



President Satoshi Ichikawa

Digital Information Technologies Corporation (3916)



Company Information

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

Stock Information

Share Price	Number of shares issued		Total Market Cap	ROE (Actual)	Trading Unit
¥1,900	15,501,820 shares		¥29,453 million	25.1%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥46.00	2.4%	¥116.00	16.4 x	¥399.61	4.8 x

*The share price is the closing price on February 22. The number of outstanding shares, DPS, and EPS are from the brief financial report for the second quarter of the fiscal year ending June 2024. ROE and BPS are from the previous fiscal year.

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 fiscal year ended June 2022. include a commemorative dividend of 8.00 yen/share.

This Bridge Report introduces the earning results for the second quarter of fiscal year ending June 2023 and other information of Digital Information Technologies Corporation.

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Key Points

- In the second quarter of the fiscal year ending June 2024, sales increased 5.6% year on year to 9,575 million yen. The software development business, centered on the embedded solution business, performed well, while the system sales business posted double-digit sales growth. Operating income declined 4.1% year on year to 1,198 million yen. Both sales and profit exceeded the initial forecasts. Regarding the takeover of unprofitable projects that emerged in the previous fiscal year, operations that incurred transfer costs were completed in the first quarter, and from the second quarter, paid support operations have been conducted, ending the emergence of takeover-related costs. Thus, there is no longer any direct impact on earnings. Quarterly sales reached a record high as sales and profits increased quarter on quarter for the third consecutive quarter.
- No change in the earnings forecasts. Sales are expected to increase 7.4% year on year to 19.5 billion yen, 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. Since the impact of unprofitable projects subsided in the first quarter, the company expects both sales and profit to increase in the second half from the first half and from the same period of the previous fiscal year. In the final year of the Medium-term Management Plan, the company aims to grow sales and profit for the 14th consecutive year based on the two measures set in the Medium-term Management Plan: "stabilizing the business foundation" and "strengthening growth factors." 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%.
- The impact of unprofitable projects has subsided, and a full recovery is expected in the second half of the fiscal year. As of the end of the first half, the progress rate against the full-year forecast is 49.1% for sales and 47.9% for operating income. Sales are almost as usual, but operating income is slightly below the normal level. The key factors for the company to increase sales and profit and achieve the full-year forecast are how much the business solution business, which has only achieved 47.5% of its sales target, will expand in the fourth quarter, and how far the company will be able to actually close deals on its own products, for which it has been steadily receiving orders. As this fiscal year is the final year of the Medium-term Management Plan, we will first pay attention to developments in both businesses in the third quarter.

1. Company Overview

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

1-1 Corporate History

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

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

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

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

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

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

1-2 Corporate Philosophy



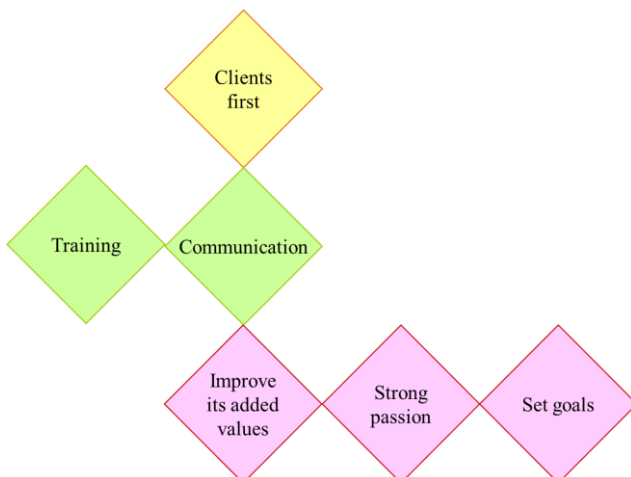
Our logo is a collection of cubes with an infinite number of stairs.

This collection is our company itself, and each cube represents each employee.

The 6 facets of the cubes represent six values which all employees share and consider valuable.

Our corporate identity represents these values in three tiers; clients, company and employees.

(From the company's website)



(From the company's website)

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

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

1-3 Market environment

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

(1) Business 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)

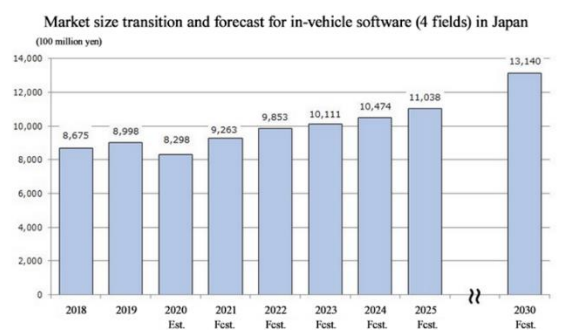
	FY2020	FY2030 Est.	Compared with FY2020
Manufacturing	1,620 ^{100million yen}	5,450 ^{100million yen}	3.4 times
Distribution/Retail	441 ^{100million yen}	2,455 ^{100million yen}	5.6 times
Finance	1,887 ^{100million yen}	6,211 ^{100million yen}	3.3 times
Medical care/nursing care	731 ^{100million yen}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



※1. Estimates for 2020, forecasts for 2021-2025 and 2030
 ※2. (1) OEMs' capital investment and R&D investment costs related to in-vehicle software
 (2) OEM and Tier 1 in-vehicle software development costs (including labor costs)
 (3) Sales of in-vehicle software development tool vendors (in addition to tools, including contracted services such as development, coding, testing, etc.)
 (4) Market size was calculated based on CAD/CAM/CAE/PLM vendor sales to the automotive industry.

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

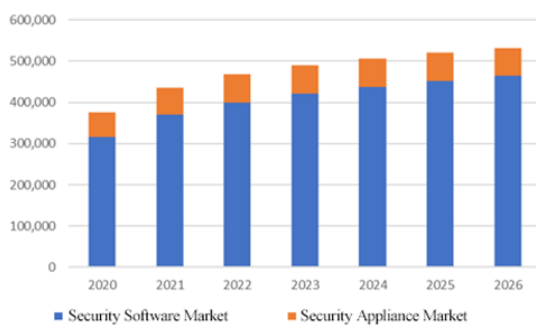
*This material was provided by Digital Information Technologies Corporation and published by Investment Bridge Co., Ltd.

(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.

