



President Satoshi Ichikawa

Digital Information Technologies Corporation (3916)



Digital Information Technologies Corporation

Company Information

Exchange	TSE Prime Market
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/

Financial Information

Sales	Operating Income	Net Income	Total assets	Net assets	ROA	ROE
16,156 million yen	2,004 million yen	1,439 million yen	7,681 million yen	5,552 million yen	28.5%	28.6%

*The results for the term ended June 2022. Net income means profit attributable to owners of parent. ROA means the ratio of ordinary income to total assets. ROE means the ratio of net income to equity capital.

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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 late Norikazu Ichikawa (former Director and Chairperson) discovered a new world of computers and obtained programming qualifications while he was working at Nippon Telegraph and Telephone Public Corporation.

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.

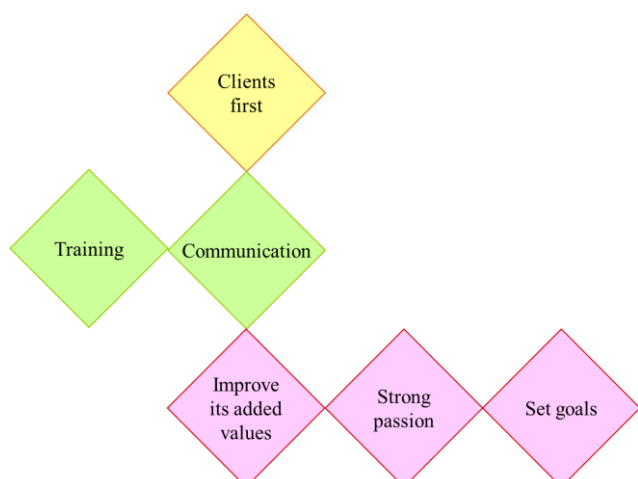
In April 2022, the company was listed on the Prime Market of TSE, through the restructuring of the stock market.

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.”

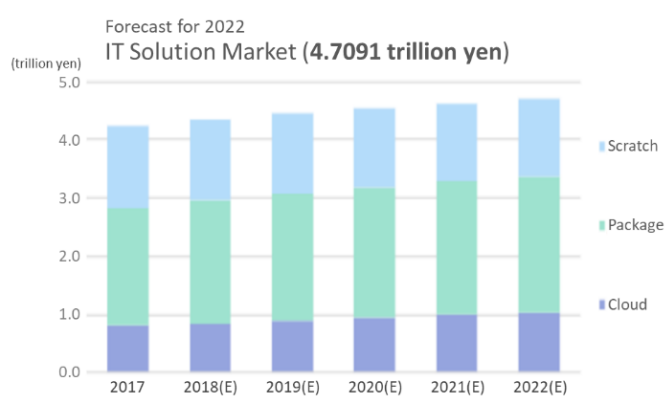
Employees are to uphold this company policy as their creed and follow these principles at all times.

1-3 Market environment

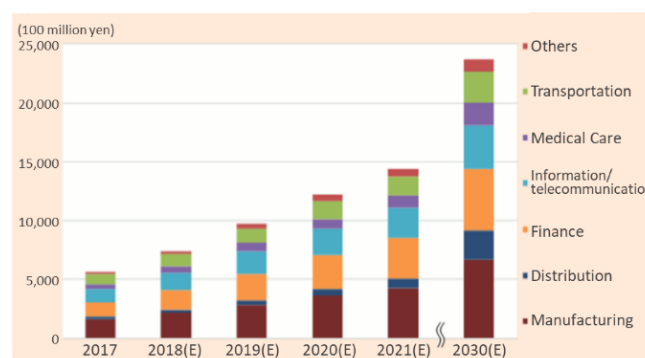
The outlines of the market environment and growth potential of each business unit of the company mentioned in Section 1-4 “Business Description” are as follows.

(1) Business Solutions 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.



(Source: Fuji KAMERA Research Institute's briefing paper on January 15 2019)



(Source: Fuji KAMERA Research Institute's briefing paper on August 21 2018)

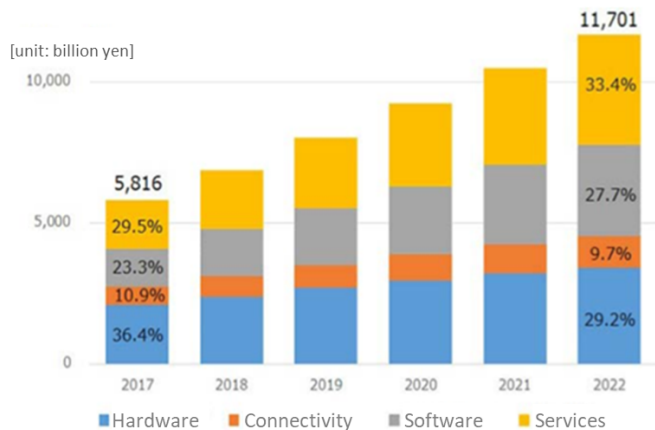
(Taken from the reference materials of Digital Information Technologies Corporation)

(2) Embedded Solutions Unit

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

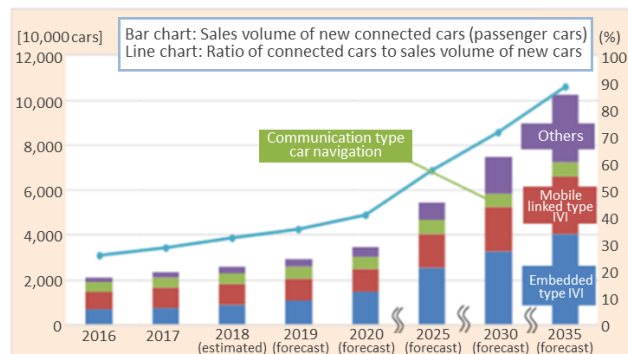
The industry of in-vehicle devices is forecasted to see the rapid growth of “connected cars,” which would create a variety of value, by having the functions as ICT terminals, obtaining various data, including vehicle states and surrounding road conditions, with sensors, and collecting and analyzing them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

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



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

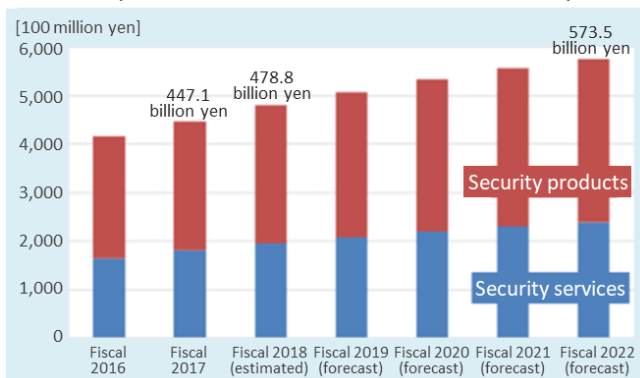
① WebARGUS

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**

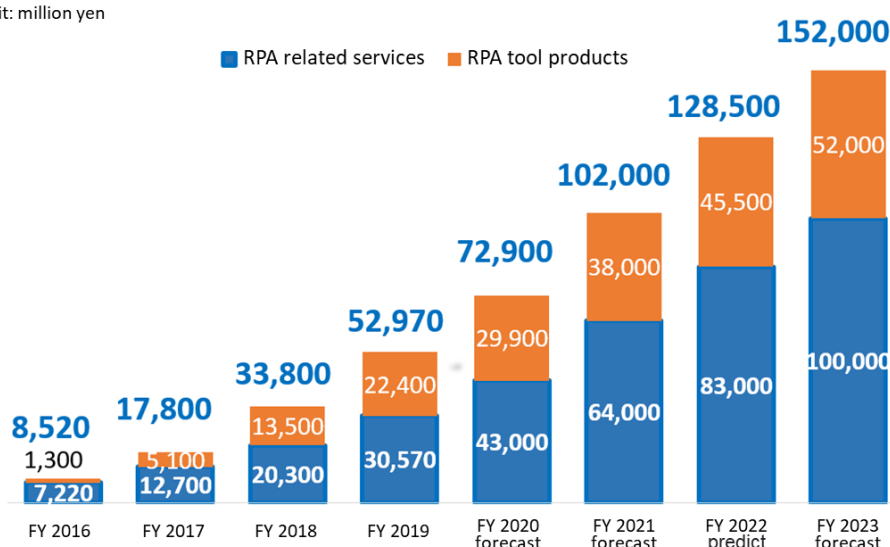
RPA (Robotic Process Automation), which is a system for supporting the significant streamlining of business operations, is attracting attention.

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



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.

