

Densan System Holdings Co., Ltd. Presentation Materials for the 2Q FY 2023 Results Briefing

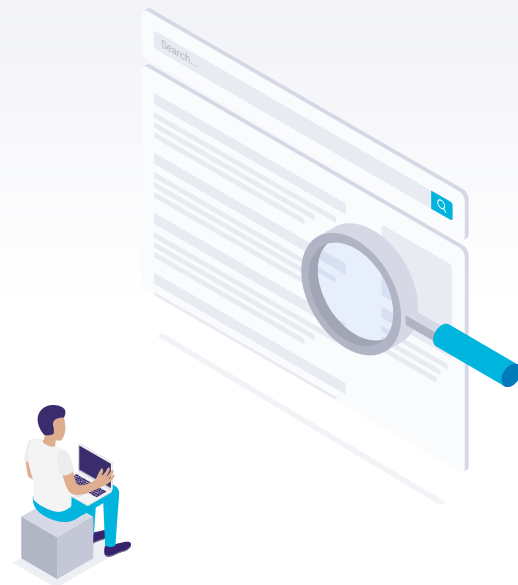
**Tokyo Stock Exchange Prime
Nagoya Stock Exchange Premier
Securities Code: 4072**

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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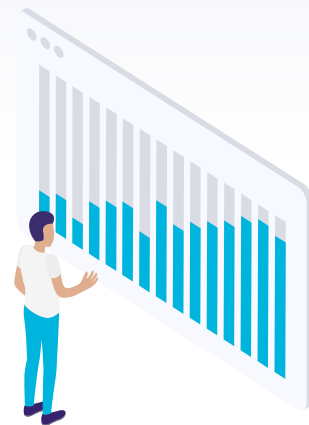


2Q FY 2023 Business Results Highlights

Net sales 29.878 billion yen (18.7% ↑)

Operating income 2.010 billion yen (72.1% ↑)

Net income
attributable to shareholders of the parent company
1.395 billion yen (53.8% ↑)



2Q FY2023 Business Results Highlights

Unit: Million yen

- ▶ **Steady sales thanks to launch of operations at new business partners**
- ▶ **Significant profit growth in payment agency services continuing from 1Q.**
- ▶ **The full-year plan remains unchanged.**

	FY2022 2Q cumulative total	FY2023 2Q cumulative total	YoY change
Net sales	25,161	29,878	18.7%
Operating income	1,168	2,010	72.1%
Income ratio	4.6%	6.7%	-
Ordinary income	1,414	2,073	46.6%
Income ratio	5.6%	6.9%	-
Net income	907	1,395	53.8%

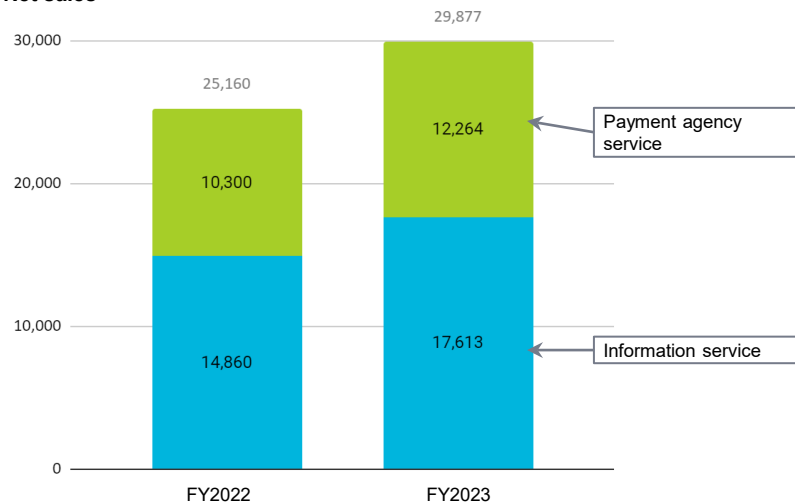
Full-year plan	Progress
62,500	47.8%
3,900	51.6%
6.2%	
3,912	53.0%
6.3%	
2,643	52.8%

