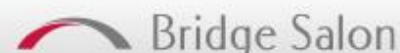


## BRIDGE REPORT



President Satoshi Ichikawa

## Digital Information Technologies Corporation (3916)



Digital Information Technologies Corporation

## President Satoshi Ichikawa

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	<a href="https://www.ditgroup.jp/english/">https://www.ditgroup.jp/english/</a>

## Stock Information

Share Price	Number of shares issued		Total Market Cap	ROE (Actual)	Trading Unit
¥1,826	15,501,820 shares		¥28,306 million	25.1%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥46.00	2.5%	¥116.00	15.7 x	¥399.61	4.6 x

\*The share price is the closing price on September 4. Each figure is from financial results for FY6/23.

## Consolidated Earnings

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (yen)	DPS (yen)
Jun. 2020 (Actual)	13,495	1,352	1,357	978	64.18	20.00
Jun. 2021 (Actual)	14,444	1,722	1,730	1,196	78.47	24.00
Jun. 2022 (Actual)	16,156	2,004	2,004	1,439	94.38	40.00
Jun. 2023 (Actual)	18,149	2,039	2,059	1,447	95.18	36.00
Jun. 2024 (Forecast)	19,500	2,500	2,500	1,734	116.00	46.00

\*Unit: million yen. The forecast is from the company. Net income is net income attributable to shareholders of the parent company. Hereinafter the same will apply. Dividends for FY6/22 include a commemorative dividend of 8.00 yen/share.

This Bridge Report introduces the earning results for the fiscal year ended June 2023, the forecast for the fiscal year June 2024 and other information of Digital Information Technologies Corporation.

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#### [<Reference 1: Vision for 2030 and New Medium-term Management Plan>](#)

#### [<Reference 2: Regarding Corporate Governance>](#)

## Key Points

- In the fiscal year ended June 2023, despite the unprofitable project, the company achieved an increase in sales and profit for the 13<sup>th</sup> consecutive year. Sales increased 12.3% year on year to 18,149 million yen. The core business, the software development business, is growing. The system sales business, too, is recovering. Operating income increased 1.8% year on year to 2,039 million yen. Although profit decreased until the third quarter (cumulative) due to the unprofitable large-scale pharmaceutical contract project in the business solution business, sales increased in all businesses, with the robust performance of the embedded solution business driving overall sales and profit. As a result, both sales and profit exceeded revised forecasts.
- For the fiscal year ending June 2024, in line with strong business trends, sales are expected to increase 7.4% year on year to 19.5 billion yen, exceeding the target of 18.5 billion yen disclosed in the Medium-term Management Plan, and operating income is forecast to rise 22.6% year on year to 2.5 billion yen. Sales and profit are expected to increase for all businesses. In the final year of the Medium-term Management Plan, the company aims to grow sales and profit for the 14<sup>th</sup> consecutive year based on the two measures set in the Medium-term Management Plan: "stabilizing the business foundation" and "strengthening growth factors."
- Regarding dividends for the fiscal year ending June 2024, as the company is making progress in building a system for posting stable profit, it will place greater emphasis on shareholder returns than ever before, and the target dividend payout ratio in the Medium-term Management Plan, which was 35% or higher until the previous fiscal year, has been changed to 40% or higher in this term. The company plans to increase the dividend amount by 10.00 yen/share from the previous fiscal year to 46.00 yen/share. The expected dividend payout ratio is 40.2%.
- In the fiscal year ended June 2023, the targets disclosed in the Medium-term Management Plan were exceeded. In line with strong business trends, the sales target for the fiscal year ending June 2024 has been revised upwardly from 18.5 billion yen to 19.5 billion yen. Additionally, the company has decided to change its target dividend payout ratio, which was 35% or higher until the fiscal year ended June 2023, to 40% or higher from the fiscal year ending June 2024.
- The company will promote investment in human capital to achieve its medium/long-term vision. The number of new graduate hires is increasing every year, with a target of 100. The company plans to continue actively promoting the appointment of diverse human resources.
- Although this was the company's largest project to date, there was almost no reputational damage associated with it becoming an unprofitable project. Although the result was disappointing, the company hopes that demonstrating future results will be a good opportunity to strengthen the project management system further. In addition, operating income margin, which fell to 11.2% in the previous fiscal year, due to the unprofitable project, is expected to recover to 12.8%, hitting a record high, in the current fiscal year ending June 2024. What we should focus on is whether the company can smoothly shift resources that were allocated to this project in a favorable order receipt environment.

- This fiscal year marks the end of the three-year Medium-term Management Plan with the theme of "promoting business structural reform," and in the next fiscal year, the company will begin a three-year Medium-term Management Plan aimed at "achieving a growth trajectory" by establishing a business style and putting the overall business on a growth trajectory. President Ichikawa believes that securing and developing human resources is the most important thing to achieve a growth trajectory, and he has implemented bold measures regarding the content of work as well as remuneration and treatment so that the staff can feel that their success at DIT is directly connected to their future. We would like to keep an eye on the future of the company, as President Ichikawa mentioned, "Rather than being content with our current excellent customer base, we will continue to grasp changes in the world, including AI, and take on challenges, viewing them as opportunities for growth."

## 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



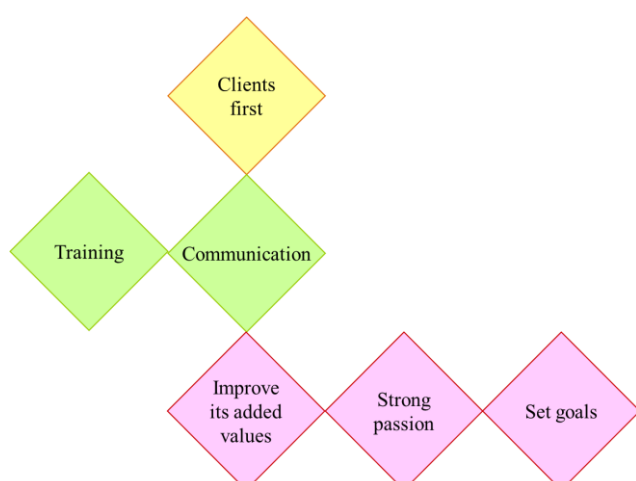
Our logo is a collection of cubes with an infinite number of stairs.

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.

## BRIDGE REPORT



(From the company's website)

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

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

### 1-3 Market environment

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

#### (1) Business Solution Unit

IT solutions that contribute to labor elimination and operational efficiency improvement, especially DX, are becoming increasingly important issues for companies, and according to a survey by Fuji Chimera Research Institute, Inc., active investment is being made in DX in every industry. The domestic DX market in 2030 is expected to expand to 5.2 trillion yen, 3.8 times the amount in fiscal year 2020.

##### ■ Domestic Market Size of DX (Size of Investment)

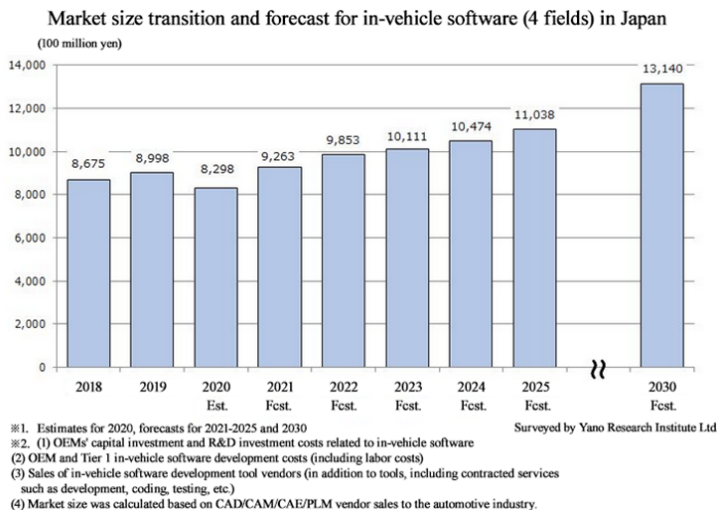
	FY2020	FY2030 Est.	Compared with FY2020
Manufacturing	1,620 <sup>100million yen</sup>	5,450 <sup>100million yen</sup>	3.4 times
Distribution/Retail	441 <sup>100million yen</sup>	2,455 <sup>100million yen</sup>	5.6 times
Finance	1,887 <sup>100million yen</sup>	6,211 <sup>100million yen</sup>	3.3 times
Medical care/nursing care	731 <sup>100million yen</sup>	2,115 <sup>100million yen</sup>	2.9 times
Transportation	2,780 <sup>100million yen</sup>	1.2740 <sup>trillion yen</sup>	4.6 times
Real Estate	220 <sup>100million yen</sup>	970 <sup>100million yen</sup>	4.4 times
Local Government	409 <sup>100million yen</sup>	4,900 <sup>100million yen</sup>	12.0 times
Social Infrastructure/Construction/Other Industries	499 <sup>100million yen</sup>	2,078 <sup>100million yen</sup>	4.2 times
Sales & Marketing	1,564 <sup>100million yen</sup>	4,500 <sup>100million yen</sup>	2.9 times
Customer Service	410 <sup>100million yen</sup>	802 <sup>100million yen</sup>	195.6 %
Communications	760 <sup>100million yen</sup>	2,290 <sup>100million yen</sup>	3.0 times
Strategy/Foundation	2,500 <sup>100million yen</sup>	7,446 <sup>100million yen</sup>	3.0 times
<b>Total</b>	1.3821 <sup>trillion yen</sup>	5.1957 <sup>trillion yen</sup>	3.8 times

(Source: Fuji Chimera Research Institute Inc. "The Future Prospects for Digital Transformation Market in 2022- Market Edition/Vendor Strategy Edition")

\*This material was provided by Digital Information Technologies Corporation and published by Investment Bridge Co., Ltd.

