



Densan System Holdings Co.,Ltd.

Densan System Holdings Presentation Materials for the 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

¥53,479 million
(6.2% up)

Operating income

¥3,414 million
(8.9% up)

Net income attributable to
shareholders of the parent company

¥2,348 million
(18.7% up)

Business results

- ✓ Both sales and income increased.
- ✓ Although sales did not reach the disclosed figures, profits exceeded the disclosed figures.
- ✓ Partly due to the impact of the new revenue standard (at the beginning of the period, Group companies included sales adjusted by the new revenue standard), sales did not reach the disclosed figures.
- ✓ In particular, although the sudden yen depreciation had a negative impact on profits during the period, we were able to achieve the disclosed figures thanks to our final efforts.

(Unit: Million yen)

- ✓ **Group companies that booked losses due to the impact of the new revenue standard also received strong orders and there are high expectations for the future.**
- ✓ **The operating income ratio was 6.4%, and ordinary income ratio was 6.7%.**
- ✓ **Although sales did not reach the plan, the profit margin improved.**
- ✓ **The provision of reserves by Group companies also had an impact on profits.**
- ✓ **Profits exceeded the disclosed figures, despite the impact of yen depreciation (Google procurement).**

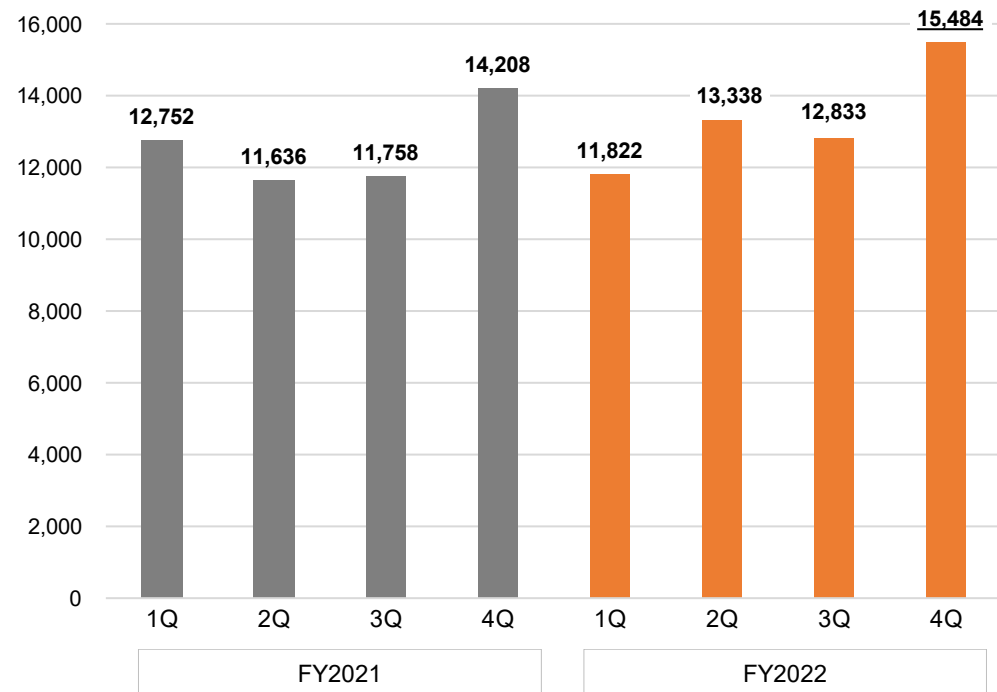
	FY2021	FY2022	Y-o-y (%)	Plan	Attainment ratio
Net sales	50,356	53,479	6.2%	55,500	96.4%
Operating income	3,134	3,414	8.9%	3,270	104.4%
Income ratio	6.2%	6.4%	-	5.9%	
Ordinary income	3,210	3,587	11.7%	3,290	109.0%
Income ratio	6.4%	6.7%	-	5.9%	
Net income	1,978	2,348	18.7%	2,349	100.0%

FY2022 Transition in Quarterly Business Results

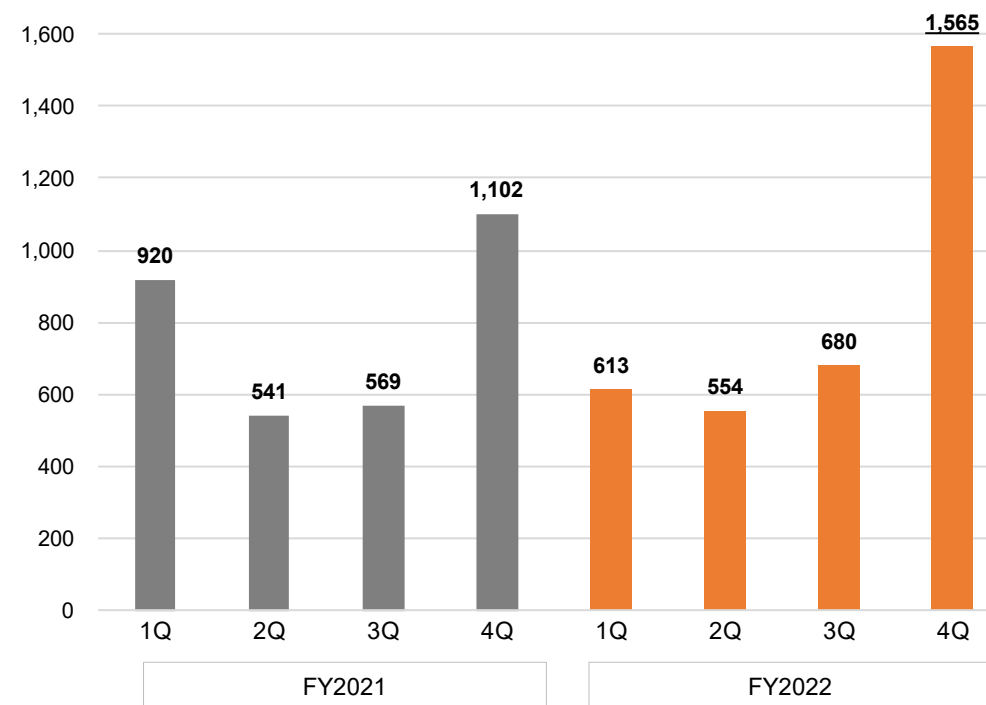
(Unit: Million yen)

