

Summary of Business Results for the Three Months Ended September 30, 2021 [Japan GAAP] (Consolidated)

November 9, 2021

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 of Corporate Planning Division
 Expected date of filing of quarterly report: November 12, 2021
 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, 2021 (July 1, 2021 through September 30, 2021)

(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, 2021	3,716	8.3	421	3.6	422	3.6	294	5.4
September 30, 2020	3,430	4.8	407	15.1	407	14.6	279	13.4

(Note) Comprehensive income

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

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

	Net income per share	Diluted net income per share
	Yen	Yen
For the three months ended September 30, 2021	19.31	-
September 30, 2020	18.33	-

(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, 2021	6,235	4,617	74.1
June 30, 2021	6,388	4,526	70.9

(Reference) Shareholders' equity

As of September 30, 2021: 4,617 million yen

As of June 30, 2021: 4,526 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, 2021	Yen -	Yen 10.00	Yen -	Yen 14.00	Yen 24.00
ending June 30, 2022	-	-	-	-	-
ending June 30, 2022 (forecast)	-	15.00	-	15.00	30.00

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

3. Forecast of consolidated business results for the fiscal year ending June 30, 2022 (July 1, 2021 through June 30, 2022)

(% 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, 2022	15,600	8.0	1,900	10.3	1,900	9.8	1,318	10.2	86.44

(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: | : Yes |
| 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, 2021	15,501,820 shares
As of June 30, 2021	15,501,820 shares

②Treasury stock at the end of period

As of September 30, 2021	253,521 shares
As of June 30, 2021	253,489 shares

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

Three months ended September 30, 2021	15,248,322 shares
Three months ended September 30, 2020	15,248,361 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 subject first quarter cumulative period (July 1, 2020 to September 30, 2021), the business environment remained severe due to COVID-19 both in Japan and overseas. In Japan, the stricter antivirus measures and the State of Emergency were declared, and the damage spread to many industries. In addition, while the COVID-19 cases gradually declined after peaking in August reflecting the progress in vaccination, the outlook remains uncertain.

In the information service industry, to which our company belongs, it remained difficult to avoid the impact of the infection, although the degree of impact varies depending on the business portfolio including customer composition and other aspects. Even under these circumstances, according to the Bank of Japan's Tankan survey (September) released on October 1, 2021, the software investment plan for 2021 (total for all industries and enterprises of all sizes) continued to show an upward trend with a 14.3% 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.

Under the COVID-19 crisis, the need for strengthening measures for cyber security and improving the efficiency of working styles further increased, 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(*)".



