

Digital Information Technologies Corporation

**Financial Results for the First Quarter
of the Fiscal Year Ending June 2024**
(TSE1: 3916)

November 2023





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2. Business Forecasts for FY6/2024

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Financial Results for FY6/2024 Q1

FY6/2024 Q1 Overview of Financial Results

- Sales increased, but profit decreased year on year, mostly in line with the initial forecast, with a favorable progress rate. Net sales reached **a record high** due to strong demand.
- Operating income decreased due to the impact of an unprofitable project. (Loss of profit earned in Q1 of the previous fiscal year before unprofitable operations and the deployment of personnel for the transition to the other company implemented in the current fiscal year). However, this **completely stabilized** in Q1 of the current fiscal year with no significant impact since then.

Major KPIs

Net sales: 4,709 million yen

(+4.5% YoY)

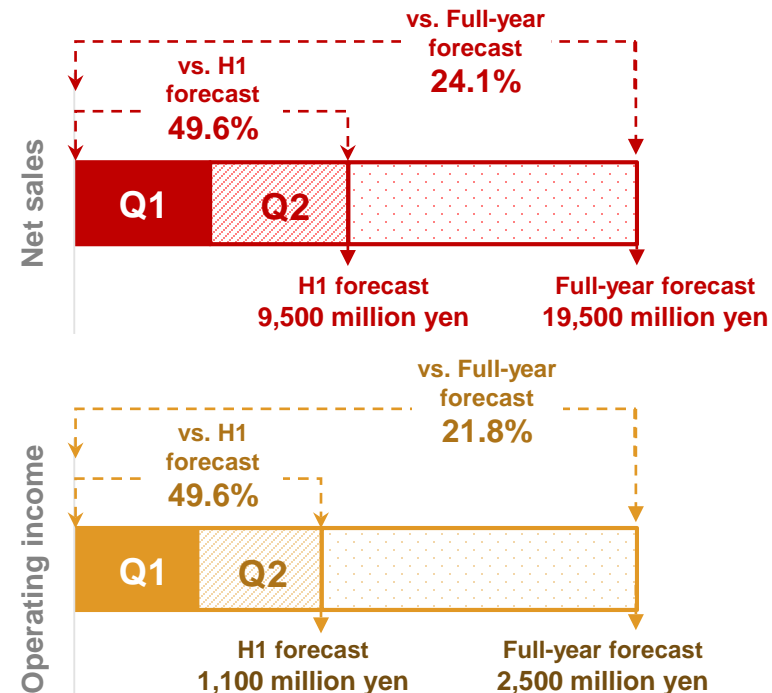
Operating income: 546 million yen

(-16.3% YoY)

Operating income margin: 11.6%

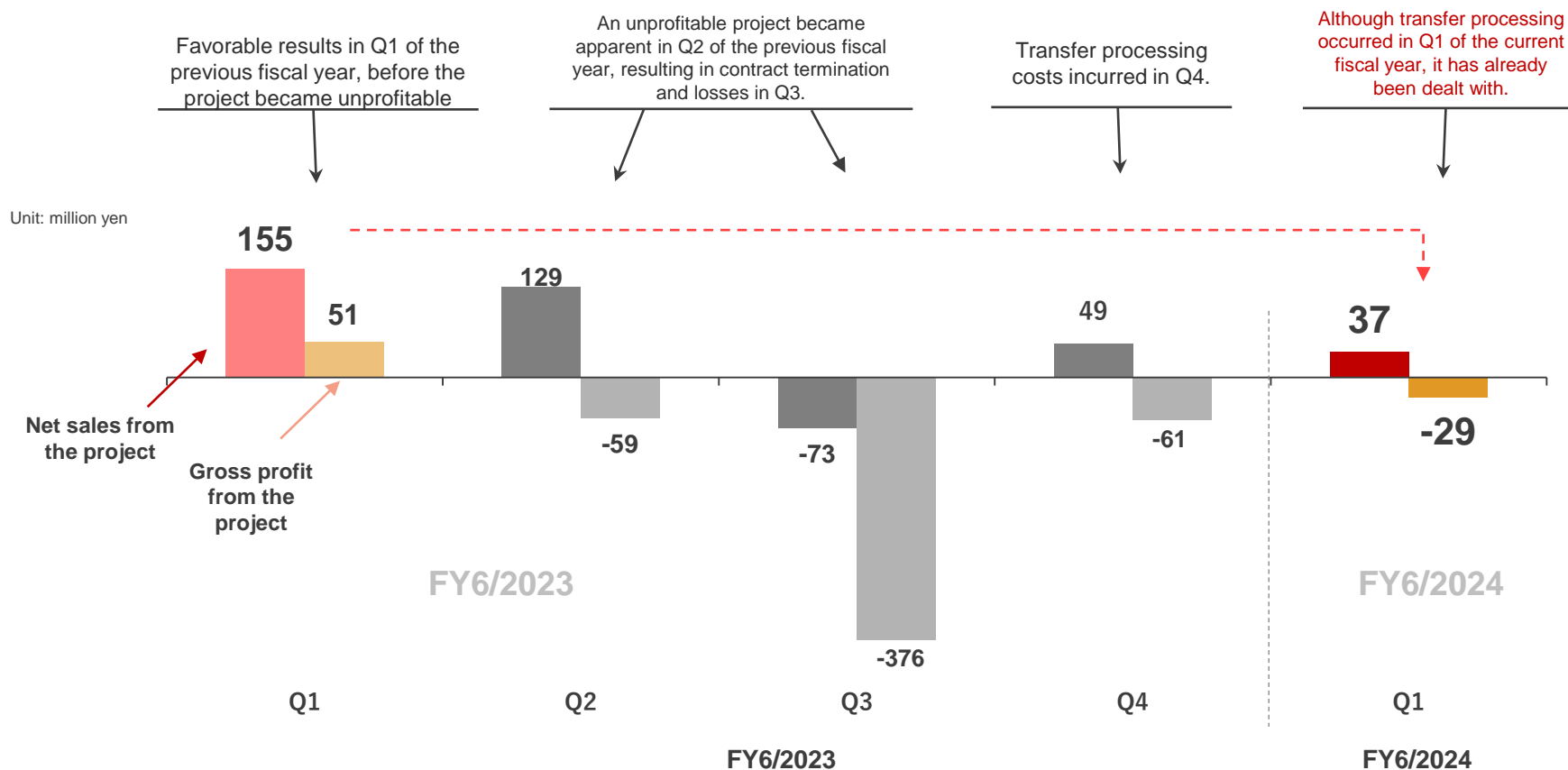
(-2.9ppt. YoY)

Progress rate of performance forecast



Impact of unprofitable project occurred in the previous fiscal year

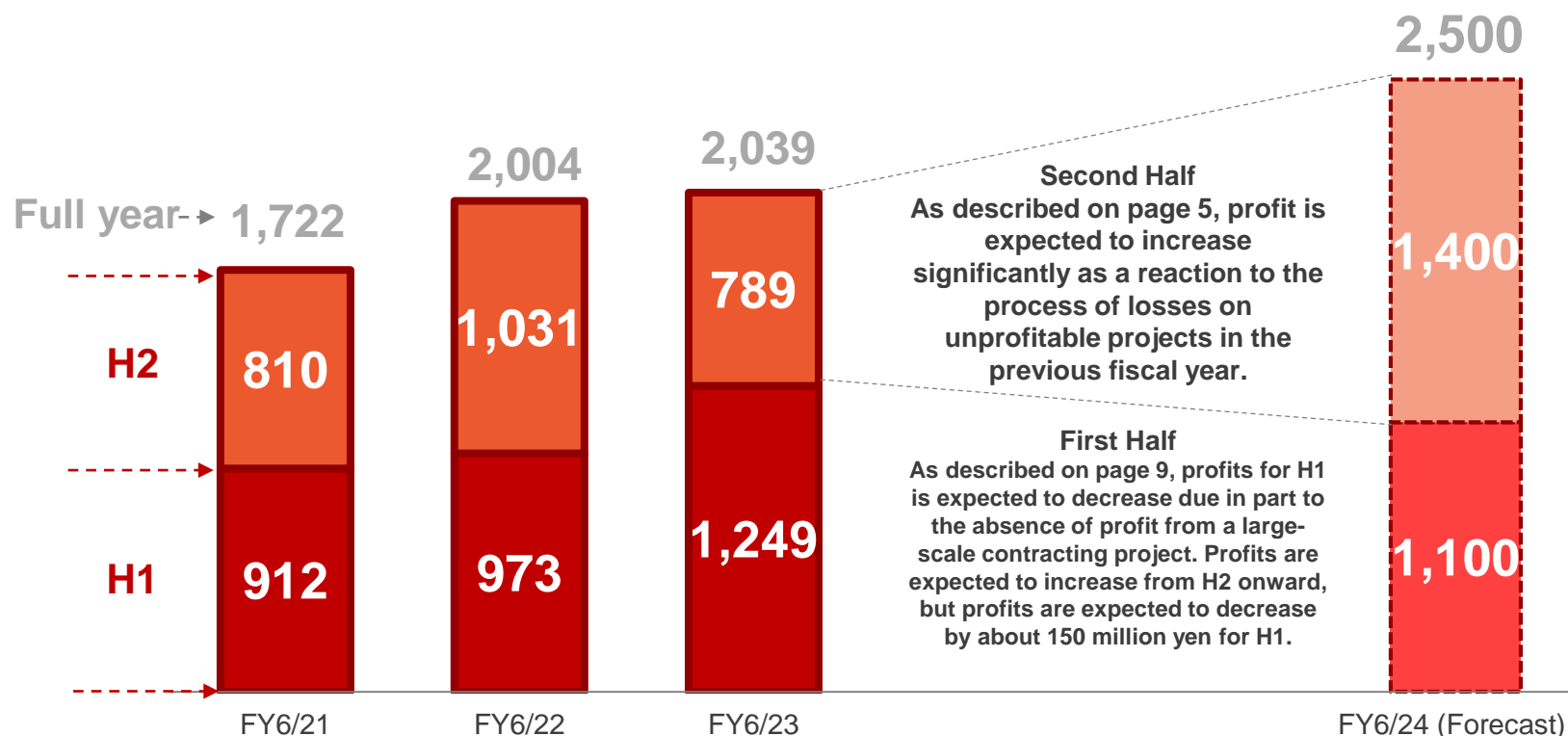
- In Q1 of the current fiscal year, gross profit temporarily decreased approx. 80 million yen year on year due to the transfer of an unprofitable project that occurred in the previous fiscal year.
- These transfer costs have been factored in since the beginning of the fiscal year, and no similar costs are expected to be incurred from Q2 onward.



