

# Digital Information Technologies Corporation

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**Financial Results for the First Quarter of  
the Fiscal Year Ending June 2021  
(TSE1: 3916)**

**November 2020**



**1. Financial Results for FY6/21 1Q**

**2. Business Forecasts for FY6/21**

**3. Mid-Term Management Plan**

**4. Reference material**

# Financial Results for FY6/21 1Q



# FY6/2020 1Q Overview of Financial Results (Performance)

■ Sales and profit grew, despite the coronavirus crisis and the absence of special demand.

■ Operating income margin rose 1.1 points to 11.9%.

**Net sales: 3,430 million yen**

(+4.8% YoY)

**Operating income: 407 million yen**

(+15.1% YoY)

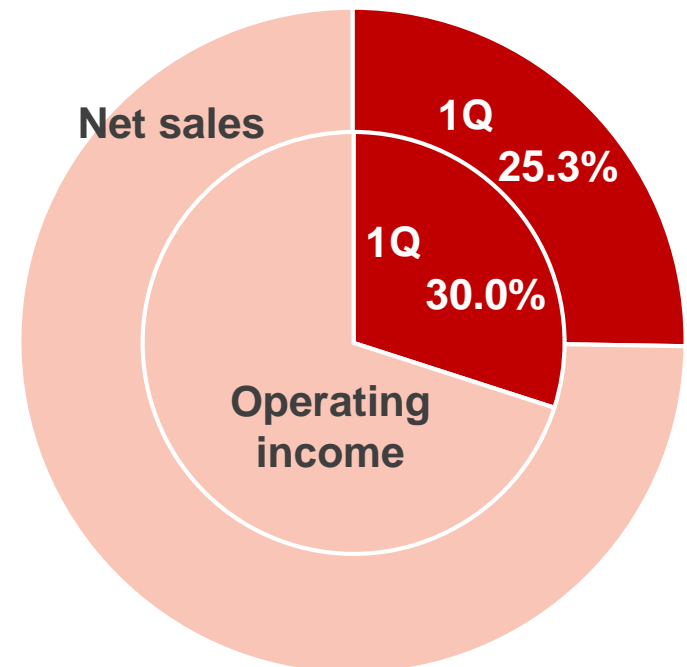
**Operating income margin: 11.9%**

(+1.1 ppt. YoY)

## Full-Year Progress rate%

Net sales (Est.): 13,580 million yen

Operating income (Est.): 1,358 million yen



# FY6/2020 1Q Overview of Financial Results (Business)

**The Software Development Business made up for the decline of the Systems Sales Business due to the absence of special demand.**

## ■ Software Development Business

• **In the Business Solutions Unit**, sales and profit grew, as orders from mainly existing customers increased. As for the Business System Development, the performance of ERP-related, medical, and public systems as well as mainstay financial systems improved. The sales of operational support kept growing, as the impact from the coronavirus pandemic was minor.

• **In the Embedded Solutions Unit**, sales and profit were almost unchanged from the previous year, as we took measures while assuming that the performance of the automobile-related business would decline. While in-vehicle device-related sales decreased, the sales from the embedded product development for semiconductors and communications grew, and the sales from the embedded product verification for cell phones increased.

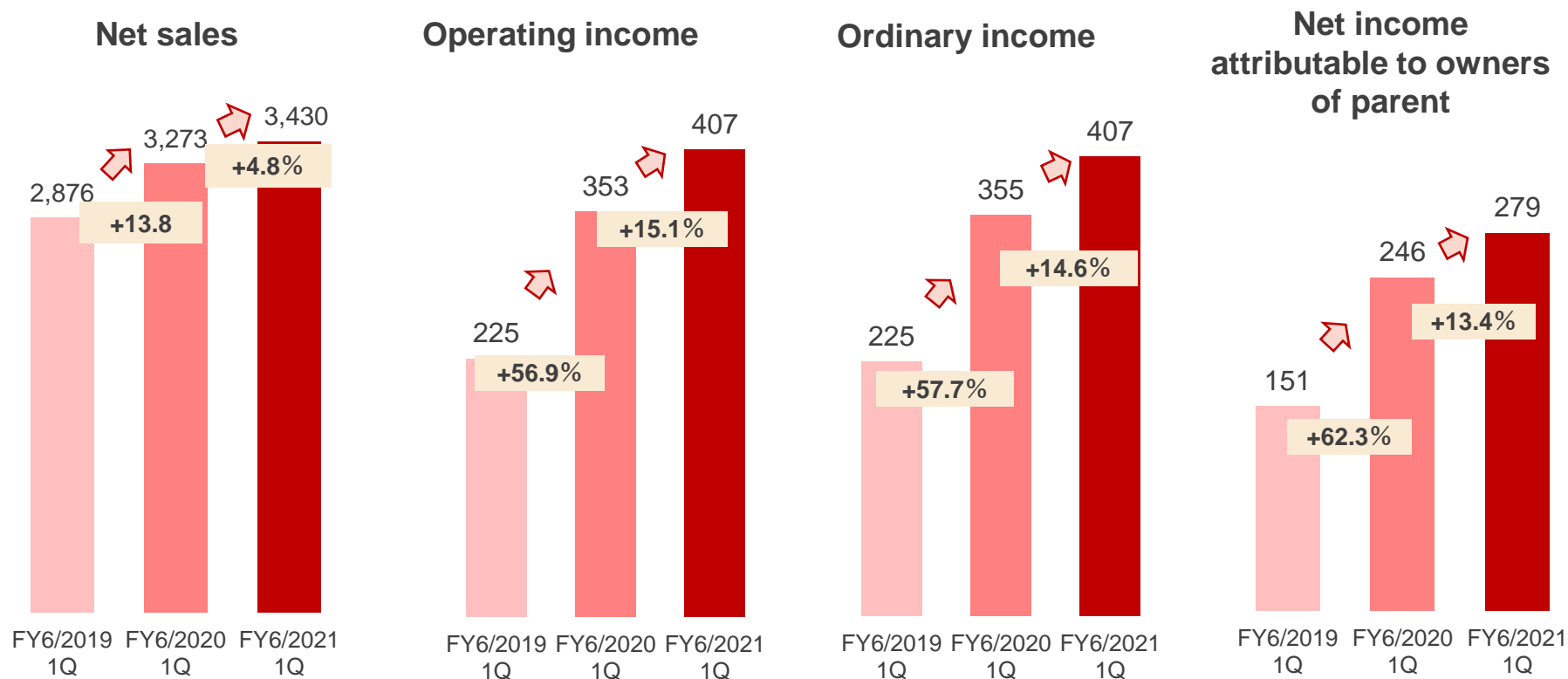
• **In the Original Product Unit**, sales and profit grew as the sales of “WebARGUS” and “xoBlos” increased steadily, despite the restrictions on marketing amid the coronavirus crisis. For both products, we improved added value and product competitiveness. In the second half, we will release DD-CONNECT, a cloud service for electronic contracts.

■ **In the Systems Sales Business**, sales and profit dropped considerably, as special demand for dealing with the reduced tax rate in the first quarter of the previous term disappeared.

# FY6/2021 1Q Financial Highlights

Sales, operating income, ordinary income, and net income attributable to owners of parent all marked a record high.

(Millions of yen)



# Summary of Financial Results for FY6/21 1Q

- Considering the coronavirus crisis and the absence of special demand, we strived to curtail SG&A, and the reduced amount exceeding the decrease in gross profit\*.

(\*) The decrease in gross profit is temporary, so it is expected to recover from the next quarter.

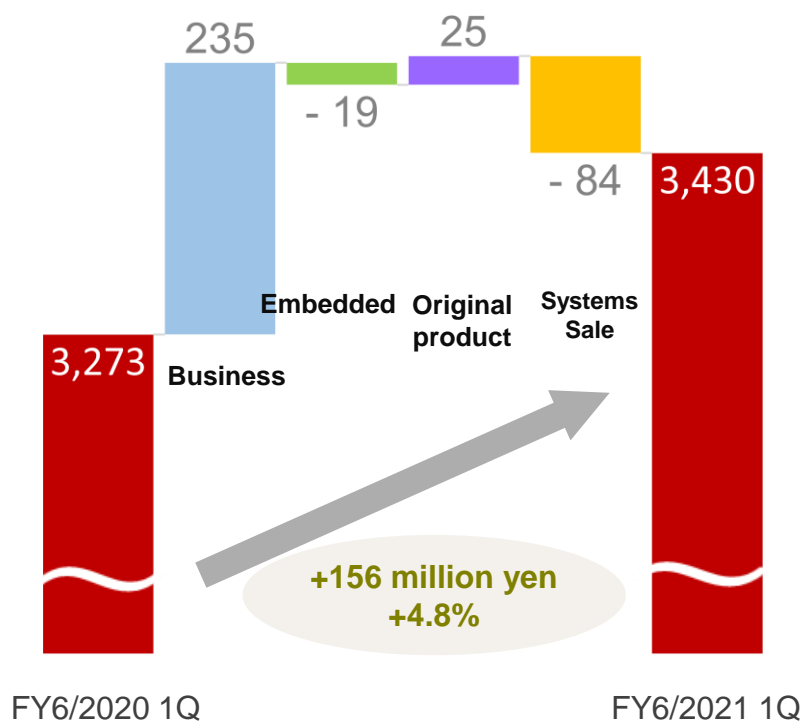
(Millions of yen)	FY6/2020 1Q Result	Composition %	FY6/2021 1Q Result	Composition %	FY6/2021 plan	Progress rate %
<b>Net sales</b>	<b>3,273</b>	100.0%	<b>3,430</b>	100.0%	<b>13,580</b>	25.3%
<b>Gross profit</b>	<b>825</b>	25.2%	<b>815</b>	23.8%	-	-
<b>SG&amp;A</b>	<b>471</b>	14.4%	<b>408</b>	11.9%	-	-
<b>Operating income</b>	<b>353</b>	10.8%	<b>407</b>	11.9%	<b>1,358</b>	30.0%
<b>Ordinary income</b>	<b>355</b>	10.9%	<b>407</b>	11.9%	<b>1,358</b>	30.0%
<b>Net income attributable to owners of parent</b>	<b>246</b>	7.5%	<b>279</b>	8.1%	<b>942</b>	29.6%

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

- Sales were healthy in the Business Solutions Unit, and have grown steadily in the Original Product Unit.
- Gross profit declined due the drop in sales of the Systems Sales Business, but operating income grew thanks to cost reduction.

