

Digital Information Technologies Corporation

2Q FY 06/2020 Financial Results Briefing
(TSE1: 3916)

February 2020





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Financial Results for FY6/20 2Q



FY6/2020 2Q Overview of Financial Results (Performance)

Significant YoY increases in both sales and profits, reaching new record highs.

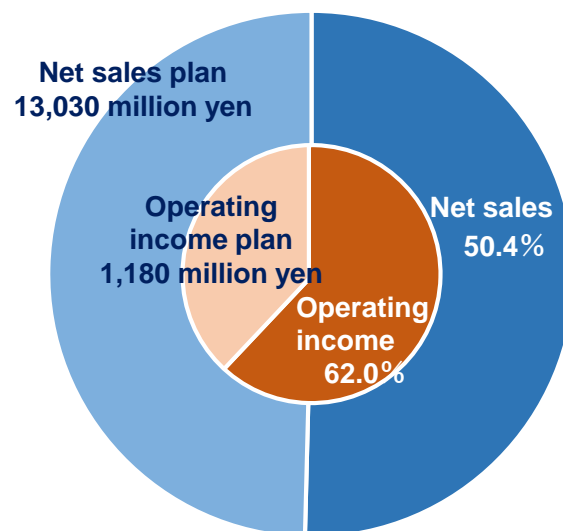
Steady sales and strong profits toward the full-year plan.

Net sales : 6,567 million yen (+10.2% YoY)

Operating income : 732 million yen (+27.0% YoY)

Operating income margin : 11.1%(+1.5Point YoY)

2Q progress rate to the plan



FY6/2020 2Q Overview of Financial Results (Business)

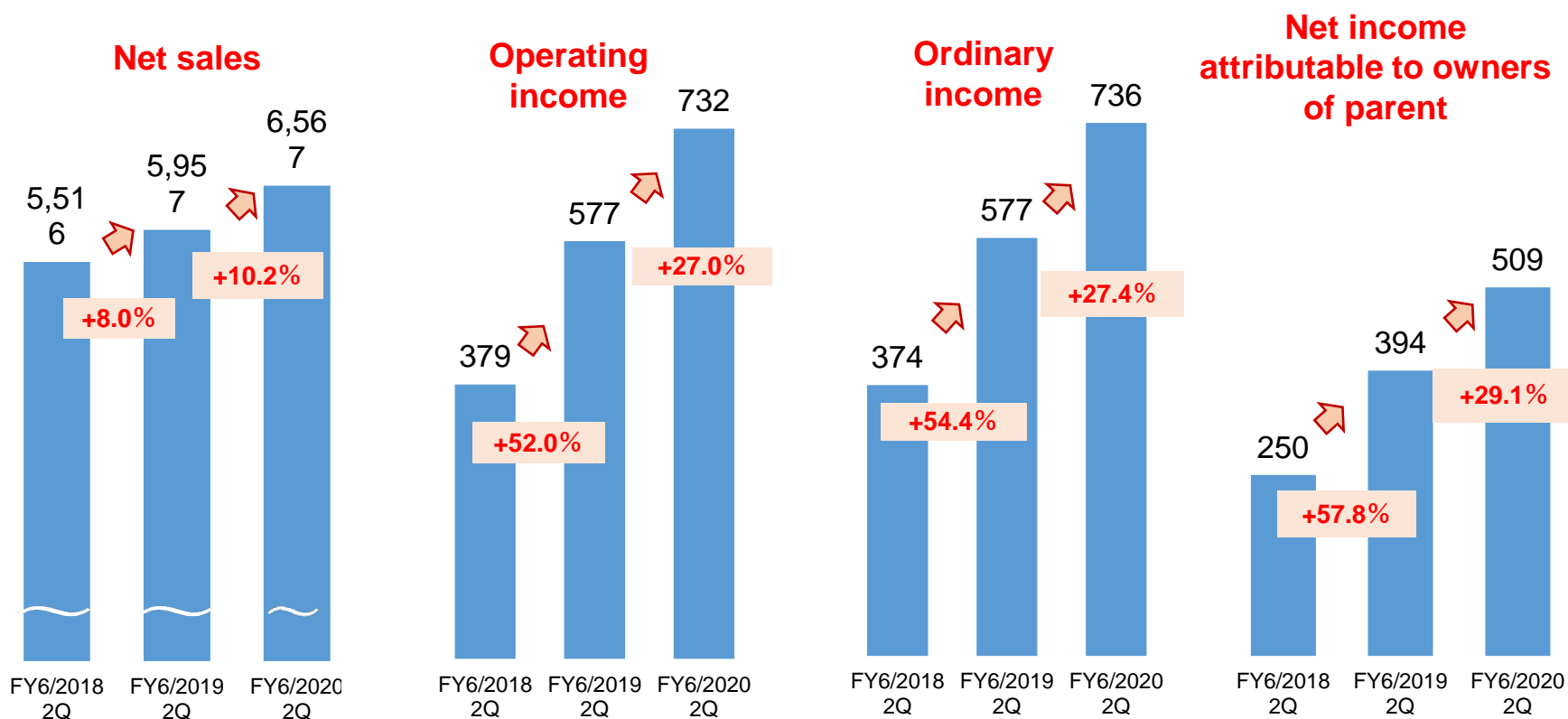
Steady business expansion in all businesses

- **In the Business Solutions Unit,** business system development mainly for financial area remained strong, and operational support led growth with the acquisition of new customers.
- **In the Embedded Solutions Unit,** we achieved growth in sales and profit margin with strategically expanding the range of automotive-related fields in both development and verification.
- **In the Original Product Unit,** sales of both WebARGUS and xoBlos expanded steadily by enhancing product appeal and strengthening sales activity.
- **In the Systems Sales Business,** sales grew significantly due to the effect of rush demand ahead of the consumption tax hike, etc.

FY6/2020 2Q Financial Highlights

■ Both sales and profits showed record-highs.

(Profits largely surpassed its strong results in the previous 2Q, which showed a sharp rise due to the large-scale project)



Summary of Consolidated Financial Results for FY6/20 2Q

- Both sales and profits significantly increased year-on-year, performing steadily toward the full-year plan.

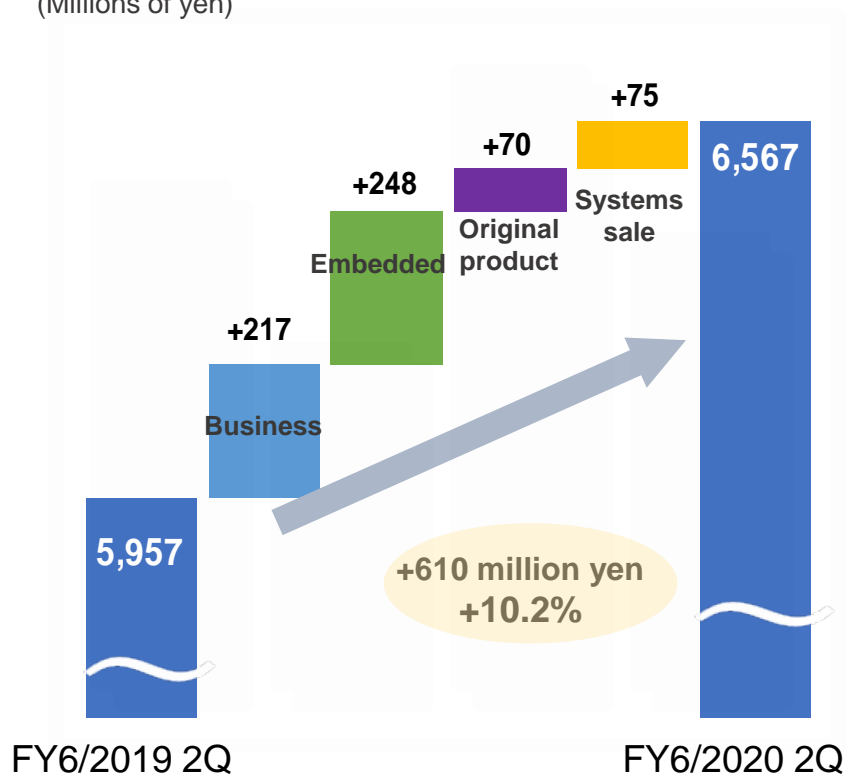
(Millions of yen)	FY6/2019 2Q Result	Composition %	FY6/2020 2Q Result	Composition %	YoY %	FY6/2020 Plan	YoY %
Net sales	5,957	100.0%	6,567	100.0%	+10.2%	13,030	50.4%
Gross profit	1,464	24.6%	1,662	25.3%	+13.5%	-	-
Operating income	577	9.7%	732	11.1%	+27.0%	1,180	62.1%
Ordinary income	577	9.7%	736	11.2%	+27.4%	1,177	62.5%
Net income attributable to owners of parent	394	6.6%	509	7.8%	+29.1%	790	64.5%

Factors behind Changes in Net Sales and Operating Income (YoY)

- Show growth in sales in all business segments
- Operating income increased by 27.0% YoY, as the increase in gross profit surpassed the increase in SG&A expenses.

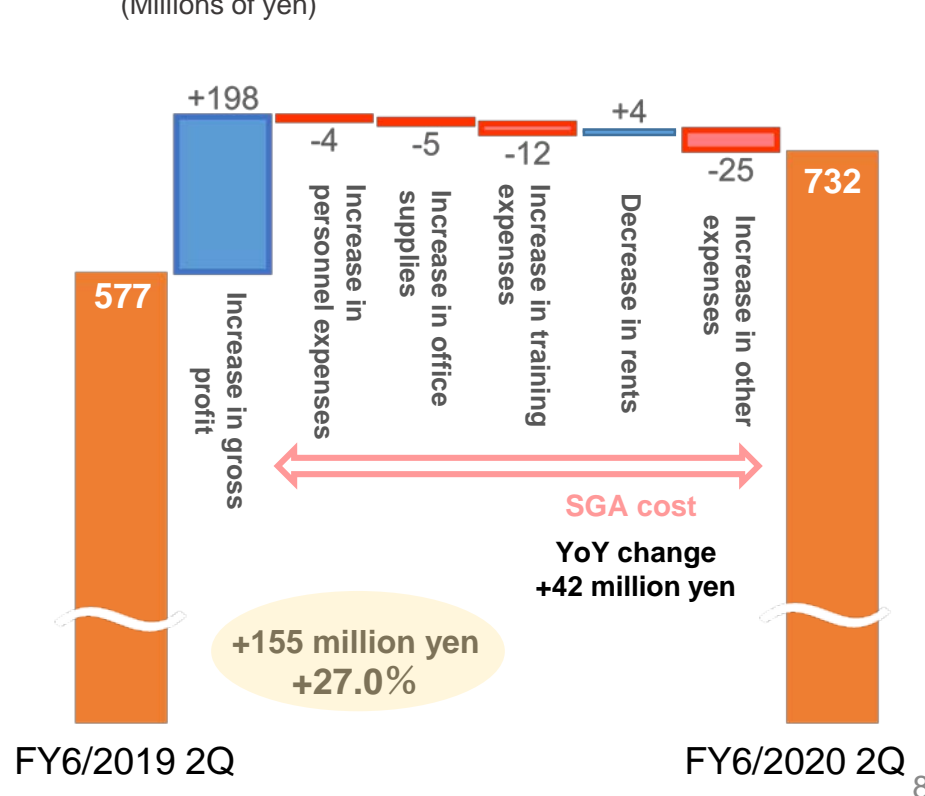
Net sales

(Millions of yen)



Operating income

(Millions of yen)