- ✓ The profit margin in the 4Q improved because of the increase in the profit margin of payment agency services.
- ✓ Software development commissions continued to be strong.
- ✓ Sales growth was weak due to the reactionary decline for GIGA School.

Net sales



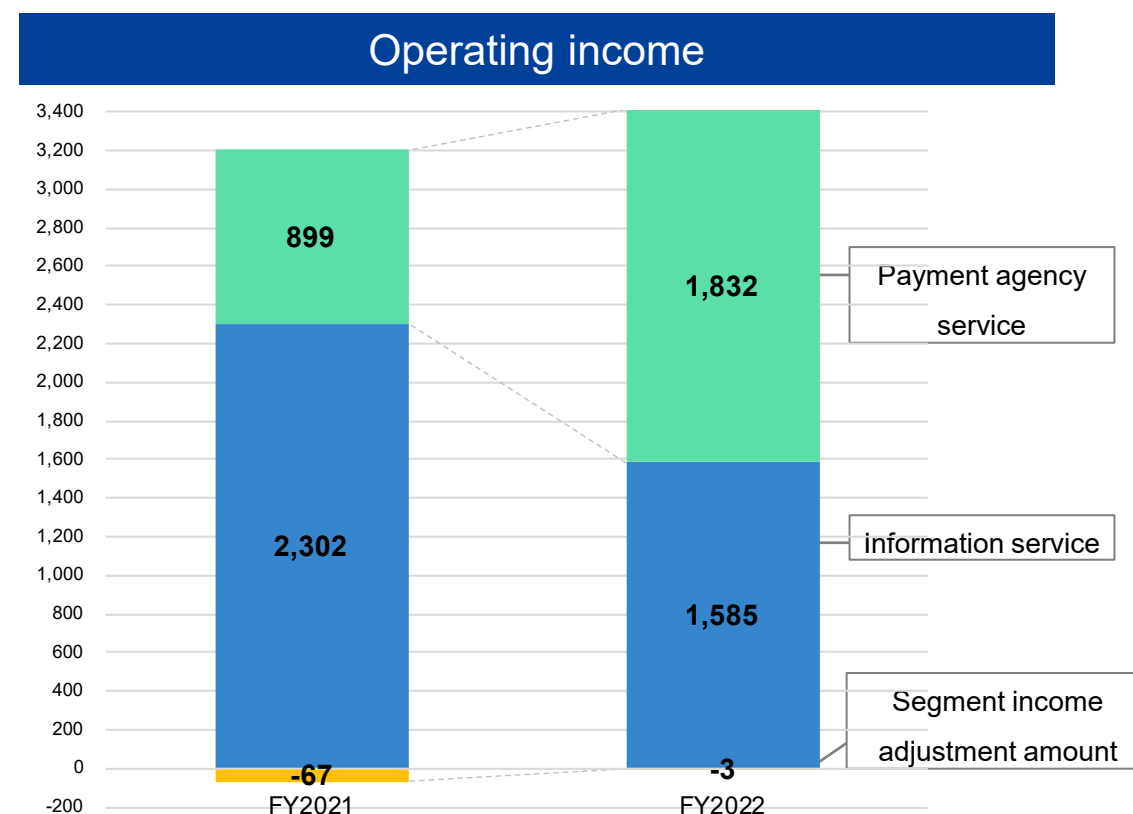
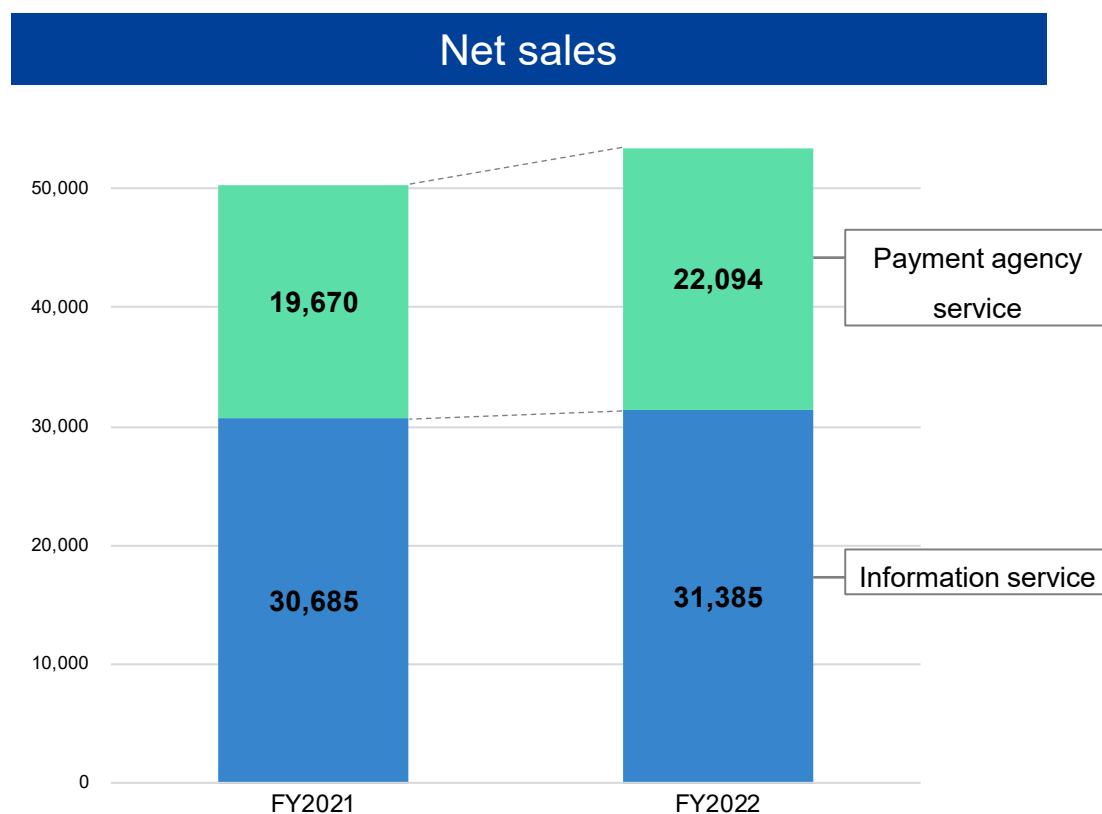
Operating income



