

Digital Information Technologies Corporation



FY 06/2019 Financial Results Briefing

(TSE1: 3916)

August 2019



1. Company and Business Overview

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Company and Business Overview

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 2 outside directors 1 full-time auditor and 2 outside auditors
Group Companies :	DIT Marketing Service Co., Ltd., DIT America, LLC.



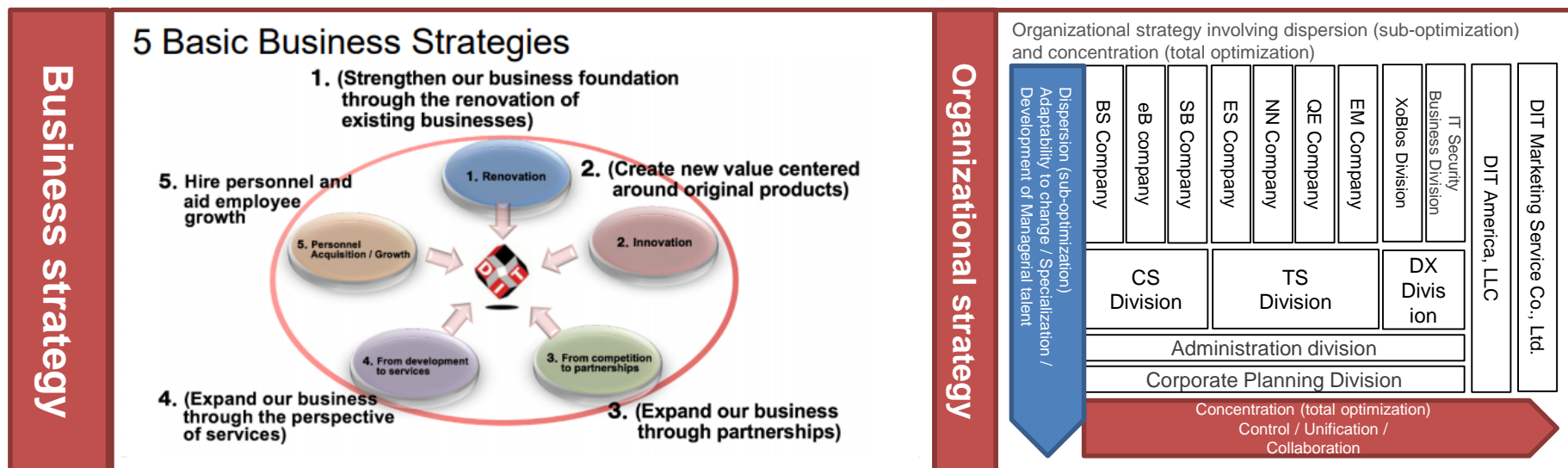
Satoshi Ichikawa, Representative Director and President

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

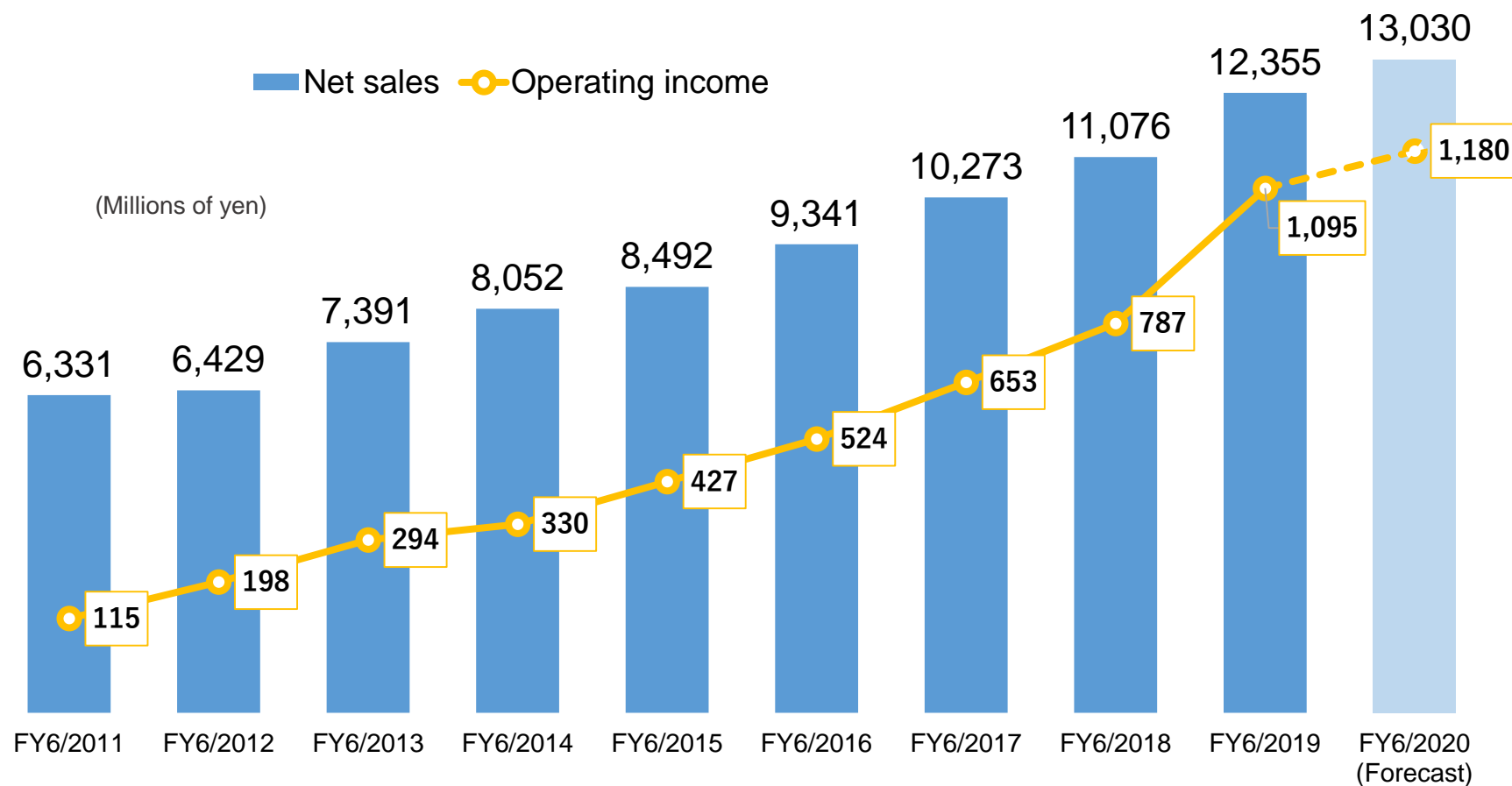
Corporate philosophy	Over-all	Client-driven	Management philosophy	Guarantee our employees' livelihood while contributing to society
	Company	Employee training/growth, Communication		
	Individuals	Increase in value added, Sense of objective / target, Passion and dedication		

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

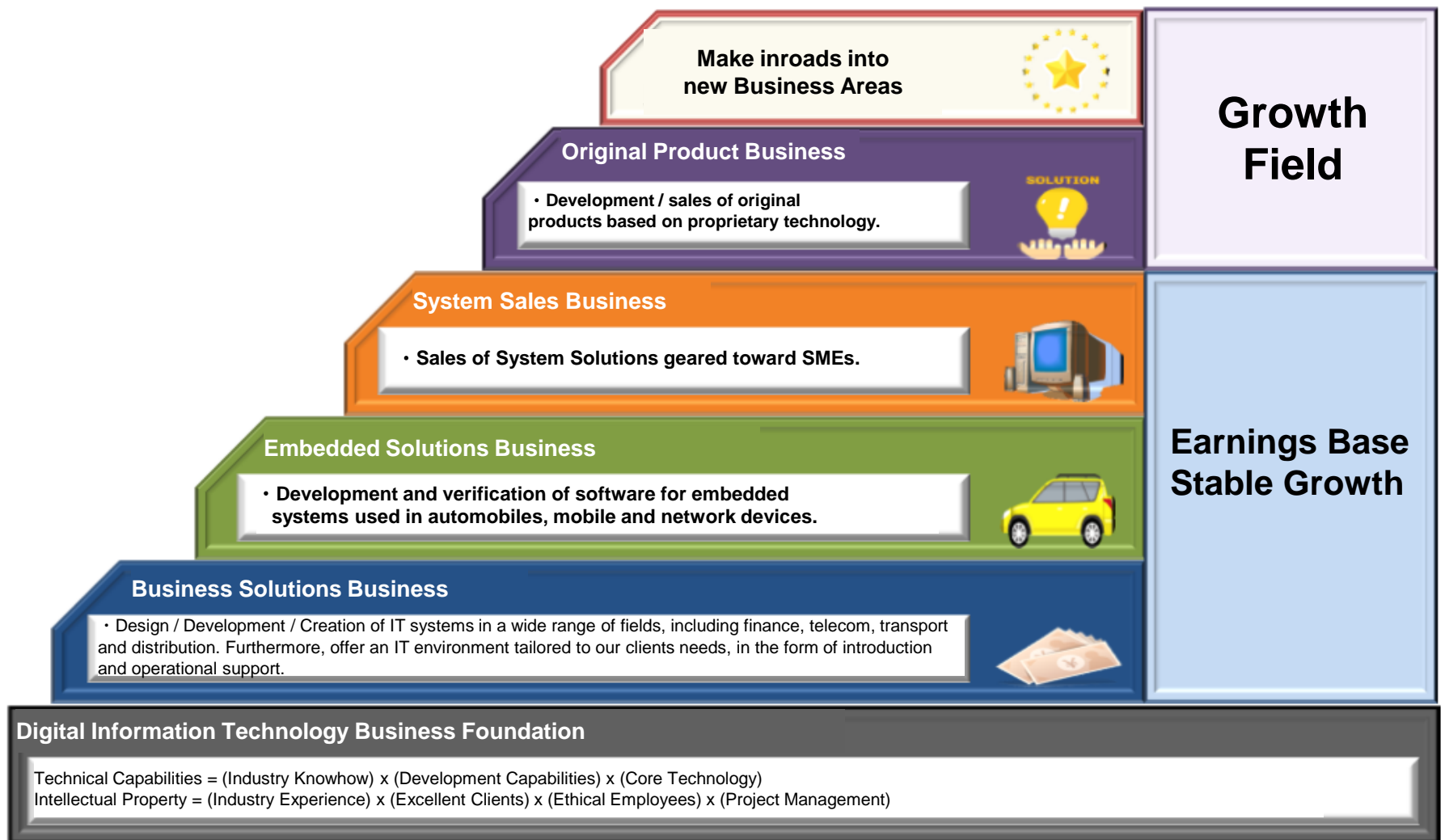
- We have diverse business domains including development and operation of business systems, and development and verification of embedded systems.
- We have professional expertise, technological capabilities and price competitiveness that are highly appraised by blue-chip customers.
- Our businesses are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