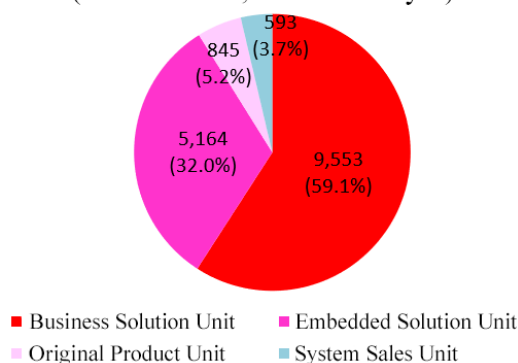
(Created by the company based on Yano Research Institute's "2021 RPA Market Actual Conditions and Prospects")

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 solutions unit, embedded solutions unit and original product unit.

Sales by Business Unit
(FY June 2022, unit: million yen)



(1) Software Development Business

① Business Solutions Unit

(Business system development unit)

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

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

(Operation Support Unit)

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

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

Specific business includes:

*Support desk operation for end-users who use various business systems.

*Build and maintain infrastructure (servers and networks).

*Efficient system operations in line with the latest technology trends.

② Embedded Solutions Unit

(Embedded System 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 System 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.

③ Original 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.

In addition, the company offers "APMG," a solution for preventing the damage due to phishing and plagiarism by automatically putting an electronic signature on each email, "shield CMS," a content management system for enabling users to edit and update their websites easily, and so on.

(2) System Sales Business

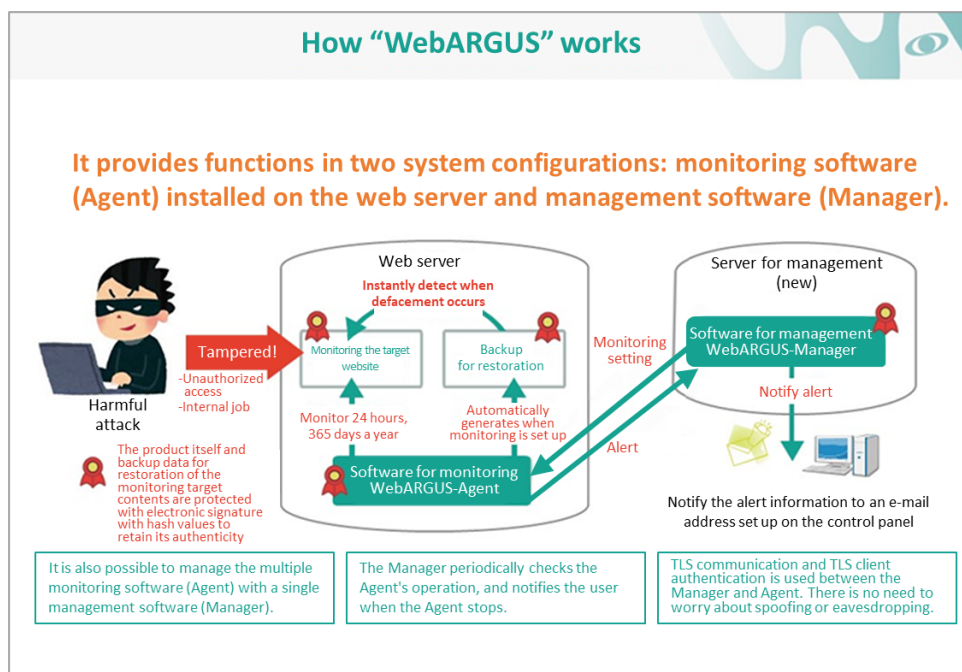
The company and its subsidiary, DIT Marketing Service Co., Ltd., sell “**Rakuichi**,” a business support mission-critical system, for small and medium enterprises, manufactured by Casio Computer Co., Ltd.

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

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.

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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.

◎ Expansion of the security domain

A rapidly increasing number of people suffer from ransomware, which is a kind of malware that encrypts files to make them unusable and demand a ransom payment for decrypting these files.

In this situation, the company is currently developing “WebARGUS for Ransomware Protection (provisional name),” which is equipped with the function to block the malicious programs to change or delete important data on a real-time basis and protect important data from various risks (such as cyberattacks, inside jobs, and encryption of data by ransomware), in addition to “WebARGUS,” which detects website falsification and repair the websites instantly, and plans to release it by the end of 2023.

As there are many command patterns of ransomware, “WebARGUS for Ransomware Protection (provisional name)” can block 29 command patterns. The company thinks that no other products can control such a broad range of command patterns. Combined with the existing “WebARGUS,” it is possible to fortify your cyber security system.

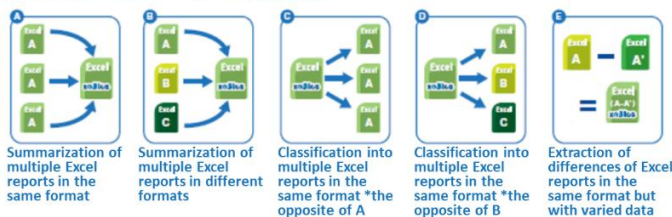
(2) “xoBlos,” an Excel work innovation platform

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

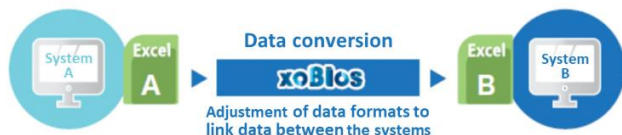
The company's original-brand, "xoBlos," entirely automates these inefficient Excel-based tasks and provides drastic improvements to workflow.

Merits of xoBlos

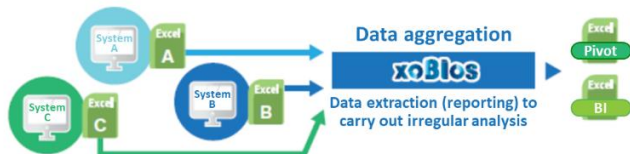
(1) Routine tasks + Reports/analysis



(2) Routine tasks + System linkage/data HUB



(3) Non-routine tasks + Reports/analysis



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

Background of development

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

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

Product feature, overview and an example of introduction

Enables management of different data formats for tallying and processing
Enables increased efficiency with current Excel spreadsheets.
Process up to dozens of times faster than using macros.
Can be embedded into other packaged products as an engine to output Excel spreadsheets.

xoBlos was released about 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 80,000 million 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.

(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.

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)

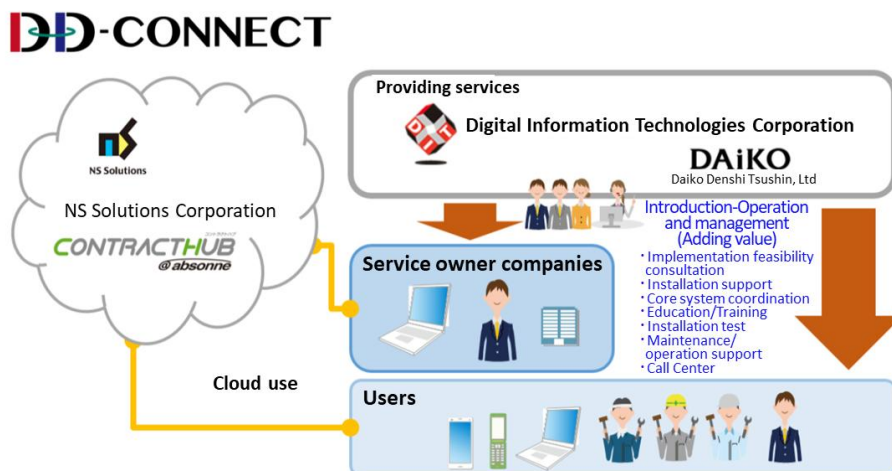
CONTRACTHUB has been deployed mainly by large companies in various industries since the service started in 2013 and is now a pioneer of electronic contract services used by more than 130,000 users.

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)

④ Highly Secure Website Creation Platform, “shield cms”

In September 2021, the company released shield cms, a website creation platform equipped with a cyber security function that instantly detects website tampering and restores the website in less than 0.1 seconds.

The company aims to introduce it to 100 companies in three years.

*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.

(Background of the release)

Many website creation platforms are based on open-source models that can be used free of charge or their modified ones. Although they are easy to use and convenient, they are easily targeted by cyber-attacks because their mechanism is well known. Moreover, as cyber-attacks are becoming more diverse and complex, the needs for products that can automatically prevent them are increasing.

(The product's features)

Shield cms incorporates the company's security product WebARGUS as the standard equipment. It detects tampering simultaneously as it occurs and instantly restores the original condition. It also alerts the system administrator the occurrence of website tampering. The time from tampering to the recovery/alert notification is less than 0.1 seconds, and the actual damage can be reduced to zero.

