FY 14/3 First Half
Results Presentation

November 7, 2013

DTS Corporation
http://www.dts.co.jp/

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Caution

Sales and income forecasts included in this document are based on assumptions made on the basis of information currently available, including business trends, economic circumstances, clients' trends, etc., and can be affected by various uncertainties. Actual sales and income may differ materially from the forecasts.

I. FY 14/3 First Half Results

FY14/3 First Half Results (Non-Consolidated)

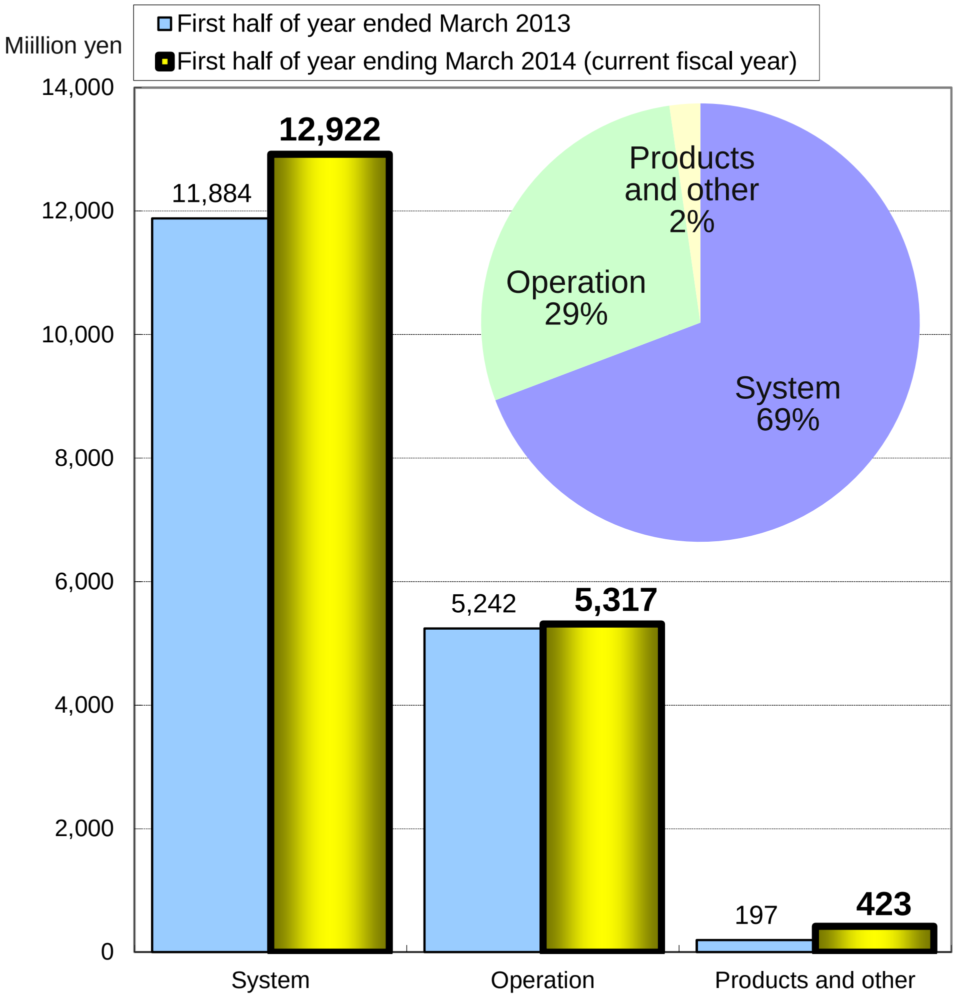
DTS Delivering Tomorrow's Solutions

Both sales and profits increased significantly, with net sales up 107.7% and operating income up 123.6% from the same period of the previous fiscal year.

(Units: Million yen, %)	Amount	Ratio to sales (%)	Year on year		vs. initial forecasts	
Net sales	**18,663**	–	**107.7%**	**+1,338**	**104.6%**	**+813**
Gross profit	3,298	17.7%	118.1%	+ 506	113.8%	+398
SG&A expenses	1,627	8.7%	113.0%	+187	95.7%	-72
Operating income	**1,671**	**9.0%**	**123.6%**	**+318**	**139.3%**	**+471**
Recurring income	1,812	9.7%	123.6%	+345	139.5%	+512
Net income	1,124	6.0%	124.1%	+218	140.6%	+324

Sales by Service (Non-Consolidated)

System sales increased substantially, driven by large projects in the banking sector. Operation sales performed well, while sales of products and others doubled, thanks to special demand for PCs.



