

Summary of Business Results for the Fiscal Year Ended June 2021 [Japan GAAP] (Consolidated)

August 12, 2021

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Expected date of annual shareholders' meeting: September 28, 2021 Expected starting date of dividend payment: September 29, 2021

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Preparation of supplementary financial document: Yes

Results briefing: Yes (for institutional investors and analysts)

(Rounded down to million yen)

1. Consolidated business results for the fiscal year ended June 2021 (July 1, 2020 through June 30, 2021)

(1) Consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Jun. 2021	14,444	7.0	1,722	27.3	1,730	27.4	1,196	22.3
Year ended Jun. 2020	13,495	9.2	1,352	23.5	1,357	22.7	978	32.6

(Note) Comprehensive income:

Year ended June 2021: 1,189 million yen (20.2%)

Year ended June 2020: 989 million yen (34.5%)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended Jun. 2021	78.47	-	29.2	29.4	11.9
Year ended Jun. 2020	64.18	-	29.6	27.1	10.0

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 2021	6,388	4,526	70.9	296.87
As of Jun. 2020	5,364	3,660	68.2	240.04

(Reference) Shareholders' equity:

As of June 2021: 4,526 million yen

As of June 2020: 3,660 million yen

(3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
Year ended Jun. 2021	1,260	5	-334	3,326
Year ended Jun. 2020	927	-80	-287	2,393

2. Dividends

	Annual dividend					Total dividend (Total)	Dividend payout ratio (Consolidated)	Rate of total dividend to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended Jun. 2020	-	9.00	-	11.00	20.00	307	31.4	9.2
Year ended Jun. 2021	-	10.00	-	14.00	24.00	368	30.8	8.9
Year ending Jun. 2022 (forecast)	-	15.00	-	15.00	30.00		35.0	

3. Forecast of consolidated business results for the fiscal year ending June 2022

(July 1, 2021 through June 30, 2022)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending Jun. 2022	15,600	8.0	1,900	10.3	1,900	9.8	1,318	10.2	86.44

*Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Changes in rules, procedures and indication methods of accounting procedures

- ① Changes in accounting policies associated with revision of accounting standards: : None
- ② Changes in accounting policies other than ① : None
- ③ Changes in accounting estimates : None
- ④ Restatement : None

(3) Shares outstanding (common stock)

① Number of shares outstanding at the end of period (treasury stock included)

As of June 2021	15,501,820 shares
As of June 2020	15,501,820 shares

② Treasury stock at the end of period:

As of June 2021	253,489 shares
As of June 2020	253,459 shares

③ Average number of stock during period (cumulative period)

Year ended June 2021	15,248,356 shares
Year ended June 2020	15,248,376 shares

(Note) The number of treasury stock to be deducted from the calculation of the number of treasury stock at the end of the period and the number of treasury stock during the period includes the Company's shares held by Asset Management Services Trust Bank, Ltd. (Trust E-Account) as trust assets under the Employees' Benefit Trust (J-ESOP) Plan. Asset Management Services Trust Bank, Ltd. merged with JTC Holdings, Ltd. and Japan Trustee Services Bank, Ltd. on July 27, 2020, and changed its trade name to Custody Bank of Japan, Ltd.

(Reference) Summary of non-consolidated business results

1. Non-consolidated business results for the fiscal year ended June 2021

(July 1, 2020 through June 30, 2021)

(1) Non-consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Jun. 2021	13,781	8.2	1,653	29.7	1,658	29.8	1,145	25.1
Year ended Jun. 2020	12,736	8.9	1,275	21.6	1,277	20.8	915	29.8

	Net income per share
	Yen
Year ended Jun. 2021	75.12
Year ended Jun. 2020	60.06

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 2021	5,912	4,145	70.1	271.88
As of Jun. 2020	4,930	3,332	67.6	218.53

(Reference) Shareholders' equity:

As of June 2021: 4,145 million yen

As of June 2020: 3,332 million yen

***Financial summary is not subject to auditing procedures by certified public accountants or auditing firms.**

***Explanation regarding appropriate use of business forecasts and other special instructions**

Forecasts regarding future performance in this material are based on information currently available to the Company and certain assumptions that the company deems to be reasonable at the time this report was prepared. The Company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors.

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1. Overview of Business Results

(1) Business Results for the Subject Period

During the subject period (July 1, 2020 to June 30, 2021), the business environment remained severe due to COVID-19 both in Japan and overseas. In Japan, the spread of the third and fourth waves of COVID-19 led to the intermittent declaration of the State of Emergency and the spread of damage in many industries. Overseas, while there were signs of recovery in economic activity in developed countries, where vaccinations started earlier, the overall outlook remained uncertain, with many countries still experiencing a spread of infections, such as expansion of new variant.

In the information service industry, to which our company belongs, it has become difficult to avoid the impact of the infection, although the degree of impact varies depending on the business portfolio including customer composition and other aspects. In addition, as working environment has been changing such as many companies introducing remote work and other factors, more efficient way of working is required.

Even in this environment, IT investment by domestic companies continued to grow, although it varied depending on the industry, due to system renewal, cloud computing, and progress in digital transformation (DX), which had been promoted even before the COVID-19 crisis.

