

# Digital Information Technologies Corporation

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

**May 2020**





**1. Financial Results for FY6/20 3Q**

**2. Business Forecasts for FY6/20**

**3. Mid-Term Management Plan**

**4. Reference materials**



## Financial Results for FY6/20 3Q

# FY6/2020 3Q Overview of Financial Results (Performance)

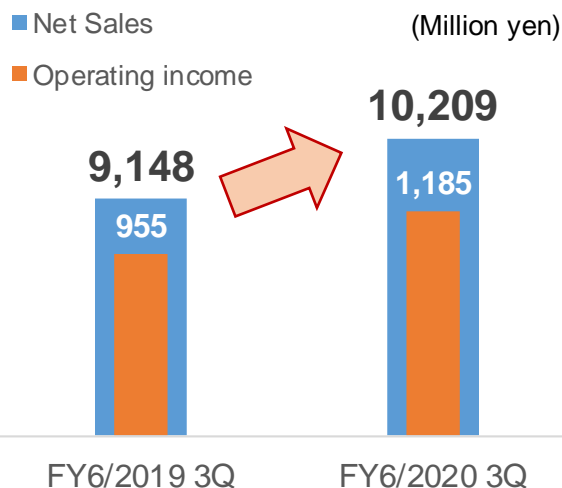
**Both sales and profits increased, reaching new record highs for the nine months**  
(Limited impact of the new coronavirus infections, officially termed COVID-19, on 3Q performance)

**Net sales : 10,209 million yen (+11.6% YoY)**

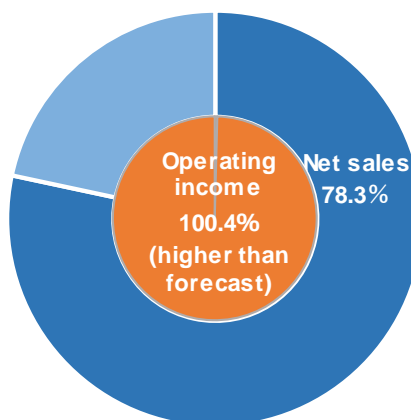
**Operating income : 1,185 million yen (+24.2% YoY)**

**Operating income margin : 11.6% (+1.2 percentage points YoY)**

## 3Q results



## 3Q progress rate to the plan



As the impact of COVID-19 cannot be reasonably estimated, **we remain our full-year forecasts unchanged and will promptly disclose if there are any changes.**

# FY6/2020 3Q Overview of Financial Results (Business)

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## Steady business expansion in all businesses

- **In the Business Solutions Unit**, profitability rose as we revised its business portfolio and strategically shifted to higher-margin projects. Operational support grew significantly due to aggressive customer acquisition.
- **In the Embedded Solutions Unit**, we continued to promote a strategic shift to automotive-related products in both development and verification, resulting in substantial growth in both sales and profits. The IoT domain also made steady progress.
- **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 Unit**, it showed significant growth due to demand for system replacement and renovation stemming from the introduction of reduced tax rates and the termination of Windows7 support.

# Measures against COVID-19

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We established the “COVID-19 Countermeasure Headquarters”, and concrete measures are being implemented according to the following basic policy.

## Basic Policy

1. Ensure the safety of life and health of our employees and their families
2. Minimize the impact on customers, business partners, shareholders, etc.
3. Monitor the damage to our business and distribute information as necessary

## Specific Measures

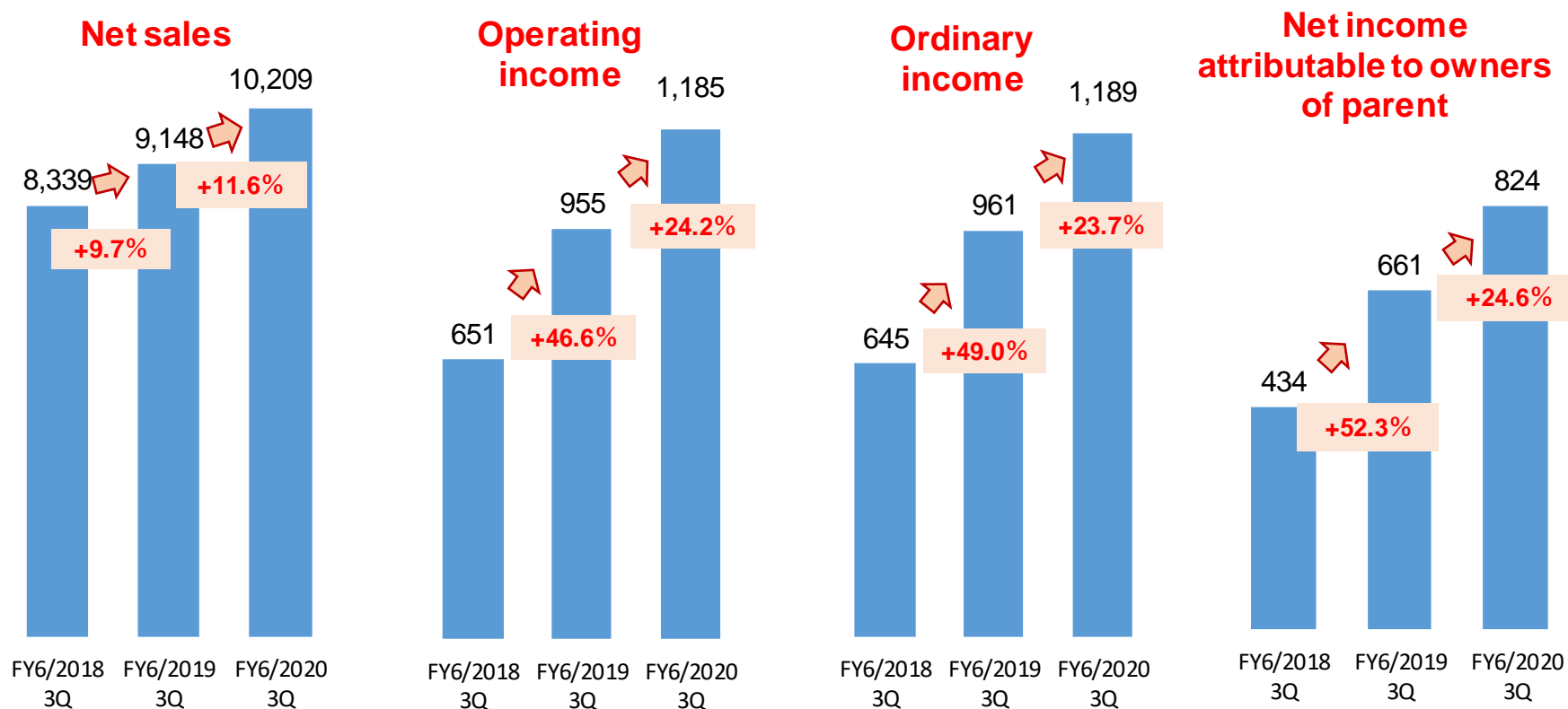
1. Monitor the health of employees and partner employees
2. Promote teleworking, shift work and staggered work
3. Restraint on business trips (both domestic and international)
4. Promote Web conferencing
5. Refrain from participating in external seminars
6. Refrain from social gatherings and business dinner
7. Web-based new employee training

**Began offering some services for free such as xoBlos "e-Learning" and "Client License" as a campaign to support teleworking**

# FY6/2020 3Q Financial Highlights

## Both sales and profits showed record-highs.

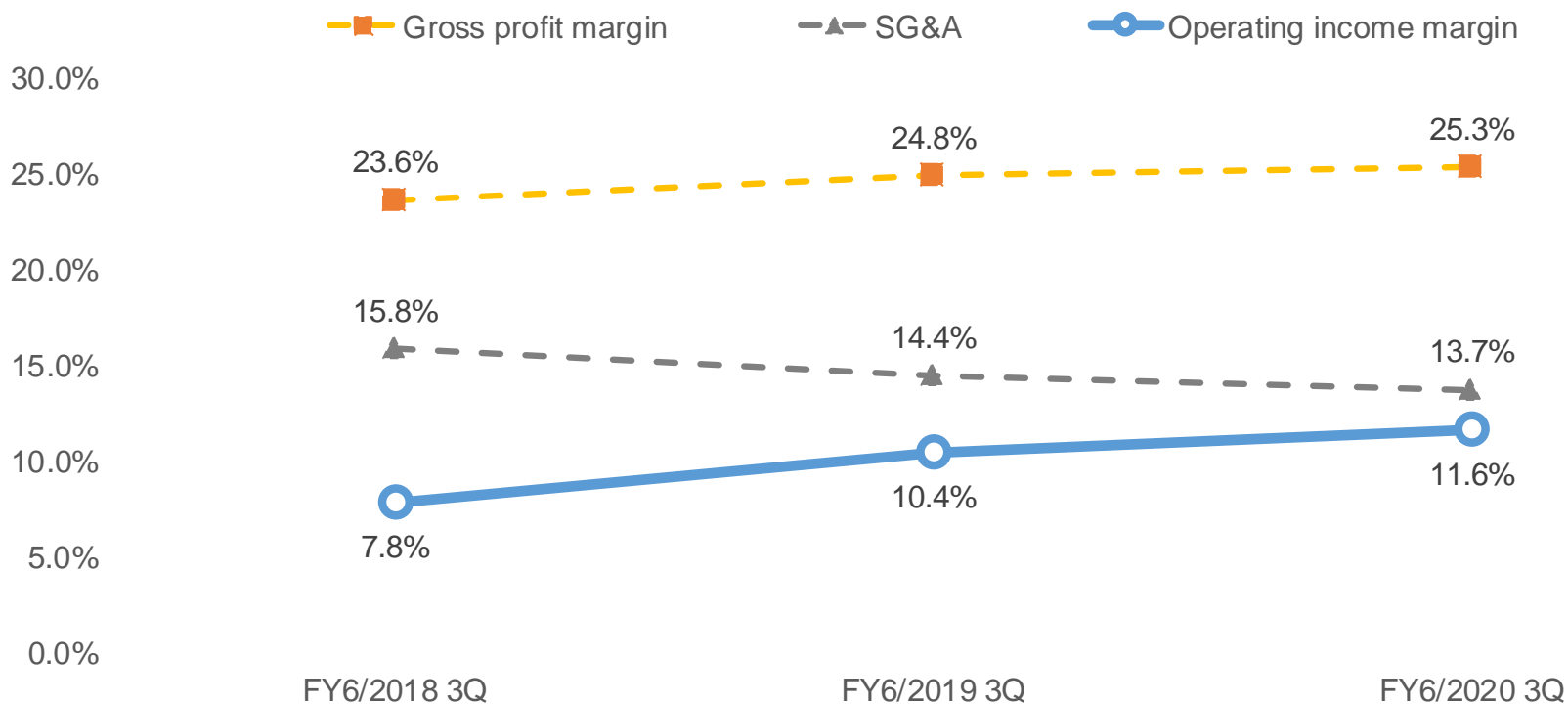
(Profits rose sharply in the previous fiscal year due to increased contracted projects, but this fiscal year's profits were significantly higher than the previous year's level due to an increase in overall capabilities.)