Business Domains: Positioning of Each Business



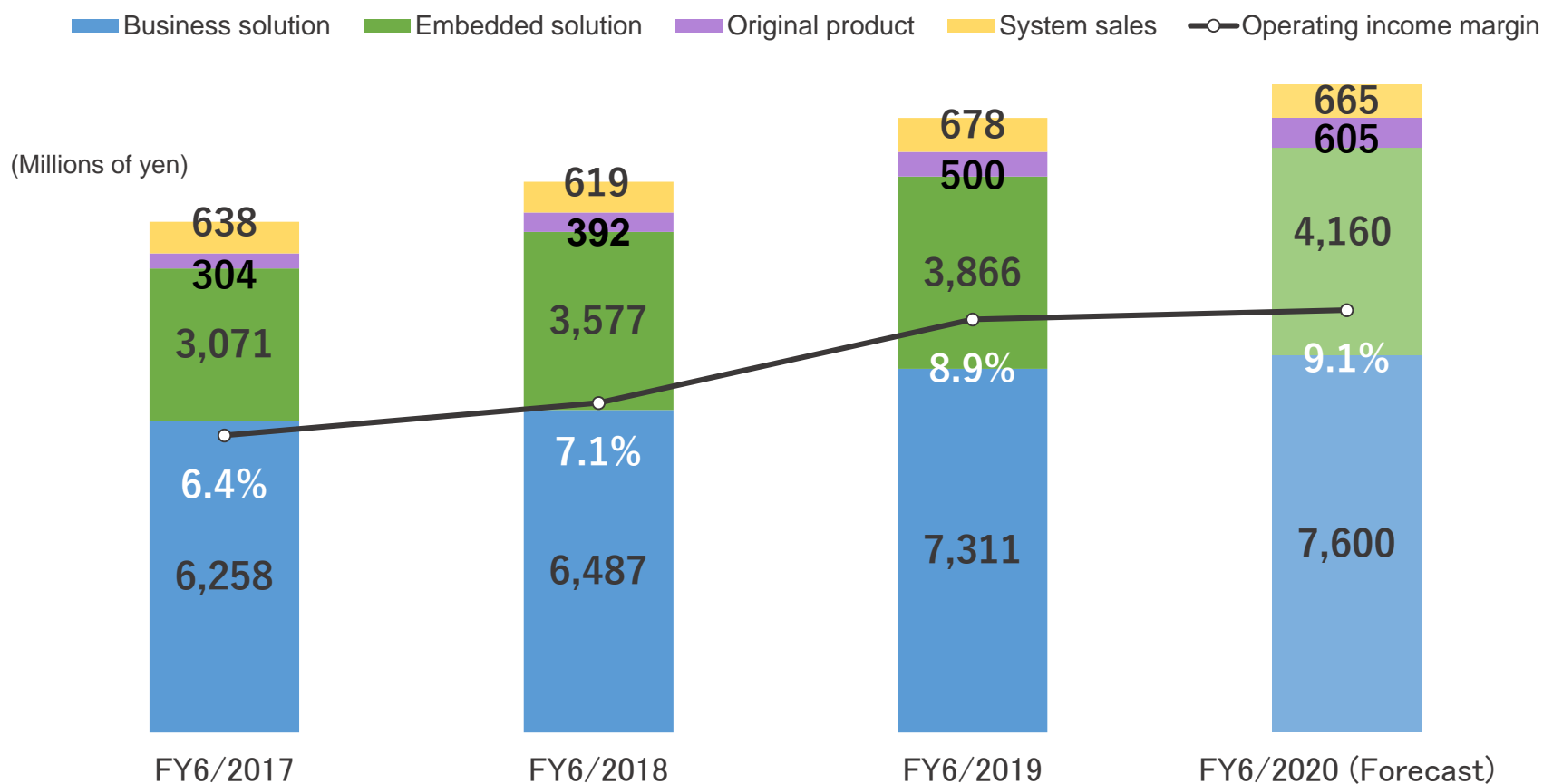
Business Segment and Composition of Sales

Businesses segment	Classification	FY6/2017 Net sales Composition	FY6/2018 Net sales Composition	FY6/2019 Net sales Composition	Breakdown (%)	Business Area
Software Development Business		93.8%	94.4%	94.5%		
Business Solutions Unit	Business Foundation	60.9%	58.6%	59.2%	63%	Business system Development
					37%	Operation Support
Embedded Solutions Unit	Business Foundation	29.9%	32.3%	31.3%	77%	Embedded Product Development
					23%	Embedded Product Verification
Original Product Unit	Growth Field	3.0%	3.5%	4.0%		
Systems Sales Business	Business Foundation	6.2%	5.6%	5.5%		

Trends in Business Segments and Composition Ratio of Net Sales

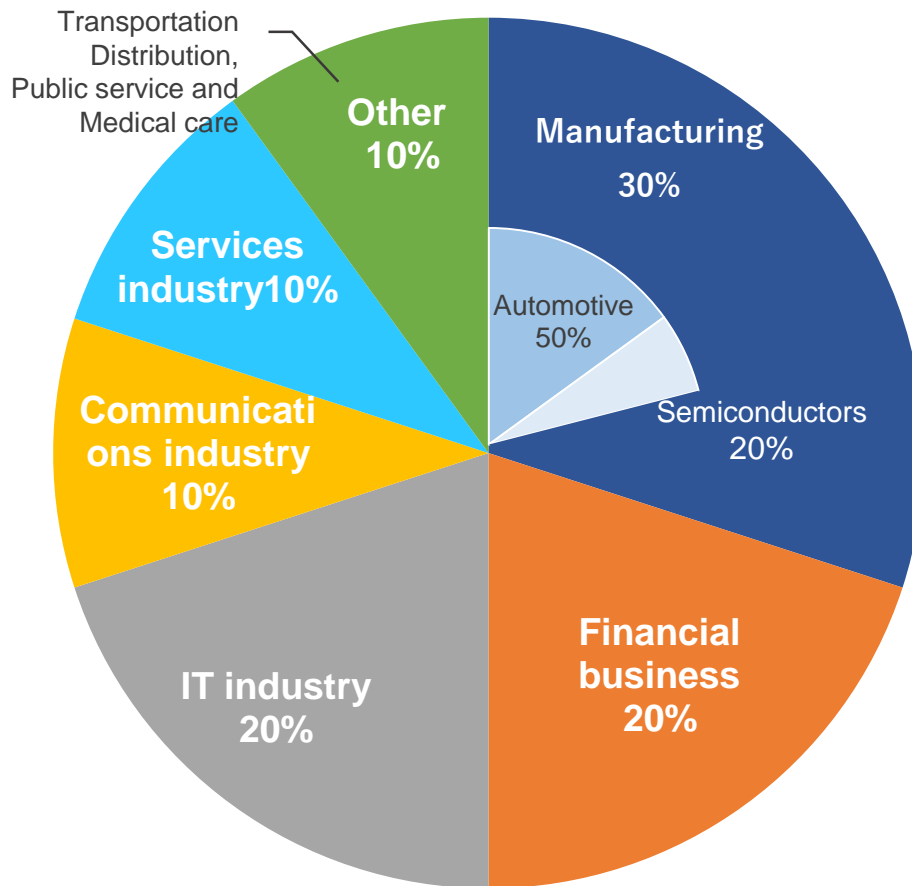
■ Continue to increase sales and profit margins

Composition of Net Sales/Operating income margin



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



Financial Results for FY6/19



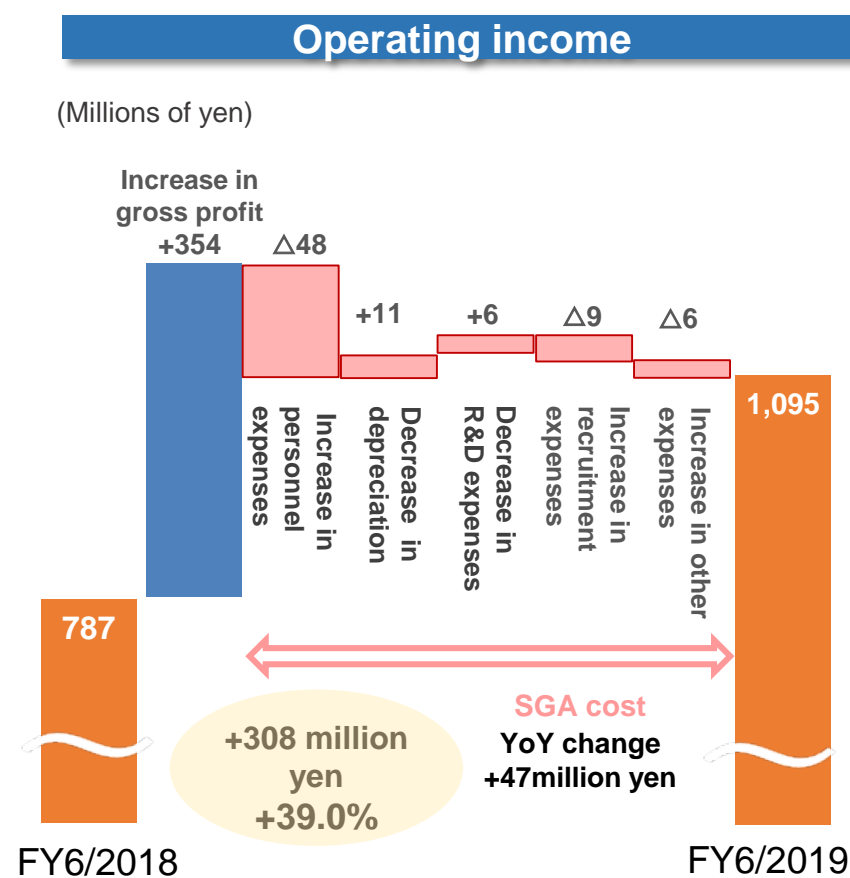
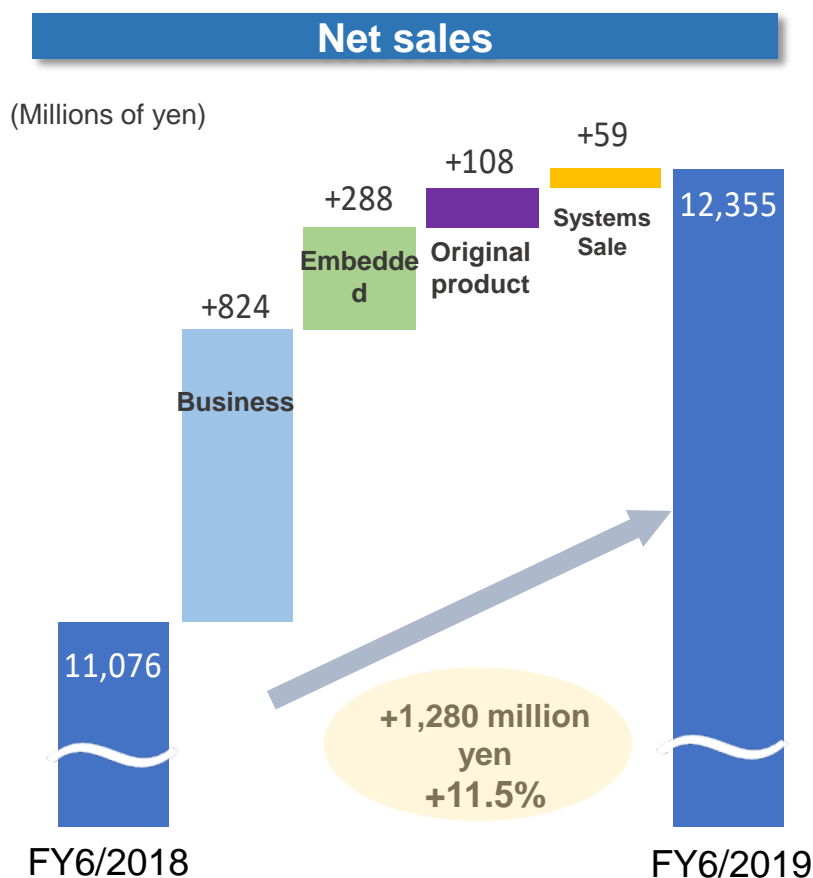
Summary of Consolidated Financial Results for FY6/19

- Both sales and profits significantly increased from the previous fiscal year, even exceeding upward revised forecasts of financial results in May

(Millions of yen)	FY6/2018 Result	Composition %	FY6/2019 Revised plan	Composition %	FY6/2019 Result	Composition %	YoY %
Net sales	11,076	100.0%	12,300	100.0%	12,355	100.0%	+11.5%
Gross profit	2,595	23.4%	-	-	2,949	23.9%	+13.6%
Operating income	787	7.1%	1,060	8.6%	1,095	8.9%	+39.0%
Ordinary income	790	7.1%	1,065	8.7%	1,106	9.0%	+39.9%
Net income attributable to owners of parent	531	4.8%	724	5.9%	737	6.0%	+38.8%