FY6/2024 H1 and H2 Profit Forecasts

- Operating income for the current fiscal year is expected to be higher in the second half due to the impact of an unprofitable project that emerged in the previous fiscal year, which remained until Q1. We expect a 12% decrease in operating income in the first half and a significant 77% increase in the second half of the current fiscal year.

Operating Income for H1 and H2



*Reprinted materials on page 26 of the financial results briefing materials for the end of the previous fiscal year.

FY6/2024 Q1 Overview of Financial Results (by Business)

- **The Business Solutions Unit saw a significant decrease in profit but remained within expectations. Meanwhile, the Embedded Solutions Unit performed better than expected.**

■ Software Development Business (Net sales: +3.6% YoY)

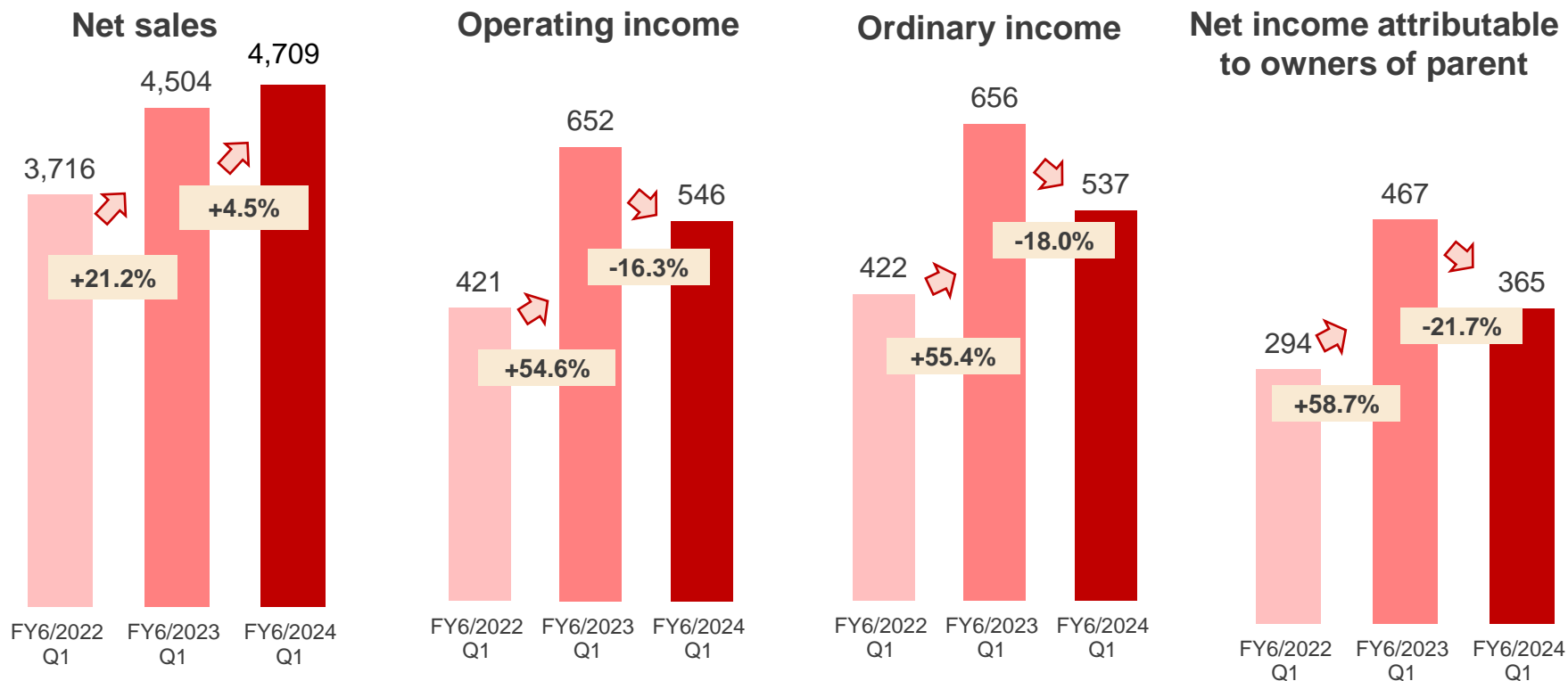
- **Business Solutions Unit (+0.02% YoY)**, despite strong demand, sales remained almost unchanged from the previous fiscal year, and profit declined sharply. In business system development, although the acquisition of projects in the public sector and the telecommunication field was favorable, profit decreased significantly due to an unprofitable project in the pharmaceutical sector and the stagnated ERP-related projects owing to the trough in the order receipt cycle. The performance of operational support reached a record high due to the expansion of business areas and increased sales and profit of subsidiaries.
- **Embedded Solutions Unit (+9.2% YoY)**, we secured higher sales and profit than expected despite the delay in some large-scale projects. Furthermore, profit margin increased more than the sales growth rate due to the expansion of projects with high average spending per client. In embedded systems development, sales and profit steadily increased due to growth in automotive, semiconductor, and home appliances IoT-related projects. Sales and profit increased steadily in embedded product verification as well, due to the increase of verification work for automotive systems.
- **Original Product Unit (+8.4% YoY)**, sales grew steadily due to steady license sales and increase in sales related to electronic contracting services. However, despite sales growth, profit remained almost unchanged year on year, partly due to increase in costs associated with the system reinforcement. WebARGUS steadily gained licenses. xoBlos remained almost at the same level as the previous fiscal year, but continued to capture projects from prospective customers added in the previous fiscal year. Sales related to “DD-CONNECT,” a electronic contracting service, began contributing to business performance.

- **Systems Sales Business (+30.0% YoY)**, sales and profit increased significantly year on year due to strong demand associated with the amendment to the Act on Special Provisions concerning Preservation Methods for Books and Documents Related to National Tax Prepared by Means of Computers and the adoption of new systems, such as the invoice system.

FY6/2024 Q1 Financial Highlights

Net sales reached a record high, while profit decreased year on year due to the impact of an unprofitable project. However, profit was in line with the initial forecast.

(Millions of yen)



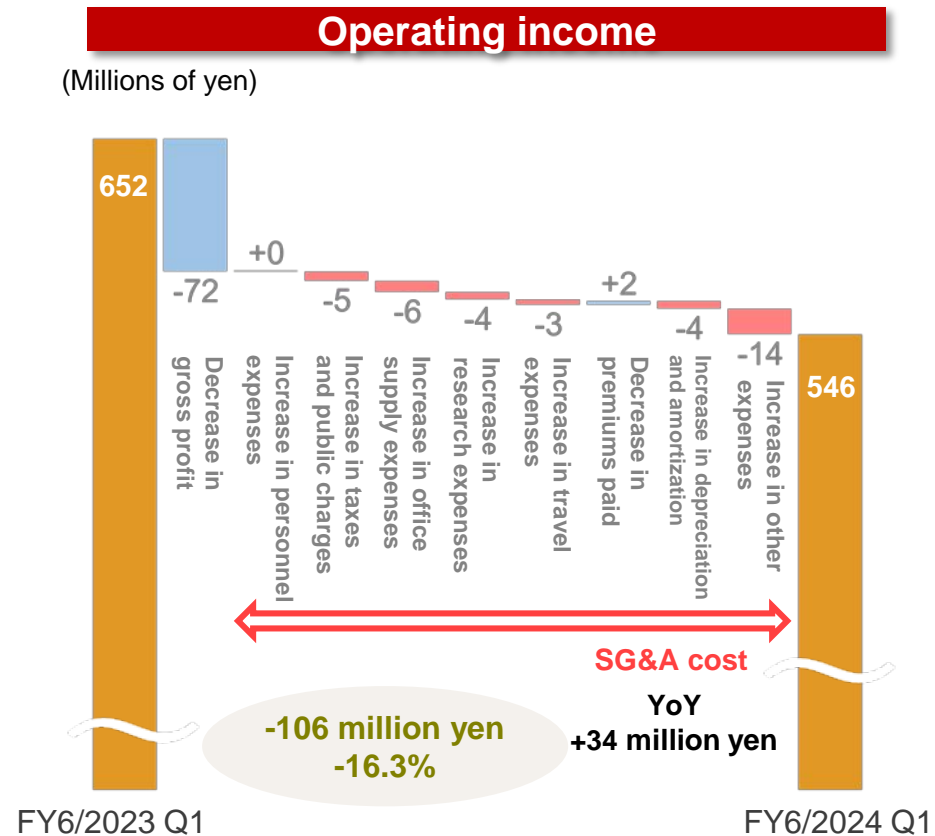
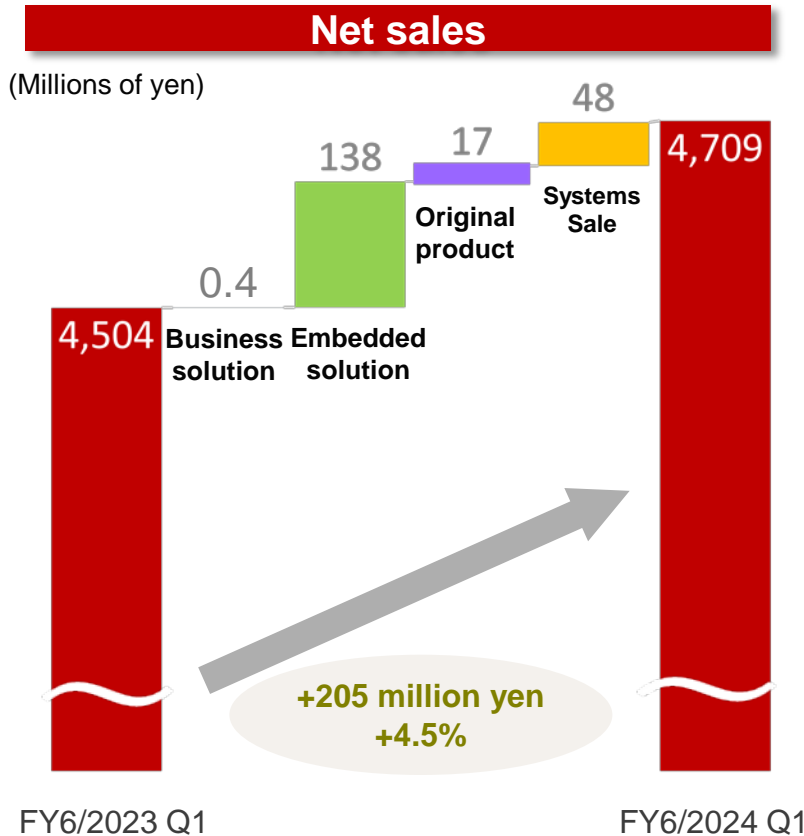
FY6/2024 Q1 Summary of Financial Results

- The growth of sales exceeded the initial forecast, while profits declined within the range of the initial forecast.

