on year, Chromebook and Google Workspace increased significantly.
- ✓ In information processing, invoice preparation services increased.
- ✓ In operating income, software development and BPO, etc. filled the gap of auto auctions and digital signage, and absorbed the increase in personnel expenses.
- ✓ The operating income ratio was almost the same.

	FY 12/2020	FY 12/2021	Y-o-y (%)		Plan	Attainment ratio
			Amount	Ratio		
Net sales	27,147	30,685	3,537	13.0%	31,313	98.0%
SI and software development	19,372	22,401	3,028	15.6%	23,501	95.3%
Information processing	5,719	6,043	324	5.7%	6,149	98.3%
Sales of merchandise and finished goods	2,055	2,240	184	9.0%	1,663	134.7%
Operating income	2,074	2,307	232	11.2%	2,119	108.9%
Operating income ratio	7.6%	7.5%	0.1%pt Down		6.8%	

(Unit: Million yen)

Google business

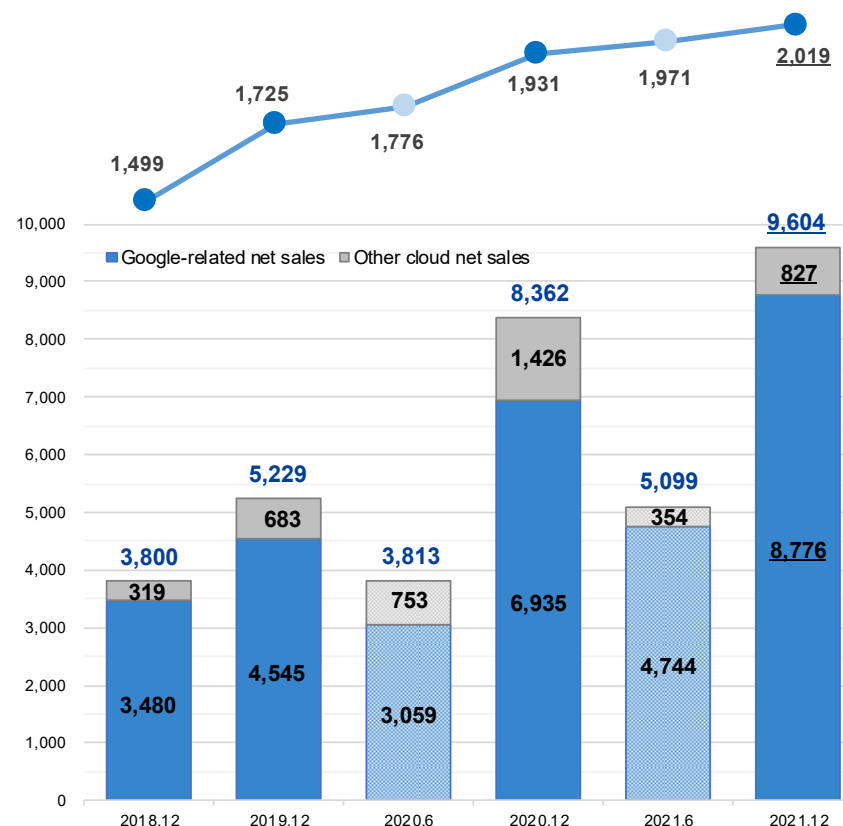
- ✓ **Google Workspace grew steadily as usual, but cancellations of small accounts continued in 4Q due to the impact of the price hike.**
- ✓ **There was special demand for digital signage until the Olympics, but this returned to normal.**
- ✓ **For Chromebook, the GIGA School concept ended in March 2021, and sales have mainly targeted companies since April.**

Number of Google (Google Workspace) adopter companies : 2,019 companies

Sales of cloud related services : 14.8% up

*Does not include GOGA packages or MAP.