## (2) Embedded Solution Unit

According to the Yano Research Institute Ltd., the market for domestic in-vehicle software continued to expand until 2019, but new car sales decreased in 2020 due to COVID-19. However, after that, capital investment and R&D investment, especially for CASE (Connected, Autonomous, Shared & Service, and Electric), are expected to continue to expand, and this growth is expected to continue at an upward trend until 2030. The in-vehicle software (in the four fields) market is predicted to reach 1,103.8 billion yen in 2025 and 1,314 billion yen in 2030.



(Source "In-Vehicle Software Market Research 2020," Yano Research Institute Ltd.)

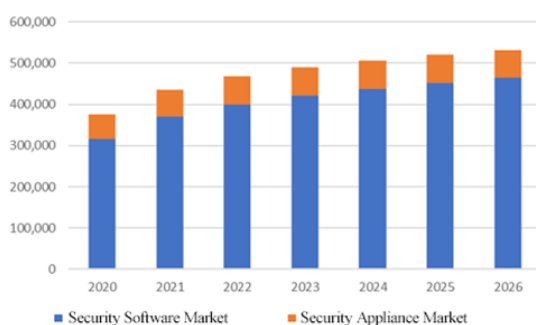
\*This material was provided by Digital Information Technologies Corporation and published by Investment Bridge Co., Ltd.

## (3) Original Product Unit

### ① WebARGUS

Due to the spread of COVID-19, corporate work styles have shifted from office work to remote working, and activities in the digital space have increased, resulting in the increase of security risks such as phishing attacks, malware infections, security breaches of corporate systems, and unauthorized ID use. International Data Corporation Japan, which specializes in IT research, estimates that the domestic security software market in 2021 was 370.3 billion yen (based on sales), up 17.2% from the previous fiscal year, and is expected to expand to 463.7 billion yen by 2026.

Domestic Information Security Products Market Forecast,  
2020-2026  
(Unit: million yen, sales value)



(Source "Latest Domestic Information Security Market Forecast, May 2022," IDC Japan K.K.)

\*This material was provided by Digital Information Technologies Corporation and published by Investment Bridge Co., Ltd.

Additionally, as cybersecurity risks increase, damage caused by ransomware is rapidly rising.

Ransomware, a word coined by combining Ransom and Software, is malware that infects a computer with a virus and makes it unusable by locking it or encrypting its files and then demands a ransom in exchange for restoring the computer.

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Every year, the Information-technology Promotion Agency, Japan (IPA) selects threat candidates from information security incidents that occurred in the previous year and are considered to have had a large impact on society and forms the “Top 10 Threats Selection Committee,” consisting of approximately 200 members including information security field researchers and business executives, which deliberates and votes on threat candidates, and then determines and announces the “Top 10 Information Security Threats.” In the “Top 10 Information Security Threats 2023,” based on the threats that occurred in 2022, “damage caused by ransomware” was ranked first in the organizational field for the third consecutive year from 2021. Thus, it is a major threat to society.

#### Information Security 10 Major Threats 2023

Previous Year Rank/Individuals	Individuals	Rank	Organization	Previous Year Rank
No.1	Exploitation of personal information through phishing	No.1	Ransomware	No.1
No.2	Online slander, libel, and falsehoods	No.2	Exploiting supply chain weaknesses	No.3
No.3	Threats and fraudulent requests for money via e-mail or SMS	No.3	Theft of confidential information through targeted attacks	No.2
No.4	Fraudulent use of credit card information	No.4	Information leakage due to internal fraud	No.5
No.5	Fraudulent use of smartphone payments	No.5	Attacks targeting new-normal work styles such as teleworking	No.4
No.7	Damage to smartphone users due to unauthorized applications	No.6	Attacks that target users before the release of fixes (zero-day attacks)	No.7
No.6	Internet fraud through false alerts	No.7	Financial damage due to business email fraud	No.8
No.8	Identity theft from Internet services	No.8	Increased exploitation following the release of vulnerability countermeasures	No.6
No.10	Unauthorized login to Internet services	No.9	Information leakage due to carelessness	No.10
Out of the list	Financial damage due to one-click billing or other fraudulent billing	No.10	Businessization of crime (underground services)	Out of the list

Out of the list: Threats not ranked last year

(From the website of the Information-technology Promotion Agency, Japan (IPA))

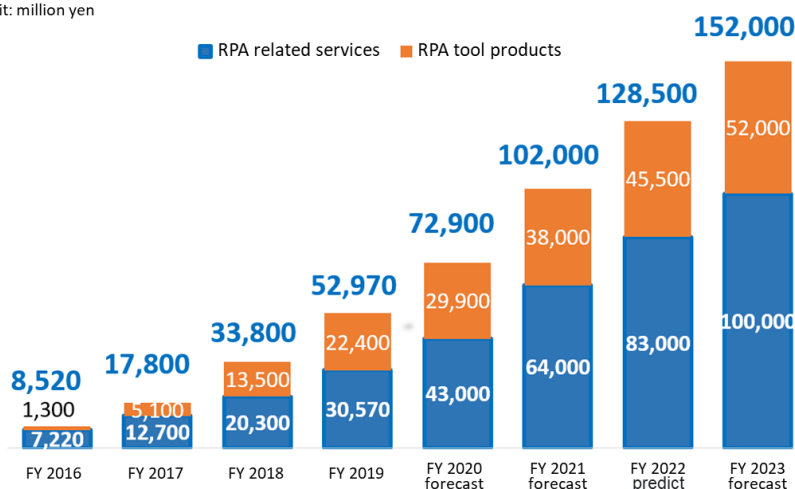
## ② xoBlos

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

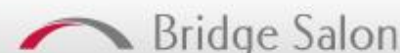
Note 2. Forecast figures for FY2020 and after

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 Digital Information Technologies Corporation based on Yano Research Institute Ltd. "2021 RPA Market Status and Prospects")



## BRIDGE REPORT

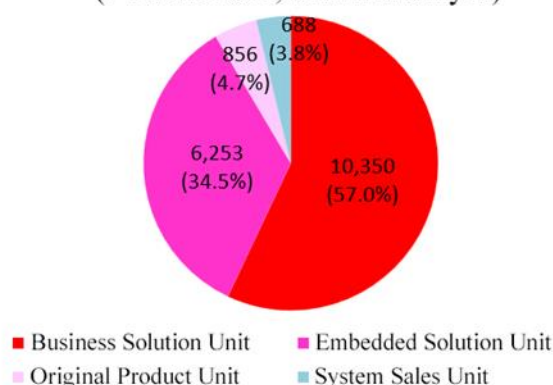


## 1-4 Business Description

### 1. Segments

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

Sales by Business Unit  
(FY June 2023, unit: million yen)



### (1) Software Development Business

#### ① Business Solution Unit

##### (Business system development unit)

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

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

##### (Operation support unit)

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

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

Specific business includes:

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

#### ② Embedded Solution Unit

##### (Embedded product development unit)

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

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

### (Embedded product verification unit)

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

### ③Original Product Unit

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 system security solution, which detects tampered website simultaneously as it occurs and instantly restores the original normal condition, “**xoBlos**,” an Excel work innovation platform, which features data decomposition and restoration as well as meeting various forms of data business processing needs, “**DD-CONNECT**,” electronic contract outsourcing service, DD-CONNECT, etc.

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

### (2) System Sales Business

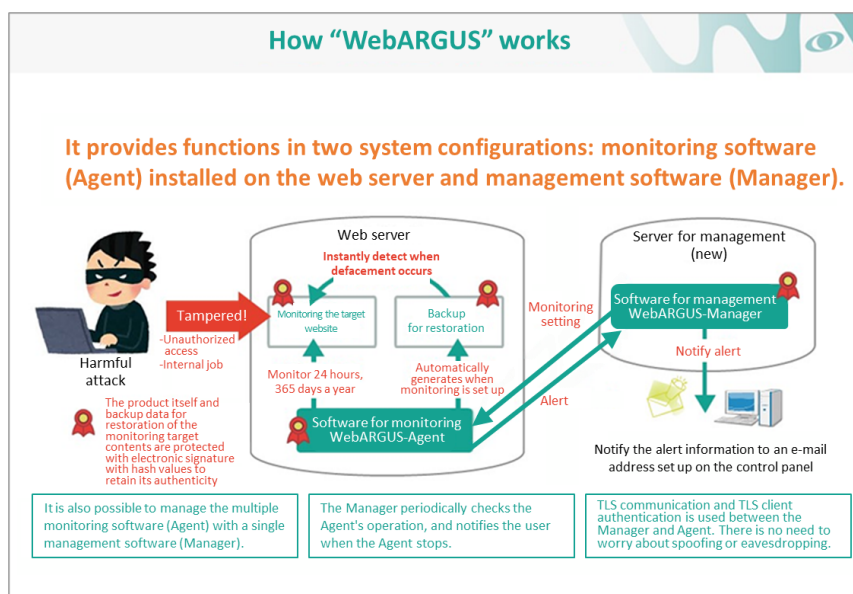
The company and its subsidiary, DIT Marketing Service Co., Ltd., sell “**Rakuichi**,” a business support mission-critical system, for small and medium enterprises, manufactured by Casio Computer Co., Ltd.