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

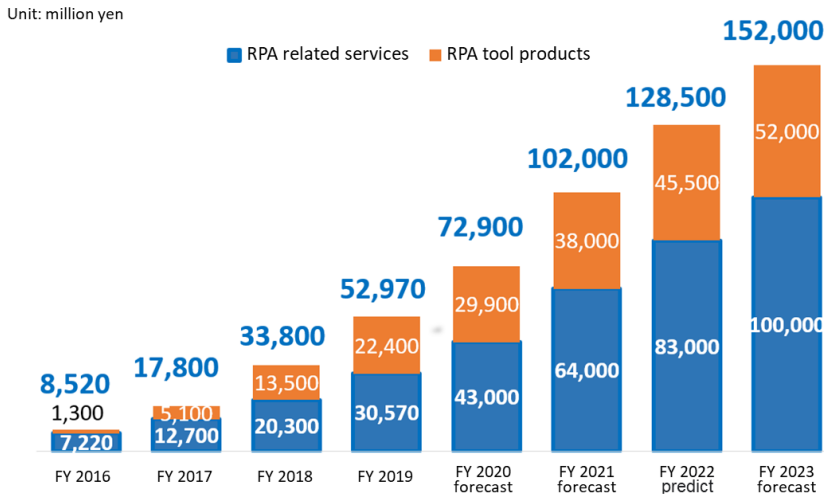
(From the website of the Information-technology Promotion Agency, Japan (IPA))

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



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.

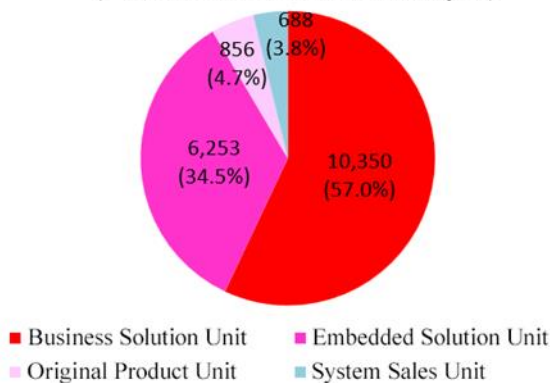
(Created by Digital Information Technologies Corporation based on Yano Research Institute Ltd. "2021 RPA Market Status and Prospects")

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.

③ Original Product Unit

As a growth field, the business develops and sells products with unique technologies. It also handles products with high social needs through its alliances.

Currently, the company strongly focuses on the sales of two products, "WebARGUS," a 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

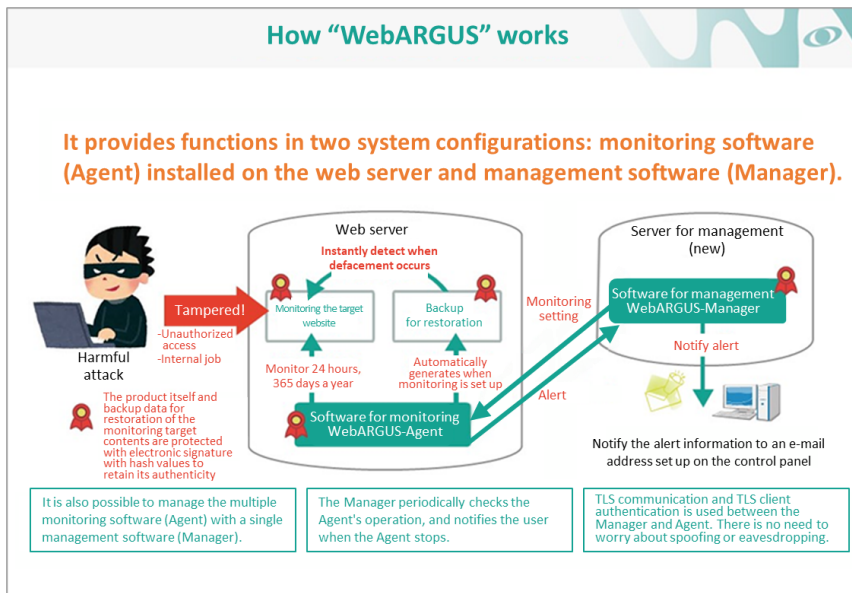
The company and its subsidiary, DIT Marketing Service Co., Ltd., sell “Rakuichi,” a business support mission-critical system, for small and medium enterprises, manufactured by Casio Computer Co., Ltd.

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

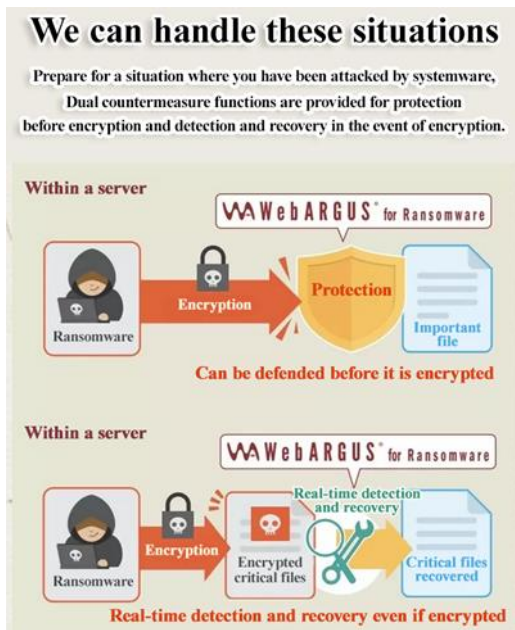
A rapidly increasing number of people suffer from ransomware.

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.

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.

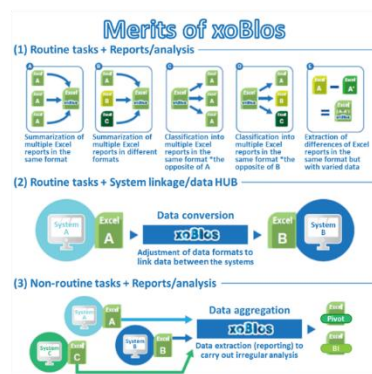
Full-scale rollout will begin in the current fiscal year ending June 2024.



(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.