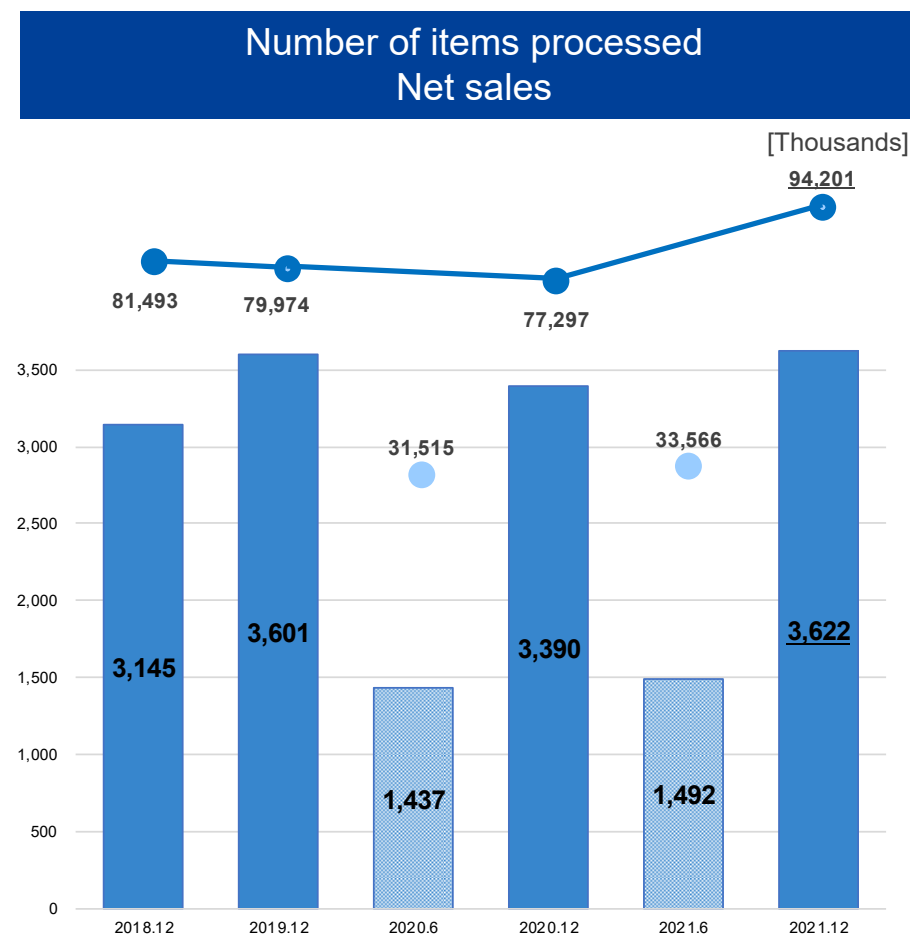
Number of Google (Google Workspace) implementations
Cloud-related net sales



(Unit: Million yen)

BPO business

- ✓ The BPO business was affected by COVID-19, but finally recovered to the 2019 level.
- ✓ Invoice preparation services contributed significantly to growth and accounted for around 40% of the number of items processed.
- ✓ There are high expectations on DSK Multi-invoice Service (new invoice preparation services) as the number of items processed in invoice preparation services grows as a mechanism for responding to SDGs.



FY2021 **Payment Agency Services** Summary

(Unit: Million yen)

- ✓ **Stay-at-home consumption had an impact, and mainstay payment slip settlement services grew.**
- ✓ **In paperless payment services, although ticket payments rebounded, there was an increase in payment slip settlement services due to more focus being placed on PAYSLER than existing paperless payment services.**
- ✓ **The operating income ratio increased.**

