

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

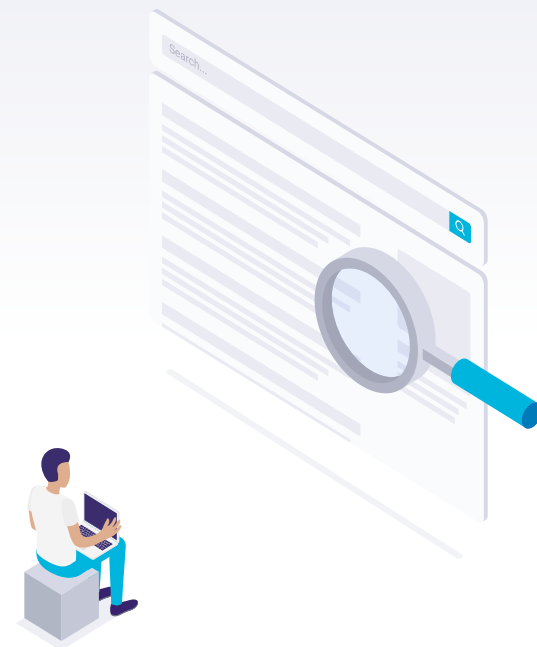


**Tokyo Stock Exchange Prime
Nagoya Stock Exchange Premier
Securities Code: 4072**

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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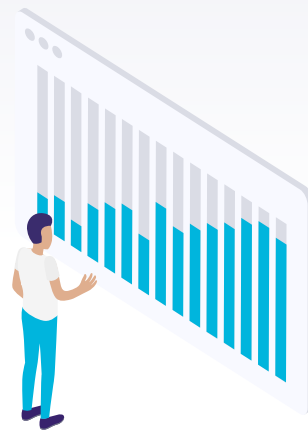
FY 2023 Business Results Highlights

Net sales 59.591 billion yen (11.4% ↗)

Operating income 3.964 billion yen (16.1% ↗)

Operating income ratio 6.7 %

Net income
attributable to shareholders of the parent company
2.004 billion yen (14.7% ↗)



FY2023 Business Results Highlights

Unit: Million yen

- ▶ Sales growth in payment agency services was less than expected, and sales plan was not achieved.
- ▶ Net income was negative y-o-y due to recorded extraordinary losses.
- ▶ Achieved plan for operating income and ordinary income.
- ▶ Net sales, operating income and ordinary income were all up by 10% or more y-o-y.

	FY2022	FY2023	Y-o-y (%)	
			Amount	Ratio
Net sales	53,479	59,591	6,111	11.4%
Operating income	3,414	3,964	549	16.1%
Income ratio	6.4%	6.7%	0.3%pt Up	
Ordinary income	3,587	4,018	431	12.0%
Income ratio	6.7%	6.7%	0.0%pt	
Net income	2,348	2,004	(344)	(14.7%)

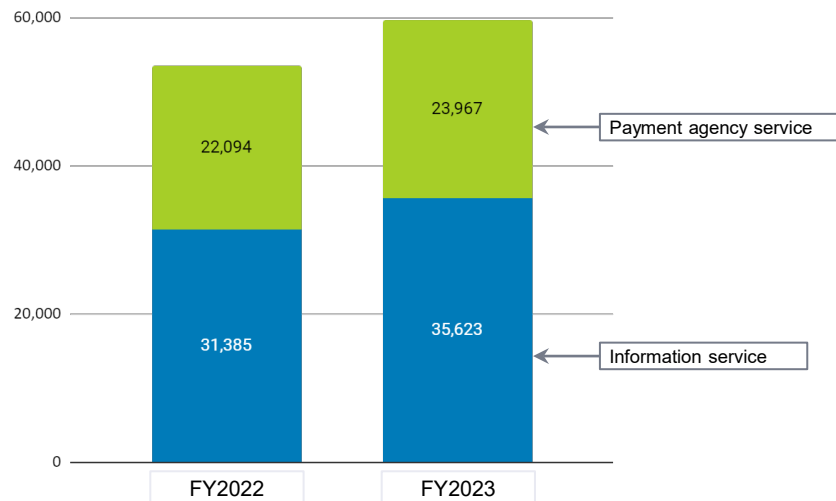
Plan	Attainment ratio
62,500	95.3%
3,900	101.6%
6.2%	
3,912	102.7%
6.3%	
2,643	75.8%