FY2022 By Segment

(Unit: Million yen)

- ✓ Sales of both information services and payment agency services increased from the previous year.
- ✓ Operating income of information services declined from the previous year.
- ✓ Profit was up from the previous year for payment agency services.



(Unit: Million yen)

- ✓ Although there was sales growth, it was not sufficient to cover in terms of profits due to investments in new product development.
- ✓ SI and software development suffered from the triple punch of yen depreciation, the GIGA school concept, and new revenue standards, with yen depreciation impacting profits, and the GIGA school concept and new revenue standards impacting sales and profits. Software development continued to be strong.
- ✓ In information processing, invoice preparation services performed well.
- ✓ Sales of merchandise and finished goods include sales from Micro Research Ltd. (added to scope of consolidation from 3Q and 4Q for comparison with the previous period).

	FY2021	FY2022	Y-o-y (%)		Full-year plan	Attainment ratio
			Amount	Ratio		
Net sales	30,685	31,385	700	2.3%	34,110	92.0%
SI and software development	22,401	22,066	-334	-1.5%	25,470	86.6%
Information processing	6,043	6,326	282	4.7%	6,072	104.2%
Sales of merchandise and finished goods	2,240	2,942	702	31.3%	2,568	114.6%
Other revenue	0	49	49		0	
Operating income	2,302	1,585	-717	-31.2%	2,312	68.6%
Operating income ratio	7.5%	5.1%	2.5%pt Down		6.8%	

(Unit: Million yen)

Google business

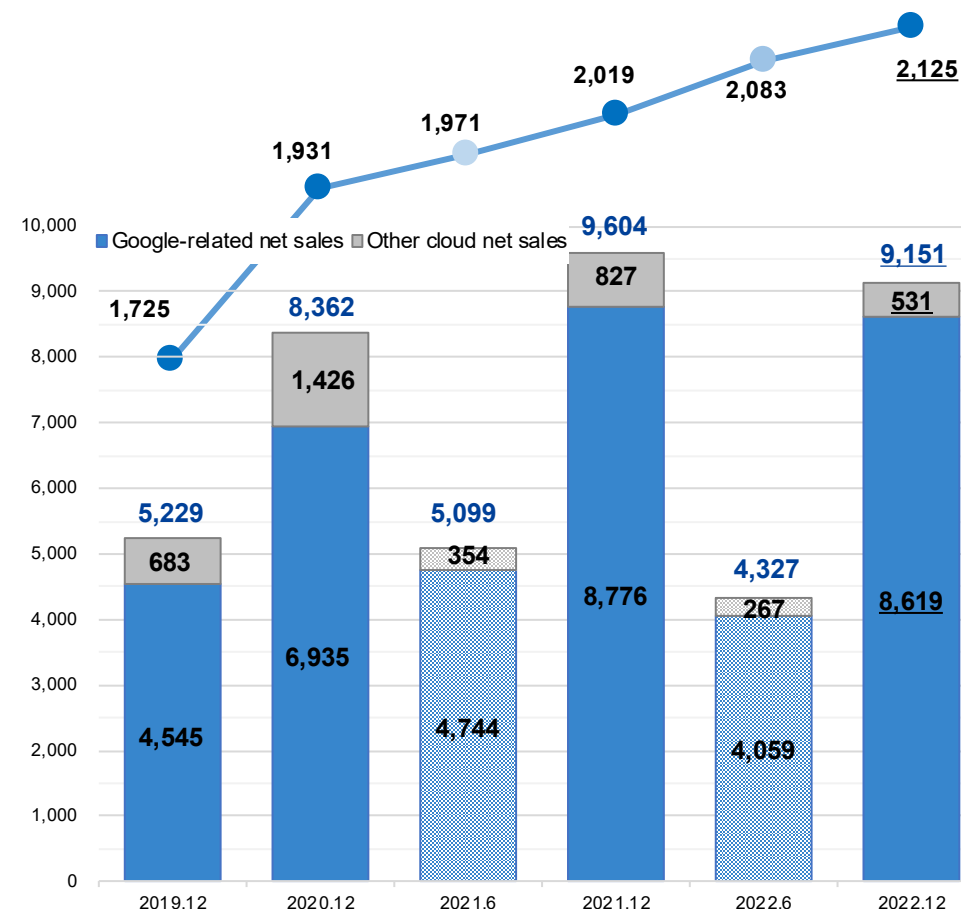
- ✓ Income declined due to the impact of the yen depreciation.
- ✓ GIGA school concept was in place until March of last year, and sales declined due to that impact (Chromebook sales halved).
- ✓ New adoption of Google Workspace remained strong.
- ✓ Special demand for digital signage before the Olympics has ended.

