

Summary of Business Results for the Fiscal Year Ended June 2019 [Japan GAAP] (Consolidated)

August 9, 2019

Company **Digital Information Technologies Corporation** Listed on the TSE
 Stock Code 3916 URL: <http://www.ditgroup.jp/>
 Representative Satoshi Ichikawa, President and Representative Director
 Contact Ken Mochizuki, Director and Division Manager of Corporate Planning Division TEL: +81-3-6311-6532

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Preparation of supplementary financial document: Yes

Results briefing: Yes (for institutional investors and analysts)

(Rounded down to million yen)

1. Consolidated business results for the fiscal year ended June 2019 (July 1, 2018 through June 30, 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	%
Year ended Jun. 2019	12,355	11.5	1,095	39.0	1,106	39.9	737	38.8
Year ended Jun. 2018	11,076	7.8	787	20.5	790	23.3	531	14.0

(Note) Comprehensive income:

Year ended June 2019: 735 million yen (36.9%)

Year ended June 2018: 536 million yen (4.1 %)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended Jun. 2019	48.07	-	26.5	25.3	8.9
Year ended Jun. 2018	34.57	-	21.1	20.3	7.1

(Note) The Company conducted a 2-for-1 stock split effective on April 1, 2018. Therefore, net income per share and diluted net income per share are calculated assuming that the stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 2019	4,655	2,947	63.3	193.31
As of Jun. 2018	4,083	2,621	64.2	170.68

(Reference) Shareholders' equity:

As of June 2019: 2,947 million yen

As of June 2018: 2,621 million yen

(Note) The Company conducted a 2-for-1 stock split effective on April 1, 2018. Therefore, net assets per share are calculated assuming that the stock split was conducted at the beginning of the previous consolidated fiscal year.

(3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
Year ended Jun. 2019	693	-70	-415	1,834
Year ended Jun. 2018	747	-94	-373	1,627

2. Dividends

	Annual dividend					Total dividend (Total)	Dividend payout ratio (Consolidated)	Rate of total dividend to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended Jun. 2018	-	10.00	-	6.00	-	168	31.8	6.7
Year ended Jun. 2019	-	7.00	-	9.00	16.00	245	33.3	8.8
Year ending Jun. 2020 (forecast)	-	9.00	-	9.00	18.00		35.0	

(Note) The Company conducted a 2-for-1 stock split effective on April 1, 2018. Therefore, the year-end dividend for the fiscal year ended June 2018 has been adjusted to reflect the stock split.

3. Forecast of consolidated business results for the fiscal year ending June 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
Year ending Jun. 2020	13,030	5.5	1,180	7.7	1,177	6.4	790	7.3	51.81

*Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Changes in rules, procedures and indication methods of accounting procedures

- 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

(3) Shares outstanding (common stock)

① Number of shares outstanding at the end of period (treasury stock included)

As of June 2019 15,501,820 shares
As of June 2018 15,501,820 shares

② Treasury stock at the end of period:

As of June 2019 253,392 shares
As of June 2018 140,464 shares

③ Average number of stock during period (cumulative period)

Year ended June 2019 15,351,723 shares
Year ended June 2018 15,382,116 shares

(Note1) The Company conducted a 2-for-1 stock split effective on April 1, 2018. Therefore, number of shares outstanding (common stock) is calculated assuming that the stock split was conducted at the beginning of the previous consolidated fiscal year.

(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).

(Reference) Summary of non-consolidated business results

1. Non-consolidated business results for the fiscal year ended June 2019

(July 1, 2018 through June 30, 2019)

(1) Non-consolidated results of operations

(% represents the change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Jun. 2019	11,696	11.5	1,049	31.7	1,058	33.3	705	30.7
Year ended Jun. 2018	10,488	8.5	796	25.8	793	27.6	539	19.4

	Net income per share
	Yen
Year ended Jun. 2019	45.96
Year ended Jun. 2018	35.10

(Note) The Company conducted a 2-for-1 stock split effective on April 1, 2018. Therefore, net income per share is calculated assuming that the stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 2019	4,274	2,682	62.8	175.91
As of Jun. 2018	3,750	2,388	63.7	155.50

(Reference) Shareholders' equity:

As of June 2019: 2,682 million yen

As of June 2018: 2,388 million yen

(Note) The Company conducted a 2-for-1 stock split effective on April 1, 2018. Therefore, net assets per share were calculated assuming that the stock split was conducted at the beginning of the previous consolidated fiscal year.