In addition, as a CMS function, even beginners can easily create a website with the "Edit as you exactly see it" function that combines and arranges various design parts on the screen, and you can also add HTML input, CSS, and JavaScript so that you can create your own original design.

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 system development and verification business, and operation support business as well as working on its original products based on its technical strengths which have been developed during the process of business expansion.

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

In order to improve the strengths and characteristics of the company, it is essential to acquire new technology and improve the on-site capabilities. The company has been providing training and education to the employees; however, it is establishing a stronger education system, as it is important to have the latest knowledge ahead of customers in times of rapid changes.

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

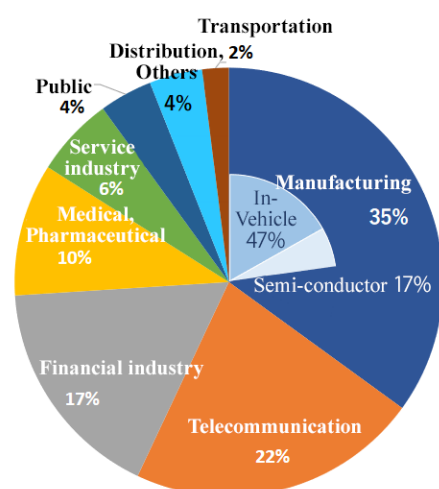
It is making efforts to provide not only on the job training, but also training on managerial skills to promote female employees from mid-level positions to managerial positions including executive positions.

(2) A wide range of customer base

There are about 2,800 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%.

Sales composition by industry



(Taken from the financial briefing materials FY6/22)

(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 system development unit	Embedded Solutions 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 system 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 operation 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.

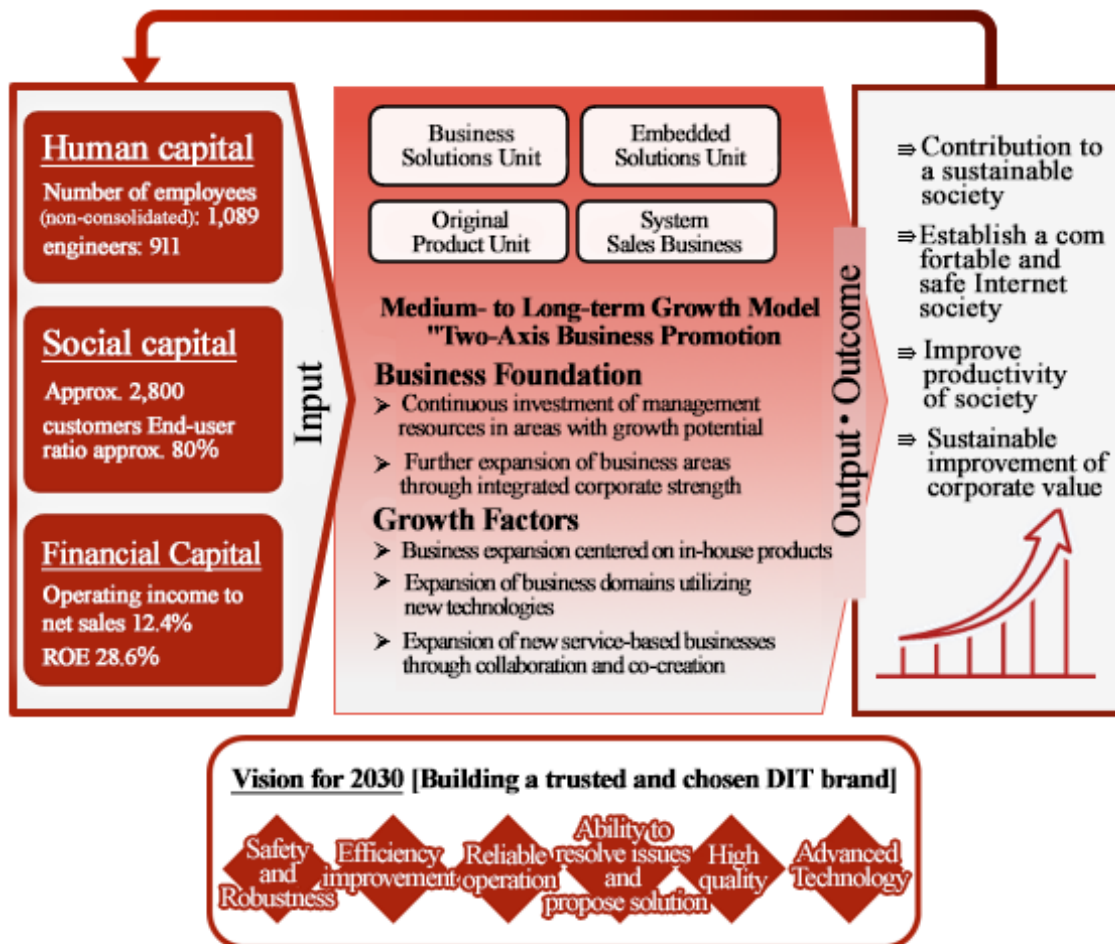
(4) Development and sales of original own-brand products

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.

1-6 Flowchart for value creation

Digital Information Technology Value Creation Flow



*Figures for human capital, social capital, and tax capital are actual results for the FY 6/22.

The company aims to keep improving corporate value and solve social issues, by further promoting business based on the two measures: expanding and stabilizing its business base and increasing elements for growth.

2. Top Interview

• Social responsibility and *raison d'être*

Q. As the whole society has been moving toward sustainable growth in recent years, the philosophy, mission, and social significance of the companies, which important players, are regarded as increasingly important.

To start with, please tell us your ideas of what your company's social responsibility and *raison d'être* are.

Our company's management philosophy is to "protect the lives of our employees while contributing to society." In an environment where employees can work energetically with a peace of mind and enrich their lives, employee performance would improve, which would lead to more accurate responses to customer needs through system development and provision of our products or our unique IT technologies, which in turn would lead to solving social issues. We believe it is the social *raison d'être* of our company.

In addition to our management philosophy, we have established a corporate philosophy.

Its center is "customer-centric." By thinking and acting for customers first, we can earn their trust, increase profits, and contribute to society.

Based on this "customer-centric" policy, we believe that the important value for our company is "employee training" and "communication with customers and among employees" as a company, and "improvement of added value," "having burning passion" and "sense of purpose" for employees.

We carry this corporate philosophy as our credo in the lanyard with our employee ID, so we can always go back to the basics if any problems or concerns occur.

• Business model, characteristics, strengths & competitive advantages

Q. What are your characteristics, strengths, and competitive advantages?

Our company has two main strengths.

The first is speedy management decision based on the in-house company system and the broadness of our business domain.

We make decisions at a finer organizational level, implement projects to increase profits, and develop human resources in each company. This has helped establish an awareness among employees that everything is their own matter, made communication more vigorous, and enabled speedy decision-making. In addition, we are able to cover a wide range of business areas.

The other is our high-margin in-house product development business that exploits the latest trends through aggressive development investment that we have continued since our founding.

By utilizing our engineering and technical capabilities, we are able to develop and provide products and services necessary for the world without being greatly influenced by customer conditions or economic trends in the world.

The characteristics and competitive advantages of each business segment are as follows.

* Business Solutions Unit

The Business Solutions Unit includes two types of operations: developing systems for clients (business system development) and supporting them in system operations (operation support).

If you look externally, it is more common to shift from business system development to operation support, but our company typically starts with building a relationship of trust by understanding each client's business through operation support, before shifting to business system development.

Because we immerse ourselves closely in operational support for our clients, we are often asked back when they have new development projects. As we are also often thoroughly familiar with their businesses, we are able to win high-margin contracts while minimizing project failures.

* Embedded Solutions Unit

In the embedded solutions business, development and testing of automotive products currently accounts for more than 60%, and our

specialty is the R&D for connected cars, self-driving cars, etc. The R&D part is characterized by being less affected by the economic downturns and having a high average spending per customer, and especially connected communication technology requires the accumulation of technology, but we have been able to build a high barrier to entry as we have been involved in development since the dawn of the era of mobile phone.

*** Original Product Unit**

This segment is characterized by high-margin products exploiting the latest trends, such as "xoBlos," to support work-style reform, and "WebARGUS," a cybersecurity product, provided on a subscription model.

● Initiatives in key material issues

Q. This is the first time your company has set out 10 material issues (See "3. Issues, Materiality, and Measure").

We would like to know your thoughts on the material issues for the sustainable growth of your company.

First, I would like to ask about human capital.

Please tell us how important it is for you to "strengthen human capital" to increase your corporate value, and what kind of initiatives you are implementing to achieve this.

Although it is obvious, the greatest capital for our company is "people," as we are not a manufacturer. Needless to say, how well we can strengthen our human capital is an essential issue for our sustainable growth.

