

Digital Information Technologies Corporation

1Q FY 06/2020 Financial Results Briefing
(TSE1: 3916)

November 2019



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Financial Results for FY6/20 1Q



FY6/2020 1Q Overview of Financial Results

Performance : Strong due to higher sales, profits and profit margins

Net sales : 3,273 million yen (+13.8% YoY)

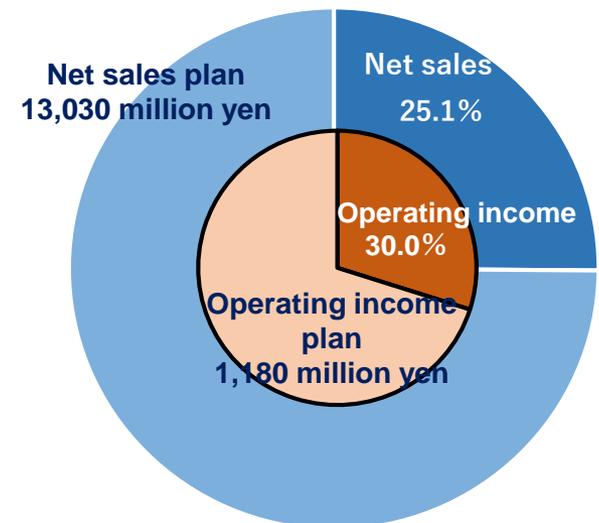
Operating income : 353 million yen (+56.9% YoY)

Operating income margin : 10.8%(+3Point YoY)

Business : Steady business expansion in all businesses

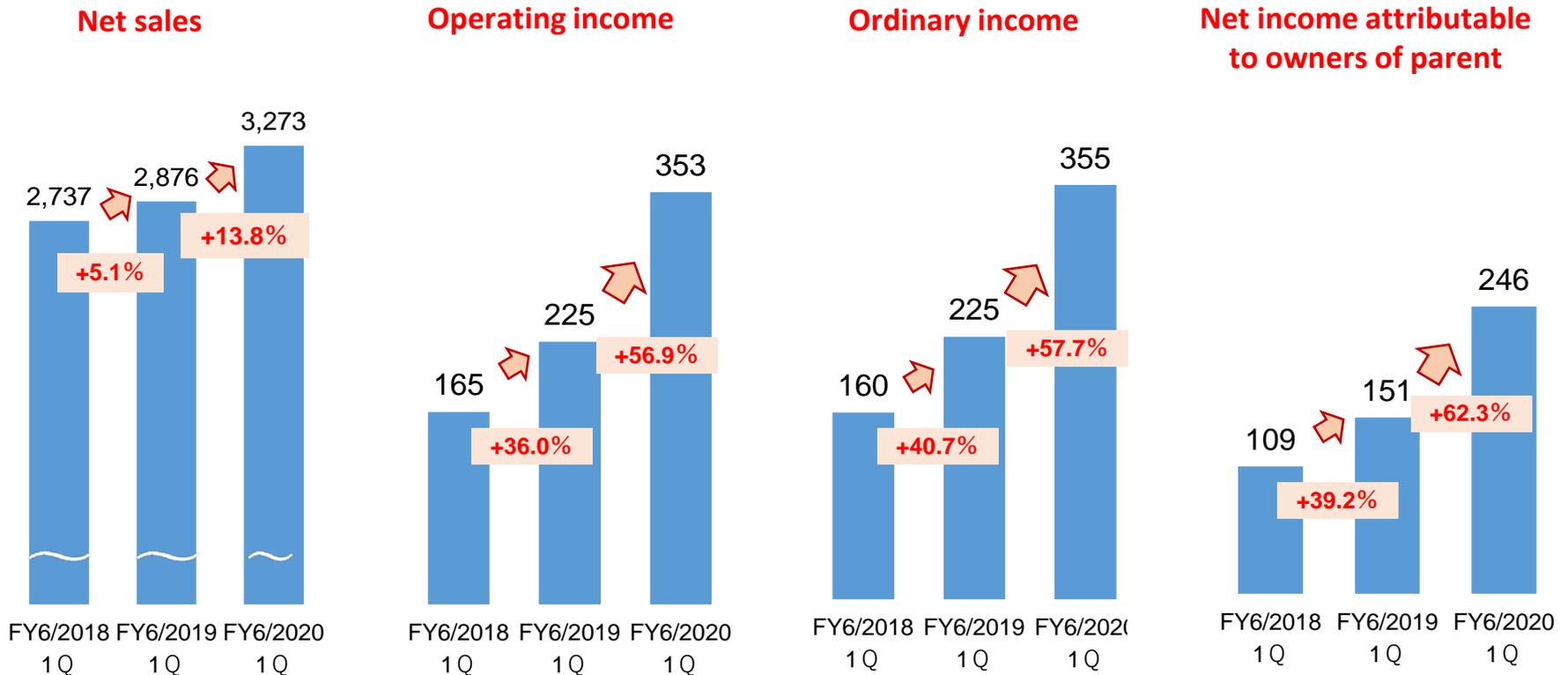
- **Business Solutions Unit:** Business system development mainly for financial area performed strongly, and operational support led growth with the acquisition of new customers.
- **Embedded Solutions Unit:** Grew significantly with strategically expanding the range of automotive-related fields in both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

1Q Progress rate



FY6/2022 1Q Financial Highlights

■ Both sales and profits showed record-highs.



Summary of Consolidated Financial Results for FY6/20 1Q

- Sales and profits largely increased, and growing steadily toward full-year targets.

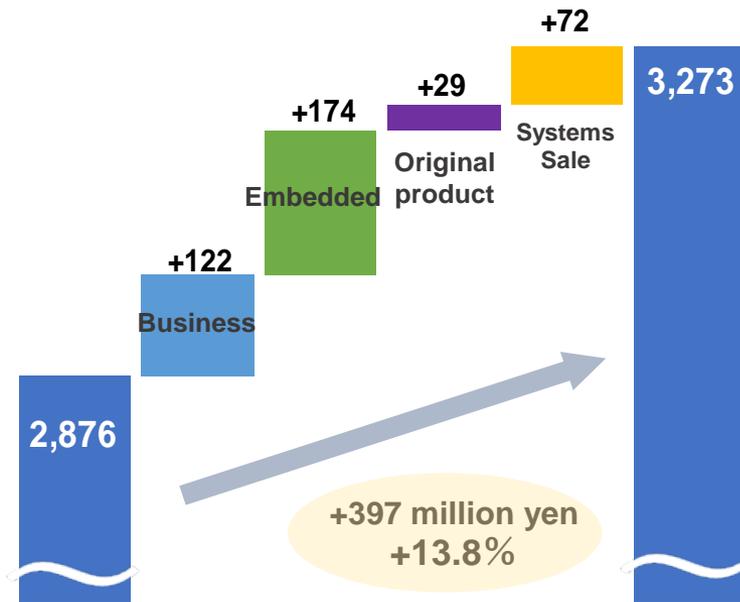
(Millions of yen)	FY6/2019 1Q Result	Composition %	FY6/2020 1Q Result	Composition %	YoY %	FY6/2020 plan	Progress rate %
Net sales	2,876	100.0%	3,273	100.0%	+13.8%	13,030	+25.1%
Gross profit	675	23.5%	825	25.2%	+22.2%	-	+13.6%
Operating income	225	7.8%	353	10.8%	+56.9%	1,180	+30.0%
Ordinary income	225	7.8%	355	10.9%	+57.7%	1,177	+30.2%
Net income attributable to owners of parent	151	5.3%	246	7.5%	+62.3%	790	+31.2%

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

- Sales grew in all businesses
- Operating income increased by 56.9% YoY, as the increase in gross profit greatly exceeded the increase in SG&A expenses.

