

# Summary of Business Results for the Third Quarter Ended March 31, 2020 [Japan GAAP] (Consolidated)

May 15, 2020

Company	<b>Digital Information Technologies Corporation</b>	Listed on the TSE
Stock Code	3916 URL: <a href="https://www.ditgroup.jp/">https://www.ditgroup.jp/</a>	
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Expected date of filing of quarterly report: May 15, 2020		
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 nine months ended March 31, 2020 (July 1, 2019 through March 31, 2020)

						(% change from the previous corresponding period)	
	Net sales	Operating income		Ordinary income		Net income attributable to owners of parent	
For the nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen
March 31, 2019	10,209	11.6	1,185	24.2	1,189	23.7	824
March 31, 2018	9,148	9.7	955	46.6	961	49.0	661

(Note) Comprehensive income

Nine months ended March 31, 2020: 829 million yen (25.7%)

Nine months ended March 31, 2019: 660 million yen (46.1%)

	Net income per share	Diluted net income per share
For the nine months ended	Yen	Yen
March 31, 2019	54.07	-
March 31, 2018	43.07	-

(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
As of	Million yen	Million yen	%
March 31, 2020	5,187	3,500	67.5
June 30, 2019	4,655	2,947	63.3

(Reference) Shareholders' equity

As of March 31, 2020: 3,500 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
For the fiscal year ended June 30, 2019	Yen	Yen	Yen	Yen	Yen
ending June 30, 2020	-	7.00	-	9.00	16.00

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

## 3. Forecast of consolidated business results for the fiscal year ending June 30, 2020

(% change from the previous corresponding period)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
For the fiscal year ending June 30, 2020	Million yen	%	Million yen	%	Yen

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

The magnitude of the impact of the spread of new coronavirus (COVID-19) infectious on the Company's performance for the fourth quarter (April to June 2020) is uncertain in light of the extended State of Emergency. Therefore, the Company remains unchanged its consolidated full-year business forecasts. As soon as the magnitude of the impact is determined, the Company will inform the information as necessary.

**\*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

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

(4) Shares outstanding (common stock)

① Number of shares outstanding at the end of period (treasury stock included)	
As of March 31, 2020	15,501,820 shares
As of June 30, 2019	15,501,820 shares
② Treasury stock at the end of period	
As of March 31, 2020	253,459 shares
As of June 30, 2019	253,392 shares
③ Average number of stock during period (quarterly cumulative period)	
Nine months ended March 31, 2020	15,248,380 shares
Nine months ended March 31, 2019	15,361,312 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' Stock Ownership Plan (J-ESOP).

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

### (1) Explanation of Business Results

During the subject third quarter cumulative period (July 1, 2019 to March 31, 2020), while concerns about the future economy began to emerge due to the U.S.-China trade frictions, large typhoons, and the consumption tax hike, the worldwide pandemic of the new coronavirus (COVID-19) in 2020 has made it unavoidable to have a major impact on the economies.

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), and robotic process automation (RPA, the automation and efficiency enhancement of tasks using software robots).

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 has continued 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 nine months ended March 31, 2020, operating income margin rose 1.2 percentage points to 11.6%, reflecting improved profitability compared with the same period of the previous fiscal year.

As a result, net sales in the subject third quarter cumulative period amounted to 10,209,541 thousand yen (up 11.6% year-on-year), with operating income of 1,185,835 thousand yen (up 24.2%), ordinary income of 1,189,578 thousand yen (up 23.7%), and net income attributable to owners of parent of 824,416 thousand yen (up 24.6%).

(\*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 protects corporate and other websites from malicious, unknown cyber-attacks, while at the same time prevents the escalation of the damage, such viruses spreading via the tampered website.

(Excel® is registered trademark or trademark of Microsoft Corporation in the United States and other countries.) Results by segment are as follows. (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, growth in financial business system development was sluggish due to delays in the start of scheduled projects and in distribution business system development, which received large orders in the

previous fiscal year, but there was a shift to projects with high profit margins, mainly in system development for the public sector and the manufacturing industry, and profits improved overall. The investment support business grew substantially, thanks to the expansion of transactions with existing customers and the success of new customer development.

