

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2023 (Based on Japanese GAAP)

February 9, 2024

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 of ordinary general meeting of shareholders: March 26, 2024
 Scheduled date to file Securities Report: March 27, 2024
 Scheduled date to commence dividend payments: March 27, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Consolidated operating results

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	%
Year ended December 31, 2023	59,591	11.4	3,964	16.1	4,018	12.0	2,004	(14.7)
Year ended December 31, 2022	53,479	–	3,414	–	3,587	–	2,348	–

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2023	187.71	–	10.0	6.2	6.7
Year ended December 31, 2022	217.72	–	12.7	5.8	6.4

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2023	57,051	20,774	36.1	1,937.23
As of December 31, 2022	72,170	19,665	27.0	1,803.23

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2023	5,506	(852)	(941)	12,816
Year ended December 31, 2022	1,907	(1,718)	(5)	9,104

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2022	–	17.00	–	18.00	35.00	377	16.1	2.0
Year ended December 31, 2023	–	18.00	–	19.00	37.00	399	19.7	2.0
Year ending December 31, 2024 (Forecast)	–	20.00	–	20.00	40.00		15.3	

3. Forecast of consolidated financial results for the year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

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	65,700	10.3	4,100	3.4	4,120	2.5	2,790	39.2	262.22

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

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

As of December 31, 2023	10,792,973 shares	As of December 31, 2022	10,790,199 shares
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Number of treasury shares at the end of the period

As of December 31, 2023	171,298 shares	As of December 31, 2022	936 shares
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Average number of shares during the period

Year ended December 31, 2023	10,678,478 shares	Year ended December 31, 2022	10,788,261 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	12,530	15,912
Money held in trust	33,417	15,250
Notes receivable - trade	189	125
Accounts receivable - trade	8,133	8,415
Contract assets	2,206	1,694
Merchandise and finished goods	924	588
Work in process	429	315
Prepaid expenses	4,034	5,254
Other	889	695
Allowance for doubtful accounts	(14)	(24)
Total current assets	62,740	48,228
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,462	1,364
Land	791	791
Other, net	636	688
Total property, plant and equipment	2,890	2,843
Intangible assets		
Goodwill	1,200	604
Customer-related assets	704	645
Technical assets	180	159
Software	503	763
Software in progress	153	205
Other	0	0
Total intangible assets	2,741	2,378
Investments and other assets		
Investment securities	3,037	2,685
Deferred tax assets	303	452
Guarantee deposits	394	401
Other	96	118
Allowance for doubtful accounts	(34)	(58)
Total investments and other assets	3,798	3,600
Total non-current assets	9,430	8,822
Total assets	72,170	57,051

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	4,538	4,464
Current portion of bonds payable	7	7
Current portion of long-term borrowings	494	338
Income taxes payable	615	800
Contract liabilities	5,604	7,585
Deposits received of storage agency	36,727	18,231
Provision for bonuses	16	87
Provision for bonuses for directors (and other officers)	26	31
Provision for loss on orders received	81	224
Provision for shareholder benefit program	39	39
Other	2,190	2,143
Total current liabilities	50,339	33,953
Non-current liabilities		
Bonds payable	29	22
Long-term borrowings	955	1,159
Deferred tax liabilities	306	278
Provision for retirement benefits for directors (and other officers)	445	430
Retirement benefit liability	105	113
Asset retirement obligations	24	25
Other	301	294
Total non-current liabilities	2,165	2,323
Total liabilities	52,505	36,277
Net assets		
Shareholders' equity		
Share capital	2,482	2,489
Capital surplus	2,656	2,628
Retained earnings	14,277	15,893
Treasury shares	(0)	(540)
Total shareholders' equity	19,416	20,471
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	40	106
Deferred gains or losses on hedges	(1)	(1)
Total accumulated other comprehensive income	39	105
Non-controlling interests	209	197
Total net assets	19,665	20,774
Total liabilities and net assets	72,170	57,051

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales	53,479	59,591
Cost of sales	43,495	48,995
Gross profit	9,984	10,595
Selling, general and administrative expenses	6,570	6,631
Operating profit	3,414	3,964
Non-operating income		
Interest income	5	0
Dividend income	31	36
Share of profit of entities accounted for using equity method	133	–
Commission income	3	35
Gain on sale of non-current assets	38	4
Gain on investments in investment partnerships	14	–
Gain on valuation of derivatives	–	18
Debt prescripton profit	8	9
Other	12	8
Total non-operating income	247	114
Non-operating expenses		
Interest expenses	9	11
Commission expenses	1	0
Share of loss of entities accounted for using equity method	–	13
Loss on investments in investment partnerships	–	3
Loss on investments in silent partnerships	2	1
Foreign exchange losses	27	22
Loss on valuation of derivatives	33	–
Other	0	6
Total non-operating expenses	75	59
Ordinary profit	3,587	4,018
Extraordinary losses		
Impairment losses	–	421
Loss on valuation of investment securities	122	429
Special executive bonuses	206	–
Total extraordinary losses	328	851
Profit before income taxes	3,258	3,167
Income taxes - current	1,145	1,342
Income taxes - deferred	(251)	(190)
Total income taxes	894	1,152
Profit	2,364	2,015
Profit attributable to non-controlling interests	15	10
Profit attributable to owners of parent	2,348	2,004

