

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2022 (Based on Japanese GAAP)

February 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 Yasunori Tanaka
 Inquiries: Corporate Officer & Unit Leader Yanagihara Kazumoto TEL 058-279-3456
 Scheduled date of ordinary general meeting of shareholders: March 24, 2023
 Scheduled date to file Securities Report: March 27, 2023
 Scheduled date to commence dividend payments: March 27, 2023
 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, 2022 (from January 1, 2022 to December 31, 2022)

(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, 2022	53,479	–	3,414	–	3,587	–	2,348	–
Year ended December 31, 2021	50,356	–	3,134	–	3,210	–	1,978	–

	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, 2022	217.72	–	12.7	5.8	6.4
Year ended December 31, 2021	183.44	–	12.0	6.5	6.2

(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, 2022	72,170	19,665	27.0	1,803.23
As of December 31, 2021	51,389	17,605	33.9	1,614.32

(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, 2022	1,907	(1,718)	(5)	9,104
Year ended December 31, 2021	2,528	(1,226)	(719)	8,927

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, 2021	–	–	–	20.00	20.00	215	10.9	1.3
Year ended December 31, 2022	–	17.00	–	18.00	35.00	377	16.1	2.0
Year ending December 31, 2023 (Forecast)	–	18.00	–	19.00	37.00		15.1	

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 year ended December 31, 2022
(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, 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 December 31, 2022	936 shares	As of December 31, 2021	82 shares
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Average number of shares during the period

Year ended December 31, 2022	10,788,261 shares	Year ended December 31, 2021	10,784,924 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	13,673	12,530
Money held in trust	17,392	33,417
Notes and accounts receivable - trade	8,498	–
Notes receivable - trade	–	189
Accounts receivable - trade	–	8,133
Contract assets	–	2,206
Merchandise and finished goods	394	924
Work in process	509	429
Prepaid expenses	2,277	4,034
Other	461	889
Allowance for doubtful accounts	(18)	(14)
Total current assets	43,188	62,740
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,554	1,462
Land	791	791
Other, net	633	636
Total property, plant and equipment	2,979	2,890
Intangible assets		
Goodwill	1,339	1,200
Customer-related assets	762	704
Technical assets	201	180
Software	369	503
Software in progress	166	153
Other	0	0
Total intangible assets	2,840	2,741
Investments and other assets		
Investment securities	1,840	3,037
Deferred tax assets	95	303
Guarantee deposits	389	394
Other	57	96
Allowance for doubtful accounts	(2)	(34)
Total investments and other assets	2,381	3,798
Total non-current assets	8,200	9,430
Total assets	51,389	72,170

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	3,722	4,538
Short-term borrowings	47	–
Current portion of bonds payable	17	7
Current portion of long-term borrowings	370	494
Income taxes payable	499	615
Advances received	3,088	–
Contract liabilities	–	5,604
Deposits received of storage agency	22,035	36,727
Provision for bonuses	17	16
Provision for bonuses for directors (and other officers)	48	26
Provision for loss on orders received	19	81
Provision for shareholder benefit program	34	39
Other	1,997	2,190
Total current liabilities	31,899	50,339
Non-current liabilities		
Bonds payable	36	29
Long-term borrowings	619	955
Deferred tax liabilities	326	306
Provision for retirement benefits for directors (and other officers)	489	445
Retirement benefit liability	86	105
Asset retirement obligations	24	24
Other	303	301
Total non-current liabilities	1,884	2,165
Total liabilities	33,784	52,505
Net assets		
Shareholders' equity		
Share capital	2,469	2,482
Capital surplus	2,656	2,656
Retained earnings	12,283	14,277
Treasury shares	(0)	(0)
Total shareholders' equity	17,409	19,416
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	40
Deferred gains or losses on hedges	–	(1)
Total accumulated other comprehensive income	1	39
Non-controlling interests	194	209
Total net assets	17,605	19,665
Total liabilities and net assets	51,389	72,170

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

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	50,356	53,479
Cost of sales	41,125	43,495
Gross profit	9,231	9,984
Selling, general and administrative expenses	6,096	6,570
Operating profit	3,134	3,414
Non-operating income		
Interest income	3	5
Dividend income	24	31
Subsidy income	5	–
Share of profit of entities accounted for using equity method	–	133
Gain on sale of non-current assets	–	38
Gain on investments in investment partnerships	19	14
Gain on valuation of derivatives	36	–
Debt prescripton profit	16	8
Other	7	15
Total non-operating income	113	247
Non-operating expenses		
Interest expenses	5	9
Commission expenses	23	1
Share of loss of entities accounted for using equity method	0	–
Loss on investments in silent partnerships	–	2
Foreign exchange losses	6	27
Loss on valuation of derivatives	–	33
Other	2	0
Total non-operating expenses	37	75
Ordinary profit	3,210	3,587
Extraordinary losses		
Impairment losses	30	–
Loss on valuation of investment securities	103	122
Special executive bonuses	–	206
Total extraordinary losses	134	328
Profit before income taxes	3,075	3,258
Income taxes - current	1,042	1,145
Income taxes - deferred	49	(251)
Total income taxes	1,092	894
Profit	1,983	2,364
Profit attributable to non-controlling interests	4	15
Profit attributable to owners of parent	1,978	2,348

