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November 14, 2023

Summary of Business Results for the Three Months Ended September 30, 2023 [Japan GAAP] (Consolidated)

Company name: Digital Information Technologies Corporation
 Listing: Tokyo Stock Exchange
 Securities code: 3916
 URL: <http://www.ditgroup.jp/>
 Representative: Satoshi Ichikawa, President and Representative Director
 Inquiries: Hiroyuki Komatsu, Managing Director, Division Manager of Corporate Planning Division
 Scheduled date to file quarterly securities report: November 14, 2023
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended September 30, 2023 (from July 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
September 30, 2023	4,709	4.5	546	-16.3	537	-18.0	365	-21.7
September 30, 2022	4,504	21.2	652	54.6	656	55.4	467	58.7

Note: Comprehensive income For the three months ended September 30, 2023: ¥379 million [-19.5%]
 For the three months ended September 30, 2022: ¥471 million [59.8%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
September 30, 2023	24.45	-
September 30, 2022	30.64	-

Note: Diluted earnings per share is not presented because there are no dilutive shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	8,302	5,948	71.7
June 30, 2023	8,176	6,006	73.5

Reference: Equity
 As of September 30, 2023: ¥5,948 million
 As of June 30, 2023: ¥6,006 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2023	-	18.00	-	18.00	36.00
Fiscal year ending June 30, 2024	-				
Fiscal year ending June 30, 2024 (Forecast)		23.00	-	23.00	46.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated financial results for the year ending June 30, 2024 (from July 1, 2023 to June 30, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months	9,500	4.8	1,100	-12.0	1,100	-13.3	763	-14.5	51.04
Full year	19,500	7.4	2,500	22.6	2,500	21.4	1,734	19.8	116.00

Note: Revisions to the forecast of financial results most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2023	15,501,820 shares
As of June 30, 2023	15,501,820 shares

- (ii) Number of treasury shares at the end of the period

As of September 30, 2023	553,551 shares
As of June 30, 2023	471,051 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended September 30, 2023	14,961,749 shares
Three months ended September 30, 2022	15,248,269 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 results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements 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. Therefore, 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 consolidated fiscal year under review (July 1, 2023 to September 30, 2023), although the business environment is expected to recover moderately, the unclear outlook remains due to high uncertainties in consumer spending trends and corporate earnings, in part due to high prices for raw materials and energy caused by yen’s depreciation and high resource prices.

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 (September) announced on October 2, 2023, the software investment plan (total for all industries and enterprises of all sizes) for fiscal 2023 showed a continued expansion trend, rising 15.3% compared to fiscal 2022.

For our group as well, the progress in fields such as Artificial Intelligence (AI), Internet of Things (IoT), the transition of existing systems to cloud systems, and progress in low-code development to accelerate system development 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 operational efficiency continues to increase, 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 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

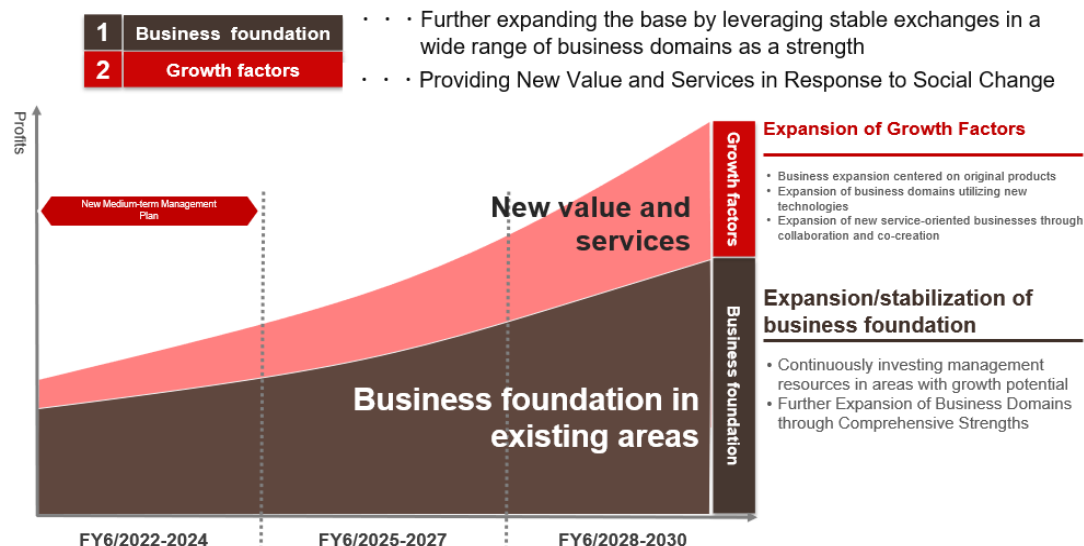
	Medium-term management targets by FY6/30	
	Organic growth	+ New businesses, M&A, etc.
Net sales	30 billion yen or more	50 billion yen
Operating Income	4 billion yen or more	5 billion yen

