

3Q FY 06/2019 Financial Results Briefing (TSE First Section 3916)

May 22, 2019

Digital Information Technologies Corporation





- 1 . Overview of 3Q FY 06/2019**
- 2 . Strategic Policy & Consolidated Earnings Forecast for FY 06/2019
- 3 . Strategies for Growth
- 4 . Appendix

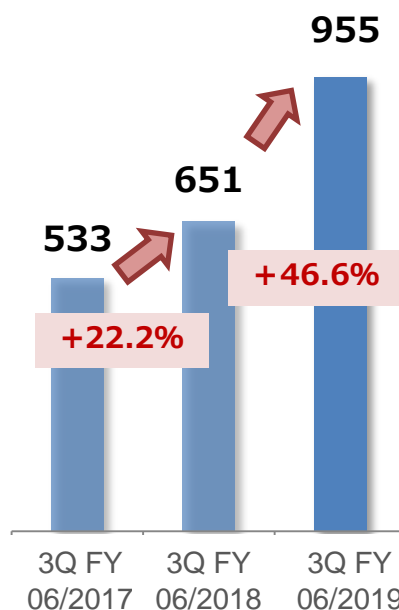
- We registered an increase in Net Sales and Income, and delivered the best 3Q aggregate performance in the company's history.

(Unit: MM JPY)

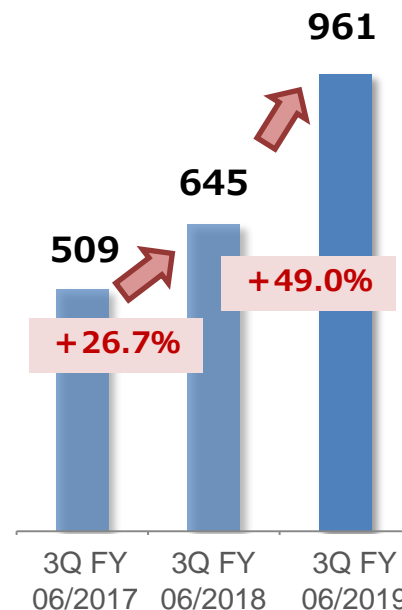
Net Sales



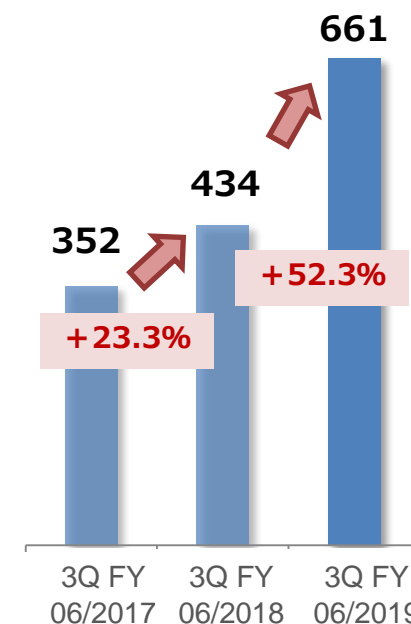
Operating Income



Ordinary Income



Net Income



3Q FY 06/2019 Consolidated Earnings Overview



Digital Information Technologies Corporation

- Net Sales and all the income metrics grew YoY, allowing us to beat guidance. Profitability was also up.
- As a result, the company was able to raise guidance for the full-fiscal year.

(Unit: MM JPY, %)	3Q FY 06/2018		3Q FY 06/2019		Change (YoY)	FY 06/2019 (Full-year)		Achievement Ratio
	Realized	Margin (%)	Realized	Margin (%)	(%)	Projected (Revised)	Margin (%)	(%)
Net Sales	8,339	(100.0)	9,148	(100.0)	+9.7	12,300	(100.0)	74.4
Gross Profit	1,969	(23.6)	2,271	(24.8)	+15.3	—	—	—
SG&A Expenses	1,318	(15.8)	1,316	(14.4)	△0.1	—	—	—
Operating Income	651	(7.8)	955	(10.4)	+46.6	1,060	(8.6)	90.1
Non-operating Income	7	(0.1)	12	(0.1)	+57.5	—	—	—
Non-operating Expenses	13	(0.2)	5	(0.1)	△59.9	—	—	—
Ordinary Income	645	(7.8)	961	(10.5)	+49.0	1,065	(8.7)	90.3
Extraordinary Income	—	—	—	—	—	—	—	—
Extraordinary Losses	—	—	—	—	—	—	—	—
Net Income Before Income Taxes (Quarterly)	645	(7.8)	961	(10.5)	+49.0	—	—	—
Net Income (Quarterly)	434	(5.2)	661	(7.2)	+52.3	724	(5.9)	91.4

Factors affecting Net Sales and Operating Income (YoY)

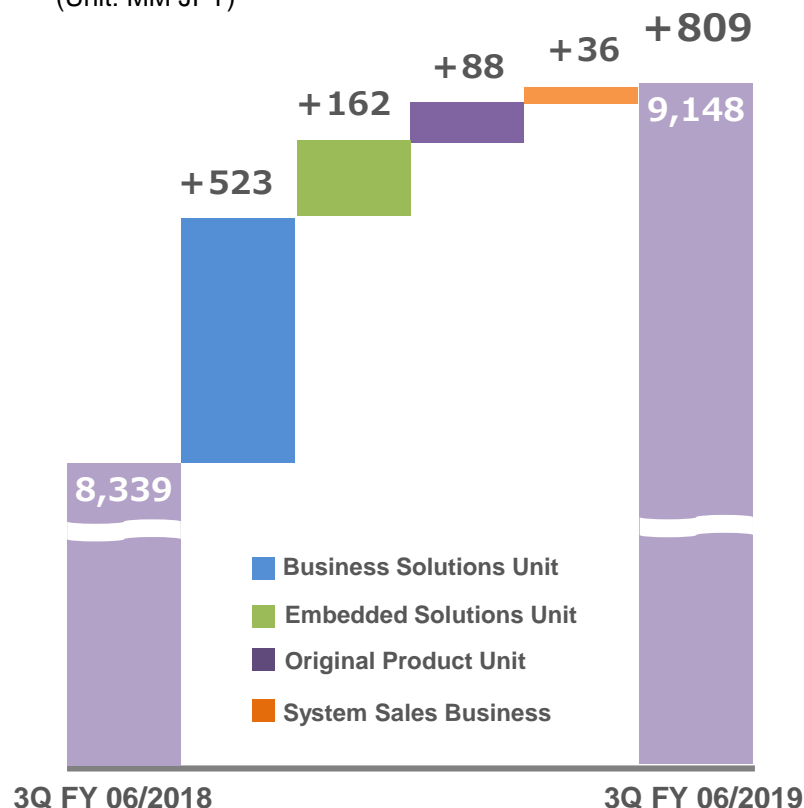


Digital Information Technologies Corporation

- The Business Solutions Unit made a significant contribution to the metric of Net Sales and drove growth.
- An improvement in terms of Gross Profit made up for an increase in expenses associated with SG&A. Operating Income grew 46.6% YoY.

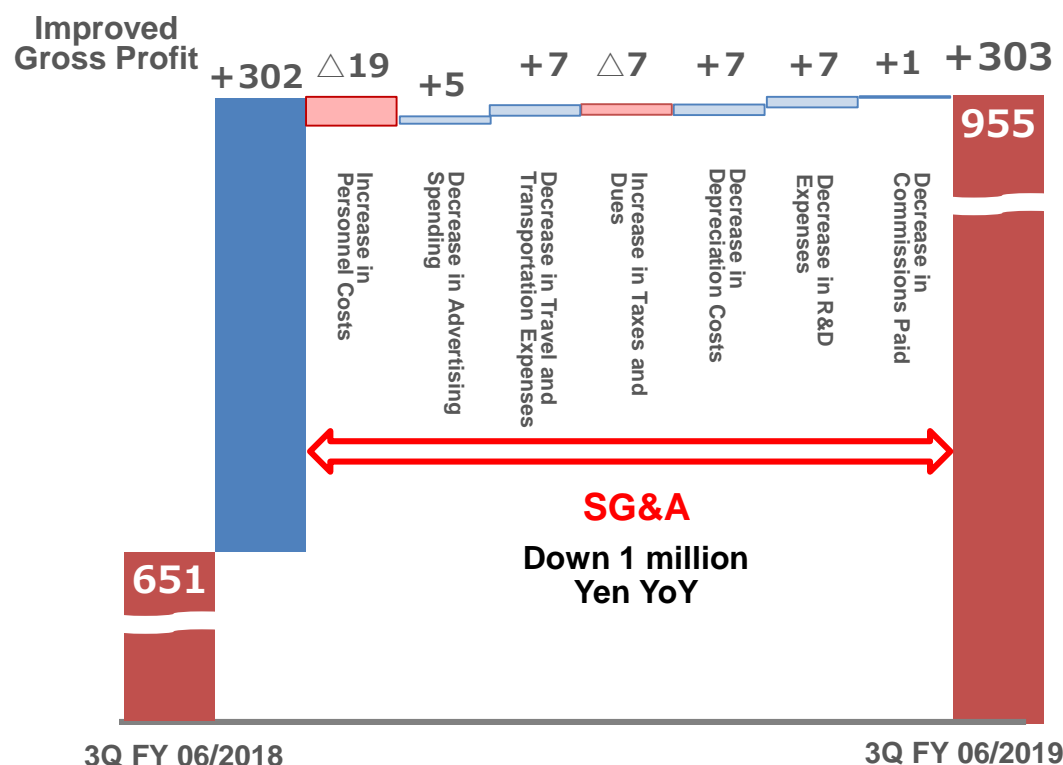
Net Sales

(Unit: MM JPY)



Operating Income

(Unit: MM JPY)



Quarterly Net Sales and Operating Income Trends

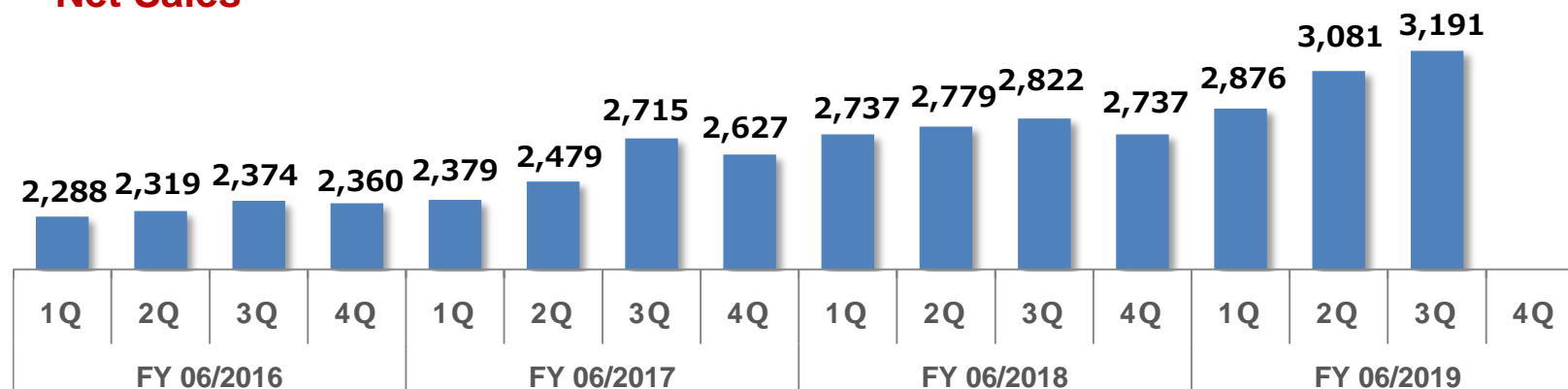


Digital Information Technologies Corporation

- Net Sales and Operating Income continue to grow YoY on a steady upward trend.
- We delivered our best net sales and operating income performance during 3Q.