For our group as well, the progress in fields such as Artificial Intelligence (AI), Internet of Things (IoT), and Robotic Process Automation (RPA, the automation and efficiency enhancement of tasks using software robots) have led to increased opportunities to enter new businesses and the expansion of business scope.

Under the COVID-19 crisis, the need for strengthening cyber security measures and improving the work efficiency further increased, and this provided a tailwind for our group, which has effective solutions for these issues.

Under such conditions, the DIT Group formulated the following five business strategies, and continues to take proactive measures to achieve them.

- Renovation (Strengthen and stabilize business foundation through reform of existing businesses)
- Innovation (Create new value centered on in-house products)
- Shift from competition to collaboration (Expand business through cooperative efforts)
- Shift from development to services (Expand business from service-oriented perspective)
- Secure and develop human assets (Hire and train personnel)

During FY6/21, the final year of the current medium-term management plan, DIT has promoted our business with focusing on the two axes: "stabilize the business foundation" and "strengthen growth factors." With regard to "stabilize the business foundation," both the Business Solutions Unit and the Embedded Solutions Unit showed strong growth by accurately responding to market changes, which offset the decline in the system sales business due to the loss of special demand. In terms of "strengthen growth factors", DIT achieved steady growth as a result of ongoing efforts to enhance product appeal and strengthen sales for WebARGUS¹, DIT's in-house products built on proprietary technology, and the Excel process innovation platform xoBlos².

With respect to Triple 10(*), which was a medium-term management target by FY6/21, we achieved the target of operating income margin of 10% one year ahead of schedule in FY6/20. We have continued to promote management that emphasizes the operating income margin.

*Triple 10

- Net sales of 10.0 billion yen in FY6/17 (already achieved)
- Operating income of 1.0 billion yen in FY6/19 (already achieved)
- Operating profit margin of 10% in FY6/21 (already achieved in FY6/20)

In addition, in the current fiscal year, operating income margin increased by 1.9 percentage points to 11.9%, due to the combination of higher profit margins resulting from qualitative improvements in business operations and the reduction of cost of goods manufactured (mainly commuting expenses) and SG&A expenses (mainly transportation, entertainment and meeting expenses) due to COVID-19.

As a result, net sales in the subject fiscal year amounted to 14,444,325 thousand yen (up 7.0% year on year), with operating income of 1,722,241 thousand yen (up 27.3%), ordinary income of 1,730,182 thousand yen (up 27.4%), and net income attributable to owners of parent of 1,196,494 thousand yen (up 22.3%).

(*1) WebARGUS is a new type of website security solution that detects the tampering of websites as it occurs, and immediately restores the site to its original state. Instant detection and restoration protect corporate and other websites from malicious, unknown cyber-attacks, while at the same time prevents the escalation of the damage, such as viruses spreading via the tampered website.

(*2) xoBlos is an innovation platform for Excel to automate inefficient Excel-based tasks, allowing for dramatic improvements in efficiency in a short period. (Excel® is a registered trademark in the U.S. and other countries by the U.S. Microsoft Corporation)

Results by segment are as follows.

Of note, figures for segment net sales and earnings (operating income) and segment loss (operating loss) are prior to offsets for intracompany transactions.

① Software Development Business

In the Business Solutions Unit (business system development and operation support), thanks to the success of the business portfolio review that we have been promoting, and sales and profits grew steadily even under the COVID-19 crisis. In business system development, performance of the mainstay financial systems business, which shifted some of its personnel due to the portfolio review, continued to decline gradually. Sales from transportation domain declined significantly due to the impact of COVID-19, but sales from medical domain grew significantly, and orders for ERP-related and public-sector projects also proceeded more than expected. As a result, we showed steady sales growth and steady improvement in profits. In operational support, we expanded the scale of our operations not only for existing major customers but also for new customers that we have developed over the past one or two years, as the impact of COVID-19 was relatively small, and we were able to steadily respond to the needs of system infrastructure construction. As a result, both sales and profits grew significantly, driving business expansion.

In the embedded solutions business field (embedded system development and embedded system verification), sales and profits increased year on year, as result of the steady implementation of measures in anticipation of the impact of COVID-19 on the automobile domain, which we have strategically shifted our focus to. In embedded systems development, sales from automotive domain remained the same level as in the previous fiscal year, as orders from Tier1 providers and other existing customers remained stable despite weakening demand in the overall market. Sales from semiconductor-related domain grew significantly, and sales from IoT-related, including those related to mobile devices, telecommunications devices, and consumer electronics, also grew steadily. Furthermore, we were able to expand the sales market for industrial equipment, for which we strengthened our sales activities as an alternative field to the automotive domain. As a result, both sales and profits exceeded the previous year's level even in the severe market caused by COVID-19. In embedded system verification, sales from 5G-related domain (mobile devices and base stations) were able to offset the decline in automotive-related sales. As a result, both sales and profits steadily exceeded the previous year's level.

In both the Business Solutions and Embedded Solutions units, a large portion of work was done via remote work. Despite such environment, we were able to limit the impact of the environmental changes that we had initially feared would not affect our business.

