

Summary of Business Results for the Six Months Ended December 31, 2022 [Japan GAAP] (Consolidated)

February 13, 2023

Company **Digital Information Technologies Corporation**
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 of Corporate Planning Division
 Expected date of filing of quarterly report: February 13, 2023
 Expected starting date of dividend payment: March 9, 2023
 Preparation of quarterly supplementary financial document: Yes
 Quarterly results briefing: Yes (for institutional investors and analysts)

Listed on the TSE

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(Rounded down to million yen)

1. Consolidated business results for the six months ended December 31, 2022 (July 1, 2022 through December 31, 2022)

(1) Consolidated results of operations

(% represents the 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	%
For the six months ended								
December 31, 2022	9,068	18.0	1,249	28.4	1,268	29.2	892	29.9
December 31, 2021	7,685	8.8	973	6.7	981	7.6	686	9.3

(Note) Comprehensive income

Six months ended December 31, 2022: 884 million yen (29.6%)

Six months ended December 31, 2021: 682 million yen (10.9%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
For the six months ended				
December 31, 2022	58.50		-	
December 31, 2021	45.04		-	

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

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of			
December 31, 2022	8,275	6,052	73.1
June 30, 2022	7,681	5,552	72.3

(Reference) Shareholders' equity

As of December 31, 2022: 6,052 million yen

As of June 30, 2022: 5,552 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
For the fiscal year					
ended June 30, 2022	Yen -	Yen 15.00	Yen -	Yen 25.00	Yen 40.00
ending June 30, 2023	-	18.00			
ending June 30, 2023 (forecast)			-	18.00	36.00

(Note) Revisions to dividend forecast for the current quarter: None

3. Forecast of consolidated business results for the fiscal year ending June 30, 2023 (July 1, 2022 through June 30, 2023)

(% represents the 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	
For the fiscal year										
ending June 30, 2023	18,000	11.4	2,250	12.2	2,250	12.3	1,561	8.5		102.37

(Note) Revisions to business forecast for the current quarter: None

***Notes**

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

(2) Application of accounting procedures specific to preparation of the consolidated quarterly financial statements: None

(3) Changes in accounting policies, accounting estimates and restatement

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

(4) Shares outstanding (common stock)

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

As of December 31, 2022	15,501,820 shares
As of June 30, 2022	15,501,820 shares

②Treasury stock at the end of period

As of December 31, 2022	253,551 shares
As of June 30, 2022	253,551 shares

③Average number of stock during period (quarterly cumulative period)

Six months ended December 31, 2022	15,248,269 shares
Six months ended December 31, 2021	15,248,311 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 Custody Bank of Japan, Ltd. as trust assets under the Employees' Benefit Trust (J-ESOP) Plan

***Quarterly financial summary is not subject to the quarterly review 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. Qualitative Information Regarding Consolidated Quarterly Business Results

(1) Explanation of Business Results

During the second quarter of the fiscal year under review (July 1, 2022 to December 31, 2022), the business environment in Japan eased some restrictions and the economy showed signs of recovery. However, commodity prices rose due to the rising resource prices and the depreciation of the yen. Globally, the outlook remained uncertain due to concerns over prolonged inflation as raw material and energy prices are expected to rise further.

In the information service industry to which we belong, the degree of impact varies depending on the business portfolio, such as the composition of customers, but corporate investment in software continues to be firm. According to the Bank of Japan Tankan survey (December) announced on December 14, 2022, the software investment plan (total for all industries and enterprises of all sizes) for fiscal 2022 continued to show a significant expansion trend with a 17.8% year-on-year increase.

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.

In addition, the need for strengthening measures for cyber security and improving the efficiency of working styles continue to increase from the COVID-19 pandemic, 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 (Expand 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)

In addition, on August 20, 2021, we announced the new medium-term management plan and the DIT Group's vision for 2030. In the 2030 Vision, we have set the DIT's future vision (DIT Services: providing a higher level of value, DIT Spirits: a group of professionals) to build a "Trusted and Chosen DIT Brand, and also set the following management targets as the "Challenge 500(*)".



