

**CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
NINE-MONTH PERIOD OF THE FISCAL YEAR ENDING
June 30, 2019 (July 1, 2018 to March 31, 2019)**



May 15, 2019

Digital Information Technologies Corporation is listed on the First Section of the Tokyo Stock Exchange under the securities code number 3916.

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 Supplemental materials prepared for quarterly financial results: Yes
 Holding of quarterly financial results meeting: No
 Dividend payment commencement date (planned): —

(Millions of yen rounded down)

1. Consolidated Performance for the Nine-Month Period of FY 2018 (July 1, 2018 to March 31, 2019)

(1) Consolidated Business Results

(% figures for the interim period are the increase / (decrease) for the corresponding period of the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2018 Nine-Month Period	9,148	9.7	955	46.6	961	49.0	661	52.3
FY2017 Nine-Month Period	8,339	10.1	651	22.2	645	26.7	434	23.3

(Note) Comprehensive income: FY2018 Nine-Month Period: ¥660 million (46.1%)
 FY2017 Nine-Month Period: ¥451 million (24.0%)

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2018 Nine-Month Period	43.07	—
FY2017 Nine-Month Period	28.23	—

Notes: 1. The Company conducted a two-for-one split of common stock on April 1, 2018. The figures for “Net Income per Share” and “Diluted Net Income per Share” are calculated assuming the subject stock split was conducted at the beginning the previous fiscal year.

2. Diluted net income per share is not presented because there are no dilutive securities.

(1) Consolidated Financial Position

	Total Assets	Net Assets	Net Assets to Total Assets
	Millions of yen	Millions of yen	%
As of March 31, 2019	4,718	3,082	65.3
As of June 30, 2018	4,083	2,621	64.2

(Reference) Shareholders' equity: As of March 31, 2019: ¥3,082 million As of June 30, 2018: ¥2,621 million

3. Dividends

	Cash Dividends per Share of Common Stock				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2017	—	10.00	—	6.00	—
FY 2018	—	7.00	—		
FY 2018 (planned)				9.00	16.00

Note: Revision to the most recently announced cash dividend forecast: Yes

The Company conducted a two-for-one split of common stock on April 1, 2018. Accordingly, the year-end dividend for FY6/18 takes into account this stock split. Of note, for information on revisions to the dividend forecast for FY6/19, see “Notice of Revision to Results Forecast and Dividend Forecast” released today (May 15, 2019).

4. Forecast of Consolidated Results for FY 2018 (July 1, 2018 to June 30, 2019)

(% figures for the full fiscal year represent year-on-year increase or decrease)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Fiscal Year	12,300	11.0	1,060	34.6	1,065	34.7	724	36.2	47.14

Note: Revision to the most recently announced operating results forecast: Yes

For information on revisions to consolidated results forecasts, see “Notice of Revision to Results Forecast and Dividend Forecast” released today (May 15, 2019).

*Notes

- (1) **Changes in important subsidiaries during the period (changes in specified subsidiaries in accordance with changes in the scope of consolidation):** No

New: — (Company name: —), Excluded: — (Company name: —)

- (2) **Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements**

1) Changes of accounting principles in line with revisions to accounting and other standards: No

2) Changes of accounting principles other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

- (3) **Number of shares issued and outstanding (common shares)**

1. Number of shares issued and outstanding as of the end of the period (including treasury stock)

As of March 31, 2019: 15,501,820 shares As of June 30, 2018: 15,501,820 shares

2. Number of treasury stock

As of March 31, 2019: 140,518 shares As of June 30, 2018: 140,464 shares

3. Average number of shares for the year

FY2018 Nine-Month Period: 15,361,312 shares FY2017 Nine-Month Period: 15,389,011 shares

Note: The Company conducted a two-for-one split of common stock on April 1, 2018. The figures for number of shares issued and outstanding (common shares) are calculated assuming the subject stock split was conducted at the beginning the previous fiscal year.

* The financial statement summary is not subject to auditing by certified public accountants or audit firms.

* Cautionary Statement Concerning Operating Results Forecasts and Other Special Items

The forecasts of operating results and other items concerning the future contained in this document are based on management’s assumptions and beliefs that are determined to be reasonable in light of currently available information. Digital Information Technologies Corporation cautions readers that due to a variety of factors actual results may differ materially from forecasts. For the assumptions that underpin operating results forecasts as well as cautionary notes on the use of operating results forecasts, please refer to “1. Qualitative Information Regarding Consolidated Quarterly Business Results (1) Explanation of Business Results” on page 4.

