

Digital Information Technologies Corporation

**Financial Results for the Third Quarter of the
Fiscal Year Ending June 2023**
(TSE Prime: 3916)

May 2023





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2. Business Forecasts for FY6/2023

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1. Financial Results for FY6/2023 Q3

FY6/2023 Q3 Overview of Financial Results (Performance)

- The business in general continued to respond to strong demand and sales reached a record high, but operating profit was lower than the previous year due to an unprofitable project.
- Although the unprofitable project is on track to be settled by the end of the current financial year, we have revised the full-year forecasts due to the lump-sum disposal of losses.
- Decided to repurchase up to 400 million yen of treasury stock to execute a flexible capital policy and strengthen shareholder returns.

Major KPIs

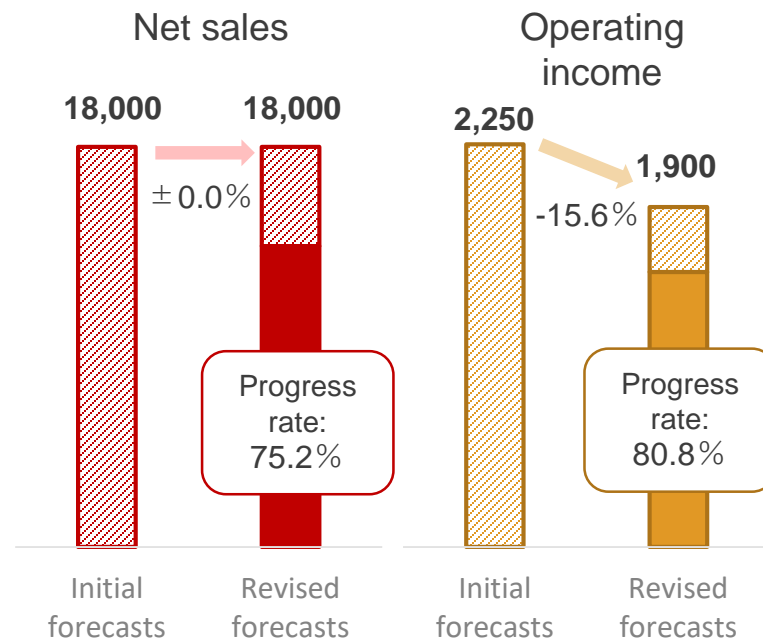
Net sales: 13,535 million yen
(+13.4% YoY)

Operating income: 1,536 million yen
(-4.5% YoY)

Operating income margin: 11.3%
(-2.2 ppt. YoY)

Progress rate to the full-year forecasts

*Million yen



Outline of the Unprofitable Project

◆ Outline of the unprofitable project

This unprofitable project refers to a contract project for which a contract was signed in Q4 of the previous year. Insufficient confirmation of the requirements led to a divergence in perceptions between the Company and the customer side, which required significant additional modifications.

◆ Our response

As it became difficult to procure personnel associated with major additional modifications, we judged that it would be difficult to secure personnel and profitability, and as a result of discussions with customers, we decided to cancel the contract for the manufacturing process and beyond in order to minimize losses.

◆ Impact on performance for the current fiscal year

Due to the change in the contract accompanying the above, net sales and gross profit were reduced by 340 million yen and by 370 million yen, respectively, in the third quarter.

◆ Impact on future performance and measures to prevent recurrence

In Q4, we assume that there will be no impact on performance for the next fiscal year and beyond, although there will be some impact from the transfer of some work to other companies due to the change in the contract.

Going forward, we will thoroughly implement quality and project management by strengthening reviews by the quality control department. At the same time, we will strengthen project management, train project managers, and strengthen relationships with partner companies to thoroughly prevent recurrence.

Revision to Full-year Business Forecasts

- Despite robust demand in the business itself, operating income and below has been revised downwards in line with the process of disposing of losses on the unprofitable project.
- There is no change in the initial forecast for dividends. We also plan a total return ratio of up to 83.9%, including the repurchase of treasury stock.

(Millions of yen)	FY6/2022 Result	Composit ion %	FY6/2023		Composit ion %	YoY change %
			Initial forecasts	<u>Revised forecasts</u>		
Net sales	16,156	100.0%	18,000	18,000	100.0%	+11.4%
Operating income	2,004	12.4%	2,250	1,900	10.6%	-5.2%
Ordinary income	2,004	12.4%	2,250	1,915	10.6%	-4.4%
Net income attributable to owners of parent	1,439	8.9%	1,561	1,331	7.4%	-7.5%
Dividend per share	40 yen (Commemorative dividend: 8 yen)	—	36 yen	36 yen	—	—

FY6/2023 Q3 Overview of Financial Results (by Business)

■ **Large growth in the Embedded Solutions Unit, which actively responds to corporate R&D investment in connected cars and autonomous driving, contributing to overall performance.**

■ Software Development Business (+13.5% YoY)

- **In the Business Solutions Unit (+9.0% YoY)**, sales increased as strong demand remained unchanged, but profits declined due to the unprofitable project. Sales and profits increased substantially, reflecting progress in acquiring projects related to public works, communications, manufacturing, and ERP. On the other hand, overall sales were on a par with the previous year and profits declined significantly due to the process of losses in a large-scale pharmaceutical contract project. In operational support, in addition to expanding businesses for large customers, Simplism, which joined the Group in June of last year, also contributed to a significant increase in sales and profits.
- **In the Embedded Solutions Unit (+23.9% YoY)**, strong demand accompanying the rebound in the automotive and semiconductor-related markets remained unchanged from Q2, and both sales and profits increased significantly year on year. In embedded systems development, sales grew sharply due to favorable sales of automotive-related projects and steady growth in IoT projects. In embedded systems verification, sales and profits both increased substantially, with significant growth in automotive systems and growth in 5G, energy/pharmaceutical-related businesses.
- **In the Original Product Unit (-0.2% YoY)**, profits are steadily increasing owing to the steady build-up of licence sales in both the mainstay WebARGUS and xoBlos, but sales were slightly down year on year, partly due to the delay in the launch of the new xoBlos series. Meanwhile, WebARGUS released a version compatible with ransomware, and new products such as DD-CONNECT also began to contribute to earnings.

■ Systems Sales Business (+10.0% YoY)

Sales and profits increased significantly year on year due to the easing of sales restrictions under the COVID-19 disaster and increased demand to comply with the Qualified Invoice System.

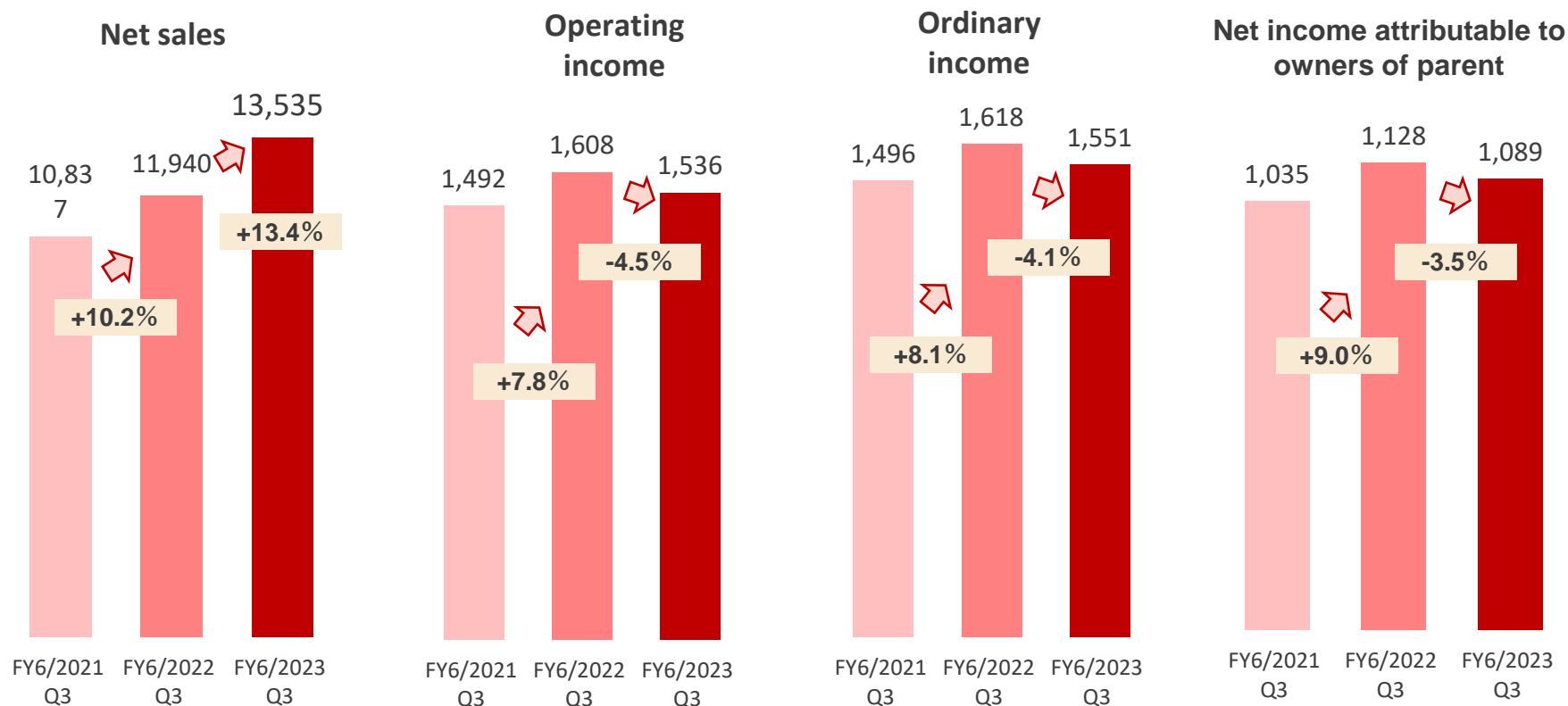
FY6/2023 Q3 Summary of Financial Results

- Demand continues to be strong, with record sales growth more than offsetting the decline in sales due to the disposal of losses.
- Profits decreased due to lower sales associated with the unprofitable project and an increase in cost of sales.

