Summary of Financial Results for 3Q FY March 2017

February 7, 2017

株式会社 DTS

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Factors of change from FY 16/3

- Posted an extraordinary profit of ¥160 million (in the first quarter) in association with the transfer of part of the staffing business of DATALINKS CORPORATION in April 2016. Sales in the staffing business are expected to decline ¥2.1 billion year on year (in the full year).

- Results at SOUGOU SYSTEM SERVICE CORPORATION for three months from January to March 2015 were included in the consolidated results in the previous consolidated fiscal year due to a change in the company's fiscal year-end in the fiscal year ended March 31, 2016 (from December to March). Given the change, net sales in the first quarter declined approximately ¥0.5 billion.

- Extraordinary profits of ¥1.1 billion and extraordinary losses of ¥0.5 billion were posted in the first quarter of the fiscal year ended March 31, 2016 due to sales of land and buildings, including headquarters.

- Posted additional contribution of approximately ¥0.17 billion as extraordinary losses, due to the withdrawal from the information service industry welfare pension fund of KYUSHU DTS CORPORATION and DTS WEST CORPORATION in December 2016.

Consolidated Results

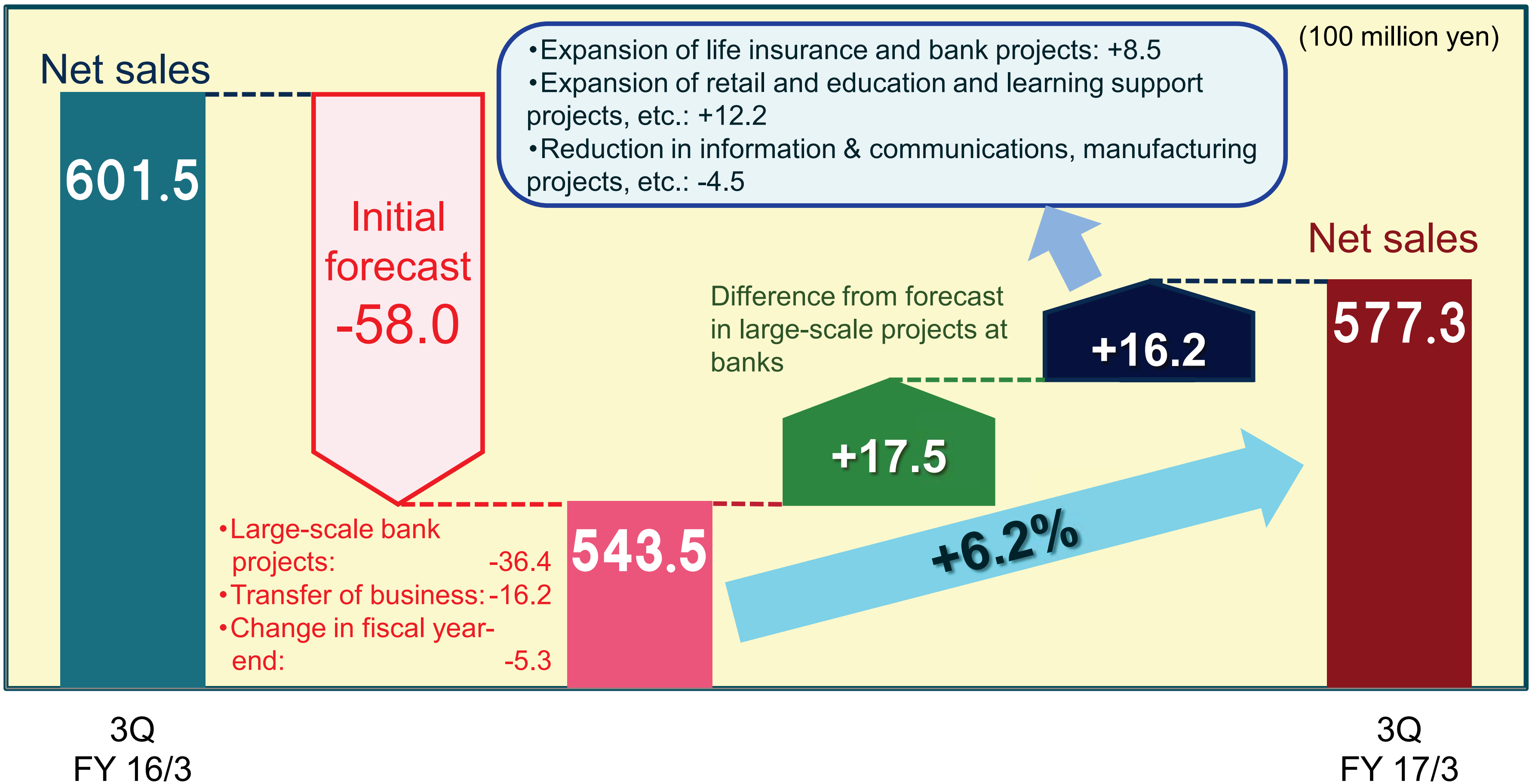
Despite strong performance in the life insurance and solution businesses, net sales declined ¥2,410 million year on year, chiefly reflecting the peaking of large-scale integration projects at banks, the transfer of part of the staffing business, and a change in the fiscal year-end of SOUGOU SYSTEM SERVICE CORPORATION.