Net sales

(Millions of yen)

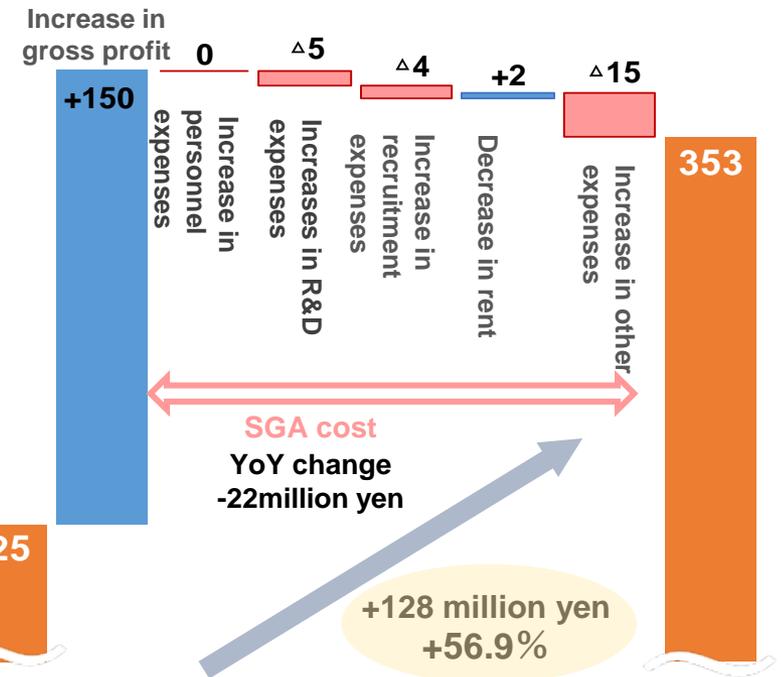


FY6/2019 1Q

FY6/2020 1Q

Operating income

(Millions of yen)



FY6/2019 1Q

FY6/2020 1Q

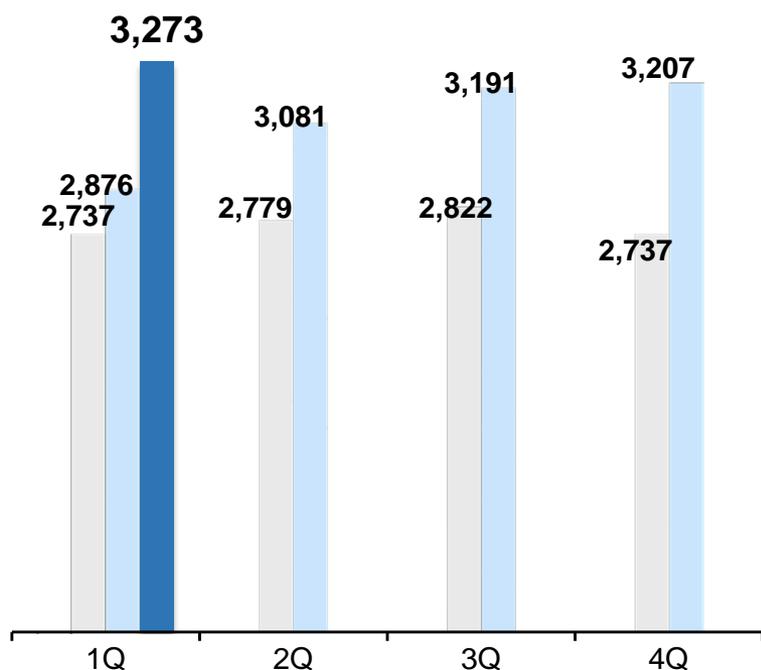
Quarterly Net Sales & Operating Income

- For 1Q, net sales and operating income showed record-highs.
- Net sales also showed record-high compared with all previous quarters.

Net sales

(Millions of yen)

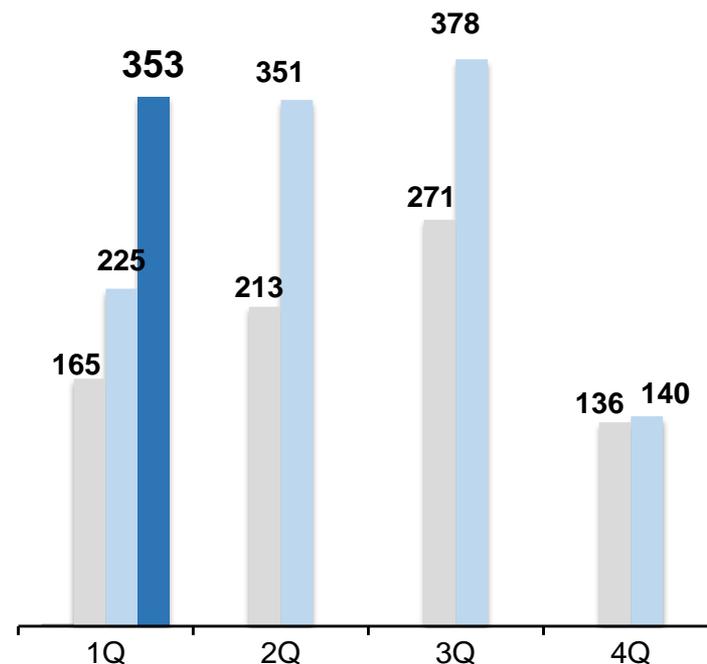
■ FY6/2018 ■ FY6/2019 ■ FY6/2020



Operating income

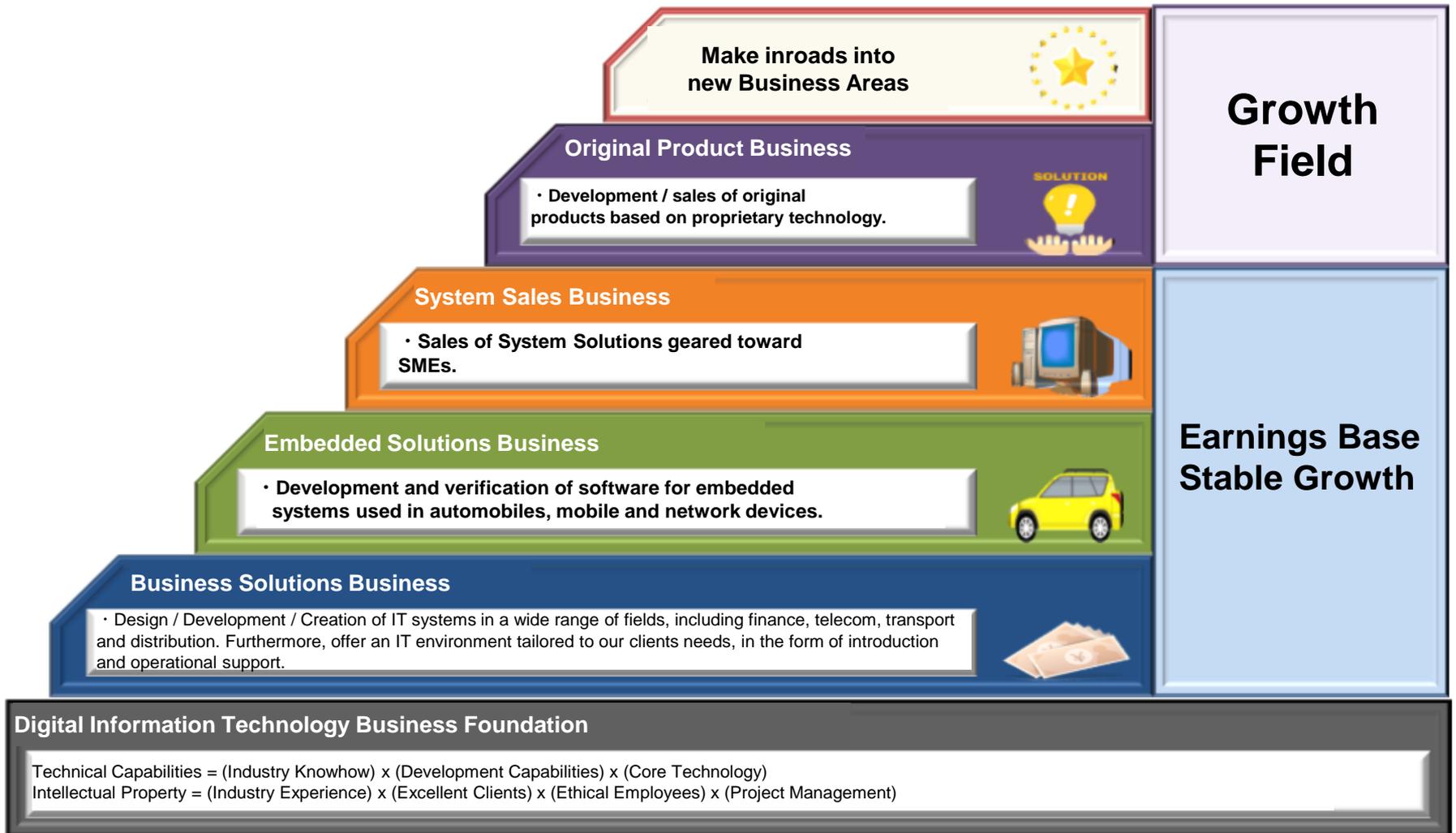
(Millions of yen)

■ FY6/2018 ■ FY6/2019 ■ FY6/2020



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

Business Domains: Positioning of Each Business



Business Segment and Composition of Sales

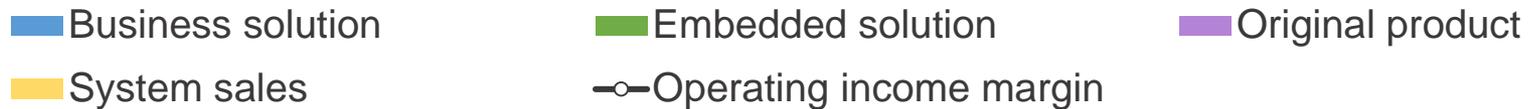
■ Sales grew in all segments, while sales of in-house products grew steadily.

