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May 15, 2024

Summary of Business Results for the Third Quarter Ended March 31, 2024 [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: May 15, 2024
 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 nine months ended March 31, 2024 (from July 1, 2023 to March 31, 2024)

(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	%
Nine months ended								
March 31, 2024	14,736	8.9	1,878	22.2	1,849	19.2	1,240	13.9
March 31, 2023	13,535	13.4	1,536	-4.5	1,551	-4.1	1,089	-3.5

Note: Comprehensive income For the nine months ended March 31, 2024: ¥1,297 million [20.0%]
 For the nine months ended March 31, 2023: ¥1,081 million [-4.0%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
March 31, 2024	82.96	-
March 31, 2023	71.47	-

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	%
March 31, 2024	9,699	6,620	67.2
June 30, 2023	8,176	6,006	73.5

Reference: Equity
 As of March 31, 2024: ¥6,521 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	-	23.00	-		
Fiscal year ending June 30, 2024 (Forecast)				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		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	19,500	7.4	2,500	22.6	2,500	21.4	1,734	19.8	116.00

Note: Revisions to business forecast for the current quarter: 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 March 31, 2024	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 March 31, 2024	553,580 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)

Nine months ended March 31, 2024	14,952,752 shares
Nine months ended March 31, 2023	15,242,430 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 third quarter of the current fiscal year (July 1, 2023 to March 31, 2024), the business environment slowed down, but the economy gradually recovered. However, 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 the 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 (March) announced on April 1, 2024, the software investment plan (total for all industries and enterprises of all sizes) for fiscal 2024 showed a continued expansion trend, rising 6.6% compared to fiscal 2023.

For our group as well, the progress in fields such as Artificial Intelligence (AI) to accelerate the realization of DX, 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 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 new medium-term management plan and the DIT Group's vision for 2030. In the 2030 Vision, we have set the DIT's future vision (DIT Services: providing a higher level of value, DIT Spirits: a group of professionals) to build a "Trusted and Chosen DIT Brand, and also set the following management targets as the "Challenge 500(*)".



