

Summary of Business Results for the Third Quarter Ended March 31, 2023 [Japan GAAP] (Consolidated)

May 15, 2023

Company **Digital Information Technologies Corporation** Listed on the TSE
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 Division
 Expected date of filing of quarterly report: May 15, 2023
 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, 2023 (July 1, 2022 through March 31, 2023)

(1) Consolidated results of operations (% 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 nine months ended								
March 31, 2023	13,535	13.4	1,536	-4.5	1,551	-4.1	1,089	-3.5
March 31, 2022	11,940	10.2	1,608	7.8	1,618	8.1	1,128	9.0

(Note) Comprehensive income

Nine months ended March 31, 2023: 1,081 million yen (-4.0%)

Nine months ended March 31, 2022: 1,127 million yen (9.5 %)

	Net income per share	Diluted net income per share
For the nine months ended	Yen	Yen
March 31, 2023	71.47	-
March 31, 2022	74.01	-

(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, 2023	7,927	5,808	73.3
June 30, 2022	7,681	5,552	72.3

(Reference) Shareholders' equity

As of March 31, 2023: 5,808 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	Yen	Yen	Yen	Yen	Yen
ended June 30, 2022	-	15.00	-	25.00	40.00
ending June 30, 2023	-	18.00	-	-	-
ending June 30, 2023 (forecast)	-	-	-	18.00	36.00

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

Breakdown of year-end dividends for the year ended June 31, 2022:

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)

(% 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, 2023	Million yen	%	Million yen	%	Million yen	%	Million yen	%		Yen
	18,000	11.4	1,900	-5.2	1,915	-4.4	1,331	-7.5		87.46

(Note) Revisions to business forecast for the current quarter: Yes

*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, 2023 15,501,820 shares

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

② Treasury stock at the end of period

As of March 31, 2023 353,551 shares

As of June 30, 2022 253,551 shares

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

Nine months ended March 31, 2023 15,242,430 shares

Nine months ended March 31, 2022 15,248,303 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. (Trust E-Account) as trust assets under the Employees' Benefit Trust (J-ESOP) Plan.

***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 third quarter of the current fiscal year (July 1, 2022 to March 31, 2023), the business environment in Japan showed signs of a pickup in the economy as restrictions on activities due to COVID-19 eased. However, the outlook remained uncertain due to concerns about a prolonged high prices for raw materials and energy caused by the yen's depreciation and the rising prices of natural resources.

In the information services industry to which we belong, there has been a continued steady investment in software. According to the Bank of Japan Tankan survey (March) announced on April 3, 2023, the software investment plan (total for all industries and enterprises of all sizes) for fiscal 2023 showed a continued expansion trend, rising 6.9% compared to fiscal 2022.

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

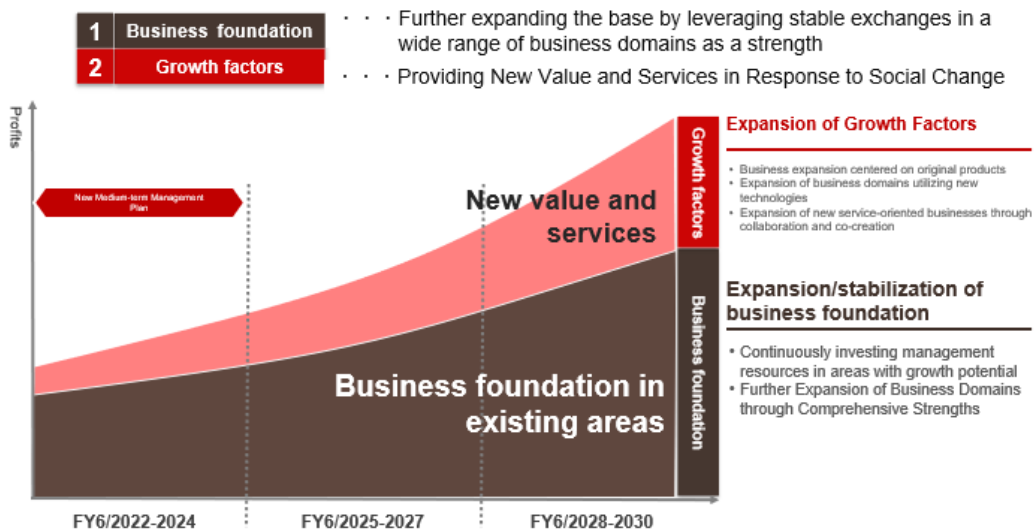
Targeting 50 billion yen sales toward FY6/2030!

