

# Digital Information Technologies Corporation

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**Financial Results for the Fiscal Year  
Ended June 2021  
(TSE1: 3916)**

August 2021

## 1. Financial Results for FY6/2021

## 2. Key Measures and Business Forecasts for FY6/2022



# Financial Results for FY6/2021



# FY6/2021 Financial Summary

- Sales and profits grew for 11 consecutive years
- Operating income margin rose by 1.9 percentage points to 11.9%

**Net sales : 14,444 million yen  
(+7.0% YoY)**

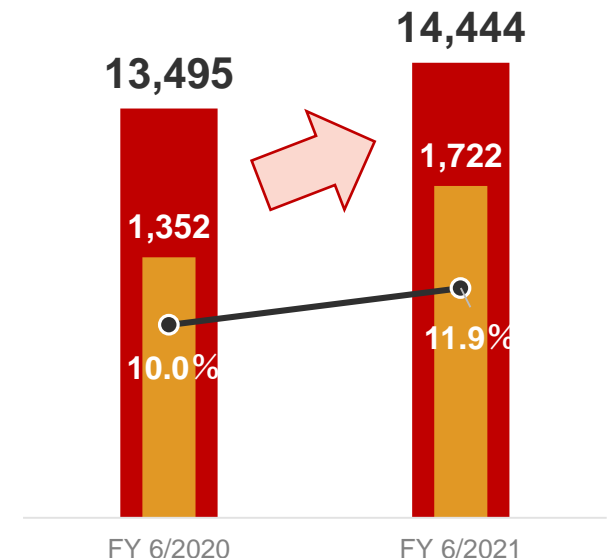
**Operating income : 1,722 million yen  
(+27.3% YoY)**

**Operating income margin : 11.9%  
(+1.9 ppt. YoY)**

**Dividends : 24 yen (full-year)  
(+4 yen YoY. Forecast for FY6/2022: +6 yen )**

## Changes in results

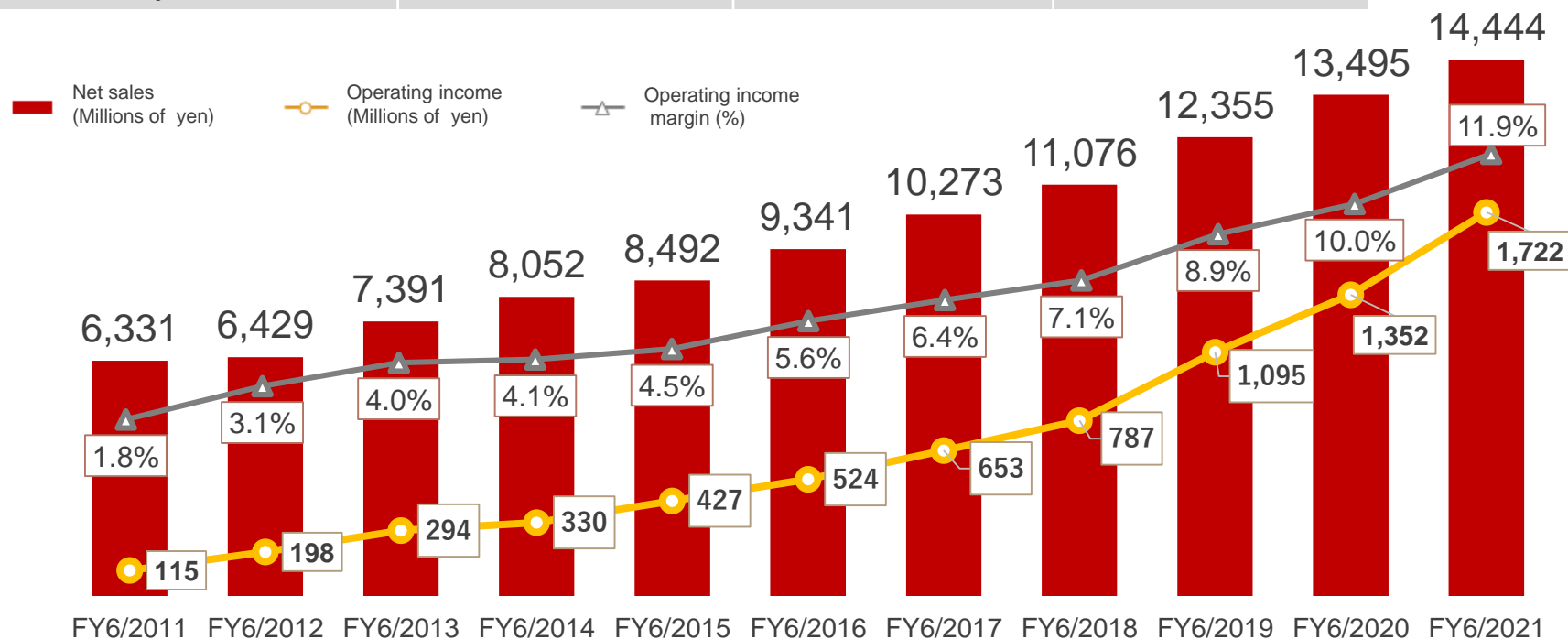
■ Net Sales  
■ Operating income margin (Millions of yen)  
● Operating income



# Trends of Business Results

## ■ Achieved Mid-Term Management Targets "Triple 10" one year ahead of schedule

| Mid-Term Management Targets "Triple 10" | Net Sales<br>10 billion yen | Operating income<br>1 billion yen | Operating income margin<br>10% |
|---|-----------------------------|-----------------------------------|--------------------------------|
| Planning target year                    | FY6/2017                    | FY6/2019                          | FY6/2021                       |
| Achieved year                           | FY6/2017                    | FY6/2019                          | FY6/2020                       |



# FY6/2021 Overview by Segment

**Growth in the Software Development Business as our core business overall drove strong performance**

## ■ Software Development Business (Net sales +8.5% YoY)

- **In the Business Solutions Unit (+9.8% year-on-year)**, we saw substantial increases in sales and profits even under the COVID-19 crisis due to the success of business portfolio revisions. In the Business System Development, pharmaceutical, public sector, and ERP-related projects grew, while in operation support, there was also a large increase in sales from new customers.
- **In the Embedded Solutions Unit (+5.0% year-on-year)**, sales and profits increased steadily as a result of measures taken to deal with the anticipated impact of COVID-19 in the automotive sector. In the Embedded System Development, sales of automotive systems remained unchanged from the previous year, and sales of semiconductor-related, industrial-related, and IoT-related projects grew. In the Embedded System Verification, sales of 5G-related systems grew, resulting in growth in both businesses.
- **In the Original Product Unit (+16.8% year-on-year)**, we saw steady growth in xoBlos and greater growth in WebARGUS than in the past, although there are constraints on business interviews due to COVID-19. In addition, DD-CONNECT, an electronic contracting cloud service launched in 2Q, saw an increase in the number of projects with high order probability, mainly in the housing construction industry.

■ **In the Systems Sales Business (Net sales -18.1% year-on-year)**, despite efforts to promote sales using IT introduction subsidies, sales and profits both fell sharply due to the absence of the special demand for reduced tax rate support in the previous fiscal year.

# Summary of Consolidated Financial Results for FY6/2021

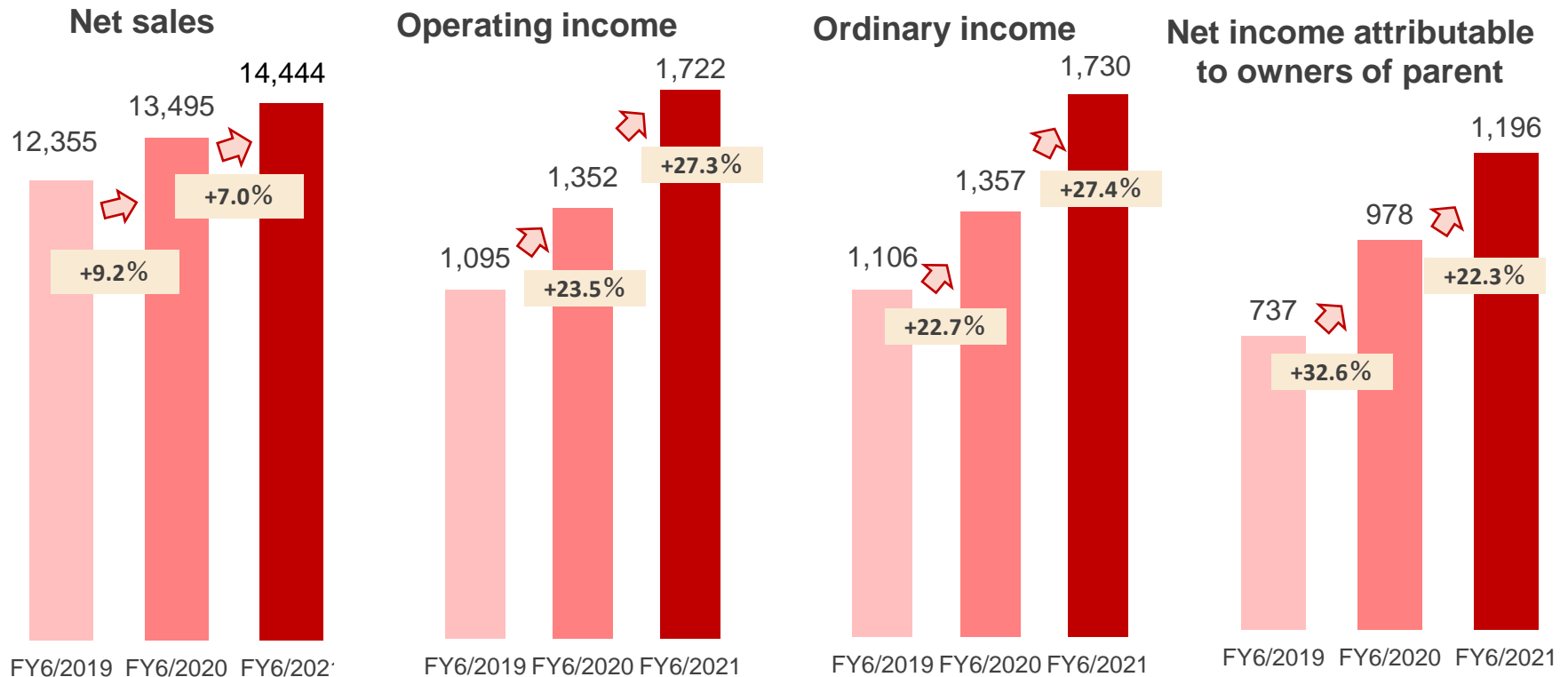
- Significant improvement in operating income margin due to combination of qualitative improvement in business scope and lower expenses due to COVID-19.