(Millions of yen)	FY6/2022 Q3 Result	Composition %	FY6/2023 Q3 Result	Composition %	YoY change (%)
Net sales	11,940	100.0%	13,535	100.0%	+13.4%
Gross profit	3,054	25.6%	3,150	23.3%	+3.1%
SG&A	1,446	12.1%	1,613	11.9%	+11.6%
Operating income	1,608	13.5%	1,536	11.3%	-4.5%
Ordinary income	1,618	13.6%	1,551	11.5%	-4.1%
Net income attributable To owners of parent	1,128	9.4%	1,089	8.0%	-3.5%

FY6/2023 Q3 Financial Highlights

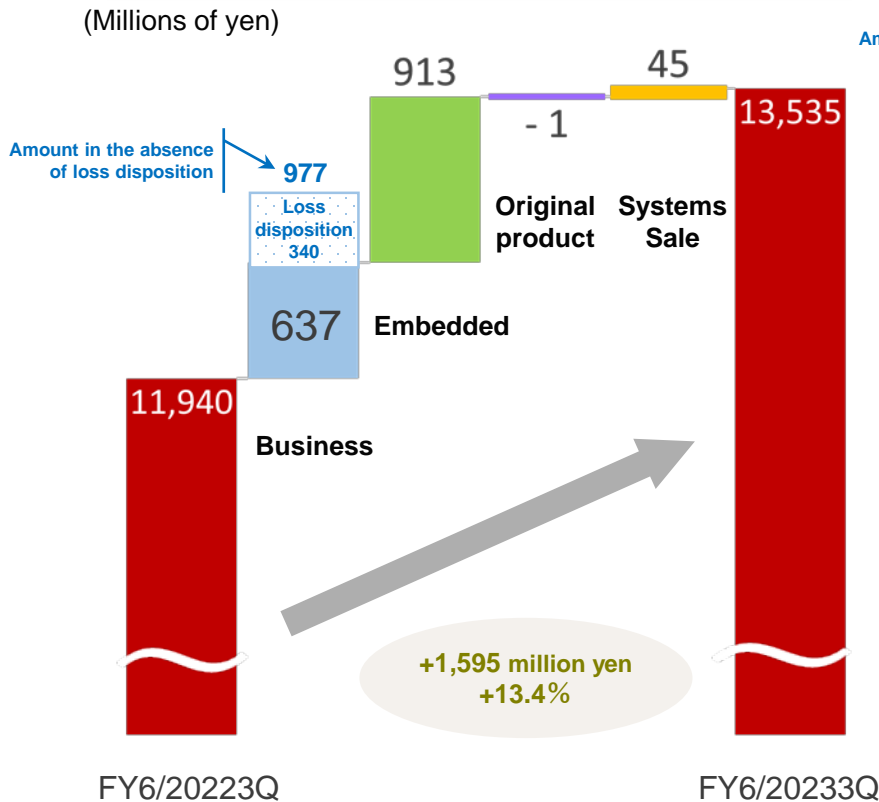
Net sales reached a record high, but each profit decreased due to the disposal of losses from the unprofitable project.



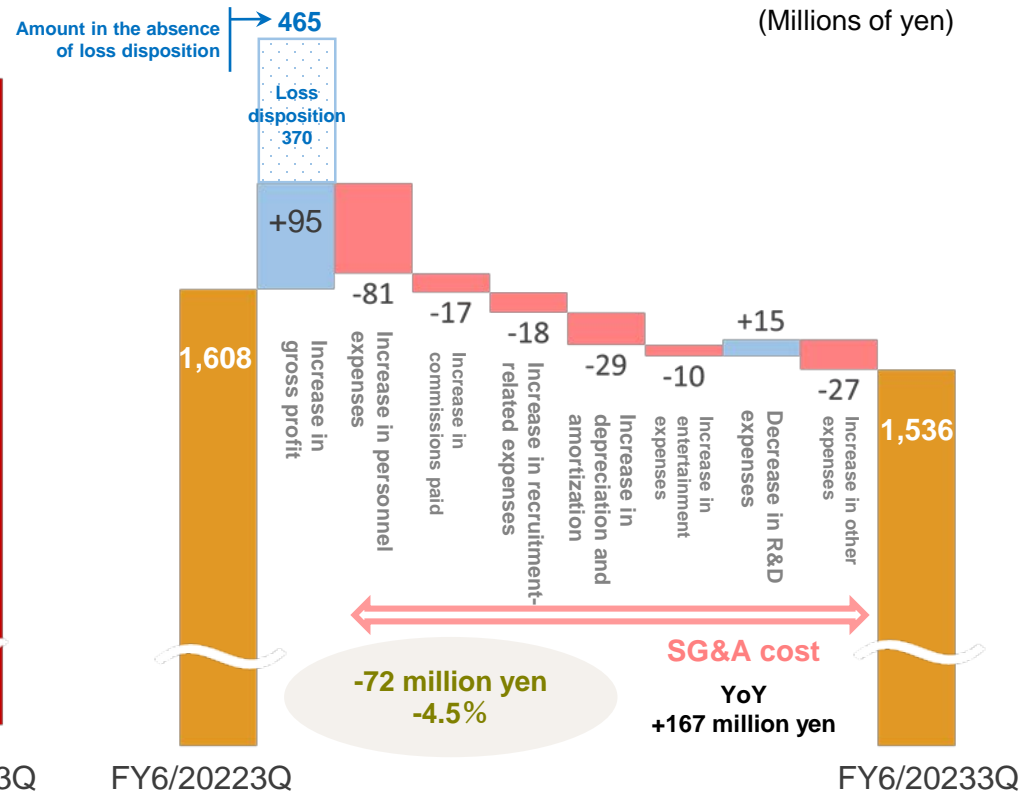
Factors behind Changes in Net Sales and Operating Income (YoY)

- Net sales increased due to an increase in sales from operational support in the Business Solutions Unit, and strong sales in the Embedded Solution Unit as a whole.
- SG&A expenses increased by 167 million yen due to an increase in personnel expenses and recruitment expenses in line with business expansion.

Net sales



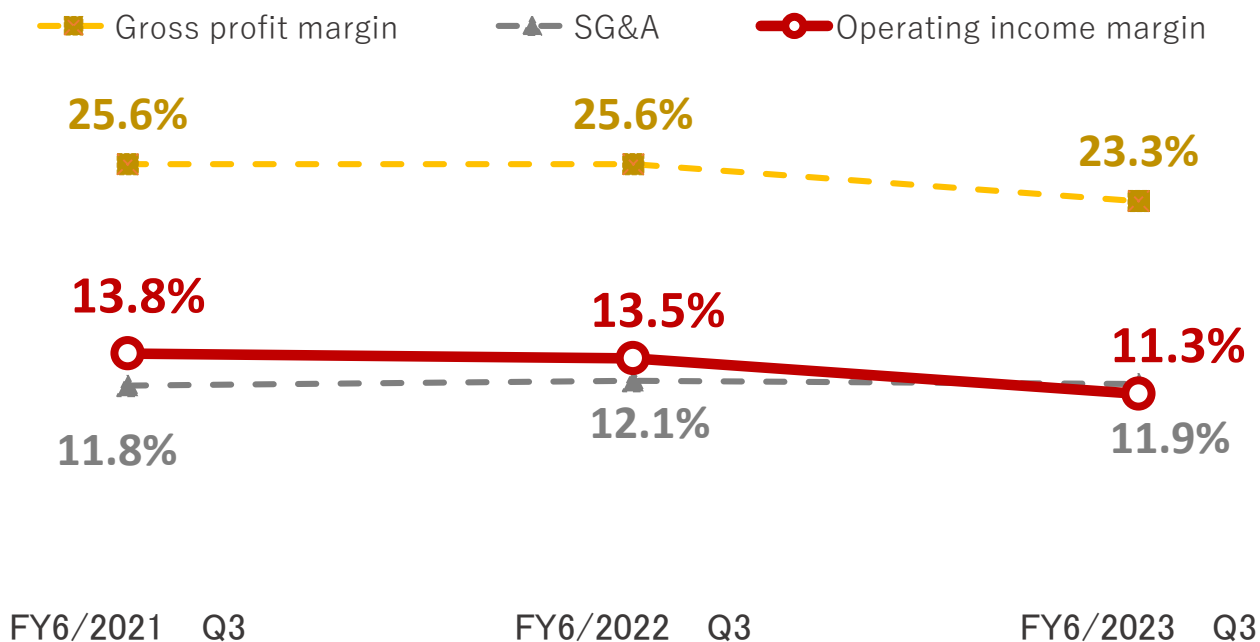
Operating income



Changes in Operating Income Margin

- Gross profit margin decreased year on year due to loss disposition of the unprofitable project.
- SG&A ratio tends to be restrained, but the impact of loss disposals could not be fully absorbed and the operating income margin also decreased year on year.