FY2023 By Segment

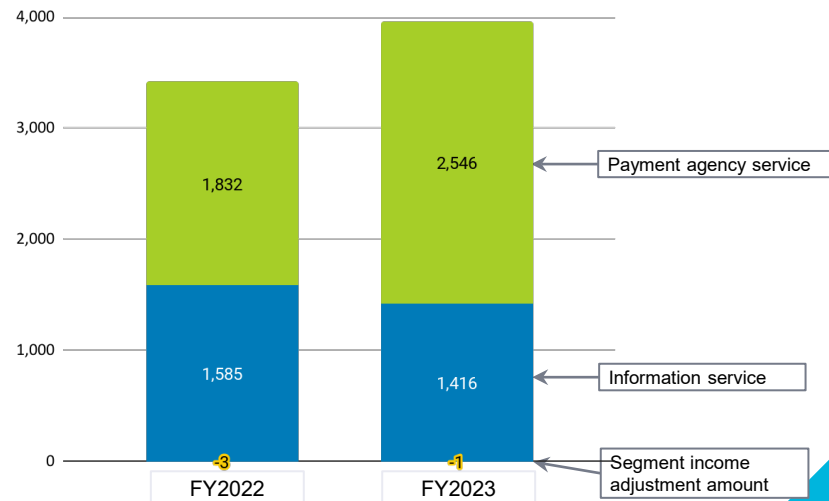
Unit: Million yen

- ▶ In information services, cloud services such as Google grew and sales increased but there were unprofitable projects so earnings declined y-o-y.
- ▶ In payment agency services, the plan was not achieved because of factors such as the termination of contracts with some large customers, but both sales and profit increased due to an increase in the number of newly acquired business partners.

Net sales



Operating income

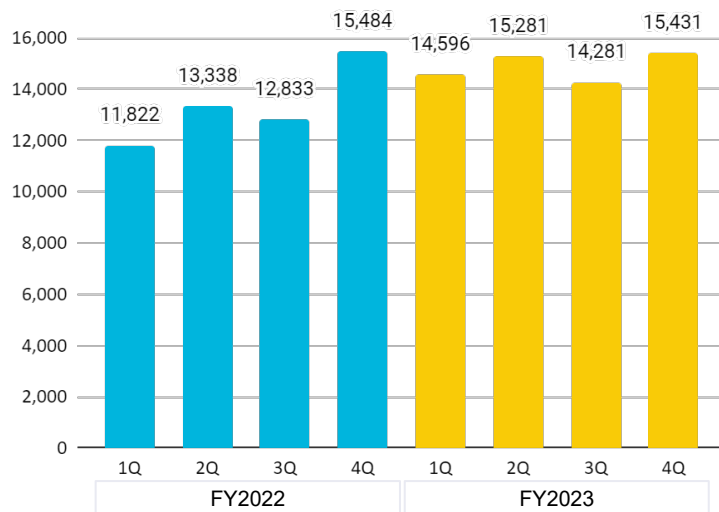


FY2023 Transition in Quarterly Business Results

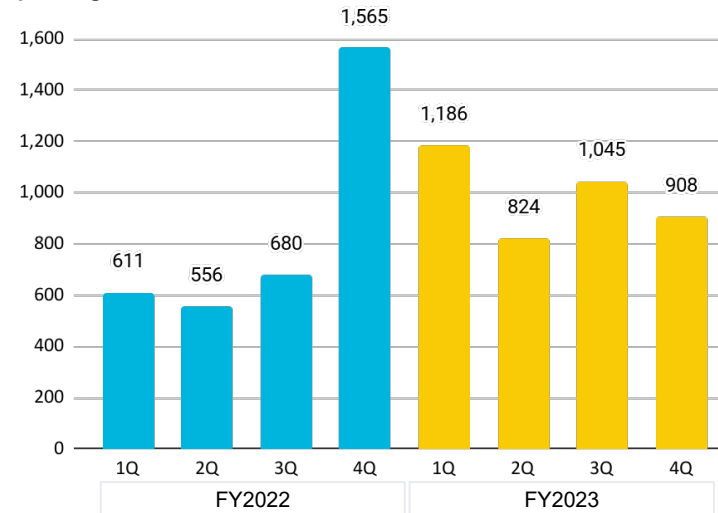
Unit: Million yen

- ▶ Sales growth in 4Q slowed y-o-y because sales growth due to new large customers who launched operations in payment agency services during 4Q of the previous year has run its course, and because of the reaction to such factors as the qualified invoice system up to 3Q of the current fiscal year.
- ▶ Profit also decreased due to an increase in costs at some payment agencies.

Net sales



Operating income



FY2023 Information Services Summary

Unit: Million yen

- ▶ In SI and software development, cloud services such as Google, development projects for various business systems, and information security products all performed well, which resulted in a 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.
- ▶ Profit decreased due to unprofitable projects in software development projects.

