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February 14, 2024

Summary of Business Results for the Six Months Ended December 31, 2023 [Japan GAAP] (Consolidated)

Company name: Digital Information Technologies Corporation
 Listing: Tokyo Stock Exchange
 Securities code: 3916
 URL: <http://www.ditgroup.jp/>
 Representative: Satoshi Ichikawa, President and Representative Director
 Inquiries: Hiroyuki Komatsu, Managing Director, Division Manager of Corporate Planning Division
 Scheduled date to file quarterly securities report: February 14, 2024
 Scheduled date to commence dividend payments: March 7, 2024
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended December 31, 2023 (from July 1, 2023 to December 31, 2023)

(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								
December 31, 2023	9,575	5.6	1,198	-4.1	1,187	-6.3	811	-9.1
December 31, 2022	9,068	18.0	1,249	28.4	1,268	29.2	892	29.9

Note: Comprehensive income For the six months ended December 31, 2023: ¥835 million [-5.5%]
 For the six months ended December 31, 2022: ¥884 million [29.6%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
December 31, 2023	54.24	-
December 31, 2022	58.50	-

Note: Diluted earnings per share is not presented because there are no dilutive shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2023	8,737	6,405	73.3
June 30, 2023	8,176	6,006	73.5

Reference: Equity
 As of December 31, 2023: ¥6,405 million
 As of June 30, 2023: ¥6,006 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2023	-	18.00	-	18.00	36.00
Fiscal year ending June 30, 2024	-	23.00			
Fiscal year ending June 30, 2024 (Forecast)			-	23.00	46.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated financial results for the year ending June 30, 2024 (from July 1, 2023 to June 30, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	19,500	7.4	2,500	22.6	2,500	21.4	1,734	19.8	116.00

Note: Revisions to the forecast of financial results most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of December 31, 2023	15,501,820 shares
As of June 30, 2023	15,501,820 shares

- (ii) Number of treasury shares at the end of the period

As of December 31, 2023	553,580 shares
As of June 30, 2023	471,051 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended December 31, 2023	14,954,984 shares
Six months ended December 31, 2022	15,248,269 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. (Trust E-Account) as trust assets under the Employees' Benefit Trust (J-ESOP) Plan.

- * Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

- * Proper use of earnings forecasts, and other special matters

The forward-looking statements 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. Therefore, 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 current fiscal year (July 1, 2023 to December 31, 2023), the business environment partially slowed down, but the economy gradually recovered. However, the unclear outlook remains due to high uncertainties in consumer spending trends and corporate earnings, in part due to high prices for raw materials and energy caused by yen's depreciation and high resource prices.

In the information services industry to which we belong, there has been a continued steady investment in software. According to the Bank of Japan Tankan survey (December) announced on December 13, 2023, the software investment plan (total for all industries and enterprises of all sizes) for fiscal 2023 showed a continued expansion trend, rising 13.6% compared to fiscal 2022.

For our group as well, the progress in fields such as Artificial Intelligence (AI) to accelerate the realization of DX, Internet of Things (IoT), the transition of existing systems to cloud systems, and progress in low-code development to accelerate system development 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 operational efficiency continues to increase, 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 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(*)."