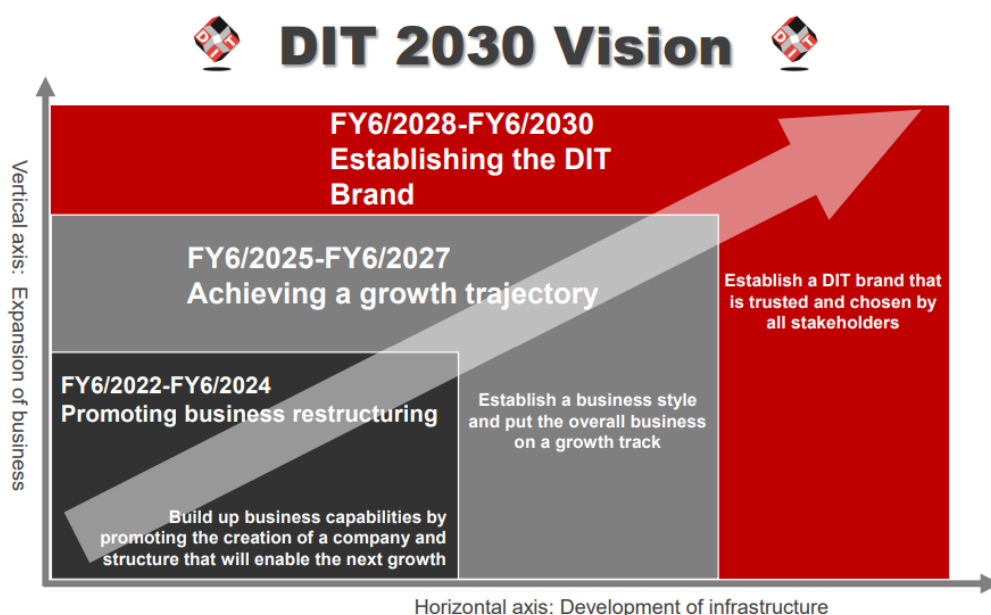
Management Targets

	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	50 billion yen

(*) Challenge 500

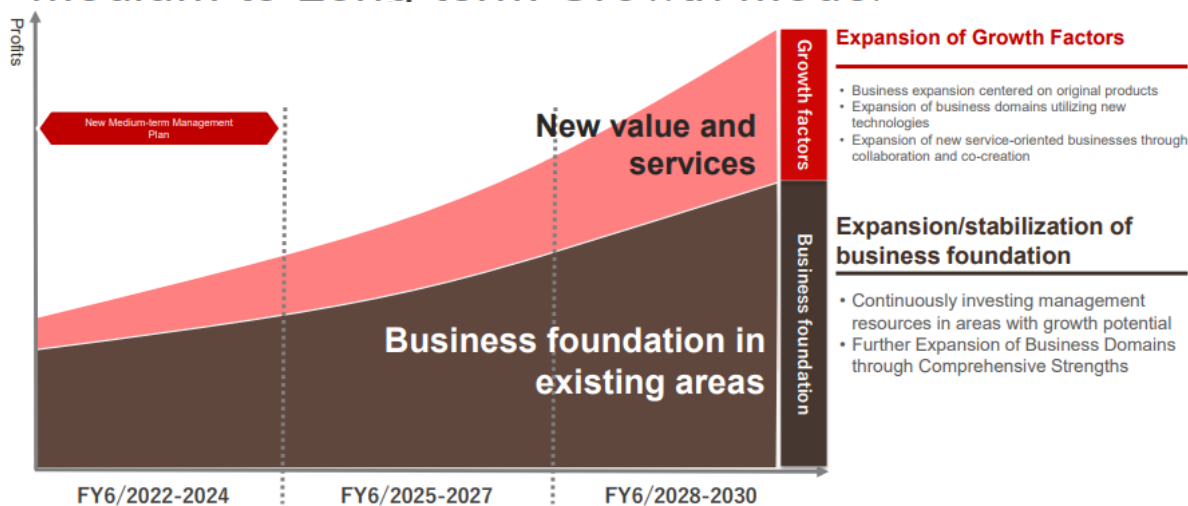
Targeting 50 billion yen sales toward FY6/30!

As a step toward achieving this 2030 Vision, we set the period from FY6/22 to FY6/24 as the period for "promoting business restructuring" 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 FY6/22, the first 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 showed strong growth as we allocated resources appropriately to high-demand markets in both the Business Solutions business and the Embedded Solutions business, which offset the slump in the System Sales business. In terms of "expand growth factors", DIT achieved steady growth as a result of ongoing efforts to enhance product appeal and strengthen sales of WebARGUS¹, an original product built on proprietary technology, and xoBlos², an innovation platform for Microsoft Excel users.

Medium-to Long-term Growth Model



As mentioned above, the business itself performed well, but SG&A expenses increased by 75,202 thousand yen year-on-year due to an increase in personnel expenses and recruitment expenses in line with business expansion and the refund of taxes and dues in the previous year. As a result, the growth in profits was subdued.

As a result, net sales in the subject first quarter cumulative period amounted to 3,716,950 thousand yen (up 8.3% year on year), with operating income of 421,827 thousand yen (up 3.6%), ordinary income of 422,064 thousand yen (up 3.6%), and net income attributable to owners of parent of 294,487 thousand yen (up 5.4%).

- (*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 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, profits (operating income) and 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), sales and profits grew steadily even under the COVID-19 crisis thanks to the success of the business portfolio review that we have been promoting. In business system development, we promoted the transfer of long-term employees divisions in the mainstay financial-related projects to other engaged, and the transportation-related projects saw a decline due to the effects of COVID-19, but the pharmaceutical-related projects saw significant growth, and we succeeded to win projects for distribution and ERP-related projects more than expected. As a result, we showed steady sales growth and improvement in profits. In operations support, in addition to the relatively small impact of COVID-19, we were able to steadily respond to demand such as cloud infrastructure building and expand its business. As a result, both sales and profits grew steadily.

In the Embedded Solutions Unit (embedded systems development and embedded systems verification), automotive-related systems, to which we have strategically shifted, did not recover as much as expected, but sales of semiconductor for automobiles-related grew significantly, resulting in a year-on-year increase. In addition, we were able to steadily expand our IoT-related sales, including those related to mobile devices and consumer electronics. As a result, both sales and profits exceeded the previous year's level even in the severe market caused by COVID-19. In embedded system verification, sales and profits both steadily exceeded the previous year's level, as 5G-related projects (mobile devices and base stations) continued to perform well and pharmaceuticals-related projects grew significantly.

In both the Business Solutions and Embedded Solutions units, the majority of work continued to be done via remote work, but we were able to keep the impact of such environmental changes to a level that did not affect our business.

