

Digital Information Technologies Corporation

# New Medium-term Management Plan

-Toward a Trusted and Chosen DIT Brand

August 2021



**1. Summary of Previous Medium-Term Management Targets**

**2. DIT Group's Vision for 2030**

**3. New Medium-term Management Plan**



# Summary of Previous Medium-Term Management Targets (FY6/17 to FY6/21)



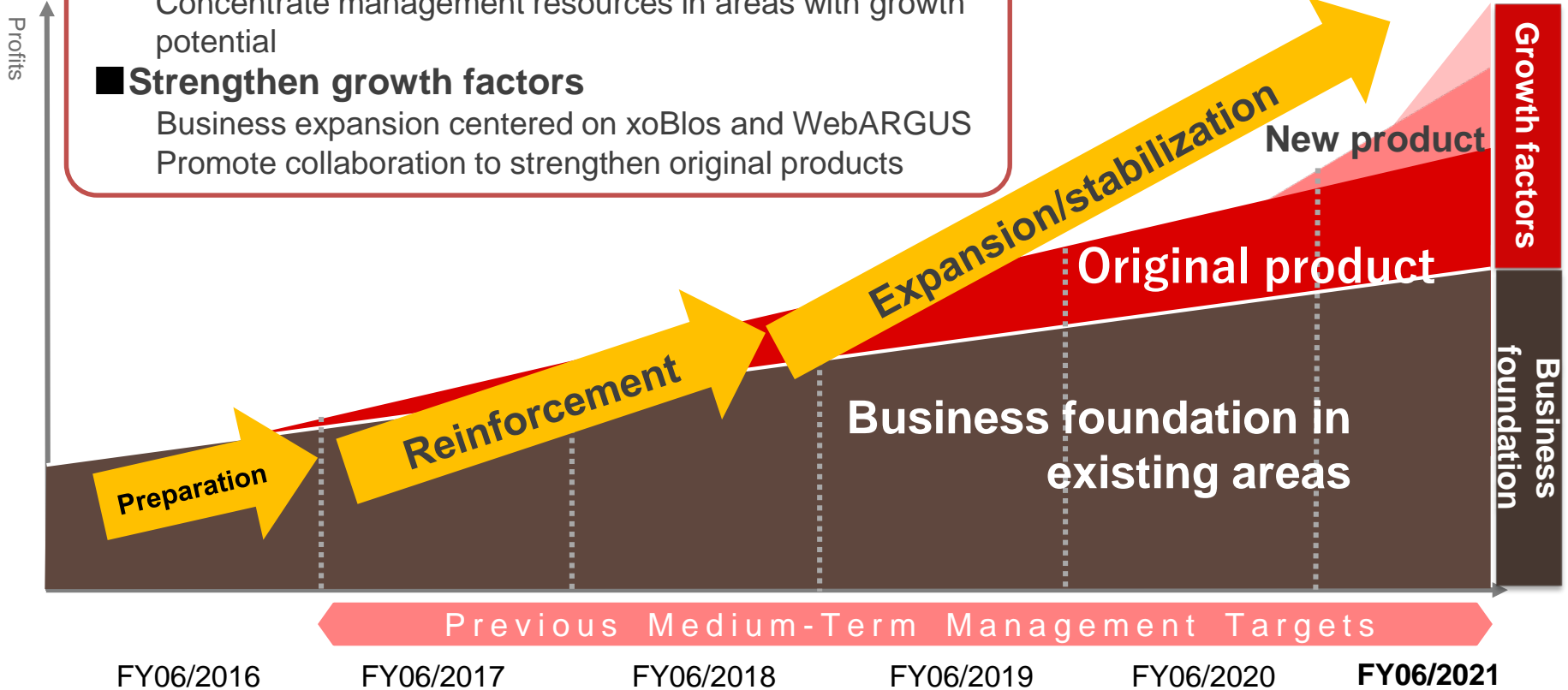
# Mid-term Growth Model

Two Pronged  
Business Strategy

**Business foundation**  
**Growth factors**

- • • Generate stable earnings in a wide variety of business areas
- • • Providing new value w/ original products at the core

- **Expansion/stabilization of business foundation**  
Concentrate management resources in areas with growth potential
- **Strengthen growth factors**  
Business expansion centered on xoBlos and WebARGUS  
Promote collaboration to strengthen original products



# Management Targets

■ Mid-Term Management Targets Started in FY6/2017: **Achieve Triple 10 within 5 years!**