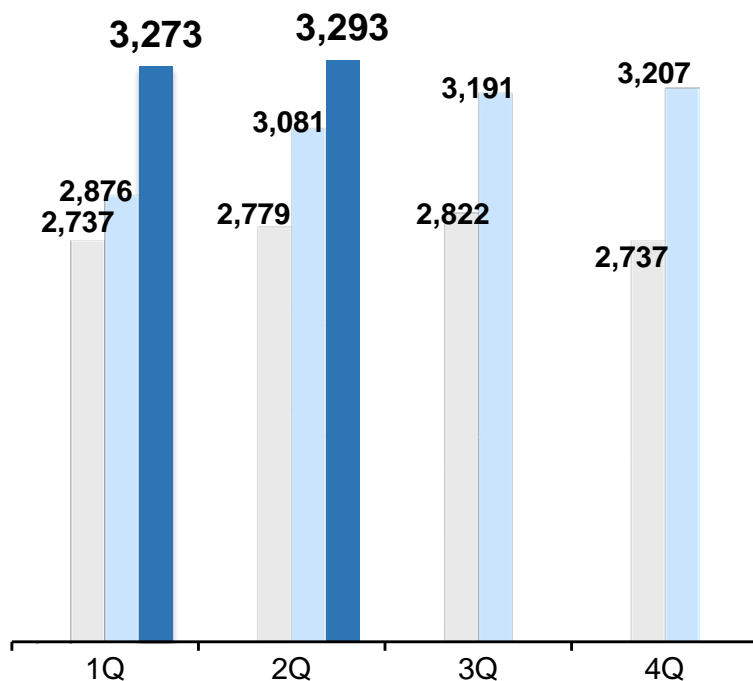
Quarterly Net Sales & Operating Income

- For 2Q alone, both quarterly net sales and operating income achieved record highs

Net sales

(Millions of yen)

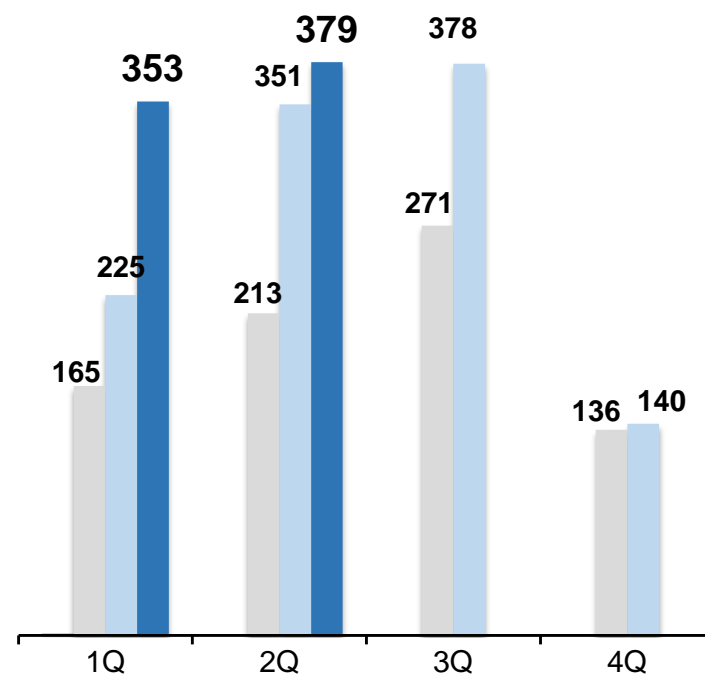
■ FY6/2018 ■ FY6/2019 ■ FY6/2020



Operating income

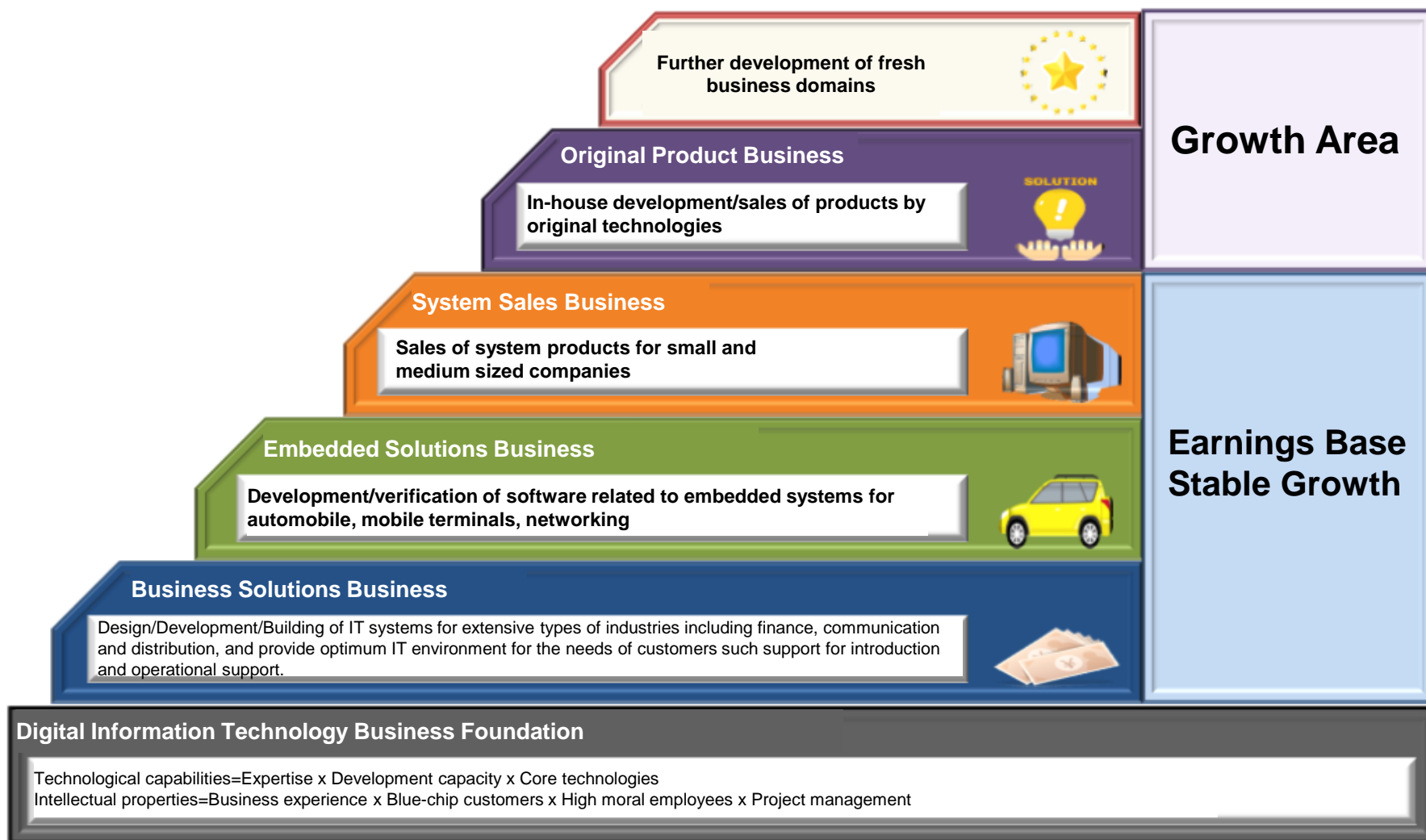
(Millions of yen)

■ FY6/2018 ■ FY6/2019 ■ FY6/2020



* Operating income has seasonal factors to decline in 4Q mainly due to acceptance of new employees and year-end allowances.

Business Domains: Positioning of Each Business



Business Segment and Composition of Sales

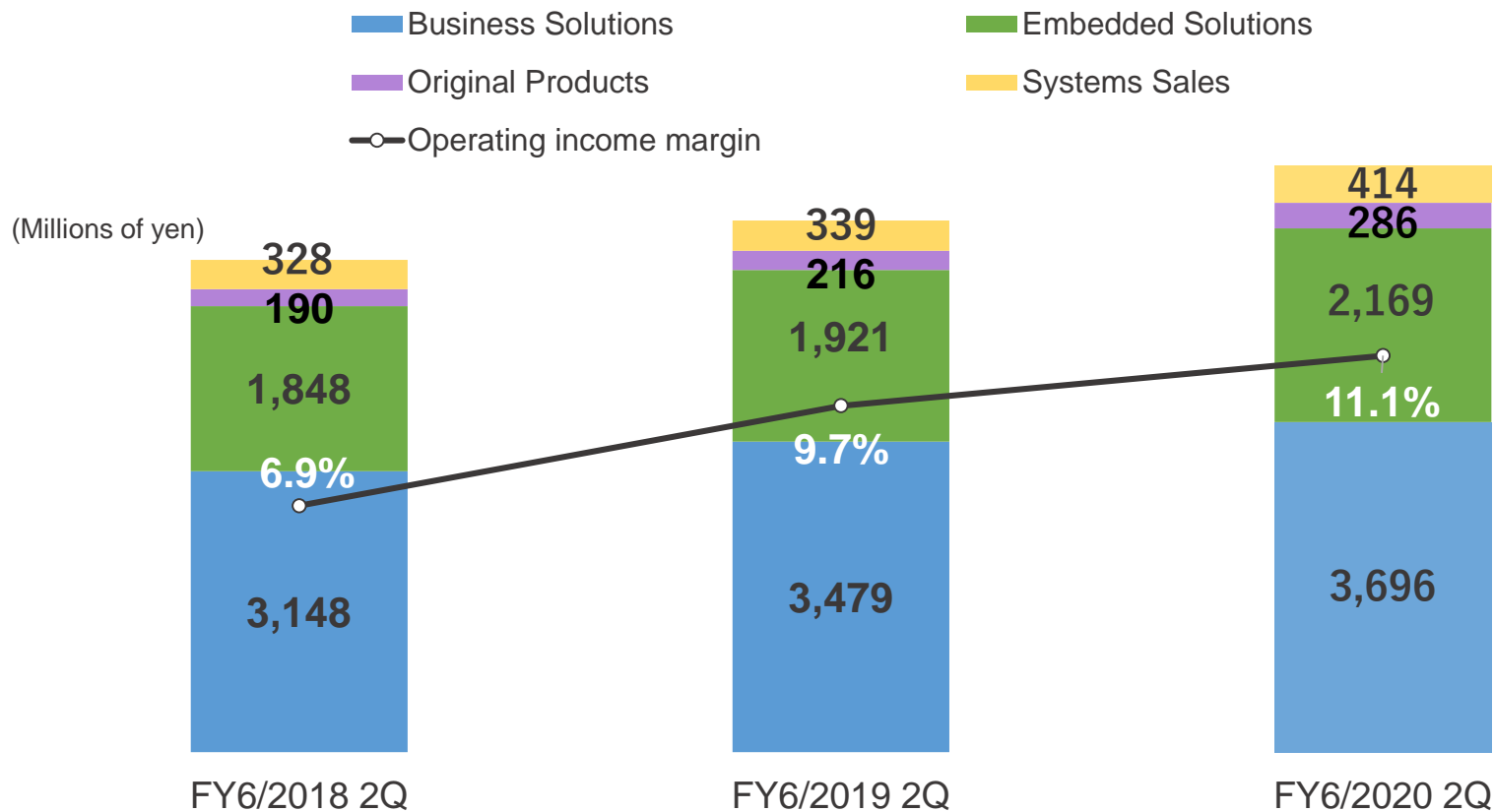
- Sales grew in all segments. Original Product Unit grew steadily.