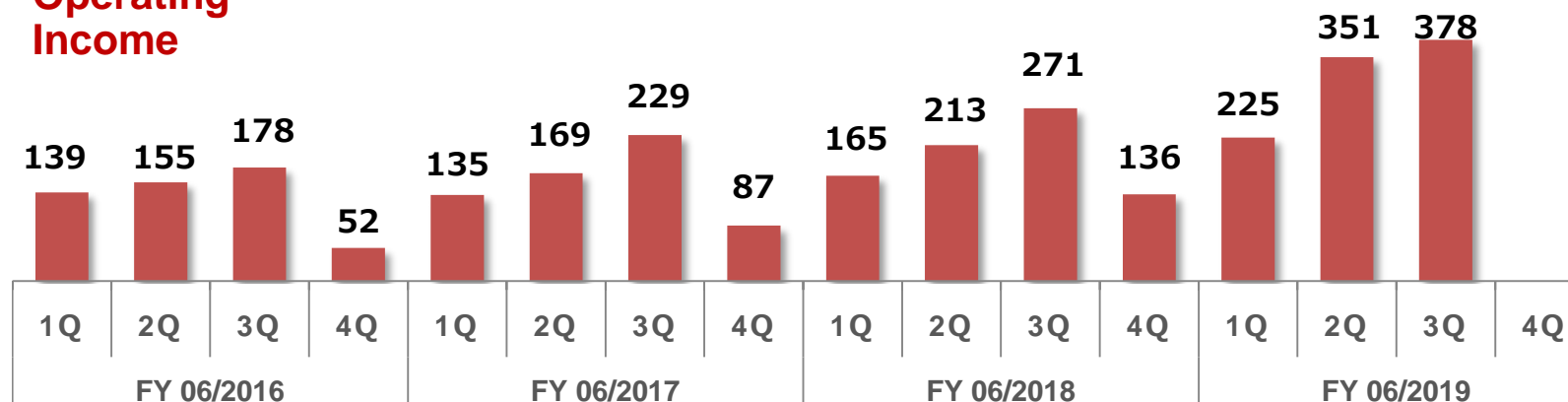
Net Sales

(Unit: MM JPY)



Operating Income

(Unit: MM JPY)



*Historically, operating income for 4Q has been affected to the downside by seasonality factors involving the hiring of new employees and the disbursement of year-end bonuses and benefits.

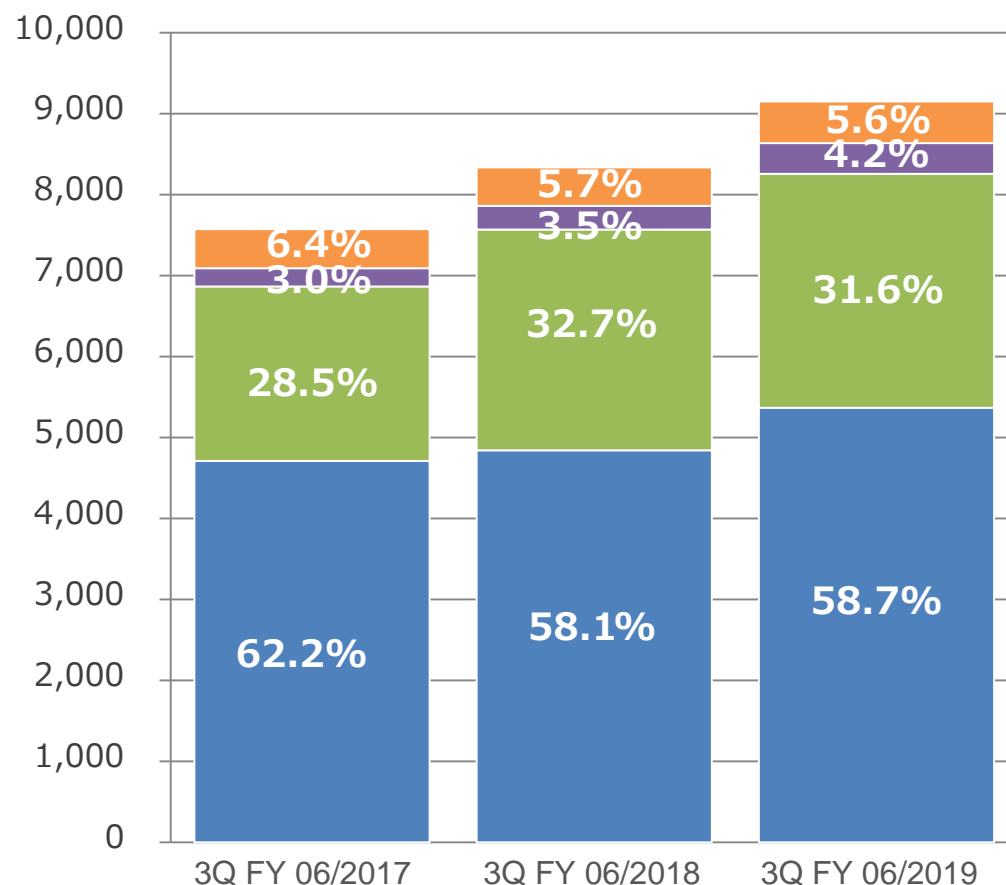
Net Sales Composition by Segment (%) - Trends



Digital Information Technologies Corporation

- The Business Solutions Unit showed growth during 3Q.
- The Original Product Unit (a growth segment) continued to grow its relative share amidst strong overall sales.

(Unit: MM JPY)

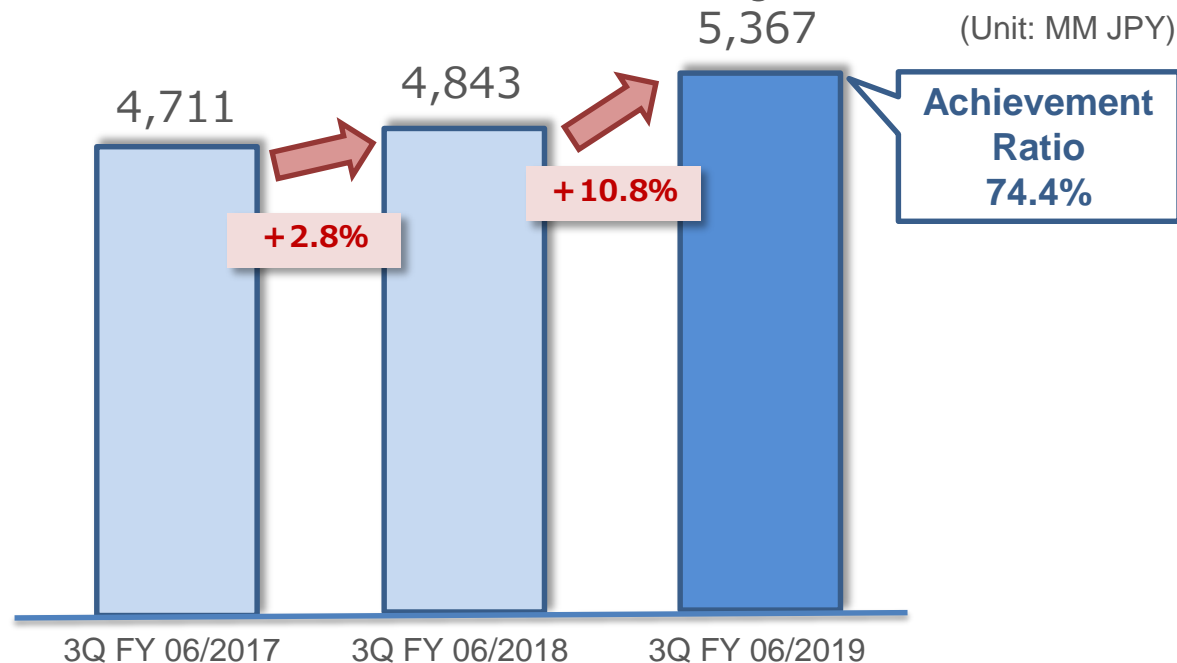


- System Sales Business
- Original Product Unit
- Embedded Solutions Unit
- Business Solutions Unit