| (Millions of yen)                                  | FY6/2020<br>Result | Composition<br>% | FY6/2021<br>Result | Composition<br>% | YoY<br>% |
|--|--------------------|------------------|--------------------|------------------|----------|
| <b>Net sales</b>                                   | <b>13,495</b>      | 100.0%           | <b>14,444</b>      | 100.0%           | +7.0%    |
| <b>Gross profit</b>                                | <b>3,323</b>       | 24.6%            | <b>3,574</b>       | 24.7%            | +7.6%    |
| <b>SG&amp;A</b>                                    | <b>1,971</b>       | 14.6%            | <b>1,852</b>       | 12.8%            | △6.0%    |
| <b>Operating income</b>                            | <b>1,352</b>       | 10.0%            | <b>1,722</b>       | 11.9%            | +27.3%   |
| <b>Ordinary income</b>                             | <b>1,357</b>       | 10.1%            | <b>1,730</b>       | 12.0%            | +27.4%   |
| <b>Net income attributable to owners of parent</b> | <b>978</b>         | 7.2%             | <b>1,196</b>       | 8.3%             | +22.3%   |

# FY6/2020 Financial Highlights

Both net sales and profits achieved record highs.

(Millions of yen)

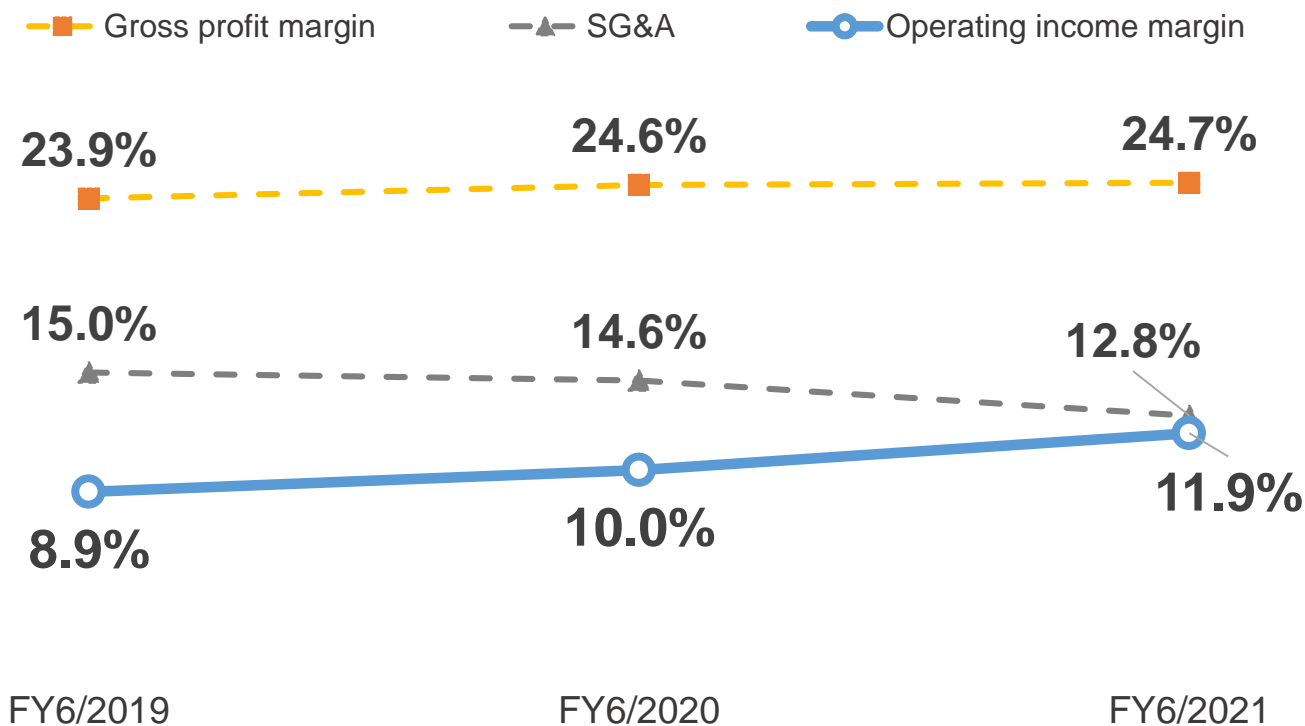




# Changes in Operating Income Margin

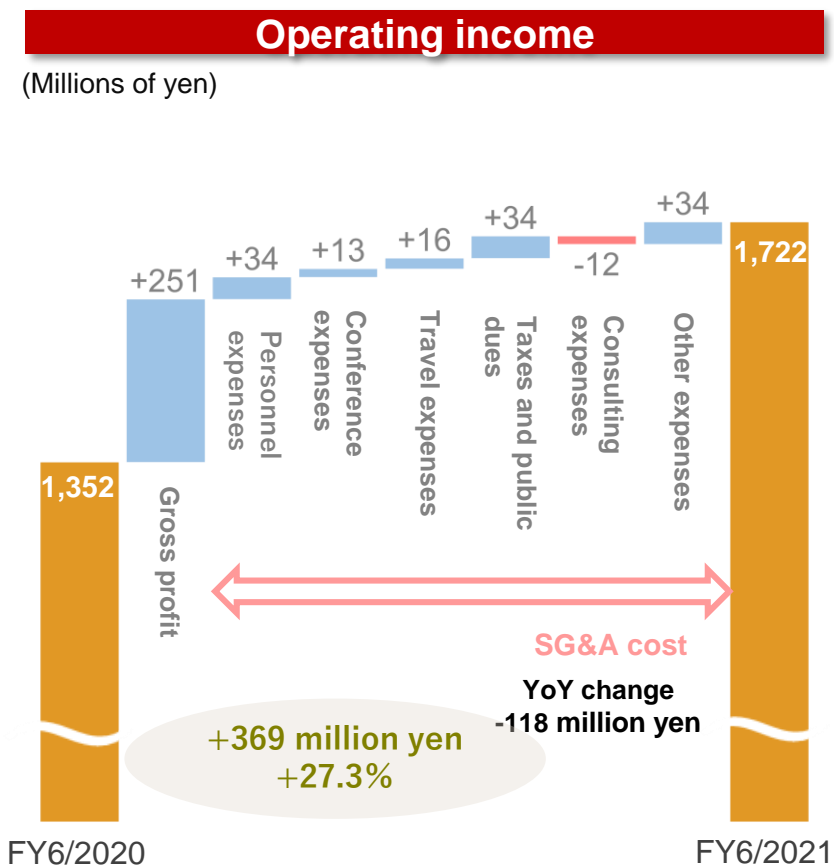
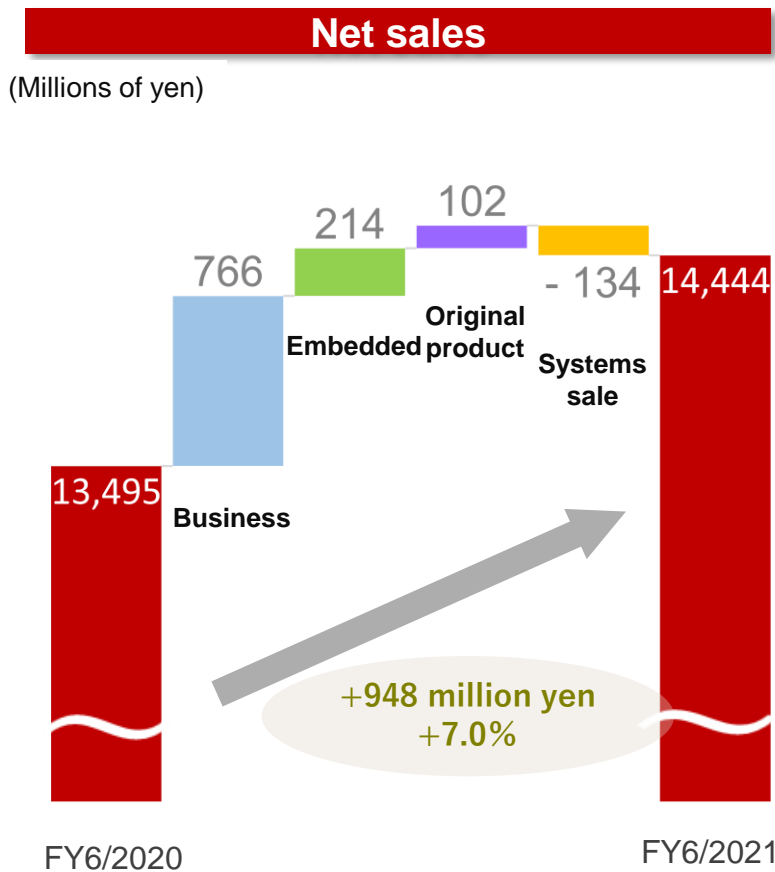
- The increase in the operating margin this fiscal year was due to qualitative improvements in the business and lower costs associated with COVID-19.

