



Densan System Holdings Co.,Ltd.

Densan System Holdings

Presentation Materials for the 2Q 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.

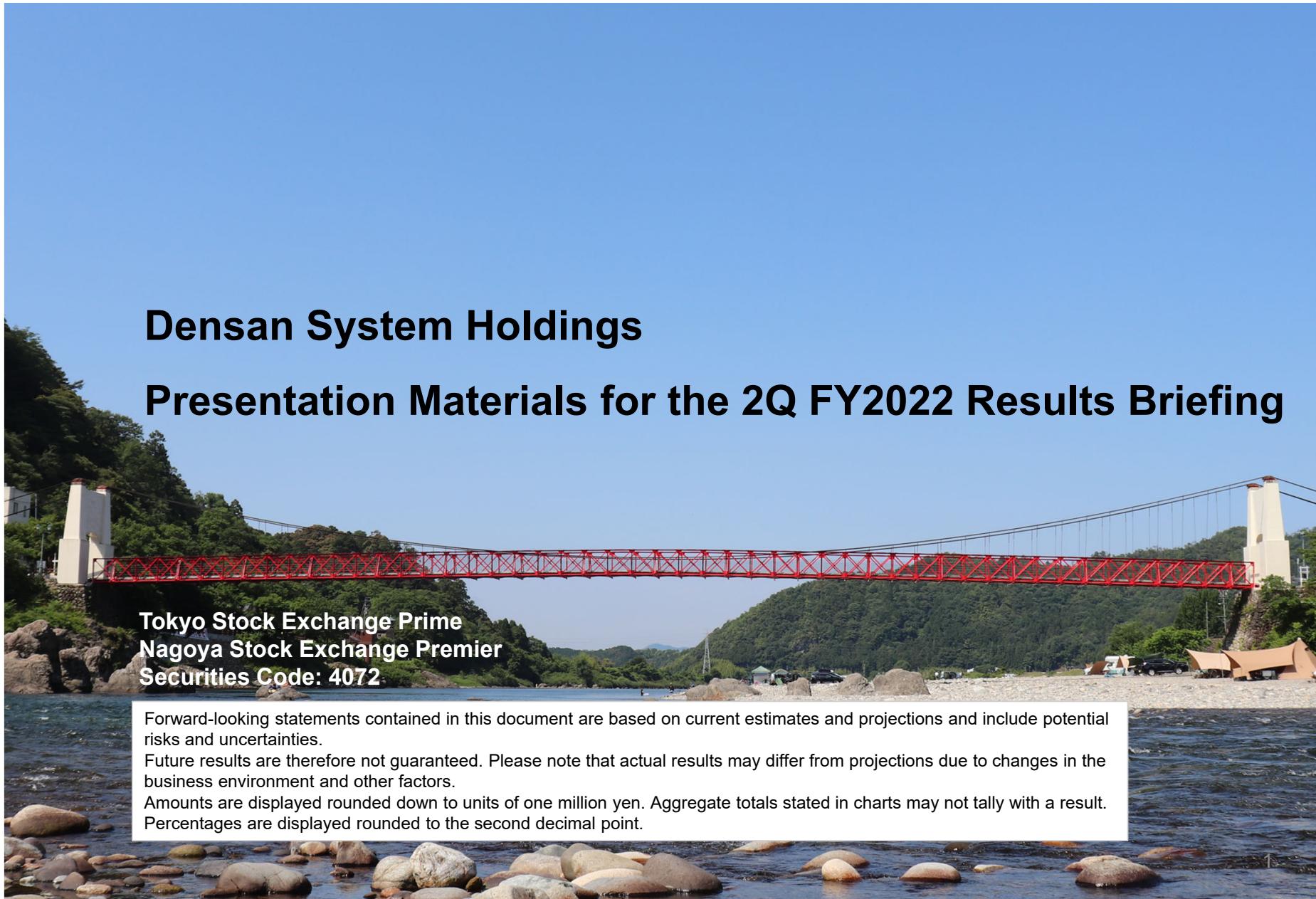
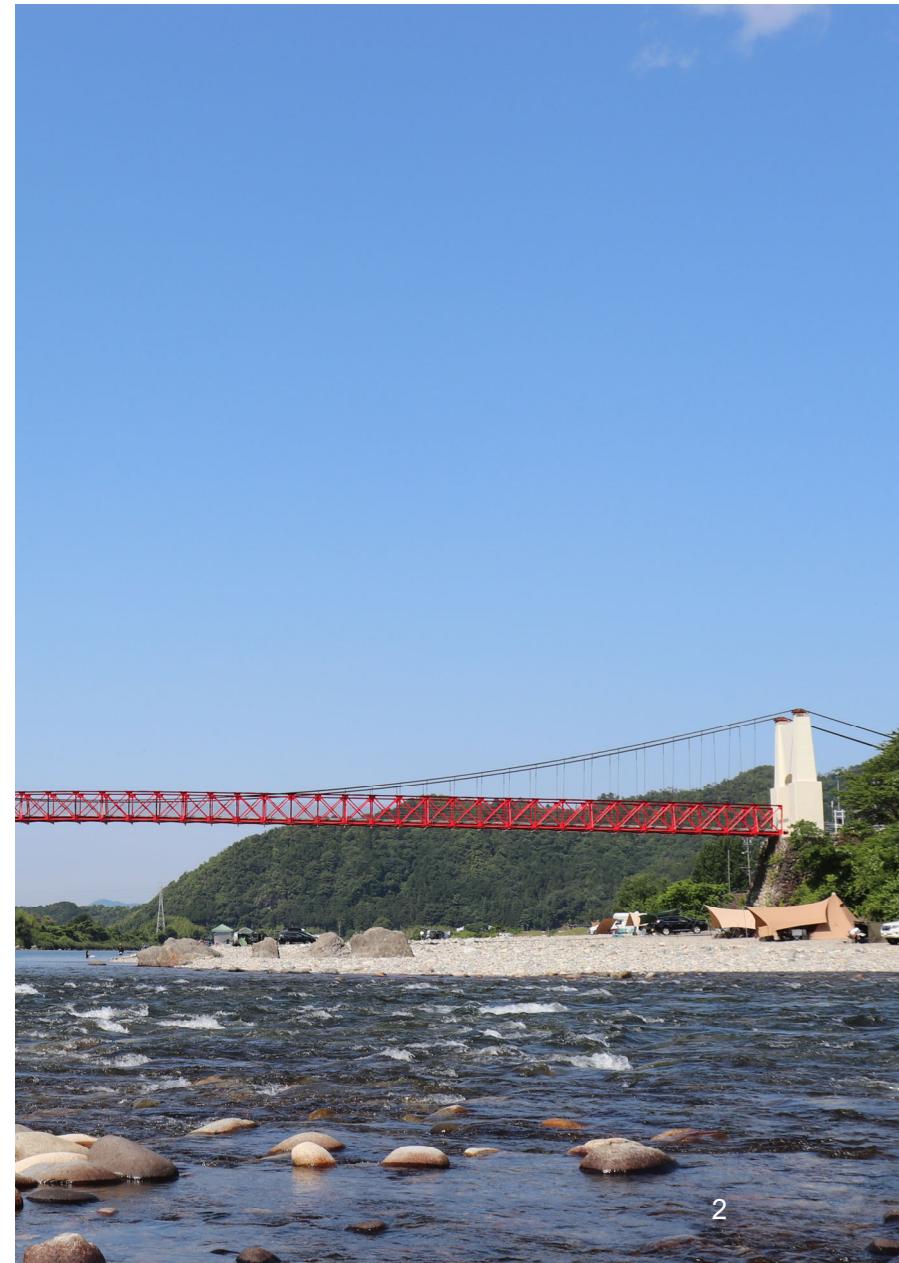