(Millions of yen)	FY6/2023 Q1 Result	Composition %	FY6/2024 Q1 Result	Composition %	FY6/2024 plan	Progress rate %
Net sales	4,504	100.0%	4,709	100.0%	19,500	24.2%
Gross profit	1,182	26.3%	1,110	23.6%	-	-
SG&A	530	11.8%	564	12.0%	-	-
Operating income	652	14.5%	546	11.6%	2,500	21.8%
Ordinary income	656	14.6%	537	11.4%	2,500	21.5%
Net income attributable to owners of parent	467	10.4%	365	7.8%	1,734	21.1%

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

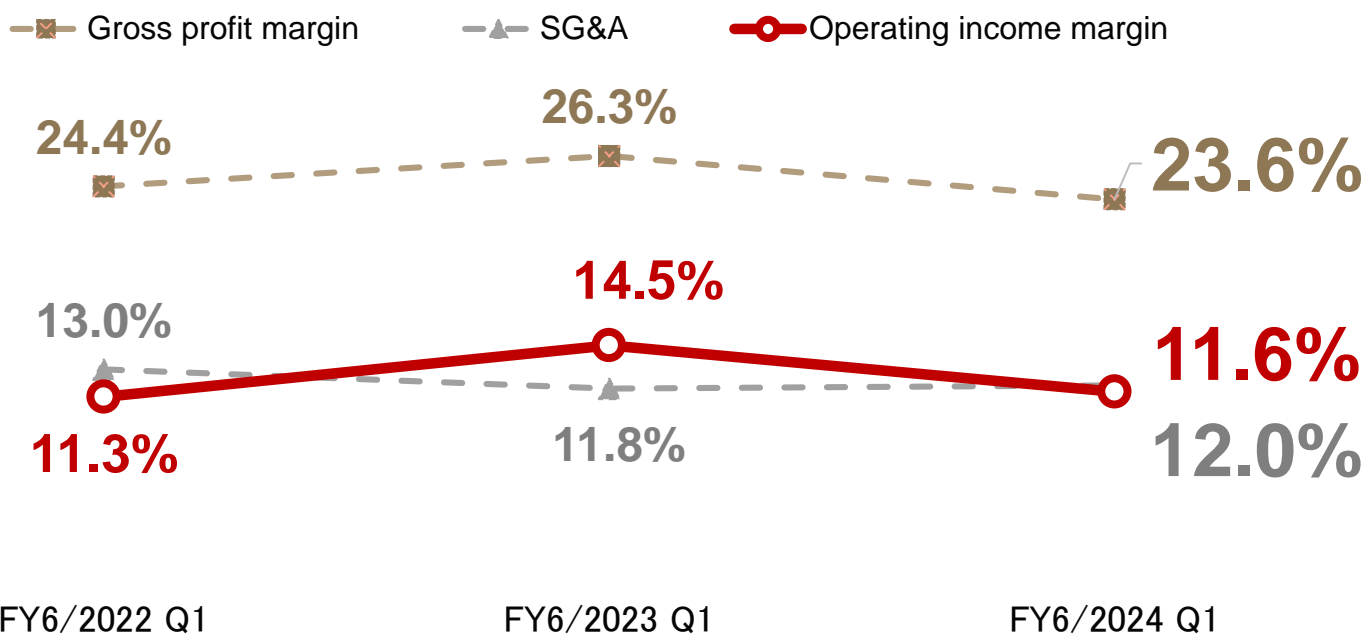
- Overall sales growth was driven by the Embedded Solutions Unit.
- Gross profit decreased due to the impact of an unprofitable project. However, the decrease in profit was reduced by controlling the augmentation of SG&A.



Quarterly Net Sales & Operating Income

- Profit margin declined temporarily due to the impact of an unprofitable project. However, profit margin is expected to improve mainly in the second half as the unprofitable project completely ended in Q1 of the current fiscal year.
- Continuous trend of controlling SG&A ratio

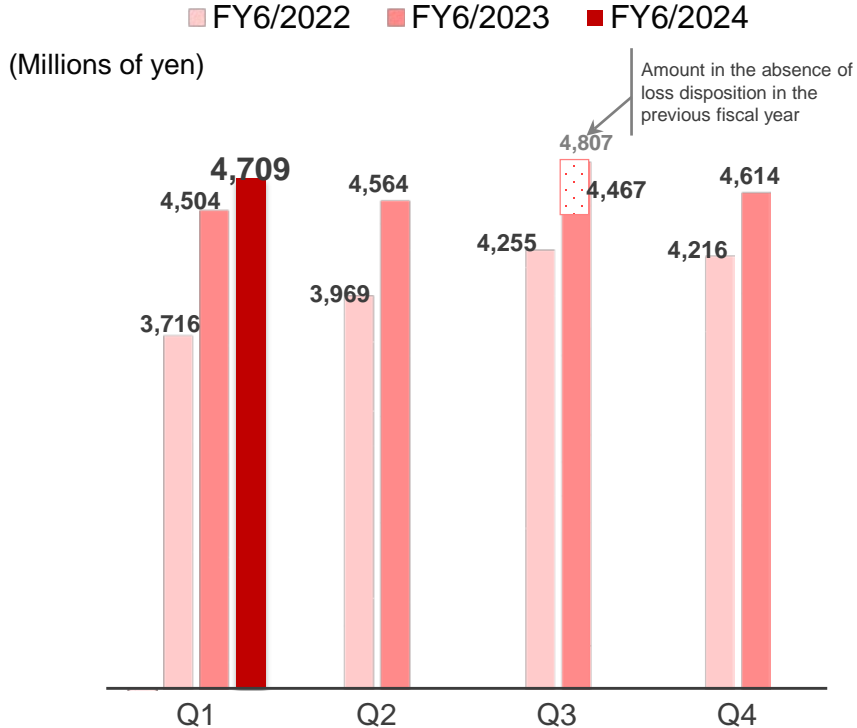
Ratio of each profit and SG&A to sales



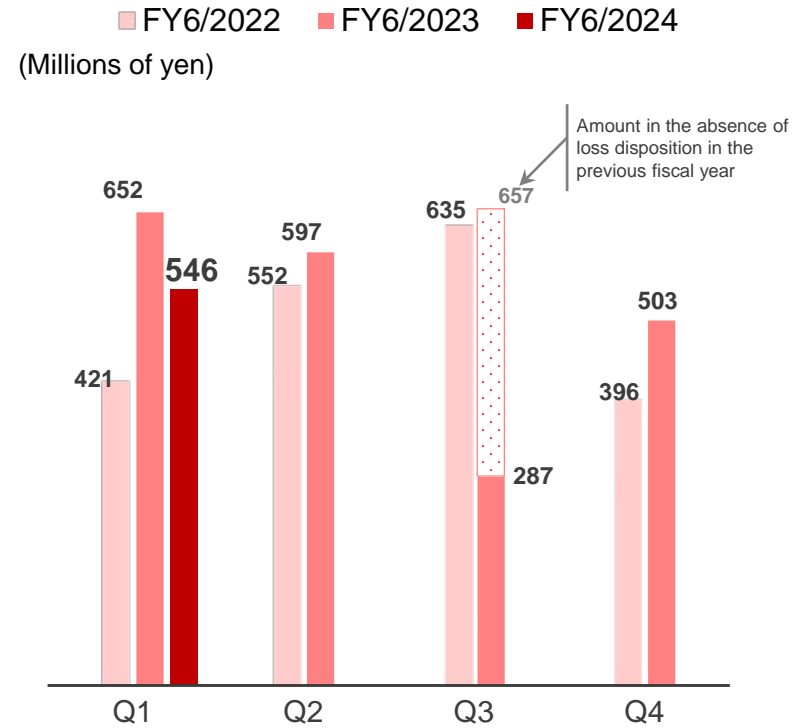
Quarterly Net Sales & Operating Income

- Net sales set a record high for all quarterly periods.
- Operating income declined from the same period of the previous fiscal year, but the operating income margin remained above 10%.

Net sales



Operating income



*Operating income is seasonally lower in Q4 due to new hires and year-end allowances, but we are working to reduce the decline by increasing the salary and bonus payment rate starting the previous fiscal year.