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 strong 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 collaborate with external cybersecurity specialist companies such as Secure Age in Singapore and SSH Communications Security in Finland to expand our total security service lineup with WebARGUS at its core service. 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 9,609,327 thousand yen (up 11.3% year-on-year), with operating income of 1,082,733 thousand yen (up 21.5%).

## 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 and the termination of Windows 7 support.

As a result, net sales in the System Sales segment amounted to 606,477 thousand yen (up 18.0% year on year), with segment income (operating income) of 103,237 thousand yen (up 62.4%).

## (2) Explanation of Financial Position

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

### ① Current Assets

Net assets amounted to 4,399,916 thousand yen at the end of the third quarter, an increase of 466,417 thousand yen compared to the end of the previous fiscal year. This was due mainly to increases of 62,897 thousand yen in cash and deposits; and 379,817 thousand yen in notes and accounts receivable-trade; against a decrease of 6,639 thousand yen in work in progress.

### ② Noncurrent Assets

Net assets amounted to 787,858 thousand yen at the end of the third quarter, an increase of 65,973 thousand yen compared to the end of the previous fiscal year. This was due mainly to an increase of 61,395 thousand yen in investments and other assets; against a decrease of 9,871 thousand yen in intangible assets.

### ③ Current Liabilities

Net assets amounted to 1,631,428 thousand yen at the end of the third quarter, an increase of 29,718 thousand yen compared to the end of the previous fiscal year. This was due mainly to increases of 88,374 thousand yen in accounts payable-trade; 111,936 thousand yen in income taxes payable; and 227,011 thousand yen in provision for bonuses; against a decrease of 401,849 thousand yen in "other."

### ④ Noncurrent Liabilities

Noncurrent liabilities amounted to 55,405 thousand yen at the end of the third quarter, a decrease of 50,560 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase of 20,902 thousand yen in provision for share based remuneration; against a decrease of 72,252 thousand yen in "other."

### ⑤ Net Assets

Net assets amounted to 3,500,940 thousand yen at the end of the third quarter, an increase of 553,232 thousand yen compared to the end of the previous fiscal year. This was due mainly to an increase of 547,915 thousand yen in retained earnings.

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

While the negative impact on the Company's results of operations associated with the spread of COVID-19 infections was limited during the third quarter, the magnitude of the impact on the fourth quarter results (April to June 2020) is uncertain in light of the extended State of Emergency by the government. Therefore, the Company made no revisions to the full-year consolidated business forecasts announced on August 9, 2019.

As soon as the magnitude of the impact is determined, the Company will announce as necessary.

## 2. Consolidated Quarterly Financial Statements and Main Notes

### (1) Consolidated Quarterly Balance Sheets

(Thousand yen)

	FY6/19 (June 30, 2019)	3Q FY6/20 (March 31, 2020)
<b>ASSETS</b>		
Current assets		
Cash and deposits	1,840,790	1,903,688
Notes and accounts receivable - trade	1,892,757	2,272,575
Merchandise	22,787	38,489
Work in process	117,427	110,788
Other, net	59,950	74,596
Allowance for doubtful accounts	-214	-221
Total current assets	3,933,499	4,399,916
Noncurrent assets		
Property, plant and equipment:	132,396	122,524
Intangible assets:	10,755	25,204
Investments and other assets:		
Other, net	611,777	673,102
Allowance for doubtful accounts	-33,044	-32,972
Total investments and other assets	578,733	640,129
Total noncurrent assets	721,885	787,858
Total assets	4,655,384	5,187,774
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable - trade	393,353	481,727
Income taxes payable	195,102	307,038
Provision for bonuses	-	227,011
Provision for loss on order received	282	4,527
Other, net	1,012,972	611,122
Total current liabilities	1,601,710	1,631,428
Noncurrent liabilities		
Net defined benefit liability	5,348	6,138
Provision for share based remuneration	-	20,902
Other, net	100,617	28,364
Total noncurrent liabilities	105,966	55,405
Total liabilities	1,707,676	1,686,834
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	453,156	453,156
Capital surplus	459,214	459,214
Retained earnings	2,373,497	2,921,412
Treasury stock	-347,003	-347,125
Total shareholders' equity	2,938,864	3,486,657
Accumulated other comprehensive income:		
Other valuation difference on available-for-sale securities	6,733	11,984
Foreign currency translation adjustments	2,110	2,299
Total accumulated other comprehensive income	8,844	14,283
Total net assets	2,947,708	3,500,940
Total liabilities and net assets	4,655,384	5,187,774