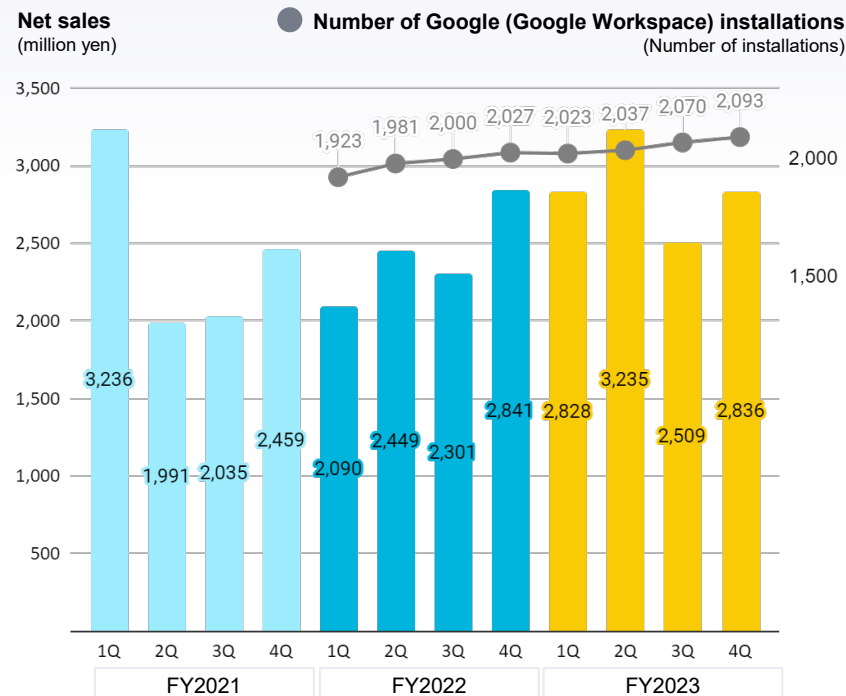
	FY2022	FY2023	Y-o-y (%)		Full-year plan	Attainment ratio
			Amount	Ratio		
Net sales	31,385	35,623	4,237	13.5%	35,159	101.3%
SI and software development	22,066	25,158	3,091	14.0%	24,966	100.8%
Information processing	6,326	6,031	(295)	(4.7%)	7,445	81.0%
Sales of merchandise and finished goods	2,942	4,341	1,399	47.5%	2,654	163.6%
Other revenue	49	92	42	86.0%	64	143.9%
Operating income	1,585	1,416	(168)	(10.7%)	1,655	85.6%
Operating income ratio	5.1%	4.0%	1.1%pt Down		4.7%	

FY2023 Information Services in Detail (Google Business)

- ▶ Google Workspace saw steady growth in both the number of business partners and licenses to recover from the decline in 3Q.

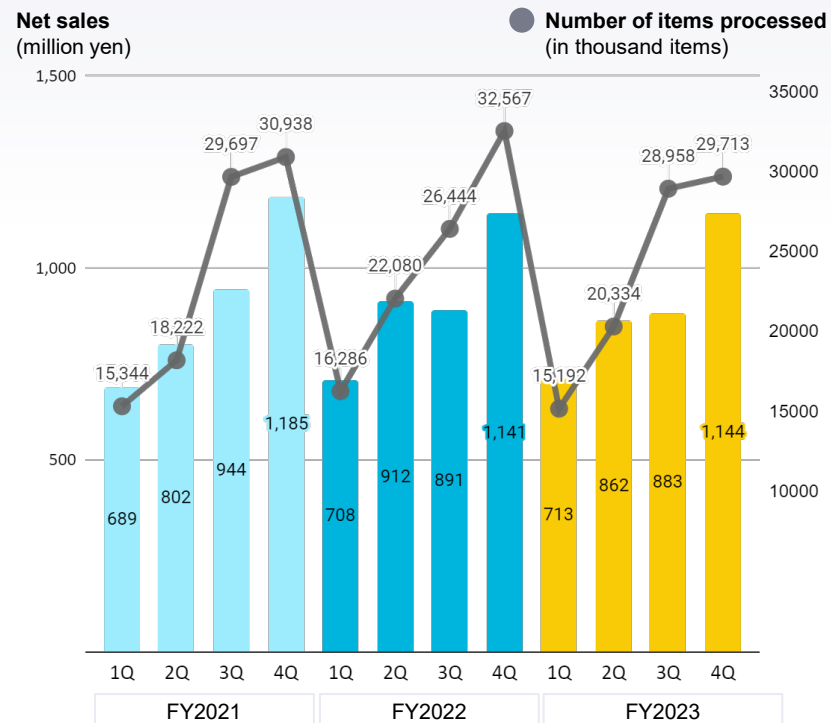
Google (Google Workspace) adopter companies **2,093 companies**

Google business sales 17.8% up from the previous fiscal year



FY2023 Information Services in Detail (BPO Business)

- ▶ Invoice preparation services performed well.
- ▶ Sales declined slightly due to the downwards trend in data entry and other printing businesses.