# Changes in Operating Income Margin

Operating income margin steadily increased due to higher gross profit margin and lower SG&A ratio.

Ratio of each profit and R&D expenses to sales





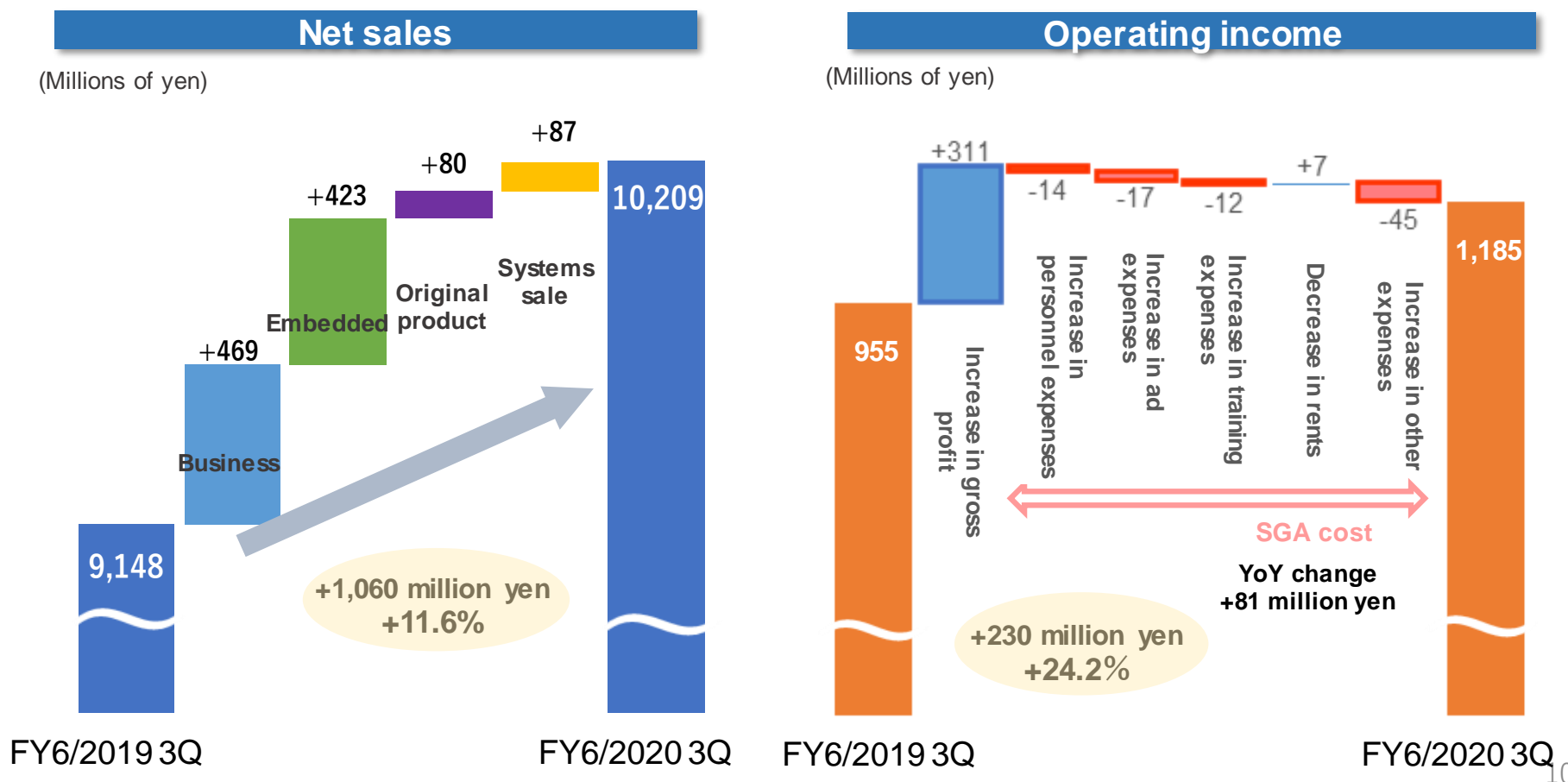
# Summary of Consolidated Financial Results for FY6/20 3Q

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

(Millions of yen)	FY6/2019 3Q Result	Composition %	FY6/2020 3Q Result	Composition %	YoY %	FY6/2020 Plan	YoY %
Net sales	9,148	100.0%	10,209	100.0%	+11.6%	13,030	78.4%
Gross profit	2,271	24.8%	2,583	25.3%	+13.7%	-	-
Operating income	955	10.4%	1,185	11.6%	+24.2%	1,180	100.5%
Ordinary income	961	10.5%	1,189	11.6%	+23.7%	1,177	101.1%
Net income attributable to owners of parent	661	7.2%	824	8.1%	+24.6%	790	104.4%

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

- Show growth in sales in all business segments.
- Operating income increased by 24.2% YoY, as the increase in gross profit surpassed the increase in SG&A expenses.



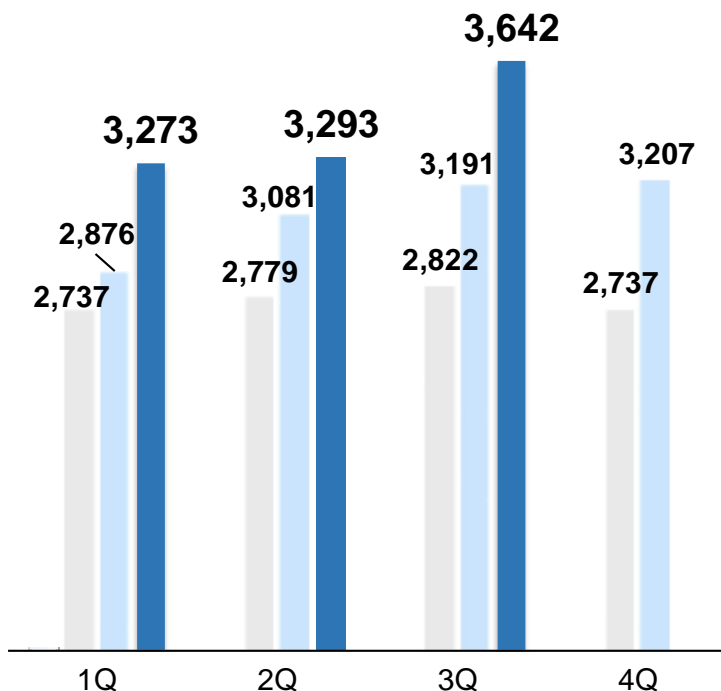
# Quarterly Net Sales & Operating Income

- For 3Q alone, both quarterly net sales and operating income achieved record highs.

## Net sales

(Millions of yen)