Number of Google (Google Workspace) adopter companies : **2,125** companies

Sales of cloud related services: **-4.7%**

*Does not include GOGA packages or MAP.

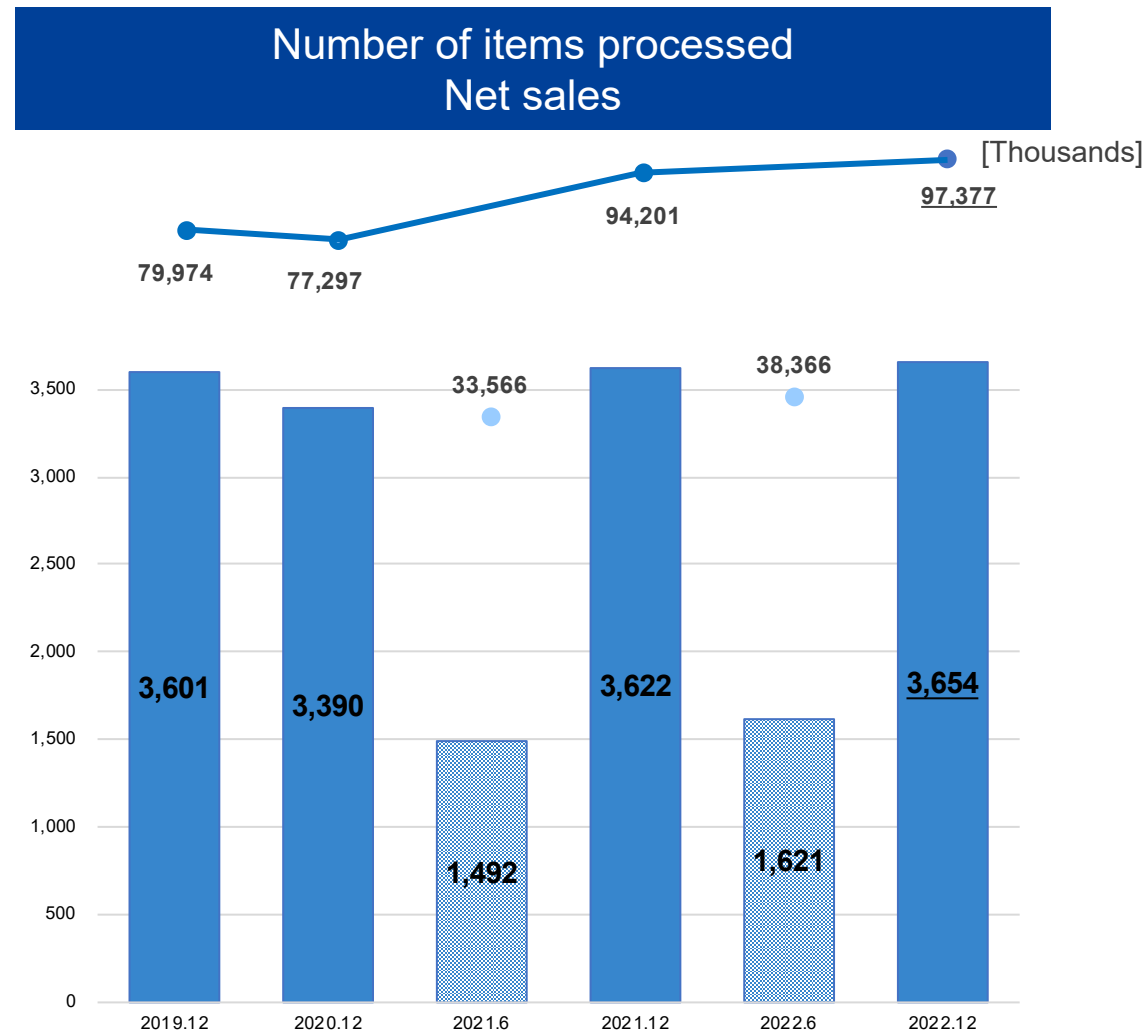
Number of Google (Google Workspace) implementations
Cloud-related net sales



(Unit: Million yen)

BPO business

- ✓ Sales, income, and number of items processed all exceeded last year's levels.
- ✓ Invoice preparation services continued to perform well and have become a core product.
- ✓ Focus on DSK multi-invoice.