Ratio of each profit and SG&A to sales



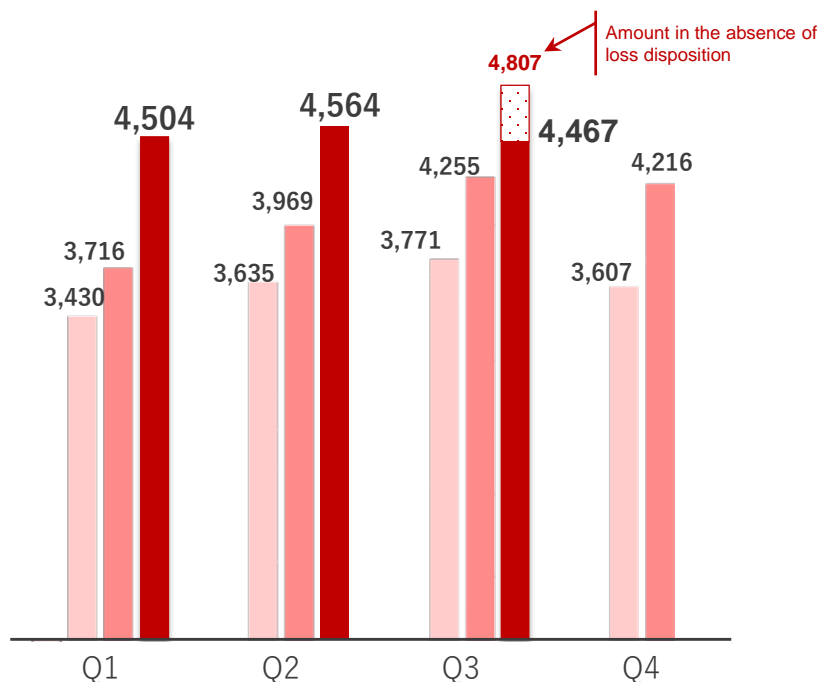
Quarterly Net Sales & Operating Income

- Record high net sales for the nine months period.
- Operating income was impacted by the disposal of losses on the unprofitable project (gross profit of approximately 370 million yen).

Net sales

(Millions of yen)

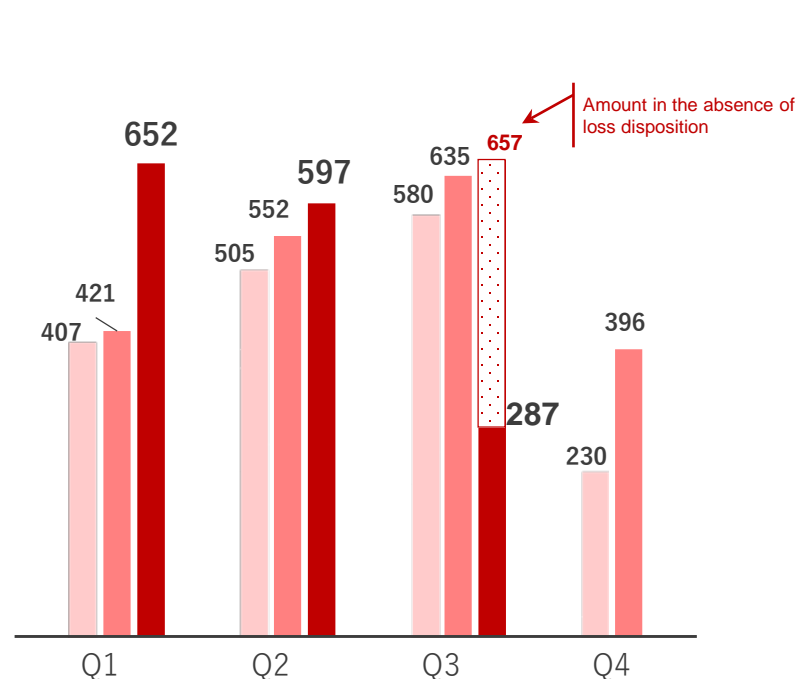
■ FY6/2021 ■ FY6/2022 ■ FY6/2023



Operating income

(Millions of yen)

■ FY6/2021 ■ FY6/2022 ■ FY6/2023



*There is a seasonality in operating income that declines in Q4 due to factors such as the acceptance of new employees and year-end allowances. From the previous fiscal year, however, we have been working to reduce the extent of the decline by raising the salary and the bonus payment rate.

Business Domains: Positioning of Each Business



Business Segment and Composition of Sales

- The strong Embedded Solutions Unit drove the overall performance and increased its share of sales.

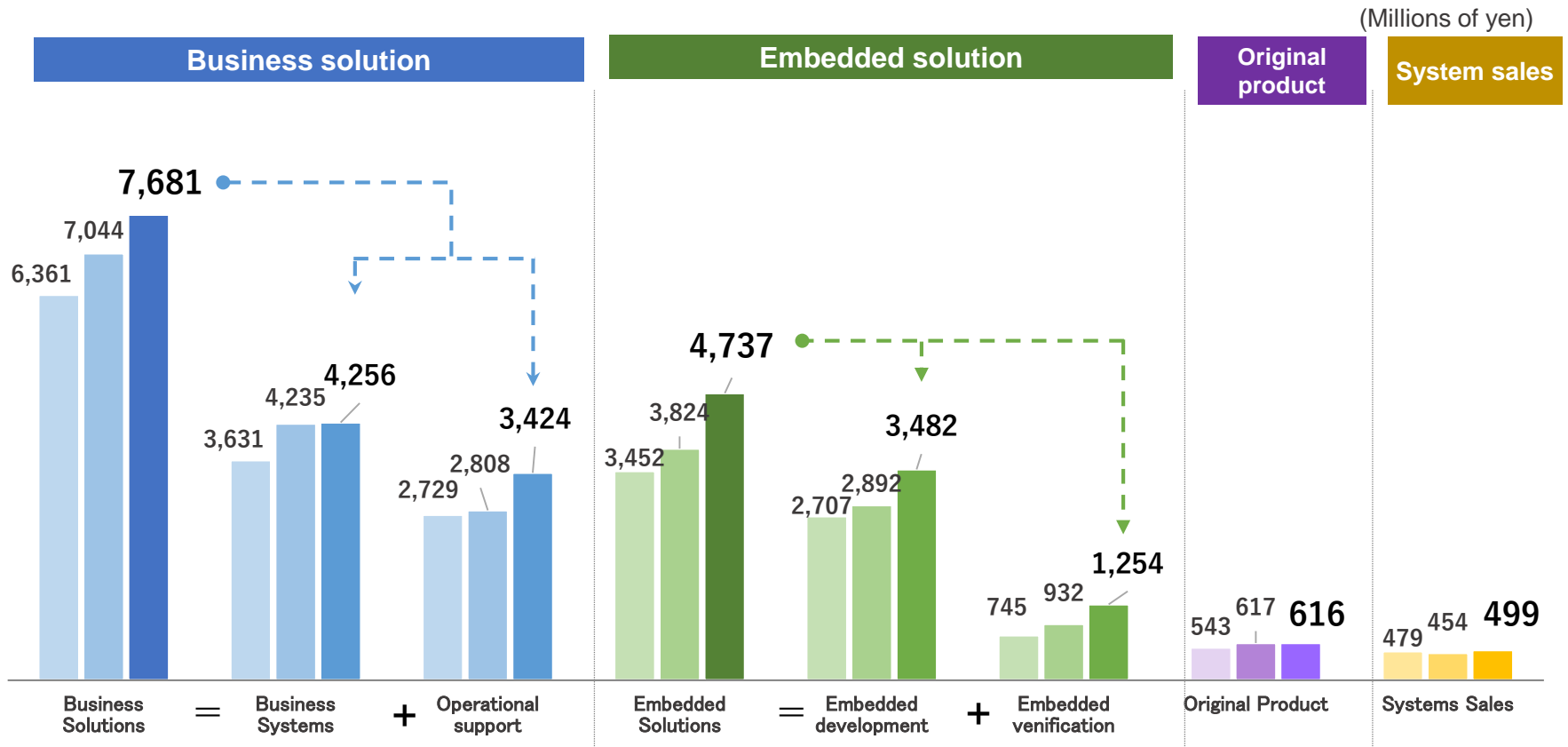
Businesses segment	Classification	FY6/2021 Q3 Net sales Composition	FY6/2022 Q3 Net sales Composition	FY6/2023 Q3 Net sales Composition
Software Development Business		95.6%	96.2%	96.3%
Business Solutions Unit	Business Bases	58.7%	59.0%	56.8%
Business System Development		57.1%	60.1%	55.4%
Operational Support		42.9%	39.9%	44.6%
Embedded Solutions Unit	Business Bases	31.9%	32.0%	35.0%
Embedded Product Development		78.4%	75.6%	73.5%
Embedded Product Verification		21.6%	24.4%	26.5%
Original Product Unit	Growth Field	5.0%	5.2%	4.6%
Systems Sales Business	Business Bases	4.4%	3.8%	3.7%