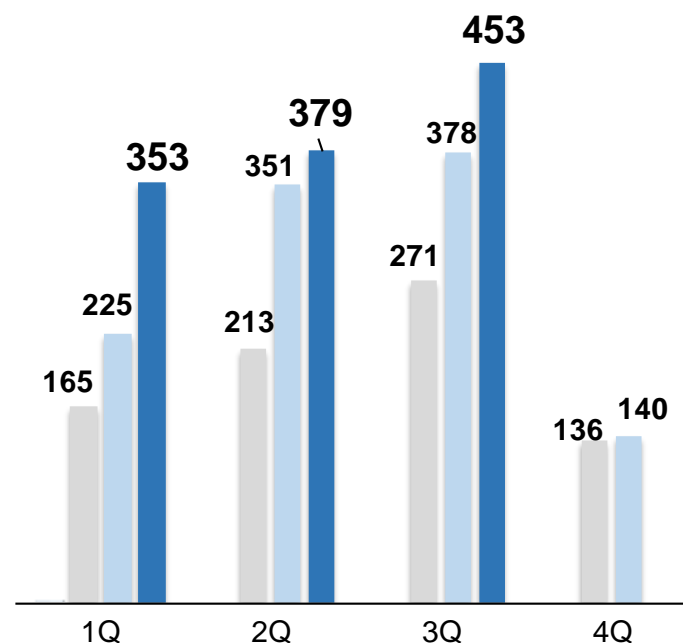
■ FY6/2018 ■ FY6/2019 ■ FY6/2020



## Operating income

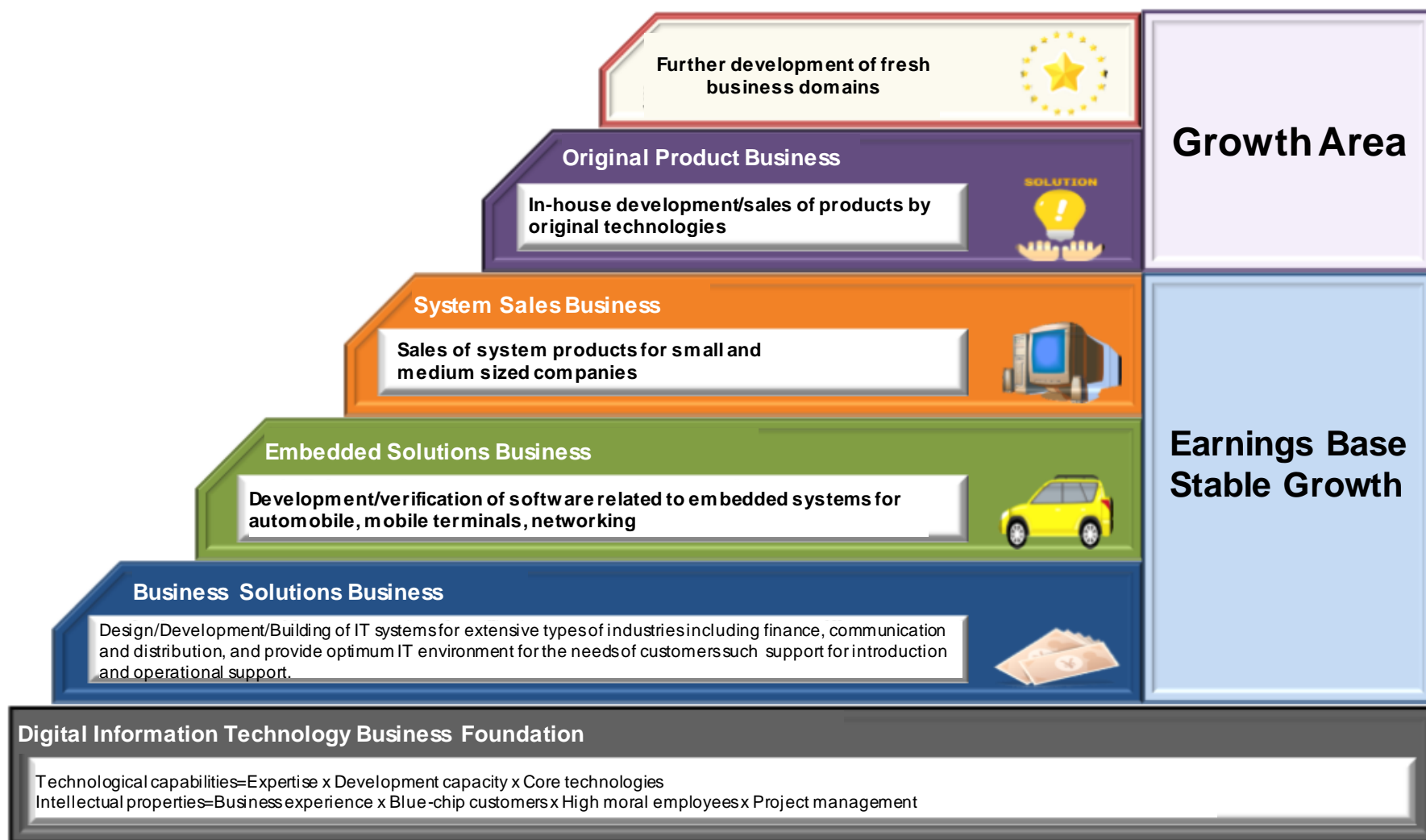
(Millions of yen)

■ 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

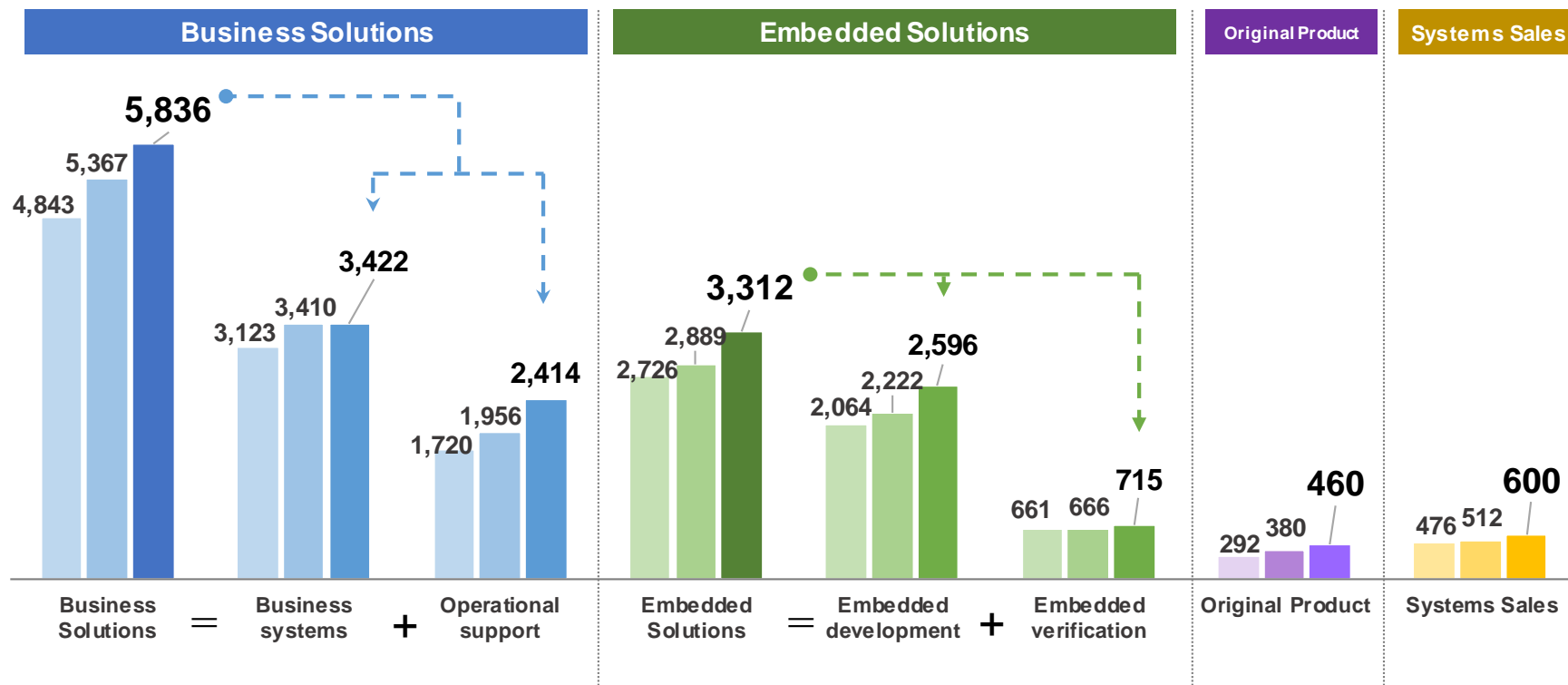


# Sales by Business Segment

## ■ Sales continue to increase in all business segments

Quarterly Sales by Business  
(Graphs from left to right: FY6/18 3Q, FY6/19 3Q, FY6/20 3Q)

(Millions of yen)

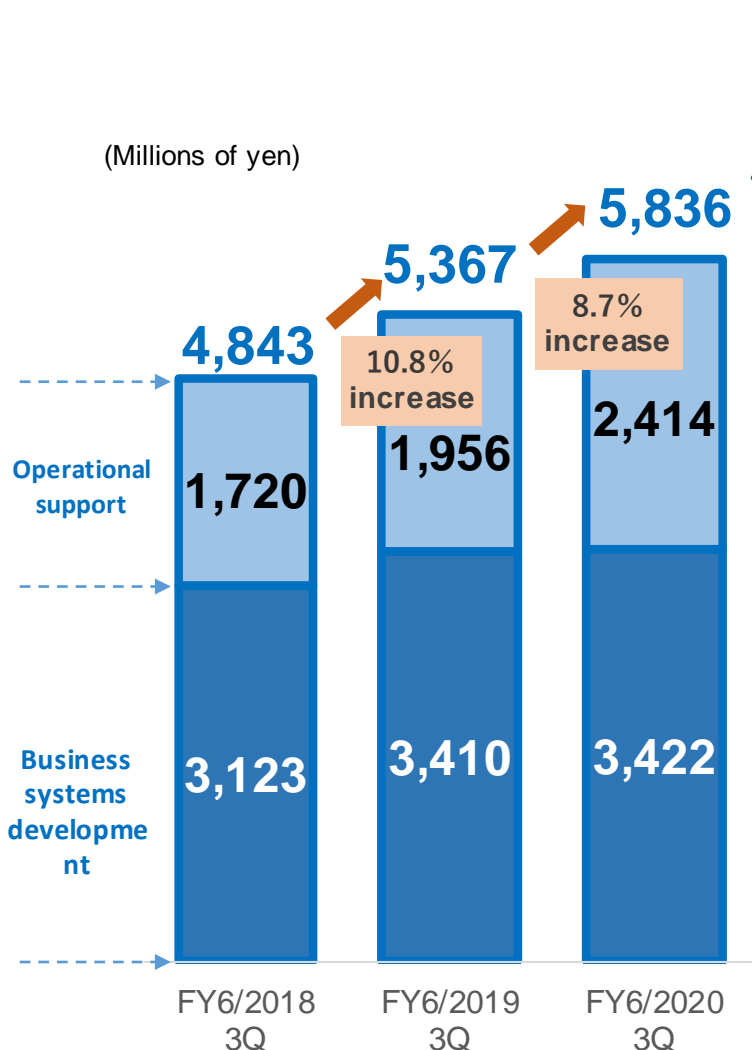


# Business Segment and Composition of Sales

- Steady growth in operation support, embedded system development and original product business