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

- Business Solution Unit contributed significantly to sales growth
- Increase in gross profit significantly exceeded increase in SG&A expenses, resulting in a 39.0% increase in operating income



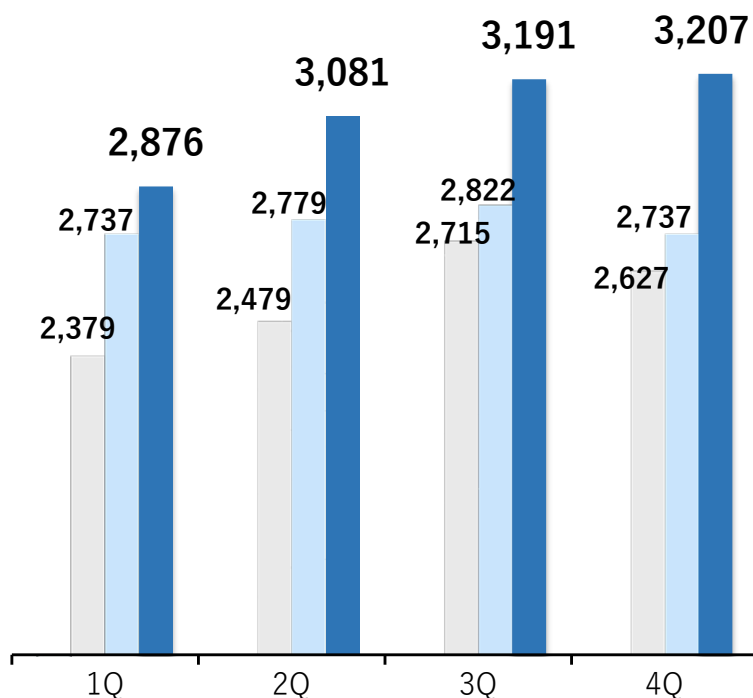
Quarterly Net Sales & Operating Income

■ Both net sales and operating income steadily exceeded the previous fiscal year

Net sales

(Millions of yen)

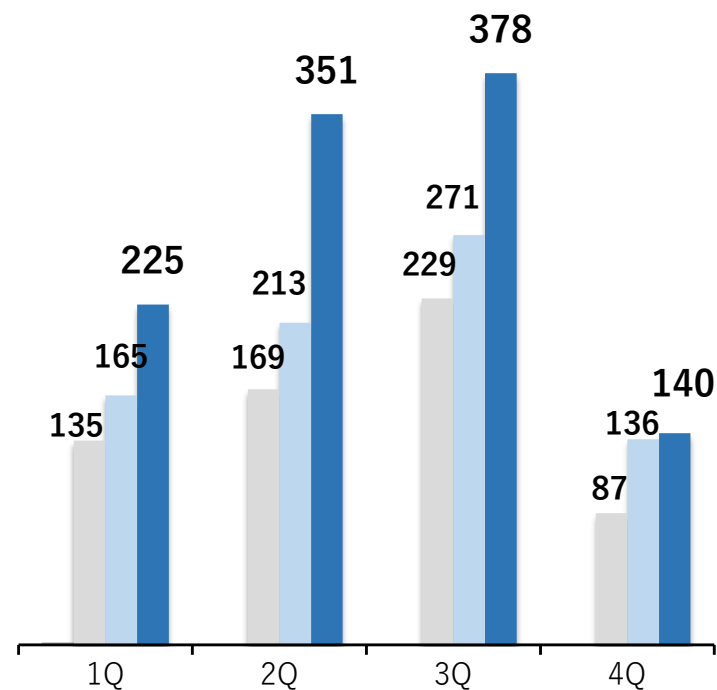
■ FY6/2017 ■ FY6/2018 ■ FY6/2019



Operating income

(Millions of yen)

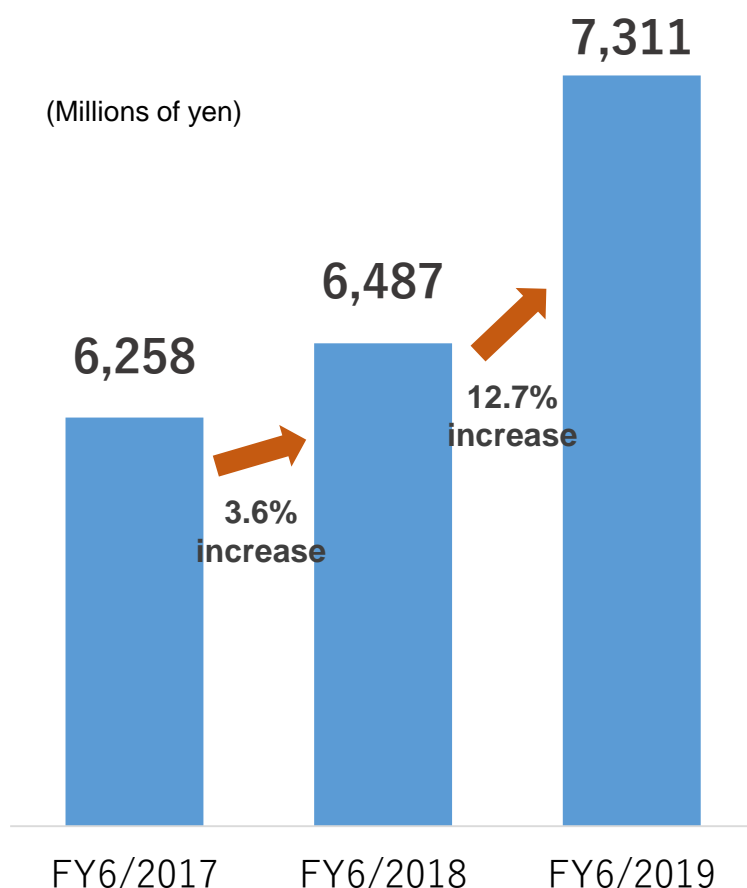
■ FY6/2017 ■ FY6/2018 ■ FY6/2019



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

Net Sales by Segment: Business Solutions Unit

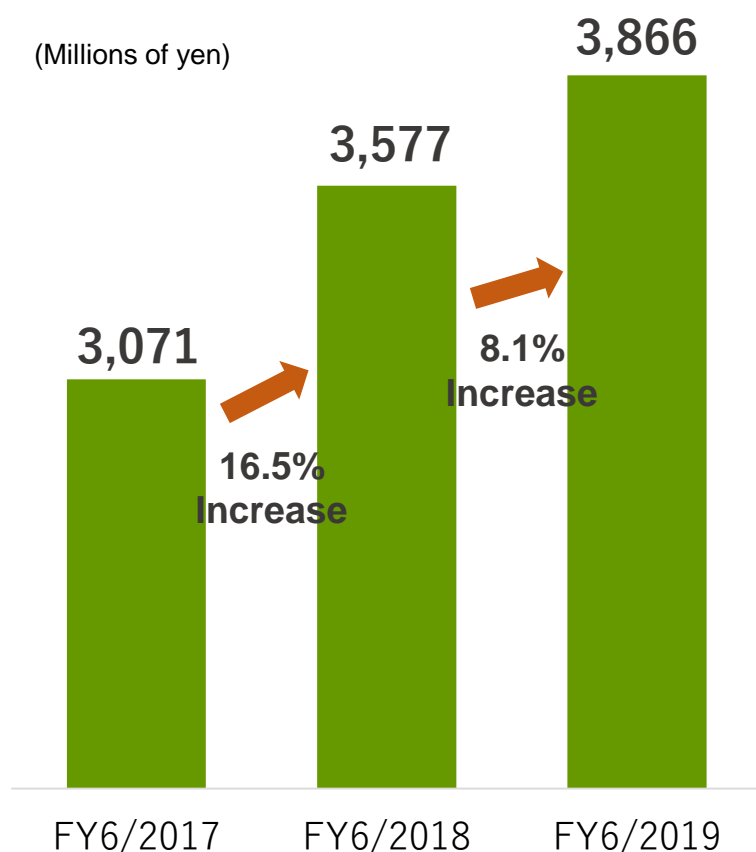
Net sales: 7,311 million yen
YoY change :+12.7%



- Strong performance in the Financial Systems Development Business
- Strong performance in the operations support business
- Growth in development of distribution and public systems

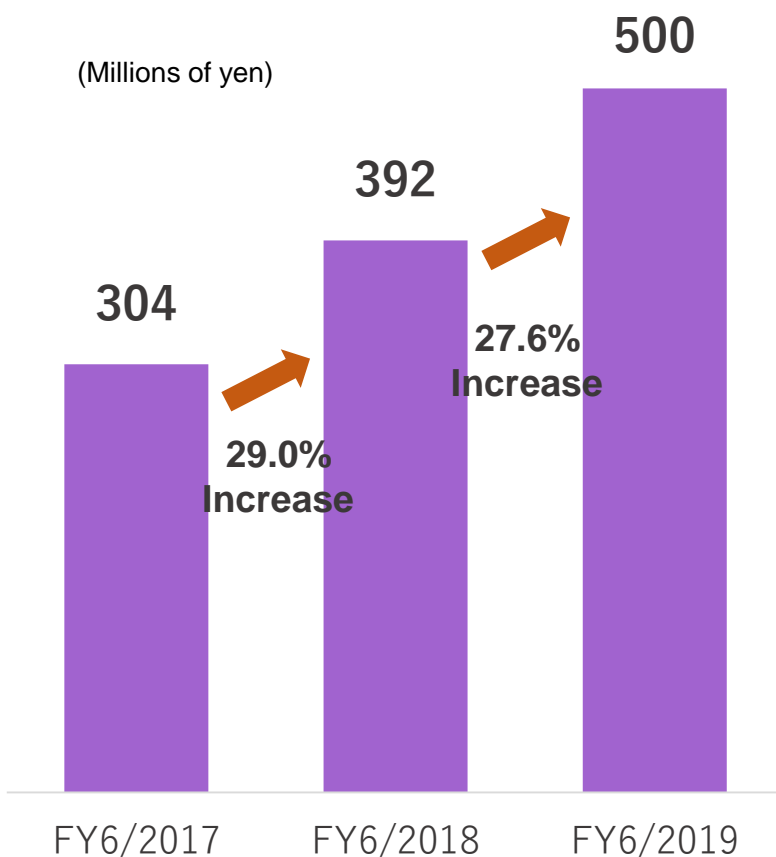
Net Sales by Segment: Embedded Solutions Unit

Net sales: 3,866 million yen
YoY change :+8.1%



- Sales of in-vehicle related projects increased significantly due to strong performance in both development and verification (covering the decline in sales of semiconductors and mobile devices)
- Growth in mobile application development for IoT

Net Sales : 500 million yen
YoY change : +27.6%



■ [WebARGUS: CyberSecurity Products]

Increased awareness and alliances with external cyber security companies resulted in steady expansion of projects

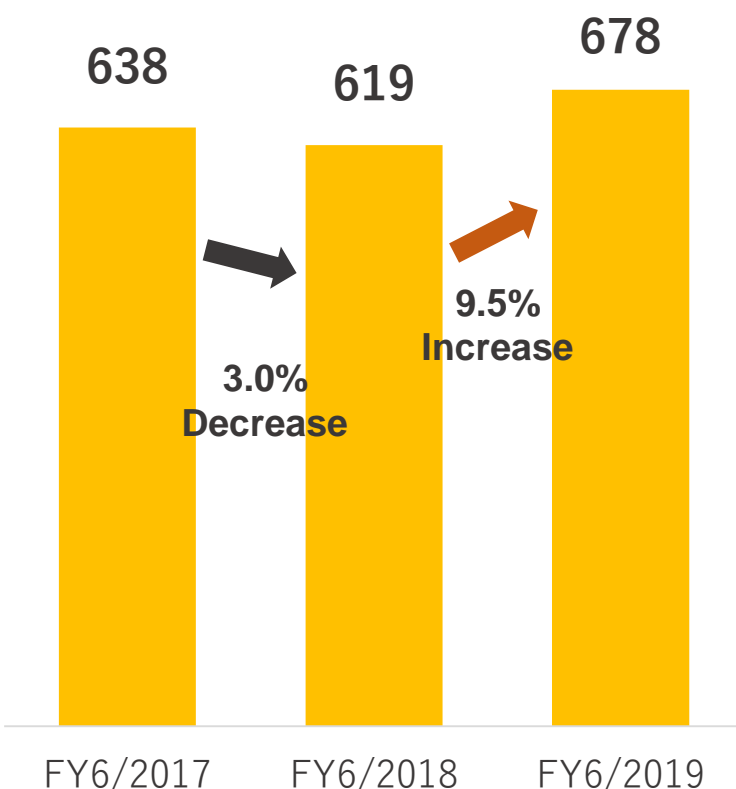
■ [xoBlos: Operational efficiency products]

Increased awareness as an effective tool for work style reform and collaboration with other companies' products resulted in a significant increase in the number of projects.