***Financial summary is not subject to 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. Overview of Business Results

(1) Business Results for the Subject Period

During the subject fiscal year (July 1, 2018-June 30, 2019), the Japanese economy showed moderate recovery trend, supported by a strong U.S. market and internal demand, mainly for equipment investments, although it was temporarily weakened due to a series of natural disasters and the intensification of U.S. Trade Friction, etc.

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 FY6/19, the first year of the medium-term management plan, DIT has continued 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. As a result, the Company has achieved the operating income target of 1 billion yen for FY6/19.

*Triple 10

- Net sales of 10.0 billion yen in FY6/18 (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 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 WebARGUS*¹, DIT's in-house products built on proprietary technology, and the Excel process innovation platform xoBlos*².

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 by 1.8% to 8.9%.

As a result, net sales in the subject fiscal year amounted to 12,355,774 thousand yen (up 11.5% year on year), with operating income of 1,095,152 thousand yen (up 39.0%), ordinary income of 1,106,433 thousand yen (up 39.9%), and net income attributable to owners of parent of 737,962 thousand yen (up 38.8%).

(*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. (Excel® is a registered trademark in the U.S. And other countries by the U.S. Microsoft Corporation)

Results by segment are as follows.

Of note, figures for segment net sales and earnings (operating income) and segment loss (operating loss) 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 and public 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 via xoBlos 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 11,677,447 thousand yen (up 11.6% year on year), with operating income of 1,041,831 thousand yen (up 30.4%).

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 681,925 thousand yen (up 9.1% year on year), with segment income of 53,255 thousand yen (compared to a segment loss of 10,650 thousand yen a year earlier).

On July 1, 2019, the Company changed the name of Toyo Infonet Co., Ltd., a subsidiary that mainly sells systems, to DIT Marketing Service Co., Ltd. to clarify its position as a sales company within the DIT Group.

(2) Financial Position

The overview of assets, liabilities, and net assets in the subject fiscal year is as follows.

(Current Assets)

Current assets amounted to 3,933,499 thousand yen, an increase of 536,173 thousand yen compared to the end of the previous fiscal year. This was due mainly to increases of 213,380 thousand yen in cash and deposits; and 330,121 thousand yen in notes and accounts receivable—trade.

(Noncurrent Assets)

Noncurrent assets amounted to 721,885 thousand yen, an increase of 36,000 thousand yen compared to the end of the previous fiscal year. This was mainly due to increases of 17,235 thousand yen in property, plant and equipment, 19,922 thousand yen in investment securities, and 13,818 thousand yen in lease and guarantee deposits, and decreases of 7,873 thousand yen in intangible assets and 12,962 thousand yen in deferred tax assets.

(Current Liabilities)

Current liabilities amounted to 1,601,710 thousand yen, an increase of 297,119 thousand yen compared to the end of the previous fiscal year. This was mainly due to increases of 64,678 thousand yen in accounts payable-trade, 158,516 thousand yen in accounts payable-other, 30,163 thousand yen in accrued consumption taxes, and 21,696 thousand yen in others.

(Noncurrent Liabilities)

Noncurrent liabilities amounted to 105,966 thousand yen, a decrease of 50,743 thousand yen compared to the end of the previous fiscal year. This was mainly due to a decrease of 67,522 thousand yen in long-term accounts payable-other; against an increase of 16,375 thousand yen in "other."

(Net Assets)

Net assets amounted to 2,947,708 thousand yen, an increase of 325,797 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase of 538,265 thousand yen in retained earnings and a decrease of 209,780 thousand yen due to the purchase of treasury stock.

(3) Cash Flows

Cash and cash equivalents at the end of the fiscal year increased 207,302 thousand yen from the end of the previous fiscal year to 1,834,712 thousand yen.

The factors contributing the changes in cash flows during the subject fiscal year are as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities was 693,823 thousand yen (747,312 thousand yen provided in the previous fiscal year) due to the recording of net income before income taxes of 1,038,162 thousand yen, payments for an increase in notes and accounts receivable-trade of 330,121 thousand yen, proceeds from an increase in accounts payable-other and accrued expenses of 123,406 thousand yen, payments for a decrease in long-term accounts payable-other of 67,522 thousand yen, and payments for income taxes of 270,595 thousand yen.

