



President Satoshi Ichikawa

Digital Information Technologies Corporation (3916)



Digital Information Technologies Corporation

Company Information

Exchange	TSE 1 st Section
Industry	Information and Communications
President	Satoshi Ichikawa
HQ Address	FORECAST Sakurabashi, 4-5-4 Hatchobori, Chuo-ku, Tokyo
Year-end	End of June
Homepage	https://www.ditgroup.jp/english/

Stock Information

Share Price	Number of shares issued		Total Market Cap	ROE (Actual)	Trading Unit
¥2,013	15,501,820 shares		¥31,205 million	29.6%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥22.00	1.1%	¥71.35	28.2x	¥240.04	8.4x

*The share price is the closing price on March 25th. The number of issued shares, DPS, and EPS are from the brief financial report for the second quarter of the fiscal year ending June 2021. ROE, BPS are from the brief financial report for the fiscal year ending June 2020.

Consolidated Earnings

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (yen)	DPS (yen)
Jun. 2017 (Actual)	10,273	653	641	466	30.33	7.50
Jun. 2018 (Actual)	11,076	787	790	531	34.57	11.00
Jun. 2019 (Actual)	12,355	1,095	1,106	737	48.07	16.00
Jun. 2020 (Actual)	13,495	1,352	1,357	978	64.18	20.00
Jun. 2021 (Forecast)	14,300	1,600	1,600	1,088	71.35	22.00

*The forecast is from the company. A 2-for-1 share split was implemented on October 1, 2016 and April 1, 2018. EPS and BPS were retroactively recalculated.

* Net income is net income attributable to shareholders of the parent company. Hereinafter the same will apply.

This Bridge Report introduces the second quarter of fiscal year ending June 2021 earnings results of Digital Information Technologies Corporation.

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Key Points

- The sales in the second quarter of the fiscal year ending June 2021 were 7,065 million yen, up 7.6% year on year (YoY). The business solution unit and the original product unit recorded double-digit sales growth. Operating income increased 24.5% YoY to 912 million yen. Gross profit, which declined in the first quarter due to a decrease in the sales of the system sales business because of the loss of special demand, improved in the second quarter, and SG&A expenses were reduced. As a result, the company achieved a double-digit increase in profit. Operating income margin rose 1.8 points to 12.9%. Sales and operating income in the second quarter (October-December) reached an all-time high. Also, the company achieved record-high quarterly profit.
- Based on the favorable financial results in the first half, the full-year earnings forecast for the fiscal year ending June 2021 has been revised upward. Sales are expected to increase 5.9% YoY to 14.3 billion yen, and operating income is forecasted to rise 18.3% to 1.6 billion yen. The company also intends to increase sales and profits for the 11th consecutive term. The dividend forecast has also been revised from 20 yen/share to 22 yen/share. The expected payout ratio is 31.1%.
- The gross profit margin for the second quarter (cumulative) was lower than that in the same period of the previous year. This decline was temporary due to a decrease in sales of the system sales business. The gross profit of the software development unit improved due to an increase in the ratio of contract projects and sales of original products. The gross margin for the second quarter (October-December) was the highest in the last few years. It is expected that the profit margin will continue to improve as the company will further enhance the project risk management of contract projects.
- President Ichikawa pointed out that the company has the ability to respond to changes as a background to its steady achievements even in the uncertain environment ridden with the novel coronavirus. To survive in the rapidly changing world of IT, the company values changing its own way of thinking and behavior without hesitation. Therefore, when the environment changed drastically due to the novel coronavirus crisis, the company worked together to flexibly formulate a strategy regarding which field to focus on and act on it in order to stably acquire projects. Thus, the company was able to achieve positive results. We will continue to pay attention to how the company will adapt amid significant societal changes in the future.

1. Company Overview

Digital Information Technologies Corporation is an independent information service company. Its sales are mostly from the undertaking of the development of business systems, embedded devices, etc. for clients mainly in the fields of finance, communications, etc. The company concentrates on the expansion of its products based on its original technologies, including "WebARGUS," a website security solution, and "xoBlos," an Excel work innovation platform. The company has a variety of characteristics, such as "multifaceted, diverse information technologies" and "organizational strategies of partial and total optimizations."

1-1 Corporate History

The former president Norikazu Ichikawa (current Representative Director and Chairman) discovered a new world of computers and obtained programming qualifications while he was working at Nippon Telegraph and Telephone Public Corporation. He set up his own

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business because he was willing to take on challenges and found a great appeal in the potential of computers.

In 1996, he was appointed president of Toyo Computer System, Inc. as the successor to one of his acquaintances. He expanded its business area starting from business system development, and then computer sales business (current: system sales business), embedded product development validation business and operation support businesses turning Toyo Computer System Inc. into a multifaceted and diverse IT company.

In 2002, he established Toyo IT Holdings Corporation, which is the predecessor of current Digital Information Technologies Corporation, by separating several companies under the same group and establishing subsidiaries with 100% ownership. In 2006, he integrated four subsidiaries into one company and renamed it to the current company name.

In addition, in January 2011, he established DIT America, LLC in Kansas, U.S.A. Digital Information Technologies Corporation was listed on JASDAQ of Tokyo Stock Exchange (TSE) in June 2015, listed on the second section of TSE in May 2016 and listed on the first section of TSE in March 2017.

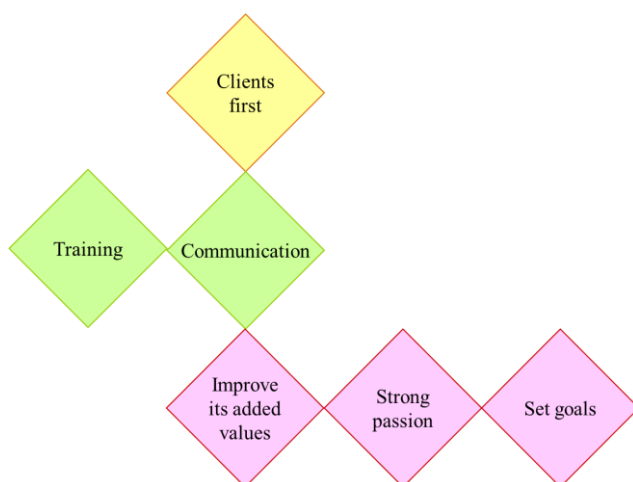
In July 2018, Mr. Satoshi Ichikawa, who used to be Representative Director and Senior Managing Officer, took up the office of Representative Director and President to rejuvenate the management structure under the business environment where change is accelerating and make a system to enable prompt decision-making.

1-2 Corporate Philosophy



Our logo is a collection of cubes with an infinite number of stairs.
This collection is our company itself, and each cube represents each employee.
The 6 facets of the cubes represent six values which all employees share and consider valuable.
Our corporate identity represents these values in three tiers; clients, company and employees.

(From the company's website)

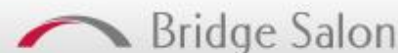


(From the company's website)

The above diagram is the unfoldment of the cube. According to the president Ichikawa, it emphasizes “clients first; this is where it all starts.” Furthermore, the logo represents “training employees” and “communication with clients and among employees.” These are important values to the company. Additionally, we implore employees to “improve its added values,” “have passion” and “have a sense of purpose.”

Employees are to uphold this company policy as their creed and follow these principles at all times.

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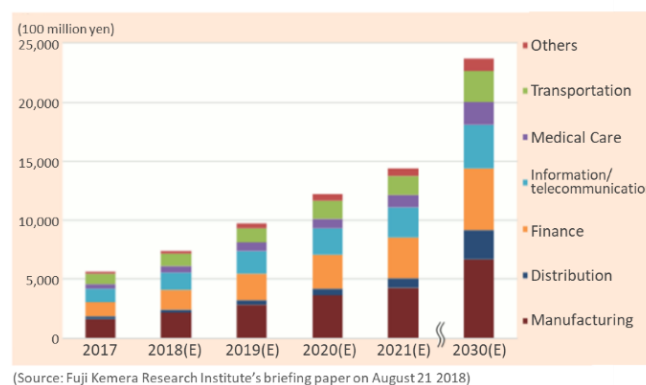
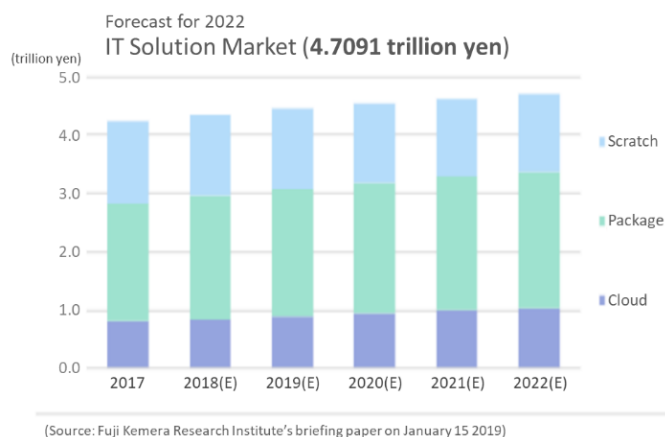


1-3 Market environment

The outlines of the market environment and growth potential of each business unit of the company mentioned in Section 1-4 “Business Description” are as follows.