Businesses segment	Classification	FY6/2018 2Q Net sales Composition	FY6/2019 2Q Net sales Composition	FY6/2020 2Q Net sales Composition	Break down (%)	Business Area
Software development Business		94.0%	94.3%	93.7%		Software development Business
Business Solutions Unit	Business Bases	57.1%	58.4%	56.3%	60%	Business system Development
					40%	Operational Support
Embedded Solutions Unit	Business Bases	33.5%	32.3%	33.0%	80%	Embedded Product Development
					20%	Embedded Product Verification
Original Product Unit	Growth Field	3.5%	3.6%	4.4%		Original Product
Systems Sales Business	Business Bases	6.0%	5.7%	6.3%		Systems Sales

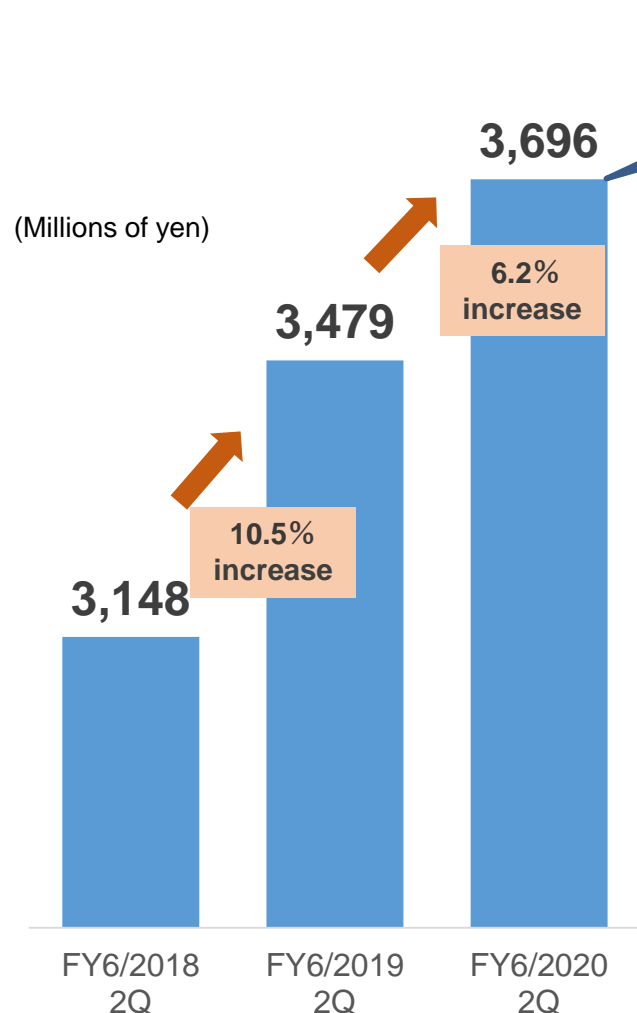
Trends in Business Segments and Composition Ratio of Net Sales

■ Continue to increase sales and profit margins

Composition of Net Sales/Operating income margin



Net Sales by Segment: Business Solutions Unit

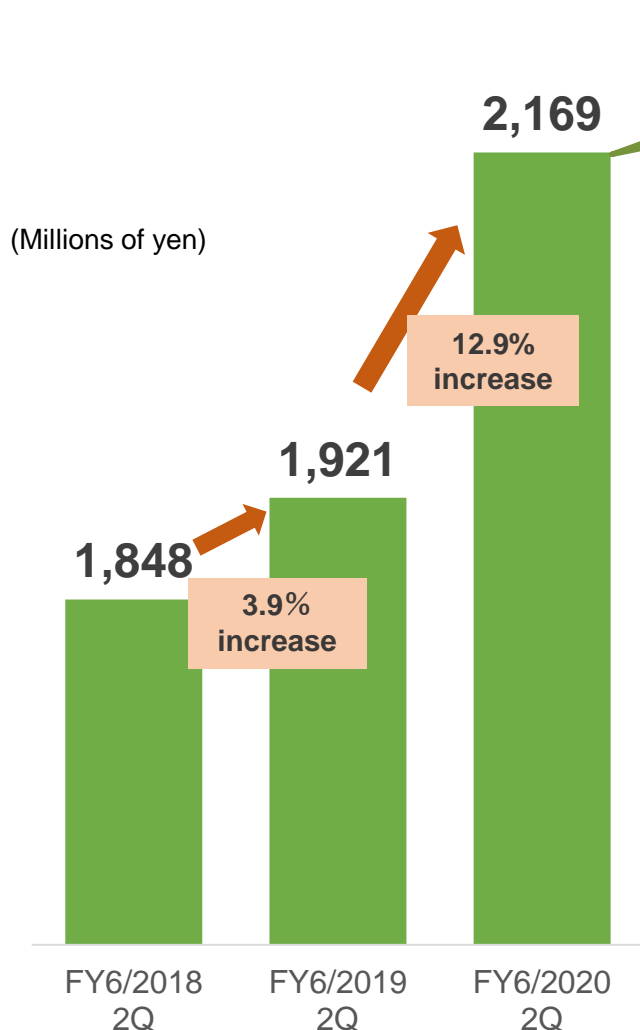


Progress rate:
48.6%

Net sales: 3,696 million yen
YoY change :+6.2%

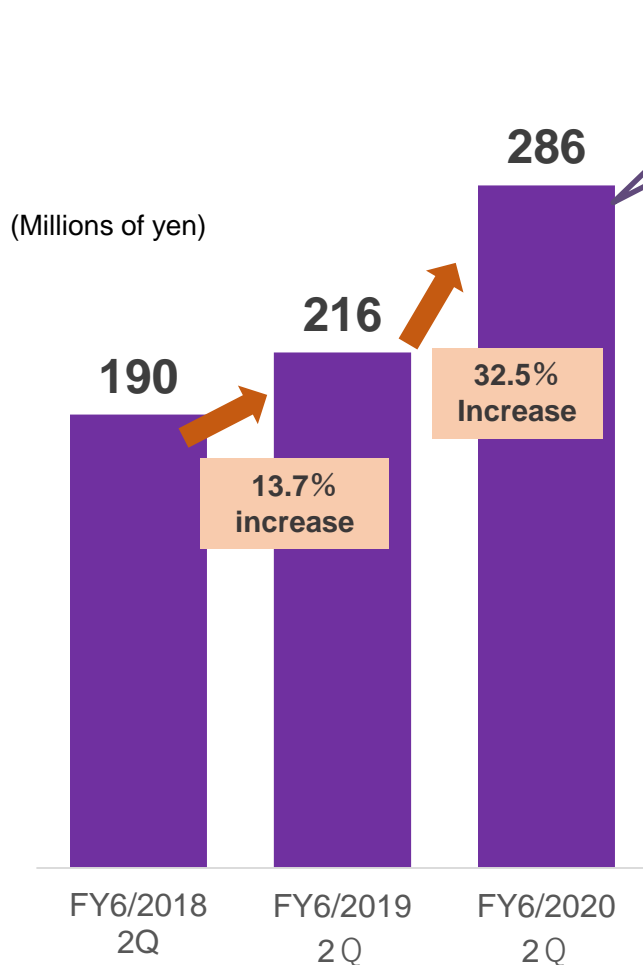
- In the business system development, the decline in the development of financial systems and distribution systems, which were subject to the acceptance of large-scale projects in the previous fiscal year, was offset by the growth in the development of systems for manufacturing and public sectors.
- Operational support services grew significantly, thanks to the success of developing new customers.

Net Sales by Segment: Embedded Solutions Unit



Net sales: 2,169 million yen
YoY change :+12.9%

- Sales were strong due to the expansion of automotive-related fields in both development and verification. (In particular, orders related to connected cars increased)
- Growth in mobile application development for IoT



Progress rate:
47.3%

Net Sales : 286 million yen
YoY change : +32.5%

■ [WebARGUS: CyberSecurity Products]

Steady growth as a result of focusing on introduction to large-scale users and advancing collaboration with external security specialists to enhance the lineup of total security services

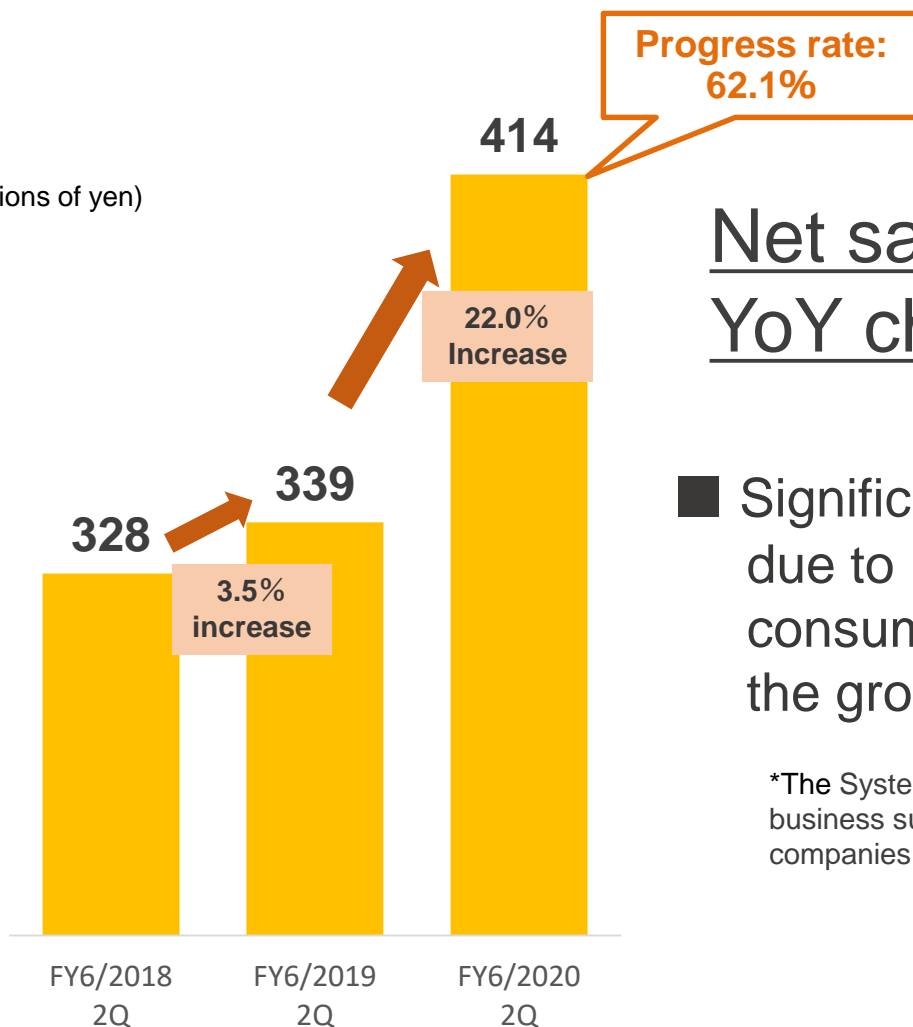
■ [xoBlos (zobroth): Operational efficiency products]

Steady growth driven by the establishment of a sales structure integrated with DIT Marketing Services Co., Ltd. and the promotion of the xoBlos Plus One concept in collaboration with other products such as RPAs and ERPs.

Net Sales by Segment: Systems Sales Business



(Millions of yen)



Net sales: 414 million yen
YoY change :+22.0%

- Significant growth in sales of “Rakuichi” due to rush demand ahead of the consumption tax hike in 1Q, although the growth has been slowed in 2Q.

*The Systems Sales Business mainly sells Rakuichi, a core system for business support and management support for small and medium-sized companies manufactured by Casio Computer Co., Ltd.

Financial Position and Cash Flows

- Debt-free management, equity ratio 68.4%
- Operating cash flows increased due to increase in net income, etc.