FY2023 Payment Agency Services Summary

Unit: Million yen

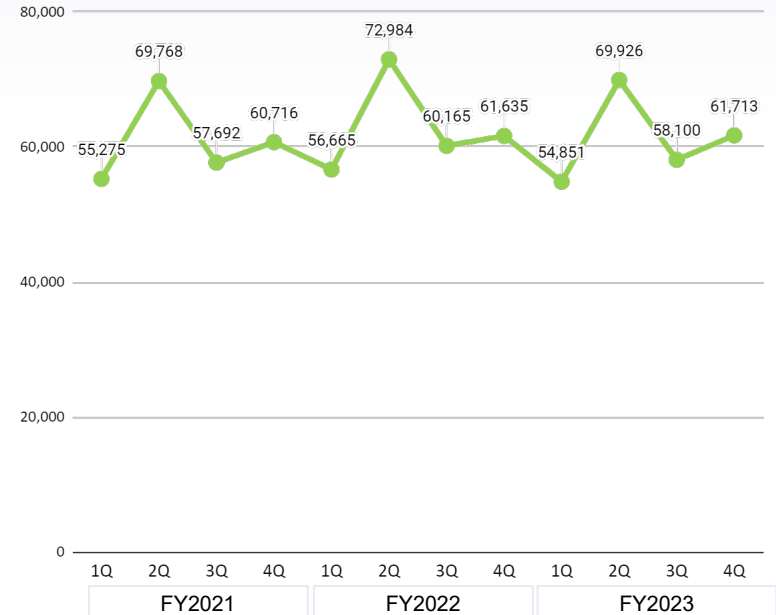
- ▶ Sales of payment and collection agency services increased due to new customer operations, including local governments, but termination of contracts with large customers and the number of public fund collections fell below the planned values so the plan was not achieved.
- ▶ Deferred payment services grew steadily.
- ▶ The income ratio improved significantly due to factors such as large customers who launched operations in the previous year, the increase in smart phone payments, and more efficient system operations.

	FY2022	FY2023	Y-o-y (%)		Plan	Attainment ratio
			Amount	Ratio		
Net sales	22,094	23,967	1,873	8.5%	27,341	87.7%
Payment and collection agency service	20,151	22,000	1,848	9.2%	25,123	87.6%
Online payment service	1,031	993	(38)	(3.7%)	1,061	93.7%
Remittance service	401	366	(34)	(8.6%)	507	72.3%
Payment agency peripheral services	350	317	(33)	(9.5%)	350	90.6%
Other revenue	159	290	130	81.9%	300	96.7%
Operating income	1,832	2,546	714	39.0%	2,245	113.4%
Operating income ratio	8.3%	10.6%	2.3%pt Up		8.2%	

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

- ▶ The number of items processed continued to decrease y-o-y due to the termination of contracts with some large business partners, but 4Q figures increased y-o-y due to new customer operations and the increase in smart phone payments.
- ▶ However, sales decreased y-o-y because many new customers who launched operations are low unit price local governments.
- ▶ Focus will be placed on promoting new services such as TREE PAYMENT and PayLabo, as well as the existing PAYSLE system.

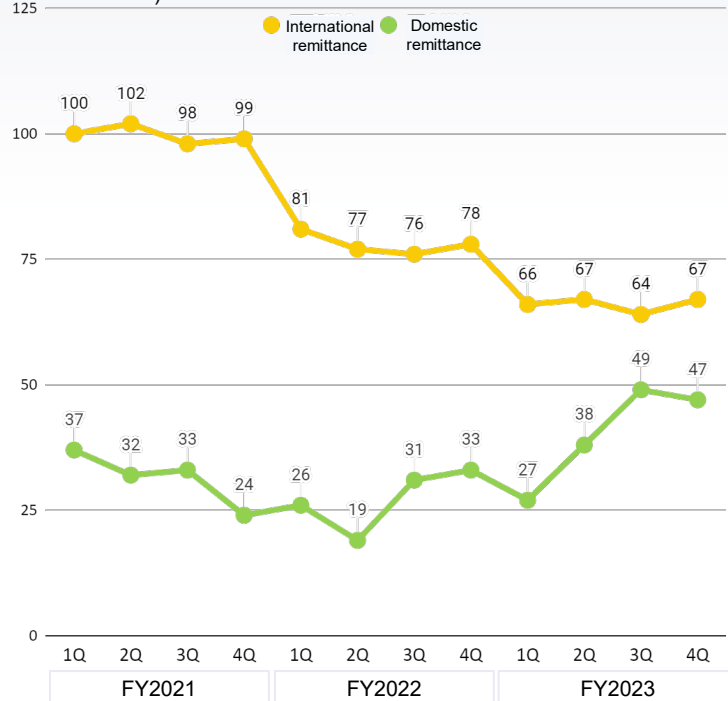
Number of items processed
(in thousand items)



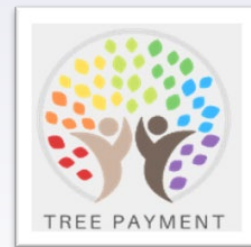
FY2023 Payment Agency Services in Detail (Remittance Services / Payment Agency Peripheral Services)

- ▶ International remittances continued to be weak, impacted by the weak yen and stricter regulations.
- ▶ Domestic remittances increased due to handling of large customer who constantly use this process, in addition to event-type cases.