Businesses segment	Classification	FY6/2018 1 Q Net sales Composition	FY6/2019 1 Q Net sales Composition	FY6/2020 1 Q Net sales Composition	Breakdown (%)	Business Area
Software Development Business		93.9%	94.4%	92.9%		Software Development Business
Business Solutions Unit	Business Foundation	58.4%	58.6%	55.2%	60%	Business system Development
					40%	Operation Support
Embedded Solutions Unit	Business Foundation	32.2%	32.0%	33.5%	80%	Embedded Product Development
					20%	Embedded Product Verification
Original Product Unit	Growth Field	3.3%	3.8%	4.2%		Original Product
Systems Sales Business	Business Foundation	6.1%	5.6%	7.1%		Software Development Business

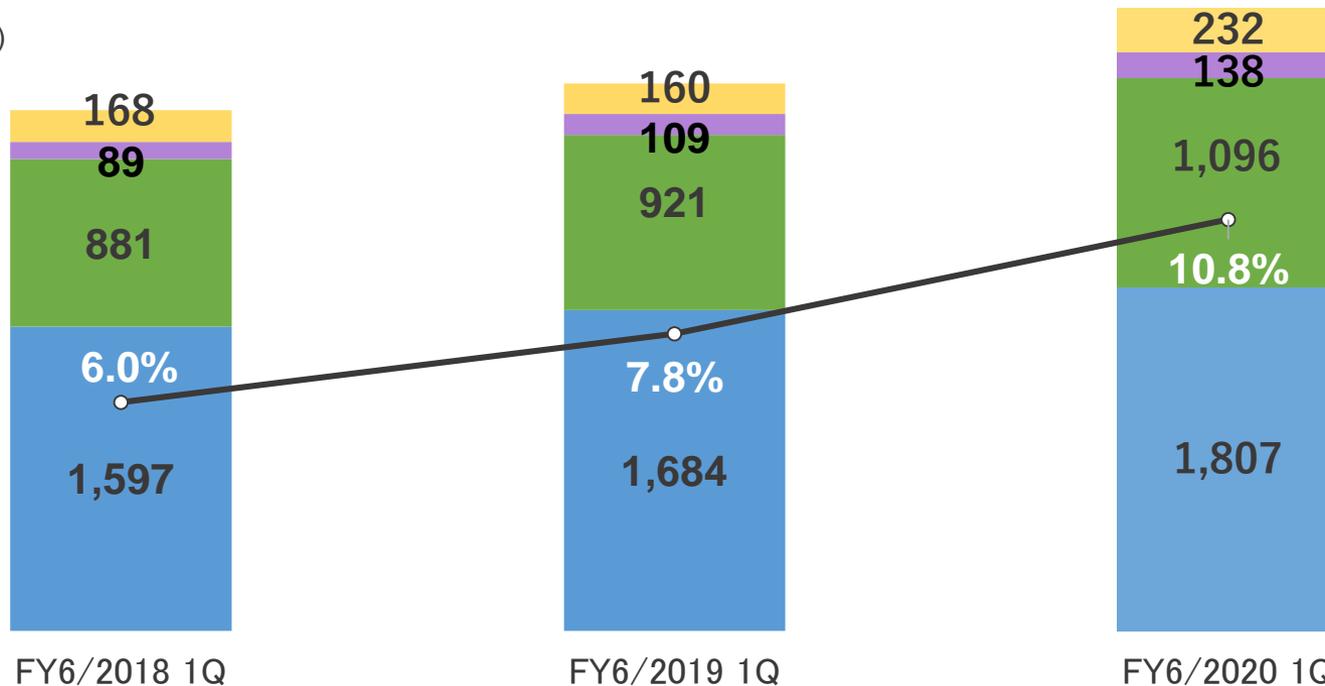
Trends in Business Segments and Composition Ratio of Net Sales

■ Continue to increase sales and profit margins

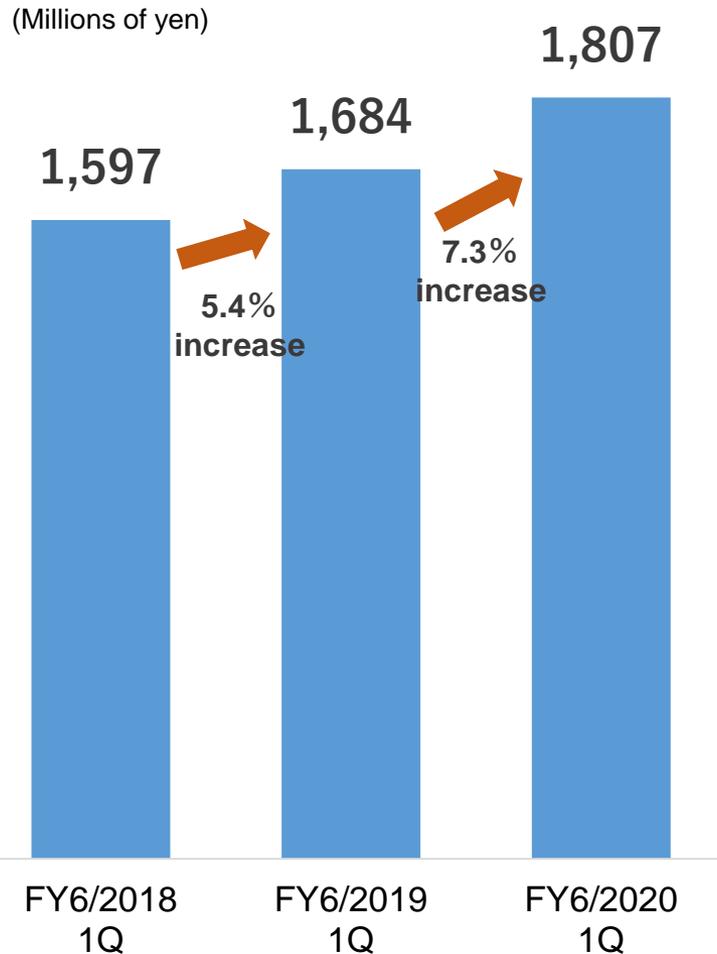
Composition of Net Sales/Operating income margin



(Millions of yen)



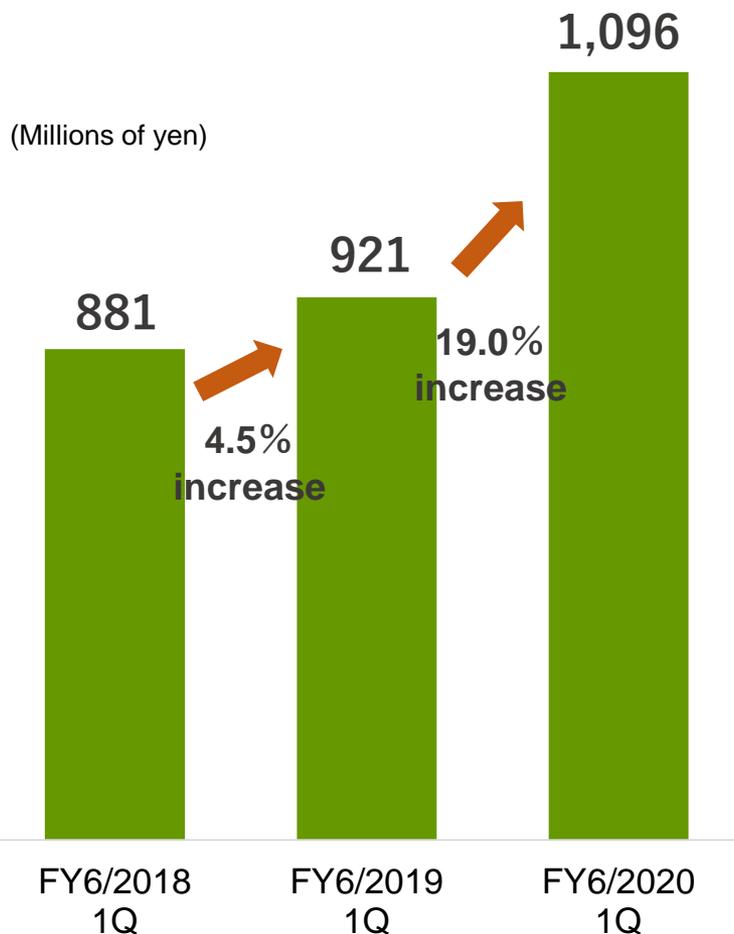
Net Sales by Segment: Business Solutions Unit



Net sales: 1,807 million yen
YoY change: +7.3%

- Business system development grew YoY as system development for the public and manufacturing sectors grew, despite the slower sales of mainstay financial business systems development due to delays in the start-up of some projects.
- Operational support services grew significantly, thanks to the success of developing new customers.