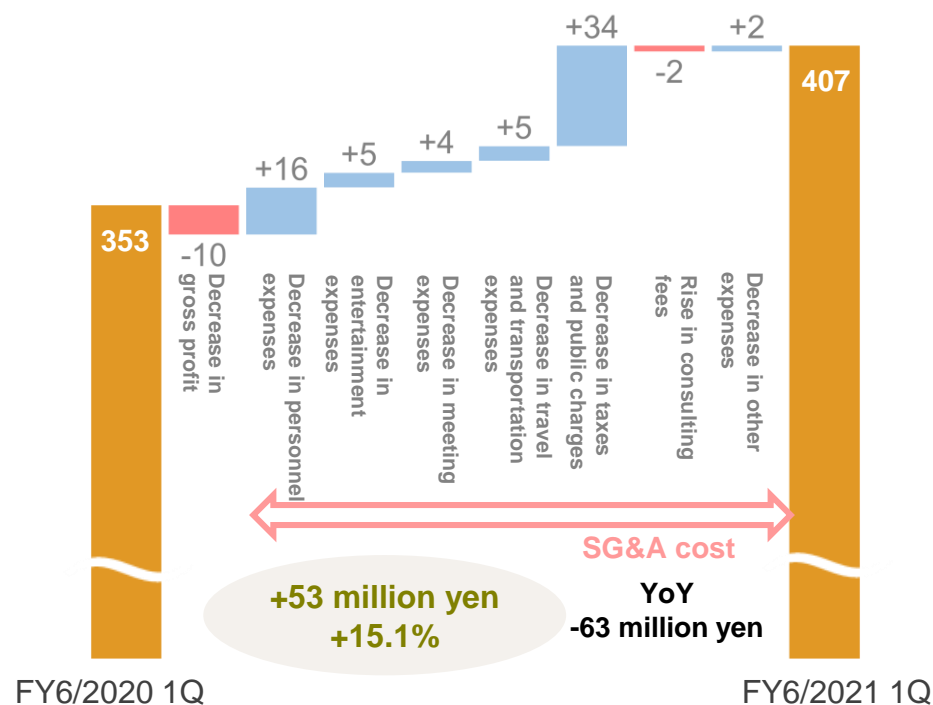
## Net sales

(Millions of yen)



## Operating income

(Millions of yen)





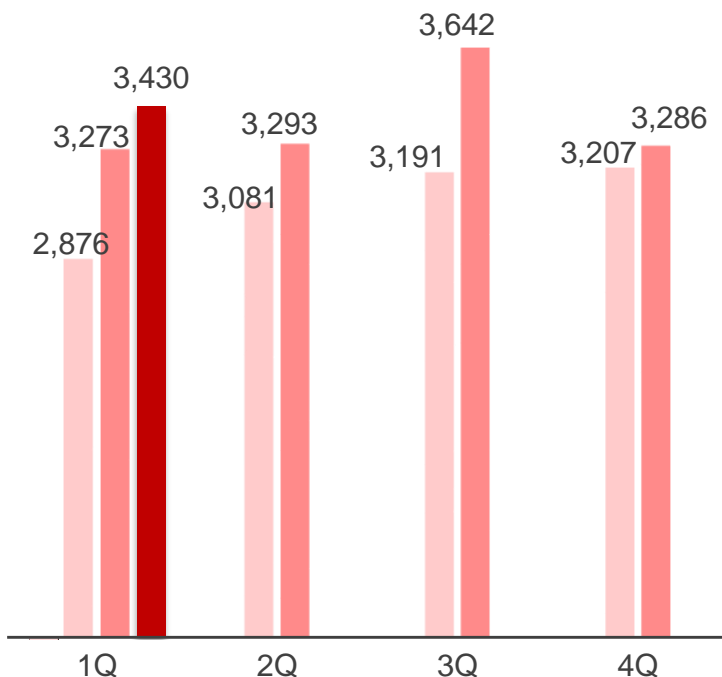
# Quarterly Net Sales & Operating Income

■ For 1Q, net sales and operating income showed record-highs.

## Net sales

(Millions of yen)

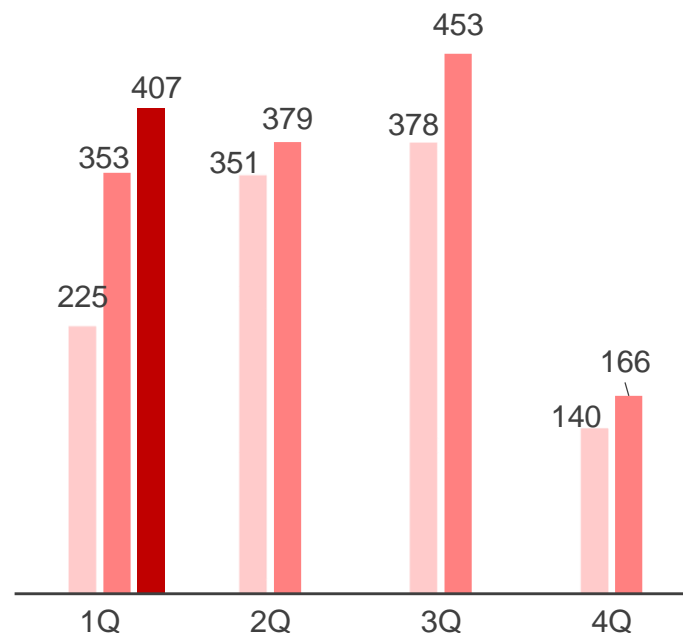
■ FY6/2019 ■ FY6/2020 ■ FY6/2021



## Operating income

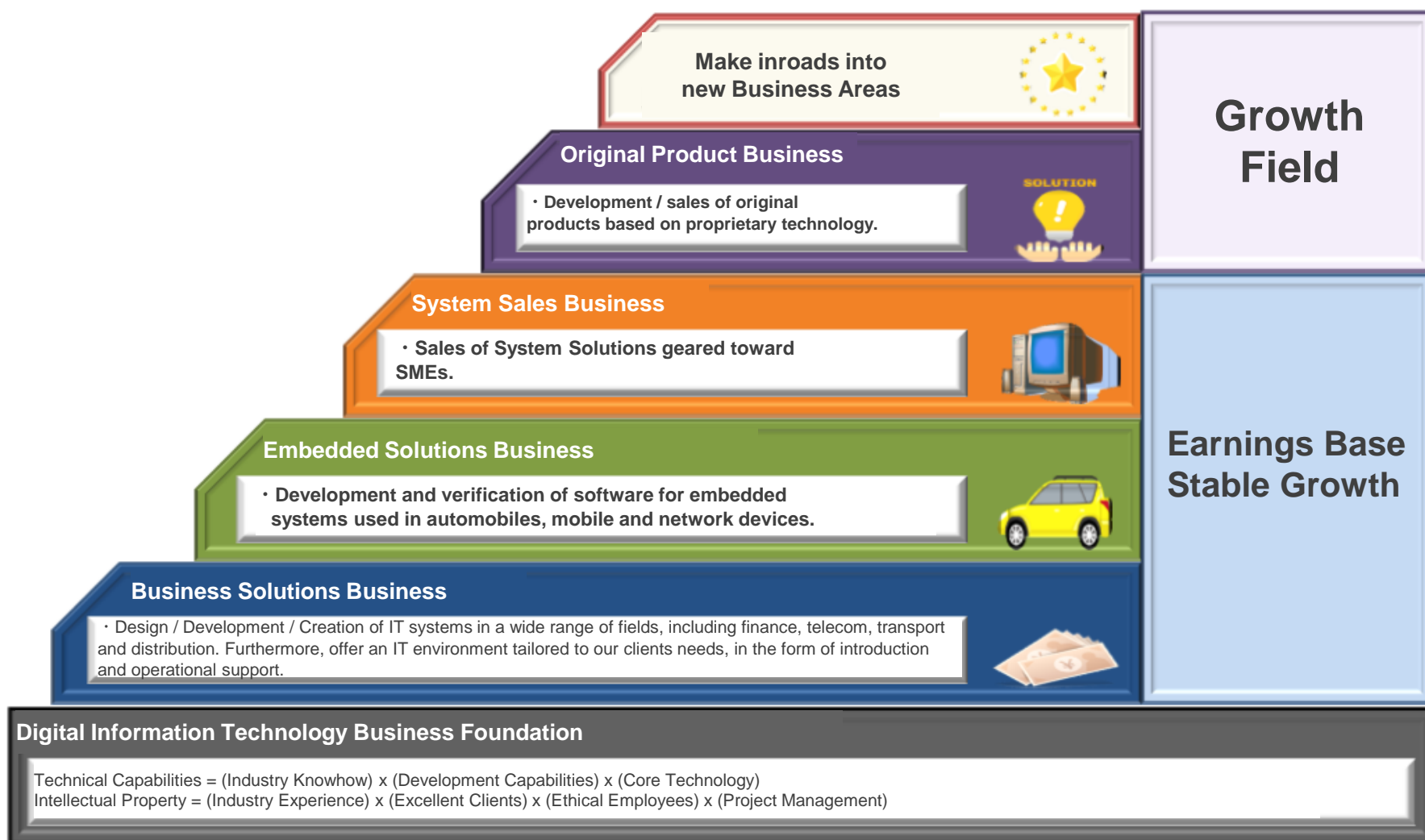
(Millions of yen)

■ FY6/2019 ■ FY6/2020 ■ FY6/2021



\* 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

- The Business Solutions Unit and the Original Product Unit grew.