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Y-o-y change in parentheses

Net sales

¥25,161 million
(3.2% Up)

Operating income

¥1,168 million
(20.1% Down)

Net income attributable to
shareholders of the parent company

¥907 million
(2.3% Down)

Business results

- ✓ Net sales exceeded the previous year's interim results, but income fell short
- ✓ The new revenue standard exerted effects on results
- ✓ Results will be concentrated in 2H due to the impact of the new revenue standard
- ✓ The sudden yen depreciation also impacted income
- ✓ Possible to achieve disclosed figures in net sales and income

2Q FY2022 Business Results Highlights



(Unit: Million yen)

- ✓ There are Group companies that booked losses due to the impact of the new revenue standard, but results are expected to recover from the next fiscal year as the status of orders received was strong.
- ✓ While the operating income ratio and progress rate were low, seeds have been laid that will begin to be harvested in September, so results are expected to be within forecasts.

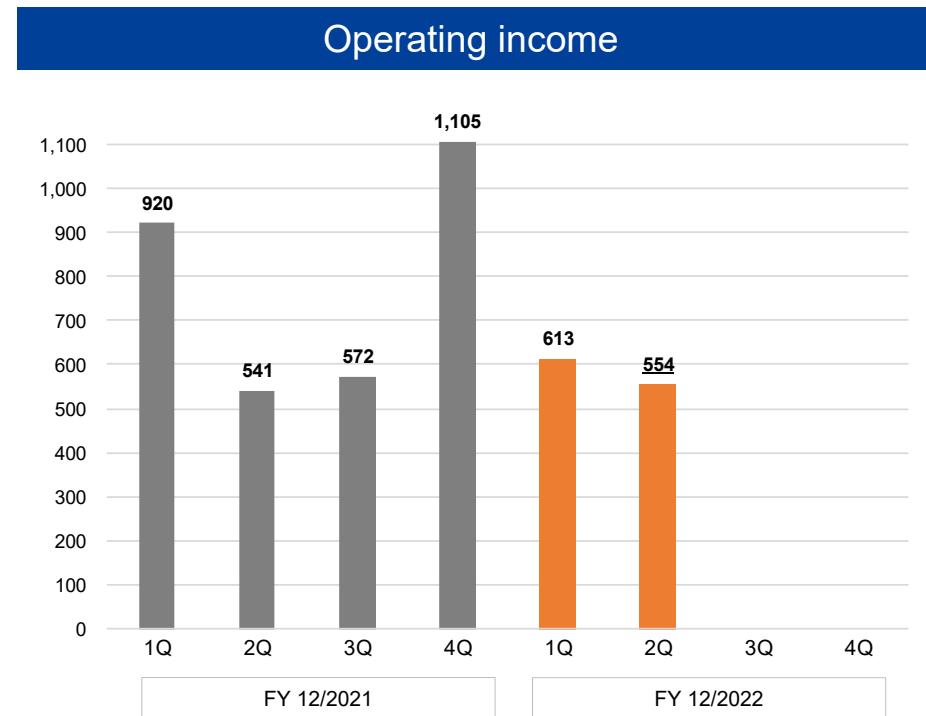
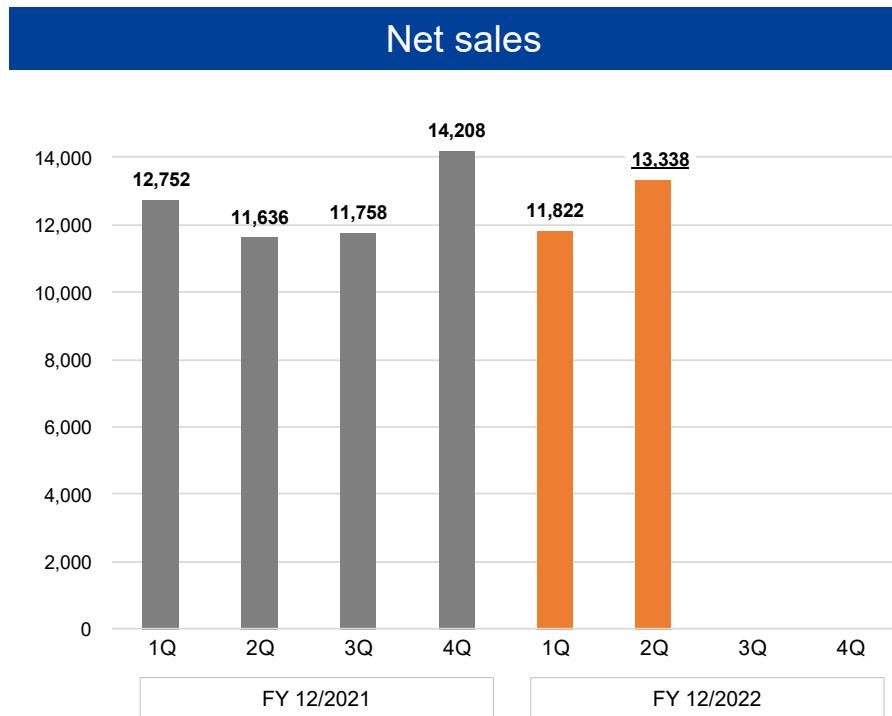
	FY 12/2021 2Q cumulative total	FY 12/2022 2Q cumulative total	YoY change	Full-year plan	Progress
Net sales	24,389	25,161	3.2%	55,500	45.3%
Operating income	1,461	1,168	-20.1%	3,270	35.7%
Income ratio	6.0%	4.6%	-	5.9%	
Ordinary income	1,543	1,414	-8.4%	3,290	43.0%
Income ratio	6.3%	5.6%	-	5.9%	
Net income	928	907	-2.3%	2,247	40.4%

2Q FY2022 Transition in Quarterly Business Results



(Unit: Million yen)

