

Densan System Holdings Co., Ltd. Presentation Materials for the 1Q FY2023 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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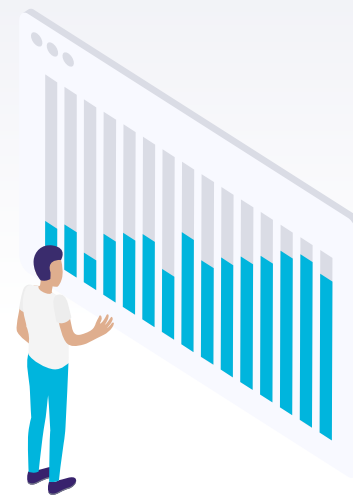


1Q FY2023 Business Results Highlights

Net sales 14.596 billion yen (23.5% ↑)

Operating income 1.186 billion yen (94.1% ↑)

Net income
attributable to shareholders of the parent company
773 million yen (37.6% ↑)



1Q FY2023 Business Results Highlights

Unit: Million yen

- ▶ Orders for both information services and payment agency services were strong.
- ▶ Non-operating income of 200 million yen in the previous year's 1Q was eliminated this year, and the YoY ratios of ordinary income and net income are lower than those of operating income.
- ▶ The full-year plan remains unchanged.

	FY2022 1Q	FY2023 1Q	YoY change
Net sales	11,822	14,596	23.5%
Operating income	611	1,186	94.1%
Income ratio	5.2%	8.1%	-
Ordinary income	818	1,186	45.0%
Income ratio	6.9%	8.1%	-
Net income	562	773	37.6%

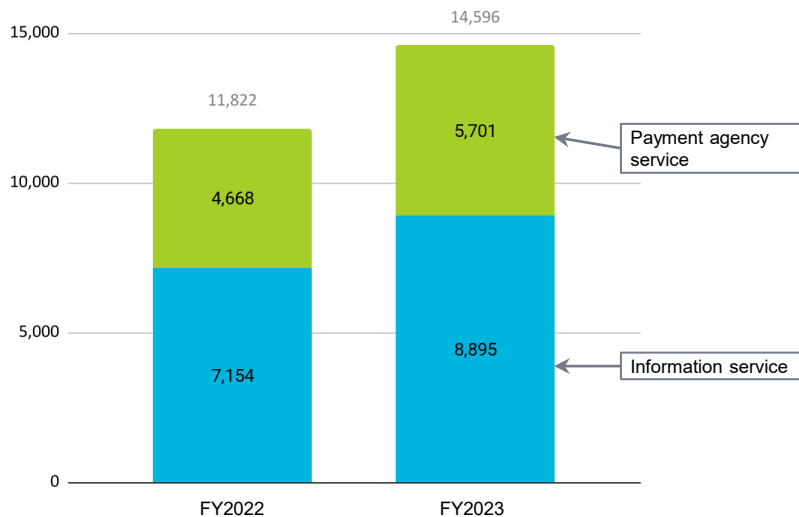
	Full-year plan	Progress
	62,500	23.4%
	3,900	30.4%
	6.2%	
	3,912	30.3%
	6.3%	
	2,643	29.3%

1Q FY2023 By Segment

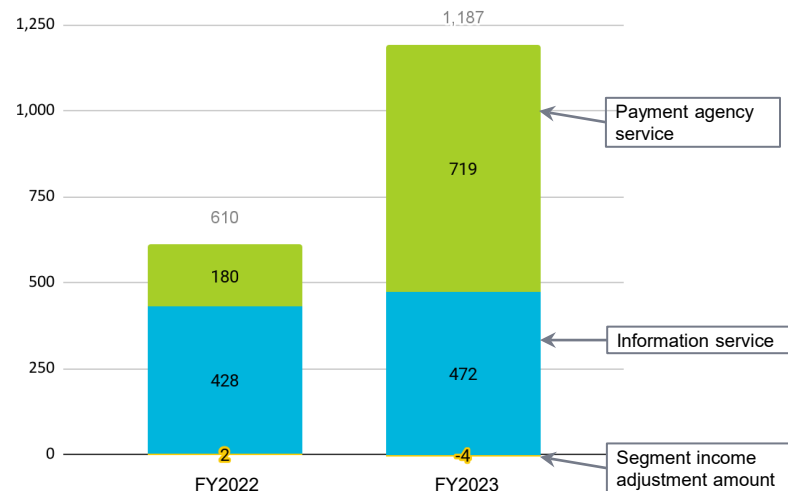
Unit: Million yen

- ▶ The low sales growth rate due to the impact of the new standard for revenue recognition will be resolved over time.
- ▶ Google Workspace sales increased due to an increase in the number of customers. In addition, profits increased in Google-related business due to improved foreign exchange rates.
- ▶ Operating income of payment agency services increased due to an increase in the number of newly acquired customers.