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1. Qualitative Information Regarding Consolidated Quarterly Business Results

(1) Explanation of Business Results

During the subject third quarter cumulative period (July 1, 2018 to March 31, 2019), the business climate remained comparatively firm through first half of the fiscal period, despite a succession of natural disasters in Japan, on the back of the strong U.S. economy and internal demand centered on capital investment. In the second half, however, the outlook has become increasingly clouded by such concerns as the intensifying U.S.-China trade friction, and political instability in the U.S. and major European countries.

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 (Stabilize management 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 FY6/19, the first year of the new medium-term management plan, DIT will continue its two-pronged business strategy of “stabilize the business foundation” and “strengthen growth factors,” while also pursuing a new level of management to achieve Triple 10*, its medium-term targets for FY6/21.

* Triple 10

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

In terms of renovation, DIT achieved steady growth as a result of continued investment in information technology by financial institutions, and an increase in capital investment in the automotive industry.

In terms of innovation, DIT achieved steady growth as a result of ongoing efforts to enhance product appeal and strengthen sales for WebARGUS¹, DIT's in-house products built on proprietary technology, and the Excel process innovation platform xoBlos².

Also, in the previous fiscal year strong-performing businesses drove growth, offsetting slowdowns in poorly performing areas, but in the subject fiscal year profitability has improved overall, with an increase in the operating profit margin.

As a result, net sales in the subject third quarter cumulative period amounted to ¥9,148,724 thousand (up 9.7% from the same period of the previous fiscal year), with operating income of ¥955,031 (up 46.6%), ordinary income of ¥961,530 (up 49.0%), and profit attributable to owners of parent of ¥661,547 thousand (up 52.3%).

Notes

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 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.

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

1. Software Development Business

In the business solutions unit, sales increased steadily for financial business system development and operational support, along with continued growth in orders centered on existing customers, including expansion in logistics system development.

In the embedded product solutions unit, results were favorable as steady growth continued in software development for in-vehicle devices, including an increase in orders for connected car-related products.

In the original products unit, sales grew steadily as a result of the group's product and sales strategies. For WebARGUS, DIT expanded sales opportunities as a result of gradual adoption by major users, and pursuing collaborations with external cybersecurity specialist companies. For xoBlos, DIT 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 to enhance data value. These efforts greatly increased the volume of customer inquiries.

As a result, net sales in the Software Development segment amounted to ¥8,636,285 thousand (up 9.8% from the same period of the previous fiscal year), with operating income of ¥891,407 thousand (up 35.4%).

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. Revenue and earnings increased in this segment as a result of an increase in system renewal and modification-related sales to accommodate the change in the Japanese era name, and 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 ¥513,897 thousand (up 7.0% from the same period of the previous fiscal year), with operating income of ¥63,574 thousand (compared to an operating loss of ¥6,428 thousand a year earlier).

(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 assets amounted to ¥3,960,534 thousand, an increase of ¥563,207 thousand compared to the end of the previous fiscal year. This was due mainly to increases of ¥219,383 thousand in cash and deposits; and ¥284,184 thousand in notes and accounts receivable—trade; against a decrease of ¥7,260 thousand in "other."

(Noncurrent Assets)

Noncurrent assets amounted to ¥757,956 thousand, an increase of ¥72,071 thousand compared to the end of the previous fiscal year. This was due mainly to an increase of ¥81,373 thousand in investments and other assets; against a decrease of ¥6,369 thousand in intangible assets.

(Current Liabilities)

Current liabilities amounted to ¥1,547,227 thousand, an increase of ¥242,637 thousand compared to the end of the previous fiscal year. This was due mainly to increases of ¥95,283 thousand in accounts payable—trade; and ¥208,202 thousand in provision for bonuses; against a decrease of ¥115,407 thousand in "other."

(Noncurrent Liabilities)

Noncurrent liabilities amounted to ¥88,967 thousand, a decrease of ¥67,741 thousand compared to the end of the previous fiscal year. This was due mainly to a decrease of ¥67,250 thousand in long-term accounts payable—other.