Businesses segment	Classification	FY6/2018 3Q Net sales Composition	FY6/2019 3Q Net sales Composition	FY6/2020 3Q Net sales Composition
<b>Software development Business</b>		<b>94.3%</b>	<b>94.4%</b>	<b>94.1%</b>
<b>Business Solutions Unit</b>	Business Bases	<b>58.1%</b>	<b>58.7%</b>	<b>57.2%</b>
Business System Development		64.5%	63.5%	58.6%
Operational Support		35.5%	36.5%	41.4%
<b>Embedded Solutions Unit</b>	Business Bases	<b>32.7%</b>	<b>31.6%</b>	<b>32.4%</b>
Embedded Product Development		75.7%	76.9%	78.4%
Embedded Product Verification		24.3%	23.1%	21.6%
<b>Original Product Unit</b>	Growth Field	<b>3.5%</b>	<b>4.2%</b>	<b>4.5%</b>
<b>Systems Sales Business</b>	Business Bases	<b>5.7%</b>	<b>5.6%</b>	<b>5.9%</b>

# Net Sales by Segment: Business Solutions Unit



Progress rate:  
76.8%

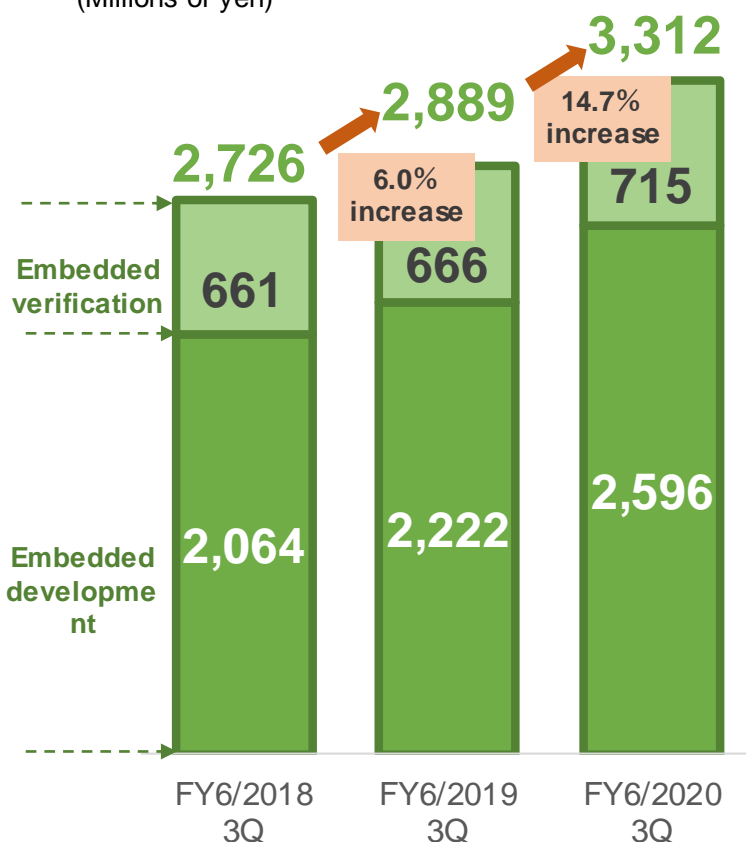
Net sales: 5,836 million yen  
YoY change: +8.7%

- In the business system development, overall profits improved as the growth in system development for public and manufacturing sectors covered the sluggish demand from financial and distribution sectors.
- Operational support services significantly grew through the aggressive customer development.

# Net Sales by Segment: Embedded Solutions Unit

Progress rate:  
79.6%

(Millions of yen)



Net sales: 3,312 million yen  
YoY change: +14.7%

- In both embedded development and verification, sales and profits increased due to the expansion of the automotive-related areas, mainly for connected cars.
- In the IoT area, mobile app development that adds new services to home appliances, etc. is expanding.



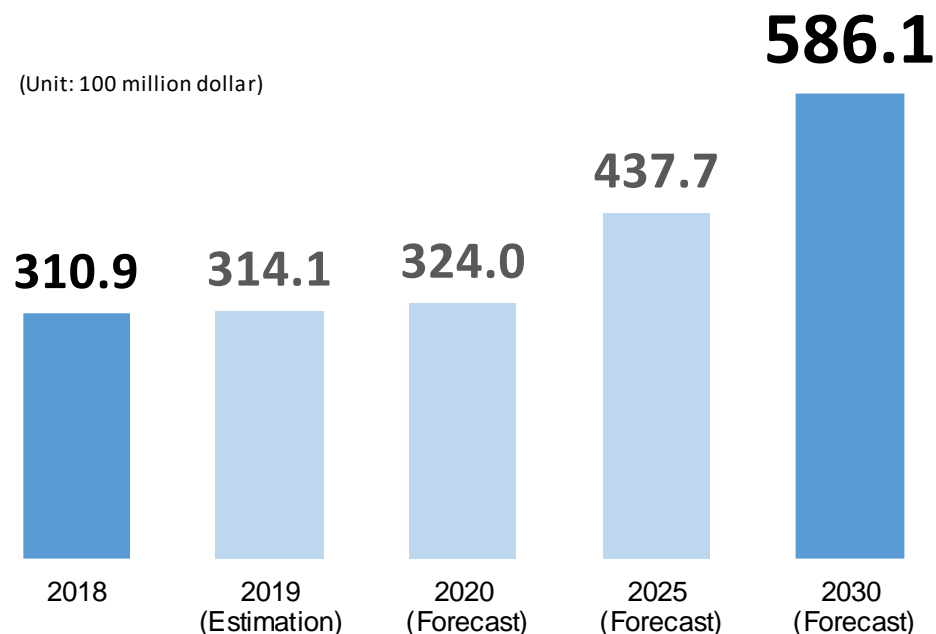
# Reference: Strong Growth in Automotive-related Market

- Development of ADAS, CASE\*, etc. has led to a strong vehicle-mounted semiconductor market.

Its global market is expected to grow to approximately \$58.6 billion by 2030, up 88.5% from 2018 (Research by the Yano Economic Research Institute)

## Global Automotive Semiconductor Market

(Unit: 100 million dollar)



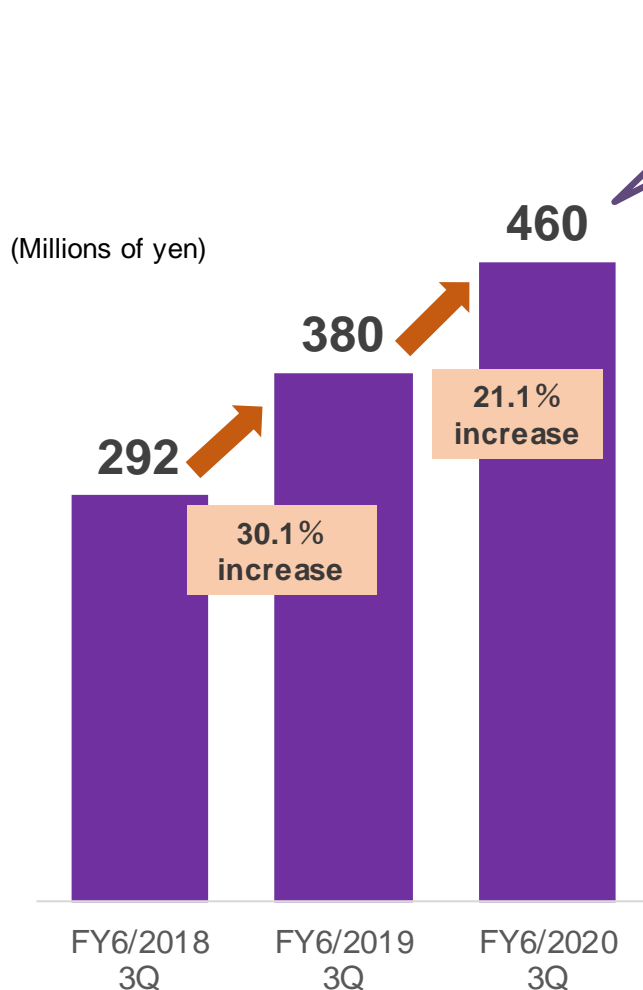
Forecast of Market Size of  
Global Automotive  
Semiconductor

**+88.5%**  
(2018 to 2030)

\*ADAS=Advanced Driver-Assistance Systems

\*CASE = Connected, Autonomous, Shared and Electric.

Note: Graphs are prepared by our company based on data by Yano Research Institute released on April 2, 2020.



Net Sales: 460 million yen  
YoY change: +21.1%

## ■ [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.

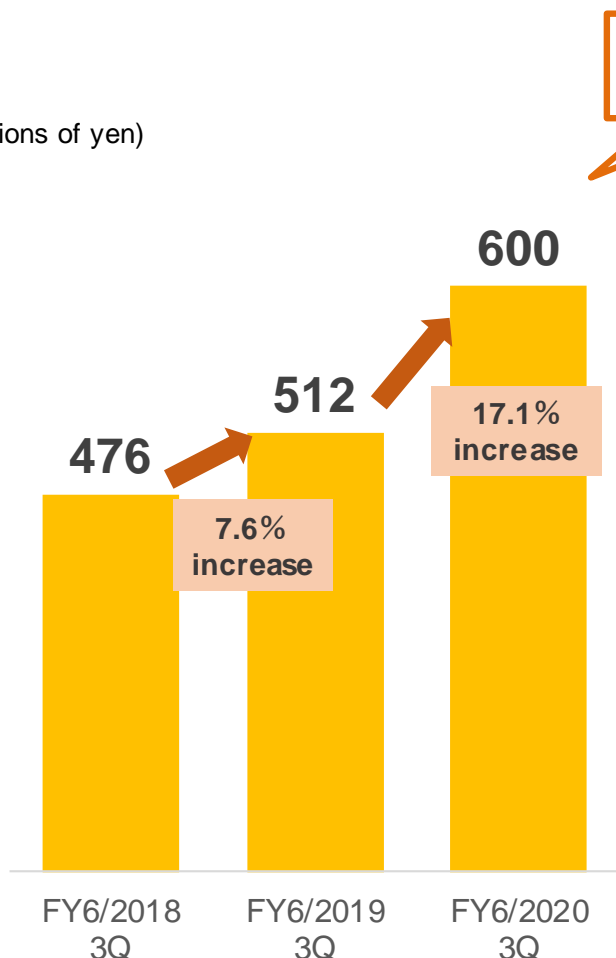
## ■ [xoBlos (zobroth): Operational efficiency products]

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: 600 million yen  
YoY change: +17.1%

- Sales and profits grew steadily due to rush demand for replacement and update of “Rakuichi” before the consumption tax hike, as well as the demand for termination of Windows 7 support.