## Ratio of each profit and R&D expenses to sales



# Factors behind Changes in Net Sales and Operating Income (YoY)

- Sales were healthy in the Business Solutions Unit, and have grown steadily also in the Original Product Unit.
- Operating income significantly grew due to growth in gross profit and reduction in SG&A expenses



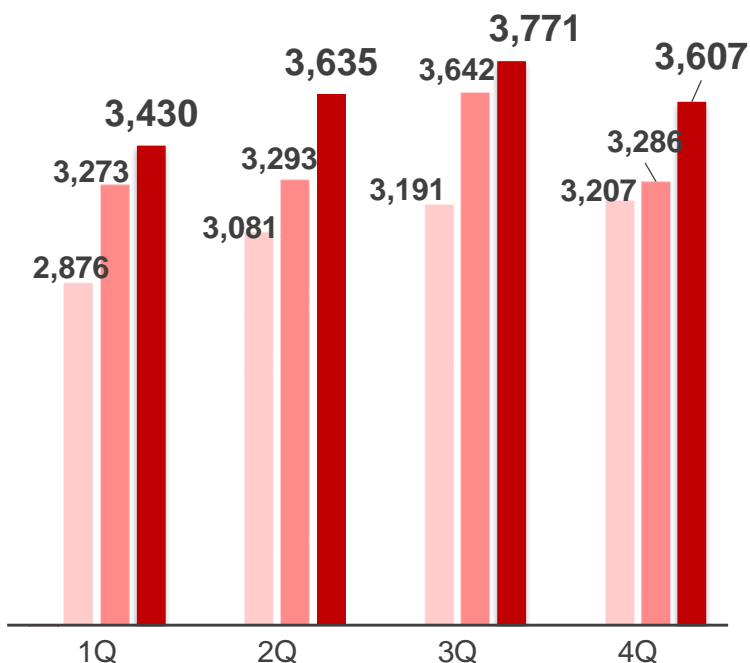
# Quarterly Net Sales & Operating Income

■ Record-high net sales and operating income in each accounting period

## Net sales

(Millions of yen)

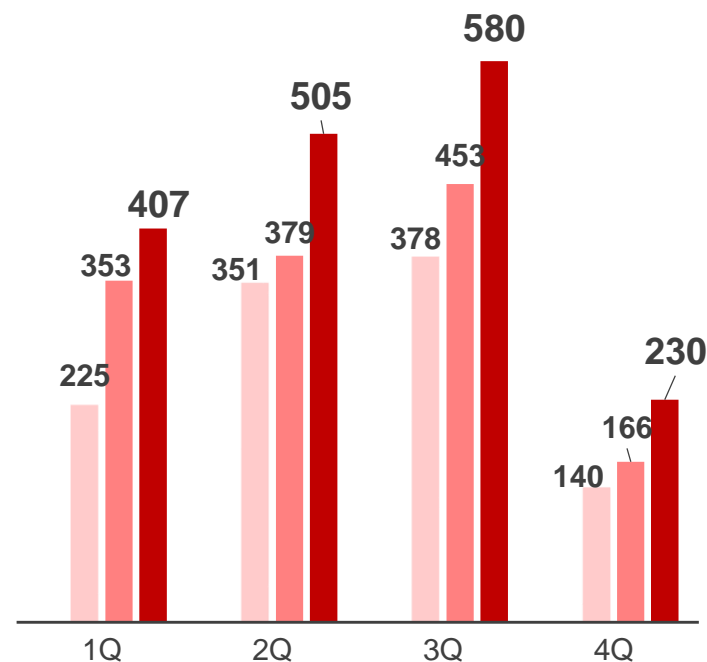
■ FY6/2019 ■ FY6/2020 ■ FY6/2021



## Operating income

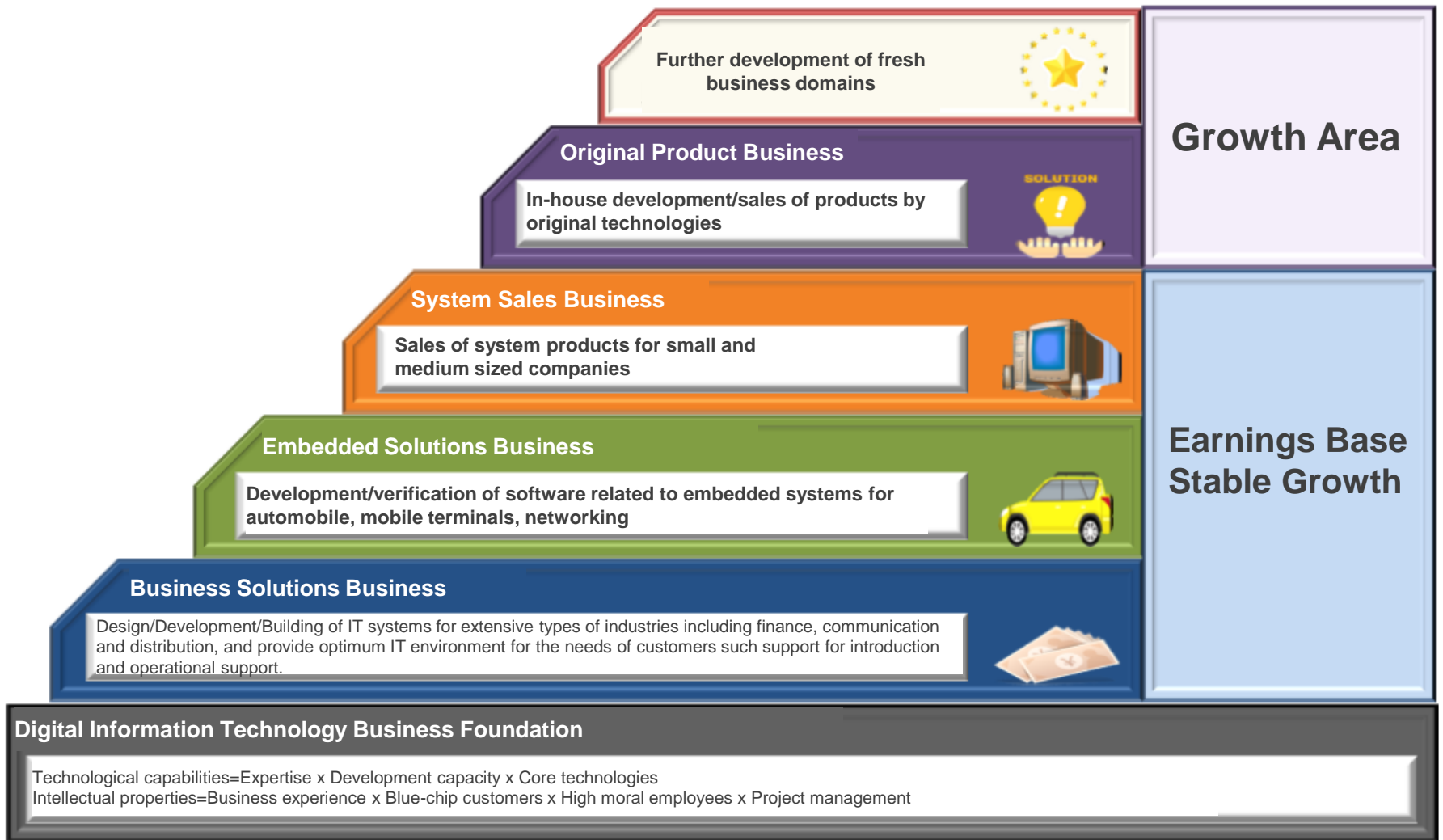
(Millions of yen)

■ FY6/2019 ■ FY6/2020 ■ FY6/2021



\* Operating income has seasonal factors to decline in 4Q mainly due to acceptance of new employees and year-end allowances.

# Business Domains: Positioning of Each Business



# Business Segment and Composition of Sales

- The Business Solutions Unit (particularly operational support) and the Original Product Unit grew.