Right now, there is ample demand for system development, but supply is insufficient. In addition to improving productivity, it is important to secure absolute numbers, and our company is focusing on recruiting human resources, developing employees, and preventing resignation.

Firstly, I will talk about recruitment. Currently, we have just over 1,000 employees, but in order to eventually recruit about 100 people on a regular basis each term, we have been raising our target numbers to 70, 80, and 90 in the past few years.

In particular, our company has always focused on hiring new graduates since our founding.

Mid-career recruitment has advantages in terms of speed, but for us it is still more important for new graduates to join us to have a solid understanding of our company's corporate culture. Their retention rate is higher, and I believe that their growth will lead to the growth of our company.

In addition to recruiting in the large metropolises, namely Tokyo and Osaka, we will also actively recruit in more rural areas. Our company already has bases in the city of Matsuyama in Ehime Prefecture and the city of Sendai in Miyagi Prefecture, providing a place to work for those who want to work in rural areas, and we plan to further increase these bases and focus on recruitment in rural areas.

In terms of training, OJT is centered on instructing and educating sub-leaders, mid-career employees, and young employees in the process of promoting projects led by leaders.

When human resources are developed through one project, the leader would then launch another new project and repeat the cycle of guiding and educating the sub-leaders and their teams.

Our company's policy is to stay on top of the trends in new markets and technologies, and to allocate human resources accordingly by investing firmly even if they do not immediately become profitable.

In addition, we would like to further back up the acquisition of various IT-related qualifications as a company.

Regarding the prevention of resignation of employees, we are working to lower the staff turnover by increasing their base salaries and leveraging the strengths of the in-house company system to promote communication among employees in a smaller organizational structure.

Q. Please tell us your company's current situation and future goals for diversity, such as female employees.

Currently about 20% of our workforce is female. In the operation support field, there's one female for every 2 male employees, but in the embedded solutions business, the ratio of men is overwhelmingly high as equipment development is their focus.

We recognize that it is necessary to further promote the creation of a comfortable working environment for women in consideration of

childbirth and childcare, and we are looking to increase the number of female managers so that the ratio is the same as the ratio of female employees.

Q. Moving on, what are your views on environmental issues?

We believe that the software development industry like ours seldom engage in activities that have environmentally significant impact such as CO₂ emissions. Nevertheless, we are starting with what we can, such as promoting energy saving and paperless operations. Also, our electronic contract outsourcing service "DD-CONNECT" contributes to the promotion of paperless operations for our customers.

We do not disclose the impact of climate change-related risks and earnings opportunities on our business activities and earnings based on the TCFD or an equivalent framework because we have not yet been able to sufficiently collect and analyze the necessary data. In the future, we will positively consider this matter as necessary.

Q. Please tell us your thoughts and initiatives regarding corporate governance.

At our company, more than 1/3 of the Board of Directors is composed of external directors, and we have been working to build a system for making transparent and fair decisions, by appointing female directors from September 2021, etc.

● Future growth strategies

Q. I would like to ask about your Vision for 2030 and the new medium-term management plan announced in August 2021. Please tell us your visions and important initiatives to achieve these visions.

To grow continuously, "two-axis growth" is essential.

This means we will work to gain the trust of customers and steadily grow our existing businesses: the Business Solutions Unit and the Embedded Solutions. In addition, we will continue working to raise awareness and increase the composition of sales of our in-house products.

Right now, the demand for IT is very strong, so competition with other companies in our industry is not that fierce, but we never know what might happen in the future. Looking ahead to 2030 and 10 years from now, we believe that the biggest challenge/goal is to build a DIT brand that customers can trust and choose, in other words, a situation where "it is okay to ask DIT" or "I want to ask DIT" even if IT demand falls.

We aim to realize our visions through the following three steps.

Under the current new medium-term management plan, we will first accumulate business strength by promoting the creation of a company and a structure that will enable continuous growth by the FY ending June 2024.

Next, we aim to establish our business style by the FY ending June 2027 and put our overall business on a growth trajectory.

By the FY ending June 2030, we will establish the DIT brand that our stakeholders continue to trust and choose.

● Other risks and issues

Q. I think that there are some resources and issues that are currently lacking for realizing the future goals you are aiming for. Tell us what you recognize as issues and how you will tackle them.

Our biggest challenge is how to secure the resources to meet the needs. In other words, it is about whether we can secure core human resources, and if the leadership can soundly manage them to build up a team structure.

As for the leadership, we have many high-level human resources as we have been in business for 40 years, but it is essential to secure human resources below this level so that we can form teams to respond to a larger number of customers.

To this end, in addition to strengthening human resource recruitment as mentioned earlier, securing human resources through M&A is also an important method. In June 2022, we acquired simplism inc. with about 80 employees, and we are poised to take on the challenge of larger-scale M&A in the future.

Regarding environmental issues, as mentioned above, we recognize that we have a responsibility to respond to the TCFD as a prime listed company, including organizing related data.

● **Message to stakeholders**

Q. Thank you for kindly mentioning your thoughts. To wrap it up, please give a message to your stakeholders.

Today we live in the world with major issues such as the global environmental problems including climate change, and the population decline, aging society, and lower growth rates in Japan. Naturally if the companies want to continue operating, there is no way we can remain indifferent to these issues.

We are looking to contribute to finding the solutions for these social issues by utilizing IT, our specialty, and at the same time identify business opportunities there for our sustainable growth.

In addition to business performances, we are committed to placing importance on ESG initiatives, and strive to improve corporate value by establishing the DIT brand that our stakeholders would continue to trust and choose. We look forward to your continued guidance and support.

3. Issues, Materiality, and Measures

Digital Information Technologies Corporation currently recognizes the following obstacles and material issues.

Interviews with external parties were also conducted in selecting material issues.

Issues	Material issues
Environment	Fostering the awareness of environmental issues
Social capital	Customer privacy and data protection
	Contribution to local communities
Human capital	Fostering employee job satisfaction, and implementing personnel training and development programs
	Health and safety of employees
	Diversity and participation of employees
Business models and innovation	Initiatives and innovations to enhance competitiveness
	Supply chain management
Risk management and governance	Improvement of the corporate governance structure
	Risk management

*Produced based on the "Materiality Finder" and other information presented by the Value Reporting Foundation (VRF).

[3-1 Material issues in "environmental" issues]

◎ Fostering the awareness of environmental issues

(1) Recognition

The following environmental issues are recognized:

◎ Recognition

In aiming for a sustainable society, the resolution of climate change for global environmental conservation is an issue of international importance.

The Paris Agreement in 2015 set the two global long-term goals: "To keep the global average temperature increase well below 2°C from pre-industrial levels and at 1.5°C" and "to achieve a balance between global greenhouse gas (GHG) emissions and absorption in the second half of the 21st century by making GHG emissions peak out." Ratifying the Paris Agreement, the Japanese government declared the goals of "reducing GHG emissions by 46% from the level in 2013 by 2030" and "achieving carbon neutrality by 2050."

The transition to a decarbonized society is an important issue that we must responsibly address as we seek to contribute to a sustainable society through appropriate corporate management and the introduction of original products to customers.

◎ Response

In the Corporate Governance Report (updated on October 13, 2022) <Supplementary Principle 3-1-3>, regarding the impact of climate change-related risks and revenue opportunities on the company's business activities, earnings, etc., the company states that "We have yet to sufficiently collect and analyze necessary data and are therefore unable to make disclosures under the TCFD or equivalent framework. We will proactively discuss this issue, as necessary."

(2) Current Status and Initiatives

◎ Grasping GHG emissions

Carbon dioxide emissions were calculated for the first time based on electricity consumption at the head office.

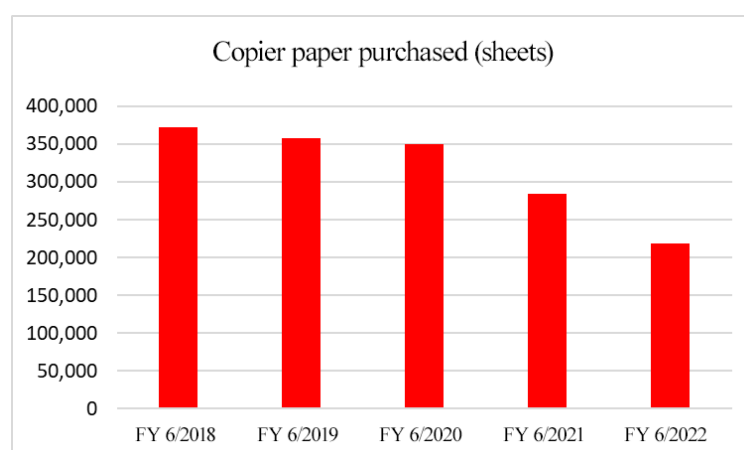
The company will continue to monitor GHG emissions and discuss initiatives to reduce them.