In the Original Product Unit, we were able to exceed the previous year results despite the restrictions on business negotiations due to COVID-19. In the cyber security business, both sales and profits grew steadily, as evidenced by the full-scale operation of WebARGUS by large-scale customers. We also strengthened its product capabilities by expanding the total security service lineup with WebARGUS as its core, including collaboration with an external cyber security specialist (F-Secure Corporation and SSH Communications Security in Finland). In the operational efficiency improvement business, we strengthened the sales system of xoBlos, which was integrated with our subsidiary DIT Marketing Service Co., Ltd., and showed steady growth in both sales and profits. In addition, we continued to work on promoting the xoBlos Plus One concept, which adds data from another perspective via xoBlos to specific information held by various systems such as RPA and ERP, thereby increasing the value of the data and strengthening our product capabilities.

As a new initiative to respond to the “new normal” society caused by COVID-19, we have been providing outsourced electronic contract services since October, and inquiries for this service are growing steadily mainly from the housing construction industry. The service is called DD-CONNECT, in which the Company and DAIKO DENSHI TSUSHIN, LTD. conduct from the introduction to operation and maintenance of the electronic contract cloud called "CONTRACTHUB @ absonne" by NS Solutions Corporation on behalf of its customers.

As a special note, our executive officer was appointed as certified evangelists by the Japan RPA Association and gave lectures at various seminars as part of our social contribution activities.

As a result, net sales in the Software Development Business amounted to 13,843,038 thousand yen (up 8.5% year on year), with segment income (operating income) was 1,669,433 thousand yen (up 31.3%).

② System Sales Business

The main product of the System Sales segment is “Rakuichi,” an operations and management support system for small and medium-sized enterprises manufactured by Casio Computer Co., Ltd. Both sales and segment profit decreased significantly year-on-year due to the reaction to the special demand in the previous year to respond to the reduced tax rate following the consumption tax hike, although we have made efforts to promote sales through the use of IT introduction subsidies.

As a result, net sales in the System Sales segment amounted to 635,932 thousand yen (down 15.9% year on year), with segment income (operating income) of 52,747 thousand yen (down 37.4%).

(2) Financial Position for the Subject Period

The overview of assets, liabilities, and net assets in the subject fiscal year is as follows.

① Current Assets

Current assets amounted to 5,664,195 thousand yen, an increase of 1,074,126 thousand yen compared to the end of the previous fiscal year. This was mainly due to increases of 933,400 thousand yen in cash and deposits and 179,541 thousand yen in notes and accounts receivable-trade, and a decrease of 76,906 thousand yen in work in process.

② Noncurrent Assets

Noncurrent assets amounted to 724,337 thousand yen, a decrease of 49,688 thousand yen compared to the end of the previous fiscal year. This was mainly due to decreases of 10,605 thousand yen in property, plant and equipment, 12,626 thousand yen in investment securities, and 12,939 thousand yen in insurance reserves.

③ Current Liabilities

Current liabilities amounted to 1,750,650 thousand yen, an increase of 115,748 thousand yen compared to the end of the previous fiscal year. This was mainly due to increases of 69,946 thousand yen in accounts payable-trade, 38,669 thousand yen in income taxes payable, and 23,159 thousand yen in others, and a decrease of 17,800 thousand yen in accounts payable-other.

④ Noncurrent Liabilities

Noncurrent liabilities amounted to 111,164 thousand yen, an increase of 42,247 thousand yen compared to the end of the previous fiscal year. This was mainly due to a decrease of 529 thousand yen in retirement benefit liability and increases of 37,160 thousand yen in provision for share based remuneration and 5,928 thousand yen in others.

⑤ Net Assets

Net assets amounted to 4,526,718 thousand yen, an increase of 866,441 thousand yen compared to the end of the previous fiscal year. This was due mainly to an increase of 873,910 thousand yen in retained earnings, and a decrease of 9,339 thousand yen in valuation difference on available-for-sale securities.

(3) Cash Flows for the Subject Period

Cash and cash equivalents at the end of the fiscal year increased 933,231 thousand yen from the end of the previous fiscal year to 3,326,700 thousand yen.

The factors contributing the changes in cash flows during the subject fiscal year are as follows.

① Cash Flows from Operating Activities

Net cash provided by operating activities amounted to 1,260,768 thousand yen (927,525 thousand yen provided in the previous fiscal year). This was mainly due to the recording of income before income taxes and minority interests of 1,730,182 thousand yen, payments for increase in notes and accounts receivable of 179,541 thousand yen, proceeds from a decrease in inventories of 75,459 thousand yen, proceeds from a decrease in notes and accounts payable 69,946 thousand yen, and payment of income taxes of 484,004 thousand yen.

② Cash Flows from Investing Activities

Net cash provided by investing activities was 5,465 thousand yen (80,734 thousand yen used in the previous fiscal year), mainly due to purchase of property, plant and equipment of 6,893 thousand yen, purchase of insurance reserves of 4,492 thousand yen, and proceeds from cancellation of insurance reserves of 17,673 thousand yen.

③ Cash Flows from Financing Activities

Net cash used in financing activities was 334,995 thousand yen (287,930 thousand yen used in the previous fiscal year), mainly due to cash dividends paid of 322,836 thousand yen and repayment of lease obligations of 12,093 thousand yen.