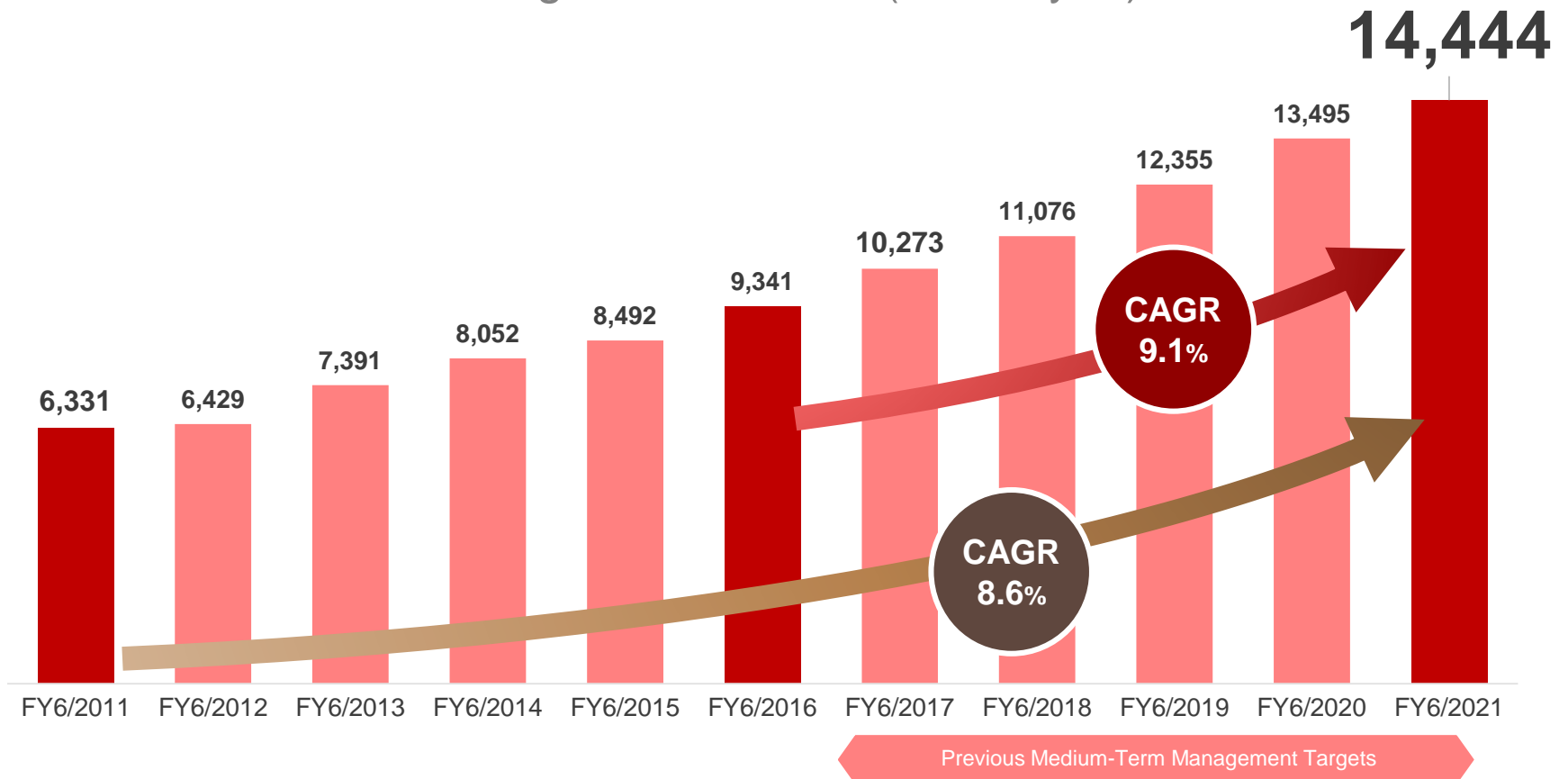
Mid-term Management Targets Aim at triple-10 within 5 years	Net sales	10 billion yen (FY6/2017) <b>&lt;Achieved !&gt;</b>
	Operating income	1 billion yen (FY6/2019) <b>&lt;Achieved !&gt;</b>
	Operating profit margin	10% (FY6/2021) <b>&lt;Achieved in advance!&gt;</b>

	FY6/2016		FY6/2021	
	Results		Results	Vs. FY6/2016
Net sales	9,341 million yen	➔	14,444 million yen	+ 55%