\*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

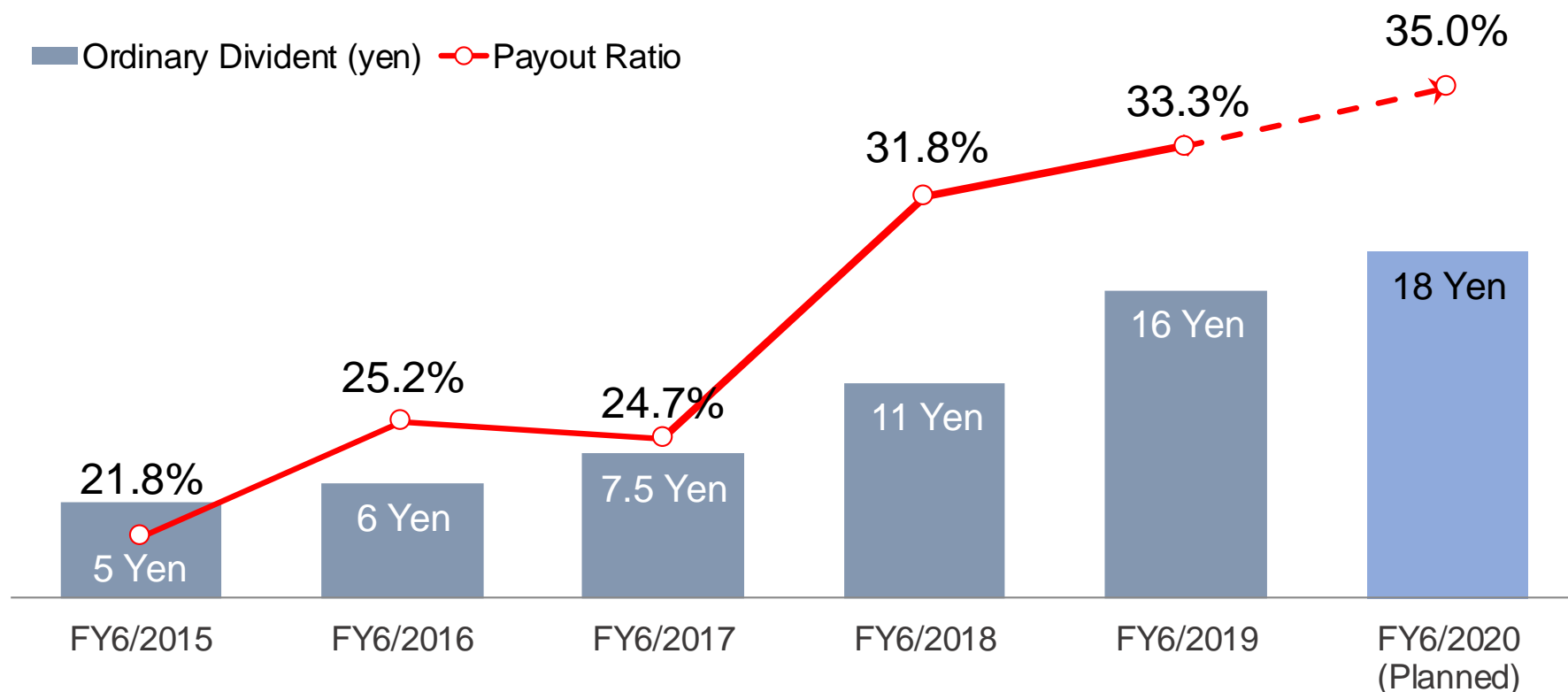
## ■Debt-free management, equity ratio 67.5%

(Millions of yen)

(Millions of yen)	End-Jun. 2019	FY3/20 3Q	Change
<b>Total Assets</b>	4,655	5,187	+532
<b>Current Assets</b>	3,933	4,399	+466
<b>Fixed Assets</b>	721	787	+66
<b>Liabilities</b>	1,707	1,686	△21
<b>Net assets</b>	2,947	3,500	+553
<b>Equity ratio</b>	63.3%	67.5%	+4.2pt

# 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%).

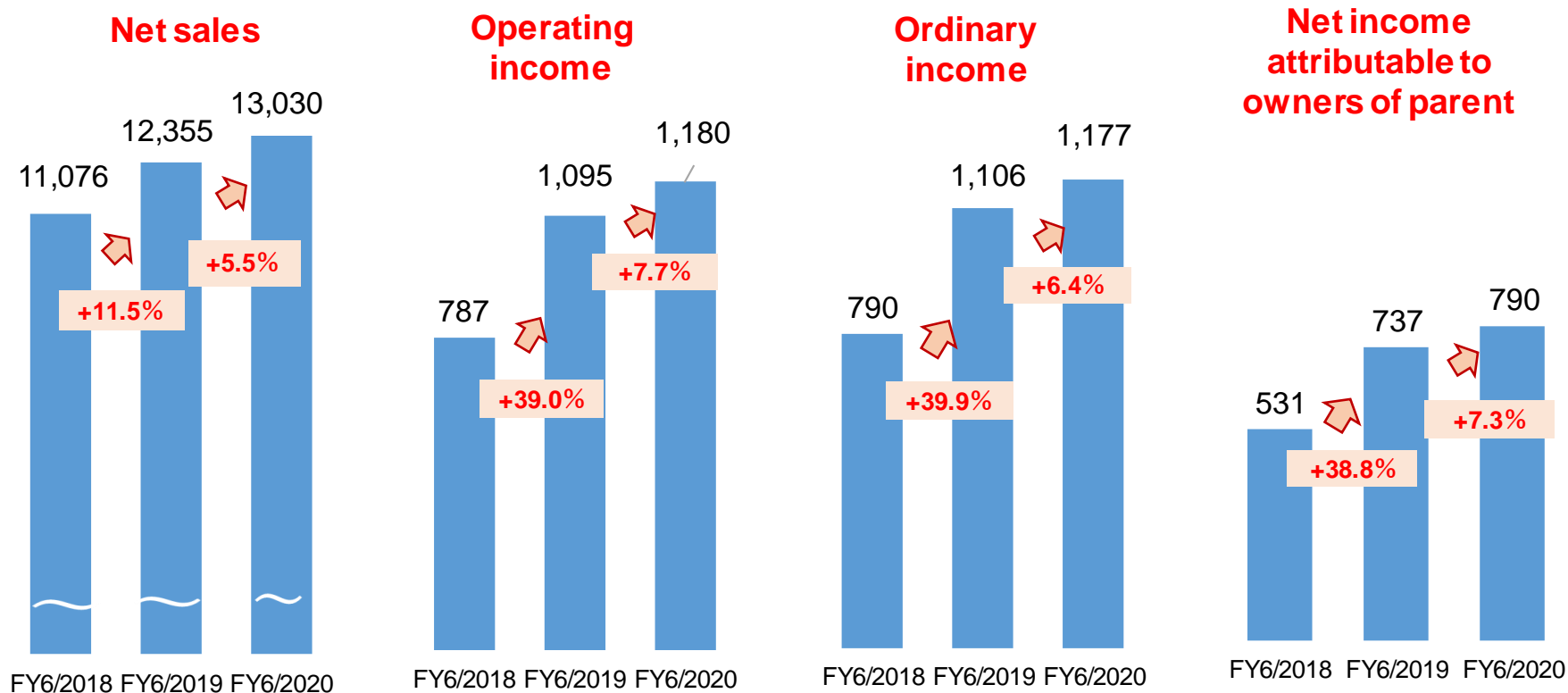
# Business Forecasts for FY6/20



# 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.

(We will announce the forecasts as soon as the effects of COVID-19 are determined.)



# 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
<b>Software Development Business</b>	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%
<b>System Sales Business</b>	678	665	-13	-1.9%	5.1%
<b>Total</b>	12,355	13,030	675	5.5%	



