

# Summary of Business Results for the Three Months Ended September 30, 2019 [Japan GAAP] (Consolidated)

November 8, 2019

<b>C o m p a n y</b> <b>S t o c k C o d e</b> <b>R e p r e s e n t a t i v e</b> <b>C o n t a c t</b>	<b>Digital Information Technologies Corporation</b> 3916 URL: <a href="http://www.ditgroup.jp/">http://www.ditgroup.jp/</a> Satoshi Ichikawa, President and Representative Director Ken Mochizuki, Director and Division Manager of Corporate Planning Division	Listed on the TSE   T E L : +81-3-6311-6532
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Expected date of filing of quarterly report: November 14, 2019  
 Expected starting date of dividend payment: -  
 Preparation of quarterly supplementary financial document: Yes  
 Quarterly results briefing: None

(Rounded down to million yen)

## 1. Consolidated business results for the three months ended September 30, 2019 (July 1, 2019 through September 30, 2019)

### (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 three months ended September 30, 2019	3,273	13.8	353	56.9	355	57.7	246	62.3
September 30, 2018	2,876	5.1	225	36.0	225	40.7	151	39.2

(Note) Comprehensive income

Three months ended September 30, 2019: 260 million yen (68.2%)

Three months ended September 30, 2018: 154 million yen (28.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
For the three months ended September 30, 2019	16.17	-
September 30, 2018	9.89	-

(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 September 30, 2019	4,371	3,069	70.2
June 30, 2019	4,655	2,947	63.3

(Reference) Shareholders' equity

As of September 30, 2019: 3,069 million yen

As of June 30, 2019: 2,947 million yen

## 2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
For the fiscal year ended June 30, 2019	-	7.00	-	9.00	16.00
ending June 30, 2020	-	-	-	-	-
ending June 30, 2020 (forecast)	-	9.00	-	9.00	18.00

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

## 3. Forecast of consolidated business results for the fiscal year ending June 30, 2020 (July 1, 2019 through June 30, 2020)

(% 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, 2020	13,030	5.5	1,180	7.7	1,177	6.4	790	51.81

(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 September 30, 2019	15,501,820 shares
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As of June 30, 2019	15,501,820 shares
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②Treasury stock at the end of period

As of September 30, 2019	253,437 shares
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As of June 30, 2019	253,392 shares
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③Average number of stock during period (quarterly cumulative period)

Three months ended September 30, 2019	15,248,386 shares
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Three months ended September 30, 2018	15,361,333 shares
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(Note2) 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' Stock Ownership Plan (J-ESOP).

**\*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 subject first quarter cumulative period (July 1, 2019 to September 30, 2019), the Japanese economy continued to show signs of improvement in the employment and income environments, while domestic demand remained firm, including personal consumption and capital investment. However, the outlook for the global economy remained uncertain due to factors such as the effects of trade friction between the United States and China.

In Digital Information Technologies Corporation (DIT)'s main business industry of information services, Japanese companies continued to expand IT investment along in accordance with full-scale business development in new fields accelerating the realization of the digital transformation (DX), including artificial intelligence (AI), the Internet of Things (IoT), robotic process automation (RPA, the automation and efficiency enhancement of tasks using software robots), and Fintech (financial technology, innovative measures to link financial services with information technology). These developments presented the DIT Group with increased opportunities to enter new businesses, and expand its business scope.

Also, as a result of a series of data breaches and other cybersecurity incidents, there has been an increasing trend toward strengthening security countermeasures for information systems overall, as well as continued interest in working-style reforms, which have become a national issue for Japan. These developments provided a favorable boost to the DIT Group, since it has effective solutions.

Under such conditions, the DIT Group formulated the following five business strategies as its medium-term management plan, and continued 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 FY6/20, the second year of the medium-term management plan, DIT will continue its two-pronged business strategy of “stabilize the business foundation” and “strengthen growth factors,” while also taking the management initiative to achieve Triple 10\*, its medium-term targets for FY6/21.