(1) Business Solution Unit

The market of IT solutions, which helps deal with the shortage of manpower and the streamlining of business operations, has grown steadily. Cloud services & packaged software have been adopted by small and medium-sized enterprises and large companies. In addition, digital transformation (DX), including the use of AI, IoT, RPA, and robotics, is expected to progress rapidly.



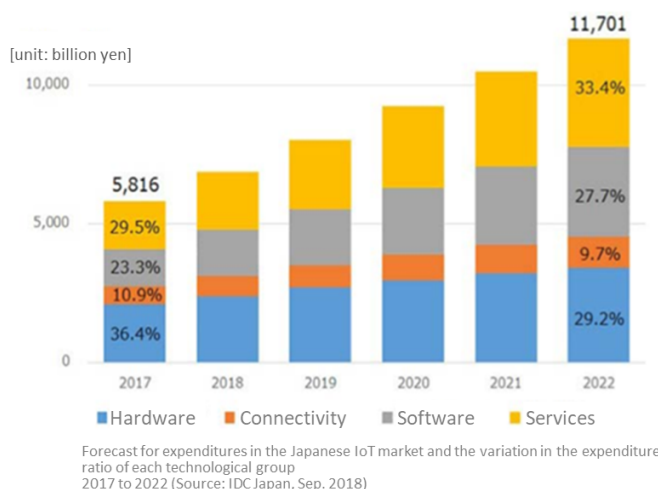
(Taken from the reference materials of Digital Information Technologies Corporation)

(2) Embedded Solution Unit

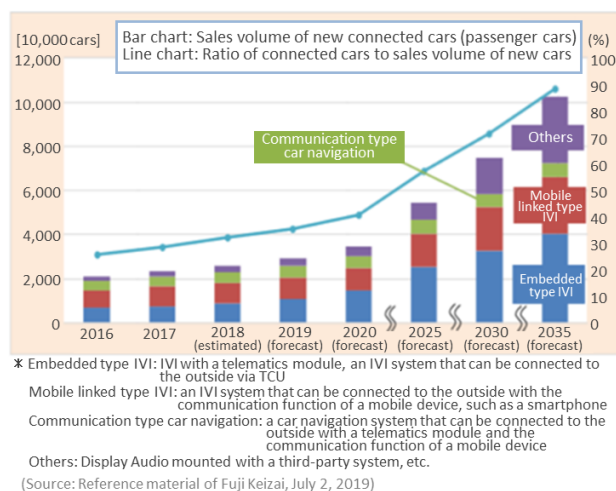
The Japanese IoT market, especially services, is expected to grow considerably.

The industry of in-vehicle devices is forecasted to see the rapid growth of “connected cars,” which would create a variety of value, by having the functions as ICT terminals, obtaining various data, including vehicle states and surrounding road conditions, with sensors, and collecting and analyzing them via networks.

■ The scale of the Japanese IoT market is estimated to grow with a compound annual growth rate (CAGR) of 15.0% until 2022, and the expenditure in 2022 is projected to be 11,701 billion yen. (Source: IDC Japan)



■ Sales volume of new connected cars (passenger cars)



(Taken from the reference materials of Digital Information Technologies Corporation)

(3) Original Product Unit

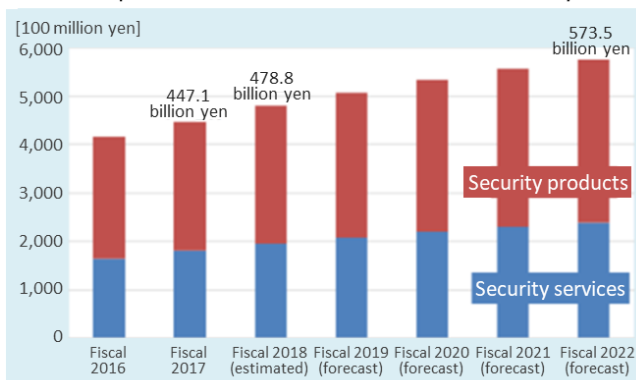
① WebARGUS

In the Japanese market of network security, both products and services are estimated to grow, and there are growing needs for the detection and elimination of threats before intrusion, as well as response after intrusion.

■ Forecast for the Japanese market of network security in fiscal 2022 (compared with fiscal 2017)

- Security services: 238.7 billion yen, up 32.0%
- Security products: 334.8 billion yen, up 25.8%
- Web security category: 53.7 billion yen, up 46.7% EDR: 12.3 billion yen (2.4 times)

Japanese market related to network security



“Cybersecurity Management Guidelines Ver. 2.0” proposed by the Ministry of Economy, Trade and Industry diffused the policy of putting importance on not only the detection and elimination of threats before intrusion, but also the response after a threat intrudes into a network. The recognition level of EDR increased steeply, and the demand for products targeted at huge companies that have tens of thousands of control terminals grew rapidly. Then, the scale of the market in fiscal 2017 was 5.1 billion yen, 2.7 times larger than that in the previous year.

■ EDR

Fiscal 2017	Fiscal 2022 (forecast)	Comparison from fiscal 2017
5.1 billion yen	12.3 billion yen	2.4 times

*EDR stands for Endpoint Detection and Response.

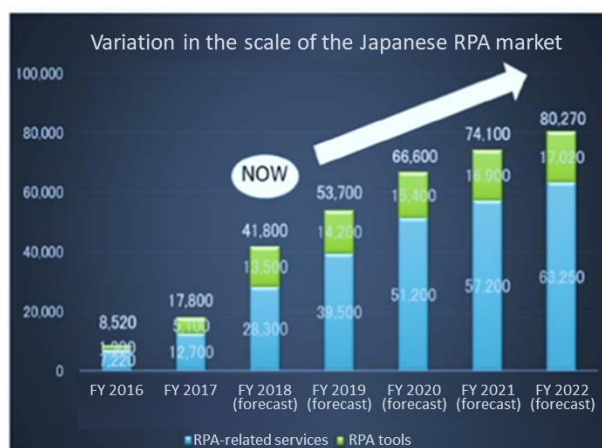
(Taken from the reference materials of Digital Information Technologies Corporation)

② xoBlos

RPA (Robotic Process Automation), which is a system for supporting the significant streamlining of business operations, is attracting attention.

RPA means the automation of processes using robots. By using technologies, such as artificial intelligence (AI) and machine learning, in which AI learns things through repetition, white-collar tasks, especially back-office ones, are handled. Just by registering procedures of human tasks on an operation screen, it is possible for them to handle the tasks using various apps, including software, browsers, and cloud.

It is expected to spread rapidly, as one mean for reforming the ways of working, which is an issue to be overcome by Japanese enterprises.



(Reference: Yano Research Institute, Results of a survey on the Japanese RPA market in fiscal 2018)

(Taken from the reference materials of Digital Information Technologies Corporation)

The full-scale diffusion of RPA progresses.

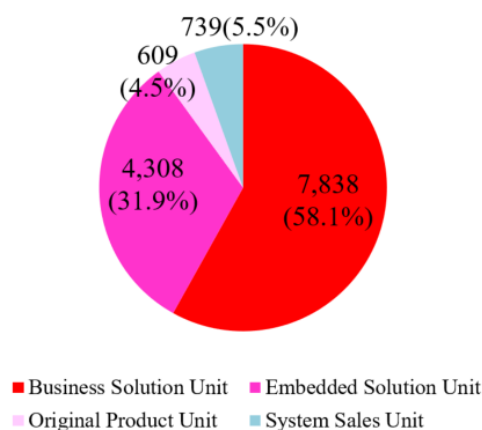
- The scale of the Japanese RPA market in fiscal 2018 (sales of enterprises) is projected to be 41.8 billion yen, up 134.8% from fiscal 2017.
- The RPA boom in the first half will subside in the second half. As the outcomes that would improve organizational operation and business performance will be emphasized, it will be diffused on a full-scale basis, increasing users' investment and growing the market.

1-4 Business Description

1. Segments

There are two segments: software development business and system sales business. The software development business consists of 3 business units: business solution unit, embedded solution unit and original product unit.

Sales by Business Unit
(FY June 2020, unit: million yen)



(Taken from the reference materials of Digital Information Technologies Corporation)

(1) Software Development Business

① Business Solution Unit

(Business system development unit)

The sales for this business unit is mostly from custom development for end-users and information systems companies which are clients' subsidiaries in a wide variety of industries including finance, medicine/pharmacy, communications, distribution and transportation as well as for leading SI vendors.

Specifically, development for websites and key systems, front and back office operations, new system development and maintenance development with technologies developed in each area. The company has developed trustworthy relationships with leading companies in each area which enables them to secure stable orders.

(Operation support unit)

Main clients include communications carriers, total human service corporations and information system companies which are airlines subsidiaries.

This "business unit to support clients' daily operations through IT" has stable revenue as it is an ongoing business in line with the business website domains of leading companies.

Specific business includes:

- *Support desk operation for end-users who use various business systems.
- *Build and maintain infrastructure (servers and networks).
- *Efficient system operations in line with the latest technology trends.

② Embedded Solution Unit

(Embedded product development unit)

This business unit is trusted by leading manufacturers to directly develop custom software for in-vehicle devices, mobile devices, information home appliances and communication devices. For in-vehicle devices, mobile devices and information home appliances, the unit develops custom software for overall systems including firmware, device business unit controls and applications.

It focuses on Auto-Drive related field with new technology, as well as infotainment for in-vehicle devices as the demand for this market is expected to grow. In addition, it undertakes software development for wireless base stations and communication module devices for communication devices.