Management Targets

	Medium-term management targets by FY6/30	
	Organic growth	+ New businesses, M&A, etc.
Net sales	30 billion yen or more	50 billion yen
Operating Income	4 billion yen or more	50 billion yen

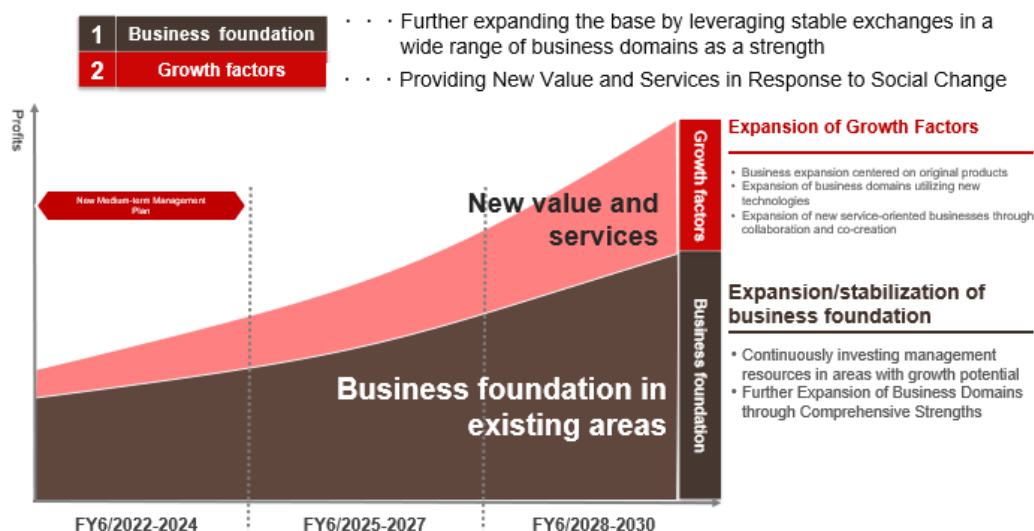
(*) Challenge 500

Targeting 50 billion yen sales toward FY6/2030!

As a step toward achieving this 2030 Vision, we set the period from FY6/22 to FY6/24 as the period for "promoting business structural improvement" to build up business capabilities by promoting the creation of a company and structure that will enable the next growth. We also set the period from FY6/25 to FY6/27 as the period for "achieving a growth trajectory" to establish a business style and put the overall business on a growth track, and the period from FY6/28 to FY6/30 as the period for "establishing the DIT brand", that is trusted and chosen by all stakeholders.



Medium-term Growth Model



During FY6/23, the second year of the current medium-term management plan, DIT has continued to promote our business with focusing on the two axes from the previous fiscal year: "expand and stabilize the business foundation" and "expand growth factors." With regard to "expand and stabilize the business foundation," as a result of accurately allocating resources to markets with high demand in both the Business Solutions Unit and the Embedded Solutions Unit, we achieved the strong growth. The System Sales Business also showed a recovery trend from the impact of COVID-19. In terms of "expand growth factors," sales of a web security solution WebARGUS¹, an original product built on proprietary technology, showed steady growth by strengthening product competitiveness and sales. However, "xoBlos" (*2), an Excel business innovation platform, showed a temporary stagnation due to a delay in the launch of the RPA linked platform version, which prevented us from winning more projects.

As a result, net sales in the subject second quarter cumulative period amounted to 9,068,030 thousand yen (up 18.0% year on year), with operating income of 1,249,827 thousand yen (up 28.4%), ordinary income of 1,268,020 thousand yen (up 29.2%), and profit attributable to owners of parent of 892,030 thousand yen (up 29.9%).

- (*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 sales by segment and segment income (operating income) are prior to offsets for intracompany transactions.

① Software Development Business

In the Business Solutions Unit (business system development and operation support), sales and profits grew as we responded to the strong demand.

In business systems development, sales and profits rose sharply due to steady acquisitions of projects in the fields of public works, communications, manufacturing, and ERP, despite sales of the mainstay financial systems business was generally flat as a result of division-by-division job rotation, mainly for long-term employees.

However, when a large-scale contract project shifted from the basic design process to the detailed design process, we conducted a reassessment in accordance with our project management regulations. As a result of reinforcing our development system, overall sales of business system development grew significantly, but profits increased only slightly.

In operational support, the previous year was partially affected by business reforms by our main customers. In the current financial year, both sales and profits significantly increased year on year, as a result of both an increase in the number of employees in existing areas and the expanded business areas, as well as the addition of sales and profits of simplism inc., which joined the Group at the end of June last year.

In the Embedded Solutions Unit (embedded system development and embedded system verification), the automotive and semiconductor-related business recovered and grew significantly, while the verification business expanded more than before, resulting in significant growth in both sales and profits.

In embedded system development, sales and profits both significantly exceeded the previous fiscal year. Automotive-related project sales, which showed a recovery trend from the second half of the previous fiscal year, fully recovered, and IoT related project sales, including mobile-related and consumer electronics-related business, also grew steadily.