	Fiscal year ended June 2022
Electricity consumption (A)	239,145 kWh
Emission factor (B)	0.000433
CO ₂ emissions (A x B = C)	103.55t-CO ₂
Net sales (D)	16.1 billion yen
Number of employees (E)	1,089
CO ₂ emissions per unit of net sales (C ÷ D)	0.64 t/100 million yen
CO ₂ emissions per employee (C ÷ E)	0.10 t/employee

◎ Promotion of paperless operations

The company will identify items that are unnecessary and that can be converted into data, mainly in back-office departments. A paperless system is being developed to the greatest extent possible.

The annual purchase amount of copier paper is decreasing, and the use of the company's services, such as DD-CONNECT, an electronic contract outsourcing service, is also contributing to the promotion of paperless operations at companies that have adopted the service.



(Prepared by Investment Bridge Co., Ltd. based on data obtained from the company)

◎ Engagement with building management companies as tenants

The company believes that the awareness of electricity usage and GHG emissions is also important for its office tenants, and has interviewed all of them regarding their GHG emissions reduction targets and measures, and has received the following responses:

Reduction targets	<p>* In accordance with energy consumption reduction targets, the short-term target is to reduce energy consumption by 1% annually.</p> <p>* In accordance with energy consumption reduction targets, the medium- to long-term target is a 5% reduction in energy consumption over a five-year period from 2021 to 2025.</p>
Initiatives	<p>[Initiatives as a building owner]</p> <p>Conversion to LED lighting in common areas</p> <p>* Plans to upgrade air-conditioning equipment</p> <p>[Approaches to tenants]</p> <p>*To attach a detailed statement of electricity consumption to monthly bills and call for power-saving.</p>
Use of renewable energy	No renewable energy sources are currently utilized.

(As of October 31, 2022)

◎ Other things to note

Appropriate room temperature control and electricity conservation (e.g., turning off lights when spaces are not in use) in offices are thoroughly promoted.

[3-2 Material issues to be addressed in "SOC" issues]

(1) Customers' privacy and data protection

In order to comply with laws, regulations, and other standards related to the protection of personal information, we have established rules and systems based on characteristics of the information service industry, which handles a large volume of diverse information, including personal data, and are striving to implement and operate them appropriately.

Accordingly, the company has established a personal information protection policy consisting of the "Notice on Handling of Personal Information (Acquisition, Use, and Provision)" and "Basic Policies on the Proper Handling of Personal Identification Number and Specified Personal Information," and declares that it will implement and maintain this policy.

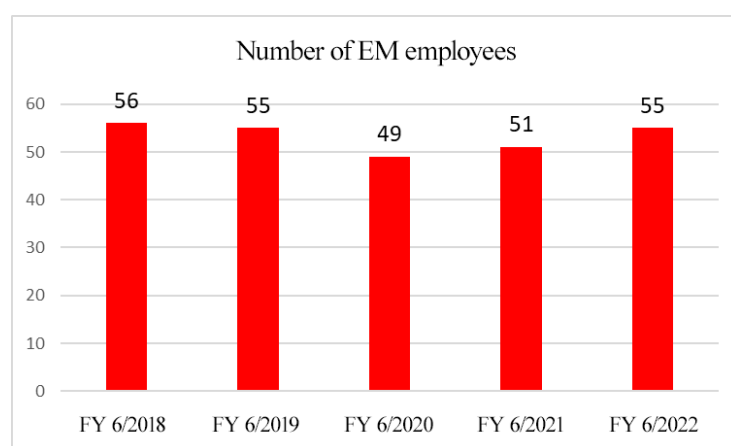
The company obtained the Privacy Mark in April 2007.

(2) Contribution to local communities

In April 2013, Ehime Company, which offers business solutions and sells computers, was established in Ehime, the founder's home prefecture.

The company employs mainly new graduates from the Shikoku region and has 55 employees as of the end of June 2022.

The company has built strong relationships over a long period of time with Matsuyama University, local vocational schools, etc.



(Prepared by Investment Bridge Co., Ltd. based on data obtained from the company)

The company sponsors J-League affiliated soccer teams, Ehime FC and Ehime FC Ladies as it shares the corporate philosophy of Ehime FC Co., Ltd., which operates Ehime FC, a J-League soccer team: "contributing to the revitalization of the local economy" and "disseminating information about Ehime throughout Japan through soccer."

[3-3 Material issues in "human capital" issues]

The company's role set in its corporate philosophy is to "train" its employees, and it considers the improvement of its employees' technical skills and competencies (individual abilities and behavioral traits that create outstanding results) to be an essential part of its business.

Based on this, the medium-term management plan sets "strengthening management foundations" as a basic strategy, with the development of "human resources" as a key measure to increase and train employees, who are the company's assets. The company will actively recruit new graduates and mid-career workers, expand and systematize its education and training programs, and promote the expansion of the system for rewarding the acquisition of qualifications (e.g. project management, cloud computing, and ERP qualifications).

In addition, the company supports voluntary club activities (the running club, the futsal club, the basketball club, etc.) and extracurricular activities (*ONE DIT). They will continue to provide more opportunities to "train" all employees to enhance their engagement in the company moving forward.

*ONE DIT

A community of employees working in each company who have the will to take on new challenges and the hope for change, but whose opinions have been left unnoticed, to connect with other like-minded employees to uncover and realize their hopes.

(1) Fostering employee awareness and job satisfaction, education and development programs

① Education and development programs

The following training programs are in effect to "enhance human capital."

◎ Training for new employees

Pre-employment training is provided from October to February for employees who have been offered a position on April 1 of the following year to acquire basic programming and PC operation skills, business manners, etc. (Each employee is required to acquire knowledge through publications, training assignments, reference material distributed, etc.).

After commencing work in April, employees will undergo group training in April and May.

President Ichikawa as well as the presidents of each company will serve as lecturers to explain "what kind of Company DIT is" in terms of vision, social raison d'être, future vision, and the roles and business activities of each company.

Based on the pre-employment training, the program aims for full-scale acquisition of business expertise, including computer languages such as Java and C, and familiarity with IT infrastructure.

In June, they will be assigned to their respective companies and learn their jobs through on-the-job (OJT) training under the guidance of OJT trainers in accordance with the curriculum of each company.

In February of the following year, each company conducts a presentation of their OJT training, where each participant confirms what they have attained up to that point, and sets goals and challenges for their subsequent growth.

The company will closely supervise its employees fresh out of college over a period of one year and five months, starting with pre-employment training, to ensure that they will become a competitive force.

◎Annual training goals

Training: 1 st year	Employees will gain an understanding of the IT industry and clarify their individual missions in the IT industry.
Training: 2 nd year	Upon gaining some experience, employees will reflect on their paths for personal growth and career development.
Training: 3 rd year	Subordinates will be assigned to them, and some may become OJT trainers. They will learn how to apply good communication skills to carry out projects.

In the fifth year, leadership training at the beginner level will be conducted. Participants are not limited to fifth-year employees, but it can be attended by any motivated employees who have worked for the company for around 5 years. Through this training, they will acquire project management skills in earnest.

Leadership training at the intermediate level for employees with approximately 10 years of experience (managers, department heads, general managers, and employees advancing to such positions) will cover multiple project management topics.

Moving forward, the company plans to conduct leadership training at the senior level for company presidents and general managers of business divisions to develop executives capable of leading in accordance to changing times.

(2) Health and safety of employees

① Promotion of health-oriented management

The first principle in their corporate philosophy is "customer-driven," and they believe in the importance of accurately identifying customer needs, industry and market trends, and combining them with the technical areas in which they excel to make proposals that will increase the value of their customers' businesses.

To this end, a work environment in which employees can engage in their work with a sense of physical and mental health as well as fulfillment is necessary. The company therefore monitors the health of its employees constantly, while striving to improve the work environment.

Health management initiatives include alerts that is provided to curb long working hours, corrective instructions, and mandatory medical exams, as well as paid vacation days to encourage employees to take time off with ease.

② Mental healthcare

All employees are surveyed once a year to ascertain the state of their mental health.

A consultation service has been established for employees who are experiencing mental health difficulties, and the Human Resources Planning Department provides detailed follow-up services, such as conducting interviews.

③ Harassment prevention

In addition to holding seminars and training sessions on harassment at each company to raise awareness of harassment prevention, the company conducts a questionnaire survey of all employees twice a year to ascertain the status of harassment within the companies.

The company then discusses problematic cases with its labor advisors, interviews the subject employees to verify the situation, and provides guidance.