The sales area is started at Kanagawa first and expanded to Tokyo, Chiba, Gunma and Ehime successively. The Company provides substantial support for their users to increase the client retention rate. In addition, they set up a call center to attract and build a new client base. The number of sales for “Rakuichi” has been recorded to be the highest across all agencies for 18 consecutive years.

## 2. Main Strategic Products

### (1) "WebARGUS," a server security solution

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



(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 system 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 server is less than 1% while it is monitoring on a regular mode.
Equipped with preservation of evidence function which stores the tampered files as evidence.

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

On the other hand, if “WebARGUS” is installed, because it instantly detects and restores websites when tampered with, the condition of a system 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, the Ministry of Economy, Trade and Industry added "establishing mechanisms to respond to cybersecurity risks related to 'detection of attacks' and 'recovery'" as new important items in the revised points of the "Cybersecurity Management Guidelines" announced on November 16, 2017. Furthermore, there is a strong demand for stable operation of servers that support core business and business infrastructure in BCP (Business Continuity Planning) and BCRP (Business Continuity and Resiliency Planning) in recent years, and as a result, business inquiries about such mechanisms have increased even 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 systems 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 With-Secure Corporation, a Finnish cyber security company, in June 2018. The company established a total security provision system using the complementary relationship between With-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 actively.

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: WebARGUS for Ransomware

A rapidly increasing number of people suffer from ransomware.

In this situation, the company released the Intel 64 version of "WebARGUS for Ransomware," in November 2022, followed by the ARM64 version in January 2023 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.

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As there are many command patterns of ransomware, “WebARGUS for Ransomware Protection (provisional name)” can block about 30 command patterns. The company believes that there is no other product of its kind with such a wide range of control patterns. By combining it with the conventional “WebARGUS,” it is possible to establish stronger server-side security.

First, the company announced to existing “WebARGUS” users, especially the current enterprise version users, that the data protection function has been added to the product, and the introduction of the product as a replacement for the existing “WebARGUS” has begun. The final installation of functions will be completed by the end of this fiscal year, and full-scale deployment is scheduled to begin in the next fiscal year.

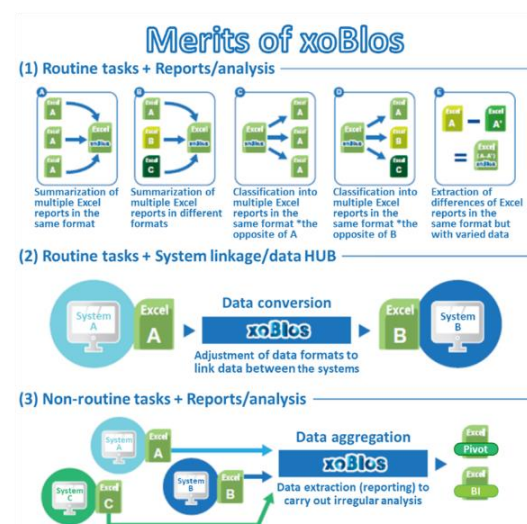
Full-scale rollout will begin in the current fiscal year ending June 2024.



(From the company's website)

## (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.



(From the company's website)

### 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.

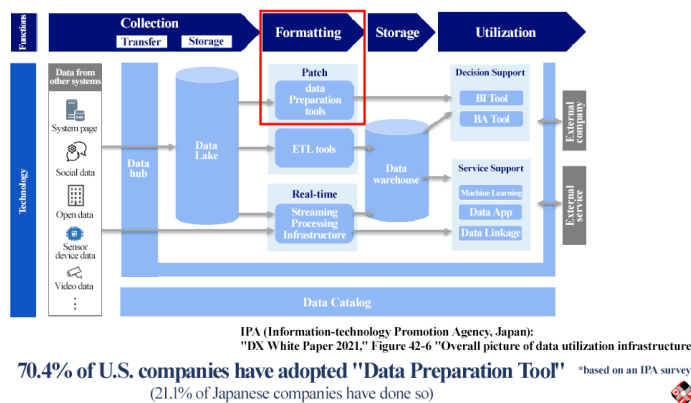
In addition, the company has recently clearly introduced the concept of an "Excel®-type data preparation tool."

"Data Preparation Tool" is a tool that enables both IT department and business department users to easily and quickly confirm and format data. While about 70% of companies in the U.S. have adopted this tool, only 20% of companies in Japan have done so.

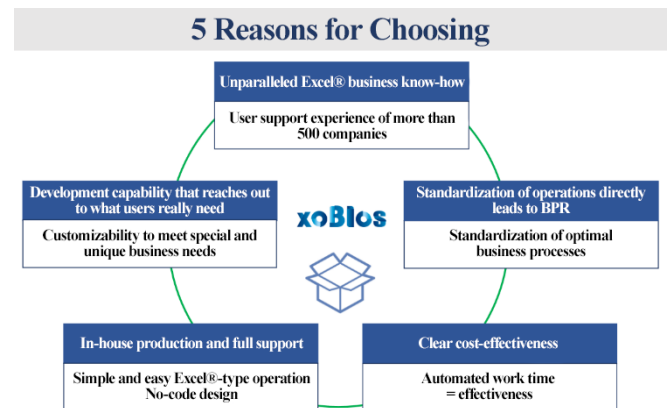
To effectively utilize collected data in the field, it is necessary to process and format data neatly for analysis and system integration. However, in reality, there are discrepancies in expression, erroneous conversions, missing values, and format differences scattered throughout the data, and 50-80% of the work is spent on correcting them. Some of these tasks have been streamlined through the use of macros and VBA, but since the settings depend on individuals, there is a possibility that ongoing work cannot be continued when there are personnel changes.

On the other hand, xoBlos, an "Excel®-type data preparation tool," can clean and format data that have different formats and styles automatically, allowing for output in the desired format. Additionally, since it is possible to design without code, it can prevent the drawbacks of personalization.

The company aims to promote the value of xoBlos as a "data preparation tool" in order to further increase the number of installations.



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



### 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.

Many companies, including the following case studies, have achieved significant improvements in operational efficiency.

\*Summary based on Investment Bridge's excerpt from the company's material

### \*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.

### **Customers and Sales Methods**

Currently, the company promotes the value of xoBlos as a "data preparation tool" as previously mentioned to make xoBlos a more marketable product and is working on various sales initiatives.

#### **\*Target customer**

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. At present, the company made introductions to over 560 companies. In terms of new installations, the company is focusing not only on increasing the number of corporate customers, but also on introducing xoBlos to major companies where significant license increases can be expected internally.

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

Particularly, they are actively promoting the adoption of xoBlos, targeting mainly the industries of architecture, real estate, local government, and retail, which are facing challenges in DX while needing to improve efficiency and conduct work-style reform.

#### **\*OEM**

The company is also focusing on OEM providing the powerful features of xoBlos as an option for project management tools and RPA products handled by other companies.

In December 2022, a new optional OEM service called "xoBlos for OBPM" was launched, which allows project management data accumulated in the integrated project management tool "OBPM Neo" developed and provided by System Integrator Co., Ltd. (TSE Standard, 3826) to be processed and formatted into Excel® reports.

"OBPM Neo" is a project management tool that can comprehensively manage project-related data, including costs and profits, progress, personnel, risks, obstacles, and issues. Although it has screens and functions that enable various analyses, customers faced the challenge of having to spend additional time aggregating and processing data and creating reports, especially for custom reports required for meetings. To address this issue, both companies conducted discussions and decided to offer "xoBlos for OBPM" as a new optional OEM service for OBPM Neo.

By using "xoBlos for OBPM," the manual collection and processing work can be automated, resulting in up to 90% reduction in work hours. Standard templates for frequently used reports (such as budget vs. actual analysis, quality analysis, and operational status) are prepared for OBPM Neo data, and additional templates will be added regularly.

Additionally, by using the xoBlos client, users can edit templates and create custom report templates that meet their specific information and formatting needs.

Moreover, several other projects, including RPA, are currently underway.

#### **\*Agencies**

Regarding sales activities, the company is marketing products by utilizing a wide range of customers, bases, and sales capabilities of Dai-ko Electronic Communication Co., Ltd. (8023, TSE Standard), one of its main agencies, through joint seminars and other events. The company has built a network of about 30 agencies, including Dai-ko Electronic Communication.

The company plans to continue strengthening its agency network but will also aim to clarify its target audience for agency selection, focusing on agencies that have expertise in approaching local governments, experience with IT subsidy introduction, and have their own products that are easy to coordinate with xoBlos.

### \*Advertising and Promotion for Increased Awareness

In addition to conventional outbound sales, the company is also working to strengthen inbound sales, which increase customer inquiries while enhancing information dissemination.

