

Densan System Holdings Co., Ltd. Presentation Materials for the 3Q 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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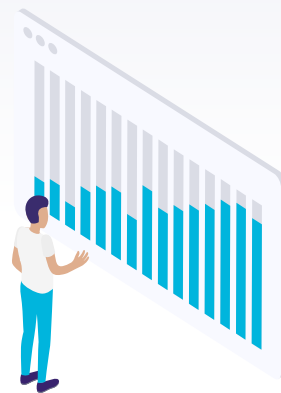


3Q FY 2023 Business Results Highlights

Net sales 44.159 billion yen (16.2% ↑)

Operating income 3.056 billion yen (65.3% ↑)

Net income
attributable to shareholders of the parent company
2.075 billion yen (49.8% ↑)



3Q 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 1H.
- ▶ Full-year plan remains unchanged

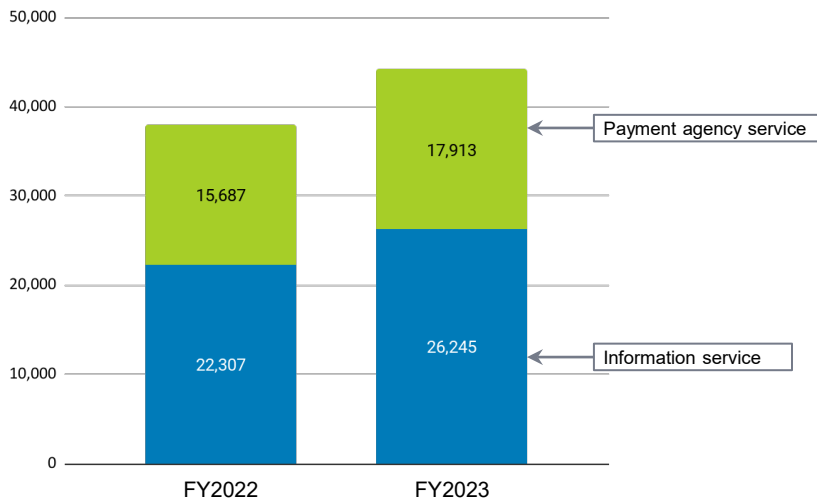
	FY2022 First nine months	FY2023 First nine months	YoY change		Full-year plan	Progress
			Amount	Ratio		
Net sales	37,995	44,159	6,164	16.2%	62,500	70.7%
Operating income	1,848	3,056	1,207	65.3%	3,900	78.4%
Income ratio	4.9%	6.9%	2.1% pt up		6.2%	
Ordinary income	2,109	3,119	1,009	47.9%	3,912	79.7%
Income ratio	5.6%	7.1%	1.5% pt up		6.3%	
Net income	1,385	2,075	689	49.8%	2,643	78.5%

3Q FY2023 By Segment

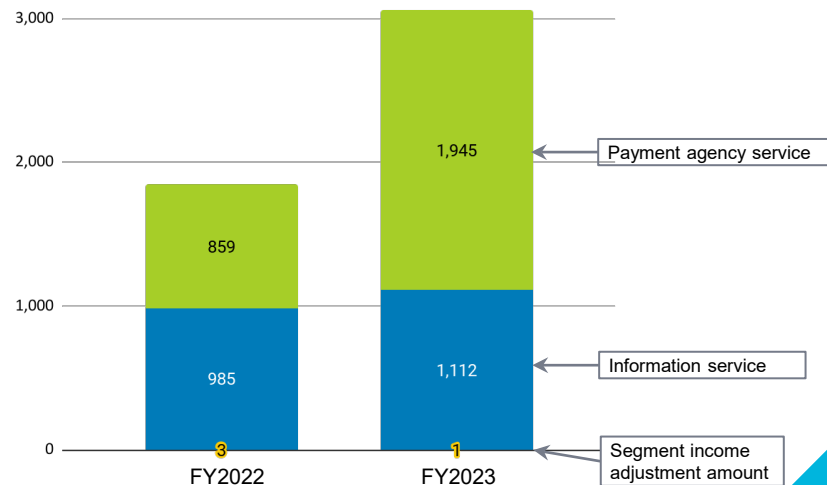
Unit: Million yen

- ▶ In information services, although there were some unprofitable projects, auto auction business system projects and Google and other cloud services performed well. Information security products and equipment sales to local governments also contributed to increased sales and profit.
- ▶ Sales and profit of payment agency services increased due to an increase in the number of newly acquired business partners, continuing from 1H.