In embedded system verification, sales and profits both increased significantly year-on-year as sales of automotive-related verification services grew significantly, while sales of 5G-related (mobile devices and base stations), energy-related and medical-related services grew significantly.

In the Original Product Unit, we were able to achieve higher performance than the previous year due to the accumulation of licensing sales of subscription models.

In the cyber security business, we posted solid growth in both sales and profits due to the accumulation of licensing sales of WebARGUS. In addition, we worked to increase sales by expanding our lineup of total security services (DIT Security) with WebARGUS at its core, such as collaboration with an external cybersecurity specialist, such as F-Secure and SSH Communications Security. On November 15, we launched WebARGUS for Ransomware, a security product that reliably protects critical data from ransomware attacks and other attacks, the biggest threat to information security.

In the operational efficiency business, we promoted the development of new clients by horizontally expanding existing clients to other departments. However, due to the delay in launching the RPA collaboration platform (xoBlos manages RPA operations), for which demand is expected, we were unable to increase new clients as expected, and both sales and profits fell below those of the previous year.

As for the DD-CONNECT, an electronic contract outsourcing service that responds to the new normal society caused by the COVID-19 disaster, projects for which orders were received in the previous fiscal year began to gradually contribute to sales and profits.

The lineup of our original products is gradually increasing, and we will continue to work to expand sales.

As a result, sales in the Software Development business amounted to 8,755,035 thousand yen (up 18.4% year-on-year), with segment income (operating income) of 1,203,451 thousand yen (up 27.3%).

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. Since this product is mainly sold face-to-face, the performance was affected by the impact of COVID-19 until the previous fiscal year. However, due to the stabilization of the impact of COVID-19, net sales and segment income increased significantly from the previous fiscal year.

As a result, sales in the System Sales segment amounted to 340,978 thousand yen (up 13.9% year on year), with segment income (operating income) of 46,370 thousand yen (up 69.4%).

(2) Explanation of Financial Position

Assets, Liabilities and Net Assets

The status of assets, liabilities, and net assets in the end of the subject second quarter cumulative period is as follows.

(Current Assets)

Current assets amounted to 7,477,940 thousand yen at the end of the second quarter, an increase of 560,680 thousand yen compared to the end of the previous fiscal year. This was mainly due to increases of 350,906 thousand yen in cash and deposits and 139,213 thousand yen in accounts receivable - trade, and contract assets, and a decrease of 7,160 thousand yen in merchandise.

(Noncurrent Assets)

Noncurrent assets amounted to 797,090 thousand yen at the end of the second quarter, an increase of 33,017 thousand yen compared to the end of the previous fiscal year.

This was due mainly to increases of 3,546 thousand yen in property, plant and equipment, 51,311 thousand yen in investments and other assets, and a decrease in 21,840 million yen in intangible assets.

(Current Liabilities)

Current liabilities amounted to 2,041,112 thousand yen at the end of the second quarter, an increase of 80,701 thousand yen compared to the end of the previous fiscal year.

This was mainly due to increases of 36,063 thousand yen in accounts payable-trade and 87,162 thousand yen in income taxes payable, and decreases of 70,986 thousand yen in others.

(Noncurrent Liabilities)

Noncurrent liabilities amounted to 181,668 thousand yen at the end of the second quarter, an increase of 12,876 thousand yen compared to the end of the previous fiscal year.

This was mainly due to an increase of 13,935 thousand yen in provision for share based remuneration; against a decrease of 1,254 thousand yen in others.

(Net Assets)

Net assets amounted to 6,052,250 thousand yen at the end of the second quarter, an increase of 500,119 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase of 508,004 thousand yen in retained earnings, and a decrease of 5,704 thousand yen in foreign currency translation adjustment.

Cash Flows

Cash and cash equivalents at the end of the second quarter increased by 348,086 thousand yen from the end of the previous fiscal year to 4,183,961 thousand yen.

The factors contributing the changes in cash flows in the second quarter cumulative period are as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to 790,603 thousand yen (416,145 thousand yen provided for the same quarter of the previous year). This was mainly due to the recording of profit before income taxes (1,268,020 thousand yen), the increase in trade receivables and contract assets (139,213 thousand yen), the increase in trade payables (175,580 thousand yen), the decrease in accounts payable and accrued expenses (60,878 thousand yen), the decrease in other liabilities (149,786 thousand yen), and the payment of income taxes (300,633 thousand yen).