The operating margin increased 0.4 points from one year ago, and operating income hit a record high.

(Units: 100 million yen, %)	Results	Ratio to sales (%)		Year on year		Progress vis-à-vis forecast
Net sales	577.3	–		-24.1	96.0%	74.0%
Gross profit	114.0	19.8%	(+1.5pt)	+3.9	103.5%	75.5%
SG&A expenses	58.4	10.1%	(+1.0pt)	+3.8	107.0%	72.1%
Operating income	55.6	9.6%	(+0.4pt)	+0.1	100.2%	79.5%
Recurring income	57.0	9.9%	(+0.5pt)	+0.6	101.1%	80.4%
Profit attributable to owners of parent	36.7	6.4%	(-0.1pt)	-2.5	93.6%	81.6%

Reasons for Increase in Consolidated Net Sales

•Factors such as the peaking of large-scale integration projects were expected to have a combined adverse effect of ¥5.8 billion on net sales.
•Except for the adverse effect, net sales grew 6.2% effectively, chiefly reflecting a difference from the forecast in large-scale integration projects and the expansion of life insurance, bank, and retail projects.



Net Sales by Segments

- Sales in the finance and public segment declined due to the adverse effect of large-scale integration projects at banks
- Sales rose in the corporate communication solutions segment, mainly due to the expansion of in-vehicle and other projects.
- Sales increased in the operation BPO segment due to the acquisition of new projects and the growth of existing projects.
- Sales in the regional, overseas, etc. segment fell due to the transfer of business and the change in the fiscal year-end.

(Units: 100 million yen, %)	Results*1	Ratio to sales (%)	Year on year*2		Progress vis-à-vis forecast
Net sales	577.3	–	-24.1	96.0%	74.0%
Finance and public	216.6	37.5%	-5.0 (+12.2) *3	97.7% (106.0%)	81.7%
Corporate communication solutions	139.9	24.2%	+1.2	100.9%	67.6%
Operation BPO	90.3	15.7%	+1.0	101.1%	74.7%
Regional, overseas, etc	130.4	22.6%	-21.4 (+1.7) *3	85.9% (101.4%)	69.8%