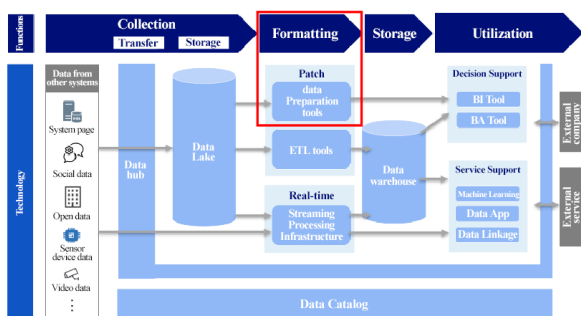
The domestic RPA market is projected to double to 80,000 million yen in the next few years, and RPA-related services, which occupy 80% of the market, are expected to have a higher growth rate than RPA tool products, which occupy only 20%. Based on this, xoBlos, which can be considered as an RPA-related 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.

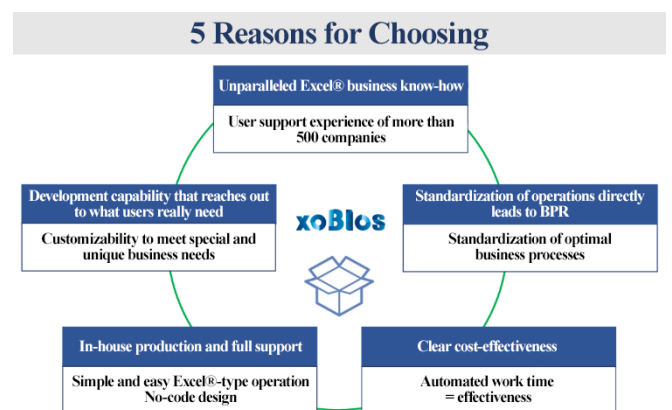
On the other hand, xoBlos, an "Excel®-type data preparation tool," can clean and format data that have different formats and styles automatically, allowing for output in the desired format. Additionally, since it is possible to design without code, it can prevent the drawbacks of personalization.

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



IPA (Information-technology Promotion Agency, Japan): "DX White Paper 2021," Figure 42-6 "Overall picture of data utilization infrastructure"

70.4% of U.S. companies have adopted "Data Preparation Tool!" *based on an IPA survey (21.1% of Japanese companies have done so)



(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 vendor, 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)

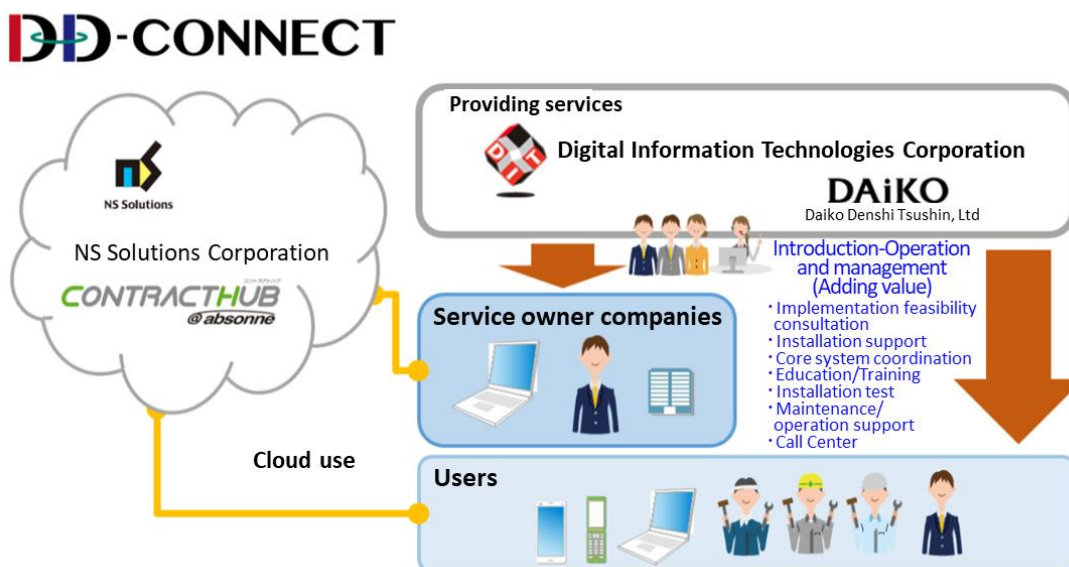
CONTRACTHUB has been deployed mainly by large companies in various industries since the service started in 2013 and is now a pioneer of electronic contract services used by more than 130,000 users.

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.

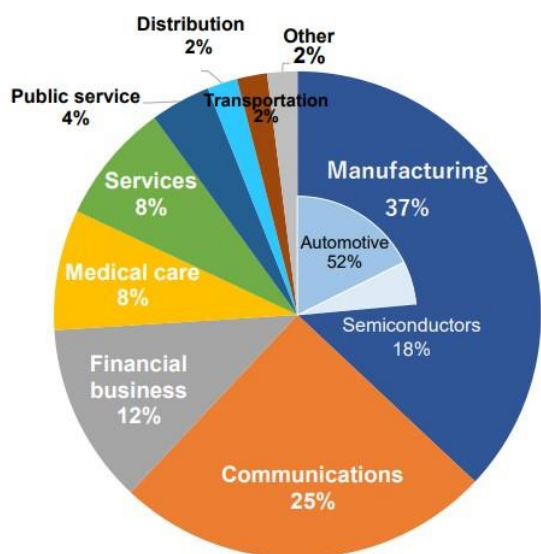
It is making efforts to provide not only on the job training, but also training on managerial skills to promote female employees from mid-level positions to managerial positions including executive positions.

(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.

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

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

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

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

2. The second quarter of Fiscal Year ending June 2024 Earnings Results

2-1 Consolidated business results

	FY 6/23 2Q	Ratio to sales	FY 6/24 2Q	Ratio to sales	YoY	Ratio to forecast
Sales	9,068	100.0%	9,575	100.0%	+5.6%	+0.8%
Gross Profit	2,308	25.5%	2,322	24.3%	+0.6%	-
SG&A	1,058	11.7%	1,123	11.7%	+6.2%	-
Operating Income	1,249	13.8%	1,198	12.5%	-4.1%	+8.9%
Ordinary Income	1,268	14.0%	1,187	12.4%	-6.3%	+7.9%
Net Income	892	9.8%	811	8.5%	-9.1%	+6.3%

*Unit: million yen. Net income is quarterly net income attributable to shareholders of the parent company. Hereinafter the same will apply.