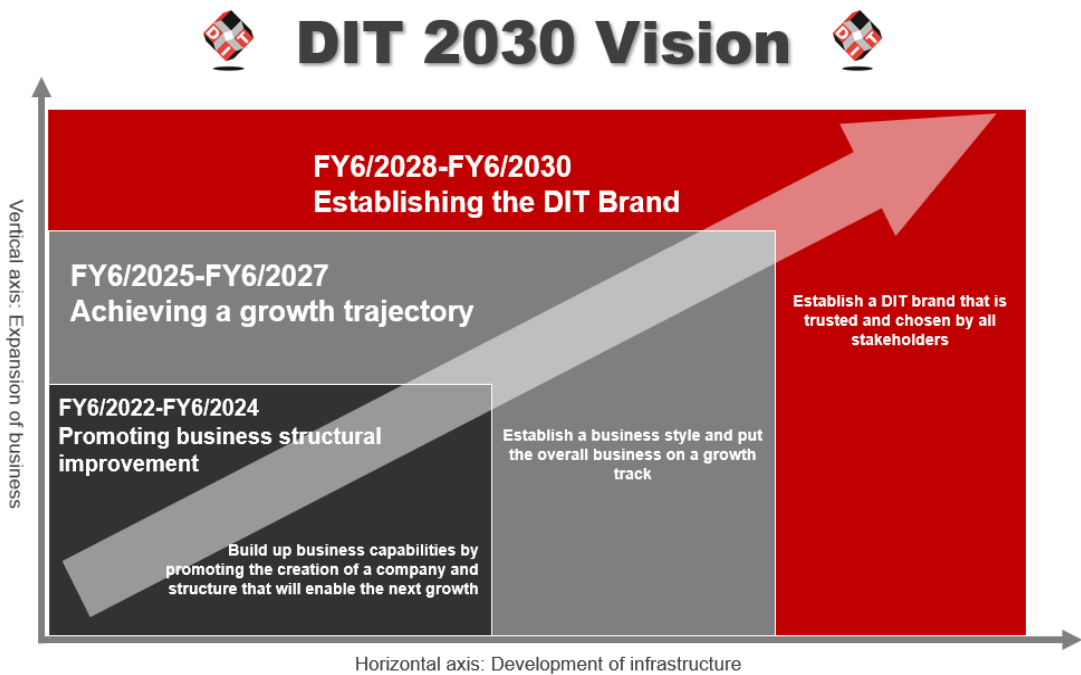
Management Targets

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

(*) Challenge 500:

Targeting 50 billion yen sales toward FY6/2030!

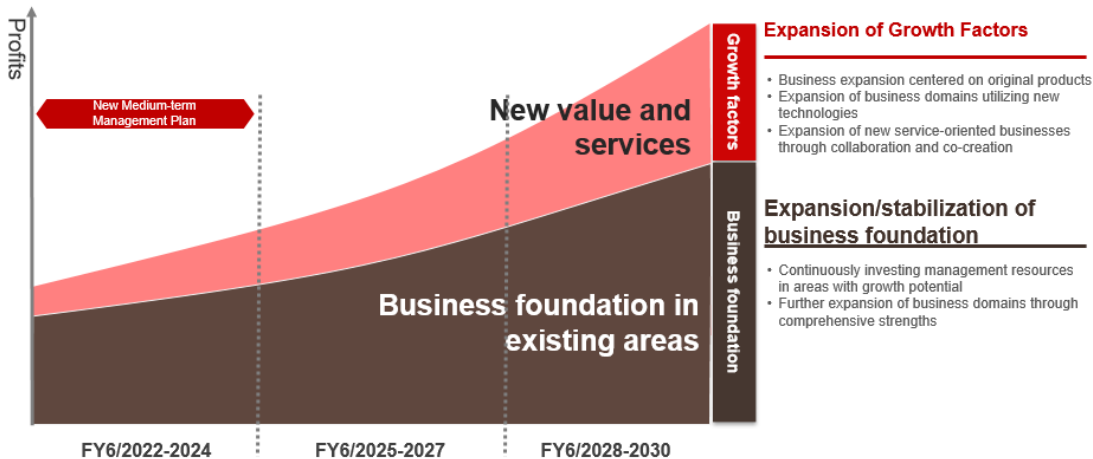
As a step toward achieving this 2030 Vision, we set the period from FY6/22 to FY6/24 as the period for “promoting business structural improvement” to build up business capabilities by promoting the creation of a company and structure that will enable the next growth. We also set the period from FY6/25 to FY6/27 as the period for “achieving a growth trajectory” to establish a business style and put the overall business on a growth track, and the period from FY6/28 to FY6/30 as the period for “establishing the DIT brand”, that is trusted and chosen by all stakeholders.



Medium-to-Long-Term Growth Model

- 1 Business foundation
- 2 Growth factors

- • • Further expanding the base by leveraging stable exchanges in a wide range of business domains as a strength
- • • Providing new value and services in response to social change



■ Summary of Business Results for the Third Quarter of the Fiscal Year Ending June 30, 2024

In response to strong demand for both sales and profits in the first three quarters of the current fiscal year, we achieved record-high results.

Profit in particular declined year on year in the first quarter due to the handover of an unprofitable project in the previous fiscal year to solve this issue. However, from the second quarter, when the handover work was completed, profits turned upward and reached a record high in the first three quarters of the current fiscal year. On the other hand, expenses for improvements in employee treatment, such as salary increases, and for expanding the business scale (expenses for expanding the floor space in the Kanto, Kansai, and Ehime Offices, expenses for opening the Hakodate Office, and commissions paid for M&A of two companies) increased, and profits remained within the initial forecast.

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: “expansion/stabilization of business foundation” and “expansion of growth factors.”