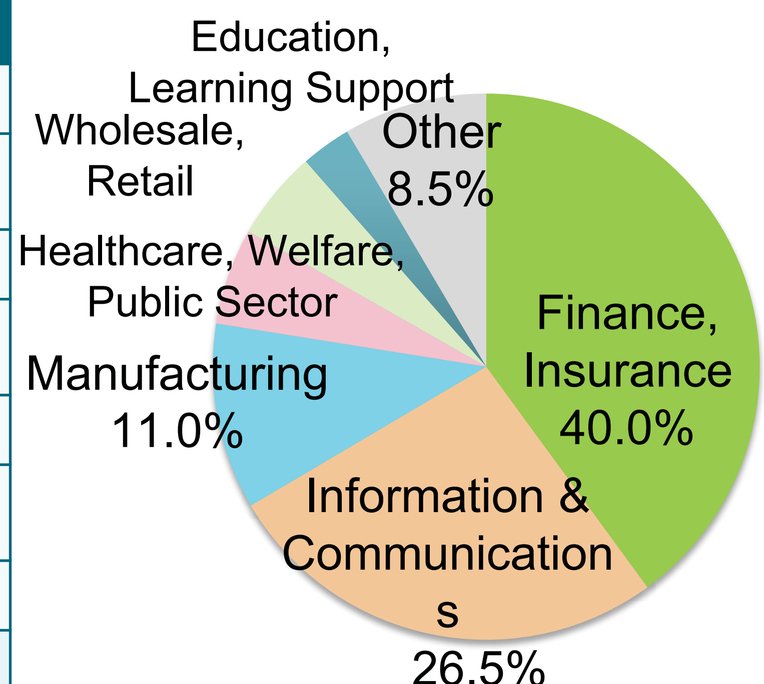
*1 The results are sales to the outside of the Group.
*2 The year-on-year changes are estimates.
*3 The figures in parentheses are figures excluding the effects of the peaking out of large-scale bank projects, the transfer of business, and the change of the fiscal year-end.

Consolidated Sales by End User

- Sales in Information & Communications decreased year on year, reflecting the effect of business transfer and decline in projects and the sale of goods at carriers.
- Sales increased in the education and learning support businesses year on year, mainly reflecting an increase in equipment sales for universities.
- Sales in Wholesale. Retail increased due to expansion in ERP projects, etc.