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.



Medium-term Growth Model



During FY6/23, the second year of the current medium-term management plan, DIT has continued to promote our business with focusing on the two axes from the previous fiscal year: “expand and stabilize the business foundation” and “expand growth factors.” With regard to "expand and stabilize the business foundation," in the Business Solutions Unit, sales growth was limited and profits declined significantly due to an unprofitable project, although demand was high. However, as a result of appropriately allocating resources to markets with high demand in the Embedded Solutions Unit, sales and profits grew strongly. In the System Sales Business, we overcame the impact of the COVID-19 crisis, and the recovery trend was demonstrated. In terms of "expand growth factors," sales of a web security solution WebARGUS¹, an original product built on proprietary technology, continued to show 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 third quarter cumulative period amounted to 13,535,061 thousand yen (up 13.4% year-on-year), with operating income of 1,536,705 thousand yen (down 4.5%), ordinary income of 1,551,966 thousand yen (down 4.1%), and net income attributable to owners of parent of 1,089,448 thousand yen (down 3.5%).

- (*1) WebARGUS is a new type of website security solution that detects the tampering of websites as it occurs, and immediately restores the site to its original state. Instant detection and restoration protect corporate and other websites from malicious, unknown cyber-attacks, while at the same time prevents the escalation of the damage, such as viruses spreading via the tampered website.
- (*2) xoBlos is an innovation platform for Excel to automate inefficient Excel-based tasks, allowing for dramatic improvements in efficiency in a short period. (Excel® is a registered trademark in the U.S. and other countries by the U.S. Microsoft Corporation)

Results by segment are as follows.

Of note, figures for sales by segment and segment income (operating income) are prior to offsets for intracompany transactions.

① Software Development Business

Demand was strong in the Business Solutions Unit (business system development and operation support).

In business system development, we steadily acquired projects related to the public sector, telecommunications, manufacturing, and ERP-related sectors, and while sales and profits in this segment expanded, the growth in sales was held down and profits declined substantially due to the unprofitable project in subcontracting projects.

This unprofitable project was a project for which a contract was signed in the fourth quarter of the previous fiscal year. Insufficient confirmation of requirements led to a gap in understanding between the client and the project, which required significant additional changes. As it has become difficult to procure personnel as a result, we have determined that it is difficult to secure personnel and profitability. As a result of discussions with customers, we decided to cancel the contract for the manufacturing process and beyond in order to minimize losses.

Due to the change in the contract accompanying the above, net sales were reduced by 340 million yen and gross profit was reduced by 370 million yen in the third quarter. In the fourth quarter, we assume that there will be no impact from this matter on the next fiscal year and beyond, although there will be some impact due to the transfer work to other companies following the change in the contract.

Going forward, we will thoroughly implement quality and project management through strengthening reviews by the quality control department. At the same time, we will strengthen project management, train project managers, and strengthen relationships with partner companies to thoroughly prevent recurrence.

In operational support, the previous year was partially affected by business reforms by our main customers. In the current financial year, both sales and profits significantly increased year on year, as a result of both an increase in the number of employees in existing areas and the expanded business areas, as well as the addition of sales and profits of simplism inc., which joined the Group at the end of June last year.

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 profits 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 (mobile devices and base stations), energy-related and medical-related services grew significantly.

In the Original Product Unit, sales remained at the same level as the previous year due to a decrease in human support services such as installation support, despite the accumulation of licensing sales for subscription services. However, profits increased significantly year on year as a result of growth in licensing sales, which have a high profit margin.