Decisions made by the Disciplinary Committee will be disclosed with details inside the company.

By understanding the relevant information and taking appropriate action, including disclosure, they are decreasing problematic cases.

④ Development and enforcement of internal regulations in compliance with labor-related laws and regulations, such as the Labor Standards Law

The company develops and operates internal regulations in compliance with labor-related laws and regulations.

(3) Diversity and participation of employees

Even before the promotion of diversity started, the company promoted employees with proven performance records to managerial positions of responsibility, regardless of age or gender, and created an environment and system that facilitates comfortable working conditions for women.

Going forward, the company will continue to promote the creation of a comfortable working environment by incorporating a variety of working styles to suit the various circumstances of its employees, such as telework and shorter working hours for childcare, as well as the inclusion of senior employees and gender equality.

*** Promotion of women**

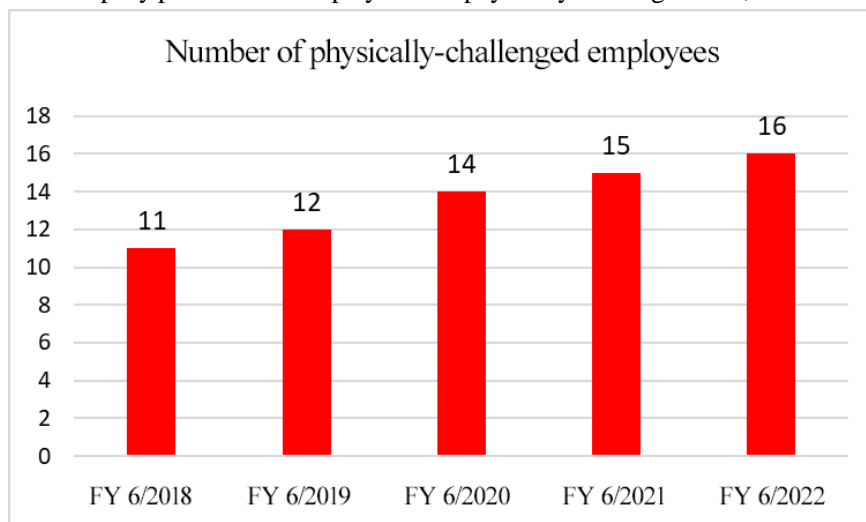
As of June 30, 2022, there are 13 female managers, accounting for 9.8% of the total number of managers. Moving forward, the company will continue to actively promote capable women to management positions, aiming to increase the ratio of women in management positions to 20%.

*** Employment of foreign nationals**

The recruitment of foreign nationals has primarily focused on new graduates, with 8 such employees as of June 30, 2022, accounting for less than 1% of the total number of employees. They will continue to actively recruit competent personnel, both new graduates as well as mid-career workers.

*** Promotion of the employment of physically-challenged people**

The company promotes the employment of physically challenged ones, and such employees are increasing year by year.



【3-4 Material issues in “Business models & innovation” issues】

(1) Initiatives and innovation for strengthening competitiveness

<Enhancement of human capital>

While recognizing that the most important issue is to strengthen human capital, we engage in recruitment, training, and prevention of resignation of personnel.

For recruitment, they are enhancing the activities for recruiting mainly new graduates with the aim of recruiting about 100 people every term.

In addition to securing personnel by utilizing local bases, they will secure and strengthen resources through M&A.

Regarding personnel development, they mainly promote OJT in which leaders instruct and educate subleaders, mid-career workers, and young staff while proceeding with projects, in addition to the above-mentioned training system.

They will pursue new market and technological trends, conduct investments, and allocate personnel to them.

They will strive to raise the level of corporate performance and support employees in acquiring qualifications related to IT.

Regarding the prevention of resignation, they will strive to raise basic salaries and facilitate communication among employees inside a compact organizational structure by utilizing the merits of the in-house company system, to reduce the turnover rate of employees.

<Enhancement of intellectual property>

The basic policy set in the mid-term management plan is to “enhance product competitiveness.” They will promote the investment in intellectual property, including R&D and patents, by continuously developing products that meet the needs of the times.

(2) Management of the supply chain

When choosing affiliated enterprises, which are important stakeholders, they enact management regulations, criteria and processes for selection, etc. for protecting confidentiality, observing security rules, conducting security audits, and eradicating antisocial forces, and make efforts to comply with laws and regulations for information security and so on. It has concluded a contract with about 250 companies so far.

In addition, the partnership promotion division checks the situations of transactions, to prevent the abuse of their superior bargaining

position at the time of outsourcing, which is mentioned in the Anti-Monopoly Act.

Furthermore, the company has prepared communication opportunities for sharing the corporate ethos and Vision for 2030 with sales partners in the original product business and alliance partners in each business, in parallel with business expansion.

【3-5 Material issues in the “Risk Management and Governance” Issues】

(1) Corporate Governance

<Basic Approach>

“Our company recognizes that the most important management issue is to comply with laws and regulations, to ensure transparency in management and enhance our corporate value in a sound and continuous manner.

In order to address this issue and fulfill our social responsibility toward our shareholders and other stakeholders, we have established the following corporate governance system. Moreover, we believe that it is important to further strengthen this system in the future, review its functions on a regular basis, and implement necessary measures.”

<Overview of the Corporate Governance System and Reason for Adopting the System>

The company has adopted a company-with-auditors system.

The Board of Directors has a management decision-making function and a function to manage and supervise the execution of operations by executive officers and others, and they thereby have a management structure that enables us to improve management efficiency and make accurate and strategic management decisions. Moreover, in order to ensure the sound supervision of the Board of Directors, they appoint 4 outside directors, and 2 out of 3 corporate auditors are outside auditors.

Outside directors have functions to make accurate recommendations to the Board of Directors and perform supervision based on their insight accumulated through many years of corporate management, etc. Furthermore, each of outside auditors has a high level of expertise, and performs accurate management supervision from their professional perspectives. In addition, all 6 outside directors and outside auditors have no personal, capital, business, or other interest in the company that would cause a conflict of interest with the company’s general shareholders, and has been designated as an independent executive in accordance with the regulations set forth by the Tokyo Stock Exchange, and have notified the TSE of their designations.

The company has established adequate corporate governance through these systems.

◎Corporate Governance Report

Updated: October 13, 2022

<Reason for Non-Compliance with the Principles of the Corporate Governance Code>

Principles	Disclosure Contents
<Supplementary Principle 3-1-3>	<p>(1) Sustainability Initiatives</p> <p>We will set out business activities in consideration of environmental issues, as well as environment activities and activities for individuals in the DIT Group Code of Conduct, to earnestly address environmental issues, and at the same time, we will strive to gain public understanding on our business activities.</p> <p>As stated in the medium-term management plan, we will enhance employee benefits, promote diversity by appointing women to management positions, etc., and conduct appropriate business management with an emphasis on governance. We will also promote a comfortable and safe Internet society and the improvement of productivity in society, through the introduction of our in-house products and services, including security products and products related to work style reform, and strive to achieve both environmental and social contributions as well as company growth.</p> <p>(2) Investment in human capital and intellectual properties, etc.</p> <p>① Investment in human capital</p> <p>In the medium-term management plan, we have set our basic strategy to “strengthen the management foundation,” and our key measure to create “human assets” to increase the number of employees and develop them as our company’s assets.</p> <p>We will actively recruit new graduates and mid-career workers, improve and systematize</p>

	<p>educational and training programs, and improve the qualification rewarding program.</p> <p>② Investment in intellectual property We follow our basic strategy set forth in the medium-term management plan to “strengthen product competitiveness, and will carry out investment in R&D, patents, and other intellectual property by continuously working on product development that meets the needs of the times.</p> <p>(3) Impact of climate change-related risks and revenue opportunities on our company’s business activities, earnings, etc. We have not been able to collect and analyze sufficient data on the impact of climate change-related risks and revenue opportunities on company’s business activities, earnings, etc. Therefore, we are not able to make disclosures based on the TCFD or an equivalent framework. We will study this matter in the future when necessary.</p>
<Supplementary Principle 4-1-3>	Satoshi Ishikawa, current President and CEO of our company, assumed the position of President, which is Chief Executive Officer, on July 1, 2018. In the future, the Board of Directors will consult with the Nomination and Compensation Committee, a voluntary advisory body of the Board of Directors, with regard to the guidelines for the succession plan and contingency plans for our company, and will consider such matters based on the report from the Committee.
<Supplementary Principle 4-2-1>	The Board of Directors will consult with the Nomination and Compensation Committee, a voluntary advisory body of the Board of Directors, with regard to policies and procedures for compensation for directors, and consider such matters based on the report from the Committee. Moreover, with regard to the design of a new compensation system including compensation linked to the medium/long-term business performance, the Board of Directors will consult with the Nomination and Compensation Committee and will consider the matter based on the report from the Committee.