(Cash Flows from Investing Activities)

Net cash used in investing activities was 70,412 thousand yen (94,208 thousand yen used in the previous fiscal year), mainly due to the purchase of investment securities (41,669 thousand yen) and payments for lease and guarantee deposits (22,842 thousand yen).

(Cash Flows from Financing Activities)

Net cash used in financing activities was 415,791 thousand yen (compared with 373,846 thousand yen used in the previous fiscal year), mainly due to cash dividends paid (198,013 thousand yen) and purchase of treasury stock (209,780 thousand yen).

(4) Future Outlook

In July 2019, the Cabinet Office expressed its expectation that the Japanese economy as a whole would continue to recover moderately, due in part to the effects of various policies amid the continuing improvement in the employment and income situation, although the outlook remains weak for the time being. However, the Cabinet Office anticipates that further attention should be paid to the impact of trade issues on the global economy, uncertainties regarding the outlook for the Chinese economy, developments in overseas economies and policies, and the impact of fluctuations in financial and capital markets.

In the information services industry to which the Company belongs, the development of new fields such as AI, IoT, RPA, and Fintech has led to the rapid spread of DX (Digital Transformation). IT investments are expected to continue to be brisk. As evidenced by these developments, the Bank of Japan's July 2019 Short Economic Survey shows a 12.4% year on year increase in software investment plans across all industries. This suggests that firms continue to have a strong desire to invest in software.

Under such conditions, during FY6/20, the second year of its new medium-term management plan, DIT will continue its two-pronged business strategy of “stabilize the business foundation” and “strengthen growth factors,” while also focusing on profit ratio to achieve Triple 10, its medium-term targets for FY6/21.

Business plans by segment are as follows.

① Software Development Business

To “stabilize the business foundation,” the Company will leverage the strengths to further expand and stabilize the foundation, as stable transactions with existing customers continue mainly in the financial sector in the Business Solutions unit, and the performance of the Embedded Solutions unit has showed strong growth centered on automotive applications.

To “strengthen growth factors,” the Company aims to expand the business, strengthen profitability, and even establish a brand by providing total security services centered on the DIT Security brand in the Cybersecurity Business. In addition, in business efficiency-improving operations, we will establish a sales system for xoBlos, our main product, in cooperation with DIT Marketing Service Co., Ltd., our subsidiary, with the aim of further expanding our business and strengthening profitability. Also, we will continue to focus on business development through collaboration with the system integration (SI) expertise and operational services of the business foundation.

② System Sales Business

In the mainstay “Rakuichi” system sales business, in addition to the traditional support of core operations such as sales management, accounting, and salaries, the Company will advance into operational support that is useful for management, such as support for the creation of management analysis materials using a data analysis function, and thereby promote long-term, stable transactions.

As a result, for the next fiscal year (FY6/20), DIT is forecasting net sales of 13,030 million yen (up 5.5% year on year), with operating income of 1,180 million yen (up 7.7%), ordinary income of 1,177 million yen (up 6.4%), and net income attributable to owners of parent of 790 million yen (up 7.3%).

(5) Basic Policy on Profit Distribution and Dividends for the Subject and Next Periods

DIT considers returns to shareholders to be an important management issue, and believes in the importance of a stable and continuous dividend. Regarding the payout ratio, on the premise of revising the ratio while giving due consideration of the balance with internal reserves to support business expansion, the Company's policy is to maintain above 30%.

Regarding dividends for the subject fiscal year, as announced in "Notice of Revision to Business Forecast and Dividend Forecast" (May 15, 2019), DIT plans to provide a year-end dividend of 9 yen per ordinary share. Along with this, we plan to pay a total of 16 yen, including an interim dividend of 7 yen.

For FY6/20, in accordance with the above basic policy, the Company plans to increase its annual dividend by 2 yen to 18 yen per share, comprising an interim dividend of 9 yen, and a year-end dividend of 9 yen.

2. Overview of the Corporate Group

The DIT Group is an independent information services company, comprising the Company and two consolidated subsidiaries. Its main businesses are software development and system sales.

