

**Summary of Business Results
for the Three Months Ended September 30, 2020
[Japan GAAP] (Consolidated)**

November 9, 2020

| | | | | | | | | |
|--|---|--|--|--|--|--|------------------------|--|
| Company | Digital Information Technologies Corporation | | | | | | | |
| Stock Code | 3916 URL: http://www.ditgroup.jp/ | | | | | | Listed on the TSE | |
| Representative | Satoshi Ichikawa, President and Representative Director | | | | | | | |
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| Expected date of filing of quarterly report: | November 13, 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 three months ended September 30, 2020
(July 1, 2020 through September 30, 2020)**

(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 |
|---|--|----------------------------|----------------------------|---|
| For the three months ended September 30, 2020 | Million yen 3,430 September 30, 2019 | Million yen 407 15.1 | Million yen 407 14.6 | Million yen 279 13.4 |
| | 4.8 | 353 56.9 | 355 57.7 | 246 62.3 |

(Note) Comprehensive income

Three months ended September 30, 2020: 277 million yen (6.6%)

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

| | Net income per share | Diluted net income per share |
|---|----------------------|------------------------------|
| For the three months ended September 30, 2020 | Yen 18.33 | Yen - |
| September 30, 2019 | 16.17 | - |

(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 September 30, 2020 | Million yen 5,225 | Million yen 3,768 | % 72.1 |
| June 30, 2020 | 5,364 | 3,660 | 68.2 |

(Reference) Shareholders' equity

As of September 30, 2020: 3,768 million yen

As of June 30, 2020: 3,660 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, 2020 | Yen - | Yen 9.00 | Yen - | Yen 11.00 | Yen 20.00 |
| ending June 30, 2021 | - | - | - | - | - |
| ending June 30, 2021 (forecast) | | 10.00 | - | 10.00 | 20.00 |

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

3. Forecast of consolidated business results for the fiscal year ending June 30, 2021

(July 1, 2020 through June 30, 2021) (% 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 |
|--|------------------------------|-----------------------------|-----------------------------|---|----------------------|
| For the fiscal year ending June 30, 2021 | Million yen 13,580 0.6 | Million yen 1,358 0.4 | Million yen 1,358 0.0 | Million yen 942 -3.7 | Yen 61.81 |

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

The impact of the new coronavirus (COVID-19) infectious on the Company's performance is limited, and the Company will inform changes to the business forecast 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

| | |
|---|--------|
| 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, 2020 | 15,501,820 shares |
| As of June 30, 2020 | 15,501,820 shares |
| ②Treasury stock at the end of period | |
| As of September 30, 2020 | 253,459 shares |
| As of June 30, 2020 | 253,459 shares |
| ③Average number of stock during period (quarterly cumulative period) | |
| Three months ended September 30, 2020 | 15,248,361 shares |
| Three months ended September 30, 2019 | 15,248,386 shares |

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

***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, 2020 to September 30, 2020), the business environment improved from the situation in the previous quarter as domestic economic activity resumed with the lifting of the State of Emergency declaration issued following the spread of COVID-19. However, the spread of infection continued mainly in Europe and the United States, and the economic outlook remained uncertain due to concerns about the re-spread of infection in Japan.

On the other hand, in the information service industry to which we belong, IT investment by domestic companies continued to expand, although there were differences among industries, due to factors such as responses to environmental changes associated with COVID-19 such as increased demand for telework and the promotion of Digital Transformation (DX) following the announcement of the establishment of the Japan Digital Agency.

For our group as well, the full-fledged progress in new 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.

Also, as a result of a series of data breaches, computer virus infection and other cybersecurity incidents, there has been a further increasing trend toward strengthening security countermeasures for information systems overall, as well as further increased interest in working-style reforms due to rising demand for telework, 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 FY6/21, the final year of the current medium-term management plan, DIT will continue to promote our business in line with the two business policies: stabilize the business foundation" and "strengthen growth factors." With respect to Triple 10(*), which is a medium-term management target by 6/21, we achieved the target of operating profit margin of 10% one year ahead of schedule in FY6/20. However, we will continue to focus on profit margin.

*Triple 10

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

Among these efforts, the software development business has shown further growth in "Renovation" after the software development business has compensated the decline in the system sales business due to the drop in special demand such as the response to the reduced tax rate following the consumption tax hike in the previous year.

In terms of innovation, DIT achieved steady growth as a result of ongoing efforts to enhance product appeal and strengthen sales for WebARGUS¹, DIT's in-house products built on proprietary technology, and the Excel process innovation platform xoBlos².

The operating profit margin improved 1.1 percentage points to 11.9%, reflecting efforts to cut costs under the COVID-19 crisis.