Operating income	524 million yen	➔	1,722 million yen	+ 228%
Operating profit margin	5.6%	➔	11.9%	+ 6.3pt
ROE	19.6%	➔	29.2%	+ 9.6pt

# Changes in Net Sales

- Achieved 11 consecutive years of sales growth, with 10-year CAGR at 8.6%
- 5-Year CAGR is at 9.1% in the previous medium-term management targets

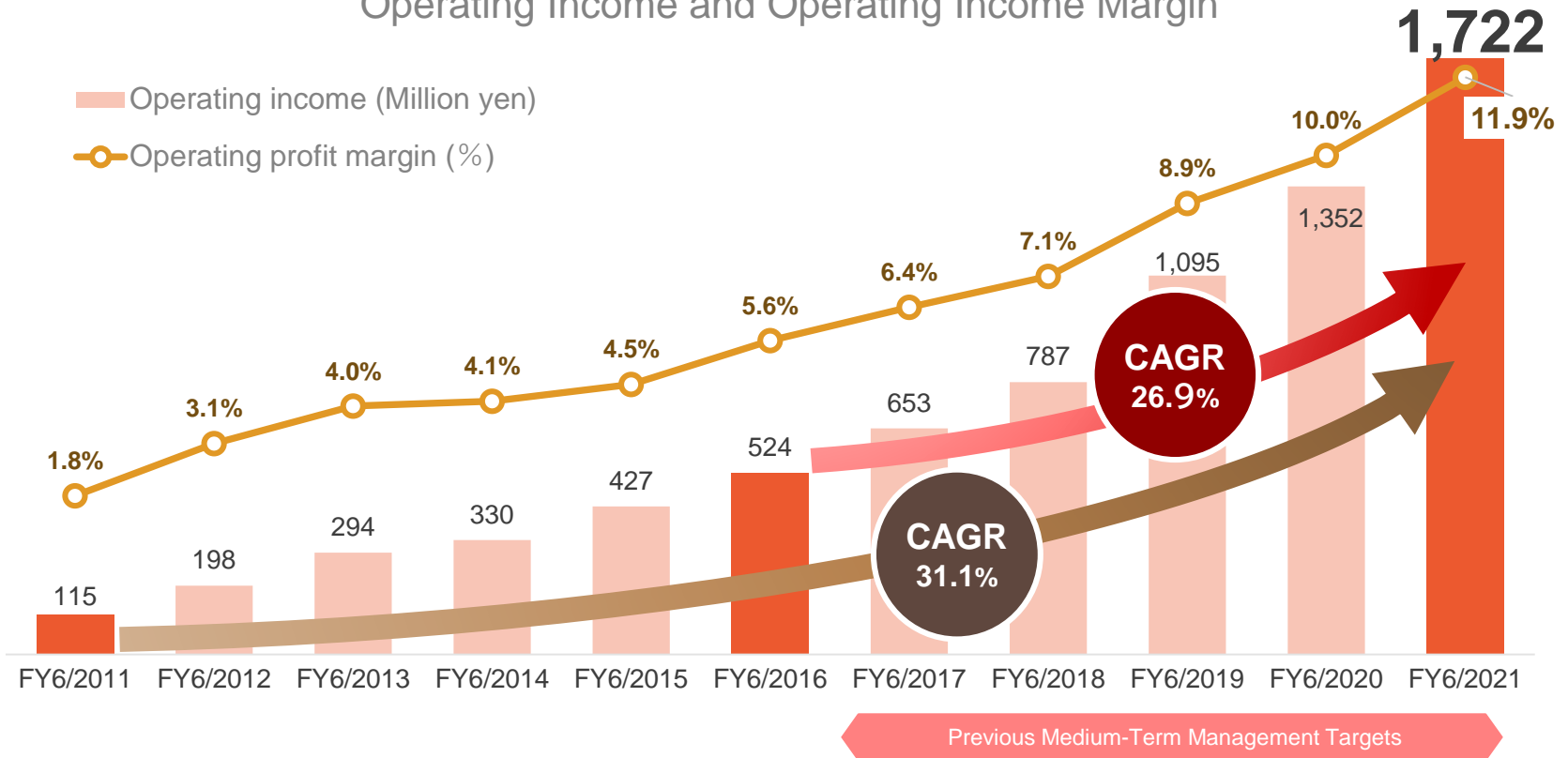
Changes in net sales (million yen)