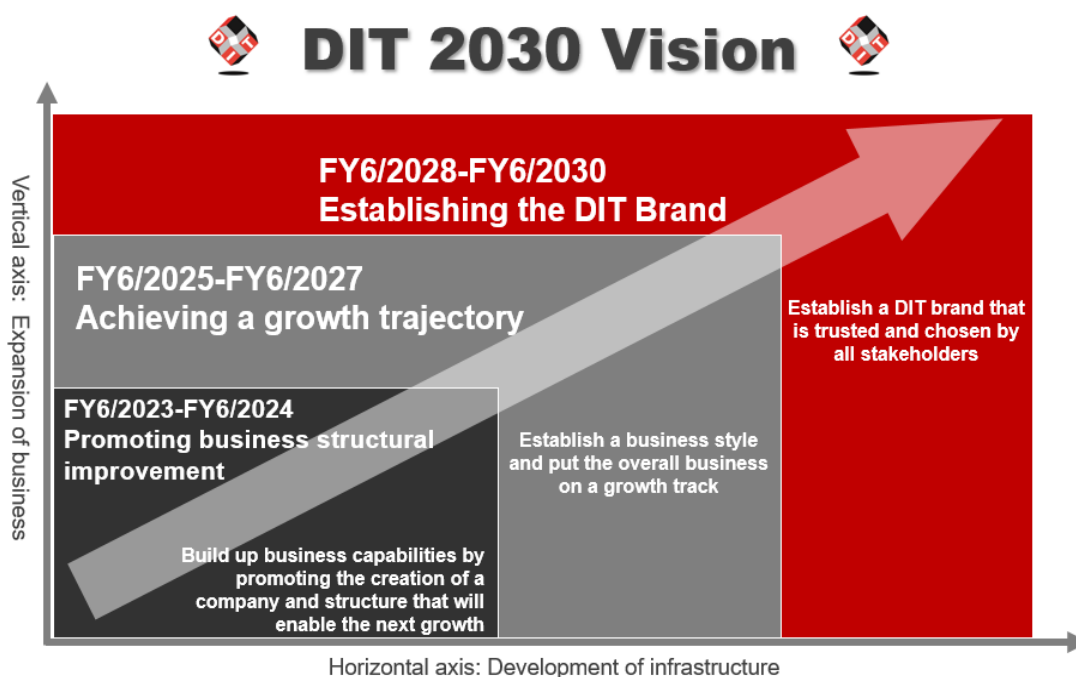


Management Targets

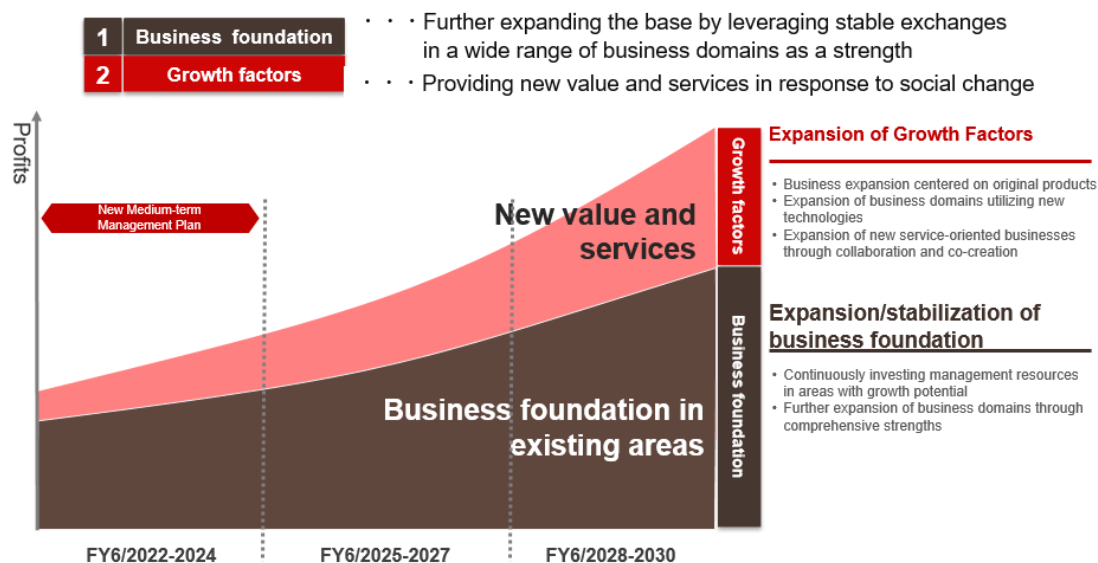
	Medium-term management targets by FY6/30	
	Organic growth	+ New businesses, M&A, etc.
Net sales	30 billion yen or more	50 billion yen
Operating Profit	4 billion yen or more	5 billion yen

(*) Challenge 500: Targeting 50 billion yen sales toward FY6/30!