Number of items processed
(in thousand items)



FY2023 Topics



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

- Participated in "Imachalle" to resolve payment collection issues in school club activity reform program with TREE PAYMENT

Business negotiations became more active with both nationwide local governments and the Board of Education

Collection of participation fees for Tsukuba City's sporting event Operating from December

- TREE PAYMENT Account Transfer —100% Deposit Guarantee service—
Implemented an "online account transfer registration function" to focus on promoting sales

- Currently preparing integration with "Engage Plus," a message delivery service provided by TOPPAN Edge Inc.

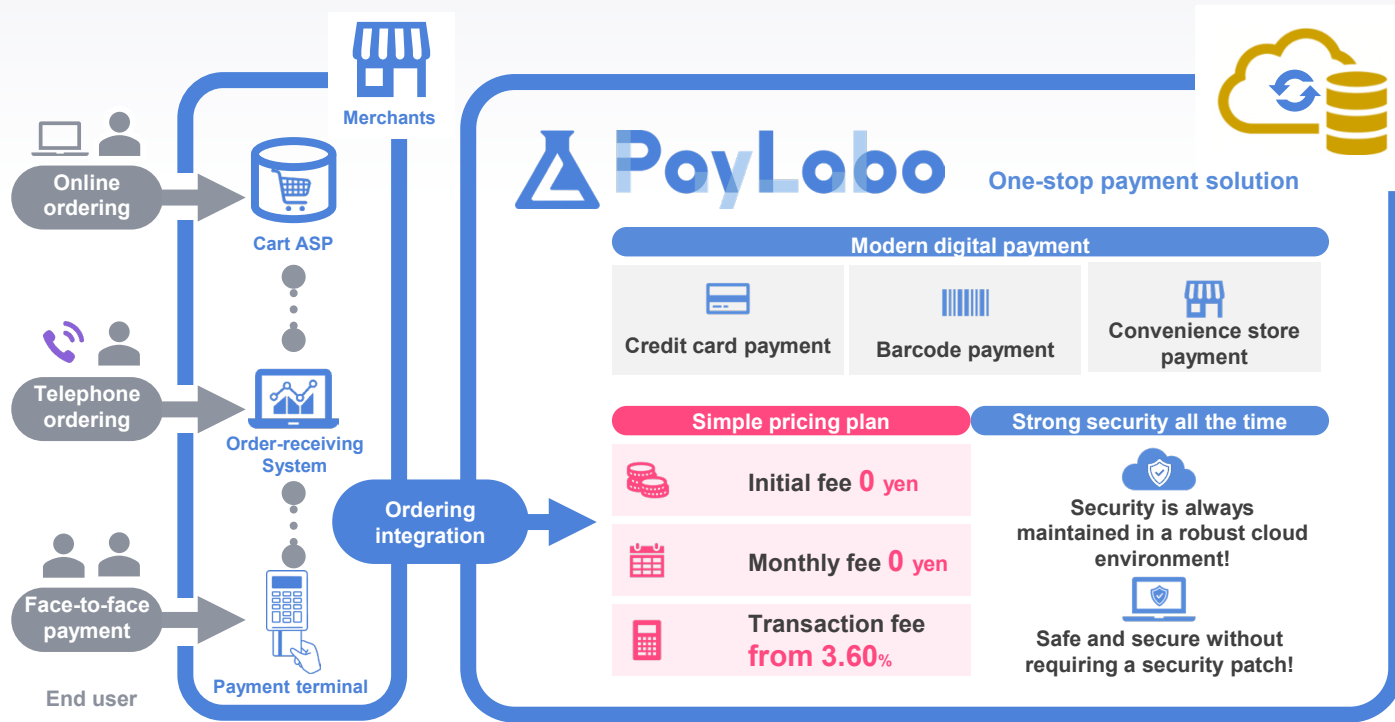
Business negotiations are becoming more active on the proposal of "making billing information paperless."

TREE PAYMENT: Jointly developed by CSS and Densan System

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

FY2023 Topics

- ▶ New payment platform "PayLobo" news release
Announcing the start of providing a latest digital payment infrastructure from 2024



FY2023 Topics / Impact of Social Conditions

Information service segment

There is now less impact due to COVID-19, the situation in Ukraine, and the exchange rate (weak yen). However, the impact of high prices and rise in personnel expenses will continue to increase from now on so it will be very challenging to respond to price shifts. We are creating initiatives for greater operational efficiency, ensuring that each employee is constantly aware of reducing employee load and increasing productivity, and are also working on new initiatives to enable consulting on customer digital transformation (DX) through the use of AI, generative AI, RPA, no-code & low-code tools within the company.

Furthermore, prices and personnel expenses are showing an upward trend so it is necessary to continue responding to price shifts. However, special demand for such as support for the qualified invoice system and online eligibility verification has ended so we will proceed to propose more efficient systems to customers so as to prevent investment cutbacks.

Also, the information processing gift-related business trended downwards without returning to the conditions prior to COVID-19.

