

# Summary of Business Results for the Three Months Ended September 30, 2022 [Japan GAAP] (Consolidated)

November 14, 2022

Company **Digital Information Technologies Corporation**  
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 of Corporate Planning Division  
 Expected date of filing of quarterly report: November 14, 2022  
 Expected starting date of dividend payment: -  
 Preparation of quarterly supplementary financial document: Yes  
 Quarterly results briefing: None

Listed on the TSE

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(Rounded down to million yen)

## 1. Consolidated business results for the three months ended September 30, 2022 (July 1, 2022 through September 30, 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 three months ended September 30, 2022	4,504	21.2	652	54.6	656	55.4	467	58.7
September 30, 2021	3,716	8.3	421	3.6	422	3.6	294	5.4

(Note) Comprehensive income

Three months ended September 30, 2022: 471 million yen (59.8%)

Three months ended September 30, 2021: 294 million yen (6.1%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
For the three months ended September 30, 2022	30.64		-	
September 30, 2021	19.31		-	

(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, 2022	7,718	5,639	73.1
June 30, 2022	7,681	5,552	72.3

(Reference) Shareholders' equity

As of September 30, 2022: 5,639 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	-				
ending June 30, 2023 (forecast)		18.00	-	18.00	36.00

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

Breakdown of the year-end dividends for FY6/22

Ordinary Dividend: 17.00 yen, Commemorative Dividend: 8.00 yen

## 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 September 30, 2022	15,501,820 shares
As of June 30, 2022	15,501,820 shares

②Treasury stock at the end of period

As of September 30, 2022	253,521 shares
As of June 30, 2022	253,521 shares

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

Three months ended September 30, 2022	15,248,269 shares
Three months ended September 30, 2021	15,248,322 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 first quarter of the fiscal year under review (July 1, 2022 to September 30, 2022), the business environment in Japan was stabilized as the impact of COVID-19 was lower due to the relaxation of some restrictions. However, the outlook was uncertain due to signs of inflation as raw material and energy prices rose sharply and the yen depreciated due to the impact of the current situation between Russia and Ukraine.

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 (September) announced on October 3, 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.

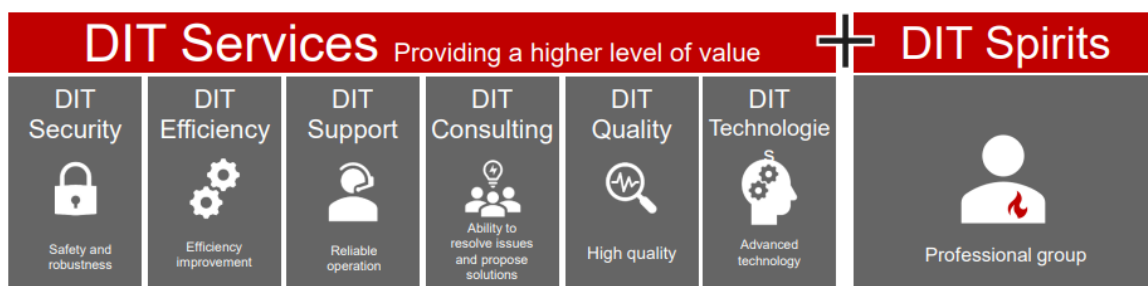
For our group as well, the progress in fields such as Artificial Intelligence (AI), Internet of Things (IoT), and Robotic Process Automation (RPA, the automation and efficiency enhancement of tasks using software robots) have led to increased opportunities to enter new businesses and the expansion of 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	5 billion yen