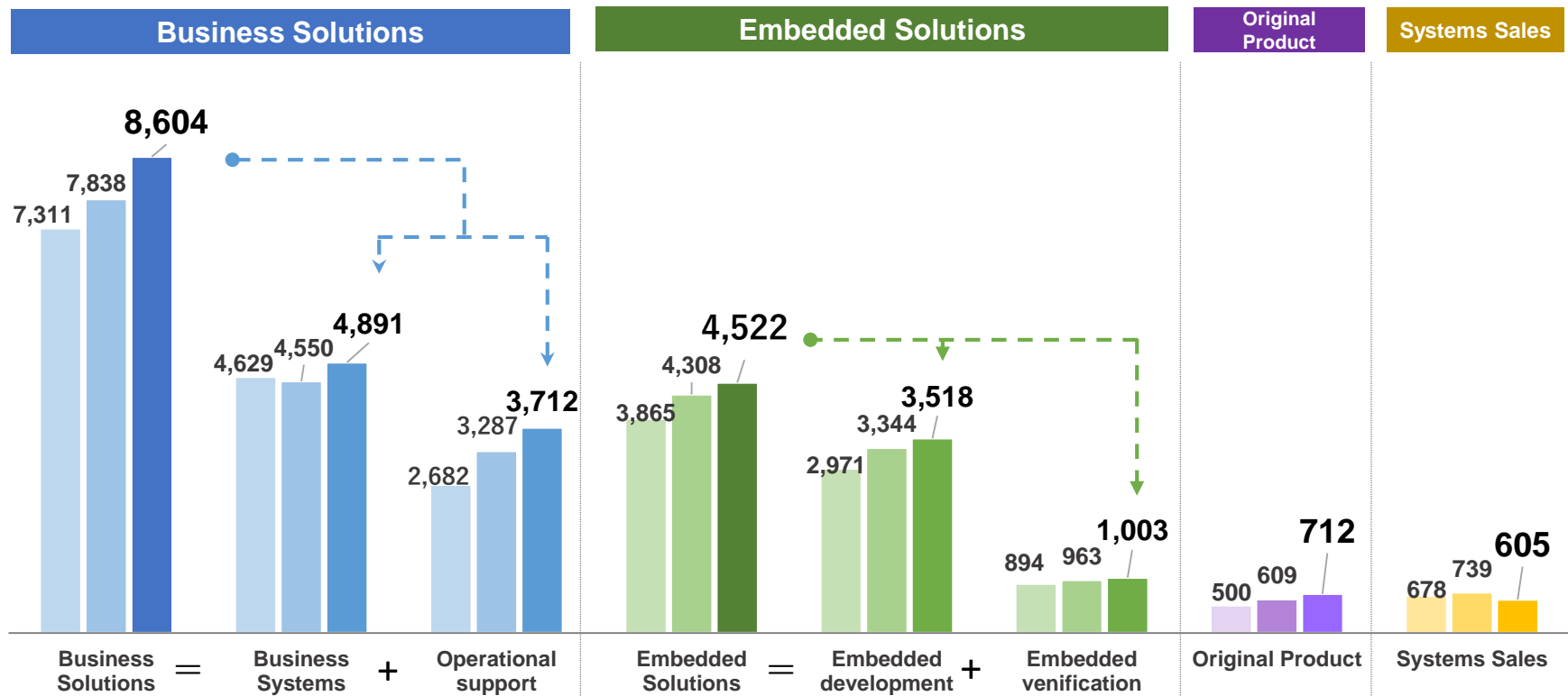
| Businesses segment                       | Classification    | FY6/2019<br>Net sales<br>Composition | FY6/2020<br>Net sales<br>Composition | FY6/2020<br>Net sales<br>Composition |
|--|-------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Software development<br/>Business</b> |                   | <b>94.5%</b>                         | <b>94.5%</b>                         | <b>95.8%</b>                         |
| <b>Business<br/>Solutions Unit</b>       | Business<br>Bases | <b>59.2%</b>                         | <b>58.1%</b>                         | <b>59.6%</b>                         |
| Business System Development              |                   | 63.3%                                | 58.1%                                | 56.8%                                |
| Operational Support                      |                   | 36.7%                                | 41.9%                                | 43.2%                                |
| <b>Embedded<br/>Solutions Unit</b>       | Business<br>Bases | <b>31.3%</b>                         | <b>31.9%</b>                         | <b>31.3%</b>                         |
| Embedded Product Development             |                   | 76.9%                                | 77.6%                                | 77.8%                                |
| Embedded Product Verification            |                   | 23.1%                                | 22.4%                                | 22.2%                                |
| <b>Original Product Unit</b>             | Growth<br>Field   | <b>4.0%</b>                          | <b>4.5%</b>                          | <b>4.9%</b>                          |
| <b>Systems Sales Business</b>            | Business<br>Bases | <b>5.5%</b>                          | <b>5.5%</b>                          | <b>4.2%</b>                          |

# Sales by Business Segment

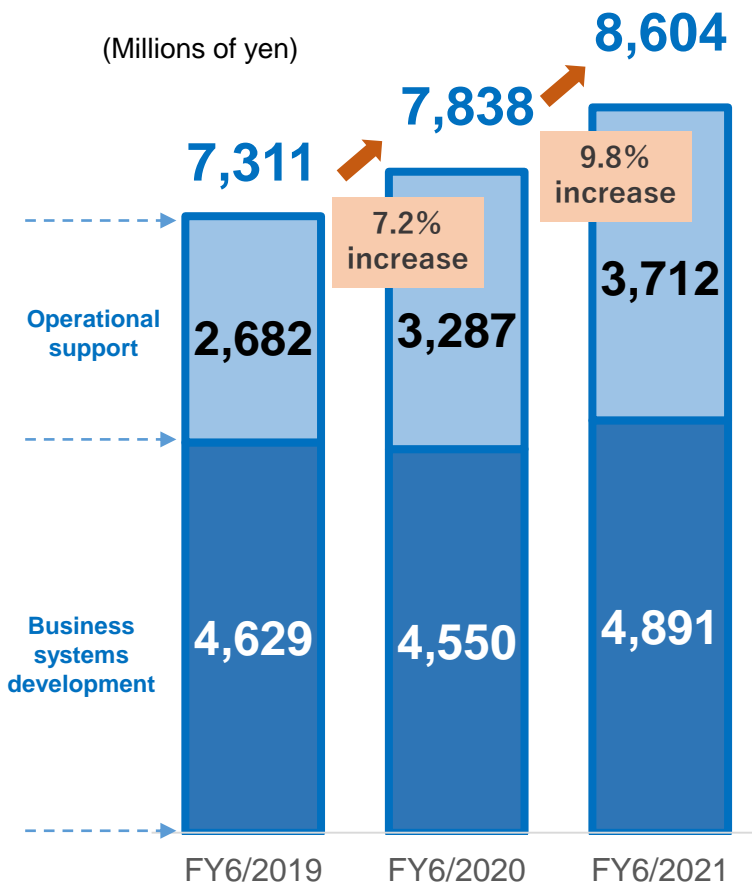
- We thrust aside the impact of the COVID-19 crisis to surpass the results recorded in the previous year in the Embedded Solutions Unit.
- The sales of the Systems Sales Business dropped considerably due to the absence in special demand.

**Net Sales by Business**  
(Graphs from left to right: FY6/2019, FY6/2020, FY6/2021)

(Millions of yen)



# Net Sales by Segment: Business Solutions Unit

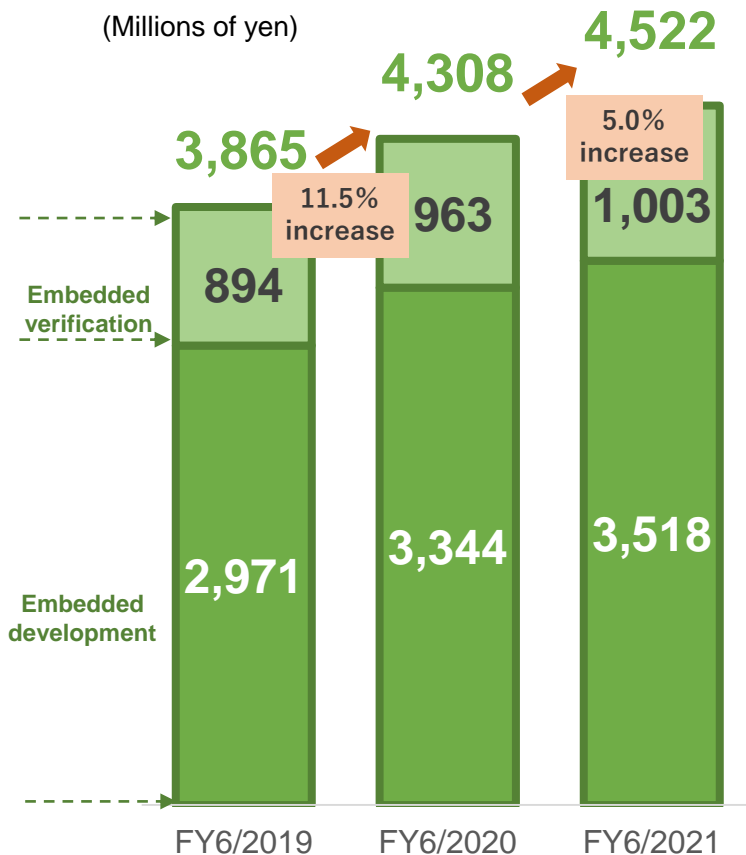


Net sales : 8,604 million yen  
YoY change : +9.8%

In the business as a whole, profitability continued to improve steadily, mainly with existing customers.