As part of its information dissemination efforts, the company is conducting webinars and advertising and promotional activities, including the use of social media in conjunction with company's other products such as WebARGUS and Shield CMS.

Regarding advertising and promotion, the newly established planning and sales department is working to optimize marketing and advertising activities under the Product Solutions Division, which is responsible for the company's products, including xoBlos.

### 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)

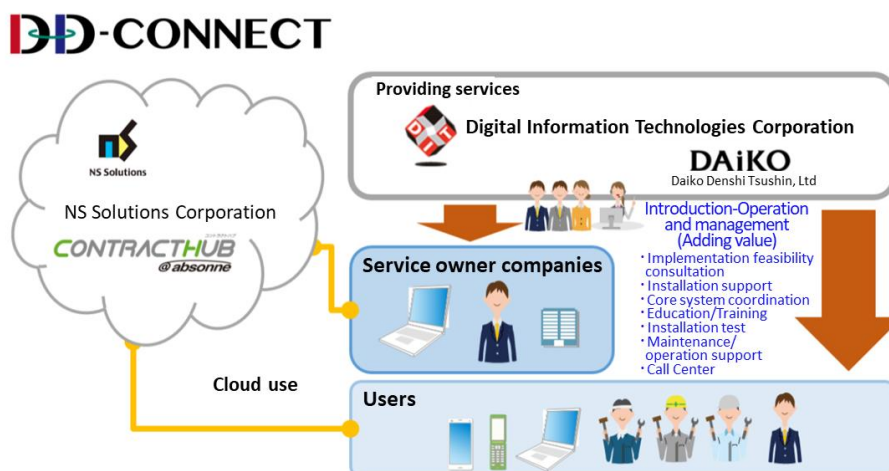
CONTRACTHUB has been deployed mainly by large companies in various industries since the service started in 2013 and is now a pioneer of electronic contract services used by more than 130,000 users.

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)

### (Strengths and Features)

"DD-CONNECT" can be easily and seamlessly linked with other systems for order receipt/placement and billing. This feature sets it apart from other electronic contract systems and is one of its forte.

**(Successful Implementations)**

Currently, the product is mainly used by major housing equipment manufacturers, construction, and real estate-related companies. The company's main target industries and customers include those with high potential for DX and digitalization, including local governments. As the electronic contract system is suitable for construction contracts, the company has steadily met the needs for complying with the electronic bookkeeping law.

The company offers its customers added value in terms of support for the installation, operation and management of its cloud system, CONTRACTHUB, and this is highly valued by its customers.

Furthermore, product development, including functional improvements, is carried out by Nippon Steel Solutions, which means that the company has a significant advantage as it requires little investment.

Initially, the company and its partner, Daiko Electronics Communication Inc. (TSE Standard, 8023), each conducted their own sales activities, but in order to better utilize each other's strengths, the company clarified the division of roles: Daiko Electronics Communication is responsible for sales, while the company is responsible for installation and maintenance operations, which require technical support.

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

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

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

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

## BRIDGE REPORT



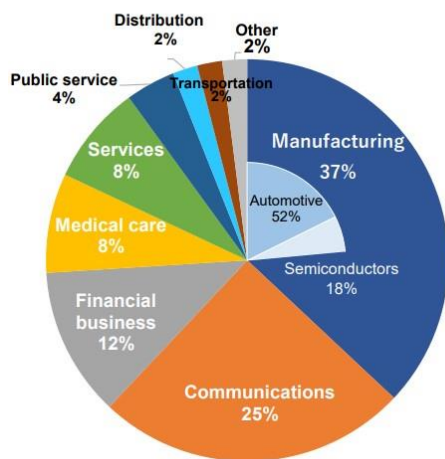
It is making efforts to provide not only on the job training, but also training on managerial skills to promote female employees from mid-level positions to managerial positions including executive positions.

## (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



(From the company's FY6/23 financial results presentation)

## (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.

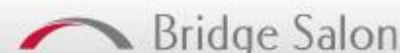
For partial optimization, the company has specialized companies under an in-house company system which aim to be the best in each field. It also provides training and produces entrepreneurs with innovative spirits.

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-

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.

## BRIDGE REPORT



<b>Embedded product development unit</b>	<b>Embedded Product Solution Company</b>	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.
<b>Embedded product verification unit</b>	<b>Quality Engineering Company</b>	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.
<b>(Combination)</b>	<b>Western Japan Company</b>	Activities are based west of Nagoya, with a focus on Osaka. DIT takes part in three businesses: business system development and operational support, mobile and web application development, and embedded systems development (in-vehicle devices and security-related matters). Recently, the company is aiming to expand into the IoT and Web service businesses, taking advantage of multi-skilling.
	<b>Ehime Company</b>	This company is located in Ehime and provides a high added-value one stop service for product development to meet the regionally specific requirements for a variety of industries and businesses as well as sales of software and system devices, operation and system support, and contributes to local revitalization. It also employs engineers locally at a multi-purpose IT development center to tackle the engineer shortage in the other companies, which enables nearshore development.

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

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

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



## 2. Fiscal Year ended June 2023 Earnings Results

### 2-1 Consolidated business results

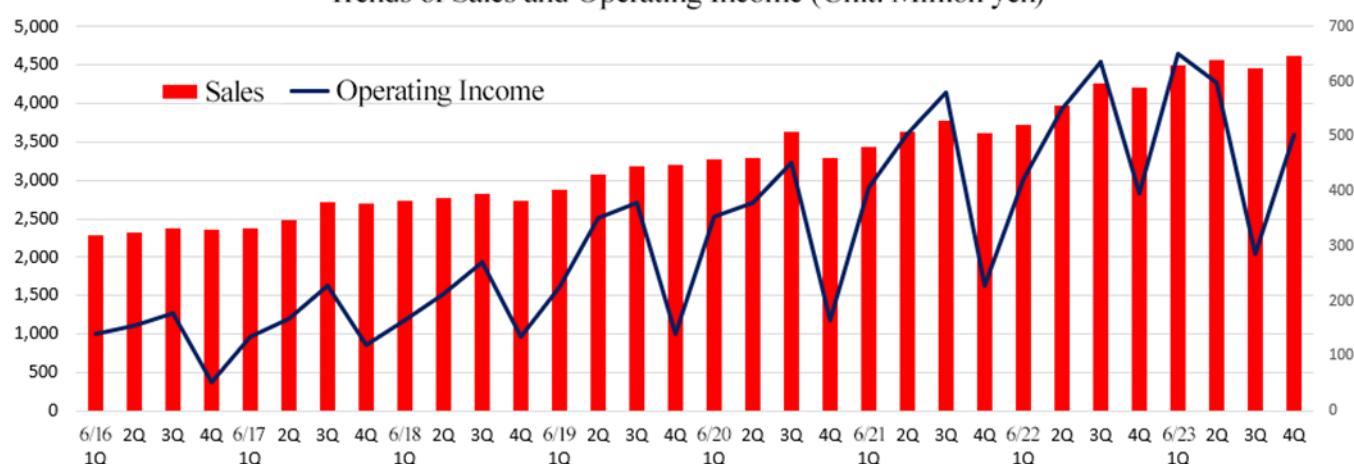
	FY 6/22	Ratio to sales	FY 6/23	Ratio to sales	YoY	Ratio to forecast
Sales	16,156	100.0%	18,149	100.0%	+12.3%	+0.8%
Gross Profit	4,082	25.3%	4,318	23.8%	+5.8%	-
SG&A	2,078	12.9%	2,279	12.6%	+9.7%	-
Operating Income	2,004	12.4%	2,039	11.2%	+1.8%	+7.4%
Ordinary Income	2,004	12.4%	2,059	11.3%	+2.8%	+7.5%
Net Income	1,439	8.9%	1,447	8.0%	+0.6%	+8.8%

\*Unit: million yen. Net income is quarterly net income attributable to shareholders of the parent company. Hereinafter the same will apply. Ratio to forecast is the ratio to the revised forecast announced in May 2023.

### Despite the unprofitable project, sales and profit increased for the 13<sup>th</sup> consecutive year.

Sales increased 12.3% year on year to 18,149 million yen. The core business, the software development business, is growing. The system sales business, too, is recovering. Operating income increased 1.8% year on year to 2,039 million yen. Although profit decreased until the third quarter (cumulative) due to the unprofitable large-scale pharmaceutical contract project in the business solution business, sales increased in all businesses, with the robust performance of the embedded solution business driving overall sales and profit. As a result, both sales and profit exceeded revised forecasts, marking the 13th consecutive year of sales and profit growth.

Trends of Sales and Operating Income (Unit: Million yen)



On a quarterly basis, sales in the fourth quarter (April-June) reached a record high.

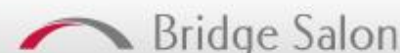
### 2-2 Trends by segment

	FY 6/22	Ratio to sales	FY 6/23	Ratio to sales	YoY	Ratio to forecast
Software Development Business	15,562	96.3%	17,460	96.2%	+12.2%	+0.3%
System Sales Business	593	3.7%	688	3.8%	+16.0%	+14.8%
<b>Total sales</b>	16,156	100.0%	18,149	100.0%	+12.3%	+0.8%
Software Development Business	1,929	12.4%	1,954	11.2%	+1.3%	-
System Sales Business	50	8.5%	84	12.3%	+67.8%	-
Adjustment	24	-	0	-	-	-
<b>Total operating income</b>	2,004	12.4%	2,039	11.2%	+1.8%	-

\*Unit: million yen. Sales mean sales to external clients. The composition ratio of operating income means the ratio of operating income to sales. Ratio to forecast is the ratio to the revised forecast announced in May 2023.