FY2022 **Payment Agency Services** Summary

(Unit: Million yen)

- ✓ **The operating income ratio rose to 8.3%, approaching the level when we first started.**
- ✓ **This was due to the increase in profit from the unutilized projects that started to operate in September.**
- ✓ **Remittance services are expected to increase from now on as the impact of COVID-19 has eased.**
- ✓ **Negative growth in payment agency peripheral services was due to the departure of a large drugstore.**
- ✓ **Other revenue is from DSK deferred payment services, which did not become profitable, but are expected to become profitable this fiscal year.**

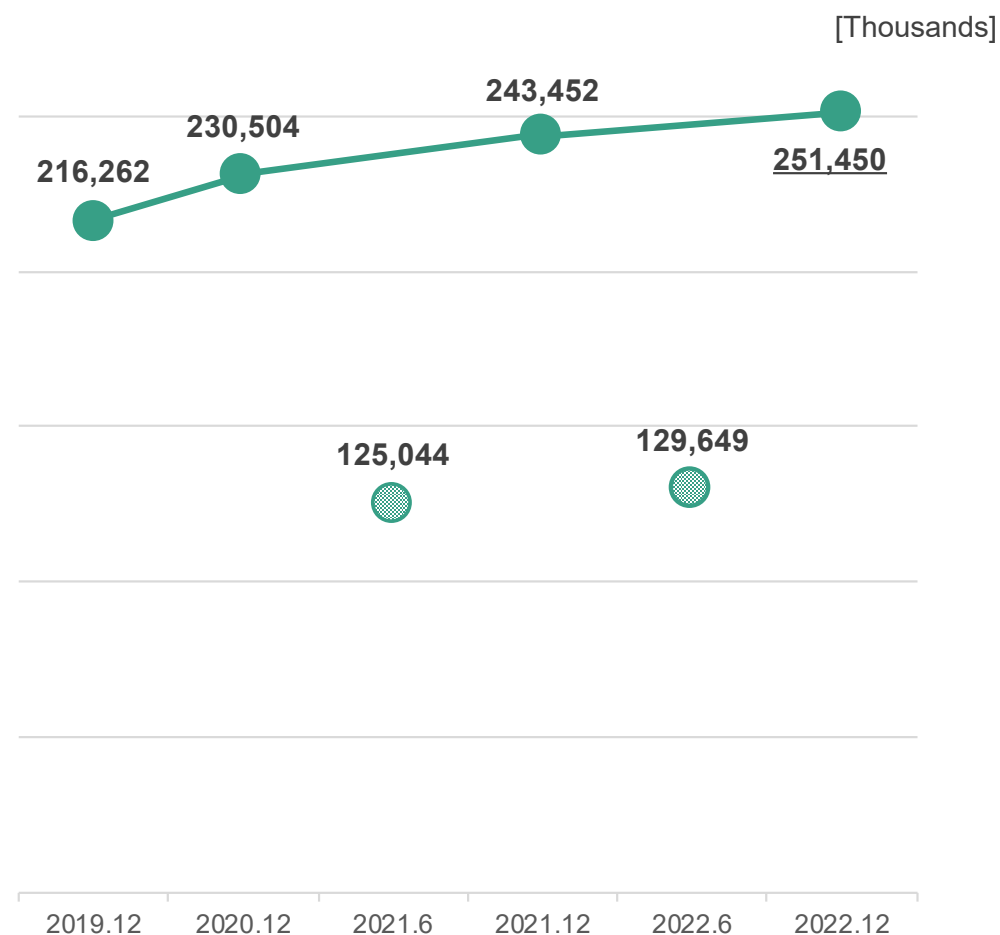
	FY2021	FY2022	Y-o-y (%)		Plan	Attainment ratio
			Amount	Ratio		
Net sales	19,670	22,094	2,423	12.3%	21,390	103.3%
Payment and collection agency service	17,844	20,151	2306	12.9%	19,068	105.7%
Online payment service	963	1,031	68	7.1%	964	107.1%
Remittance service	424	401	-23	-5.6%	522	76.9%
Payment agency peripheral services	356	350	-6	-1.8%	387	90.5%
Other revenue	80	159	78	98.2%	450	35.4%
Operating income	899	1,832	933	103.7%	958	191.3%
Operating income ratio	4.6%	8.3%	3.72%pt Up		4.5%	—

(Unit: Million yen)

Payment and collection agency service/Online payment service

- ✓ **Cashless payments have increased and profitability has improved.**
- ✓ **New infrastructure has made it possible to process 250 million transactions reliably and securely.**
- ✓ **There are also more than 6,000 vendors, and a new, reliable infrastructure is in place.**