Payment agency service segment

Many businesses have been raising their prices for merchandise and services due to the increase in import costs because of the weak yen and the impact of higher prices. We have received feedback that new orders are declining due to reductions in advertising costs (the cost of advertising itself has increased) as a measure against overall cost increases. Many business operators at major customers of convenience store payment have seen their net sales remain on the same level or decline when compared to the previous year.

Additionally, with regard to international remittances, the weak yen and the decrease in income of remittance customers have acted as a negative factor for our remittance business from Japan (possibly accelerating the departure of foreign workers from Japan), which remains negative.

FY2024 Business Results Projections

Unit: Million yen

- ▶ Net sales is planned for 10% or more increase.
- ▶ Operating income and ordinary income are expected to slow down while the income ratio is expected to fall slightly against an increase in sales.
- ▶ Net income is planned to increase significantly because there will no longer be any impact from extraordinary losses.

	FY2023	FY2024 Plan	Change in amount	Y-o-y
Net sales	59,591	65,700	6,109	10.3%
Operating income	3,964	4,100	136	3.4%
Operating income ratio	6.7%	6.2%		
Ordinary income	4,018	4,120	101	2.5%
Ordinary income ratio	6.7%	6.3%		
Net income	2,004	2,790	786	39.2%
Segment income adjustment amount	(1)	0		

FY2024 Information Services Results Projection

Unit: Million yen

- ▶ **Market need for the use of cloud, AI and IoT is high.**
- ▶ **Operating income is expected to significantly increase because there will no longer be any impact from unprofitable projects in the current fiscal year.**
- ▶ **Investment in new services, personnel expenses and outsourcing expenses are expected to continue increasing.**

	FY2023	FY2024 Plan	Change in amount	Y-o-y
Net sales	35,623	39,444	3,820	10.7%
SI and software development	25,158	30,054	4,896	19.5%
Information processing	6,031	6,221	189	3.1%
Sales of merchandise and finished goods	4,341	3,085	(1,257)	(29.0%)
Other revenue	92	85	(7)	(8.1%)
Operating income	1,416	1,844	428	30.2%
Operating income ratio	4.0%	4.7%		

FY2024 Payment Agency Services Results Projection

Unit: Million yen

- ▶ Sales growth rate is expected to be higher than the current fiscal year due to factors such as the launch of the new service PayLabo and features added to TREE PAYMENT.
- ▶ Operating income is expected to decrease due to increased costs associated with starting new services and suppliers raising their prices.
- ▶ Remittance service sales is expected to fall due to the termination of convenience store international remittance services.

	FY2023	FY2024 Plan	Change in amount	Y-o-y
Net sales	23,967	26,256	2,288	9.5%
Payment and collection agency service	22,000	23,821	1,821	8.3%
Online payment service	993	1,257	263	26.5%
Remittance service	366	302	(64)	(17.6%)
Payment agency peripheral services	317	315	(2)	(0.7%)
Other revenue	290	561	271	93.5%
Operating income	2,546	2,256	(291)	(11.4%)
Operating income ratio	10.6%	8.6%		

Medium-Term Plan FY2024 to FY2026

Unit: Million yen

- ▶ Aim for sales increase of 10% or more each fiscal year.
- ▶ Improve the income ratio each fiscal year.
- ▶ Create new value and aim to grow the plan to higher levels.

	FY2023 Actual	FY2024 Plan	FY2025 Plan	FY2026 Plan	Growth rate YoY Average
Net sales	59,591	65,700	72,300	80,000	10.3%
Information service	35,623	39,444	43,215	47,243	
Payment agency service	23,967	26,256	29,085	32,757	
Operating income	3,964	4,100	4,700	5,600	12.4%
Information service	1,416	1,844	2,358	2,687	
Payment agency service	2,546	2,256	2,342	2,913	
Income ratio	6.7%	6.2%	6.5%	7.0%	
Information service	4.0%	4.7%	5.5%	5.7%	
Payment agency service	10.6%	8.6%	8.1%	8.9%	

Medium-Term Plan FY2024 to FY2026

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

DSK Transformation →

**From contracted development to packaged services
Be a co-creation partner that shares customer issues and considers ways to resolve them together with the customer in order to respond to a digital society**

Strengthen collaboration among Group companies → Integrate the organization and personnel to further build cooperative ties, and create a synergy effect through business partnerships

Expansion of neighboring areas →

**Expansion of Google Business peripheral services
Expansion of DX business
Extend the payment agency service menu**

Human resource development → Technical workshops, review of treatment, OJT, training and seminars