## BRIDGE REPORT



(Sales trends by business unit)

	FY 6/22	Ratio to sales	FY 6/23	Ratio to sales	Y to Y	Ratio to forecast
Business Solution Unit	9,553	59.1%	10,350	57.0%	+8.3%	-1.6%
Business System	5,739	35.5%	5,724	31.5%	-0.3%	-
Operation Support	3,814	23.6%	4,625	25.5%	+21.3%	-
Embedded Solution Unit	5,164	32.0%	6,253	34.5%	+21.1%	+4.2%
Embedded Product Development	3,889	24.1%	4,592	25.3%	+18.1%	-
Embedded Product Verification	1,274	7.9%	1,661	9.2%	+30.4%	-
Original Product Unit	845	5.2%	856	4.7%	+1.3%	-2.7%
System Sales Unit	593	3.7%	688	3.8%	+16.0%	+14.7%
<b>Total sales</b>	<b>16,156</b>	<b>100.0%</b>	<b>18,149</b>	<b>100.0%</b>	<b>+12.3%</b>	<b>+0.8%</b>

\*Unit: million yen. Composition ratio to total net sales. Ratio to forecast is the ratio to the revised forecast announced in May 2023.

## ©Software Development Business

Both sales and profit increased.

### \*Business solution unit

Although sales hit a record high due to strong demand, profit decreased significantly due to an unprofitable project.

In business system development, there was an unprofitable project in the medical field, yet demand itself was strong, and the company steadily received orders for projects related to public services, communications, manufacturing, and ERP (SAP). Sales decreased slightly, and profit significantly dropped due to the impact of unprofitable projects.

In terms of operational support, in addition to receiving more orders from major customers and expanding the scope of support, the company has also expanded its system for meeting demand with the addition of simplism inc, which has joined the group.

Sales of 560 million yen from Simplism, which was acquired through M&A, also contributed to a significant increase in sales and profit. Simplism is already generating synergies in terms of the appropriate allocation of personnel to follow up on existing customers and to deploy resources for new customers.

### \*Embedded solution unit

In the in-vehicle and semiconductor-related fields, R&D investment in connected cars and autonomous driving expanded, resulting in significant sales and profit increases of more than 20% in both sales and gross profit. Inter-company collaboration has also been successful, and orders for both embedded development and verification are increasing, leading to improved profitability.

While it is common for development and verification to be outsourced to other companies, the company employs an in-house company system, which enables appropriate verification because they are organizationally separate, and customers also benefit in terms of speed from the ability to respond seamlessly.

Embedded development has contributed to a significant increase in sales and profit due to the strong research and development investment in the automotive industry, as well as steady growth in IoT-related areas such as mobile and household appliances.

Profit margin also improved.

In the embedded verification business, sales of in-vehicle systems grew significantly. The company has seen a significant increase in sales and profit, thanks to the strong performance of the 5G, energy, and pharmaceutical industries.

Not only in Japan, but also through DIT America, LLC., the group's ability to conduct verification in the U.S. without language barriers, in addition to its swift delivery times and high quality, have been beneficial to customers, thus contributing to the growth of the sales of in-vehicle systems.

### \*Original Product Unit

Profit increased significantly due to the accumulation of license sales from the subscription model, but due to the delay in launching new products from xoBlos, the sales growth was limited.

**BRIDGE REPORT****“WebARGUS”**

License sales from the subscription model have steadily increased. The anti-ransomware version released in November 2022 has also seen an increase of inquiries.

**“xoBlos”**

Horizontal expansion among existing customers was steady, but the increase of new customers was slow due to delays in the release of the "platform version integrated with RPA," which is currently being rolled out as a standard product in anticipation of introduction to large companies. Thus, both sales and profit were lower than those in the previous fiscal year.

**“Other”**

The electronic contract service "DD-CONNECT" has seen an increase of orders and have begun to contribute to sales and profit.

**◎System Sales Business**

Due to the COVID-19 pandemic, there have been constraints on face-to-face business operations in recent years. However, with the gradual easing of restrictions, increased demand for invoice support, and effective utilization of IT implementation subsidies, the company recorded double-digit sales and profit growth.

The opening of a sales office in the Chubu region (Shizuoka) has also had an effect.

**(3) Performance trends of the unprofitable project**

The quarterly trends in the unprofitable project are as follows.

**\*The first quarter**

In the fourth quarter of the fiscal year ended June 2022 and the first quarter of the fiscal year ended June 2023, the project was progressing smoothly, so figures were recorded in accordance with accounting rules (completion method).

Sales were 155 million yen, and gross profit was 50.5 million yen.

**\*The second quarter**

The project became unprofitable due to the strengthening of the development system to deal with problems with specifications and reviewing the progress rate.

The company recorded a 129 million yen in sales and a gross loss of 58.8 million yen.

**\*The third quarter**

The contract for this project was canceled by mutual agreement with the customer, and the loss amount, including the loss disposal, was recorded. The company recorded a loss of 73 million yen in sales and a gross loss of 376.3 million yen.

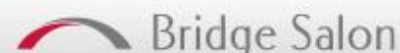
**\*The fourth quarter**

Although there was a cost to process the transfer of the project, it remained within the expected range.

The company recorded a 49 million yen in sales and a gross loss of 61.1 million yen.

As a result, the gross profit on this project for the fiscal year ended June 2023 was a loss of 440 million yen, but the impact on the fiscal year ending June 2024 is expected to be minor.

## BRIDGE REPORT



## 2-4 Financial condition and cash flow

## ◎Main BS

	End of June 2022	End of June 2023	Increase/Decrease		End of June 2022	End of June 2023	Increase/Decrease
<b>Current assets</b>	6,917	7,378	+460	<b>Current liabilities</b>	1,960	1,980	+19
<b>Cash and deposits</b>	3,843	4,185	+341	<b>Accounts payable</b>	592	615	+22
<b>Trade receivables</b>	2,841	2,953	+111	<b>Fixed liabilities</b>	168	190	+21
<b>Noncurrent assets</b>	764	798	+34	<b>Total liabilities</b>	2,129	2,170	+41
<b>Tangible fixed assets</b>	144	138	-5	<b>Net assets</b>	5,552	6,006	+454
<b>Investments and other assets</b>	409	487	+78	<b>Retained earnings</b>	4,954	5,742	+787
<b>Total assets</b>	7,681	8,176	+495	<b>Total liabilities, net assets</b>	7,681	8,176	+495

\*Unit: Million yen. Trade receivables include contract asset.

Total assets increased by 495 million yen from the end of the previous period to 8,176 million yen, mainly due to an increase in cash and deposits. Total liabilities remained almost unchanged at 2,170 million yen. While retained earnings increased, treasury stock also increased, resulting in a 454 million yen increase in net assets to 6,006 million yen.

As a result, the equity ratio rose 1.2 percentage points from the end of the previous period to 73.5%.

## ◎Cash Flow

	FY 6/22	FY 6/23	Increase/Decrease
<b>Operating Cash Flow</b>	958	1,427	+468
<b>Investing Cash Flow</b>	-14	-66	-52
<b>Free Cash Flow</b>	943	1,360	+416
<b>Financing Cash Flow</b>	-456	-1,031	-574
<b>Cash, Equivalents</b>	3,835	4,174	+339

\*Unit: Million yen

The cash inflow from operating activities and the surplus of free CF expanded due to an increase in net income before taxes, a reduction in the increase in trade receivables, and a rise in trade payables. Cash position increased.

## (5) Topics

## 1. Signing a wide-ranging business partnership agreement with AGEST, Inc., focusing on cyber security.

In August 2023, the company concluded a wide-ranging business partnership agreement centered on cyber security services with AGEST, Inc. (Shinjuku-ku, Tokyo), which supports improving the quality and safety of software by utilizing cutting-edge quality technology.

## BRIDGE REPORT



### Overview of AGEST, Inc.

It was established in February 2018. AGEST focuses on software testing services that support the improvement of software quality and safety by utilizing cutting-edge quality technology and offers a wide range of services in the cybersecurity field, mainly various security diagnoses, SOC (Security Operation Center) operations, and cybersecurity human resource development.

It is a subsidiary of DIGITAL HEARTS HOLDINGS Co., Ltd. (Prime Market of TSE, 3676).

### Overview of the business partnership

Both companies have entered into this business partnership agreement aiming to establish a collaborative framework in all fields, with the belief that by leveraging each other's technology and resources, they can build a system that enables the provision of higher-quality security services and various IT services to their respective customer companies.

\*Started selling "WebARGUS" to expand AGEST's cybersecurity services

Providing "WebARGUS," which detects and deals with the tampering with DIT systems, to AGEST, which offers website system testing services and vulnerability diagnosis, will enable AGEST to provide its customers with continuous security and safety.