Sales by Business Segment

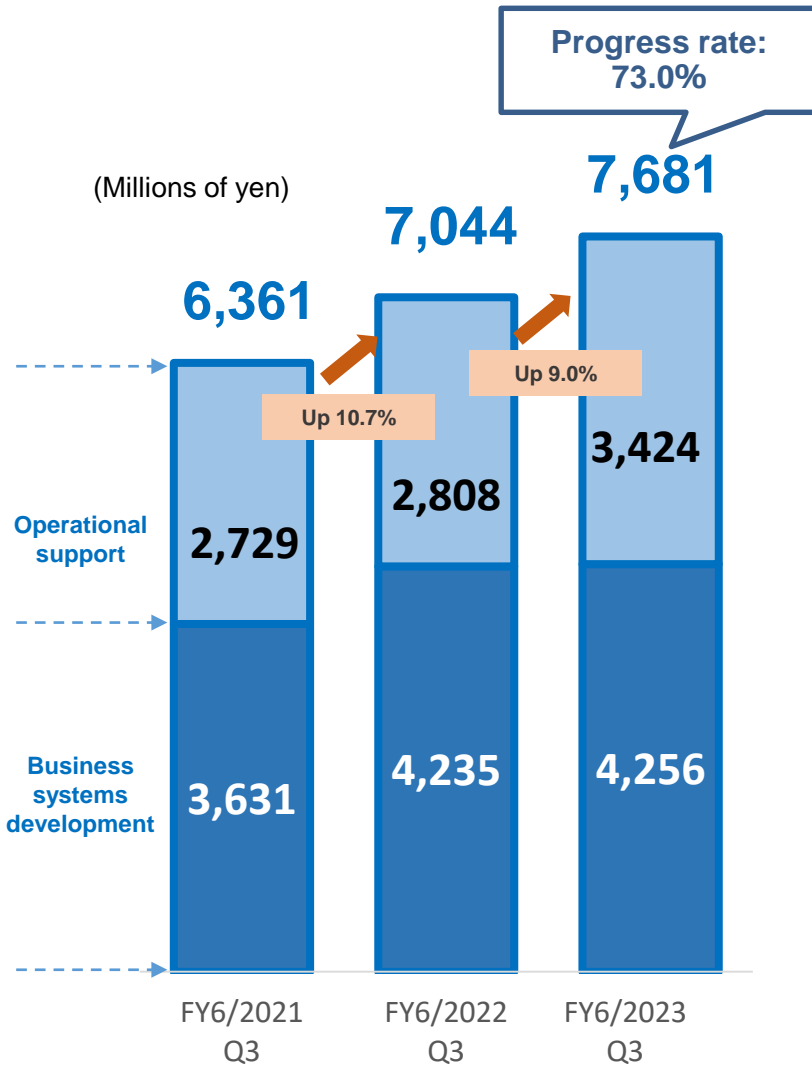
- Sales of operational support, embedded system development, and embedded system verification reached record highs.

Quarterly Sales by Business

(Graphs from left to right: FY6/2021 Q3, FY6/2022 Q3, FY6/2023 Q3)



Net Sales by Segment: Business Solutions Unit



Net sales : 7,681 million yen
YoY change : +9.0%

<Entire business>

Sales hit a record high due to strong demand, but profit fell sharply due to the response to the unprofitable project.

■ Business system development

Profit decreased due to the loss disposition of the unprofitable project. On the other hand, the acquisition of projects related to the public sector, telecommunications, manufacturing, and ERP (SAP) was steady, and the segment alone saw significant increases in sales and profits.

■ Operational support

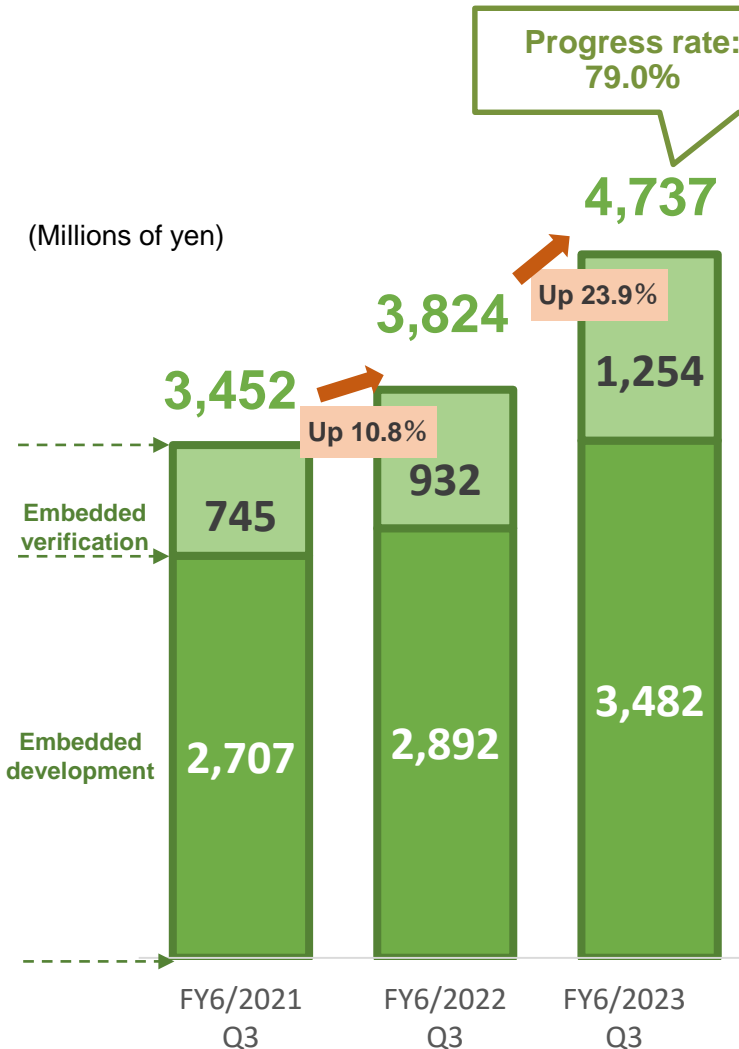
The volume and scope of work handled has increased as business reforms at major customers have slowed down. Sales and profits significantly increased due to the addition of 420 million yen in sales of Simplism, which was acquired through M&A.

Net Sales by Segment: Embedded Solutions Unit

Net sales : 4,737 million yen
YoY change : +23.9%

Progress rate:
79.0%

(Millions of yen)



<Entire business>

In automotive and semiconductor-related business, corporate R&D investment in connected cars and autonomous driving expanded, and demand was strong. Overall, sales and profits increased significantly by more than 20%. Collaboration among in-house companies has resulted in an increase in combined orders for embedded development and verification, and improved profitability.

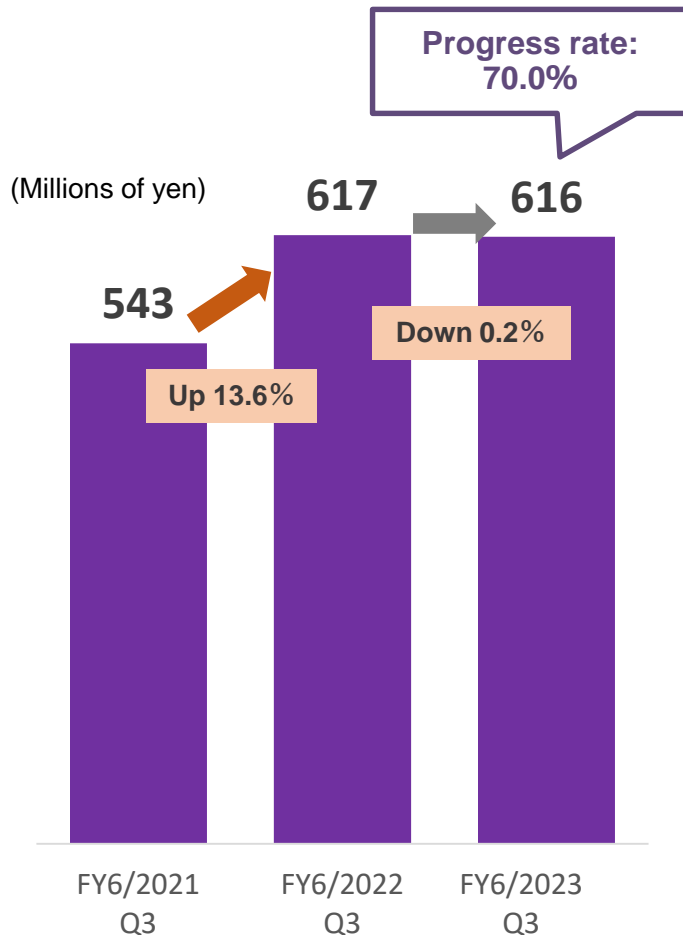
■ Embedded development

Sales increased by 20.4% YoY. Sales and profits significantly increased thanks to the full-fledged recovery in demand for automotive-related projects and steady growth in IoT-related projects such as mobile-related and consumer electronics.

■ Embedded system verification

Significant increase in sales of +34.6% year on year. Sales and profits significantly increased due to strong growth in automotive products and strong performance in 5G, energy-related products, and pharmaceutical projects. DIT America, LLC also contributes to the growth of automotive systems by taking advantage of the fact that there are bilingual employees.

Net Sales : 616 million yen YoY change : -0.2%



<Entire business>

Sales of subscription model licenses increased but remained at the same level as the previous fiscal year due to delays in the launch of some new products.

■ [WebARGUS: Cybersecurity product]

Sales and profits continue to be robust due to the accumulation of license sales. Increase in inquiries on versions compatible with ransomware.

■ [xoBlos: Operational efficiency products]

Horizontal expansion within existing customers remained firm, but delays in releasing platform-based versions in collaboration with RPA prolonged, resulting in slower acquisition of new customers, resulting in lower sales and profits than in the previous fiscal year.

■ [Other new products]

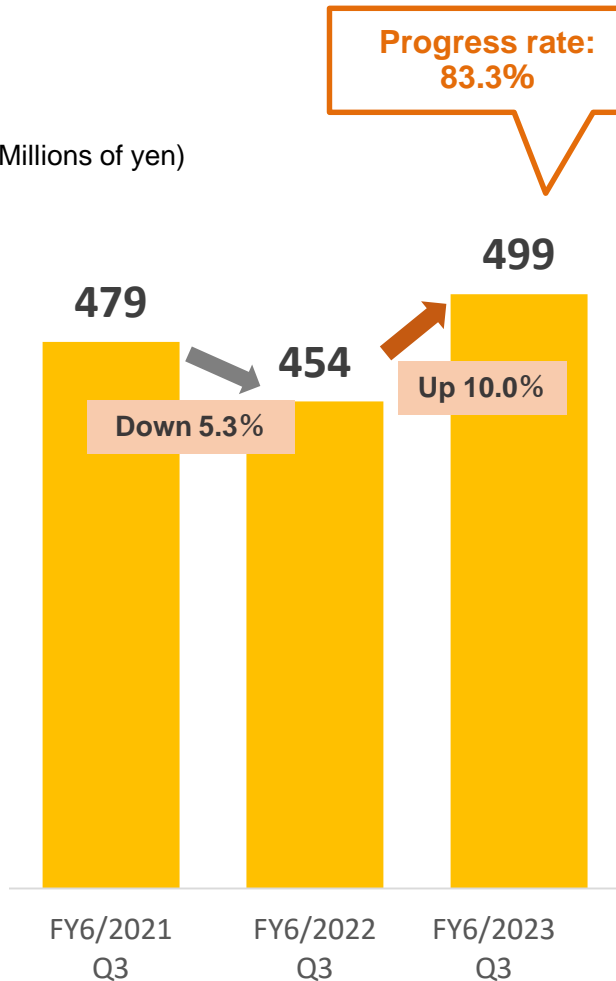
DD-CONNECT, an electronic contracting service, steadily contributed to sales and profits as its orders increased.