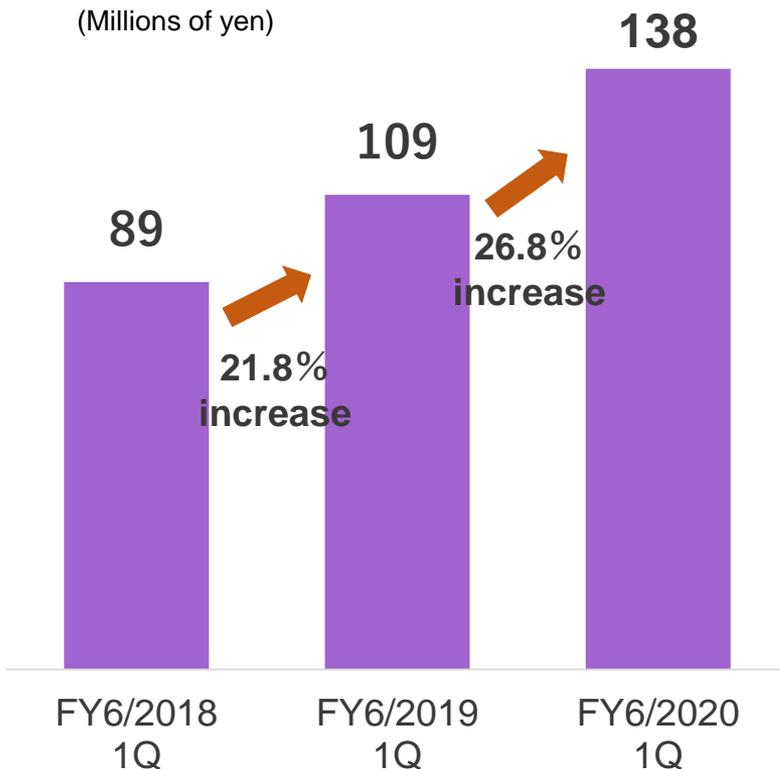
Net Sales by Segment: Embedded Solutions Unit



Net sales: 1,096 million yen
YoY change :+19.0%

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

Net Sales : 138 million yen
YoY change : +26.8%



■ [WebARGUS: CyberSecurity Products]

Steady growth as a result of gradual introduction to large-scale users and collaboration with external cyber-security companies.

■ [xoBlos: Operational efficiency products]

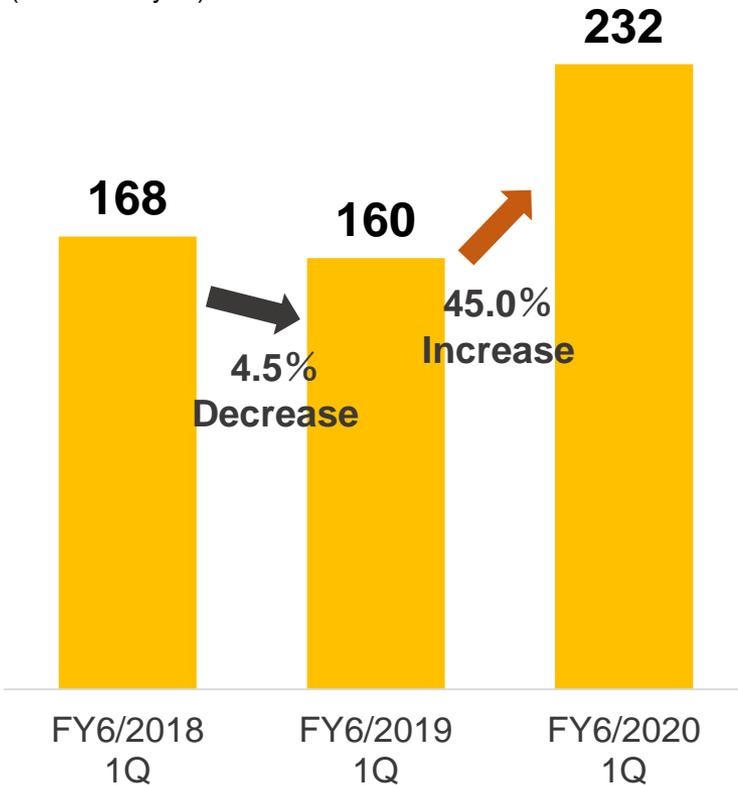
Steady growth driven by the establishment of a sales structure integrated with DIT Marketing Services Co., Ltd. and the promotion of the xoBlos Plus One concept in collaboration with other products such as RPAs and ERPs.

Net Sales by Segment: Systems Sales Business



Net sales: 232 million yen
YoY change :+45.0%

(Millions of yen)



- Significant growth in sales of "Rakuichi" due to rush demand ahead of the consumption tax hike.

*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 70.2%

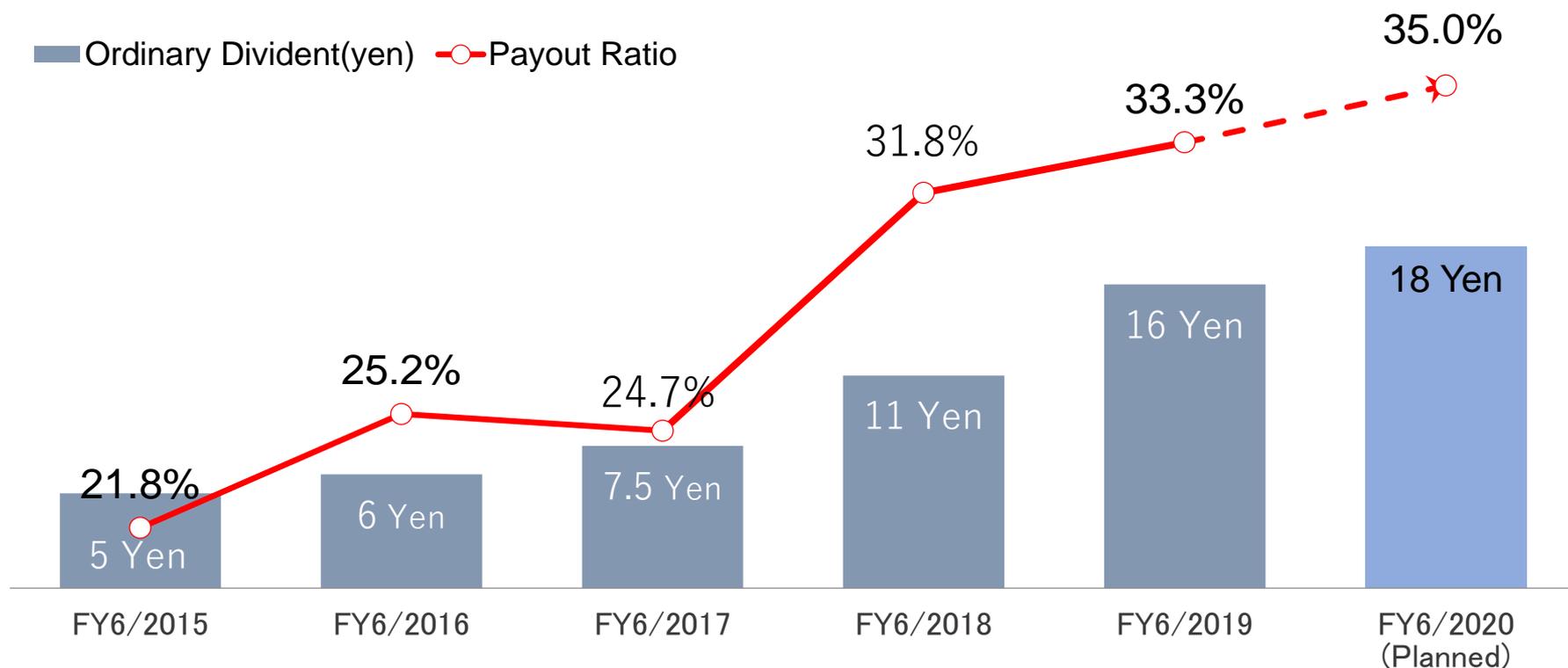
(Millions of yen)