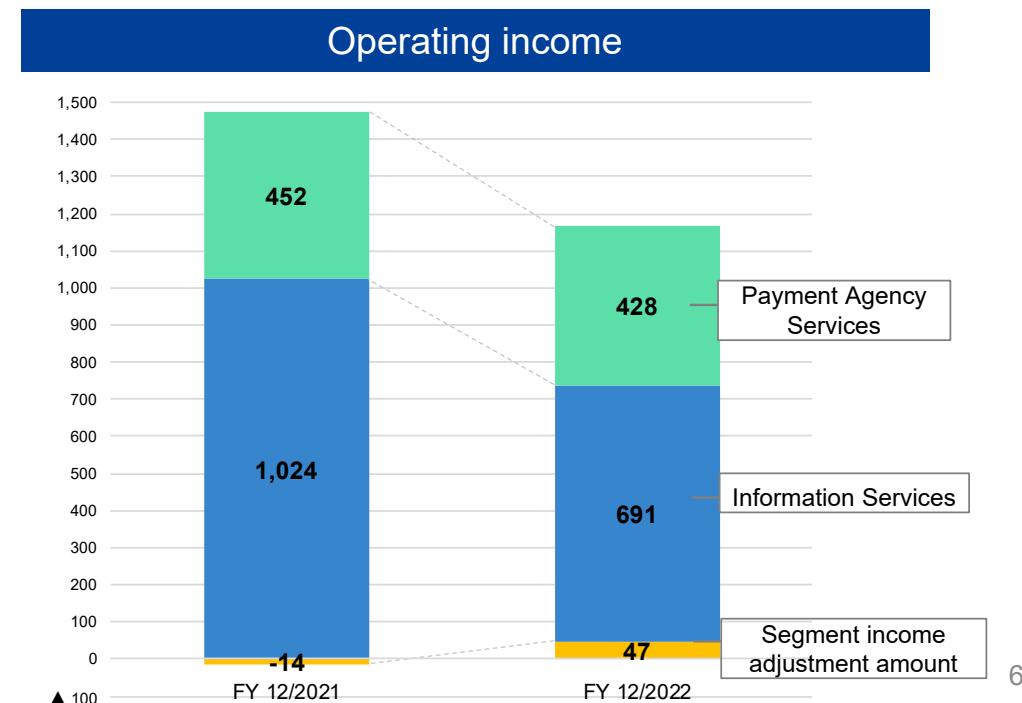
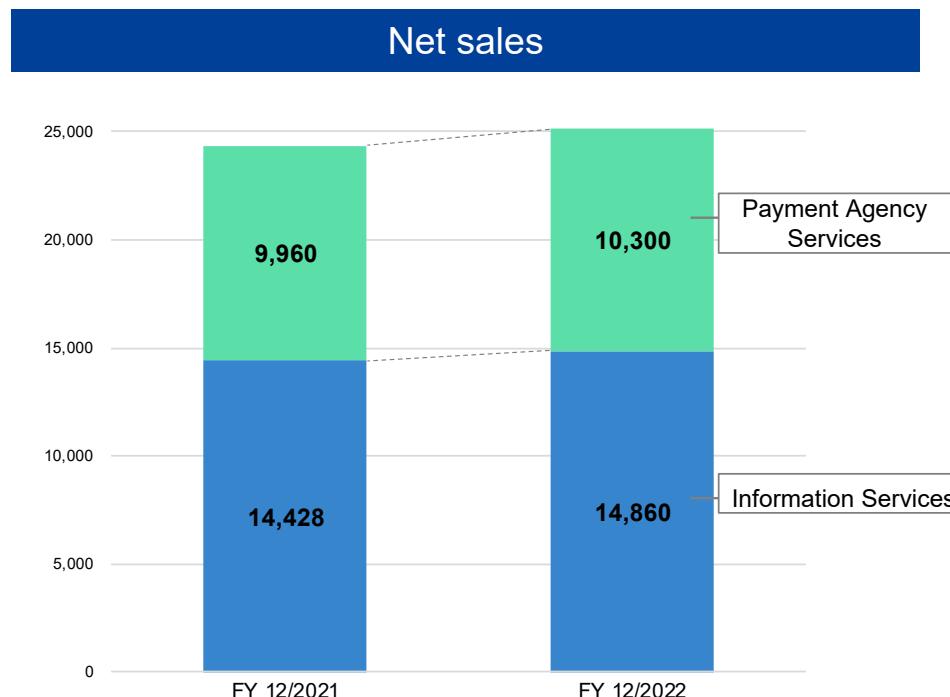
- ✓ The new revenue standard and yen depreciation also contributed to a lower operating income ratio in 2Q
- ✓ The first year under the new revenue standard was difficult, but in the future, net sales and income will grow
- ✓ Software development commissions continued to be strong



2Q FY2022 By Segment

(Unit: Million yen)

- ✓ Net sales increased year-on-year in both information services and payment agency services
- ✓ Operating income fell year-on-year in information services due to the impact of the new revenue standard and yen depreciation
- ✓ Operating income declined in payment agency services due to platform transition



(Unit: Million yen)

- ✓ In SI and software development, net sales fell year-on-year due to the impact of the GIGA School concept. However, the decline was not too large due to strength in software development and Google Workspace.
- ✓ In information processing, net sales of invoice preparation services increased.
- ✓ Sales of merchandise and finished goods include sales from Micro Research Ltd.
- ✓ Operating income declined due to the impact of the new revenue standard and yen depreciation.