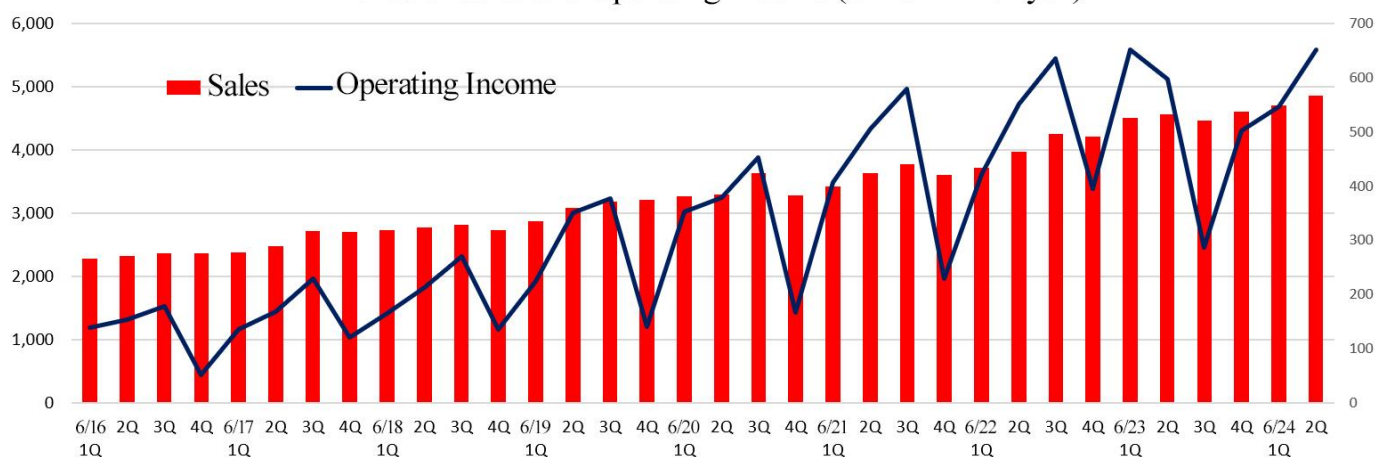
Sales increased, and profit decreased, but the impact of unprofitable projects in the previous fiscal year was eliminated.

Sales increased 5.6% year on year to 9,575 million yen. The software development business, centered on the embedded solution business, performed well, while the system sales business posted double-digit sales growth.

Operating income declined 4.1% year on year to 1,198 million yen. Regarding the takeover of unprofitable projects that emerged in the previous fiscal year, operations that incurred transfer costs were completed in the first quarter, and from the second quarter, paid support operations have been conducted, ending the emergence of takeover-related costs. Thus, there is no longer any direct impact on earnings. Quarterly sales reached a record high as sales and profits increased quarter on quarter for the third consecutive quarter.

Both sales and profit exceeded the initial forecasts.

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

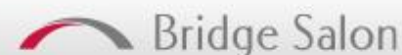


2-2 Trends by segment

	FY 6/23 2Q	Ratio to sales	FY 6/24 2Q	Ratio to sales	YoY
Software Development Business	8,742	96.4%	9,194	96.0%	+5.2%
System Sales Business	325	3.6%	380	4.0%	+17.1%
Total sales	9,068	100.0%	9,575	100.0%	+5.6%
Software Development Business	1,203	13.8%	1,156	12.6%	-3.9%
System Sales Business	46	14.3%	42	11.2%	-8.4%
Adjustment	0	0.0%	-	-	-
Total operating income	1,249	13.8%	1,198	12.5%	-4.1%

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

BRIDGE REPORT



(Sales trends by business unit)

	FY 6/23 2Q	Ratio to sales	FY 6/24 2Q	Ratio to sales	YoY
Software Development Business	8,742	96.4%	9,194	96.0%	+5.2%
Business Solution Unit	5,250	57.9%	5,367	56.1%	+2.2%
Business System	2,965	32.7%	2,965	31.0%	+0.0%
Operation Support	2,284	25.2%	2,402	25.1%	+5.2%
Embedded Solution Unit	3,089	34.1%	3,322	34.7%	+7.6%
Embedded Product Development	2,250	24.8%	2,438	25.5%	+8.4%
Embedded Product Verification	839	9.3%	884	9.2%	+5.4%
Original Product Unit	402	4.4%	504	5.3%	+25.2%
System Sales Unit	325	3.6%	380	4.0%	+17.1%
Total sales	9,068	100.0%	9,575	100.0%	+5.6%

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

◎Software Development Business

Increase in sales and decrease in profit

*Business solution unit

Although demand itself was strong, sales increased slightly year on year, while profit declined.

In business system development, sales were flat year on year, and profit declined despite the steady acquisition of public services, communications, and low-code development-related projects due to waiting hours for ERP projects caused by a cyclical dip in orders and the time required for engineer rotation after the conclusion of large-scale unprofitable projects.

In the operation support business, sales and profit both reached record highs due to the expansion of the business domain and synergy effects with the subsidiary Simplism.

*Embedded solution unit

Strong sales of in-vehicle systems related products drove the company's earnings. Development needs are high, especially among complete vehicle manufacturers, and growth continues to exceed initial forecasts due to strong demand. In addition to larger sales, the ratio of large-revenue projects has increased, leading to improved profitability.

In the embedded system development business, sales from semiconductor-related projects were weak due to the impact of customers' order receiving conditions, but sales of in-vehicle systems and IoT-related products for home appliances grew significantly.

In the embedded system verification business, verification projects for in-vehicle systems grew.

*Original Product Unit

Both sales and income increased due to an accumulation of license sales and an increase in sales related to electronic contract services.

“WebARGUS”

Sales and profit both increased, thanks to an increase in license sales.

Inquiries about anti-ransomware versions are steadily increasing.

“xoBlos”

In addition to horizontal expansion and cross-selling to existing customers, the company made progress in receiving orders for projects from prospective customers that had increased since the previous fiscal year. Both sales and profit increased significantly.

BRIDGE REPORT



“Other”

The electronic contract service, "DD-CONNECT," moved from the introduction phase to the growth phase and began to contribute to business earnings. Some companies have linked data with their core systems when implementing the service, and by handling the entire process of peripheral development, both sales and profit have increased significantly.

This type of cross-segment cooperation, customer support, and project creation are increasing, and synergies between businesses are expanding.

◎System Sales Business

Demand was strong in connection with the revision of the Electronic Books Maintenance Act and the adoption of the new invoice system, resulting in a significant increase in sales from the previous year. Still, profits declined slightly due to the implementation of system enhancements.