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to 41,879 thousand yen (189,270 thousand yen provided for the same quarter of the previous year). This was mainly due to the purchase of property, plant and equipment (2,529 thousand yen), the provision of insurance reserves (2,267 thousand yen), and the payment of lease and guarantee deposits (47,933 thousand yen).

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to 394,958 thousand yen (221,368 thousand yen used in the same period of the previous fiscal year), due to repayment of lease obligations (10,196 thousand yen) and cash dividends paid (383,415 thousand yen).

(3) Explanation of Results Forecasts and Other Future Predictions

No revisions have been made to the full-year consolidated business forecast announced on August 10, 2022. We will disclose changes to our forecasts as necessary in light of future social conditions.

2. Consolidated Quarterly Financial Statements and Major Notes

(1) Consolidated Quarterly Balance Sheets

(Thousand yen)

	FY6/22 (June 30, 2022)	2Q FY6/23 (December 31, 2022)
ASSETS		
Current assets		
Cash and deposits	3,843,403	4,194,310
Trade and contract assets	2,841,785	2,980,998
Merchandise	36,264	29,103
Work in process	90,148	117,451
Other, net	105,740	156,124
Allowance for doubtful accounts	-83	-48
Total current assets	6,917,259	7,477,940
Noncurrent assets		
Property, plant and equipment:	144,180	147,727
Intangible assets		
Goodwill	198,881	178,993
Other, net	11,903	9,950
Total intangible assets	210,784	188,944
Investments and other assets		
Other, net	441,780	493,028
Allowance for doubtful accounts	-32,671	-32,609
Total investments and other assets	409,108	460,419
Total noncurrent assets	764,073	797,090
Total assets	7,681,333	8,275,031
LIABILITIES		
Current liabilities		
Accounts payable-trade	592,636	628,700
Income taxes payable	353,209	440,371
Provision for bonuses	-	27,555
Provision for loss on order received	45	951
Other, net	1,014,519	943,533
Total current liabilities	1,960,410	2,041,112
Noncurrent liabilities		
Retirement benefit liability	7,157	7,353
Provision for share based remuneration	111,480	125,415
Other, net	50,154	48,899
Total noncurrent liabilities	168,791	181,668
Total liabilities	2,129,202	2,222,781
Net assets		
Shareholders' equity		
Capital	453,156	453,156
Capital surplus	459,214	459,214
Retained earnings	4,954,886	5,462,890
Treasury stock	-347,294	-347,294
Total shareholders' equity	5,519,962	6,027,966
Accumulated other comprehensive income		
Valuation difference on available- for-sale securities	6,232	4,052
Foreign currency translation adjustments	25,935	20,231
Total accumulated other comprehensive income	32,167	24,283
Total net assets	5,552,130	6,052,250
Total liabilities and net assets	7,681,333	8,275,031

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Quarterly Statements of Income)
(Second Quarter Cumulative)

(Thousand yen)

	2Q FY6/22 (July 1, 2021 to December 31, 2021)	2Q FY6/23 (July 1, 2022 to December 31, 2022)
Net sales	7,685,346	9,068,030
Cost of sales	5,753,845	6,759,899
Gross profit	1,931,500	2,308,131
Selling, general and administrative expenses	958,415	1,058,303
Operating Income	973,084	1,249,827
Non-operating income		
Interest income	174	201
Dividends income	159	421
Commission fee	700	778
Subsidy income	8,161	10,304
Insurance premiums refunded cancellation	-	4,061
Gain on forfeiture of unclaimed dividends	419	540
Noncurrent assets	-	2,345
Other, net	217	150
Total non-operating revenues	9,832	18,804
Non-operating expenses		
Interest expenses	196	335
Exchange loss	933	256
Other, net	-	19
Total non-operating expenses	1,130	611
Ordinary Income	981,786	1,268,020
Income before income taxes and others	981,786	1,268,020
Income taxes - current	303,890	386,539
Income taxes-deferred	-8,814	-10,549
Total income tax	295,076	375,989
Net income	686,710	892,030
Net income attributable to owners of parent	686,710	892,030

(Consolidated Quarterly Statements of Comprehensive Income)
(Second Quarter Cumulative)

(Thousand yen)

	2Q FY6/22 (July 1, 2021 to December 31, 2021)	2Q FY6/23 (July 1, 2022 to December 31, 2022)
Net income	686,710	892,030
Accumulated other comprehensive income		
Valuation difference on available- for-sale securities	-7,866	-2,180
Foreign currency translation adjustments	3,184	-5,704
Total other comprehensive income	-4,682	-7,884
Comprehensive income	682,028	884,146
(Breakdown)		
Comprehensive income attributable to owners of parent	682,028	884,146

