BRIDGE REPORT

Bridge Salon

President Satoshi Ichikawa	Digital Information Technologies Corporation (3916)
	Digital Information Technologies Corporation

Company Information

Exchange	TSE 1st 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
¥2,045	15,501,820 shares		¥31,701	29.2%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥30.00	1.5%	¥86.44	23.7 x	¥296.87	6.9 x

*The share price is the closing price on September 21st. The numbers are taken from the brief financial report of the fiscal year ended June 2021.

Consolidated Earnings

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (yen)	DPS (yen)
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 (Actual)	14,444	1,722	1,730	1,196	78.47	24.00
Jun. 2022 (Forecast)	15,600	1,900	1,900	1,318	86.44	30.00

*The forecast is from the company. A 2-for-1 share split was implemented on 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 fiscal year ended June 2021 earnings results and the new medium-term management plan of Digital Information Technologies Corporation.

BRIDGE REPORT　　　　　　　　　　　　　　　　　　　　　　Bridge Salon

Table of Contents

Key Points

- In the fiscal year ended June 2021, sales increased 7.0% year on year to 14,444 million yen. Double-digit sales growth was achieved in the original product unit. Operating income augmented 27.3% year on year to 1,722 million yen. Gross profit increased 7.6% year on year, while SG&A expenses fell 6.0% year on year. Operating income margin rose 1.9 points year on year to 11.9%. The figures exceeded the earnings forecasts announced in May 2021, and the company achieved 11 consecutive years of sales and profit growth. The company recorded its highest-ever sales and profits.

- For the fiscal year ending June 2022, sales are expected to increase 8.0% year on year to 15.6 billion yen, and operating income is forecasted to rise 10.3% year on year to 1.9 billion yen. Operating income margin is expected to increase 0.3 points year on year to 12.2%. The company plans to improve the sales of the software development and system sales businesses which would lead to a rise in sales and profits for the 12 consecutive fiscal years. The company plans to pay a dividend of 30 yen/ share, an increase of 6 yen/share from the previous fiscal year. The expected payout ratio will be raised from 30.8% in the fiscal year ended June 2021 to 35.0%.

- The long-term vision, 2030 Vision, and New Medium-Term Management Plan: Aiming to Become a Trusted and Chosen IT Brand have been announced.
  In the 2030 Vision, to build a trusted and selected DIT brand by 2030, as a professional group, the company will provide enhanced values through its services centered on safety and robustness, efficiency improvement, safe operation, problem-solving and proposal capabilities, high quality, and advanced technology. The company also set up Challenge 500, in which the company aims to increase sales to 50 billion yen.

- In the new medium-term management plan, the company will promote three basic strategies. The strategies are (1) Strengthening the management base: building structure and environment, (2) Core businesses: strengthening on-site capabilities, and (3) Product business: strengthening product competitiveness. Through these strategies, the company aims to achieve long-term growth toward 2030. In the fiscal year ending June 2024, the company aspires to achieve sales of 18.5 billion yen and an operating income of 2.5 billion yen through organic growth. The target dividend payout ratio will be raised to 35% or higher from this fiscal year.

- In the new medium-term management plan, the company aims to achieve sales of 18.5 billion yen and an operating income of 2.5 billion yen in the fiscal year ending June 2024, making their CAGRs of these three years 8.7% and 13.3%, respectively. The CAGR of sales for the past ten years until the fiscal year ended June 2021 was 8.6%. The average growth rate for the five years up to the previous medium-term management target was 9.1%. Thus, it is expected that the CAGR of sales will be almost at the same pace as before. On the other hand, the CAGR of operating income over the past ten years was 31.1%. The CAGR of operating income for the five years until the previous medium-term management target was 26.9%. Although the forecasted CAGRs of the current medium-term management plan indicate double-digit growth, it is lower than the past results.

- In addition to the uncertainties due to the novel coronavirus crisis, it is expected that competition in the customer industries will intensify. Also, these three years are positioned as the promotion of business structural reform stage that will enable

BRIDGE REPORT   Bridge Salon

future growth. Thus, it is premised that the company will actively make various investments to promote company and structure building. The company must have formulated the earnings forecasts based on these factors. The operating income margin can be fully achieved if there are no major project management failures since the company's original product unit is growing steadily.

● Under such circumstances, the keys to future growth from a long-term perspective are starting new businesses and M&A. We would like to pay attention to the progress of these two points as well as the progress of various measures of the existing businesses toward achieving sales of 50 billion yen in 2030.

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 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 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)
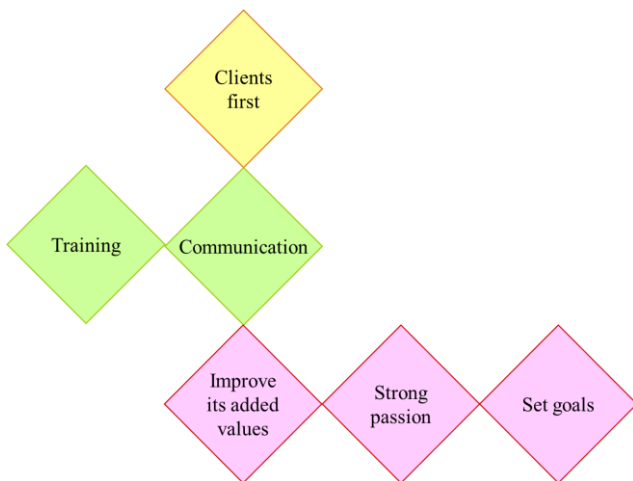
(From the company's website)

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.


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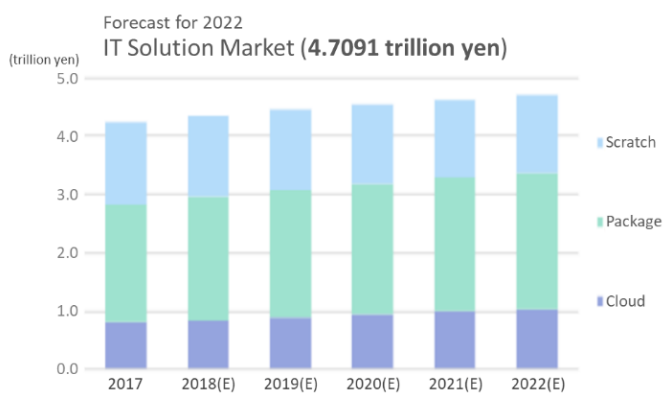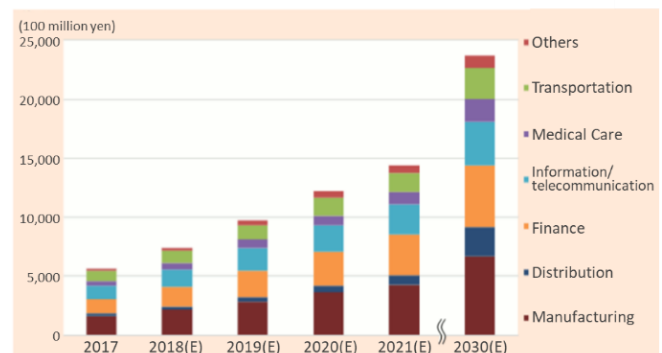
(Taken from the reference materials of Digital Information Technologies Corporation)


(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.