(Embedded product verification unit)

This business unit verifies and makes suggestions to improve qualities and functions of products through its verification service. It provides verification services domestically and internationally (North America, Asia, Europe, etc.) including laboratory tests using specialized devices to verify product operation and function, field tests to verify products in the actual environments, as well as overall system tests conducted as the final quality verification from the perspectives of the third party. Some of the overseas field tests are designated to its subsidiary, DIT America, LLC, which provides fast service with verification of product usability from the perspective of local staff. The range of products for verification includes in-vehicle devices, medical devices, communication devices and mobiles.

③Original Product Unit

The company develops and sells its original products as a growing business, using its unique technology. Currently, the company strongly focuses on the sales of two products, “WebARGUS,” a website security solution, which detects tampered website simultaneously as it occurs and instantly restores the original normal condition, and “xoBlos,” an Excel work innovation platform, which features data decomposition and restoration as well as meeting various forms of data business processing needs.

There are other products such as “APMG (Anti Phishing Mail Gateway),” a solution to prevent damages from phishing and illegal use of brands by automatically adding electronic signatures on e-mails, and “Rakuraku page,” a CMS (content management system), which enables editing and updating websites easily.

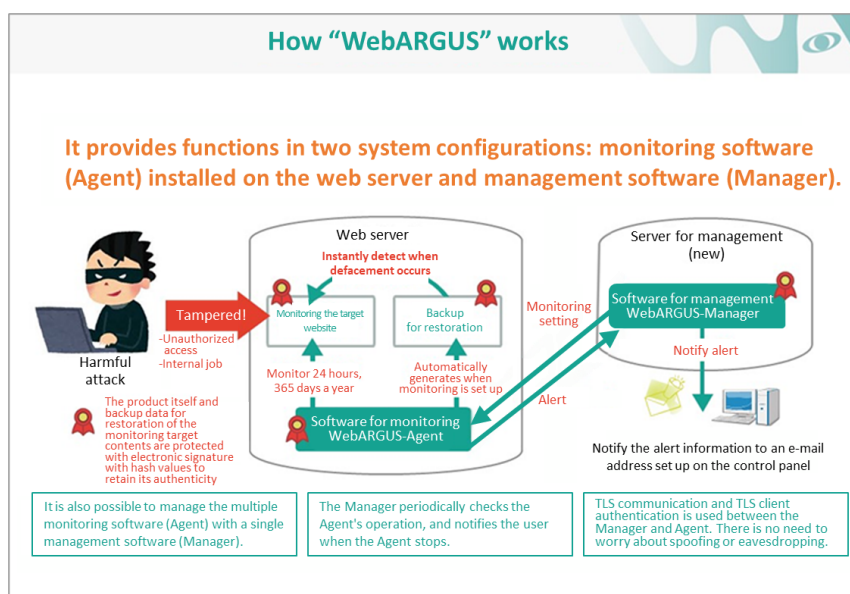
(2) System Sales Business

The company and its subsidiary, DIT Marketing Service Co., Ltd., sell “Rakuichi,” a business support mission-critical system, for small and medium enterprises, manufactured by Casio Computer Co., Ltd. The sales area is started at Kanagawa first and expanded to Tokyo, Chiba, Gunma and Ehime successively. The Company provides substantial support for their users to increase the client retention rate. In addition, they set up a call center to attract and build a new client base. The number of sales for “Rakuichi” has been recorded to be the highest across all agencies for 16 consecutive years.

2. Main Strategic Products

(1) "WebARGUS," a new website security solution

WebARGUS is a new security solution which detects tampered websites instantaneously and immediately restores it to its original state. By detecting and restoring immediately when incident occurs, WebARGUS protects corporate websites from damage caused by malicious and unknown cyber-attacks and simultaneously prevents the escalation of the damage from viruses spreading via the tampered website.



(Taken from the reference materials of Digital Information Technologies Corporation)

Increasing tampering of websites

According to the incident report published by “JPCERT Coordination Center”, about 100 cases are reported every month, and websites including the ones of government agencies are constantly exposed to threats, whether the case is major or minor.

“JPCERT Coordination Center” (*): This center receives reports concerning computer security incidents including hacking via internet and service disturbance in Japan. It also supports measures, grasps how the problems are generated, analyzes the methods, investigates and advises on measures to prevent recurrences from a technical point of view.

The background of the development of "WebARGUS"

Under these circumstances, the company, which had already released a solution called “APMG” to prevent damage from phishing and illegal use of brand by automatically adding electronic signature in e-mails, started developing “WebARGUS,” based on a core security technology in the spring of 2013, after 2 years of research. Then in July 2014, it released “WebARGUS.”

The major characteristic and strength of the company is that it has a variety of rich IT related technologies and has a highly standardized core security technology. This is because its engineers have a mindset to embrace challenges and are not afraid to take risks. Thus, they are not satisfied with just developing custom products. This is strongly influenced by the company’s organization strategy represented by its corporate culture and in-house company system which will be explained later in this report

The features and overview of the product

Instant detection and restoration for minimizing tampered website to nearly zero
Provide protection from tampering by a fake identity posing as a registered member, internal attack and new methods which can be difficult to protect from.
It detects with high accuracy and uses “electronic signature” technology which protects from even 1 bit of tampering.
Protects from high level attacks aimed at applications and settings files.
The CPU load (usage rate) on a web server is less than 1% while it is monitoring on a regular mode.
Equipped with preservation of evidence function which stores the tampered files as evidence.

When a website has been tampered with, it can take an average of one month to restore. This is because the restoration process includes disabling the website, identifying the damaged files, strengthening protection, website restoration and re-enabling the website. For an e-commerce related website, the damage can be serious, including a drop-in sales, time and effort to announce the re-enabling of the website and the difficulties in re-attracting clients who left the website.

On the other hand, if “WebARGUS” is installed, because it instantly detects and restores websites when tampered with, the condition of a website can be maintained in the normal state. Thus, the website does not need to be disabled in a rush when the application detects a threat. Companies can concentrate on pursuing the cause and strengthening protection while its website is kept open to public.

Most of the detection software detects tampered website with a periodic monitoring on pre-configured, specified timing or intervals. With this method, there will be a time lag between when the website is tampered with and when it was detected, so it is inevitable for the website to be tampered. In addition, if the interval is shortened to reduce the time lag, there are other challenges such as increasing CPU load.

On the other hand, when some kind of event occurs (such as data deletion or addition excluding browsing), “WebARGUS” conducts real time scanning to detect the event.

The major feature of this product is that it is also equipped with an instant restoring function which enables restoration to the original state in less than 0.1 seconds after the detection (average time under the demo environment: 0.03 seconds per file). This instant restoration is its unique technology.

The annual license fee of “WebARGUS” is JPY480,000 (excl. tax) per OS with support.
This also includes free update modules for minor version updates.

Introduction and sales

When WebARGUS was released, the sales growth was rather slow because general understanding of website security was mainly about protection against hacking into a computer system and awareness about “tampering” was limited. However, the acknowledgment that “software for detection is needed as well as for protection” is growing rapidly due to the more frequent mentioning of the independent administrative agency, “IPA (Information Processing Association),” taking measures to prevent defacement. This agency is established to support the IT national strategy from a technical and personnel aspect perspective and is supervised by the Ministry of Economy, Trade and Industry.

In addition, “Revised Points for the Cyber-Security Management Guidelines” were announced on November 16, 2017, to which the Ministry of Economy, Trade and Industry added a new key aspect: construction of a system to handle cyber-security risks, including functions such as threat detection and restoration. Because of this, inquiries to the company increased further.

Under these circumstances, the company has carried out promotion and marketing including organizing seminars for target users who recognize the necessity for a higher level of security, and participation in exhibitions.

It focuses on agency sales to strengthening marketability and currently makes agency contracts with 37 companies in total.

They have been actively involved in development collaborations with data centers and cloud service corporations.

Furthermore, the company is expected to expand its business overseas as well as product sales in Japan. The company is preparing to provide support for the tampering of websites across the globe.

Strengthening the feature of merchandise

Initially, WebARGUS was only available for Linux, but a Windows version was released in April 2016, and the enterprise edition, which was targeted at large-scale companies in September 2017. In February 2018, the company began offering a next-generation cloud WAF (WebARGUS Fortify), which dramatically strengthens the functionality of comprehensive web security. In particular, because of the release of the enterprise edition, which was targeted at large-scale companies, an increasing number of large companies (mainly listed companies) adopt WebARGUS.

The company also began offering “SaaS” in May 2018 to enhance user convenience and further popularize the products, and collaborated in full scale with F-Secure Corporation, a Finnish cyber security company, in June 2018. The company established a total security provision system using the complementary relationship between F-Secure’s “F-Secure RADAR,” a vulnerability scanning tool for IT system, and DIT’s “WebARGUS.”

It began collaboration with Secure Age, a cyber security company based in Singapore, on information leakage measures (encryption technology) in December 2019 and with SSH Communication Security, a cyber security company based in Finland, on access route optimization in January 2020. The company will continue to establish such alliances.

The company enhanced the varieties of the security solution products through various measures including the above alliance, and it is also considering expanding the range of applications of products in anticipation of needs for security measures for the IoT generation, including WebARGUS for embedded products.