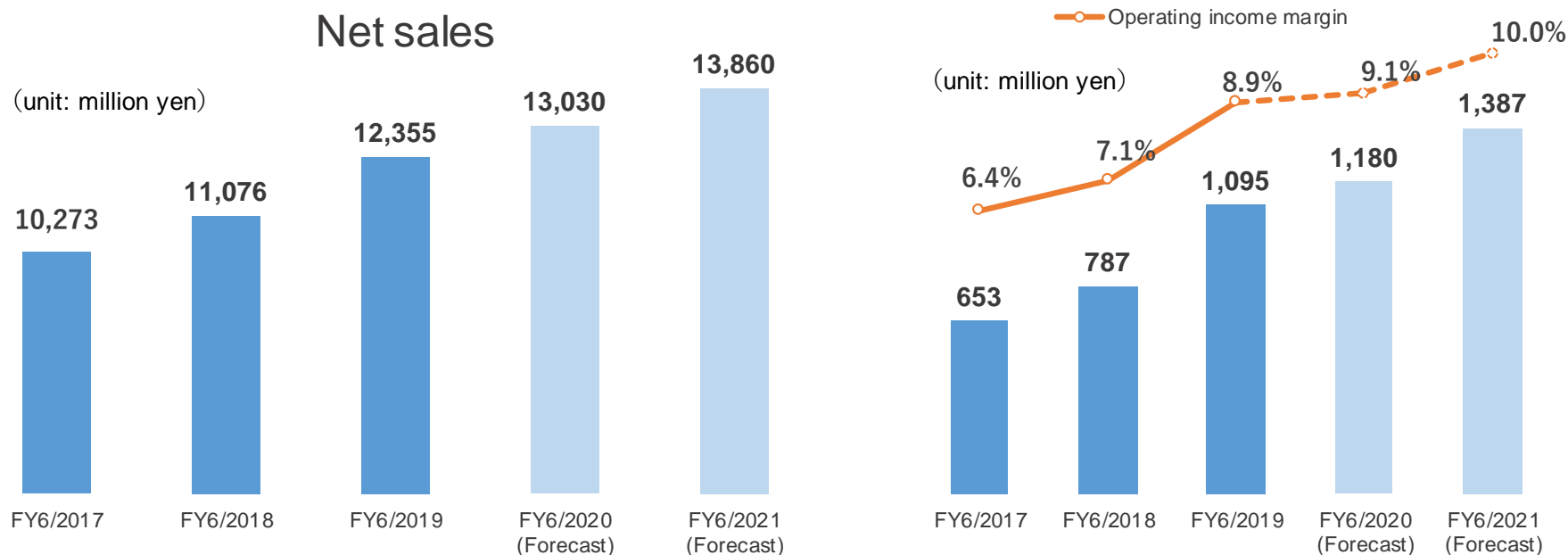
# Mid-Term Management Plan



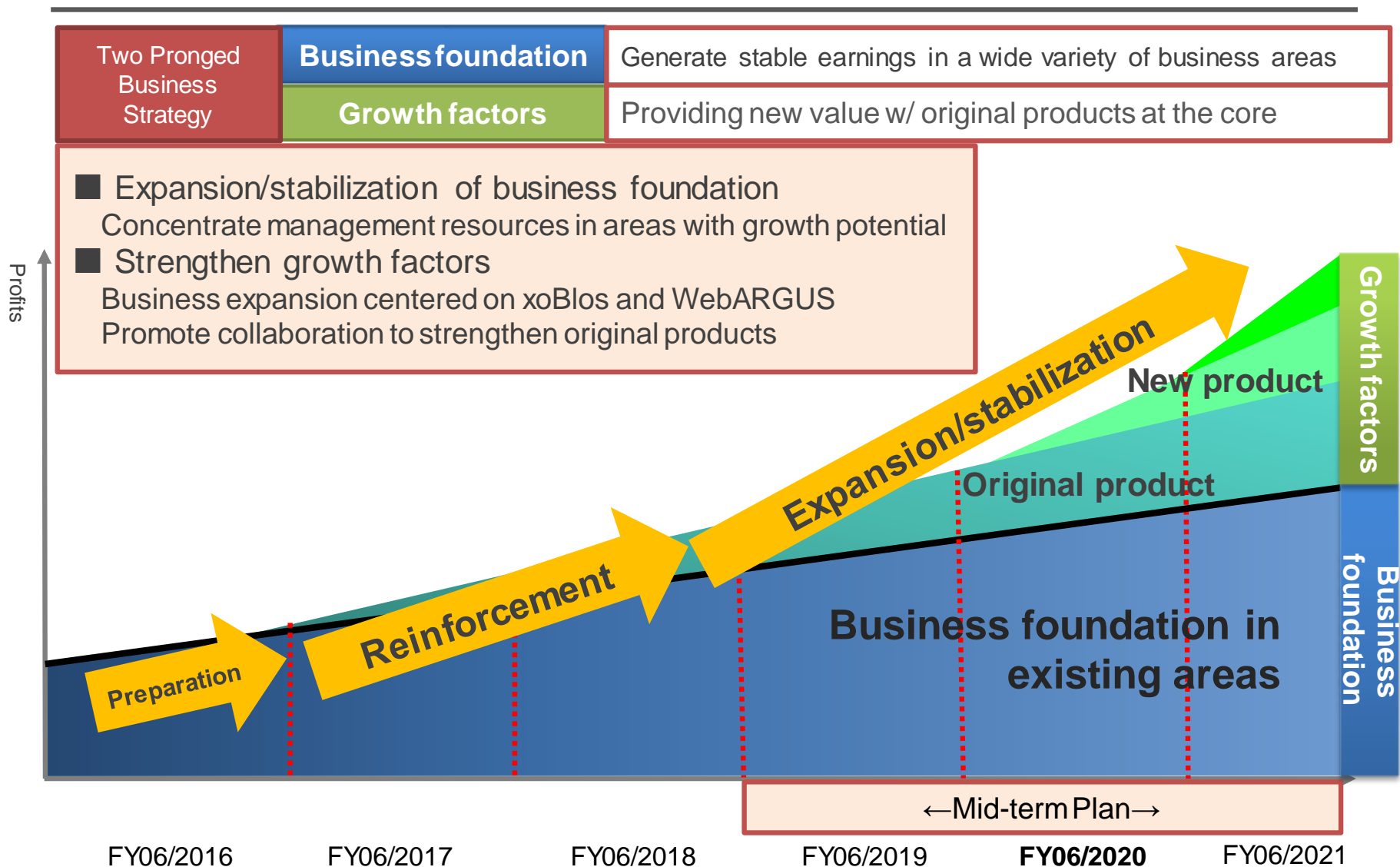
# Mid-Term Management Targets : Achievement of “Triple 10”