Net sales



Operating income

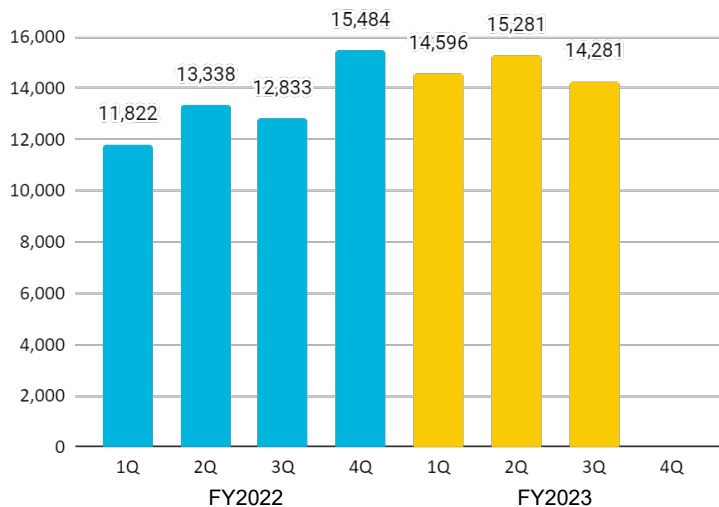


3Q FY2023 Transition in Quarterly Business Results

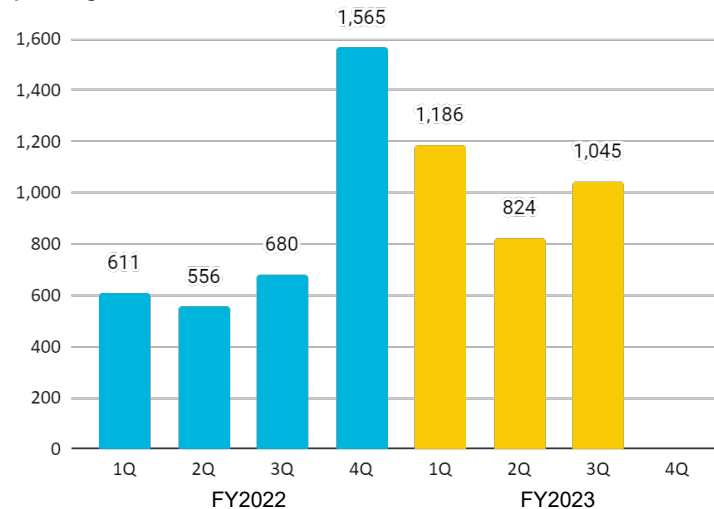
Unit: Million yen

- ▶ Sales have increased in every quarter year on year.
- ▶ Profit improved in 3Q after losses on unprofitable projects were provided for in 2Q.

Net sales



Operating income



3Q FY2023 Information Services Summary

Unit: Million yen

- ▶ In SI and software development, systems for major construction companies, auto auction business systems, and cloud services such as Google Workspace and Google Maps performed well. Information security products were also strong, leading to significant growth in sales.
- ▶ Sales of merchandise and finished goods grew owing to sales of equipment for local governments and installations of devices for online eligibility verification at medical and dental facilities.