In the cyber security business, we posted solid growth in both sales and profits due to the accumulation of licensing sales of WebARGUS. In addition, we worked to increase sales by expanding our lineup of total security services (DIT Security) with WebARGUS at its core, such as collaboration with an external cybersecurity specialist, such as F-Secure and SSH Communications Security. On November 15, we launched WebARGUS for Ransomware, a security product that reliably protects critical data from ransomware attacks and other attacks, the biggest threat to information 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 increase new clients as expected, 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.

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 13,047,716 thousand yen (up 13.6% year-on-year), with segment income (operating income) of 1,467,410 thousand yen (down 5.7%).

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 product 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 and the rising demand reflecting the introduction of the Qualified Invoice System, net sales and segment income increased significantly from the previous fiscal year.

As a result, net sales in the System Sales segment amounted to 517,666 thousand yen (up 10.8% year on year), with segment income (operating income) of 69,289 thousand yen (up 32.3%).

(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.

(Current Assets)

Current liabilities amounted to 7,116,496 thousand yen at the end of the third quarter, an increase of 199,236 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase of 307,267 thousand yen in accounts receivable and contract assets and an increase of 37,272 thousand yen in merchandise, and a decrease of 133,903 thousand yen in cash and deposits.

(Noncurrent Assets)

Current liabilities amounted to 811,372 thousand yen at the end of the third quarter, an increase of 47,298 thousand yen compared to the end of the previous fiscal year. This was due mainly to an increase of 83,325 thousand yen in investments and other assets; against decreases of 2,835 thousand yen in property, plant and equipment and 33,190 thousand yen in intangible fixed assets.

(Current Liabilities)

Noncurrent assets amounted to 1,936,511 thousand yen at the end of the third quarter, a decrease of 23,899 thousand yen compared to the end of the previous fiscal year. This was due mainly to increases of 134,273 thousand yen in accounts payable-trade; and 163,622 thousand yen in provision for bonuses; against decreases of 80,900 thousand yen in income taxes payable; and 267,470 thousand yen in "other."

(Noncurrent Liabilities)

Net assets amounted to 183,194 thousand yen at the end of the third quarter, an increase of 14,402 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, and a decrease of 7,726 thousand yen in "other."

(Net Assets)

Current liabilities amounted to 5,808,162 thousand yen at the end of the third quarter, an increase of 256,031 thousand yen compared to the end of the previous fiscal year. This was mainly due to increases in retained earnings of 428,922 thousand yen and treasury stock of 165,200 thousand yen.

(3) Explanation of Results Forecasts and Other Future Predictions

We have revised the consolidated full-year business forecasts on May 15, 2023. For details, please refer to the "Notice of Revisions to Business Forecasts" announced on the same day.

2. Consolidated Quarterly Financial Statements and Major Notes

(1) Consolidated Quarterly Balance Sheets

(Thousand yen)

	FY6/22 (June 30, 2022)	3Q FY6/23 (March 31, 2023)
ASSETS		
Current assets		
Cash and deposits	3,843,403	3,709,500
Trade and contract assets	2,841,785	3,149,053
Merchandise	36,264	73,536
Work in process	90,148	55,712
Other, net	105,740	128,755
Allowance for doubtful accounts	-83	-61
Total current assets	6,917,259	7,116,496
Noncurrent assets		
Property, plant and equipment	144,180	141,344
Intangible assets		
Goodwill	198,881	169,049
Other, net	11,903	8,544
Total intangible assets	210,784	177,594
Investments and other assets		
Other, net	441,780	525,018
Allowance for doubtful accounts	-32,671	-32,584
Total investments and other assets	409,108	492,433
Total noncurrent assets	764,073	811,372
Total assets	7,681,333	7,927,868
LIABILITIES		
Current liabilities		
Accounts payable-trade	592,636	726,910
Income taxes payable	353,209	272,308
Provision for bonuses	-	163,622
Provision for loss on order received	45	26,620
Other, net	1,014,519	747,049
Total current liabilities	1,960,410	1,936,511
Noncurrent liabilities		
Retirement benefit liability	7,157	8,384
Provision for share based remuneration	111,480	132,382
Other, net	50,154	42,427
Total noncurrent liabilities	168,791	183,194
Total liabilities	2,129,202	2,119,706
NET ASSETS		
Shareholders' equity		
Capital	453,156	453,156
Capital surplus	459,214	459,214
Retained earnings	4,954,886	5,383,809
Treasury stock	-347,294	-512,494
Total shareholders' equity	5,519,962	5,783,685
Accumulated other comprehensive income		
Valuation difference on available- for-sale securities	6,232	3,203
Foreign currency translation adjustments	25,935	21,273
Total accumulated other comprehensive income	32,167	24,476
Total net assets	5,552,130	5,808,162
Total liabilities and net assets	7,681,333	7,927,868