For example, the spread and penetration of automatic driving have made the securement of safety an important mission for the companies providing automatic driving systems, and it is expected that the field where they work actively will grow further.

As for the embedded edition, the company started up an official project and is continuously carrying out discussions and technical investigation of concrete business plans for its commercialization. Although commercialization will take time, the company aims to realize it earlier through the accumulation of its steady business accomplishments.

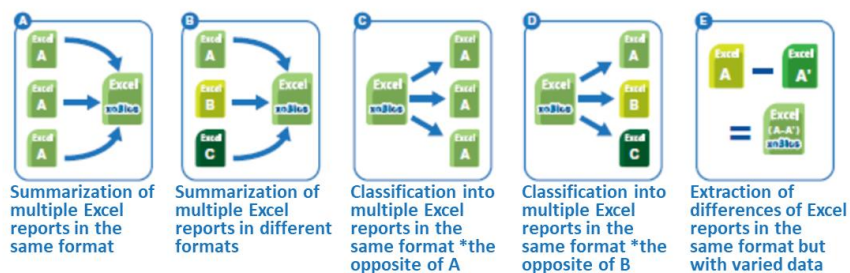
(2) “xoBlos,” an Excel work innovation platform

Even in advanced corporations with a high level of IT, there are numerous Excel-based tasks including manual operations in the office. Most non-routine tasks consist of repetitive manual operations such as processing Excel reports by manually inputting data from paper reports, aggregating totals from multiple Excel sheets and visualizing and analyzing CSV data extracted from packaged system.

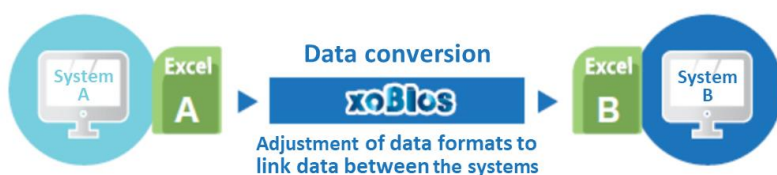
The company's original-brand, “xoBlos,” entirely automates these inefficient Excel-based tasks and provides drastic improvements to workflow.

Merits of xoBlos

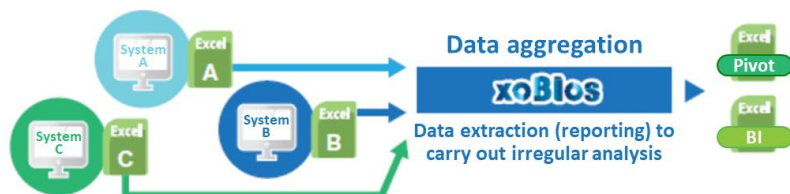
(1) Routine tasks + Reports/analysis



(2) Routine tasks + System linkage/data HUB



(3) Non-routine tasks + Reports/analysis



(Taken from the reference materials of Digital Information Technologies Corporation)

Background of development

Many corporations use Excel, the major spreadsheet software, for generating quotations and invoices. However, in cases where they generate these documents in different formats for each client according to the clients' requirements, manual input is mandatory because it is difficult to tally, sort and analyze in a systematic way.

For this, the company developed "xoBlos," an Excel work innovation platform, to automate tasks and significantly improve workflow efficiency.

Product feature, overview and an example of introduction

Enables management of different data formats for tallying and processing

Enables increased efficiency with current Excel spreadsheets.

Process up to dozens of times faster than using macros.

Can be embedded into other packaged products as an engine to output Excel spreadsheets.

xoBlos was released about eight years ago with the aim of drastically improving the efficiency of work using Excel. It is now receiving considerably more attention due to its efficiency "to create a company-wide platform which covers everything from improving work efficiency to providing information useful in managerial decisions, while diverting workflow from areas currently using Excel," in addition to the convenience and relatively cheap introduction cost, because work-style reform trends centered on revising long work hours grow stronger. Indeed, the times have caught up with xoBlos and the company.

For further enhancement of product competitiveness, the company strengthened the automatic processing of Excel work by providing a function linked with RPA* products and other systems in February 2018. This function can be operated on a PC client as well as a Web Server, leading to improvements in convenience for wider users.

The domestic RPA market is projected to double to 80 billion yen in the next few years, and RPA-related services, which occupy 80%

of the market, are expected to have a higher growth rate than RPA tool products, which occupy only 20%. Based on this, xoSlo, which can be considered as an RPA-related service, is anticipated to have high growth potential.

Introduction of xoSlo brought significant operational efficiency in many companies, including the cases given below.

(Every excerpt/summary by Investment Bridge with reference to the materials of the company)

*** A sample use case: Accordia Golf Co., Ltd. “Reduced the number of work hours by about 20,000 hours annually”**

The Accordia Golf Group runs golf courses and golf ranges in 161 locations in Japan, engaging in golf course and golf range management businesses, etc.

(Situation before the installation of xoSlo)

At the end of every month, a massive number of reports on business results, including sales, were collected in the form of Excel files in various formats from 161 bases in the country, but data totalization work was an extremely difficult task since some bases had restaurants, shops, hotels, resort facilities, etc., attached to the golf courses.

Also, as these figures were managed and analyzed in detail for each base, business unit, department, and employee, the back-office department had concerns about sustainability due to increased size of Excel files and maintenance at a macro level.

(Reasons for choosing xoSlo)

Most importantly, it is a high-speed engine. A system becomes useless despite its ability to process Excel files, if it is slow. Therefore, the fact that xoSlo can process a large number of Excel files at high speed was an important factor for selection for the company. In addition, the company valued the fact that it did not require database and could be used without programming as control sheets were also in Excel, and its cost was reasonable.

(After the installation of xoSlo)

Since the format differed for each base, a large number of work hours used to be required, but the adoption of xoSlo led to reduction in the number of work hours by about 20,000 hours (estimated) annually, and the information required by the management team for management could now be delivered swiftly and accurately.

With RPA in mind, the company is considering the utilization of xoSlo for further improvement of workflow and operational efficiency.

Toward further value improvement of the platform “xoSlo Plus-One Concept”

“xoSlo” is already highly rated as a work innovation platform that supports in bringing significant operational efficiency by fully automatizing the inefficient work based on Excel, but the company started taking initiatives to make it a platform that offers more high-added value to clients to respond to the changing times and customer needs.

“xoSlo Plus-One Concept” is the result of the above initiatives.

The main concept of “xoSlo Plus-One Concept” is “improvement of data value.”

Companies carry out various activities, and they have different systems for the management of each activity.

For example, a company has a system for ERP, which drafts a plan for the appropriate distribution of resources including personnel, things, capital and information, and their effective utilization, at the top, and other systems for CRM for customer management, inventory management, management of acceptance & placement of orders, attendance data, personnel and accounts.

A large amount of data is extracted from each system, and in recent years, there has been a skyrocketing need for enhancement of operational efficiency and visualization of a company’s own state by integrating and combining the data, instead of handling them individually.

However, realization of the above is not easy for a company as it requires a large number of work hours and involves huge costs.

In such a situation, clients who installed xoSlo, which processes data efficiently at high speed, achieved efficiency in reporting and are able to utilize the data of by integrating and combining the data easily at a reasonable cost.

Also, it is one of the major features of “xoSlo Plus-One Concept” that it allows the use of data in a desired format of each division and department, from the upstream management team to downstream departments of production, sales, general affairs and administration.

Although it is still a “concept” at present, the company has just begun to carry out activities for its realization, and it plans to link various

systems on xoBlos through tie-ups with manufacturers, and propose a concrete image of “xoBlos Plus-One Concept” to its client companies.

***A sample use case: Shibukawa City Hall in Gunma Prefecture “Scheduled to install xoBlos aiming to improve the efficiency of administrative work”**

(Background of installation of xoBlos)

With the progress of the information society, Shibukawa City Hall started actively using IT in 2007 to improve administrative services and enhance efficiency. In 2018, the City Hall formulated the “Shibukawa City Information Technology Promotion Basic Policy,” and in the following 2019, established the “Shibukawa City Information Technology Promotion Implementation Plan,” with the goal of improving administrative efficiency. Specifically, it is aiming to streamline administrative activities using AI, IoT and RPA.

(Reasons for choosing xoBlos)

Initially, the City Hall was considering installing RPA. However, after the vender interviewed the HR Department, it found that Microsoft Excel® is used in many work processes. Based on the result, the City Hall was advised that, for streamlining the work, tools such as xoBlos that is specialized for Excel® would be better for the staff, as they can be handled more easily and results can be obtained more easily, too, compared with other tools such as RPA that can handle general computer works.

Based on the advice, the City Hall compared the Excel® macro function, RPA, and xoBlos.

Macro function of Excel® has a disadvantage that maintenance cannot be performed if a staff member who has detailed knowledge on the function is transferred, and the City Hall actually experienced such an issue before.

Furthermore, although RPA can run applications and software other than Excel®, it requires a lot of man-hours and specialized skills to create automated programs and ensure stable operation.

Meanwhile, xoBlos is easy to use, even for people who are not familiar with IT and will also help the City Hall improve efficiency, as there are many work processes that require Excel® at the City Hall.

(How to use xoBlos)

The City Hall’s HR Department annually conducts a questionnaire called a staff survey, in which all 700 employees are asked about their request for transfer and their workplace. They used xoBlos for the calculation of this survey.