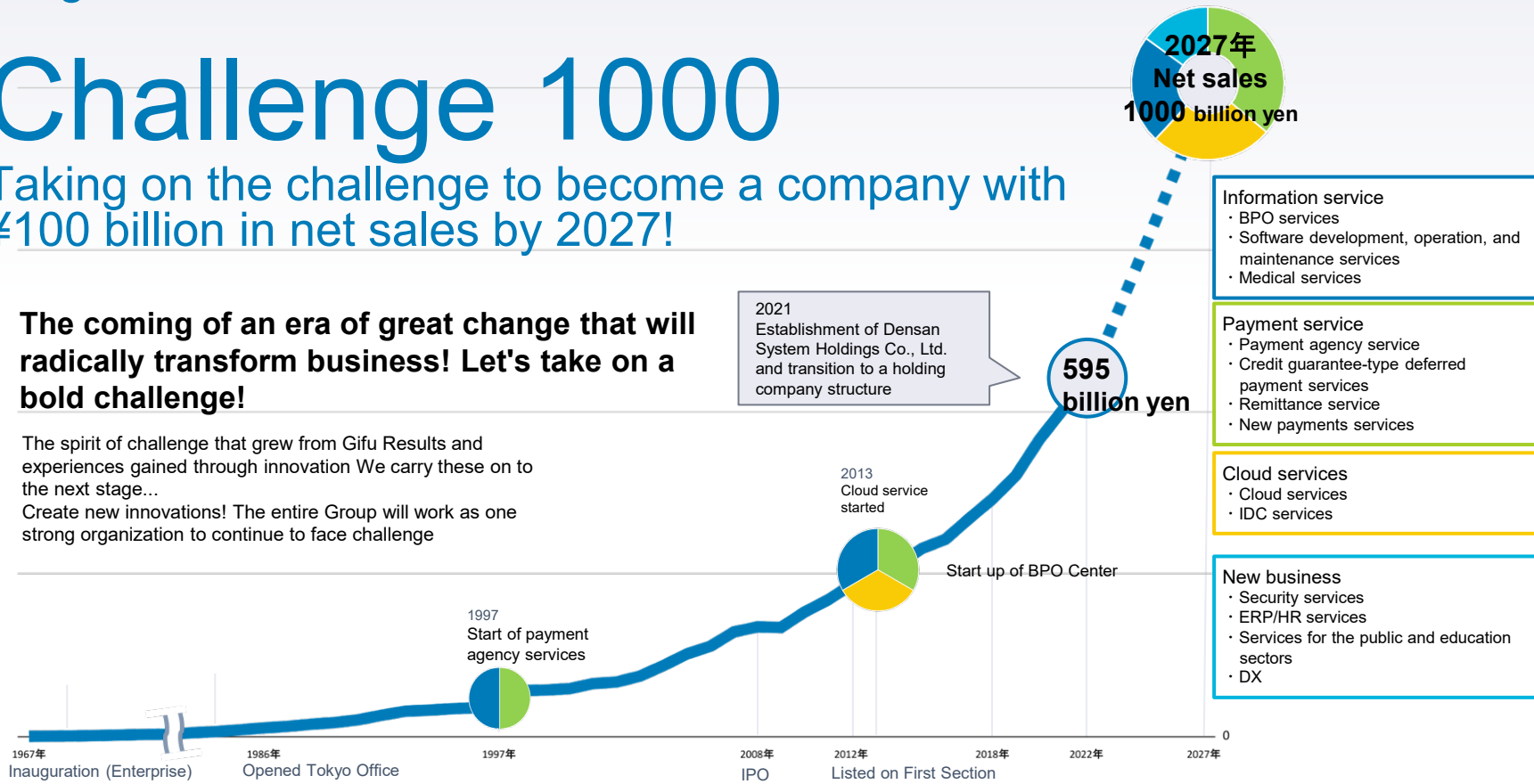
Long-Term Plan December 2021 to December 2027