(4) Future Outlook

As for the outlook for the Japanese economy as a whole, in July 2021, the Cabinet Office stated that “the Japanese economy is expected to continue to show signs of recovery, due in part to the effects of various policies and improvements in overseas economies as the government takes measures to prevent the spread of infections and promotes vaccination. However, due attention should be paid to the impact of trends in infections on domestic and overseas economies. In addition, it is necessary to closely monitor the effects of fluctuations in financial markets, etc. “

In the information services industry to which we belong, developments in new fields such as AI, IoT, and RPA have seen the spread of DX trends. However, the importance of digitization has further increased in a new normal society caused by COVID-19. In addition, steady IT investment is expected to continue as the Digital Agency is scheduled to be established in September 2021, and the trend toward digitization among the public and private sectors is expected to accelerate. As evidenced by these developments, in the Bank of Japan's July 2021 Short Economic Survey, the average software investment plan for all industries increased by 14.7% year on year, supporting this trend, and the willingness of companies to invest in software is expected to continue to increase in the future.

On the other hand, even as the vaccination rate is growing at Japan and abroad, the number of COVID-19 cases caused by the Delta variant are rising, and it is expected that it will take more time for containment of COVID-19. While paying close attention to trends among customers affected by COVID-19, we must take a cautious approach to minimizing the impact on our business. In this era of continued uncertainty about the future, we must make greater use of our ability to respond to change, which is one of our strengths.

Under such circumstances, in the fiscal year ending June 2022, as the first year of the New Medium-Term Management Plan, we will aim for further growth with new goals and strategies while continuing our business promotion based on the two axes of "stabilize business foundation" and "strengthen growth factors," which have supported growth so far.

On July 9, 2021, the Tokyo Stock Exchange notified us that we were in compliance with the listing maintenance criteria for the Prime Market. We will proceed with the prescribed procedures based on this notice.

Business plans by segment are as follows.

① Software Development Business

To “stabilize the business foundation,” the Company will further expand and stabilize the foundation with leveraging the strengths of responding to changes. In the Business Solutions Unit, we will aim to improve quality and productivity and expand contracting projects by standardizing development process and developing and utilizing intellectual property. In addition, we will build a system that can capture demand regardless of industry, and we will continue to cultivate new customers in addition to deepening relationships with existing customers. Furthermore, we will contribute to resolving the issues of many Japanese companies described on the 2025 Digital Cliff (legacy system upgrades, progress in DX, SAP upgrades, etc.). In the Embedded Solutions Unit, we will aim to increase its shares of transactions with automobile manufacturers, Tier1 providers, semiconductor manufacturers and other existing royal customers. In embedded development, we will also focus on acquiring projects in the automotive mass production field. In embedded verification, we will complete standardization methods to improve quality and expand our business. Furthermore, we will create new solutions and develop new customers in the IoT-related domain, which is our specialty.

To "strengthen growth factors," the Company aims to expand the business, strengthen profitability, and even establish a brand by providing total security services centered on the DIT Security brand in the Cybersecurity Business. In addition, in the operational efficiency business, we will increase the number of companies introducing xoBlos, our mainstay product, mainly at major companies, with the aim of expanding subscription licensing fees. In addition, we will focus on systems integration projects for the public sector, such as disaster prevention systems by xoBlos.

In addition to the electronic contract outsourcing services already provided, we will aim to provide new DX-related services, such as AI, RPA, and BPM, as services that are compatible with the new normal society.

② System Sales Business

In the mainstay “Rakuichi” system sales business, we will contribute to promoting the adoption of DX by SMEs and promote stable transactions over the long term by strengthening support and proposals useful for management and administrative operations, such as the preparation of management analysis materials and attendance management, in addition to support for core operations such as sales management, accounting, and salaries.

Moreover, as a measure to acquire new customers, we will expand our revenue by developing dedicated systems for industries and business cloud systems for larger customers than Rakuichi's customer base.

As a result, for the next fiscal year (FY6/22), DIT is forecasting net sales of 15,600 million yen (up 8.0% year on year), with operating income of 1,900 million yen (up 10.3%), ordinary income of 1,900 million yen (up 9.8%), and net income attributable to owners of parent of 1,318 million yen (up 10.2%).

(5) Basic Policy on Profit Distribution and Dividends for the Subject and Next Periods

DIT considers returns to shareholders to be an important management issue, and believes in the importance of a stable and continuous dividend. The dividend payout ratio is assumed to be revised while taking into account the balance with internal reserves for business scale expansion. Our basic policy has been to target a dividend payout ratio of at least 30%, but from the next fiscal year onward, our basic policy will be to aim for 35% or more.

Regarding dividends for the subject fiscal year, as announced in “Notice of Revision to Business Forecast and Dividend Forecast” (May 14, 2021), DIT plans to provide a year-end dividend of 14 yen per ordinary share. Along with this, we plan to pay a total of 24 yen, including an interim dividend of 10 yen.

In accordance with the above basic policy, the Company plans pay 30 yen per share for the next fiscal year, comprising an interim dividend of 15 yen, and a year-end dividend of 15 yen.

2. Overview of the Corporate Group

The DIT Group is an independent information services company, comprising the Company and two consolidated subsidiaries. Its main businesses are software development and system sales.

(1) Software Development Business

① Business Solutions Unit

(a) Business system development

This business focuses on custom development for end-users and information system subsidiaries in a wide range of fields, including finance, medical/pharmaceutical, communications, logistics, transportation, manufacturing, and public works. It also provides custom development on a contract basis for major system integration (SI) vendors. Specifically, this business utilizes the technologies it has accumulated in various sectors for websites and key systems, front and back office operations, new system development and maintenance, building trusting relationships with leading companies in various business sectors in order to secure stable orders.