(*) Challenge 500: Targeting 50 billion yen sales toward FY6/30!

As a step toward achieving this 2030 Vision, we set the period from FY6/22 to FY6/24 as the period for "promoting business 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.



Mid-term Growth Model



During FY6/24, the final year of the current medium-term management plan, we have been promoting our business by focusing on the two axes: "expand and stabilize the business foundation" and "expand growth factors."

About the "expand and stabilize the business foundation", in the Business Solutions Unit, sales growth was limited and profits significantly decreased due to the impact of unprofitable projects (i.e., the loss of profit before unprofitable projects became apparent in the first quarter of the previous fiscal year and the investment of personnel for the takeover work to the transfer company carried out in the current fiscal year) and other factors. In addition, in the Embedded Solutions Unit, we steadily responded to the high demand for automotive-related business and were able to increase both sales and profit more than expected. In the System Sales Business, sales and profits increased substantially, partly due to rush demand boosted by the introduction of the Qualified Invoice System.

In terms of "expand growth factors," we were able to grow steadily thanks to an increase in sales related to electronic contract services. With regard to sales of a web security solution WebARGUS¹, an original product built on proprietary technology, and "xoBlos" (*2), an Excel business innovation platform, built steadily increased sales of subscription licenses.

As a result, net sales in the subject first quarter cumulative period reached a record high of 4,709,564 thousand yen (up 4.5% year on year) on a quarterly basis, with operating profit of 546,059 thousand yen (down 16.3%), ordinary profit of 537,935 thousand yen (down 18.0%), and profit attributable to owners of parent of 365,815 thousand yen (down 21.7%).

(*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 preventing 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. Results by segment are as follows. (Excel® is a registered trademark in the U.S. and other countries by the U.S. Microsoft Corporation)

Results by segment are as follows.

Of note, figures for sales by segment and segment profit (operating profit) are prior to offsets for intra-company transactions.

① Software Development Business

Demand itself 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, and telecommunications, but the acquisition of projects did not progress due to the impact of unprofitable medical-related project in the previous fiscal year and ERP-related sectors at off-period in the order cycle. As a result, sales growth was restrained and profit decreased significantly. The takeover of the unprofitable project has been completed as scheduled in the first quarter of the current fiscal year and is not expected to have any impact on the second quarter and beyond.

In operation support, we were able to further exceed the previous fiscal year's record performance thanks to an expansion of our business domains and an increase in sales and profits of simplism inc., which joined the Group in the previous fiscal year.

In the Embedded Solutions Unit (embedded system development and embedded system verification), the automotive-related business was strong and profits improved. As a result, the profit margin grew more than the sales growth rate.

In embedded system development, sales and profits increased steadily from the previous year, reflecting growth in sales related to automotive, semiconductor and consumer electronics-related IoT.

In embedded system verification, sales and profits both increased steadily year-on-year as sales of automotive-related verification services grew.

In the Original Product Unit, sales grew steadily due to the accumulation of license sales for subscription models and the increase in sales related to electronic contract services. However, profits were on par with the previous year due to the increase in costs associated with the strengthening of the structure.