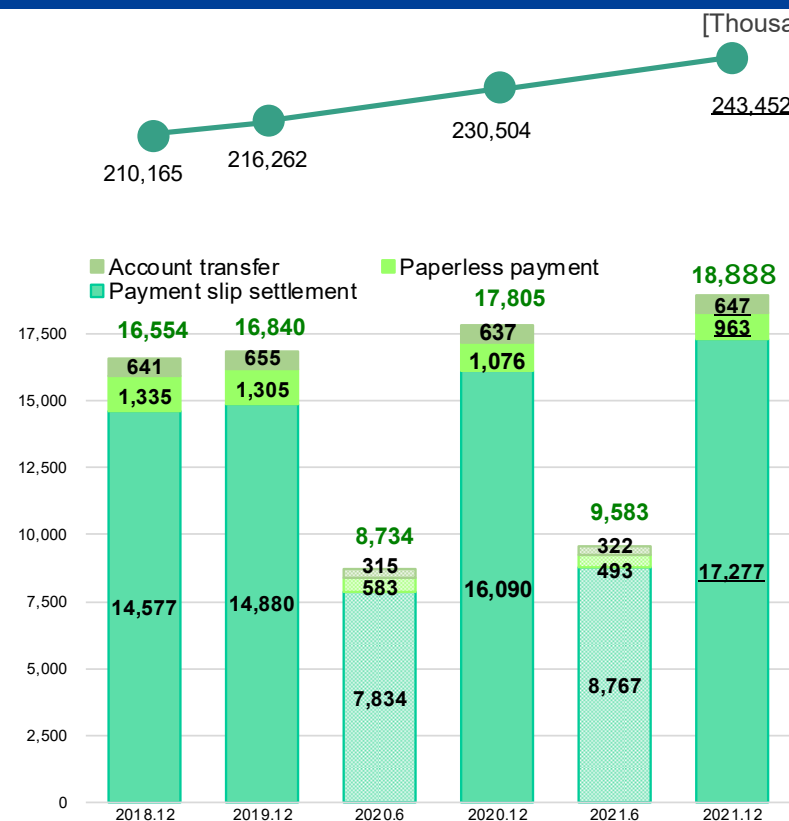
	FY 12/2020	FY 12/2021	Y-o-y (%)		Plan	Attainment ratio
			Amount	Ratio		
Net sales	18,604	19,670	1,066	5.7%	20,687	95.1%
Payment service	17,805	18,888	1083	6.1%	19,877	95.0%
Payment slip settlement service	16,090	17,277	1186	7.4%	17,992	96.0%
Paperless payment service	1,076	963	-113	-10.5%	1,191	80.9%
Account transfer service	637	647	9	1.5%	694	93.3%
Payment innovation	799	781	-17	-2.2%	810	96.5%
Remittance service	462	424	-37	-8.1%	—	—
Counter payment collection services	337	356	19	5.7%	—	—
Operating income	772	899	126	16.4%	774	116.2%
Operating income ratio	4.2%	4.6%	0.42%pt Up		3.7%	—

(Unit: Million yen)

Payment service business

- ✓ The number of items processed steadily increased, and reached 240 million.
- ✓ Due to the increase in the number of items processed, a new EC infrastructure was built and migrated to.
- ✓ It is believed that the growth in payment slip settlement services will continue in future (even if it becomes cashless in future, it will be categorized as payment slip settlement).