	FY 12/2021 2Q cumulative total	FY 12/2022 2Q cumulative total	YoY change		Full-year plan	Progress
			Amount	Ratio		
Net sales	14,428	14,860	431	3.0%	34,110	43.6%
SI and software development	10,834	10,747	-86	-0.8%	25,470	42.2%
Information processing	2,724	2,800	75	2.8%	6,072	46.1%
Sales of merchandise and finished goods	869	1,291	421	48.5%	2,568	50.3%
Other revenue	0	20	20		0	
Operating income	1,024	691	-332	-32.5%	2,312	29.9%
Operating income ratio	7.1%	4.7%	2.4%pt Down		6.8%	

(Unit: Million yen)

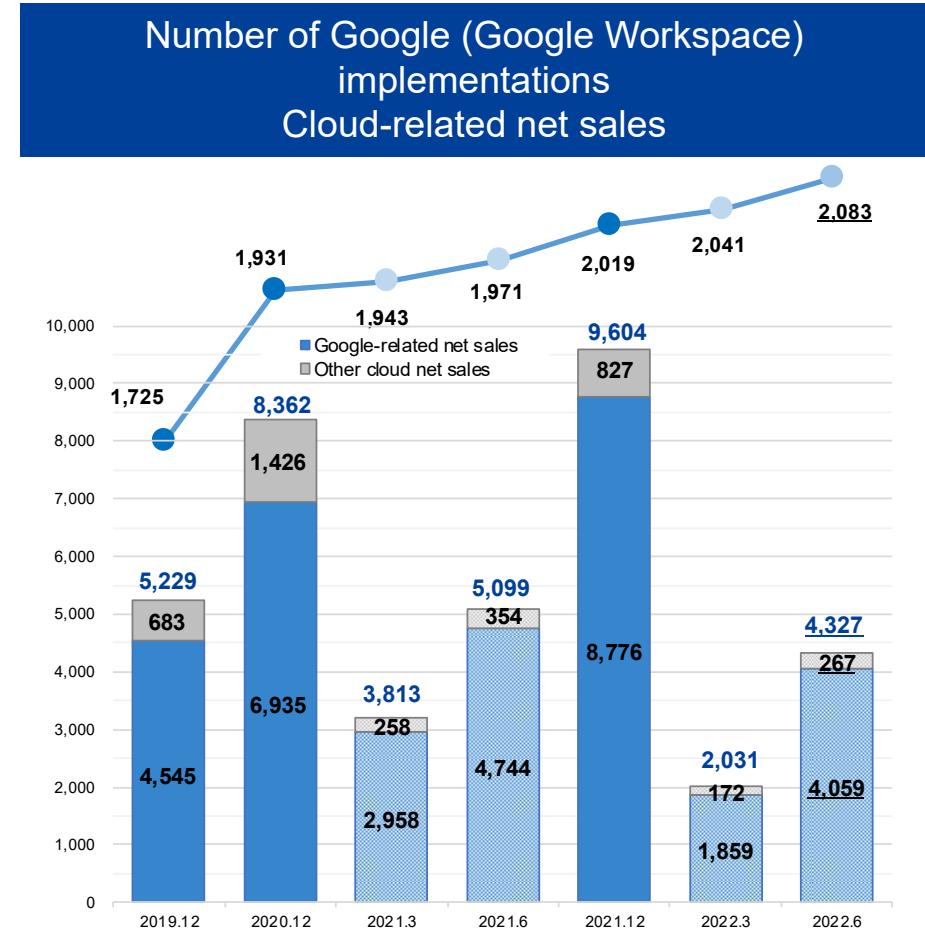
Google business

- ✓ Net sales fell year-on-year due to the GIGA School concept coming to an end in March of last year
- ✓ Both net sales and income fell due to the impact of the new revenue standard, but they can recover afterward
- ✓ Income fell due to the impact of the sudden yen depreciation
- ✓ Net sales of digital signage returned to levels before the Olympics