Net Sales by Segment: Systems Sales Business



(Millions of yen)



Net sales: 678 million yen
YoY change :+9.5%

- Sales of Rakuichi were firm due to an increase in demand associated with change of the era and the reduction of the tax rate.
- Sales grew thanks to progress in system introduction following the IT introduction subsidy from the Ministry of Economy, Trade and Industry.

*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.

Balance Sheet

■ Debt-free management, equity ratio 63.3%

(Millions of yen)

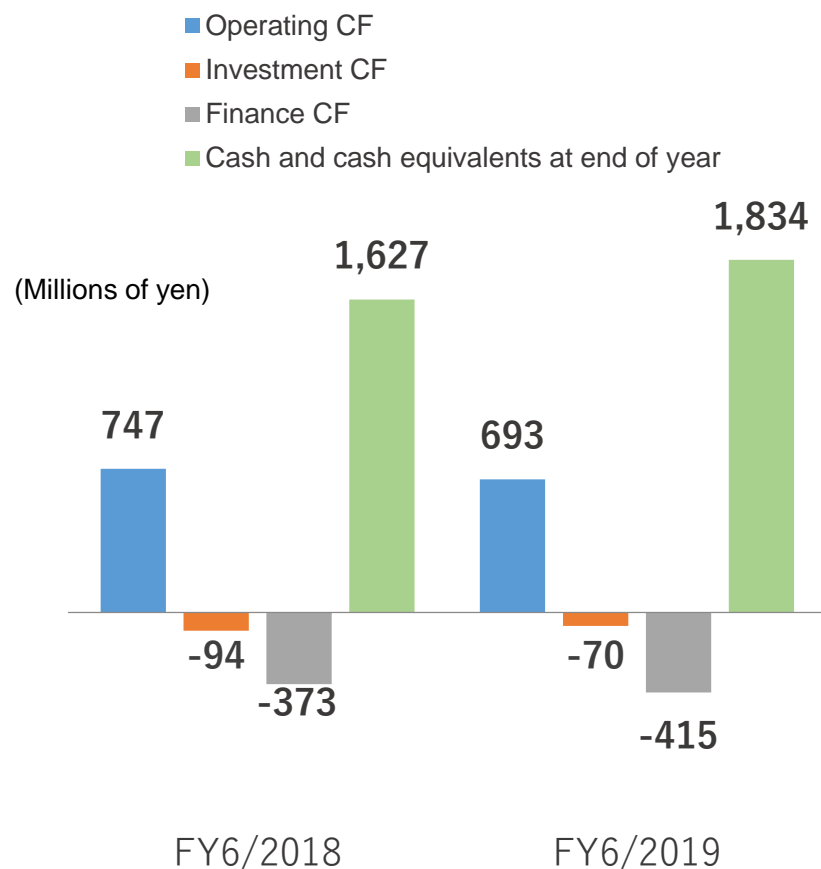
	End-Jun. 2018	End-Jun. 2019	Change
Cash and deposits	1,627	1,840	+213
Notes and accounts receivable	1,562	1,892	+330
Work in progress	123	117	-5
Others	83	82	-1
Total current assets	3,397	3,933	+536
Property, plant and equipment	115	132	+17
Intangible fixed assets	18	10	-7
Investments and other assets	552	578	+26
Total fixed assets	685	721	+36
Total assets	4,083	4,655	+572

	End-Jun. 2018	End-Jun. 2019	Change
Notes and accounts payable - trade	328	393	+64
Short-term borrowings	0	0	0
Other	975	1,208	+231
Total current liabilities	1,304	1,601	+297
Long-term debt	0	0	0
Others	156	105	-50
Total fixed liabilities	156	105	-50
Total liabilities	1,461	1,707	+246
Capital stock	453	453	0
Capital surplus	459	459	0
Retained earnings	1,709	2,035	+325
Total net assets	2,621	2,947	+325
Total liabilities and net assets	4,083	4,655	+572

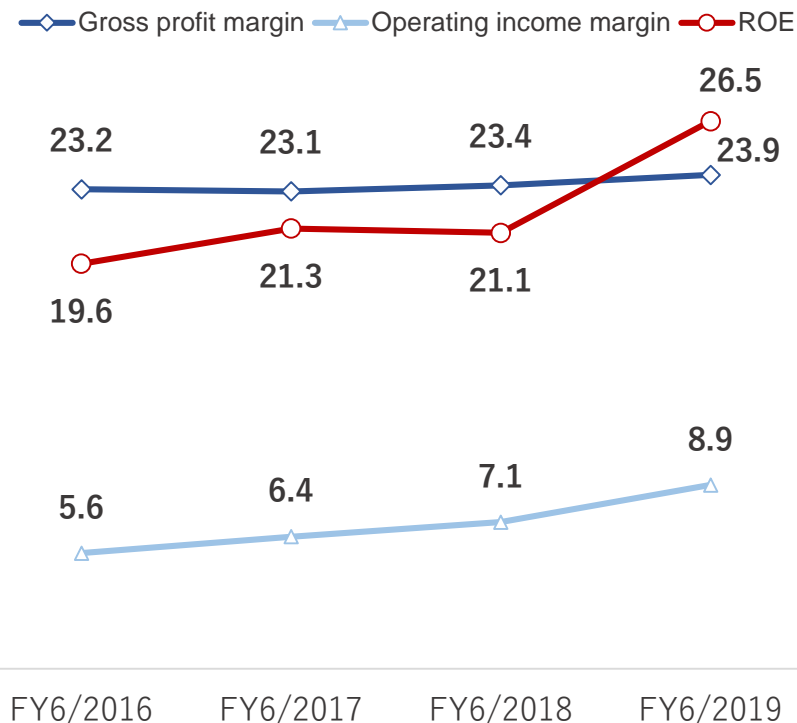
Cash Flows, Financial KPI

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

Consolidated Cash Flows



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



Summary of Financial Results for FY6/19 (1)

■ Profit

Net sales and profits increased for the 9th consecutive year. Operating income, ordinary income and net income all reached record highs in line with the increase in net sales.

■ Business Solutions Unit

Net sales grew significantly among favorable overall performance. Development of financial business systems emerged from plateau, and the operations support business performed well.

However, profit growth was restrained due to some unprofitable projects (resolved).

■ Embedded Solutions Unit

Inquiries for in-vehicle related projects were strong, covering the slump in semiconductor and mobile-related projects and IoT-related projects grew also. Further, shifting to customers with better conditions progressed resulting in **substantial improvement in profit margin.**

Summary of Financial Results for FY6/19 (2)

■ Original Product Unit

Sales of cyber security products and business efficiency improvement products **grew steadily** due to rising market needs.

■ Systems Sales Business

Sales exceeded the previous fiscal year as sales of Rakuichi products remained strong due to response to change of the era and reduced tax rate.

■ Dividend

For the fiscal year ended June 30, 2019, we plan to pay an **annual dividend of 16 yen**, an increase of 5 yen over the previous fiscal year.
Dividend increased by 2 yen from the initial plan.

The consolidated dividend payout ratio is expected to be 33.3%, which is **more than 30% for the 2nd consecutive fiscal year**.



Key Measures and Business Forecasts for FY6/20

Key Measures for FY6/20

1. Initiatives to Sustain Growth

- Expansion of growth areas

2. Strengthen overall business capabilities

- Increase profit per capita

3. Creating a Worth Working Company

- Towards a vividly worth working company for employees.

Key Measures (1)

1. Initiatives to Sustain Growth (Expansion of Growth Areas)

- **Positioning the Original Product Business and In-vehicle Related Business as Growth Areas**
 - Expand total security services centering on WebARGUS as "DIT Security"
 - Promote sales expansion in xoBlos with sales subsidiary DIT Marketing Services Co., Ltd.
 - Focus on development and verification related to connected cars centering on telecommunications modules which are our strength.

2. Strengthen overall business capabilities

- **Increase profit per capita**
 - This fiscal year marks the previous year to target operating profit margin of 10%, and we will strive to improve the profit per capita by reviewing the work structure and increasing the added value of employees.

Key Measures (2)

3. Creating a Worth-working Company

- **Develop measures to become a vividly worth-working company for employees**
 - Introduce an incentive plan for employees to receive shares of their company “Trust Fund for the Employee Stock Holding System (Japanesse version ESOP*)”.
 - * ESOP:Employee Stock Ownership Plan
 - Introduce talent management that enables maximum display of skills and abilities of employees
 - Enhancement of employee education and training systems

Business Forecasts for FY6/20

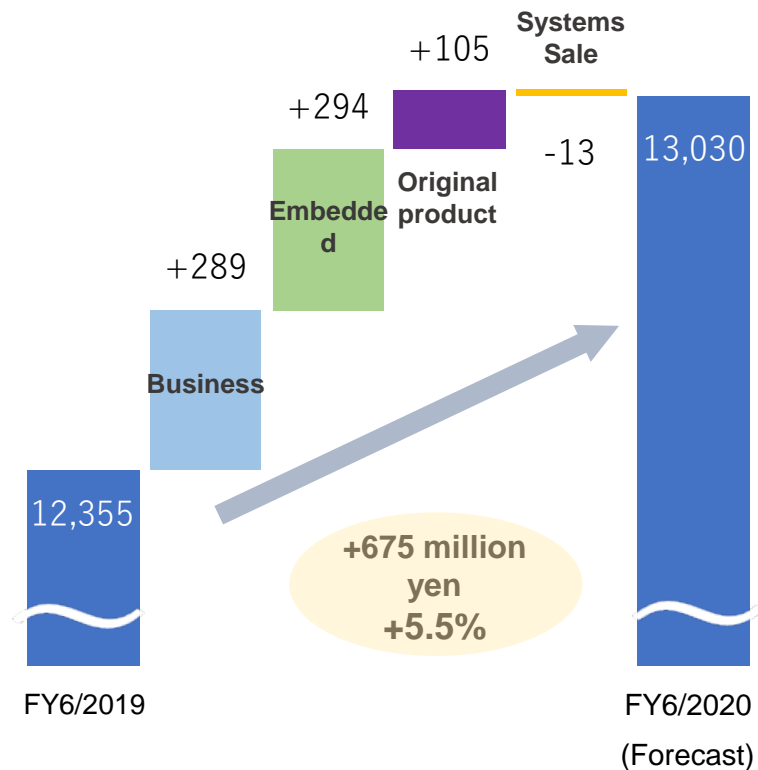
- Demand for IT investment by companies is firm, and sales and profits are expected to increase for the 10th consecutive year.