With regard to "expansion/stabilization of business foundation," in the Business Solutions Unit, sales increased steadily, and profits increased substantially, partly due to a reaction to the recording of a loss on an unprofitable project in the third quarter of the previous fiscal year. In the Embedded Solutions Unit, we continued to steadily respond to the high demand for automotive-related business and were able to increase both sales and profit. In addition, in the System Sales Business, sales grew steadily as a result of the strengthening of the system for responding to the revision of the Electronic Bookkeeping Law, despite rush demand boosted by the introduction of the Qualified Invoice System came to a pause in the second quarter of the current fiscal year. In terms of "expansion of growth factors," about sales of a web security solution "WebARGUS" (*1), an original product built on proprietary technology, and "xoBlos" (*2), an Excel business innovation platform, steadily increased sales of subscription licenses. In addition, sales related to electronic contract services began to grow, contributing to business results.

As a result, net sales in the third quarter of the current fiscal year amounted to 14,736,252 thousand yen (up 8.9% from the same period of the previous fiscal year), with operating profit of 1,878,556 thousand yen (up 22.2%), ordinary profit of 1,849,553 thousand yen (up 19.2%), and profit attributable to owners of parent of 1,240,512 thousand yen (up 13.9%).

(*1) WebARGUS is a new type of website security solution that detects the tampering of websites as it occurs, and immediately restores the site to its original state. Instant detection and restoration protect corporate and other websites from malicious, unknown cyber-attacks, while at the same time prevents the escalation of the damage, such as viruses spreading via the tampered website.

(*2) xoBlos is an innovation platform for Excel to automate inefficient Excel-based tasks, allowing for dramatic improvements in efficiency in a short period. (Excel® is a registered trademark in the U.S. and other countries by the U.S. Microsoft Corporation)

Business 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

In the Business Solutions Unit (business system development and operation support), sales and profits grew increased significantly from the previous year due to a reaction to loss disposition of an unprofitable project in the previous fiscal year.

In business system development, finance projects showed a recovery trend, and the public sector, telecommunications, and low-code development projects increased. On the other hand, sales growth remained within expectations due to a decline in projects for pharmaceuticals and ERP. In addition, although this situation has been improving in the third quarter of the current fiscal year, standby person-hours related to ERP projects incurred during off-period in the order cycle, and it also took longer for engineers to rotate after work to converge an unprofitable project. As a result, the growth in profit was also within expectations.

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 our group in the previous fiscal year.

In the Embedded Solutions Unit (embedded system development and embedded system verification), we further strengthened our strategic shift to automotive-related businesses, and we were able to achieve steady growth in sales and profits.

In embedded systems development, sales of semiconductor-related products remained at the same level as the previous year, but sales of automotive-related R&D and IoT-related projects for home appliances grew more than expected. In addition, automotive-related mass-production development, which had experienced a period lag in the receipt of orders, began in the third quarter of the current fiscal year. As a result, both sales and profits increased steadily from the previous year's level.

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, both sales and profits grew steadily due to an increase in sales from the accumulation of original product licenses and an increase in licensing sales and peripheral development sales related to electronic contract services.

In the cyber security business, both sales and profits increased from the previous year due to a steady increase in licensing sales resulting from the scaling up of servers by existing customers. In addition, we worked to expand sales of total security services (DIT Security) with WebARGUS at its core in collaboration with vulnerability assessment firms. 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, as a result, both sales and profits increased from the previous year.

DD-CONNECT, an outsourcing service for electronic contracts, for which needs have expanded in the new normal society of the COVID-19 disaster, transitioned from the introduction period to the growth period, and sales increased and began to contribute to profits.

As a result, net sales in the Software Development business amounted to 14,179,461 thousand yen (up 8.7% year-on-year), with operating profit of 1,823,025 thousand yen (up 24.2%).