Net Sales: 5.367 billion yen / YoY Growth: +10.8%

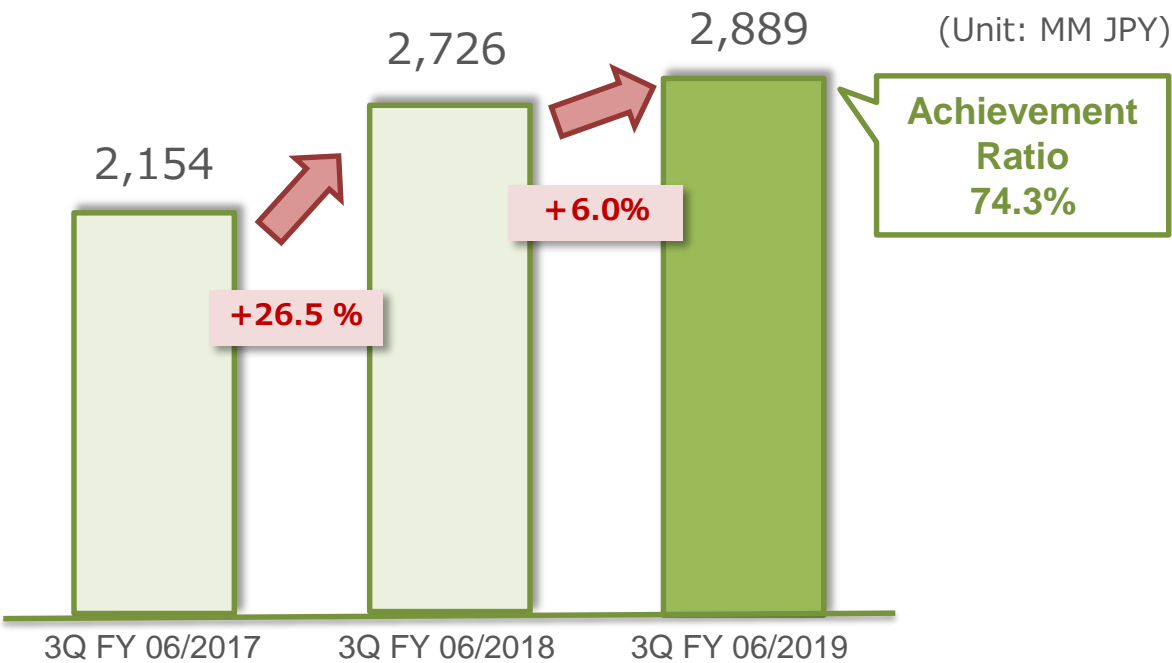
- We delivered robust results derived from the development of enterprise systems for the financial industry
- The Operation Support Business delivered robust results.
- We saw growth in system development geared toward areas related to distribution / logistics.



Net Sales: 2.889 billion yen / YoY Growth: +6.0%

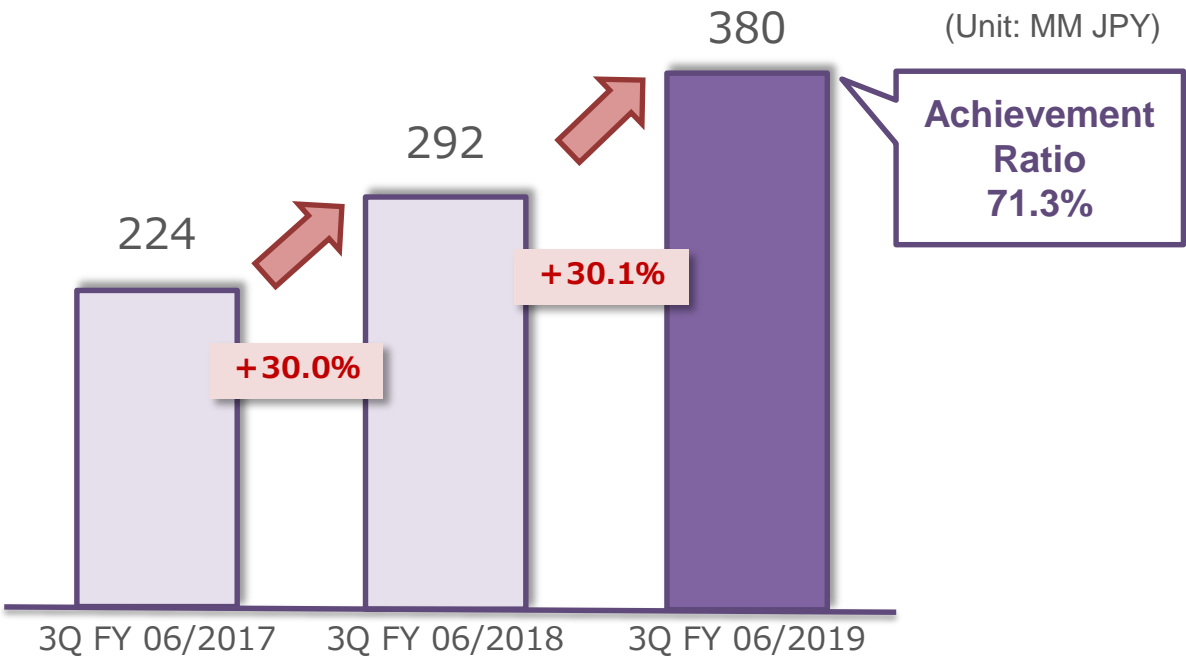
- Registered growth in net sales associated with increased demand for in-vehicle development solutions.

Within this category, we registered an increase in orders related to connected car technology.



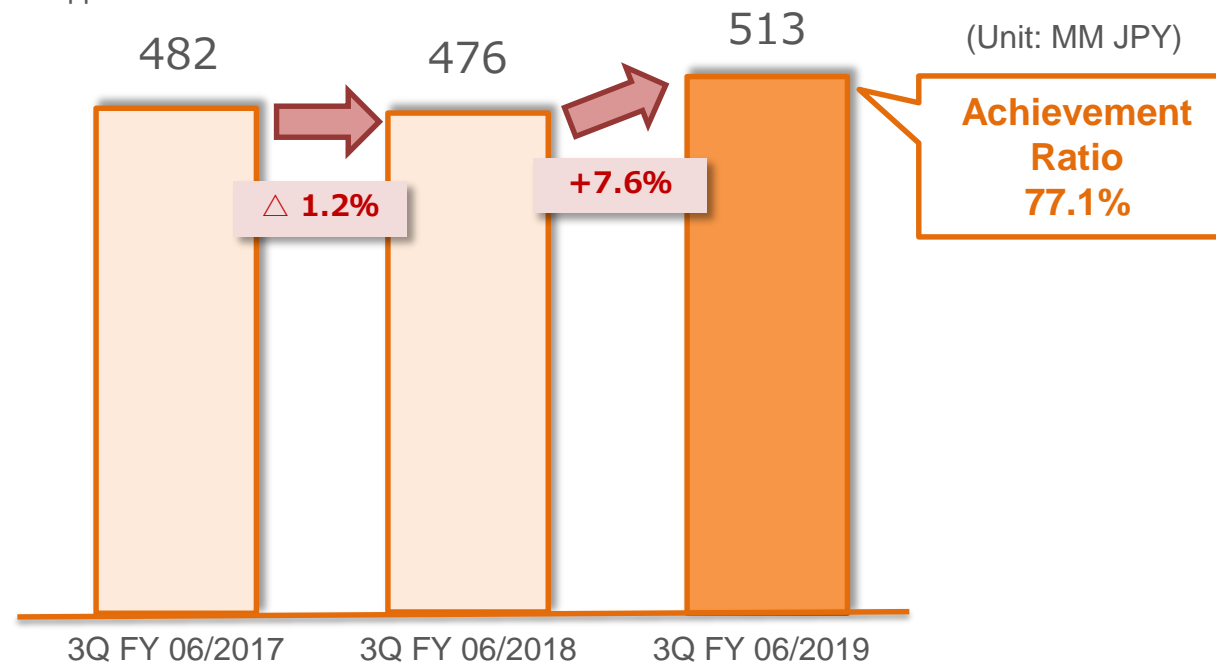
Net Sales: 380 million yen / YoY Growth: +30.1%

- (WebARGUS) Corporate awareness of the need to stop website tampering, combined with the release of added functionality, has led to the gradual adoption of WebARGUS by prominent corporations.
- (xoBlos) Product functionalities attuned to market needs and more widespread recognition as a helpful tool in the implementation of workstyle reforms has led to increased demand.



Net Sales: 513 million yen / YoY Growth: +7.6%

- Demand from companies looking for solutions to deal with the transition to the new Imperial Calendar Era and the introduction of a variable VAT rate led to an increase in system transition / upgrade sales. This translated into higher net sales.
- The introduction by the METI of a subsidy encouraging the adoption of information technology infrastructure for SMEs also led to an increase in sales.
 - The System Sales Business revolves mainly around the sale of the Raku Ichi hardware and software suite developed by the CASIO COMPUTER Corporation, and designed to provide enterprise and management support for SMEs.



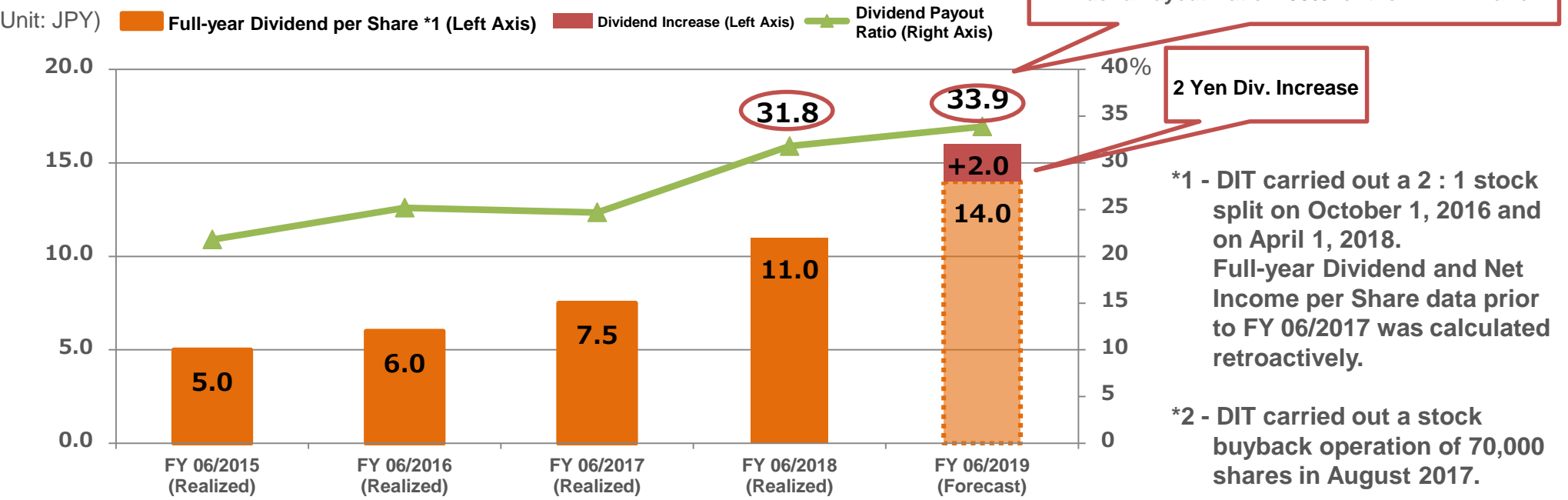


Balance Sheet Statement

- The company improved its capital-to-asset ratio to 65.3%, and continues to show a healthy balance sheet.