System (108.7% YoY)

Large projects in the banking sector brought an upswing in sales, while sales of other development projects for a wide range of customers, including trust banks and brokerage firms, held steady. The Company also won new projects in the manufacturing, construction, and real estate sectors, which contributed to the increase in sales.

Operation (101.4% YoY)

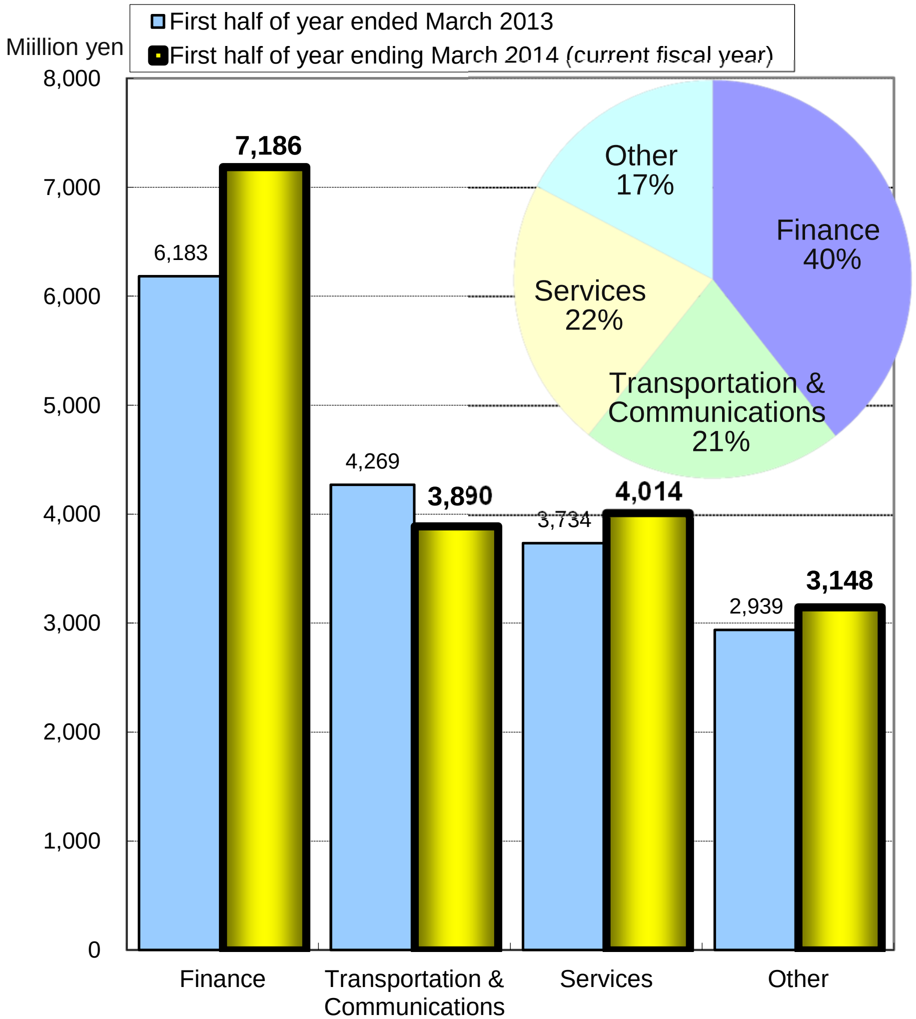
Overall sales increased, attributable to an expansion in the number of development contracts with Cloud business operators, offsetting services terminated through certain projects.

Products and other (213.7% YoY)

Sales doubled, mainly resulting from PC replacement demand.

Sales by End User (Non-Consolidated)

Sales in the financial sector increased substantially, attributable to expanded large projects in the banking segment. Sales in the Services and Other sectors rose, thanks to new orders received, offsetting a decline in sales in the Transportation & Communications sector.



Finance (116.2% YoY)

Sales increased significantly, mainly in the banking segment. Sales of other development projects for a wide range of customers, including trust banks and brokerage firms, also rose considerably.

Transportation & Communications (91.1% YoY)

Sales in the Communications sector decreased due to curbs on capital investment by corporate clients. Sales in the Transportation sector also declined as a result of the rollout of services in the major projects of the same period of the previous fiscal year.