	End-Jun. 2019	FY6/2020 1Q	Change
Cash and deposits	1,840	1,533	-307
Notes and accounts receivable	1,892	1,854	-38
Work in progress	117	138	21
Others	82	104	22
Total current assets	3,933	3,630	-303
Property, plant and equipment	132	128	-4
Intangible fixed assets	10	9	- 1
Investments and other assets	578	602	+24
Total fixed assets	721	740	+19
Total assets	4,655	4,371	-284

	End-Jun. 2019	FY6/2020 1Q	Change
Notes and accounts payable - trade	393	408	+15
Short-term borrowings	0	0	0
Other	1,208	846	-362
Total current liabilities	1,601	1,254	-347
Long-term debt	0	0	0
Others	105	46	- 59
Total fixed liabilities	105	46	- 59
Total liabilities	1,707	1,301	-406
Capital stock	453	453	0
Capital surplus	459	459	0
Retained earnings	2,035	2,157	+122
Total net assets	2,947	3,069	+122
Total liabilities and net assets	4,655	4,371	-284

Return to Shareholders (Dividends+Purchase of Treasury Stocks)

■ Target Payout Ratio of 30% or more



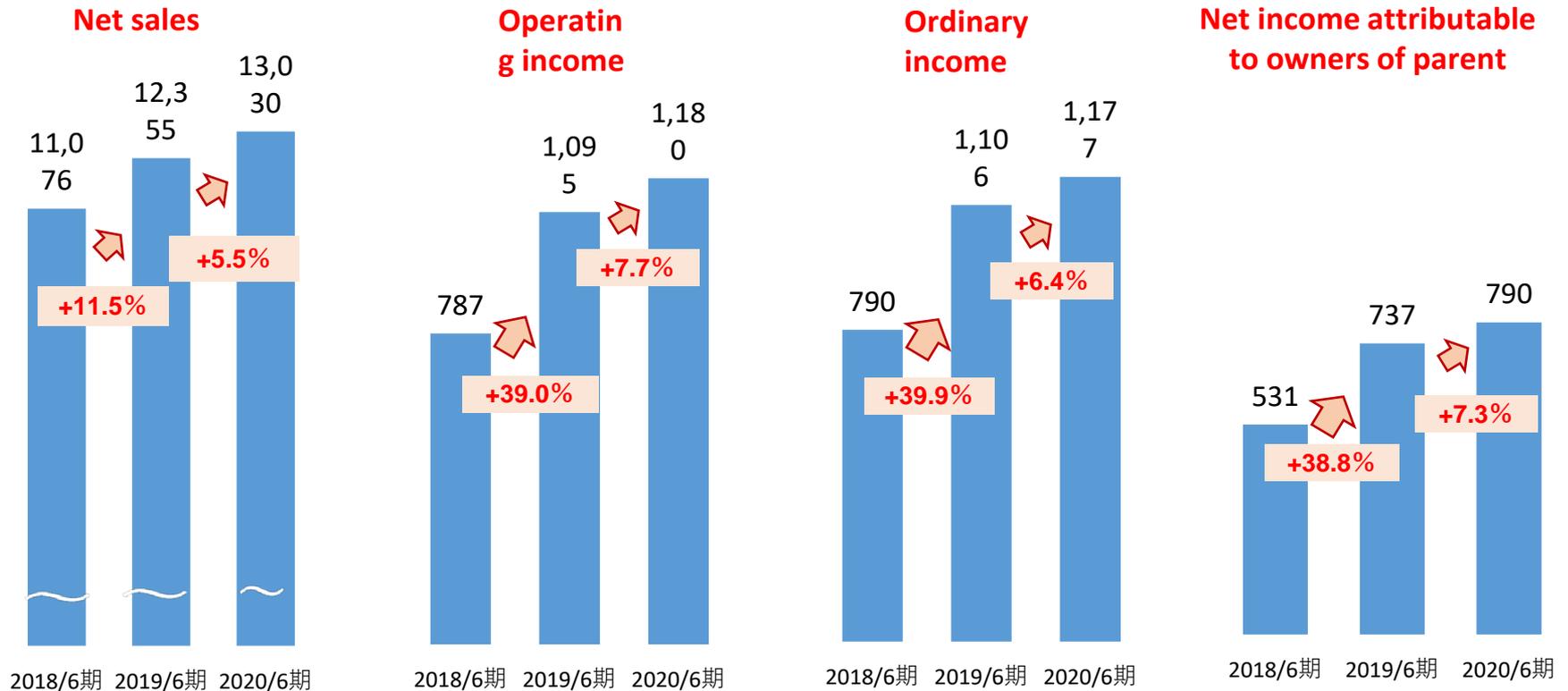
- In 2016 and 2018, implimented 1:2 stock split, and indicated annual dividend per share after split.
- In 6/18 implemented purchase of trasury stocks of 136 million yen (Overall payout ratio 57.5%).

Business Forecasts for FY6/20



Business Forecasts for FY6/20

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



Forecast of Business Results by Segment

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

(Millions of yen)

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

Mid-Term Management Plan



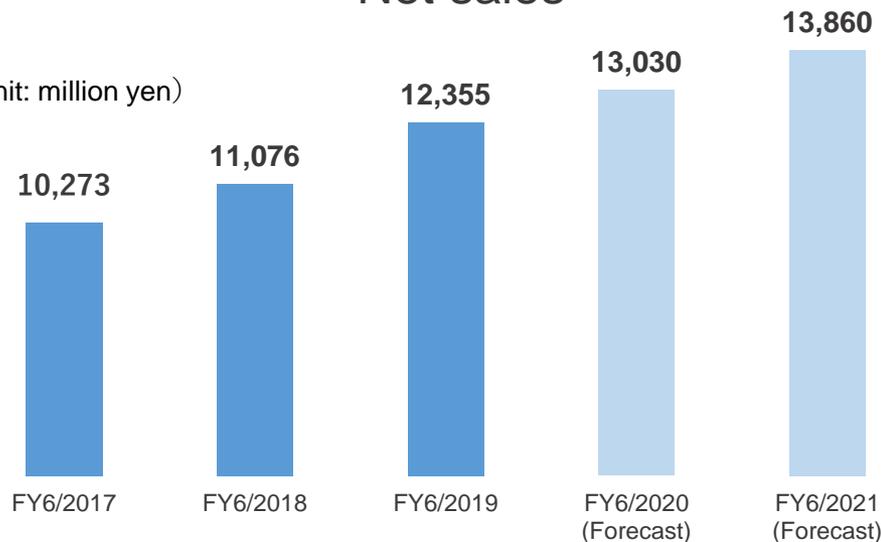
Mid-Term Management Targets : Achievement of “Triple 10”

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

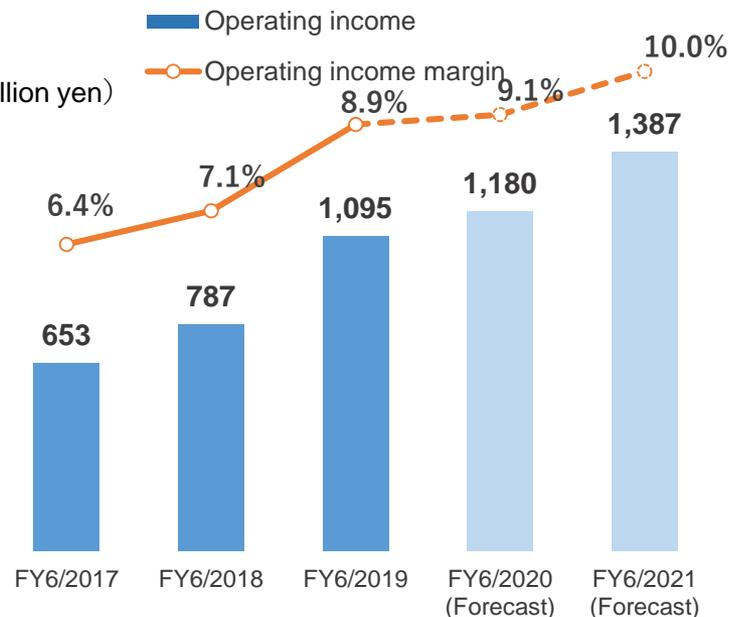
Mid-term Management Targets Aim at triple-10 within 5 years	Net sales	10 billion yen (FY6/2017) <Achieved !>
	Operating income	1 billion yen (FY6/2019) <Achieved !>
	Operating income margin	10% (FY6/2021) Target

