

Translation

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Summary of Consolidated Financial Results for the Three Months Ended March 31, 2021 (Based on Japanese GAAP)

May 7, 2021

Company name: Densan System Co., Ltd.
 Stock exchange listing: Tokyo, Nagoya
 Stock code: 3630 URL <https://www.densan-s.co.jp/>
 Representative: President, Representative Director & COO Yasunori Tanaka
 Corporate Officer Chief of Administration
 Inquiries: Takashi Usami TEL 058-279-3456
 Headquarters
 Scheduled date to file Quarterly Securities Report: May 14, 2021
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended March 31, 2021 (from January 1, 2021 to March 31, 2021)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|-----------------------------------|-----------------|------|------------------|--------|-----------------|--------|-----------------------------------------|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Three months ended March 31, 2021 | 12,752 | 14.6 | 920 | (17.3) | 992 | (14.7) | 576 | (23.4) |
| Three months ended March 31, 2020 | 11,127 | 10.4 | 1,113 | 42.3 | 1,162 | 48.4 | 752 | 43.8 |

| | Earnings per share | Diluted earnings per share |
|-----------------------------------|--------------------|----------------------------|
| | Yen | Yen |
| Three months ended March 31, 2021 | 53.47 | – |
| Three months ended March 31, 2020 | 76.93 | – |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of March 31, 2021 | 46,686 | 16,421 | 34.8 |
| As of December 31, 2020 | 47,984 | 15,838 | 32.6 |

2. Cash dividends

| | Annual dividends per share | | | | |
|------------------------------------------|----------------------------|-----------------|-----------------|-----------------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Year ended December 31, 2020 | – | 14.00 | – | 14.00 | 28.00 |
| Year ending December 31, 2021 | – | | | | |
| Year ending December 31, 2021 (Forecast) | | 14.00 | – | 15.00 | 29.00 |

3. Forecast of consolidated financial results for the year ending December 31, 2021 (from January 1, 2021 to December 31, 2021)

Percentages indicate year-on-year changes

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Earnings per share |
|-----------|-----------------|------|------------------|-----|-----------------|-----|-----------------------------------------|-----|--------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 52,000 | 13.7 | 2,850 | 0.5 | 2,920 | 0.1 | 1,945 | 1.5 | 180.34 |

4. Notes

- (1) Changes in significant subsidiaries during the three months ended March 31, 2021
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

| | | | |
|----------------------|-------------------|-------------------------|-------------------|
| As of March 31, 2021 | 10,786,000 shares | As of December 31, 2020 | 10,786,000 shares |
|----------------------|-------------------|-------------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|----------------------|--------------|-------------------------|--------------|
| As of March 31, 2021 | 1,068 shares | As of December 31, 2020 | 1,023 shares |
|----------------------|--------------|-------------------------|--------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | | | |
|-----------------------------------|-------------------|-----------------------------------|------------------|
| Three months ended March 31, 2021 | 10,784,970 shares | Three months ended March 31, 2020 | 9,785,099 shares |
|-----------------------------------|-------------------|-----------------------------------|------------------|

Quarterly consolidated financial statements

Consolidated balance sheets

(Thousands of yen)

| | As of December 31, 2020 | As of March 31, 2021 |
|---------------------------------------|-------------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 13,144,597 | 11,841,581 |
| Money held in trust | 16,370,675 | 17,454,272 |
| Notes and accounts receivable - trade | 7,236,747 | 6,875,055 |
| Merchandise | 62,024 | 66,337 |
| Work in process | 1,503,798 | 1,086,296 |
| Prepaid expenses | 2,060,072 | 1,678,294 |
| Other | 84,697 | 95,858 |
| Allowance for doubtful accounts | (647) | (1,021) |
| Total current assets | 40,461,966 | 39,096,675 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 1,665,494 | 1,637,963 |
| Land | 791,098 | 791,098 |
| Other, net | 608,909 | 708,589 |
| Total property, plant and equipment | 3,065,502 | 3,137,651 |
| Intangible assets | | |
| Goodwill | 888,054 | 860,293 |
| Customer-related assets | 709,633 | 697,398 |
| Software | 328,371 | 269,100 |
| Software in progress | 112,757 | 154,560 |
| Other | 36 | 36 |
| Total intangible assets | 2,038,853 | 1,981,389 |
| Investments and other assets | | |
| Investment securities | 1,868,648 | 1,994,230 |
| Deferred tax assets | 138,230 | 88,179 |
| Guarantee deposits | 366,089 | 371,420 |
| Other | 45,655 | 17,997 |
| Allowance for doubtful accounts | (140) | (563) |
| Total investments and other assets | 2,418,483 | 2,471,264 |
| Total non-current assets | 7,522,839 | 7,590,304 |
| Total assets | 47,984,805 | 46,686,980 |