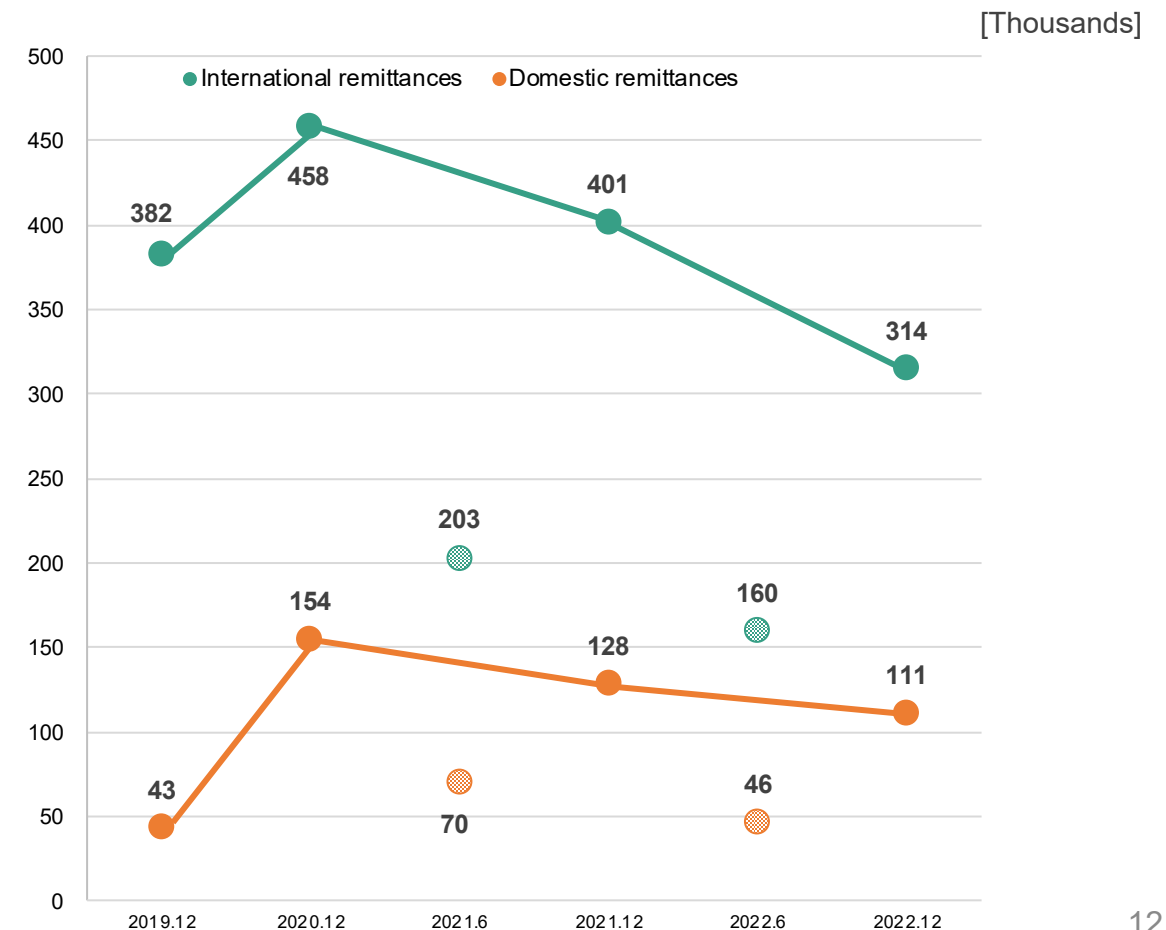
Number of items processed



Remittance service/Payment agency peripheral services

- ✓ Remittance business has become profitable.
- ✓ The decline in the number of registered users of international remittance services has stopped and turned positive.
- ✓ Continue to persevere until the world returns to normal.

Number of items processed



Making society more convenient through payment services!
Always creating new services as a comprehensive payment service business!

- ✓ **April 1, 2022: PayPay Money added to TREE PAYMENT, Sumitomo Life Insurance's premium settlement service platform for customers (Joint venture by Densan System, Sumitomo Life Insurance, and CSS)**
- ✓ **September 1, 2022: DSK Virtual Card Settlement, a B2B billing service DSK handles everything from invoicing to collection, including invoicing and sending invoices, payment receipt management, accounting, and payment reminders, which streamline operations and eliminates risk of bad debts (Joint venture by Densan System, DST, JTB, and JBI)**



Reform the organization to strengthen sales and proposal capabilities

Enable total sales and marketing

DX promotion in companies and local governments

- ✓ **February 28, 2022: Stared providing DX Assistance Series**
Visualize DX of user companies and support problem solving
- ✓ **March 2022: Temporary childcare reservation service, Minnano Michishirube, introduced in Yokohama City**
Being deployed to temporary childcare facilities in Yokohama City (private businesses certified as temporary childcare reservation service providers)
- ✓ **July 25, 2022: JDDS opening commemorative seminar held, DX Promotion -Realize a Future Once Dreamed of-**
Held at JDDS, an equity-method affiliate of Juroku Densan Digital Service Co., Ltd.
- ✓ **August 4, 2022: Smart glasses demonstration experiment held in Hamamatsu City**
Held demonstration experiment using smart glasses in the maintenance and management of sewage treatment plants in order to study the use of ICT and other advanced technologies in the sewage business and to promote DX.
- ✓ **December 12, 2022: Introduction and operation of smart glasses at Fujitec Co., Ltd.**
Partially remote safety patrols by skilled technicians using smart glasses to audit maintenance sites, meaning that skilled technicians spend less time traveling and conduct safety patrols more frequently.

Further proposals, promotion, and expansion of DX

Expand and strengthen cloud system

✓ June 3, 2022: BizCrossGate

Provides a secure closed environment that connects to customer networks and public cloud services such as Tono IDC and Google Cloud via a dedicated private network.