Net sales



Operating income

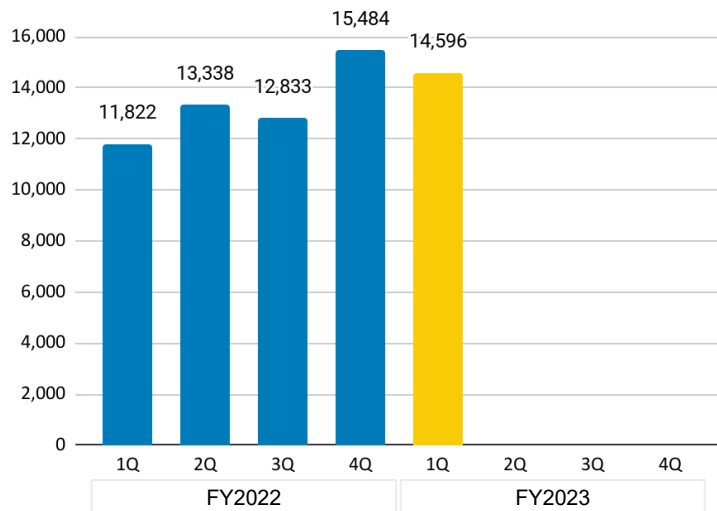


1Q FY2023 Transition in Quarterly Business Results

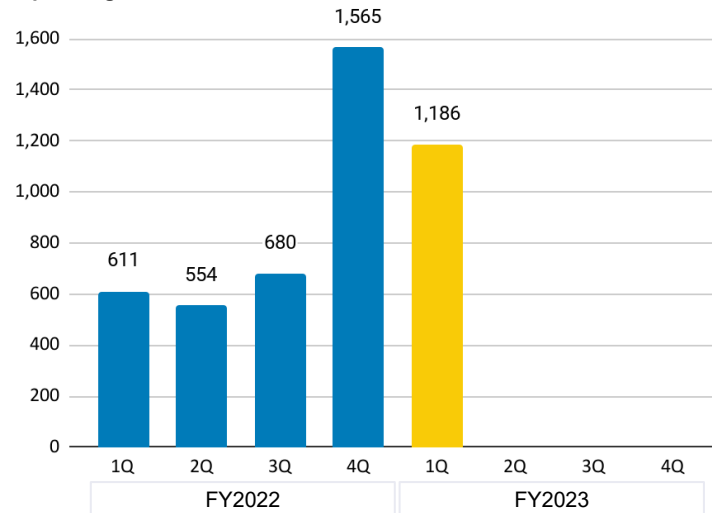
Unit: Million yen

- ▶ Sales of stock transactions were almost in line with the plan, and sales were strong.
- ▶ Large spot sales of merchandise and product sales were also recorded in 1Q.
- ▶ Profit increased due to an increase in handling of newly acquired customers for payment agency services since 4Q of the previous year. This is expected to continue until 3Q of the current fiscal year.

Net sales



Operating income



1Q FY2023 Information Services Summary

Unit: Million yen

- ▶ **Both sales and profit increased.**
Various SI projects and sales of information security products were strong.
Large-scale Google Workspace projects started operations, and invoice preparation services remained strong.
Sales were boosted by large-scale projects for product sales to local governments.
- ▶ **Promoted further sales expansion through cross-selling throughout the Group.**

	FY2022 1Q	FY2023 1Q	YoY change	
			Amount	Ratio
Net sales	7,154	8,895	1,741	24.3%
SI and software development	5,164	6,258	1,094	21.2%
Information processing	1,315	1,268	(47)	(3.6%)
Sales of merchandise and finished goods	671	1,351	680	101.3%
Other revenue	2	17	14	528.4%
Operating income	428	472	43	10.2%
Operating income ratio	6.0%	5.3%	0.7%pt Down	