# Changes in Operating Income/Operating Income Margin

- Achieved 11 consecutive years of profit growth, with 10-year CAGR at 31.1%
- 5-Year CAGR is at 26.9% in the previous medium-term management targets
- Operating income margin improved 6.3 percentage points over the previous 5-year medium-term management target to 11.9%

Operating Income and Operating Income Margin



# Results by Business Field

- Our core businesses, the Business Solutions Unit and the Embedded Solutions Unit, both steadily grew and made a significant contribution to stable growth
- Original Product Unit, which is a growth factor, expanded the lineup of products and services
- In the System Sales Business, due to a decrease in sales of the mainstay Rakuichi, we shifted resources to focus businesses.

	FY6/2016		FY6/2021	
	Net sales (Results)		Net sales (Results)	Vs. FY6/2016
Business Solutions Unit	5,491 million yen	→	8,604 million yen	+56%
Embedded Solutions Unit	2,880 million yen	→	4,522 million yen	+57%
Original Product Unit	212 million yen	→	712 million yen	+236%
Systems Sales Business	756 million yen	→	605 million yen	△20%



# Summary of Previous Medium-Term Management Targets

## Continued to increase sales and profits through strategic initiatives

- Through optimizing business portfolio, we shifted resources to highly profitable businesses and domains
- Focused on projects in highly profitable areas close to end users
- Strategically expanded highly profitable businesses (automotive, IoT, infrastructure construction, ERP, etc.)
- Prevented large-scale project failures with proper risk management

## Steady growth in the Original Product Unit

- Strengthened product appeal of cybersecurity product WebARGUS and launched at large-scale users
- Expanded the scope of the security business under the brand name of DIT Security
- Strengthened the product appeal of xoBlos, an operational efficiency solution, and introduced it to more than 500 customers

## Steady performance even under the COVID-19 crisis

- Focused on businesses with minor impact from COVID-19 (operations support, social infrastructure and public sector projects) and expanded these operations
- Prioritized orders from customers affected by COVID-19 ahead of other companies

# Summary of Previous Medium-Term Management Targets

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## Profitability of near-shore bases

- Our regional base in Matsuyama (Ehime Company) gained strength and turned profitable.

## System Sales Business is shrinking

- The business is shrinking due to the significant impact of COVID-19, although there were special demand such as reduced tax rates. We shifted our resources to focus businesses.

## Strengthened cross-organizational collaboration within the company

- Cooperation among group companies to respond to the trend toward expanding the scale of orders received.