Number of Google (Google Workspace) adopter companies
: 2,083 companies

Sales of cloud related services: -15.1%

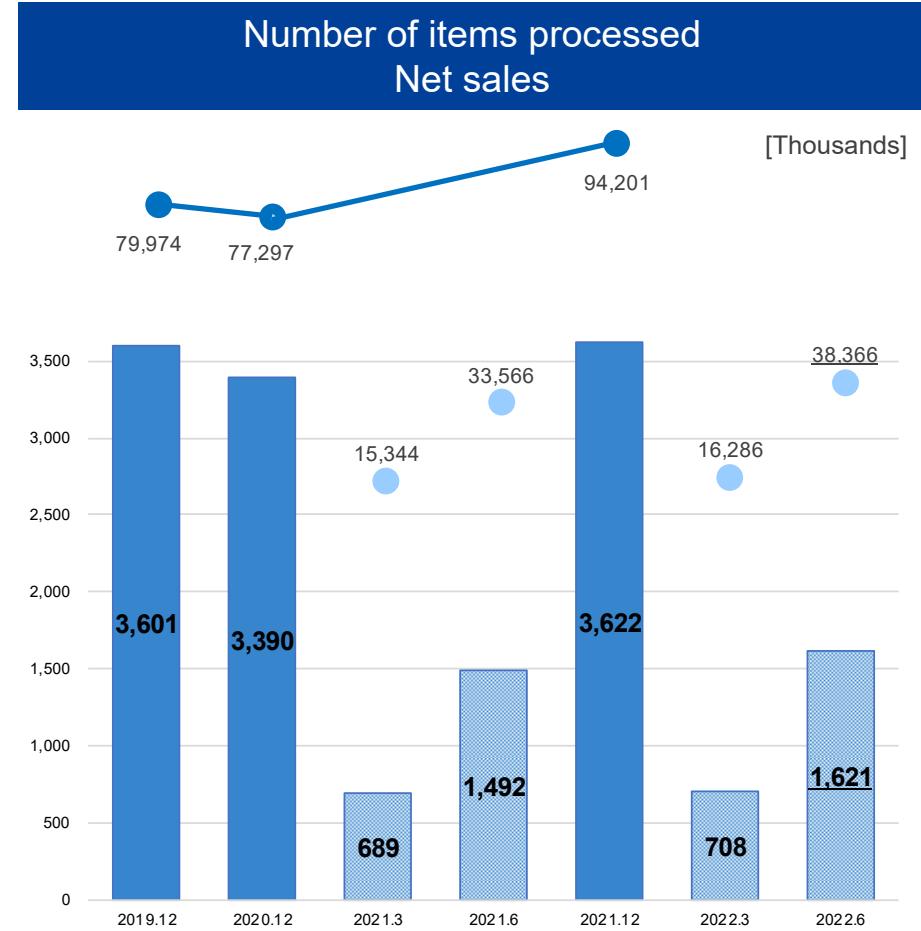
*Does not include GOGA packages or MAP.



(Unit: Million yen)

BPO business

- ✓ As the impact of COVID-19 gradually alleviates, there is not a big impact on existing customers, but it is taking time to close deals for new customers
- ✓ Invoice preparation services continued to perform well and was the main focus of operations when not processing Obon and year-end gifts
- ✓ For the six months of January to June, invoice preparation services had double the number of projects in 2022 than 2020!



✓ 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

2Q FY2022 Payment Agency Services Summary



(Unit: Million yen)

- ✓ Growth in mainstay payment and collection agency services was lower than the previous year. However, the growth rate is expected to recover steadily due to sequential operation of newly acquired customers.
- ✓ There was a dip in remittance services due to the COVID-19 pandemic and the sudden yen depreciation, but the business was still profitable.
- ✓ Operating income declined due to the impact of new platform transition.

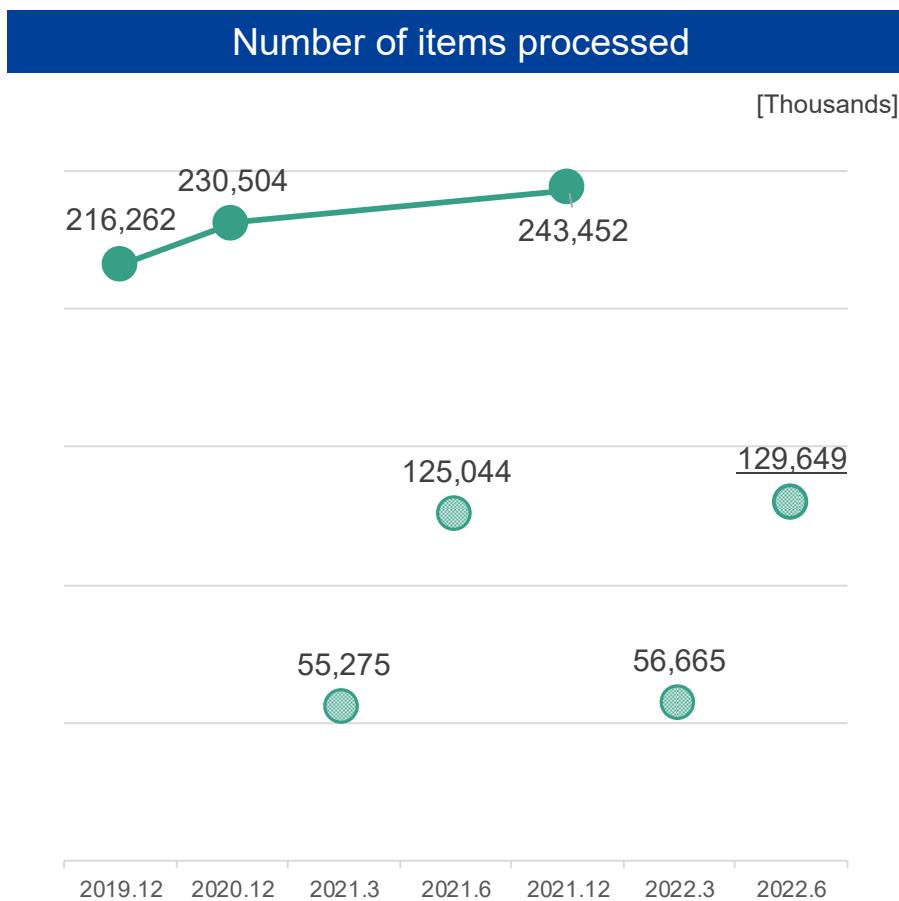
	FY 12/2021 2Q cumulative total	FY 12/2022 2Q cumulative total	YoY change		Full-year plan	Progress	FY 12/2021 Results for full year	Full year Change in amount	Full year Y-o-y
			Amount	Ratio					
Net sales	9,960	10,300	340	3.4%	21,390	48.2%	19,670	1,719	8.7%
Payment and collection agency service	9,065	9,335	270	3.0%	19,068	49.0%	17,844	1,223	6.9%
Online payment service	493	527	34	7.0%	964	54.7%	963	0	0.0%
Remittance service	205	201	-4	-2.1%	522	38.6%	424	97	22.8%
Payment agency peripheral services	175	180	4	2.5%	387	46.6%	356	30	8.4%
Other revenue	20	56	35	174.7%	450	12.5%	80	370	459.3%
Operating income	452	428	-23	-5.2%	958	44.8%	899	58	6.5%
Operating income ratio	4.5%	4.2%	0.38%pt Down		4.5%	—	4.6%		