2-3 Financial condition and cash flow

◎Main BS

	End of June 2023	End of December 2023	Increase/Decrease		End of June 2023	End of December 2023	Increase/Decrease
Current assets	7,378	7,838	+460	Current liabilities	1,980	2,101	+120
Cash and deposits	4,185	4,338	+153	Accounts payable	615	630	+15
Trade receivables	2,953	3,179	+225	Fixed liabilities	190	230	+40
Noncurrent assets	798	898	+100	Total liabilities	2,170	2,332	+161
Tangible fixed assets	138	170	+31	Net assets	6,006	6,405	+399
Investments and other assets	487	570	+83	Retained earnings	5,742	6,253	+511
Total assets	8,176	8,737	+561	Total liabilities, net assets	8,176	8,737	+561

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

Total assets increased by 561 million yen from the end of the previous period to 8,737 million yen, mainly due to an increase in cash and deposits. Total liabilities increased by 161 million yen from the end of the previous period to 2,332 million yen. Net assets increased by 399 million yen from the end of the previous period to 6,405 million yen due to an increase in retained earnings. As a result, the equity ratio decreased 0.2 percentage points from the end of the previous period to 73.3%.

◎Cash Flow

	FY 6/23 2Q	FY 6/24 2Q	Increase/Decrease
Operating Cash Flow	790	666	-123
Investing Cash Flow	-41	-53	-11
Free Cash Flow	748	613	-135
Financing Cash Flow	-394	-421	-26
Cash, Equivalents	4,183	4,328	+144

*Unit: Million yen

The surpluses of operating cash flow and free cash flow shrank, due to the decrease in quarterly net income before taxes and other adjustments, etc.

Cash position increased.

(4) Topics

(1) New Office Opened in Hakodate

In November 2023, the company opened the new office, "DX Business Laboratory Hakodate Branch," in Hakodate City, Hokkaido.

(Background)

The company established an office in Matsuyama City, Ehime Prefecture, in 2013, hired local IT personnel, and now has over 60 employees.

After considering opening a base in another regional city, the company focused on the human resources and business potential of Hakodate City and decided to establish the "DX Business Laboratory Hakodate Branch" with the support of Hakodate City Hall.

In conjunction with the establishment of the branch, a collaboration agreement was signed between Hakodate City and the company in December 2023.

The reason why the company focused on the high potential of Hakodate City is because it has a connection to Hakodate and has been familiar with the goodness of Hakodate for a long time. Specifically, President Ichikawa graduated from Hakodate La Salle High School, and Executive Officer Narita, Director of the DX Business Laboratory, graduated from Hokkaido Matsumae High School and is from Fukushima, Hakodate City.

(Future Activities)

The branch will hire local IT personnel to promote nearshore business, such as low-code development in growing fields, and centralize DX technologies such as AI. It will also work to establish a business model for local DX in small commercial areas in collaboration with local companies and contribute to the local economy by promoting local employment and DX.

The employment plan is currently on track with the goal of hiring at least 3 employees in the first fiscal year, and the company aims to hire at least 60 employees in 3 years.

(2) Two M&A transactions were conducted.

In February 2024, the company made two M&A transactions (acquisition of subsidiaries) in order to achieve further growth toward the realization of the "DIT 2030 Vision. "

The company intends to continue to pursue M&A to expand its embedded system resources.

◎ Jungle Inc.

Since its establishment in 1999, the company has grown steadily by finding and selling a variety of hot-selling software products in Japan and overseas, both B-to-B and B-to-C. In order to achieve future growth, the company sought an environment where they could better utilize the pioneering and sales capabilities and marketing know-how they have cultivated over the years for software products.

(Background of M&A)

In addition to its own original products, DIT has been handling other companies' products, such as electronic contract services, since the fall of 2020, and has been steadily growing. However, as a software development company, DIT recognized that its sales network was weak, its marketing know-how was lacking, and it was not growing as fast as it had hoped.

Under these circumstances, the two companies have come to the decision to enter into a share transfer agreement to make Jungle a wholly-owned subsidiary, as they expect it will unlock significant synergies in the development of the product business by combining DIT's need to acquire sales networks and know-how to expand its product business and Jungle's need to utilize its sales capabilities and marketing know-how.

The company plans to incorporate it into its consolidated results from the fourth quarter of the fiscal year ending June 2024 (April - June 2024) and is currently examining the impact on its consolidated results.

© System Product Co., Ltd.

Since its establishment in 1979, the company has specialized in software development for the financial sector, especially securities. In recent years, it has steadily grown by increasing the number of Salesforce-certified staff in the cloud business as one of its new endeavors. However, System Product's secondary contractor role limited their growth potential, prompting them to seek a path toward more significant expansion. They also face a management succession issue.

(Background of M&A)

DIT and System Product have signed a share transfer agreement to make System Product a wholly owned subsidiary of DIT. This transaction is expected to result in significant synergies with regard to strengthening their software development capabilities for the entire financial sector and Salesforce's technology capabilities, which is a growth area, as well as resolve System Product's management succession issue by combining DIT's need to enhance its existing business and expand into new business areas with System Product's need to expand the scale of its business.

The company is currently examining the impact of the transaction on its consolidated business results, with plans to incorporate the transaction into its consolidated business results from the fiscal year ending June 2025.

(3) Comprehensive Collaboration Agreement Ceremony Held to Promote DX in Hokuto City, Hokkaido, Japan

In February 2024, a comprehensive collaboration agreement was signed with Hokuto City to promote DX in Hokuto City, Hokkaido.

As mentioned above, the company established the "DX Business Laboratory Hakodate Branch" in Hakodate City with the goal of using Hakodate as a base for efforts to contribute to regional revitalization in the southern Hokkaido area. Thus, the company quickly reached an agreement with Hokuto City to revitalize the region through the promotion of DX in Hokuto City.

(Future Activities)

Through this agreement, the two parties will mutually collaborate and cooperate to promote DX in order to develop digital human resources, streamline internal administrative operations, improve various citizen services, and revitalize the local economy.

***Areas of cooperation**

- (1) Matters related to the development of digital human resources.
- (2) Matters related to improving the efficiency of internal administrative operation in Hokuto City.
- (3) Matters related to the improvement of various citizen services
- (4) Matters related to the revitalization of the local economy
- (5) Other matters necessary to achieve the objectives of this agreement.