(Thousands of yen)

| | As of December 31, 2020 | As of March 31, 2021 |
|----------------------------------------------------------------------|-------------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 3,685,347 | 3,227,460 |
| Short-term borrowings | – | 100,000 |
| Current portion of bonds payable | 20,000 | 20,000 |
| Current portion of long-term borrowings | 359,348 | 349,349 |
| Income taxes payable | 780,253 | 310,855 |
| Advances received | 2,188,799 | 1,953,842 |
| Deposits received of storage agency | 21,067,365 | 20,630,976 |
| Provision for bonuses | 15,258 | 327,942 |
| Provision for bonuses for directors (and other officers) | 1,000 | – |
| Provision for loss on order received | – | 2,573 |
| Provision for shareholder benefit program | 34,889 | 34,061 |
| Other | 2,158,062 | 1,568,388 |
| Total current liabilities | 30,310,324 | 28,525,449 |
| Non-current liabilities | | |
| Bonds payable | 10,000 | – |
| Long-term borrowings | 818,713 | 738,047 |
| Deferred tax liabilities | 213,102 | 234,628 |
| Provision for retirement benefits for directors (and other officers) | 444,824 | 421,139 |
| Retirement benefit liability | 65,356 | 61,308 |
| Asset retirement obligations | 23,979 | 24,007 |
| Other | 259,949 | 261,301 |
| Total non-current liabilities | 1,835,924 | 1,740,434 |
| Total liabilities | 32,146,249 | 30,265,883 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 2,469,146 | 2,469,146 |
| Capital surplus | 2,656,888 | 2,656,888 |
| Retained earnings | 10,607,156 | 11,032,791 |
| Treasury shares | (248) | (396) |
| Total shareholders' equity | 15,732,943 | 16,158,429 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (85,230) | 68,236 |
| Deferred gains or losses on hedges | – | 2,970 |
| Total accumulated other comprehensive income | (85,230) | 71,207 |
| Non-controlling interests | 190,843 | 191,460 |
| Total net assets | 15,838,556 | 16,421,096 |
| Total liabilities and net assets | 47,984,805 | 46,686,980 |

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

| | Three months ended March 31, 2020 | Three months ended March 31, 2021 |
|-------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Net sales | 11,127,169 | 12,752,402 |
| Cost of sales | 8,871,713 | 10,466,095 |
| Gross profit | 2,255,456 | 2,286,307 |
| Selling, general and administrative expenses | 1,141,804 | 1,365,409 |
| Operating profit | 1,113,651 | 920,898 |
| Non-operating income | | |
| Interest income | 178 | 240 |
| Dividend income | 25,451 | — |
| Gain on sales of non-current assets | 23,701 | — |
| Subsidy income | — | 5,556 |
| Gain on investments in investment partnerships | — | 19,310 |
| Foreign exchange gains | 1,153 | — |
| Gain on valuation of derivatives | — | 33,530 |
| Other | 1,678 | 19,811 |
| Total non-operating income | 52,163 | 78,448 |
| Non-operating expenses | | |
| Interest expenses | 1,174 | 1,281 |
| Commission expenses | — | 2,023 |
| Share of loss of entities accounted for using equity method | 777 | 1,044 |
| Loss on investments in investment partnerships | 1,044 | — |
| Foreign exchange losses | — | 2,599 |
| Other | — | 369 |
| Total non-operating expenses | 2,996 | 7,318 |
| Ordinary profit | 1,162,818 | 992,028 |
| Extraordinary losses | | |
| Impairment loss | — | 30,383 |
| Loss on sales of investment securities | 18,608 | — |
| Loss on valuation of investment securities | 15,006 | 55,685 |
| Total extraordinary losses | 33,614 | 86,068 |
| Profit before income taxes | 1,129,204 | 905,960 |
| Income taxes - current | 374,881 | 285,396 |
| Income taxes - deferred | (18,439) | 42,423 |
| Total income taxes | 356,441 | 327,819 |
| Profit | 772,762 | 578,140 |
| Profit attributable to non-controlling interests | 20,005 | 1,516 |
| Profit attributable to owners of parent | 752,757 | 576,624 |

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

| | Three months ended March 31, 2020 | Three months ended March 31, 2021 |
|----------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Profit | 772,762 | 578,140 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (89,956) | 153,467 |
| Deferred gains or losses on hedges | 2,092 | 2,970 |
| Total other comprehensive income | (87,863) | 156,437 |
| Comprehensive income | 684,898 | 734,577 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 664,893 | 733,061 |
| Comprehensive income attributable to non-controlling interests | 20,005 | 1,516 |