Businesses segment	Classification	FY6/2019 1 Q Net sales Composition	FY6/2020 1 Q Net sales Composition	FY6/2021 1 Q Net sales Composition
<b>Software Development Business</b>		<b>94.4%</b>	<b>92.9%</b>	<b>95.7%</b>
<b>Business Solutions Unit</b>	Business Bases	<b>58.6%</b>	<b>55.2%</b>	<b>59.5%</b>
Business System Development		64.7%	60.3%	57.9%
Operational Support		35.3%	39.7%	42.1%
<b>Embedded Solutions Unit</b>	Business Bases	<b>32.0%</b>	<b>33.5%</b>	<b>31.4%</b>
Embedded Product Development		76.4%	78.7%	79.4%
Embedded Product Verification		23.6%	21.3%	20.6%
<b>Original Product Unit</b>	Growth Field	<b>3.8%</b>	<b>4.2%</b>	<b>4.8%</b>
<b>Systems Sales Business</b>	Business Bases	<b>5.6%</b>	<b>7.1%</b>	<b>4.3%</b>

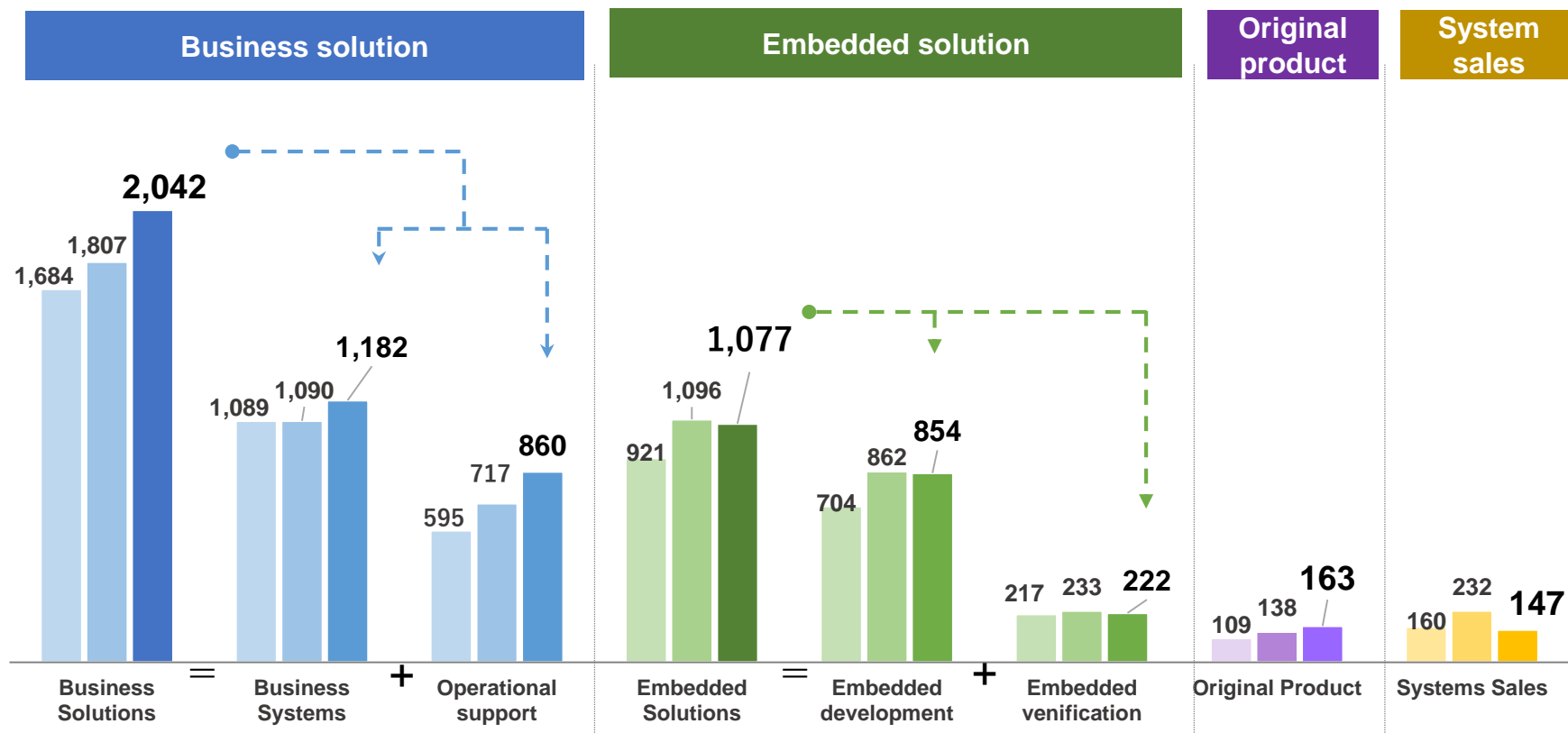
# Sales by Business Segment

- The Embedded Solutions Unit was affected by the coronavirus pandemic, but its sales were almost unchanged from the previous year. The sales of the Systems Sales Business dropped considerably due to the absence in special demand.

## Quarterly Sales by Business

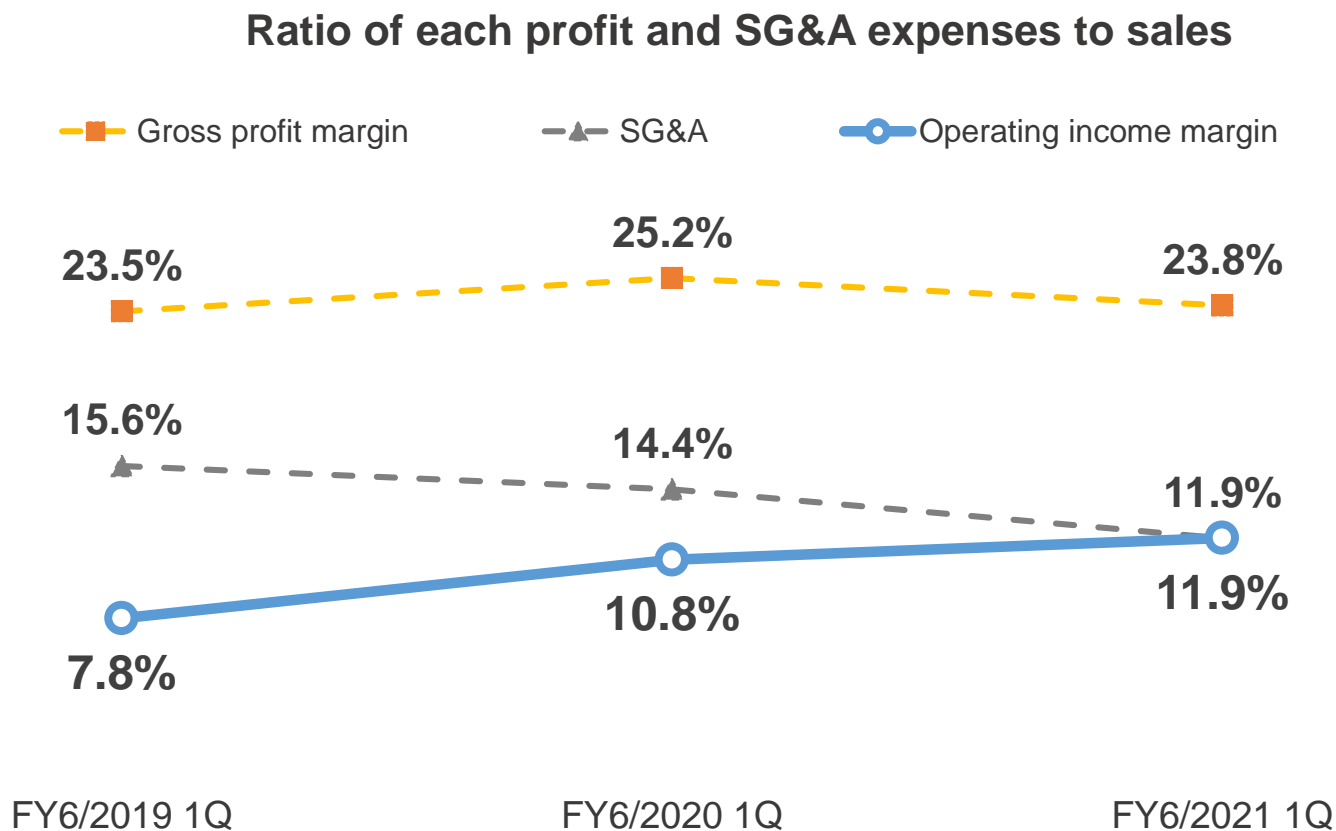
(Graphs from left to right: FY6/2019, FY6/2020, FY6/2021)

(Millions of yen)