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

Principles	Disclosure Contents
<Principle 1-4>	<p><Policy and approach concerning reduction of strategically held shares> When we can expect to gain a synergetic effect with our important stakeholders including business partners and business alliance partners, we will strategically hold shares of such companies, based on our company’s basic approach of striving for sustainable growth and the medium/long-term enhancement of corporate value, while maintaining coexistence and co-prosperity with our stakeholders.</p> <p>When acquiring new shares, we will clarify the purpose of the acquisition, and periodically examine the status of the transaction, etc. following the acquisition. If we determine that the acquisition is not expected to contribute to the enhancement of corporate value over the medium to long term, we may reduce the number of shares by sale or other method.</p> <p><Details of review of appropriateness of strategically held shares> The Board of Directors reviews the appropriateness of the strategic shareholding once a year by examining the contribution to the enhancement of corporate value over the medium to long term, and confirms the appropriateness of continuous ownership of such shares.</p> <p><Criteria for exercise of voting rights pertaining to strategically held shares> Upon exercising voting rights pertaining to strategically held shares, we will determine whether to approve or disapprove proposals after we carefully examine each proposal individually to determine whether there is any possibility of damaging our company’s corporate value.</p>
<Supplementary Principle 2-4-1>	1. To ensure diversity in the appointment of core personnel, etc., the DIT Group Code of Conduct stipulates that there will be no discrimination based on gender, age, place of birth, nationality, race,

	<p>ethnicity, etc., and that human rights will be respected.</p> <p>The current status and future goals for ensuring diversity in the appointment of core personnel are as follows.</p> <p>① Appointment of women: As of June 30, 2022, there are 13 female managers in our company, accounting for 9.8% of all management positions.</p> <p>We will continue to actively promote competent women to management positions, aiming to increase the ratio of women in management positions to 20%.</p> <p>② Appointment of mid-career hires to management positions: We do not set any specific targets on this for the future, as the company always has a large number of mid-career hires and the ratio of mid-career hires in management positions has already been just under 70%.</p> <p>③ Appointment of foreign nationals: We have been hiring foreign nationals mainly as new graduates, however, as of June 30, 2022, we have 8 non-Japanese employees, accounting for less than 1%. We will continue to actively recruit competent personnel, both new graduates and mid-career workers.</p> <p>2. As our policy for ensuring diversity is stated in the medium-term management plan as well, we will strive to create a “structure” including organizations and systems to be a strong company, create an “environment” where employees can work with satisfaction, and create “human assets” to increase the number of employees and develop them as assets of our company, as measures to strengthen the management foundation to enhance corporate value over the medium to long term.</p>
<p><Supplementary Principle 4-11-1></p>	<p>In deciding on candidates for the Board of Directors, our company selects candidates with outstanding knowledge, such as those who can demonstrate strength in the management of their respective business area and those who are fit for business management. For outside directors, we select those who have extensive experience and a high level of expertise as corporate operators, and we have established a system that takes into consideration the balance and diversity in the Board of Directors as a whole to ensure the effectiveness of the Board of Directors.</p> <p>Furthermore, our company’s Board of Corporate Auditors consists of 1 full-time corporate auditor and 2 independent outside corporate auditors, and we select those who have a high level of expertise (in legal and accounting) to ensure the effectiveness of the Board of Corporate Auditors. In addition, we ensure that our system can conduct audit adequately, by working closely with comptrollers.</p> <p>With regard to the effectiveness of the Board of Directors, our company strives to improve its functions by analyzing and evaluating them on a regular basis, with the support of outside professional organizations.</p> <p>* For the skill matrix diagram, please refer to page 12 of our company’s Notice of Convocation.</p>
<p><Principle 5-1></p>	<p>Regarding dialogue with shareholders, our President leads the efforts to achieve constructive dialogue through cooperation among relevant departments.</p> <p>Moreover, as part of our efforts to enhance means of dialogue other than individual meetings, we hold semi-annual financial results briefings for analysts and institutional investors, and our Corporate Planning Department actively accepts IR interviews from investors through meetings and phone calls.</p> <p>As a measure to provide appropriate and effective feedback to the senior management and the Board of Directors on shareholders’ opinions and concerns identified in dialogue, questions raised at financial results briefings and opinions from shareholders and investors are reported to the senior management on a regular basis to be utilized for management.</p> <p>For measures concerning insider information management, we appropriately manage insider information in accordance with internal rules when engaging in dialogue with shareholders and investors.</p>

(2) Risk Management System

① Risk Management and Responses

Based on the risk management regulations, the system is developed and operated with the aim of enabling accurate management and practice of management risks surrounding the business.

We have established a Risk Management Committee during normal times, and in the event of a crisis, we have set up an Emergency Response Headquarters to develop and operate a system to minimize losses and disadvantages.

Moreover, in addition to taking measures against attacks by anti-social forces in accordance with the Guidelines for Dealing with Antisocial Forces, the company has established compliance rules and a code of conduct, and has established and been operating a system for executives and employees to practice behavior that complies with laws and regulations, the Articles of Incorporation, and social norms.

For legal risks, we have established a management system, receiving timely advice from legal counsel and so on.

② Compliance

The company declares the following compliance management.

The DIT Group regards the establishment of compliance management as one of its most important tasks in order to fulfill their social responsibility as a corporation. They have established a code of conduct and action guidelines, and have been engaged in educational activities, to ensure that each and every one of employees, including executives, has high ethical standard and acts in a sensible manner. They will ensure thorough compliance with all laws and regulations and build a corporate culture that is trusted by society.

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 10,000 million yen, an operating income of 1,000 million 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 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	FY6/2021	
	Results	Results	Vs. FY6/2016
Net sales	9,341 million yen	14,444 million yen	+ 55%
Operating income	524 million yen	1,722 million yen	+ 228%
Operating profit margin	5.6%	11.9%	+ 6.3pt
ROE	19.6%	29.2%	+ 9.6pt

(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.

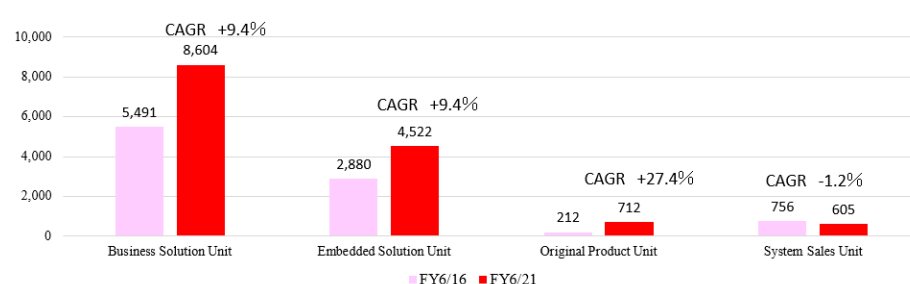
(Results in each business domain)

The business solutions unit and embedded solutions 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	<ul style="list-style-type: none"> -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
Steady growth of the original product unit	<ul style="list-style-type: none"> -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	<ul style="list-style-type: none"> -Focused on and expanded operations that were less affected by the novel coronavirus (operation 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	<ul style="list-style-type: none"> -Matsuyama (Ehime Company), a regional base, strengthened and turned profitable
Decline of the system sales business	<ul style="list-style-type: none"> -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	<ul style="list-style-type: none"> -Dealt with the expansion of the scale of entrusted projects through collaboration among group companies
Increase of collaborating companies	<ul style="list-style-type: none"> -Increased collaborating companies in various fields, including Daiko Denshi Tsushin, Ltd.
M&A unrealized	<ul style="list-style-type: none"> -The company was prepared, but no parties who would exert synergies were found
Dividend policy	<ul style="list-style-type: none"> -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 operation support and embedded system 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.

Vision for 2030: DIT's Future Vision and Initiatives

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

(Taken from company data)

(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 50,000 million yen.

	FY 6/2021	FY 6/2030	
		Organic Growth	New Business, M&A, etc.
Sales	14,400 million yen	30,000 million yen or more (+8.5%)	50,000 million yen or more (+14.8%)
Operating Income	1,720 million yen	4,000 million yen or more (+9.8%)	5,000 million 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).

(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 solutions unit and the embedded solutions unit:

*Business Solutions 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 Solutions 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 system verification to improve quality and expand business.
4	Creation of solutions to develop new customers in their specialty area of IoT.

“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.

