

Densan System Holdings Co., Ltd. Presentation Materials for the FY2024 Results Briefing

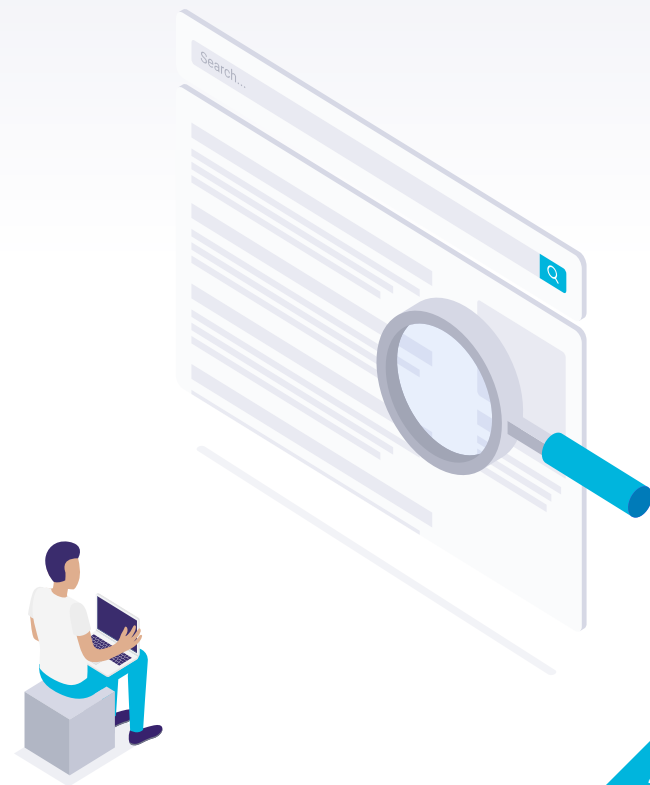
**Tokyo Stock Exchange Prime
Nagoya Stock Exchange Premier
Securities Code: 4072**

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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FY2024 Business Results Highlights

Net sales 61.256 billion yen (2.8%↗)

Operating income 2.311 billion yen (41.7%↘)

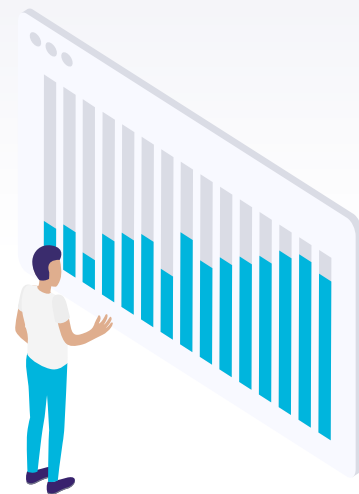
Operating income ratio 3.8 %

Net income

attributable to shareholders of the parent company

1.850 billion yen (7.7%↘)

ROE 8.7%



FY2024 Business Results Highlights

Unit: Million yen

- ▶ Despite strong results from cloud projects for Google and other companies, net sales fell short of the plan having increased by 2.8% year on year amid a situation where payment agency services did not grow as planned.
- ▶ Each stage of profit decreased year on year due to the impact of an increase in costs and unprofitable projects in information services.
- ▶ Net profit exceeded the revised plan largely due to sales of investment securities.