■ Financial condition

(Millions of yen)	End-Jun. 2019	End-Dec. 2019	Change
Total Assets	4,655	4,932	+277
Current Assets	3,933	4,142	+209
Fixed Assets	721	789	+68
Liabilities	1,707	1,559	△148
Net assets	2,947	3,372	+425
Shareholders' equity ratio	63.3%	68.4%	+5.1pt

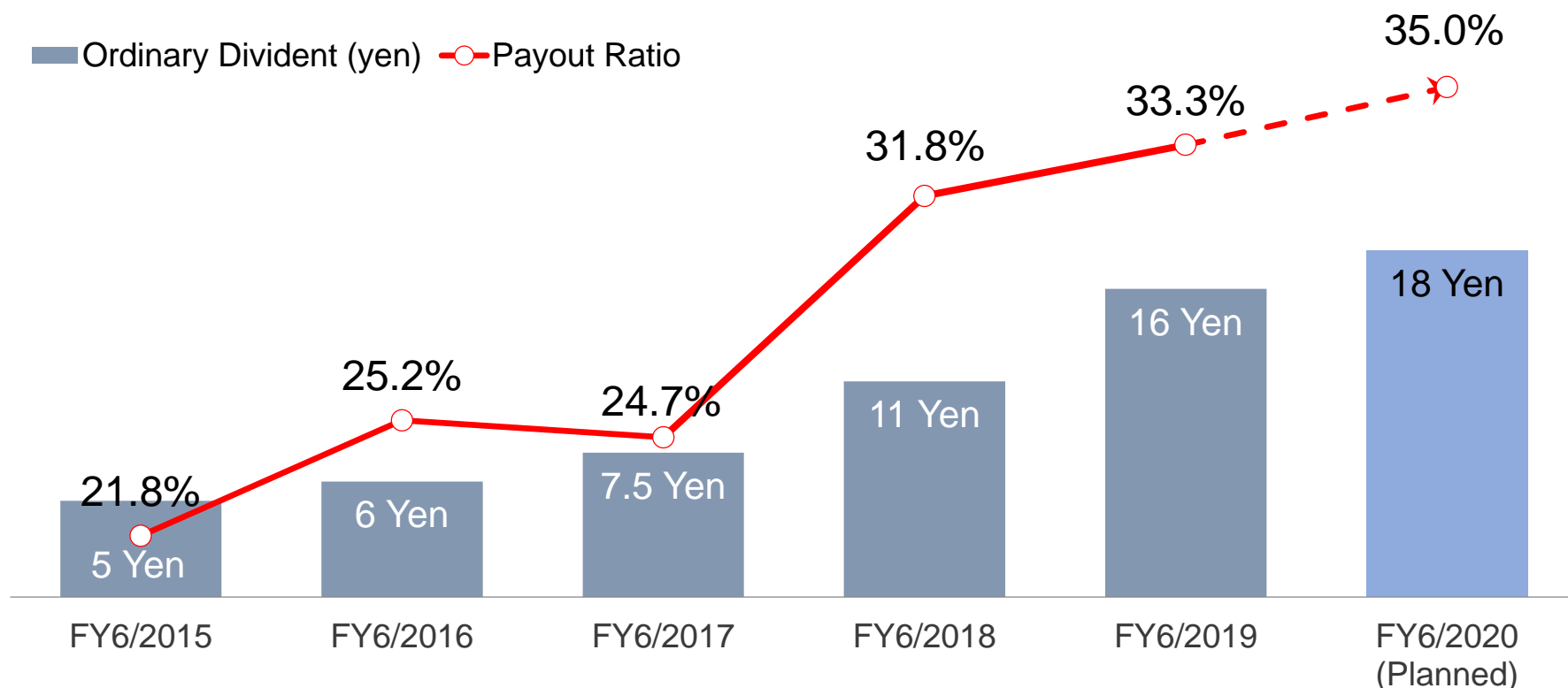
■ Cash flow

(Millions of yen)

(Millions of yen)	End-Dec. 2018	End-Dec. 2019	Change
Operating CF	116	310	194
Investment CF	△50	△64	△14
Finance CF	△96	△144	△48
Cash and cash equivalents at end of year	1,596	1,937	341
Free CF	66	246	180

Return to Shareholders (Dividends+Purchase of Treasury Stocks)

■ Target Payout Ratio of 30% or more



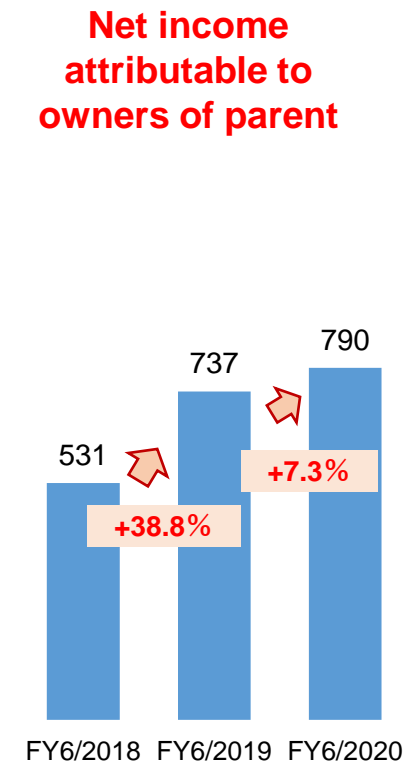
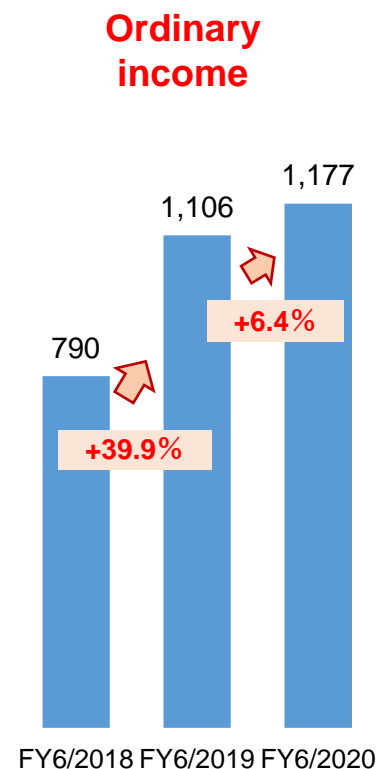
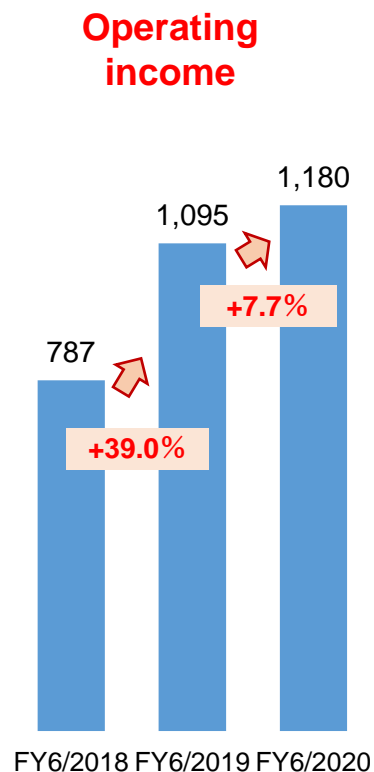
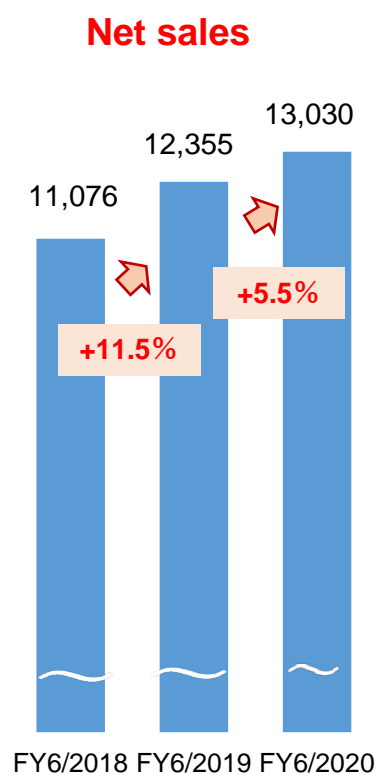
- In 2016 and 2018, implimented 1:2 stock split, and indicated annual dividend per share after split.
- In 6/18 implemented purchase of trasury stocks of 136 million yen (Overall payout ratio 57.5%).

Business Forecasts for FY6/20



Business Forecasts for FY6/20

- Demand for IT investment by corporations is firm, and sales and profits are expected to increase for 10 consecutive years.



Forecast of Business Results by Segment

- In the Software Development Business, the Company plans to increase sales by 5.9% YoY, while original product unit aims to significantly increase sales by 21%.

(Millions of yen)

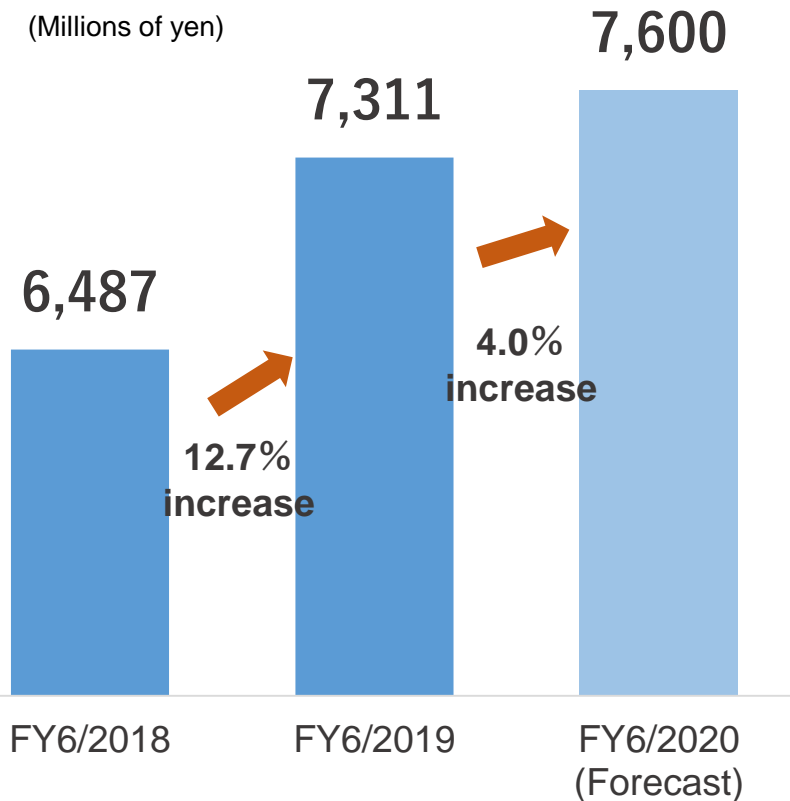
Business Segment	FY6/2019 Net sales	FY6/2020 Net sales Forecast	Change	% Change	Composition
Software Development Business	11,677	12,365	688	5.9%	94.9%
Business Solutions Unit	7,311	7,600	289	4.0%	58.3%
Embedded Solutions Unit	3,866	4,160	294	7.6%	31.9%
Original Product Unit	500	605	105	21.0%	4.6%
System Sales Business	678	665	-13	-1.9%	5.1%
Total	12,355	13,030	675	5.5%	



FY6/20 2H Initiatives for Priority Measures

Forecast by Segment: Business Solutions Unit

(Millions of yen)



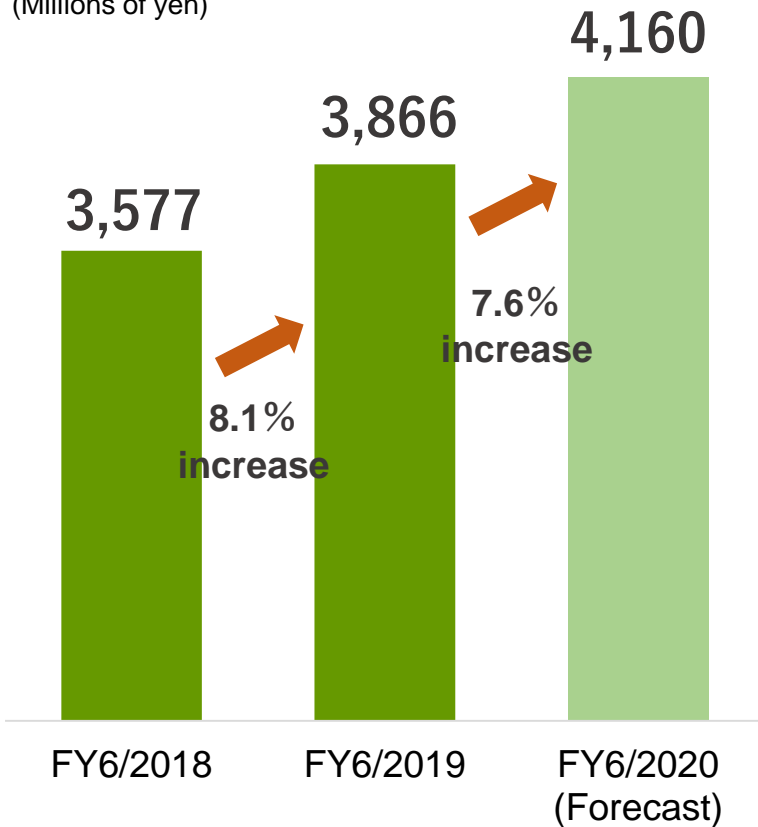
Net sales 7,600 million yen
YoY change +4.0%

Priority Measures by Segment: Business Solutions Unit

Priority measure	1H Results	2H Initiatives
1. Further expansion of the financial area which is our strength	Results of financial area was sluggish due to a delay in the launch of large-scale projects, but it was offset by the growth in manufacturing and public areas.	Aiming to reach the same level as the previous year in the financial sector by receiving inspection for large-scale contracts within the fiscal year.
2. Acquisition of infrastructure construction projects utilizing the cloud	Steady growth as part of operations support business. Contribution to acquiring new customers.	Aiming to win more orders than in the first half
3. Expansion of direct end-user agreements and promotion of proposal-based sales	Increase in end-user ratio and improvement in operating margin.	Work in the same manner as in the first half.
4. Increase the ratio of contract projects and thoroughly implement project management	Although the percentage of contracts is steadily rising, no major problems have occurred.	Further strengthen project risk management.
5. Utilize local offices as "Advanced Near Shore Development Center" to expand business	Steady progress in terms of both quantity and performance.	Work in the same manner as in the first half.