Net Sales by Segment: Systems Sales Business



Net Sales : 499 million yen
YoY change : +10.0%

(Millions of yen)



<Entire business>

Recovery trend due to increased demand to comply with the Qualified Invoice System and a decline in the impact of COVID-19.

- Sales and profits increased YoY, partly due to the gradual rifting of the restrictions on face-to-face sales due to COVID-19 and the increase in demand for invoicing.
- The positive effect of the opening of a new sales office in the Chubu region (Shizuoka) is apparent.

*The Systems Sales business mainly sells Rakuichi, which is a core system for providing operational support and management support to small-and medium-sized enterprises created by Casio Computer Co., Ltd.

Balance Sheet

■ Maintained a high equity ratio of 73.3%

(Millions of yen)

	End-Jun. 2022	End-Mar. 2023	Change
Cash and deposits	3,843	3,709	-133
Accounts receivable and contract assets	2,841	3,149	307
Work in progress	90	55	-34
Others	141	202	60
Total current assets	6,917	7,116	199
Property, plant and equipment	144	141	-2
Intangible fixed assets	210	177	-33
Investments and other assets	409	492	83
Total fixed assets	764	811	47
Total assets	7,681	7,927	246

*Amounts less than one million yen are rounded down

	End-Jun. 2022	End-Mar. 2023	Change
Accounts payable-trade	592	726	134
Income taxes payable	353	272	-80
Others	1,014	937	-77
Total current liabilities	1,960	1,936	-23
Provision for share-based remuneration	111	132	20
Others	57	50	-6
Total fixed liabilities	168	183	14
Total liabilities	2,129	2,119	-9
Capital stock	453	453	—
Capital surplus	459	459	—
Retained earnings	4,639	4,895	256
Total net assets	5,552	5,808	256
Total liabilities and net assets	7,681	7,927	246



2. Business Forecasts for FY6/2023

Business Forecasts for FY6/2023

- With regard to sales, we aim to achieve double-digit growth for the 2 consecutive years and sales growth for 13 consecutive years, as the Embedded Solutions Business, one of our mainstay businesses, is growing significantly.
- Profits are expected to be lower than the initial forecast due to responses to the unprofitable project.

(Millions of yen)	FY6/2022 Result	Compositi on %	FY6/2023 Revised forecast	Compositi on %	YoY %	Progress rate at end-Q3 %
Net sales	16,156	100.0%	18,000	100.0%	+11.4%	75.2%
Operating income	2,004	12.4%	1,900	10.6%	-5.2%	80.8%
Ordinary income	2,004	12.4%	1,915	10.6%	-4.4%	81.0%
Net income attributable to owners of parent	1,439	8.9%	1,331	7.4%	-7.5%	81.8%

Forecast of Business Results by Segment

- At the time of Q2, figures for the Embedded Solutions Unit significantly increased from the initial plan, and we have reviewed the performances in the Business Solutions Unit and the Original Product Unit.
- The plan for the Software Development Business as a whole to achieve double-digit growth of 11.8% YoY remains unchanged.

(Millions of yen)

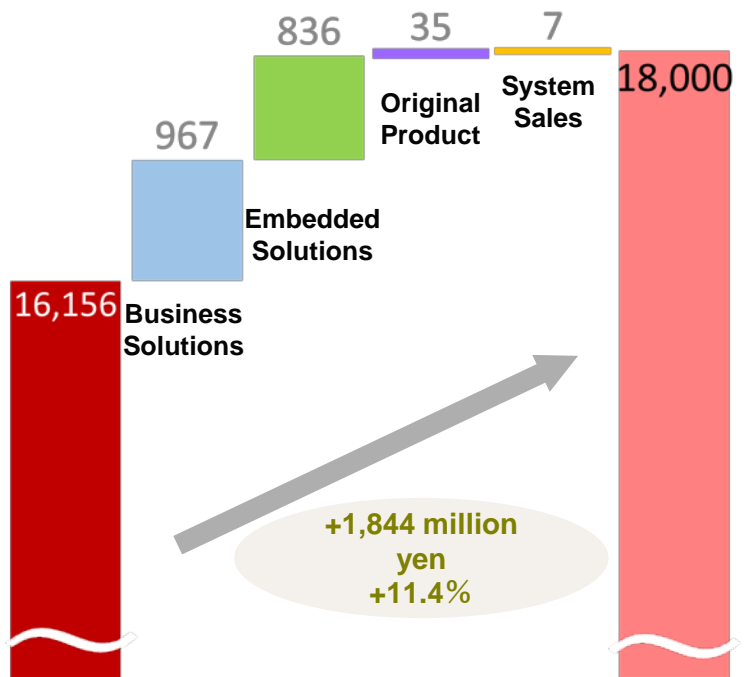
Business Segment	FY6/2022 Net sales	FY6/2023 Net sales forecasts	YoY Change (%)	Composition
Software Development Business	15,562	17,400	11.8%	96.7%
Business Solutions Unit	9,553	10,520	10.1%	58.4%
Embedded Solutions Unit	5,164	6,000	16.2%	33.3%
Original Product Unit	845	880	4.1%	4.9%
System Sales Business	593	600	1.2%	3.3%
Total	16,156	18,000	11.4%	

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

- The Embedded Solutions Unit saw higher-than-expected growth, and sales for the full year are expected to be in line with forecasts. However, operating income and operating income margin are expected to decline YoY due to the losses on the unprofitable project.

Net sales

(Millions of yen)



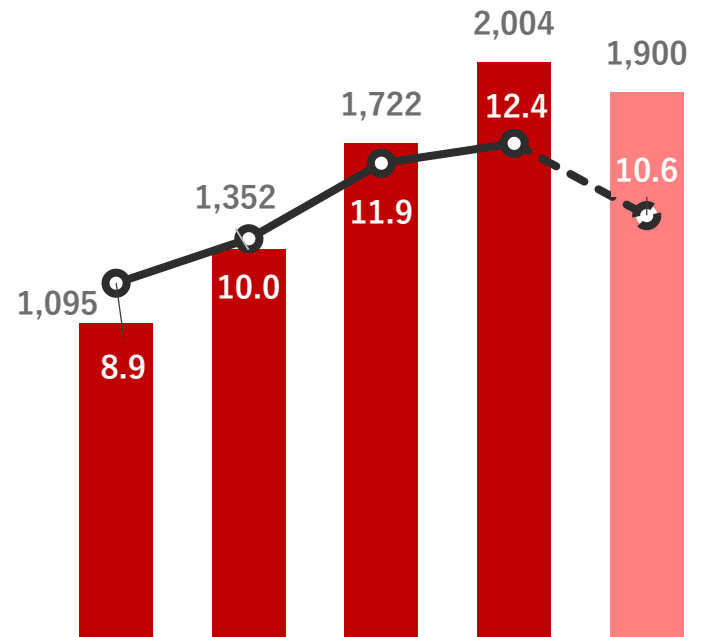
FY6/2022

FY6/2023
(Forecast)

Operating Income / Operating Income Margin

(Millions of yen)

(Unit : %)