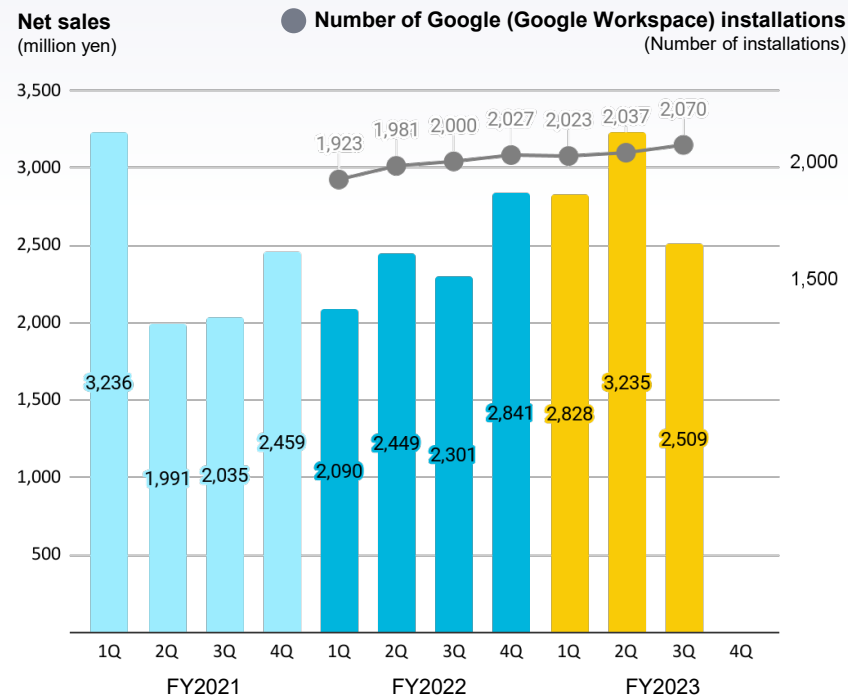
	FY2022 First nine months	FY2023 First nine months	YoY change		Full-year plan	Progress
			Amount	Ratio		
Net sales	22,307	26,245	3,938	17.7%	35,159	74.6%
SI and software development	16,048	18,581	2,532	15.8%	24,966	74.4%
Information processing	4,438	4,210	(228)	(5.1%)	7,445	56.6%
Sales of merchandise and finished goods	1,785	3,395	1,609	90.1%	2,654	127.9%
Other revenue	34	58	24	71.1%	64	91.2%
Operating income	985	1,112	126	12.8%	1,655	67.2%
Operating income ratio	4.4%	4.2%	0.2% pt down		4.7%	

3Q FY2023 Information Services in Detail (Google Business)

- ▶ Google Workspace (GWS) saw steady growth in the number of business partners and licenses acquired.
- ▶ Focused efforts on providing ancillary solutions around Google Workspace, such as LumApps and Looker.

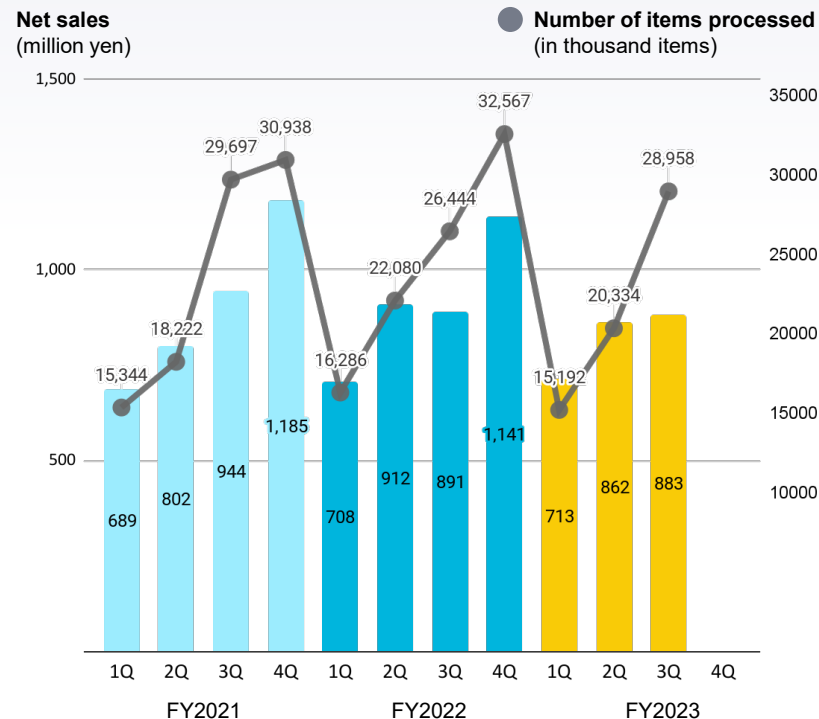
Google (Google Workspace) adopter companies: **2,070** companies

Google business sales **25.3%** up from the previous fiscal year



3Q FY2023 Information Services in Detail (BPO Business)

- ▶ Invoice preparation services performed well.
- ▶ Data entry on a downward trend as business partners continued to go paperless.