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-to-Long-Term Growth Model



■ Summary of Business Results for the First Half of the Fiscal Year Ending June 30, 2024

Sales in the first half of the year met strong demand and reached a record high. Profits were not able to offset the decline in profits in the first quarter, but began to grow in the second quarter and exceeded the initial forecast. In addition, we were able to complete the work to curtail an unprofitable project, which had been a concern, in the first quarter as scheduled. On the other hand, expenses associated with improvements in employee treatment, such as salary increases, and expenses associated with the expansion of business scale, such as the expansion of floors in the Kanto region, Kansai region, and Ehime, and the opening of the Hakodate Office, increased.

During FY6/24, the final year of the current medium-term management plan, we have been promoting our business by focusing on the two axes: “expand and stabilize the business foundation” and “expand growth factors.” Regarding the “expand and stabilize the business foundation,” although sales were able to increase, profit decreased because it took time to shift projects after the convergence of unprofitable projects that occurred in the previous fiscal year. In the Embedded Solutions Unit, we steadily responded to the high demand for automotive-related business and were able to increase both sales and profit. In addition, in the System Sales Business, we were able to steadily increase sales, partly due to rush demand boosted by the introduction of the Qualified Invoice System.

In terms of “expand growth factors,” about sales of a web security solution “WebARGUS” (*1), an original product built on proprietary technology, and “xoBlos” (*2), an Excel business innovation platform, built steadily increased sales of subscription licenses. In addition, sales related to electronic contract services began to grow, contributing to business results.

As a result, net sales in the second quarter of the fiscal year under review of 9,575,383 thousand yen (up 5.6% year on year), with operating profit of 1,198,562 thousand yen (down 4.1%), ordinary profit of 1,187,763 thousand yen (down 6.3%), and profit attributable to owners of parent of 811,091 thousand yen (down 9.1%).

(*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 preventing the escalation of the damage, such viruses spreading via the tampered website.

(*2) xoBlos is an innovation platform for Excel to automate inefficient Excel-based tasks.

(Excel® is a registered trademark in the U.S. and other countries by the U.S. Microsoft Corporation)

Business Results by segment are as follows.

Of note, figures for sales by segment and segment profit (operating profit) are prior to offsets for intra-company transactions.

① Software Development Business

Demand itself was strong in the Business Solutions Unit (business system development and operation support), but profits declined because the operational support was unable to offset the slump in business system development.

In business system development, finance projects showed a recovery trend, and the public sector, telecommunications, and low-code development projects increased. On the other hand, sales were on par with the previous year due to a decline in project sales for pharmaceuticals and ERP. Profits declined as ERP-related projects experienced downtime during the order cycle, leading to idle hours. Additionally, the rotation of engineers following the completion of unprofitable projects required time, contributing to a decrease in earnings.

In operation support, we were able to further exceed the previous fiscal year's record performance thanks to an expansion of our business domains and an increase in sales and profits of simplism inc., which joined our group in the previous fiscal year.

In the Embedded Solutions Unit (embedded system development and embedded system verification), the automotive-related business was favorable, resulting in growth in both sales and profits.

In embedded systems development, both sales and profits increased steadily from the previous year. Although semiconductor-related sales were flat in the previous year and there was a delay in the receipt of orders of mass-production development for some automotive-related projects, sales of automotive R&D and IoT-related projects for home appliances grew.

In embedded system verification, both sales and profits increased steadily year-on-year as sales of automotive-related verification services grew.

In the Original Product Unit, both sales and profits grew steadily due to an increase in sales from the accumulation of original product licenses and an increase in licensing sales and peripheral development sales related to electronic contract services.

In the cyber security business, both sales and profits increased from the previous year due to a steady increase in licensing sales resulting from the scale-up of existing customers. In addition, we worked to expand sales of total security services (DIT Security) with WebARGUS at its core in collaboration with vulnerability assessment firms. At the same time, we focused on targeting customers and promoting sales of 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 horizontally expanding existing clients to other departments and worked to capture projects for lead customers that had been accumulated since the previous fiscal year, as a result, both sales and profits increased from the previous year.