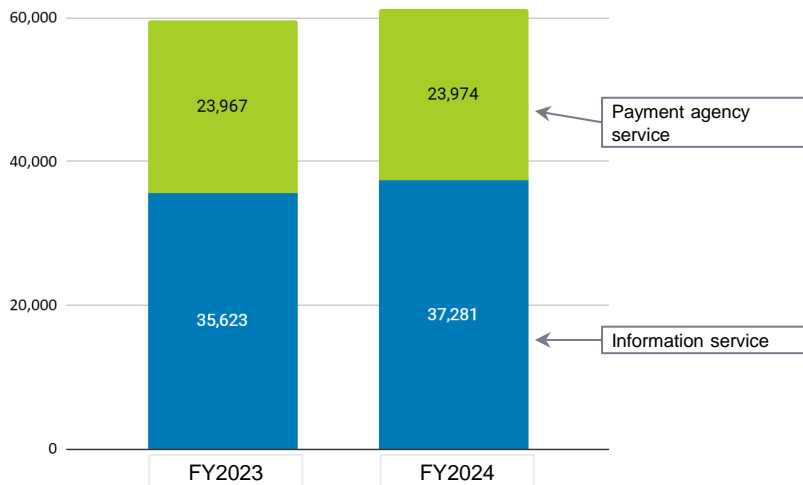
	FY2023	FY2024	Y-o-y (%)		Plan (Revised)	Attainment ratio	Plan (Initial)	Attainment ratio
			Amount	Ratio				
Net sales	59,591	61,256	1,665	2.8%	61,200	100.1%	65,700	93.2%
Operating profit	3,964	2,311	(1,652)	(41.7%)	2,300	100.5%	4,100	56.4%
Profit margin	6.7%	3.8%	2.9% pt down		3.8%		6.2%	
Ordinary profit	4,018	2,534	(1,483)	(36.9%)	2,470	102.6%	4,120	61.5%
Profit margin	6.7%	4.1%	2.6% pt down		4.0%		6.3%	
Net income	2,004	1,850	(153)	(7.7%)	1,410	131.2%	2,790	66.3%

FY2024 By Segment

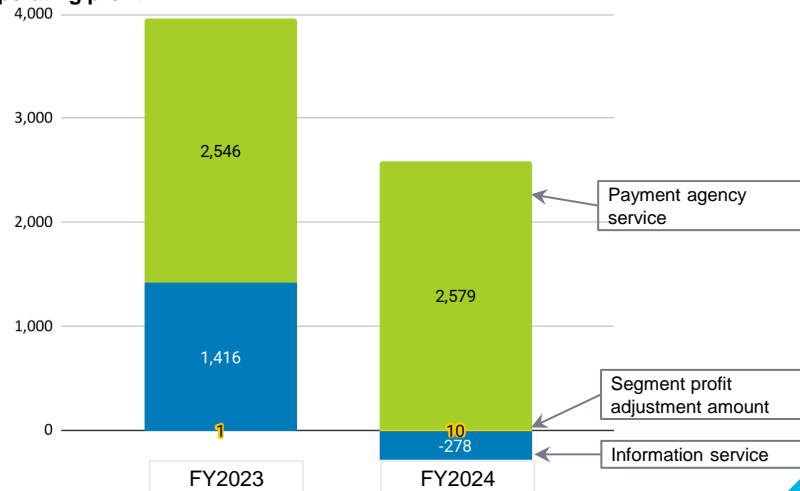
Unit: Million yen

- ▶ Net sales increased ¥1,658 million (4.7%) year on year for information services and remained relatively unchanged year on year for payment agency services.
- ▶ Information services posted an operating loss with profits having dropped significantly due to the impact of an increase in costs and unprofitable projects.
- ▶ Whereas sales of payment agency services remained sluggish, operating profit exceeded that of the previous fiscal year by ¥32 million due to factors such as unit price improvement.