3Q FY2023 Payment Agency Services Summary

Unit: Million yen

- ▶ Sales and profit increased due to steady growth continuing from 1H in newly acquired customers who launched operations in the previous year.
- ▶ Profit increased due to increased use of smart phone payments and more efficient system operations.
- ▶ Domestic remittance services grew, while international remittances continued to be weak.
- ▶ Deferred payment services grew steadily.

	FY2022 First nine months	FY2023 First nine months	YoY change		Full-year plan	Progress
			Amount	Ratio		
Net sales	15,687	17,913	2,226	14.2%	27,341	65.5%
Payment and collection agency service	14,262	16,432	2,169	15.2%	25,123	65.4%
Online payment service	760	761	0	0.0%	1,061	71.7%
Remittance service	301	270	(31)	(10.4%)	507	53.3%
Payment agency peripheral services	268	237	(30)	(11.4%)	350	67.9%
Other revenue	94	212	117	124.7%	300	70.8%
Operating income	859	1,945	1,085	126.3%	2,245	86.6%
Operating income ratio	5.5%	10.9%	5.4% pt up		8.2%	

3Q FY2023 Payment Agency Services in Detail (Payment and Collection Agency Services / Online Payment Services)

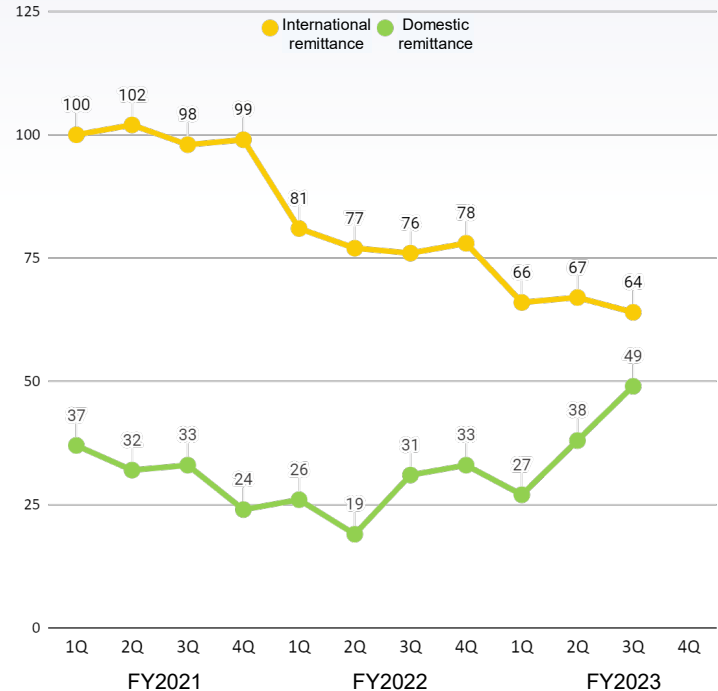
- ▶ **Number of items processed decreased year on year due to the termination of contracts with some large business partners.**
- ▶ **In terms of services for local governments, although the number of items processed per local government declined with increased use of unified QR codes, the overall number of items processed grew due to new customer acquisitions.**
- ▶ **Adoption of PAYSLE increased.**
PAYSLE is a convenience store payment agency service that eliminates paper payment slips by displaying electronic barcodes on the user's smartphone screen.
- ▶ **We added new features to TREE PAYMENT (payment method and time selection) and focused on expanding sales.**



3Q FY2023 Payment Agency Services in Detail (Remittance Services / Payment Agency Peripheral Services)

- ▶ International remittances were weak, impacted by the weak yen and stricter regulations.
- ▶ The number of domestic remittances grew with a steady increase in usage by customers with complete orders.

Number of items processed
(in thousand items)