2Q FY2023 By Segment

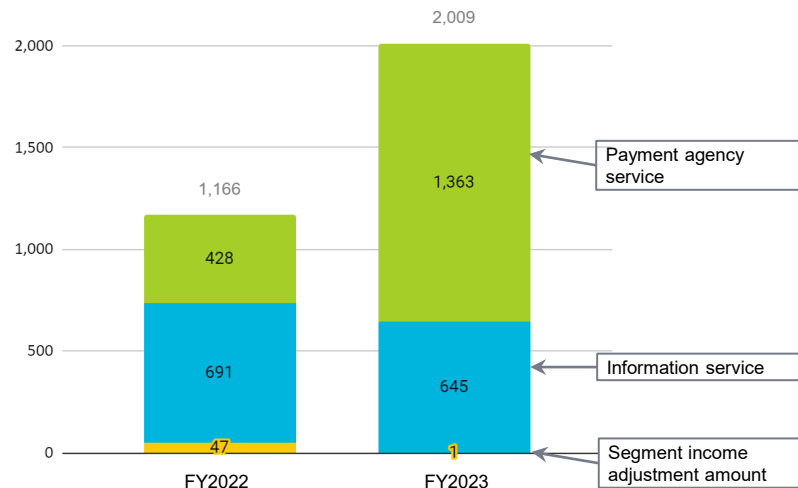
Unit: Million yen

- ▶ Sales of information services increased due to strong sales for business system projects, Google, and the security area, among others. However, profit decreased year on year due to unprofitable projects.
- ▶ Sales and profit of payment agency services increased due to an increase in the number of newly acquired customers, continuing from 1Q.

Net sales



Operating income

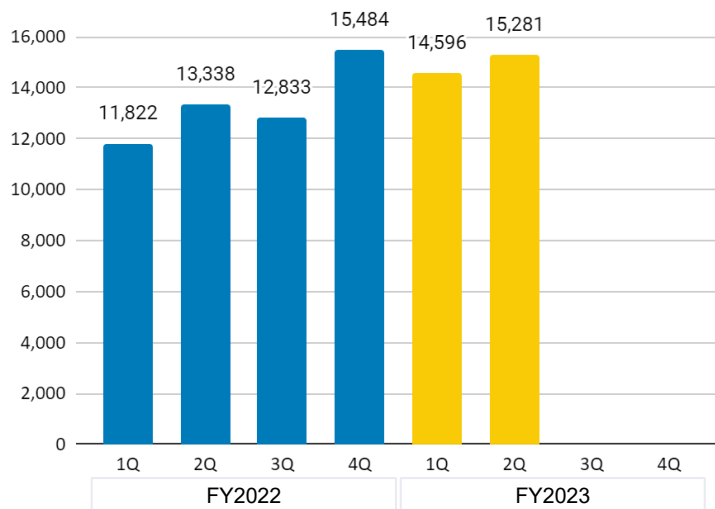


2Q FY2023 Transition in Quarterly Business Results

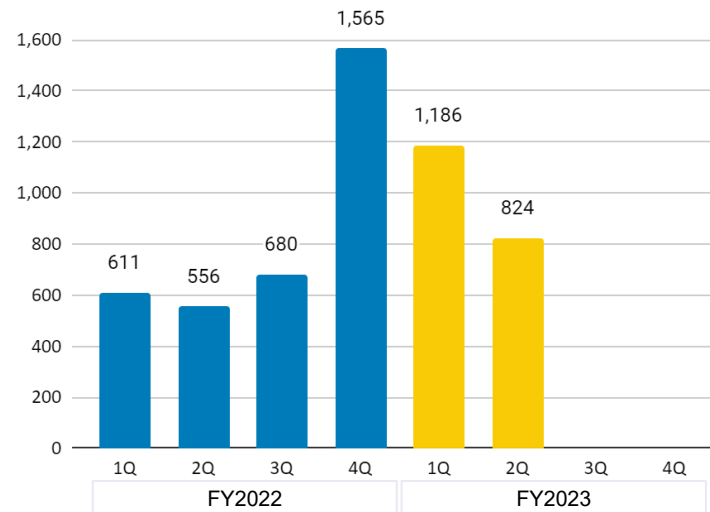
Unit: Million yen

- ▶ Sales of stock transactions were almost in line with the plan, and sales were strong.
- ▶ Profit decreased from 1Q due to unprofitable projects.