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

(Unit: Million yen)

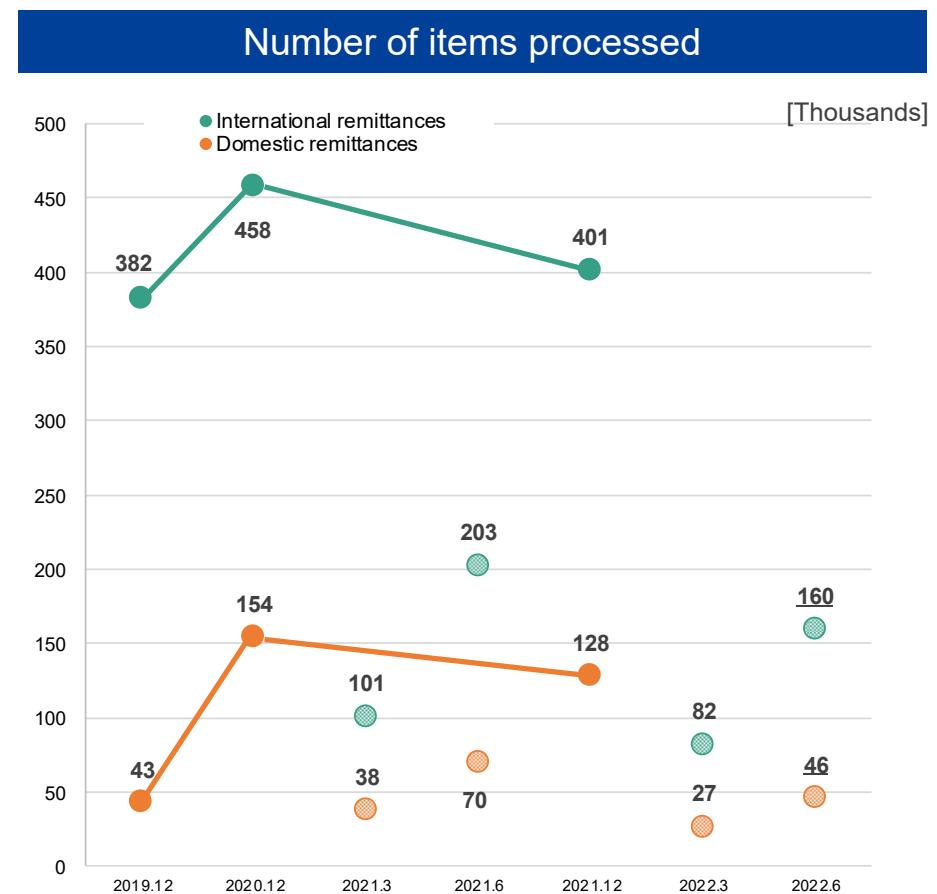
Payment and collection agency service/Online payment service

- ✓ **Payment and collection agency services performed well as the number of partners increased**
- ✓ **The number of cashless payment projects grew this year, contributing to income**
- ✓ **Investment in new infrastructure is in line with the plan**



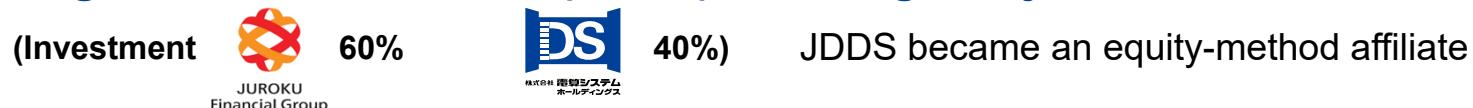
Remittance service/Payment agency peripheral services