✓ September 28, 2022: Acquired AWS Solution Provider certification

Supports the promotion of corporate DX through integrated system proposals that combine customer-oriented system development capabilities with the speed of infrastructure construction and many of the latest functions of AWS.

✓ November 30, 2022: Ra:Class DX (Google for Education™ Education DX package)

Google Cloud provides tools to analyze and visualize educational big data accumulated in schools, making it easy for teachers to analyze the current situation of students.

DSK Tono IDC, Google Cloud, AWS, Azure, OCI...

Proposing the best environment for each customer

Information service segment

As we coexist with the coronavirus, although we are adapting to sales and development by using both remote and in-person services, there is a risk of personnel retention due to the spread of infection in divisions where remote work is not possible.

The weak yen and high prices of goods have impacted profits, and some contracts need to be reviewed.

In addition, there is a shortage of human resources (particularly IT personnel), and it is necessary to focus on new graduate hiring, mid-career hiring, and training.

Currently, market demand 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. We are working to develop new solutions with appropriate timing.

Payment agency service segment

Although there are expectations for a rebound in consumption following the easing of restrictions on behavior, there are concerns about sales growth due to curbs on consumption activities caused by rising prices and diversification of payment methods caused by soaring intermediary costs.

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 recovery of new arrivals remains slow, and the weak yen has acted as a negative factor for our Japan remittance business (and also possibly accelerating the departure of foreign workers from Japan), which remains negative.

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

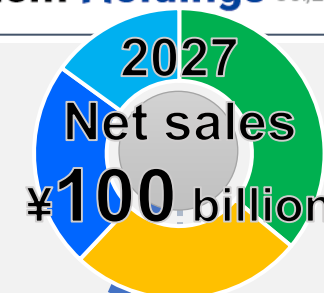
- Payment agency service
- Credit guarantee-type deferred payment services
- Remittance service
- New payments services

2021
Establishment of
Densan System
Holdings Co., Ltd. and
transition to a holding
company structure

¥53.4 billion

2013
Cloud service started

2018 Start up of BPO Center



Challenge1000 (taking into account ESG and SDGs)

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.**

(Unit: Million yen)

- ✓ **Challenge 1000 will be an important 3-year period, with a determination to accomplish what we set out to achieve.**
- ✓ **Gradually increase the profit margin (overall) over a period of three years.**
- ✓ **Looking at the growth rates of the previous year, we have set ambitious targets for sales and operating income of 15.3% and 15.8%, respectively.**
- ✓ **In terms of the weak yen, the impact of exchange rates is expected to be reduced as we move forward with yen-denominated settlements (Google purchases).**

	FY2022 Actual	FY2023 Plan	FY2024 Plan	FY2025 Plan	Growth rate y-o-y Average
Net sales	53,479	62,500	71,200	82,000	15.3%
Information service	31,385	35,159	40,524	48,248	
Payment agency service	22,094	27,341	30,476	33,752	
Operating income	3,414	3,900	4,500	5,300	15.8%
Information service	1,585	1,655	2,237	2,854	
Payment agency service	1,832	2,245	2,263	2,446	
Income ratio	6.4%	6.2%	6.3%	6.5%	
Information service	5.1%	4.7%	5.5%	5.9%	
Payment agency service	8.3%	8.2%	7.4%	7.2%	

(Unit: Million yen)

- ✓ **Profit margin will be slightly lower this fiscal year compared to the previous year.**
- ✓ **The change in sales for the current fiscal year will be high, at 9 billion yen.**
Although the previous fiscal year was affected by the coronavirus and the new revenue standard, things are projected to improve for current fiscal year as this impact will disappear, although it will not be easy.
- ✓ **Human resource shortages are becoming serious, and a review of compensation is necessary.**

	FY2022	FY2023 Projection	Change in amount	Y-o-y
Net sales	53,479	62,500	9,020	16.9%
Operating income	3,414	3,900	485	14.2%
Income ratio	6.4%	6.2%		
Ordinary income	3,587	3,912	325	9.1%
Income ratio	6.7%	6.3%		
Net income	2,345	2,643	298	12.7%
Segment income adjustment amount	-3	0		

(Unit: Million yen)

- ✓ **The operating income margin will decline due to factors such as price hikes and improved compensation.**
- ✓ **In SI and software development, software development, auto auctions, and Google Workspace will be performing well.**
Heading toward yen-denominated settlements in response to yen depreciation.
The new revenue standard is in its second year and will stabilize in the current fiscal year.
- ✓ **In information processing, invoice preparation services will continue to perform well.**

	FY2022	FY2023 Projection	Change in amount	Y-o-y
Net sales	31,385	35,159	3,773	12.0%
SI and software development	22,066	24,966	2,899	13.1%
Information processing	6,326	7,445	1,118	17.7%
Sales of merchandise and finished goods	2,942	2,654	-288	-9.8%
Other revenue	49	64	14	29.3%
Operating income	1,585	1,655	70	4.4%
Income ratio	5.1%	4.7%		

(Unit: Million yen)

- ✓ **Propose a variety of settlement methods and strengthen sales to local governments.**
(Aiming for a win-win relationship that benefits customers as well)
- ✓ **Consider campaigns to promote cashless payments.**
- ✓ **Expect increase in PAYSLE.**

	FY2022	FY2023 Projection	Change in amount	Y-o-y
Net sales	22,094	27,341	5,247	23.7%
Payment and collection service	20,151	25,123	4,972	24.7%
Online payment service	1,031	1,061	29	2.8%
Remittance service	401	507	105	26.4%
Payment agency peripheral services	350	350	0	-0.1%
Other revenue	159	300	141	-0.3%
Operating income	1,832	2,245	412	22.5%
Income ratio	8.3%	8.2%		

Climate change initiatives

Viewing climate change as one of the major issues affecting our business, we will actively address climate change and contribute to the realization of a sustainable society through environmentally and socially conscious business operations, while at the same time aiming for sustainable growth.