Challenge 1000

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

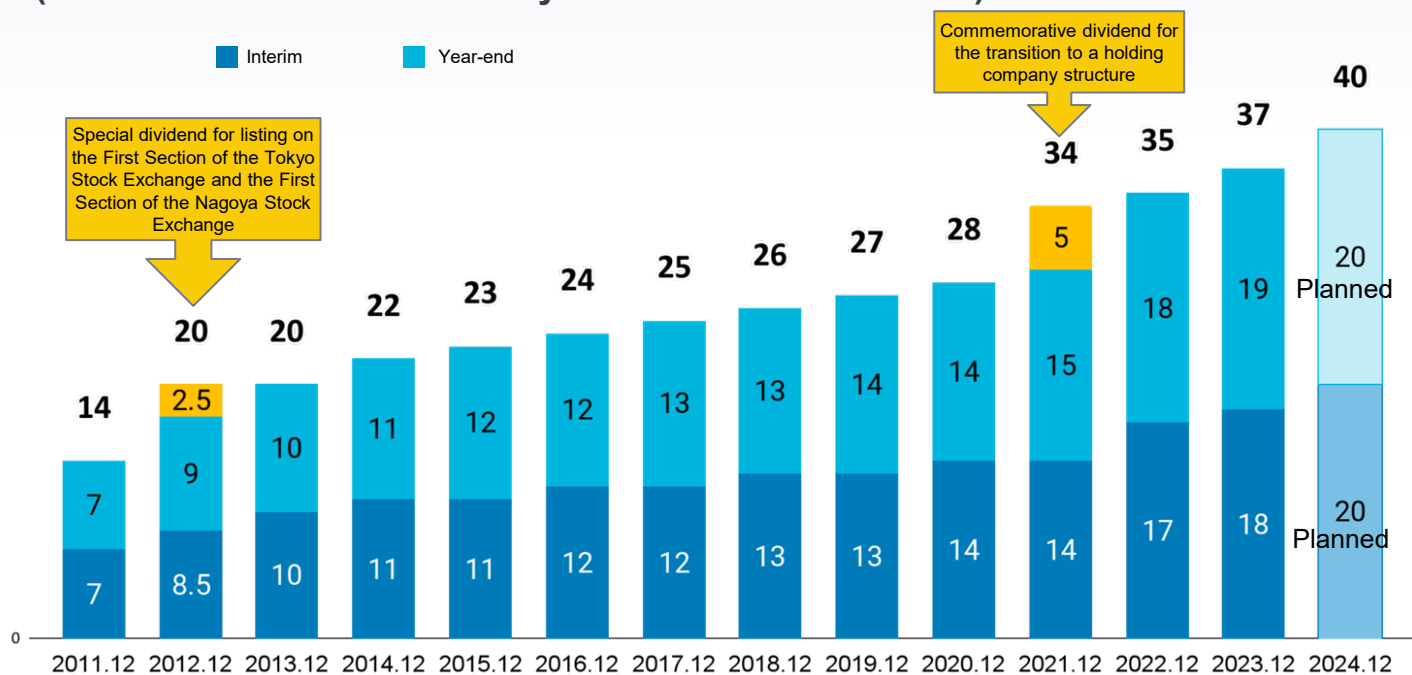
The coming of an era of great change that will radically transform business! Let's take on a bold challenge!

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



Dividends

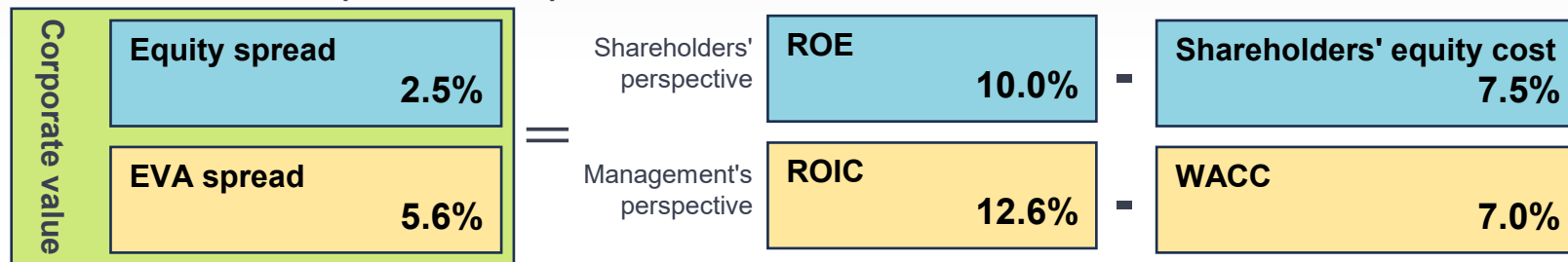
- ▶ **FY2023: Annual ordinary dividend of ¥37 per share**
(interim dividend of ¥18 and year-end dividend of ¥19)
- ▶ **FY2024 plan: Annual ordinary dividend of ¥40 per share**
(interim dividend of ¥20 and year-end dividend of ¥20)



Response to Achieve Management with Awareness of Capital Cost and Stock Price

We will aim to further strengthen profitability while also steadily implementing measures to improve capital cost, including timely and appropriate disclosure of information as well as financial and capital policies. We will also continue to improve equity spread while "maintaining the 12% ROE."

Current situation (for FY2023)



Initiative policies: To achieve specific corporate value improvements

Strengthen ability to generate profit

- Create new business and provide training for continued business expansion
- Strengthen our structure to be a highly profitable company

Strengthen financial and capital strategies

- Fulfill shareholder returns with priority on continuing stable dividends
- Strengthen investment in human capital
- Reduce cross-shareholdings

Reduce capital cost

- Actively disclose risk information



Sustainability Policy

Create new innovations through sustainability

- We will create new value from social issues. (An exciting future)
- We value the many bonds between people, and will promote open innovation.

- ▶ **Promote diversity**
- ▶ **Health management**
- ▶ **Initiatives for human capital**
- ▶ **Contribute to society (local regions)**

Based on our Sustainability Policy, the Densan System Group considers diversity as an important management strategy because respecting the diverse individuality and values of each of our employees and maximizing each other's strengths are essential to continue providing valuable services that meet the diverse needs of our customers.

Furthermore, with the aim of achieving an organization where each of our employees can embrace their work and thrive in the company, we will continue to promote initiatives for human capital and health management.