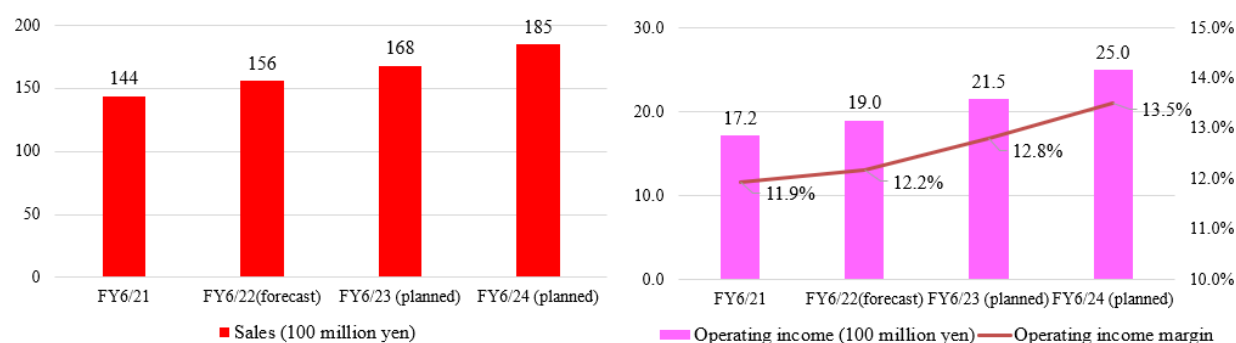
(Management targets)

They aim to achieve sales of 18,500 million yen and an operating income of 2,500 million 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 6/21 (actual)	FY 6/22 (forecast)	FY 6/23 (planned)	FY 6/24 (planned)	CAGR
Sales	144	1	168	185	+8.7%
Operating Income	17.2	20.0	21.5	25.0	+13.3%
Operating Income Margin	11.9%	12.5%	12.8%	13.5%	-
ROE	29.2%	28.6%	Maintain 20% or higher		-
Dividend Payout Ratio	30% or higher	42.7%	35.4%	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. Financial and Non-financial Data

(1) Financial data

◎BS/PL

	FY 6/2018	FY 6/2019	FY 6/2020	FY 6/2021	FY 6/2022
Sales	11,076	12,355	13,495	14,444	16,156
Ordinary Income	790	1,106	1,357	1,730	2,004
Net Income	531	737	978	1,196	1,439
EPS [yen]	34.57	48.07	64.18	78.47	94.38
ROE [%]	21.1	26.5	29.6	29.2	28.6
Total assets	4,083	4,655	5,364	6,338	7,681
Net assets	2,621	2,947	3,660	4,526	5,552
Capital-to-asset ratio [%]	64.2	63.3	68.2	70.9	72.3

*Unit: million yen. Net income means profit attributable to owners of parent.

◎CF

	FY 6/2018	FY 6/2019	FY 6/2020	FY 6/2021	FY 6/2022
Operating CF	747	693	927	1,260	958
Investing CF	-94	-70	-80	5	-14
Free CF	653	623	846	1,266	943
Financing CF	-373	-415	-287	-334	-456
Cash and cash equivalents	1,627	1,834	2,393	3,326	3,835

*Unit: million yen.

(2) Non-financial Data

① Social capital-related data

	FY 6/2018	FY 6/2019	FY 6/2020	FY 6/2021	FY 6/2022
Number of shareholders	3,559	2,865	4,821	5,730	6,287

② Employee-related data

◎Consolidated Number of Employees

	FY 6/2018	FY 6/2019	FY 6/2020	FY 6/2021	FY 6/2022
No. of employees	908	940	982	1,016	1,089
No. of female employees	156	175	176	193	224
Ratio of female employees	17.2%	18.6%	17.9%	19.0%	20.6%
No. of managers	122	123	137	131	132
No. of female managers	9	10	11	12	13
Ratio of female managers	7.4%	8.1%	8.0%	9.2%	9.8%

<For reference>

For publishing ESG Bridge Report, the company enlisted significant cooperation from Mr. Ryohei Yanagi (PhD. in economics from Kyoto University, Executive Vice President and CFO of Eisai Co., Ltd., and a visiting professor of Graduate School of Accountancy, Waseda University).

This section mentions the purpose of publishing ESG Bridge Report and outlines the “Yanagi-Model” proposed by Mr. Yanagi, while citing a passage from his literature “CFO Policy 2nd edition.”

(1) Regarding ESG Bridge Report

While ESG investment became mainstream, investors demand that Japanese companies disclose ESG information proactively. Accordingly, an increasing number of companies produce integrated reports.

However, the production of integrated reports requires the understanding and involvement of executives, some human resources and some budgets. Accordingly, many companies still cannot produce integrated reports.

Also, for producing integrated reports, it is necessary to take many steps, including the summarization of various data, the identification of materiality, and the setting of indicators and goals. It seems that many companies are not prepared enough, so they are reluctant.

However, Mr. Yanagi mentioned, in “CFO Policy 2nd edition,” that “if Japanese enterprises shed light on their potential ESG value, their PBR will probably be at least the same level (around 2x) as that of companies in the UK” and “by actualizing Yanagi-Model, it is possible to double the value of Japanese companies, probably improving investment, employment, and pensions and maximizing national wealth, which have a high probability.” Investment Bridge Co., Ltd. considers that the provision of ESG information of Japanese companies is meaningful for the entire Japan and should be promoted actively.

Under these circumstances, for companies who deeply recognize the necessity to disclose ESG information although they still cannot produce integrated reports, our company cooperatively produces “ESG Bridge Report” based on currently available data and resources, to provide investors with ESG information as needed by investors as much as possible.

Japan Exchange Group actively encourages Japanese companies to disclose ESG information and published “Practical Handbook for ESG Disclosure.” Page 6 of this handbook mentions “We do not mean that you cannot disclose information unless all of the elements mentioned here are covered. We expect that this handbook will provide you with some clues when you start with what you can do while considering your situation for disclosing ESG information to communicate with investors and proceed with more initiatives.” We believe that “ESG Bridge Report” is a tool for “starting with what you can do for disclosing ESG information.”

Mr. Yanagi mentioned that in order to achieve full-scale Yanagi-Model, it is necessary to conduct empirical research indicating positive correlation between ESG and corporate value and disclose concrete cases in which companies’ contribution to society helps increase long-term economic value. Accordingly, the actual hurdle is high, but we would like to explicitly describe how ESG initiatives of each company lead to the improvement in corporate value.

Based on the feedback from many investors who have read our reports, we would like to improve the quality of our reports. We would appreciate your candid opinions.

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(2) Regarding “Yanagi-Model”

(Increasing value of non-financial capital, rapid increase of ESG investment, and production of a conceptual framework for connecting ESG and corporate value)

Recently, many empirical studies have verified the increase of importance of non-financial information in corporate value evaluation, and it can be inferred that invisible value (intangible assets) and non-financial capital value account for about 80% of corporate value. In addition, it can be considered, from the results of many empirical studies on the relation between non-financial information and corporate value, that ESG may be positively correlated with corporate value.

On the other hand, as ESG investment is becoming mainstream globally, Japanese enterprises, whose PBR is less than one or stagnant in many cases although they have latent ESG value, need to transform non-financial capital into future financial capital with the “Yanagi-Model” for raising PBR, or produce and disclose a conceptual framework for connecting ESG and corporate value.

(Overview of the “Yanagi-Model”)

Out of shareholder value, the book value of shareholders’ equity, which corresponds to “the part where PBR = 1,” is composed of current financial capital and financial value.

On the other hand, out of shareholder value, market value added, which corresponds to “the part where PBR exceeds 1,” is composed of non-financial capital (which can be said to be future financial capital), and the sum of current value of cash flow of equity spread (= ROE – Cost of shareholders’ equity) in the residual profit model.

Therefore, Mr. Yanagi proposed “the synchronization model of non-financial capital and equity spread” = “Yanagi-Model” as a conceptual framework for synchronizing ESG and corporate value, as a result of non-financial strategy.

In the “Yanagi-Model,” non-financial capital has a mutually complementary relation with equity spread, which is the sum of current value of residual profit through “market value added.” Namely, the value creation with equity spread is consistent in the long term because of the delay, via the creation of value of non-financial capital, including ESG, and market value added.

Therefore, ESG management can be synchronized with long-term investors, who demand capital efficiency, via market value added, and cooperation is possible.

According to Mr. Yanagi’s survey on investors for supporting the model, many investors around the world demand that “the relation between ESG and ROE values is explained” and answered that “100% or a significant proportion of the value of ESG is taken into account in PBR.” It can be considered that the “Yanagi-Model” is supported directly or indirectly by most of long-term investors.

(For details about his “Yanagi-Model,” refer to “CFO Policy 2nd edition” authored by Ryohei Yanagi, CHUOKEIZAI-SHA (2021).)

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