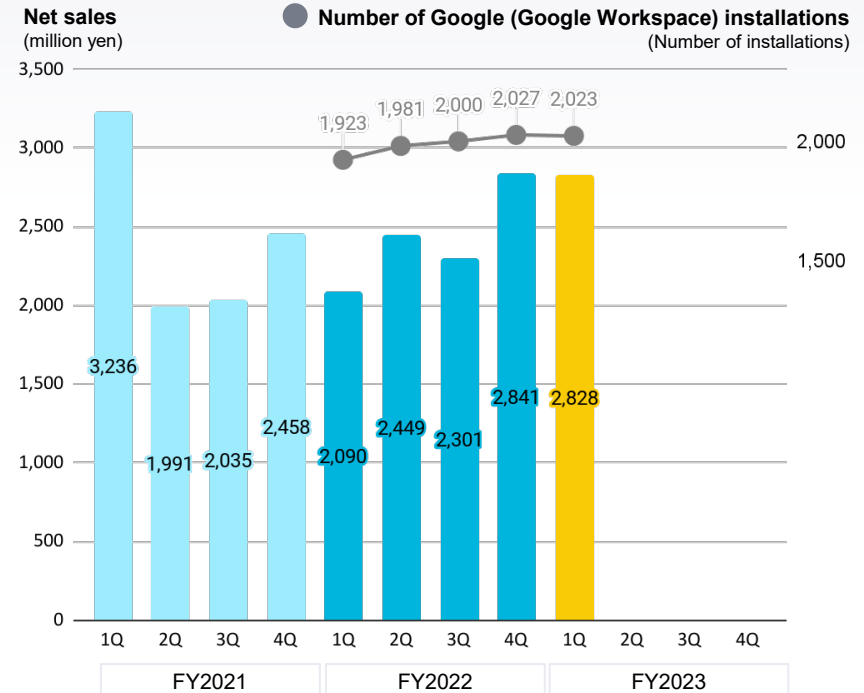
Full-year plan	Progress
35,159	25.3%
24,966	25.1%
7,445	17.0%
2,654	50.9%
64	27.4%
1,655	28.5%
4.7%	

1Q FY2023 Information Services in Detail (Google Business)

- ▶ Sales increased 35.3% YoY.
- ▶ ChromeBook sales picked up.
- ▶ Sales increased due to the operation of large Google Workspace projects.
- ▶ Number of Google Workspace subscribers declined slightly from 4Q of the previous year.
- ▶ Focused on sales of Google Maps Platform.

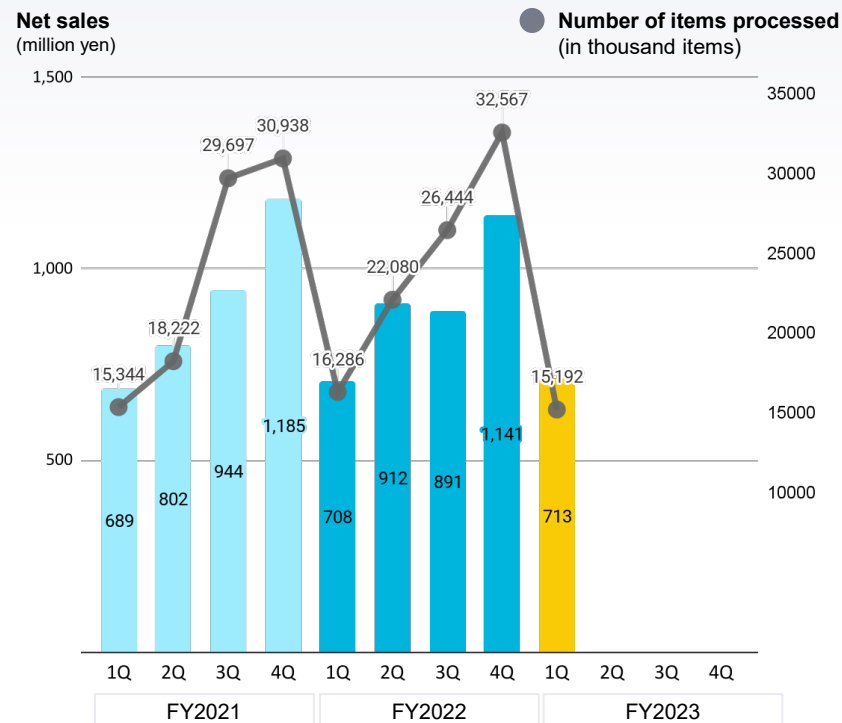
Google (Google Workspace) adopter companies: **2,023 companies**