(b) System operation support

This business provides operational support for clients' business systems, including support desks to handle inquiries from internal users at the client company, as well as the building and maintenance of infrastructure (servers, networks, etc.) This business generates stable earnings as it is a recurring business alongside the business domains of major clients.

② Embedded Product Solutions Unit

(a) Embedded system development

This business develops software for in-vehicle devices, mobile devices, information home appliances, and communication equipment. For in-vehicle devices, mobile devices and information home appliances, the business develops custom software for the overall system, including firmware, device controls, and applications. In particular, among automotive-related CASE* we are focusing on Connected, as communication function, and Autonomous, as autonomous driving, that are expected to grow in the future. We are also focusing on providing new services for consumer electronics equipment through IoT.

(*) CASE: Keys to demonstrate future trends in the automotive industry

C (Connected), A (Autonomous), S (Shared & Services), E (Electric)

(b) Embedded product verification

This business provides verification of product quality and functionality on a contract basis, and through its verification service, makes suggestions on improving functionality and products.

The business offers a range of verification services, including laboratory tests using specialized equipment to verify product operation and function, field tests to verify products in the actual usage environments in Japan and internationally (North America, Asia, Europe, etc.), and comprehensive system tests conducted from a third-party perspective as the final quality verification.

Field tests conducted outside Japan are consigned as necessary to the Company's subsidiary DIT America, LLC, ensuring prompt service and verification of product usability from the perspective of local staff. Applicable products include in-vehicle devices, medical devices, communication equipment, and mobile devices.

③ Original Products Unit

(a) Cybersecurity products

The main products in this business are WebARGUS, a solution to instantly detect tampering on a website and restore it to its original state, and APMG (Anti Phishing Mail Gateway), a solution to counter phishing emails. In addition, we provide total security services under the brand name of DIT Security through collaboration with external cyber security companies.

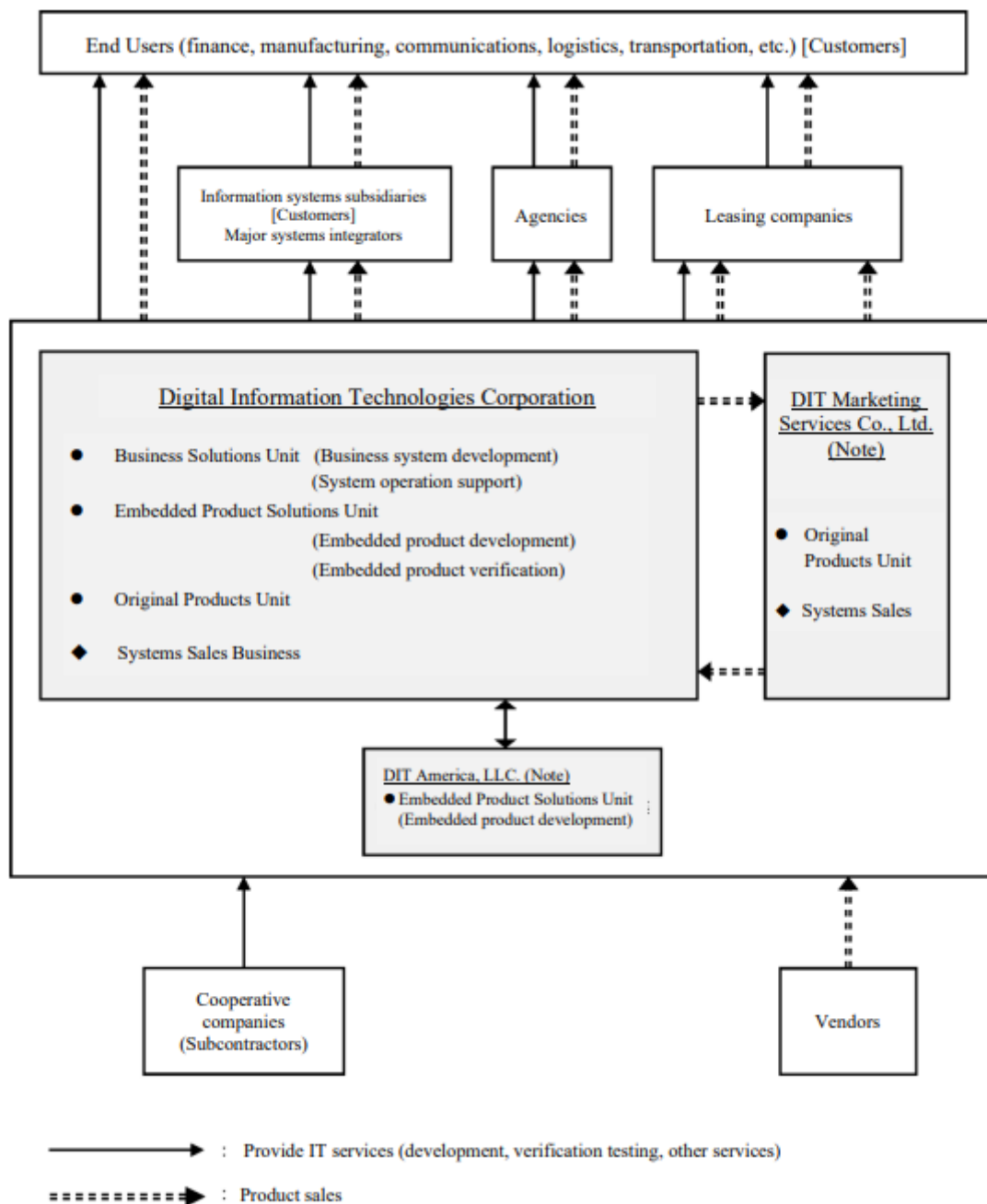
(b) Business process efficiency products

"xoBlos", a platform for Excel business innovation, enables dramatic improvements in business efficiencies by automating Excel operations. It also proactively provides services tailored to the needs of markets, such as functions that works seamlessly with various types of RPA and ERP products.