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	Rate of progress
Sales	18,149	100.0%	19,500	100.0%	+7.4%	49.1%
Operating Income	2,039	11.2%	2,500	12.8%	+22.6%	47.9%
Ordinary Income	2,059	11.3%	2,500	12.8%	+21.4%	47.5%
Net Income	1,447	8.0%	1,734	8.9%	+19.8%	46.8%

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

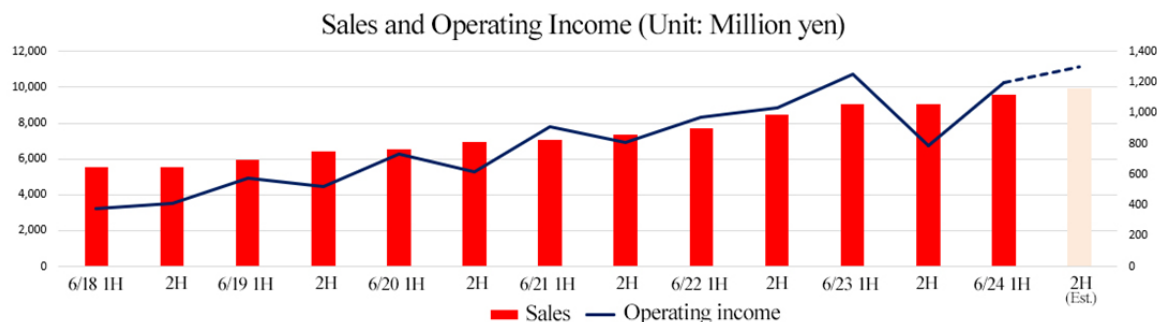
No changes to earnings forecasts, expecting 14th consecutive year of increase in sales and profits

There are no changes to the earnings forecasts. Sales are expected to increase 7.4% year on year to 19.5 billion yen, 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.

Since the impact of unprofitable projects subsided in the first quarter, the company expects both sales and profit to increase in the second half from the first half and from the same period of the previous fiscal year.

In the final year of the Medium-term Management Plan, the company aims to grow sales and profit for the 14th consecutive year based on the two measures set in the Medium-term Management Plan: "stabilizing the business foundation" and "strengthening growth factors."

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%.



3-2 Trend of each business unit.

(Trend of sales)

	FY 6/23	Ratio to sales	FY 6/24 Est	Ratio to sales	YoY	Rate of progress
Software Development Business	17,460	96.2%	18,800	96.6%	+7.7%	48.9%
Business Solution Unit	10,350	57.0%	11,300	57.9%	+9.2%	47.5%
Embedded Solution Unit	6,253	34.5%	6,500	33.6%	+3.9%	51.1%
Original Product Unit	856	4.7%	1,000	5.1%	+16.7%	50.4%
System Sales Unit	688	3.8%	700	3.6%	+1.6%	54.3%
Total	18,149	100.0%	19,500	100.0%	+7.4%	49.1%

*Unit: Million yen

(1) 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 costs related to the unprofitable projects were settled in the first half of the year. Business performance is expected to get back on the recovery track, thanks to a favorable number of orders received. 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.

The company will focus on capturing the robust need for DX.

(Priority measures)

Aim for growth by recovering by expanding existing businesses and taking on challenges in new service domains.

Priority Measures	H1 results	Initiatives for H2
1. Prioritize early closing of large-scale medical-related contract projects	The handover process to the transferring company was completed, and the project was fully completed in Q1 as planned. Implemented a strategic shift of engineers.	Expand strategically shifted projects and rebuild revenue base.
2. Win a project to develop and operate the core system for a major telecommunications company, a blue-chip client.	Changed target for core system development for a major telecommunications company due to undecided start date.	Continue to collect information, but target financial institutions where demand is strong.
3. Acquire projects from major companies using low-code development (OutSystems, etc.), a trend technology for high-speed development.	Received orders from several major companies and received high evaluations as well as a steady expansion of projects.	Secure orders for lead projects and strengthen the OutSystems response system (increase the number of qualified engineers, etc.)
4. Expand operational support business through collaboration with subsidiary simplism inc.	Monthly meetings between DIT and simplism, which have been held since the previous fiscal year, were held to share cooperative projects, and participation in actual projects gradually increased.	Expand the scope of collaboration and cooperative projects in various areas of our major customers.
5. Promote service proposal-based business by expanding operational support areas.	We strived to enhance our service lineup with Salesforce/MS365/RPA, but the demand remained high in existing areas, leading to the current status quo.	Continue to promote service proposal-based business to achieve results.
6. Ensure the implementation of measures to prevent the recurrence of the unprofitable project.	Conducted a review of the unprofitable projects with three layers (top management, middle management, and frontline staff) and formulate preventive measures to avoid recurrence.	Implement thorough measures to prevent recurrence (quality reviews, order approval meetings, etc.) and reduce risks when orders are received.
7. Utilize regional centers as "advanced near-shore development centers" and increase orders from local companies.	In addition to the steadily expanding Ehime Company (Matsuyama-shi) and East Japan Center (Sendai-shi), a branch office was opened in Hakodate City.	Promote initiatives to increase employment of local talent while contributing to the digital transformation (DX) of regional areas.

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

(2) 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.

In the first half, both sales and profit exceeded expectations. Collaboration between development and verification companies has been more successful than expected, and the company will continue to strive to capture strong demand and increase sales and profit in the second half of the fiscal year.

■Embedded system development

The company aims to expand its share in the thriving markets of in-vehicle systems and semiconductor industries through transactions with blue-chip customers, while developing in-vehicle system products for mass production and expanding IoT-related and industrial equipment-related products.

■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)

Respond to the needs to form an advanced society and aim for growth through the following measures.

Priority Measures	H1 results	Initiatives for H2
1. Maintain and expand (horizontally expand and deepen) the automotive-related field (automated driving, automotive communications equipment, safety standards) centered on existing customers	The automotive-related R&D investment field expanded steadily, offsetting the delay that occurred in the mass production development field.	Continue to focus on and aim for expansion in the fields of autonomous driving, automotive communications equipment, and safety standards.
2. Apart from automotive applications, we are expanding IoT deployment beyond industry boundaries, including household appliances. Sales in the industrial sector also expanded.	IoT for air conditioners expanded steadily following refrigerators in the home appliance field.	Expand the demand response system in the consumer electronics field and prepare for industrial projects.
3. Expand existing customers and cultivate new customers in the Chubu region in preparation for the establishment of the Chubu base	Participation in a major parts company in the Chubu region as a new customer was realized.	Increase the number of employees and consider establishing bases in the Chubu region.
4. Enhance our standardization methods for verification tasks to improve quality and expand the scale of orders.	Standardization guidelines completed and standardization methods disseminated within the Company.	Proceed with preparations to operate projects in accordance with standardization methods, focusing on contracted projects.
5. Expand white box verification area based on development technology capabilities.	Steadily expand white box verification area with strategic shift of development engineers.	Prepare for expansion in the area of white box verification and build a track record with currently growing customers.
6. Further expand the steadily growing automotive verification business at the U.S. subsidiary.	Although the verification work for Japanese cars ordered in the U.S. is in a trough, the results remained unchanged from the previous year due to the yen's depreciation.	Expand business performance by steadily capturing automobile-related verification work that is expected to continue for several years.