- In business system development, sales of mainstay financial systems are gradually declining due to a review of the business portfolio. However, sales of ERP-related systems (in particular, SAP), which have high profit margins, and medical and public-related systems increased.
- In operational support, the impact of COVID-19 was minor. Accordingly, we increased the volume of our transactions with new customers we have cultivated over the past year or two in addition to existing major customers. Therefore, both sales and profit grew significantly.

# Net Sales by Segment: Embedded Solutions Unit

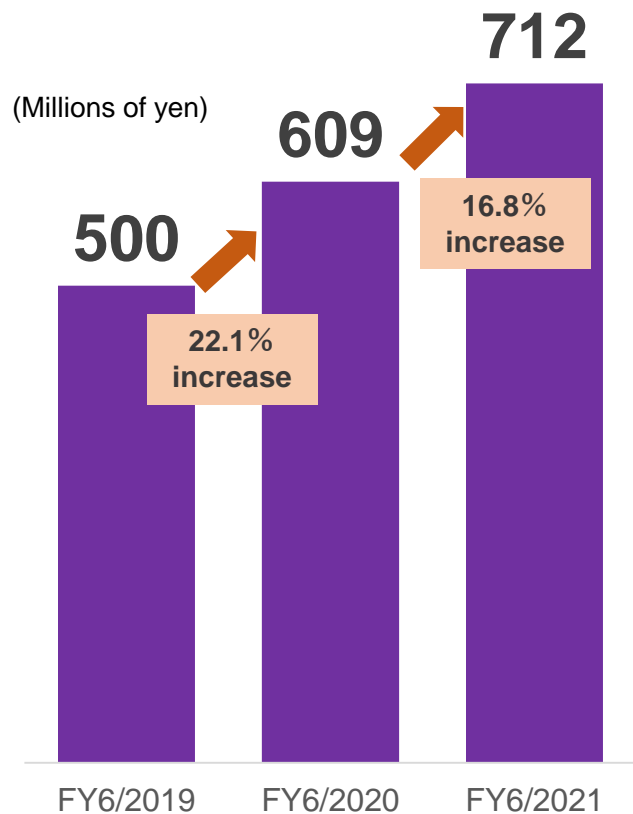


Net sales : 4,522 million yen  
YoY change : +5.0%

In the business as a whole, we took measures assuming the impact of COVID-19 on the automobile-related business, thanks to which results surpassed the previous year.

- In the embedded system development, sales and profits both increased year-on-year due to significant growth in semiconductor and IoT-related projects, as well as progress in market development for industrial systems, while sales of automotive systems remained unchanged from the previous year.
- In embedded system verification, 5G-related (mobile devices and base stations) covered the decline in automotive systems, and both sales and earnings exceeded the previous year's level.





Net sales : 712 million yen  
YoY change : +16.8%

In the entire business, results surpassed the previous year despite restrictions on face-to-face sales due to COVID-19.

■ **[WebARGUS: Cybersecurity product]**

Large-scale customers started full-scale operation, and the collaboration with external security firms continued for enriching the lineup of comprehensive security services, so sales grew more.

■ **[xoBlos: Operational efficiency products]**

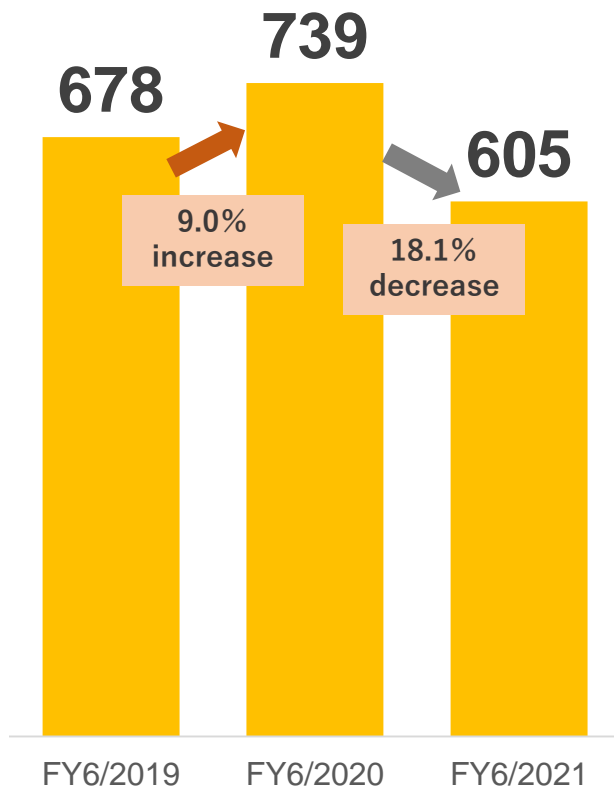
The sales system we operate jointly with the subsidiary DIT Marketing Services was strengthened, and we proceeded with the xoBlos Plus one concept linked with other products, such as RPA and ERP. Then, sales expanded steadily.

■ **[DD-CONNECT]**

(Electronic Contract Outsourcing)

Started providing services in October, and the number of projects with increase in projects with high order probability, mainly in the housing construction industry.

# Net Sales by Segment: Systems Sales Business



Net sales : 605 million yen  
YoY change : -18.1%

Overall business was significantly lower than the previous year due to the absence of special demand, which was seen in the previous year.

- We conducted sales promotion by utilizing the subsidy for installing IT, but sales and profit dropped considerably, due to the recoil from the special demand for dealing with the reduced tax rate at the time of the consumption tax hike in the previous year.

\* The Systems Sales Business mainly sells Rakuichi, a core system for business support and management support for small and medium-sized companies manufactured by Casio Computer Co., Ltd.

# Balance Sheet

## ■ Debt-free management with 70.9% equity ratio

(Millions of yen)

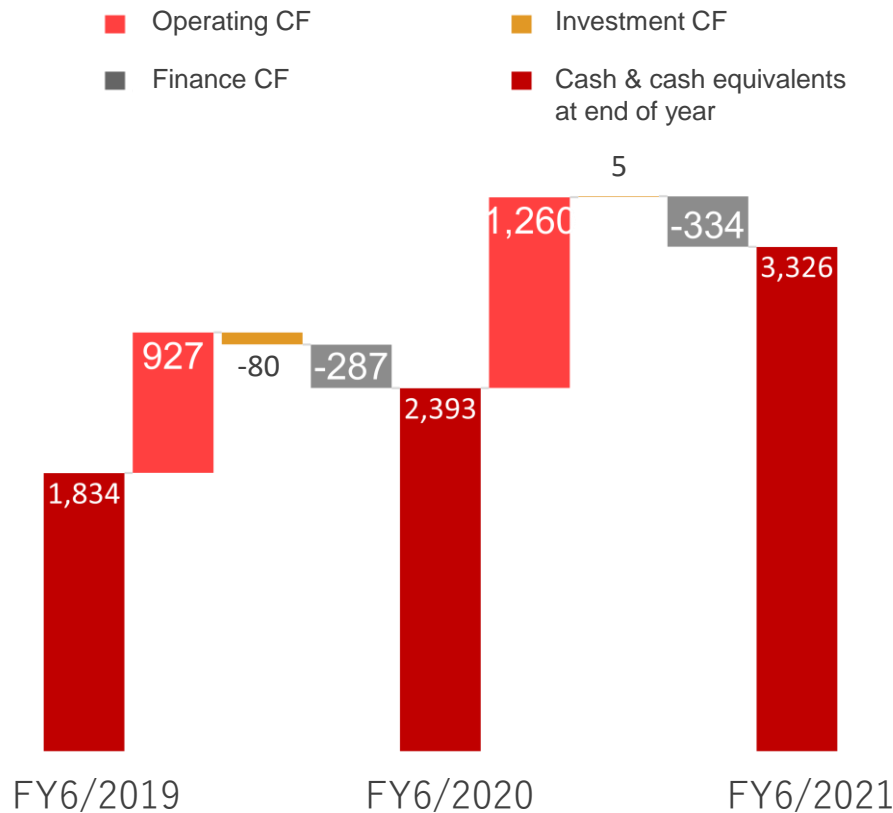
|                                      | End-Jun. 2020 | End-Jun. 2021 | Change       |
|--------------------------------------|---------------|---------------|--------------|
| <b>Cash and deposits</b>             | 2,399         | 3,333         | 933          |
| <b>Accounts receivable</b>           | 1,905         | 2,084         | 179          |
| <b>Work in progress</b>              | 208           | 131           | -76          |
| <b>Others</b>                        | 78            | 116           | 38           |
| <b>Total current assets</b>          | <b>4,590</b>  | <b>5,664</b>  | <b>1,074</b> |
| <b>Property, plant and equipment</b> | 120           | 110           | -10          |
| <b>Intangible fixed assets</b>       | 23            | 15            | -7           |
| <b>Investments and other assets</b>  | 630           | 598           | -31          |
| <b>Total fixed assets</b>            | <b>774</b>    | <b>724</b>    | <b>-49</b>   |
| <b>Total assets</b>                  | <b>5,364</b>  | <b>6,388</b>  | <b>1,024</b> |