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 increased significantly by the second quarter of the current fiscal year. This was due to the strength of business activity for “electronic data transaction data storage in line with the revision of the Electronic Bookkeeping Law,” which became mandatory in January 2024, as well as rush demand for the introduction of the Qualified Invoice System. However, in the third quarter of the current fiscal year, the response to revisions to laws and regulations stabilized, and expenses increased due to an increase in the number of sales personnel to cultivate new customers after the revision of laws and regulations, and profits declined.

As a result, sales in the System Sales Business amounted to 562,352 thousand yen (up 8.6% year on year), with segment profit (operating profit) of 55,531 thousand yen (down 19.9%).

(2) Explanation of Financial Position

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

(Current Assets)

Current assets amounted to 7,964,345 thousand yen at the end of the third quarter, an increase of 586,095 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase of 810,244 thousand yen in accounts receivable and contract assets and an increase of 86,955 thousand yen in other, and a decrease of 323,162 thousand yen in cash and deposits.

(Noncurrent Assets)

Noncurrent assets amounted to 1,735,190 thousand yen at the end of the third quarter, an increase of 936,815 thousand yen compared to the end of the previous fiscal year. This was due mainly to increases of 43,066 thousand yen in property, plant and equipment, 714,270 thousand yen in intangible fixed assets, and 179,479 million yen in investments and other assets.

(Current Liabilities)

Current liabilities amounted to 2,620,400 thousand yen at the end of the third quarter, an increase of 640,157 thousand yen compared to the end of the previous fiscal year. This was due to increases of 197,820 thousand yen in accounts payable-trade, 242,108 thousand yen in provision for bonuses and 195,962 thousand yen in other, against a decrease of 19,801 thousand yen in income taxes payable.

(Noncurrent Liabilities)

Noncurrent liabilities amounted to 458,193 thousand yen at the end of the third quarter, an increase of 268,184 thousand yen compared to the end of the previous fiscal year. This was mainly due to increases of 185,145 thousand yen in long-term borrowings, 20,902 thousand yen in provision for share based remuneration and 35,724 thousand yen in other.

(Net Assets)

Net assets amounted to 6,620,940 thousand yen at the end of the third quarter, an increase of 614,568 thousand yen compared to the end of the previous fiscal year. This was mainly due to increases of 594,613 thousand yen in retained earnings, 137,108 thousand yen in treasury stock and 99,768 thousand yen in non-controlling interests.

(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 Major Notes

(1) Consolidated Quarterly Balance Sheets

(Thousand yen)

	FY6/23 (June 30, 2023)	Q3 FY6/24 (March 31, 2024)
ASSETS		
Current assets		
Cash and deposits	4,185,107	3,861,944
Trade and contract assets	2,953,526	3,763,771
Merchandise	30,802	82,892
Work in process	108,173	61,248
Raw materials	-	6,862
Other	100,708	187,663
Allowance for doubtful accounts	-68	-38
Total current assets	7,378,249	7,964,345
Noncurrent assets		
Property, plant and equipment	138,285	181,351
Intangible assets		
Goodwill	159,105	840,125
Other	13,508	46,758
Total intangible assets	172,614	886,884
Investments and other assets		
Other	520,033	699,432
Allowance for doubtful accounts	-32,558	-32,478
Total investments and other assets	487,475	666,954
Total noncurrent assets	798,374	1,735,190
Total assets	8,176,624	9,699,535
LIABILITIES		
Current liabilities		
Accounts payable-trade	615,140	812,960
Current portion of long-term loans payable	-	22,260
Current portion of bonds payable	-	16,600
Income taxes payable	407,337	387,536
Provision for bonuses	-	242,108
Provision for loss on orders received	14,792	-
Other	942,971	1,138,934
Total current liabilities	1,980,242	2,620,400
Noncurrent liabilities		
Long-term loans payable	-	185,145
Bonds payable	-	25,100
Retirement benefit liability	8,914	10,226
Provision for share based remuneration	142,694	163,596
Other	38,401	74,125
Total noncurrent liabilities	190,009	458,193
Total liabilities	2,170,252	3,078,594
Net assets Shareholders' equity		
Capital		
Capital	453,156	453,156
Capital surplus	459,214	459,214
Retained earnings	5,742,065	6,336,678
Treasury stock	-694,538	-831,646
Total shareholders' equity	5,959,896	6,417,402
Accumulated other comprehensive income		
Valuation difference on available- for-sale securities	10,563	58,532
Foreign currency translation adjustments	35,911	45,238
Total accumulated other comprehensive income	46,475	103,770
Non-controlling interests	-	99,768
Total net assets	6,006,372	6,620,940
Total liabilities and net assets	8,176,624	9,699,535