DD-CONNECT, an outsourcing service for electronic contracts, for which needs have expanded in the new normal society of the COVID-19 disaster, transitioned from the introduction period to the growth period, and sales increased and begun to contribute to profits.

As a result, sales in the Software Development business amounted to 9,194,761 thousand yen (up 5.0% year-on-year), with segment profit (operating profit) of 1,156,109 thousand yen (down 3.9%).

② System Sales Business

In the System Sales segment, which is centered on “Rakuichi,” an operations and management support system for small and medium-sized enterprises manufactured by Casio Computer Co., Ltd., net sales increased significantly. This was due to the start of business activity for “electronic data transaction data storage in line with the revision of the Electronic Bookkeeping Law,” which became mandatory from January 2024, as well as rush demand for the introduction of the Qualified Invoice System. On the other hand, profit declined slightly due to an increase in sales personnel and an increase in promotion expenses to cultivate new customers.

As a result, sales in the System Sales Business amounted to 385,130 thousand yen (up 12.9% year on year), with segment profit (operating profit) of 42,453 thousand yen (down 8.4%).

(2) Explanation of Financial Position Assets, Liabilities and Net Assets

The status of assets, liabilities, and net assets at the end of the second quarter of the current fiscal year is as follows.

(Current Assets)

Current assets amounted to 7,838,965 thousand yen at the end of the second quarter, an increase of 460,715 thousand yen compared to the end of the previous fiscal year. This was mainly due to increases of 153,246 thousand yen in cash and deposits, 225,874 thousand yen in accounts receivable and contract assets, and 37,818 thousand yen in work in process.

(Noncurrent Assets)

Noncurrent assets amounted to 898,762 thousand yen at the end of the second quarter, an increase of 100,387 thousand yen compared to the end of the previous fiscal year. This was due mainly to increases of 31,775 thousand yen in property, plant and equipment, 83,037 thousand yen in investments and other assets, and a decrease of 14,425 million yen in intangible assets.

(Current Liabilities)

Current liabilities amounted to 2,101,082 thousand yen at the end of the second quarter, an increase of 120,840 thousand yen compared to the end of the previous fiscal year. This was due mainly to increases of 15,207 thousand yen in accounts payable-trade, 45,241 thousand yen in provision for bonuses and 63,071 thousand yen in other, against a decrease of 12,110 thousand yen in provision for loss on orders received.

(Noncurrent Liabilities)

Noncurrent liabilities amounted to 230,922 thousand yen at the end of the second quarter, an increase of 40,913 thousand yen compared to the end of the previous fiscal year. This was mainly due to increases of 13,935 thousand yen in provision for share awards and 26,606 thousand yen in other.

(Net Assets)

Net assets amounted to 6,405,721 thousand yen at the end of the second quarter, an increase of 399,349 thousand yen compared to the end of the previous fiscal year. This was mainly due to increases of 511,596 thousand yen in retained earnings and 137,108 thousand yen in treasury stock.

Cash Flows

Cash and cash equivalents amounted to 4,328,174 thousand yen at the end of the second quarter, an increase of 186,523 thousand yen compared to the end of the previous fiscal year.

The factors contributing to the changes in cash flows in the second quarter of the fiscal year under review are as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to 666,826 thousand yen (790,603 thousand yen provided for the same quarter of the previous year). This was mainly due to the recording of profit before income taxes (1,187,763 thousand yen), the increase in trade receivables and contract assets (232,144 thousand yen), the increase in provision for bonuses (45,241 thousand yen), the increase in accounts payable and accrued expenses (41,164 thousand yen), the increase in inventories (45,587 thousand yen), and the payment of income taxes (365,792 thousand yen).

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to 53,797 thousand yen (41,879 thousand yen provided for the same quarter of the previous year). This was mainly due to the purchase of property, plant and equipment (2,748 thousand yen), purchase of intangible assets (8,739 thousand yen), payments of leasehold and guarantee deposits (56,469 thousand yen), and proceeds from refund of leasehold and guarantee deposits (16,300 thousand yen).