Net sales

(unit: million yen)



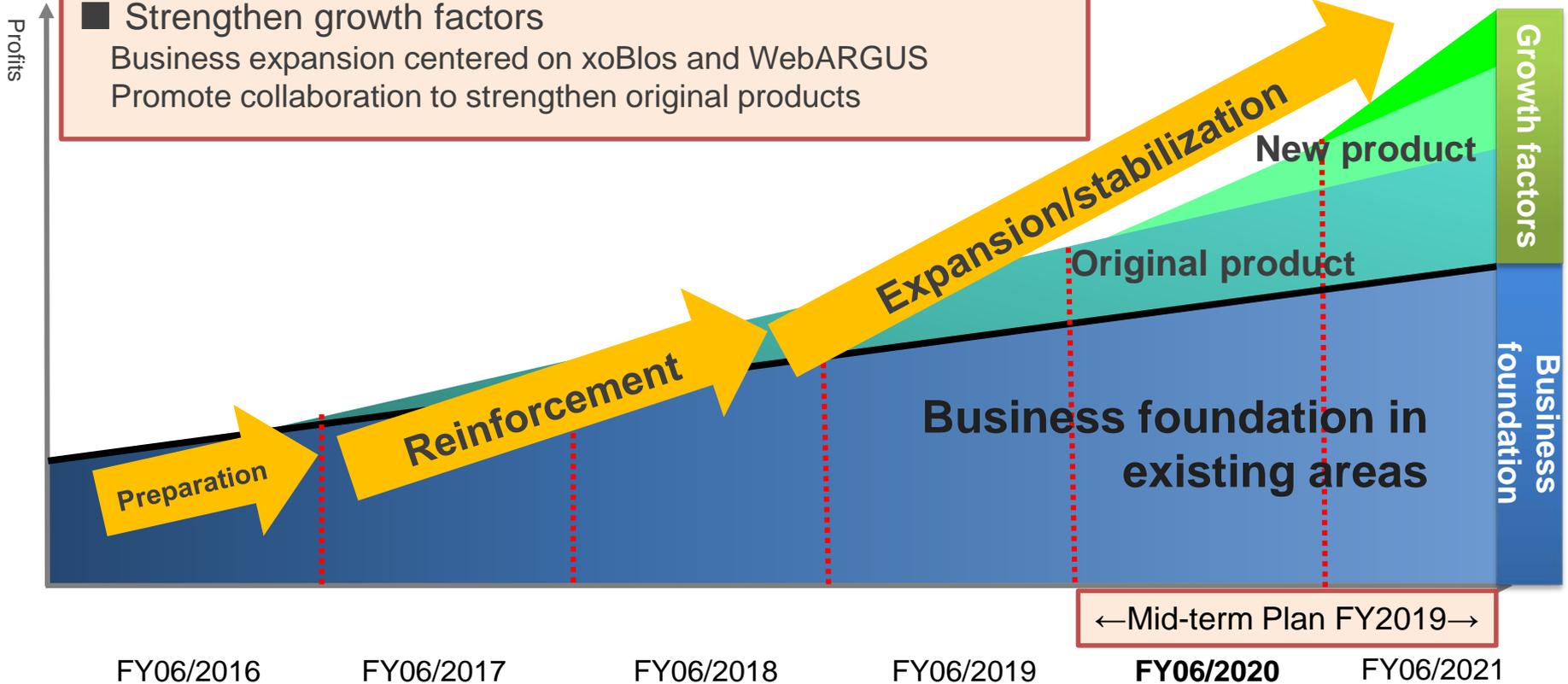
(unit: million yen)



Mid-term Growth Model

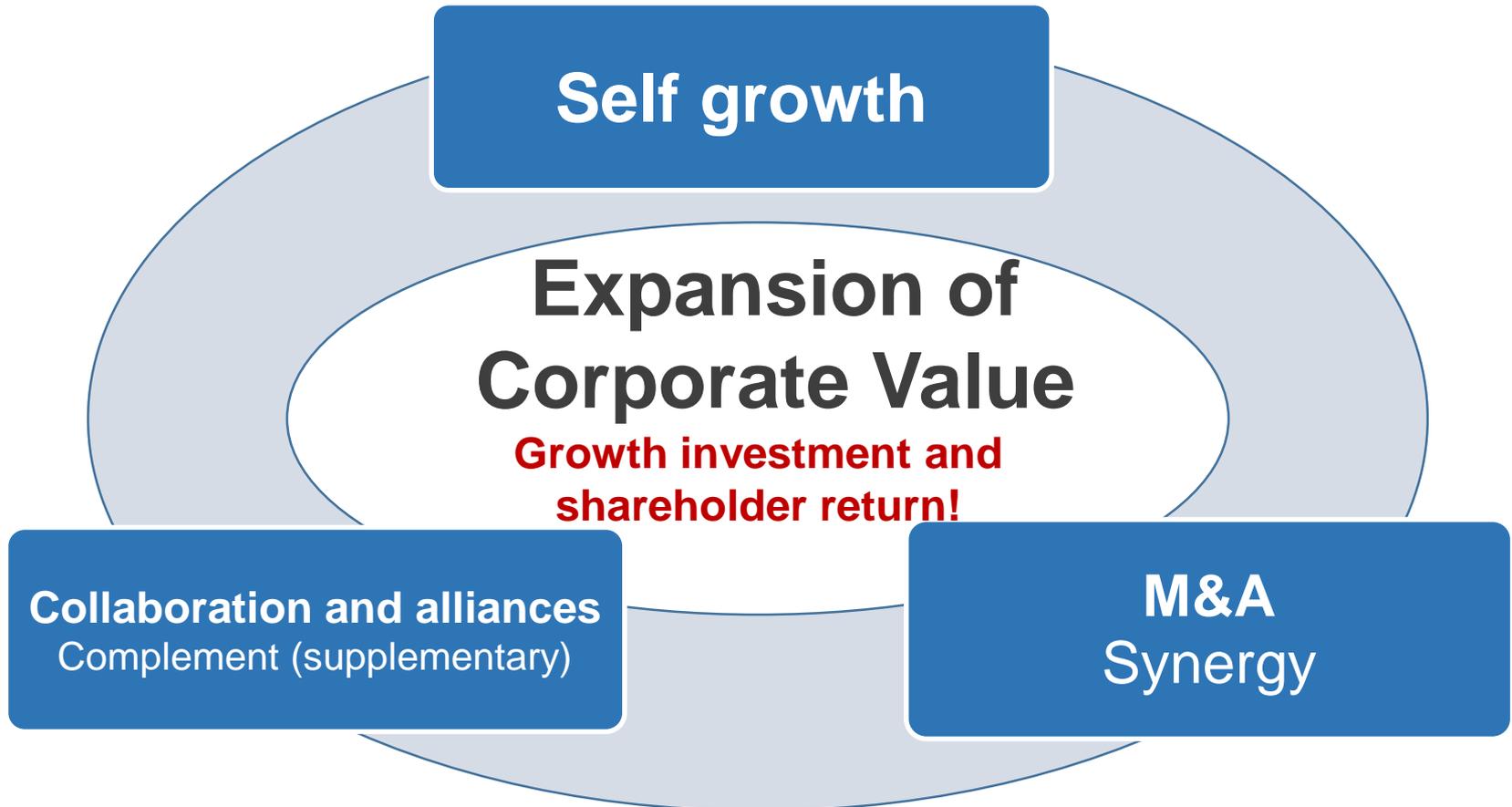
Two Pronged Business Strategy	Business foundation	Generate stable earnings in a wide variety of business areas
	Growth factors	Providing new value w/ original products at the core

- Expansion/stabilization of business foundation
Concentrate management resources in areas with growth potential
- Strengthen growth factors
Business expansion centered on xoBlos and WebARGUS
Promote collaboration to strengthen original products