(1) Software Development Business

(Business Solutions Unit)

① Business system development

This business focuses on custom development for end-users and information system subsidiaries in a wide range of fields, including finance, medical/pharmaceutical, communications, logistics, and transportation. It also provides custom development on a contract basis for major system integration (SI) vendors. Specifically, this business utilizes the technologies it has accumulated in various sectors for websites and key systems, front and back office operations, new system development and maintenance, building trusting relationships with leading companies in various business sectors in order to secure stable orders.

② System operation support

This business provides operational support for clients' business systems, including support desks to handle inquiries from internal users at the client company, as well as the building and maintenance of infrastructure (servers, networks, etc.). Because this is an ongoing business alongside the business domains of major clients, it generates stable earnings.

(Embedded Product Solutions Unit)

① Embedded product development

This business develops software for in-vehicle devices, mobile devices, information home appliances, and communication equipment. For in-vehicle devices, mobile devices and information home appliances, the business develops custom software for the overall system, including firmware, device controls, and applications.

In particular, for the growing field of in-vehicle devices, the business focuses on infotainment, as well as new technologies such as intelligent transport systems (ITS) and auto-drive systems. For communication equipment, the business provides custom software development for wireless base stations, communication module devices, and virtual networks*.

*Virtual network: Technology that uses software controls to flexibly rebuild network architecture without altering the physical network.

② Embedded product verification

This business provides verification of product quality and functionality on a contract basis, and through its verification service, makes suggestions on improving functionality and products.

The business offers a range of verification services, including laboratory tests using specialized equipment to verify product operation and function, field tests to verify products in the actual usage environments in Japan and internationally (North America, Asia, Europe, etc.), and comprehensive system tests conducted from a third-party perspective as the final quality verification. Field tests conducted outside Japan are consigned as necessary to the Company's subsidiary DIT America, LLC, ensuring prompt service and verification of product usability from the perspective of local staff. Applicable products include in-vehicle devices, medical devices, communication equipment, and mobile devices.

(Original Products Unit)

① Cybersecurity products

The main products in this business are WebARGUS, a solution to instantly detect tampering on a website and restore it to its original state, and APMG (Anti Phishing Mail Gateway), a solution to counter phishing emails.

This business also partners with external cybersecurity firms to offer total security services.

