



DIT Report

Interim Financial Report for FY6/2024

(July 1 to December 31, 2023)

Stock Code: 3916, First Section of the Tokyo Stock Exchange

To Our Shareholders

As the fiscal year ending June 30, 2024 is the last fiscal year of the medium-term management plan, we will further strengthen the business promotion based on two axes: “stabilizing our business foundation” and “strengthening growth factors,” aiming for even greater growth.

We would like to explain our activities for the first half of the fiscal year ending June 30, 2024 (from July 1, 2023 to December 31, 2023) with the DIT Report.

Sales hit a record high, as we met healthy demand. However, first of all, I would like to apologize for the decline in profit in the first half of the fiscal year, although it improved slightly compared with our initial forecast. As the unprofitable project about which we were concerned has been completely wrapped up, profit has been increasing from the second quarter. We will strive to increase profit and achieve our plan in the second half of the fiscal year.

In the term ending June 30, 2024, which is the final fiscal year of the medium-term management plan, we shall aim for further growth with new goals and strategies while strengthening the business promotion based on two axes which have supported our growth until now; namely “stabilizing our business foundation” and “strengthening growth factors” before the start of a new medium-term management plan in the term ending June 30, 2025.

We look forward to the continued support and guidance of our shareholders.



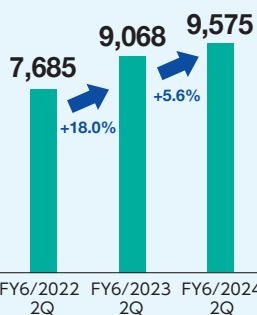
Satoshi Ichikawa,
Representative Director
and President

Sales hit a record high. Profit dropped, but the drop was less than initially expected.

Net sales

(million yen)

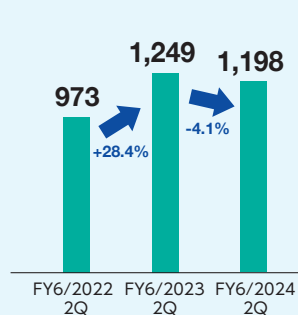
9,575
million yen



Operating Income

(million yen)

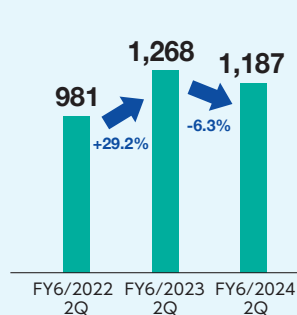
1,198
million yen



Ordinary Income

(million yen)

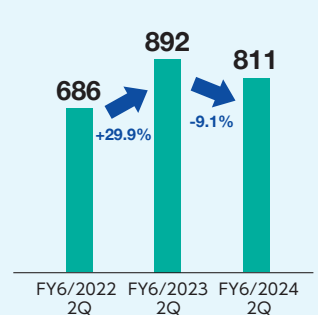
1,187
million yen



Net income attributable to owners of parent

(million yen)

811
million yen





Interview with President

Although the future outlook is uncertain, we will operate business carefully so as to minimize its effects, and take on challenges boldly while utilizing the capability of responding to changes, which is the forte of DIT.

Satoshi Ichikawa,
Representative Director and President

Top Interview

The second quarter of the fiscal year ending June 30, 2024 has ended. How was it?

Demand, such as the needs of enterprises for DX, remains healthy, so the sales in the first half of the fiscal year hit a record high. Profit, too, started showing a growing trend in the second quarter. Regarding the situation of each segment, automotive projects in the Embedded Solutions Unit maintained favorable performance while licensing sales have further increased in the Original Product Unit. The sales in the System Sales Business soared as we responded to the “amendment to the Act on Special Provisions concerning Preservation Methods for Books and Documents Related to National Tax Prepared by Means of Computers,” which was enforced in January 2024, and “introduction of the Qualified Invoice System.” On the other hand, there was a decline in profit of the Business Solutions Unit, which engages in the development of business systems and operational support, due to the unprofitable project in the previous fiscal year, as certain time was required for the rotation of engineers. Although we made our shareholders worried, the final process of this unprofitable project was successfully completed in the first quarter. We are working on the rotation of engineers to plant seeds for the future, so please rest assured. Moreover, both sales and profit of the operational support hit a record high, thanks to synergy with simplism inc., which became a group company through M&A the year before last.

