

# Summary of Business Results for the Six Months Ended December 31, 2019 [Japan GAAP] (Consolidated)

February 5, 2020

**C o m p a n y**     **Digital Information Technologies Corporation**     Listed on the TSE  
**S t o c k   C o d e**     3916     URL: <https://www.ditgroup.jp/>  
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                                  Division  
 Expected date of filing of quarterly report: February 14, 2020  
 Expected starting date of dividend payment: March 11, 2020  
 Preparation of quarterly supplementary financial document: Yes  
 Quarterly results briefing: Yes (for institutional investors and analysts)

(Rounded down to million yen)

## 1. Consolidated business results for the six months ended December 31, 2019 (July 1, 2019 through December 31, 2019)

(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 six months ended December 31, 2019	6,567	10.2	732	27.0	736	27.4	509	29.1
December 31, 2018	5,957	8.0	577	52.0	577	54.4	394	57.8

(Note) Comprehensive income

Six months ended December 31, 2019: 563 million yen (43.9%)

Six months ended December 31, 2018: 391 million yen (45.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
For the six months ended December 31, 2019	33.42	-
December 31, 2018	25.70	-

(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 December 31, 2019	4,932	3,372	68.4
June 30, 2019	4,655	2,947	63.3

(Reference) Shareholders' equity

As of December 31, 2019: 3,372 million yen

As of June 30, 2019: 2,947 million yen

## 2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
For the fiscal year ended June 30, 2019	-	7.00	-	9.00	16.00
ending June 30, 2020	-	9.00	-	-	-
ending June 30, 2020 (forecast)	-	-	-	9.00	18.00

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

## 3. Forecast of consolidated business results for the fiscal year ending June 30, 2020 (July 1, 2019 through June 30, 2020)

(% 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, 2020	13,030	5.5	1,180	7.7	1,177	6.4	790	7.3	51.81

(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 December 31, 2019	15,501,820 shares
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As of June 30, 2019	15,501,820 shares
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②Treasury stock at the end of period

As of December 31, 2019	253,435 shares
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As of June 30, 2019	253,392 shares
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③Average number of stock during period (quarterly cumulative period)

Six months ended December 31, 2019	15,248,385 shares
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Six months ended December 31, 2018	15,361,317 shares
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(Note2) The number of treasury stock to be deducted from the calculation of the number of treasury stock at the end of the period and the number of treasury stock during the period includes the Company's shares held by Asset Management Services Trust Bank, Ltd. (Trust E-Account) as trust assets under the Employees' Stock Ownership Plan (J-ESOP).

**\*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 second quarter cumulative period (July 1, 2019 to December 31, 2019), the Japanese economy continued to show signs of improvement in the employment and income environments, while domestic demand remained firm, including personal consumption and capital investment. However, the outlook remained uncertain due to weakness in the manufacturing industry and other factors, including sluggish exports caused by trade friction between the United States and China and suspension of production caused by large-scale typhoons.

In Digital Information Technologies Corporation (DIT)'s main business industry of information services, Japanese companies continued to expand IT investment along in accordance with full-scale business development in new fields accelerating the realization of the digital transformation (DX), including artificial intelligence (AI), the Internet of Things (IoT), robotic process automation (RPA, the automation and efficiency enhancement of tasks using software robots), and Fintech (financial technology, innovative measures to link financial services with information technology).

These developments presented the DIT Group with increased opportunities to enter new businesses, and expand its business scope. Also, as a result of a series of data breaches and other cybersecurity incidents, there has been an increasing trend toward strengthening security countermeasures for information systems overall, as well as continued interest in working-style reforms, which have become a national issue for Japan. These developments provided a favorable boost to the DIT Group, since it has effective solutions.

Under such conditions, the DIT Group formulated the following five business strategies as its medium-term management plan, and continued to take proactive measures to achieve them.

- Renovation (Strengthen and stabilize business foundation through reform of existing businesses)
- Innovation (Create new value centered on in-house products)
- Shift from competition to collaboration (Expand business through cooperative efforts)
- Shift from development to services (Expand business from service-oriented perspective)
- Secure and develop human assets (Hire and train personnel)

During FY6/20, the second year of the medium-term management plan, DIT will continue its two-pronged business strategy of "stabilize the business foundation" and "strengthen growth factors," while also taking the management initiative to achieve Triple 10\*, its medium-term targets for FY6/21.