Google business sales **35.3% up from the previous fiscal year**



1Q FY2023 Information Services in Detail (BPO Business)

- ▶ Invoice preparation services performed well.
- ▶ Number of items processed decreased from the previous fiscal year.
- ▶ Focused on multi-invoice services.
- ▶ Focused on sales of educational materials smart order system.



1Q FY2023 Payment Agency Services Summary

Unit: Million yen

- ▶ New acquisitions were strong (approximately 50 companies per month).
- ▶ Sales and profit increased due to steady growth in newly acquired customers following the 4Q of the previous year.
- ▶ Profit increased due to increased use of smart phone payments and more efficient system operations.
- ▶ International remittances struggled.
- ▶ Deferred payment services progressed as planned.

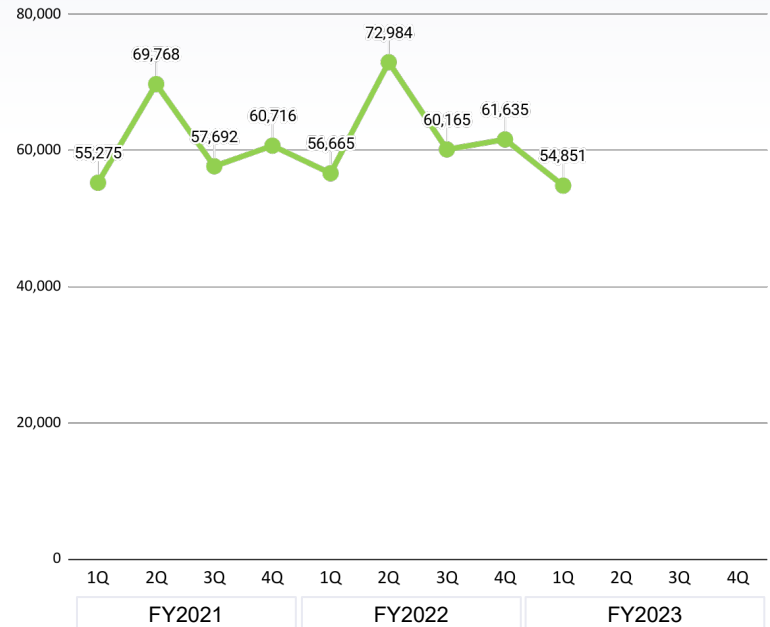
	FY2022 1Q	FY2023 1Q	YoY change	
			Amount	Ratio
Net sales	4,668	5,701	1,032	22.1%
Payment and collection agency service	4,215	5,210	995	23.6%
Online payment service	243	254	10	4.3%
Remittance service	95	88	(6)	(7.2%)
Payment agency peripheral services	89	80	(9)	(10.4%)
Other revenue	24	66	42	175.5%
Operating income	180	719	538	298.0%
Operating income ratio	3.9%	12.6%	8.7%pt up	

Full-year plan	Progress
27,341	20.9%
25,123	20.7%
1,061	24.0%
507	17.5%
350	22.9%
300	22.3%
2,245	32.0%
8.2%	-

1Q FY2023 Payment Agency Services in Detail (Payment and Collection Agency Services / Online Payment Services)

- ▶ **Cashless settlement using smartphones is expanding.**
- ▶ **Number of payment slip settlements (termination of contracts with some large customers) decreased.**
- ▶ **PAYSLE, which does not require issuance of payment slips, increased.**
- ▶ **Focused on expanding TREE PAYMENT.**
- ▶ **Promoted the establishment of a new payment platform through an alliance with Newnet Secure Transactions.**