Segment Outlook: Embedded Solutions Unit

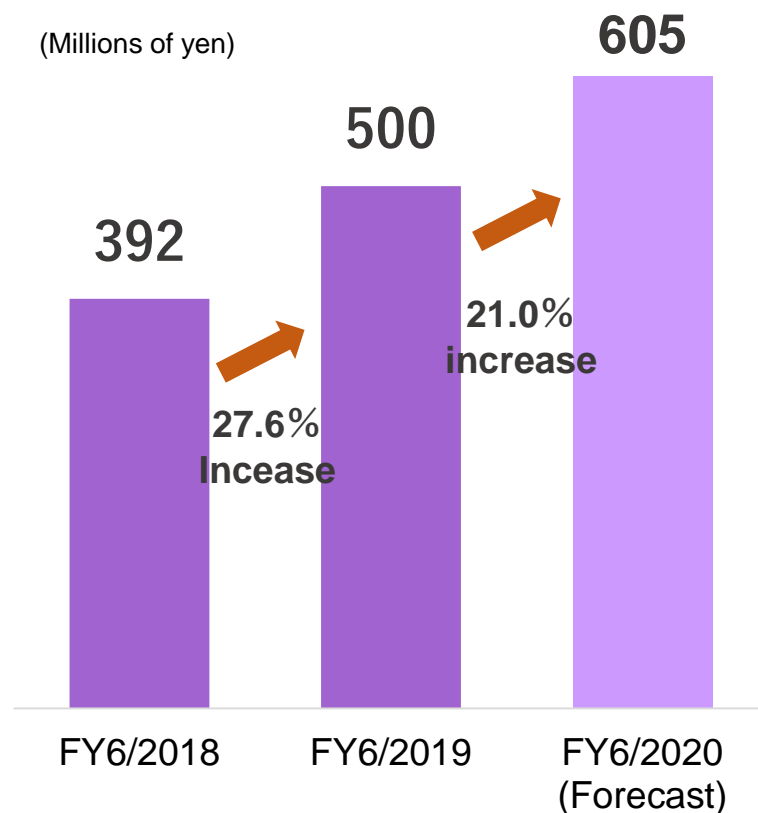
(Millions of yen)



Net sales 4,160 million yen
YoY change +7.6%

Priority Measures by Segment: Embedded Solution Unit

Priority measures	1H Results	2H Initiatives
1. Focus on vehicle-mounted related areas (automatic driving, vehicle-mounted communication equipment, safety standards) In particular, expand direct transactions with laboratories of major automakers.	Automotive-related sales grew steadily due to strategic measures. Direct transactions with major automakers steadily expanded.	Focus on securing human resources, as in the first half.
2. Develop IoT beyond industry boundaries, such as vehicles (communication modules), gas appliances (monitoring services), and home appliances (provision of recipes in electric ovens)	Our achievements have been highly evaluated, and the number of IoT-applicable devices is increasing in a horizontal manner among multiple customers.	Aiming to develop IoT services regardless of industry.
3. Smooth shift from customers with declining demand and improvement of profit margin by expanding contract projects	Shifting strategically to current industries. In addition, we are working to increase the number of outsourcing projects.	Work in the same manner as in the first half.



Net sales 605 million yen
YoY change +21.0%

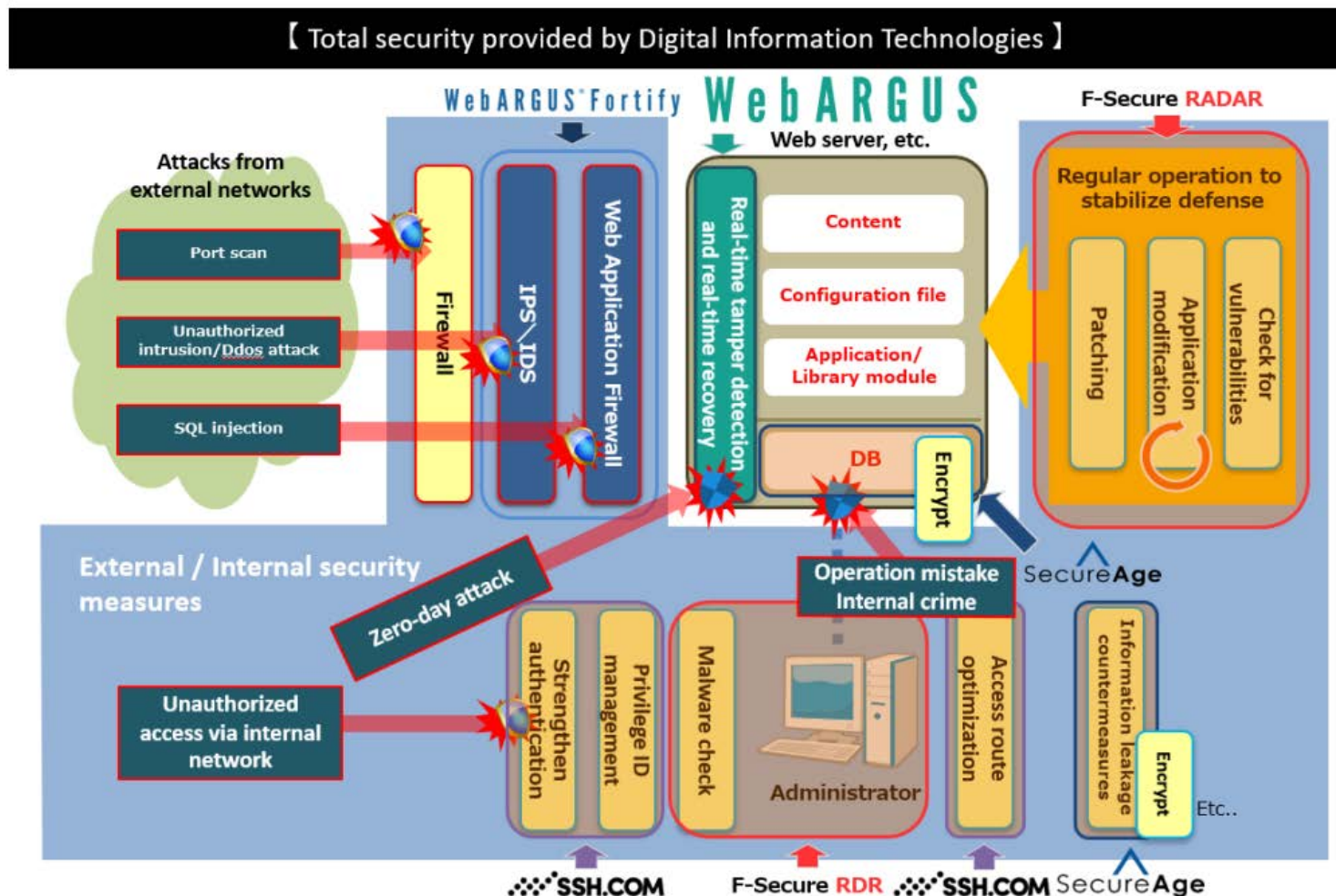
Priority Measures by Segment: Original Product Unit



Priority measures	1H Results	2H Initiatives
1. Aggressive Approach to Large-Scale Users	Focused on support for full-scale introduction by large-scale users. Continue business negotiations with new large-scale users.	Started full-scale introduction for large-scale users. Continue to approach large-scale users.
2. Provision of WebARGUS of SaaS models mainly to data center operators, etc.	Progress in introduction of SaaS models by distributors.	Help distributors to introduce SaaS model.
3. Attract customers with high needs through Web marketing	Introduced to multiple companies as the sales efficiency is high. In addition, we created a video that personifies WebARGUS to introduce it in an easy-to-understand manner.	Web marketing will be implemented while checking the cost effectiveness.
4. Promote Total Security Proposals as "DIT Security" <ul style="list-style-type: none"> Strengthen alliance with F-Secure Start dealing of AppGuard, an end-point security product 	Inquiries for total security are steadily increasing. Collaboration with Singapore-based cyber security company Secure Age to address information leakage (cryptography) started in December.	In January, we began collaborating with SSH Communication Security, a Finland-based cybersecurity company, to optimize access routes. Continue efforts to increase the number of partner companies.
5. Continue customer-oriented proposal activities of IoT-version WebARGUS based on the concept of system resilience (restoration)	Considering switching from Java version to the native version (C language) depending on customers' needs.	Work to make proposals in the native version (C language).

2Q Topics (Enhancement of Total Security)

- New collaboration with Singapore-based cyber security company Secure Age and Finland-based cyber security company SSH Communications Security



Priority Measures by Segment: Own Product Business

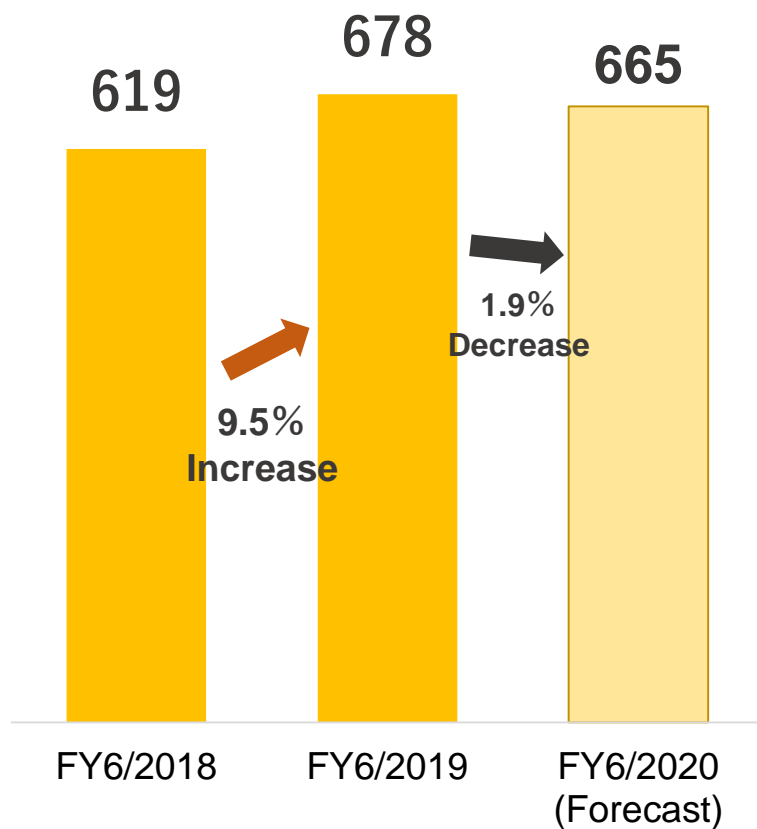


Priority measures	1H Results	2H Initiatives
1.As cumulative number of users exceeded 400 companies, further strengthen sales to large-scale users	The number of companies introducing the system exceeded 440. Moreover, orders for additional licenses from existing customers increased.	Further strengthen sales to large-scale users.
2. Joint sales promotion with DIT Marketing Service, our system sales subsidiary	We could share roles and goals as a team.	Work to achieve targets.
3. We are expanding sales opportunities by actively promoting the Plus 1 concept (collaboration with RPA, ERP, and other systems). Following RPA and ERP products, we tie-up with Japan's top integrated system operation management software.	The number of cooperative products has steadily increased. In particular, the collaboration with BizRobo! RPA Technologies, Inc. and ZAC by ORO Co.,Ltd. has performed well. We also collaborated with JP1 by Hitachi, Ltd.	The second phase of JP1 collaboration was realized at the beginning of the year. Leverage strengths in collaboration with various products to expand users as a data linkage platform.
4. Full switching to a Subscription Model	Sold to new customers with subscription model from the beginning of the fiscal year	Further enhance the support system

Forecast by Segment: Systems Sales Business



(Millions of yen)



Net sales 665 million yen
YoY change: -1.9%

Priority measures by segment: Systems Sales Business

Priority measures	1H Results	2H Initiatives
1. Support creation of management analysis materials required by customers by utilizing the standard function of Rakuichi.	Prioritizing response to reduced tax rates and to meet users' needs for replacing and renovating multiple tax rate-compliant systems	Support for management analysis materials useful for front office operations, and support for attendance management work associated with work style reform for SMEs
2. Strengthen proposals for a variety of services that customers need, such as printers, networks and security products.	Respond to replacement demand for PCs and servers due to the termination of Windows7, Windows Server 2008 support.	Promote proposals for business environmental conservation, including PC support and maintenance services and network security products.