	FY6/2019 Result	Composition %	FY6/2020 Forecast	Composition %	Year on year %
(Millions of yen)					
Net sales	12,355	100.0%	13,030	100.0%	+5.5%
Operating income	1,095	8.9%	1,180	9.1%	+7.7%
Ordinary income	1,106	9.0%	1,177	9.0%	+6.4%
Net income attributable to owners of parent	737	6.0%	790	6.1%	+7.3%

Key KPIs (Net Sales, Operating Income/Operating Income Margin)

Net sales

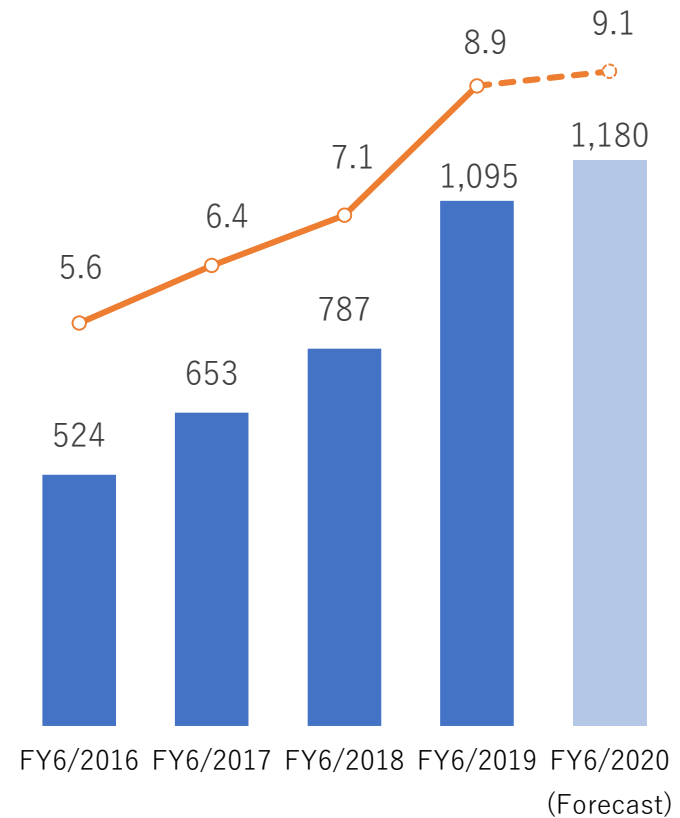
(Millions of yen)



Operating Income/Operating Income Margin

(Millions of yen)

(Unit:%)



Forecast of Business Results by Segment

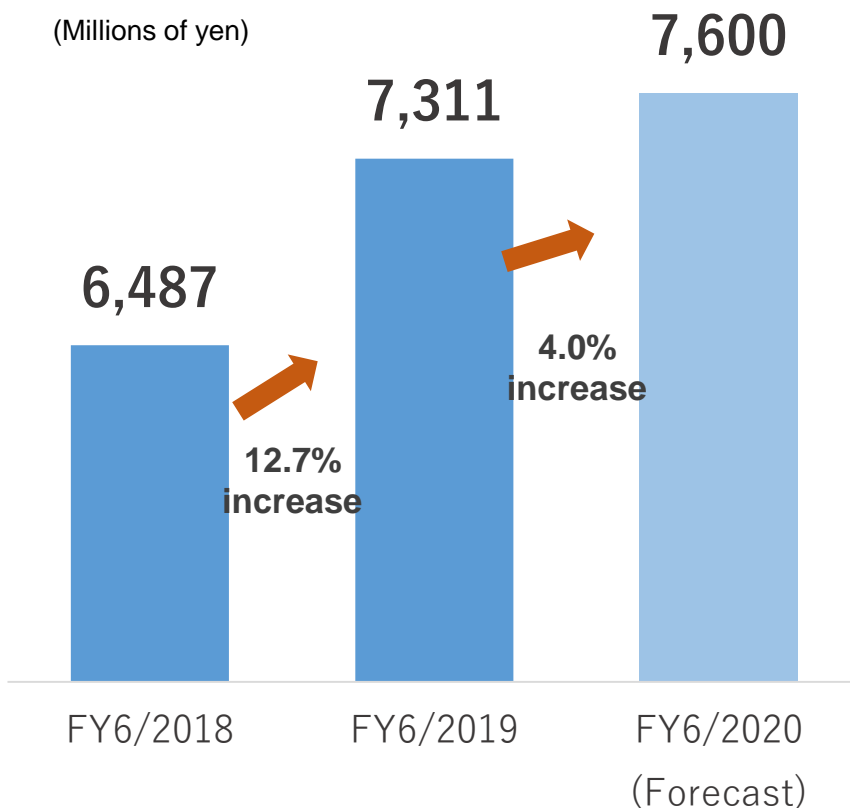
- In the Software Development Business, the Company plans to increase sales by 5.9% YoY, while original product unit aims to significantly increase sales by 21%.

(Millions of yen)

Busiess 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%	

Forecast by Segment: Business Solutions Unit

(Millions of yen)



Net sales 7.6 billion yen
YoY change +4.0%

- The Financial Systems Development Business is expected to remain firm.
- Operation support business is expected to continue growing.

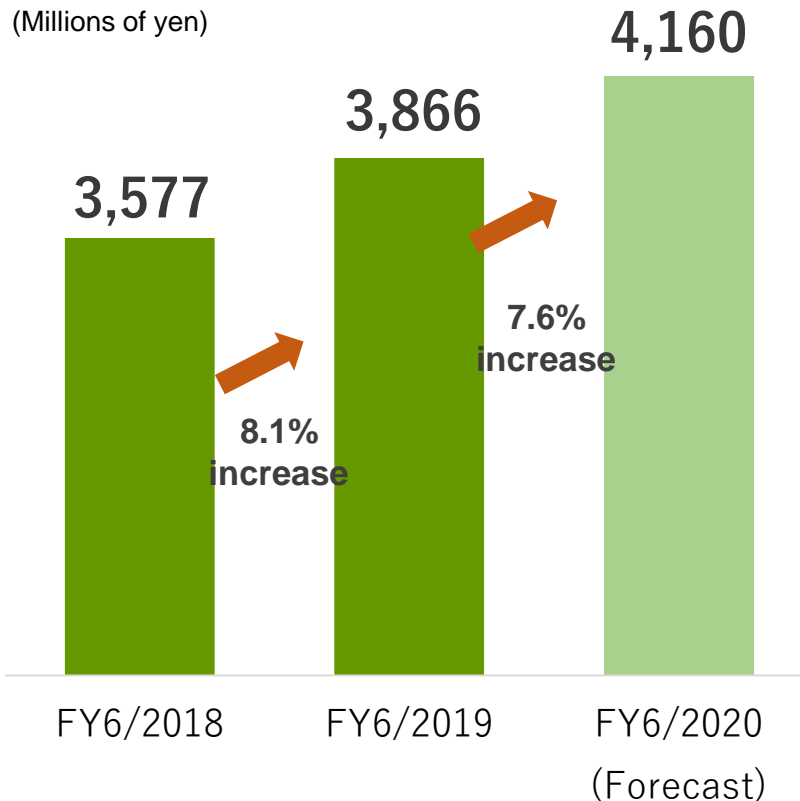
Priority Measures by Segment: Business Solutions Unit

Orders are steadily accumulating, mainly from existing customers, and further growth is expected through the following measures.

Priority Measures	
1.	Further expansion of the financial area which is our strength
2.	Acquisition of infrastructure construction projects utilizing the cloud
3.	Expansion of direct end-user agreements and promotion of proposal-based sales
4.	Increase the ratio of contract projects and thoroughly implement project management
5.	Utilize local offices as "Advanced Near Shore Development Center" to expand business

Segment Outlook: Embedded Solutions Unit

(Millions of yen)



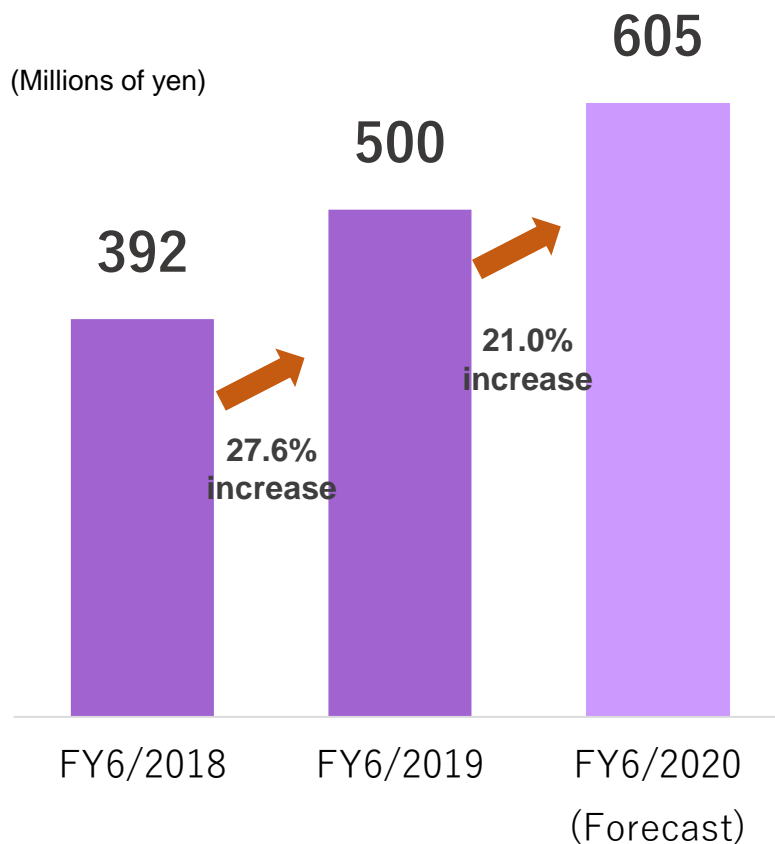
Net sales 4,160 million yen
YoY change +7.6%

- Both development and verification are expected to continue to grow steadily due to strong in-vehicle related project demand.
- The number of IoT-related projects is expanding, and the number of development projects is expected to increase.

Priority Measures by Segment: Embedded Solutions Unit

The Company continues to receive strong inquiries from in-vehicle related customers, and expects to expand its business scale and increase profits through the following measures.

Priority Measures	
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.
2.	Develop IoT beyond industry boundaries, such as vehicles (communication modules), gas appliances (monitoring services), and home appliances (provision of recipes in electric ovens)
3.	Smooth shift from customers with declining demand and improvement of profit margin by expanding contract projects



Net sales 605 million yen YoY change +21.0%

- The company expects growth in response to growing demand for cyber security.
- We expect growth by entering the current trend of shortening of time and work style reforms.

Demand is expected to expand further through the following measures. It is also expected to accumulate as a subscription model.

Priority Measures: WebARGUS

1.	Aggressive Approach to Large-Scale Users
2.	Provision of WebARGUS of SaaS models mainly to data center operators, etc.
3.	Attract customers with high needs through Web marketing
4.	<div>Promote Total Security Proposals as "DIT Security"</div> <ul style="list-style-type: none">• Strengthen alliance with F-Secure• Start dealing of AppGuard, an end-point security product
5.	Continue customer-oriented proposal activities of IoT-version WebARGUS based on the concept of system resilience (restoration)



Demand is expected to expand further through the following measures.