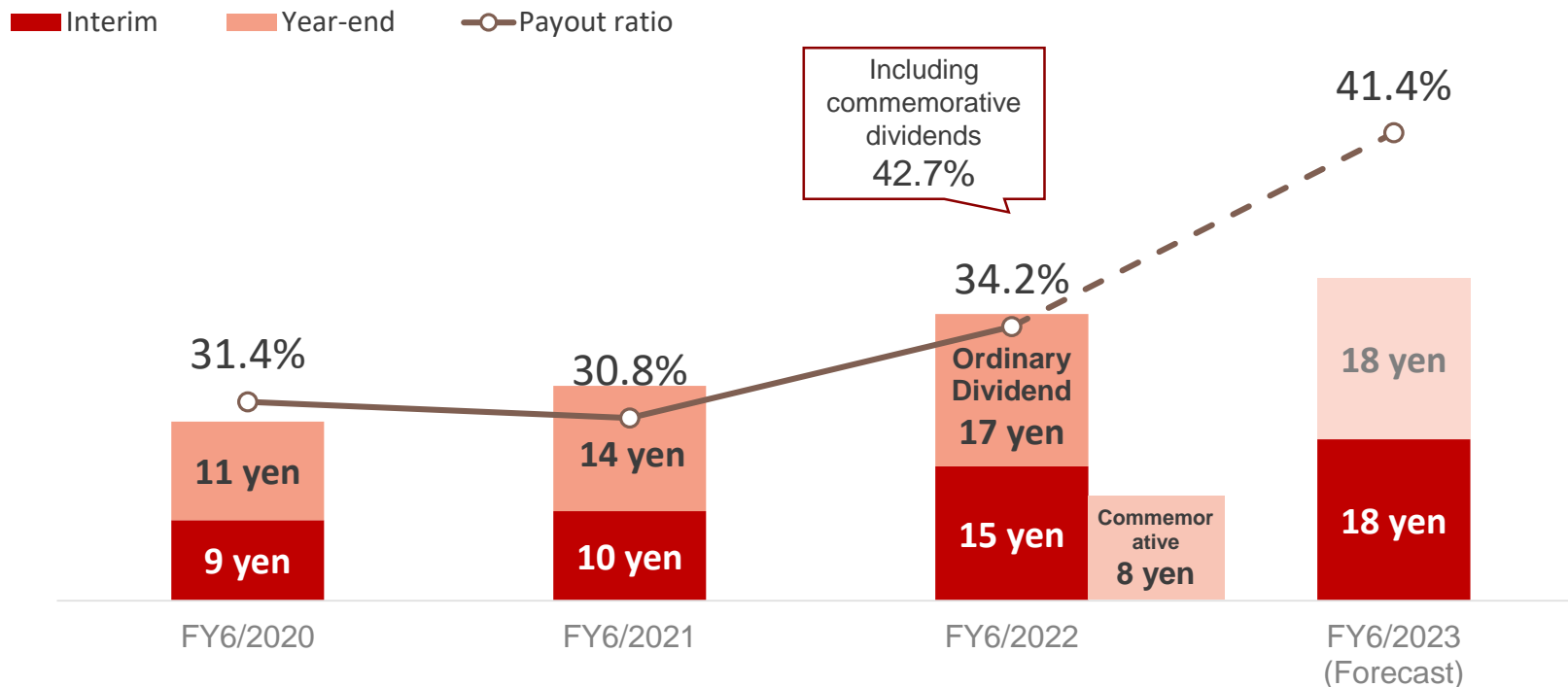


FY6/2019 FY6/2020 FY6/2021 FY6/2022 FY6/2023
(forecast)

Return to Shareholders (Dividend Forecasts)

- The annual dividend per share forecast for FY6/23 remains unchanged at 36 yen per share.
- We will continue to decide on dividends based on the target dividend payout ratio of 35% or more in the medium-term management plan.

Changes in dividend and payout ratio

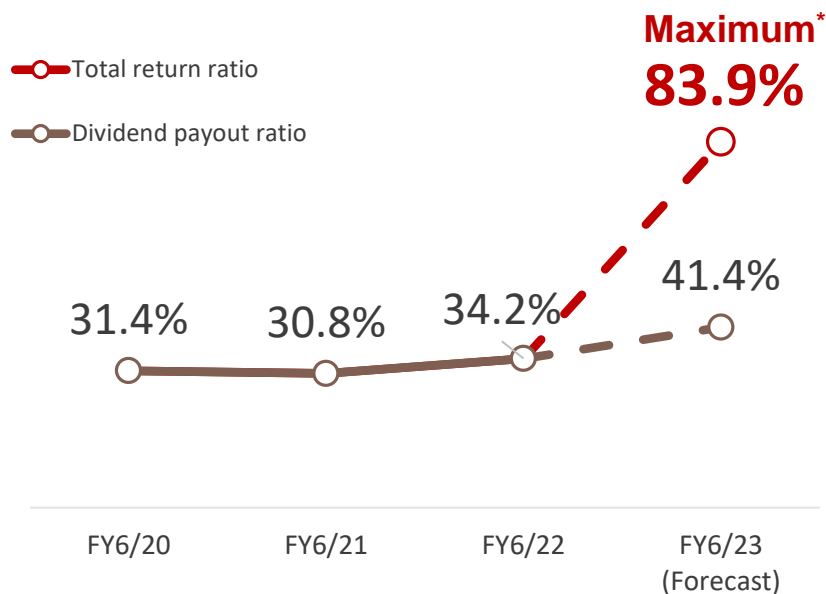


· Payout ratio = Total amount of dividend payment ÷ Net income attributable to owners of parent

Shareholder Returns (Repurchase of Treasury Stock)

- In order to implement a more flexible capital policy and strengthen shareholder returns, we have decided to acquire treasury stock up to a maximum of 400 million yen on May 15, following March.
- Assuming the maximum acquisition, the total return ratio* for the current fiscal year is expected to be 83.9%

Changes in total return ratio



Details of treasury stock repurchase for the current fiscal year

1st round (completed)	
Acquisition date	May 14, 2023
Form	Purchase by ToSTNET-3**
Number of shares acquired	100 thousand shares
Acquisition cost	165 million yen
2nd round (announced on May 15)	
Acquisition period	May 16, 2023 - July 31, 2023
Form	Market purchase
Number of shares acquired	Up to 200 thousand shares (maximum)
Acquisition cost	Up to 400 million yen (maximum)

*Total return ratio is calculated by the following formula
 (Total amount of treasury stock repurchased under the ceiling assumption + Plan amount of dividend payments) ÷ Net income attributable to the parent company

3. DIT Group's Vision for 2030 and Mid-term Management Plan (FY6/2022-FY6/2024) (Excerpted from explanatory materials disclosed on Aug. 19, 2022)



Management Targets in the Medium-Term Management Plan

- Updated only operating income and operating income margin for FY6/23 as we revised the current full-year business forecast
- The business itself is performing well, and there are no changes to the business policy from FY6/24 onward

	FY6/2021 (Results)	FY6/2022 (Results)	FY6/2023 (Forecast)	FY6/2024 (Planned)
Net sales	14.4 billion yen	16.1 billion yen	18.0 billion yen	18.5 billion yen
Operating income	1.72 billion yen	2.00 billion yen	1.90 billion yen	2.50 billion yen
Ordinary income	11.9%	12.4%	10.6%	13.5%
ROE	29.2%	28.6%	Maintain 20% or more	
Dividend payout ratio	30% or more	42.7% (Commemorative dividend paid)	41.4%	35% or more

■ Dividend Forecast

Annual dividend per share	24.0 yen (Ordinary dividend)	40.0 yen (Ordinary dividend: 32 yen, Commemorative dividend: 8 yen)	36.0 yen (Ordinary dividend)
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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