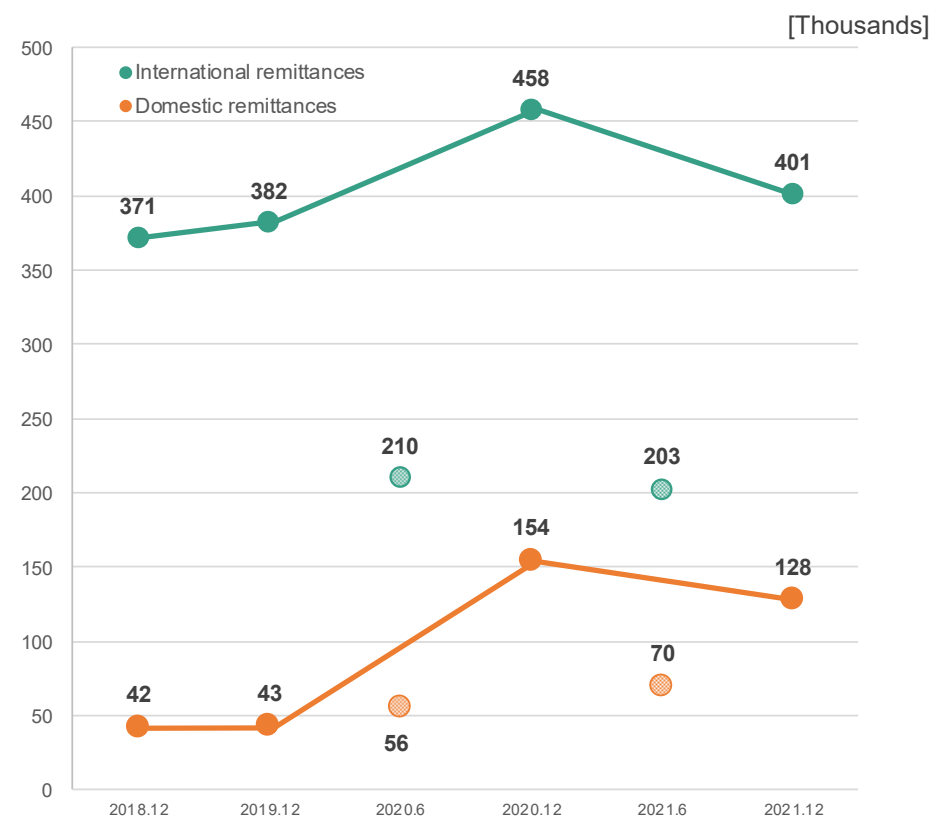
Number of items processed Net sales



Payment innovation business

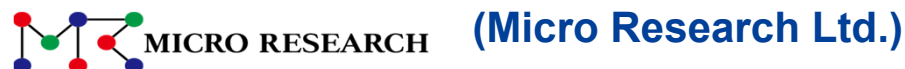
- ✓ **Counter payment collection services: 4,050 adopter stores**
- ✓ **International remittances WillCall: 136 adopter stores**
- ✓ **Profitability with international remittances continued.**
- ✓ **The number of WillCall stores increased year on year, but growth was blunted by an increase in cancellations such as business partners that withdrew from business due to the impact of COVID-19.**
- ✓ **The number of counter payment adopter stores exceeded 4,000, providing greater convenience for consumers.**

Number of items processed



Strengthening expansion of network security and IoT business

✓ **July 30, 2021: Acquired 100% of the shares of a network technology company**



**To become more reliable Densan System Holdings Group
with the world's most advanced security technology**



Handling of the world's
leading security products



Development, manufacture and sales of own branded
products (original OS network equipment), specially
customized products and OEM/ODM products



Strengthened provision of "AI Security" and "Cloud Security"
Concluded a distributor agreement for DeceptionGrid with TrapX
Launched the Security Scope security service

DeceptionGrid

The products of TrapX Security, a U.S. security company, have a good reputation overseas. DSK began providing them as a security solution against information leaks and ransom ware. Deception technology lures attackers onto virtual devices using "bait" to prevent intrusions and attacks on servers, etc. containing important assets while also enabling the visualization and detection of intrusions.

Security Scope security service

This provides basic security operation center (SOC) functions, and handles customers' information security management such as threat notification, status assessment and future countermeasures. This enables customers to strengthen security measures and reduce operating load.

*FotieGate must be installed to implement the service.