**BRIDGE REPORT**   Bridge Salon

■ 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)
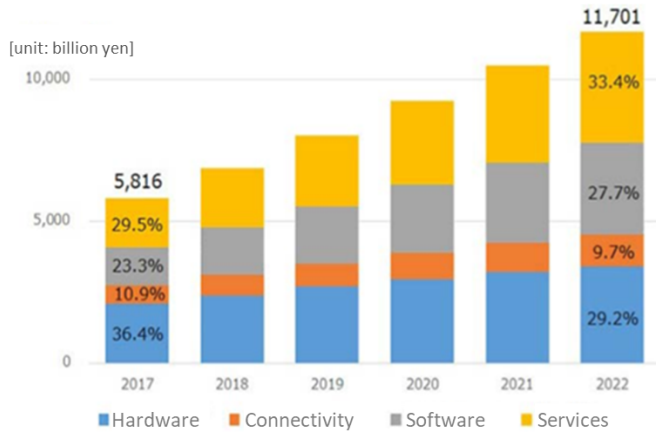
Forecast for expenditures in the Japanese IoT market and the variation in the expenditure ratio of each technological group
2017 to 2022 (Source: IDC Japan, Sep. 2018)

■ Sales volume of new connected cars (passenger cars)
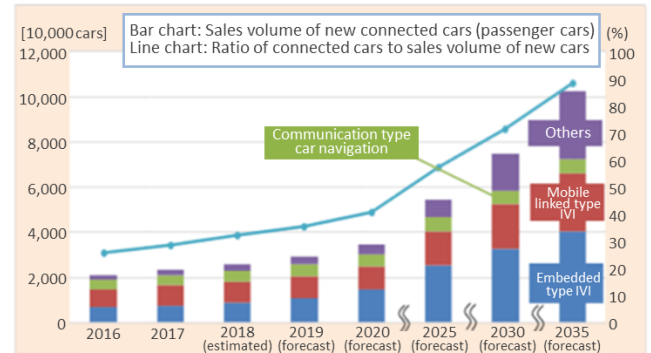
∗ Embedded type IVI: IVI with a telematics module, an IVI system that can be connected to the outside via TCU
Mobile linked type IVI: an IVI system that can be connected to the outside with the communication function of a mobile device, such as a smartphone
Communication type car navigation: a car navigation system that can be connected to the outside with a telematics module and the communication function of a mobile device
Others: Display Audio mounted with a third-party system, etc.
(Source: Reference material of Fuji Keizai, July 2, 2019)

(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
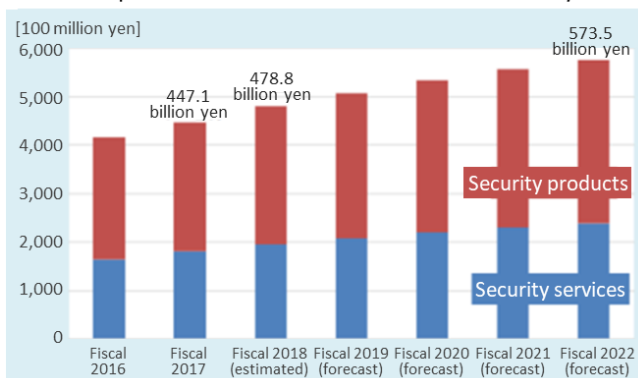
"Cybersecurity Management Guidelines Ver. 2.0" proposed by the Ministry of Economy, Trade and Industry diffused the policy of putting importance on not only the detection and elimination of threats before intrusion, but also the response after a threat intrudes into a network. The recognition level of 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.
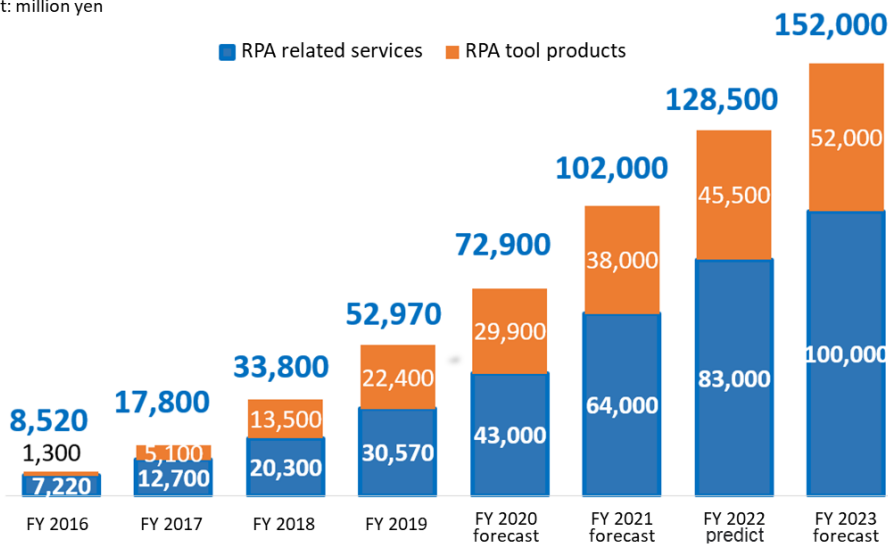
RPA means the automation of processes using robots. By using technologies, such as artificial intelligence (AI) and machine learning,

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.