Before the installation of xoBlos, the employees filled in the designated survey form on a computer or by hand, and submitted it in a sealed envelope to the HR Department. The HR Department checked them one by one, transcribed the data of over 700 people onto a file using Excel®, and filed them as reference material for personnel transfer.

Because there were so many descriptive questions such as “Request of transfer (name of department)” and “Request for a workplace,” the data were huge. Furthermore, because sensitive information was contained in the answers, only 1 person at the HR Department was in charge of the transcription work. Due to confidentiality, the person needed to work at night or in the conference room.

According to the calculation by the City Hall, it took the person 78 man-hours to aggregate the data.

Upon using xoBlos, the City Hall, in collaboration with the vender, first revised the questionnaire survey format to make it compatible with xoBlos.

Next, they imported employees’ personal data such as email addresses and dates of birth to xoBlos, and set personal information of each employee in a questionnaire form in advance via xoBlos. The questionnaire was then sent by xoBlos to each employee by a batch email.

When the response was sent back by email, the files were saved in a specified folder and aggregated by xoBlos. The contents of the questionnaire were then automatically displayed in a list, which made it possible to check who has submitted and who has not at a glance. Finally, as for printing and filing the questionnaire, using an extension application developed by the vendor, the City Hall was also able to print the data all at once from xoBlos and prepare for filing the report with one click.

As a result, the required time for finishing the task was reduced from 78 hours to 7 hours after the installation of xoBlos. The impact of efficiency improvement was extremely large.

(Comments on the use of xoBlos)

The use of xoBlos this time was experimental, and because most of the installation processes, such as formulating a new process, creating a new format, and configuring xoBlos, were conducted by the vendor, it was extremely easy for the City Hall to handle the set xoBlos. Furthermore, because xoBlos is already installed and used on the existing client computers, there was no need for new capital investment associated with the installation.

The City Hall felt that it was very rare that a new IT initiative could be implemented so smoothly like this.

(Future policy and development)

Because the City Hall was able to confirm the effect of xoBlos in the demonstration experiment at the HR Department, they are willing to expand the use of xoBlos in other departments and other tasks in the future. Because there are so much work using Excel® in the City Hall, they believe that a significant efficiency improvement effect can be expected using xoBlos.

The City Hall also needs to visualize the current work process to streamline the work by xoBlos. In the process, they need to review work and identify which works are not necessary. In this regard, according to the City Hall, installation of xoBlos is a good opportunity not only for improving work efficiency, but also for raising awareness on work.

Introduction and sales

The company has been expanding sales including hosting seminars jointly with one of its major agencies, Daiko Denshi Tsushin, Ltd (8023, the second section of TSE), by taking full advantage of its wide variety of clients, branches and marketability. The company has established a network of about 30 primary agencies including Daiko Denshi Tsushin, Ltd.

Initially, the company was mainly making introductions to medium-sized companies, but as the need for efficiency in on-site work has increased, there have also been more introductions to large companies. Currently, about 70% of newly introduced companies are large companies. The company holds a seminar for sales promotion three times per week, and on most occasions every seat is filled. At present, the company made introductions to over 450 companies, and it plans to increase the number by 100-120 annually.

In August 2020, it began using a subscription mode to expand sales stably and improve profitability.

1-4 Characteristics and strengths**(1) Multifaceted and diverse IT company**

The company has expanded its business areas by flexibly responding to the progress of information technology, from business system development business to computer sales (current: system sales), embedded product development and verification business, and operational support business as well as working on its original products based on its technical strengths which have been developed during the process of business expansion.

One of the major characteristics of the company is that it is a multifaceted and diverse IT company and has a wide range of business activities and provides own-brand product with originality.

In order to improve the strengths and characteristics of the company, it is essential to acquire new technology and improve the on-site capabilities.

The company has been providing training and education to the employees; however, it is establishing a stronger education system, as it is important to have the latest knowledge ahead of customers in times of rapid changes.

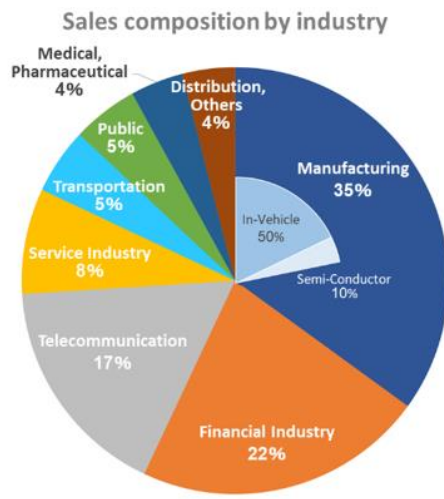
From the perspective of diversity, the company is also working to create an environment in which female employees can easily demonstrate their abilities.

It is making efforts to provide not only on the job training, but also training on managerial skills to promote female employees from mid-level positions to managerial positions including executive positions.

(2) A wide range of customer base

There are about 2,700 client companies. Main clients for the software development business are listed companies and their affiliates, while main clients for the system sales business are small and medium-sized enterprises. Since the business categories of clients are diverse as shown below and stable long-term business is mainly operated, its business base is stable.

The ratio of sales of end users, including information system subsidiaries, is about 80%.



(Taken from the financial briefing materials (FY6/20) of Digital Information Technologies Corporation)

(3) Organizational strategies of partial and total optimization

Another significant characteristic of the company is that it has an organizational strategy with two opposite factors, partial and total optimization in a well-balanced manner.

For partial optimization, the company has specialized companies under an in-house company system which aim to be the best in each field. It also provides training and produces entrepreneurs with innovative spirits.

For total optimization, the company pursues synergy between companies while respecting independence of each in-house company; through scrap and build done by the headquarters, collaboration between each in-house company and development of new business areas.

(Overview of each in-house company)

Main business unit	Company name	Overview
Business system development unit	Business Solution Company	This company develops a proposal style SI business to provide solutions for clients. Especially in the fields of finance, communications and distribution, this company undertakes design and development of a wide range of software such as general-purpose systems, website systems, mission-critical systems and information systems for leading companies in each industry. It also provides a new business area, ASP business for "Insurance Pharmacy Integrated Management System (Phant's)."
	e-business Services Company	This company provides website system architecture and maintenance for e-commerce websites and service websites for clients mainly for finance and major retail industries for many years. It provides a service to suit clients' requirements with technologies which it has developed through experience.
Operation support unit	Support Business Company	This company's engineers have a wide range of knowledge enabling it to provide one stop optimal IT environment (service) to suit clients' requirements including support for introducing systems, infrastructure-building, network operation management and middleware development.

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Embedded product development unit	Embedded Product Solution Company	This company specializes in control system development focused on embedded systems for in-vehicle devices, communication devices, industrial equipment and digital home appliances. It has many engineers with highly specialized skills for embedded system development. Because of the physical conditions of hardware, embedded systems development can be very restrictive, and requires a meticulous level of problem-solving that differs from general application development.
Embedded product verification unit	Quality Engineering Company	This company has a wide range of software validation and verification businesses from in-vehicle devices such as car navigation systems to medical devices, communication infrastructure and mobile terminals. It gives priority to improving the quality of products and provides total service from planning, designing, implementing, operating and analyzing tests to consulting. It has collaborated with DIT America, LLC, a local subsidiary in the U.S.A. since 2011. It also provides verification services overseas.
(Combination)	Western Japan Company	Activities are based west of Nagoya, with a focus on Osaka. DIT takes part in three businesses: business system development and operational support, mobile and web application development, and embedded systems development (in-vehicle devices and security-related matters). Recently, the company is aiming to expand into the IoT and Web service businesses, taking advantage of multi-skilling.
	Ehime Company	This company is located in Ehime and provides a high added-value one stop service for product development to meet the regionally specific requirements for a variety of industries and businesses as well as sales of software and system devices, operation and system support, and contributes to local revitalization. It also employs engineers locally at a multi-purpose IT development center to tackle the engineer shortage in the other companies, which enables nearshore development.

(4) Development and sales of original own-brand products

As mentioned above, the company has developed a variety of original own-brand products like “xoBlos” and “WebARGUS” with its unique technologies. They are growing to be the primary source of revenue in the future.

2. Second Quarter of Fiscal Year ending June 2021 Earnings Results**2-1 Consolidated business results**

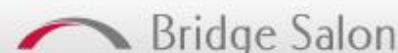
	2Q of FY 6/20	Ratio to sales	2Q of FY 6/21	Ratio to sales	YoY
Sales	6,567	100.0%	7,065	100.0%	+7.6%
Gross Profit	1,662	25.3%	1,758	24.9%	+5.8%
SG&A	929	14.2%	846	12.0%	-8.9%
Operating Income	732	11.2%	912	12.9%	+24.5%
Ordinary Income	736	11.2%	912	12.9%	+23.9%
Quarterly Net Income	509	7.8%	628	8.8%	+23.3%

*Unit: million yen

Sales and profit grew, operating margin improved

The sales in the second quarter of the fiscal year ending June 2021 were 7,065 million yen, up 7.6% year on year (YoY). The business solution unit and the original product unit recorded double-digit sales growth. Operating income increased 24.5% YoY to 912 million yen. Gross profit, which declined in the first quarter due to a decrease in the sales of the system sales business because of the loss of special demand, improved in the second quarter, and SG&A expenses were reduced. As a result, the company achieved a double-digit increase in profit. Operating income margin rose 1.8 points to 12.9%. Sales and operating income in the second quarter (October-December) reached an all-time high. Also, the company achieved record-high quarterly profit.