Joint venture with Juroku Financial Group, Inc. Digitalization and promotion of DX at local companies and government

- ✓ **August 31, 2021: Concluded a basic agreement on consideration of a joint venture**
- ✓ **Spring 2022: Creation of joint venture as Juroku Densan Digital Service (tentative name)**
Commencement of joint venture's business

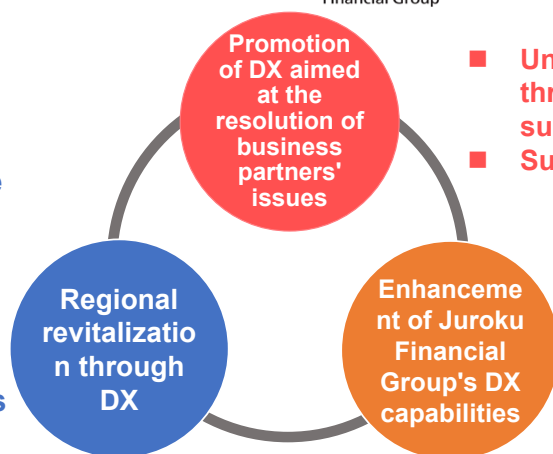
(Investment ratio  **60%**  **40%**)

JUROKU Financial Group



Juroku Financial Group Chairman Murase and Chairman Miyachi

- Support addressing the decline in population, declining birthrate and aging society through DX
- Support addressing local industries such as tourism through DX



- Understanding customers' issues through consulting and main business support
- Support through DX to resolve issues

- Improvement of Juroku Financial Group's IT judgment
- Promotion of the enhancement of efficiency through the promotion of in-house RPA
- Speedy initiatives aimed at improving customer UI/UX

Digitalization and promotion of DX at Juroku Financial Group, local companies, and government

October 1, 2021
Introduced cloud-type digital signage in all Juroku Bank branches.