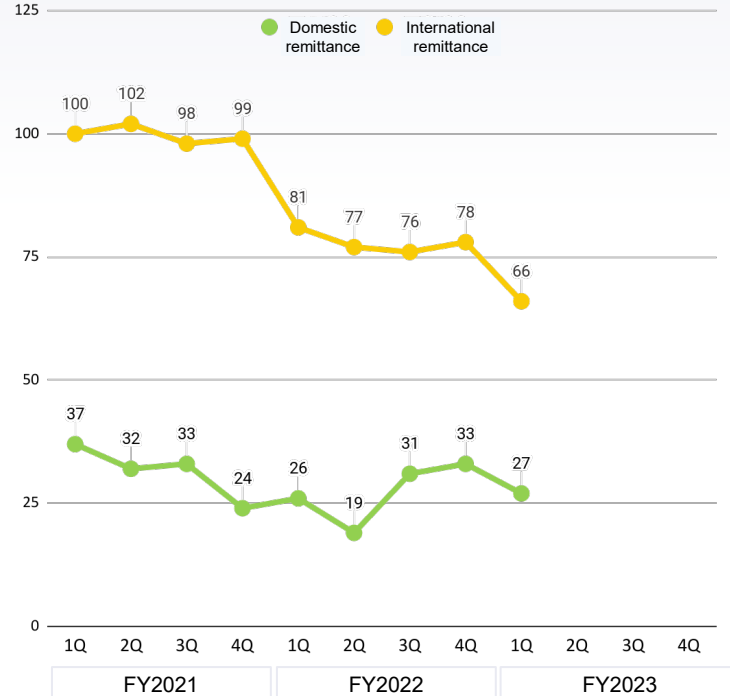
Number of items processed
(in thousand items)



1Q FY2023 Payment Agency Services in Detail (Remittance Services / Payment Agency Peripheral Services)

- ▶ **Number of international remittances decreased.**
The reasons include the coronavirus, yen appreciation, and stricter regulations. The number of international remittance desks has increased. There are high hopes for the future.
- ▶ **The number of domestic remittances fluctuates widely due to the large number of event-type cases.**
- ▶ **In payment agency peripheral services, both sales and operating profit were in line with the plan. The number of stores decreased due to the termination of services by some stores.**

Number of items processed
(in thousand items)