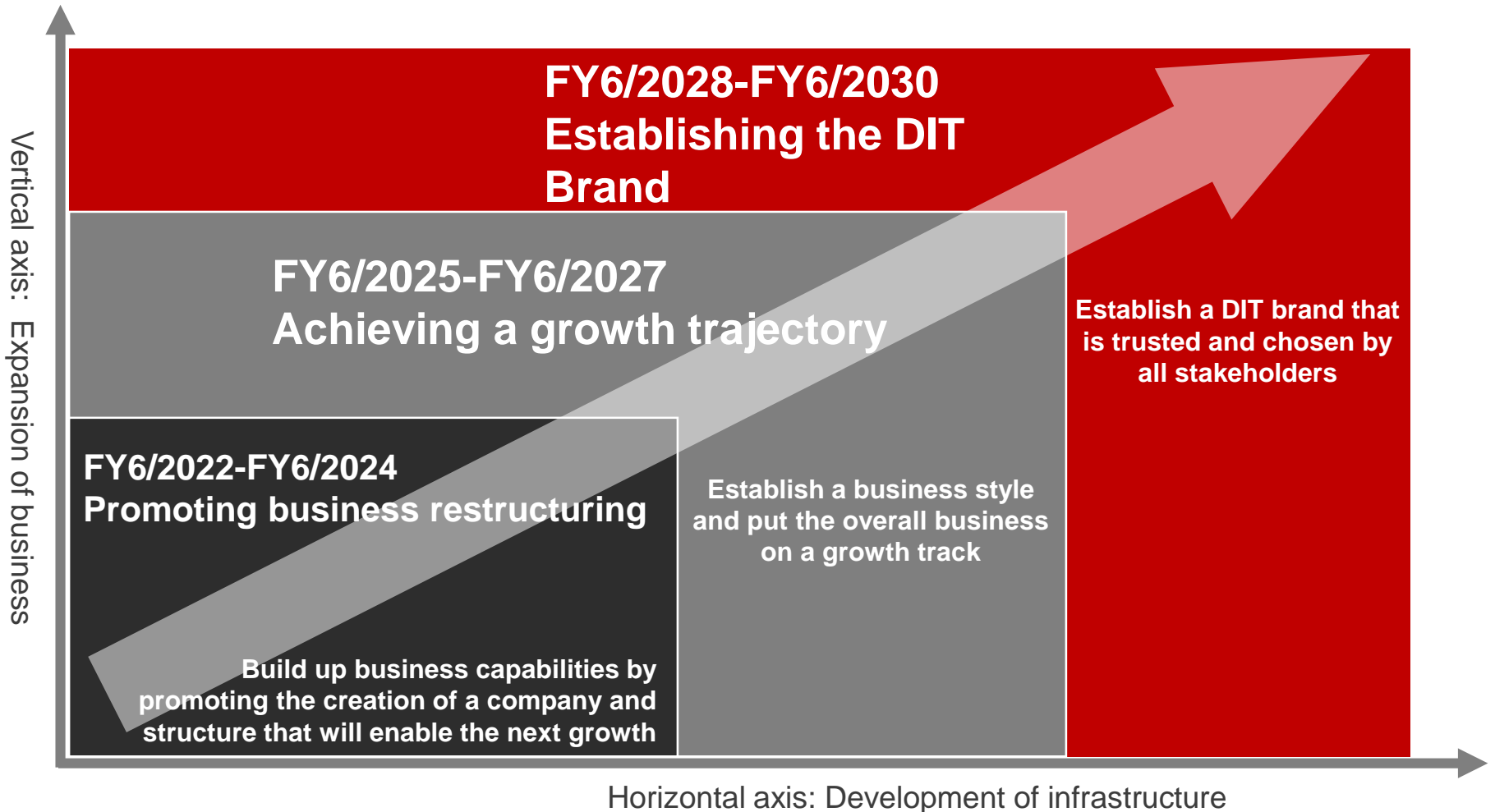


Professional group

Steps to Realize the 2030 Vision



DIT 2030 Vision

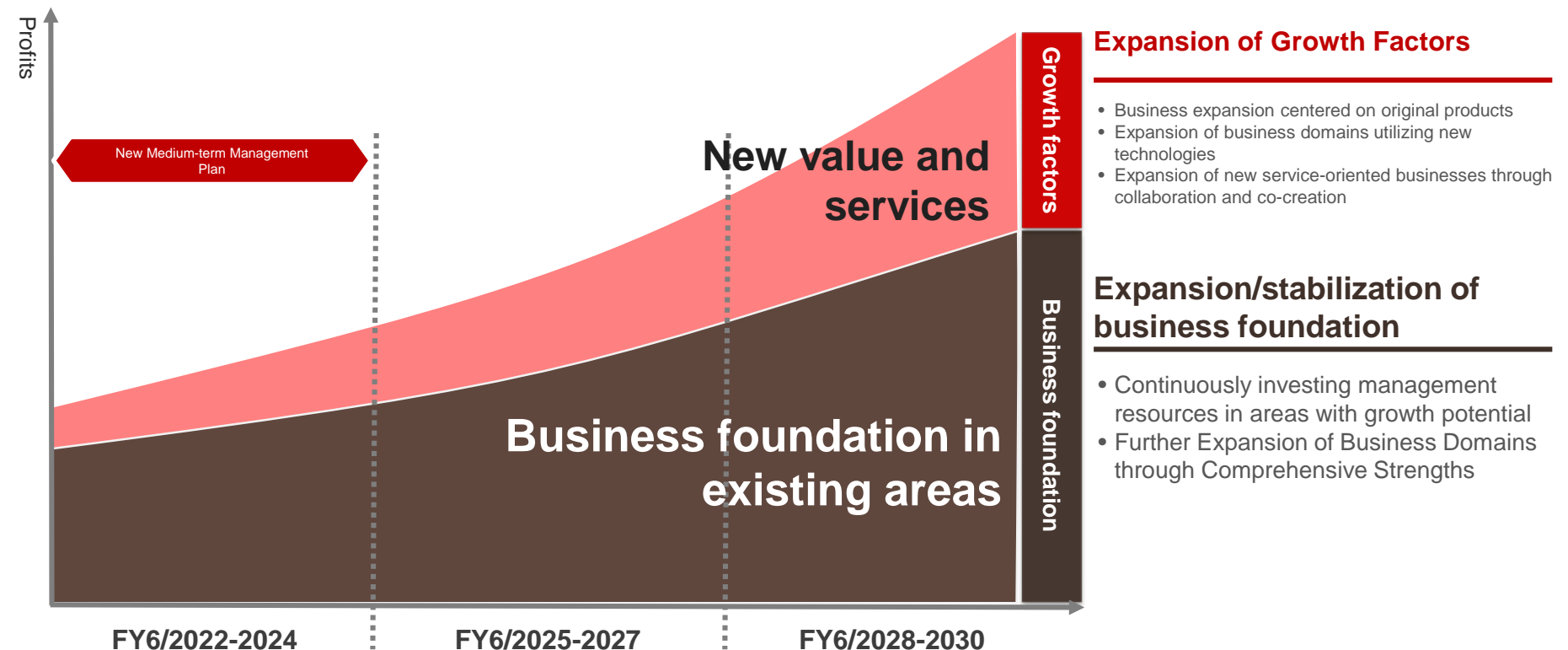


Mid-term Growth Model

■ 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



Management Targets

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

FY6/2022 Results

FY6/2030 Target

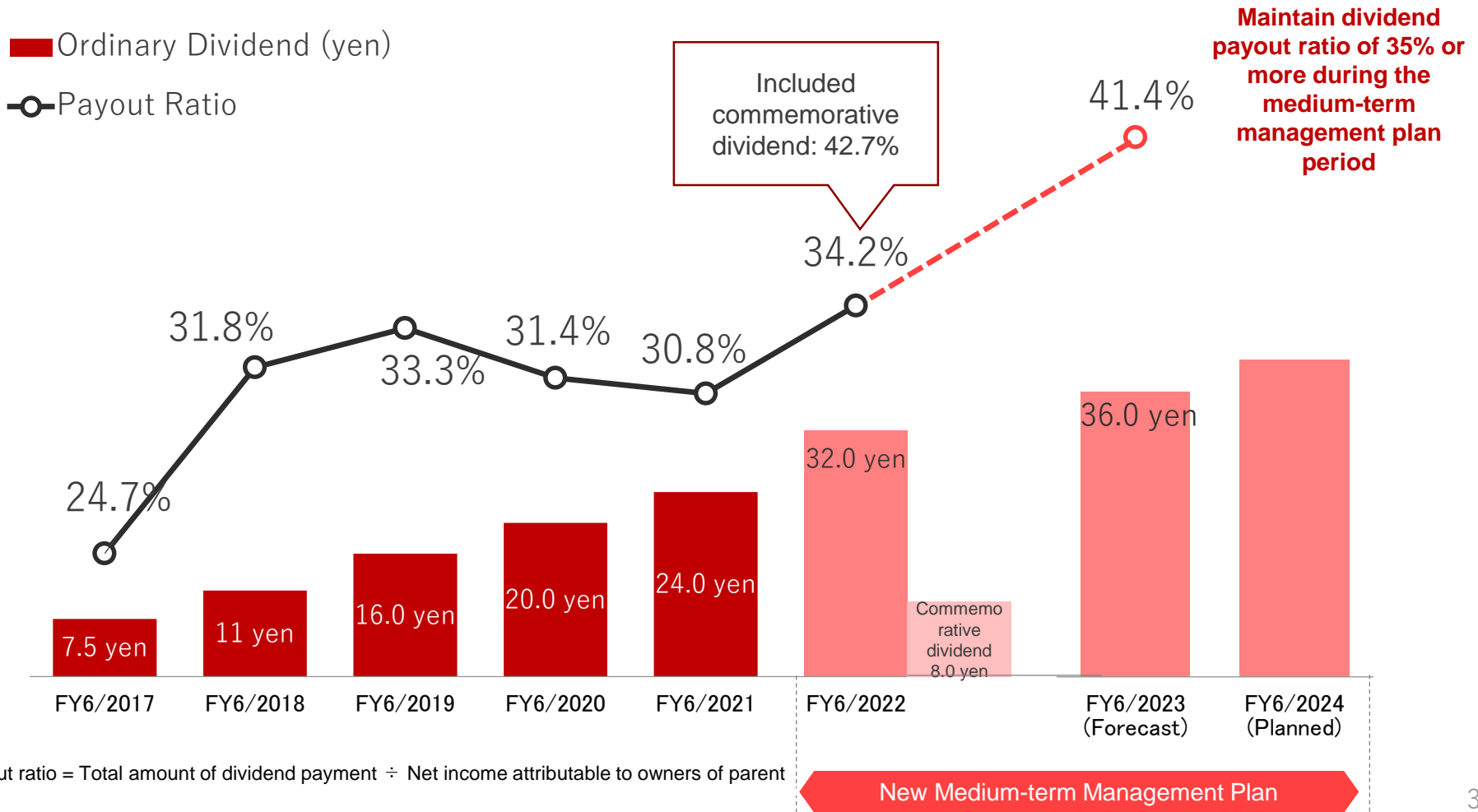
		Organic growth	+New business · M&A, etc.
Net sales	16.1 billion yen	30 billion yen or more	50 billion yen or more
Operating income	2.0 billion yen	4 billion yen or more	5 billion yen or more

FY6/2022-FY6/2030

Dividend payout ratio	35% or more	35% or more
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Management Targets of the Medium-Term Management Plan (Dividend Payout Ratio)

- Target dividend payout ratio of 35% or more to be maintained from FY6/2022
- Dividend payout ratio to be 42.7% in FY6/2022, including commemorative dividend



4. Reference Material



Corporate Data

Trade name	Digital Information Technologies Corporation
Establishment	January 4, 2002
Contents of business	Development of business systems, development and verification of embedded systems, system operation services, sales of in-house developed software, and system sales business
Location of head office	5F, FORECAST Sakurabashi, 4-5-4 Hacchobori, Chuo-ku, Tokyo
Capital stock :	453,156 thousand yen (As of the end of June 2022)
Fiscal year end :	June 30
Number of the employees	1,270 (1,089 on a non-consolidated basis) (As of the end of June 2022)
Officer	Satoshi Ichikawa, Representative Director and President 6 other internal directors and 4 outside directors 1 full-time auditor and 2 outside auditors (As of the end of June 2022)
Group Companies :	DIT Marketing Service Co., Ltd., DIT America, LLC., simprism inc.