## Increase in cooperating companies

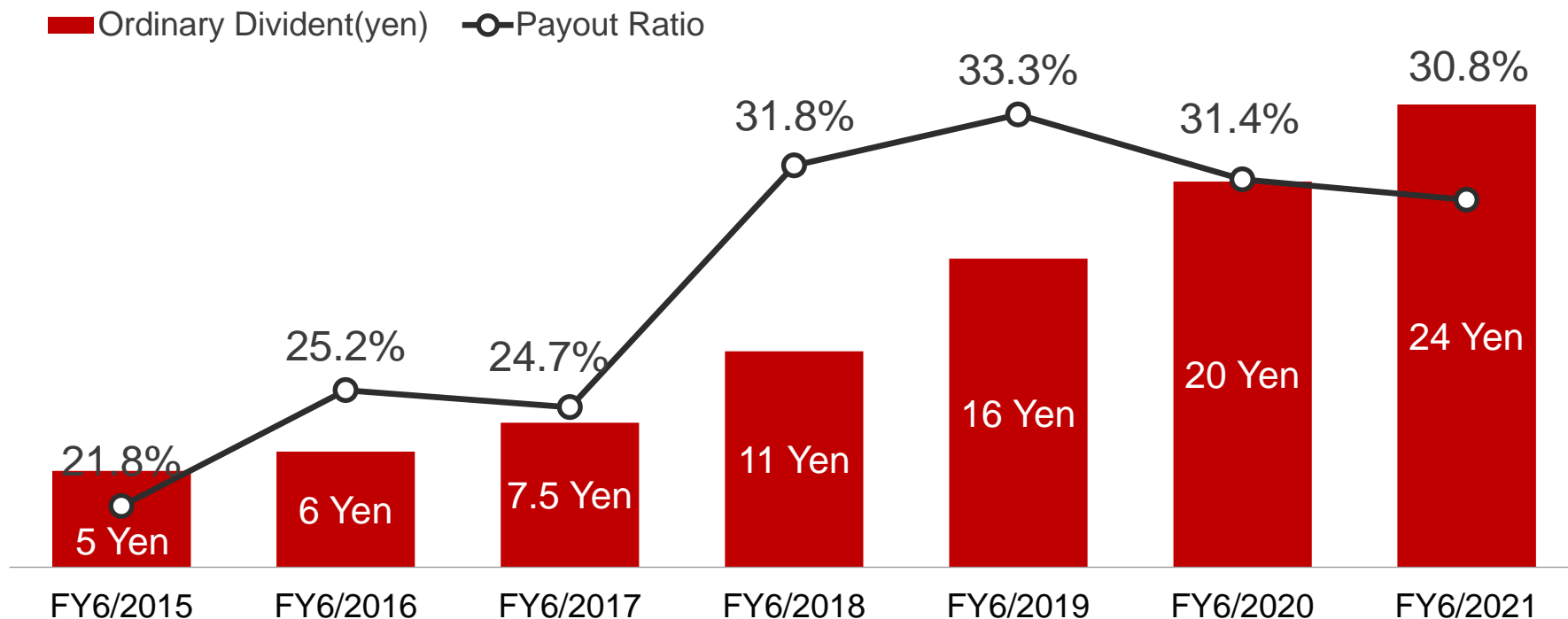
- Increase in the number of companies that can collaborate in many fields, including DAIKO DENSHI TSUSHIN,LTD.

## Unrealized M&A

- The door was open, but we could not find a partner that could generate synergies.

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

### ■ Achieved a dividend payout ratio target of 30% or more



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

# DIT Group's Vision for 2030



Vision for 2030

## Toward a Trusted and Selected DIT Brand

# DIT Brand

- Enhance Customer Value!

**DIT Services** Providing a higher level of value



**DIT Spirits**

DIT  
Security



Safety and  
robustness

DIT  
Efficiency



Efficiency  
improvement

DIT  
Support



Reliable  
operation

DIT  
Consulting



Ability to  
resolve issues  
and propose  
solutions

DIT  
Quality



High quality

DIT  
Technologie











Advanced  
technology



Professional group

# Vision for 2030

## Vision for 2030: DIT's Future Vision and Initiatives

		Future Vision	Measures
DIT Services		Co-creation of value by supporting customers' business and IT strategies through various services provided by DIT	Develop various services from the perspective of always providing higher value to customers
DIT Security		To become part of the cybersecurity business industry through subscription licensing, contributing significantly to DIT's earnings	Providing comprehensive cyber security services centered on our original products
DIT Efficiency		To become part of the DX-related business industry by providing comprehensive business efficiency services, contributing significantly to DIT's earnings	Providing comprehensive services to improve operational efficiency centered on our original products
DIT Support		Significantly expand business scale by entrusting all operations that support customers, such as system operation and daily operations	With the aim of solving the problems of our customers, we cover a wide range of services, from system construction to operational support for daily operations, without setting any boundaries.
DIT Consulting		Business expansion driven by customers' reputation that DIT can solve their IT-related problems and issues	Enhance technical capabilities, business knowledge, and proposal capabilities to solve customers' IT-related issues, and build a track record
DIT Quality		DIT will receive a reputation for high quality, and the scale of the verification business is expanding.	Provide customers with quality-first QCDs and develop a high-quality system verification business using its proprietary methodology
DIT Technologies		Large expansion of business scale, based on a reputation that DIT is entrusted to all types of project, regardless of project size.	Further enhance the ability to grasp technological trends and execute project management, and to build a track record of unique development standard methods.
DIT Spirits		Group of professionals who can co-create value with customers first	Self-reliant employees provide a variety of services on a rewarding foundation for work

# Business Environment Surrounding the DIT Group

The digital society has arrived in earnest, and we are entering an era of selection in which companies that are able to adapt to change will survive.

<b>Trends in the IT industry as a whole</b>	<ul style="list-style-type: none"><li>• Despite the ongoing impact of COVID-19, moderate growth will continue until 2025, supported by demand for DX and system reconstruction, etc.</li><li>• Since then, disruptive innovation through technological innovation has accelerated, and we have entered an era of shakeout, an era in which sustainability is called into question.</li></ul>
<b>Acceleration of qualitative change</b>	<ul style="list-style-type: none"><li>• Progress in DX accelerates qualitative changes in businesses</li><li>• Accelerated digitalization of automotive and other equipment</li><li>• IT is predominantly focused on the provision of value from the custom-made model and on the provision of services.</li><li>• New Normal lifestyle becomes a standard, accelerating changes in business style</li></ul>
<b>Shortage of IT human resources</b>	<ul style="list-style-type: none"><li>• Shortage of IT human resources accelerated due to increased demand for SoE (System of Engagement, value-creating) human resources</li></ul>
<b>Social issues</b>	<ul style="list-style-type: none"><li>• Increasing needs for cyber security threats and social issues of work style reform</li></ul>

**Opportunities for the DIT Group to increase its presence by leveraging its responsiveness to change**

- Transforming the DIT Group into a Structure That Can Respond to Greater Changes
- Focus on enhancing customer value in line with customers

# Management Targets

Challenge to sales of 50 billion yen ! <Challenge 500>

FY6/2021 Results

FY6/2030 Target

Net sales
Operating income

14.4 billion yen

1.72 billion yen

Organic growth

+New business · M&A, etc.