■ 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

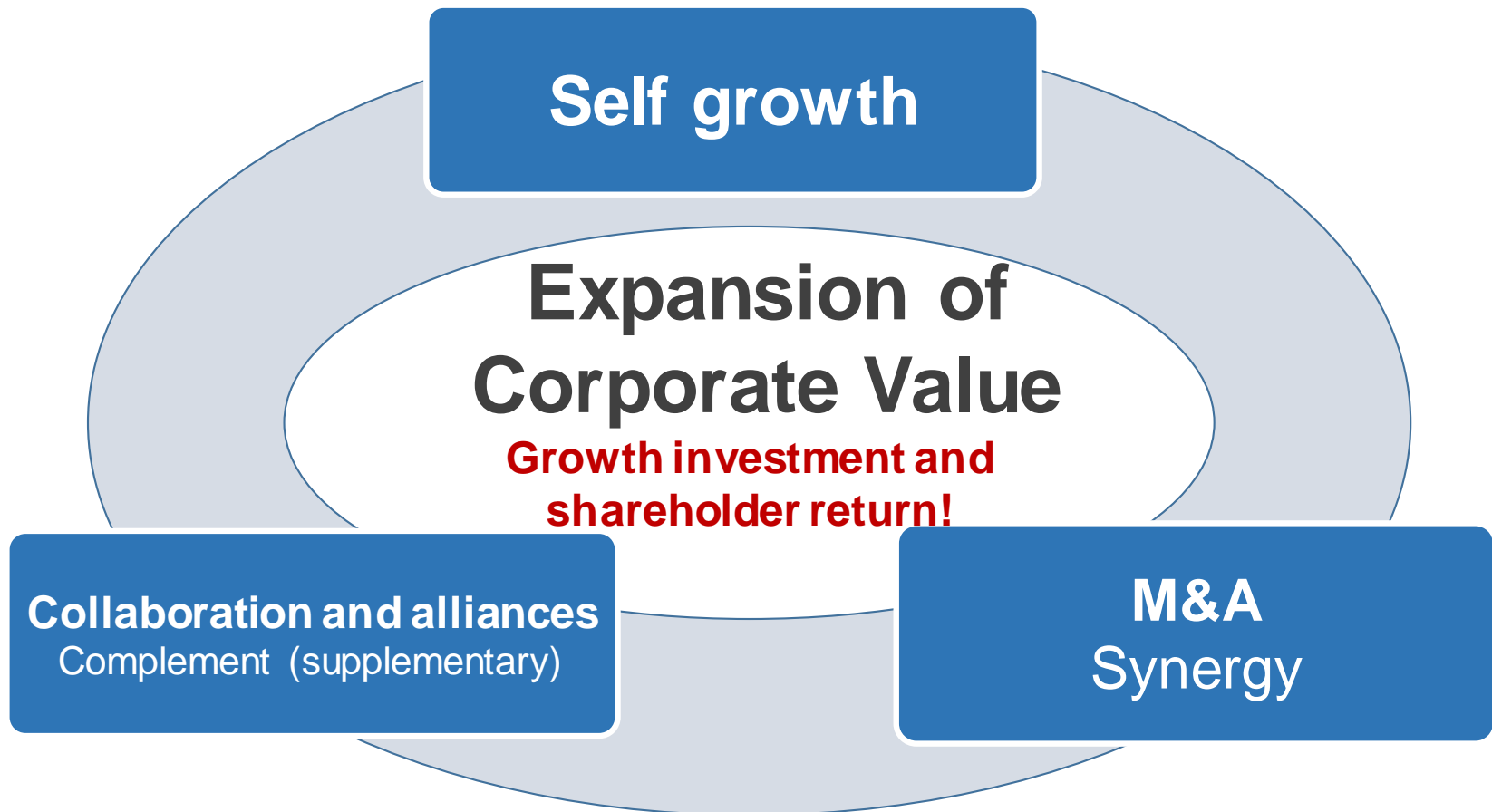


# Mid-term Growth Model



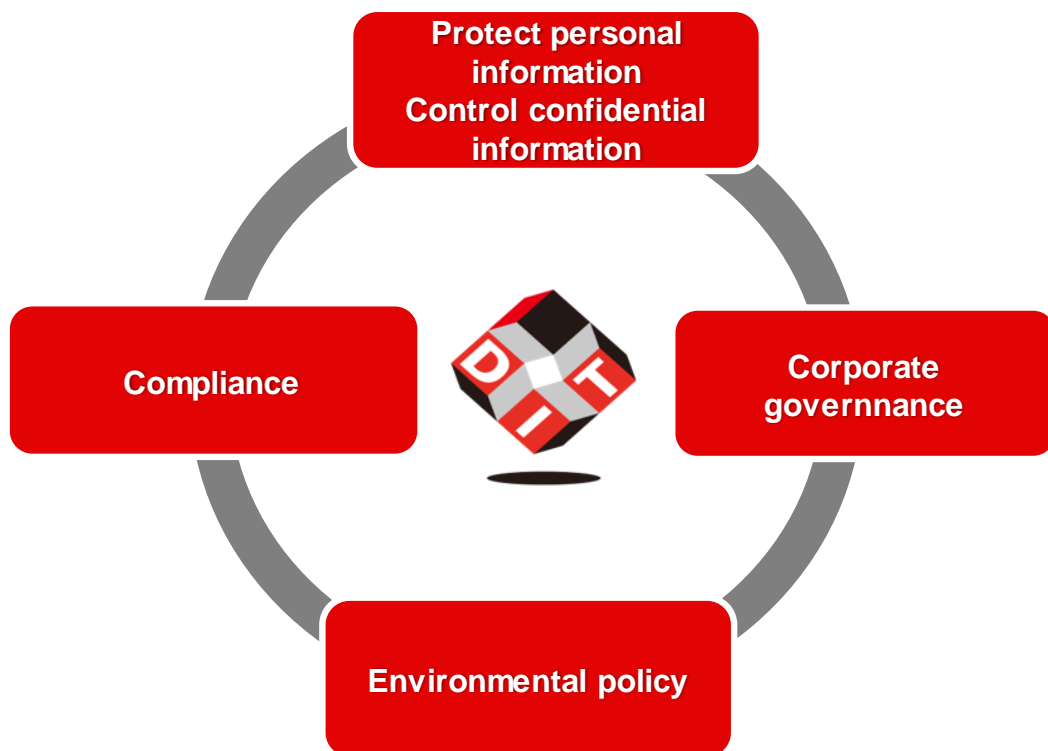
# Towards expansion of corporate value

- 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.



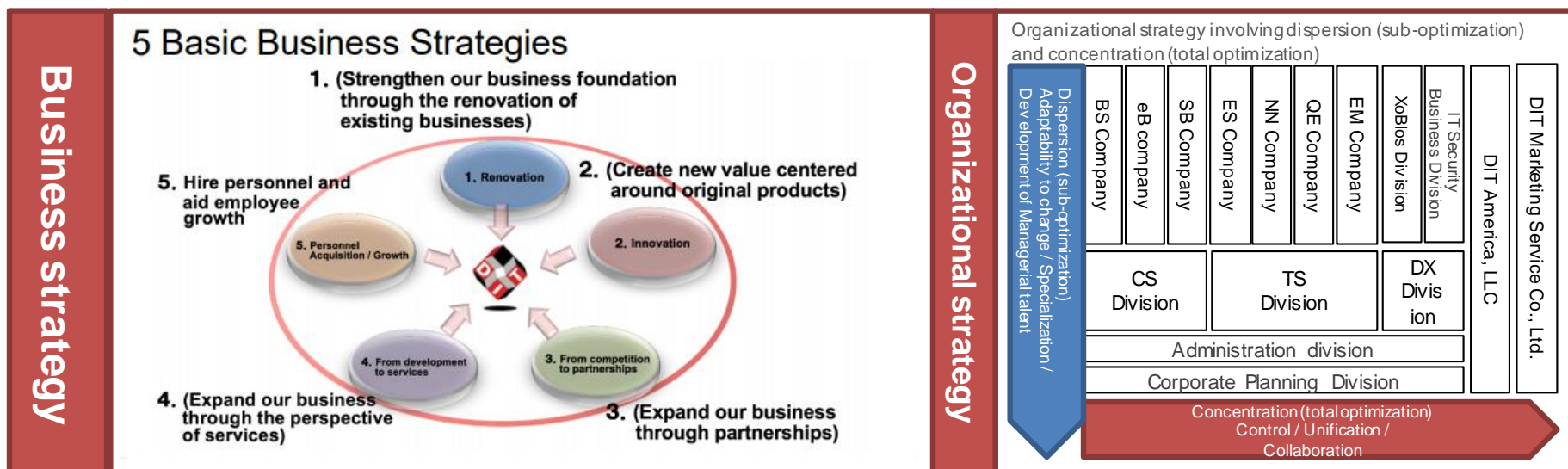
Satoshi Ichikawa, Representative Director and President

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		

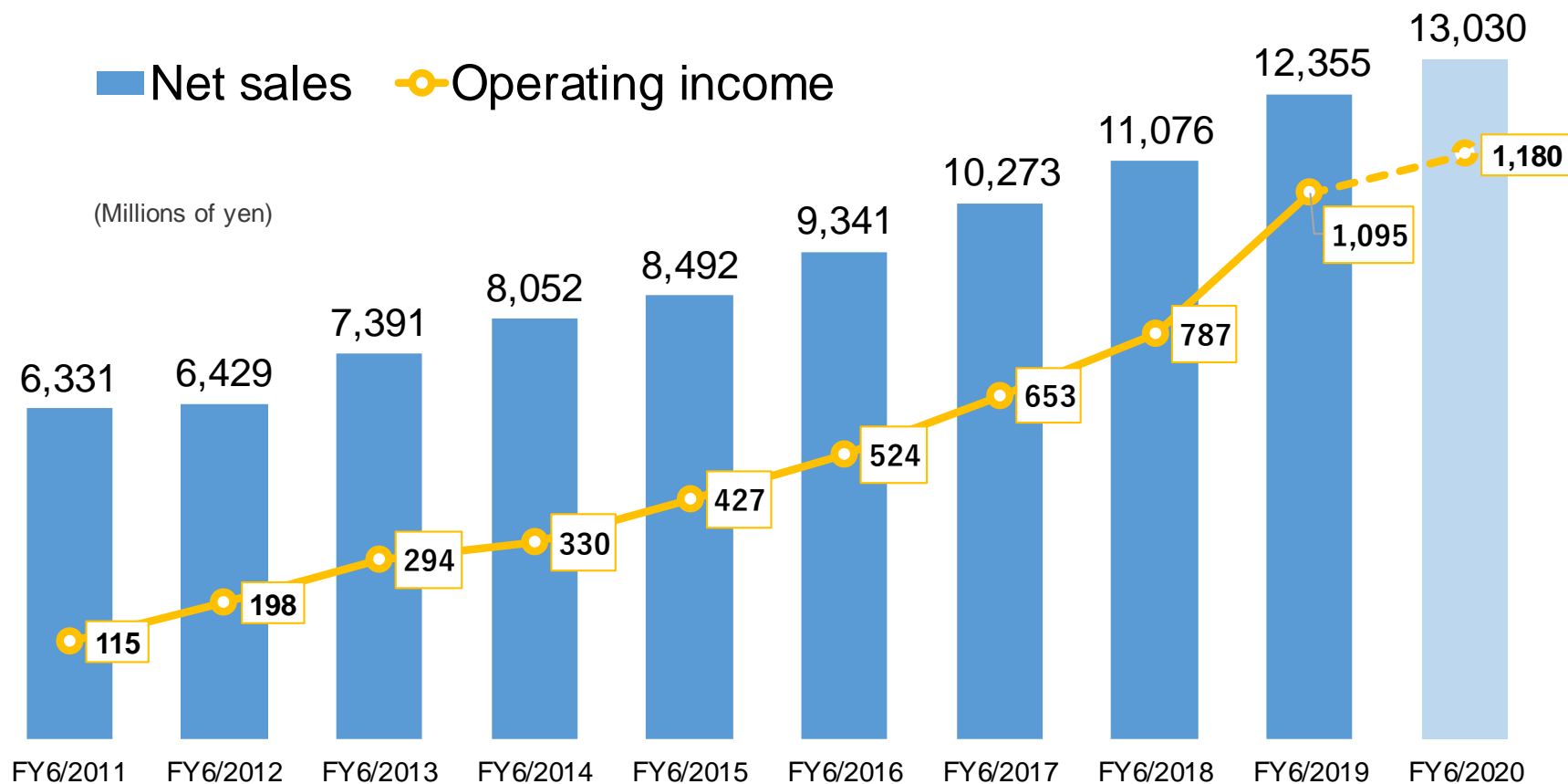
Management Policy	Deliver on our commitment to value generation and adaptability to change, while aiming to realize stable growth for the company
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# Trends of Business Results

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



# Our strengths and basic strategies

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## Our Strengths

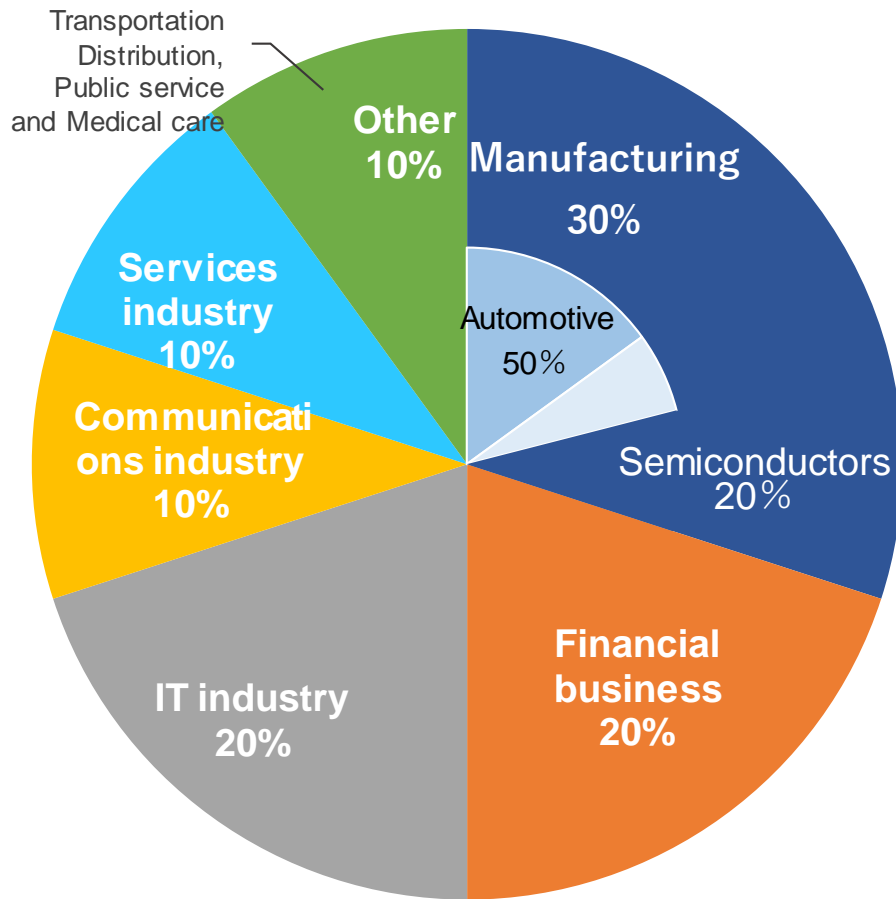
- We have diverse business domains including development and operation of business systems, and development and verification of embedded systems.
- We have professional expertise, technological capabilities and price competitiveness that are highly appraised by blue-chip customers.
- Our businesses are 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. 2,600 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)