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit	2,364	2,015
Other comprehensive income		
Valuation difference on available-for-sale securities	39	65
Deferred gains or losses on hedges	(1)	0
Total other comprehensive income	37	66
Comprehensive income	2,402	2,081
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,386	2,070
Comprehensive income attributable to non-controlling interests	15	10

Consolidated statements of changes in equity

Fiscal year ended December 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,469	2,656	12,283	(0)	17,409
Cumulative effects of changes in accounting policies			44		44
Restated balance	2,469	2,656	12,327	(0)	17,453
Changes during period					
Issuance of new shares - restricted stock	13				13
Dividends of surplus			(399)		(399)
Profit attributable to owners of parent			2,348		2,348
Purchase of treasury shares				(0)	(0)
Cancellation of treasury shares					-
Net changes in items other than shareholders' equity					
Total changes during period	13	-	1,949	(0)	1,963
Balance at end of period	2,482	2,656	14,277	(0)	19,416

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance at beginning of period	1	-	1	194	17,605
Cumulative effects of changes in accounting policies					44
Restated balance	1	-	1	194	17,649
Changes during period					
Issuance of new shares - restricted stock					13
Dividends of surplus					(399)
Profit attributable to owners of parent					2,348
Purchase of treasury shares					(0)
Cancellation of treasury shares					-
Net changes in items other than shareholders' equity	39	(1)	37	14	52
Total changes during period	39	(1)	37	14	2,016
Balance at end of period	40	(1)	39	209	19,665

Fiscal year ended December 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,482	2,656	14,277	(0)	19,416
Changes during period					
Issuance of new shares - restricted stock	6				6
Dividends of surplus			(388)		(388)
Profit attributable to owners of parent			2,004		2,004
Purchase of treasury shares				(599)	(599)
Cancellation of treasury shares				59	59
Purchase of shares of consolidated subsidiaries		(27)			(27)
Net changes in items other than shareholders' equity					
Total changes during period	6	(27)	1,616	(540)	1,055
Balance at end of period	2,489	2,628	15,893	(540)	20,471

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance at beginning of period	40	(1)	39	209	19,665
Changes during period					
Issuance of new shares - restricted stock					6
Dividends of surplus					(388)
Profit attributable to owners of parent					2,004
Purchase of treasury shares					(599)
Cancellation of treasury shares					59
Purchase of shares of consolidated subsidiaries					(27)
Net changes in items other than shareholders' equity	65	0	66	(12)	53
Total changes during period	65	0	66	(12)	1,108
Balance at end of period	106	(1)	105	197	20,774

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	3,258	3,167
Depreciation	624	660
Impairment losses	–	421
Amortization of goodwill	173	173
Increase (decrease) in allowance for doubtful accounts	28	33
Increase (decrease) in provision for bonuses	(1)	71
Increase (decrease) in provision for bonuses for directors (and other officers)	(22)	4
Increase (decrease) in provision for loss on orders received	73	143
Increase (decrease) in provision for shareholder benefit program	5	(0)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(58)	(15)
Increase (decrease) in retirement benefit liability	18	7
Interest and dividend income	(36)	(37)
Interest expenses	9	11
Loss (gain) on valuation of derivatives	33	(18)
Share of loss (profit) of entities accounted for using equity method	(133)	13
Foreign exchange losses (gains)	6	1
Loss (gain) on investments in investment partnerships	(14)	3
Loss (gain) on valuation of investment securities	122	429
Special executive bonuses	206	–
Loss (gain) on sale of non-current assets	(38)	(4)
Decrease (increase) in trade receivables and contract assets	(1,748)	269
Decrease (increase) in inventories	(676)	449
Decrease (increase) in prepaid expenses	(1,756)	(1,220)
Increase (decrease) in trade payables	806	(73)
Increase (decrease) in accounts payable - other	396	(412)
Increase (decrease) in contract liabilities	2,515	1,980
Decrease (increase) in other current assets	(418)	199
Increase (decrease) in other current liabilities	(268)	357
Other, net	16	31
Subtotal	3,120	6,649
Interest and dividends received	37	38
Interest paid	(9)	(11)
Payments for special executive bonuses	(206)	–
Income taxes paid	(1,035)	(1,169)
Net cash provided by (used in) operating activities	1,907	5,506

(Millions of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from investing activities		
Payments into time deposits	(100)	(116)
Proceeds from withdrawal of time deposits	100	115
Purchase of property, plant and equipment	(297)	(357)
Proceeds from sale of property, plant and equipment	0	8
Purchase of intangible assets	(274)	(466)
Proceeds from sale of intangible assets	38	–
Purchase of investment securities	(151)	(22)
Proceeds from distributions from investment partnerships	21	8
Proceeds from maturity of insurance funds	–	7
Payments of leasehold and guarantee deposits	(1)	(24)
Proceeds from refund of leasehold and guarantee deposits	1	3
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(43)	–
Purchase of shares of subsidiaries and associates	(988)	–
Other, net	(22)	(6)
Net cash provided by (used in) investing activities	(1,718)	(852)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(47)	–
Redemption of bonds	(17)	(7)
Proceeds from long-term borrowings	948	600
Repayments of long-term borrowings	(488)	(550)
Purchase of treasury shares	(0)	(599)
Proceeds from sale of treasury shares	–	55
Dividends paid	(399)	(388)
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	(5)	(941)
Effect of exchange rate change on cash and cash equivalents	(6)	(1)
Net increase (decrease) in cash and cash equivalents	177	3,711
Cash and cash equivalents at beginning of period	8,927	9,104
Cash and cash equivalents at end of period	9,104	12,816