30 billion yen or more

50 billion yen or more

4 billion yen or more

5 billion yen or more

-FY6/2021

FY6/2022-FY6/2030

Dividend payout ratio

30% or more

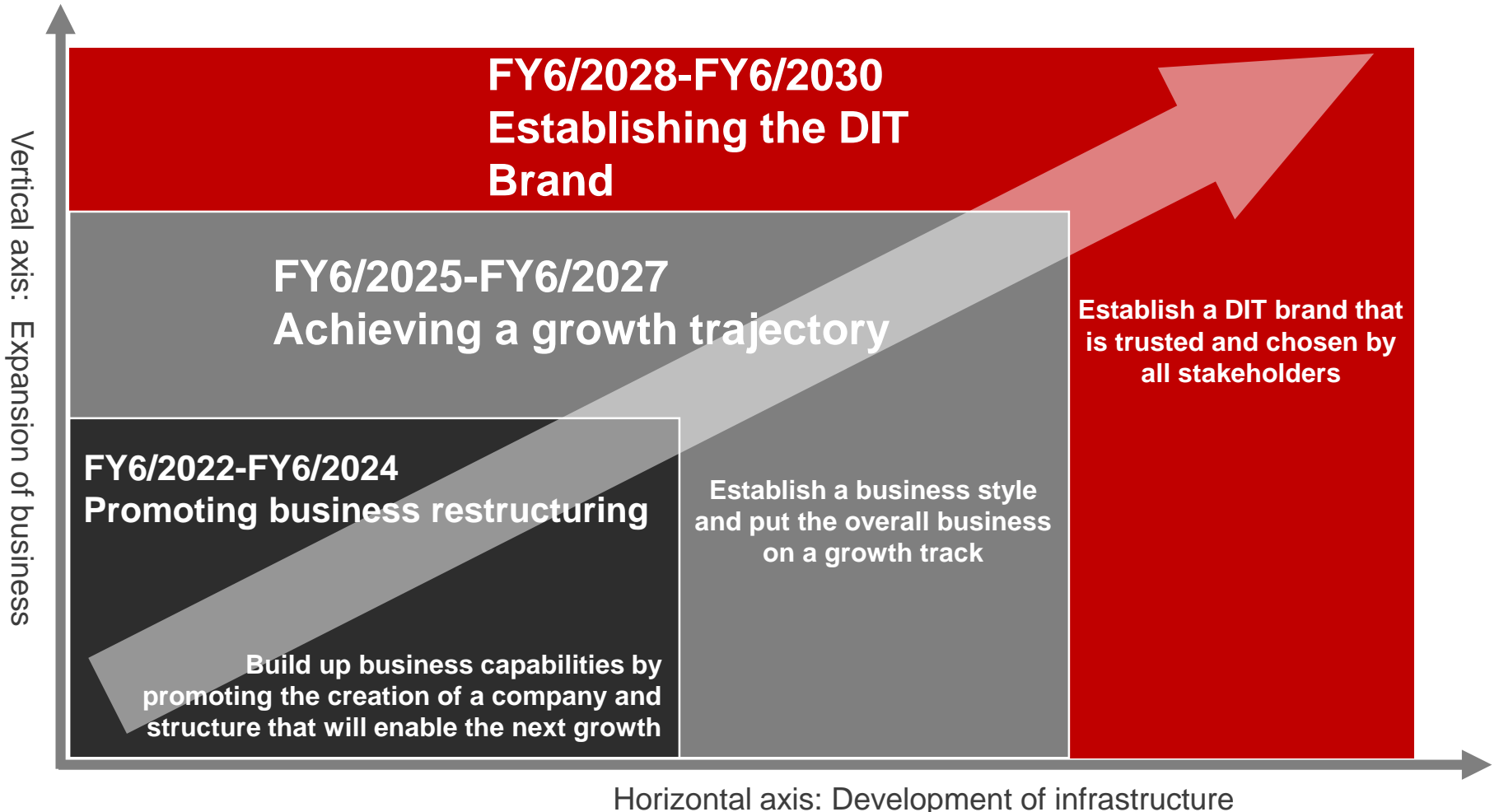
35% or more



# Steps to Realize the 2030 Vision



## DIT 2030 Vision

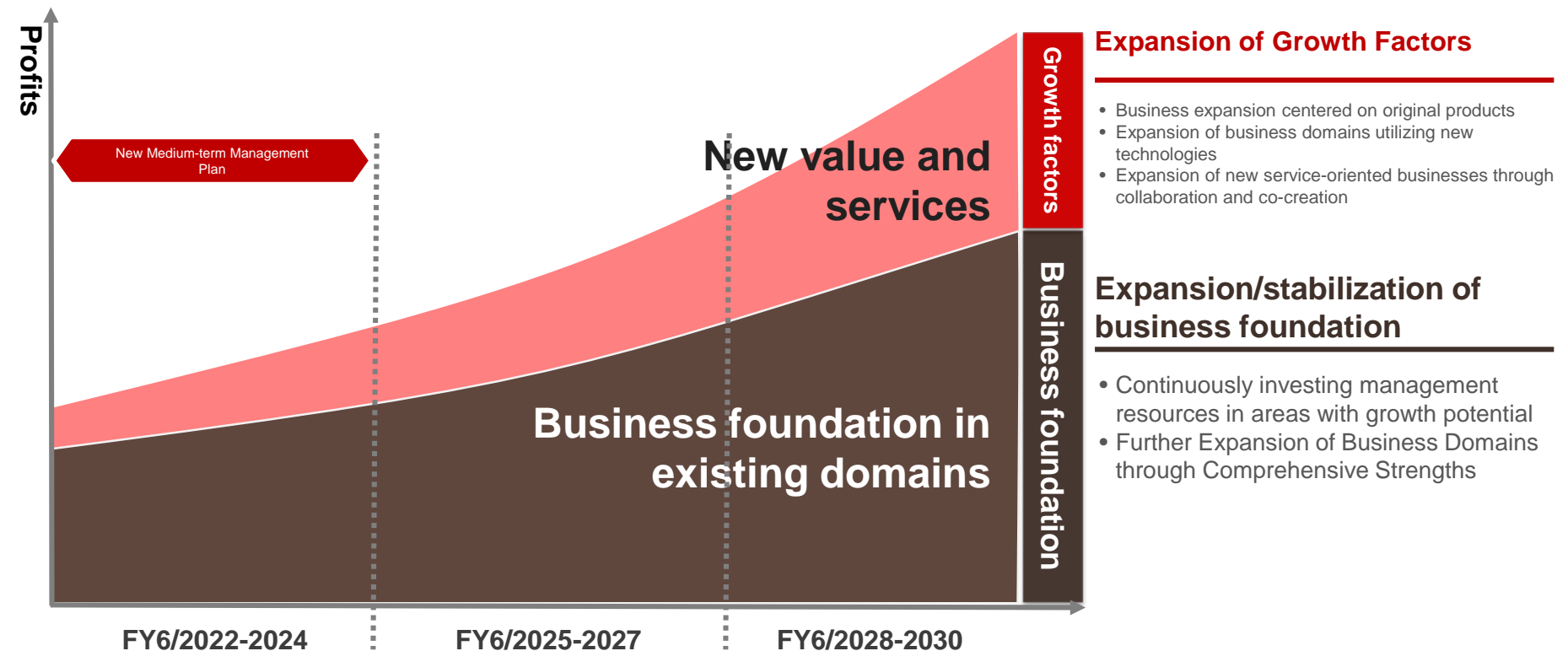


# Medium-to Long-term Growth Model

■ We will further strengthen the "2-axis business promotion," which has supported growth up to the present time, and promote further expansion of our business foundation and the provision of new value and services.

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



# SDGs: Contributing to the Realization of a Sustainable Society

We will strive to contribute to a sustainable society through appropriate corporate management and the introduction of our own products to customers.

## Contribution from corporate management



Contribute to a sustainable society by enhancing employee benefits, promoting diversity through the appointment of women to managerial positions, and appropriate business management with an emphasis on governance, etc.

### Relevant SDGs goals



## Contribution from introduction of original products, etc.



Contribute to establishing a comfortable and secure Internet-based society and improving social productivity by introducing security products (WebARGUS) and work style reform-related products (xoBlos, DD-CONNECT), etc.