(Unit: MM JPY)	FY 06/2018	3Q FY 06/2019	Change
Total Assets	4,083	4,718	+ 635
Current Assets	3,397	3,960	+ 563
Non-current Assets	685	757	+ 72
Liabilities	1,461	1,636	+ 174
Net Assets	2,621	3,082	+ 460
Capital-to-Asset Ratio	64.2%	65.3%	+ 1.1pt

Dividend / Dividend Payout Policy Trends



	FY 06/2015 (Realized)	FY 06/2016 (Realized)	FY 06/2017 (Realized)	FY 06/2018 (Realized)	FY 06/2019 (Forecast)
Full-year Dividend per Share *1 (JPY)	5.0	6.0	7.5	11.0	16.0
Net Income per Share *1 (JPY)	22.93	23.80	30.34	34.57	47.14
Dividend Payout Ratio (%)	21.8	25.2	24.7	31.8	33.9
Stock Buyback Amount *2 (MM JPY)	—	—	—	136.6	
Dividends + Share Buybacks (%)	21.8	25.2	24.7	57.5	



- **Earnings**
Increase in net sales and in income. Best earnings performance in the company's history, not just for 3Q alone, but also in terms of aggregate results through the end of 3Q.
- **Business Solutions Unit**
Robust performance in the Business Systems Development Business (financial sector) and in the Operation Support Business.
Growth in systems development geared toward the distribution / logistics industry.
- **Embedded Solutions Unit**
Healthy demand growth in the in-vehicle development field.
Shift toward clients offering more favorable conditions which, in turn, led to higher profitability.
- **Original Product Unit**
Robust growth for WebARGUS and xoBlos.
- **Dividend Policy**
The Full-year dividend for FY 06/2019 is forecast at 16 yen per share, up 2 yen per share compared to the company's original forecast for the current fiscal year.
The Consolidated dividend payout ratio is forecast at 33.9%, breaking the 30% barrier for the second FY in a row.



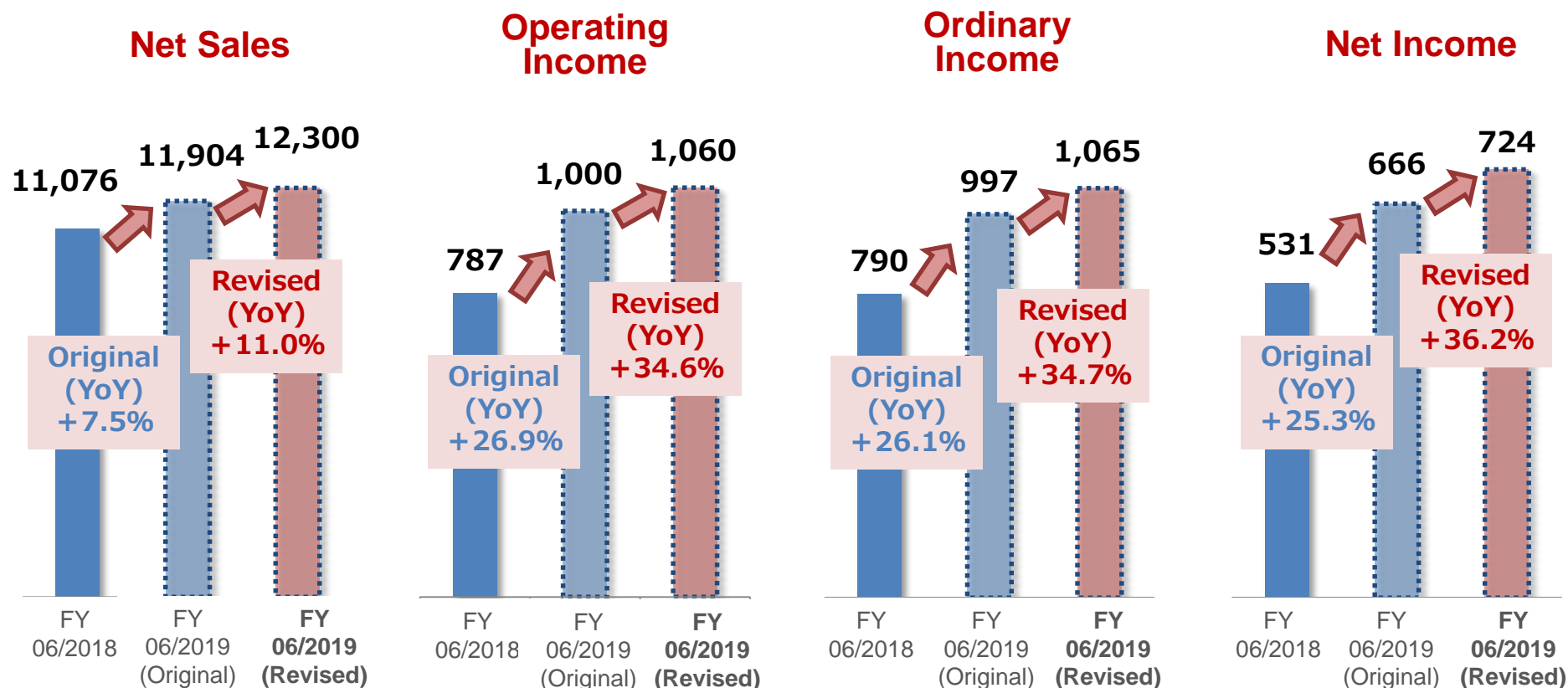
- 1 . Overview of 3Q FY 06/2019
- 2 . Strategic Policy & Consolidated Earnings Forecast for FY 06/2019**
- 3 . Strategies for Growth
- 4 . Appendix

Strategic Pillars	Results as of the end of 3Q	Future Strategy
Establish a strong business foundation	<ul style="list-style-type: none"> ■ Delivered strong results as of the end of 3Q, thanks to continued investment in IT infrastructure by financial companies, and the investment in infrastructure by players in the automotive field, etc. 	<ul style="list-style-type: none"> ■ Expand the number and scale of contracting projects in the field of finance (one of our core areas of expertise) and in other areas like in-vehicle development.
	<ul style="list-style-type: none"> ■ Fostered infrastructure development for companies introducing original products developed at DIT and provided technical support after the fact. 	<ul style="list-style-type: none"> ■ Make inroads into new business by integrating our accumulated system integration and operational knowhow with original products developed at DIT.
Dedicate resources to promising growth sectors	<ul style="list-style-type: none"> ■ The relative share for in-vehicle telecommunication devices-related projects continued to grow. Within this category, we registered an increase in orders related to connected car technology. 	<ul style="list-style-type: none"> ■ Focus on peripheral areas related to the automotive industry (high growth potential), such as autonomous driving, in-vehicle telecommunication devices and road safety.
	<ul style="list-style-type: none"> ■ Saw an increase in orders related to the development of a cloud foundation, as well as IoT-related development projects involving electric and gas appliances, as well as in-vehicle devices, etc. 	<ul style="list-style-type: none"> ■ Apply our accumulated knowhow and technological expertise to the latest technologies (Cloud tech, IoT, Fintech, etc)
Provide new value by expanding our original product development lineup	<ul style="list-style-type: none"> ■ Strengthened our approach toward large clients through the enterprise version of WebARGUS. Partnered up with distributors and sales agents to approach mid-sized clients. This led to an increase in the number of companies adopting our SaaS model, allowing us to build up recurring revenue. 	<ul style="list-style-type: none"> ■ Encourage large-scale clients to use our products / Expand our recurring revenue structure by working in cooperation with distributors / sales agents (*SaaS - Software as a service)
	<ul style="list-style-type: none"> ■ Released a security vulnerability scanner service in partnership with F-Secure (Finland). 	<ul style="list-style-type: none"> ■ Re-brand our security products, with a special focus on WebARGUS, as DIT Security. Partner up with domestic and overseas security vendors to provide comprehensive security solutions to our clients.
	<ul style="list-style-type: none"> ■ Continued R&D towards the expansion of the range of applications for the IoT version of WebARGUS. 	<ul style="list-style-type: none"> ■ Commercialize an IoT version of WebARGUS.
	<ul style="list-style-type: none"> ■ Partnered up with system vendors in the field of RPA and accounting software and pro-actively participated in seminars and conventions and registered increased interest. ■ Increase in orders from distributors. 	<ul style="list-style-type: none"> ■ Achieve integration with RPA and accounting packages, and promote a “Plus One” framework in order to increase the added-value of data. ■ Further promote the collaboration with distributors and sales agents.

FY 06/2019 Consolidated Earnings Forecast

- We have raised company guidance. We expect the company to break new all-time highs for the metrics of Net Sales, and for all the income metrics, for the 9th consecutive fiscal year.

(Unit: MM JPY)