Net sales



Operating income



2Q FY2023 Information Services Summary

Unit: Million yen

- ▶ Sales were strong in SI and software development for auto auction projects, Google, and in security-related areas.
- ▶ Sales decreased in information processing due to reduced processing volume in other services, despite strong performance in invoice preparation services.
- ▶ Operating income decreased due to unprofitable projects in software development.

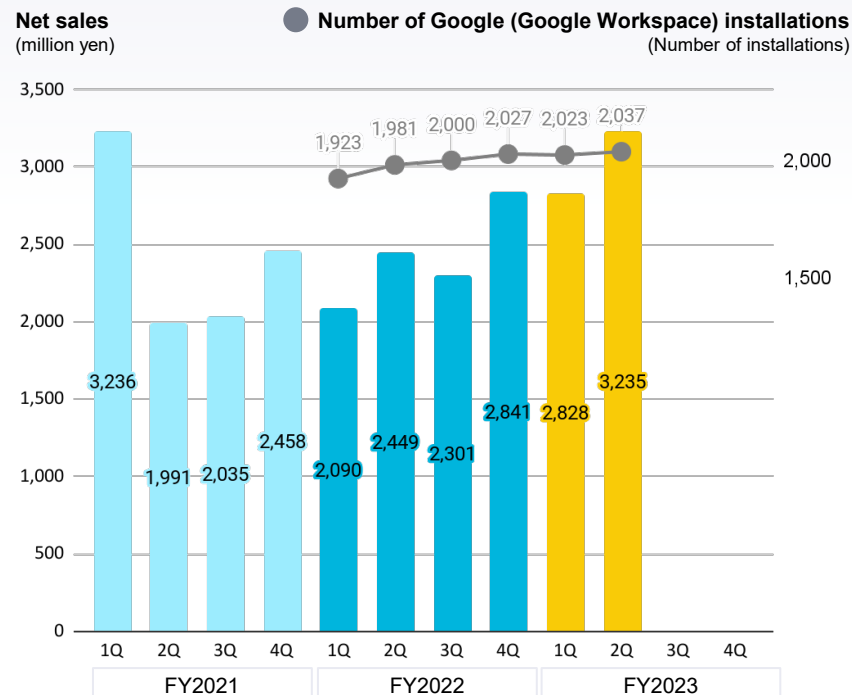
	FY2022 2Q cumulative total	FY2023 2Q cumulative total	YoY change		Full-year plan	Progress
			Amount	Ratio		
Net sales	14,860	17,613	2,752	18.5%	35,159	50.1%
SI and software development	10,747	12,321	1,573	14.6%	24,966	49.4%
Information processing	2,800	2,615	(184)	(6.6%)	7,445	35.1%
Sales of merchandise and finished goods	1,291	2,639	1,347	104.3%	2,654	99.4%
Other revenue	20	37	17	83.8%	64	58.4%
Operating income	691	645	(45)	(6.6%)	1,655	39.0%
Operating income ratio	4.7%	3.7%	1.0%pt Down		4.7%	

2Q FY2023 Information Services in Detail (Google Business)

- ▶ Sales expanded due to ongoing large Google Workspace projects and an increasing number of business partners.
- ▶ ChromeBook sales were strong, continuing from 1Q.
- ▶ Business expansion made progress thanks to providing ancillary solutions around Google Workspace.