|   | End-Jun. 2020 | End-Jun. 2021 | Change       |
|---|---------------|---------------|--------------|
| <b>Notes and accounts payable - trade</b> | 417           | 487           | 69           |
| <b>Short-term borrowings</b>              | —             | —             | —            |
| <b>Other</b>                              | 1,217         | 1,263         | 45           |
| <b>Total current liabilities</b>          | <b>1,634</b>  | <b>1,750</b>  | <b>115</b>   |
| <b>Long-term debt</b>                     | —             | —             | —            |
| <b>Others</b>                             | 68            | 111           | 42           |
| <b>Total fixed liabilities</b>            | <b>68</b>     | <b>111</b>    | <b>42</b>    |
| <b>Total liabilities</b>                  | <b>1,703</b>  | <b>1,861</b>  | <b>157</b>   |
| <b>Capital stock</b>                      | 453           | 453           | —            |
| <b>Capital surplus</b>                    | 459           | 459           | —            |
| <b>Retained earnings</b>                  | 2,747         | 3,614         | 866          |
| <b>Total net assets</b>                   | <b>3,660</b>  | <b>4,526</b>  | <b>866</b>   |
| <b>Total liabilities and net assets</b>   | <b>5,364</b>  | <b>6,388</b>  | <b>1,024</b> |

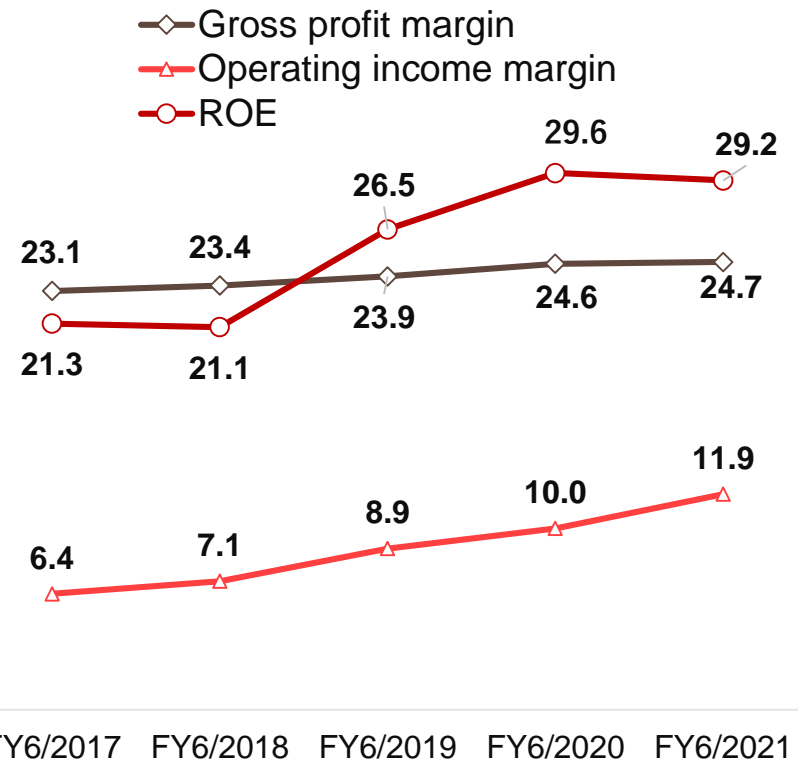
# Cash Flows

■ Cash increased significantly due to an increase in operating CF.

( Millions of yen)



## Gross profit margin/Operating profit margin/ROE(%)



# Key Measures and Business Forecasts for FY6/2022



# Business Forecasts for FY6/2022

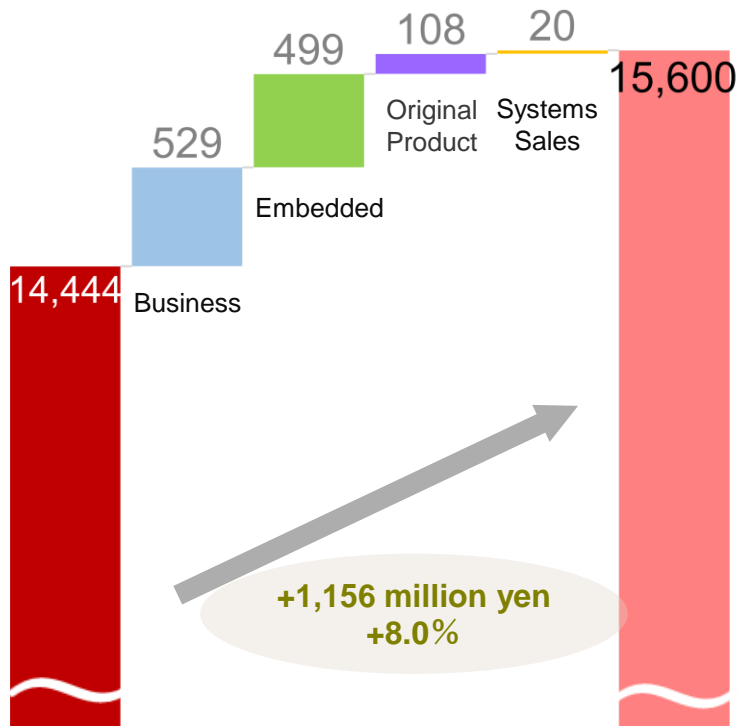
- Aim to increase sales and profits by promoting business based on the two pillars of "stabilizing the business foundation" and "strengthening growth factors".

| (Millions of yen)                                  | FY6/2021<br>Result | Composition<br>% | FY6/2022<br>Forecast | Composition<br>% | Year on year<br>% |
|--|--------------------|------------------|----------------------|------------------|-------------------|
| <b>Net sales</b>                                   | <b>14,444</b>      | 100.0%           | <b>15,600</b>        | 100.0%           | +8.0%             |
| <b>Operating income</b>                            | <b>1,722</b>       | 11.9%            | <b>1,900</b>         | 12.2%            | +10.3%            |
| <b>Ordinary income</b>                             | <b>1,730</b>       | 12.0%            | <b>1,900</b>         | 12.2%            | +9.8%             |
| <b>Net income attributable to owners of parent</b> | <b>1,196</b>       | 8.3%             | <b>1,318</b>         | 8.4%             | +10.2%            |

# Key KPIs (Net sales, Operating Income/ Operating Income Margin)

## Net sales

(Millions of yen)



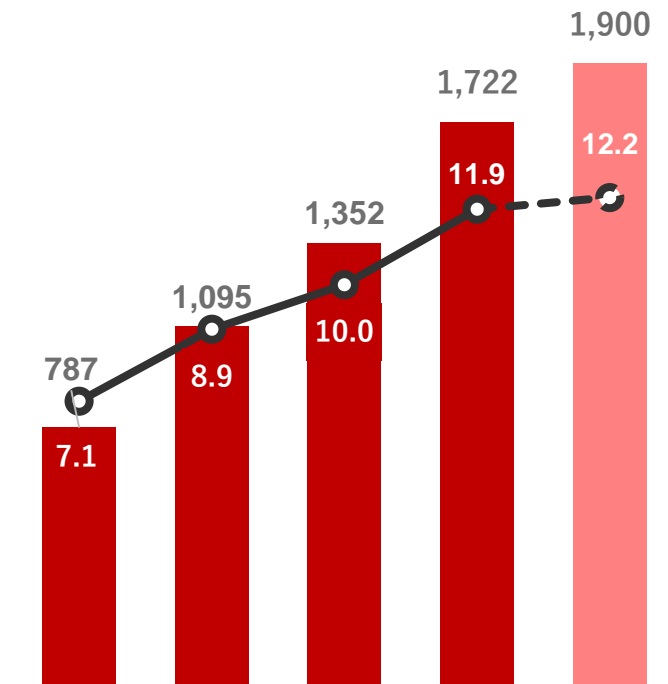
FY6/2021

FY6/2022  
(Forecast)

## Operating Income/ Operating Income Margin

(Millions of yen)

(Unit:%)



FY6/2018 FY6/2019 FY6/2020 FY6/2021 FY6/2022  
(Forecast)

# Business Forecasts by Segment

- In the Software Development Business, we plan to increase sales by 8.2% YoY, and in the Original Product Unit, we aim to increase sales by 15.2%.