\*Considering developing new services that leverage the strengths, specialized technologies, and resources of both companies in the cyber security and IoT security fields

As the number of IoT devices increases and the need for peripheral services rises, orders for IoT device verification and security diagnosis are growing. As the need for these peripheral services is expected to increase further, both companies aim to develop and quickly provide new services that leverage their strengths, such as DIT technology, through this business alliance.

\*Business expansion through both companies' mutual collaboration of resources and services in the fields of system development, testing/verification, and security diagnosis in which both companies operate.

The two companies will build a mutually supportive and complementary system in their common business areas, such as software development, system integration, cybersecurity, and test verification, thereby expanding the scope beyond just sales cooperation and the development of new services in the security field.

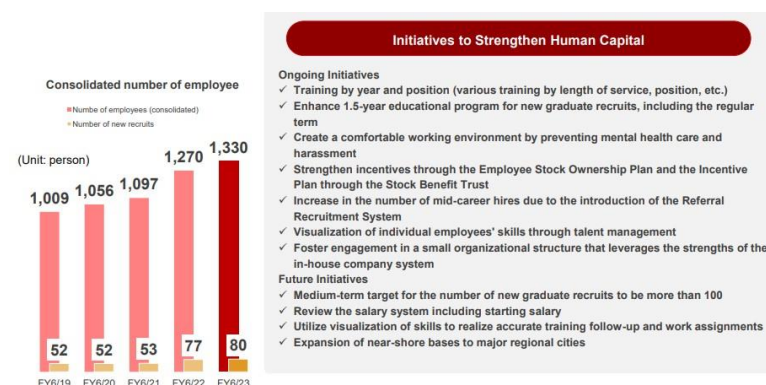
## 2. Medium-term Management Plan: Upward revision of target figures for the fiscal year ending June 2024 and changing the target dividend payout ratio

In the fiscal year ended June 2023, the company exceeded the targets disclosed in the Medium-term Management Plan. Due to strong business trends, the sales target for the fiscal year ending June 2024 has been revised upwardly from 18.5 billion yen to 19.5 billion yen. The company has also decided to change its target dividend payout ratio, which was 35% or higher until the fiscal year ended June 2023, to 40% or higher in the fiscal year ending June 2024.

## 3. Investment and measures for human capital

The company will promote investment in human capital to achieve its medium/long-term vision.

The number of new graduate hires is increasing every year, with a target of 100. The company plans to continue actively promoting the appointment of diverse human resources.



(From the company's website)

### 3. Fiscal Year ending June 2024 Earnings Forecasts

#### 3-1 Full-year earnings forecast

	FY 6/23	Ratio to sales	FY 6/24 Est	Ratio to sales	YoY
Sales	18,149	100.0%	19,500	100.0%	+7.4%
Operating Income	2,039	11.2%	2,500	12.8%	+22.6%
Ordinary Income	2,059	11.3%	2,500	12.8%	+21.4%
Net Income	1,447	8.0%	1,734	8.9%	+19.8%

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

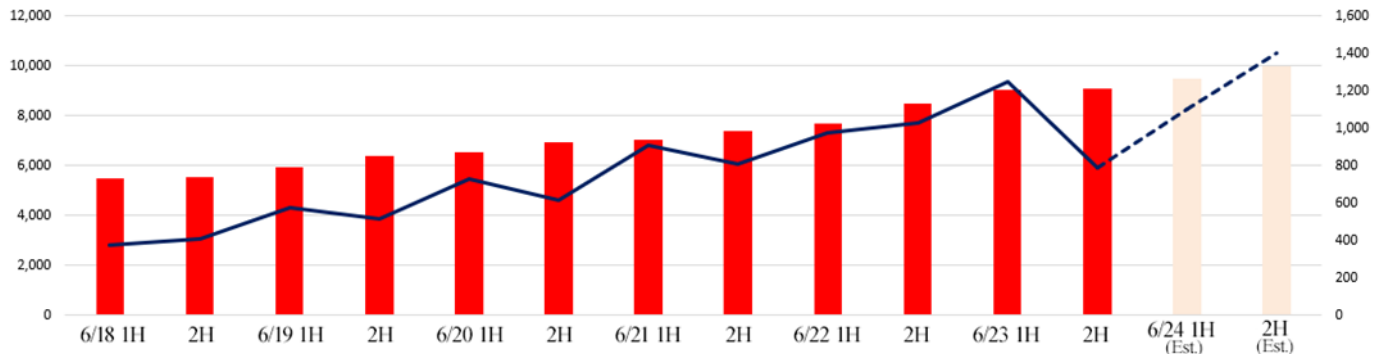
#### Expecting 14th consecutive year of increase in sales and profits

Sales are expected to increase 7.4% year on year to 19.5 billion yen, and operating income is expected to increase 22.6% year on year to 2.5 billion yen. Expected sales and profits to increase for all businesses.

In the final year of the medium-term management plan, we aim to increase sales and profits for the 14th consecutive year based on the two axes set forth in the medium-term plan: "stabilizing the business foundation" and "strengthening growth factors."

As we are making progress in building a system that will allow us to record stable profits, we are placing even more emphasis on shareholder returns than ever before and have changed the target dividend payout ratio in our medium-term management plan from 35% or more in the previous fiscal year to 40% or more from this fiscal year. Dividends are scheduled to increase by 10.00 yen/share from the previous fiscal year to 46.00 yen/share. The expected dividend payout ratio is 40.2%.

Sales and Operating Income (Unit: Million yen)



Regarding semi-annual performance, it is expected that sales will grow 4.8% year on year and profit will decline 12.0% year on year in the first half of the fiscal year ending June 2024 and sales will increase 10.1% year on year and profit will rise 77.2% year on year in the second half.

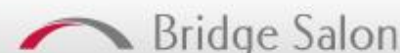
In the first half of fiscal year ending June 2024, profit is forecast to decline, partly due to the loss of profit from large-scale contract projects that were unprofitable project in the first quarter. Although profit is expected to increase from the second quarter onward, profit is projected to decrease about 150 million yen year on year in the first half of fiscal year ending June 2024.

A significant increase in profit is expected in the second half of fiscal year ending June 2024, while there will no longer impact.

Previously, the company disclosed only annual forecasts, however, from now on, it will disclose semi-annual forecasts in order to better contribute to investors.

The company will continue to disclose the annual results in principle, however, if it is considered necessary to disclose semi-annual results, it will disclose the results in the same manner.

## BRIDGE REPORT

**3-2 Trend of each business unit.**

(Trend of sales)

	FY 6/23	Ratio to sales	FY 6/24 Est	Ratio to sales	YoY
Software Development Business	17,460	96.2%	18,800	96.6%	+7.7%
Business Solution Unit	10,350	57.0%	11,300	57.9%	+9.2%
Embedded Solution Unit	6,253	34.5%	6,500	33.6%	+3.9%
Original Product Unit	856	4.7%	1,000	5.1%	+16.7%
System Sales Unit	688	3.8%	700	3.6%	+1.6%
<b>Total</b>	<b>18,149</b>	<b>100.0%</b>	<b>19,500</b>	<b>100.0%</b>	<b>+7.4%</b>

\*Unit: Million yen

**◎Business Solution Unit**

The company will appropriately respond to the strong demand associated with the progress of DX, expand its share of the existing customers base, and acquire new customers.

**■Business System Development**

The company expects to get back on a recovery trend by eliminating the impact of unprofitable projects as soon as possible while dealing with a favorable number of orders. The company aims to improve profitability by strengthening project management and taking orders for contract projects of appropriate size.

**■Operational Support**

The company aims to achieve further growth by expanding the area of support, broadening the scope of cooperation with simplism inc, and strengthening the system for meeting demand.

While simplism ink, is generating synergies, there is still considerable scope for the company to leverage its resources to develop new projects.

(Priority Measures)

The company aims to grow by expanding existing businesses and recovering by endeavoring to release new services.

Priority Measures
1. To close a large-scale pharmaceutical contract project at an early phase is a top priority
2. Receive orders for development and operation projects for the core systems of a major telecommunications company, a blue-chip customer
3. Receive orders from major companies by using low-code development (OutSystems, etc.), a trending technology for rapid development
4. Expand operational support business by collaborating with the subsidiary simplism inc,
5. Promote service proposal-based business by expanding the area of operational support
6. Ensure measures for avoiding unprofitable projects
7. Utilize regional bases as "advanced near-shore development centers" and receive more orders from local companies

**◎Embedded Solution Unit**

Despite continued strong demand, some projects may fall in the trough of the order receipt cycle in the current fiscal year, so the company has disclosed conservative figures.

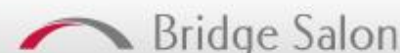
They will increase new customers by strengthening relationships with existing blue-chip customers, such as manufacturers of finished vehicles, and by leveraging the technologies owned by the company.

**■Embedded system development**

The company aims to grow by expanding its share with blue-chip customers in the in-vehicle systems and semiconductor industries, which account for approximately 60% of sales, while developing in-vehicle system products for mass production and expanding IoT-related and industrial equipment-related products.



## BRIDGE REPORT



### ■ Embedded system verification

The company aims to further expand its business by brushing up its standardization methods and improving productivity and quality while expanding into the thriving in-vehicle system, medical, and 5G-related fields.

#### (Priority Measures)

The company aims to grow through the following measures in order to meet the needs to form an advanced society.