Satoshi Ichikawa, Representative Director and President

March 2004 Joined the Company
July 2007 Executive Officer, General Manager, Corporate Planning Division
July 2010 Executive Officer, General Manager of Business Division
September 2012 Director and Executive Director, General Manager of Corporate Planning Department and Product Planning and Development Department
July 2015 Managing Director, General Manager of Business Division
July 2016 Representative Director and Senior Managing Executive Officer
July 2018 Representative Director and President

Domestic and overseas development bases and the number of employees

East Japan Center (14 employees)

4-6-1 Hayaoka, Miyagino-ku, Sendai-shi, Miyagi

Osaka Office (192 employees)

1-5-16 Edobori, Nishi-ku, Osaka-shi
(Other Osaka Development Center)



Head Office (607 employees)

4-5-4, Hatchobori, Chuo-ku, Tokyo
(Other Hacchobori Satellite Office)



Ehime Office (57 employees)

7-1-21, Mibancho, Matsuyama-shi, Ehime



Kawasaki Office (219 employees)

1-2-4, Sunago, Kawasaki-ku, Kawasaki-shi, Kanagawa



DIT Marketing Services (52 employees)

2-35-4 Minami-Ikebukuro, Toshima-ku, Tokyo
(Other Yokohama, Makuhari, Takasaki, Shizuoka Offices)



simplism inc. (85 employees)

1-13-8, Yoyogi, Shibuya-ku, Tokyo
(Other Tachikawa Office)



DIT America (44 employees)

Corporate Philosophy

Corporate philosophy	Over-all	Client-driven	Management philosophy	Guarantee our employees' livelihood while contributing to society
	Company	Employee training/growth, Communication		
	Individuals	Increase in value added, Sense of objective / target, Passion and dedication		

Management Policy
 Deliver on our commitment to value generation and adaptability to change, while aiming to realize stable growth for the company

Business strategy

5 Basic Business Strategies

- (Strengthen our business foundation through the renovation of existing businesses)**
- (Create new value centered around original products)**
- (Expand our business through partnerships)**
- (Expand our business through the perspective of services)**
- Hire personnel and aid employee growth**

Organizational strategy

Organizational strategy involving dispersion (sub-optimization) and concentration (total optimization)

Dispersion (sub-optimization) Adaptability to change / Specialization / Development of Managerial talent	BS Company	CS Division	TS Division	PS Division	DIT Marketing Service Co., Ltd. DIT America, LLC
	eB company				
	SB Company				
	ES Company	Administration division			
	NN Company	Corporate Planning Division			
	QE Company	Concentration (total optimization) Control / Unification / Collaboration			
	EM Company				
	Xobios Division				
	Business Division				
	IT Security Laboratory				
DX Business Development Office					
New Product					

Selected as One of Stocks Constituting JPX-Nikkei Mid and Small Cap Index

We continued to be selected as one of stocks used by Tokyo Stock Exchange, Inc. and Nikkei Inc. for calculating "JPX-Nikkei Mid and Small Cap Index" in fiscal 2022*



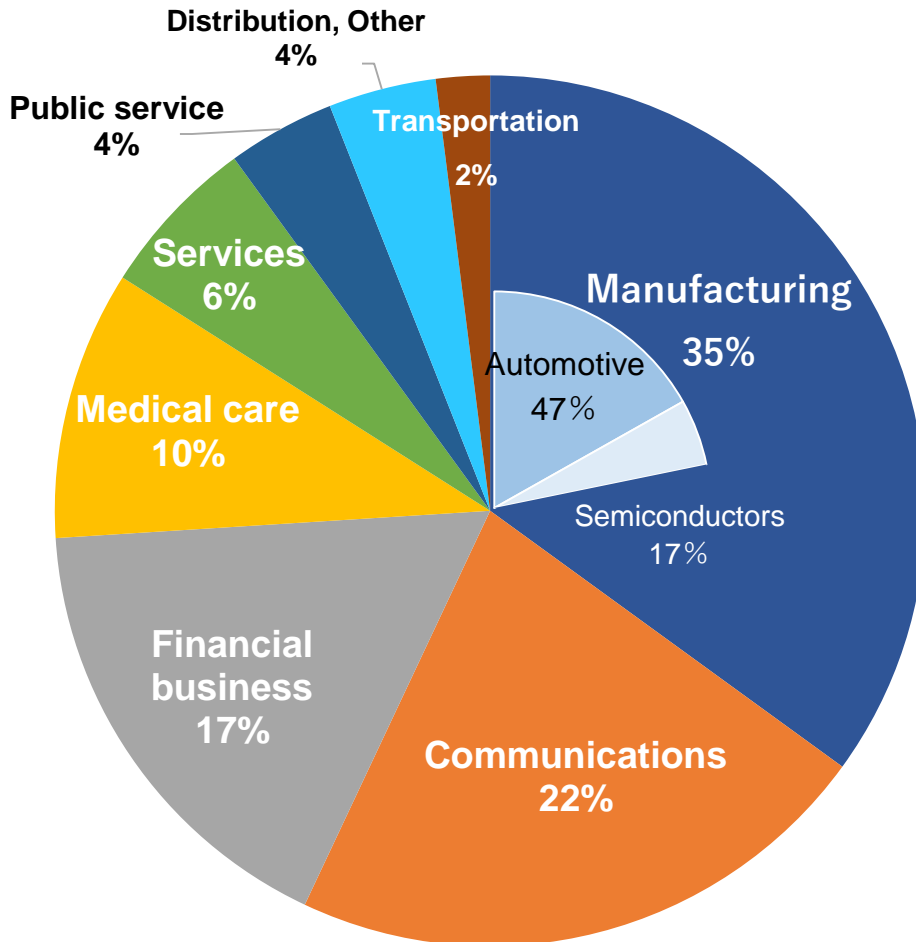
JPX-NIKKEI Mid Small

In order to live up to the expectations of stakeholders, we will strive to improve corporate value sustainably and conduct business administration while caring for shareholders, in accordance with the purpose of the selection.

*This index will be applied from August 31, 2022 to August 30, 2023.

Customer Base

Sales Composition by Industry



■ Customers of the DIT Group are Approx. 2,800 companies

- Software development business mainly attend listed companies and their affiliates, and system sales business mainly attend SMEs.

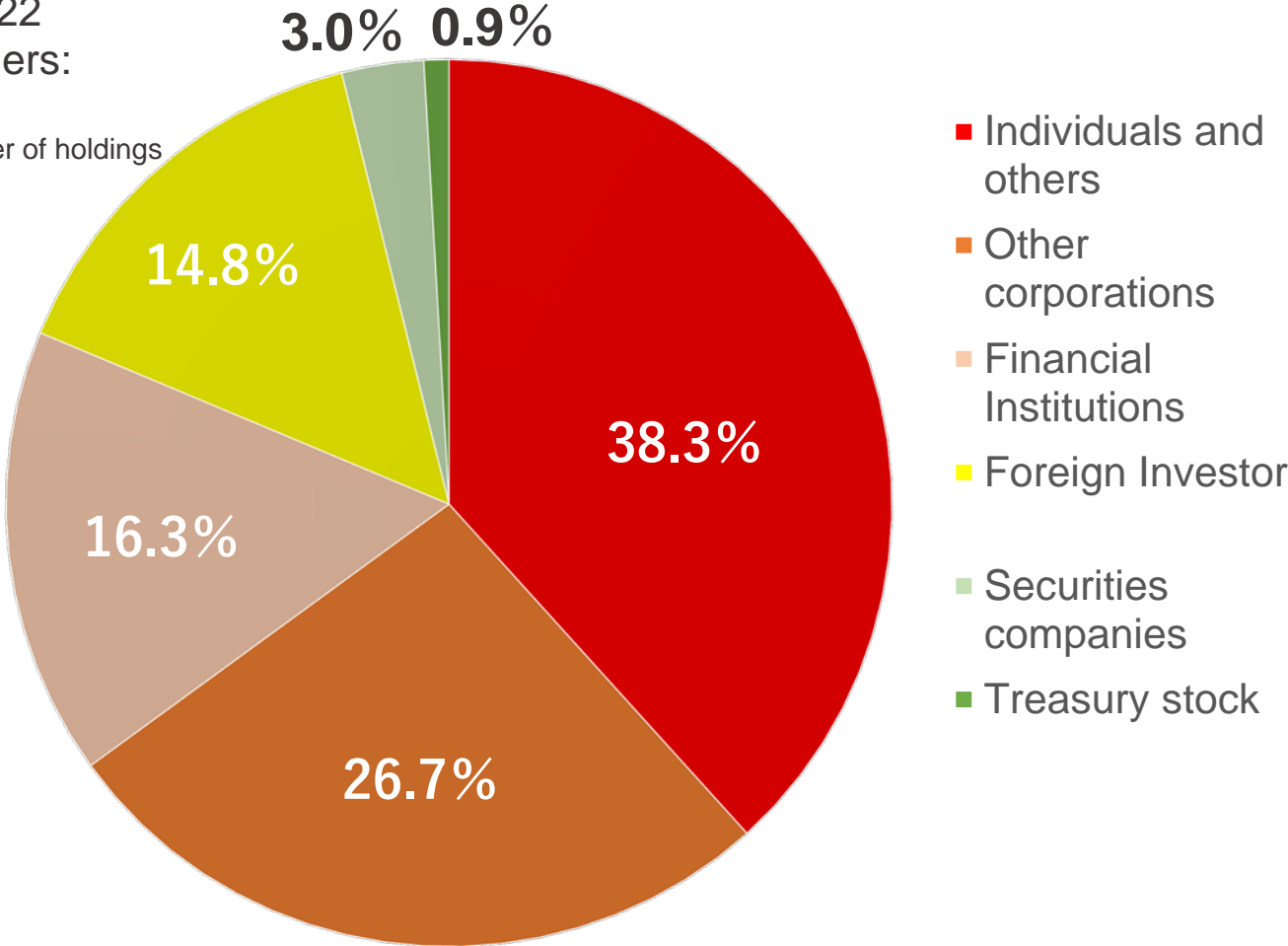
■ Sales Composition by Industry of Software Development Business (Left chart)

- Including information systems subsidiaries, sales for end users accounted for 80% of total sales.

Composition of Shareholders

End of December 2022
Number of shareholders:
5,560 persons

*The graph is based on number of holdings



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





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- The content of these materials is based on generally accepted economic and social conditions and certain assumptions that we deem reasonable. However, the content of these materials may change without notice due to changes in the business environment or other factors.
- The information provided in this presentation contains forward-looking statements. These forward-looking statements are based on current expectations, estimates and assumptions that involve risks. These statements are subject to uncertainties that could cause actual results to differ materially from those described in these statements.
- Such risks include, but are not limited to, general domestic and international economic conditions, such as general industry and market conditions, interest rate and currency exchange rate fluctuations.
- We shall not be obligated to update or revise any forward-looking statements contained in this report, even if there is any new information or future events.