Net sales



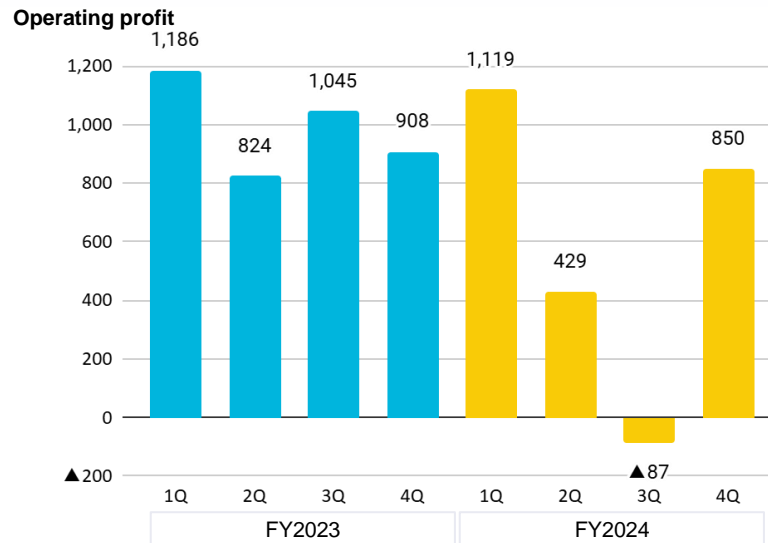
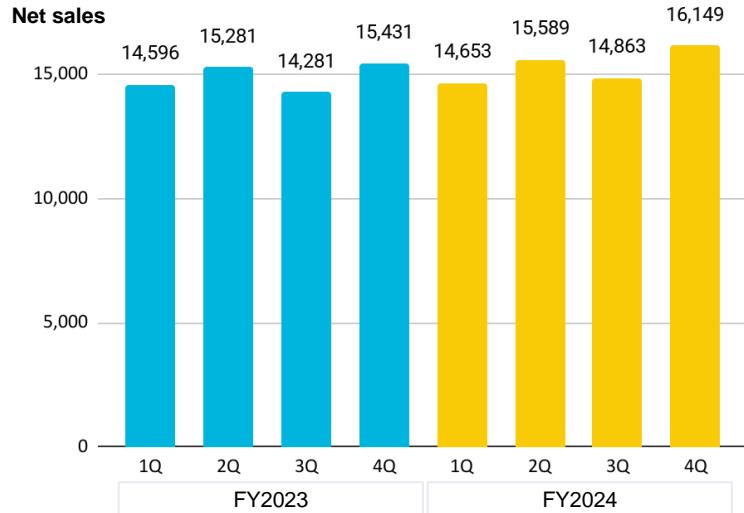
Operating profit



FY2024 Transition in Quarterly Business Results

Unit: Million yen

- ▶ Net sales increased every quarter. The rate of net sales growth also improved gradually (0.4%→2.0%→4.1%→4.7%).
- ▶ Operating profit declined year on year in each of the four quarters amid the impact of unprofitable projects in information services.
In particular, an operating loss was recorded in 3Q upon having fully accounted for excess costs associated with the following period.



FY12/2024 Financial Condition (B/S)

Unit: Million yen

	As of December 31, 2023	As of December 31, 2024	Change in amount
Total assets	57,051	61,747	4,695
Current assets	48,228	53,876	5,647
Non-current assets	8,822	7,870	(951)
Total liabilities	36,277	39,452	3,175
Current liabilities	33,953	37,804	3,850
Non-current liabilities	2,323	1,648	(675)
Total net assets	20,774	22,294	1,520
Equity ratio	36.1%	35.8%	0.3% pt Down
Deposits received in payment agency services	18,231	19,370	1,139
Equity ratio excluding deposits received in payment agency services	53.0%	52.1%	0.9% pt Down

FY2024 Information Services Summary

Unit: Million yen

- ▶ SI and software development performed well in the new fields of cloud services such as Google and generative AI.
- ▶ Sales decreased year on year in information processing due to a decline in the number of items processed in other services despite having achieved strong performance in invoice preparation services.
- ▶ Sales of merchandise and finished goods decreased year on year as a result of there having been few large projects relative to the previous fiscal year.
- ▶ Development delays were incurred with respect to unprofitable projects in software along with revisions to man hours attributable to factors such as quality degradation.

An operating loss of ¥278 million was recorded also as a result of having posted excess costs associated with the next fiscal year in the current fiscal year.