Services (107.5% YoY)

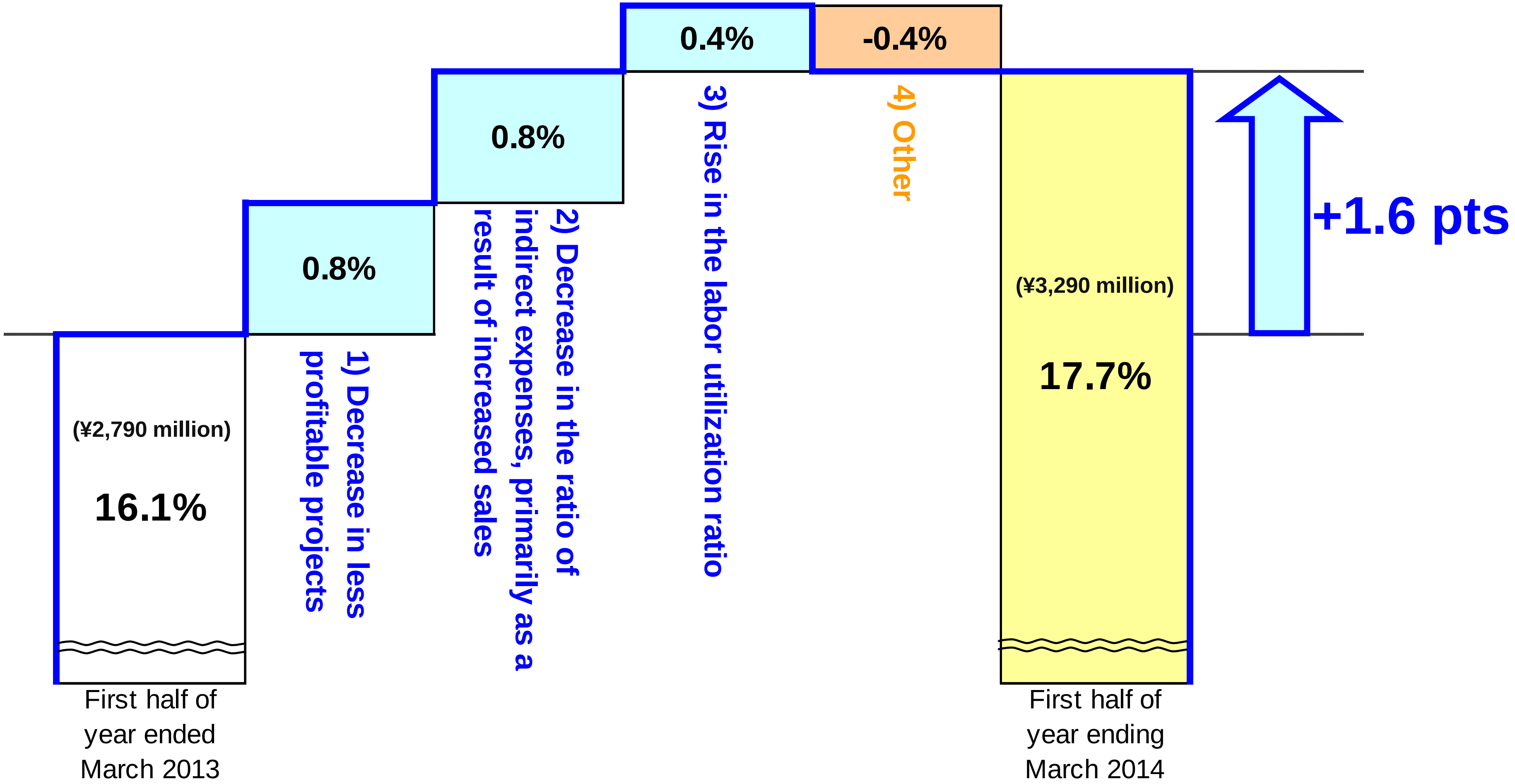
Sales increased for a wide range of customers, including Internet-related companies.

Other (107.1% YoY)

Sales increased thanks to new projects won in the manufacturing, construction and real estate sectors.

Gross Margin (Non-Consolidated)

Gross margin improved, primarily attributable to a decline in the number of unprofitable projects as a result of thorough project management, and a decrease in indirect expenses.



Operating Income and Recurring Income (Non-Consolidated)

The operating income margin improved, attributable to the upgraded profit structure that was furthered by increased sales, although SG&A expenses increased due to strategic investment outlays.

SG&A expenses: ¥1,627 million
- 113.0% YoY
- 8.7% of sales (+0.4 pts YoY)

- Increase in strategic investment outlays (Strengthening employees' abilities to propose solutions, development of systems for the creation of new businesses, etc.)	+¥211 million
- Other expenses	-¥24 million

Operating income: ¥1,671 million
- 123.6% YoY
- Operating income margin: 9.0% (+1.2 pts YoY)

Recurring income: ¥1,812 million
- 123.6% YoY
- Recurring income margin: 9.7% (+1.2 pts YoY)

FY14/3 First Half Results (Consolidated)

Increases were secured in both sales and profits, with net sales up 103.6% and operating income up 124.4% from the same period of the previous fiscal year. There were also significant jumps compared to the initial forecasts.