As a result, net sales in the subject first quarter cumulative period amounted to 3,430,836 thousand yen (up 4.8% year on year), with operating income of 407,233 thousand yen (up 15.1%), ordinary income of 407,405 thousand yen (up 14.6%), and net income attributable to owners of parent of 279,531 thousand yen (up 13.4%).

(*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 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, in addition to the strong performance of the mainstay financial system, the acquisition of projects centered on ERP-related, pharmaceutical and public systems progressed, showing steady sales growth and steady improvement in profits. In operational support, the impact of COVID-19 was relatively small, and we made steady progress in expanding transactions, mainly with existing customers, and both sales and profits grew significantly.

In the embedded solutions business field (embedded system development and embedded system verification), we steadily implemented measures on the assumption that the strategically shifted automobile-related sales will decrease due to the impact of COVID-19, and it was almost the same as the previous year. In embedded systems development, sales of automotive systems decreased slightly, but sales of semiconductor and communication systems grew, and sales were at the same level as last year, while profits increased slightly. In embedded system verification, the decline in sales of automotive and medical systems was covered by mobile systems, but both sales and profits did not reach the previous year levels.

In the in-house product business, we were able to achieve higher results than the previous year, although there are still restrictions on business negotiations due to the impact of COVID-19. In the cyber security business, both sales and profits grew steadily, as evidenced by the full-scale operation of WebARGUS by large-scale customers. The Company also strengthened its product capabilities by expanding the total security service lineup with WebARGUS as its core, including collaboration with an external cyber security specialist (F-Secure Corporation and SSH Communications Security in Finland). In the business efficiency improvement business, we strengthened the sales system of xoBlos, which was integrated with our subsidiary DIT Marketing Service Co., Ltd., and showed steady growth in both sales and profits. In addition, DIT 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 increased the product capability.

As a new initiative, we announced in mid-September that we will provide an outsourcing type of electronic contract service from October in order to respond to the new normal society under the COVID-19 crisis. This is an outsourced service, DD-CONNECT, in which the Company and DAIKO DENSHI TSUSHIN, LTD. will provide DD-CONNECT on behalf of its customers, from the introduction to operation and maintenance of NS Solutions Corporation's electronic contract cloud "CONTRACTHUB @ abonne".

As a result, net sales in the Software Development segment amounted to 3,283,321 thousand yen (up 7.9% year on year), with segment income (operating income) of 399,712 thousand yen (up 31.6%).

② System Sales Business

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

As a result, net sales in the System Sales segment amounted to 150,631 thousand yen (down 35.7% year on year), with segment income (operating income) of 7,506 thousand yen (down 85.0%).

(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 4,465,789 thousand yen at the end of the first quarter, a decrease of 124,280 thousand yen compared to the end of the previous fiscal year. This was due mainly to decreases of 166,029 thousand yen in cash and deposits; and 25,822 thousand yen in notes and accounts receivable-trade; against increases of 32,176 thousand yen in merchandise, and 42,129 thousand yen in "other."

② Noncurrent Assets

Noncurrent assets amounted to 759,339 thousand yen at the end of the first quarter, a decrease of 14,685 thousand yen compared to the end of the previous fiscal year. This was due mainly to decreases of 4,072 thousand yen in property, plant and equipment, 2,006 thousand yen in intangible fixed assets, and 8,606 million yen in investments and other assets.

③ Current Liabilities

Current liabilities amounted to 1,383,269 thousand yen at the end of the first quarter, a decrease of 251,631 thousand yen compared to the end of the previous fiscal year. This was due mainly to increase of 150,371 thousand yen in provision for bonuses; against decreases of 168,343 thousand yen in income taxes payable; and 267,535 thousand yen in “other.”

④ Noncurrent Liabilities

Noncurrent liabilities amounted to 72,874 thousand yen at the end of the first quarter, an increase of 3,957 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 3,149 thousand yen in “other.”

⑤ Net Assets

Net assets amounted to 3,768,984 thousand yen at the end of the first quarter, an increase of 108,708 thousand yen compared to the end of the previous fiscal year. This was due mainly to an increase of 110,559 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 11, 2020.

The impact of COVID-19 infection on the financial results will be limited, and we will disclose changes in the financial forecast as necessary.