In the cyber security business, although licensing sales increased steadily, there were no orders for large-scale projects, and sales and profits were on a par with the previous year. In addition, we worked to expand sales of total security services (DIT Security) with WebARGUS at its core in collaboration with an external cybersecurity specialist, such as F-Secure and SSH Communications Security. At the same time, we focused on targeting customers and promoting sales of 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 horizontally expanding existing clients to other departments and worked to capture projects for lead customers that had been accumulated since the previous fiscal year. However, both sales and profits were on par with the previous fiscal year, due in part to a decrease in SI development and increased costs associated with the strengthening of the structure.

DD-CONNECT, an outsourcing service for electronic contracts, for which needs have expanded in the new normal society of the COVID-19 disaster, has begun to contribute to profits with a significant increase in sales, including peripheral developments.

As a result, sales in the Software Development business amounted to 4,501,030 thousand yen (up 3.4% year-on-year), with segment profit (operating profit) of 515,447 thousand yen (down 17.3%).

② System Sales Business

In the System Sales segment, which is centered on "Rakuichi," an operations and management support system for small and medium-sized enterprises manufactured by Casio Computer Co., Ltd., net sales and segment profit increased significantly from the previous fiscal year. This was due to the start of business activity for "electronic data transaction data storage associated with the amendment of the Electronic Book Retention Law," which will become mandatory from January 2024, as well as rush demand for the introduction of the Qualified Invoice System.

As a result, sales in the System Sales Business amounted to 210,351 thousand yen (up 29.7% year on year), with segment profit (operating profit) of 30,611 thousand yen (up 30.3%).

(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 7,391,334 thousand yen at the end of the first quarter, an increase of 13,084 thousand yen compared to the end of the previous fiscal year. This was mainly due to a decrease of 221,928 thousand yen in cash and deposits, an increase of 139,454 thousand yen in accounts receivable and contract assets, 40,123 thousand yen in merchandise, and an increase of 46,870 thousand yen in other.

(Noncurrent Assets)

Noncurrent assets amounted to 910,668 thousand yen at the end of the first quarter, an increase of 112,293 thousand yen compared to the end of the previous fiscal year. This was due mainly to increases of 34,831 thousand yen in property, plant and equipment, 84,681 thousand yen in investments and other assets, and a decrease in 7,219 million yen in intangible assets.

(Current Liabilities)

Current liabilities amounted to 2,126,419 thousand yen at the end of the first quarter, an increase of 146,176 thousand yen compared to the end of the previous fiscal year. This was due mainly to increases of 113,792 thousand yen in accounts payable-trade, 149,680 thousand yen in provision for bonuses and 74,577 thousand yen in “other”, against a decrease of 184,061 thousand yen in profit taxes payable.

(Noncurrent Liabilities)

Noncurrent liabilities amounted to 226,680 thousand yen at the end of the first quarter, an increase of 36,670 thousand yen compared to the end of the previous fiscal year. This was mainly due to increases of 6,967 thousand yen in provision for share based remuneration and 29,406 thousand yen in other.

(Net Assets)

Net assets amounted to 5,948,902 thousand yen at the end of the first quarter, a decrease of 57,469 thousand yen compared to the end of the previous fiscal year. This was mainly due to increases in retained earnings of 66,320 thousand yen and treasury stock of 137,108 thousand yen.

(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, 2023. We will disclose changes to our forecasts as necessary in light of future social conditions.