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to 421,944 thousand yen (394,958 thousand yen used in the same period of the previous fiscal year), due to repayments of lease obligations (12,517 thousand yen), purchase of treasury shares (137,108 thousand yen), and cash dividends paid (272,319 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, 2023. We will disclose changes to our forecasts as necessary in light of future social conditions.

2. Consolidated Quarterly Financial Statements and Main Notes

(1) Consolidated Quarterly Balance Sheets

(Thousand yen)

	FY6/23 (June 30, 2023)	Q2 FY6/24 (December 31, 2023)
ASSETS		
Current assets		
Cash and deposits	4,185,107	4,338,353
Trade and contract assets	2,953,526	3,179,401
Merchandise	30,802	38,571
Work in process	108,173	145,991
Other	100,708	136,726
Allowance for doubtful accounts	-68	-80
Total current assets	7,378,249	7,838,965
Noncurrent assets		
Property, plant and equipment	138,285	170,061
Intangible assets		
Goodwill	159,105	139,217
Other	13,508	18,971
Total intangible assets	172,614	158,188
Investments and other assets		
Other	520,033	603,016
Allowance for doubtful accounts	-32,558	-32,504
Total investments and other assets	487,475	570,512
Total noncurrent assets	798,374	898,762
Total assets	8,176,624	8,737,727
LIABILITIES		
Current liabilities		
Accounts payable-trade	615,140	630,347
Income taxes payable	407,337	416,768
Provision for bonuses	-	45,241
Provision for loss on order received	14,792	2,682
Other	942,971	1,006,042
Total current liabilities	1,980,242	2,101,082
Noncurrent liabilities		
Retirement benefit liability	8,914	9,285
Provision for share based remuneration	142,694	156,629
Other	38,401	65,008
Total noncurrent liabilities	190,009	230,922
Total liabilities	2,170,252	2,332,005
Net assets		
Shareholders' equity		
Capital	453,156	453,156
Capital surplus	459,214	459,214
Retained earnings	5,742,065	6,253,661
Treasury stock	-694,538	-831,646
Total shareholders' equity	5,959,896	6,334,384
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,563	40,002
Foreign currency translation adjustments	35,911	31,333
Total accumulated other comprehensive income	46,475	71,336
Total net assets	6,006,372	6,405,721
Total liabilities and net assets	8,176,624	8,737,727

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

(Thousand yen)

	Q2 FY6/23 (July 1, 2022 to December 31, 2022)	Q2 FY6/24 (July 1, 2023 to December 31, 2023)
Net sales	9,068,030	9,575,383
Cost of sales	6,759,899	7,253,064
Gross profit	2,308,131	2,322,319
Selling, general and administrative expenses	1,058,303	1,123,757
Operating profit	1,249,827	1,198,562
Non-operating income		
Interest income	201	174
Dividends income	421	-
Commission fee	778	921
Foreign exchange gains	-	185
Subsidy income	10,304	41
Insurance premiums refunded cancellation	4,061	106
Gain on forfeiture of unclaimed dividends	540	413
Gain on receipt of donated non-current assets	2,345	-
Other	150	189
Total non-operating revenues	18,804	2,031
Non-operating expenses		
Interest expenses	335	269
Exchange loss	256	-
Office transfer expenses	-	12,424
Other	19	137
Total non-operating expenses	611	12,830
Ordinary profit	1,268,020	1,187,763
Profit before income taxes	1,268,020	1,187,763
Income taxes-current	386,539	392,914
Income taxes-deferred	-10,549	-16,242
Total income tax	375,989	376,671
Profit	892,030	811,091
Profit attributable to owners of parent	892,030	811,091

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

(Thousand yen)