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

(Thousand yen)

	Q3 FY6/23 (July 1, 2022 to March 31, 2023)	Q3 FY6/24 (July 1, 2023 to March 31, 2024)
Net sales	13,535,061	14,736,252
Cost of sales	10,384,651	11,105,934
Gross profit	3,150,409	3,630,317
Selling, general and administrative expenses	1,613,704	1,751,761
Operating profit	1,536,705	1,878,556
Non-operating income		
Interest income	300	273
Dividends income	421	-
Commission fee	1,167	1,500
Subsidy income	10,438	437
Insurance premiums refunded cancellation	4,088	106
Gain on forfeiture of unclaimed dividends	847	817
Gain on receipt of donated non-current assets	2,345	-
Other	377	475
Total non-operating revenues	19,987	3,610
Non-operating expenses		
Interest expenses	484	415
Commission fee	165	13,431
Loss on investments in investment partnerships	2,155	2,155
Exchange loss	1,900	1,515
Office transfer expenses	-	13,094
Other	19	2,000
Total non-operating expenses	4,725	32,612
Ordinary profit	1,551,966	1,849,553
Extraordinary income		
Gain on sale of investment securities	3,928	-
Total extraordinary income	3,928	-
Profit before income taxes	1,555,895	1,849,553
Income taxes - current	518,892	666,005
Income taxes-deferred	-52,445	-56,963
Total income tax	466,447	609,041
Profit	1,089,448	1,240,512
Profit attributable to owners of parent	1,089,448	1,240,512

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

(Thousand yen)

	Q3 FY6/23 (July 1, 2022 to March 31, 2023)	Q3 FY6/24 (July 1, 2023 to March 31, 2024)
Profit	1,089,448	1,240,512
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-3,028	47,968
Foreign currency translation adjustments	-4,662	9,326
Total other comprehensive income	-7,690	57,295
Comprehensive income	1,081,757	1,297,807
(Breakdown)		
Comprehensive income attributable to owners of parent	1,081,757	1,297,807
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Notes Regarding Substantial Change in Shareholders' Equity)

Not applicable.

(Segment Information)

Segment Information

I Q3 FY6/23 (July 1, 2022 to March 31, 2023)

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

(Thousand yen)

	Reporting Segments			Adjustment amount (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	13,035,281	499,779	13,535,061	-	13,535,061
Intersegment net sales and transfers	12,435	17,886	30,321	-30,321	-
Total	13,047,716	517,666	13,565,382	-30,321	13,535,061
Segment profit (loss)	1,467,410	69,289	1,536,700	5	1,536,705

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

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

II Q3 FY6/24 (July 1, 2023 to March 31, 2024)

1. 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	14,179,461	556,790	14,736,252	-	14,736,252
Intersegment net sales and transfers	-	5,561	5,561	-5,561	-
Total	14,179,461	562,352	14,741,814	-5,561	14,736,252
Segment profit (loss)	1,823,025	55,531	1,878,556	-	1,878,556

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

2. Information on impairment loss on noncurrent assets and goodwill by reportable segment

(Significant changes in the amount of goodwill)

In the third quarter of the current fiscal year, the Company acquired shares of Jungle Inc. and System Products Co., Ltd. and newly included them in the scope of consolidation. As a result, goodwill was generated in the "Software Development Business" segment. This increase in goodwill was 710,852 thousand yen for the third quarter of the current fiscal year.