Business Domains: Positioning of Each Business



Business Segment and Composition of Sales

- Net sales in the Business Solutions Unit were almost unchanged from the previous fiscal year, while the composition ratio of other strong businesses increased.
- Increase of cross-segment cooperation in projects and customer referrals

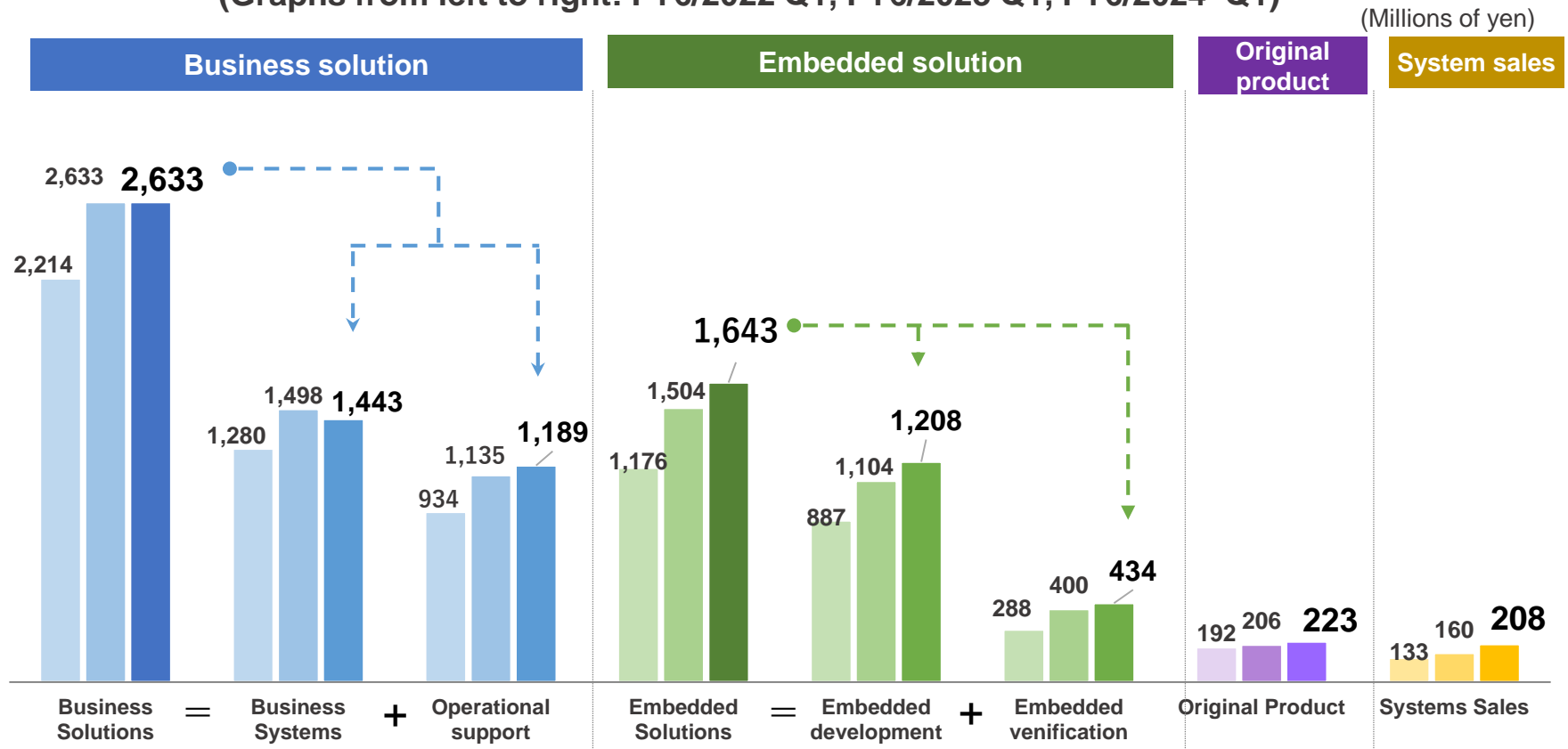
Businesses segment	Classification	FY6/2022 Q1 Sales Composition	FY6/2023 Q1 Sales composition	FY6/2024 Q1 Sales Composition
Software Development Business		96.4%	96.4%	95.6%
Business Solutions Unit	Business Bases	59.6%	58.5%	55.9%
Business System Development		57.8%	56.9%	54.8%
Operational Support		42.2%	43.1%	45.2%
Embedded Solutions Unit	Business Bases	31.7%	33.4%	34.9%
Embedded Product Development		75.4%	73.4%	73.5%
Embedded Product Verification		24.6%	26.6%	26.5%
Original Product Unit	Growth Field	5.2%	4.6%	4.8%
System Sales Business	Business Bases	3.6%	3.6%	4.4%

Sales by Business Segment

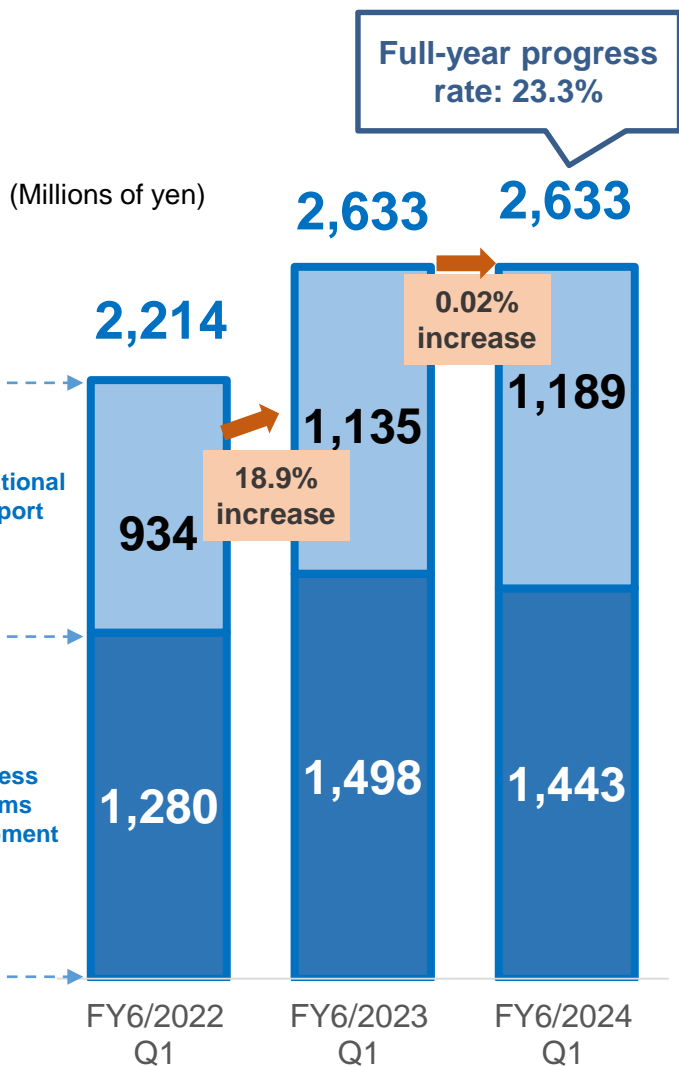
- Net sales increased in all businesses except business systems development, which was affected by an unprofitable project.
- In particular, the Embedded Solutions Unit performed well in both development and verification.

Quarterly Sales by Business

(Graphs from left to right: FY6/2022 Q1, FY6/2023 Q1, FY6/2024 Q1)



Net Sales by Segment: Business Solutions Unit



Net sales: 2,633 million yen
YoY change: +0.02%

<Entire business>

Although net sales remained almost unchanged year on year and profit declined due to the impact of an unprofitable project, net sales were generally in line with the forecast. Demand itself is strong, and recovery is expected from Q2 onward.

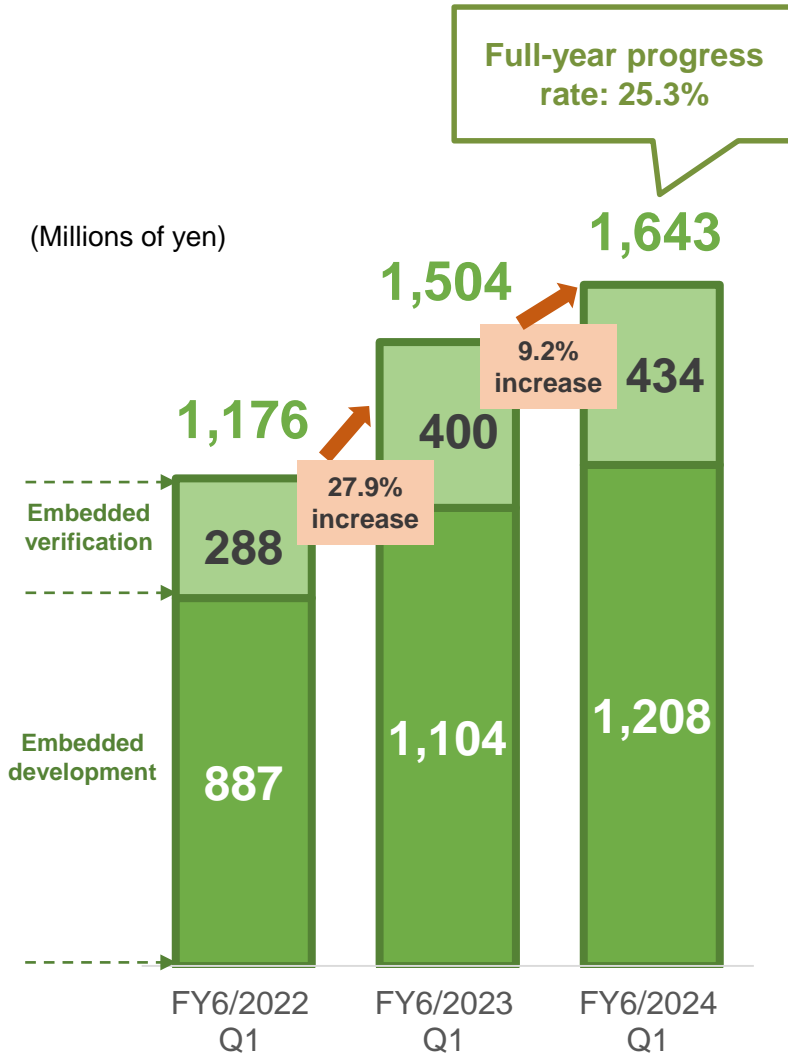
■ Business system development

Despite steady progress in making transactions for projects in the public sector and the telecommunication field, sales and profit declined due to the impact of an unprofitable project occurred in the previous fiscal year and the stagnation of ERP (SAP) related orders owing to a trough in the order receipt cycle.

■ Operational support

Record-high sales and profit was achieved due to successful business domain expansion and contributions from the subsidiary simplism Inc.