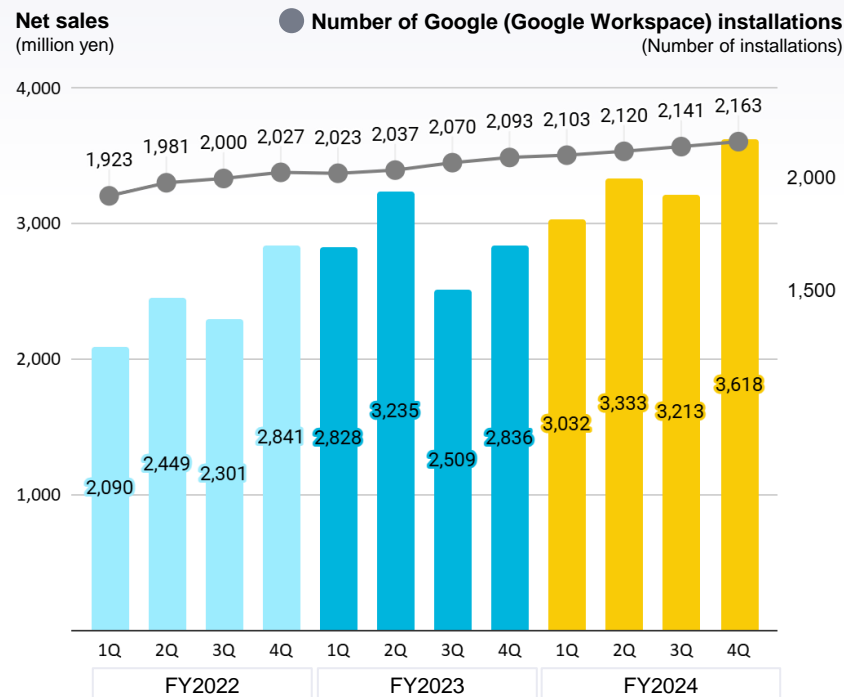
	FY2023	FY2024	Y-o-y (%)		Plan (Revised)	Attainment ratio
			Amount	Ratio		
Net sales	35,623	37,281	1,658	4.7%	37,527	99.3%
SI and software development	25,158	27,188	2,030	8.1%	27,695	98.2%
Information processing	6,031	5,850	(181)	(3.0%)	5,802	100.8%
Sales of merchandise and finished goods	4,341	4,138	(203)	(4.7%)	3,925	105.4%
Other revenue	92	104	12	13.7%	105	99.7%
Operating profit	1,416	(278)	(1,694)	(119.6%)	(165)	-
Operating profit margin	4.0%	(0.7%)	4.7% pt down		(0.4%)	

FY2024 Information Services in Detail (Google Business)

- ▶ Google Workspace saw steady growth in the number of business partners and licenses acquired.
- ▶ Net sales for the current fiscal year increased by 15.7% year on year to ¥13.2 billion.
- ▶ In partnership with NEC, we have started to offer a new service called Manamie for NEXT GIGA.

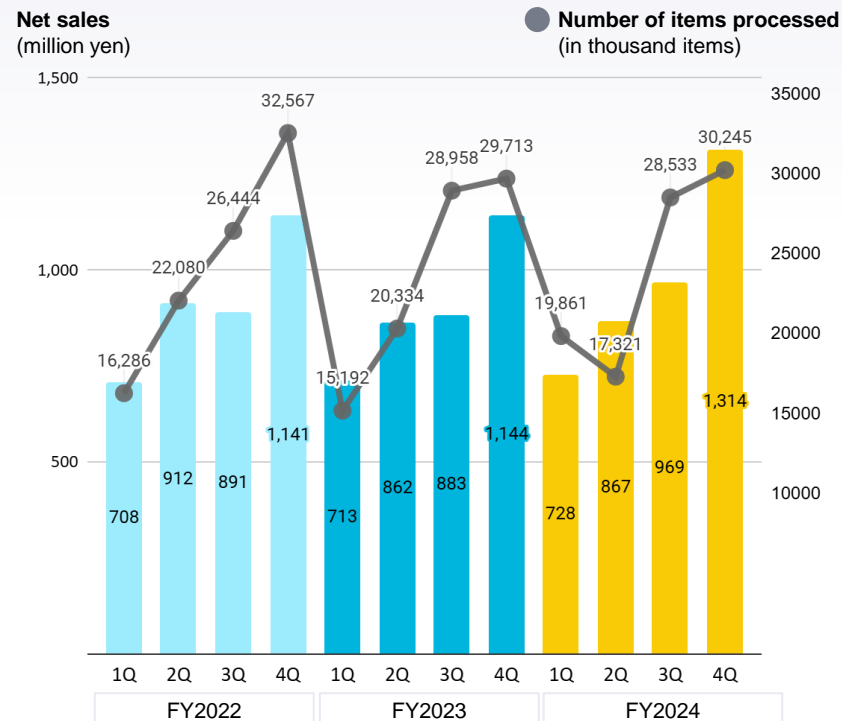
Google (Google Workspace) adopter companies:
2,163 companies