Long-Term Plan December 2021 to December 2027

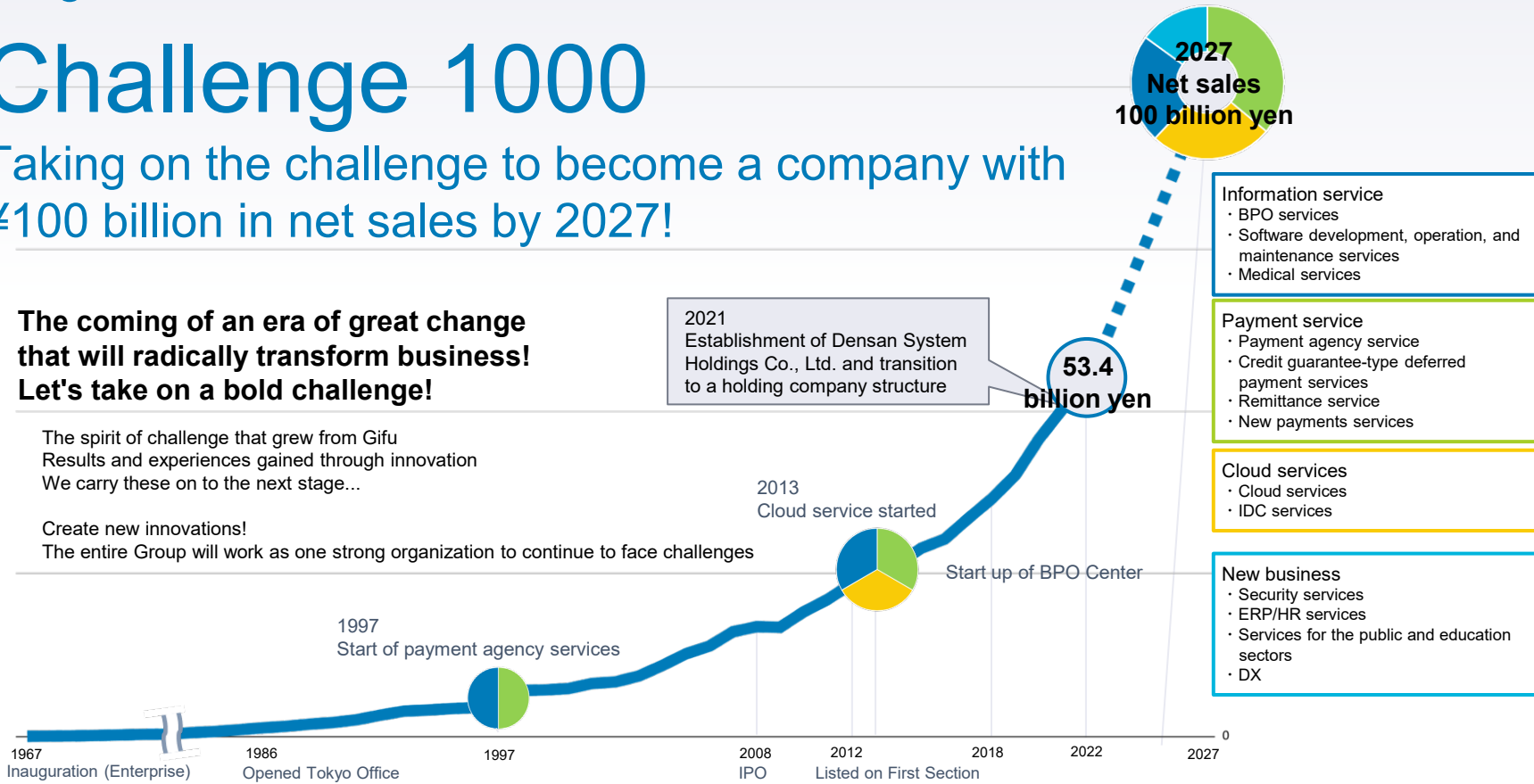
Challenge 1000

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!

The spirit of challenge that grew from Gifu
Results and experiences gained through innovation
We carry these on to the next stage...

Create new innovations!
The entire Group will work as one strong organization to continue to face challenges



Long-Term Plan December 2021 to December 2027

Challenge 1000

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

DSK Transformation (DX, self-transformation to create new value)

Strengthen collaboration among Group companies (creation of new services, cross-selling)

Expansion of neighboring areas (business expansion into peripheral areas, business alliances, M&As)

Human resource development (reskilling, personnel system, recruitment)

Medium-Term Plan December 2023 to December 2025

What should be done to achieve **Challenge 1000?**

DSK Transformation

→ **From contracted development to packaged services**
From paper-based to paperless
Improve efficiency of back-end operations

Strengthen collaboration among Group companies promotion system

→ **Strengthen and co-create business**

Expansion of neighboring areas

→ **Expansion of Google Business peripheral services**
Expansion of payment agency service menu

Human resource development

→ **Technical workshops, review of compensation**

Medium-Term Plan December 2023 to December 2025

Unit: Million yen

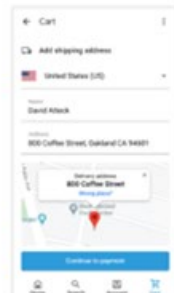

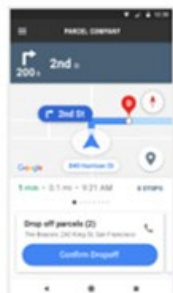
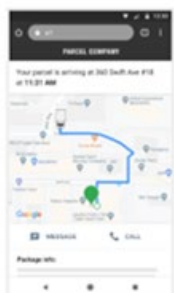

- ▶ Challenge 1000 will be an important 3-year period, with a determination to accomplish what we set out to achieve.
- ▶ Gradually increase the profit margin (overall) over a period of three years.
- ▶ Looking at the growth rate YoY, we have set ambitious targets for sales and operating income of 15.3% 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 YoY Average
Net sales	53,479	62,500	71,000	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%	

1Q FY2023 Topics

- ▶ **Started providing support for introduction of Google Maps Platform mobility services (GOGA)**

Achieve smooth operational linkage for expanding food delivery, home delivery, etc., to improve operational efficiency and resolve issues