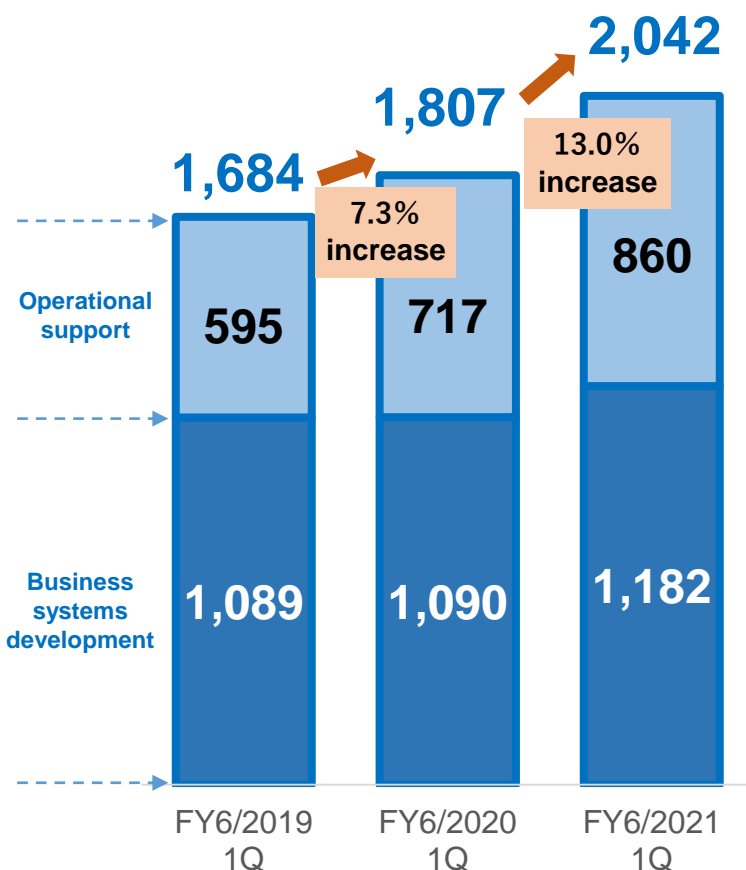
# Changes in Operating Income Margin

■ Amid the coronavirus crisis, operating income margin increased steadily.



# Net Sales by Segment: Business Solutions Unit

(Millions of yen)



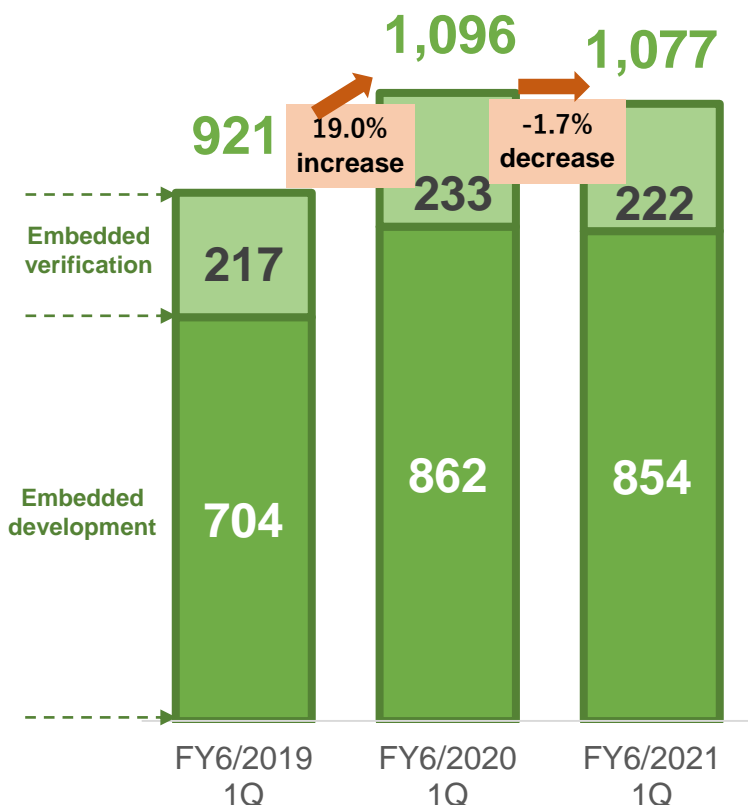
Net sales : 2,042 million yen  
YoY change : +13.0%

The business as a whole continues to receive steady orders, especially from existing customers.

- In business system development, we received orders for development of ERP-related, medical, and public systems as well as the mainstay financial ones, so sales and profit rose steadily.
- In operational support, the impact of the coronavirus crisis was minor, and the number of orders from mainly existing customers was healthy, so sales and profit grew considerably.

# Net Sales by Segment: Embedded Solutions Unit

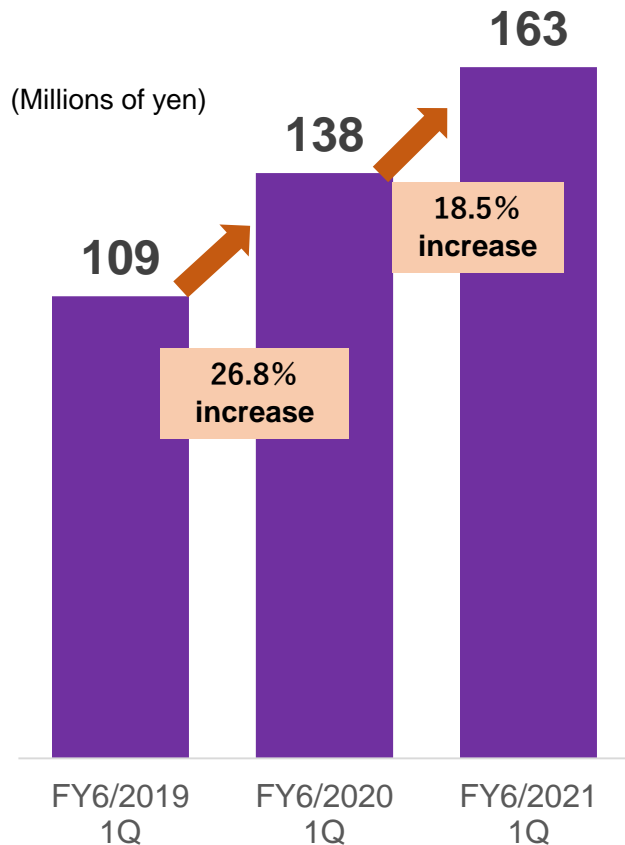
(Millions of yen)



Net sales : 1,077 million yen  
YoY change : -1.7%

In the entire business, we took measures assuming the decline in automobile-related business in the coronavirus crisis, so sales were almost unchanged from the previous year.

- In embedded development, the sales from development of in-vehicle systems declined slightly, but the sales from development of systems for semiconductors and communications increased, so sales were almost unchanged from the previous year, and profit rose slightly.
- In embedded verification, the performance of verification of embedded systems for cell phones made up for the decline in the sales from verification of in-vehicle and medical systems, but sales and profit decreased from the previous year.



## Net Sales : 163 million yen

### YoY change : +18.5%

In the entire business, the impact of the coronavirus crisis lingered, but sales grew from the previous year.

#### ■ [WebARGUS: CyberSecurity Products]

Large-scale customers started full-scale operation, and the collaboration with external security firms continued for enriching the lineup of comprehensive security services, so sales grew.

#### ■ [xoBlos: Operational Efficiency Products]

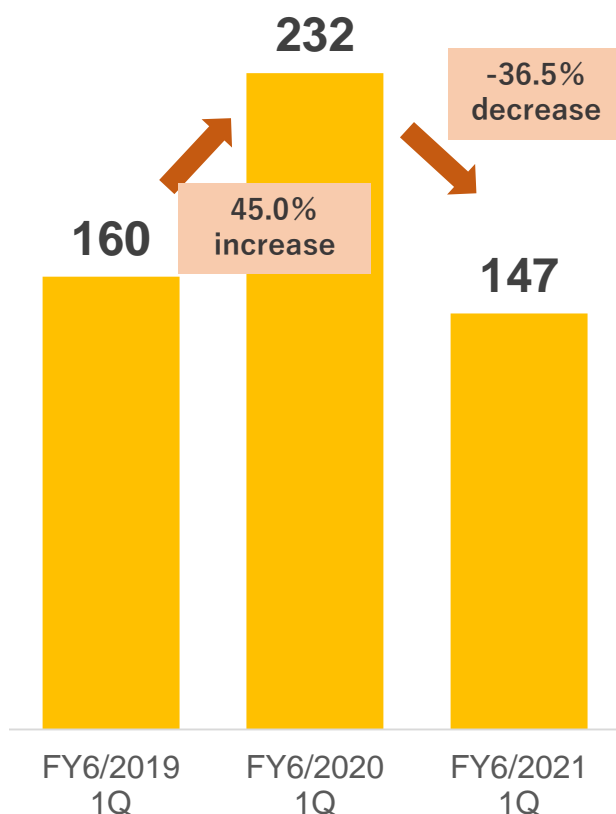
The sales system we operate jointly with the subsidiary DIT Marketing Service was strengthened, and we proceeded with the xoBlos Plus one concept linked with other products, such as RPA and ERP. Then, sales expanded steadily.



# Net Sales by Segment: Systems Sales Business



(Millions of yen)



## Net Sales : 147 million yen

## YoY change : -36.5%

The sales of the Systems Sales Business dropped considerably from the previous year, due to the absence of special demand, which was observed in the previous year.

- We conducted sales promotion by utilizing the subsidy for installing IT, but sales and profit dropped considerably, due to the recoil from the special demand for dealing with the reduced tax rate at the time of the consumption tax hike in the previous year.

\*The Systems Sales business mainly sells Rakuichi, which is a core system for providing operational support and management support to small-and medium-sized enterprises created by Casio Computer Co., Ltd.