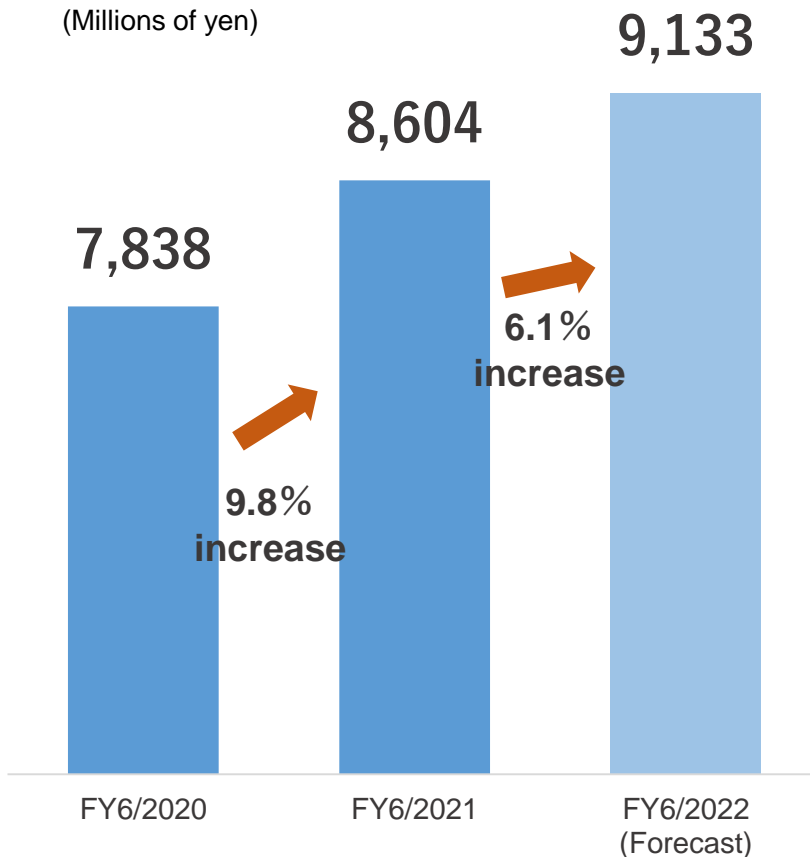
(Millions of yen)

| Business Segment              | FY6/2021<br>Net sales | FY6/2022<br>Net sales<br>Forecast | Change | %<br>Change | Composition |
|-------------------------------|-----------------------|-----------------------------------|--------|-------------|-------------|
| Software Development Business | 13,838                | 14,975                            | 1,136  | 8.2%        | 96.0%       |
| Business Solutions Unit       | 8,604                 | 9,133                             | 529    | 6.1%        | 58.5%       |
| Embedded Solutions Unit       | 4,522                 | 5,022                             | 500    | 11.0%       | 32.2%       |
| Original Product Unit         | 712                   | 820                               | 108    | 15.2%       | 5.3%        |
| System Sales Business         | 605                   | 625                               | 20     | 3.2%        | 4.0%        |
| Total                         | 14,444                | 15,600                            | 1,156  | 8.0%        |             |



# Forecast by Segment: Business Solutions Unit

(Millions of yen)



**Net sales: 9,133 million yen**  
**YoY change: +6.1%**

- The Business System Development is spreading across a wider range of industries, and we aim to expand the scale of our business and improve profits by building a system that can capture demand regardless of industry.
- The Operation Support Business is an area that is not so much affected by COVID-19, and we aim to continue to expand the scale of the business and improve profits by responding appropriately to demand.

# Priority Measures by Segment: Business Solutions Unit

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In addition to cultivating existing customers, the Company is developing new customers, and it is aiming for growth through the following measures.

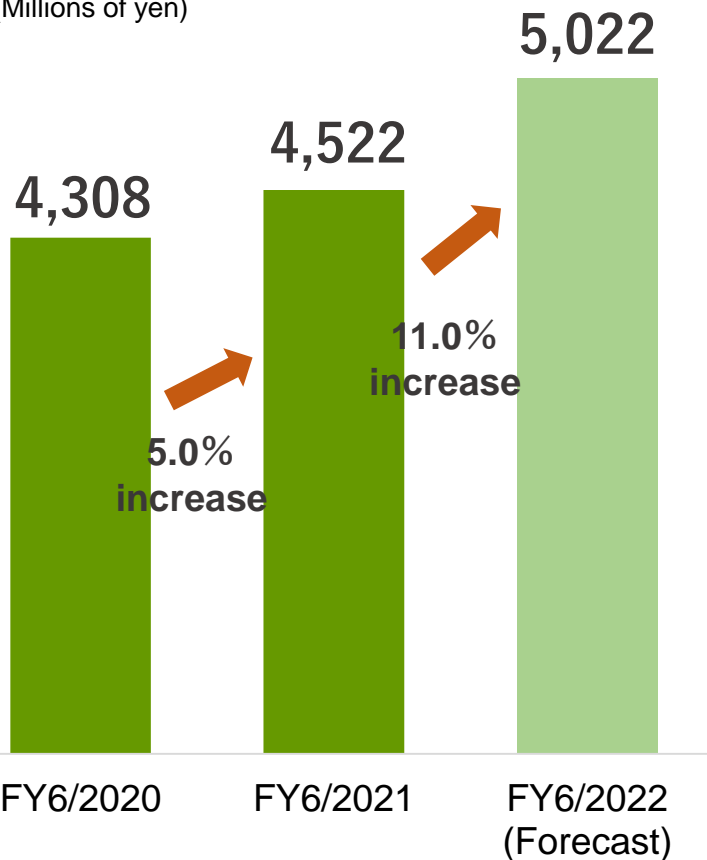
## Priority Measures

|    |   |
|----|---|
| 1. | In addition to the financial sector, which is our strength, we are expanding into pharmaceuticals, telecommunications, and ERP (SAP, etc.) fields |
| 2. | Increase orders for technology projects that promote DX, such as cloud and AI   |
| 3. | Expand direct contracts with end-users and promote service proposal-based business  |
| 4. | Increase the ratio of contract projects and thoroughly implement project management   |
| 5. | Utilize local offices as "Advanced Near Shore Development Center" to expand business  |

# Forecast by Segment: Embedded Solutions Unit

**Net sales 5,022 million yen**  
**YoY change +11.0%**

(Millions of yen)



- In the embedded system development, the Company aims to grow by striving to increase its share of transactions with existing high-quality customers in the automotive, semiconductor, and industrial equipment fields, as well as expanding its IoT-related projects.
- The Company aims to grow embedded system verification by expanding the domains of automotive, medical-equipment, and 5G-related products.

# Priority Measures by Segment: Embedded Solutions Unit

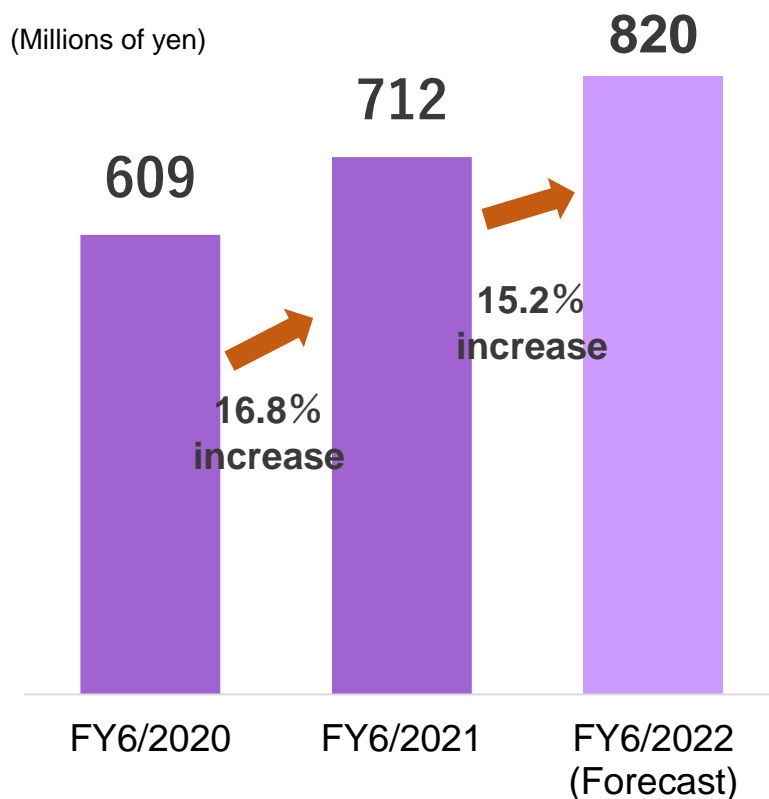
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It is anticipated that the impact of COVID-19 will continue, but it is responsible for many core areas with high social needs, and it aims for growth through the following measures.

## Priority Measures

|    |  |
|----|--|
| 1. | Maintain and expand the automobile sector (automated driving, automotive communication devices, safety standards) and expand the industrial equipment sector   |
| 2. | Expand the IoT across industries such as automobiles (development of communication modules) and consumer electronics (development of an IoT service platform for kitchen appliances and expansion of its services) |
| 3. | In the automotive field, we aim to win projects in the mass-production development field, as well as in the advanced development field   |
| 4. | Aim to complete standardization of embedded verification to improve quality and expand operations  |

**Net sales 820 million yen**  
**YoY change +15.2%**



All of these products can be even more effective in the new normal society under the COVID-19 disaster, and we are aiming for steady growth.

- Growth is expected in response to further rising demand for cyber security.
- Growth is expected by riding the trend of work style reform.

Inquiries have been increasing, and growth is expected through the following measures.