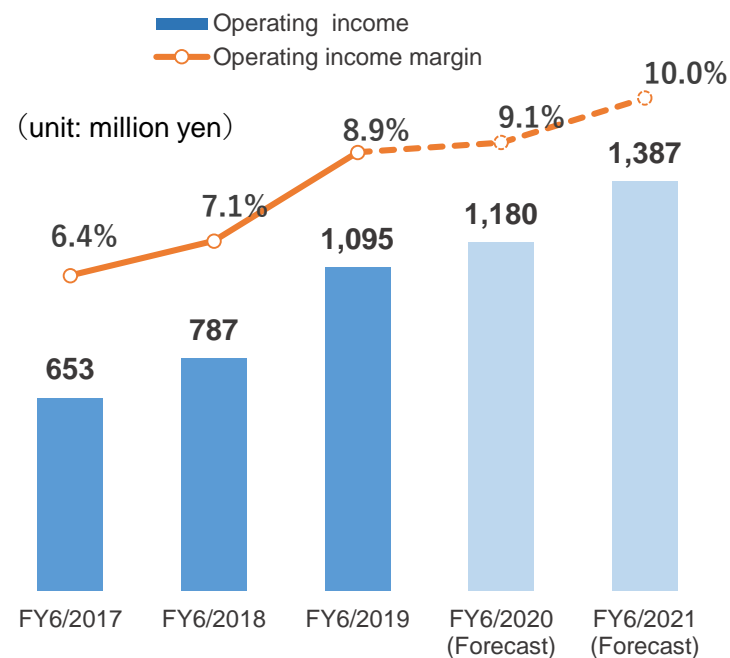
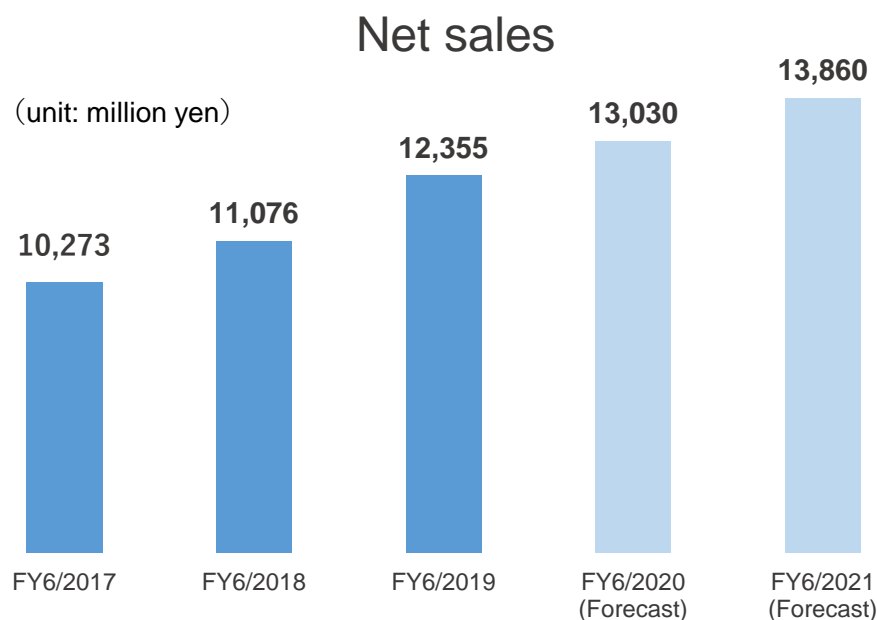
Mid-Term Management Plan



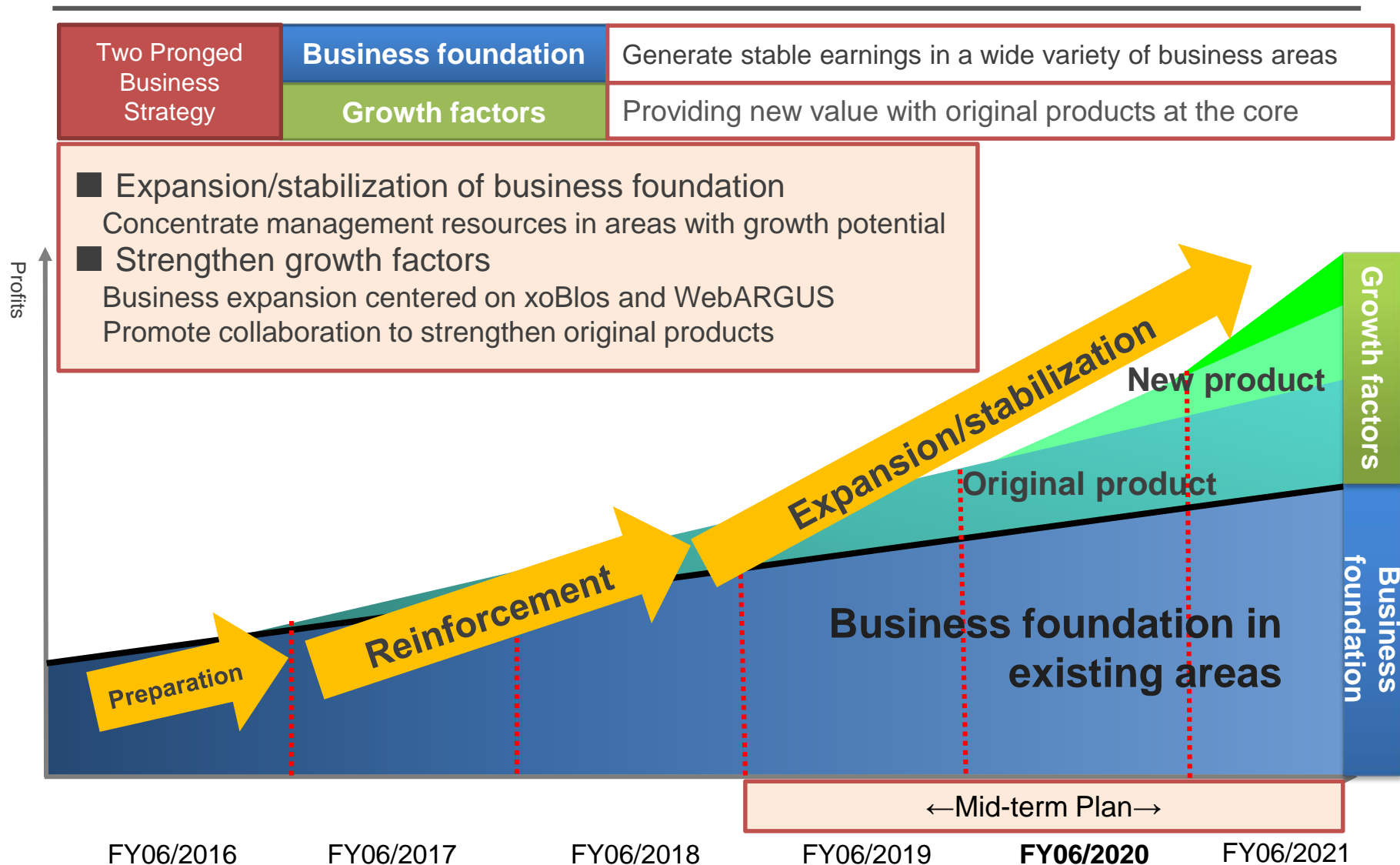
Mid-Term Management Targets : Achievement of “Triple 10”

■ Mid-Term Management Targets Started in FY6/2017: **Achieve Triple 10 within 5 years!**