Which part of the business was the most promising?

The Original Product Unit performed favorably. Sales based on the subscription model grew, as we provided comprehensive security services centered on “WebARGUS,” which immediately detects tampering with websites and the like and recovers the damage in less than 0.1 seconds. Moreover, prospective clients for the business streamlining software “xoBlos” actually placed orders, increasing the number of companies that adopted the software.

We managed to acquire a considerable number of large blue-chip clients with “DD-CONNECT,” an electronic contract outsourcing service. Furthermore, we have been successful in deepening the trusting relationship with our clients, as a result of which they started using auxiliary services as well.

Please tell us your forecast for the full-year ending June 30, 2024 and your priority measures.

In this fiscal year, we will aim to increase sales and profit for the 14th consecutive fiscal year. We have not made any changes to the full-year forecast, but the progress in the first half has exceeded the initial forecast.

Regarding the Business Solutions Unit, the rotation of engineers has been dealt with and the system has been arranged. Therefore, we will ensure the recovery of the Unit while utilizing M&A effects to work toward the expansion of business mainly in the financial field.

With regard to the Embedded Solutions Unit, we will continue to focus on automotive projects and work toward expanding the shares of our existing clients by addressing projects which are growing more sophisticated and diversified every year while forging ahead with reaching out to new clients and reinforcing our foundation in preparation for the next fiscal year.

Furthermore, we will strive for a significant year-on-year growth in sales of the Original Product Unit through the following measures.

We believe that we can dramatically expand “xoBlos” among potential clients by semi-automating the part that hinders adoption by utilizing AI, and we are forging ahead with the development.

“WebARGUS,” our security product that was updated with measures to counter ransomware last year, is increasingly recognized as the last security measure and we are projecting a further growth of the demand. Moreover, we are proceeding with the development of PoC (Proof of Concept) for “WebARGUS” for IoT devices, which has been our goal for some time, in response to the request from our clients.

With regard to “DD-CONNECT,” we shall work toward further expansion, including auxiliary services, targeting mainly the housing and construction industry.

You have opened a DX development base in Hakodate.

In November 2023, we were invited by Hakodate City to open the “Hakodate Branch of the DX Business Laboratory.” We established an office in Matsuyama City, Ehime Prefecture, in April 2013, recruited local IT personnel and managed to expand our staff to over 60 members. While the competition in personnel recruitment in the Tokyo Metropolitan Area grew fierce, we intend to forge ahead with recruiting IT personnel in the same way in Hakodate City, where Future University Hakodate, which has the School of Systems Information Science, and National Institute of

Technology, Hakodate College are located. We believe that by satisfying the wishes of people who would like to stay in or return to Hakodate, but cannot do so because there is no work, we can employ personnel who have returned to their hometown after once leaving to find work and personnel who would like to work in a rural area rather than an urban center. We shall contribute to local revitalization through these initiatives.

Two cases of M&A were announced alongside the financial results for the second quarter.

As synergy with simplism inc., which was made into a subsidiary in 2022, was exerted, we carried out M&A to achieve further growth.

System Product Co., Ltd. excels at development for the securities industry. Their skills coupled with our forte, that is, the development capability for the bank industry, will bring about significant synergy and allow us to address all aspects of the financial field. Furthermore, it will be possible to provide engineers in response to demand, expanding the system for addressing requests from clients.

Jungle, Inc. is characterized by their capabilities of marketing and selling software. We believe that utilizing our development capability and Jungle’s know-how and sales network will lead to promoting sales of our original products. Jungle also holds exclusive sales rights for a data transfer tool and copyright for data deletion software, and we are projecting an expansion of sales of these products, too.

Please tell us about the progress of the medium-term management plan and the 2030 Vision.

The current fiscal year is the last fiscal year of the medium-term management plan. While the different segments are cooperating with each other, the plan is progressing smoothly as a whole, and we expect that we will be able to achieve our target for this fiscal year, that is, net sales of 19.5 billion yen and operating income of 2.5 billion yen.