Long-Term Plan December 2021 to December 2027

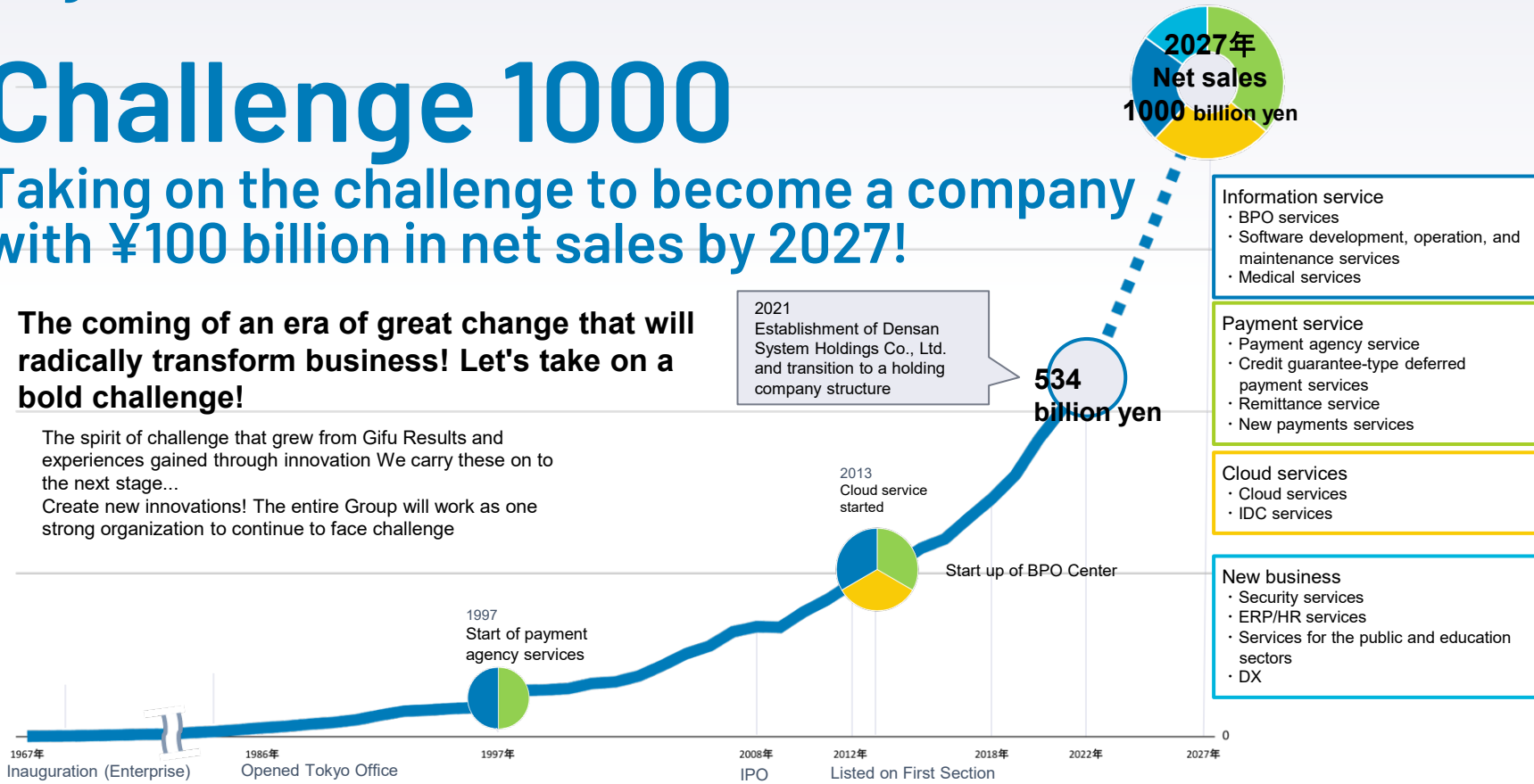
Challenge 1000

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 FY2023 to FY2025

Unit: Million yen

- ▶ This is an important three years for Challenge1000.
- ▶ Gradually increase the profit margin (overall) over a period of three years.
- ▶ For the three-year period, we have set the YoY growth rate targets for sales and operating income at 15.3% and 15.8%, respectively.

	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%	

3Q 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

July 19, 2023: TREE PAYMENT resolves payment issues in school club activities as a co-creation partner of "Imachalle," an information platform for school sports reform

September 1, 2023: Launched "TREE PAYMENT -One-time payment-."

November 13, 2023: "TREE PAYMENT -One-time payment-" to be introduced by JTB Ibaraki Minami Branch under Tsukuba City's "Imachalle" school club activity reform program.

TREE PAYMENT: Jointly developed by CSS and Densan System
Provides a one-stop service for the customer's preferred payment methods

3Q 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 personnel expenses is expected to grow in the future.

Increases in purchase prices for equipment, paper, etc., unit prices for partners, and personnel expenses 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.

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 personnel expenses 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 weak yen and the decrease in income of remittance customers have 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)