\*Triple 10

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

In terms of renovation, DIT achieved substantial growth, reflecting steady IT investment in all industries, an increase in capital investment in the automotive industry, and a rush in demand ahead of the consumption tax hike to cope with the reduced tax rate.

In terms of innovation, DIT achieved steady growth as a result of ongoing efforts to enhance product appeal and strengthen sales for WebARGUS<sup>1</sup>, DIT's in-house products built on proprietary technology, and the Excel process innovation platform xoBlos<sup>2</sup>.

During the six months ended December 31, 2019, operating income margin rose 1.5 percentage points to 11.1%, reflecting improved profitability compared with the same period of the previous fiscal year.

As a result, net sales in the subject second quarter cumulative period amounted to 6,567,474 thousand yen (up 10.2% year on year), with operating income of 732,809 thousand yen (up 27.0%), ordinary income of 736,055 thousand yen (up 27.4%), and net income attributable to owners of parent of 509,558 thousand yen (up 29.1%).

(\*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 protects 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.

(Excel® is registered trademark or trademark of Microsoft Corporation in the United States and other countries.) 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 income (operating income) are prior to offsets for intracompany transactions.

### ① Software Development Business

In the business solutions unit (business system development and operation support), orders continued to be favorable, mainly from existing customers. In business system development, financial system development, in which the start of planned projects was delayed, and the distribution system development in which large-scale orders were received in the previous fiscal year, were sluggish. However, it was offset by the growth in system development for the public and manufacturing sectors. In operation support, sales grew significantly thanks to the success of developing new customers.

The embedded solutions unit (embedded system development and verification) showed strong growth thanks to the success of strategic initiatives. In the embedded system development, DIT made steady progress in expanding the domains for automotive and IoT-related products. In embedded system verification, it made progress in shifting to automotive-related business area, and both operations showed strong growth.

In the original products unit, sales grew steadily as a result of the group's product and sales strategies. For WebARGUS, DIT continued to focus on introducing the system to major users, and in order to expand lineup of total security services centered on WebARGUS, DIT collaborated with Singapore-based company Secure Age. As a result of the collaboration with an external cyber security specialist, the Company achieved steady growth. For xoBlos, DIT built a sales structure integrated with our subsidiary DIT Marketing Services Co., Ltd. (renamed from Toyo Infonet Co., Ltd. as of July 1, 2019). DIT also focused on the xoBlos Plus One concept, which takes specific data from systems such as robotic process automation (RPA) and enterprise resource planning (ERP), and adds data from different perspectives via xoBlos to enhance data value. These efforts greatly increased its sales.

As a result, net sales in the Software Development segment amounted to 6,156,527 thousand yen (up 9.6% year on year), with segment income (operating income) of 659,011 thousand yen (up 23.3%).

### 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., sales and segment income largely increased as a result of an increase in system renewal and modification-related sales to accommodate the reduced tax rate on certain items to be implemented with the increase in the consumption tax.

As a result, net sales in the System Sales segment amounted to 419,362 thousand yen (up 23.1% year on year), with segment income (operating income) of 73,948 thousand yen (up 74.2%).

## (2) Explanation of Financial Position

### ① Assets, liabilities and net assets

The status of assets, liabilities, and net assets in the end of the subject second quarter cumulative period is as follows.

#### ① Current Assets

Net assets amounted to 4,142,379 thousand yen at the end of the second quarter, an increase of 208,879 thousand yen compared to the end of the previous fiscal year. This was due mainly to increases of 104,047 thousand yen in cash and deposits; and 73,254 thousand in work in progress; against a decrease of 6,340 thousand in notes and accounts receivable.

#### ② Noncurrent Assets

Noncurrent assets amounted to 789,741 thousand yen at the end of the second quarter, an increase of 67,856 thousand yen compared to the end of the previous fiscal year. This was due mainly to an increase of 57,365 thousand yen in investments and other assets; and 16,466 thousand yen in intangible fixed assets; against decreases of 5,975 thousand yen in property, plant and equipment.

#### ③ Current Liabilities

Current liabilities amounted to 1,508,652 thousand yen at the end of the second quarter, a decrease of 93,057 thousand yen compared to the end of the previous fiscal year. This was due mainly to increases of 19,922 thousand in accounts payable-trade; 80,458 thousand in income taxes payable; and 89,155 thousand yen in provision for bonuses; against a decrease of 282,670 thousand yen in "other."

#### ④ Noncurrent Liabilities

Noncurrent liabilities amounted to 50,729 thousand yen at the end of the second quarter, a decrease of 55,236 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase of 13,935 thousand yen in provision for share based remuneration; against a decrease of 69,231 thousand yen in "other."