In the Original Product Unit, we were able to exceed the previous year results despite the remaining restrictions on business negotiations due to COVID-19. 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 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 business efficiency improvement business, while it was difficult to acquire new customers due to COVID-19, we were able to increase both sales and profits by promoting the horizontal development to other departments of existing customers. In addition, we continued to work on promoting the xoBlos Plus One concept, which adds data from another perspective via xoBlos to specific information held by various systems such as RPA and ERP to increase the value of the data, to strengthen our product capabilities.

There has been a gradual increase in inquiries for DD-CONNECT, an electronic contract outsourcing service that responds to the new normal society caused by the COVID-19 disaster. On September 15, 2021, we launched “shield cms”, a website creation platform that combines safety and flexibility in preparation, as our original product.

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 3,583,500 thousand yen (up 9.1% year-on-year), with segment income (operating income) of 414,512 thousand yen (up 3.7%).

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. Since this is a product that is mainly sold face-to-face, it was affected by the COVID-19 crisis, resulting in a decrease in both sales and segment income compared to the previous year.

As a result, net sales in the System Sales business amounted to 135,312 thousand yen (down 10.2% year on year), with segment income (operating income) of 7,299 thousand yen (down 2.8%).

(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.

① Current Assets

Current assets amounted to 5,470,801 thousand yen at the end of the first quarter, a decrease of 193,394 thousand yen compared to the end of the previous fiscal year. This was mainly due to decreases of 374,402 thousand yen in cash and deposits, 2,084,985 thousand yen in accounts receivable-trade, and 53,415 thousand yen in work in process, and increases of 2,270,592 thousand yen in accounts receivable-trade and contract assets, and 39,546 thousand yen in merchandise.

② Noncurrent Assets

Noncurrent assets amounted to 764,375 thousand yen at the end of the first quarter, an increase of 40,037 thousand yen compared to the end of the previous fiscal year. This was mainly due to a decrease of 4,431 thousand yen in property, plant and equipment and an increase of 44,438 thousand yen in investments and other assets.

③ Current Liabilities

Current liabilities amounted to 1,502,120 thousand yen at the end of the first quarter, a decrease of 248,529 thousand yen compared to the end of the previous fiscal year. This was due mainly to increases of 76,678 thousand yen in accounts payable- trade, and 131,268 thousand yen in provision for bonuses, and decreases of 197,188 thousand yen in income taxes payable, and 259,287 thousand yen in others.

④ Noncurrent Liabilities

Noncurrent liabilities amounted to 115,075 thousand yen at the end of the first quarter, an increase of 3,911 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, and a decrease of 3,232 thousand yen in others.

⑤ Net Assets

Net assets amounted to 4,617,980 thousand yen at the end of the first quarter, an increase of 91,261 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase of 91,108 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 forecasts announced on August 12, 2021. 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)

	FY6/21 (June 30, 2021)	1Q FY6/22 (September 30, 2021)
ASSETS		
Current assets		
Cash and deposits	3,333,158	2,958,755
Notes and accounts receivable - trade	2,084,985	-
Trade and contract assets	-	2,270,592
Merchandise	15,550	55,096
Work in process	131,693	78,278
Other, net	99,025	108,276
Allowance for doubtful accounts	-217	-198
Total current assets	5,664,195	5,470,801
Noncurrent assets		
Property, plant and equipment	110,096	105,665
Intangible assets	15,916	15,946
Investments and other assets		
Other, net	631,090	675,503
Allowance for doubtful accounts	-32,765	-32,740
Total investments and other assets	598,325	642,763
Total noncurrent assets	724,337	764,375
Total assets	6,388,533	6,235,176

(Thousand yen)

	FY6/21 (June 30, 2021)	1Q FY6/22 (September 30, 2021)
LIABILITIES		
Current liabilities		
Accounts payable-trade	487,519	564,198
Income taxes payable	367,757	170,568
Provision for bonuses	-	131,268
Other, net	895,372	636,084
Total current liabilities	1,750,650	1,502,120
Noncurrent liabilities		
Retirement benefit liability	5,933	6,109
Provision for share based remuneration	74,320	81,287
Other, net	30,910	27,678
Total noncurrent liabilities	111,164	115,075
Total liabilities	1,861,814	1,617,196
Net assets		
Shareholders' equity		
Capital	453,156	453,156
Capital surplus	459,214	459,214
Retained earnings	3,949,586	4,040,693
Treasury stock	-347,191	-347,254
Total shareholders' equity	4,514,765	4,605,808
Accumulated other comprehensive income		
Valuation difference on available- for-sale securities	8,010	7,203
Foreign currency translation adjustments	3,942	4,967
Total accumulated other comprehensive income	11,953	12,171
Total net assets	4,526,718	4,617,980
Total liabilities and net assets	6,388,533	6,235,176