With this fiscal year, the first three years of the “2030 Vision,” that is, the period of “Promoting the structural reform of business,” will end. Next comes the “Achievement of a growth trajectory.” Amid the fierce competition in acquiring personnel, we will raise the salaries of new employees and also increase the salaries of existing employees. As this will push down profit, we assume that we will proceed with the medium-term management plan in the next fiscal year slowly, but we believe that the elevation of salary and treatment will lead to improving motivation and eventually boost profit as well. Moreover, we believe that measures such as M&A will make a contribution. We are planning to release the next medium-term management plan alongside the announcement of the financial results of this fiscal year, and we intend to not give up on the “Challenge 500” upheld in the “2030 Vision” to accomplish net sales of 30 billion yen or more with organic growth and 50 billion yen or more including sales of new businesses.

Are there any other messages to shareholders and stakeholders?

We shall continue the business promotion based on two axes which have supported our growth until now; namely “stabilizing our business foundation” and “strengthening growth factors” and make the utmost effort for further growth. We upwardly revised the dividend payout ratio to 40% or higher in this fiscal year. We shall do our best to meet your expectations, so we would appreciate your continued support.



Together with the interviewer Ayako Kanouchi (analyst)

About the Hakodate Branch of the DX Business Laboratory

Regarding the Hakodate Branch of the DX Business Laboratory, established in November 2023, we interviewed Mr. Yuichi Narita, who is the laboratory head, and Mr. Kento Shoji, who is the first member of the laboratory, on the objective and their thoughts concerning the Hakodate Branch.

01 Interview with Mr. Yuichi Narita



After having served as a leader in the various departments of Sumitomo Forestry Information Systems Co., Ltd., I was invited by DIT to create a DX research department. I joined the company as the first head of the DX Business Laboratory and have been active at this post for the last four years. Furthermore, we established the Hakodate Branch of the DX Business Laboratory in November last year, and I am also working as head thereof.

We had four objectives in opening the Hakodate Branch. The first objective is to utilize the locational advantage for securing new graduates as many IT, science and technology-oriented universities and high schools, such as the Future University Hakodate, are located in Hakodate. The second objective is to establish an employment model compatible with various workstyles and lifestyles. At the Hakodate Branch, we are focusing on recruitment for forms of employment that match the candidate's lifework in addition to full-time employment. We intend to spread the endeavors to match the working conditions to the lifestyle of each employee throughout our company, based on the model of the Hakodate Branch. With regard to this initiative, please check the interview with Shoji, who is a concrete example, as well. The third objective is the

linkage between new business areas and our advanced technologies. There are relatively few competitors in Hakodate and we assume that we can expand our business by proposing the incorporation of our business streamlining tool "xoBlos" and security product "WebARGUS" to municipalities. The fourth objective is to create the base for the research and development of new technologies. While many enterprises engage in low-code development at off-shore overseas bases, we intend to achieve diversification by bringing it to countryside cities in Japan, making the Hakodate Branch an advanced near-shore base using new DX technologies such as low-code technology and AI. Lastly, we shall support countryside revitalization and restoration in Japan through these initiatives.

02 Interview with Kento Shoji

When I was a student at Hakodate La Salle Senior High School, I belonged to the rugby club and I was a team member when our school participated in "Hanazono" (The National High School Rugby Tournament) for the first time. Afterwards, I advanced to a university in Gunma Prefecture and while I was still a student, I started working at a managerial position under an investor in Gunma Prefecture. I did feel that my work was worthwhile, but eventually I became unsure about whether I wanted to make this occupation and industry my lifelong work, and I began to think that I would like to do something with rugby. When I consulted the rugby team coach of my alma mater, he told me that "a more proper coach is necessary to make the team stronger. If you have an opportunity, come back to Hakodate straight away." I returned to my hometown last May and started coaching at my alma mater. Afterwards, I was introduced to Narita, the head of the Hakodate Branch of the DX Business Laboratory, through my network. Hearing that he "would like to proactively employ even people who have time restrictions due to childcare, etc., if they are positive personnel who would like to make the Hakodate Branch better," I related to Narita's concept and DIT's business itself very much and I joined the company last November on the condition that I would work until 3 pm and use the time after that for coaching. Right after joining the company, I worked mainly on establishing the Hakodate Branch which had nothing, not even office desks. As for now, I am mainly in charge of service engineering for electronic contracts and business planning, directly visiting municipalities which would collaborate with our company in DX, such as the DX section of Hakodate City and city halls, and proposing our plans to them. I have a great goal of making Hakodate a city with developed DX in future through such proposals.