\*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

In terms of renovation, DIT achieved substantial growth, reflecting steady IT investment in all industries, an increase in capital investment in the automotive industry, and a rush in demand ahead of the consumption tax hike to cope with the reduced tax rate. In terms of innovation, DIT achieved steady growth as a result of ongoing efforts to enhance product appeal and strengthen sales for WebARGUS<sup>1</sup>, DIT's in-house products built on proprietary technology, and the Excel process innovation platform xoBlos<sup>2</sup>. During the three months ended September 30, 2019, operating income margin rose 3 percentage points to 10.8%, reflecting improved profitability in all business domains compared with the previous fiscal year.

As a result, net sales in the subject first quarter cumulative period amounted to 3,273,845 thousand yen (up 13.8% year on year), with operating income of 353,667 thousand yen (up 56.9%), ordinary income of 355,507 thousand yen (up 57.7%), and profit attributable to owners of parent of 246,534 thousand yen (up 62.3%).

(\*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 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), orders continued to be favorable, mainly from existing customers. In business system development, financial system development was somewhat sluggish due to a delay in the start of planned projects, but it was offset by the growth in system development for the public and manufacturing sectors. In operation support, sales grew strongly thanks to the success of developing new customers.

The embedded product solutions unit (embedded system development and verification) showed strong growth thanks to the success of strategic initiatives. In the embedded system development, DIT made steady progress in expanding the domains for automotive and IoT-related products. In embedded system verification, it made progress in shifting to automotive-related products, and both operations showed significant growth.

In the original products unit, sales grew steadily as a result of the group's product and sales strategies. For WebARGUS, DIT continued to focus on introducing the system to major users, and pursuing collaborations with external cybersecurity specialist companies. As a result, sales of the product grew steadily. For xoBlos, DIT built a sales structure integrated with our subsidiary DIT Marketing Services Co., Ltd. (renamed from Toyo Infonet Co., Ltd. as of July 1, 2019). DIT also focused on the xoBlos Plus One concept, which takes specific data from systems such as robotic process automation (RPA) and enterprise resource planning (ERP), and adds data from different perspectives via xoBlos to enhance data value. These efforts greatly increased its sales.

As a result, net sales in the Software Development segment amounted to 3,041,733 thousand yen (up 12.0% year on year), with segment income (operating income) of 303,755 thousand yen (up 44.7%).

### 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., sales and segment income largely increased as a result of an increase in system renewal and modification-related sales to accommodate the reduced tax rate on certain items to be implemented with the increase in the consumption tax.

As a result, net sales in the System Sales segment amounted to 234,290 thousand yen (up 45.2% year on year), with segment income (operating income) of 49,906 thousand yen (up 221.9%).

## (2) Explanation of Financial Position

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

### ① Current Assets

Current assets amounted to 3,630,526 thousand yen at the end of the first quarter, a decrease of 302,973 thousand yen compared to the end of the previous fiscal year. This was due mainly to decreases of 307,461 thousand yen in cash and deposits; and 38,536 thousand yen in notes and accounts receivable-trade; against increases of 21,020 thousand yen in work in process, and 15,182 thousand yen in "other."

### ② Noncurrent Assets

Noncurrent assets amounted to 740,731 thousand yen at the end of the first quarter, an increase of 18,846 thousand yen compared to the end of the previous fiscal year. This was due mainly to an increase of 23,310 thousand yen in investments and other assets; against decreases of 3,686 thousand yen in property, plant and equipment and 777 thousand yen in intangible fixed assets.

### ③ Current Liabilities

Current liabilities amounted to 1,254,629 thousand yen at the end of the first quarter, a decrease of 347,080 thousand yen compared to the end of the previous fiscal year. This was due mainly to increases of 14,745 thousand yen in accounts payable-trade; and 139,852 thousand yen in provision for bonuses; against decreases of 52,190 thousand yen in income taxes payable; and 451,269 thousand yen in "other."

### ④ Noncurrent Liabilities

Noncurrent liabilities amounted to 46,763 thousand yen at the end of the first quarter, a decrease of 59,202 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase of 6,967 thousand yen in provision for share based remuneration; against a decrease of 66,140 thousand yen in "other."

### ⑤ Net Assets

Net assets amounted to 3,069,865 thousand yen at the end of the first quarter, an increase of 122,156 thousand yen compared to the end of the previous fiscal year. This was due mainly to an increase of 108,282 thousand yen in retained earnings.

## (3) Explanation of Results Forecasts and Other Future Predictions

No revisions have been made to the full-year consolidated business forecast announced on August 9, 2019.