# Balance Sheet

## ■Debt-free management, equity ratio 72.1%

(Millions of yen)

	End-Jun. 2020	FY6/2021 1Q	Change
<b>Cash and deposits</b>	2,399	2,233	-166
<b>accounts receivable</b>	1,905	1,879	-26
<b>Work in progress</b>	208	201	-7
<b>Others</b>	78	152	74
<b>Total current assets</b>	<b>4,590</b>	<b>4,465</b>	<b>-125</b>
<b>Property, plant and equipment</b>	120	116	-4
<b>Intangible fixed assets</b>	23	21	-2
<b>Investments and other assets</b>	630	621	-9
<b>Total fixed assets</b>	<b>774</b>	<b>759</b>	<b>-15</b>
<b>Total assets</b>	<b>5,364</b>	<b>5,225</b>	<b>-139</b>

	End-Jun. 2020	FY6/2021 1Q	Change
<b>Notes and accounts payable - trade</b>	417	454	37
<b>Short-term borrowings</b>	—	—	—
<b>Other</b>	1,217	929	-288
<b>Total current liabilities</b>	<b>1,634</b>	<b>1,383</b>	<b>-251</b>
<b>Long-term debt</b>	—	—	—
<b>Others</b>	68	72	4
<b>Total fixed liabilities</b>	<b>68</b>	<b>72</b>	<b>4</b>
<b>Total liabilities</b>	<b>1,703</b>	<b>1,456</b>	<b>-247</b>
<b>Capital stock</b>	453	453	—
<b>Capital surplus</b>	459	459	—
<b>Retained earnings</b>	2,747	2,856	108
<b>Total net assets</b>	<b>3,660</b>	<b>3,768</b>	<b>108</b>
<b>Total liabilities and net assets</b>	<b>5,364</b>	<b>5,225</b>	<b>-139</b>

## Business Forecasts for FY6/21



# Business Forecasts for FY6/21

- Expected to remain unchanged from the previous year as a minimum target, considering the impact of COVID-19.
- The impact of the coronavirus crisis is limited, and we plan to disclose revisions to the earnings forecast, if necessary.

(Millions of yen)	FY6/2020 Result	Composition %	FY6/2021 Forecast	Composition %	YoY %
<b>Net sales</b>	<b>13,495</b>	100.0%	<b>13,580</b>	100.0%	<b>+0.6%</b>
<b>Operating income</b>	<b>1,352</b>	10.0%	<b>1,358</b>	10.0%	<b>+0.4%</b>
<b>Ordinary income</b>	<b>1,357</b>	10.1%	<b>1,358</b>	10.0%	<b>+0.0%</b>
<b>Net income attributable to owners of parent</b>	<b>978</b>	7.2%	<b>942</b>	6.9%	<b>-3.7%</b>

# Forecast of Business Results by Segment (Outline)

■ In the Software Development Business, the Company plans to increase sales by 1.3% YoY, while original product unit aims to significantly increase sales by 11%.

■ The sales in each segment are estimated to exceed the initial forecast. (Millions of yen)

Business Segment	FY6/2020 Net sales	FY6/2021 Net sales Forecast	Change	% Change	Composition
<b>Software Development Business</b>	12,756	12,923	167	1.3%	95.2%
Business Solutions Unit	7,838	7,905	67	0.9%	58.2%
Embedded Solutions Unit	4,308	4,340	32	0.7%	32.0%
Original Product Unit	609	676	67	11.0%	5.0%
<b>System Sales Business</b>	739	657	-82	-11.0%	4.8%
<b>Total</b>	13,495	13,580	85	0.6%	

# Forecast of Business Results by Segment (Details)

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■ **Countermeasures against the coronavirus crisis are bearing fruit, so our performance is expected to improve as a whole.**

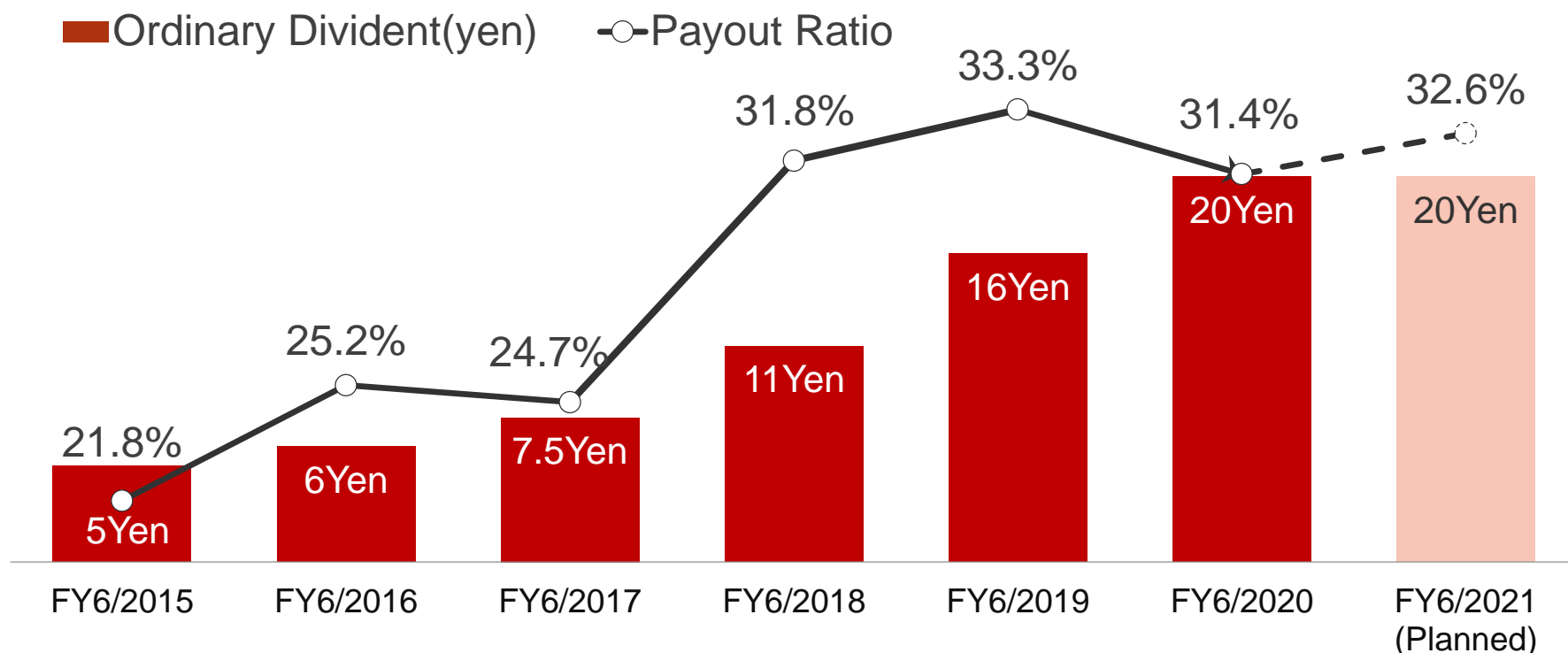
## ■ **Software development Business**

- **In the Business Solutions Unit**, we are receiving orders stably and business inquiries about large-scale projects, so the business is expected to expand.
- **In the Embedded Solutions Unit**, automobile-related business is expected to recover and the number of customers is increasing, so performance is estimated to improve.
- **In the Original Product Unit**, we are receiving business inquiries from leading customers, despite the restrictions on business talks, so this business is expected to progress steadily.
- **In the Systems Sales Unit**, the projects ordered in the first quarter, which are related to the subsidy for installing IT, will contribute to sales one after another, so sales are projected to be unchanged from the previous year.

## Return to Shareholders (Dividends+Purchase of Treasury Stocks)

■ Target Payout Ratio of 30% or more

■ The dividend for FY6/2021 is to be revised, according to the revision to the earnings forecast.

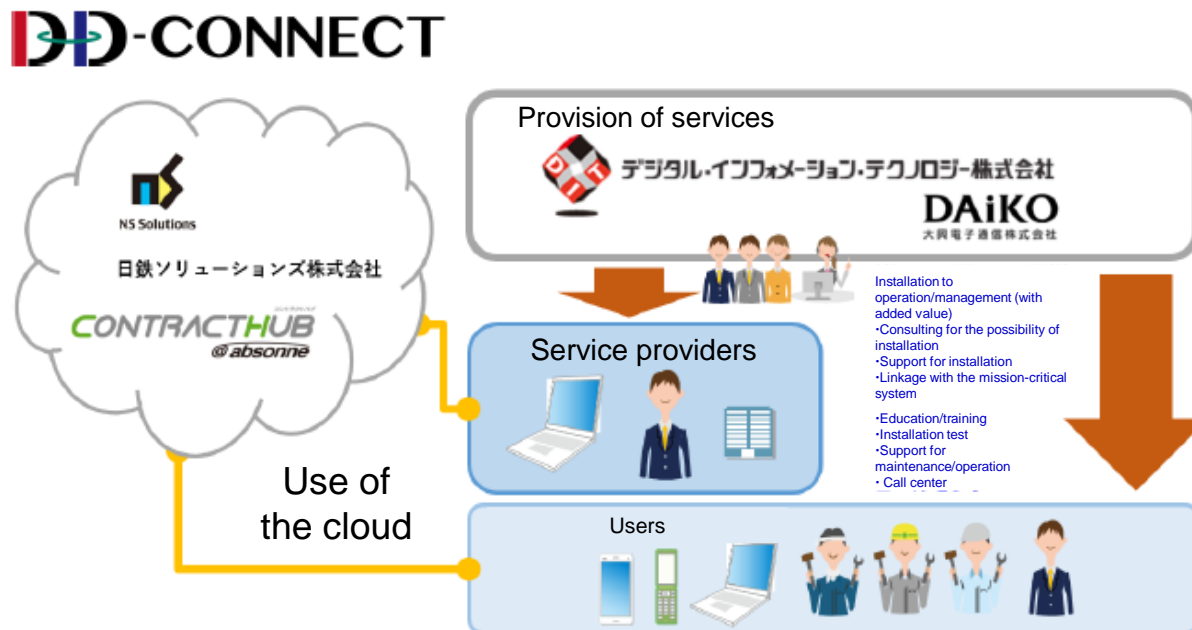


- In 2016 and 2018, implimented 1:2 stock split, and indicated annual dividend per share after split.
- In 6/18 implemented purchase of trasury stocks of 136 million yen (Overall payout ratio 57.5%).