IR Topics Report on the questionnaire results

During the period from September 27 to October 27, 2023, our company conducted a questionnaire survey targeted at shareholders, and received answers from 395 shareholders. The opinions received through the questionnaire will be reflected in our future business activities.

Q1. Please let us know what motivated you to purchase or acquire the shares of our company.

Japan Company Handbook	30.6%	Initial public offering (June 2015)	1.2%
Investment periodicals other than Japan Company Handbook	16.1%	Listing on the First Section of TSE (March 2017)	3.2%
Newspaper	5.5%	Briefing sessions for individual investors	1.4%
Our website	6.4%	Recommendation by securities firms	7.1%
Websites on financial information, such as Yahoo! Finance	13.6%	TV programs and radio	4.6%
Executives, employees, or former staff of our company	0.4%	SNSs and YouTube	2.8%
		Recommendation by family members or friends	3.9%
		Others	3.2%

Q3. Please let us know your future shareholding policy.

Long-term holding (5 years or longer)	50.3%	To purchase more shares	17.9%
Mid-term holding (2-4 years)	24.2%	To sell shares (have already sold shares)	3.9%
Short-term holding (about 1 year)	3.7%		

Q5. What do you expect the most from our company?

Active business expansion	40.3%	Purchase of treasury shares	6.4%
Stable management	21.7%	Enrichment of IR activities	1.1%
Dividends that depend on business performance	11.1%	Others	1.9%
Stable dividends	17.5%		

Q2. When you purchased the shares of our company, what did you consider the most?

Growth potential and future prospects (expectations toward the rise in latent profit)	68.4%	Our business model	4.3%
Stability (expectations toward dividends)	9.9%	Our fans	0.9%
Stock price and technical indices	3.4%	Whether the shares of our company are undervalued	2.7%
Financial standing and soundness	5.6%	Others	1.9%
Our philosophy	2.9%		

Q4. What part of our IR activities do you want to be improved?

Enrichment of reports for shareholders	34.1%	Holding of online explanatory sessions for individual shareholders	4.5%
Use of the Internet at the general meeting of shareholders	4.9%	Utilization of information magazines for individual investors	10.2%
Information provision via our website	16.3%	Utilization of the mass media, such as newspaper and TV	13.9%
IR e-mail (e-mail newsletter)	5.0%	Utilization of SNSs	2.3%
Events for individual shareholders	7.8%	Others	1.0%

Q6. Please let us know your overall satisfaction with the attached "DIT Report (Report on the Fiscal Year Ended June 30, 2023)."

Satisfied	23.7%
Somewhat satisfied	63.6%
Somewhat dissatisfied	11.1%
Dissatisfied	1.6%

Opinions we received



I attended the General Meeting of Shareholders. I would like to ask you to make efforts to expand your fan base. Now is the chance for you to grow. Please do your best.



I look forward to the growth of the cybersecurity business.

While there are many other system development companies, the president has made a good impression. This is a significant reason why I hold the shares of this company. I believe that this is very beneficial for the recruitment, retention and active participation of personnel.



Your favorable performance is not reflected on the stock value. Is this due to a lack of advertising?



Ehime Office celebrated its 10th anniversary.

Let us share what the 10th anniversary party looked like.



◆ Company Profile

Company name	Digital Information Technologies Corporation Abbreviation: DIT
Location	5th Floor of FORECAST Sakurabashi, 4-5-4 Hatchobori, Chuo-ku, Tokyo TEL : 03-6311-6520 (main) /FAX : 03-6311-6521
Established	January 4, 2002
Capital	453,156 thousand yen (as of the end of December 2023)
Closing month	June
Number of employees	1,337 (consolidated) (as of the end of December 2023)

◆ Stock Information (as of the end of December 2023)

Number of authorized shares:	24,800,000
Number of issued shares:	15,501,820
Number of shareholders:	5,022



Our IR information page:
<https://www.ditgroup.jp/ir/>