(2) System Sales Business

The System Sales segment mainly comprises sales by DIT and its subsidiary DIT Marketing Service Co., Ltd. of "Rakuichi," a business support core system for small and medium enterprises.

The business system diagram is as follows.



(NOTE) Consolidated subsidiaries

3. Basic Policy on Selection of Accounting Standards

The majority of stakeholders in the DIT Group are based in Japan, including shareholders, creditors, and business partners. Accordingly, the Company has decided to use Japanese accounting standards for the time being.

Regarding application of IFRS standards, the Company plans to respond appropriately, based on due consideration of the situation in Japan and internationally

4. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Thousand yen)

	FY6/20 (June 30, 2020)	FY6/21 (June 30, 2021)
ASSETS		
Current assets		
Cash and deposits	2,399,757	3,333,158
Notes and accounts receivable - trade	1,905,443	2,084,985
Merchandise	14,129	15,550
Work in process	208,600	131,693
Other, net	62,278	99,025
Allowance for doubtful accounts	-139	-217
Total current assets	4,590,069	5,664,195
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	67,258	70,258
Tools, furniture and fixtures	25,350	27,609
Leased assets	56,700	55,664
Accumulated depreciation	-90,626	-105,454
Land	62,018	62,018
Total property, plant and equipment	120,701	110,096
Intangible assets		
Software	21,872	14,603
Other, net	1,321	1,312
Total intangible assets	23,194	15,916
Investments and other assets		
Investment securities	85,415	72,788
Lease and guarantee deposits	142,727	137,891
Insurance funds	256,567	243,627
Deferred tax assets	133,970	133,179
Other, net	44,396	43,603
Allowance for doubtful accounts	-32,947	-32,765
Total investments and other assets	630,130	598,325
Total noncurrent assets	774,025	724,337
Total assets	5,364,095	6,388,533

(Thousand yen)

	FY6/20 (June 30, 2020)	FY6/21 (June 30, 2021)
LIABILITIES		
Current liabilities		
Accounts payable-trade	417,573	487,519
Accounts payable - other	221,539	203,738
Accrued expenses	153,812	159,639
Income taxes payable	329,088	367,757
Accrued consumption taxes	249,958	248,739
Provision for loss on order received	2,833	-
Other, net	260,096	283,255
Total current liabilities	1,634,901	1,750,650
Noncurrent liabilities		
Retirement benefit liability	6,462	5,933
Provision for share based remuneration	37,160	74,320
Deferred tax assets	311	-
Other, net	24,982	30,910
Total noncurrent liabilities	68,916	111,164
Total liabilities	1,703,818	1,861,814
NET ASSETS		
Shareholders' equity		
Capital	453,156	453,156
Capital surplus	459,214	459,214
Retained earnings	3,075,676	3,949,586
Treasury stock	-347,125	-347,191
Total shareholders' equity	3,640,920	4,514,765
Accumulated other comprehensive income		
Valuation difference on available- for-sale securities	17,350	8,010
Foreign currency translation adjustments	2,005	3,942
Total accumulated other comprehensive income	19,356	11,953
Total net assets	3,660,276	4,526,718
Total liabilities and net assets	5,364,095	6,388,533

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

(Thousand yen)

	FY6/20 (July 1, 2019 to June 30, 2020)	FY6/21 (July 1, 2020 to June 30, 2021)
Net sales	13,495,896	14,444,325
Cost of Sales	10,172,489	10,869,490
Gross profit	3,323,406	3,574,835
Selling, general and administrative expenses	1,971,034	1,852,593
Operating Income	1,352,372	1,722,241
Non-operating income		
Interest and dividend income	1,728	3,507
Subsidy income	739	3,603
Commission fee	3,645	3,587
Insurance income	479	-
Insurance premiums refunded cancellation	1,845	1,584
Miscellaneous income	-	1,410
Other, net	896	181
Total non-operating income	9,335	13,875
Non-operating expenses		
Interest expenses	569	409
Loss on insurance cancellation	-	1,343
Foreign exchange losses	3,242	2,957
Miscellaneous losses	-	846
Other, net	5	378
Total non-operating expenses	3,817	5,934
Ordinary Income	1,357,890	1,730,182
Extraordinary loss		
Loss on valuation of investment securities	22,729	-
Total extraordinary losses	22,729	-
Net income before income taxes	1,335,160	1,730,182
Income taxes - current	418,667	529,075
Income taxes - deferred	-62,186	4,611
Total income taxes	356,480	533,687
Net income	978,680	1,196,494
Net income attributable to owners of parent	978,680	1,196,494

Consolidated Statement of Comprehensive Income

(Thousand yen)