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2-2 Trends by segment

	2Q of FY 6/20	Ratio to sales	2Q of FY 6/21	Ratio to sales	YoY
Software Development Business	6,153	93.7%	6,746	95.5%	+9.6%
System Sales Business	414	6.3%	319	4.5%	-22.9%
Total sales	6,567	100.0%	7,065	100.0%	+7.6%
Software Development Business	659	10.7%	879	13.0%	+33.5%
System Sales Business	73	17.8%	32	10.1%	-56.2%
Adjustment	0	-	0	-	-
Total operating income	732	11.2%	912	12.9%	+24.5%

*Unit: million yen. Sales mean sales to external clients. The composition ratio of operating income means the ratio of operating income to sales.

(Sales trends by business unit)

	2Q of FY 6/20	Ratio to sales	2Q of FY 6/21	Ratio to sales	YoY
Business Solution Unit	3,696	56.3%	4,161	58.9%	+12.6%
Business System	2,203	33.5%	2,395	33.9%	+8.7%
Operation Support	1,493	22.7%	1,765	25.0%	+18.2%
Embedded Solution Unit	2,169	33.0%	2,238	31.7%	+3.2%
Embedded Product Development	1,688	25.7%	1,766	25.0%	+4.6%
Embedded Product Verification	480	7.3%	471	6.7%	-1.9%
Original Product Unit	286	4.4%	346	4.9%	+21.0%
System Sales Unit	414	6.3%	319	4.5%	-22.9%
Total sales	6,567	100.0%	7,065	100.0%	+7.6%

*Unit: million yen. Composition ratio to total net sales.

◎Software Development Business

Both sales and profit increased.

*Business solution unit

Sales increased steadily, thanks to the healthy sales to mainly existing customers.

In business system development, the company received orders for projects in the financial domain, which is one of its strengths, ERP, the pharmaceutical domain, and the public domain. Transactions with several new leading customers have begun in the Kansai area.

Sales of operational support have been steadily increasing, mainly for existing customers, and were only slightly impacted by the novel coronavirus. The scale of transactions with new customers cultivated in the past 1 or 2 years has expanded, and both sales and profit have increased significantly.

*Embedded solution unit

As the company implemented measures in anticipation of a decrease in sales of automobile-related products due to the novel coronavirus crisis, sale decreased in the first quarter YoY but increased in the second quarter.

As for the embedded system development, sales related to semiconductors and communication devices grew. Sales of new services using IoT (especially for home appliances) have also expanded. Both sales and profit exceeded those in the same period of the previous year. Sales related to in-vehicle devices grew only slightly, but are on a recovery trend.

As for embedded product verification, sales related to mobile-related devices made up for the decrease in the sales related to in-vehicle devices. Nonetheless, sales remained unchanged from the previous year.

*Original Product Unit

Although restrictions on face-to-face sales remain due to the impact of the novel coronavirus crisis, the company achieved double-digit sales growth.

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“WebARGUS”

Large-scale customers started full-scale operations. In order to enhance the lineup of comprehensive security services, the company is expanding it steadily by continuing to collaborate with external security specialist companies.

“xoBlos”

The company enhanced its sales system by collaborating with the subsidiary DIT Marketing Service.

Sales also increased steadily due to the promotion of the xoBlos Plus One concept which collaborates with other products such as RPA and ERP products.

◎System Sales Business

The company promoted sales using IT subsidies. However, sales and profit declined significantly due to the drop in special demand in the previous year due to the consumption tax hike.

2-3 Financial condition and cash flow

◎Main BS

	End of June 2020	End of December 2020		End of June 2020	End of December 2020
Current assets	4,590	5,053	Current liabilities	1,634	1,609
Cash and deposits	2,399	2,767	Accounts payable	417	440
Trade receivables	1,905	2,002	Fixed liabilities	68	76
Noncurrent assets	774	738	Total liabilities	1,703	1,686
Tangible fixed assets	120	112	Net assets	3,660	4,106
Investments and other assets	630	606	Capital stock	3,640	4,100
Total assets	5,364	5,792	Total liabilities, net assets	5,364	5,792

*Unit: Million yen

Total assets increased 428 million yen from the end of the previous fiscal year to 5,792 million yen due to an increase in cash and deposits etc. Total liabilities remained almost unchanged at 1,686 million yen. Net assets rose 445 million yen to 4,106 million yen due to an increase in retained earnings. As a result, equity ratio rose 2.7 points from the end of the previous fiscal year to 70.9%.

◎Cash Flow

	2Q of FY 6/20	2Q of FY 6/21	Increase/Decrease
Operating Cash Flow	310	531	+220
Investing Cash Flow	-64	12	+76
Free Cash Flow	246	543	+297
Financing Cash Flow	-144	-175	-31
Cash, Equivalents	1,937	2,760	+822

*Unit: Million yen

The surplus of operating CF and free CF increased. The cash position has improved.

2-4 Topics

(1) Executive Officer Yuichi Narita appointed as a certified Evangelist of Robotic Process Automation Association Japan

In December 2020, Executive Officer Yuichi Narita was appointed as an official Evangelist of Robotic Process Automation Association Japan.

(Overview of Robotic Process Automation Association Japan)

It was established in 2016. The association's basic philosophy is "to establish a platform for digital workers nationwide and contribute to

creating measures against labor problems in Japan and the promotion of digital transformation of corporate management."

The association's mission is the sound development of the RPA market, supporting business creation and job creation in Japan, aiding collaboration between domestic and overseas related companies to improve the social understanding and value of RPA and the improvement of Japan's presence in the RPA market. To achieve this mission, it collects data and conducts research on RPA, disseminates information, makes policy proposals, creates plans, promotes standardization and builds guidelines, conducts demonstration experiments of advanced services, and develops human resources.

Experts who have abundant achievements in various fields and have reliable and specialized skills and knowledge are appointed as "Evangelists" to support the digital transformation of Japanese companies. The appointment of Mr. Narita as an "Evangelist" is proof that the company's technological capabilities are highly evaluated in the industry.

3. Fiscal Year ending June 2021 Earnings Forecasts

3-1 Full-year earnings forecast

	FY 6/20	Ratio to sales	FY 6/21 Est	Ratio to sales	YoY	Adjusted Ratio	Progress Rate
Sales	13,495	100.0%	14,300	100.0%	+5.9%	+5.3%	49.4%
Operating Income	1,352	10.0%	1,600	11.2%	+18.3%	+17.8%	57.0%
Ordinary Income	1,357	10.1%	1,600	11.2%	+17.9%	+17.8%	57.0%
Net Income	978	7.2%	1,088	7.6%	+11.2%	+15.4%	57.7%

*Unit: Million yen. The estimated values are from the company.

Revised earnings forecast upward

Based on the favorable financial results in the first half, the full-year earnings forecast for the fiscal year ending June 2021 has been revised upward. Sales are expected to increase 5.9% YoY to 14.3 billion yen, and operating income is forecasted to rise 18.3% to 1.6 billion yen. The company also intends to increase sales and profits for the 11th consecutive term. The dividend forecast has also been revised from 20 yen/share to 22 yen/share. The expected payout ratio is 31.1%.

3-2 Trend of each business unit.

(Trend of sales)

	FY 6/20	Ratio to sales	FY 6/21 Est	Ratio to sales	YoY	Adjusted Ratio	Progress Rate
Software Development Business	12,756	94.5%	13,670	95.6%	+7.2%	+5.8%	49.3%
Business Solution Unit	7,838	58.1%	8,430	59.0%	+7.6%	+6.6%	49.4%
Embedded Solution Unit	4,308	31.9%	4,500	31.5%	+4.5%	+3.7%	49.7%
Original Product Unit	609	4.5%	740	5.2%	+21.5%	+9.5%	46.9%
System Sales Unit	739	5.5%	630	4.4%	-14.7%	-4.1%	50.7%
Total	13,495	100.0%	14,300	100.0%	+6.0%	+5.3%	49.4%

*Unit: Million yen

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◎Business Solution Unit

(Main points)

Sales were solid and were only slightly impacted by the novel coronavirus crisis as operational support needs to be conducted continuously. The company is aiming for further growth by accurately responding to the strong demand.

(Priority measures and progress)

Priority measures	Results in the first half	Measures in the second half
1. Expand not only the sales of products related to the financial domain, which is the company's strength, but also the products related to the public domain (disaster prevention systems, etc.), and ERP (SAP, etc.).	The sales of the products related to the financial domain have remained steady, and sales of products related to the public domain and ERP (SAP) have expanded steadily.	The company aims to move beyond the sales plateau of the products related to the financial domain and expand the sale of products related to pharmaceuticals, public domain, and ERP (SAP).
2. Receive orders for technical projects to promote DX, such as cloud computing and AI.	Orders for cloud computing (AWS and Azure) are steadily expanding. The company participated in the digital transformation project for call centers using AI.	The company aspires to receive the same number of orders it has received in the first half or more by accurately responding to digital transformation needs.
3. Increase direct contracts with end users. Promote service proposal-type business.	The ratio of end users has increased, and operating income margin has shown an improving trend.	The company will propose added value and trending services to increase trust.
4. Aim to improve the ratio of commissioned projects and thoroughly manage projects.	The ratio of commissioned projects is steadily increasing, and no major troubles have occurred.	The company will further enhance project risk management.
5. Expand the business by utilizing the local bases as "advanced nearshore development centers."	The company has improved quality and quantity steadily as well as the business performance.	The company will continue measures like in the first half of the fiscal year.