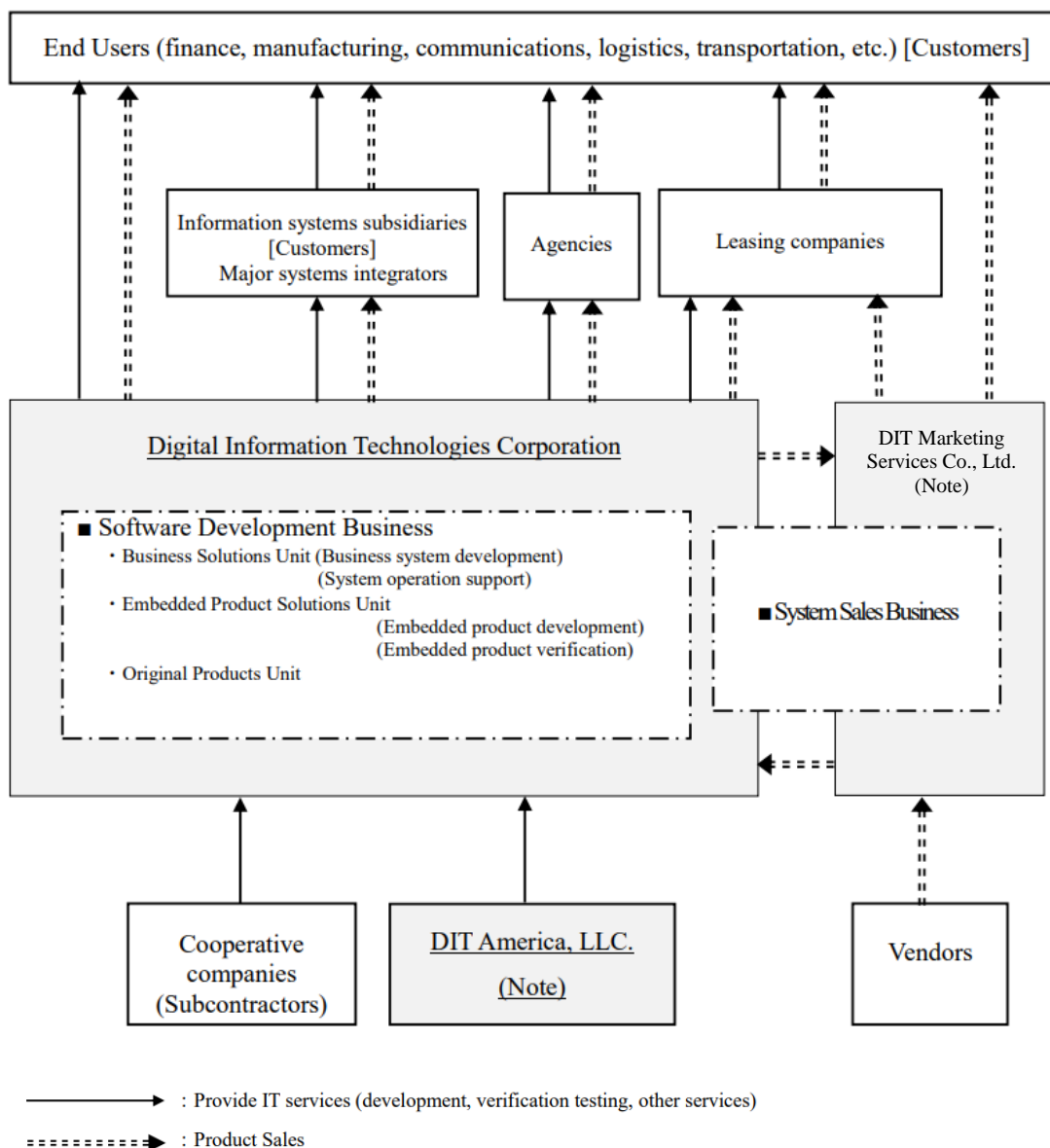
② Business process efficiency products

"XoBlos", a platform for Excel business innovation, enables dramatic improvements in business efficiencies by automating Excel operations. It also proactively provides services tailored to the needs of markets, such as functions that works seamlessly with budget management solutions and various types of RPA and ERP products

(2) System Sales Business

The System Sales segment mainly comprises sales by DIT and its subsidiary DIT Marketing Service Co., Ltd. of "Rakuichi," a business support core system for small and medium enterprises.

The business system diagram is as follows.



(NOTE) Consolidated subsidiaries

3. Basic Policy on Selection of Accounting Standards

The majority of stakeholders in the DIT Group are based in Japan, including shareholders, creditors, and business partners. Accordingly, the Company has decided to use Japanese accounting standards for the time being

Regarding application of IFRS standards, the Company plans to respond appropriately, based on due consideration of the situation in Japan and internationally.

4. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Thousand yen)

	FY6/18 (As of June 30, 2018)	FY6/19 (As of June 30, 2019)
ASSETS		
Current assets		
Cash and deposits	1,627,409	1,840,790
Notes and accounts receivable — trade	1,562,636	1,892,757
Merchandise	13,252	22,787
Work in process	123,328	117,427
Other, net	70,907	59,950
Allowance for doubtful accounts	-209	-214
Total current assets	3,397,326	3,933,499
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	65,987	66,968
Tools, furniture and fixtures	19,927	20,600
Lease assets	46,440	57,714
Accumulated depreciation	-79,212	-74,904
Land	62,018	62,018
Total property, plant and equipment	115,160	132,396
Intangible assets		
Software	16,784	9,416
Other, net	1,843	1,338
Total intangible assets	18,628	10,755
Investments and other assets		
Investment securities	72,221	92,144
Lease and guarantee deposits	130,440	144,258
Insurance funds	247,705	253,276
Deferred tax assets	89,714	76,752
Other, net	45,157	45,345
Allowance for doubtful accounts	-33,144	-33,044
Total investments and other assets	552,095	578,733
Total noncurrent assets	685,884	721,885
Total assets	4,083,210	4,655,384

(Thousand yen)