Net Sales by Segment: Embedded Solutions Unit



Net sales: 1,643 million yen
YoY change: +9.2%

<Entire business>

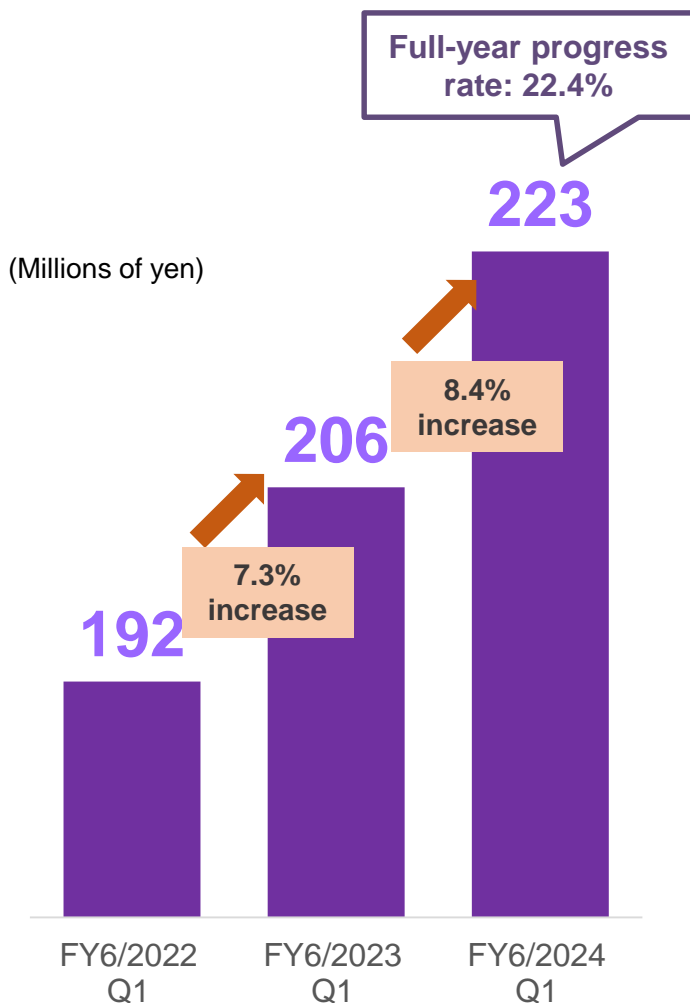
Favorable growth was maintained mainly in the automotive sector. Development needs are high, especially among manufacturers of completed vehicles, and demand continues to be strong. The increase in the ratio of projects with high average spending per client led to the improvement of profit margin.

■ Embedded development

We achieved steady increases in sales and profit due to growth in automotive, semiconductor, and home appliances IoT-related projects. However, there is a possibility that some of the projects will be delayed further, and we are preparing to respond to this possibility.

■ Embedded system verification

We saw steady increases in sales and profit due to continuous strong performance in automotive verification.



Net sales: 223 million yen
YoY change: +8.4%

<Entire business>

Steady sales growth was achieved due to increase in subscription model license and electronic contracting service related sales.

■ [WebARGUS: Cybersecurity product]

Although we did not make any transactions for large projects, sales and profit remained almost unchanged from the previous fiscal year, thanks to an increase in license sales. We received many inquiries for ransomware-resistant versions.

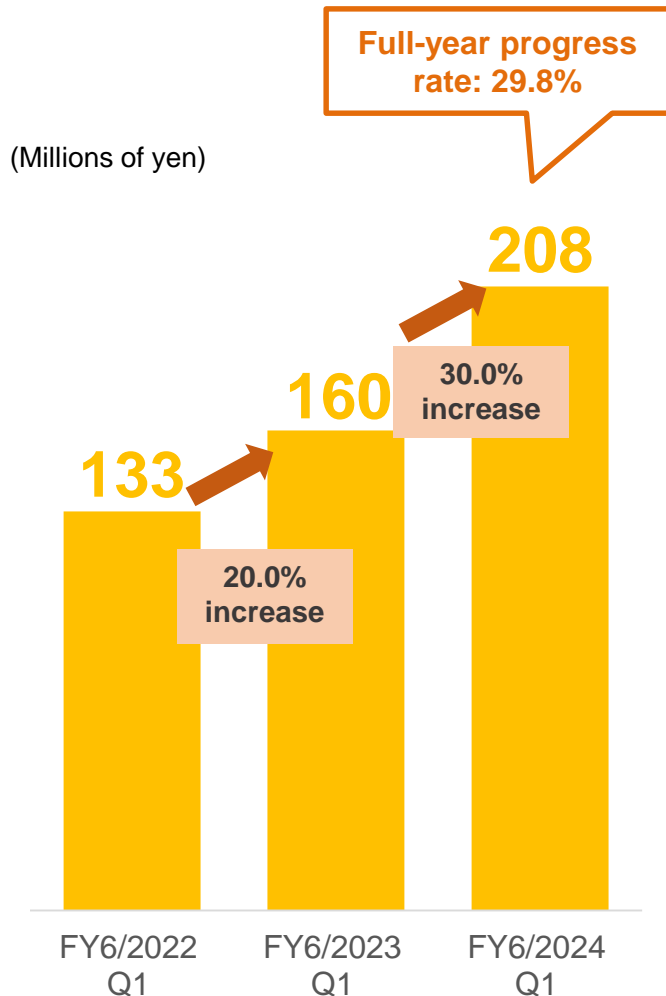
■ [xoBlos: Operational efficiency products]

Both sales and profit remained almost unchanged from the previous fiscal year. However, in addition to horizontal expansion and cross-selling among existing clients, we are also making progress in acquiring projects from prospective customers increased from the previous fiscal year.

■ [Other new products]

Sales of “DD-CONNECT,” an electronic contracting service, including peripheral development, increased and started contributing to profit.

Net Sales by Segment: Systems Sales Business



Net sales: 208 million yen
YoY change: +30.0%

<Entire business>

Demand is on the upward trend in parallel with the transition to new systems due to the Act on Special Provisions concerning Preservation Methods for Books and Documents Related to National Tax Prepared by Means of Computers and the introduction of the invoice system.

- Sales and profit increased significantly year on year due to the commencement of sales activities to prepare for the revision of the Act on Special Provisions concerning Preservation Methods for Books and Documents Related to National Tax Prepared by Means of Computers as well as rush demand for dealing with the invoice system.

*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 capital adequacy ratio of 71.7%

(Millions of yen)

	End-Jun. 2023	End-Sep. 2023	Change
Cash and deposits	4,185	3,963	-221
Accounts receivable and contract assets	2,953	3,092	139
Work in progress	108	116	8
Others	132	220	88
Total current assets	7,378	7,391	13
Property, plant and equipment	138	173	34
Intangible fixed assets	172	165	-7
Investments and other assets	487	572	84
Total fixed assets	798	910	112
Total assets	8,176	8,302	125

	End-Jun. 2023	End-Sep. 2023	Change
Accounts payable-trade	615	728	113
Income taxes payable	407	223	-184
Others	958	1,174	216
Total current liabilities	1,980	2,126	146
Provision for share-based remuneration	142	149	6
Others	48	77	29
Total fixed liabilities	190	226	36
Total liabilities	2,170	2,353	182
Capital stock	453	453	—
Capital surplus	459	459	—
Retained earnings	5,094	5,036	-57
Total net assets	6,006	5,948	-57
Total liabilities and net assets	8,176	8,302	125

*Amounts less than one million yen are rounded down



2. Business Forecasts for FY6/2024

FY6/2024 Full-year Business Forecasts

- Aiming for 14 consecutive years of sales and profit growth in the final year of the medium-term management plan, based on the 2 axes of "stabilizing the business foundation" and "strengthening growth factors" set out in the medium-term management plan.

(Millions of yen)	FY6/2023 Result	Composition %	FY6/2024 Forecast	Composition %	YoY %
Net sales	18,149	100.0%	19,500	100.0%	+7.4%
Operating income	2,039	11.2%	2,500	12.8%	+22.6%
Ordinary income	2,059	11.3%	2,500	12.8%	+21.4%
Net income attributable to owners of parent	1,447	8.0%	1,734	8.9%	+19.8%

FY6/2024 H1 Business Forecasts

- For FY6/2024, we forecast higher sales and profits for the full year, but expect higher sales and lower profit for the first half period; therefore, we disclose a half-year forecast.

(Millions of yen)	(Ref.) FY6/2022 Q2 Result	FY6/2023 Q2 Result	Composition %	FY6/2024 Q2 Forecast	Composition %	YoY %
Net sales	7,685	9,068	100.0%	9,500	100.0%	+4.8%
Operating income	973	1,249	13.8%	1,100	11.6%	-12.0%
Ordinary income	981	1,268	14.0%	1,100	11.6%	-13.3%
Net income attributable to owners of parent	686	892	9.8%	763	8.0%	-14.5%

FY6/2024: Progress Toward the Business Forecasts

- Due to the impact of an unprofitable project occurred in the previous fiscal year, we have already factored in the fact that progress in Q1 of the current fiscal year will be slightly lower than expected, and progress toward both the first half and full-year forecasts is expected to be in line with projections.

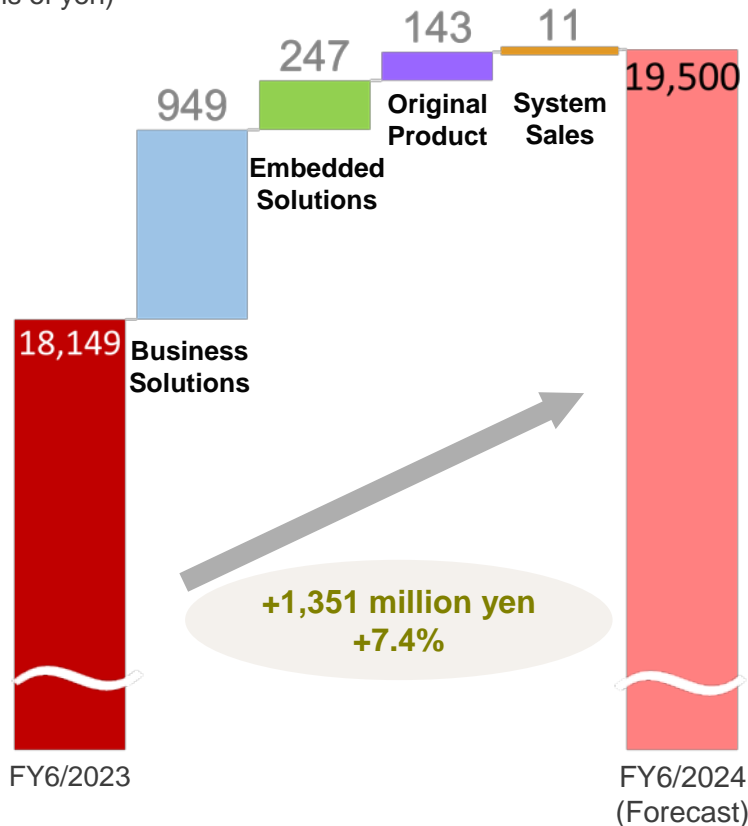
(Millions of yen)	Q1	H1 forecast		Full-year forecast	
	Actual	Forecast	Progress rate	Forecast	Progress rate
Net sales	4,709	9,500	49.6%	19,500	24.2%
Operating income	546	1,100	49.6%	2,500	21.8%
Ordinary income	537	1,100	48.8%	2,500	21.5%
Net income attributable to owners of parent	365	763	47.8%	1,734	21.1%

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

- Forecast higher sales and profits in all businesses, led by Business Solutions Unit.