Industrial Classification of METI

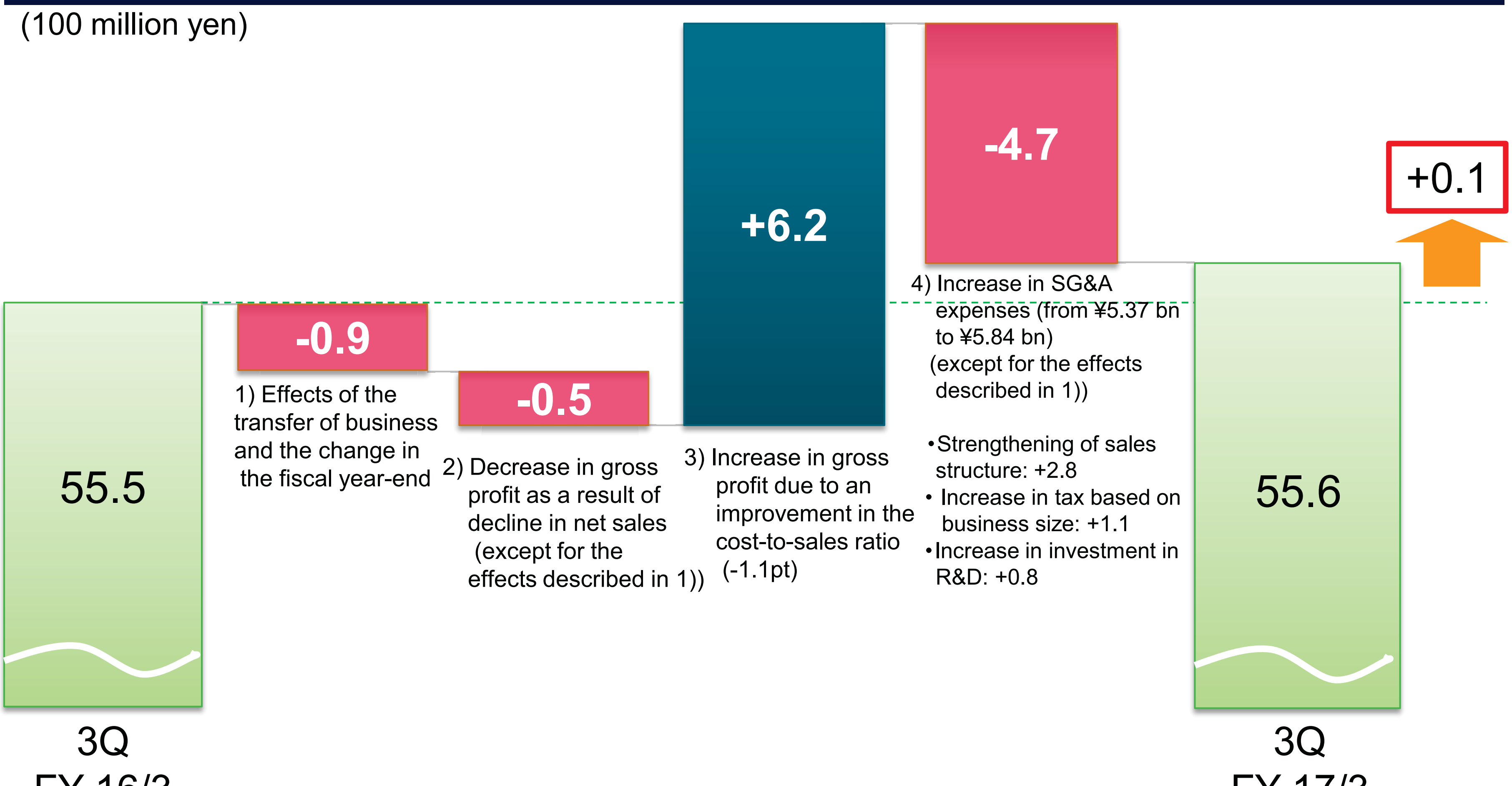
(Units: 100 million yen, %)	Amount	Composition Ratio	Year on year	
Finance, Insurance	230.7	40.0%	95.7%	-10.3
Information & Communications	153.2	26.5%	91.4%	-14.3
Manufacturing	63.6	11.0%	93.9%	-4.1
Healthcare, Welfare, Public Sector	32.9	5.7%	101.4%	+0.4
Wholesale, Retail	30.5	5.3%	120.9%	+5.2
Education, Learning Support	17.1	3.0%	156.0%	+6.1
Other	49.0	8.5%	87.2%	-7.2
Total	577.3	100.0%	96.0%	-24.1



Except for the effect of large-scale integration projects and business transfers, sales rose in finance and insurance from a year ago, largely due to the expansion of sales from projects for life insurers,, trusts and securities firms, among other companies. (+8.5)

Reason for an Increase in Consolidated Operating Income

- Gross profit rose due to an improvement in the cost-to-sales ratio, offsetting decreases due to the transfer of business, the change in the fiscal year-end and a decline in net sales.
- SG&A expenses increased, partly reflecting the strengthening of the sales structure, but operating income increased.



New Contracts by Segment in 3Q

Backlogs
•Backlogs in the finance and public segment increased, except for the effect of large-scale integration projects at banks.
•In the corporate communication solutions segment, backlogs increased due to the expansion of in-vehicle embedding and PKG solution projects, despite the effect of a decline due to the end of existing projects.
•In the Operation BPO segment, backlogs increased due to expansion in upstream process projects in areas such as operation design and construction.
•Backlogs in the regional, overseas, etc. segment rose, except for the effect of factors such as the transfer of business.