Priority Measures
1. Maintain and expand (horizontally and thoroughly) the customer base centered around existing customers in automobile-related fields (autonomous driving, in-vehicle communication devices, and safety standards).
2. Besides in-vehicle systems, they expand IoT beyond the industry boundaries, such as home appliances. In addition, they expand the industrial fields.
3. Expand existing customers and find new customers in the Chubu region to establish a Chubu base.
4. Brush up standardization methods for verification work to improve quality and increase order size
5. Expand the white box verification area based on development technologies
6. Further expand the steadily growing automobile-related verification business at the U.S. subsidiary

### ◎ Original Product Unit

Their product lines are in high demand and effective in the digital society, and the company aims to achieve substantial growth by strengthening its distributor network and sales structure.

### \* 「WebARGUS」

The company aims to increase licenses through up-selling and acquiring new large-scale customers, while expanding sales of anti-ransomware versions of its products. The business alliance agreement with AGEST, Inc. (Refer to Section 2: Financial Summary for the Fiscal Year Ending June 2023; (5) Topics) is expected to improve the clients of the IoT version of WebARGUS.

#### (Priority Measures)

With the increasing dominance of the products, the company expects to grow through the following measures.

Priority Measures
1. Based on the installation track record, they aggressively approach large-scale users, particularly financial institutions. They focus on up-selling products to existing customers.
2. Provide comprehensive security services as "DIT Security" brand <ul style="list-style-type: none"> <li>• Strengthen cooperation with business partners to further enhance services</li> <li>• Enrich the lineup of cyber security products</li> </ul>
3. Expand sales of WebARGUS for Ransomware, which was launched in November 2022
4. Plan strategies to increase visibility (establish as a brand) and implement strategies through various advertisements
5. Realize the implementation of the IoT version of WebARGUS based on the system resilience (auto-detection and auto-repair) philosophy

## BRIDGE REPORT

**\*「xoBlos」**

The company aims to renewed growth by releasing products for RPA linkage and multitasking (concurrent processing), along with early receipt of orders from a steadily increasing number of lead customers.

The sales force for distributors is being strengthened to improve organizational responsiveness in enhancing user support and progress management.

(Priority Measures)

The company will recover from the stagnation and regain its growth trajectory.

Priority Measures
1. Further strengthen sales to large-scale users, with the cumulative number of companies using the system reaching over 560.
2. Early receipt of orders from steadily increasing high-potential lead customers
3. Strengthen user support and increase subscription licenses among existing customers
4. Promote continuous use and conclusion of new contracts by achieving RPA linkage and multitasking (concurrent processing)
5. Reduce barriers to implementation by combining xoBlos and AI technology to achieve semi-automation of control sheets
6. Strengthen support for sales agents and acquire new licenses via agents
7. Promote new OEM license business by supplying products to alliance partners

**\*New products and digital transformation**

(Priority Measures)

The company will expand into new business areas.

Priority Measures
1. Expand subscription licenses by receiving large-scale orders of DD-CONNECT projects
2. Aim to expand sales of shield cms in a targeted manner
3. Aim to start with PoC (Proof of Concept) proposals for new DX-related services such as AI, RPA, and BPM, followed by full-scale implementation
4. Verify rapidly advancing generative AI and discuss new services to enhance customer value
5. Launch new co-creation businesses with management consulting firms and other companies by leveraging their areas of expertise and mutually supplementing the strengths and weaknesses

**◎System Sales Unit**

The company aims to increase revenues by strengthening proposal-giving activities using the change in the system related to sales management as an opportunity.

Demand associated with the implementation of the invoice system is expected to continue through the first quarter (July-September). It will strengthen its proposals for the mandatory retention of transaction data in accordance with the Electronic Books Preservation Act.

It will continue to contribute to the promotion of DX among SMEs by effectively utilizing "IT implementation subsidies."

(Priority Measures)

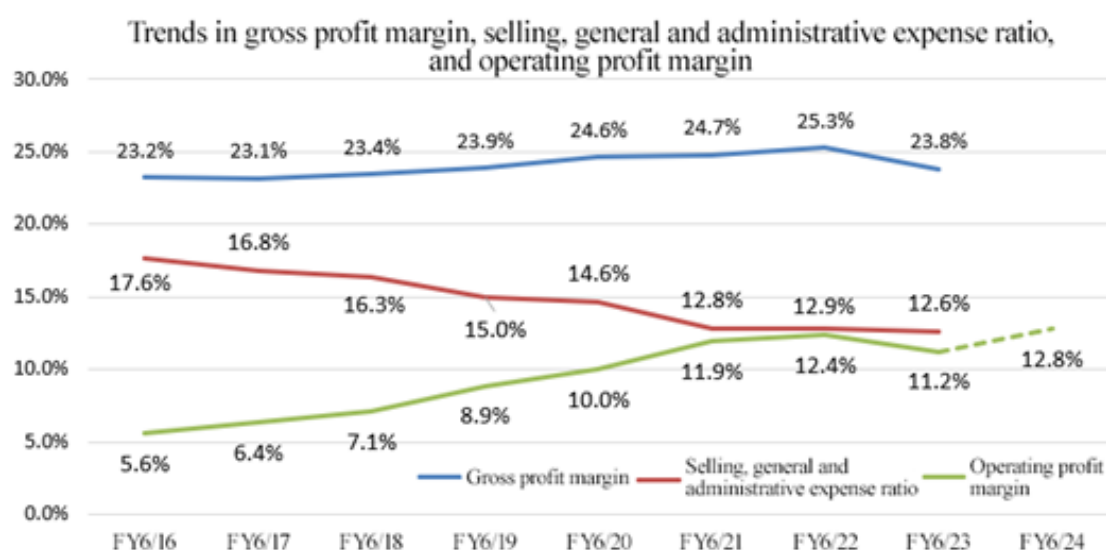
The company aims to secure sales beyond the target.

Priority Measures
1. Until the first quarter, the company will deal with the "Qualified Invoice Preservation System (invoice system)," which will be introduced on October 1, 2023. Subsequently, they will strengthen the sales of Rakuichi in response to follow-up and "electronic data transaction data storage in accordance with the revision of the Electronic Books Preservation Act," which will become mandatory in January 2024.
2. Propose IT tools to facilitate medium-term DX of SMEs by effectively utilizing "IT implementation subsidies," a government program to support the introduction of IT tools to SMEs
3. Strengthen proposals for various services required by customers, including multifunction devices and PCs, with a focus on security products (UTM [Unified Threat Management] and endpoint security)

## 4. Conclusions

Despite the emergence of an unprofitable project, sales and profit increased for the 13<sup>th</sup> consecutive year in fiscal year ended June 2023 and are expected to increase for the 14<sup>th</sup> consecutive year in this current fiscal year ending June 2024, thanks to a favorable order receipt environment. Although it was the largest project in the company's history, there is almost no reputational damage associated with it becoming unprofitable project. While the result is disappointing, it is hoped that it will serve as a good opportunity to strengthen the project management system by demonstrating future performance.

Operating income margin, which decreased to 11.2% in the previous fiscal year due to the unprofitable project, is expected to recover to 12.8%, hitting a record high, in the current fiscal year ending in June 2024. What we should focus on is whether the company can smoothly shift resources that were allocated to the same project under a favorable order receipt environment.



This fiscal year marks the end of a three-year medium-term plan with the theme of "promoting business structural reform," and from next fiscal year we will move on to a three-year period aimed at "achieving a growth trajectory," which will establish a business style and put all businesses on a growth trajectory.

President Ichikawa believes that securing and developing human resources is the most important thing in order to realize the growth process, and he believes that in addition to the content of the work, he has also developed compensation and preparation so that working at DIT becomes a direct part of his future. The plan is to make decisive statements regarding the issue.

I would like to keep an eye on the future of the company, which says, "Rather than being content with the current excellent customer base, we will seize the changes in the world, including AI, and take on challenges, viewing them as opportunities for growth."

## <Reference 1: 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) 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.

### (Aimed future image and measures to achieve it)

#### Vision for 2030: DIT's Future Vision and Initiatives

	Future Vision	Measures
<b>DIT Services</b> 	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
<b>DIT Security</b> 	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
<b>DIT Efficiency</b> 	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
<b>DIT Support</b> 	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.
<b>DIT Consulting</b> 	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
<b>DIT Quality</b> 	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
<b>DIT Technologies</b> 	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.
<b>DIT Spirits</b> 	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)

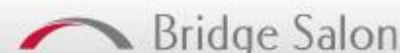
The company has set Challenge 500, an endeavor to achieve sales of 50,000 million yen.

	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 40% or higher from the fiscal year ending June 2024.

## BRIDGE REPORT

**(Steps to realize the vision)**

<b>FY 6/2022 to FY 6/2024</b>	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.
<b>FY 6/2025 to FY 6/2027</b>	Realization of growth track	To establish a business style and place the business as a whole on a growth track.
<b>FY 6/2028 to FY 6/2030</b>	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**

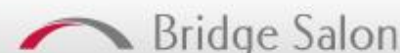
The company will promote the reinforcement of the corporate structure, improvement of the working environment, and strengthening of human resources as priority measures to strengthen the management base.