(Units: Million yen, %)	Amount	Ratio to sales (%)	Year on year		vs. initial forecasts	
Net sales	**30,821**	–	**103.6%**	**+1,078**	**102.1%**	**+621**
Gross profit	4,944	16.0%	113.4%	+ 585	104.1%	+194
SG&A expenses	2,866	9.3%	106.6%	+178	94.0%	-183
Operating income	**2,077**	**6.7%**	**124.4%**	**+407**	**122.2%**	**+377**
Recurring income	2,111	6.9%	122.8%	+391	120.7%	+361
Net income	1,123	3.6%	124.2%	+ 218	122.1%	+203

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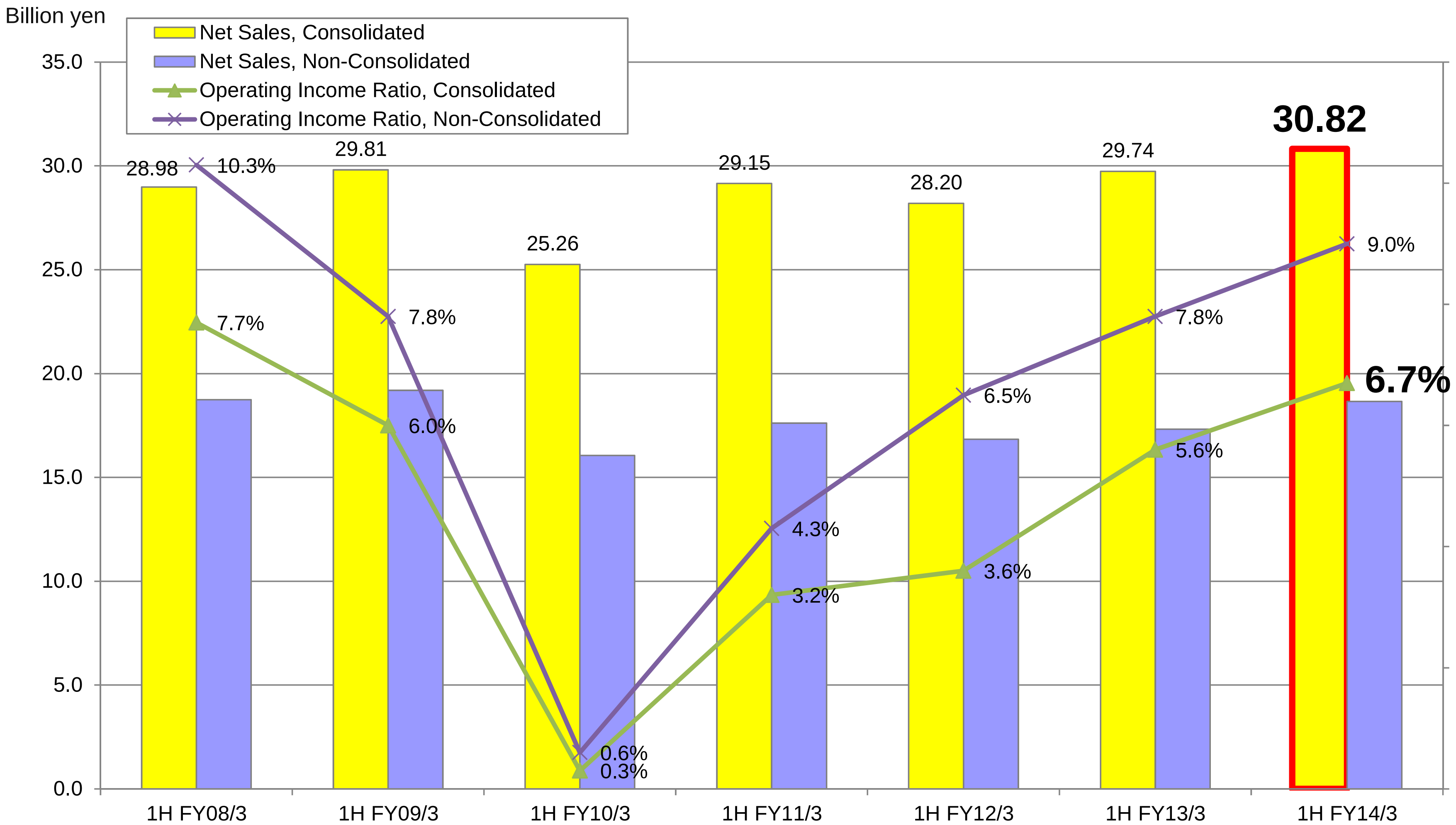
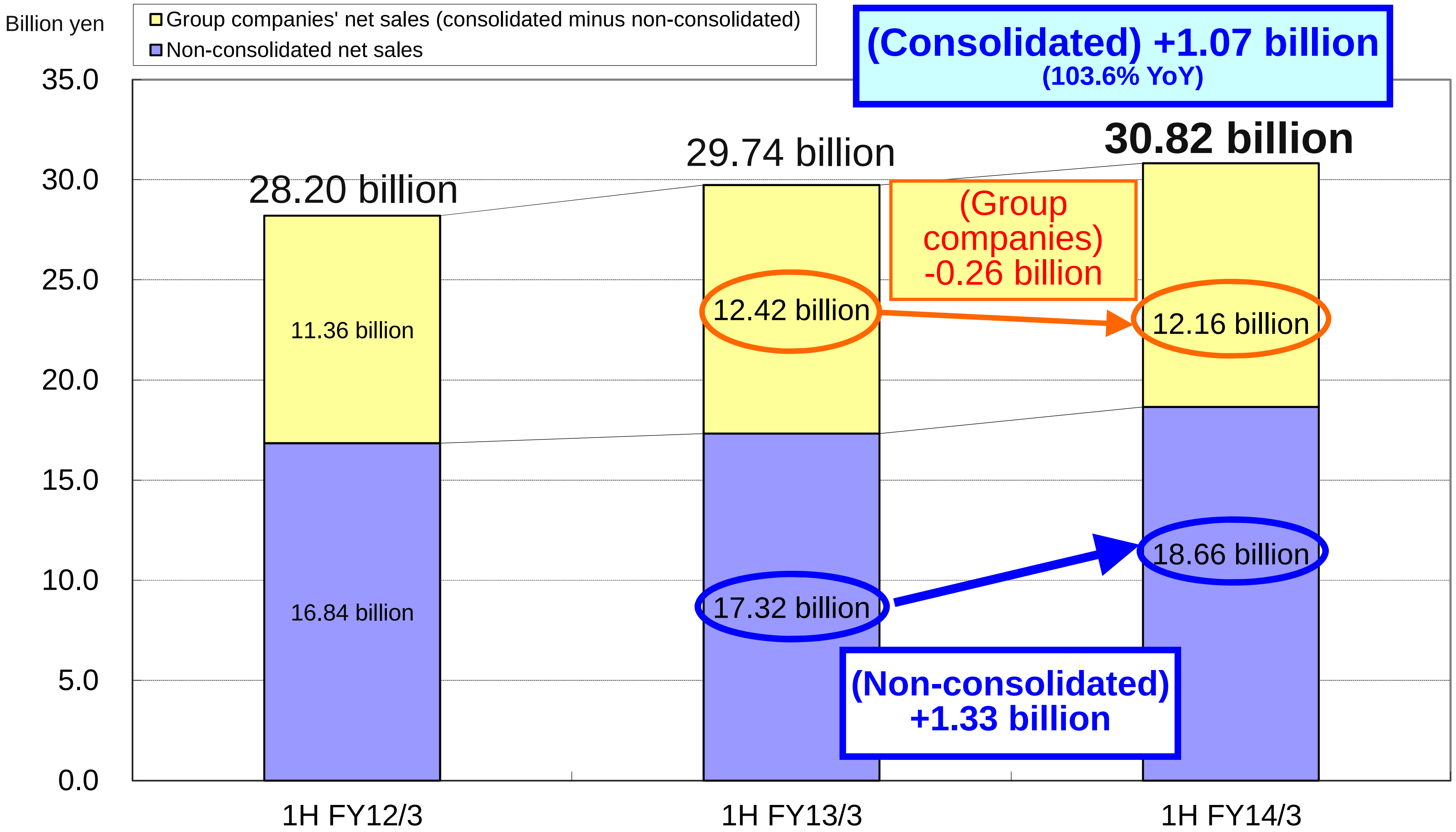
Change in Net Sales and Operating Income (1H FY14/3)