(3) Consolidated Statements of Cash Flows

(Thousand yen)

	2Q FY6/22 (July 1, 2021 to December 31, 2021)	2Q FY6/23 (July 1, 2022 to December 31, 2022)
Net cash provided by (used in) operating activities		
Income before income taxes and others	981,786	1,268,020
Depreciation	13,604	36,222
Gain on receipt of donated non-current assets	-	-2,345
Increase (decrease) in allowance for doubtful accounts	-66	-97
Increase (decrease) in provision for loss on order	40	906
Increase (decrease) in provision for bonuses	28,142	27,555
Increase (decrease) in retirement benefit liability	220	196
Increase (decrease) in provision for share based remuneration	13,935	13,935
Interest and dividends income	-333	-623
Interest expenses	196	335
Decrease (increase) in notes and accounts receivable-trade and contract assets	-235,546	-139,213
Decrease (increase) in inventories	16,791	-20,141
Increase (decrease) in notes and accounts payable - trade	28,043	175,580
Increase (decrease) in accounts payable - other and accrued expenses	-56,745	-60,878
Increase (decrease) in long-term accounts payable -	-	256
Decrease (increase) in other assets	-33,244	-54,950
Increase (decrease) in other liabilities	-25,659	-149,786
Insurance income	-49	-
Other, net	8,564	-14,327
Subtotal	739,680	1,080,644
Interest and dividends income received	333	623
Interest expenses paid	-196	-335
Proceeds from insurance income	49	-
Subsidies received	8,161	10,304
Income taxes paid	-331,883	-300,633
Net cash provided by (used in) operating activities	416,145	790,603
Net cash provided by (used in) investing activities		
Purchases of investment securities	-25,435	-657
Purchases of property, plant and equipment	-	-2,529
Purchases of intangible assets	-1,500	-770
Collection of loans receivable	191	62
Purchase of insurance funds	-2,159	-2,267
Proceeds from cancellation of insurance funds	220,102	4,658
Payments for lease and guarantee deposits	-1,989	-47,933
Proceeds from collection of lease and guarantee deposits	60	7,558
Net cash provided by (used in) investing activities	189,270	-41,879
Net cash provided by (used in) financing activities		
Repayments of lease obligations	-6,125	-10,196
Repayments of borrowings	-	-1,347
Purchase of treasury stock	-63	-
Cash dividends paid	-215,178	-383,415
Net cash provided by (used in) financing activities	-221,368	-394,958
Effect of exchange rate change on cash and cash	3,184	-5,679
Net increase (decrease) in cash and cash equivalents	387,232	348,086
Cash and cash equivalents at beginning of period	3,326,700	3,835,875
Cash and cash equivalents at end of period	3,713,932	4,183,961

(4) Notes on Quarterly Consolidated Financial Statements

(Notes Regarding Going Concern Assumption)

Not applicable.

(Notes regarding substantial changes in shareholders' equity)

Not applicable.

(Segment Information)

Segment Information

I 2Q FY6/22 (July 1, 2021 to December 31, 2021)

1. Information Relating to the Amounts of Net Sales, Profit, and Loss

(Thousand yen)

	Reporting Segments			Adjustment amount (Notes) 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	7,393,019	292,326	7,685,346	-	7,685,346
Intrasegment net sales and transfers	800	7,069	7,869	-7,869	-
Total	7,393,819	299,396	7,693,215	-7,869	7,685,346
Segment income (loss)	945,682	27,372	973,054	30	973,084

(Notes) 1. Adjustment to segment income of 30 thousand yen is mainly intersegment eliminations.

2. Segment income is adjusted with operating income in the consolidated quarterly statements of income.

II 2Q FY6/23 (July 1, 2022 to December 31, 2022)

1. Information Relating to the Amounts of Net Sales, Profit, and Loss

(Thousand yen)

	Reporting Segments			Adjustment amount (Notes) 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	8,742,875	325,154	9,068,030	-	9,068,030
Intrasegment net sales and transfers	12,160	15,823	27,983	-27,983	-
Total	8,755,035	340,978	9,096,014	-27,983	9,068,030
Segment income (loss)	1,203,451	46,370	1,249,822	5	1,249,827

(Notes) 1. Adjustment to segment income of 5 thousand yen is mainly intersegment eliminations.

2. Segment income is adjusted with operating income in the consolidated quarterly statements of income.