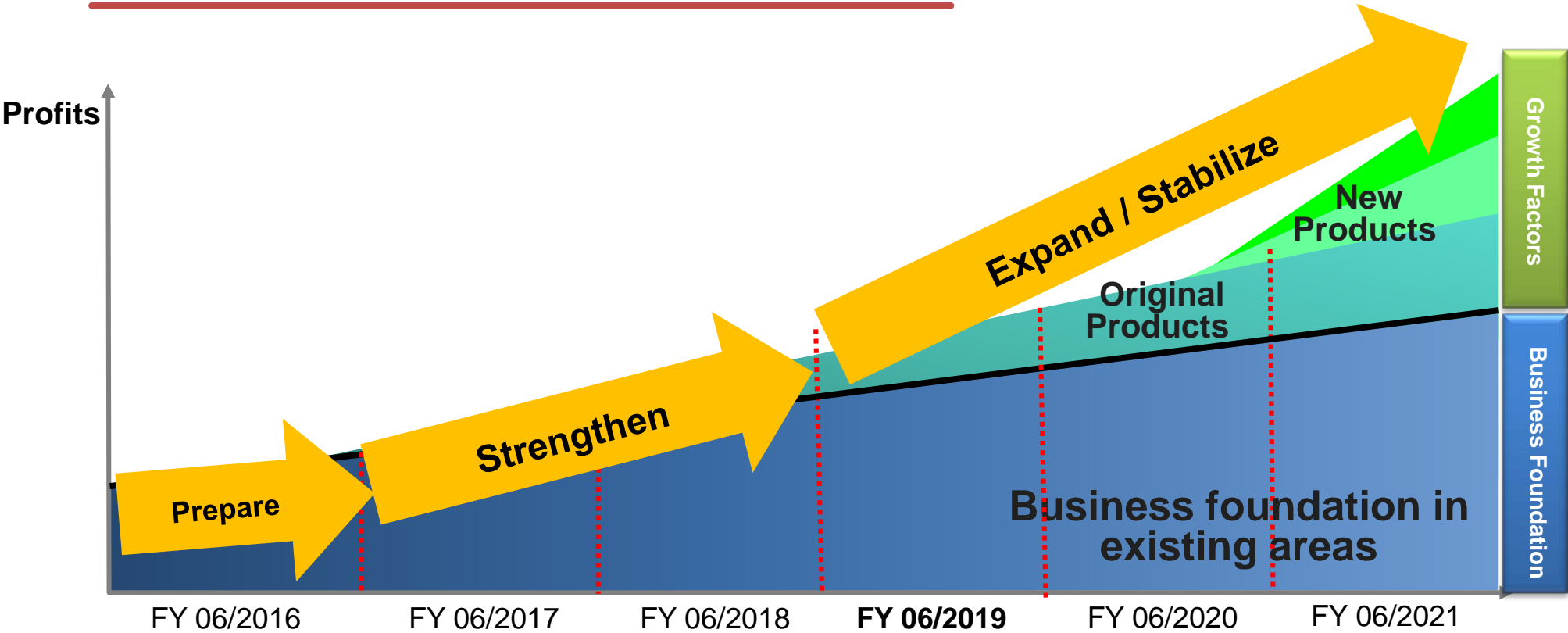




- 1 . Overview of 3Q FY 06/2019
- 2 . Strategic Policy & Consolidated Earnings Forecast for FY 06/2019
- 3 . Strategies for Growth**
- 4 . Appendix

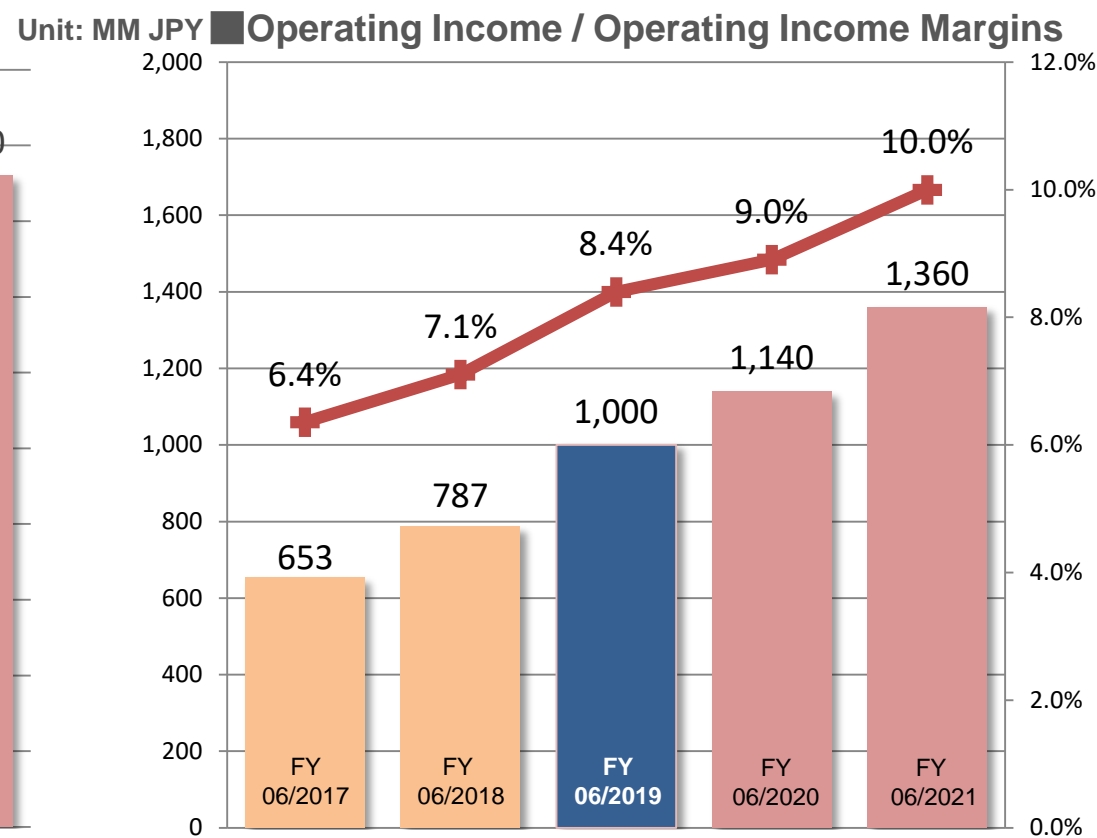
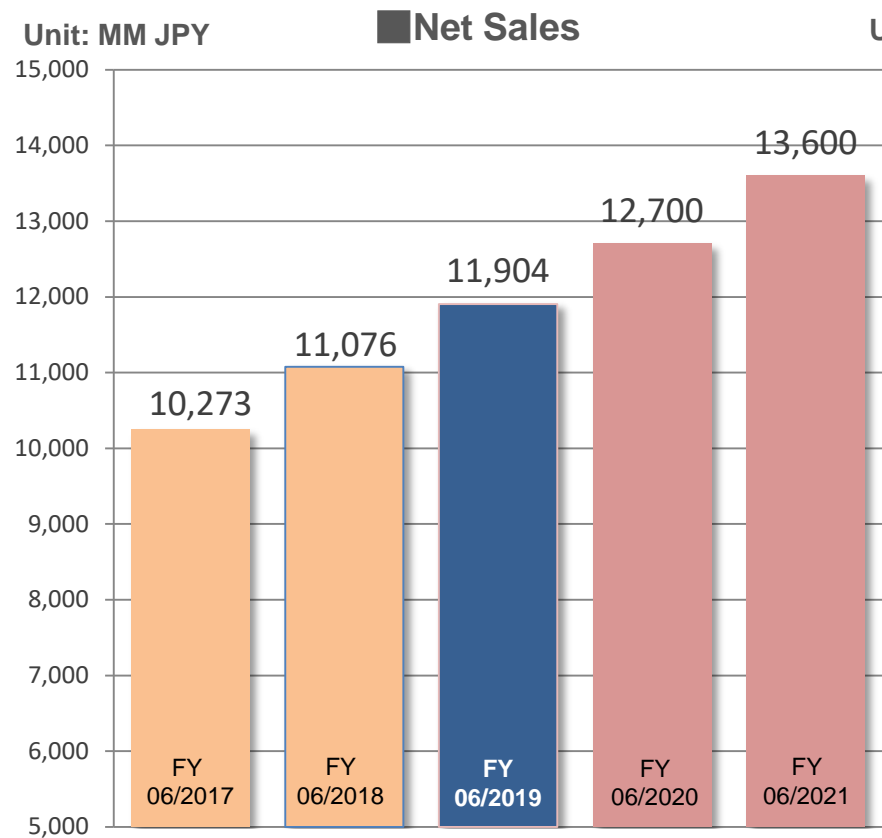
Two-Pronged Business Strategy	Business Foundation	Generate stable earnings in a wide variety of business areas.
	Growth Factors	Providing new value w/ original products at the core.

Profit Structure Towards Growth (Diagram)

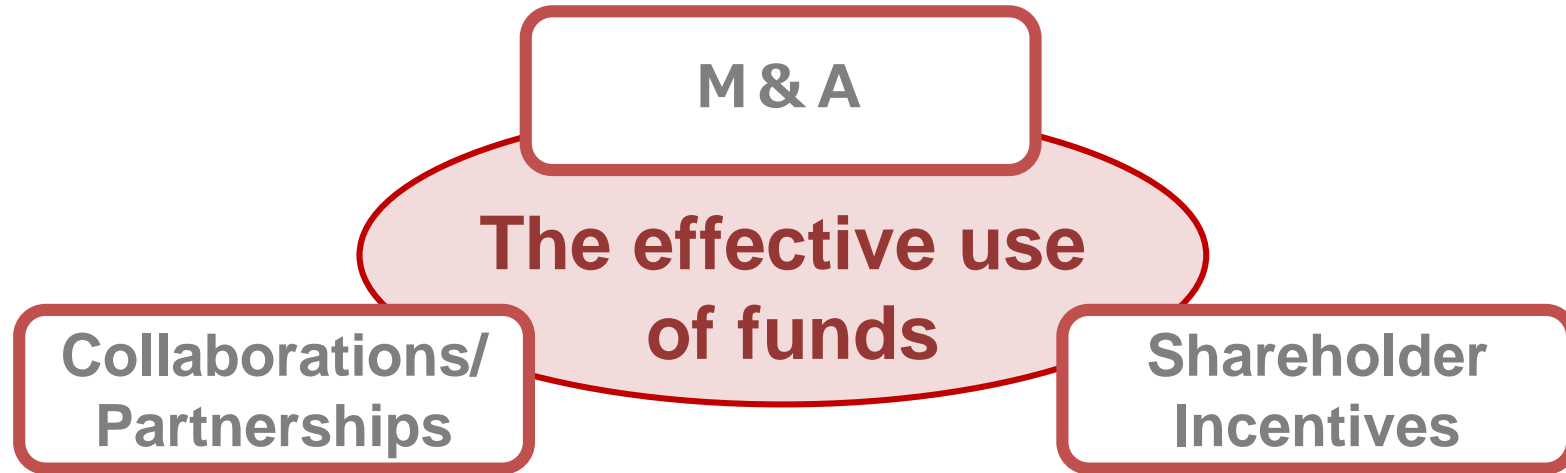


MTP - Consolidated Net Sales / Operating Income Summary

MTP Target Reach our “Triple 10” target	Net Sales	10 billion yen (FY 06/2017) . . . Reached!
	Operating Income	1 billion yen (FY 06/2019)
	Operating Income Margins	10% (FY 06/2021)



We plan to use our accumulated capital in order to further increase DIT's corporate value



- M&A: Consider the acquisition – at reasonable valuations – of companies within the scope of the Business Solutions and Embedded Solutions businesses, amidst labor shortages in our existing businesses.
- Collaborations / Partnerships: Projects with companies in product and business areas allowing us to unlock mutual synergies.
- Shareholder Incentives : Reach a balance between steadily increasing the dividend payout ratio and large-scale growth investments (such as IoT-related security products).