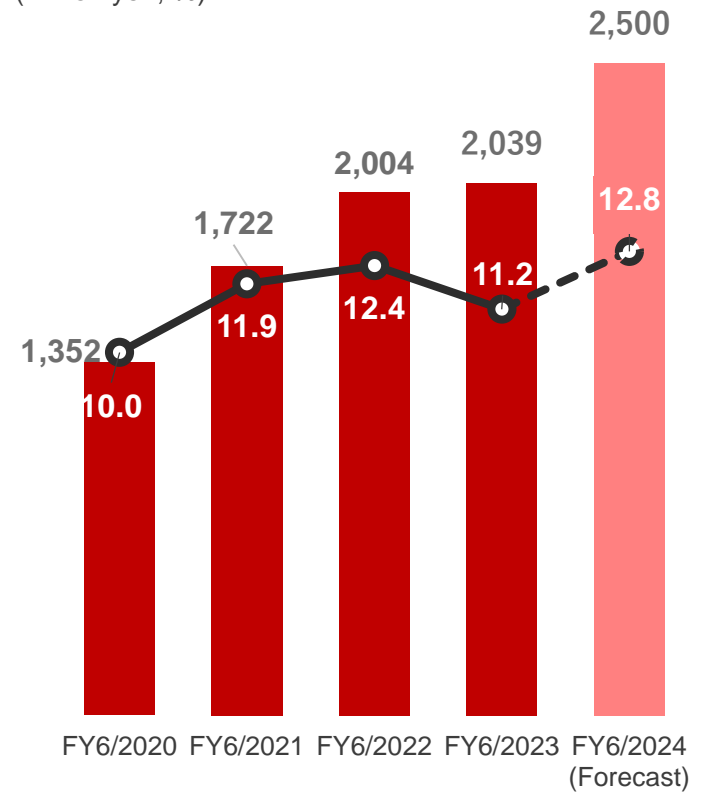
Net sales

(Millions of yen)



Operating Income / Operating Income Margin

(Million yen, %)



Business Forecasts by Segment

- In the Software Development Business, we plan to increase sales by 7.7% YoY.
- Original Product Unit targets strong growth of 16.7%.

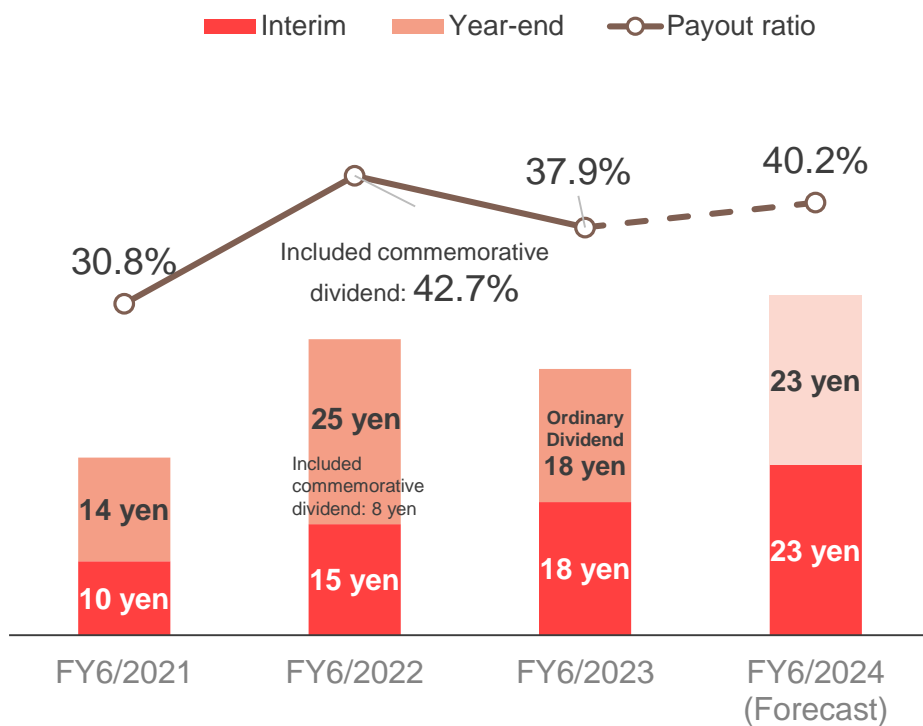
(Millions of yen)

Business Segment	FY6/2023 Net sales	FY6/2024 Net sale Forecast	Change	Change %	Composition
Software Development Business	17,460	18,800	1,340	7.7%	96.6%
Business Solutions Unit	10,350	11,300	950	9.2%	57.9%
Embedded Solutions Unit	6,253	6,500	247	3.9%	33.6%
Original Product Unit	856	1,000	144	16.7%	5.1%
System Sales Business	688	700	12	1.6%	3.4%
Total	18,149	19,500	1,351	7.4%	

Return to Shareholders (Dividend Forecasts)

- Conducted 2 times of share repurchase in FY6/23 with an annual dividend of 36 yen per share.
- Focusing on shareholder returns, the target dividend payout ratio of 35% or more in the medium-term management plan was changed from FY6/24 to 40% or more. For FY6/24, the annual dividend per share is 46 yen, and the dividend payout ratio is expected to be 40.2%

Changes in dividend and payout ratio



Details of share repurchase in the previous fiscal year

First round (completed)	
Acquisition date	March 14, 2023
Method	Purchase through ToSTNET-3**
Total number of shares acquired	100 thousand yen
Acquisition price	165 million yen
Second round (completed)	
Acquisition period	May 16, 2023-July 31, 2023
Method	Purchase on the market
Total number of shares to be acquired	200 thousand yen (upper limit)
Acquisition price	400 million yen (upper limit)
Current situation (completed on July 31)	Number of shares acquired: 200 thousand shares Acquisition price: 319 million yen

3. DIT Group's Vision for 2030 and Upward Revision of New Mid-term Management Plan

(Excerpted from explanatory materials disclosed on Aug. 20, 2021)



Upward revision of medium-term management plan targets

- The performance for FY6/23 exceeded the target disclosed.
- Net sales target for FY6/24 revised upward in line with strong business trends in August.

	FY6/2021 (Results)	FY6/2022 (Results)	FY6/2023 (Forecast)	FY6/2024 (Planned)
Net sales	14.4 billion yen	16.1 billion yen	18.1 billion yen (Target: 1.8 billion yen)	19.5 billion yen (↑1.85 billion yen)
Operating income	1.72 billion yen	2.00 billion yen	2.03 billion yen (Target: 1.90 billion yen)	2.50 billion yen
Ordinary income	11.9%	12.4%	11.2% (Target: 10.6%)	12.8%
ROE	29.2%	28.6%	25.1%	Maintain 20% or more
Dividend payout ratio	30.8% or more	42.7% (Commemorative dividend paid)	37.9%	40% 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)	46.0 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



Vertical axis: Expansion of business



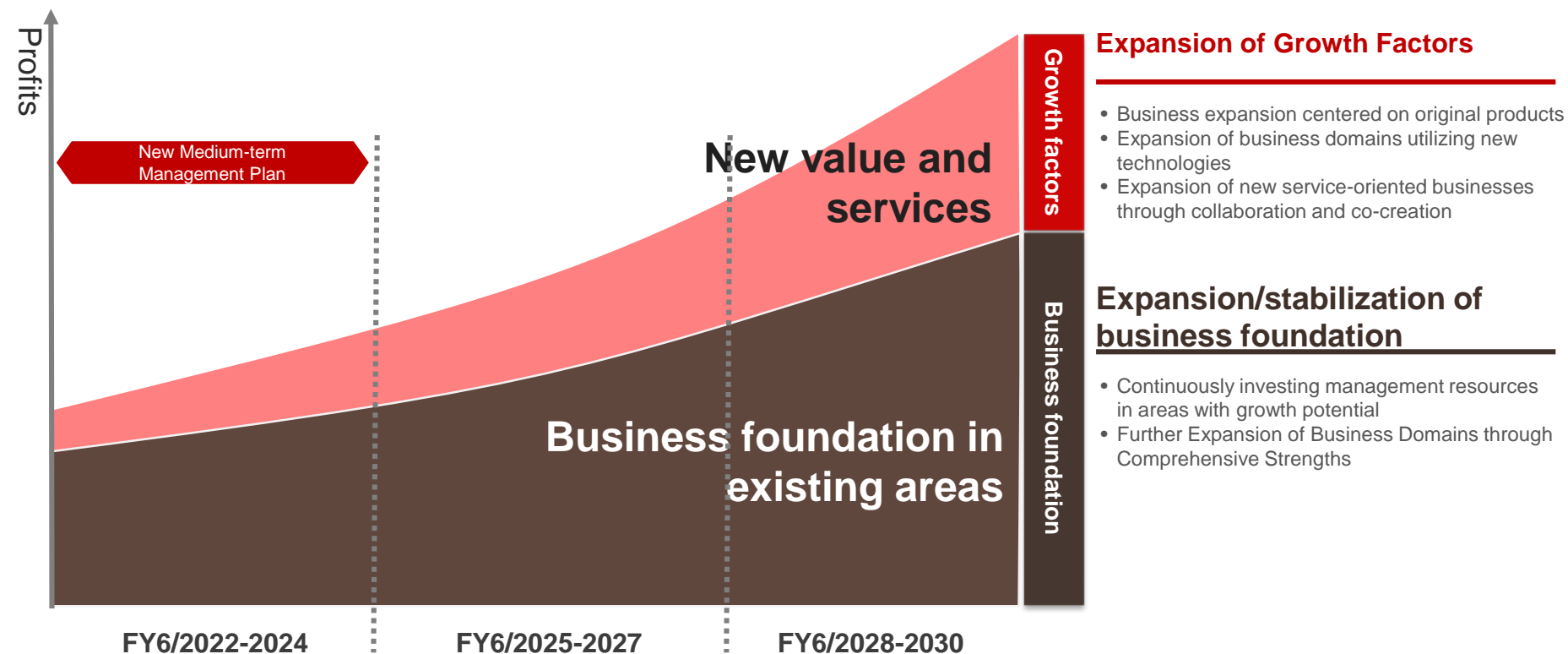
Horizontal axis: Development of infrastructure