	FY6/18 (As of June 30, 2018)	FY6/19 (As of June 30, 2019)
LIABILITIES		
Current liabilities		
Accounts payable — trade	328,674	393,353
Accounts payable — other	168,327	326,844
Accrued expenses	195,430	210,281
Income taxes payable	188,096	195,102
Accrued consumption taxes	157,585	187,748
Provision for loss on order received	74	282
Other, net	266,401	288,097
Total current liabilities	1,304,590	1,601,710
Noncurrent liabilities		
Long-term accounts payable — other	130,611	63,089
Net defined benefit liability	4,561	5,348
Deferred tax assets	977	593
Other, net	20,558	36,933
Total noncurrent liabilities	156,709	105,966
Total liabilities	1,461,300	1,707,676
NET ASSETS		
Shareholders' equity		
Capital stock	453,156	453,156
Capital surplus	459,214	459,214
Retained earnings	1,835,232	2,373,497
Treasury stock	-137,223	-347,003
Total shareholders' equity	2,610,379	2,938,864
Accumulated other comprehensive income:		
Other valuation difference on available-for-sale securities	9,117	6,733
Foreign currency translation adjustments	2,413	2,110
Total accumulated other comprehensive income	11,531	8,844
Total net assets	2,621,910	2,947,708
Total liabilities and net assets	4,083,210	4,655,384

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	FY6/18 (July 1, 2017 to June 30, 2018)	FY6/19 (July 1, 2018 to June 30, 2019)
Net sales	11,076,924	12,355,774
Cost of Sales	8,481,858	9,405,856
Gross profit	2,595,065	2,949,917
Selling, general and administrative expenses	1,807,284	1,854,764
Operating Income	787,780	1,095,152
Non-operating income		
Interest and dividend income	512	571
Subsidy income	8,706	4,331
Commission fee	4,440	4,177
Insurance income	-	8,000
Other, net	3,900	302
Total non-operating income	17,560	17,382
Non-operating expenses		
Interest expenses	986	386
Commission fee	1,171	1,130
Office transfer expenses	5,261	3,405
Foreign exchange losses	4,648	938
Other, net	2,385	240
Total non-operating expenses	14,454	6,102
Ordinary Income	790,887	1,106,433
Extraordinary loss		
Loss on valuation of investment securities	-	68,270
Total extraordinary losses	-	68,270
Net Income before income taxes	790,887	1,038,162
Income taxes — current	248,584	286,556
Income taxes — deferred	10,600	13,643
Total income taxes	259,185	300,200
Net income	531,701	737,962
Net income attributable to owners of parent	531,701	737,962

Consolidated Statement of Comprehensive Income

(Thousand yen)

	FY6/18 (July 1, 2017 to June 30, 2018)	FY6/19 (July 1, 2018 to June 30, 2019)
Net income	531,701	737,962
Other comprehensive income		
Other valuation difference on available-for-sale securities	5,412	-2,384
Foreign currency translation adjustments	-192	-302
Total other comprehensive income	5,219	-2,686
Comprehensive income	536,921	735,275
(Breakdown)		
Comprehensive income attributable to owners of the parent	536,921	735,275
Comprehensive income attributable to non- controlling interests	-	-

(3) Consolidated Statement of Changes in Shareholders' Equity
 FY6/18 (July 1, 2017 to June 30, 2018)

(Thousand yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of previous period	453,156	459,214	1,496,598	-457	2,408,511
Changes of items during the period					
Issuance of new shares					-
Purchase of treasury shares				-136,766	-136,766
Dividends of surplus			-193,068		-193,068
Net income attributable to owners of parent			531,701		531,701
Net changes of items other than shareholders' equity					
Total changes during period	-	-	338,633	-136,766	201,867
Balance at the end of current period	453,156	459,214	1,835,232	-137,223	2,610,379

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the end of previous period	3,705	2,606	-	6,311	2,414,823
Changes of items during the period					
Purchase of treasury shares					-136,766
Dividends of surplus					-193,068
Net income attributable to owners of parent					531,701
Net changes of items other than shareholders' equity	5,412	-192	-	5,219	5,219
Total changes during period	5,412	-192	-	5,219	207,087
Balance at the end of current period	9,117	2,413	-	11,531	2,621,910

FY6/19 (July 1, 2018 to June 30, 2019)

(Thousand yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of previous period	453,156	459,214	1,835,232	-137,223	2,610,379
Changes of items during the period					
Purchase of treasury shares				-209,780	-209,780
Dividends of surplus			-199,697		-199,697
Net income attributable to owners of parent			737,962		737,962
Net changes of items other than shareholders' equity					
Total changes during period	-	-	538,265	-209,780	328,484
Balance at the end of current period	453,156	459,214	2,373,497	-347,003	2,938,864