#### ⑤ Net Assets

Net assets amounted to 3,372,738 thousand yen at the end of the second quarter, an increase of 425,029 thousand yen compared to the end of the previous fiscal year. This was due mainly to increases of 371,307 thousand yen in retained earnings; and 53,472 thousand ten in valuation difference on available-for-sale securities.

### ② Cash Flows

Cash and cash equivalents at the end of the second quarter decreased 103,031 thousand yen from the end of the previous fiscal year to 1,937,744 thousand yen.

The factors contributing the changes in cash flows during the six months of the current fiscal year are as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities was 310,803 thousand yen (116,743 thousand yen provided in the previous fiscal year) due to the recording of net income before income taxes of 736,055 thousand yen, proceeds from an increase in provision for bonuses of 89,155 thousand yen, payments for a decrease in inventories of 80,736 thousand yen, payments for a decrease in accounts payable-other and accrued expenses of 152,221 thousand yen, payments for a decrease in other liabilities of 80,417 thousand yen, and payments for income taxes paid of 160,051 thousand yen.

(Cash Flows from Investing Activities)

Net cash used in investing activities was 64,031 thousand yen (50,999 thousand yen used in the previous fiscal year), mainly due to the purchase of investment securities of 50,357 thousand yen, the purchase of investment securities of 50,357 thousand yen, and the purchase of intangible fixed assets of 14,343 thousand yen, and the cancellation of insurance funds of 3,451 thousand yen.

(Cash Flows from Financing Activities)

Net cash used in financing activities was 144,080 thousand yen (compared with 96,037 thousand yen in the same quarter of the previous fiscal year), mainly due to the repayment of lease obligations of 5,989 thousand yen and the payment of dividends of 138,007 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 9, 2019.

## 2. Consolidated Quarterly Financial Statements and Main Notes

### (1) Consolidated Quarterly Balance Sheets

(Thousand yen)

	FY6/19 (June 30, 2019)	2Q FY6/20 (December 31, 2019)
<b>ASSETS</b>		
Current assets		
Cash and deposits	1,840,790	1,944,837
Notes and accounts receivable - trade	1,892,757	1,886,417
Merchandise	22,787	30,270
Work in process	117,427	190,682
Other, net	59,950	90,441
Allowance for doubtful accounts	-214	-270
Total current assets	3,933,499	4,142,379
Noncurrent assets		
Property, plant and equipment	132,396	126,420
Intangible fixed assets	10,755	27,221
Investments and other assets		
Other, net	611,777	669,093
Allowance for doubtful accounts	-33,044	-32,994
Total investments and other assets	578,733	636,099
Total noncurrent assets	721,885	789,741
Total assets	4,655,384	4,932,120
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable - trade	393,353	413,275
Income taxes payable	195,102	275,561
Provision for bonuses	-	89,155
Provision for loss on order received	282	359
Other, net	1,012,972	730,301
Total current liabilities	1,601,710	1,508,652
Noncurrent liabilities		
Net defined benefit liability	5,348	5,409
Provision for share based remuneration	-	13,935
Other, net	100,617	31,385
Total noncurrent liabilities	105,966	50,729
Total liabilities	1,707,676	1,559,382
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	453,156	453,156
Capital surplus	459,214	459,214
Retained earnings	2,373,497	2,744,805
Treasury stock	-347,003	-347,087
Total shareholders' equity	2,938,864	3,310,087
Accumulated other comprehensive income:		
Other valuation difference on available-for-sale securities	6,733	60,205
Foreign currency translation adjustments	2,110	2,444
Total accumulated other comprehensive income	8,844	62,650
Total net assets	2,947,708	3,372,738
Total liabilities and net assets	4,655,384	4,932,120

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

(Thousand yen)

	2Q FY6/19 (July 1, 2018 to December 31, 2018)	2Q FY6/20 (July 1, 2019 to December 31, 2019)
Net sales	5,957,588	6,567,474
Cost of Sales	4,493,502	4,905,065
Gross profit	1,464,085	1,662,409
Selling, general and administrative expenses	887,066	929,599
Operating Income	577,019	732,809
Non-operating income		
Interest income	166	193
Dividend income	82	115
Commission fee	2,055	1,879
Subsidy income	-	200
Insurance premiums refunded cancellation	-	1,586
Other, net	349	1,161
Total non-operating income	2,654	5,136
Non-operating expenses		
Interest expenses	183	304
Donations for disaster relief	1,000	-
Foreign exchange losses	327	1,586
Other, net	206	-
Total non-operating expenses	1,716	1,891
Ordinary Income	577,957	736,055
Net income before income taxes	577,957	736,055
Income taxes - current	187,254	235,210
Income taxes - deferred	-4,039	-8,713
Total income taxes	183,215	226,496
Net income	394,741	509,558
Profit attributable to owners of parent	394,741	509,558