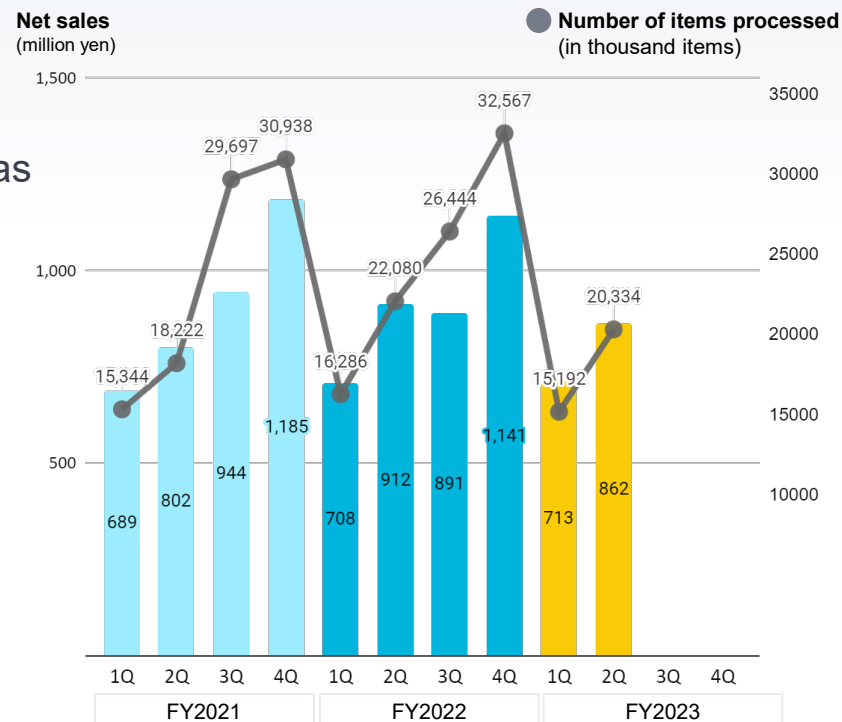
Google (Google Workspace) adopter companies: 2,037 companies

Google business sales 33.6% up from the previous fiscal year



2Q FY2023 Information Services in Detail (BPO Business)

- ▶ Invoice preparation services performed well. The number of items processed accounted for over 60% of BPO business.
- ▶ The number of items processed in areas such as data entry were on a downward trend.
- ▶ Sales declined due to the rebound from last year's spot projects.



2Q FY2023 Payment Agency Services Summary

Unit: Million yen

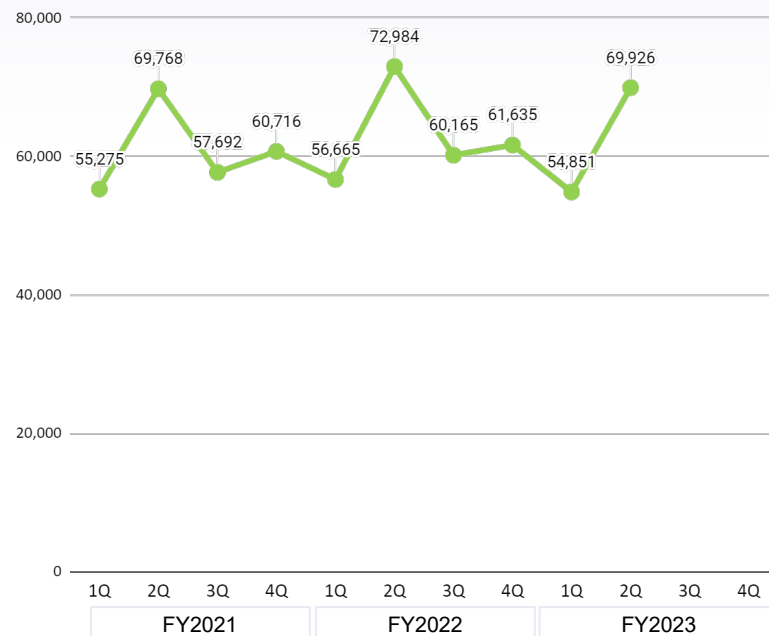
- ▶ Sales and profit increased due to steady growth continuing from 1Q in newly acquired customers who launched operations in the previous year.
- ▶ International remittance services remained in line with plans, although conditions were difficult due to the weak yen and other factors.
- ▶ Deferred payment services progressed as planned, with items processed increasing.

	FY2022 2Q cumulative total	FY2023 2Q cumulative total	YoY change		Full-year plan	Progress
			Amount	Ratio		
Net sales	10,300	12,264	1,964	19.1%	27,341	44.9%
Payment and collection agency service	9,335	11,252	1,917	20.5%	25,123	44.8%
Online payment service	527	531	3	0.7%	1,061	50.1%
Remittance service	201	178	-23	(11.5%)	507	35.1%
Payment agency peripheral services	180	159	-21	(11.8%)	350	45.5%
Other revenue	56	144	87	155.7%	300	48.0%
Operating income	428	1,363	935	218.1%	2,245	60.7%
Operating income ratio	4.2%	11.1%	6.96%pt Up		8.2%	—