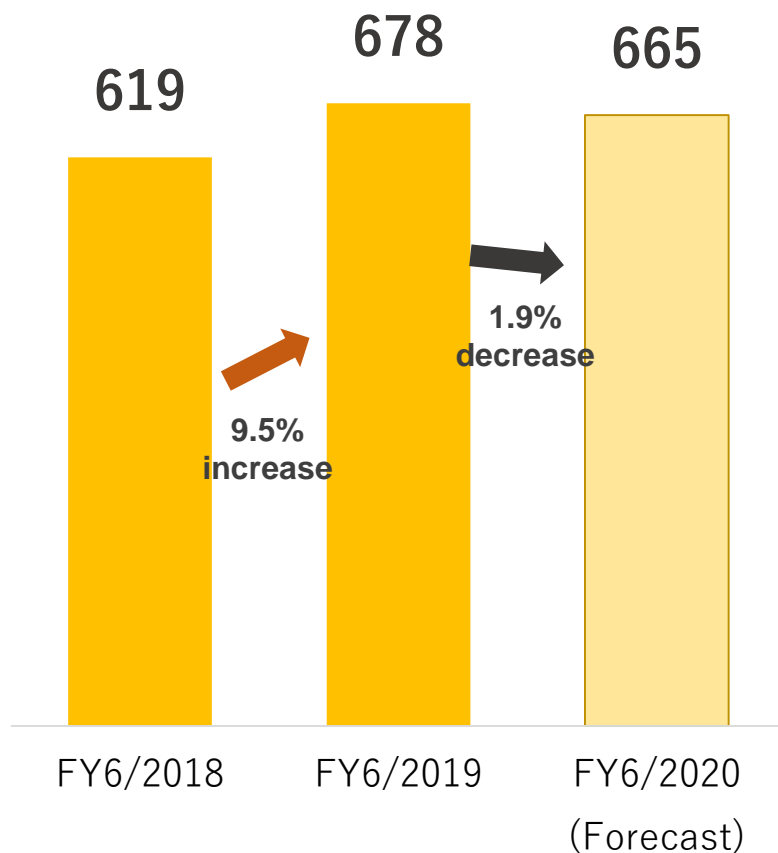
Priority measures: xoBlos

- | | |
|----|--|
| 1. | As cumulative number of users exceeded 400 companies, further strengthen sales to large-scale users |
| 2. | Joint sales promotion with DIT Marketing Service, our system sales subsidiary |
| 3. | We are expanding sales opportunities by actively promoting the Plus one 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. |
| 4. | Full switching to a Subscription Model |

Forecast by Segment: Systems Sales Business



(Millions of yen)



Net sales 665 million yen YoY change: -1.9%

- 1Q results are expected to remain firm due to an increase in demand associated with the reduced tax rate.
- This service has stable long-term transactions with customers, and we expect sales growth from other products.

* Rakuichi is a business and management support system for SMEs manufactured by Casio Computer Co., Ltd.

Priority Measures by segment: Systems Sales Business

Through the following measures, we aim to increase customer trust and secure continuous sales.

Priority Measures

1.

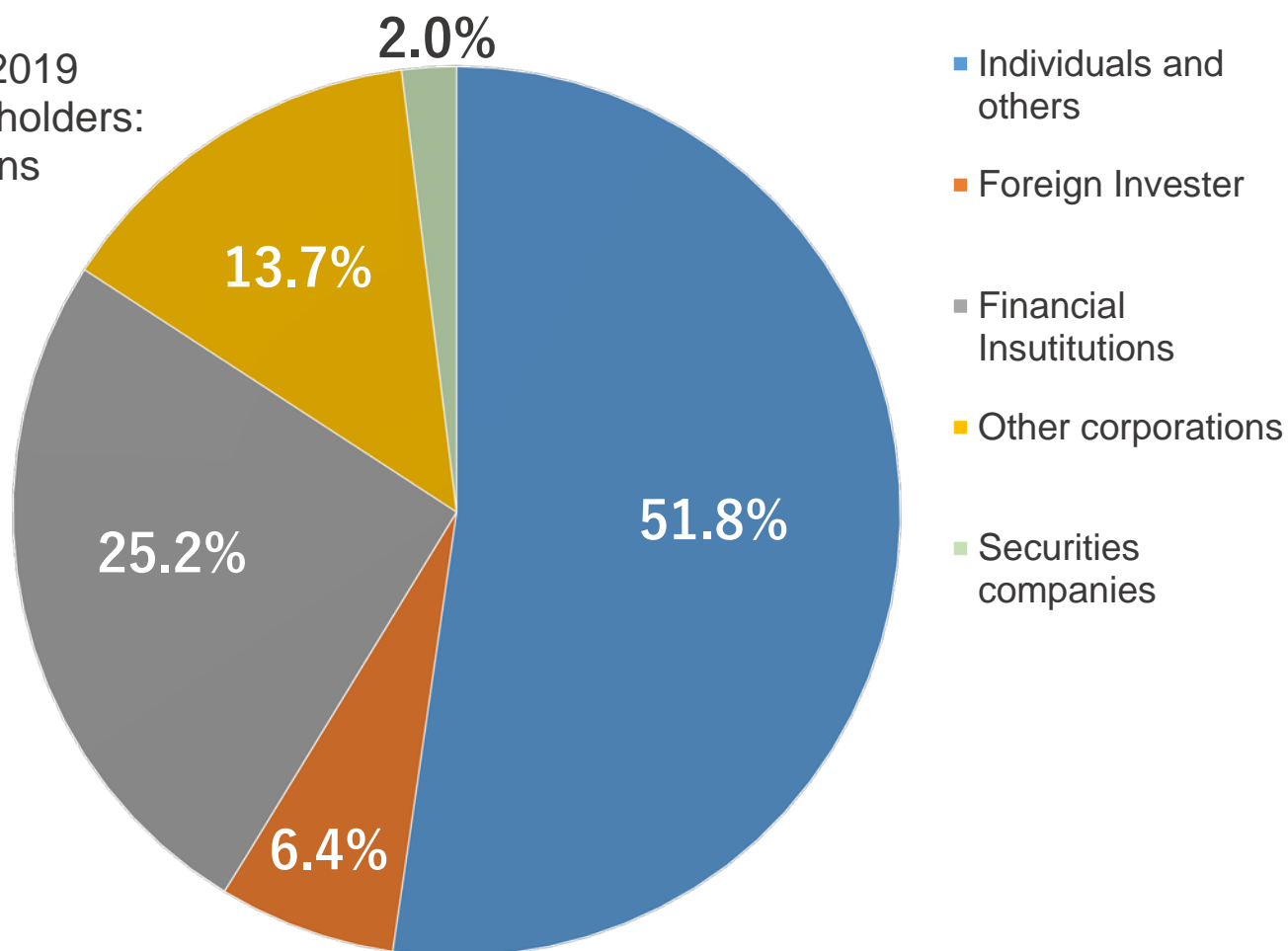
Support creation of management analysis materials required by customers by utilizing the standard function of Rakuichi.

2.

Strengthen proposals for a variety of services that customers need, such as printers, networks and security products.

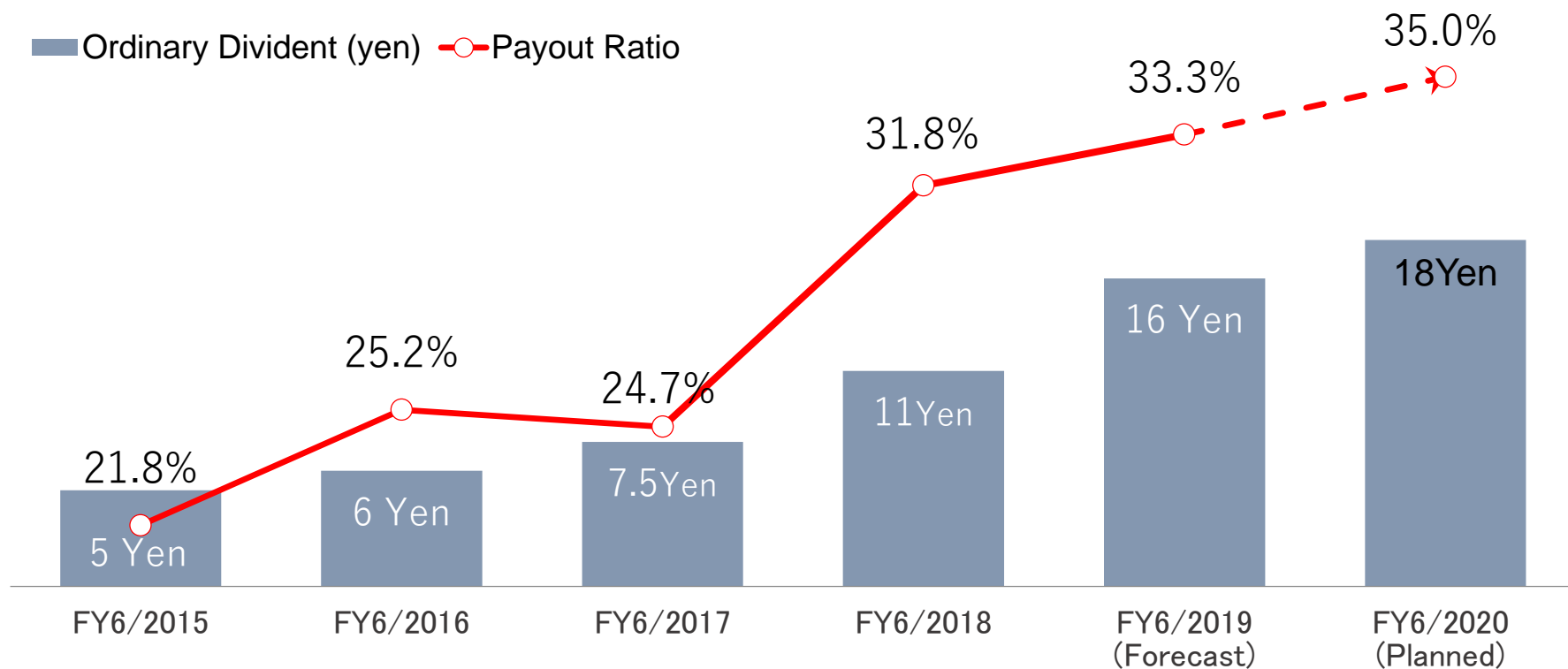
Composition of Shareholders

End of June 2019
Number of shareholders:
2,865 persons



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%).