■ Scale of the domestic connected-car related market

⇒ Expected to expand to 1 trillion yen by 2020,
and to double in scale to 2 trillion yen by 2025.

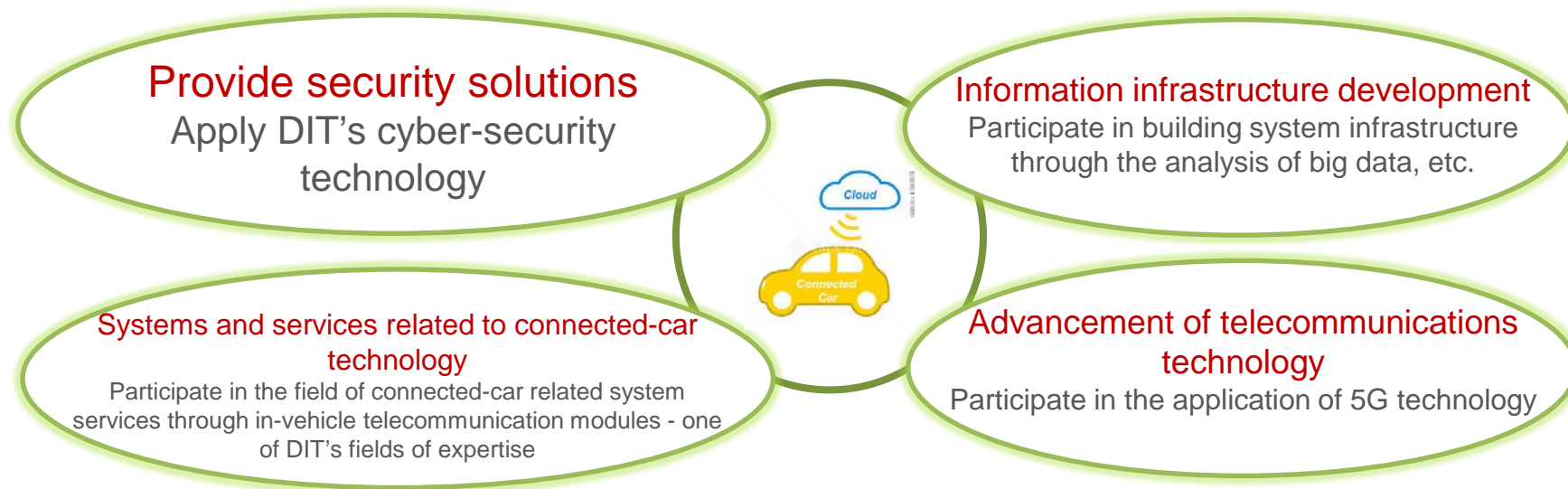
Source: Yano Research Institute: Connected-Car related Market in Japan: Key Research Findings (2017)

■ What are some areas of interest for DIT, related to the implementation of connected-car technology?

What is a connected car?

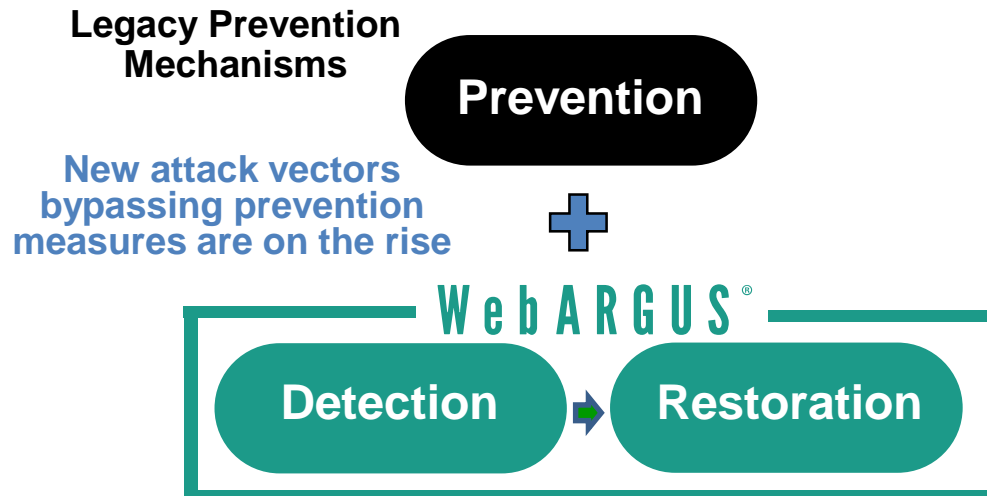
It is an automobile with the ability to function as an ICT device.

It gathers a variety of data about the vehicle, its surroundings, and road condition, through the use of sensors. The ability to accumulate and analyze this data through the use of network connectivity earns it the term **connected car**.





Instantaneous tamper detection and restoration software



Tamper Restoration in

Under 0.1 s

As the last cyber-security line of defense, WebARGUS instantaneously detects website tampering and performs a full restore in under 0.1 seconds.

Point

- Original Product developed using DIT's own proprietary technology.
- Last line of defense when it comes to cyber-security.
- Not just cyber-attack defense measures in accordance to revised METI Cyber Security Guidelines, but also new "detection" and "tamper restoration" features.

Excel Innovation Save time/costs by automating Excel® tasks

Point

- Create automated task algorithms without programming experience.
- Gives control over Microsoft Excel® operations, thanks to a permission control system for each process and according to the role of each employee within the organization.

xoBlos Plus One Framework



Used by

350+
companies

Oversees enterprise operations & performs Data Management
xoBlos Controller

+ Organic Integration

Performs data processing tasks
xoBlos Client

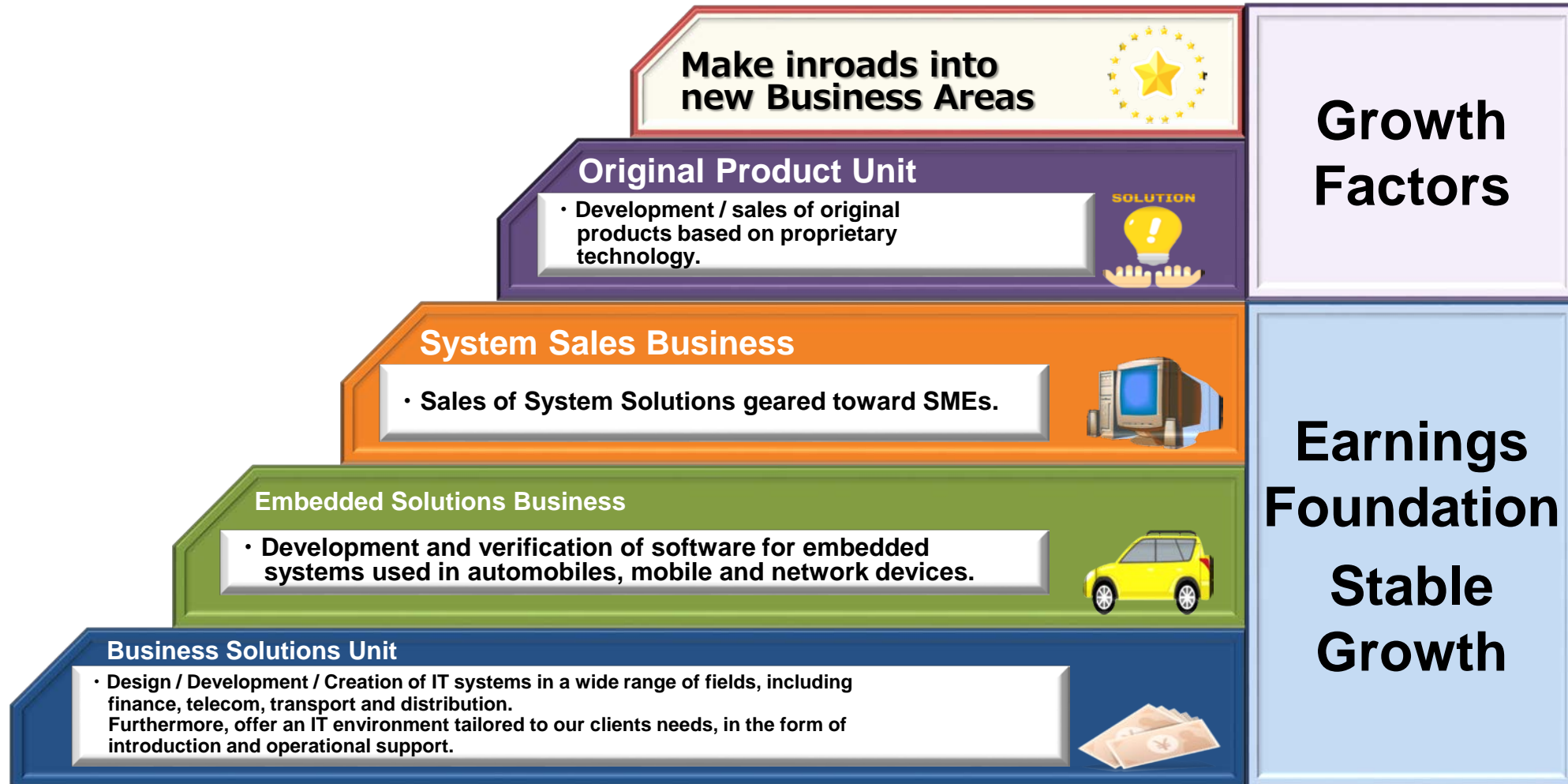
**RPA, Accounting software
package integration**

*Excel is a registered trademark of the Microsoft Corporation headquartered the United States. Excel is a registered trademark in the United States and in other regions.



- 1 . Overview of 3Q FY 06/2019
- 2 Strategic Policy & Consolidated Earnings Forecast for FY 06/2019
- 3 . Strategies for Growth
- 4 . Appendix**

Segment		% of Sales (3Q FY 06/2019)	Business Area
Software Development Business	Business Solutions Unit	58.7%	Business Systems Development
			Operation Support
	Embedded Solutions Unit	31.6%	Embedded Product Development
			Embedded Product Verification
	Original Product Unit	4.2%	Original Product Development and Sales
System Sales Business		5.6%	System Sales Business



Business Foundation for the DIT Group

Technical Capabilities = (Industry Knowhow) x (Development Capabilities) x (Core Technology)

Intellectual Property = (Industry Experience) x (Excellent Clients) x (Ethical Employees) x (Project Management)

DIT Group's Strengths 1 - Multifaced IT Company

- ① Wide business area, with a presence in business systems development / operation and the development / verification of embedded systems.
- ② Diverse customer base, from large, prominent companies to SMEs.
- ③ Proprietary technology and original products poised to grow in market scale.