✓ **CO2 emissions to virtually zero for Tono IDC**

January 2023: Switch all electricity used at Tono IDC to CO2-free electricity

(Annual CO2 emissions: from approximately 387 tons to virtually zero)

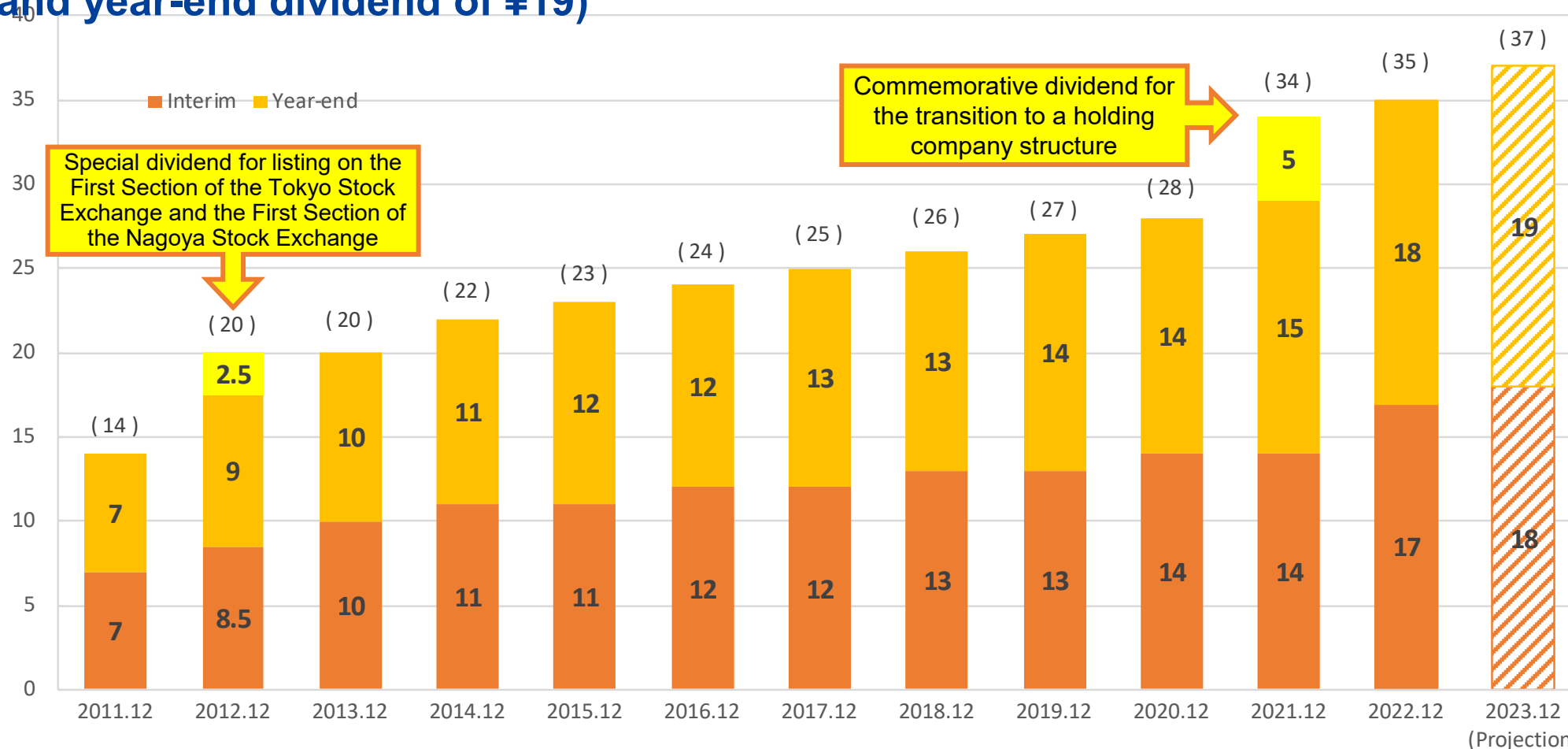
CO2-free electricity: Electricity with CO2-free value derived from renewable energy sources that do not emit CO2 during power generation.

Promoting conversion to CO2-free electricity to contribute to the reduction of greenhouse gas emissions

✓ **Support for the Task Force on Climate-related Financial Disclosures (TCFD)**

In addition to endorsing the TCFD, recognize and assess the risks and opportunities posed by climate change issues in accordance with TCFD recommendations, and disclose information in accordance with the four categories of governance, strategy, risks, and indicators and targets.

- ✓ **FY2022: Annual ordinary dividend of ¥35 per share (interim dividend of ¥17 and year-end dividend of ¥18)**
- ✓ **FY2023 forecast: Annual ordinary dividend of ¥37 per share (interim dividend of ¥18 and year-end dividend of ¥19)**



✓ 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