RPA Market Scale Trends and Forecasts

Unit: million yen

Legend: ■ RPA related services ■ RPA tool products

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020 forecast	FY 2021 forecast	FY 2022 predict	FY 2023 forecast
Total	8,520	17,800	33,800	52,970	72,900	102,000	128,500	152,000
RPA tool products	1,300	5,100	13,500	22,400	29,900	38,000	45,500	52,000
RPA related services	7,220	12,700	20,300	30,570	43,000	64,000	83,000	100,000

Note 1. Based on business sales
Note 2. Forecast figures for FY2020 and after
Note 3. RPA tool products include both server-based and client PC-based products, and RPA-related services cover all RPA-related services, including RPA diagnosis services, RPA implementation support services, RPA business process automation services, RPA utilization business process improvement consulting, and RPA operation and maintenance services.
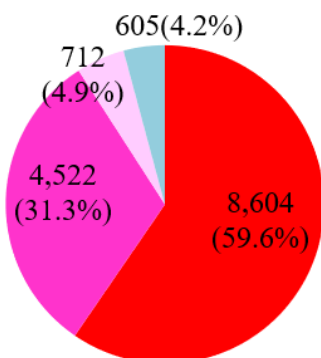
(Created by the company based on Yano Research Institute's "2021 RPA Market Actual Conditions and Prospects")

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 2021, unit: million yen)

Business Unit	Sales	Share
Business Solution Unit	8,604	59.6%
Embedded Solution Unit	4,522	31.3%
Original Product Unit	712	4.9%
System Sales Unit	605	4.2%

BRIDGE REPORT   Bridge Salon

(1) Software Development Business
①Business 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.

②Embedded 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
As a growth field, the business develops and sells products with unique technologies. It also handles products with high social needs through its alliances.
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, "**xoBlos**," an Excel work innovation platform, which features data decomposition and restoration as well as meeting various forms of data business processing needs, "DD-CONNECT," electronic contract outsourcing service, DD-CONNECT, etc.

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 17 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.
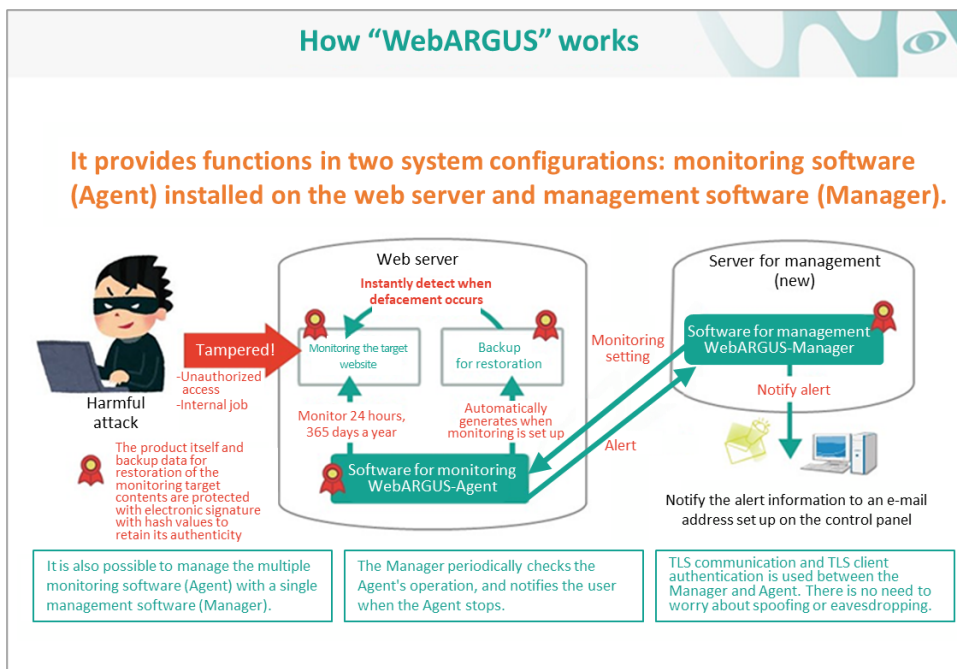
(Taken from the reference materials of Digital Information Technologies Corporation)

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

BRIDGE REPORT   Bridge Salon

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 JPY528,000 (incl. 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.
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.
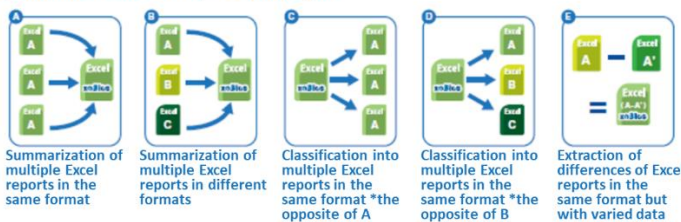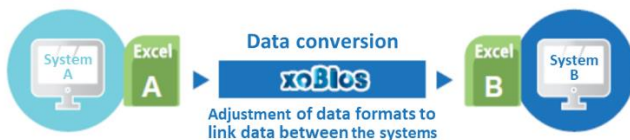
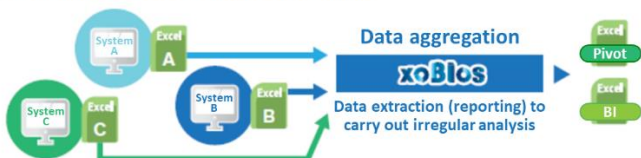(Taken from the reference materials of Digital Information Technologies Corporation)

BRIDGE REPORT   Bridge Salon

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 ten 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, xoBlos, which can be considered as an RPA-related service, is anticipated to have high growth potential.

Introduction of xoBlos 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 xoBlos)

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 xoBlos)

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 xoBlos 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 xoBlos)

Since the format differed for each base, a large number of work hours used to be required, but the adoption of xoBlos 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 xoBlos for further improvement of workflow and operational efficiency.

Toward further value improvement of the platform "xoBlos Plus-One Concept"

"xoBlos" 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.

"xoBlos Plus-One Concept" is the result of the above initiatives.

The main concept of "xoBlos 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 xoBlos, 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 "xoBlos 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.

BRIDGE REPORT　　　　　　　　　　　　　　Bridge Salon

(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.

BRIDGE REPORT   Bridge Salon

③ **Electronic Contract Outsourcing Service, DD-CONNECT**
In September 2020, the company signed a partnership agreement with NS Solutions Corporation to sell the electronic contract cloud CONTRACTHUB @absonne, which has had the largest share of sales in the electronic contract service market for four consecutive years.
In October 2020, the company started selling DD-CONNECT, an outsourcing system that handles a series of services from the introduction to operation and maintenance of CONTRACTHUB on behalf of customers.

(Overview of CONTRACTHUB and DD-CONNECT)
CONTRACTHUB has been deployed mainly by large companies in various industries since the service started in 2013 and is now a pioneer of electronic contract services used by more than 130,000 users.
Since it can be flexibly linked with ERP and sales systems, it can improve the productivity of various operations related to contracts, and both the vendor and the customer can review the electronic contract history, including its conclusion and revisions, on the cloud. Thus, it can improve the efficiency of contract management tasks.

DIT's DD-CONNECT is a series of services that offer testing support related to the introduction of CONTRACTHUB, operation support, and maintenance support. Since DD-CONNECT provides the necessary services collectively, it is easier to introduce than an electronic contract system software package alone. Therefore DD-CONNECT is expected to contribute to further cost reduction and labor-saving.