Approx. 160 locations
Reduction of paper posters in branches

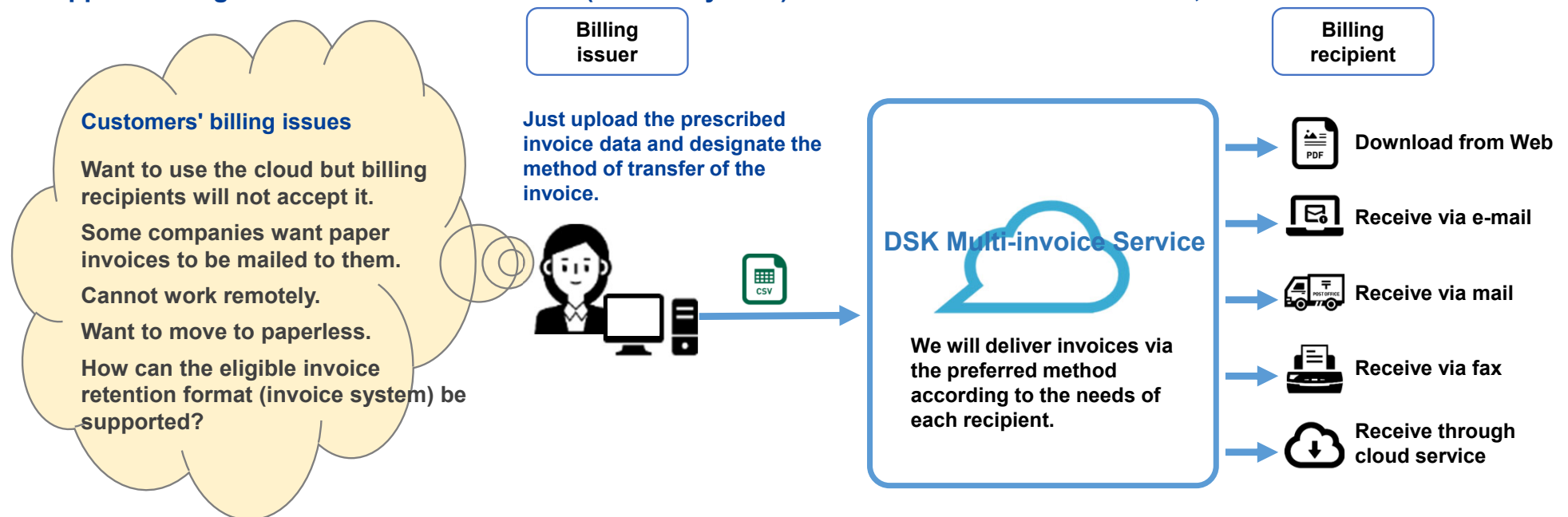


New invoicing service

✓ November 2021: Expanded invoice processing service and launched "DSK Multi-invoice Service"

Current issues in customers' billing (responding to the requirements of billing issuers and recipients)

Support for eligible invoice retention format (invoice system) to be introduced from October 1, 2023



BPO that recognizes the existence of areas that are difficult to digitalize and fills the gaps in digital solutions

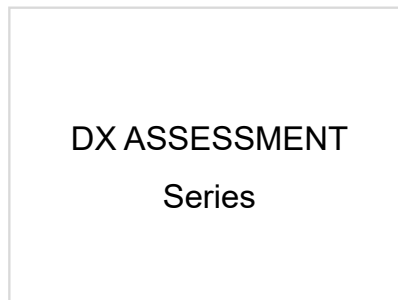
Providing a one-stop service that meets customers' requirements by mixing digital and analog

Initiatives to support DX promotion in companies and local governments

- ✓ **July 2021: Established the DX Business Headquarters in Densan System**
- ✓ **September 2021: Held Densan System DX Promotion Online Seminar (total support for customers' DX promotion)**



*The image indicates the solution in development.



Development of "Michishirube (tentative name)" government business support service

original Densan System solution for accelerating government DX.

The first instance is a temporary daycare web reservation system used by Yokohama City scheduled to be released in April 2022.

DX Assessment Series

In addition to the DX implementation status analysis service released last autumn, we released a service for diagnosing the status of implementation of security measures essential for promotion of DX.

Support tools for steadily promoting customers' DX continue to be developed.

The DX Business involves many IT vendors for specific proposal, promotion and expansion aimed at companies and local governments.