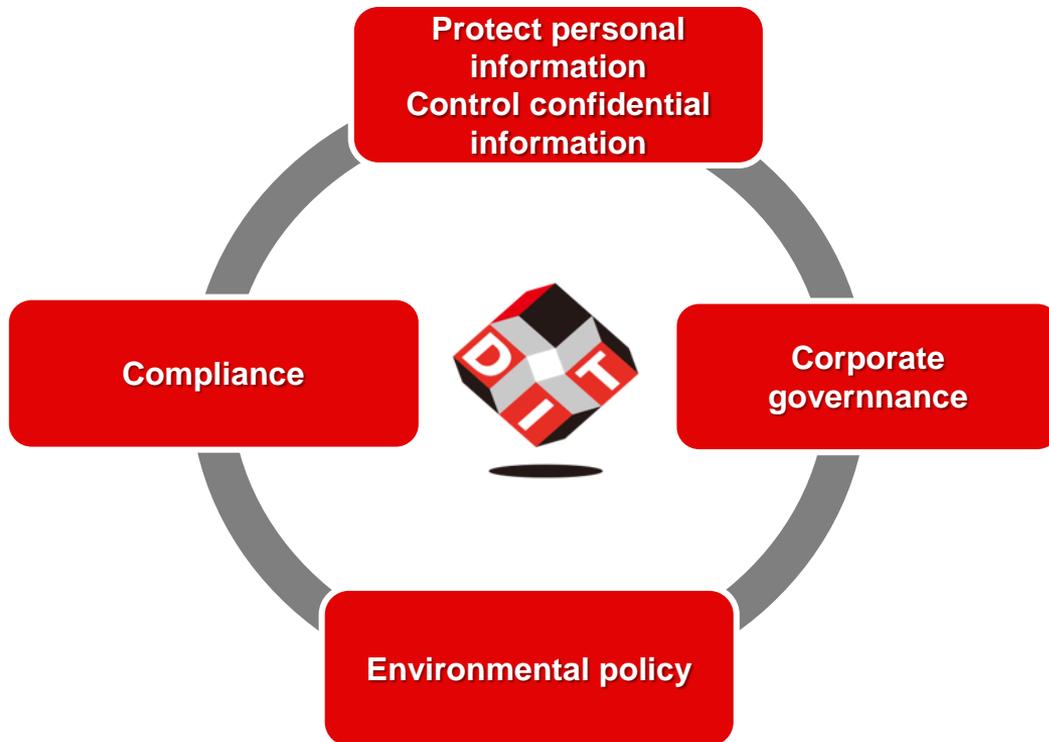
Towards expansion of corporate value

- 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 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

5 Basic Business Strategies

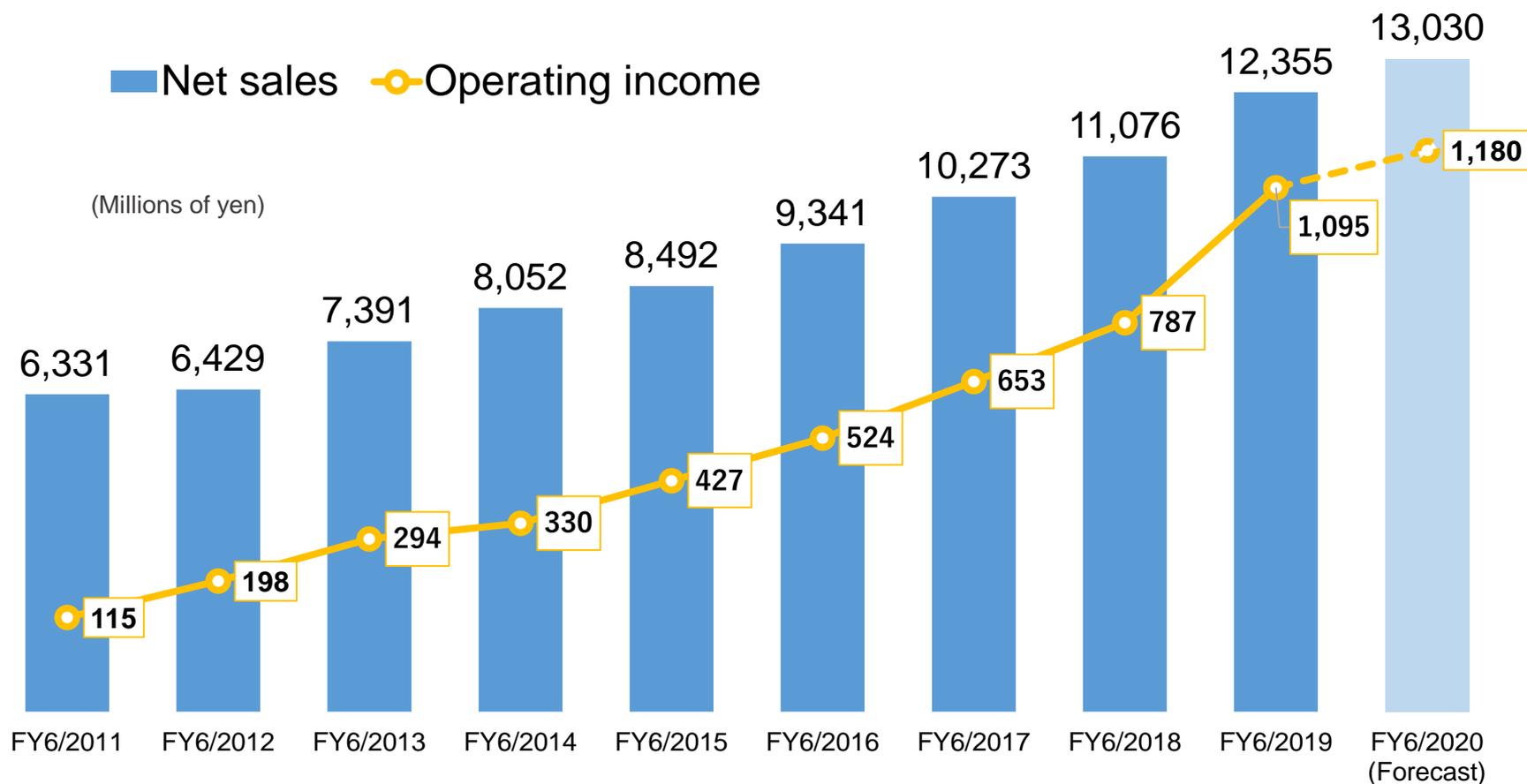
- (Strengthen our business foundation through the renovation of existing businesses)**
- (Create new value centered around original products)**
- (Expand our business through partnerships)**
- (Expand our business through the perspective of services)**
- Hire personnel and aid employee growth**

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

Dispersion (sub-optimization) Adaptability to change / Specialization / Development of Managerial talent	BS Company	CS Division	TS Division	DX Division	Concentration (total optimization) Control / Unification / Collaboration
	eB company				
	SB Company				
	ES Company	Administration division			
	NN Company	Corporate Planning Division			
	QE Company				
	EM Company				
	Xoblos Division				
	Business Division				
	IT Security				
DIT America, LLC					DIT Marketing Service Co., Ltd.