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

(3) Original Product Unit

The company aims to achieve substantial growth by strengthening its distributor network and sales structure to capture the needs of the emerging digital society.

Progress in the first half exceeded expectations, partly due to the contribution of "DD-CONNECT," an electronic contract service. In the second half, the company will continue its efforts to capture robust demand. The company expects a significant increase in sales and profit for the full year, partly due to the inclusion of the results of Jungle in the scope of consolidation, which has become a subsidiary.

***"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.

Concerning anti-ransomware versions of its products, the company will focus on uncovering customer needs and expanding orders.

(Priority measures)

The superiority of the product is increasing, and the growth is expected through the following measures.

Priority Measures	H1 results	Initiatives for the H2
1. Based on the introduction track record, aggressively approach large users, especially financial institutions, and focus on up-selling existing customers.	Although there was no introduction to large-scale users, the number of licenses grew steadily due to the acquisition of new customers and the scale-up of existing customers.	Advance an approach to aggressively introduce new products and continue to provide customer-support and upsell to expand the scale of existing customers.
2. Providing total security services under the DIT Security brand. <ul style="list-style-type: none"> Further boosting service development by strengthening collaboration with partner companies. Strengthening the range of cyber security products. 	As part of our total security services, we have consistently succeeded in introducing products from other companies in collaboration.	Strengthen product lineups with other companies through collaboration and strengthen vulnerability diagnosis system with high needs.
3. Expand sales of WebARGUS for Ransomware, which was launched in November last year.	Launch an approach to medical institutions that suffered a lot from ransomware.	In addition to medical institutions, select and approach industries that require anti-ransomware measures.
4. Develop strategies to increase awareness (and establish the brand as a brand) and implement the strategies through various forms of advertising	By revising the keywords in our web marketing advertisements, we achieved a significant improvement in click-through rate, increasing from 0.3% to 6.8%.	Promote measures to increase the conversion rate as well as the click-through rate, and plan to renew the website.
5. Introduce IoT version WebARGUS based on the system resilience (self-detection and self-repair) concept	Exhibited a prototype at JASA's seminar booth that is designed to be compatible with container environments, where consideration for utilization of IoT devices is progressing. <small>Reference Seminar URL: https://ictf.jp/introduction/8509?event_id=e1expo-2023 </small>	Develop a prototype version of the product (prototype model)

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

***"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.

In addition to providing xoBlos to end-users, the company plans to launch a pilot program to build new business models, such as BPO providers utilizing xoBlos to improve efficiency.

The company also supports the sales activities of its distributors, mainly by sharing successful cases.

(Priority measures)

Through the following measures, we aim to break free from the stagnation and get back on the growth track.

Priority Measures	H1 results	Initiatives for H2
1. More than 500 companies have installed the system, further strengthening sales to large-scale users	Progress in acquiring new projects, bringing the total number of companies to 500.	New customers for distributor sales are beginning to grow, and we aim to increase the number of companies that have adopted our products by strengthening our support.
2. Early acquisition of orders from high-certainty lead customers, which are steadily increasing	Gradual progress in closing projects carried forward from the previous fiscal year.	Reduce initial costs and lead time by supporting in-house production at installation sites.
3. Strengthen user support and increase subscription licenses from existing customers.	Steady increase in licensing from existing customers, partly due to synergies from educational packages.	Introduce examples of existing customers before renewing their licenses, and encourage further use.
4. Achieve RPA collaboration and multitasking (parallel processing) to promote continued use and new contracts.	Selection of alliance partners and consideration of services for full-scale introduction.	Full-scale introduction started. In addition, we are considering service-collaboration with RPA operators and are searching for ways to provide non-licensing.
5. Combine xoBlos and AI techniques to achieve semi-automation of control seats to lower barriers to implementation.	Created a demo app to create control sheets semi-automatically.	Customize products for collaboration with other companies' products and plan to exhibit at exhibitions.
6. Strengthen support for sales agents and acquire new licenses via agents	Agency development progressed steadily, and agency agreements were signed with three new agencies.	Plan to start demonstration tests of new business models with distributors
7. Promote An OEM licensing business by providing OEMs to alliance partners	OEM agreements have not been signed, but discussions with several companies are ongoing.	Mutually confirm that it is a product that can be expanded through alliances, and create a situation where we can conduct a Proof of Concept (PoC) together.

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

***New products and digital transformation**

(Priority measures)

The following measures will be implemented to expand new business domains.

Priority Measures	H1 results	Initiatives for H2
1. Expand subscription licenses by receiving large-scale DD-CONNECT orders	DD-CONNECT increased steadily in both resale and direct sales. In addition, several orders were received for large-scale SI development as the first stage (mainly agile development through low cords).	Increase the ratio of direct sales and work to increase profits. Aim to expand market share by repeating demonstration tests of electronic contract services for local governments. Collaborate with housing construction package developers in the field of electronic contract collaboration and low-code development of peripheral systems.
2. Aim to expand sales by targeting shield cms.	Narrowing down the target audience and implementing the missing features for that audience is complete.	Work to expand sales in line with the H1 sales strategy
3. Start with PoC (Proof of Concept) proposals for new DX-related services such as AI, RPA, BPM, etc., and aim for full-scale introduction.	Conducted R&D to provide new services, and proposed the use of AI for inspection and alcohol checker operations at a plywood factory in the residential construction industry.	Expand the market centered on AI and RPA for the homebuilding industry and local governments. In particular, establish a municipal model and aim to expand sales
4. Validate rapidly advancing generative AI and consider new services that add value to customers.	Began verifying how ChatGPT generation AI can be used in the development phase.	Participate in customer projects and collect information in parallel with internal verification
5. Launch a new co-creation business that leverages strengths and weaknesses of both companies by leveraging strengths and domains of expertise with management consulting companies, etc.	While identifying customer issues, both companies are considering the introduction of services.	Continue to consider both companies in order to realize co-creation business with customers.