## Original Product Unit: Release of DD-CONNECT in the Second Half

### Release of DD-CONNECT, an outsourcing service for electronic contracts, for responding to the progress of DX and the development of a new normal society

Our company (DIT) and Daiko Denshi Tsushin, Ltd. (DAIKO) released DD-CONNECT, an outsourcing service of CONTRACTHUB @absonne, which is an electronic contract service of NS Solutions Corporation (NSSOL), in Oct. 2020. DIT, DAIKO, and NSSOL offer a wide array of electronic contract services with high added value, with the aim of having 100 companies adopt this service in 3 years.





## Selected as One of Stocks Constituting JPX-Nikkei Mid and Small Cap Index

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**Our company's stock was selected as one of stocks constituting “JPX-Nikkei Mid and Small Cap Index,” which is calculated jointly by the Tokyo Stock Exchange and The Nikkei, in 2020.\***

In order to live up to the expectations of stakeholders, we will strive to improve corporate value sustainably and conduct business administration while caring for shareholders, in accordance with the purpose of the selection.

\*Our stock will be used for calculating the index from November 30, 2020.

# Mid-Term Management Plan

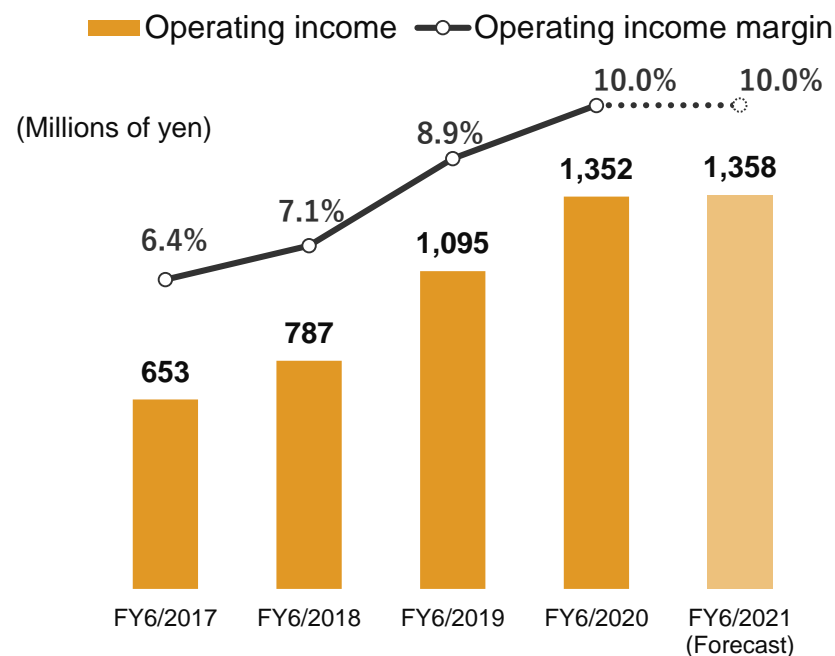
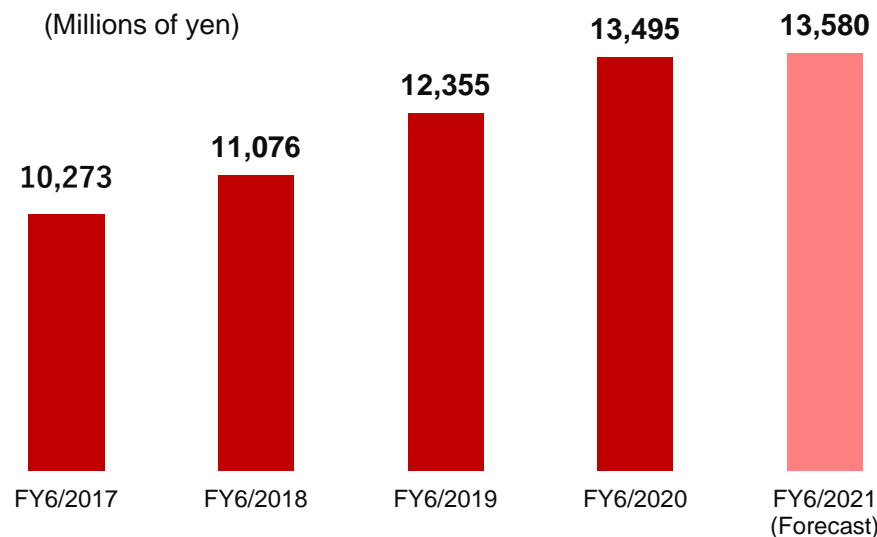


# Mid-Term Management Targets : Achievement of “Triple 10”

## ■ 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 income margin	10% (FY6/2021) <b>Achieved earlier than scheduled!</b>

### Net sales



# New long-term vision is being formulated

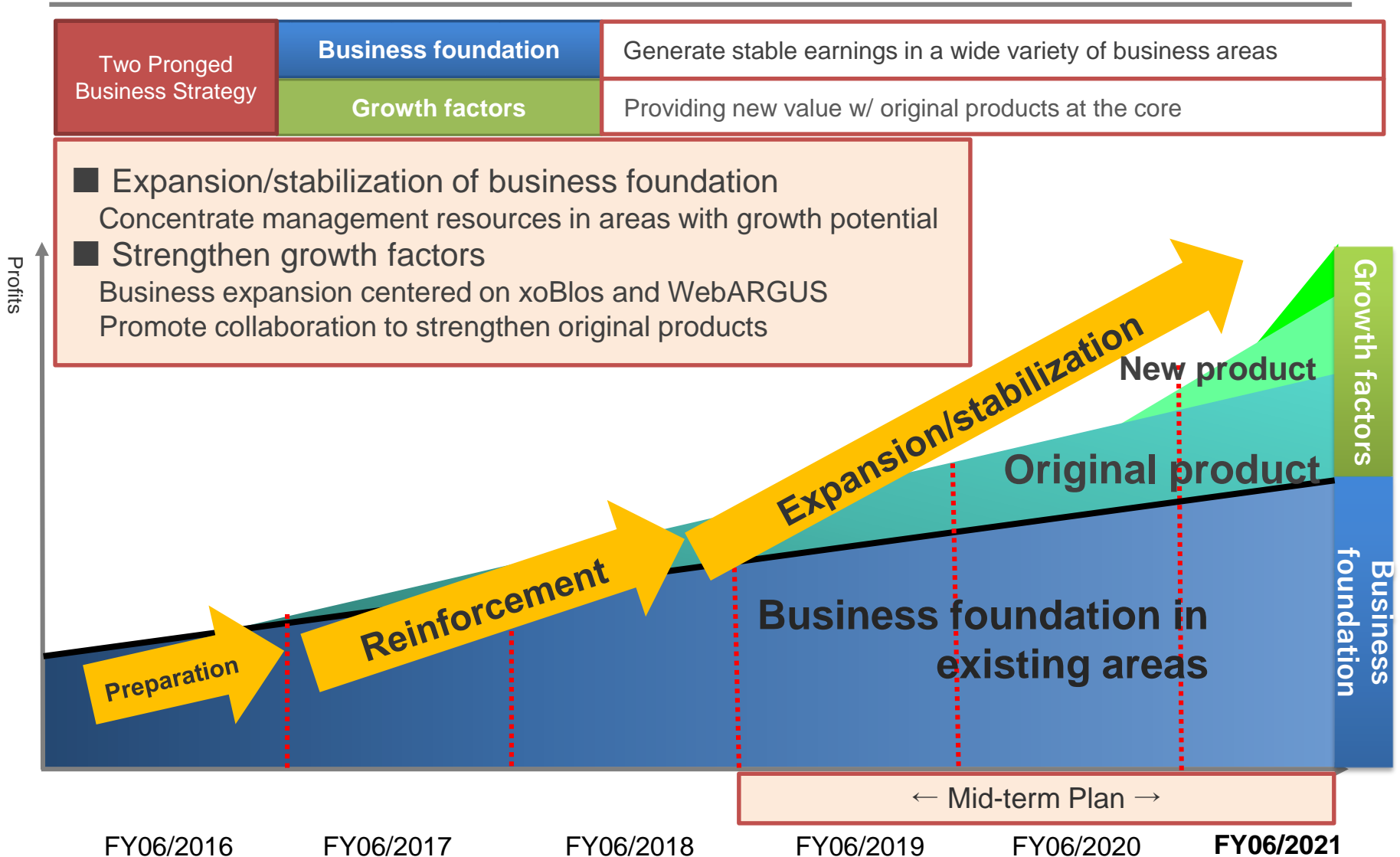
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We are currently formulating a long-term vision to respond to internal and external changes, such as the achievement of our medium-term management targets ahead of schedule, the acceleration of DX, the cliff in 2025, and the arrival of the New Normal society due to COVID-19.

We will set our direction to grow continuously.