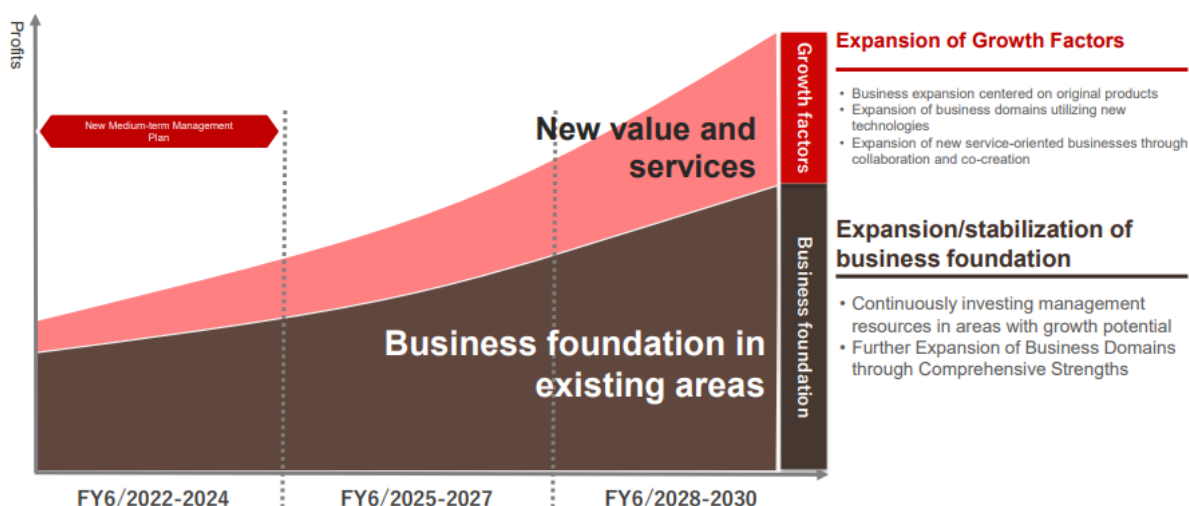
(\*) Challenge 500

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.



During FY6/23, the second year of the current medium-term management plan, DIT has promoted our business with focusing on the two axes: "expand and stabilize the business foundation" and "expand growth factors." With regard to "expand and stabilize the business foundation," the overall business performed relatively well, and 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 WebARGUS<sup>1</sup>, 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 first quarter cumulative period amounted to 4,504,768 thousand yen (up 21.2% year on year), with operating income of 652,163 thousand yen (up 54.6%), ordinary income of 656,007 thousand yen (up 55.4%), and net income attributable to owners of parent of 467,270 thousand yen (up 58.7%), reaching all-time highs on a quarterly basis.

(\*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 segment net sales and earnings (operating income) and segment loss (operating loss) are prior to offsets for intracompany transactions.

#### ① Software Development Business

In the Business Solutions Unit (business system development and operation support), the scope of our business continued to expand in response to strong demand, and we were able to achieve steady growth in both sales and profits by increasing the number of subcontracts with higher margins than SES (System Engineering Services) and temporary staffing contracts.

In business system development, sales from the mainstay financial services sector remained almost flat due to job rotation by division, mainly for long-term workers. Meanwhile, sales from the pharmaceutical sector grew significantly associated with the increase in outsourcing contracts, while the acquisition of telecommunications, manufacturing, and ERP-related projects progressed more than expected. As a result, sales and profits grew significantly.

In operation support, sales and profits were significantly higher than in the previous year due to the partial impact of business restructuring by our major clients in the previous year, but have recovered in the current fiscal year, as well as a steady expansion of the scope of operations.

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 profit 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 services (mobile devices and base stations) grew, and medical-related services also 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. We worked to expand sales of total security services (DIT Security) with WebARGUS as its core through increasing the lineup of these products and collaboration with an external cyber security specialist (F-Secure Corporation and SSH Communications 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 acquire new clients, 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.

We are preparing to launch sales of a new original product WebARGUS for Ransomware, a security product that securely protects critical data from ransomware attacks, which are the biggest threat to information security, by the end of the year.

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

As a result, net sales in the Software Development business amounted to 4,353,010 thousand yen (up 21.5% year-on-year), with segment income (operating income) of 623,190 thousand yen (up 50.3%).

## 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 is a product that 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, net sales in the System Sales segment amounted to 162,185 thousand yen (up 19.9% year on year), with segment income (operating income) of 23,491 thousand yen (up 221.8%).

## (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.

### (Current Assets)

Current assets amounted to 6,954,665 thousand yen at the end of the first quarter, an increase of 37,405 thousand yen compared to the end of the previous fiscal year. This was mainly due to a decrease of 288,192 thousand yen in cash and deposits, an increase of 263,241 thousand yen in accounts receivable and contract assets, and an increase of 34,731 thousand yen in other.

### (Noncurrent Assets)

Noncurrent assets amounted to 763,985 thousand yen at the end of the second quarter, a decrease of 87 thousand yen compared to the end of the previous fiscal year. This was mainly due to decreases of 4,531 thousand yen in property, plant and equipment and 10,456 thousand yen in intangible assets, and an increase of 14,900 thousand yen in investments and other assets.

### (Current Liabilities)

Current liabilities amounted to 1,908,243 thousand yen at the end of the first quarter, a decrease of 52,167 thousand yen compared to the end of the previous fiscal year. This was due mainly to increases of 49,543 thousand yen in accounts payable- trade, and 136,247 thousand yen in provision for bonuses, and decreases of 102,432 thousand yen in income taxes payable, and 135,671 thousand yen in others.

### (Noncurrent Liabilities)

Noncurrent liabilities amounted to 171,244 thousand yen at the end of the first quarter, an increase of 2,453 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 4,655 thousand yen in others.