Challenge1000

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

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

Information services

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

Cloud services

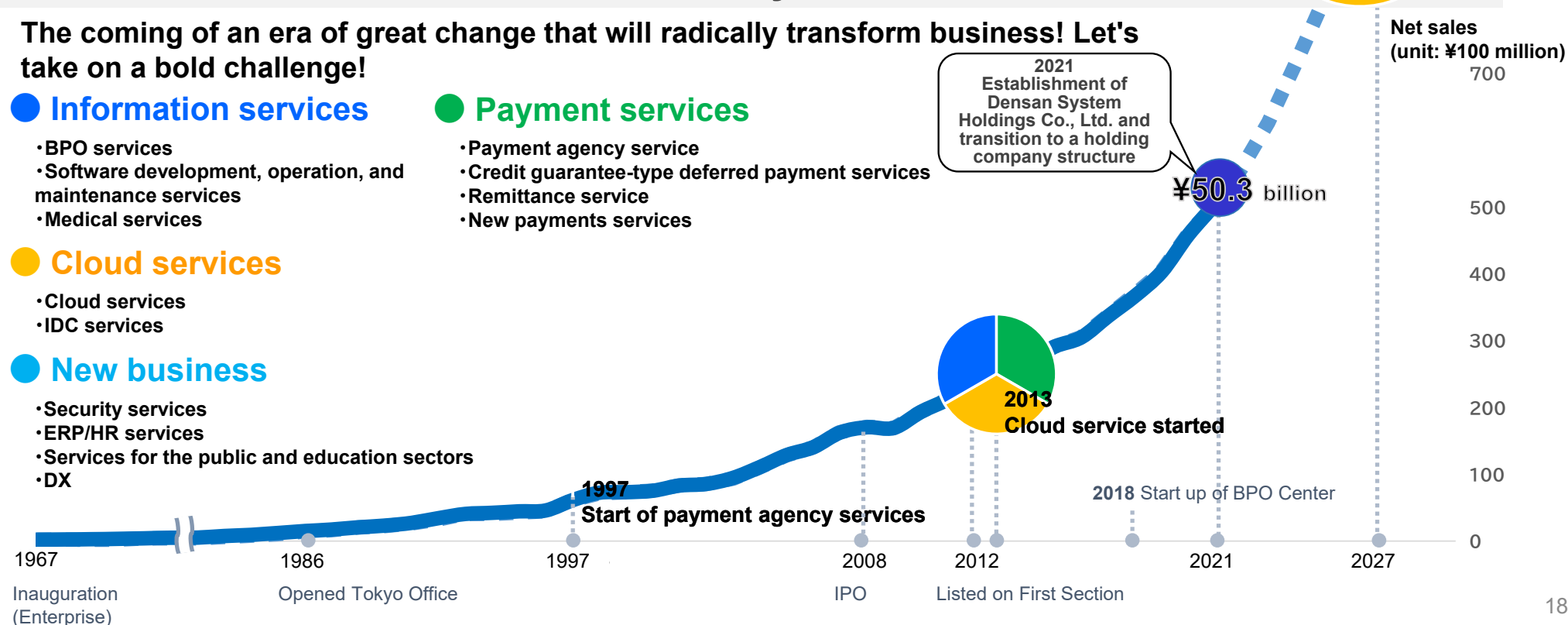
- Cloud services
- IDC services

New business

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

Payment services

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



Challenge1000

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

- ✓ **Take into account elements of ESG and SDGs while aiming to become a company with ¥100 billion in net sales by 2027**

Specific measures

- 1. The payment agency services that are DSK's mainstay product use paper for payment slips, but focus will be placed on alternatives (PAYSLE, SMS, etc.) to eliminate the use of paper.**
- 2. DSK's data center aims to expand cloud usage by customers, and contributes to more efficient energy use by society as a whole.
Efforts will also be made to improve the efficiency of electricity use (energy saving) by the data center itself and increase the percentage of renewable energy used.**
- 3. DSK Multi-invoice Service (new invoice preparation services)
Leads to digitalization of invoices.**

Toward the achievement of Challenge1000

"Move! Nothing will happen unless you move"

Ultimate goal of a company = Creation of "clients"

● Information services

- ✓ Restructuring (strengthening of coordination between sales and development/operation)
- ✓ Group co-creation, synergy creation
- ✓ Expansion of coverage and enhancement of BPO services

● Payment services

- ✓ Restructuring and sales able to propose products for the entire Group
- ✓ Growth of DSK deferred payment service, efficient implementation, deployment of new services

● Cloud services

- ✓ Launch of Tono IDC public cloud hybrid service
- ✓ Promotion of sales of Google-related solutions
- ✓ Entry into academic market

● New business

- ✓ DX Business Total support for customers' DX promotion
Provision of solutions for government DX
- ✓ Security Business Expansion of collaboration by 3 Group companies
- ✓ Juroku FG joint venture Promotion of collaboration in all businesses

(Unit: Million yen)

- ✓ **The 3-year plan is transitory for aiming for ¥100 billion in 2027.**
- ✓ **Personnel expenses will increase, but productivity will be improved to increase the income ratio.**
- ✓ **There are plans for investment in payment agency services in 2022.**

	2021 Actual	2022 Plan	2023 Plan	2024 Plan	Growth rate y-o-y Average
Net sales	50,356	55,500	62,500	71,200	12.2%
Information service	30,685	34,110	39,050	45,420	
Payment agency service	19,670	21,390	23,450	25,780	
Operating income	3,139	3,270	3,900	4,500	12.9%
Information service	2,307	2,312	2,755	3,250	
Payment agency service	899	958	1,145	1,250	
Income ratio	6.2%	5.9%	6.2%	6.3%	
Information service	7.5%	6.8%	7.1%	7.2%	
Payment agency service	4.6%	4.5%	4.9%	4.8%	