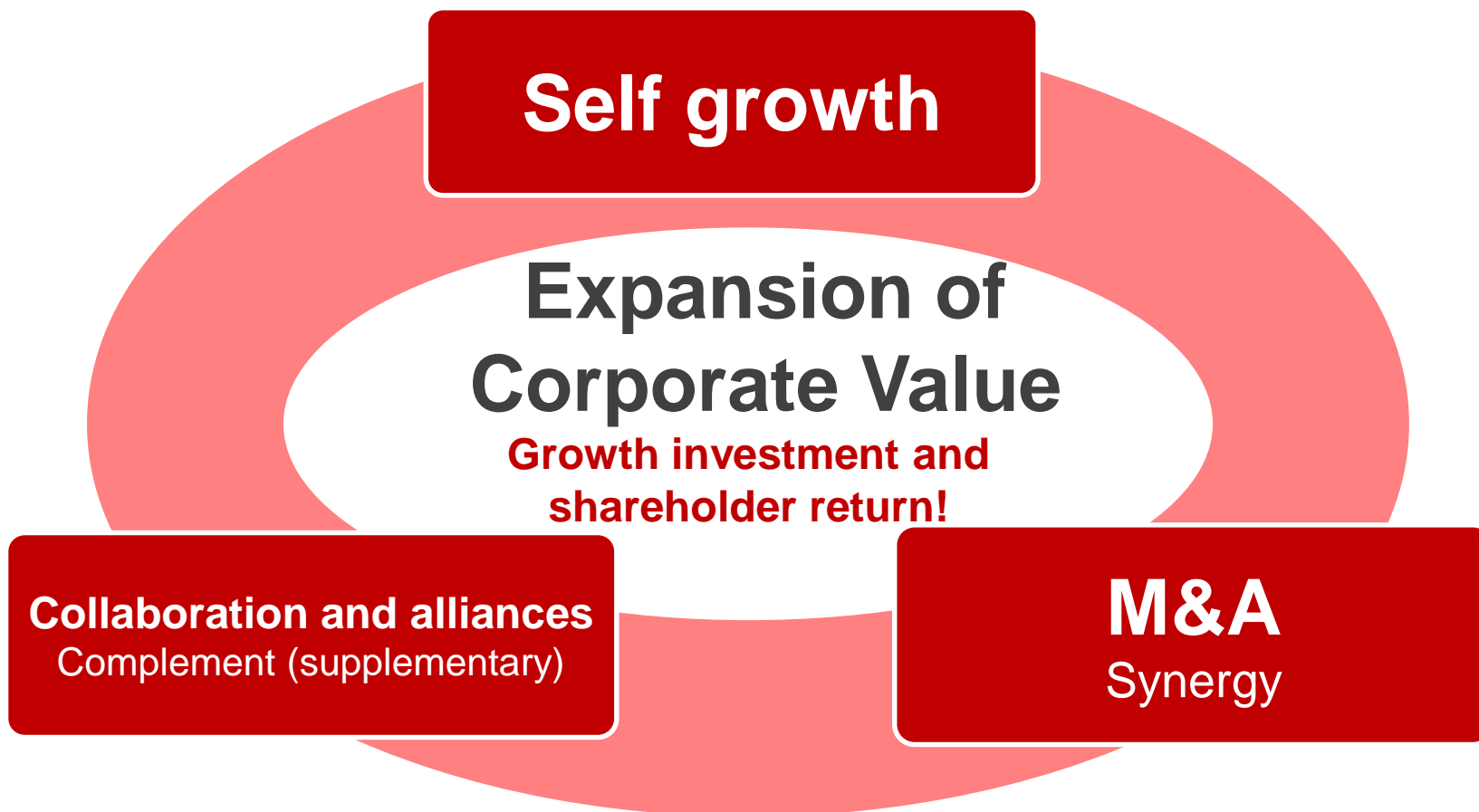
# Mid-term Growth Model



# Towards expansion of corporate value

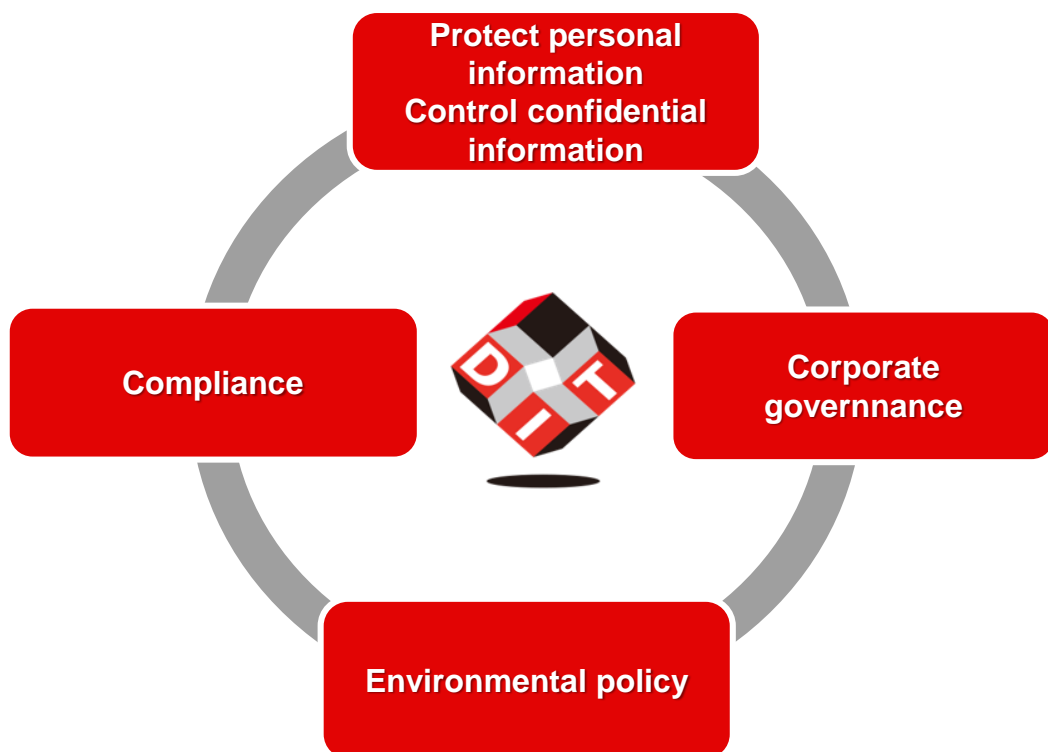
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- We aim at expansion of Corporate Value through the three-in-one concept !



# 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 2020)
Fiscal year end :	June 30
Number of the employees	1,056 (982 on a non-consolidated basis) (As of the end of June 2020)
Officer	Satoshi Ichikawa, Representative Director and President Norikazu Ichikawa, Representative Director and Chairman 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 Corporate 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

<b>Corporate philosophy</b>	Over-all	Client-driven	<b>Management philosophy</b>	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		

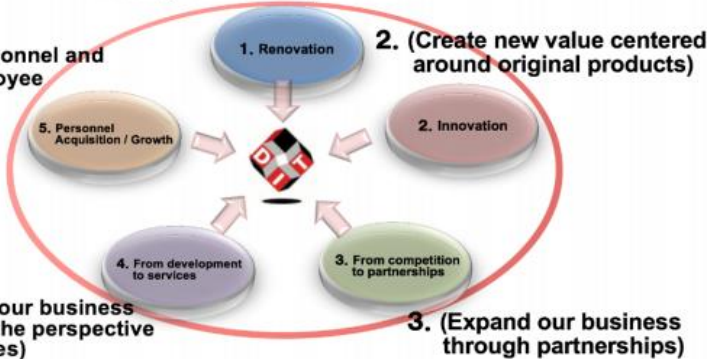
<b>Management Policy</b>	Deliver on our commitment to value generation and adaptability to change, while aiming to realize stable growth for the company
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## 5 Basic Business Strategies

1. (Strengthen our business foundation through the renovation of existing businesses)

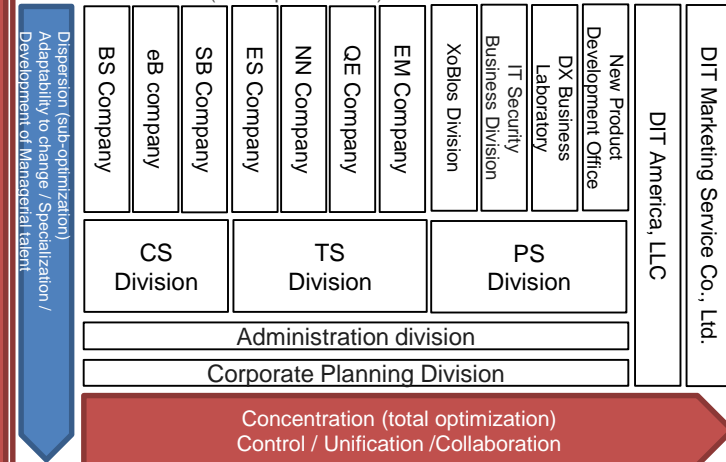
5. Hire personnel and aid employee growth

4. (Expand our business through the perspective of services)