## 2. Consolidated Quarterly Financial Statements and Main Notes

### (1) Consolidated Quarterly Balance Sheets

(Thousand yen)

	FY6/19 (June 30, 2019)	1Q FY6/20 (September 30, 2019)
<b>ASSETS</b>		
Current assets		
Cash and deposits	1,840,790	1,533,328
Notes and accounts receivable - trade	1,892,757	1,854,221
Merchandise	22,787	29,650
Work in process	117,427	138,448
Other, net	59,950	75,132
Allowance for doubtful accounts	-214	-256
Total current assets	3,933,499	3,630,526
Noncurrent assets		
Property, plant and equipment	132,396	128,710
Intangible assets	10,755	9,977
Investments and other assets		
Other, net	611,777	635,048
Allowance for doubtful accounts	-33,044	-33,004
Total investments and other assets	578,733	602,044
Total noncurrent assets	721,885	740,731
Total assets	4,655,384	4,371,258
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable - trade	393,353	408,098
Income taxes payable	195,102	142,912
Provision for bonuses	-	139,852
Provision for loss on order received	282	2,063
Other, net	1,012,972	561,703
Total current liabilities	1,601,710	1,254,629
Noncurrent liabilities		
Net defined benefit liability	5,348	5,319
Provision for share based remuneration	-	6,967
Other, net	100,617	34,476
Total noncurrent liabilities	105,966	46,763
Total liabilities	1,707,676	1,301,393
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	453,156	453,156
Capital surplus	459,214	459,214
Retained earnings	2,373,497	2,481,780
Treasury stock	-347,003	-347,087
Total shareholders' equity	2,938,864	3,047,062
Accumulated other comprehensive income:		
Other valuation difference on available-for-sale securities	6,733	20,630
Foreign currency translation adjustments	2,110	2,172
Total accumulated other comprehensive income	8,844	22,802
Total net assets	2,947,708	3,069,865
Total liabilities and net assets	4,655,384	4,371,258

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

(Thousand yen)

	1Q FY6/19 (July 1, 2018 to September 30, 2018)	1Q FY6/20 (July 1, 2019 to September 30, 2019)
Net sales	2,876,152	3,273,845
Cost of Sales	2,200,665	2,448,190
Gross profit	675,486	825,654
Selling, general and administrative expenses	450,105	471,987
Operating Income	225,381	353,667
Non-operating income		
Interest income	86	115
Dividend income	38	50
Commission fee	891	968
Subsidy income	-	200
Insurance premiums refunded cancellation	-	942
Other, net	149	418
Total non-operating income	1,166	2,695
Non-operating expenses		
Interest expenses	95	157
Donations for disaster relief	1,000	-
Foreign exchange losses	45	699
Total non-operating expenses	1,141	856
Ordinary Income	225,406	355,507
Net income before income taxes	225,406	355,507
Income taxes - current	79,990	120,137
Income taxes - deferred	-6,515	-11,164
Total income taxes	73,474	108,973
Net income	151,932	246,534
Profit attributable to owners of parent	151,932	246,534

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

(Thousand yen)

	1Q FY6/19 (July 1, 2018 to September 30, 2018)	1Q FY6/20 (July 1, 2019 to September 30, 2019)
Net income	151,932	246,534
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	3,227	13,896
Foreign currency translation adjustments	-248	61
Total other comprehensive income	2,979	13,957
Comprehensive income	154,911	260,491
(Breakdown)		
Comprehensive income attributable to owners of the parent	154,911	260,491



(3) Notes to 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 1Q FY6/19 (July 1, 2018 to September 30, 2018)

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	2,715,577	160,575	2,876,152	-	2,876,152
Intrasegment net sales and transfers	60	780	840	-840	-
Total	2,715,637	161,355	2,876,993	-840	2,876,152
Segment income	209,859	15,505	225,364	16	225,381

Notes: 1. Adjustment to segment income of 16 thousand yen is mainly intersegment eliminations.

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

II 1Q FY6/20 (July 1, 2019 to September 30, 2019)

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	3,041,673	232,171	3,273,845	-	3,273,845
Intrasegment net sales and transfers	60	2,118	2,178	-2,178	-
Total	3,041,733	234,290	3,276,024	-2,178	3,273,845
Segment income	303,755	49,906	353,662	5	353,667

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.