By regularly sharing human resources and knowledge with NS Solutions, the company provides a wide range of higher value-added electronic contract services, such as measures to improve the efficiency of domestic companies' contract operations and the promotion of going paperless and Hanko (Japanese stamp)-less.

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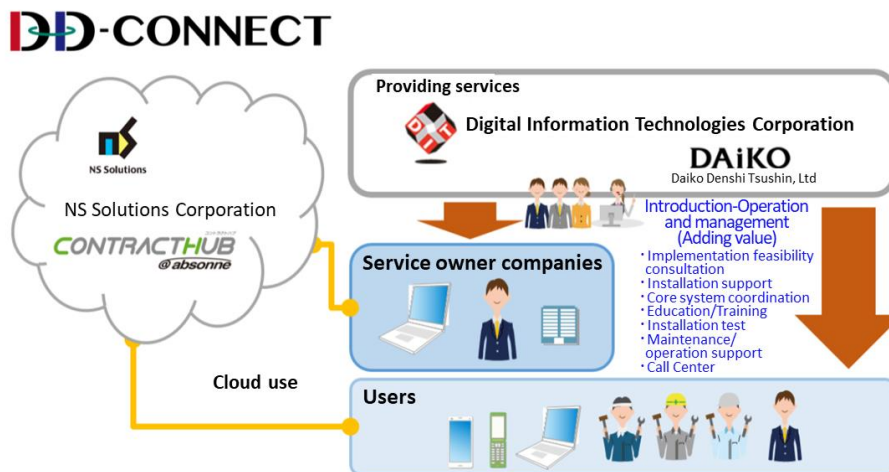
(Taken from the reference materials of Digital Information Technologies Corporation)

1-5 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.

BRIDGE REPORT   Bridge Salon

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 2,800 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%.
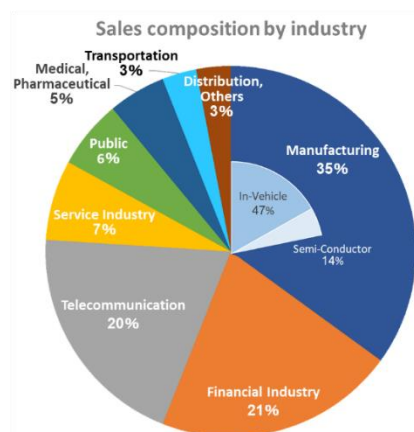
(Taken from the financial briefing materials (FY6/21) of Digital Information Technologies Corporation)

(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.
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.

In the fiscal year ended June 2021, the company expanded its lineup by releasing the electronic contract outsourcing service DD-CONNECT based on its partnership agreement with NS Solutions Corporation. The company will nurture it as a pillar of future profits.
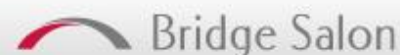
2. Fiscal Year ended June 2021 Earnings Results

2-1 Consolidated business results

	FY 6/20	Ratio to sales	FY 6/21	Ratio to sales	YoY	Ratio to the revised forecast
Sales	13,495	100.0%	14,444	100.0%	+7.0%	+1.0%
Gross Profit	3,323	24.6%	3,574	24.7%	+7.6%	-
SG&A	1,971	14.6%	1,852	12.8%	-6.0%	-
Operating Income	1,352	10.0%	1,722	11.9%	+27.3%	+2.5%
Ordinary Income	1,357	10.1%	1,730	12.0%	+27.4%	+3.0%
Net Income	978	7.2%	1,196	8.3%	+22.3%	+4.8%

*Unit: million yen. Ratio to the revised forecast is the ratio to the forecast announced in May 2021.

BRIDGE REPORT   Bridge Salon

Sales and profit grew exceeding the earnings forecasts announced in May 2021, and operating margin increased

Sales increased 7.0% year on year to 14,444 million yen. Double-digit sales growth was achieved in the original product unit.

Operating income augmented 27.3% year on year to 1,722 million yen. Gross profit increased 7.6% year on year, while SG&A expenses fell 6.0% year on year. Operating income margin rose 1.9 points year on year to 11.9%.

The figures exceeded the earnings forecasts announced in May 2021, and the company achieved 11 consecutive years of sales and profit growth. The company recorded its highest-ever sales and profits.

2-2 Trends by segment

	FY 6/20	Ratio to sales	FY 6/21	Ratio to sales	YoY
Software Development Business	12,756	94.5%	13,838	95.8%	+8.5%
System Sales Business	739	5.5%	605	4.2%	-15.9%
Total sales	13,495	100.0%	14,444	100.0%	+7.0%
Software Development Business	1,271	10.0%	1,669	12.1%	+31.3%
System Sales Business	84	11.4%	52	8.7%	-37.4%
Adjustment	-2	-	0	-	-
Total operating income	1,352	10.0%	1,722	11.9%	+27.3%

*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)

	FY 6/20	Ratio to sales	FY 6/21	Ratio to sales	YoY	Ratio to the revised forecast
Business Solution Unit	7,838	58.1%	8,604	59.6%	+9.8%	+2.1%
Business System	4,550	33.7%	4,891	33.9%	+7.5%	-
Operation Support	3,287	24.4%	3,712	25.7%	+12.9%	-
Embedded Solution Unit	4,308	31.9%	4,522	31.3%	+5.0%	+0.5%
Embedded Product Development	3,344	24.8%	3,518	24.4%	+5.2%	-
Embedded Product Verification	963	7.1%	1,003	6.9%	+4.2%	-
Original Product Unit	609	4.5%	712	4.9%	+16.8%	-3.8%
System Sales Unit	739	5.5%	605	4.2%	-18.1%	-4.0%
Total sales	13,495	100.0%	14,444	100.0%	+7.0%	+1.0%

*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.
Profitability has also improved.
In business system development unit, the mainstay financial domain sales gradually declined due to the business portfolio review. However, sales increased mainly in ERP-related (especially SAP), pharmaceutical, and public domains, which have high-profit margins.
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.
Alongside providing operational support for new customers and understanding their systems and operations, customers also evaluated the quality of the company's services high. In many cases, the company received orders for new system development projects.

*Embedded solution unit
Sales increased due to implementing measures assuming a decrease in sales of automobile-related products due to the novel coronavirus crisis.

BRIDGE REPORT　　　　　　　　　　　　　　　　　　　Bridge Salon

In embedded system development, sales of in-vehicle devices, which had been sluggish until the second quarter, recovered to the same level as the previous fiscal year. On the other hand, sales of products related to semiconductors and telecommunications continued to perform well. In addition to the expansion of new services (especially home appliances) via IoT, the development of FA-related markets progressed, and both sales and profits exceeded the previous fiscal year's levels.