Google business sales 15.7% up from the
previous fiscal year



FY2024 Information Services in Detail (BPO Business)

- ▶ Net sales for the current fiscal year increased by ¥276 million, or 7.7% year on year, to ¥3,878 million.
- ▶ Invoice preparation services performed well with the number of items processed up 10.6% year on year.
- ▶ In other BPO services, the number of items processed decreased. In particular, volume of invoice printing services declined substantially.



FY2024 Payment Agency Services Summary

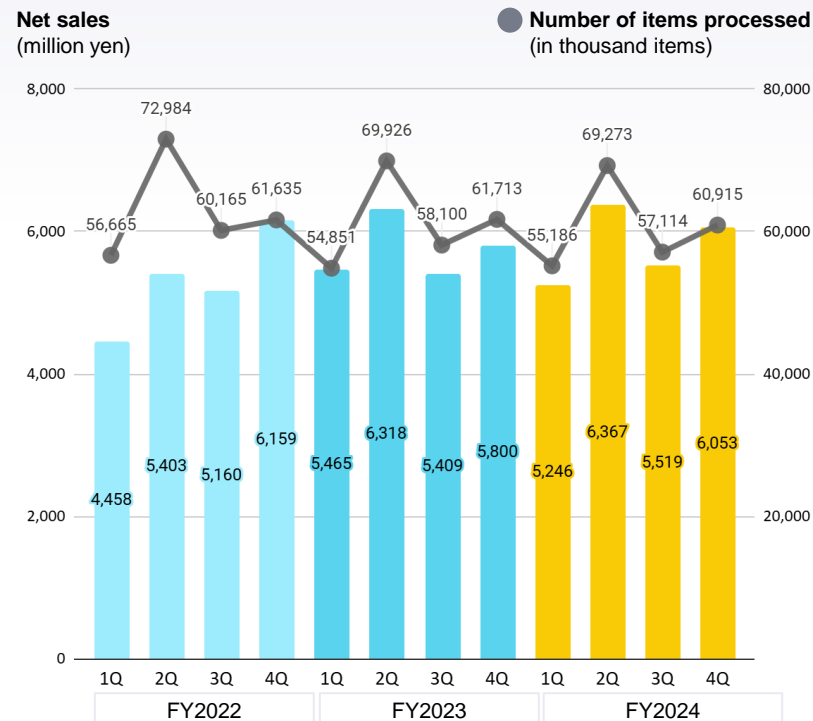
Unit: Million yen

- ▶ Net sales and operating profit for the current fiscal year achieved amounts of the revised plan released in 3Q, but substantially underperformed the initial plan.
- ▶ Sales of payment and collection agency services increased year on year amid recovery in 2Q and subsequent quarters after having started out the fiscal year with a decrease in sales in 1Q attributable to termination of large contracts and an increase in unit purchase price.
- ▶ In online payment services, sales decreased year on year due to a decline in the number of existing customers.
- ▶ Sales of remittance services decreased due to the termination of international remittance service at the end of June.

	FY2023	FY2024	Y-o-y (%)		Plan (Revised)	Attainment ratio
			Amount	Ratio		
Net sales	23,967	23,974	6	0.0%	23,673	101.3%
Payment and collection agency service	22,000	22,204	204	0.9%	21,886	101.5%
Online payment service	993	982	(11)	(1.2%)	976	100.6%
Remittance service	366	226	(139)	(38.0%)	233	97.4%
Payment agency peripheral services	317	321	4	1.3%	315	102.0%
Other revenue	290	239	(50)	(17.3%)	263	91.2%
Operating profit	2,546	2,579	32	1.3%	2,465	104.6%
Operating profit margin	10.6%	10.8%	0.1% pt up		10.4%	

FY2024 Payment Agency Services in Detail (Payment and Collection Agency Services / Online Payment Services)