## Priority Measures :WebARGUS

|    |  |
|----|--|
| 1. | Proactively approach to large scale users, mainly financial institutions, based on our experience  |
| 2. | Provide total security services under DIT Security Brand <ul style="list-style-type: none"><li>· Promote activities through joint seminars with partner companies</li><li>· Strengthen lineup of cyber security products</li></ul> |
| 3. | Provision of cyber security services in our own cloud environment  |
| 4. | Enhance engagement with customers through Web advertising, webinars, and DM  |
| 5. | Introduce IoT-version WebARGUS based on the concept of system resilience (self-detection and self-restoration)   |



Demand is expected to expand further through the following measures.

### Priority Measures : xoBlos

- |    |   |
|----|---|
| 1. | As cumulative number of users exceeded 515 companies, further strengthen sales to large-scale users                     |
| 2. | Strengthen user support and increase licenses from existing customers   |
| 3. | Expand sales opportunities by actively promoting the Plus One Concept (collaboration with RPA, ERP, and other systems). |
| 4. | Provision of report processing services in a cloud environment  |
| 5. | Commercialize xoBlos based RPA-managed portals and provide its services   |

Implement the following measures to expand new business areas.

**Priority Measures : New Product · DX**

|    |  |
|----|--|
| 1. | Aim for full-scale development of DD-CONNECT, an electronic contract outsourcing service   |
| 2. | <p>Aim to cultivate markets and receive orders as soon as possible with the launch of sales of ShieldCMS</p> <p>*CMS: Content Management System is a general term for systems that integrate and systematically manage digital content such as the text and images that make up web content and perform the necessary processing such as distribution.</p> |
| 3. | <p>New services responding to the New Normal society and SDGs under the COVID-19 crisis</p> <p>Provides DX-related services (AI, RPA, voice recognition, etc.)</p> <p>*SDGs: Sustainable Development Goals, the United Nations' international goals for sustainable development, consisting of 17 global goals and 169 targets.</p>                        |



# Forecast by Segment: Systems Sales Business

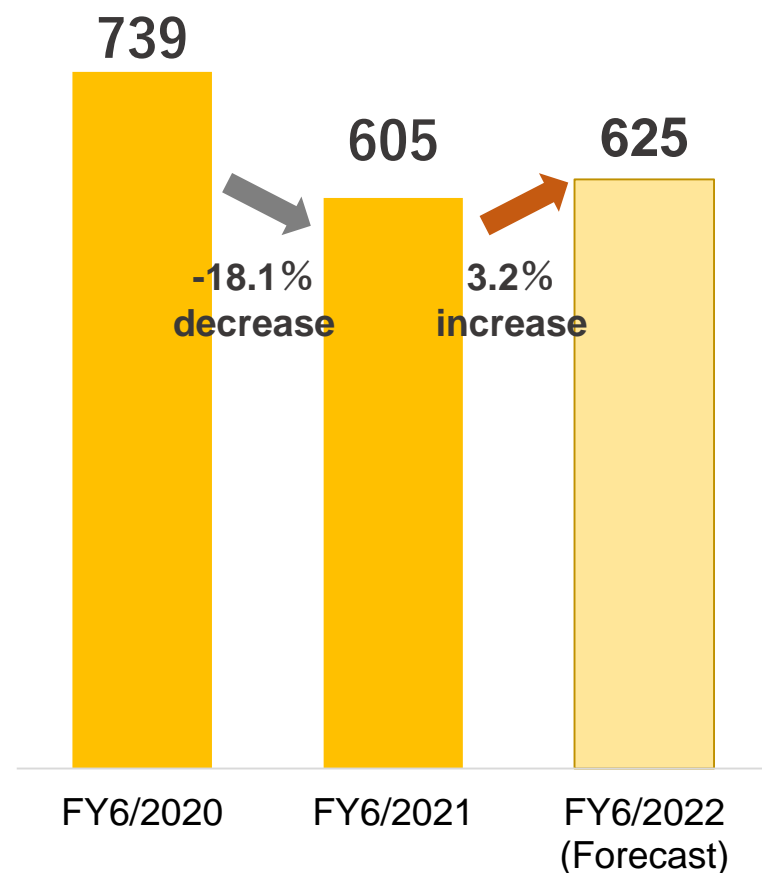


(Millions of yen)

**Net sales 625 million yen**  
**YoY change +3.2%**

The plan is expected to be a reaction to the absence of special demand in the previous fiscal year.

- For the mainstay Rakuichi business, the Company aims to increase sales by strengthening support and proposals that are useful to customers.
- Approach higher level customers than existing customers to increase revenue.



\* Rakuichi is a business and management support system for SMEs manufactured by Casio Computer Co., Ltd.

# Priority Measures by segment: Systems Sales Business

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We aim to secure more sales than planned through the following measures.

## Priority Measures

1.

Aiming for long-term stable transactions, we will work to contribute to the promotion of DX among small and medium-sized companies.

2.

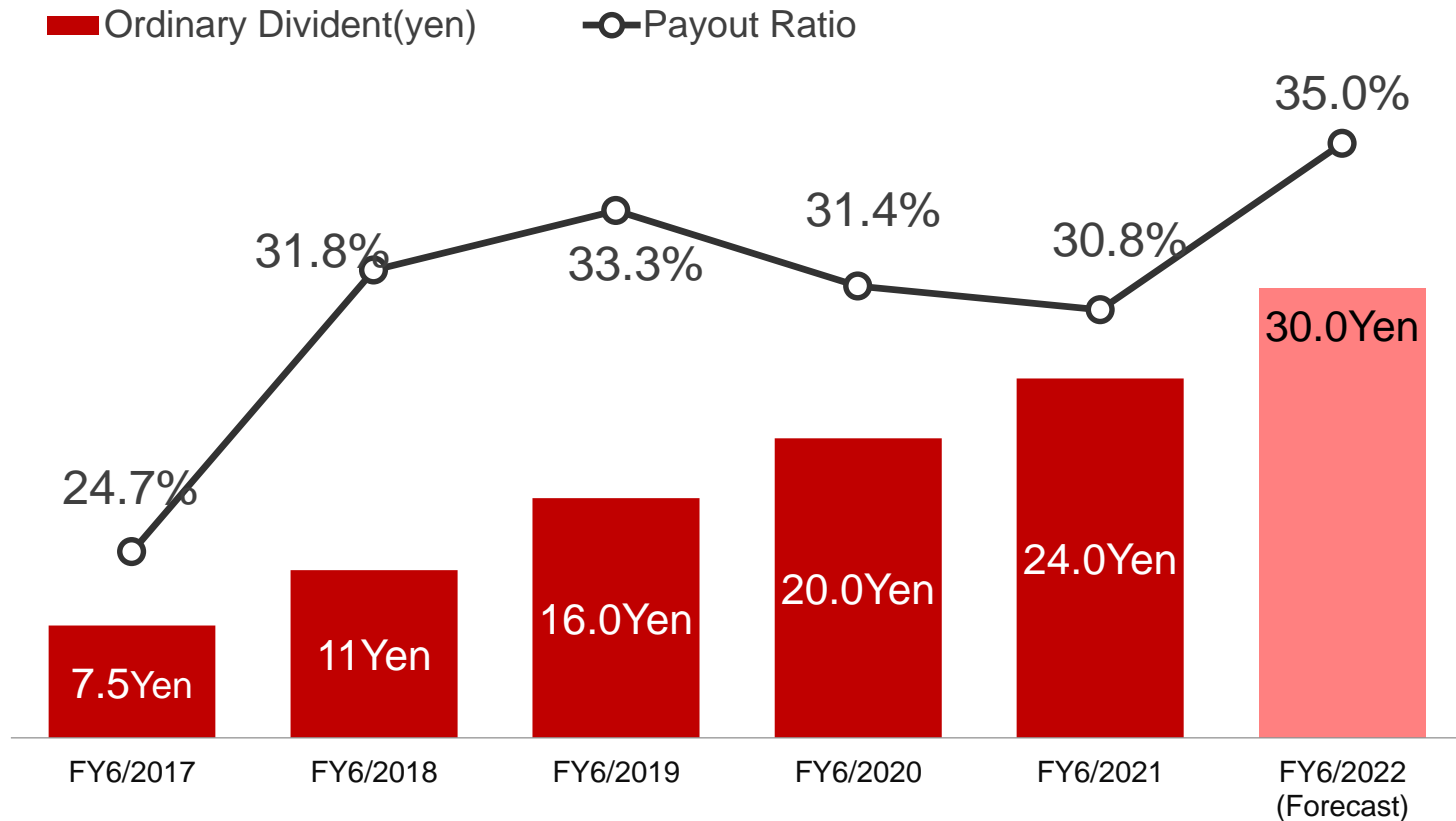
Strengthen proposals for a variety of services that customers need, such as printers, networks and security products.

3.

Cultivate new customers by proposing specialized business packages, etc. for companies that are larger than existing customers

# Return to Shareholders (Dividends + Purchase of Treasury Stocks)

■ Increase payout ratio from the current 30% to 35% or more in FY6/2021



- Payout ratio = Total amount of dividend payment ÷ Net income attributable to owners of parent
- In October 2016 and April 2018, implemented 1:2 stock split, and indicated annual dividend per share after split.
- In 6/18 implemented purchase of treasury stocks of 136 million yen (Overall payout ratio 57.5%).



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