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

(Consolidated Quarterly Statements of Income)

(Third Quarter Cumulative)

(Thousand yen)

	3Q FY6/19 (July 1, 2018 to March 31, 2019)	3Q FY6/20 (July 1, 2019 to March 31, 2020)
Net sales	9,148,724	10,209,541
Cost of Sales	6,876,734	7,625,692
Gross profit	2,271,989	2,583,848
Selling, general and administrative expenses	1,316,958	1,398,013
Operating Income	955,031	1,185,835
Non-operating income		
Interest income	253	285
Dividend income	82	115
Commission fee	2,940	2,751
Subsidy income	427	730
Insurance premiums refunded cancellation	-	1,593
Insurance income	8,000	479
Other, net	386	736
Total non-operating income	12,090	6,692
Non-operating expenses		
Interest expenses	270	442
Donations for disaster relief	1,000	-
Foreign exchange losses	714	2,507
Office transfer expenses	3,405	-
Other, net	201	-
Total non-operating expenses	5,591	2,949
Ordinary Income	961,530	1,189,578
Net income before income taxes	961,530	1,189,578
Income taxes - current	339,329	419,752
Income taxes - deferred	-39,347	-54,590
Total income taxes	299,982	365,162
Net income	661,547	824,416
Profit attributable to owners of parent	661,547	824,416

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

(Thousands yen)

	3Q FY6/19 (July 1, 2018 to March 31, 2019)	3Q FY6/20 (July 1, 2019 to March 31, 2020)
Net income	661,547	824,416
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	-1,301	5,250
Foreign currency translation adjustments	-97	188
Total other comprehensive income	-1,398	5,439
Comprehensive income	660,149	829,856
(Breakdown)		
Comprehensive income attributable to owners of the parent	660,149	829,856

(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 3Q FY6/19 (July 1, 2018 to March 31, 2019)

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

	Reporting Segments			Adjustment amount (Note 1)	Amount recorded on consolidated quarterly statements of income (Note 2) (Thousand yen)
	Software Development Business	System Sales Business	Total		
Net sales					
Net sales to outside customers	8,636,105	512,618	9,148,724	-	9,148,724
Intrasegment net sales and transfers	180	1,278	1,458	-1,458	-
Total	8,636,285	513,897	9,150,182	-1,458	9,148,724
Segment income	891,407	63,574	954,981	50	955,031

Note: 1. Adjustment to segment income of 50 thousand yen is mainly intersegment eliminations.

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

II 3Q FY6/20 (July 1, 2019 to March 31, 2020)

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

	Reporting Segments			Adjustment amount (Note 1)	Amount recorded on consolidated quarterly statements of income (Note 2) (Thousand yen)
	Software Development Business	System Sales Business	Total		
Net sales					
Net sales to outside customers	9,609,146	600,395	10,209,541	-	10,209,541
Intrasegment net sales and transfers	181	6,082	6,263	-6,263	-
Total	9,609,327	606,477	10,215,805	-6,263	10,209,541
Segment income	1,082,733	103,237	1,185,970	-135	1,185,835

Note: 1. Adjustment to segment income of -135 thousand yen is mainly intersegment eliminations.

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