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

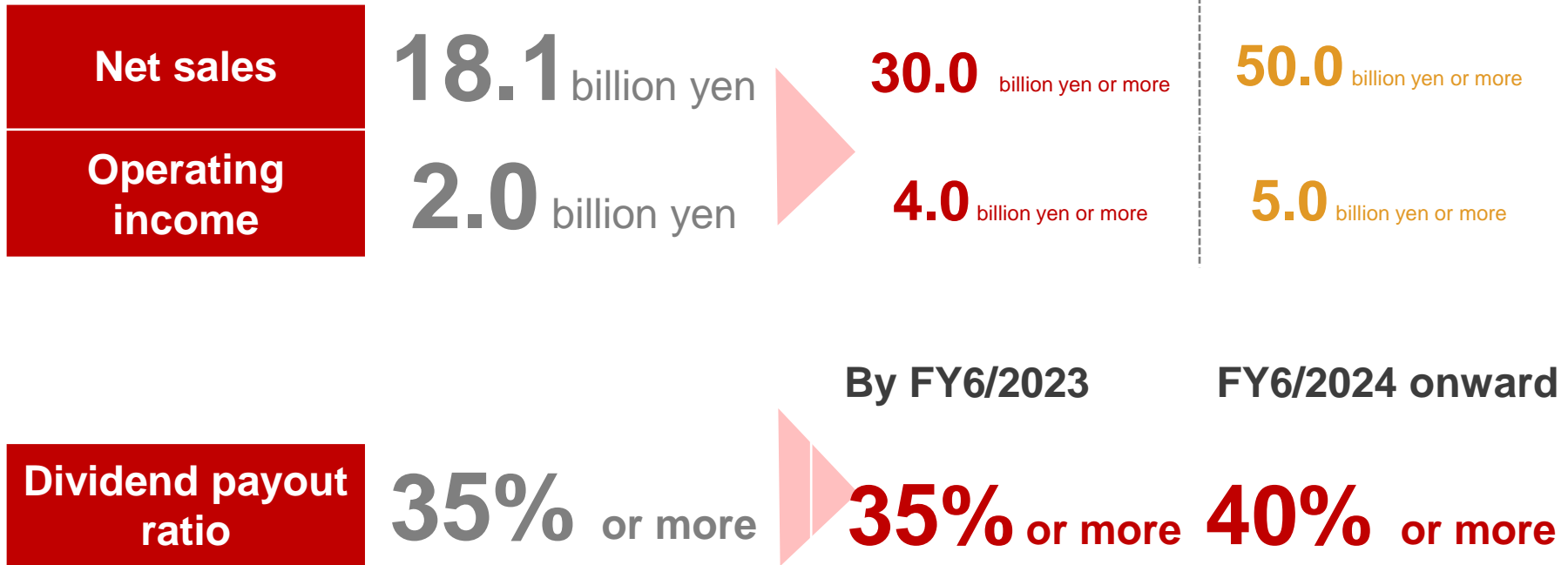


Management Targets

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

FY6/2023 Results

FY6/2030 Target

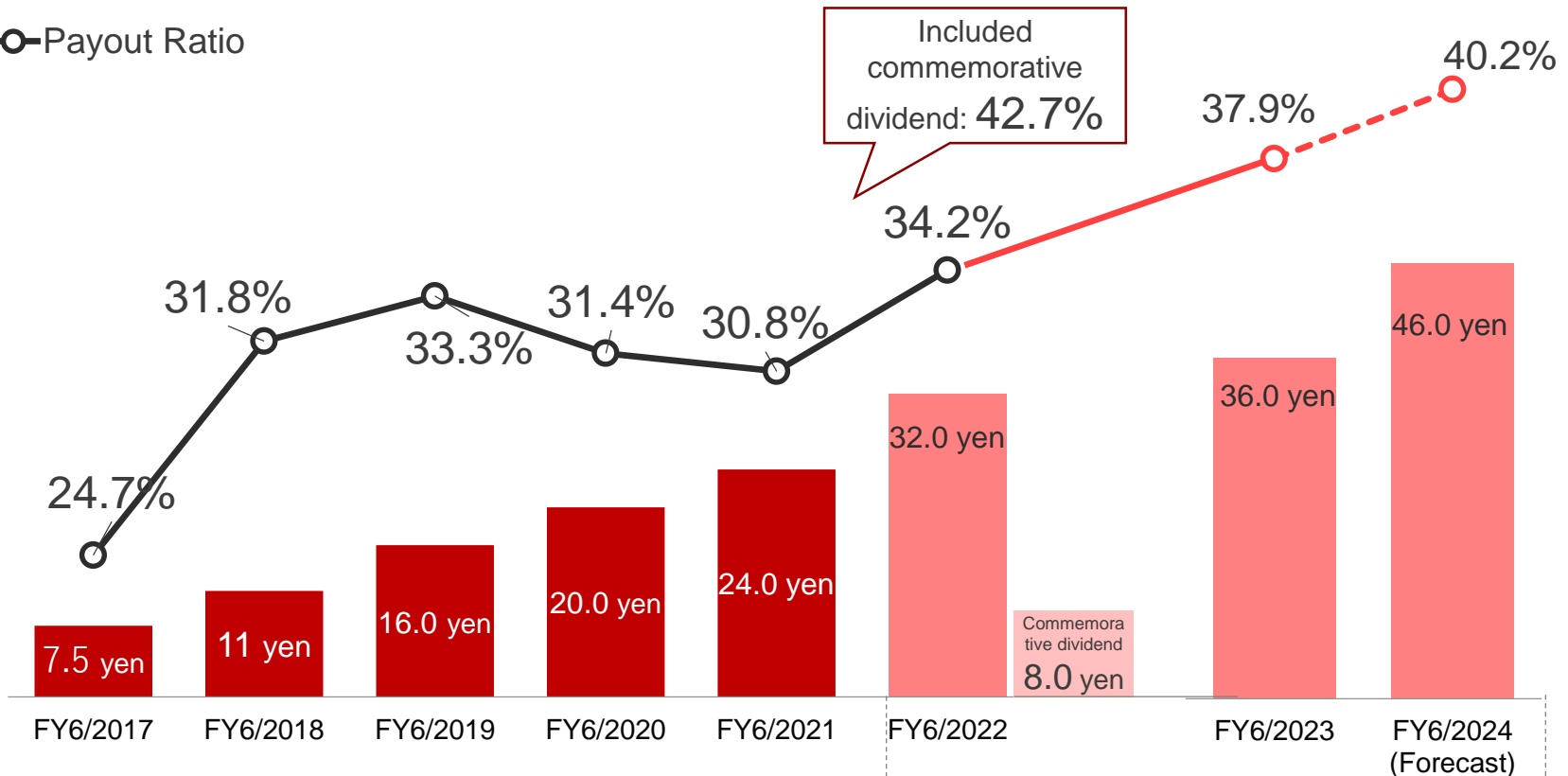


Management Targets of the Medium-Term Management Plan (Dividend Payout Ratio)

- The current target for a dividend payout ratio of 35% or more will be changed to 40% or more from FY6/2024.
- Dividend payout ratio for FY6/2024 is expected to be 40.2%.

■ Ordinary Dividend (yen)

○ Payout Ratio



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

New Medium-term Management Plan



4. Reference materials

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 2023)
Fiscal year end :	June 30
Number of the employees	1,330 (1,139 on a non-consolidated basis) (As of the end of June 2023)
Officer	Satoshi Ichikawa, Representative Director and President 4 other internal directors and 4 outside directors 1 full-time auditor and 2 outside auditors (As of the end of September 2023)
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

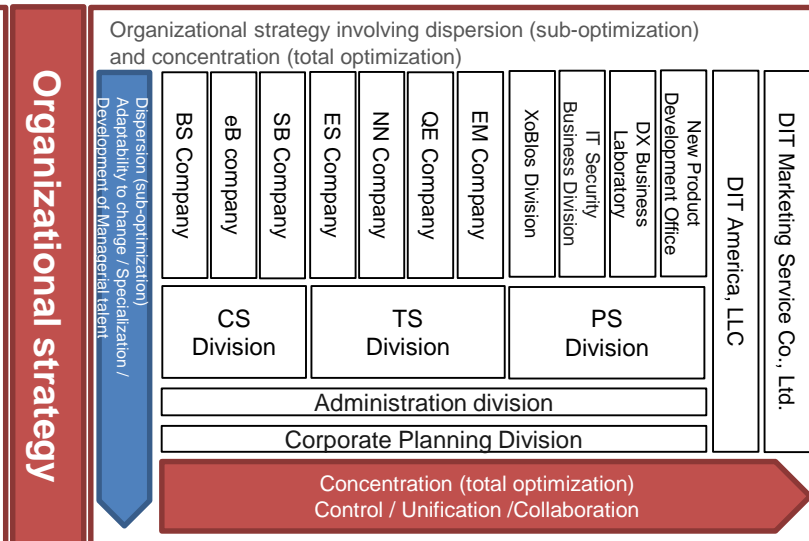
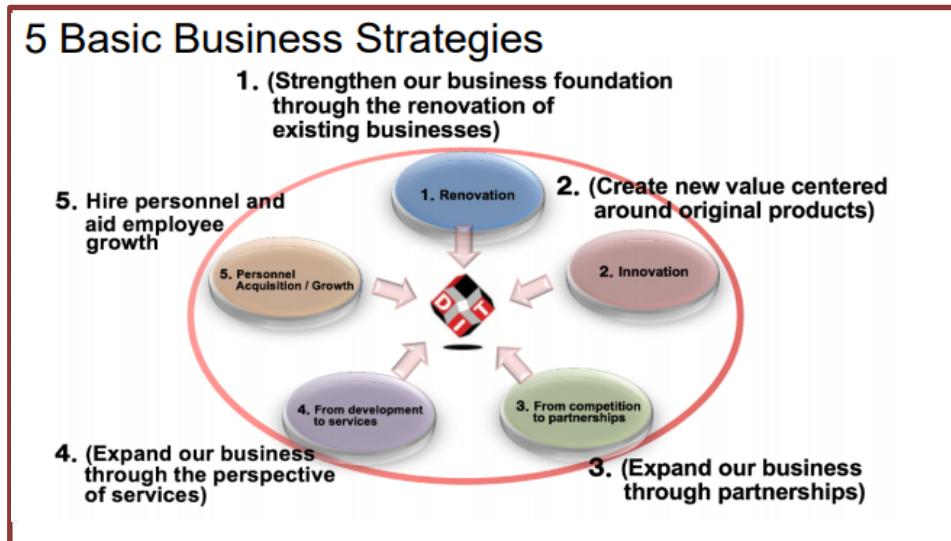
Domestic and overseas development bases and the number of employees