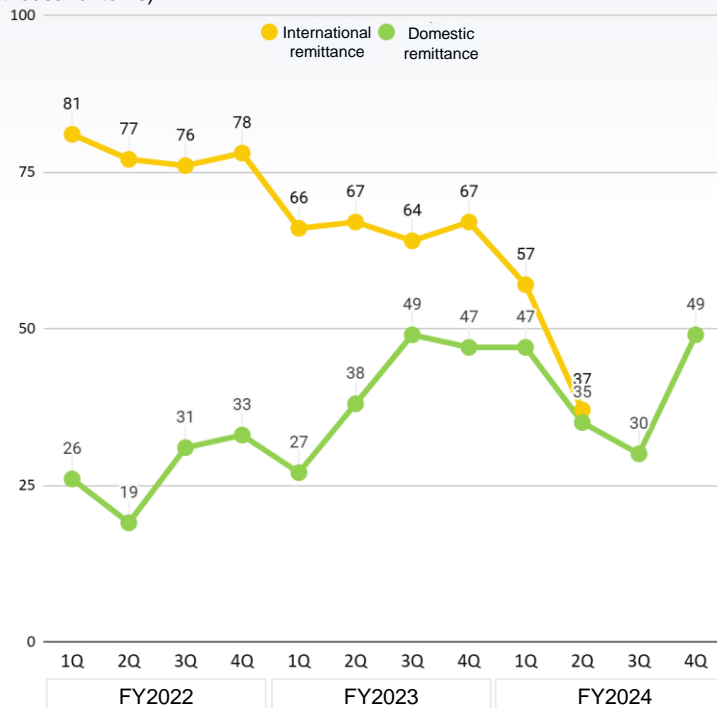
- ▶ Sales of convenience store payment agency services for the full year increased year on year amid a situation where such sales started out the fiscal year with a decrease in 1Q due to termination of a large contract in the previous fiscal year, but then upward momentum in sales persisted in the latter half in part as a result of a new large customer having embarked on operations and also as a result of progress achieved in ensuring that prices reflect higher purchase prices.
- ▶ The number of transactions handled by some existing customers decreased. The number of transactions decreased overall, as the decrease in the number of transactions could not be compensated for by new customers.



FY2024 Payment Agency Services in Detail (Remittance Services / Payment Agency Peripheral Services)

- ▶ The international remittance service terminated advance registration style services at the end of March. The face-to-face service business was also transferred to another company and fully terminated on the last day of June.
- ▶ Domestic remittance services saw a decline in the number of transactions, as new customers were unable to make up for the decline in the number of existing customers.

Number of items processed
(in thousand items)



FY2025 Business Results Projections

Unit: Million yen

- ▶ Net sales are projected to increase by 10% or more due to growth in information services.
- ▶ Each stage of profit is projected to increase substantially amid improvement in negative factors associated with the current fiscal year.
- ▶ The rates of increase with respect to ordinary profit and net profit are low relative to that of operating profit due to a reduction in dividend income and gain on sale of investment securities, which were recorded for the current fiscal year.

	FY2024	FY2025 Plan	Change in amount	Y-o-y
Net sales	61,256	67,500	6,244	10.2%
Operating profit	2,311	3,500	1,188	51.4%
Operating profit margin	3.8%	5.2%		
Ordinary profit	2,534	3,530	995	39.3%
Ordinary profit margin	4.1%	5.2%		
Net profit	1,850	2,530	679	36.7%
Segment profit adjustment amount	10	0		

FY2025 Information Services Results Projection

Unit: Million yen

- ▶ Robust performance is likely given substantial market needs with respect to the cloud, AI, and BPO.
- ▶ A substantial increase is projected in sales of merchandise and finished goods associated with NEXT GIGA.
- ▶ We will increase investment in new service platforms utilizing Web3, NFT, blockchain, etc.