### (Net Assets)

Net assets amounted to 5,639,163 thousand yen at the end of the first quarter, an increase of 87,032 thousand yen compared to the end of the previous fiscal year. This was due mainly to an increase of 83,243 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 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)	1Q FY6/23 (September 30, 2022)
<b>ASSETS</b>		
Current assets		
Cash and deposits	3,843,403	3,555,211
Trade and contract assets	2,841,785	3,105,027
Merchandise	36,264	66,611
Work in process	90,148	87,404
Other, net	105,740	140,471
Allowance for doubtful accounts	-83	-61
Total current assets	6,917,259	6,954,665
Noncurrent assets		
Property, plant and equipment	144,180	139,648
Intangible assets		
Goodwill	198,881	188,937
Other, net	11,903	11,391
Total intangible assets	210,784	200,328
Investments and other assets		
Other, net	441,780	456,646
Allowance for doubtful accounts	-32,671	-32,637
Total investments and other assets	409,108	424,008
Total noncurrent assets	764,073	763,985
Total assets	7,681,333	7,718,651



(Thousand yen)

	FY6/22 (June 30, 2022)	1Q FY6/23 (September 30, 2022)
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable-trade	592,636	642,180
Income taxes payable	353,209	250,776
Provision for bonuses	-	136,247
Provision for loss on order received	45	190
Other, net	1,014,519	878,848
Total current liabilities	1,960,410	1,908,243
Noncurrent liabilities		
Retirement benefit liability	7,157	7,299
Provision for share based remuneration	111,480	118,447
Other, net	50,154	45,498
Total noncurrent liabilities	168,791	171,244
Total liabilities	2,129,202	2,079,488
Net assets		
Shareholders' equity		
Capital	453,156	453,156
Capital surplus	459,214	459,214
Retained earnings	4,954,886	5,038,130
Treasury stock	-347,294	-347,294
Total shareholders' equity	5,519,962	5,603,206
Accumulated other comprehensive income		
Valuation difference on available- for-sale securities	6,232	2,332
Foreign currency translation adjustments	25,935	33,623
Total accumulated other comprehensive income	32,167	35,956
Total net assets	5,552,130	5,639,163
Total liabilities and net assets	7,681,333	7,718,651

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

(Thousand yen)

	1Q FY6/22 (July 1, 2021 to September 30, 2021)	1Q FY6/23 (July 1, 2022 to September 30, 2022)
Net sales	3,716,950	4,504,768
Cost of sales	2,811,732	3,321,853
Gross profit	905,217	1,182,915
Selling, general and administrative expenses	483,390	530,751
Operating Income	421,827	652,163
Non-operating income		
Interest income	95	124
Dividends income	-	193
Commission fee	348	369
Insurance premiums refunded cancellation	-	3,948
Subsidy income	-	245
Gain on forfeiture of unclaimed dividends	419	494
Other, net	25	68
Total non-operating revenues	888	5,445
Non-operating expenses		
Interest expenses	77	142
Exchange loss	573	1,438
Other, net	-	19
Total non-operating expenses	650	1,600
Ordinary Income	422,064	656,007
Income before income taxes and others	422,064	656,007
Income taxes - current	150,996	214,391
Income taxes-deferred	-23,419	-25,653
Total income tax	127,576	188,737
Net income	294,487	467,270
Net income attributable to owners of parent	294,487	467,270

(Consolidated Quarterly Statements of Comprehensive Income)

(First Quarter Cumulative)

(Thousand yen)

	1Q FY6/22 (July 1, 2021 to September 30, 2021)	1Q FY6/23 (July 1, 2022 to September 30, 2022)
Net income	294,487	467,270
Accumulated other comprehensive income		
Valuation difference on available- for-sale securities	-807	-3,899
Foreign currency translation adjustments	1,024	7,688
Total other comprehensive income	217	3,789
Comprehensive income	294,705	471,059
(Breakdown)		
Comprehensive income attributable to owners of parent	294,705	471,059

(3) 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 1Q FY6/22 (July 1, 2021 to September 30, 2021)

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	3,583,300	133,650	3,716,950	-	3,716,950
Intrasegment net sales and transfers	200	1,662	1,862	-1,862	-
Total	3,583,500	135,312	3,718,812	-1,862	3,716,950
Segment income	414,512	7,299	421,812	15	421,827

(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.

II 1Q FY6/23 (July 1, 2022 to September 30, 2022)

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	4,344,400	160,367	4,504,768	-	4,504,768
Intrasegment net sales and transfers	8,610	1,817	10,427	-10,427	-
Total	4,353,010	162,185	4,515,196	-10,427	4,504,768
Segment income	623,190	23,491	646,681	5,481	652,163

(Notes) 1. Adjustment to segment income of 5,481 thousand yen is mainly intersegment eliminations.

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