◎Embedded Solution Unit

(Main points)

Regarding the development of in-vehicle products, finished vehicle manufacturers have a firm desire to invest, expecting that autonomous driving will gain momentum.

Sales from the semiconductor-related projects are growing in the third quarter, and in the second half of the year, the company will aim for growth by grasping the recovery trend of the sales related to in-vehicle devices.

As for IoT, the communication control technology, which is one of the company's strengths, has been highly evaluated, leading to further stability in the business foundation. The company expects that the number of projects will continue to increase in the future.

(Priority measures and progress)

Priority measures	Results in the first half	Measures in the second half
1. Along with maintaining and expanding the sales of products in automobile-related fields (autonomous driving, in-vehicle communication equipment, and safety standards), the company will work to expand the sales of products in the industrial equipment field.	Sales of automobile-related products improved between the first and second quarters. Direct transactions with major automobile manufacturers are steadily expanding. Sales of industrial equipment-related products have also increased, and the sales of semiconductor-related products have expanded significantly.	The company will respond appropriately to the needs in line with the recovery trend of automobile-related products. It also will support the expansion of semiconductor-related products.
2. Expand IoT-related products and services beyond the boundaries of industries, including cars (development of	The company's performance has been recognized, and devices targeted by IoT services became diverse and increased	The company will aim to develop IoT services regardless of industry and equipment.

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communication modules) and home appliances (development of IoT service platforms for kitchen appliances and service expansion).	among major home appliance manufacturers.	
3. Aim to increase MaaS-related orders through partnerships with companies that offer car-related services.	The company received a small-scale order for MaaS-related products (autonomous driving ride-sharing services).	The company aspires to receive full-scale MaaS-related orders.
4. Expand the scale and areas of the verification projects.	As for verification activities, sales of mobile-related devices made up for the decrease in the sales of automobile-related products	The company wants to increase orders of products related to communication (5G-related) and automobiles. At the same time, it will strengthen verification activities.

◎Original Product Unit

Sales of original products have exceeded the break-even point and they started generating profit.

The company will accelerate the growth of the original product unit by responding to the needs of the new lifestyles.

* WebARGUS

(Major points)

Sales are expected to grow in response to the ever-increasing demand for cybersecurity.

Along with the adoption of WebARGUS by more large-scale users in the previous fiscal year, the company is improving its approach to other companies in the same industry based on this achievement. Thus, the possibility of receiving orders is increasing.

The company hopes that leading cloud providers and telecommunications carriers will become agents and give momentum to future sales expansion.

(Priority measures)

Priority Measures	Results of the first half	Measures in the second half
1. Based on the WebARGUS installation results, the company will actively approach large-scale users, mainly financial institutions.	Full-scale operations began for large-scale financial users. Also, the company is proceeding business negotiations with new large-scale users.	The company aims to receive orders from new large-scale users and introduce WebARGUS to them within the fiscal year.
2. Expand the provision of the SaaS model of WebARGUS mainly for cloud providers etc.	The company gradually proceeded with the introduction of the SaaS model.	The company will further support the agencies to promote the adoption of the SaaS model.
3. Providing comprehensive security services under the "DIT Security" brand. <ul style="list-style-type: none"> Revitalizing activities through joint seminars with affiliated companies Strengthen the lineup of cybersecurity products 	The number of orders is rising as the popularity of "DIT Security" is increasing and the number of inquiries is expanding.	The company will collaborate with other security specialists to enhance the benefits of "DIT Security." It will also support agencies that handle "DIT Security."
4. Improve customer engagement with web ads, webinars, and DMs	The company enhanced customer engagement by various methods to improve the efficiency of sales activities during the novel coronavirus crisis.	The company will continue to carry out various activities while checking cost-effectiveness.
5. Focus on introducing the IoT version of WebARGUS based on the system resilience (restoration) concept.	Demonstration experiments were conducted with research institutes to reconfirm its effects.	The company will work toward practical use.

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*** xoBlos**

(Main points)

The company anticipates growth by riding the trend of work style reform.

Relatively large companies are increasing their interest in improving operational efficiency regardless of the type of business.

However, there are cases where trial operations at client companies have been delayed due to the impact of the novel coronavirus crisis, which the company will face in the second half of this fiscal year and beyond.

Priority measures	Results of the first half	Measures in the second half
1. The cumulative number of companies that have installed xoBlos has exceeded 450. The company will further strengthen sales to large-scale users.	The number of new customers is increasing slowly due to face-to-face sales restrictions, but the number of companies that have installed it exceeds 490.	The company aims to expand the scale of xoBlos installation among multiple large-scale users.
2. Promote sales in collaboration with DIT Marketing Service, a system sales subsidiary.	In the second year of joint sales, the company and DIT Marketing Service shared their goals as a team and worked on them.	The company will work to achieve positive results.
3. Actively promote the Plus One Concept (cooperation with other systems such as RPA and ERP) and expand sales opportunities.	In addition to BizRobo! (RPA Technology), ZAC (Oro), and JP1 (Hitachi), the company has added medium-sized ERP products as collaborative products.	In particular, there are growing needs for core system cooperation with ERP, and the company aims to increase orders in response to that need. It also aspires to increase the number of collaborative products.
4. Selling xoBlos as a solution that automates Excel operations as well as a series of operations (core system linkage, timer activation, mail delivery, etc.).	For some large users, xoBlos has functioned as a controller to automate a series of tasks.	There are similar needs from multiple large-scale users. Thus, the company aims to expand the uses of xoBlos.
5. Commercialize RPA operation portal based on xoBlos and provide services.	RPA operation portal is under development for commercialization.	The company has confirmed the need for portals and will work to make it one of the leading solutions for digital transformation.

*** New products and digital transformation**

(Main points)

The company will provide the following two services to expand new business areas.

*** CMS: Contents Management System**

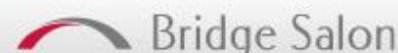
A general term for a system that integrates and systematically manages digital content such as text and images, which make up a website's content, and performs necessary processing such as distribution. By combining it with "WebARGUS," the company will create new demand.

*** Electronic contract system "DD-CONNECT"**

It incorporates the needs that have become visible due to the novel coronavirus crisis.

Priority measures	Results in the first half	Measures in the second half
1. Promotion of new product development: Develop competitive products by combining CMS and security technology, which is one of the company's strengths.	In Phase 1, the company developed a beta version of CMS that enables flexible usability and asked website sales companies to evaluate it.	In Phase 2, the company will develop the security enhancement (cooperation with WebARGUS) part and aim for sales within the fiscal year. The company will work to make CMS, which brings together the company's know-how, a long-sale product.

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2. Provision of services related to digital transformation: Provision of new services tailored to the new lifestyles after the novel coronavirus crisis and SDGs.	In response to the novel coronavirus crisis, the company started selling the electronic contract outsourcing service (DD-CONNECT) in October, and business negotiations are underway with multiple companies.	The company aims to acquire large orders for DD-CONNECT while supporting its customers.
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◎System Sales Unit

(Main points)

The company will expand the range of support for SMEs and improve sales.

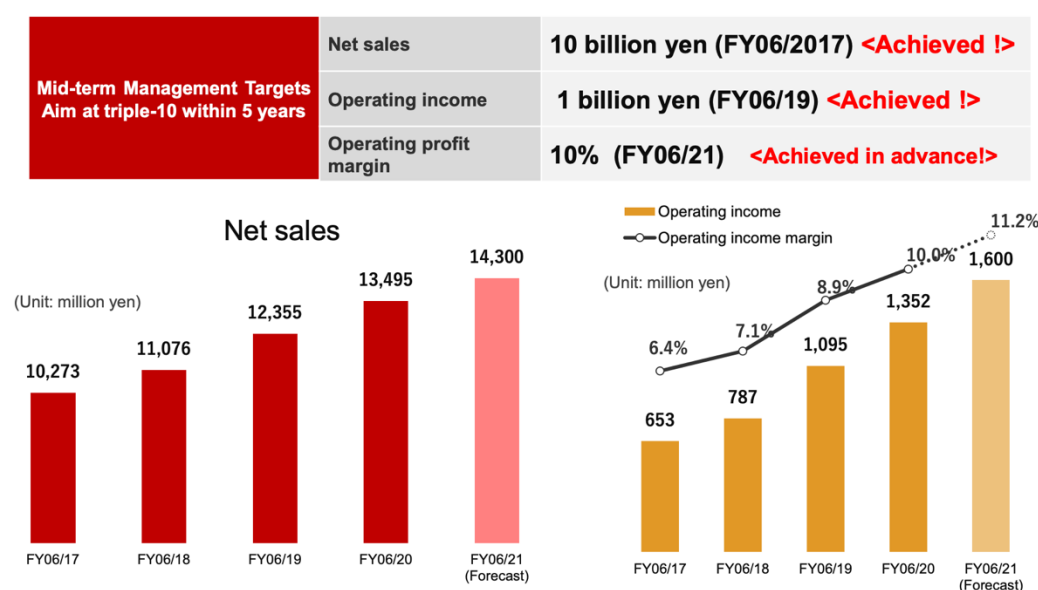
(Priority measures)

Priority measures	Results in the first half	Measures in the second half
1. Utilize Rakuichi's standard functions to support the creation of management analysis materials required by customers.	The company has prioritized order receiving activities using IT subsidies during the novel coronavirus crisis.	The company will enhance customer support by providing management analysis materials and order receiving activities using IT subsidies.
2. Enhance proposals for various services required by customers, such as printers, networks, and security products.	The company was able to increase orders by actively meeting needs other than the needs for Rakuichi.	The company will continue with the measures it has implemented in the first half.
3. Increase new customers by proposing business packages targeting companies that are larger than the existing customers.	The company investigated the target industries and company sizes as well as the applicable business packages.	The company will set specific targets and packages within the fiscal year and work to launch sales activities.