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		

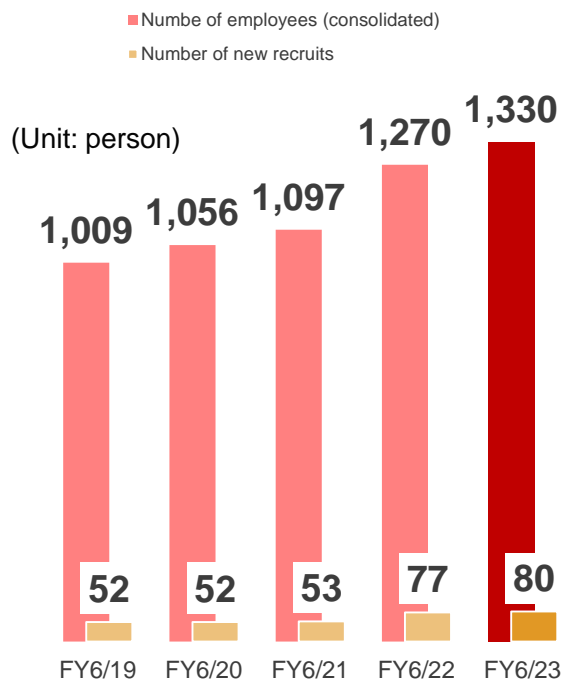
Management Policy	Deliver on our commitment to value generation and adaptability to change, while aiming to realize stable growth for the company
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Investment and Measures for Human Capital

- Promoting investment in human capital to achieve the Medium-to Long-Term Vision.
- The number of new graduates hired increases every fiscal year. We will continue to actively hire diverse human resources.

Consolidated number of employee



Initiatives to Strengthen Human Capital

Ongoing Initiatives

- ✓ Training by year and position (various training by length of service, position, etc.)
- ✓ Enhance 1.5-year educational program for new graduate recruits, including the regular term
- ✓ Create a comfortable working environment by preventing mental health care and harassment
- ✓ Strengthen incentives through the Employee Stock Ownership Plan and the Incentive Plan through the Stock Benefit Trust
- ✓ Increase in the number of mid-career hires due to the introduction of the Referral Recruitment System
- ✓ Visualization of individual employees' skills through talent management
- ✓ Foster engagement in a small organizational structure that leverages the strengths of the in-house company system

Future Initiatives

- ✓ Medium-term target for the number of new graduate recruits to be more than 100
- ✓ Review the salary system including starting salary
- ✓ Utilize visualization of skills to realize accurate training follow-up and work assignments
- ✓ Expansion of near-shore bases to major regional cities

SDGs: Contributing to the Realization of a Sustainable Society

We will strive to support a sustainable society through appropriate corporate management and the introduction of our original 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.



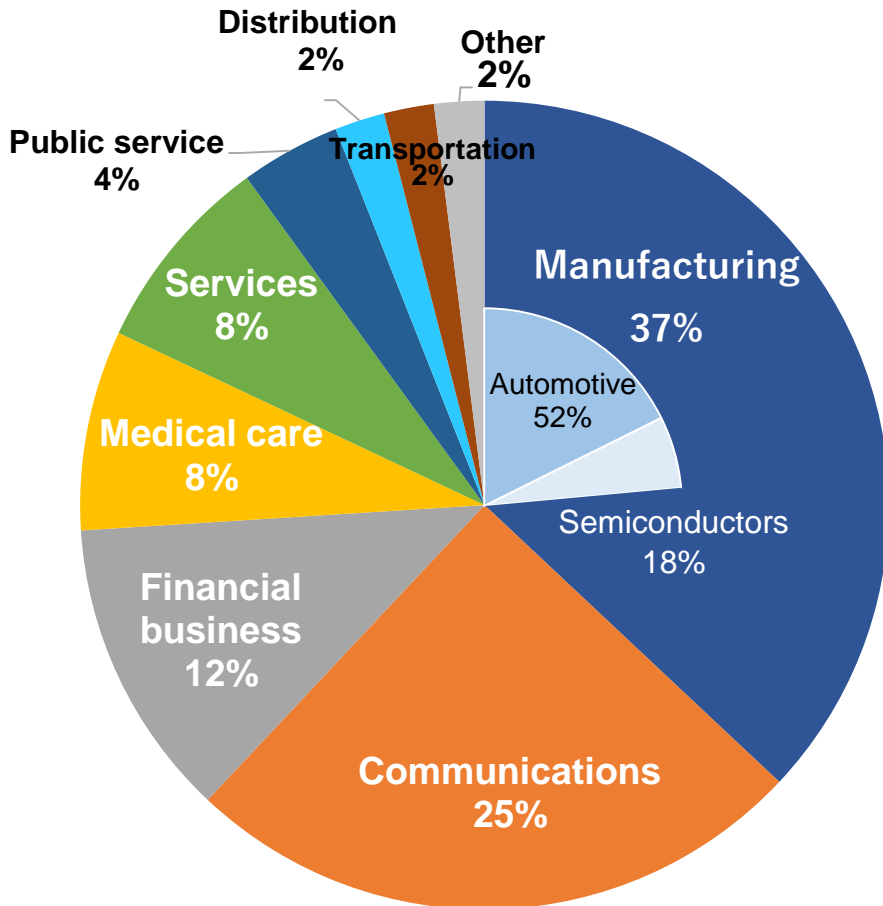
Contribute to establishing a comfortable and secure Internet-based society and improving social productivity by introducing security products (WebARGUS) and work style reform-related products (xoBlos, DD-CONNECT), etc.

Relevant SDGs goals



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.

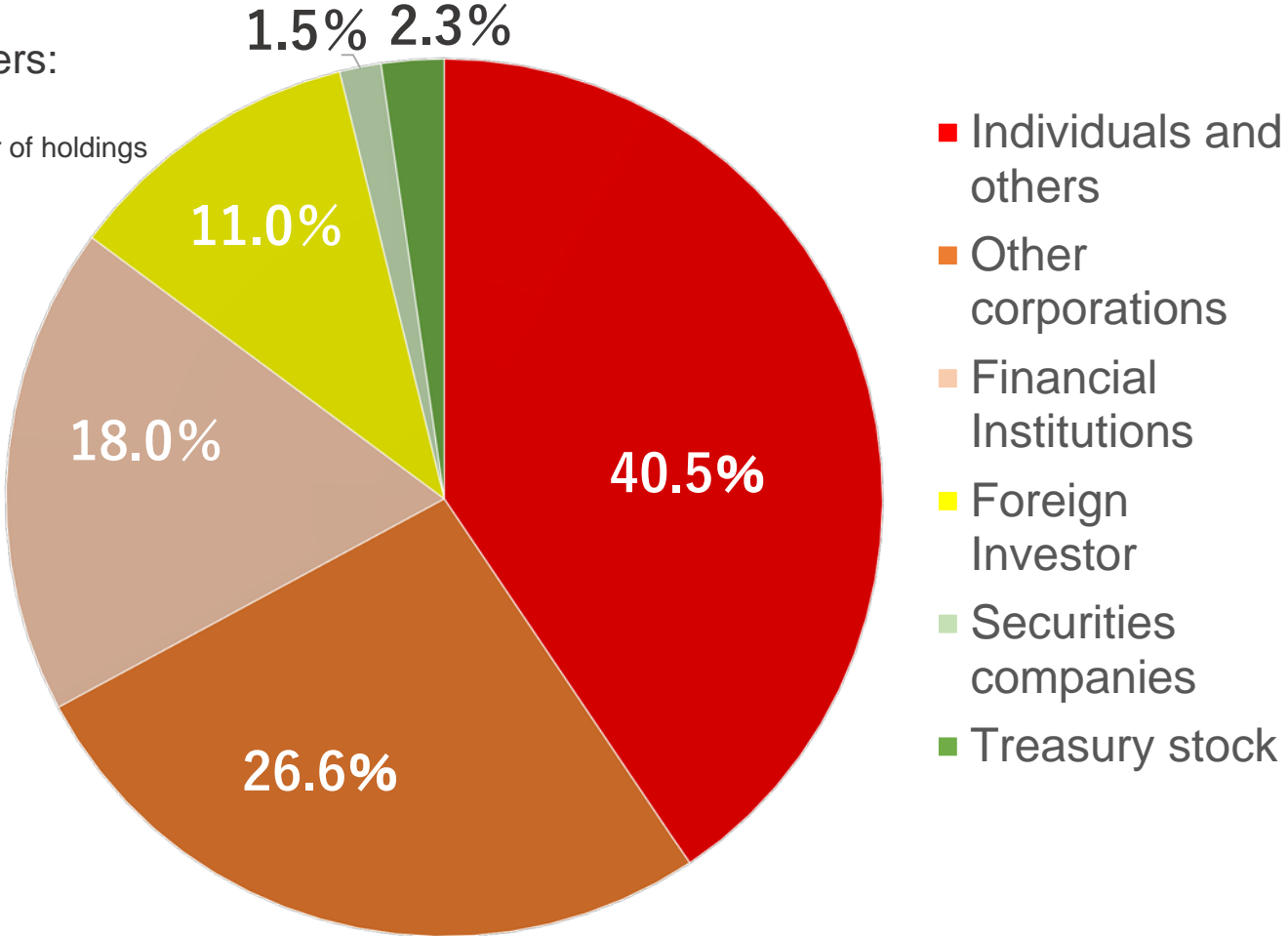
■ **Sales Composition by Industry of Software Development Business (Left chart)**

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

Composition of Shareholders

End of June 2023
Number of shareholders:
5,753 persons

*The graph is based on number of holdings



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, 2023 to August 29, 2024.



Contact information:

Manabu Enomoto
IR Division, Corporate Planning Division
TEL: 03-6311-6532 FAX: 03-6311-6521
E-mail: ir_info@ditgroup.jp

- 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.