	Q2 FY6/23 (July 1, 2022 to December 31, 2022)	Q2 FY6/24 (July 1, 2023 to December 31, 2023)
Profit	892,030	811,091
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-2,180	29,439
Foreign currency translation adjustments	-5,704	-4,578
Total other comprehensive income	-7,884	24,861
Comprehensive income	884,146	835,952
(Breakdown)		
Comprehensive income attributable to owners of parent	884,146	835,952

(3) Consolidated Statements of Cash Flows

	(Thousand yen)	
	Q2 FY6/23 (July 1, 2022 to December 31, 2022)	Q2 FY6/24 (July 1, 2023 to December 31, 2023)
Net cash provided by (used in) operating activities		
Profit before income taxes	1,268,020	1,187,763
Depreciation	16,333	25,106
Amortization of goodwill	19,888	19,888
Gain on receipt of donated non-current assets	-2,345	-
Increase (decrease) in allowance for doubtful accounts	-97	-42
Increase (decrease) in provision for loss on order	906	-12,110
Increase (decrease) in provision for bonuses	27,555	45,241
Increase (decrease) in retirement benefit liability	196	371
Increase (decrease) in provision for share awards	13,935	13,935
Interest and dividends income	-623	-174
Interest expenses	335	269
Decrease (increase) in notes and accounts receivable-trade and contract assets	-139,213	-232,144
Decrease (increase) in inventories	-20,141	-45,587
Increase (decrease) in notes and accounts payable -trade	175,580	14,484
Increase (decrease) in accounts payable - other and accrued expenses	-60,878	41,164
Increase (decrease) in long-term accounts payable -other	256	-36
Decrease (increase) in other assets	-54,950	-36,452
Increase (decrease) in other liabilities	-149,786	11,079
Insurance income	-	-31
Other	-14,327	-83
Subtotal	1,080,644	1,032,639
Interest and dividends income received	623	174
Interest paid	-335	-269
Proceeds from insurance income	-	31
Subsidies received	10,304	41
Income taxes paid	-300,633	-365,792
Net cash provided by (used in) operating activities	790,603	666,826
Net cash provided by (used in) investing activities		
Purchases of investment securities	-657	-
Purchases of property, plant and equipment	-2,529	-2,748
Purchases of intangible assets	-770	-8,739
Collection of loans receivable	62	54
Purchase of insurance funds	-2,267	-2,391
Proceeds from cancellation of insurance funds	4,658	198
Payments for lease and guarantee deposits	-47,933	-56,469
Proceeds from collection of lease and guarantee deposits	7,558	16,300
Net cash provided by (used in) investing activities	-41,879	-53,797
Net cash provided by (used in) financing activities		
Repayments of lease obligations	-10,196	-12,517
Repayments of borrowings	-1,347	-
Purchase of treasury stock	-	-137,108
Cash dividends paid	-383,415	-272,319
Net cash provided by (used in) financing activities	-394,958	-421,944
Effect of exchange rate change on cash and cash equivalents	-5,679	-4,560
Net increase (decrease) in cash and cash equivalents	348,086	186,523
Cash and cash equivalents at beginning of period	3,835,875	4,174,928
Increase (decrease) in cash and cash equivalents due to change in fiscal year-end of consolidated subsidiaries	-	-33,277
Cash and cash equivalents at end of period	4,183,961	4,328,174

(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 Q2 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 (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	8,742,875	325,154	9,068,030	-	9,068,030
Intersegment 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 profit (loss)	1,203,451	46,370	1,249,822	5	1,249,827

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

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

II Q2 FY6/24 (July 1, 2023 to December 31, 2023)

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

(Thousand yen)

	Reporting Segments			Adjustment amount	Amount recorded on consolidated quarterly statements of income (Note)
	Software Development Business	System Sales Business	Total		
Net sales					
Net sales to outside customers	9,194,761	380,622	9,575,383	-	9,575,383
Intersegment net sales and transfers	-	4,508	4,508	-4,508	-
Total	9,194,761	385,130	9,579,892	-4,508	9,575,383
Segment profit (loss)	1,156,109	42,453	1,198,562	-	1,198,562

(Note) Segment profit is adjusted with operating profit in the consolidated quarterly statements of profit.