In embedded product verification unit, sales of 5G-related products (mobile terminals and base stations) covered the decrease in sales of in-vehicle devices, resulting in an improvement in sales and profits.

*Original Product Unit

Due to the impact of the novel coronavirus crisis, the number of employees on the customer's side working from home is increasing. Thus, even though double-digit sales growth was recorded, it was below the planned figures due to factors such as the customers taking a long time to evaluate the company's products and delays in meetings regarding introductions.

"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.

"DD-CONNECT"

DD-CONNECT is an electronic contract outsourcing service that the company launched in October 2020. The number of business negotiations is steadily increasing, especially in the housing construction industry.

◎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 June 2021		End of June 2020	End of June 2021
Current assets	4,590	5,664	**Current liabilities**	1,634	1,750
Cash and deposits	2,399	3,333	**Accounts payable**	417	487
Trade receivables	1,905	2,084	**Fixed liabilities**	68	111
Noncurrent assets	774	724	**Total labilities**	1,703	1,861
Tangible fixed assets	120	110	**Net assets**	3,660	4,526
Investments and other assets	630	598	**Capital stock**	3,640	4,514
Total assets	5,364	6,388	**Total liabilities, net assets**	5,364	6,388

*Unit: Million yen

Total assets increased 1,024 million yen from the end of the previous fiscal year to 6,388 million yen due to rises in cash and deposits and trade receivables etc. Due to the increase in accounts payable, total liabilities were up 157 million yen from the end of the previous fiscal year to 1,861 million yen. Net assets increased 866 million yen from the end of the previous fiscal year to 4,526 million yen due to rising retained earnings.

As a result, equity ratio rose 2.7 points from the end of the previous fiscal year to 70.9%.

BRIDGE REPORT   Bridge Salon

◎**Cash Flow**

	FY 6/20	FY 6/21	Increase/Decrease
Operating Cash Flow	927	1,260	+333
Investing Cash Flow	-80	5	+86
Free Cash Flow	846	1,266	+419
Financing Cash Flow	-287	-334	-47
Cash, Equivalents	2,393	3,326	+933

*Unit: Million yen

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

3. Fiscal Year ending June 2022 Earnings Forecasts

3-1 Full-year earnings forecast

	FY 6/21	Ratio to sales	FY 6/22 Est	Ratio to sales	YoY
Sales	14,444	100.0%	15,600	100.0%	+8.0%
Operating Income	1,722	11.9%	1,900	12.2%	+10.3%
Ordinary Income	1,730	12.0%	1,900	12.2%	+9.8%
Net Income	1,196	8.3%	1,318	8.4%	+10.2%

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

Sales and profit are forecast to rise for 12 consecutive fiscal years
Sales are expected to increase 8.0% year on year to 15.6 billion yen, and operating income is forecasted to rise 10.3% year on year to 1.9 billion yen. Operating income margin is expected to increase 0.3 points year on year to 12.2%. The company plans to improve the sales of the software development and system sales businesses which would lead to a rise in sales and profits for the 12 consecutive fiscal years. The company plans to pay a dividend of 30 yen/ share, an increase of 6 yen/share from the previous fiscal year. The expected payout ratio will be raised from 30.8% in the fiscal year ended June 2021 to 35.0%.

3-2 Trend of each business unit.

（Trend of sales）

	FY 6/21	Ratio to sales	FY 6/22 Est	Ratio to sales	YoY
Software Development Business	13,838	95.8%	14,975	96.0%	+8.2%
Business Solution Unit	8,604	59.6%	9,133	58.5%	+6.1%
Embedded Solution Unit	4,522	31.3%	5,022	32.2%	+11.0%
Original Product Unit	712	4.9%	820	5.3%	+15.2%
System Sales Unit	605	4.2%	625	4.0%	+3.2%
Total	**14,444**	**100.0%**	**15,600**	**100.0%**	**+8.0%**

*Unit: Million yen

The company plans to increase both the sales of the software development business and the system sales business.

◎**Business Solution Unit**
In business system development unit, the customers' industries are expanding. Therefore, the company will build a system that can capture demand regardless of the industry to increase the business scale and improve profits.
As for operational support unit, it is an area that is not significantly affected by the novel coronavirus crisis. The company will respond appropriately to demand to continue to aim for scale expansion and profit improvement.

(Priority measures)
In addition to deepening relationships with existing customers, the company is cultivating new customers. The company aims to achieve

growth through the following measures.

Priority measures
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 pharmaceuticals and telecommunications domain, and ERP (SAP, etc.).
2. Expand orders for technical projects to promote DX, such as cloud computing and AI.
3. Increase direct contracts with end users. Promote service proposal-type business.
4. Aim to improve the ratio of commissioned projects and thoroughly manage projects.
5. Expand the business by utilizing the local bases as "advanced nearshore development centers."

◎**Embedded Solution Unit**

In embedded system development, the company aims to achieve growth by increasing transactions with existing profitable customers in the fields of in-vehicle devices, semiconductors, and industrial equipment, as well as expanding IoT-related products.

As for the embedded system verification, the company aspires to achieve growth by expanding in areas such as in-vehicle devices, medical devices, and 5G-related fields.

(Priority measures)

Although the impact of the novel coronavirus crisis is expected to continue, the business is responsible for many core areas with high social needs. Therefore, the company aims for growth through the following measures.

Priority measures
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.
2. Expand IoT-related products and services beyond the boundaries of industries, including cars (development of communication modules) and home appliances (development of IoT service platforms for kitchen appliances and service expansion).
3. In the field of in-vehicle devices, the company aims to acquire projects in the advanced development field as well as the mass production development field where the products have already been introduced.
4. Complete the standardization of embedded verification to improve quality and expand the business.

◎**Original Product Unit**

The company got beyond the break-even point and started recording profit. The company will accelerate the growth of the original product unit by responding to the needs of the new lifestyles.

＊**WebARGUS**

(Priority measures)

Business inquiries are increasing, and growth is expected through the following measures.

Priority measures
1. Based on the deployment results, the company will actively approach large-scale users, mainly financial institutions.
2. Providing comprehensive security services under the DIT Security brand. 　-Revitalizing activities through joint seminars with affiliated companies 　-Strengthening the lineup of cybersecurity products
3. Providing cyber security services through the company's cloud environment.
4. Improving customer engagement through web advertising, webinars, and DMs.
5. Introducing the IoT version of WebARGUS based on the system resilience (self-detection and self-restoration) concept.