Mid-Term Management Plan



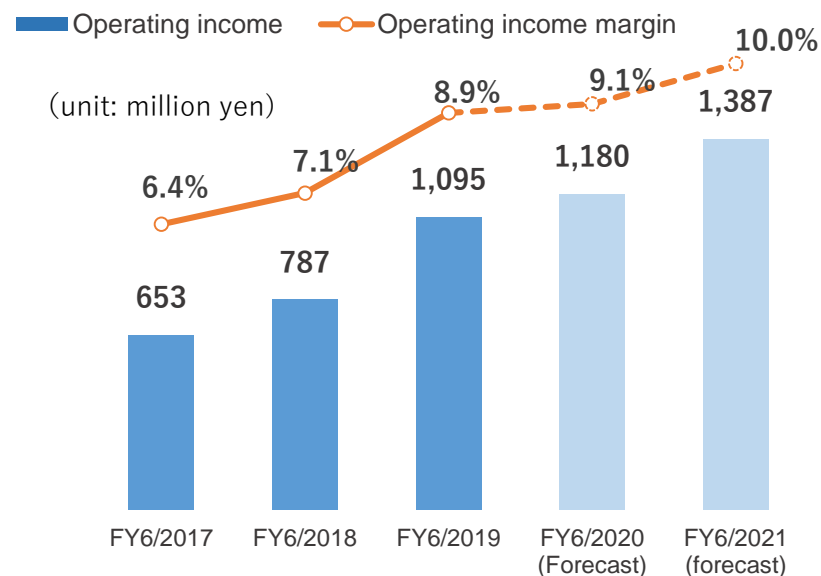
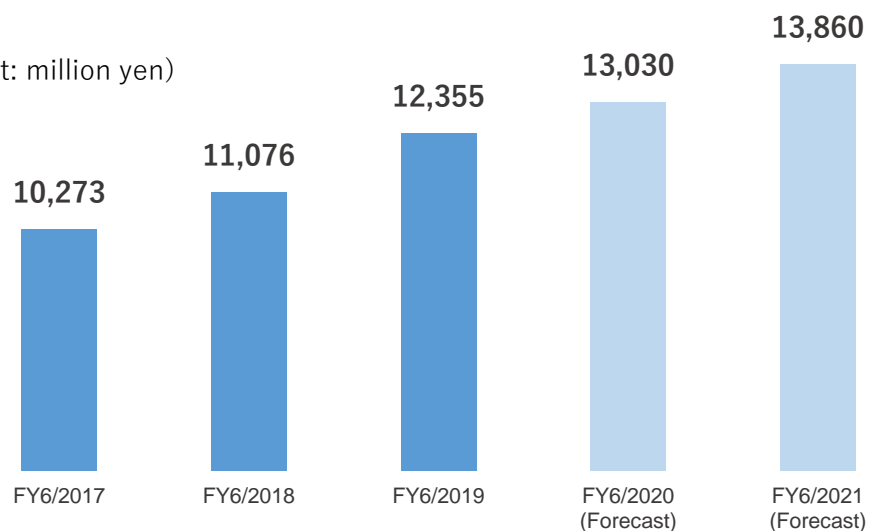
Mid-Term Management Targets : Achievement of “Triple 10”

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

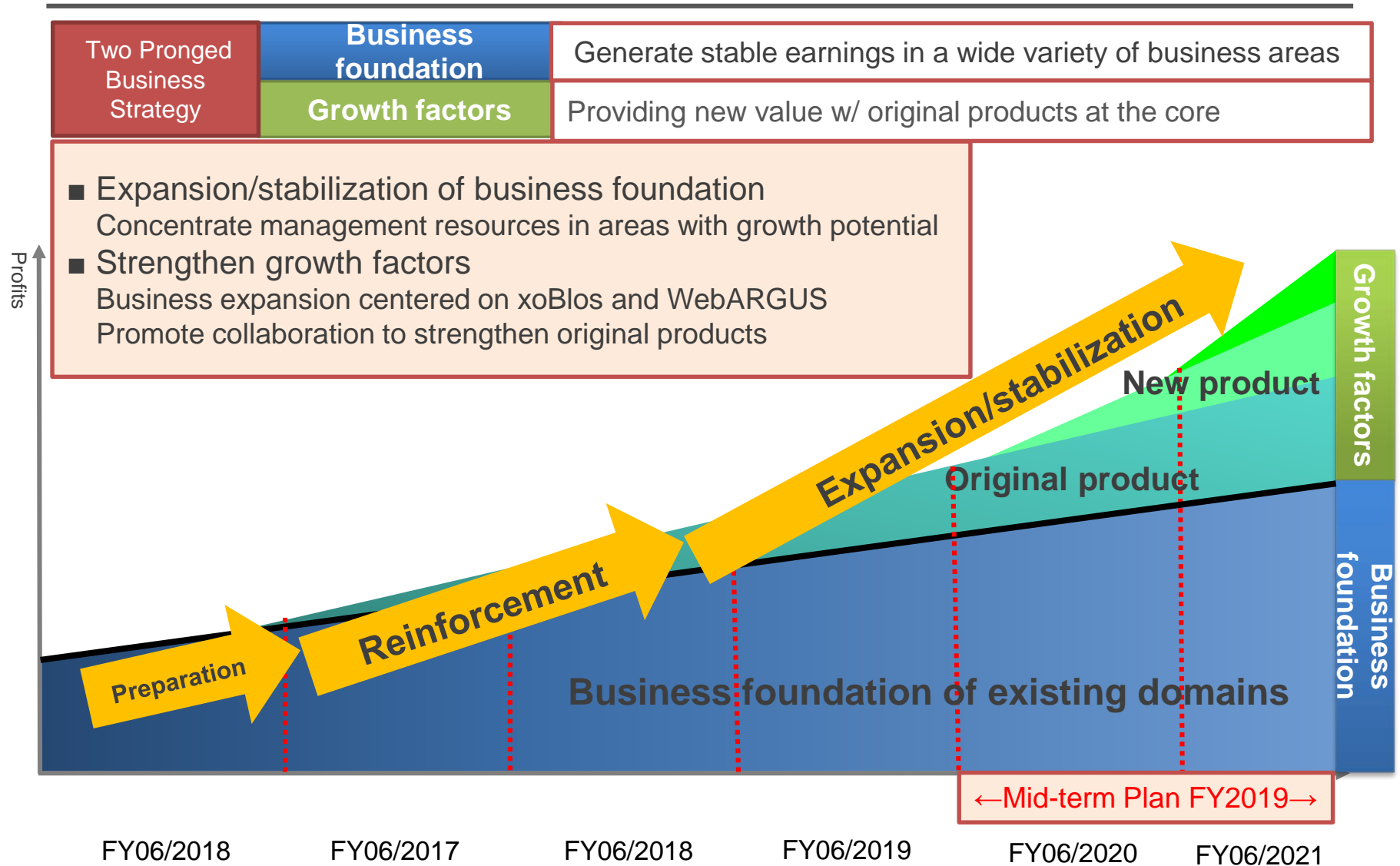
Mid-term Management Targets Aim at triple-10 within 5 years	Net sales	10 billion yen (FY6/2017) <Achieved !>
	Operating income	1 billion yen (FY6/2019) <Achieved !>
	Operating income margin	10% (FY6/2021)

Net sales

(unit: million yen)

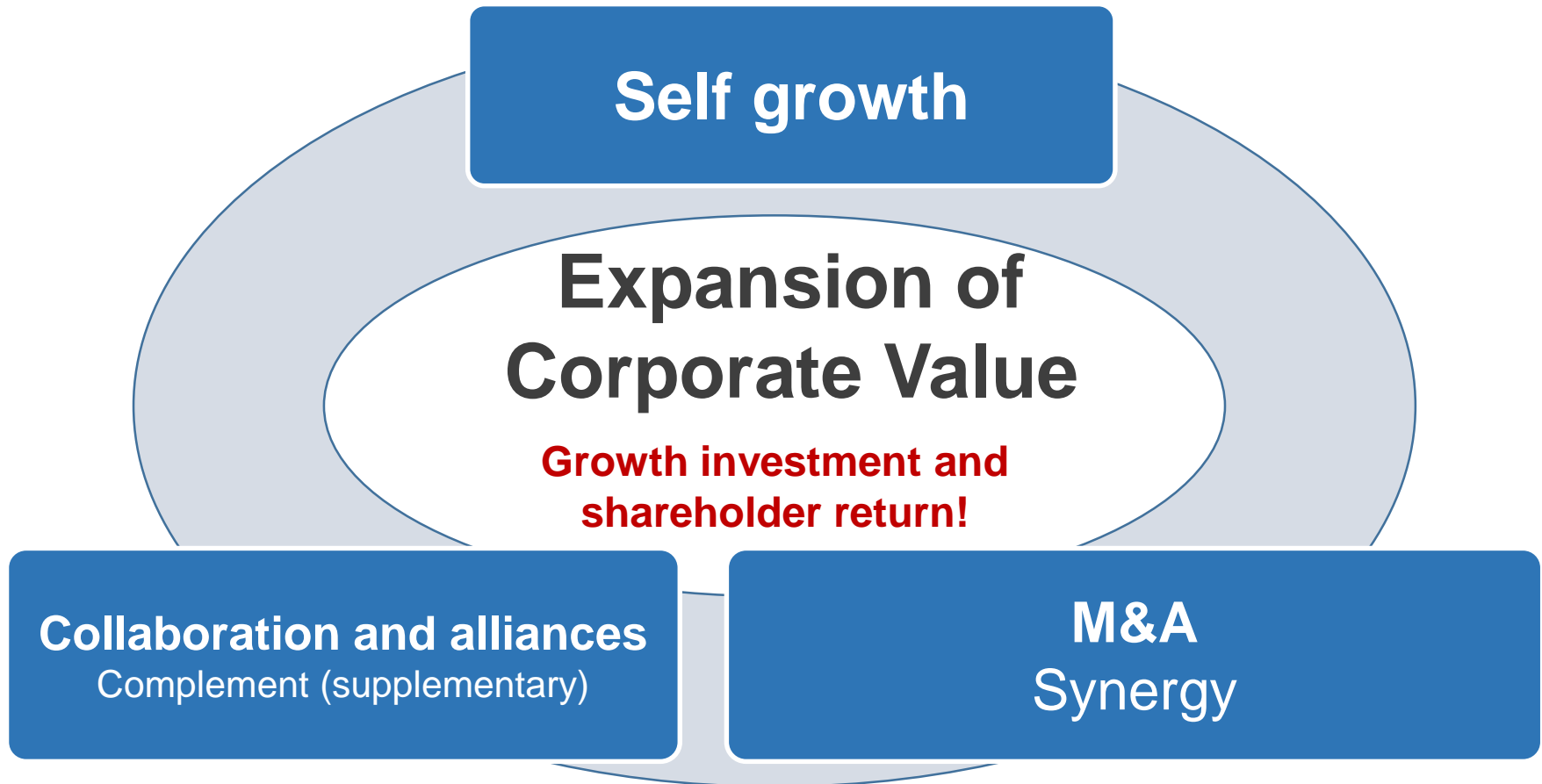


Mid-term Growth Model



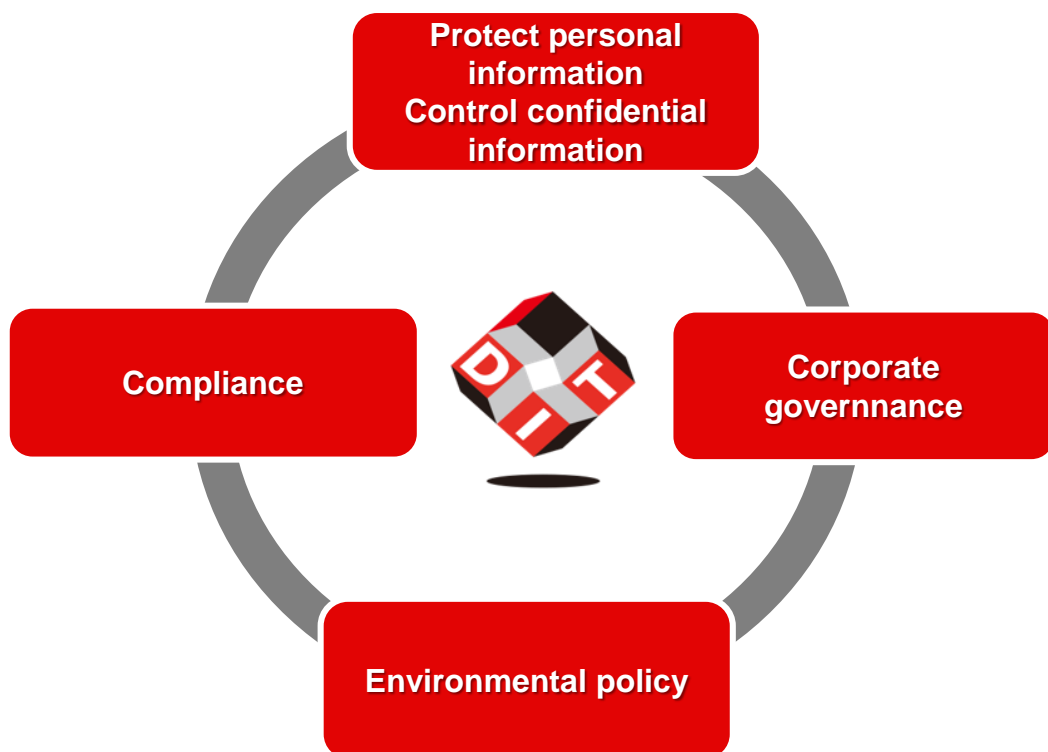
Towards expansion of corporate value

- 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!