Trends of Business Results

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



Our strengths and basic strategies

Our Strengths

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

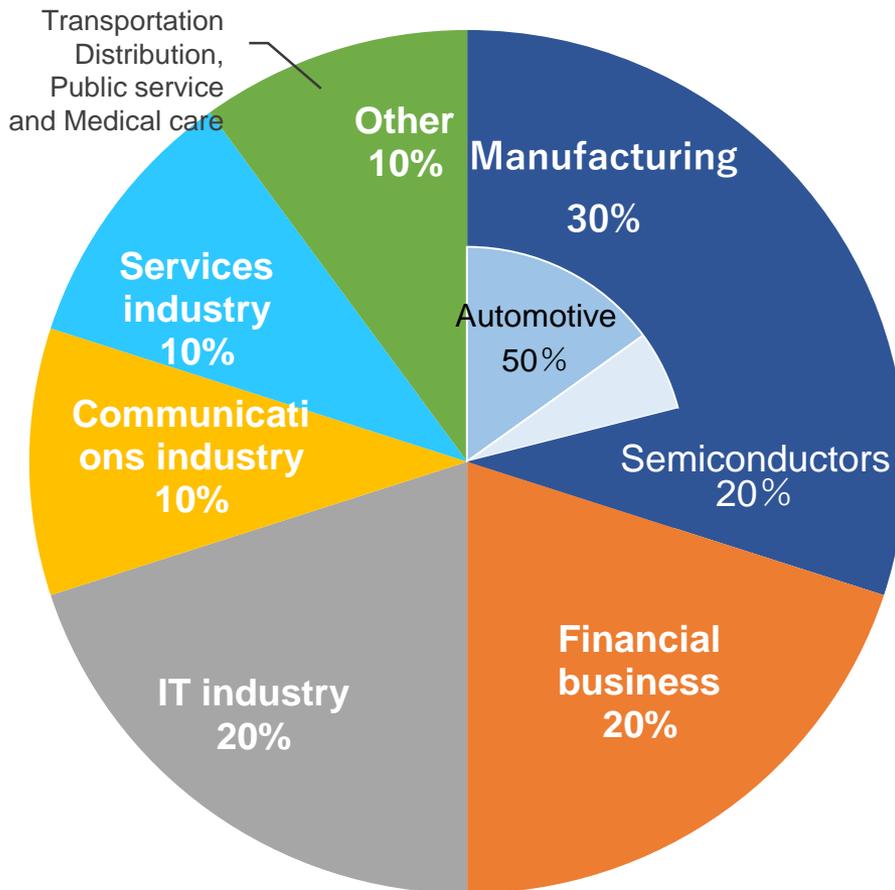


Basic Strategy

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

Customer Base

Sales Composition by Industry



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

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

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

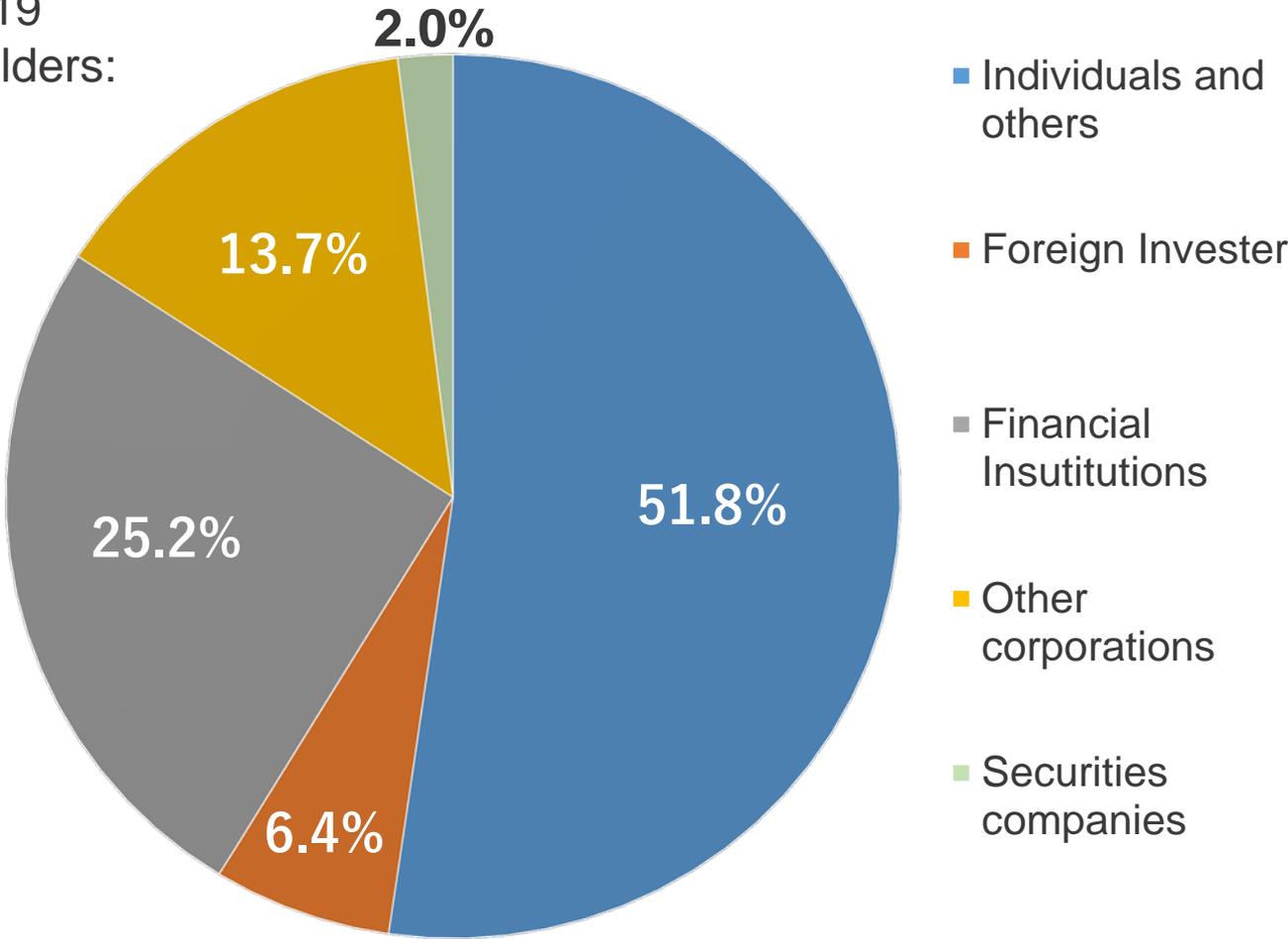
- Including information systems subsidiaries, sales for end users accounted for 80% of total sales.

Domestic and overseas development bases and the number of employees



Composition of Shareholders

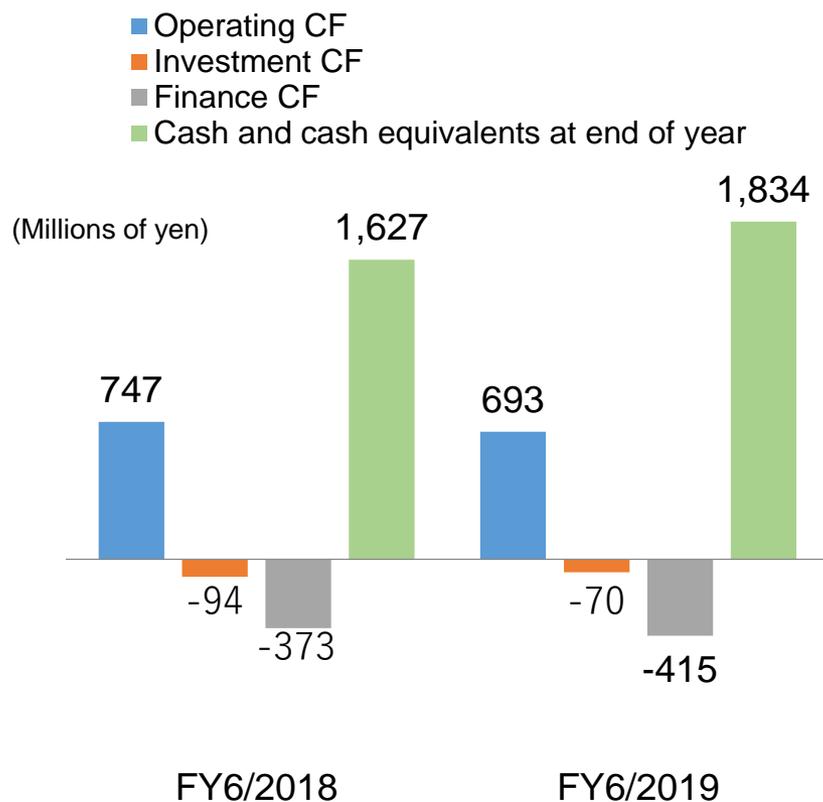
End of June 2019
Number of shareholders:
2,865 persons



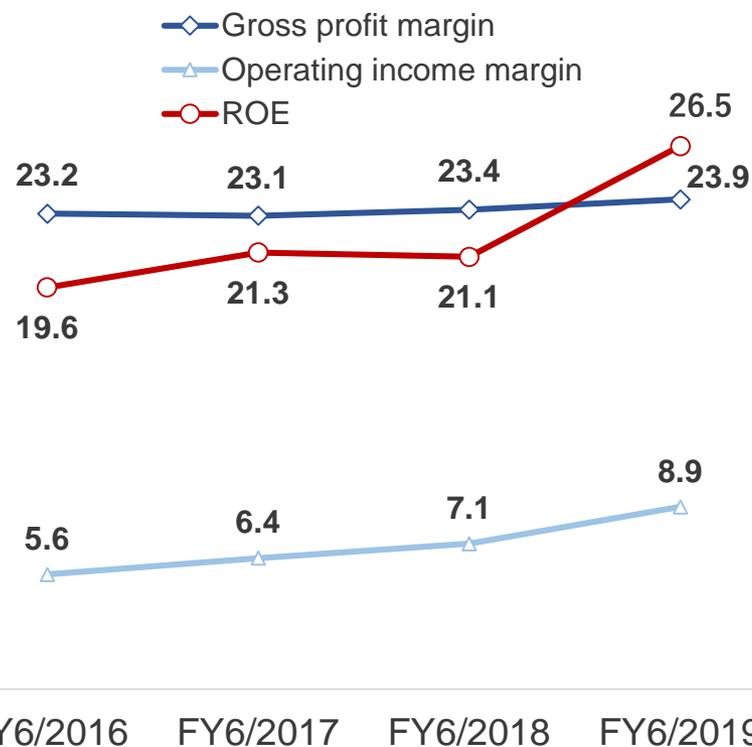
Cash Flows, Financial KPI

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

Consolidated Cash Flows



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





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