2Q FY2023 Payment Agency Services in Detail (Payment and Collection Agency Services / Online Payment Services)

- ▶ Although we expected an increase in the handling of public funding in response to the termination of contracts with some large customers, the number of items processed decreased year on year due to the increased use of unified QR codes for local taxes (not handled by the Company).
- ▶ PAYSLE, which does not require issuance of payment slips, increased steadily.
- ▶ We advanced our co-creation businesses with partners:
 - CSS (Sumitomo Life Group) / TREE PAYMENT
 - TOPPAN Edge
 - Newnet Secure Transactions / New payment platform

Number of items processed
(in thousand items)



2Q FY2023 Payment Agency Services in Detail (Remittance Services / Payment Agency Peripheral Services)

- ▶ International remittances were in line with plans, but trended weakly due to impact from COVID-19, the weak yen, and stricter regulations.
- ▶ Sales of payment agency peripheral services declined due to the termination of services by some stores, but profit is in line with plans due to reductions in operating expenses.

Number of items processed
(in thousand items)



Long-Term Plan December 2021 to December 2027

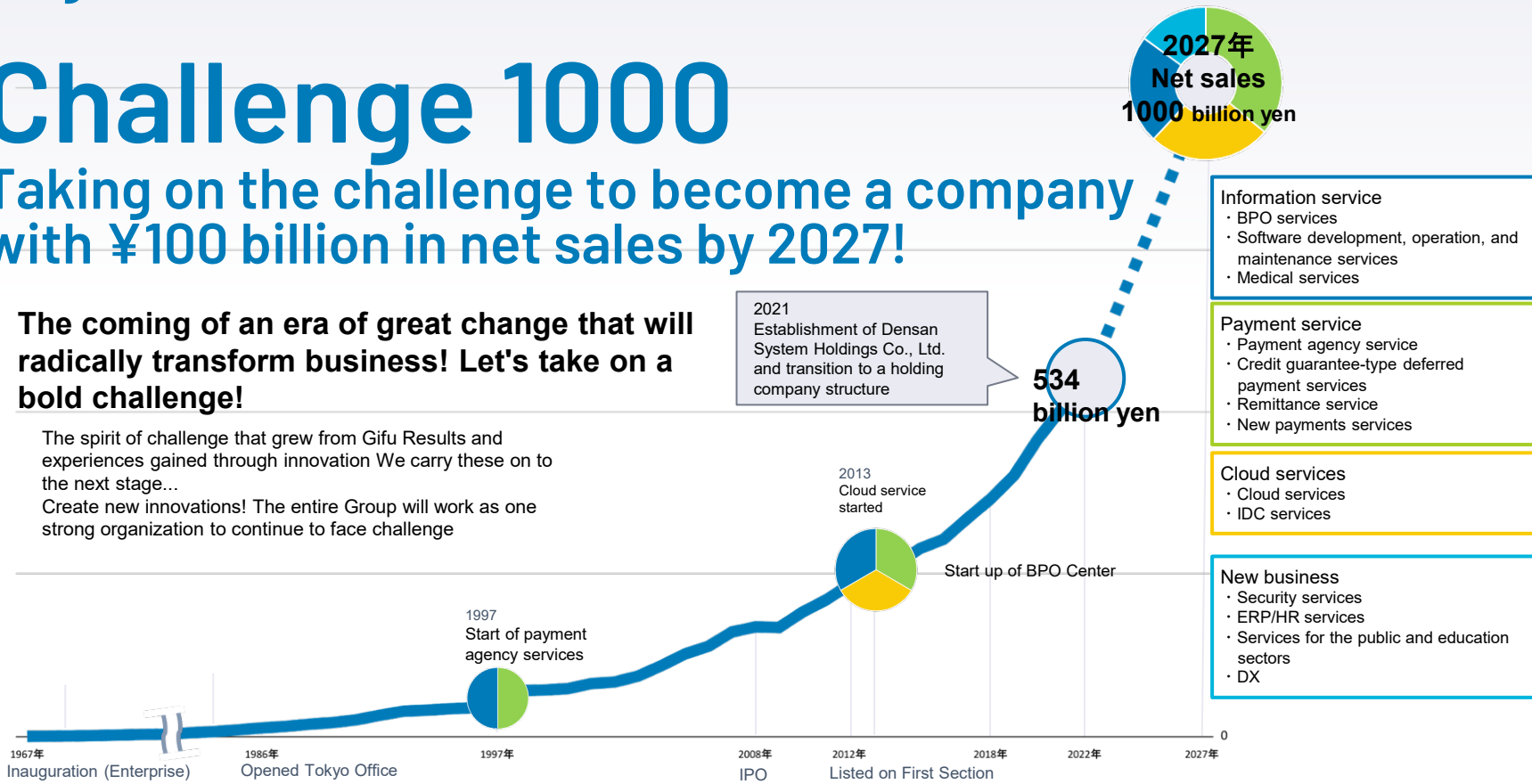
Challenge 1000

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 challenge



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 → Strengthen and co-create
business promotion system**

**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%	

2Q FY2023 Topics

- ▶ Announced Group company management policy

There is only one valid definition of a business purpose : to create a customer.