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the end of previous period	9,117	2,413	-	11,531	2,621,910
Changes of items during the period					
Purchase of treasury shares					-209,780
Dividends of surplus					-199,697
Net income attributable to owners of parent					737,962
Net changes of items other than shareholders' equity	-2,384	-302	-	-2,686	-2,686
Total changes during period	-2,384	-302	-	-2,686	325,797
Balance at the end of current period	6,733	2,110	-	8,844	2,947,708

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	FY6/18 (July 1, 2017 to June 30, 2018)	FY6/19 (July 1, 2018 to June 30, 2019)
Net cash provided by (used in) operating activities		
Net Income before income taxes	790,887	1,038,162
Depreciation and amortization	30,776	28,990
Increase (decrease) in allowance for doubtful accounts	-466	-94
Increase (decrease) in provision for loss on order received	74	207
Increase (decrease) in net defined benefit liability	-264,729	787
Interest and dividends income	-512	-571
Insurance income	-	-8,000
Interest expenses	986	386
Loss (gain) on valuation of investment securities	-	68,270
Increase (decrease) in deposits in trust	-	-6,078
Decrease (increase) in notes and accounts receivable — trade	-7,095	-330,121
Decrease (increase) in inventories	8,377	-3,607
Increase (decrease) in notes and accounts payable — trade	10,691	64,678
Increase (decrease) in accounts payable — other and accrued expenses	71,748	123,406
Increase (decrease) in long-term accounts payable — other	130,611	-67,522
Decrease (increase) in other assets	-1,897	10,643
Increase (decrease) in other liabilities	173,559	36,852
Other, net	-855	-156
Subtotal	942,155	956,233
Interest and dividends income received	512	571
Interest expenses paid	-397	-386
Income taxes paid	-194,959	-270,595
Proceeds from insurance income	-	8,000
Net cash provided by (used in) operating activities	747,312	693,823
Net cash provided by (used in) investing activities		
Purchases of investment securities	-50,651	-41,669
Purchases of property, plant and equipment	-6,121	-3,185
Purchases of intangible assets	-6,031	-
Collection of loans receivable	461	100
Purchase of insurance funds	-5,530	-5,688
Proceeds from cancellation of insurance funds	19,251	179
Payments for lease and guarantee deposits	-45,980	-22,842
Proceeds from collection of lease and guarantee deposits	395	2,694
Net cash provided by (used in) investing activities	-94,208	-70,412
Net cash provided by (used in) financing activities		
Repayment of long-term loans payable	-37,610	-
Repayments of lease obligations	-7,719	-7,997
Purchase of treasury stock	-136,766	-209,780
Cash dividends paid	-191,750	-198,013
Net cash provided by (used in) financing activities	-373,846	-415,791
Effect of exchange rate change on cash and cash equivalents	1,760	-315
Net increase (decrease) in cash and cash equivalents	281,017	207,302
Cash and cash equivalents at beginning of period	1,346,391	1,627,409
Cash and cash equivalents at end of period	1,627,409	1,834,712

(5) Notes to Consolidated Financial Statements
(Notes Regarding Going-Concern Assumption)
Not applicable.

(Changes in Accounting Policies)
Not applicable.

(Additional Information)

(Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts)

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.

(1) Summary of transactions

The J-ESOP is a system to provide the Company’s stock to Company and the Group 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.

(2) Treasury stock remaining in the trust

The book value of the Company’s shares remaining in the trust (excluding the amount of incidental expenses). Treasury stock is included in net assets. The book value and number of shares of treasury stock at the end of the fiscal year were 209,582 thousand yen and 112,800 shares.

(Consolidated Statements of Cash Flows)

*Reconciliation of cash and cash equivalents at end of period with cash items on balance sheet

(Thousand yen)

	FY6/18 (July 1, 2017 to June 30, 2018)	FY6/19 (July 1, 2018 to June 30, 2019)
Cash and deposits	1,627,409	1,834,712
Trust deposit	-	6,078
Cash and cash equivalents	1,627,409	1,840,790

(Segment Information)

Segment Information

1. Overview of Reportable Segments

The reportable segments of the DIT Group are those constituent units of the corporate group for which separate financial information is available. The Board of Directors regularly reviews the reportable segments to determine allocation of management resources, and evaluate business results.