Regarding the IoT version of WebARGUS, the company will continue to pursue commercialization while exploring social needs such as in-vehicle cameras.

∗ xoBlos

(Priority measures)

The company aims to capture further expanding demand.

Priority measures
1. Cumulative number of companies that have adopted it has exceeded 500. The company will further enhance sales to large-scale users.
2. Strengthening user support to increase licenses from existing customers.
3. Actively promoting the Plus-One Concept (cooperation with other systems such as RPA and ERP) to expand sales opportunities.
4. Providing a form processing service in the cloud environment.
5. Commercializing RPA operation portal based on xoBlos and providing services.

*New products and digital transformation

(Priority measures)

The company will implement following measures to expand new business areas. The company incorporates the needs that have become visible due to the novel coronavirus crisis.

Priority measures
1. Full-scale development of electronic contract outsourcing service DD-CONNECT.
2. With the start of sales of Shield CMS (*), the company aims to develop the market and receive orders at an early stage.
3. Providing new services and digital transformation-related services (AI, RPA, voice recognition, etc.) that correspond to the needs of the post-pandemic society and the SDGs.

*CMS：Contents Management System。It is a broad term for a system that integrates and systematically manages digital content such as text and images that make up Web content, and performs necessary processing such as distribution.

The company is preparing multiple products and services to correspond to the novel coronavirus crisis by combining original products and products of other companies.

◎System Sales Unit

The plan for this business predicts a reaction to the fall in special demand in the previous fiscal year. Regarding Rakuichi, their main business, the company aims to increase sales by strengthening support and proposals that are useful to customers.

In addition, the company will approach higher-ranking customers than the existing customers to improve profits.

（Priority measures）

Priority measures
1. Working to contribute to the promotion of digital transformation in small and medium-sized enterprises to acquire stable long-term transactions.
2. Improving proposals for various services required by customers, such as printers, networks, and security products.
3. Cultivating new customers by proposing dedicated business packages for companies that are larger than existing customers.

## 4. Vision for 2030 and New Medium-term Management Plan

In August 2021, the company announced its long-term vision, Vision for 2030, and the New Medium-Term Management Plan: Aiming to Become a Trusted and Chosen IT Brand.

(1) Summary of the Previous Medium-term Management Goals (FY 6/2017 to FY 6/2021)

(Overview)

In alignment with the previous medium-term management plan, the company has been promoting its business while solidifying its business foundation through stable transactions in a wide range of existing business domains and pursuing growth by providing new value centered on its own products.

The goal was to achieve the **"Triple 10," sales of 10 billion yen, an operating income of 1 billion yen, and an operating income margin of 10%** within five years. In the fiscal year ended June 2017, this was achieved in sales, in the fiscal year ended June 2019 in

BRIDGE REPORT   Bridge Salon
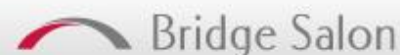
operating income, and in the fiscal year ended June 2020 in operating income margin, ahead of schedule. In the fiscal year ended June 2021, they were able to further increase each target.

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

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

(Taken from company data)

Sales have increased for 11 consecutive fiscal years, with an average growth rate (CAGR) of 8.6% over the past 10 years. The average growth rate for the five years up to the previous medium-term management target was 9.1%.

Operating income has increased for 11 consecutive fiscal years, with an average growth rate of 31.1% over the past 10 years. The five-year average growth rate up to the previous medium-term management target was 26.9%.

Operating income margin improved by 6.3 points over the five years of the previous mid-term management target, and ROE, as well, increased significantly.

(Results in each business domain)

The business solution and embedded solution units, which are the mainstay of their business, both expanded steadily and contributed significantly to stable growth.

The company's original product unit, which is a growth factor, expanded its lineup of products and services.

The system sales business shifted resources to focused businesses in response to the decline in sales of the mainstay Rakuichi sales.
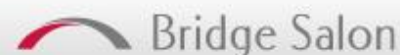
Trend of sales of each business (unit:million yen)
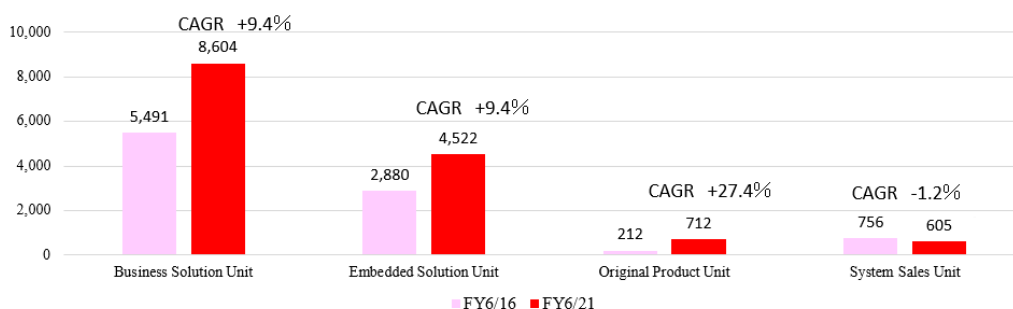
(Results)

The results of the previous medium-term management plan are as follows:

Continued to increase sales and profits through strategic initiatives	-Shifted resources to highly profitable businesses and domains by promoting the optimization of the business portfolio -Oriented toward business in high-profit areas close to end users -Strategically expanded high-profit businesses (in-vehicle, IoT, infrastructure construction, ERP, etc.) -Prevented failure of large projects through appropriate risk management

BRIDGE REPORT

Bridge Salon

Steady growth of the original product unit	-Strengthened the product competitiveness of WebARGUS, their cyber security product, and large-scale users commenced its operation -Expanded the security business domain under the DIT Security brand name -Strengthened the product competitiveness of xoBlos, a solution for improving business efficiency, and increased the number of customers to over 500
Steady performance despite the novel coronavirus crisis	-Focused on and expanded operations that were less affected by the novel coronavirus (operational support, social infrastructure, and public sector) -Received orders from customers affected by the novel coronavirus on a priority basis, ahead of other companies
Profitability of near-shore bases	-Matsuyama (Ehime Company), a regional base, strengthened and turned profitable
Decline of the system sales business	-In the middle of the fiscal year, there was an extraordinary demand as the government reduced tax rates for daily necessities, but the impact of the novel coronavirus was significant and the business shrank. Shifted resources to focused businesses.
Strengthening of inter-sectoral cooperation	-Dealt with the expansion of the scale of entrusted projects through collaboration among group companies
Increase of collaborating companies	-Increased collaborating companies in various fields, including Daiko Denshi Tsushin, Ltd.
M&A unrealized	-The company was prepared, but no parties who would exert synergies were found
Dividend policy	-Achieved the target of a dividend payout ratio of 30% or higher (30.8% for the fiscal year ended June 2021)

Even among customers who cut their budgets due to the novel coronavirus crisis, the company's competence and quality were highly evaluated, and the company suffered less damage than its competitors.
Regarding M&A, the company intends to expand its human resources in operational support and embedded development.