- Peter F. Drucker

Management Philosophy

Vision (Beyond Realization of the Purpose)

Achieving the goals of Challenge1000 (net sales of 100 billion yen and operating income of 7 billion yen by FY2027)

Transforming into a value creator for the realization of a sustainable society

DSK Transformation (DX)

As a result, we generate

Shareholder satisfaction (greater corporate value) and **employee happiness** (greater well-being)



Purpose

(Reason for Being)

To help enrich society through information technology and payment services, inspiring customers and fulfilling their dreams

Mission

(Actions to Realize the Purpose)

- Creating New Value
- Challenge, Innovation, Speed
- Co-creation

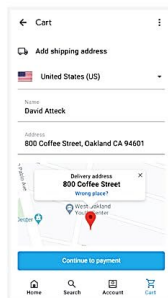
2Q FY2023 Topics

- 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

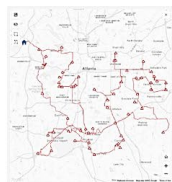
どこに届けるか

Places Autocomplete API
Geocoding API



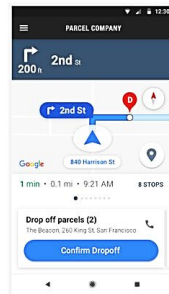
経路の最適化

Directions API
Routes Preferred API



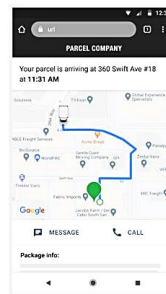
ドライバー ナビゲーション

Navigation SDK
Driver SDK



配達状況の可視化

Shipment Tracking



各車両の モニタリングと改善

Fleet Tracking





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 :

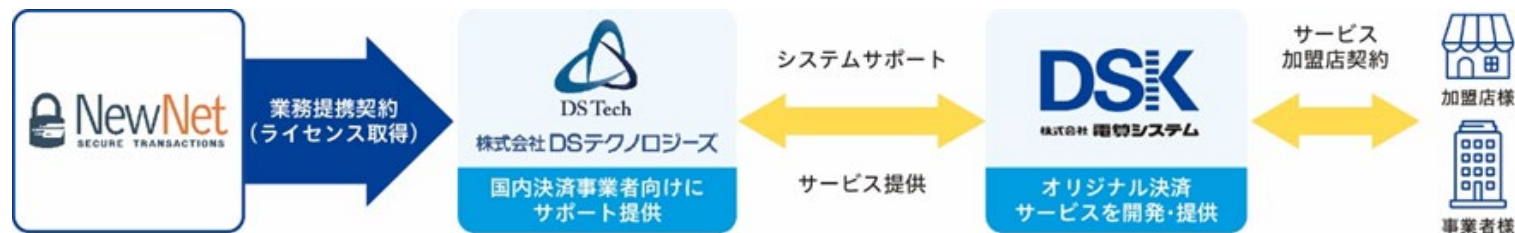
Jointly developed by CSS and Densan System

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

2Q FY2023 Topics

▶ First business alliance in Japan with NewnetSecure Transactions, Inc. (DensanSystem and DS Technologies)

By using NewNetSecure 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.



2Q 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)