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

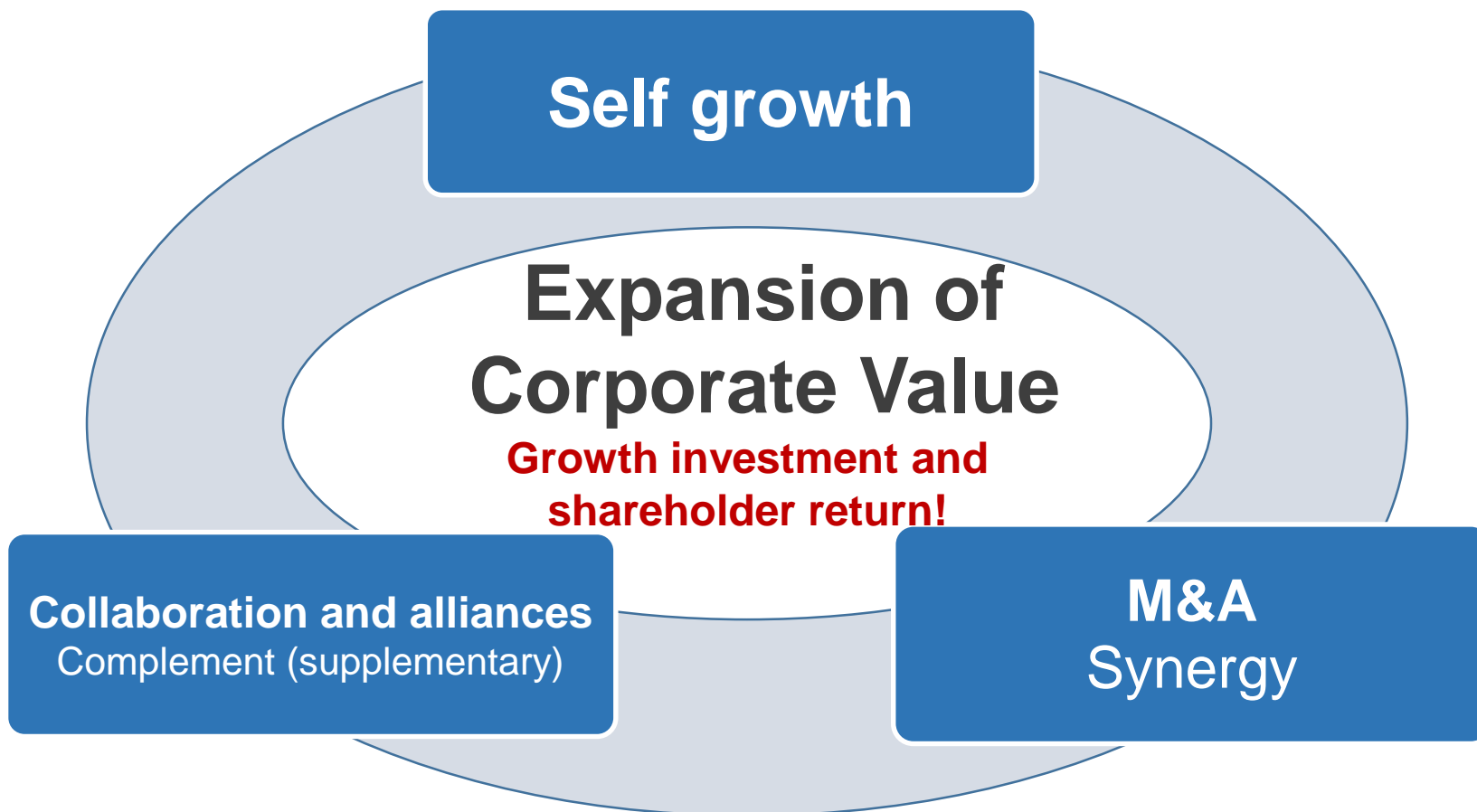


Mid-term Growth Model



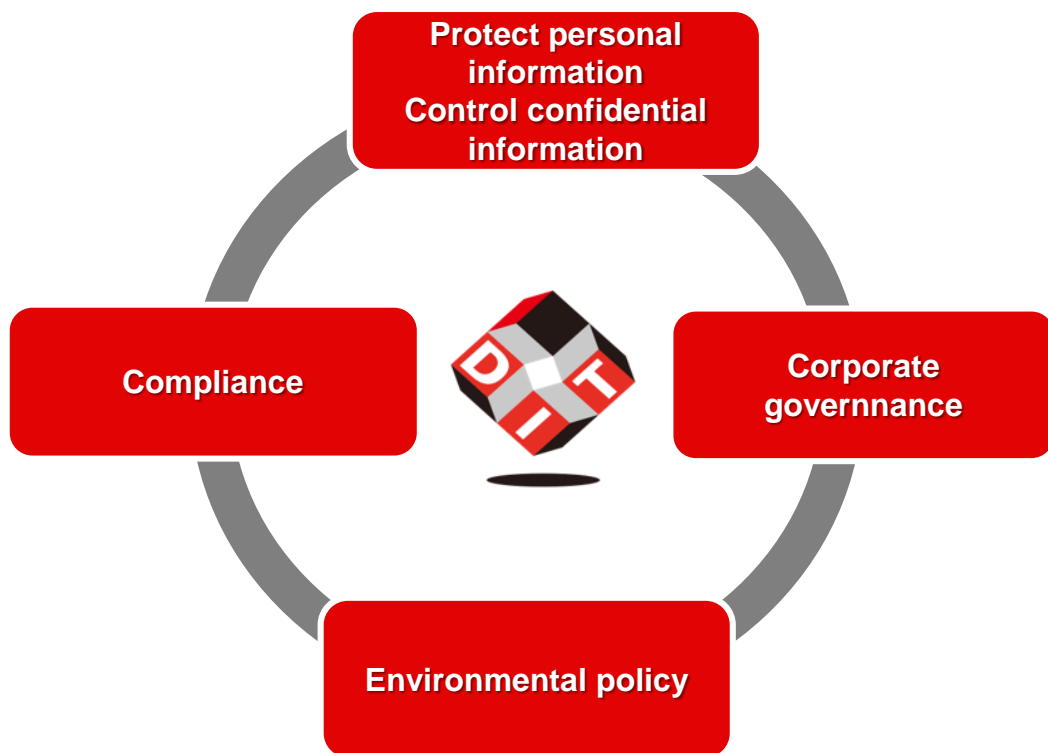
Towards expansion of corporate value

- We aim at expansion of Corporate Value through the three-in-one concept !



Our Commitment to CSR

- We will build a DIT brand that is trusted and chosen by stakeholders.



DIT will continue to support Ehime FC this year!



Reference materials



Corporate Data

Trade name	Digital Information Technologies Corporation
Establishment	January 4, 2002
Contents of business	Development of business systems, development and verification of embedded systems, system operation services, sales of in-house developed software, and system sales business
Location of head office	5F, FORECAST Sakurabashi, 4-5-4 Hacchobori, Chuo-ku, Tokyo
Capital stock :	453,156 thousand yen (As of the end of June 2019)
Fiscal year end :	June 30
Number of the employees	1,009 (940 on a non-consolidated basis) (As of the end of June 2019)
Officer	Norikazu Ichikawa, Representative Director and Chairman Satoshi Ichikawa, Representative Director and President 5 other internal directors and 3 outside directors 1 full-time auditor and 2 outside auditors
Group Companies :	DIT Marketing Service Co., Ltd., DIT America, LLC.



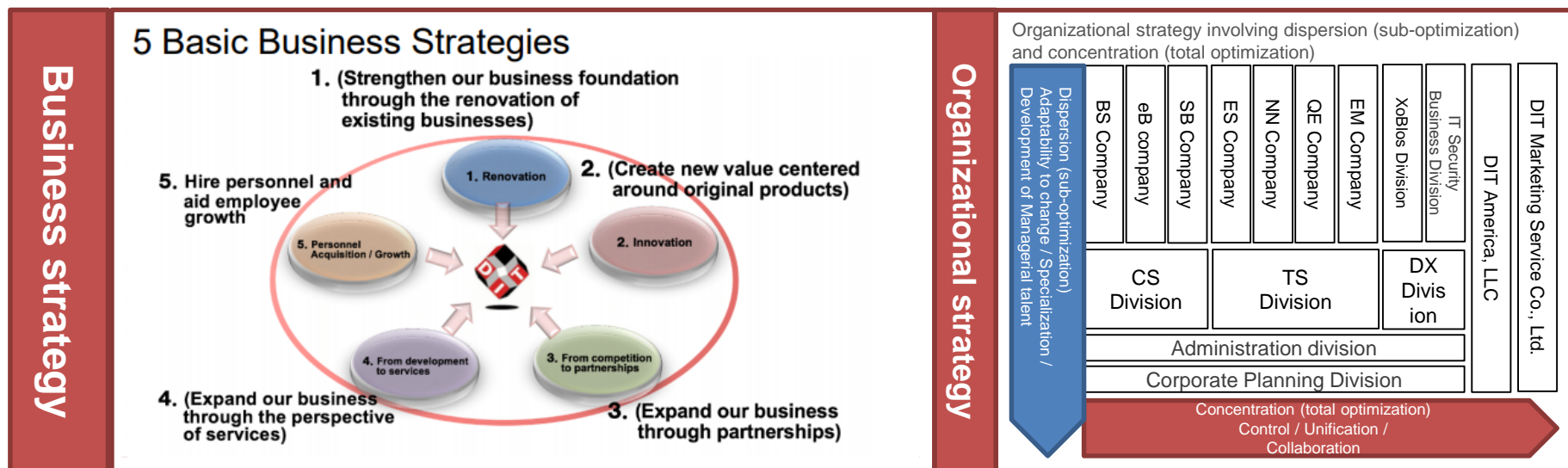
Satoshi Ichikawa, Representative Director and President

March 2004 Joined the Company
 July 2007 Executive Officer, General Manager, Corporate Planning Division
 July 2010 Executive Officer, General Manager of Business Division
 September 2012 Director and Executive Director, General Manager of Management Planning Department and Product Planning and Development Department
 July 2015 Managing Director, General Manager of Business Division
 July 2016 Representative Director and Senior Managing Executive Officer
 July 2018 Representative Director and President

Corporate Philosophy

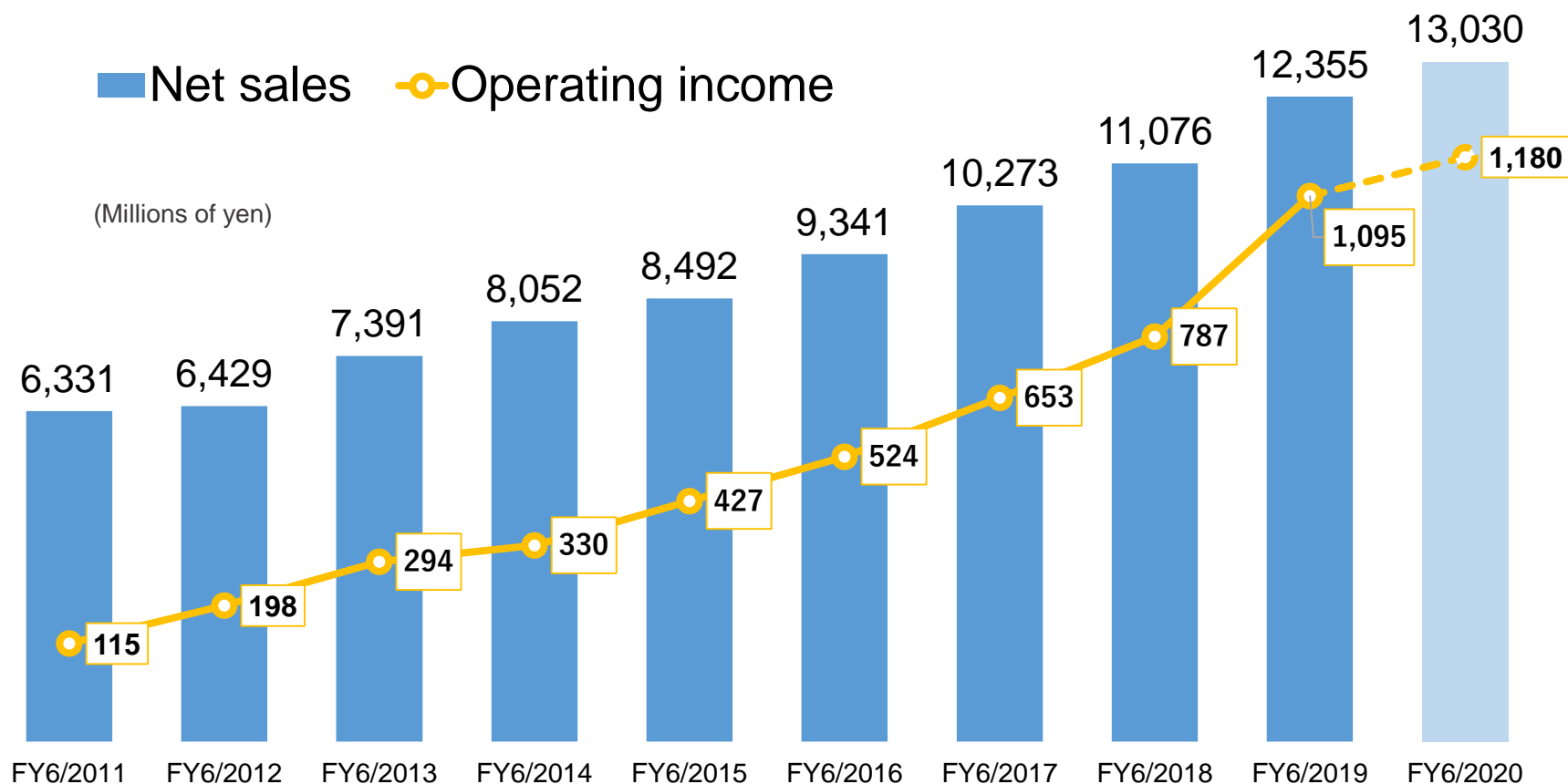
Corporate philosophy	Over-all	Client-driven	Management philosophy	Guarantee our employees' livelihood while contributing to society
	Company	Employee training/growth, Communication		
	Individuals	Increase in value added, Sense of objective / target, Passion and dedication		

Management Policy	Deliver on our commitment to value generation and adaptability to change, while aiming to realize stable growth for the company
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Trends of Business Results

■ Increase in sales and profits for the 9th consecutive year



Our strengths and basic strategies

Our Strengths

- We have diverse business domains including development and operation of business systems, and development and verification of embedded systems.
- We have professional expertise, technological capabilities and price competitiveness that are highly appraised by blue-chip customers.
- Our businesses are mainly long-term stable businesses based on trustworthy relationships with customers, and our business foundation is stable.
- We have our original products which are unique and promising to expand the market.