(2) DIT Group's Vision for 2030
DIT Group's vision for 2030 is to build a trusted and selected DIT brand.
To this end, as professionals, the company will provide a higher level of value in terms of services: safety and robustness, efficiency improvement, safe operation, problem-solving and proposal capabilities, high quality, and advanced technology.

(Future vision and measures for achieving it)

(Taken from company data)

BRIDGE REPORT   Bridge Salon

(Business environment)

With the full-scale arrival of the digital society, the DIT Group recognizes that it will enter an era of shakeout in which only the companies that can respond to changes such as the acceleration of DX, the shortage of IT human resources, threats to cyber security, and the increasing needs for societal issues such as the reformation of work styles will survive.

These changes that the IT industry is facing are an opportunity for the DIT Group that excels at responding to change, to make its presence known more than ever. The DIT Group will transform itself further to be even more responsive to changes, and focus on staying close to customers and increasing their value.

(Management goals)

The company has set Challenge 500, an endeavor to achieve sales of 50 billion yen.

	FY 6/2021	FY 6/2030	
		Organic Growth	New Business/M&A, etc.
Sales	14.4 billion yen	30 billion yen or more (+8.5%)	50 billion yen or more (+14.8%)
Operating Income	1.72 billion yen	4 billion yen or more (+9.8%)	5 billion yen or more (+12.6%)

*The CAGR is indicated within parentheses.

The company plans to increase the payout ratio to 35% or higher by the fiscal year ending June 2030.

(Steps to realize the vision)

The company will realize DIT Group's vision for 2030 through the following three steps.

FY 6/2022 to FY 6/2024	Promotion of business structure reform	To build up business capabilities by promoting the creation of a company and structure that will enable the next stage of growth.
FY 6/2025 to FY 6/2027	Realization of growth track	To establish a business style and place the business as a whole on a growth track.
FY 6/2028 to FY 6/2030	Establishment of the DIT brand	To establish a DIT brand that is trusted and selected by all stakeholders.

(Medium to long-term growth model)

The company will further strengthen its business promotion based on two major activities that has supported corporate growth to date.

In terms of the business base, they will further expand and stabilize it by continuously investing management resources in areas with growth potential and further expanding the business domain through comprehensive capability.

In terms of growth factors, they will provide new value and services through business expansion based on original products, expansion of business domains through the application of new technologies, and the expansion of new service-type businesses through collaboration and co-creation.

(SDGs: Contributing to the realization of a sustainable society)

They will strive to contribute to a sustainable society through appropriate corporate management and the introduction of their original products to customers etc.

In terms of corporate management, they will contribute to a sustainable society through appropriately prioritizing the enhancement of employee benefits, promoting diversity by appointing women to managerial positions, updating governance style, etc.

As for contributions via the introduction of original products, they will contribute to the establishment of a safe and secure Internet society and the improvement of social productivity through the introduction of their security product (WebARGUS) and products related to the reformation of work styles (xoBlos, DD-CONNECT).

BRIDGE REPORT   Bridge Salon

(3) New Medium-term Management Plan (FY 6/2022 to FY 6/2024)

(Basic strategies)

The company will promote the three basic strategies: (1) Strengthening the management base: building structure and environment, (2) Core business: strengthening on-site capabilities, and (3) Product business: strengthening product competitiveness, aiming to build a company that can achieve long-term growth toward 2030.

(Outline of each basic strategy)

① Strengthening the Management Base

The company will promote the reinforcement of the corporate structure, improvement of the working environment, and strengthening of human resources as priority measures to strengthen the management base.

In so doing, they will achieve further improvement in profitability by supporting the business strategy of strengthening on-site capabilities and product competitiveness, to create a healthier cycle for strong growth as a company.

*Basic policies:

1	Standardization of various methods, development and utilization of IPs, and appropriate allocation of human resources to strengthen on-site capabilities.
2	Enhancement of the ability to respond to changes in the market and technology promptly.
3	Constant optimization of the business portfolio.
4	In-depth cultivation of customer needs to increase the value of customer business by proposing services.
5	Strengthening of near-shore functions by expanding and empowering regional bases.

Currently, they are receiving steady and ample orders from their customers with whom they have long established relationships based on mutual trust. However, to further solidify this foundation and develop new clients, it is essential to secure and train relevant project managers and increase the number of newly graduated engineers as the number of outsourced contracting projects increase. They recognize that strengthening their management base is crucial.

They have already initiated these various measures and intend to make steady progress toward achieving the goals of the current medium-term management plan.

In terms of hiring new graduates, they are aiming to increase the number of new graduates from the current 50 to 100 by visiting many schools, including universities and technical colleges, and by actively implementing an internship system.

In addition, they believe that it is necessary to expand the near-shore business to secure engineers.

② Core Businesses: Strengthening On-site Capabilities

Measures to be taken in the business solution unit and the embedded solution unit:

*Business Solution Unit

1	Improvement of QCD and productivity, as well as expansion of the scale of commissioned projects through development standardization and the development and application of IPs.
2	Cultivation of additional needs from existing customers and the development of new end users or users close to them.
3	Shift to a commissioned project/service-oriented business model to receive orders for all processes as a one-stop provider.
4	Contributing to solving issues for the many Japanese companies marked on the 2025 Digital Cliff (Legacy system renewals, advancements in DX, SAP renewals, etc.).

*Embedded Solution Unit

1	Increasing the share of transactions with existing blue-chip customers such as automobile, Tier 1, and semiconductor manufacturers.
2	In the in-vehicle solutions business, they focus on acquiring projects not only in innovative solutions development but also in the field of mass production development.
3	Completing the standard method of embedded verification to improve quality and expand business.
4	Creation of solutions to develop new customers in their specialty area of IoT.

BRIDGE REPORT   Bridge Salon

"On-site capabilities" refers to the ability to respond to requests from customers. The company has been responding to a variety of requests from customers, with each person in charge addressing the requests individually. By sharing, developing, and utilizing the content and knowledge of such development projects, the company will be able to speedily provide high-quality, low-cost solutions, thereby further strengthening its on-site capabilities.

③ **Product Business: Strengthening Product Competitiveness**
As a driver for business promotion, they expand mainly the original product unit.