## Organizational strategy

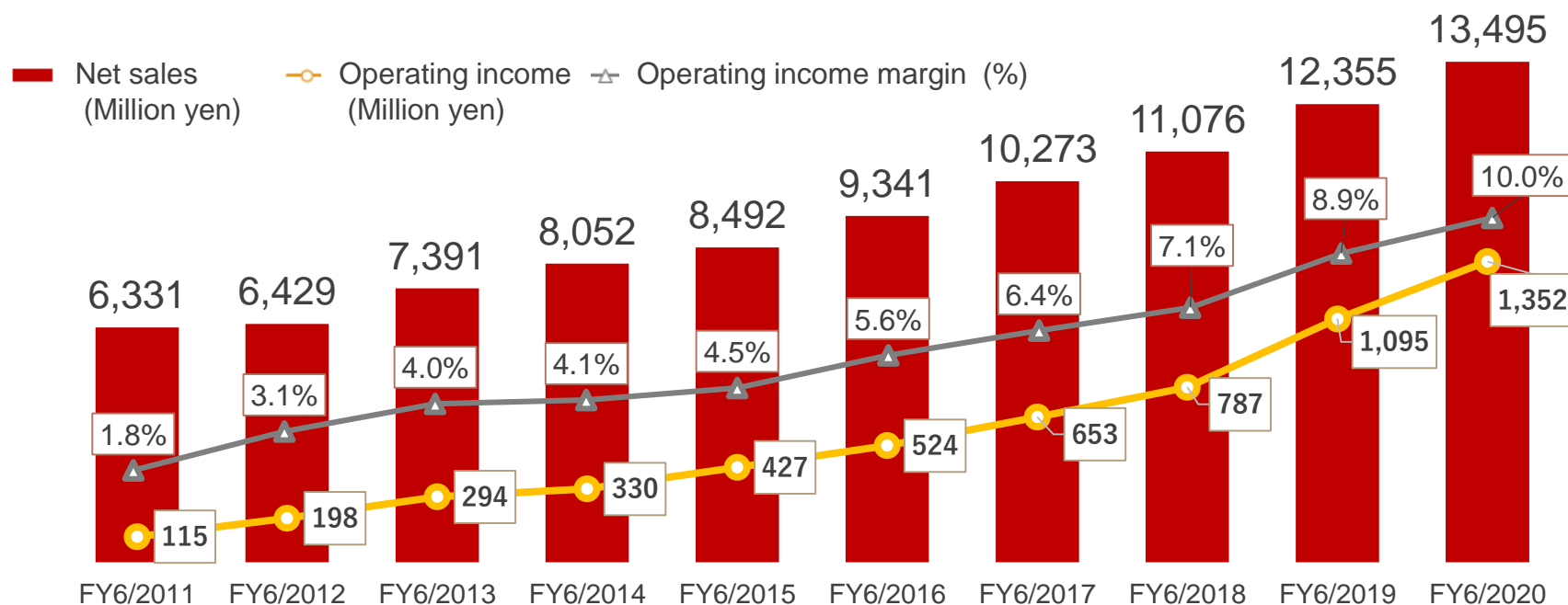
Organizational strategy involving dispersion (sub-optimization) and concentration (total optimization)



# Trends of Business Results

## ■ Achieved Mid-Term Management Targets "Triple 10" one year ahead of schedule

Mid-Term Management Targets "Triple 10"	Net Sales 10 billion yen	Operating income 1 billion yen	Operating income margin 10%
Planning target year	FY6/2017	FY6/2019	FY6/2021
Achieved year	FY6/2017	FY6/2019	<b>FY6/2020</b>



# Our strengths and basic strategies

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## 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.

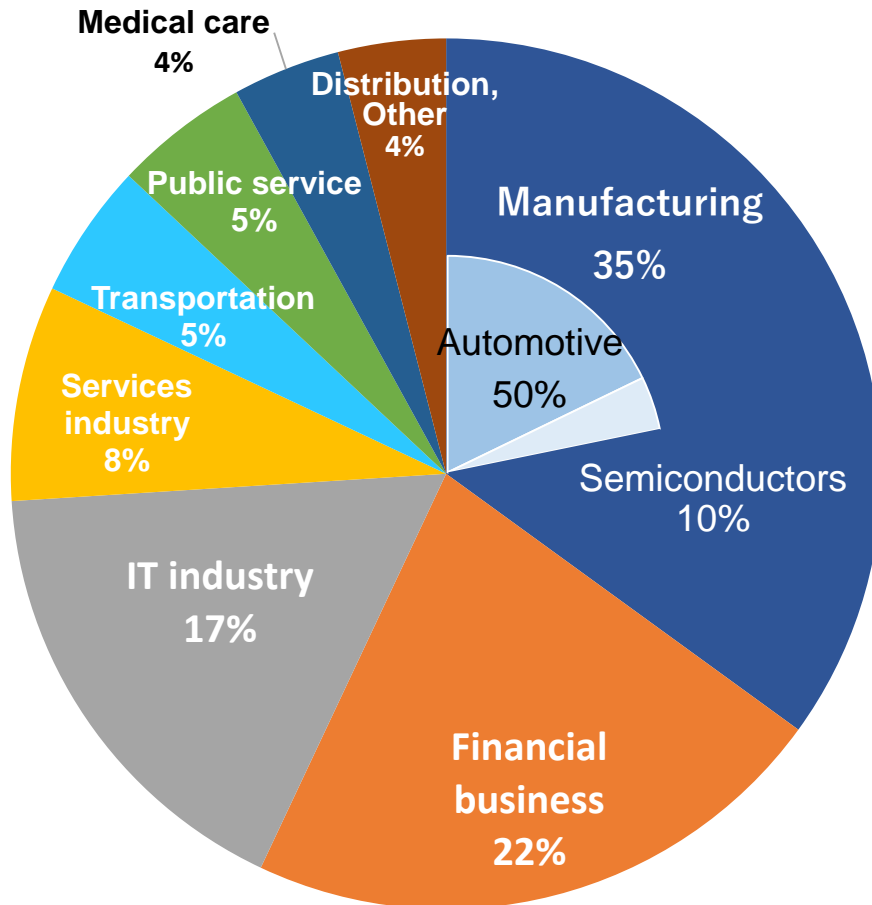


## Basic Strategy

- 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. 2,700 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)

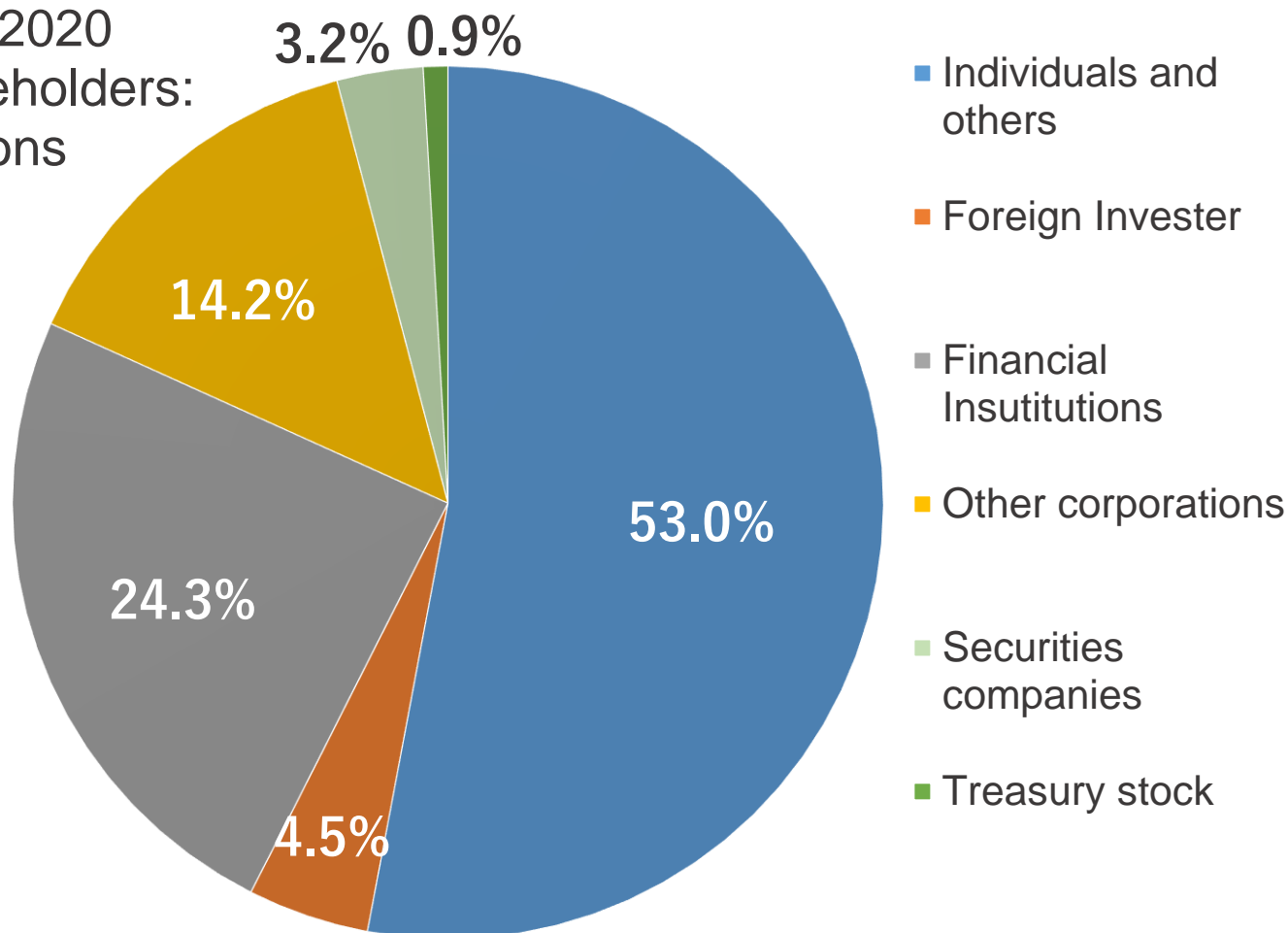
- Including information systems subsidiaries, sales for end users accounted for 80% of total sales.

# Domestic and overseas development bases and the number of employees



# Composition of Shareholders

End of June 2020  
Number of shareholders:  
4,821 persons





## Contact information :

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<https://www.ditgroup.jp>**

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- 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.
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