Accordingly, the two reportable segments are Software Development, which comprises the core of the Company, and System Sales, the main business of the Company's subsidiary Toyo Infonet Co., Ltd. (Current DIT Marketing Service Co., Ltd.)

The content of the services applicable to each segment are as follows.

Business Segment	Content of Service
Software Development Business	Business solutions (business system development, system operation support), embedded product solutions (embedded product development, embedded product verification), original products
System Sales Business	Sales of the "Rakuichi" business support core system

2. Method for Calculating Amounts of Net Sales, Profit/Loss, Assets, and Other Items for Each Reportable Segment

The accounting method for reportable business segments is the same as "Significant Matters that Serve as the Basis for Preparation of Consolidated Financial Statements."

Profit figures for reportable segments are on an operating income basis.

Intersegment sales and transfers are based on market prices.

3. Information Regarding Net Sales, Profit and Loss, Assets, Liabilities and Other Items by Reporting Segment

FY6/18 (July 1, 2017 to June 30, 2018)

(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	10,457,161	619,763	11,076,924	-	11,076,924
Intrasegment net sales and transfers	5,363	5,055	10,418	-10,418	-
Total	10,462,524	624,818	11,087,342	-10,418	11,076,924
Segment income (loss)	798,849	-10,650	788,198	-417	787,780
Segment assets	3,723,615	363,453	4,087,068	-3,857	4,083,210
Other items					
Depreciation	28,737	2,111	30,849	-73	30,776
Increase in property, plant and equipment and intangible assets	6,206	400	6,606	-484	6,121

(Notes)

1. Adjustments are as follows.

(1) Adjustment to segment income of -417 thousand yen is mainly intersegment eliminations.

(2) Adjustment to segment assets of -3,857 thousand yen is mainly intersegment eliminations.

(3) The adjustments for depreciation, and increases in property, plant, and equipment and intangible assets, are intersegment unrealized losses and gains.

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

	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	11,677,207	678,567	12,355,774	-	12,355,774
Intrasegment net sales and transfers	240	3,357	3,597	-3,597	-
Total	11,677,447	681,925	12,359,372	-3,597	12,355,774
Segment income (loss)	1,041,831	53,255	1,095,086	66	1,095,152
Segment assets	4,256,299	403,797	4,660,097	-4,712	4,655,384
Other items					
Depreciation	27,245	1,811	29,056	-66	28,990
Increase in property, plant and equipment and intangible assets	31,294	680	31,974	-	31,974

(Note) 1. Notes Adjustments are as follows.

- (1) Adjustment to segment income of 66 thousand yen is mainly intersegment eliminations.
 - (2) Adjustment to segment assets of -4,712 thousand yen is mainly intersegment eliminations.
 - (3) Adjustments to depreciation and amortization represent unrealized gains and losses among segments.
2. Segment income is adjusted with operating income in the consolidated financial statements.

(Per Share Information)

	FY6/18 (July 1, 2017 to June 30, 2018)	FY6/19 (July 1, 2018 to June 30, 2019)
Net assets per share of common stock	170.68 yen	193.31 yen
Net income per share	34.57 yen	48.07 yen

(Note) 1. The Company conducted a 2-for-1 common stock split on April 1, 2018. The figures for net assets per share and net income per share are calculated assuming the subject stock split was conducted at the beginning of the previous fiscal year.

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

3. The Company's shares that remain in the stock benefit trust (J-ESOP) that is recorded as a treasury stock in the shareholder's equity are included in the treasury stock that are deducted from the total number of shares issued at the end of the period for the calculation of the amount of net assets per share (previous fiscal year: -shares, current fiscal year: 112,800 shares). For calculating net income per share, it is also included in the number of treasury stock to be deducted from the calculation of the average number of shares during the period (previous fiscal year: -shares, current fiscal year: 9,580 shares).

4. The basis for calculating net income per share is presented as follows:

	FY6/18 (July 1, 2017 to June 30, 2018)	FY6/19 (July 1, 2018 to June 30, 2019)
Net income per share		
Net income attributable to owners of parent (thousand yen)	531,701	737,962
Amounts not applicable to ordinary shareholders (thousand yen)	-	-
Net income attributable to owners of parent applicable to common stock (thousand yen)	531,701	737,962
Average number of common shares (shares)	15,382,116	15,351,723

(Important Subsequent Events)

Not applicable.