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

(Thousand yen)

	3Q FY6/22 (July 1, 2021 to March 31, 2022)	3Q FY6/23 (July 1, 2022 to March 31, 2023)
Net sales	11,940,846	13,535,061
Cost of Sales	8,885,910	10,384,651
Gross profit	3,054,935	3,150,409
Selling, general and administrative expenses	1,446,502	1,613,704
Operating Income	1,608,433	1,536,705
Non-operating income		
Interest income	260	300
Dividend income	159	421
Commission fee	1,039	1,167
Subsidy income	8,501	10,438
Insurance premiums refunded cancellation	-	4,088
Gain on forfeiture of unclaimed dividends	1,474	847
Gain on receipt of donated non-current assets	-	2,345
Other, net	428	377
Total non-operating income	11,863	19,987
Non-operating expenses		
Interest expenses	202	484
Loss on investments in investment partnerships	-	2,155
Foreign exchange losses	1,660	1,900
Other, net	-	184
Total non-operating expenses	1,862	4,725
Ordinary Income	1,618,434	1,551,966
Extraordinary income		
Gain on sale of investment securities	-	3,928
Total extraordinary income	-	3,928
Net income before income taxes	1,618,434	1,555,895
Income taxes - current	538,264	518,892
Income taxes - deferred	-48,364	-52,445
Total income taxes	489,899	466,447
Net income	1,128,535	1,089,448
Profit attributable to owners of parent	1,128,535	1,089,448

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

(Thousand yen)

	3Q FY6/22 (July 1, 2021 to March 31, 2022)	3Q FY6/23 (July 1, 2022 to March 31, 2023)
Net income	1,128,535	1,089,448
Accumulated other comprehensive income		
Valuation difference on available- for-sale securities	-11,131	-3,028
Foreign currency translation adjustments	9,748	-4,662
Total other comprehensive income	-1,383	-7,690
Comprehensive income	1,127,151	1,081,757
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,127,151	1,081,757

(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 Q3 FY6/22 (July 1, 2021 to March 31, 2022)

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

(Thousand yen)

	Reporting Segments			Adjustment amount (Note 1)	Amount recorded on consolidated quarterly statements of income (Note 2)
	Software Development Business	System Sales Business	Total		
Net sales					
Net sales to outside customers	11,486,358	454,488	11,940,846	-	11,940,846
Intrasegment net sales and transfers	2,175	12,560	14,735	-14,735	-
-	11,488,533	467,048	11,955,582	-14,735	11,940,846
Segment income (loss)	1,556,026	52,362	1,608,388	45	1,608,433

(Notes) 1. Adjustment to segment income of 45 thousand yen is mainly intersegment eliminations.

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

II 3Q FY6/23 (July 1, 2022 to March 31, 2023)

1. 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	13,035,281	499,779	13,535,061	-	13,535,061
Intrasegment net sales and transfers	12,435	17,886	30,321	-30,321	-
-	13,047,716	517,666	13,565,382	-30,321	13,535,061
Segment income (loss)	1,467,410	69,289	1,536,700	5	1,536,705

(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.