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

(Thousand yen)

	1Q FY6/21 (July 1, 2020 to September 30, 2020)	1Q FY6/22 (July 1, 2021 to September 30, 2021)
Net sales	3,430,836	3,716,950
Cost of sales	2,615,414	2,811,732
Gross profit	815,422	905,217
Selling, general and administrative expenses	408,188	483,390
Operating Income	407,233	421,827
Non-operating income		
Interest income	91	95
Dividends income	78	-
Commission fee	920	348
Insurance premiums refunded cancellation	676	-
Gain on forfeiture of unclaimed dividends	694	419
Other, net	24	25
Total non-operating revenues	2,486	888
Non-operating expenses		
Interest expenses	117	77
Loss on insurance cancellation	1,343	-
Exchange loss	853	573
Total non-operating expenses	2,315	650
Ordinary Income	407,405	422,064
Income before income taxes and others	407,405	422,064
Income taxes - current	136,759	150,996
Income taxes - deferred	-8,886	-23,419
Total income tax	127,873	127,576
Net income	279,531	294,487
Net income attributable to owners of parent	279,531	294,487

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

(Thousand yen)

	1Q FY6/21 (July 1, 2020 to September 30, 2020)	1Q FY6/22 (July 1, 2021 to September 30, 2021)
Net income	279,531	294,487
Accumulated other comprehensive income		
Valuation difference on available- for-sale securities	-1,195	-807
Foreign currency translation adjustments	-655	1,024
Total other comprehensive income	-1,851	217
Comprehensive income	277,680	294,705
(Breakdown)		
Comprehensive income attributable to owners of parent	277,680	294,705

(3) Notes on Quarterly Consolidated Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the "Accounting Standard for Revenue Recognition") and other standards are applied from the beginning of the first quarter of the current fiscal year to recognize revenue when control of promised goods or services is transferred to customers in an amount that is expected to be received in exchange for those goods or services. As a result of this change, the Company has changed its method of estimating the degree of progress related to the satisfaction of performance obligations and recognizing revenue over a certain period based on the degree of progress, except for contracts for which the amount is understated and contracts with very short terms, which were previously recorded as sales at the time of acceptance inspections under acceptance standards and for which performance obligations are satisfied over a certain period.

With regard to the application of the revenue recognition accounting standard, etc., in accordance with the transitional treatment stipulated in the provisions of paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the first quarter of the current fiscal year has been adjusted to retained earnings at the beginning of the first quarter of the current fiscal year, and a new accounting policy has been applied from the beginning balance of the current fiscal year. However, the Company applies the method stipulated in paragraph 86 of the Accounting Standard for Revenue Recognition and paragraph (1) of the Written Accounting Standard to account for contract modifications made before the beginning of the first quarter under review based on the terms of the contract after reflecting all contract modifications, and adjusts the cumulative effect to retained earnings at the beginning of the first quarter under review.

As a result, for the first quarter of the current fiscal year, net sales increased by 15,806 thousand yen, cost of sales decreased by 6,485 thousand yen, and operating income, ordinary income, and income before income taxes increased by 22,291 thousand yen, respectively. In addition, the balance of retained earnings at the beginning of the fiscal year increased by 11,674 thousand yen.

Due to the adoption of Accounting Standard for Revenue Recognition, the "Accounts receivable" presented in "Current assets" in the consolidated balance sheet for the previous fiscal year has been included in "Accounts receivable and contract assets" from the first quarter of the fiscal year under review. In accordance with the transitional treatment set forth in paragraph 89-2 of the Revenue Recognition Accounting Standard, no reclassifications have been made to the prior period under the new presentation method. In addition, in accordance with the transitional treatment stipulated in paragraph 28-15 of the "Accounting Standard for Quarterly Financial Statements" (ASBJ Statement No. 12, March 31, 2020), information broken down revenues from contracts with customers for the first quarter of the previous fiscal year is not presented.

(Application of Accounting Standard for Calculation of Fair Value)

The Company has applied the "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019; hereinafter the "Accounting Standard for Calculation of Fair Value"), etc. from the beginning of the first quarter of the current fiscal year.

In applying the Accounting Standard for Market Value Calculation, etc., the Company follows the transitional treatment stipulated in paragraph 19 of the Accounting Standard for Market Value Calculation and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), and will apply the new accounting policy stipulated by the Accounting Standard for Market Value Calculation in the future.

The adoption of this accounting standard had no impact on the quarterly consolidated financial statements.

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

Segment Information

I 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 (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	3,283,308	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 (loss)	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.

II 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 (loss)	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.