(Net Assets)

Net assets amounted to ¥3,082,294 thousand, an increase of ¥460,384 thousand compared to the end of the previous fiscal year. This was due mainly to an increase of ¥461,850 thousand in retained earnings.

(3) Explanation of Results Forecasts and Other Future Predictions

For information on revisions to consolidated results forecasts, see “Notice of Revision to Results Forecast and Dividend Forecast” released today (May 15, 2019).

2. Consolidated Quarterly Financial Statements and Main Notes

(1) Consolidated Quarterly Balance Sheets

(Thousands of yen)

	End of the Fiscal Year Ended June 30, 2018 (As of June 30, 2018)	End of the Third Quarter of the Fiscal Year Ending June 30, 2019 (As of March 31, 2019)
ASSETS		
Current assets:		
Cash and deposits	1,627,409	1,846,792
Notes and accounts receivable — trade	1,562,636	1,846,821
Merchandise	13,252	34,572
Work in process	123,328	168,993
Other	70,907	63,647
Allowance for doubtful accounts	(209)	(293)
Total current assets	3,397,326	3,960,534
Noncurrent assets:		
Property, plant and equipment	115,160	112,227
Intangible assets	18,628	12,259
Investments and other assets:		
Other	585,240	666,529
Allowance for doubtful accounts	(33,144)	(33,059)
Total investments and other assets	552,095	633,469
Total noncurrent assets	685,884	757,956
Total assets	4,083,210	4,718,490
LIABILITIES		
Current liabilities:		
Accounts payable — trade	328,674	423,957
Income taxes payable	188,096	235,284
Provision for bonuses	—	208,202
Provision for loss on order received	74	7,444
Other	787,745	672,338
Total current liabilities	1,304,590	1,547,227
Noncurrent liabilities:		
Long-term accounts payable — other	130,611	63,361
Net defined benefit liability	4,561	5,352
Other	21,536	20,254
Total noncurrent liabilities	156,709	88,967
Total liabilities	1,461,300	1,636,195
NET ASSETS		
Shareholders' equity:		
Capital stock	453,156	453,156
Capital surplus	459,214	459,214
Retained earnings	1,835,232	2,297,083
Treasury stock	(137,223)	(137,291)
Total shareholders' equity	2,610,379	3,072,161
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	9,117	7,816
Foreign currency translation adjustments	2,413	2,316
Total accumulated other comprehensive income	11,531	10,132
Total net assets	2,621,910	3,082,294
Total liabilities and net assets	4,083,210	4,718,490

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

	(Thousands of yen)	
	The Nine-Month of Fiscal 2017 (July 1, 2017 to March 31, 2018)	The Nine-Month of Fiscal 2018 (July 1, 2018 to March 31, 2019)
Net sales	8,339,037	9,148,724
Cost of Sales	6,369,184	6,876,734
Gross profit	1,969,853	2,271,989
Selling, general and administrative expenses	1,318,422	1,316,958
Operating income	651,430	955,031
Non-operating income		
Interest income	252	253
Dividend income	60	82
Commission fee	3,297	2,940
Subsidy income	3,210	427
Insurance income	243	8,000
Other	611	386
Total non-operating income	7,675	12,090
Non-operating expenses		
Interest expenses	882	270
Donations for disaster relief	—	1,000
Foreign exchange losses	4,253	714
Loss on insurance cancellation	2,412	—
Office transfer expenses	5,234	3,405
Other	1,171	201
Total non-operating expenses	13,954	5,591
Ordinary income	645,150	961,530
Net income before income taxes	645,150	961,530
Income taxes — current	246,113	339,329
Income taxes — deferred	(35,368)	(39,347)
Total income taxes	210,744	299,982
Net income	434,406	661,547
Profit attributable to owners of parent	434,406	661,547

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

(Thousands of yen)

	The Nine-Month of Fiscal 2017 (July 1, 2017 to March 31, 2018)	The Nine-Month of Fiscal 2018 (July 1, 2018 to March 31, 2019)
Net income	434,406	661,547
Other comprehensive income		
Other valuation difference on available-for-sale securities	17,207	(1,301)
Foreign currency translation adjustments	198	(97)
Total other comprehensive income	17,405	(1,398)
Comprehensive income	451,811	660,149
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	451,811	660,149

(3) Notes to Consolidated Financial Statements
(Notes Regarding Going-Concern Assumption)

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable.