	FY6/20 (July 1, 2019 to June 30, 2020)	FY6/21 (July 1, 2020 to June 30, 2021)
Net income	978,680	1,196,494
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,616	-9,339
Foreign currency translation adjustments	-104	1,936
Total other comprehensive income	10,511	-7,403
Comprehensive income	989,192	1,189,091
(Breakdown)		
Comprehensive income attributable to owners of the parent	989,192	1,189,091
Comprehensive income attributable to non- controlling shareholders	-	-

(3) Consolidated Statement of Changes in Shareholders' Equity

FY6/20 (July 1, 2019 to June 30, 2020)

(Thousand yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of previous period	453,156	459,214	2,373,497	-347,003	2,938,864
Changes of items during the period					
Purchase of treasury shares				-122	-122
Dividends of surplus			-276,501		-276,501
Net income attributable to owners of parent			978,680		978,680
Net changes of items other than shareholders' equity					
Total changes during period	-	-	702,178	-122	702,056
Balance at the end of current period	453,156	459,214	3,075,676	-347,125	3,640,920

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income	
Balance at the end of previous period	6,733	2,110	8,844	2,947,708
Changes of items during the period				
Purchase of treasury shares				-122
Dividends of surplus				-276,501
Net income attributable to owners of parent				978,680
Net changes of items other than shareholders' equity	10,616	-104	10,511	10,511
Total changes during period	10,616	-104	10,511	712,568
Balance at the end of current period	17,350	2,005	19,356	3,660,276

FY6/21 (July 1, 2020 to June 30, 2021)

(Thousand yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of previous period	453,156	459,214	3,075,676	-347,125	3,640,920
Changes of items during the period					
Purchase of treasury shares				-65	-65
Dividends of surplus			-322,584		-322,584
Net income attributable to owners of parent			1,196,494		1,196,494
Net changes of items other than shareholders' equity					
Total changes during period	-	-	873,910	-65	873,844
Balance at the end of current period	453,156	459,214	3,949,586	-347,191	4,514,765

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income	
Balance at the end of previous period	17,350	2,005	19,356	3,660,276
Changes of items during the period				
Purchase of treasury shares				-65
Dividends of surplus				-322,584
Net income attributable to owners of parent				1,196,494
Net changes of items other than shareholders' equity	-9,339	1,936	-7,403	-7,403
Total changes during period	-9,339	1,936	-7,403	866,441
Balance at the end of current period	8,010	3,942	11,953	4,526,718

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	FY6/20 (July 1, 2019 to June 30, 2020)	FY6/21 (July 1, 2020 to June 30, 2021)
Net cash provided by (used in) operating activities		
Net income before income taxes	1,335,160	1,730,182
Depreciation	29,336	29,620
Increase (decrease) in allowance for doubtful accounts	-172	-104
Increase (decrease) in provision for loss on order received	2,550	-2,833
Increase (decrease) in retirement benefit liability	1,113	-529
Interest and dividends income	-1,728	-3,507
Increase (decrease) in provision for share based remuneration	37,160	37,160
Insurance income	-479	-
Interest expenses	569	409
Loss (gain) on valuation of investment securities	22,729	-
Decrease (increase) in notes and accounts receivable-trade	-12,685	-179,541
Decrease (increase) in inventories	-82,511	75,459
Increase (decrease) in notes and accounts payable - trade	24,220	69,946
Increase (decrease) in accounts payable - other and accrued expenses	-111,814	-11,973
Increase (decrease) in long-term accounts payable - other	-63,089	-
Decrease (increase) in other assets	-1,688	-36,138
Increase (decrease) in other liabilities	50,199	33,792
Other, net	-1,664	-268
Subtotal	1,227,205	1,741,674
Interest and dividends income received	1,728	3,507
Interest expenses paid	-569	-409
Income taxes paid	-301,319	-484,004
Proceeds from insurance income	479	-
Net cash provided by (used in) operating activities	927,525	1,260,768
Net cash provided by (used in) investing activities		
Purchases of investment securities	-50,657	-902
Purchases of property, plant and equipment	-5,040	-6,893
Purchases of intangible assets	-19,525	-
Collection of loans receivable	97	41
Purchase of insurance funds	-5,485	-4,492
Proceeds from cancellation of insurance funds	4,040	17,673
Payments for lease and guarantee deposits	-6,352	-80
Proceeds from collection of lease and guarantee deposits	2,188	120
Net cash provided by (used in) investing activities	-80,734	5,465
Net cash provided by (used in) financing activities		
Repayments of lease obligations	-11,996	-12,093
Purchase of treasury stock	-122	-65
Cash dividends paid	-275,811	-322,836
Net cash provided by (used in) financing activities	-287,930	-334,995
Effect of exchange rate change on cash and cash equivalents	-104	1,993
Net increase (decrease) in cash and cash equivalents	558,756	933,231
Cash and cash equivalents at beginning of period	1,834,712	2,393,468
Cash and cash equivalents at end of period	2,393,468	3,326,700

(5) Notes to Consolidated Financial Statements
 (Notes Regarding Going-Concern Assumption)
 Not applicable.