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

(4) System Sales Business 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.

The company made more progress than expected in the first half of the year. The company will continue to work steadily to capture the increase in demand accompanying future system changes, such as the invoice system.

(Priority measures)

Through the following measures, we aim to secure more sales than planned.

Priority Measures	H1 results	Initiatives for H2
1. Until the first quarter, we respond to the "qualified invoice system (Invoice System)" introduced on October 1, 2023, and after that, we will follow up on this matter and strengthen Rakuichi sales for "electronic data transaction data storage in accordance with the revision of the Electronic Bookkeeping Law" which will become mandatory from January 2024.	Sales of storage equipment and voucher storage software were strong due to the introduction of an invoice system for existing users, system upgrades, and the Electronic Bookkeeping Law.	Continue to work to expand sales of equipment, services, and voucher storage software to customers whose the Electronic Bookkeeping Law have not been compromised.
2. Promote the medium-term DX of SMEs by effectively utilizing the government's IT tool introduction support measure for SMEs, the IT introduction subsidy	Sales using "IT Introduction Subsidy" remained strong.	Promote sales of SMEs promoted by the national government to improve their DX by utilizing IT introduction subsidy for FY2024 from April onward.
3. Centered on Strengthen proposals for various services required by customers, such as security products(UTM (integrated threat-management) and end-point security), MFPs, PC, etc.	Strong sales of security products and networking equipment centered on UTM(*)	Propose a variety of products associated with promoting DX at SMEs, work to solve problems, and lead to sales expansion

*Integrated UTM: Unified Threat Management threat-management that integrates a variety of security functions such as firewalls, antiviruses, antispams, Web (URL) filtering, IDS (Intrusion Detection System/ tampering detection systems), and IPS (Intrusion Prevention System/ tampering prevention systems) into 1.

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

4. Conclusions

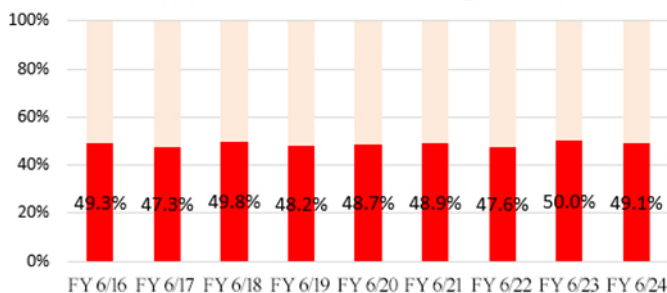
The impact of unprofitable projects has subsided, and a full recovery is expected in the second half of the fiscal year.

As of the end of the first half, the progress rate against the full-year forecast is 49.1% for sales and 47.9% for operating income.

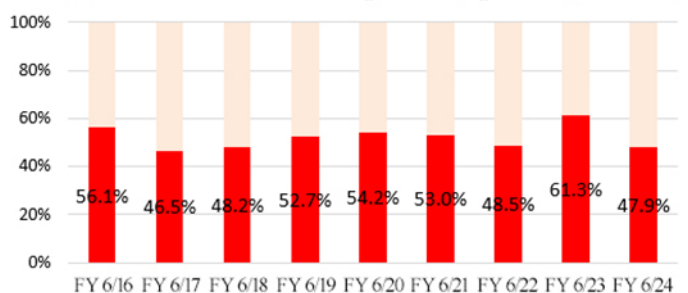
Sales are almost as usual, but operating income is slightly below the normal level. The key factors for the company to increase sales and profit and achieve the full-year forecast are how much the business solution business, which has only achieved 47.5% of its sales target, will expand in the fourth quarter, and how far the company will be able to actually close deals on its own products, for which it has been steadily receiving orders.

As this fiscal year is the final year of the Medium-term Management Plan, we will first pay attention to developments in both businesses in the third quarter.

Progress rate in the second quarter (Sales)



Progress rate in the second quarter (Operating income)



*From FY 6/16 to FY 6/23, the figure indicates the ratio in the second quarter toward the full-year results.

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

(Taken from company data)

(Business environment)

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

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

(Management goals)

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

	FY 6/2021	FY 6/2030	
		Organic Growth	New Business, M&A, etc.
Sales	14,400 million yen	30,000 million yen or more (+8.5%)	50,000 million yen or more (+14.8%)
Operating Income	1,720 million yen	4,000 million yen or more (+9.8%)	5,000 million yen or more (+12.6%)

*The CAGR is indicated within parentheses.

The company plans to increase the payout ratio to 40% or higher from the fiscal year ending June 2024.

(Steps to realize the vision)

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

(Medium to long-term growth model)

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

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

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

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

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

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

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

(2) New Medium-term Management Plan (FY 6/2022 to FY 6/2024)**(Basic strategies)**

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

(Outline of each basic strategy)**① Strengthening the Management Base**

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

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

*Basic policies:

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

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	9 directors, including 4 external ones
Auditors	3 auditors, including 2 external ones

Corporate Governance Report

Last Update: October 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 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. 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 ① Investment in human capital 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. 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 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>

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

Principles	Disclosure contents
<Principal 1-4>	<p><Policy and principle related to reduction in strategically-held shares></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><Verification details to determine the appropriateness of holding strategically-held shares></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><Standards for exercising voting rights concerning strategically-held shares></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 7.7% 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 7 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>

<Principal 3-1>	<p>(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</p> <p>(ii) Our actions concerning corporate governance are published on our webpage (at the following URL). Corporate Governance https://www.ditgroup.jp/ir/governance.html</p> <p>(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.</p> <p>(iv) 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.</p> <p>(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.</p>
<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</p>

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	<p>while enlisting support from external specialized institutions and strive to improve its function. *The skill matrix is shown on page 9 of the convocation notice of our company.</p>
<p><Principal 5-1></p>	<p>The company is making efforts in collaboration with relevant departments, led by the President, to achieve constructive dialogue with shareholders. As an action to enrich dialogue methods other than individual meetings, the company hosts financial settlement briefings every half-period for the analysts and institutional investors. The IR Department also proactively receives IR interviews through meetings and phone calls from investors. As a measure to 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. 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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