

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Six Months Ended June 30, 2023 (Based on Japanese GAAP)

August 10, 2023

Company name: Densan System Holdings Co., Ltd.
 Stock exchange listing: Tokyo, Nagoya
 Stock code: 4072 URL <https://www.ds-hd.co.jp/>
 Representative: President, Representative Director Kobayashi Ryoji
 Inquiries: Corporate Officer & Unit Leader Yanagihara Kazumoto TEL 058-279-3456
 Scheduled date to file Quarterly Securities Report: August 10, 2023
 Scheduled date to commence dividend payments: September 11, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

(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	%
Six months ended June 30, 2023	29,878	18.7	2,010	72.1	2,073	46.6	1,395	53.8
Six months ended June 30, 2022	25,161	–	1,168	–	1,414	–	907	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2023	129.86		–	
Six months ended June 30, 2022	84.11		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	91,702	20,337	22.0
As of December 31, 2022	72,170	19,665	27.0

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended December 31, 2022	–	17.00	–	18.00	35.00
Year ending December 31, 2023	–	18.00	–	–	–
Year ending December 31, 2023 (Forecast)	–	–	–	19.00	37.00

3. Forecast of consolidated financial results for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

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	62,500	16.9	3,900	14.2	3,912	9.1	2,643	12.5	245.00

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2023
 (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 June 30, 2023	10,792,973 shares	As of December 31, 2022	10,790,199 shares
---------------------	-------------------	-------------------------	-------------------

Number of treasury shares at the end of the period

As of June 30, 2023	188,460 shares	As of December 31, 2022	936 shares
---------------------	----------------	-------------------------	------------

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

Six months ended June 30, 2023	10,744,547 shares	Six months ended June 30, 2022	10,786,886 shares
--------------------------------	-------------------	--------------------------------	-------------------

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	12,530	14,410
Money held in trust	33,417	51,443
Notes and accounts receivable - trade, and contract assets	10,529	9,967
Merchandise and finished goods	924	765
Work in process	429	503
Prepaid expenses	4,034	4,112
Other	889	797
Allowance for doubtful accounts	(14)	(21)
Total current assets	62,740	81,977
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,462	1,404
Land	791	791
Other, net	636	680
Total property, plant and equipment	2,890	2,876
Intangible assets		
Goodwill	1,200	1,113
Customer-related assets	704	674
Technical assets	180	169
Software	503	442
Software in progress	153	461
Other	0	0
Total intangible assets	2,741	2,861
Investments and other assets		
Investment securities	3,037	3,178
Deferred tax assets	303	365
Guarantee deposits	394	377
Other	96	102
Allowance for doubtful accounts	(34)	(36)
Total investments and other assets	3,798	3,987
Total non-current assets	9,430	9,725
Total assets	72,170	91,702

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	4,538	3,930
Short-term borrowings	–	100
Current portion of bonds payable	7	7
Current portion of long-term borrowings	494	424
Income taxes payable	615	786
Contract liabilities	5,604	5,914
Deposits received of storage agency	36,727	54,756
Provision for bonuses	16	72
Provision for bonuses for directors (and other officers)	26	24
Provision for loss on orders received	81	302
Provision for shareholder benefit program	39	0
Other	2,190	2,505
Total current liabilities	50,339	68,826
Non-current liabilities		
Bonds payable	29	25
Long-term borrowings	955	1,362
Deferred tax liabilities	306	292
Provision for retirement benefits for directors (and other officers)	445	425
Retirement benefit liability	105	112
Asset retirement obligations	24	24
Other	301	296
Total non-current liabilities	2,165	2,538
Total liabilities	52,505	71,365
Net assets		
Shareholders' equity		
Share capital	2,482	2,489
Capital surplus	2,656	2,628
Retained earnings	14,277	15,478
Treasury shares	(0)	(594)
Total shareholders' equity	19,416	20,002
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	40	132
Deferred gains or losses on hedges	(1)	0
Total accumulated other comprehensive income	39	133
Non-controlling interests	209	202
Total net assets	19,665	20,337
Total liabilities and net assets	72,170	91,702

