

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2022 (Based on Japanese GAAP)

August 10, 2022

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 Yasunori Tanaka
 Corporate Officer Chief of Administration
 Inquiries: Takashi Usami TEL 058-279-3456
 Headquarters
 Scheduled date to file Quarterly Securities Report: August 12, 2022
 Scheduled date to commence dividend payments: September 12, 2022
 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, 2022 (from January 1, 2022 to June 30, 2022)

(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, 2022	25,161	—	1,168	—	1,414	—	907	—
Six months ended June 30, 2021	—	—	—	—	—	—	—	—

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2022	84.11	—
Six months ended June 30, 2021	—	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	61,393	18,397	29.6
As of December 31, 2021	51,389	17,605	33.9

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, 2021	—	—	—	20.00	20.00
Year ending December 31, 2022	—	17.00	—	—	—
Year ending December 31, 2022 (Forecast)	—	—	—	18.00	35.00

3. Forecast of consolidated financial results for the year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

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	55,500	10.2	3,270	4.2	3,290	2.3	2,247	13.6	208.35

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2022
(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: Yes
- 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, 2022	10,790,199 shares	As of December 31, 2021	10,784,932 shares
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Number of treasury shares at the end of the period

As of June 30, 2022	82 shares	As of December 31, 2021	82 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2022	10,786,886 shares	Six months ended June 30, 2021	— shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	13,673	12,584
Money held in trust	17,392	26,961
Notes and accounts receivable - trade	8,498	–
Notes and accounts receivable - trade, and contract assets	–	7,996
Merchandise and finished goods	394	492
Work in process	509	370
Prepaid expenses	2,277	2,775
Other	461	595
Allowance for doubtful accounts	(18)	(11)
Total current assets	43,188	51,765
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,554	1,527
Land	791	791
Other, net	633	697
Total property, plant and equipment	2,979	3,016
Intangible assets		
Goodwill	1,339	1,287
Customer-related assets	762	733
Technical assets	201	190
Software	369	387
Software in progress	166	227
Other	0	0
Total intangible assets	2,840	2,826
Investments and other assets		
Investment securities	1,840	3,103
Deferred tax assets	95	244
Guarantee deposits	389	375
Other	57	84
Allowance for doubtful accounts	(2)	(24)
Total investments and other assets	2,381	3,784
Total non-current assets	8,200	9,627
Total assets	51,389	61,393

(Millions of yen)

	As of December 31, 2021	As of June 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	3,722	3,513
Short-term borrowings	47	100
Current portion of bonds payable	17	7
Current portion of long-term borrowings	370	512
Income taxes payable	499	633
Advances received	3,088	—
Contract liabilities	—	3,676
Deposits received of storage agency	22,035	30,160
Provision for bonuses	17	161
Provision for bonuses for directors (and other officers)	48	30
Provision for loss on order received	19	8
Provision for shareholder benefit program	34	—
Other	1,997	1,752
Total current liabilities	31,899	40,555
Non-current liabilities		
Bonds payable	36	32
Long-term borrowings	619	1,191
Deferred tax liabilities	326	319
Provision for retirement benefits for directors (and other officers)	489	508
Retirement benefit liability	86	101
Asset retirement obligations	24	24
Other	303	262
Total non-current liabilities	1,884	2,440
Total liabilities	33,784	42,995
Net assets		
Shareholders' equity		
Share capital	2,469	2,482
Capital surplus	2,656	2,656
Retained earnings	12,283	13,019
Treasury shares	(0)	(0)
Total shareholders' equity	17,409	18,158
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	37
Total accumulated other comprehensive income	1	37
Non-controlling interests	194	202
Total net assets	17,605	18,397
Total liabilities and net assets	51,389	61,393

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
Net sales	25,161
Cost of sales	20,719
Gross profit	4,442
Selling, general and administrative expenses	3,274
Operating profit	1,168
Non-operating income	
Interest income	4
Dividend income	16
Share of profit of entities accounted for using equity method	131
Gain on sale of non-current assets	38
Gain on investments in investment partnerships	17
Gain on valuation of derivatives	43
Debt prescripton profit	4
Other	5
Total non-operating income	261
Non-operating expenses	
Interest expenses	4
Commission expenses	1
Loss on investments in silent partnerships	2
Foreign exchange losses	6
Other	0
Total non-operating expenses	15
Ordinary profit	1,414
Extraordinary losses	
Loss on valuation of investment securities	41
Total extraordinary losses	41
Profit before income taxes	1,372
Income taxes - current	633
Income taxes - deferred	(177)
Total income taxes	456
Profit	915
Profit attributable to non-controlling interests	8
Profit attributable to owners of parent	907

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2022
Profit	915
Other comprehensive income	
Valuation difference on available-for-sale securities	35
Total other comprehensive income	35
Comprehensive income	951
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	943
Comprehensive income attributable to non-controlling interests	8

Consolidated statements of cash flows

(Millions of yen)

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

	(Millions of yen)
	Six months ended
	June 30, 2022
Cash flows from investing activities	
Payments into time deposits	(100)
Proceeds from withdrawal of time deposits	100
Purchase of property, plant and equipment	(217)
Purchase of intangible assets	(157)
Proceeds from sale of intangible assets	38
Purchase of investment securities	(135)
Proceeds from distributions from investment partnerships	16
Payments of leasehold and guarantee deposits	(0)
Proceeds from refund of leasehold and guarantee deposits	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(43)
Purchase of shares of subsidiaries and associates	(988)
Other, net	(20)
Net cash provided by (used in) investing activities	(1,507)
Cash flows from financing activities	
Net increase (decrease) in short-term borrowings	52
Redemption of bonds	(13)
Proceeds from long-term borrowings	948
Repayments of long-term borrowings	(234)
Dividends paid	(215)
Dividends paid to non-controlling interests	(0)
Net cash provided by (used in) financing activities	536
Effect of exchange rate change on cash and cash equivalents	6
Net increase (decrease) in cash and cash equivalents	342
Cash and cash equivalents at beginning of period	8,927
Cash and cash equivalents at end of period	9,269