2. Consolidated Quarterly Financial Statements and Main Notes

(1) Consolidated Quarterly Balance Sheets

(Thousand yen)

| | FY6/20 (June 30, 2020) | 1Q FY6/21 (September 30, 2020) |
|---|---------------------------|-----------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 2,399,757 | 2,233,728 |
| Notes and accounts receivable-trade | 1,905,443 | 1,879,621 |
| Merchandise | 14,129 | 46,305 |
| Work in process | 208,600 | 201,826 |
| Other | 62,278 | 104,407 |
| Allowance for doubtful accounts | -139 | -99 |
| Total current assets | 4,590,069 | 4,465,789 |
| Noncurrent assets | | |
| Property, plant and equipment | 120,701 | 116,628 |
| Intangible assets | 23,194 | 21,187 |
| Investments and other assets | | |
| Other | 663,077 | 654,445 |
| Allowance for doubtful accounts | -32,947 | -32,922 |
| Total investments and other assets | 630,130 | 621,523 |
| Total noncurrent assets | 774,025 | 759,339 |
| Total assets | 5,364,095 | 5,225,129 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable-trade | 417,573 | 454,267 |
| Income taxes payable | 329,088 | 160,745 |
| Provision for bonuses | - | 150,371 |
| Provision for loss on order received | 2,833 | 15 |
| Other | 885,406 | 617,870 |
| Total current liabilities | 1,634,901 | 1,383,269 |
| Noncurrent liabilities | | |
| Net defined benefit liability | 6,462 | 6,602 |
| Provision for share based remuneration | 37,160 | 44,127 |
| Other | 25,294 | 22,144 |
| Total noncurrent liabilities | 68,916 | 72,874 |
| Total liabilities | 1,703,818 | 1,456,144 |
| Net assets | | |
| Shareholders' equity | | |
| Capital | 453,156 | 453,156 |
| Capital surplus | 459,214 | 459,214 |
| Retained earnings | 3,075,676 | 3,186,235 |
| Treasury stock | -347,125 | -347,125 |
| Total shareholders' equity | 3,640,920 | 3,751,479 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 17,350 | 16,154 |
| Foreign currency translation adjustments | 2,005 | 1,350 |
| Total accumulated other comprehensive income | 19,356 | 17,505 |
| Total net assets | 3,660,276 | 3,768,984 |
| Total liabilities and net assets | 5,364,095 | 5,225,129 |

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

(Consolidated Quarterly Statements of Income)

(First Quarter Cumulative)

(Thousand yen)

| | 1Q FY6/20 (July 1, 2019 to September 30, 2019) | 1Q FY6/21 (July 1, 2020 to September 30, 2020) |
|---|--|--|
| Net sales | 3,273,845 | 3,430,836 |
| Cost of sales | 2,448,190 | 2,615,414 |
| Gross profit | 825,654 | 815,422 |
| Selling, general and administrative expenses | 471,987 | 408,188 |
| Operating Income | 353,667 | 407,233 |
| Non-operating income | | |
| Interest income | 115 | 91 |
| Dividends income | 50 | 78 |
| Commission fee | 968 | 920 |
| Subsidy income | 200 | - |
| Insurance premiums refunded cancellation | 942 | 676 |
| Gain on forfeiture of unclaimed dividends | 364 | 694 |
| Other | 54 | 24 |
| Total non-operating revenues | 2,695 | 2,486 |
| Non-operating expenses | | |
| Interest expenses | 157 | 117 |
| Loss on insurance cancellation | - | 1,343 |
| Exchange loss | 699 | 853 |
| Total non-operating expenses | 856 | 2,315 |
| Ordinary income | 355,507 | 407,405 |
| Income before income taxes and others | 355,507 | 407,405 |
| Income taxes - current | 120,137 | 136,759 |
| Income taxes-deferred | -11,164 | -8,886 |
| Total income tax | 108,973 | 127,873 |
| Net income per share Diluted net income per share | 246,534 | 279,531 |
| Net income attributable to owners of parent | 246,534 | 279,531 |

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

(Thousand yen)

| | 1Q FY6/20 (July 1, 2019 to September 30, 2019) | 1Q FY6/21 (July 1, 2020 to September 30, 2020) |
|--|--|--|
| Net income | 246,534 | 279,531 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 13,896 | -1,195 |
| Foreign currency translation adjustments | 61 | -655 |
| Total other comprehensive income | 13,957 | -1,851 |
| Comprehensive income | 260,491 | 277,680 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 260,491 | 277,680 |

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Additional information)

(Accounting Estimates for the Impact of Expansion of COVID-19)

There have been no material changes in the assumptions and accounting estimates, including the containment of the effects of COVID-19, described in the securities report for the previous fiscal year.

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

Segment Information

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

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.

II 1Q FY6/21 (July 1, 2020 to September 30, 2020)

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 | 3,283,308 | 147,528 | 3,430,836 | - | 3,430,836 |
| Intrasegment net sales and transfers | 13 | 3,102 | 3,116 | -3,116 | - |
| Total | 3,283,321 | 150,631 | 3,433,952 | -3,116 | 3,430,836 |
| Segment income | 399,712 | 7,506 | 407,218 | 15 | 407,233 |

(Notes) 1. Adjustment to segment income of 15 thousand yen is mainly intersegment eliminations.

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