DIT Group's Strengths 2 - Organizational Strategy combining sub and total optimization

- ① Sub-optimization – Introduction of an In-House Company System.
Each company aims for the No.1 position in their respective specialized fields, while at the same time training and developing managerial talent.
- ② Total optimization - Seek to unlock synergies between HQ and each component of DIT Group's In-House Company System.



- DIT has received praise from blue chip companies for its industry knowhow, high-level of technological expertise, and price competitiveness.
- DIT's ability to pick up on client needs and deliver integrated solutions.
- Stable long-term business based on a relationship of trust with our clients.



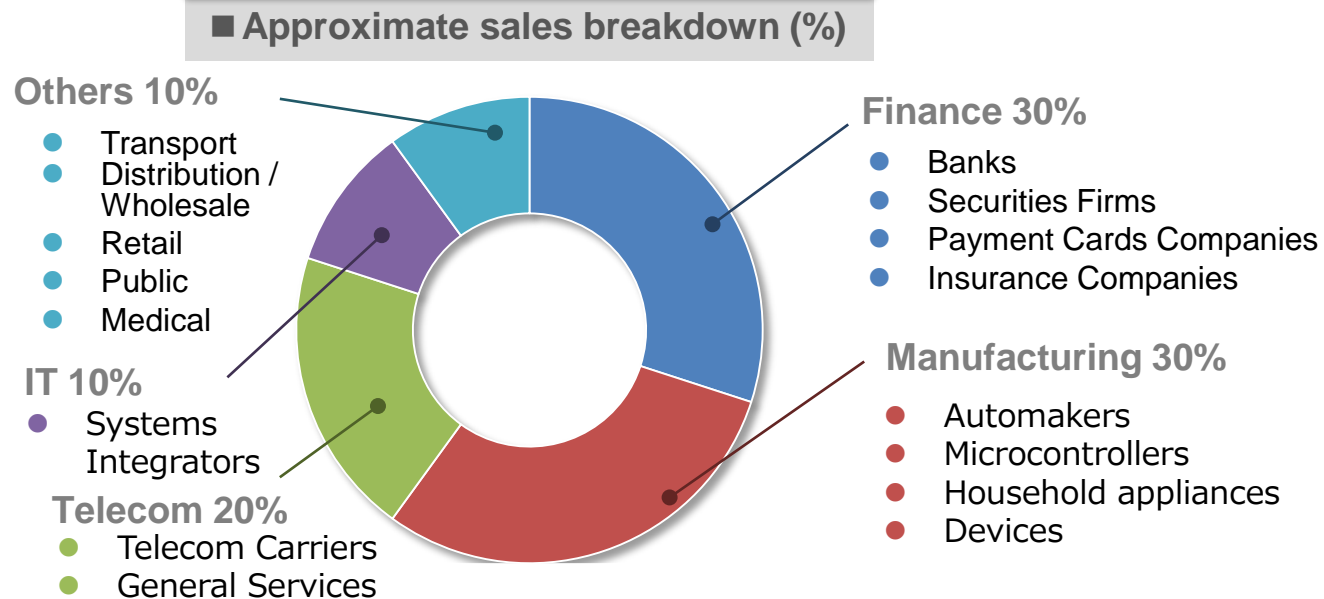
Company Name	Digital Information Technologies Corporation
Industry	Information Services Industry
Headcount	977 (Consolidated) (As of the end of June 2018)
Net Sales	11,076,000,000 JPY (Consolidated results for FY 06/2018)
President	Satoshi Ichikawa
Founded on	January 4, 2002 (As DIT) (Founded July 1982)
Capital	453,150,000 JPY (As of the end of June 2018)
End of Fiscal Year	June
Office Locations	Locations: Chuo City, Tokyo; Kawasaki; Osaka; Matsuyama; Sendai Subsidiary Locations: Toshima City, Tokyo; Yokohama; Chiba; Kimitsu; Takasaki; Kansas; Detroit
Listed on / Ticker	TSE First Section / 3916

Subsidiaries Profile

Company Name	DIT America, LLC.	TOYO INFONET CO., LTD.
Business Description	Third-party verification services in the United States for embedded systems (primarily mobile phones for the overseas market)	Carry out primarily the sale of the Raku Ichi suite as a distributor of the CASIO COMPUTER Corporation - a product designed to provide enterprise and management support for SMEs - as well as the sale of original products.
Headcount	20 (As of the end of June 2018)	49 (As of the end of June 2018)
Net Sales	190,000,000 JPY (Results for FY 06/2018)	598,000,000 (Results for FY 06/2018)
President	President Taichiro Baba	President & CEO Kenichiro Murayama
Founded on	January 2011	February 4, 1996
Capital	50,000 USD (As of the end of June 2018)	10,000,000 JPY (As of the end of June 2018)
Capital Contribution Ratio	100.0%	100.0%
Headquarters	10975 Grandview Dr., Suite 150 Overland Park, Kansas 66210 USA	Minami Ikebukuro 2-35-4, Toshima-ku Tokyo

DIT Group's client base

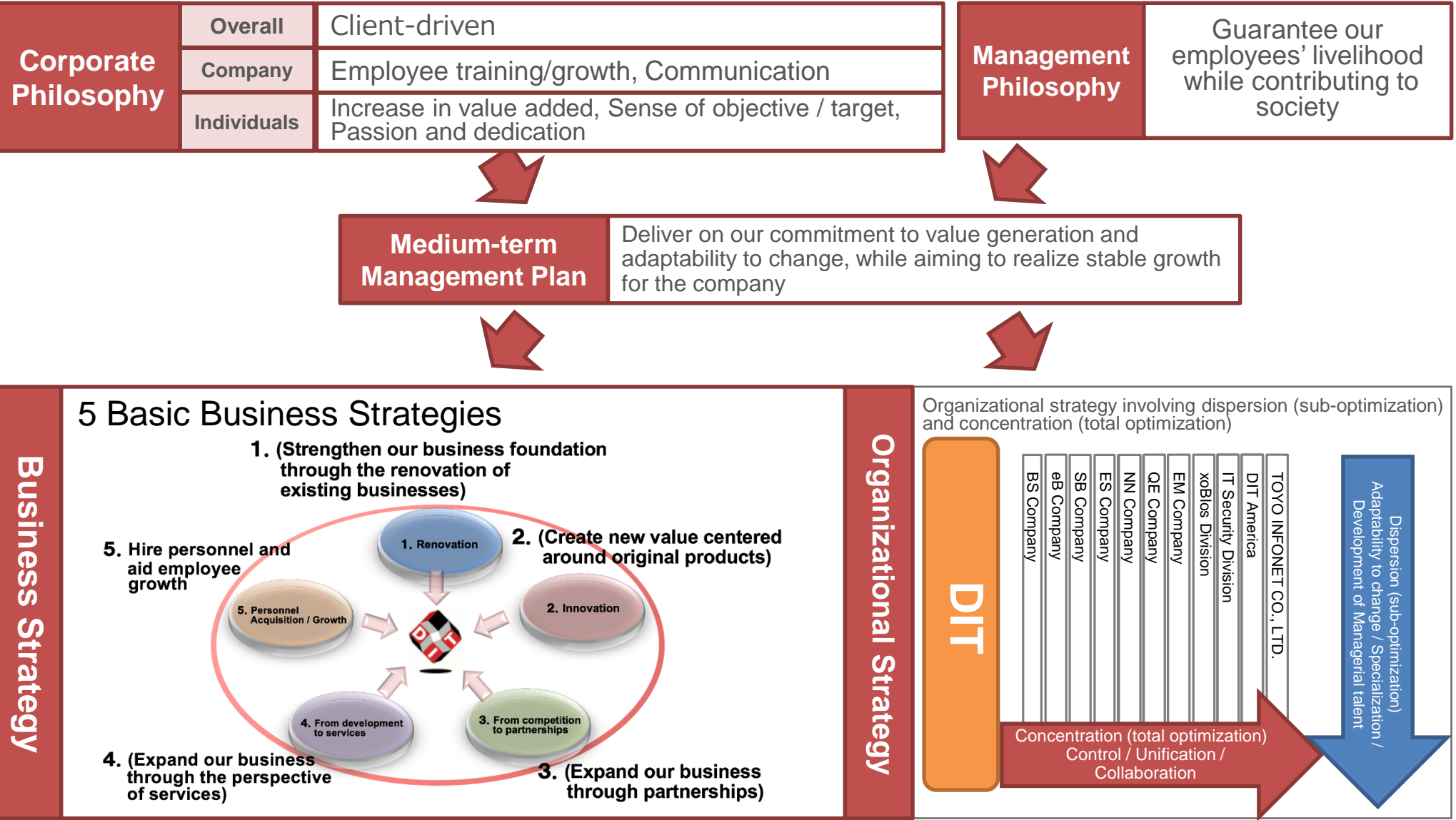
B to B client portfolio consisting of just under 2,600 companies, mostly publicly listed companies and their subsidiaries, as well SMEs.