2. Consolidated Quarterly Financial Statements and Main Notes

(1) Consolidated Quarterly Balance Sheets

(Thousand yen)

	FY6/23 (June 30, 2023)	Q1 FY6/24 (September 30, 2023)
ASSETS		
Current assets		
Cash and deposits	4,185,107	3,963,178
Trade and contract assets	2,953,526	3,092,981
Merchandise	30,802	70,926
Work in process	108,173	116,749
Other	100,708	147,579
Allowance for doubtful accounts	-68	-80
Total current assets	7,378,249	7,391,334
Noncurrent assets		
Property, plant and equipment	138,285	173,116
Intangible assets		
Goodwill	159,105	149,161
Other	13,508	16,233
Total intangible assets	172,614	165,394
Investments and other assets		
Other	520,033	604,688
Allowance for doubtful accounts	-32,558	-32,531
Total investments and other assets	487,475	572,156
Total noncurrent assets	798,374	910,668
Total assets	8,176,624	8,302,002

(Thousand yen)

	FY6/23 (June 30, 2023)	Q1 FY6/24 (September 30, 2023)
LIABILITIES		
Current liabilities		
Accounts payable-trade	615,140	728,932
Income taxes payable	407,337	223,276
Provision for bonuses	-	149,680
Provision for loss on order received	14,792	6,979
Other	942,971	1,017,549
Total current liabilities	1,980,242	2,126,419
Noncurrent liabilities		
Retirement benefit liability	8,914	9,210
Provision for share based remuneration	142,694	149,661
Other	38,401	67,808
Total noncurrent liabilities	190,009	226,680
Total liabilities	2,170,252	2,353,099
Net assets Shareholders' equity		
Capital		
Capital	453,156	453,156
Capital surplus	459,214	459,214
Retained earnings	5,742,065	5,808,386
Treasury stock	-694,538	-831,646
Total shareholders' equity	5,959,896	5,889,109
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,563	17,577
Foreign currency translation adjustments	35,911	42,216
Total accumulated other comprehensive income	46,475	59,793
Total net assets	6,006,372	5,948,902
Total liabilities and net assets	8,176,624	8,302,002

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

(Thousand yen)

	Q1 FY6/23 (July 1, 2022 to September 30, 2022)	Q1 FY6/24 (July 1, 2023 to September 30, 2023)
Net sales	4,504,768	4,709,564
Cost of sales	3,321,853	3,598,668
Gross profit	1,182,915	1,110,895
Selling, general and administrative expenses	530,751	564,836
Operating Income	652,163	546,059
Non-operating income		
Interest income	124	97
Dividends income	193	-
Commission fee	369	413
Insurance premiums refunded cancellation	3,948	2
Subsidy income	245	41
Gain on forfeiture of unclaimed dividends	494	375
Other	68	125
Total non-operating revenues	5,445	1,056
Non-operating expenses		
Interest expenses	142	125
Exchange loss	1,438	414
Office transfer expenses	-	8,503
Other	19	137
Total non-operating expenses	1,600	9,181
Ordinary Income	656,007	537,935
Income before income taxes and others	656,007	537,935
Income taxes-current	214,391	201,723
Income taxes-deferred	-25,653	-29,604
Total income tax	188,737	172,119
Net income	467,270	365,815
Net income attributable to owners of parent	467,270	365,815

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

(Thousand yen)

	Q1 FY6/23 (July 1, 2022 to September 30, 2022)	Q1 FY6/24 (July 1, 2023 to September 30, 2023)
Net income	467,270	365,815
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-3,899	7,013
Foreign currency translation adjustments	7,688	6,304
Total other comprehensive income	3,789	13,317
Comprehensive income	471,059	379,133
(Breakdown)		
Comprehensive income attributable to owners of parent	471,059	379,133

(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 Q1 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 (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	4,344,400	160,367	4,504,768	-	4,504,768
Intersegment 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 profit (loss)	623,190	23,491	646,681	5,481	652,163

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

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

II Q1 FY6/24 (July 1, 2023 to September 30, 2023)

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

(Thousand yen)

	Reporting Segments			Adjustment amount	Amount recorded on consolidated quarterly statements of income (Note)
	Software Development Business	System Sales Business	Total		
Net sales					
Net sales to outside customers	4,501,030	208,534	4,709,564	-	4,709,564
Intersegment net sales and transfers	-	1,817	1,817	-1,817	-
Total	4,501,030	210,351	4,711,381	-1,817	4,709,564
Segment profit (loss)	515,447	30,611	546,059	-	546,059

(Note) Segment profit is adjusted with operating profit in the consolidated quarterly statements of profit.