	FY2024	FY2025 Plan	Change in amount	Y-o-y
Net sales	37,281	42,322	5,040	13.5%
SI and software development	27,188	29,475	2,287	8.4%
Information processing	5,850	6,397	547	9.4%
Sales of merchandise and finished goods	4,138	6,366	2,227	53.8%
Other revenue	104	83	(21)	(20.3%)
Operating profit	(278)	851	1,129	-
Operating profit margin	(0.7%)	2.0%	2.8% pt up	

FY2025 Payment Agency Services Results Projection

Unit: Million yen

- ▶ Upward momentum in sales persists due to a new large customer having embarked on operations and progress achieved in ensuring that prices reflect higher unit purchase prices.
- ▶ We are promoting differentiation through PAYSLE electronic payment slip services and TREE PAYMENT services for enabling customers to select preferred payment options.
- ▶ We are developing markets by enhancing functionality of our comprehensive payment services platform.
- ▶ We are focusing our resources on domestic remittance services upon having terminated international remittance service.

	FY2024	FY2025 Plan	Change in amount	Y-o-y
Net sales	23,974	25,178	1,203	5.0%
Payment and collection agency service	22,204	23,187	983	4.4%
Online payment service	982	1,067	85	8.6%
Remittance service	226	49	(178)	(78.5%)
Payment agency peripheral services	321	315	(6)	(2.0%)
Other revenue	239	560	320	133.5%
Operating profit	2,579	2,649	70	2.7%
Operating profit margin	10.8%	10.5%	0.2% pt down	

Medium-Term Plan FY2025 to FY2027

Unit: Million yen

- ▶ Aim for Group-wide sales increase of 10% or more each fiscal year.
- ▶ Upfront investment in information services will be made to build platforms for new services with results expected to emerge from FY2026 onward.
- ▶ Aim to achieve growth exceeding plans by creating new businesses, coordinating with other companies, and engaging in M&A.

	FY2024	FY2025	FY2026	FY2027	Average YoY growth rate
	Actual	Plan	Plan	Plan	
Net sales	61,256	67,500	73,500	81,500	10.0%
Information service	37,281	42,322	46,758	53,016	
Payment agency service	23,974	25,178	26,742	28,484	
Operating profit	2,311	3,500	4,600	5,600	34.9%
Information service	(278)	851	1,706	2,490	
Payment agency service	2,579	2,649	2,894	3,110	
Profit margin	3.8%	5.2%	6.3%	6.9%	
Information service	(0.7%)	2.0%	3.6%	4.7%	
Payment agency service	10.8%	10.5%	10.8%	10.9%	

Medium-Term Plan FY2025 to FY2027

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 FY2021 to FY2027

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.

1973
Commenced the first account transfer service business by an IT company.

1977
Changed company name to "Densan System".

1997
Started payment agency services.

1967
Established Gifu Electronic Computing Center Co., Ltd.

1986
Opened Tokyo Office.

2008
Listed on TSE Second Section.

2013
Cloud service started
Tono IDC opened

2012
Listed on TSE First Section.

Start up of BPO Center

¥61.2 billion

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

2027
Net sales
¥100 billion

Information service

- BPO services
- Software development, operation, and maintenance services
- Medical services

Payment service

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

Cloud services

- Cloud services
- IDC services

New business

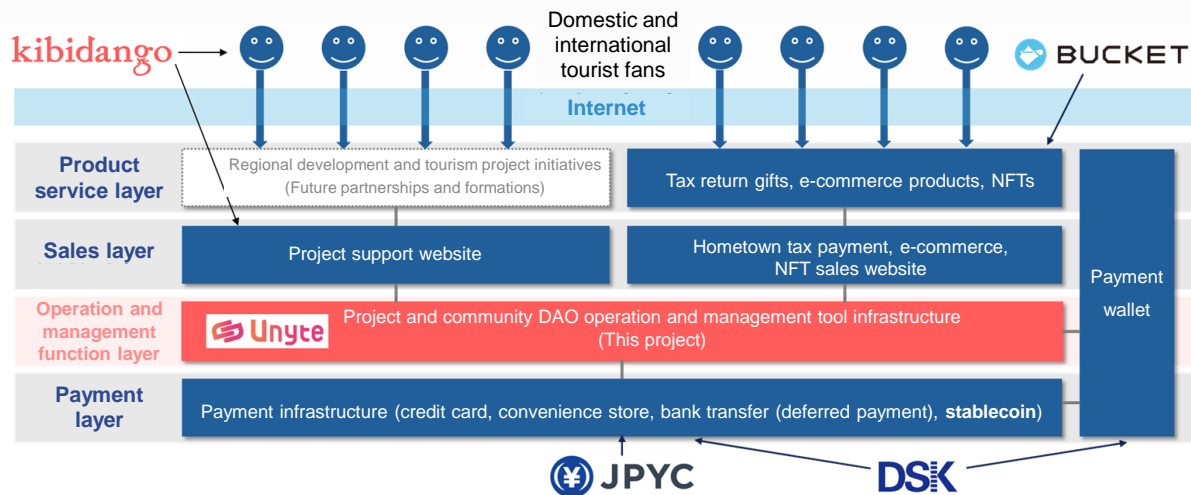
- Security services
- ERP/HR services
- Services for the public and education sectors
- DX