(Additional Information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

From the first period of the subject fiscal year, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). Deferred tax assets are shown in "Investments and other assets," and deferred tax liabilities are shown in "Noncurrent liabilities."

(Segment and Other Information)

Segment Information

I. The Nine-Month of Fiscal 2017 (July 1, 2017 to March 31, 2018)

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

(Thousands of 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	7,862,441	476,595	8,339,037	—	8,339,037
Intrasegment net sales and transfers	4,393	3,572	7,965	(7,965)	—
Total	7,866,835	480,167	8,347,003	(7,965)	8,339,037
Segment income (loss)	658,292	(6,428)	651,864	(434)	651,430

Notes:

1. The ¥434 thousand adjustment to segment income (loss) is mainly intersegment eliminations.
2. Segment income (loss) is adjusted with operating income in the consolidated quarterly statements of income.

II. The Nine-Month of Fiscal 2018 (July 1, 2018 to March 31, 2019)

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

(Thousands of 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	8,636,105	512,618	9,148,724	—	9,148,724
Intrasegment net sales and transfers	180	1,278	1,458	(1,458)	—
Total	8,636,285	513,897	9,150,182	(1,458)	9,148,724
Segment income	891,407	63,574	954,981	50	955,031

Notes:

1. The ¥50 thousand adjustment to segment income is mainly intersegment eliminations.
2. Segment income is adjusted with operating income in the consolidated quarterly statements of income.

(Material Subsequent Events)

The Company, at a meeting of its Board of Directors held on May 15, 2019, resolved to introduce an Employee Stock Ownership Plan (“the J-ESOP”) as an incentive plan to provide the Company’s stock to employees. By further strengthening the relationship between the Company’s share price and business results, and the treatment of employees, the J-ESOP aims to enhance employee motivation and inspiration for increasing the Company’s share price and business results. A trust (“the Trust”) will be established based on a trust contract concluded with Mizuho Trust & Banking Co., Ltd.

1. Background to the Introduction

The Company, from the standpoint of fostering a sense of belonging among employees and motivation to increase the share price, had been considering the introduction of an Employee Stock Ownership Plan (ESOP) for employees as part of an incentive plan. The Company has now decided to introduce the J-ESOP, a compensation system to provide the Company’s shares to employees, and reflect that value in their treatment.

2. Overview of the J-ESOP

The J-ESOP is a system to provide the Company’s stock to Company employees who meet certain requirements based on the Stock Benefits Rules prescribed in advance by the Company.

The Company will confer points to employees based on the degree of individual contribution and other factors. Once an employee has acquired a right to the benefit by meeting certain conditions, Company stock is granted equivalent to the subject conferred points. Stock to be provided to employees will be acquired, including future portions, from funds in a trust established for this purpose, and administered separately as trust assets.

The introduction of the J-ESOP is expected to enhance interest among employees toward the stock price and improving business results, and contribute to even greater enthusiasm for work.

3. Overview of the Trust

- (1) Name: Employee Stock Ownership Plan (J-ESOP)
- (2) Trustor: Digital Information Technologies Corporation
- (3) Trustee: Mizuho Trust & Banking Co., Ltd.
(Secondary trustee: Trust and Custody Services Bank, Ltd.)
- (4) Beneficiaries: Employees who meet the beneficiary requirements prescribed in the Stock Benefits Rules.
- (5) Trust caretaker: Selected from among the Company’s employees
- (6) Type of trust: Money trust other than cash trust (third party beneficiary trust)
- (7) Date of trust agreement: May 30, 2019 (planned)
- (8) Date of entrusting money: May 30, 2019 (planned)
- (9) Trust period: From May 30, 2019 (planned) until the conclusion of the trust
(The Trust shall continue without a specific termination date as long as the J-ESOP exists.)

4. Acquisition of Company’s Stock for the Trust

- (1) Class of shares to be acquired: Ordinary stock of the Company
- (2) Amount entrusted for stock acquisition: 210 million yen
- (3) Upper limit on number of shares acquired: 140,000 shares
- (3) Acquisition method: Acquisition on exchange markets, mainly off-floor trading
- (4) Acquisition period: May 31, 2019 to June 14, 2019 (planned)