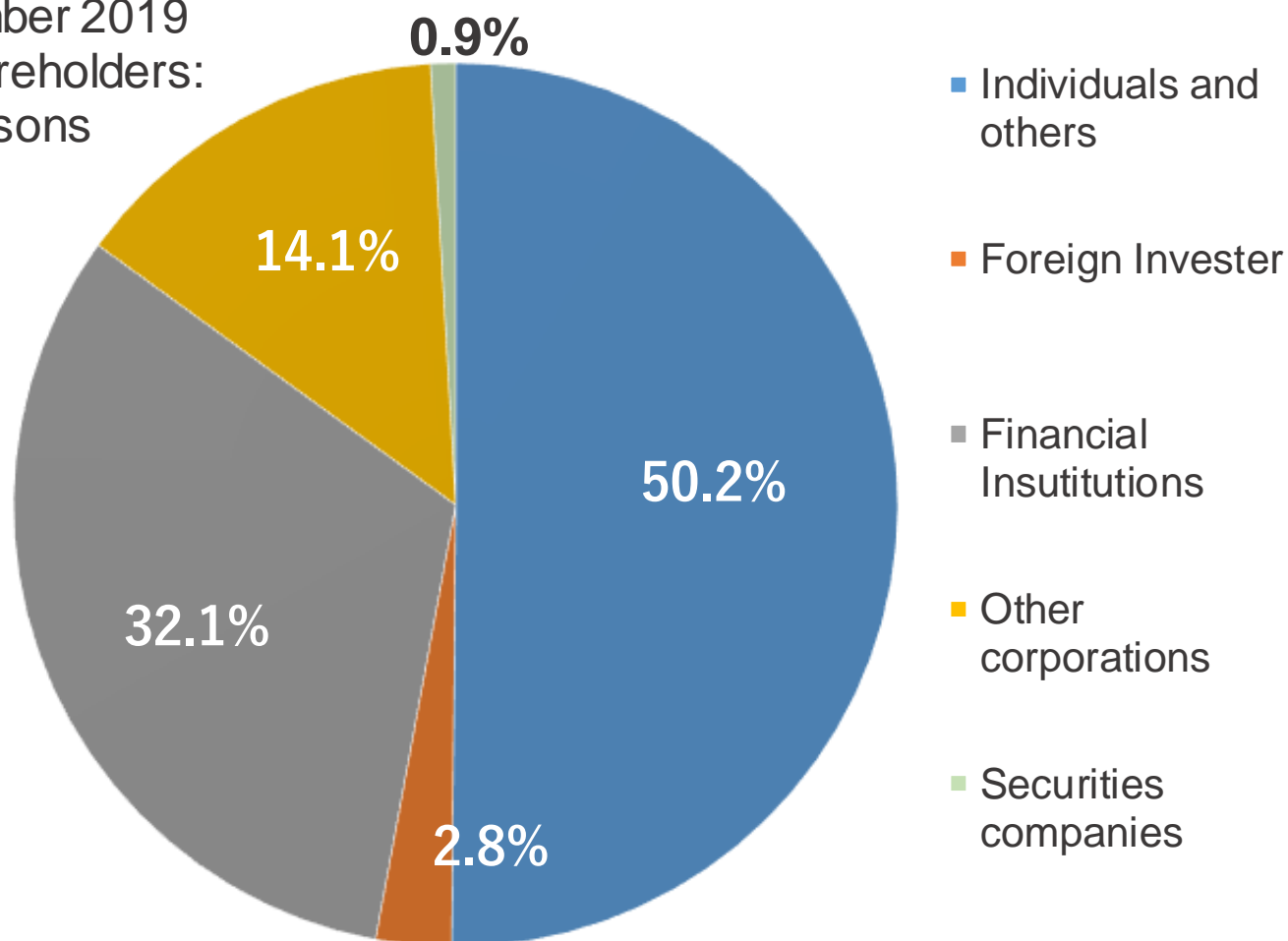
- Including information systems subsidiaries, sales for end users accounted for 80% of total sales.

# Domestic and overseas development bases and the number of employees



# Composition of Shareholders

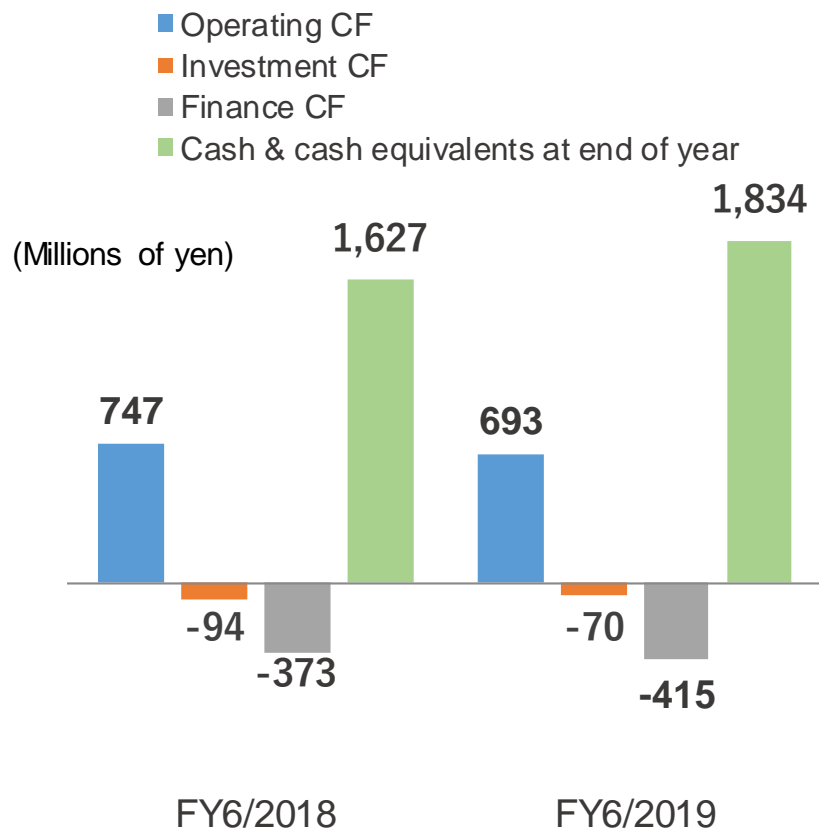
End of December 2019  
Number of shareholders:  
3,697 persons



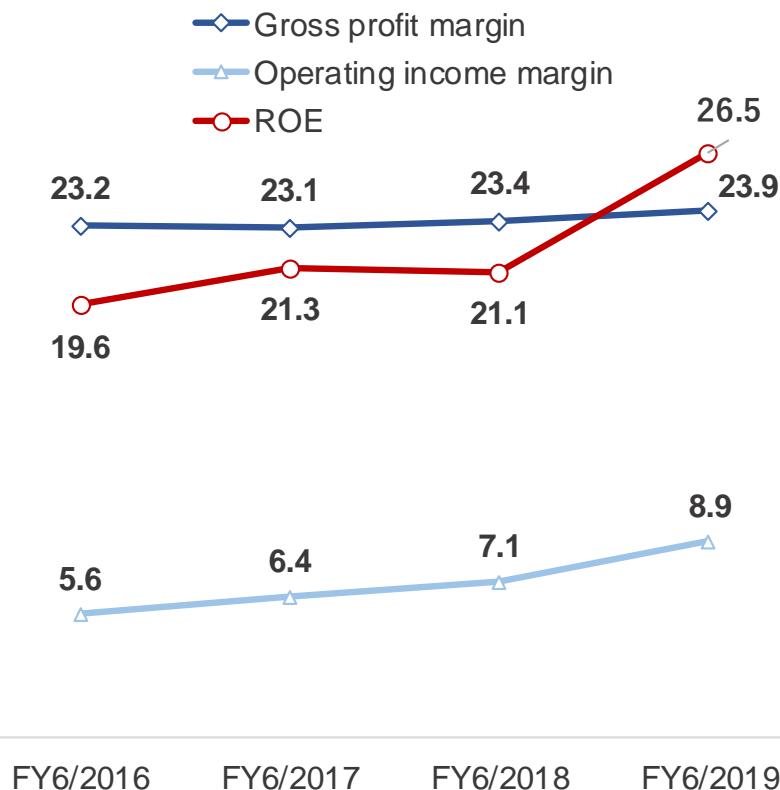
# Cash Flows, Financial KPI

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

## Consolidated Cash Flows



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





## Contact information :

Enomoto,

IR Division, Corporate Planning Division

TEL: 03-6311-6532 FAX: 03-6311-6521

E-mail: [ir\\_info@ditgroup.jp](mailto:ir_info@ditgroup.jp)

<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.
- 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.