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Profit	1,983	2,364
Other comprehensive income		
Valuation difference on available-for-sale securities	86	39
Deferred gains or losses on hedges	–	(1)
Total other comprehensive income	86	37
Comprehensive income	2,069	2,402
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,064	2,386
Comprehensive income attributable to non-controlling interests	4	15

Consolidated statements of changes in equity

Fiscal year ended December 31, 2021

(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	10,607	(0)	15,732
Cumulative effects of changes in accounting policies					
Restated balance	2,469	2,656	10,607	(0)	15,732
Changes during period					
Issuance of new shares - restricted stock					
Dividends of surplus			(301)		(301)
Profit attributable to owners of parent			1,978		1,978
Purchase of treasury shares				(0)	(0)
Cancellation of treasury shares		(0)		0	-
Net changes in items other than shareholders' equity					
Total changes during period	-	(0)	1,676	0	1,676
Balance at end of period	2,469	2,656	12,283	(0)	17,409

	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	(85)	-	(85)	190	15,838
Cumulative effects of changes in accounting policies					-
Restated balance	(85)	-	(85)	190	15,838
Changes during period					
Issuance of new shares - restricted stock					-
Dividends of surplus					(301)
Profit attributable to owners of parent					1,978
Purchase of treasury shares					(0)
Cancellation of treasury shares					-
Net changes in items other than shareholders' equity	86	-	86	4	90
Total changes during period	86	-	86	4	1,766
Balance at end of period	1	-	1	194	17,605

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

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	3,075	3,258
Depreciation	614	624
Impairment losses	30	–
Amortization of goodwill	140	173
Increase (decrease) in allowance for doubtful accounts	20	28
Increase (decrease) in provision for bonuses	(1)	(1)
Increase (decrease) in provision for bonuses for directors (and other officers)	47	(22)
Increase (decrease) in provision for loss on orders received	19	73
Increase (decrease) in provision for shareholder benefit program	(0)	5
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(37)	(58)
Increase (decrease) in retirement benefit liability	1	18
Interest and dividend income	(27)	(36)
Interest expenses	5	9
Loss (gain) on valuation of derivatives	(36)	33
Share of loss (profit) of entities accounted for using equity method	0	(133)
Foreign exchange losses (gains)	(0)	6
Loss (gain) on investments in investment partnerships	(19)	(14)
Loss (gain) on sale of investment securities	(0)	–
Loss (gain) on valuation of investment securities	103	122
Special executive bonuses	–	206
Loss (gain) on sale of non-current assets	–	(38)
Decrease (increase) in trade receivables	(1,150)	–
Decrease (increase) in trade receivables and contract assets	–	(1,748)
Decrease (increase) in inventories	842	(676)
Decrease (increase) in prepaid expenses	(217)	(1,756)
Increase (decrease) in trade payables	(51)	806
Increase (decrease) in accounts payable - other	79	396
Increase (decrease) in advances received	894	–
Increase (decrease) in contract liabilities	–	2,515
Decrease (increase) in other current assets	(323)	(418)
Increase (decrease) in other current liabilities	(166)	(268)
Other, net	7	16
Subtotal	3,851	3,120
Interest and dividends received	28	37
Interest paid	(5)	(9)
Payments for special executive bonuses	–	(206)
Income taxes paid	(1,345)	(1,035)
Net cash provided by (used in) operating activities	2,528	1,907

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from investing activities		
Payments into time deposits	(103)	(100)
Proceeds from withdrawal of time deposits	103	100
Purchase of property, plant and equipment	(356)	(297)
Proceeds from sale of property, plant and equipment	–	0
Purchase of intangible assets	(256)	(274)
Proceeds from sale of intangible assets	–	38
Purchase of investment securities	–	(151)
Proceeds from sale of investment securities	2	–
Proceeds from distributions from investment partnerships	28	21
Proceeds from maturity of insurance funds	27	–
Payments of leasehold and guarantee deposits	(12)	(1)
Proceeds from refund of leasehold and guarantee deposits	0	1
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(658)	(43)
Purchase of shares of subsidiaries and associates	–	(988)
Other, net	(1)	(22)
Net cash provided by (used in) investing activities	(1,226)	(1,718)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(6)	(47)
Redemption of bonds	(23)	(17)
Proceeds from long-term borrowings	–	948
Repayments of long-term borrowings	(383)	(488)
Purchase of treasury shares	(0)	(0)
Dividends paid	(304)	(399)
Dividends paid to non-controlling interests	(0)	(0)
Net cash provided by (used in) financing activities	(719)	(5)
Effect of exchange rate change on cash and cash equivalents	0	(6)
Net increase (decrease) in cash and cash equivalents	582	177
Cash and cash equivalents at beginning of period	8,344	8,927
Cash and cash equivalents at end of period	8,927	9,104