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Net sales	25,161	29,878
Cost of sales	20,719	24,568
Gross profit	4,442	5,309
Selling, general and administrative expenses	3,274	3,299
Operating profit	1,168	2,010
Non-operating income		
Interest income	4	0
Dividend income	16	19
Share of profit of entities accounted for using equity method	131	–
Gain on sale of non-current assets	38	4
Gain on investments in investment partnerships	17	–
Gain on valuation of derivatives	43	43
Debt prescripton profit	4	3
Other	5	20
Total non-operating income	261	91
Non-operating expenses		
Interest expenses	4	4
Share of loss of entities accounted for using equity method	–	3
Commission expenses	1	0
Loss on investments in investment partnerships	–	1
Loss on investments in silent partnerships	2	1
Foreign exchange losses	6	16
Other	0	1
Total non-operating expenses	15	29
Ordinary profit	1,414	2,073
Extraordinary losses		
Loss on valuation of investment securities	41	–
Total extraordinary losses	41	–
Profit before income taxes	1,372	2,073
Income taxes - current	633	771
Income taxes - deferred	(177)	(108)
Total income taxes	456	662
Profit	915	1,410
Profit attributable to non-controlling interests	8	15
Profit attributable to owners of parent	907	1,395

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit	915	1,410
Other comprehensive income		
Valuation difference on available-for-sale securities	35	92
Deferred gains or losses on hedges	–	1
Total other comprehensive income	35	93
Comprehensive income	951	1,504
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	943	1,489
Comprehensive income attributable to non-controlling interests	8	15

Consolidated statements of cash flows

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,372	2,073
Depreciation	303	308
Amortization of goodwill	86	86
Increase (decrease) in allowance for doubtful accounts	14	8
Increase (decrease) in provision for bonuses	143	56
Increase (decrease) in provision for bonuses for directors (and other officers)	(18)	(1)
Increase (decrease) in provision for loss on orders received	1	221
Increase (decrease) in provision for shareholder benefit program	(34)	(38)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	4	(19)
Increase (decrease) in retirement benefit liability	15	7
Interest and dividend income	(21)	(20)
Interest expenses	4	4
Loss (gain) on valuation of derivatives	(43)	(43)
Share of loss (profit) of entities accounted for using equity method	(131)	3
Foreign exchange losses (gains)	(6)	(0)
Loss (gain) on investments in investment partnerships	(17)	1
Loss (gain) on valuation of investment securities	41	–
Loss (gain) on sale of non-current assets	(38)	(4)
Decrease (increase) in trade receivables and contract assets	794	559
Decrease (increase) in inventories	(186)	85
Decrease (increase) in prepaid expenses	(497)	(77)
Increase (decrease) in trade payables	(218)	(607)
Increase (decrease) in accounts payable - other	(77)	(191)
Increase (decrease) in contract liabilities	587	310
Decrease (increase) in other current assets	(69)	117
Increase (decrease) in other current liabilities	(248)	552
Other, net	33	26
Subtotal	1,793	3,419
Interest and dividends received	22	20
Interest paid	(4)	(4)
Income taxes paid	(505)	(606)
Net cash provided by (used in) operating activities	1,306	2,829

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from investing activities		
Payments into time deposits	(100)	(0)
Proceeds from withdrawal of time deposits	100	–
Purchase of property, plant and equipment	(217)	(206)
Proceeds from sale of property, plant and equipment	–	5
Purchase of intangible assets	(157)	(323)
Proceeds from sale of intangible assets	38	–
Purchase of investment securities	(135)	(22)
Proceeds from distributions from investment partnerships	16	1
Payments of leasehold and guarantee deposits	(0)	(0)
Proceeds from refund of leasehold and guarantee deposits	0	3
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(43)	–
Purchase of shares of subsidiaries and associates	(988)	–
Other, net	(20)	(3)
Net cash provided by (used in) investing activities	(1,507)	(547)

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	52	100
Redemption of bonds	(13)	(3)
Proceeds from long-term borrowings	948	600
Repayments of long-term borrowings	(234)	(262)
Purchase of treasury shares	–	(599)
Proceeds from sale of treasury shares	–	5
Dividends paid	(215)	(194)
Dividends paid to non-controlling interests	(0)	(0)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(49)
Net cash provided by (used in) financing activities	536	(405)
Effect of exchange rate change on cash and cash equivalents	6	0
Net increase (decrease) in cash and cash equivalents	342	1,876
Cash and cash equivalents at beginning of period	8,927	9,104
Cash and cash equivalents at end of period	9,269	10,980