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:

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

## BRIDGE REPORT



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.

**(Management targets)**

They aim to achieve sales of 19,500 million yen and an operating income of 2,500 million yen in the fiscal year ending June 2024 through organic growth.

The target for the dividend payout ratio has been raised to 40% or higher in the fiscal year ending June 2024.

	FY 6/21 (actual)	FY 6/22 (actual)	FY 6/23 (actual)	FY 6/24 (planned)	CAGR
Sales	144	161	181	195	+10.6%
Operating Income	17.2	20.0	20.3	25.0	+13.3%
Operating Income Margin	11.9%	12.4%	11.2%	13.5%	-
ROE	29.2%	28.6%	25.1%	Maintain 20% or higher	-
Dividend Payout Ratio	30.8%	42.7%	37.9%	40% or more	-

\*Management targets for organic growth, in billions (yen), CAGR is the average annual growth rate from 2021/6 to 24/6, calculated by Investment Bridge Co., Ltd.

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.



## <Reference 2: Regarding Corporate Governance>

### Organization type, and the composition of directors and auditors

Organization type	Company with auditors
Directors	10 directors, including 4 external ones
Auditors	3 auditors, including 2 external ones

### Corporate Governance Report

Last Update: July 13, 2023

#### <Basic principle>

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

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

#### <Reason for not Following the Principles of the Corporate Governance Code (Excerpts)>

It is based on the Corporate Governance Code revised in June 2021.

Principles	Reasons for not implementing the principles
< Supplementary principal 3-1-3 >	<p>(1) Sustainability initiatives</p> <p>The DIT Group Code of Conduct requires business and individual activities to be environmentally conscious. Based on this, we strive to tackle environmental issues earnestly and gain a public understanding of the business activities.</p> <p>As stated in the medium-term management plan, we will enhance employees' welfare, promote diversity by recruiting women for managerial positions, and carry out appropriate business management with an emphasis on governance. We also aim to promote a convenient and safe Internet society, improve the productivity of the society, and contribute to the environment, the society, and the corporate growth through our products and services, such as security products and work style reform-related products.</p> <p>(2) Investment in human capital and intellectual property</p> <p>① Investment in human capital</p> <p>In the medium-term management plan, strengthening the management base is a basic strategy, and one of the main measures is to create human resources by increasing the personnel who are an asset to the company and train them.</p> <p>We will promote the proactive recruitment of new graduates and mid-career employees, the expansion and systematization of education and training systems, and the improvement of a program that provides personnel with the fees needed to acquire qualifications.</p> <p>② Investment in intellectual property</p> <p>Based on our basic strategy of improving product capabilities in the medium-term management plan, we will continue to work on product development that meets the needs of the times and promote investment in intellectual property such as research and development and patents.</p> <p>(3) The company has not collected and analyzed the necessary data regarding the risks and business opportunities related to climate change and their impact on our business activities and profits. Hence, it cannot be disclosed under TCFD or its equivalent frameworks. In the future, we will positively consider it as needed.</p>

## &lt;Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)&gt;

Principles	Disclosure contents
<Principal 1-4>	<p>&lt;Policy and principle related to reduction in strategically-held shares&gt;</p> <p>In case the company expects synergy effects with its important stakeholders such as business partners, it will strategically hold the shares of the concerned companies, based on its basic principles to enhance corporate value in the mid/long term and ensure sustainable growth while promoting co-existence and co-prosperity with all the stakeholders.</p> <p>The company will clarify the objective when acquiring new shares and verify the trading activity periodically after the acquisition. If the company finds no mid/long term prospect of enhancing its corporate value, it will reduce the number of shares through sale or any other means.</p> <p>&lt;Verification details to determine the appropriateness of holding strategically-held shares&gt;</p> <p>The appropriateness of possessing strategically-held shares is verified periodically. Once a year, the Board of Directors reviews the appropriateness of holding policy shareholdings by examining their contribution to improving corporate value over the medium to long term and confirming the appropriateness of continued ownership.</p> <p>&lt;Standards for exercising voting rights concerning strategically-held shares&gt;</p> <p>The company will decide whether to give approval for exercising the voting rights of strategically-held shares after a careful individual examination to confirm that there is no possibility of damaging our corporate value.</p>
<Supplementary Principal 2-4-1>	<p>1. Regarding ensuring diversity in recruiting the core human resources, the DIT Group Code of Conduct stipulates that we should not discriminate in recruiting based on gender, age, place of origin, nationality, race, ethnicity, etc., and that the human rights should be respected.</p> <p>The status and future goals for ensuring diversity in recruiting core human resources are as follows.</p> <p>① Recruitment of women: As of the end of June 2022, we have 13 female managers, accounting for 9.8% of all managers.</p> <p>Going forward, we will continue to actively hire talented women for managerial positions, aiming to increase the ratio of female managers to 20%.</p> <p>② Recruitment of mid-career personnel for managerial positions: We have many mid-career hires, and the ratio of mid-career hires to managerial positions is already almost 70%, so we have not set any future goals.</p> <p>③ Recruitment of foreigners: We mainly hire foreigners as new graduates, and as of the end of June 2022, the company has 8 foreigners, accounting for less than 1%. We will continue to actively hire talented human resources, whether they are new graduates or mid-career.</p> <p>2. The policy for ensuring diversity was also stated in the medium-term management plan. As part of the company's measures to strengthen the management base for improving corporate value over the medium to long term, we will endeavor to establish a system for the company that includes organizations and policies, to create an environment that provides employees with job satisfaction, and to increase human resources, which are considered assets for the company, and train them.</p>

## &lt;Principal 3-1&gt;

(i) Our management philosophy, business strategies, and business plans are disclosed at financial results briefings and on our webpage (at the following URL).

Information for financial results briefings

<https://www.ditgroup.jp/english/ir/tanshin.html>

(ii) Our actions concerning corporate governance are published on our webpage (at the following URL).

Corporate Governance

<https://www.ditgroup.jp/ir/governance.html>

(iii) The principles and procedures to determine remuneration of the board directors are based on the Rules and Regulations for Board of Directors. The remuneration takes into account the common level of remuneration, the Company's business performance and other employees' salaries. It is determined at a board of directors meeting within the limits of total remuneration determined at a general shareholders' meeting. From now on, the board of directors will consult with the nomination and remuneration committee, which is an arbitrary advisory body of the board of directors and determine the remunerations of directors based on their opinions within the above-mentioned limit.

(iv) Regarding the appointment of directors, we specified the standards for appointment in our regulations, in which the representative director and president will propose the appointment of candidate directors while comprehensively considering their track records, knowledge, experience, etc. after receiving advice from outside directors, the board of directors will deliberate and make a resolution, and then submit their proposal to a general meeting of shareholders. A proposal for dismissal of directors will be made by the board of directors in accordance with the regulations for the board of directors.

From now on, the board of directors will consult with the nomination and remuneration committee and submit a proposal for appointment of directors to a general meeting of shareholders based on the advice from the nomination and remuneration committee. Regarding a proposal for dismissal of directors, the board of directors will consult with the nomination and remuneration committee and then make a decision based on their advice, in accordance with the regulations for the board of directors.

Regarding the appointment of auditors, we formulated regulations for appointment, in which the representative director and president will propose the appointment of candidate auditors while comprehensively considering their track records, knowledge, experience, etc. after receiving advice from outside directors, the board of auditors will deliberate and make a resolution, and then submit their proposal to a general meeting of shareholders. A proposal for dismissal of auditors will be made by the board of auditors in accordance with the regulations for the board of auditors.

(v) The reasons for nomination and appointment of each director or auditor are described in the notice of general shareholders' meeting. We will also describe the reasons for dismissal, in case of any.

## BRIDGE REPORT



<Supplementary Principal 4-11-1>	<p>Our company select candidate directors from personnel who can exert their management abilities in each domain, personnel who are adequate for business administration, and other intelligent personnel. Outside directors are selected from those who possess plenty of experience and profound technical knowledge as employers, to develop a structure oriented toward the balance and diversity of the board of directors and secure the effectiveness of the board of directors.</p> <p>In addition, the board of auditors of our company is composed of 1 full-time auditor and 2 independent outside auditors. Those who possess advanced technical knowledge of legal affairs and accounting are selected as auditors, to secure the effectiveness of the board of auditors. Furthermore, by cementing the cooperation with comptrollers, they can conduct an audit to a sufficient degree.</p> <p>We regularly analyze and evaluate the effectiveness of the board of directors while enlisting support from external specialized institutions and strive to improve its function.</p> <p>*The skill matrix is shown on page 12 of the convocation notice of our company.</p>
<Principal 5-1>	<p>The company is making efforts in collaboration with relevant departments, led by the President, to achieve constructive dialogue with shareholders.</p> <p>As an action to enrich dialogue methods other than individual meetings, the company hosts financial settlement briefings every half-period for the analysts and institutional investors. The IR Department also proactively receives IR interviews through meetings and phone calls from investors.</p> <p>As a measure to provide shareholders' opinions and concerns appropriately and effectively to the executives and board directors, the company regularly reports the questions raised at the financial settlement briefings and opinions from shareholders and investors to the management executives.</p> <p>The company also ensures appropriate management of insider information during dialogues with shareholders and investors in accordance with the internal regulations.</p>

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