Consolidated net sales reached a new high. The operating income ratio was also the highest in the last five years.



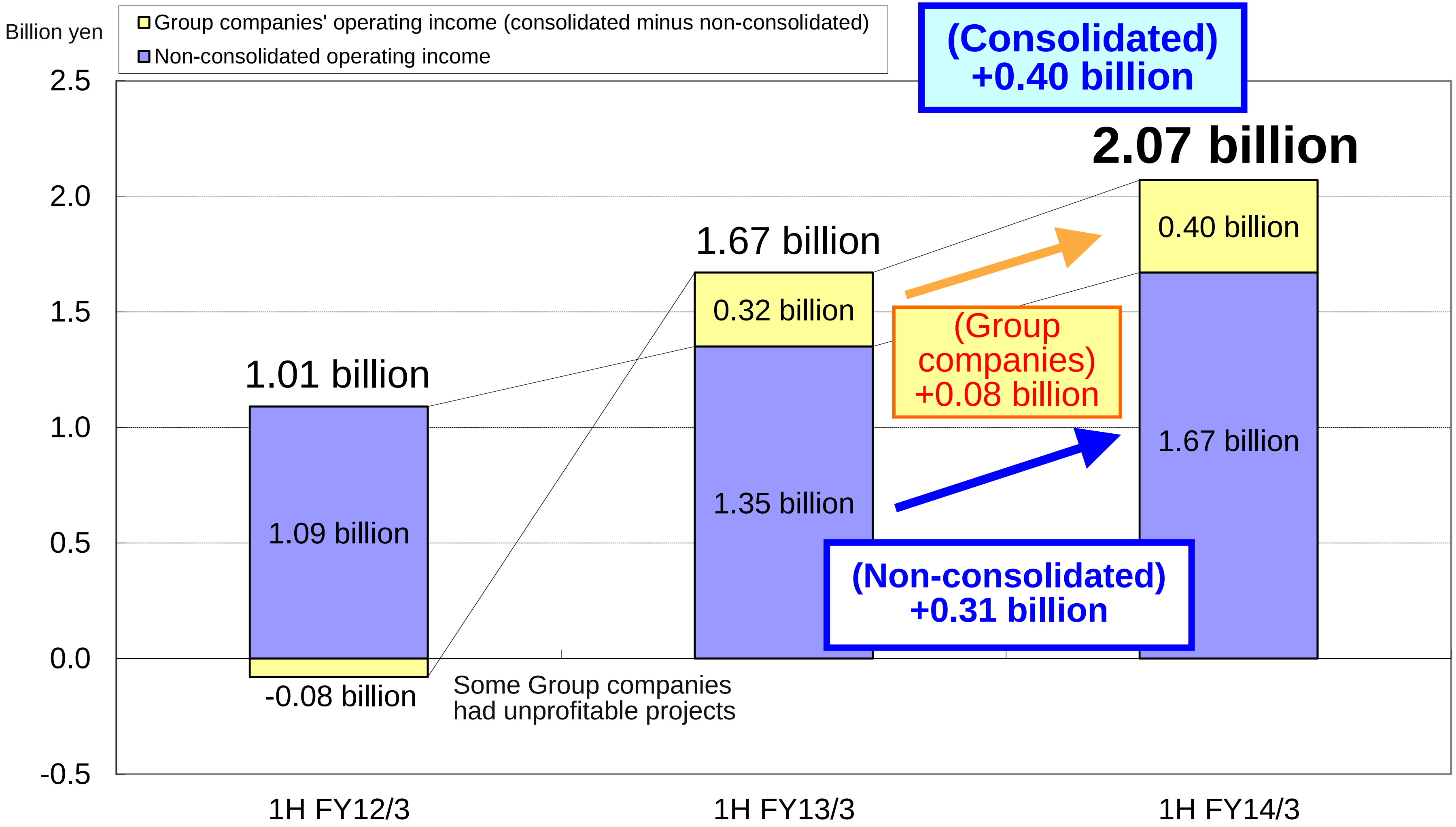
Breakdown of Consolidated Net Sales

An increase in net sales on a consolidated basis was achieved, thanks to a significant rise in non-consolidated sales, offsetting a decline in sales in reaction to the services rollout of large projects of certain group companies.



Breakdown of Consolidated Operating Income

Overall continuous cost cutting efforts, also by group companies, contributed to increased profits on a consolidated basis.



Group Company Results (1H FY14/3)

(Units: Million yen, %)	Net sales			Operating income			
Company name	Amount	YoY (%)	vs. initial plan	Amount	Ratio to sales (%)	YoY (%)	vs. initial plan
DATALINKS CORPORATION	3,996	103.0%	101.7%	156	3.9%	129.9%	126.0%
DIGITAL TECHNOLOGIES CORPORATION	3,525	99.7%	98.8%	55	1.6%	299.9%	94.8%
FAITEC CORPORATION	2,826	97.5%	103.9%	173	6.2%	161.8%	66.8%
JAPAN SYSTEMS ENGINEERING CORPORATION	2,021	107.1%	97.3%	74	3.7%	74.0%	78.6%
SOUGOU SYSTEM SERVICE CORPORATION	593	98.4%	99.4%	49	8.3%	112.3%	165.1%
KYUSHU DTS CORPORATION	506	78.6%	80.3%	16	3.3%	61.1%	59.3%
MIRUCA CORPORATION	201	105.1%	112.9%	16	8.0%	336.4%	[+20]
DTS (Shanghai) CORPORATION	127	-	88.1%	-22	-	-	[-36]

* Figures for each company are on a non-consolidated basis, so the total does not equal consolidated figures.
* Figures in brackets represent FY 14/3 amount minus FY 13/3 amount.
* The inclusion of DTS (Shanghai) CORPORATION in the consolidated financial statements commenced in the current fiscal year.