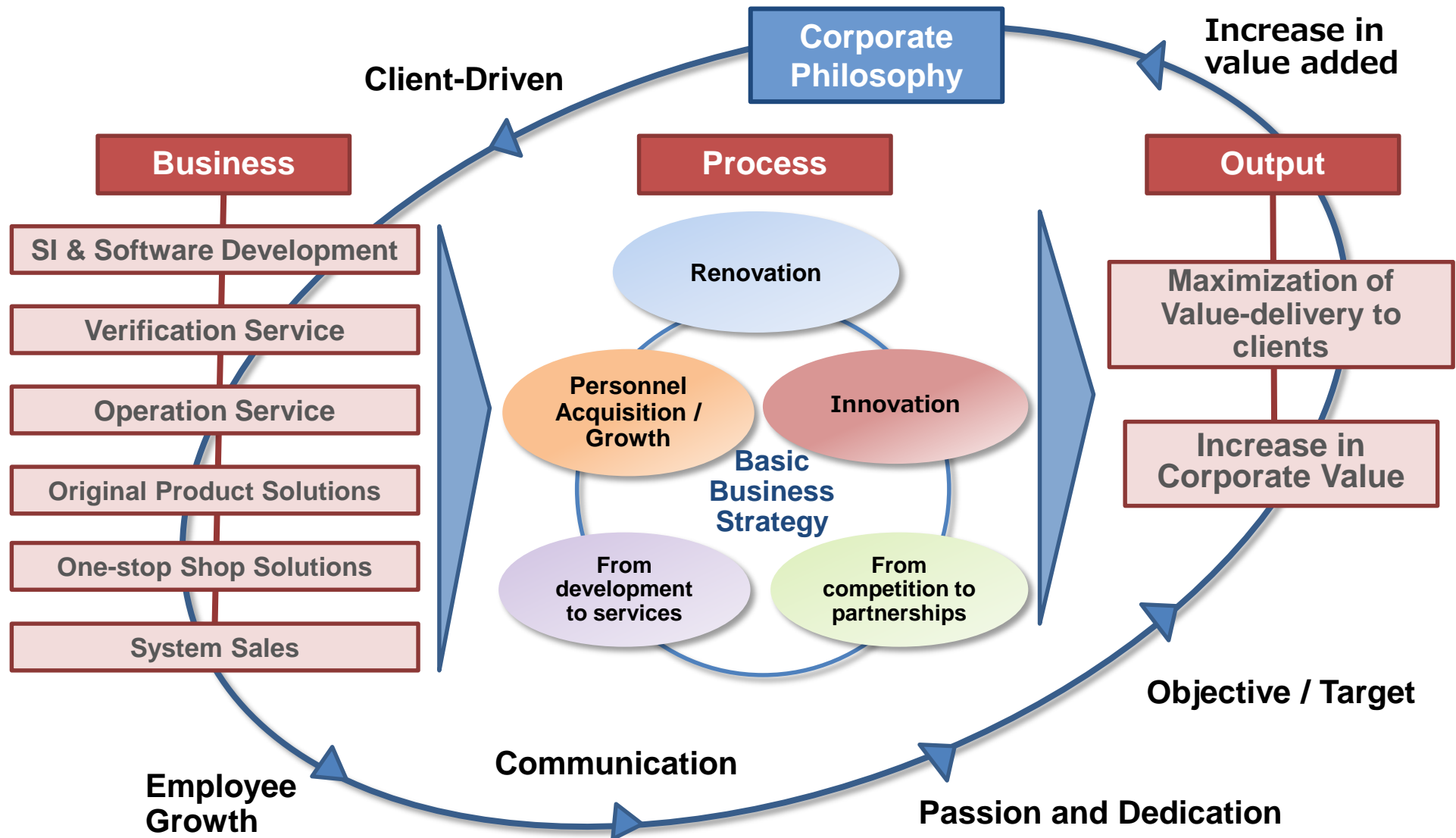


Main use cases for software developed by DIT

Enterprise systems for use in the field of Finance, Telecom, Transport, Distribution, etc.

Embedded systems for use in the automotive industry, and for use in mobile and network devices, etc.

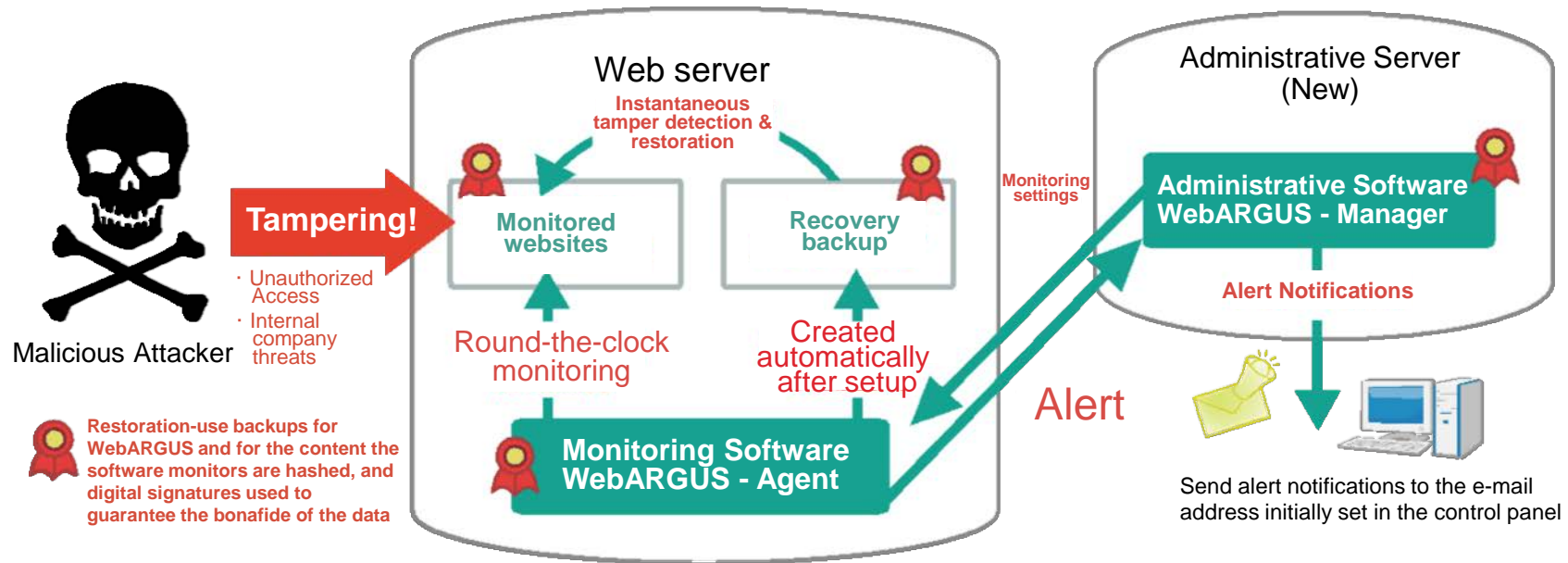






WebARGUS almost completely **eliminates** website tampering permanence, even after a **breach of security defenses**.

Instantaneous tamper detection and restoration software



Automatic tamper restoration in under 0.1 seconds.

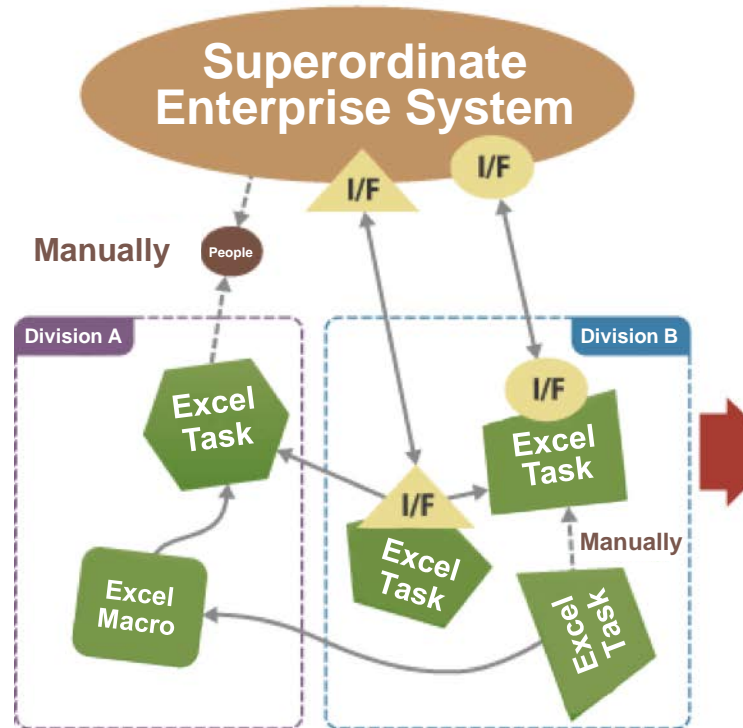
Offers protection against the tampering of web server configuration files and executable modules.

Offers instantaneous detection and restoration solutions against attack vectors not found in security products and internal company threats.



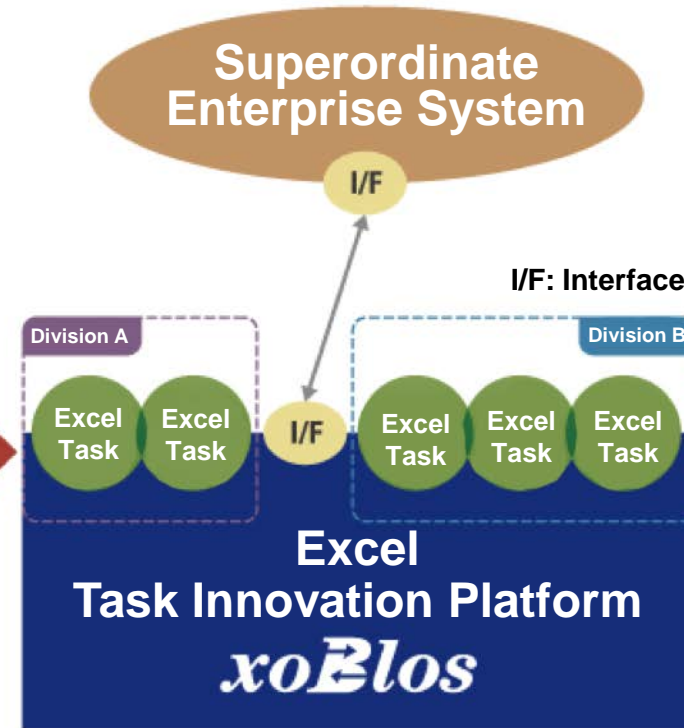
xoBlos is an **Excel Task Innovation Platform**, which allows for the **radical improvement** of data-driven work processes.

Situation at many companies



Duplication and fragmentation of Excel operations
Leads to a loss in productivity

Companies using xoBlos



Smooth integration of Excel operations!
Significant increase in productivity



Digital Information Technologies Corporation

**Please direct your IR-related inquiries to the following
number and e-mail address**

Digital Information Technologies Corporation
Corporate Planning Department, IR/ Marketing Division, Enomoto
TEL 03-6311-6532 FAX 03-6311-6521
E-mail : ir_info@ditgroup.jp

- The information contained in this slide presentation is premised on certain assumptions about the socio-economical status quo thought to be representative of public opinion, as well as certain assumptions deemed to be reasonable by the company. We reserve the right to change, due to changes in the business climate – and without notice – any information contained within the present document.
- The present document contains statements regarding the Company's future business performance. These are forecasts based on information available as of the creation of this slide presentation. As such, they involve risks, variables and uncertainties.
- These risks and uncertainties are dependent on factors affecting both the Domestic and International markets, e.g., industry and market conditions, interest-rates, foreign-exchange fluctuations, etc.
- The Company assumes no responsibility to update or correct the forecast content contained herein after the fact.