(Consolidated Statements of Cash Flows)

*Reconciliation of cash and cash equivalents at end of period with cash items on balance sheet

	FY6/20 (June 30, 2020)	FY6/21 (June 30, 2021)
Cash and deposits	2,399,757 thousand yen	3,333,158 thousand yen
Trust deposit	△6,288	△6,457
Cash and cash equivalents	2,393,468	3,326,700

(Segment Information)

Segment Information

1. Overview of Reportable Segments

The reportable segments of the DIT Group are those constituent units of the corporate group for which separate financial information is available. The Board of Directors regularly reviews the reportable segments to determine allocation of management resources, and evaluate business results.

Accordingly, the two reportable segments are Software Development, which comprises the core of the Company, and System Sales, the main business of the Company's subsidiary DIT Marketing Service Co., Ltd.(Note)
 (Note) DIT Marketing Service Co., Ltd. changed its corporate name from Toyo Infonet Co., Ltd. as of July 1, 2019.

The content of the services applicable to each segment are as follows.

Business Segment	Content of Service
Software Development Business	Business solutions (business system development, system operation support), embedded product solutions (embedded product development, embedded product verification), original products
System Sales Business	Sales of the "Rakuichi" business support core system

2. Method for Calculating Amounts of Net Sales, Profit/Loss, Assets, and Other Items for Each Reportable Segment.

The accounting method for reportable business segments is the same as "Significant Matters that Serve as the Basis for Preparation of Consolidated Financial Statements."

Profit figures for reportable segments are on an operating income basis.

Intersegment sales and transfers are based on market prices.

3. Information Regarding Net Sales, Profit and Loss, Assets, Liabilities and Other Items by Reporting Segment
FY6/20 (July 1, 2019 to June 30, 2020)

(Thousand yen)

	Reporting Segments			Adjustment amount (Note 1)	Amount recorded on consolidated quarterly statements of income (Note 2)
	Software Development Business	System Sales Business	Total		
Net sales					
Net sales to outside customers	12,756,896	739,000	13,495,896	-	13,495,896
Intrasegment net sales and transfers	3,215	17,395	20,611	-20,611	-
Total	12,760,112	756,395	13,516,507	-20,611	13,495,896
Segment income	1,271,057	84,230	1,355,287	-2,914	1,352,372
Segment assets	4,929,102	440,755	5,369,858	-5,763	5,364,095
Other items					
Depreciation	27,717	1,679	29,397	-60	29,336
Increase in property, plant and equipment and intangible assets	23,535	1,030	24,565	-	24,565

(Notes) 1. Adjustments are as follows.

- (1) Adjustment to segment income of -2,914 thousand yen is mainly intersegment eliminations.
 - (2) Adjustment to segment assets of -5,763 thousand yen is mainly intersegment eliminations.
 - (3) Adjustments to depreciation and amortization represent unrealized gains and losses among segments.
2. Segment income is adjusted with operating income in the consolidated financial statements.

FY6/21 (July 1, 2020 to June 30, 2021)

(Thousand yen)

	Reporting Segments			Adjustment amount (Note 1)	Amount recorded on consolidated quarterly statements of income (Note 2)
	Software Development Business	System Sales Business	Total		
Net sales					
Net sales to outside customers	13,838,833	605,492	14,444,325	-	14,444,325
Intrasegment net sales and transfers	4,204	30,440	34,644	-34,644	-
Total	13,843,038	635,932	14,478,970	-34,644	14,444,325
Segment income	1,669,433	52,747	1,722,181	60	1,722,241
Segment assets	5,937,568	465,181	6,402,750	-14,216	6,388,533
Other items					
Depreciation	27,863	1,817	29,681	-60	29,620
Increase in property, plant and equipment and intangible assets	4,578	2,315	6,893	-	6,893

(Notes) 1. Adjustments are as follows.

- (1) Adjustment to segment income of 60 thousand yen is mainly intersegment eliminations.
 - (2) Adjustment to segment assets of -14,216 thousand yen is mainly intersegment eliminations.
 - (3) Adjustments to depreciation and amortization represent unrealized gains and losses among segments.
2. Segment income is adjusted with operating income in the consolidated financial statements.

(Per Share Information)

	FY6/20 (July 1, 2019 to June 30, 2020)	FY6/21 (July 1, 2020 to June 30, 2021)
Net assets per share of common stock	240.04 yen	296.87 yen
Net income per share	64.18 yen	78.47 yen

(Notes) 1. Diluted net income per share is not presented because there are no dilutive shares.

2. The Company's shares that remain in the stock benefit trust (J-ESOP) that is recorded as a treasury stock in the shareholder's equity are included in the treasury stock that are deducted from the total number of shares issued at the end of the period for the calculation of the amount of net assets per share (previous fiscal year: 112,800 shares, current fiscal year: 112,800 shares). For calculating net income per share, it is also included in the number of treasury stock to be deducted from the calculation of the average number of shares during the period (previous fiscal year: 112,800 shares, current fiscal year: 112,800 shares).

3. The basis for calculating net income per share is presented as follows:

	FY6/20 (July 1, 2019 to June 30, 2020)	FY6/21 (July 1, 2020 to June 30, 2021)
Net income per share		
Net income attributable to owners of parent (thousand yen)	978,680	1,196,494
Amounts not applicable to ordinary shareholders (thousand yen)	-	-
Net income attributable to owners of parent applicable to common stock (thousand yen)	978,680	1,196,494
Average number of common shares (shares)	15,248,376	15,248,356

(Important Subsequent Events)

Not applicable.