*Basic policies:

1	For existing products, they enhance product competitiveness and promote sales focusing on large-scale customers.
2	They promote the commercialization of products in the company's fields of expertise and aim to make them profitable within the current mid-term period.
3	Enrichment of the product lineup to meet the needs of the New Normal society.
4	Continuation of the development of products that meet the needs of the times.

WebARGUS and xoBlos are already profitable. Increasing the number of installations will contribute significantly to profit growth.
They aim to make DD-CONNECT and Shield CMS profitable during the current medium-term plan.
Specific measures to realize these are as follows:

*Cyber Security Unit

1	Regarding WebARGUS, they aim to realize its introduction to various major financial institutions by taking advantage of their experience with other such institutions. To this, they will increase target OSs and enhance product competitiveness (in addition to Linux/Windows, they will align with AIX).
2	Enrichment of the DIT security product lineup in response to cyber security guidelines with increasingly heightening requirements.
3	Continuation of the exploration of business opportunities for the IoT version of WebARGUS.

*Business Optimization Unit

1	For xoBlos, the promotion of sales mainly to large corporations, aiming for a cumulative total of more than 700 customers (515 companies as of July 2021).
2	Providing new AI-based services that are easy for customers to adopt.
3	Expansion of the scope of the business optimization unit by collaborating with RPA and BPM companies.

*Commercialization in areas of strength

1	The sales of CMS, which is their area of expertise, with functions that differentiate it from others, to achieve profitability within the current medium term. Differentiating features: i) Editing functions that can be used by both beginners and advanced users (as-you-see and direct HTML editing functions). ii) Cyber security functions are incorporated into standard equipment (WebARGUS is installed, providing security measures).
2	Collaboration with building entrance gate equipment manufacturers to develop a web-based entrance reservation system using face recognition technology, and to implement it into multiple buildings.

*A product lineup that meets the needs of the New Normal society

1	Achievement of the full-scale deployment of electronic contract outsourcing service (DD-CONNECT)
2	Realization of the lineup and commercialization of AI voice recognition, AI OCR, and other products that are compatible with the New Normal society.

BRIDGE REPORT   Bridge Salon
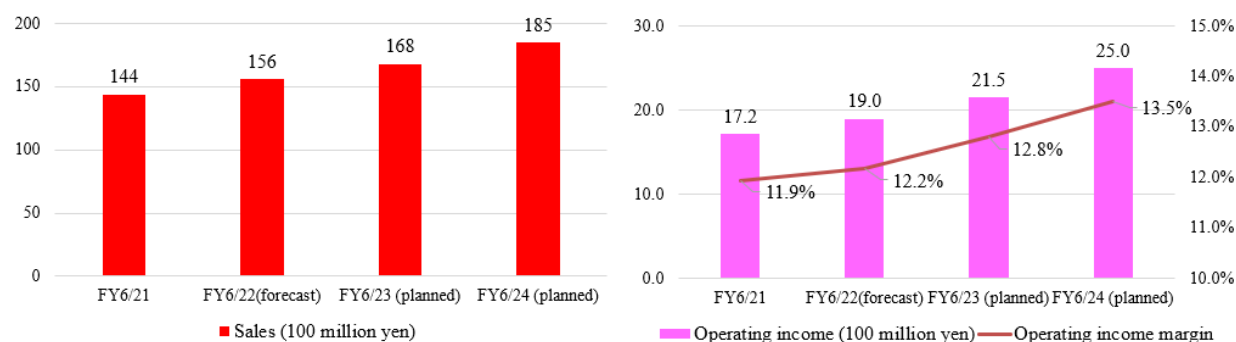
 (Management targets)

They aim to achieve sales of 18.5 billion yen and an operating income of 2.5 billion yen in the fiscal year ending June 2024 through organic growth.

The target dividend payout ratio will be raised to 35% or higher from this fiscal year.

	FY 6/2021 (actual)	FY 6/2022 (forecast)	FY 6/2023 (planned)	FY 6/2024 (planned)	CAGR
Sales	144	156	168	185	+8.7%
Operating Income	17.2	19.0	21.5	25.0	+13.3%
Operating Income Margin	11.9%	12.2%	12.8%	13.5%	-
ROE	29.2%	Maintain 20% or higher			-
Dividend Payout Ratio	30% or higher	35% or higher			-

*Management targets for organic growth, in billions (yen), CAGR is calculated by Investment Bridge.

They will continue to pursue higher profit margins.

In addition to the improvement in outsourcing and direct contracts with end customers, they believe that sales growth of their own products, which are increasing as a percentage of sales, will also make a significant contribution.

5. Conclusions

In the new medium-term management plan, the company aims to achieve sales of 18.5 billion yen and an operating income of 2.5 billion yen in the fiscal year ending June 2024, making their CAGRs of these three years 8.7% and 13.3%, respectively.

The CAGR of sales for the past ten years until the fiscal year ended June 2021 was 8.6%. The average growth rate for the five years up to the previous medium-term management target was 9.1%. Thus, it is expected that the CAGR of sales will be almost at the same pace as before. On the other hand, the CAGR of operating income over the past ten years was 31.1%. The CAGR of operating income for the five years until the previous medium-term management target was 26.9%. Although the forecasted CAGRs of the current medium-term management plan indicate double-digit growth, it is lower than the past results.

In addition to the uncertainties due to the novel coronavirus crisis, it is expected that competition in the customer industries will intensify. Also, these three years are positioned as the promotion of business structural reform stage that will enable future growth. Thus, it is premised that the company will actively make various investments to promote company and structure building. The company must have formulated the earnings forecasts based on these factors. The operating income margin can be fully achieved if there are no major project management failures since the company's original product unit is growing steadily.

Under such circumstances, the keys to future growth from a long-term perspective are starting new businesses and M&A. We would like to pay attention to the progress of these two points as well as the progress of various measures of the existing businesses toward achieving sales of 50 billion yen in 2030.

BRIDGE REPORT

Bridge Salon

＜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

Corporate Governance Report

Last Update: September 13, 2021

<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>	<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. <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 11th, 2020. <Standards for exercising voting rights concerning strategically-held shares> The company will decide whether to give approval for exercising the 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>	(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 (2) Our actions concerning corporate governance are published on our webpage (at the following URL). Corporate Governance https://www.ditgroup.jp/ir/governance.html (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. （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. (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.
<Principle 5-1>	The company is making efforts in collaboration with relevant departments, led by the President, to achieve constructive dialogue with shareholders. 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. As a measure to appropriately and effectively provide shareholders'

BRIDGE REPORT

Bridge Salon

	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. The company also ensures appropriate management of insider information during dialogues with shareholders and investors in accordance with the internal regulations.