FY2024 3Q Topics

- ▶ **April 16, 2024: Collaboration with NEC in the education DX field, strengthening the system for NEXT GIGA (2025)**
 - Took over the “Learning Visualization Service,” a data utilization service for schools that NEC has been developing, and integrated it with “Ra:Class” to strengthen services.
- ▶ **September 27, 2024: Started providing Manamie, a service promoting the utilization of educational data**
 - **October 1, 2024: Gradually launched the educational DX service Manamie, which supports the comprehensive enhancement of personalized and collaborative learning through data analysis**
 - **January 2025: Scheduled launch of the Manamie Data Analysis Support Service Pack, aimed at promoting the utilization of educational data**

FY2024 3Q Topics

- ▶ **Web3, NFT, Blockchain: We started working on cutting-edge digital technologies.**
 - **October 30, 2024: Business alliance with Unyte Inc., which provides an integrated platform that supports the construction and advanced management of DAOs, for joint efforts toward the social implementation of a DAO**



* A DAO (decentralized autonomous organization) is a new form of organization based on blockchain technology. A DAO is operated by a self-executing contract called a smart contract, and does not require a conventional centralized manager or middleman. This mechanism enables highly transparent management and efficient decision-making.



Sustainability Policy

Create new innovations through sustainability.

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.

Initiatives in 2024

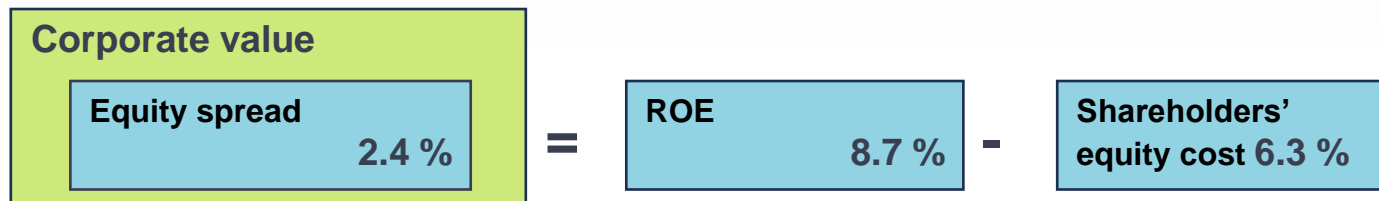
- ▶ **We strove to establish workplaces that enable all of our employees to work with peace of mind over the long term while fully demonstrate their individual abilities.**
 - ▶ We acquired L-boshi (two stars) certification as a company that promotes active participation of women in the workplace.
- ▶ **Health management**
 - ▶ Reduction in designated working hours (from 8 hours to 7.5 hours) / adoption of flextime system across the entire company (overtime reduced by 3.8 hours) / paid leave granted upon joining the company (ten days) / introduction of employee benefits club / employees provided with health and wellness application



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 FY2024)



▶ Initiative policies: To achieve specific corporate value improvements

Strengthen ability to generate profit

- Create and develop new business 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

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 ¥60 per share (interim dividend of ¥20 and year-end dividend of ¥40)**
- ▶ **FY2025 plan: Annual ordinary dividend of ¥80 per share (interim dividend of ¥40 and year-end dividend of ¥40)**