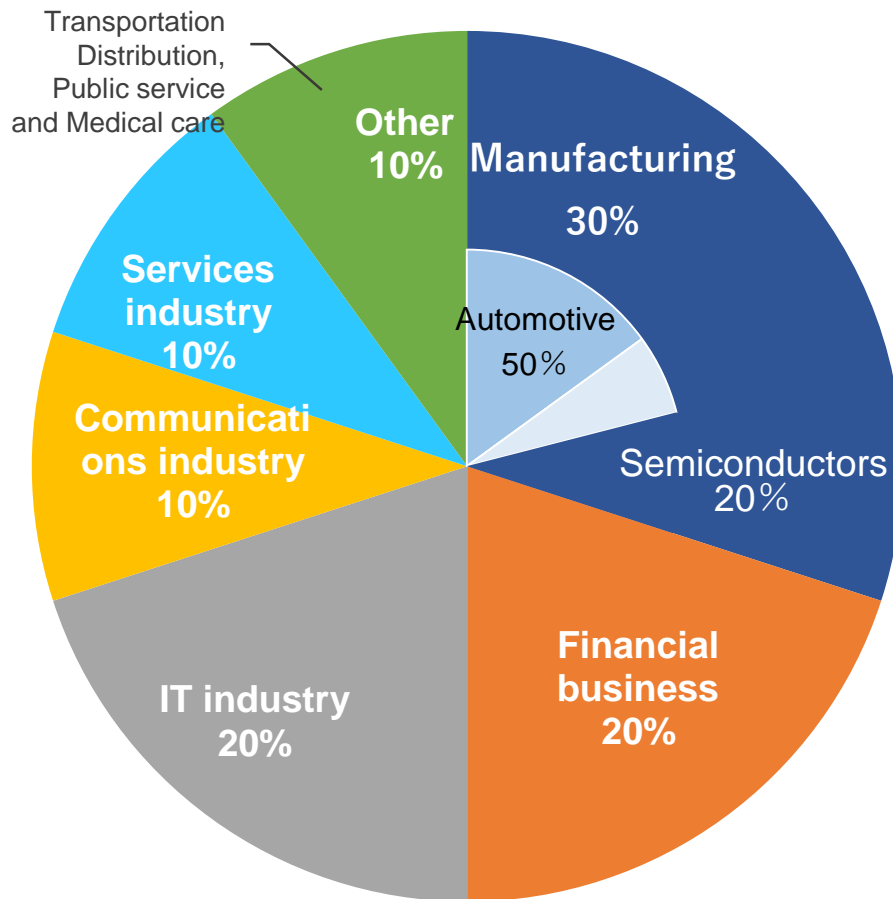


Basic Strategy

- Growth Strategy: Continue to grow through two pronged business strategy (expand and stabilize business foundations through reform of existing businesses and strengthen our original product business which is a component of our growth)
- Enhance overall corporate strengths: Push up overall strengths including technological capabilities and added value, and elevate profit per capita.

Customer Base

Sales Composition by Industry



■ Customers of the DIT Group are Approx. 2,600 companies

- Software development business mainly attend listed companies and their affiliates, and system sales business mainly attend SMEs.

■ Sales Composition by Industry of Software Development Business (Left chart)

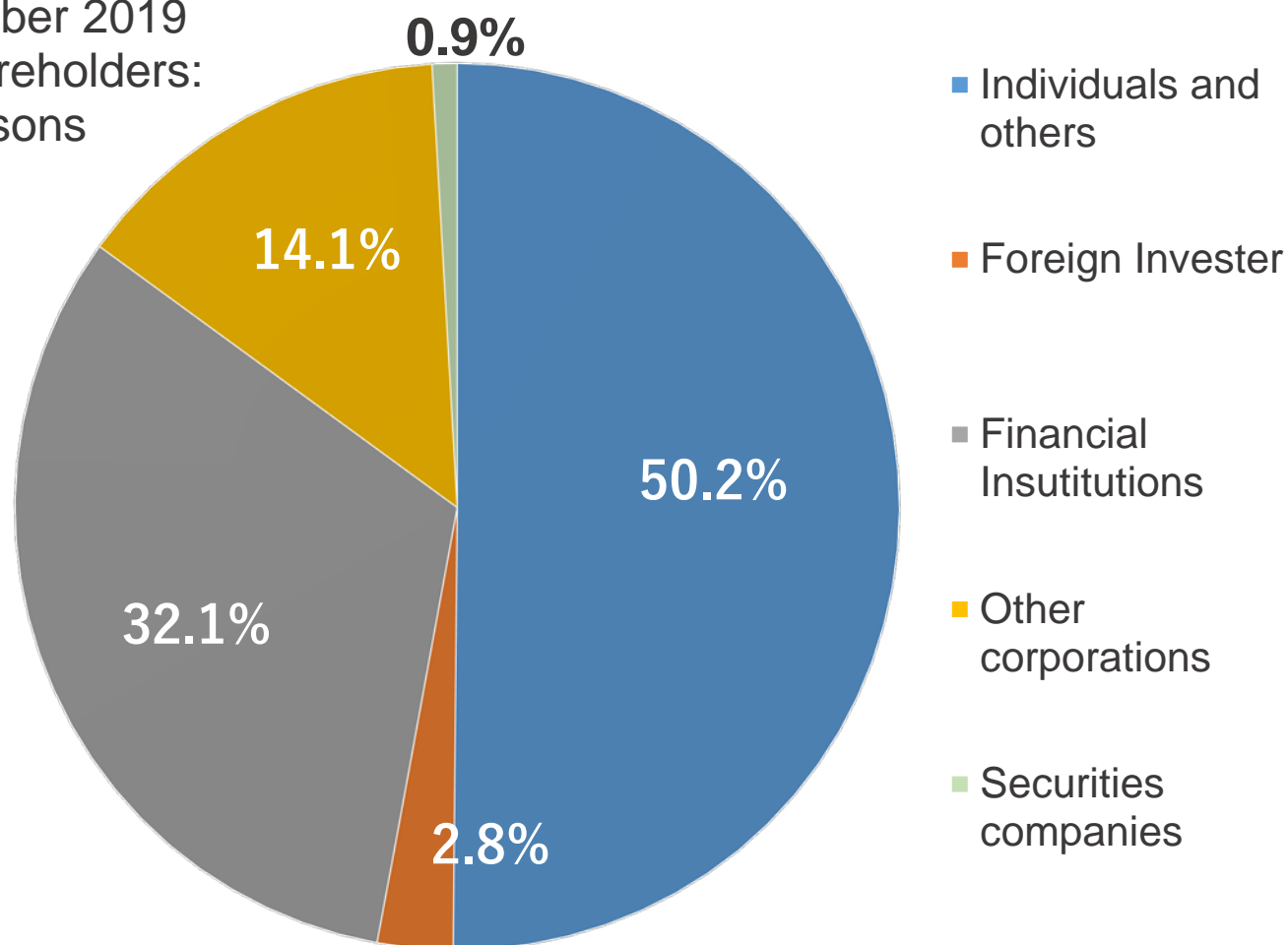
- Including information systems subsidiaries, sales for end users accounted for 80% of total sales.

Domestic and overseas development bases and the number of employees



Composition of Shareholders

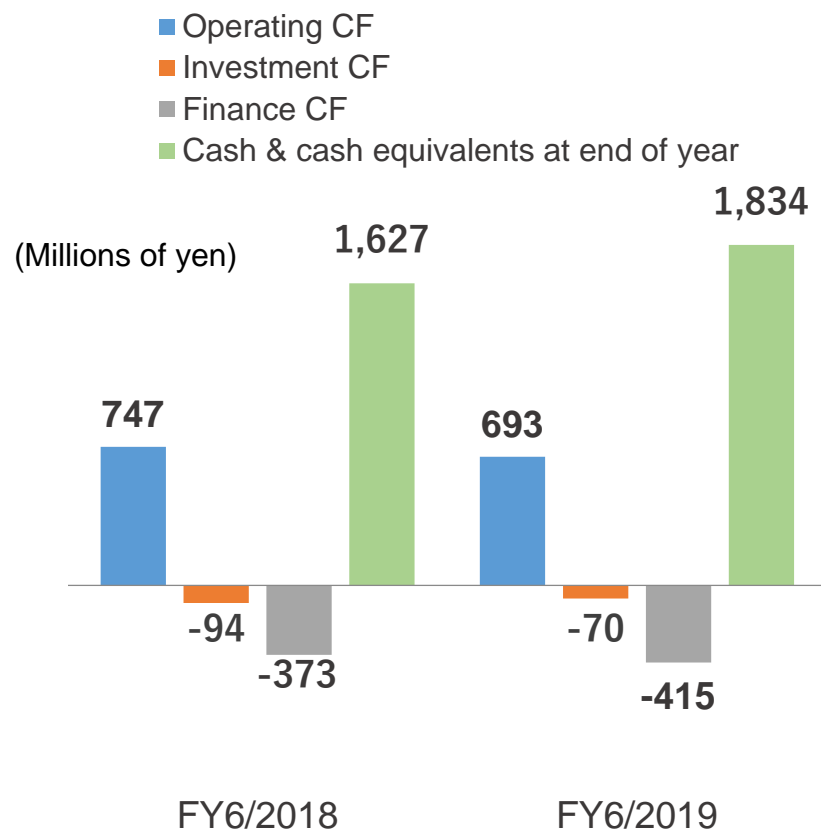
End of December 2019
Number of shareholders:
3,697 persons



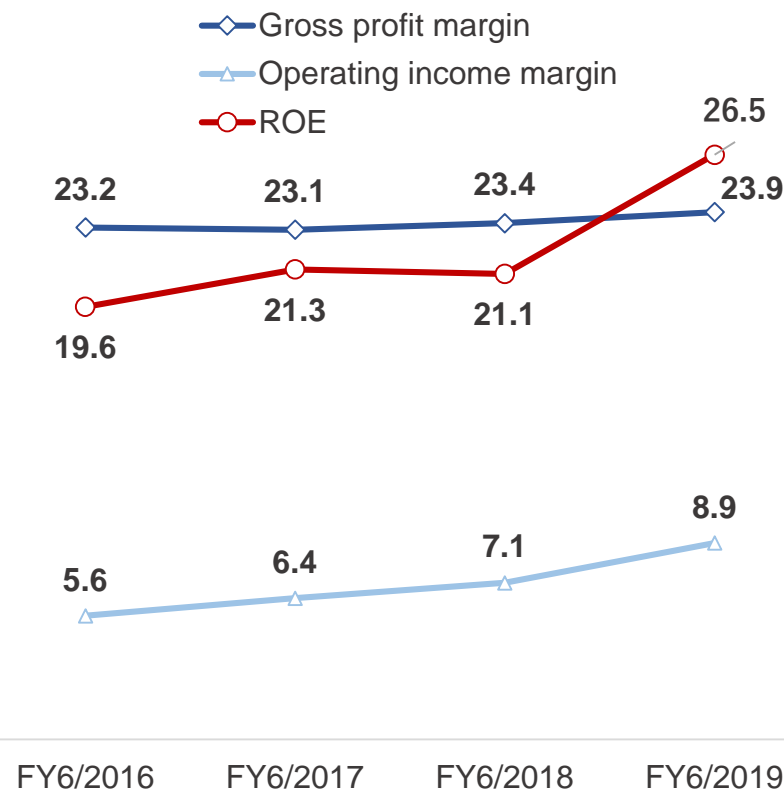
Cash Flows, Financial KPI

■ ROE improved to 26.5% due to higher operating income margin

Consolidated Cash Flows



Gross profit margin/Operating profit margin/ROE(%)





Contact information :

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<https://www.ditgroup.jp>

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- The information provided in this presentation contains forward-looking statements. These forward-looking statements are based on current expectations, estimates and assumptions that involve risks. These statements are subject to uncertainties that could cause actual results to differ materially from those described in these statements.
- Such risks include, but are not limited to, general domestic and international economic conditions, such as general industry and market conditions, interest rate and currency exchange rate fluctuations.
- We shall not be obligated to update or revise any forward-looking statements contained in this report, even if there is any new information or future events.