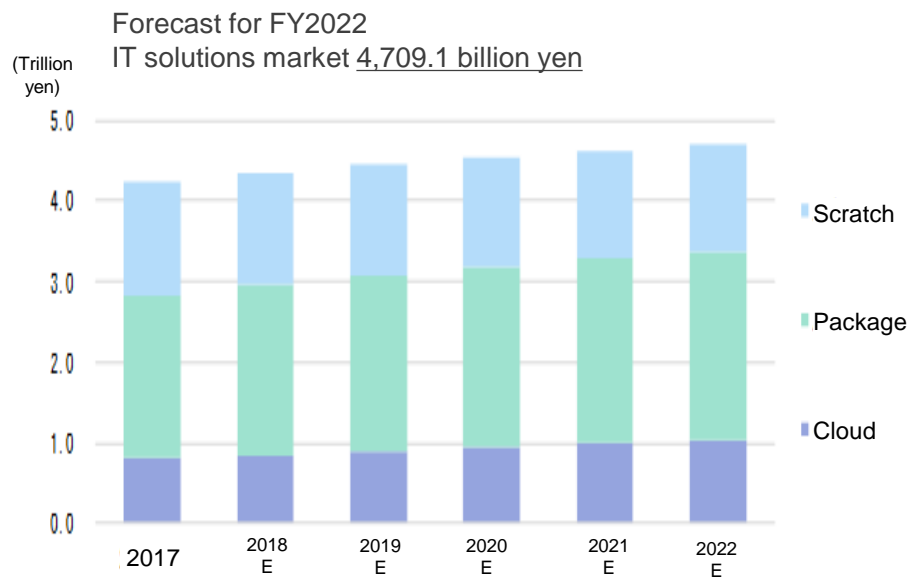
Reference materials



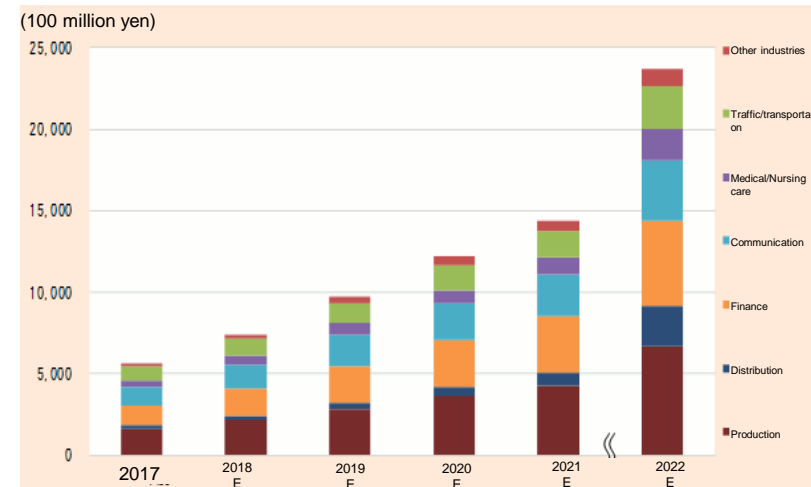
Market Environment of Business Solutions Business

- IT Solutions and DX Markets are Growth Market-

- The IT solutions market, which contributes to labor shortages and operational efficiency is expanding. **The use of cloud and package software** is progressing from small and medium companies to major companies.
- **Rapid progress in digital transformation (DX)** (AI, IoT, RPA, robotics, etc.)



(Source: Fuji Chimera Research Institute, from 2019/1/15)

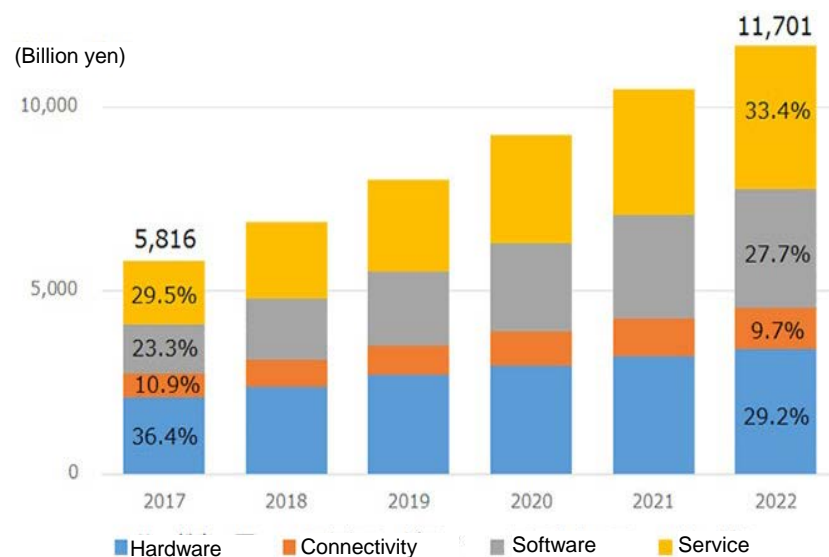


(Source: Fuji Chimera Research Institute, from 2019/8/21)

Market Environment of Embedded Solutions Business

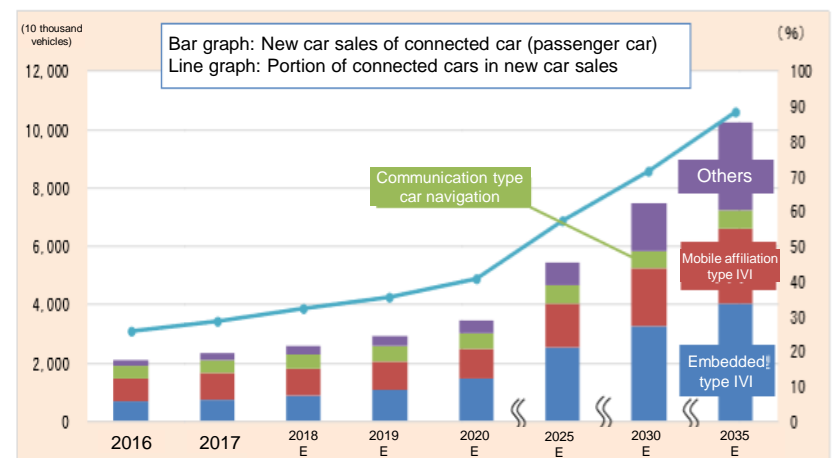
- The IoT and Connected Car Markets are Growth Market -

- The domestic IoT market is expected to **grow at an annual growth rate (CAGR) of 15.0% by 2022, with expenditures of 11,701 billion yen in 2022.** (From IDC Japan)



2017-2022 (Source: IDC Japan, 9/2018)
Source: Fuji Economy 2019/7/2

- New car sales of connected car (passenger car)



*Embedded type IVI: IVI with built-in telematics module, IVI system able to interface to external devices via TQJ
Mobile affiliation type IVI: IVI able to interface to external devices by communication function of mobile devices such as smart phones.
Communication type car navigation: Car navigation able to interface to external devices by communication function of telematics module or mobile devices.
Others: Such as display audio which mount system of third party

(Source: Fuji Keizai, from 2019/7/2)

Market Environment of Original Product Business

- Expand of Japan's Network Security Market (WebARGUS) -

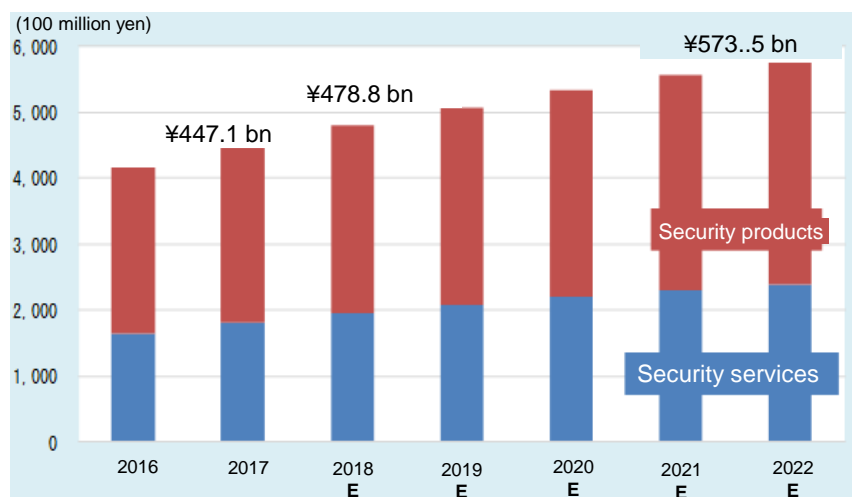
■ Forecasts for Japan's Network Security-Related Market for 2022 (Compared to 2017)

- Security services: 238.7 billion yen (up 32.0%)

Security products: 334.8 billion yen (up 25.8%)

- **Web security category: 53.7 billion yen (up 46.7%) EDR: 12.3 billion yen (2.4 times)**

Network security-related domestic market



The "Cyber Security Management Guidelines Ver2. 0" proposed by METI not only detects and eliminates threats prior to intrusion, but also focuses on responding to threats that intrude into networks. EDR awareness has improved dramatically, and demand from large companies with tens of thousands or more of terminals under management has surged. As a result, the market in FY2017 was **5.1 thousand yen million, 2.7 times the previous fiscal year.**

■ EDR

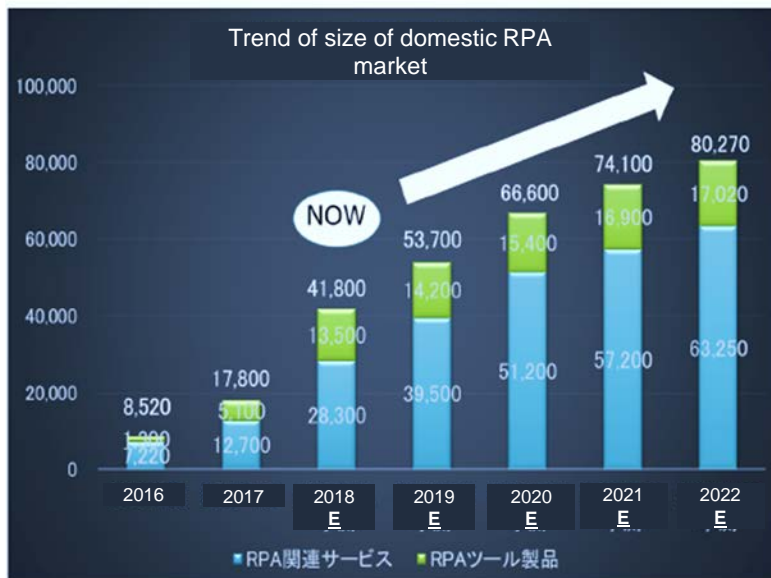
2017	2020 (E)	2017
¥5.1 bn	¥12.3 bn	2.4x

*EDR refers to "Endpoint Detection and Response (detection and response at the end point)."

Market Environment of Original Product Business

- Expand in the RPA market (xoBlos target market) -

■ FY2022 Forecasts for Japan's Network Security-Related Market (Compared to FY2017)



(Reference: From results of study of Domestic RPA Market in FY2018 by Yano Research Institute)

Full-fledged diffusion of RPA will take place

- In FY2018, the size of domestic RPA market (based on business sales) is forecast to increase 134.8% from FY2,017 to 41.8 billion yen.
- While the RPA boom in the 1st half of the fiscal year came to an end in the 2nd half of the fiscal year, emphasis will be placed on results that are directly linked to organizational management and improved performance. The outlook is for the market to grow as user investment expands with the full-fledged spread of the product.



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