New Contracts on a Consolidated Basis

The numbers of systems contracts and backlogs increased substantially. Contributing factors included large projects in the banking sector and development projects in the manufacturing and services industries.

(Units: Million yen, %)	New contracts				Backlogs			
	Amount	Composition ratio	Year on year		Amount	Composition ratio	Year on year	
Information service	25,545	92.0%	112.0%	+2,742	16,174	93.9%	113.8%	+1,957
System	18,671	67.3%	118.5%	+2,914	10,956	63.6%	121.6%	+1,948
Operation	3,562	12.8%	82.9%	-733	4,869	28.3%	97.0%	-152
Products and other	3,310	11.9%	120.4%	560	347	2.0%	186.8%	161
Human resources service	2,207	8.0%	96.0%	-91	1,041	6.1%	83.7%	-203
Total	27,752	100.0%	110.6%	2,651	17,216	100.0%	111.3%	1,754

II. Progress of Key Initiatives

Key Initiatives

1. Strengthen ability to make proposals

2. Strengthen business base

3. Reform business model

4. Enhance management base

5. Gather overall strength of the Group

Key Initiatives (1): Strengthen ability to make proposals

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First half

- ✓ **Strengthened the sales systems by increasing sales personnel in each business division.**
- ✓ **Expanded the existing customer base and promoted new customer development by strengthening cooperation and collaboration among members of the DTS Group.**

Stronger sales systems	- Increased personnel by 40% in the sales force for each prospective growth area such as systems development, infrastructure construction, and outsourcing in the financial, industrial, and public sectors. - The status of the projects and new contracts of each business division was managed on a biweekly basis, and actions were taken accordingly. This was done by introducing the key performance indicators system (KPI), which is based on a clear principle of results management to be applied to individuals in charge of sales and by launching a company-wide strategic meeting.
Stronger cooperation among Group members	- Promoted customer development by holding group-wide solution matching meetings in order to increase the sharing of projects and solutions of each group company.

Second half

- ➢ **Promote efforts to improve customer satisfaction and boost sales in the coming fiscal year and beyond.**

Key Initiatives (2): Strengthen business base

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First half

- ✓ **Promoted the development of "the third pillar" following the financial and communications sectors and the development of global business foundations.**
- ✓ **Secured profits in projects.**

Development of "the third pillar"	- Promoted activities for the realization of M&As and alliances with other companies for the purpose of expanding the business for embedded system-related projects and package solutions.
Global development	- Prepared for the establishment of new offshore bases and BPO services bases mainly in Southeast Asia.
Securing profits in projects	- Comprehensive project management by divisions and branch offices contributed to a reduction in the deficit. These efforts were also promoted in the group companies in sequence.

Second half

- ➢ **Aim for cooperation with other companies for the development of "the third pillar" and to achieve the establishment of overseas bases.**

Key Initiatives (3): Reform business model

First half

- ✓ **Established the Innovation Promotion Department in order to promote the creation of new businesses and strengthen marketing capabilities.**
- ✓ **Promoted technological innovation through technical research into promising areas and aggressive external exchanges.**

Creation of new businesses	- The Innovation Promotion Department took the initiative to establish a structure in which proposals for new businesses and product plans are made by business divisions, mainly in the medical treatment and Big Data areas.
Promotion of technological innovation	- Promoted the application of state-of-the-art technology in the mobile and Big Data areas and conducted empirical experiments, etc. toward practical use. - Participated aggressively in external research activities and training sessions (we called these activities *Taryu-jiai*, Japanese terminology for "having a bout with someone from outside one's own school of martial or other arts"), and provided feedback on marketing insights and IT technology within the Company.

Second half

- **Strengthen the systems for marketing activities in each business division and promote new business projects.**

Key Initiatives (4): Enhance management base

First half

- ✓ **Division/assignment systems were introduced, starting in the current fiscal year, with a view to the establishment of flexible organizational structures that are able to respond to changes in the business environment.**
- ✓ **Strengthened the development of human resources in the three areas of sales, technical experts, and the international arena.**

Promotion of organizational reform	- Starting in the current fiscal year, division/assignment systems were introduced to develop systems that enable flexible changes of organizations in response to changes in the business environment and revisions of business strategy, thereby promoting the more effective use of resources.
Strengthening of personnel development	- Developed human resources who are able to be role models in sales activities for the purpose of improving proposal capabilities. - The number of technical experts to be developed was set in the KPI to reinforce the personnel development system within the organizations. - Implemented overseas training sessions for the development of human resources capable of working in the international arena.