- ✓ While a year-on-year decline is continuing, the Company plans to increase sales by acquiring new users
- ✓ The business continues to be profitable



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.**



- ✓ **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

- ✓ **July 25, 2022: JDDS opening commemorative seminar held**

DX Promotion
-Realize a future once dreamed of-
Japanese DX Based on Earlier Examples
of European/US DX
Instructor: Densan System
Managing Director Yoichiro Yatsurugi
If You Change, the Future Changes
Instructor: Fukuoka SoftBank Hawks
Former Manager Kimiyasu Kudo



JDDS President Nishibe



Mr. Kudo

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

Online account transfer reception 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 service segment

Although customers seem to have become more receptive to non face-to-face sales, closing sales with new customers still takes time. No more special demand for remote work and remote meetings due to COVID-19.

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. The steep rise in the price of raw materials will also have an effect. The impact of yen depreciation is felt in procuring Google, etc.

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. Labor shortage issues, and the gap in remuneration and motivation will grow.

Payment agency service segment

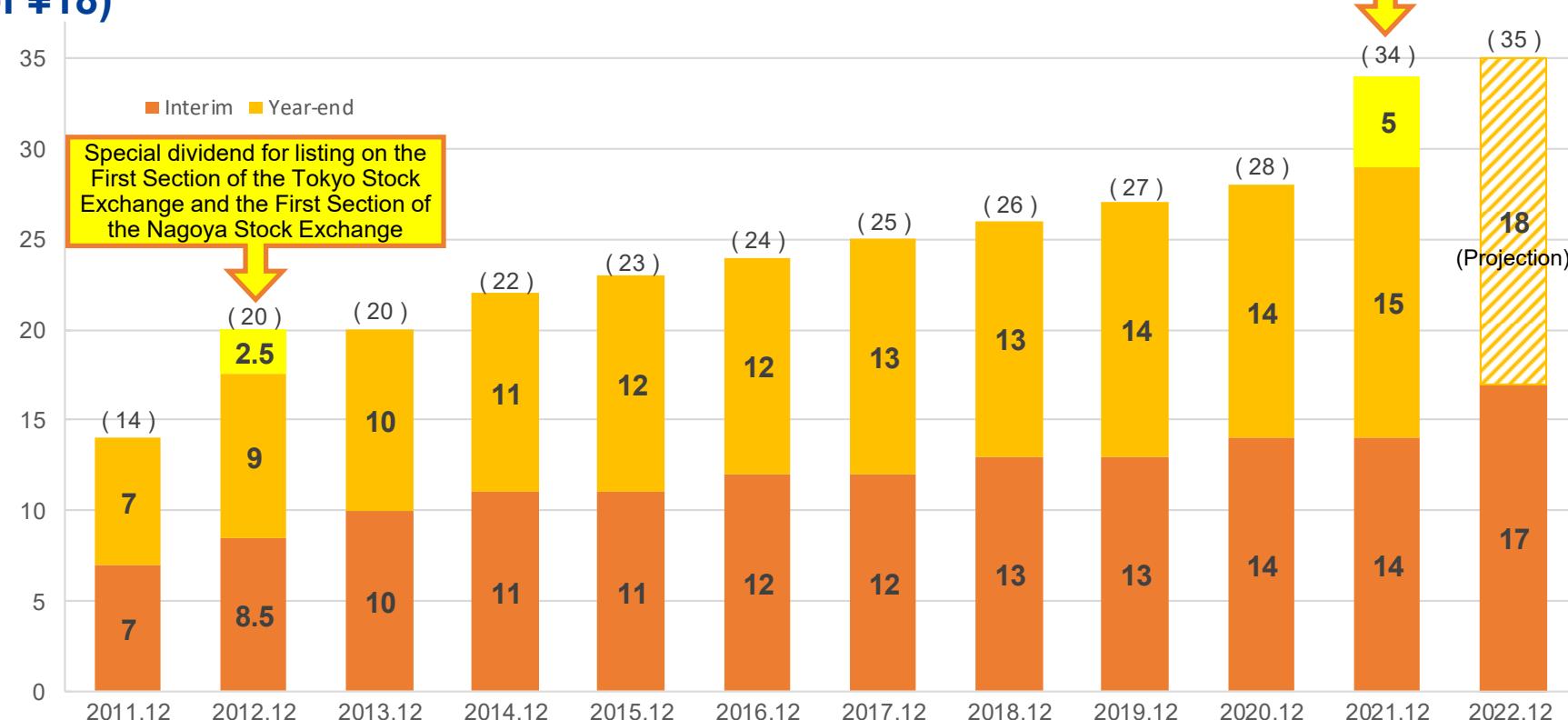
With face-to-face activities subject to limits depending on the status of COVID-19 infection, our sales efforts remain hindered, and we are not yet in a "working with COVID-19" situation.

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 as a negative factor for our Japan remittance business, which remains negative.

Dividends

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





Thank you for your attention.