### Relevant SDGs goals

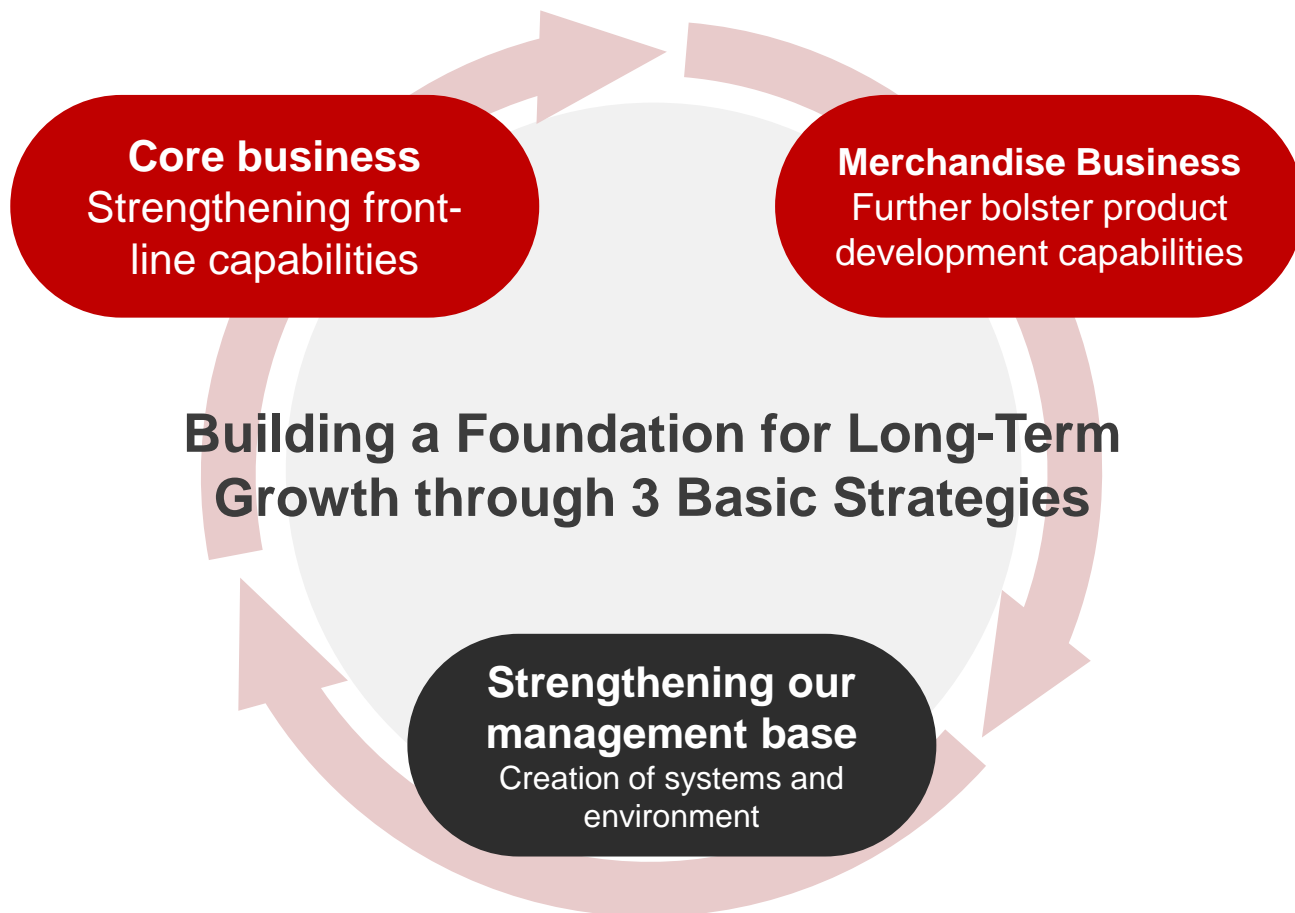


# New Medium-term Management Plan (FY6/2022-FY6/2024)



# Medium-Term Management Plan Basic Strategy

■ Promoting 3 Basic Strategies to Create a Company That Can Achieve Long-Term Growth Toward 2030



# Strengthening Our Management Base

We will promote the strengthening of the Company's systems, improvement of the working environment, and strengthening of human resources as priority measures to strengthen the management foundation.

Through these efforts, we will realize further improvements in profitability by supporting the enhancement of on-site capabilities and product appeal, and create a healthier cycle for strong growth as a company.

## Major Initiatives

1	Creating <b>systems</b> such as organizations and systems to be a strong business	<ul style="list-style-type: none"><li>• Renovation of the personnel system</li><li>• Promoting Sophisticated Project Management</li></ul>
2	Creating an <b>environment</b> where employees can work with job satisfaction	<ul style="list-style-type: none"><li>• Promoting internal systems</li><li>• Promoting Work Style Reforms</li><li>• Promoting measures to improve employee satisfaction</li></ul>
3	Creating <b>human resources</b> to increase and develop employees that are company assets	<ul style="list-style-type: none"><li>• Aggressive recruitment of new graduates and mid-career recruitment</li><li>• Expansion and systematization of education and training systems</li><li>• Expansion of Compensation System for Acquiring Qualifications</li></ul>

# Core Business: Strengthen On-site Capabilities

**In core businesses, increase customer value and accelerate growth potential by strengthening on-site capabilities**

## Basic Policy

- 1 Standardize various methods, use and utilize intellectual property, and optimize personnel allocation in order to strengthen on-site capabilities
- 2 Enhance responsiveness to changes so that we can respond quickly to market and technological changes
- 3 Always strive to optimize the business portfolio
- 4 Enhance the value of customer business through service proposal-based cultivation of customer needs
- 5 Expansion of regional bases, enhancement of capabilities, and enhancement of near-shore functions

# Core Business: Strengthen On-site Capabilities

## Initiatives of Business Solutions Unit

- 1 Improving QCD and productivity and expanding the scale of contracted projects through development standardization and the development and utilization of intellectual property
- 2 Promote the deepening of existing customers and the cultivation of new customers that are end users or close to them
- 3 Switch to a business model centered on subcontracting and services, and receive 1-stop orders for all processes
- 4 Contributing to solving the issues of many Japanese companies described on the cliff in 2025 (Legacy system update, progress in DX conversion, SAP update, etc.)

## Initiatives of Embedded Solutions Unit

- 1 Increase the shares of transactions with established prime customers such as automakers, Tier1, and semiconductor manufacturers
- 2 In the automotive field, we are focusing on acquiring projects not only in the advanced development field but also in the mass-production development field.
- 3 Complete standard methods for embedded verification, leading to quality improvement and business expansion
- 4 For IoT, our area of expertise, we will create solutions and cultivate new customers.



# Merchandise Business: Strengthen product appeal

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**Expand business centered on in-house products as axis of business promotion**

## Basic Policy

- 1** For existing products, strengthen product appeal and expand sales, mainly to large-scale customers
- 2** Promote commercialization of our specialty areas and achieve profitability within the period under review
- 3** Enhance the lineup of products that meet the needs of a new normal society
- 4** Continue to develop products that meet the needs of the times

# Merchandise Business: Strengthen product appeal

## Initiatives of Cyber Security Business

- 1 With regard to WebARGUS, we aim to realize the introduction of WebARGUS to several other major financial institutions by leveraging our experience in introducing WebARGUS to major financial institutions. For this purpose, we will expand the target OS and strengthen the product. (In addition to Linux/Windows, AIX will be added as a target OS.)
- 2 Enhance the DIT Security product lineup in accordance with the cyber security guidelines, for which demands are rising.
- 3 Continue to look for business opportunities for the IoT version of WebARGUS.

## Initiatives for Business Efficiency Improvement

- 1 For xoBlos, we aim to expand sales, mainly to large companies, with a cumulative target of 700 customers (515 as of July 2021).
- 2 Provide new services utilizing AI, which is easy for customers to introduce
- 3 Collaborate with RPA and BPM operating companies to expand areas of business efficiency improvement business

# Merchandise Business: Strengthen product appeal

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## Commercialization in areas of expertise

1

We will sell CMS, our area of expertise, with functions that differentiate it from others, and realize profitability within the fiscal year under review.