Second half

- ➢ **Commence the development of officer candidates to reinforce personnel development.**

Key Initiatives (5): Gather overall strength of the Group

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First half

- ✓ **Started to examine the feasibility of group restructuring.**
- ✓ **Examined structures for sharing and effectively using the Group's management information. Encouraged faster management decisions.**

Amalgamation of FAITEC	- In April 2014, the amalgamation of FAITEC, a system integrator specializing in pensions, insurance and other financial fields, will be implemented to make it a wholly owned subsidiary. - Aimed at business expansion in the financial fields, in which demand for system development is expected to increase in the future, improved management efficiency, and faster decision making.
Sharing of group management information	- Encouraged the improvement and speeding up of information linking among the group companies and established systems for information sharing.

Second half

- **Aim to enhance the collective strength of the Group and promote the optimization of the Group.**

III. FY 14/3 Full Year Forecast

Outlook for Business Environment

Sector		Topic	Market trend
Finance	Banks	Large projects will be at the stage of full-fledged development. Projects related to settlement and information will remain in the development stage. Overseas projects will also move to the development stage.	
	Trust Banks & Life and Non-Life Insurance	Integration projects for Trust Banks will remain in the stage for preparation for services launch. Large projects in Life insurance will move to the maintenance phase.	
	Securities	Stable orders are expected mainly in AMO projects, infrastructure construction, and replacement demand for PCs.	
Transportation & Communications	Communications	Major carriers are expected to continue to curb their investment outlays. Demand for Cloud platforms for IDC operations will likely remain strong.	
	Transportation	Although large projects in air transportation will move to the maintenance phase, development projects with new customers are expected to increase.	
Services		Solid demand for IT-related investment from a wide range of customers will contribute to an upswing in the services sector.	
Manufacturing, Public, Wholesale and Retail		ERP projects will be strong, mainly in the personnel management field. Demand for embedded system-related projects will increase in car-mounted devices and smart meters. Demand related to the National Identification Number System is expected in the public sector, while aggressive investment is expected in the wholesale and retail sectors.	

Performance Forecasts for the Fiscal Year Ending March 2014

(Units: Million yen, %)	Non-consolidated				Consolidated			
	Amount	Ratio to sales (%)	Year on year		Amount	Ratio to sales (%)	Year on year	
Net sales	**38,000**	**-**	**103.8%**	**+1,392**	**62,000**	**-**	**101.6%**	**+960**
Gross profit	6,550	17.2%	107.3%	+445	10,200	16.5%	109.0%	+840
SG&A expenses	3,400	8.9%	114.2%	+423	6,100	9.8%	113.9%	+743
Operating income	**3,150**	**8.3%**	**100.7%**	**+22**	**4,100**	**6.6%**	**102.4%**	**+97**
Recurring income	3,300	8.7%	100.6%	+18	4,150	6.7%	101.3%	+55
Net income	2,050	5.4%	100.5%	+9	2,200	3.5%	101.0%	+23

Full Year Forecasts for Group Companies for Fiscal Year Ending March 2014

(Units: Million yen, %)	Net sales		Operating income		
Company name	Amount	YoY	Amount	Ratio to sales (%)	YoY
DATALINKS CORPORATION	7,980	103.3%	240	3.0%	105.3%
DIGITAL TECHNOLOGIES CORPORATION	6,200	89.2%	100	1.6%	179.7%
FAITEC CORPORATION	5,700	97.6%	480	8.4%	131.3%
JAPAN SYSTEMS ENGINEERING CORPORATION	4,397	109.9%	290	6.6%	104.8%
KYUSHU DTS CORPORATION	1,200	95.1%	59	5.0%	96.6%
SOUGOU SYSTEM SERVICE CORPORATION	1,200	100.0%	90	7.5%	88.9%
MIRUCA CORPORATION	373	105.8%	20	5.4%	[+27]
DTS (Shanghai) CORPORATION	296	-	18	6.1%	

* Figures for each company are on a non-consolidated basis, so the total does not equal consolidated figures.
* Figures in brackets represent FY 14/3 amount minus FY 13/3 amount.

Dividend

A dividend payment of ¥15 per share will be made as initially planned for the first half.
We forecast a dividend payment of ¥30 per share and dividend payout ratio of 32.4% for the full year.

	End of second half	Year end	Full year	Payout ratio (consolidated)
FY 13/3	¥15	¥20 (Including commemorative dividend of 5 yen)	¥35	38.2%
FY 14/3	¥15	(Forecast) ¥15	(Forecast) ¥30	(Forecast) 32.4%