(Unit: Million yen)

- ✓ **4.2% growth in operating income is lower than the growth of sales, but this is due to plans for investment for two consecutive years.**
- ✓ **Micro Research was included in the scope of consolidation from July 2021. Sales for the entire year are forecast this fiscal year.**
- ✓ **DSK deferred payment service is scheduled to make a profit as planned.**

	2021	2022 Projection	Change in amount	Y-o-y
Net sales	50,356	55,500	5,144	10.2%
Operating income	3,139	3,270	131	4.2%
Income ratio	6.2%	5.9%		
Ordinary income	3,215	3,290	75	2.3%
Income ratio	6.4%	5.9%		
Net income	1,978	2,247	269	13.6%
Segment income adjustment amount	-67	0		

*The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) is applied from FY2021.

(Unit: Million yen)

- ✓ The "Accounting Standard for Revenue Recognition" was applied and sales and income will be less concentrated in 1Q as in the example of auto auctions due to the standard of progress.
- ✓ In SI and software development, software development and Google Workspace will be solid.
- ✓ In information processing, invoice preparation services will continue to perform well.

	2021	2022 Projection	Change in amount	Y-o-y
Net sales	30,685	34,110	3,425	11.2%
SI and software development	22,401	25,470	3,069	13.7%
Information processing	6,043	6,072	28	0.5%
Sales of merchandise and finished goods	2,240	2,568	327	14.6%
Operating income	2,307	2,312	4	0.2%
Income ratio	7.5%	6.8%		

(Unit: Million yen)

- ✓ **Payment slip settlement services will be steady due to an expected increase in DSK deferred payment processing and PAYSLE.**
- ✓ **There will be investment in the new infrastructure.**
- ✓ **Although investment will be made, there will only be a minor decrease in the income ratio.**

	2021	2022 Projection	Change in amount	Y-o-y
Net sales	19,670	21,390	1,719	8.7%
Payment service	18,888	20,481	1,592	8.4%
Payment slip settlement service	17,277	18,809	1,532	8.9%
Paperless payment service	963	963	0	0.0%
Account transfer service	647	708	61	9.4%
Payment innovation	781	909	127	16.3%
Operating income	899	958	58	6.5%
Income ratio	4.6%	4.5%		



We will make innovations with sustainability.

- ✓ The relevant initiatives are as follows.
They will continue to be actively addressed in future.

The Company's Initiatives		Correlation with SDGs								
		3	4	5	7	8	9	10	12	13
		3 GOOD HEALTH & WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	7 AFFORDABLE CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRIAL INNOVATION & INFRASTRUCTURE	10 REDUCED INEQUALITIES	12 RESPONSIBLE CONSUMPTION & PRODUCTION	13 CLIMATE ACTION
E: Environmental	Google Workspace					●	●			●
	Multi-invoice (invoice processing service)					●			●	●
	Internet Data Center				●	●	●			●
S: Social	Payment agency service					●	●			
	Teburi (non-contact interface)	●								
	Chromebook (GIGA school)		●							
	Work style reform			●		●				
	Local communities					●				
G: Governance	Fair corporate activities Appropriate and active disclosure							●		



Donated "Teburi Signage" non-contact interactive signage and a donation of 3 million to Gifu University Hospital.



- ✓ **December 2021: Donated "Teburi Signage" touch panel digital signage enabling the display of content in connection with people's movements for the purpose of supporting the healthcare workers and healthcare workplace in response to COVID-19.**
- ✓ **It boasts a non-contact touch panel and a function for displaying information according to the height of the user (adult, child, wheelchair user, etc.) suitable for use in a hospital during the COVID-19 pandemic.**



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)**