Differentiation function: ① Editing function that can be used from beginners to advanced users (editing function and HTML direct editing function while viewing). ② Standard-equipped cyber security measures (WebARGUS is incorporated and security measures are implemented)

2

Collaborate with building entrance gate equipment manufacturing companies to develop a web entry reservation system using face recognition technology and introduce it to multiple buildings

## Product lineups suited to the new normal society

1

Realize full-scale development of electronic contract outsourcing services (DD-CONNECT).

2

Realize a product lineup and commercialization of AI-based voice recognition, AI OCR, and other products that are compatible with the new normal society

# Management Targets in the Medium-Term Management Plan

## ■ Medium-Term Management Targets for Organic Growth

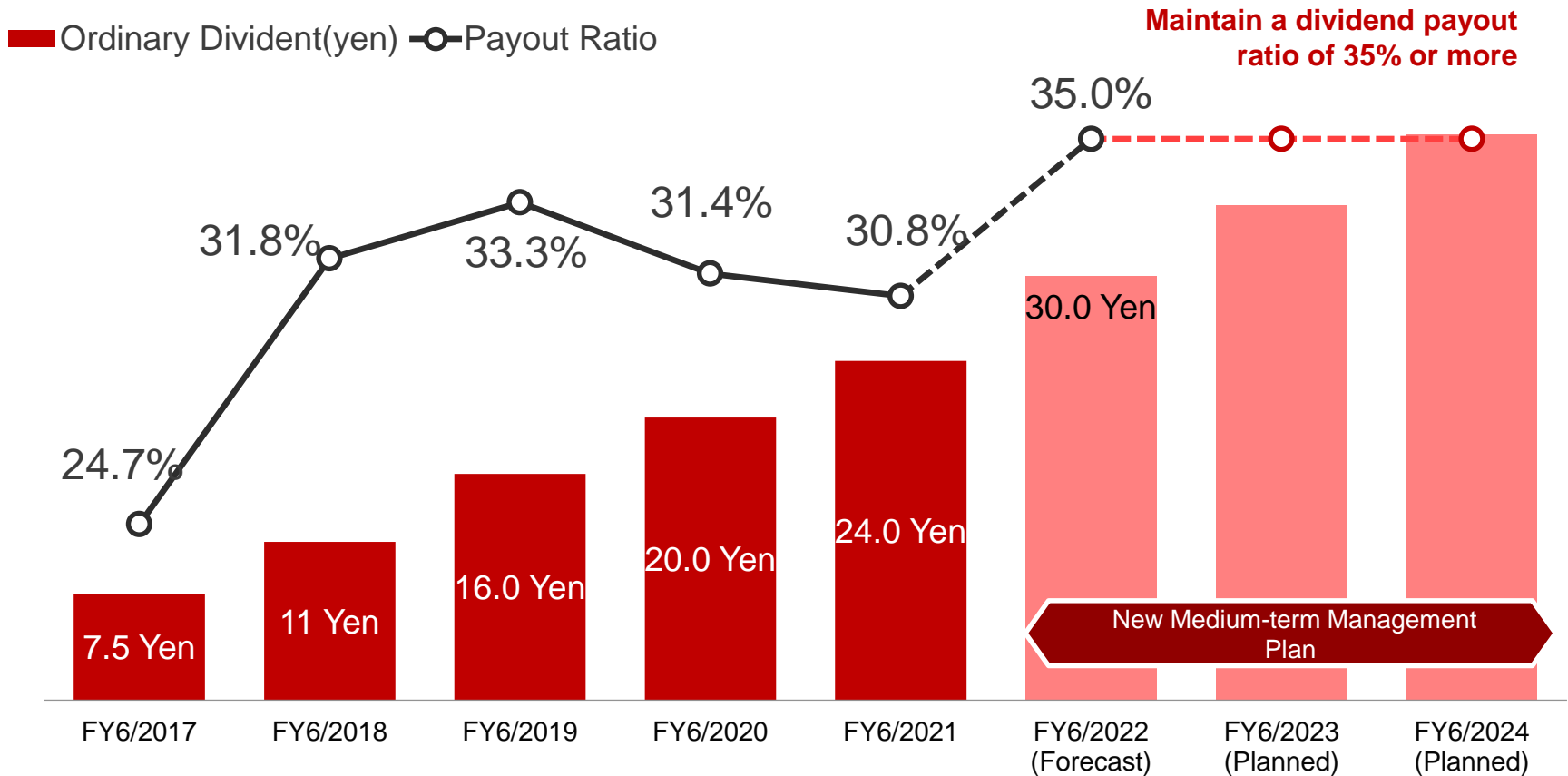
	FY6/2021 (Results)	FY6/2022 (Forecast)	FY6/2023 (Planned)	FY6/2024 (Planned)
<b>Net sales</b>	14.4 billion yen	15.6 billion yen	16.8 billion yen	18.5 billion yen
<b>Operating income</b>	1.72 billion yen	1.90 billion yen	2.15 billion yen	2.50 billion yen
<b>Ordinary income</b>	11.9%	12.2%	12.8%	13.5%
<b>ROE</b>	29.2%	Maintain 20% or more		
<b>Dividend payout ratio</b>	30% or more	35% or more		

## ■ Dividend Forecast for FY6/2022

<b>Annual dividend per share</b>	24.0 yen	30.0 yen
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# Management Targets of the Medium-Term Management Plan (Dividend Payout Ratio)

## ■ Raising the dividend payout ratio from the current 30% level to 35% or more





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