4. Medium-Term Management Plan

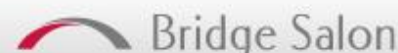
(1) Achieved medium-term management goals

As a medium-term goal, it is aiming to realize “Triple 10”, namely, “sales of 10 billion yen, an operating income of 1 billion yen, and an operating income margin of 10%”. As for sales, it already achieved the goal in the fiscal year ended June 2017. As for sales, it already achieved the goal in the fiscal year ended June 2019. Also, the target operating income margin was achieved ahead of schedule in the fiscal year ended June 2020.



(Taken from the reference materials of Digital Information Technologies Corporation)

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**(2) New long-term vision**

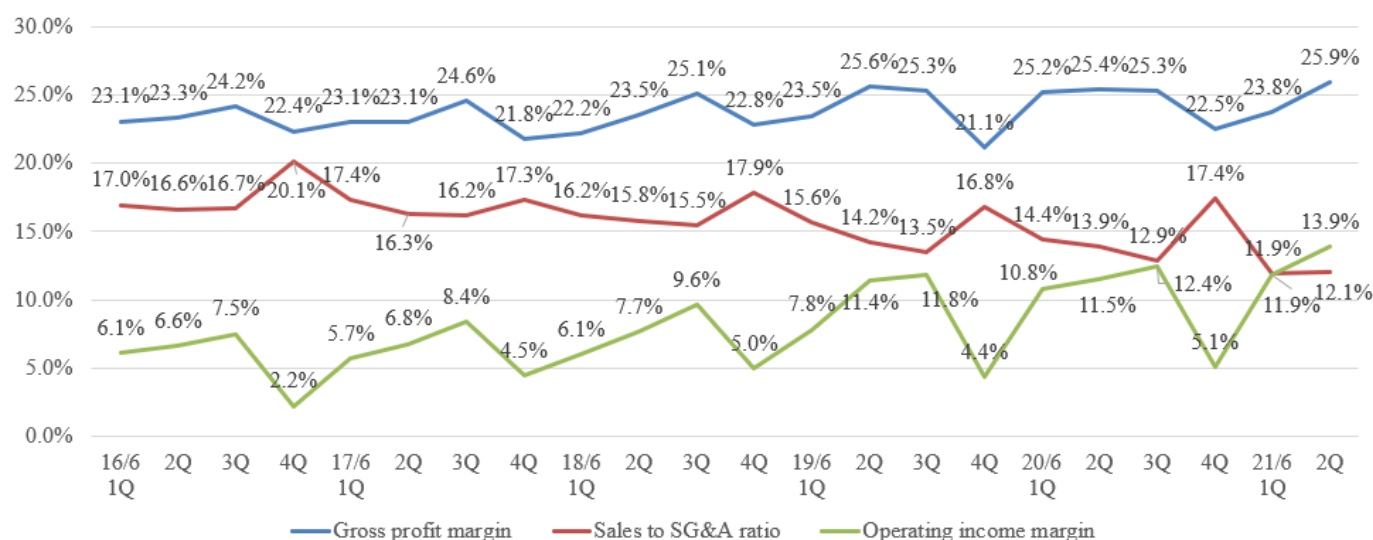
The company is currently formulating a long-term vision that responds to changes inside and outside the company, such as achieving medium-term management goals ahead of schedule, accelerating DX, coping with cliffs in 2025 (shortage of IT engineers), and facing a new normal society due to the novel coronavirus crisis.

The company will clarify its direction and work towards achieving continuous growth.

5. Conclusions

The gross profit margin for the second quarter (cumulative) was lower than that in the same period of the previous year. This decline was temporary due to a decrease in sales of the system sales business. The gross profit of the software development unit improved due to an increase in the ratio of contract projects and sales of original products. The gross margin for the second quarter (October-December) was the highest in the last few years. It is expected that the profit margin will continue to improve as the company will further enhance the project risk management of contract projects.

President Ichikawa pointed out that the company has the ability to respond to changes as a background to its steady achievements even in the uncertain environment ridden with the novel coronavirus. To survive in the rapidly changing world of IT, the company values changing its own way of thinking and behavior without hesitation. Therefore, when the environment changed drastically due to the novel coronavirus crisis, the company worked together to flexibly formulate a strategy regarding which field to focus on and act on it in order to stably acquire projects. Thus, the company was able to achieve positive results. We will continue to pay attention to how the company will adapt amid significant societal changes in the future.

**<Reference: Regarding Corporate Governance>****Organization type, and the composition of directors and auditors**

Organization type	Company with auditors
Directors	9 directors, including 3 external ones
Auditors	3 auditors, including 2 external ones

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<Basic principle>

The company recognizes that compliance with laws and regulations, maintaining transparency in management, and improving the soundness and sustainability of its corporate value are the most important management issues.

In order to tackle these issues and to fulfill social responsibilities to shareholders and other stakeholders, the company has established the following corporate governance system. The company considers it important to further strengthen this system, verify its functions on a regular basis, and implement necessary measures.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code>

Principles	Reasons for not implementing the principles
<Supplementary principle 1-2-4>	Because the number of foreign shareholders such as foreign companies is small as of the most recent record date, the convening notices of general shareholders' meetings in English version are not provided yet for business efficiency reasons. The company will explore the possibility in accordance with the changes such as the composition of shareholders.
<Supplementary principle 4-10-1>	3 out of 9 board directors of our company are independent outside directors. They do not account for the majority, but each independent outside director plays an important role in decision making with expertise and wide experience. Although the company currently receives advice from the independent outside directors concerning the nomination and remuneration of board directors, we will establish a system where their opinions are reflected more strongly.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

Principles	Disclosure contents
<Principle 1-4>	<p><Policy and principle related to reduction in strategically-held shares> In case the company expects synergy effects with its important stakeholders such as business partners, it will strategically hold the shares of the concerned companies, based on its basic principles to enhance corporate value in the mid/long term and ensure sustainable growth while promoting co-existence and co-prosperity with all the stakeholders. The company will clarify the objective when acquiring new shares, and verify the trading activity periodically after the acquisition. If the company finds no mid/long term prospect of enhancing its corporate value, it will reduce the number of shares through sale or any other means.</p> <p><Verification details to determine the appropriateness of holding strategically-held shares> The appropriateness of possessing strategically-held shares is verified periodically. Recently, regarding all the trade partners, the company verified the mid/long term prospect of enhancing its corporate value and confirmed its intention of continued holding of the concerned shares at a board meeting held on December 12th, 2019.</p> <p><Standards for exercising voting rights concerning strategically-held shares> The company will decide whether to give approval for exercising the</p>

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	voting rights of strategically-held shares after a careful individual examination to confirm that there is no possibility of damaging our corporate value.
<Principle 3-1>	<p>(1) Our management philosophy, business strategies, and business plans are disclosed at financial results briefings and on our webpage (at the following URL). Information for financial results briefings https://www.ditgroup.jp/english/ir/tanshin.html</p> <p>(2) Our actions concerning corporate governance are published on our webpage (at the following URL). Corporate Governance https://www.ditgroup.jp/ir/governance.html</p> <p>(3) The principles and procedures to determine remuneration of the board directors are based on the Rules and Regulations for Board of Directors. The remuneration takes into account the common level of remuneration, the Company's business performance and other employees' salaries. It is determined at a board of directors meeting within the limits of total remuneration determined at a general shareholders' meeting.</p> <p>(4) We have established the standard to appoint board directors and auditors. Taking into account the overall performance, knowledge and experiences of each candidate and advice from the outside directors, the representative director and president will propose the final candidate to the board of directors. The directors will deliberate and decide the final candidate, and the name will be submitted as an agenda for a general shareholder's meeting. As for proposal for dismissal of a director, the decision will be made at a board meeting, based on the company's rules for officers.</p> <p>(5) The reasons for nomination and appointment of each director or auditor are described in the notice of general shareholders' meeting. We will also describe the reasons for dismissal, in case of any.</p>
<Principle 5-1>	<p>The company is making efforts in collaboration with relevant departments, led by the President, to achieve constructive dialogue with shareholders.</p> <p>As an action to enrich dialogue methods other than individual meetings, the company hosts financial settlement briefings every half-period for the analysts and institutional investors. The IR Department also proactively receives IR interviews through meetings and phone calls from investors.</p> <p>As a measure to appropriately and effectively provide shareholders' opinions and concerns to the executives and board directors, the company regularly reports the questions raised at the financial settlement briefings and opinions from shareholders and investors to the management executives.</p> <p>The company also ensures appropriate management of insider information during dialogues with shareholders and investors in accordance with the internal regulations.</p>

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