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

(Thousand yen)

	2Q FY6/19 (July 1, 2018 to December 31, 2018)	2Q FY6/20 (July 1, 2019 to December 31, 2019)
Net income	394,741	509,558
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	-3,189	53,472
Foreign currency translation adjustments	-135	333
Total other comprehensive income	-3,325	53,806
Comprehensive income	391,416	563,364
(Breakdown)		
Comprehensive income attributable to owners of the parent	391,416	563,364

## (3) Consolidated Statements of Cash Flows

(Thousand yen)

	2Q FY6/19 (July 1, 2018 to December 31, 2018)	2Q FY6/20 (July 1, 2019 to December 31, 2019)
Net cash provided by (used in) operating activities		
Net income before income taxes	577,957	736,055
Depreciation	15,749	14,201
Increase (decrease) in allowance for doubtful accounts	-4	5
Increase (decrease) in provision for loss on order received	2,548	76
Increase (decrease) in provision for bonuses	84,154	89,155
Increase (decrease) in net defined benefit liability	295	60
Increase (decrease) in provision for share based remuneration	-	13,935
Interest and dividends income	-249	-309
Interest expenses	183	304
Decrease (increase) in notes and accounts receivable-trade	-166,047	6,340
Decrease (increase) in inventories	-42,289	-80,736
Increase (decrease) in notes and accounts payable - trade	9,647	19,922
Increase (decrease) in accounts payable - other and accrued expenses	-40,162	-152,221
Increase (decrease) in long-term accounts payable - other	-66,585	-63,089
Decrease (increase) in other assets	-9,089	-30,829
Increase (decrease) in other liabilities	-101,062	-80,417
Insurance income	-	-479
Other, net	-3	-1,603
Subtotal	265,039	470,370
Interest and dividends income received	249	309
Interest expenses paid	-183	-304
Proceeds from insurance income	-	479
Income taxes paid	-148,361	-160,051
Net cash provided by (used in) operating activities	116,743	310,803
Net cash provided by (used in) investing activities		
Purchases of investment securities	-40,369	-50,357
Purchases of property, plant and equipment	-1,370	-2,203
Purchases of intangible assets	-	-14,343
Collection of loans receivable	60	50
Purchase of insurance funds	-2,827	-2,766
Proceeds from cancellation of insurance funds	-	3,451
Payments for lease and guarantee deposits	-6,559	-
Proceeds from collection of lease and guarantee deposits	67	2,138
Net cash provided by (used in) investing activities	-50,999	-64,031
Net cash provided by (used in) financing activities		
Repayments of lease obligations	-4,205	-5,989
Purchase of treasury stock	-68	-84
Cash dividends paid	-91,763	-138,007
Net cash provided by (used in) financing activities	-96,037	-144,080
Effect of exchange rate change on cash and cash equivalents	-128	340
Net increase (decrease) in cash and cash equivalents	-30,421	103,031
Cash and cash equivalents at beginning of period	1,627,409	1,834,712
Cash and cash equivalents at end of period	1,596,987	1,937,744

(4) Notes to 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 2Q FY6/19 (July 1, 2018 to December 31, 2018)

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	5,617,764	339,823	5,957,588	-	5,957,588
Intrasegment net sales and transfers	120	881	1,001	-1,001	-
Total	5,617,884	340,705	5,958,590	-1,001	5,957,588
Segment income	534,529	42,456	576,986	33	577,019

Note: 1. Adjustment to segment income of 33 thousand yen is mainly intersegment eliminations.

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

II 2Q FY6/20 (July 1, 2019 to December 31, 2019)

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	6,153,038	414,435	6,567,474	-	6,567,474
Intrasegment net sales and transfers	3,488	4,926	8,414	-8,414	-
Total	6,156,527	419,362	6,575,889	-8,414	6,567,474
Segment income	659,011	73,948	732,960	-150	732,809

Note: 1. Adjustment to segment income of -150 thousand yen is mainly intersegment eliminations.

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