<p>どこに届けるか</p> <p>Places Autocomplete API Geocoding API</p> 	<p>経路の最適化</p> <p>Directions API Routes Preferred API</p> 	<p>ドライバーナビゲーション</p> <p>Navigation SDK Driver SDK</p> 	<p>配達状況の可視化</p> <p>Shipment Tracking</p> 	<p>各車両のモニタリングと改善</p> <p>Fleet Tracking</p> 
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1Q FY2023 Topics

- ▶ **Evolution for "TREE PAYMENT," a payment service platform (Densan System)**

March 10, 2023: Launch of "TREE PAYMENT Account Transfer —100% Deposit Guarantee service—" a credit guarantee type account transfer service

March 29, 2023: Integration with "EngagePlus," a message delivery service provided by TOPPAN Edge Inc., to be launched by the end of 2023

TREE PAYMENT :

Jointly developed by CSS and Densan System

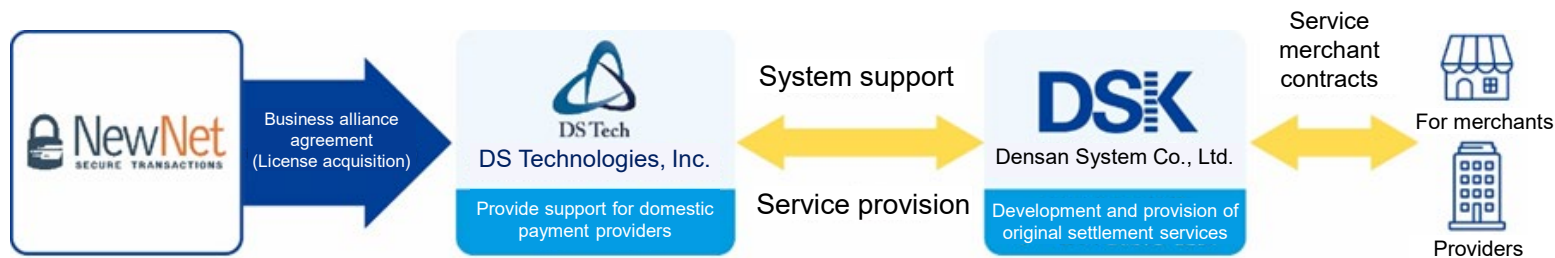
Provides a one-stop service for the customer's preferred payment methods

1Q FY2023 Topics

- ▶ **First business alliance in Japan with Newnet Secure Transactions, Inc. (Densan System and DS Technologies)**

By using NewNet's Secure Transaction Cloud (STC) system, a payment gateway system compliant with the latest cloud technology to handle the huge volume of communication traffic generated by financial services worldwide in a stable and fast manner, while at the same time complying with advanced international security standards, it has been possible to support the rapidly growing and expected future expansion of online market businesses recently

By changing from a single-menu service that connects convenience store collection agencies, credit card payment services, smartphone payment services, deferred payment services, and other necessary services on a case-by-case basis to a comprehensive payment solution service that allows customers to easily select from a variety of payment options according to their needs, while introducing these payment options all at once, we are providing a payment service that is faster, more convenient, and safer.



1Q FY2023 Topics / Impact of Social Conditions

Information service segment

Although the impact of foreign exchange (yen depreciation) is becoming more moderate, the impact of higher prices and labor costs is expected to grow in the future.

Increases in purchase prices for equipment, paper, etc., unit prices for partners, and labor costs have occurred frequently and some are still under negotiation.

As earnings have been affected, we will implement price hikes for customers. However, we will proceed cautiously as there are concerns that system investments will be curtailed.

Although measures against the coronavirus are easing, we will promote business while taking infection control measures, as the occurrence of infected persons will affect the implementation of business.

We will strive to expand our business by utilizing the experience gained during the coronavirus pandemic, including face-to-face and non-face-to-face customer service and remote work.

Payment agency service segment

The impact of high prices and rising labor costs is expected to increase in the future.

Opportunities for face-to-face business meetings are increasing, and sales activities are becoming more active as they were before the coronavirus pandemic. With regard to existing customers, the special stay-at-home demand caused by the coronavirus has subsided, and an increase in the number of settlements per customer is not expected to be significant. On the other hand, business operators are continuing to take advantage of the coronavirus pandemic to improve their settlement environment from a non-face-to-face perspective, and we would like to make effective use of business opportunities in this area.

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.

Dividends

- ▶ **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)