(Units: 100 Million yen, %)	New contracts				Backlogs			
	3Q FY 17/3 *1	Composition Ratio	Year on year *2		3Q FY 17/3 *1	Composition Ratio	Year on year *2	
Total	436.7	–	-26.2	94.3%	163.2	–	-1.0	99.4%
Finance and public	151.5	34.7%	-17.7	89.5%	61.2	37.5%	-5.2 (+4.5)	92.1% (109.9%)
Corporate communication solutions	130.9	30.0%	+2.3	101.9%	44.0	27.0%	+2.5	106.0%
Operation BPO	26.7	6.1%	+1.9	107.9%	29.0	*3 17.8%	+4.9	120.8%
Regional, overseas, etc	127.5	29.2%	-12.8	90.9%	28.9	17.7%	-3.2 (+2.5)	89.9% (110.8%)

*1 The results are sales to the outside of the Group.
*2 The year-on-year changes are estimates.
*3 The figures in parentheses are figures excluding the effects of the peaking of large-scale integration projects at banks, the transfer of business, and the change of the fiscal year-end.

Non-Consolidated Results

Sales fell ¥290 million from a year ago due to the effect of a decline in large-scale integration projects, offsetting an increase in sales in projects for life insurance, trusts, and local governments, and ERP projects.

Operating income increased ¥310 million from a year ago, hit a record high. The operating margin also rose 0.9 points. This was mainly due to an improvement in the cost-to-sales ratio as a result of tighter project management, despite an increase in SG&A expenses associated with the strengthening of the sales structure and tax revisions.

(Units: 100 million yen, %)	Results	Ratio to sales (%)		Year on year		Progress vis-à-vis forecast
Net sales	409.2	–		-2.9	99.3%	75.8%
Gross profit	81.5	19.9%	(+1.4pt)	+5.3	107.0%	77.3%
SG&A expenses	31.2	7.6%	(+0.5pt)	+2.1	107.5%	66.5%
Operating income	50.2	12.3%	(+0.9pt)	+3.1	106.6%	85.9%
Recurring income	52.6	12.9%	(+1.2pt)	+4.2	108.9%	88.5%
Profit attributable to owners of parent	36.9	9.0%	(+0.2pt)	+0.5	101.5%	92.5%

(Reference 1) Sales by Old Segment in 3Q

- In the system segment, finance and public sector projects for life insurance, trusts, and local governments were firm.
- In the operation segment, upstream process projects in areas such as operation design and construction were solid.
- In the product segment, sales fell due to a sluggish performance in the communications industry despite expansion in sales at educational institutions.

(Units: 100 million yen, %)	Results	Composition Ratio	Year on year		Main factors of change
Net sales	577.3	-	-24.1	96.0%	
Information service	568.5	98.5%	-8.4	98.5%	
System	421.1	72.9%	-12.5 (+11.2)	97.1% (102.7%)	•Except for the effect of decline in large-scale integration projects, etc., projects for life insurance, trusts, and local governments, and ERP and in-vehicle projects were firm.
Operation	105.3	18.2%	+5.6	105.7%	•Upstream process projects in areas such as operation design and construction were solid.
Products and other	42.0	7.3%	-1.4	96.6%	•Sales of equipment to educational institutions were strong. •Equipment sales in the communications industry were sluggish.
Human resources service	8.8	1.5%	-15.7	35.9%	•Sales declined due to the transfer of business.

*1 The figures in parentheses are figures excluding the effects of the peaking of large-scale integration projects at banks and the change of the fiscal year-end.

(Reference 2) New Contracts by Old Segment in 3Q

Backlogs declined slightly from a year ago despite the strong performance in BPO and operation design projects which could not offset the decrease mainly caused by the transfer of business and the change in the fiscal year-end

(Units: 100 million yen, %)	New contracts				Backlogs				Main factors of change (Backlogs)
	Results	Composition Ratio	Year on year		Results	Composition Ratio	Year on year		
New contracts and backlogs	436.7	-	-26.2	94.3%	163.2	-	-1.0	99.4%	
Information service	432.7	99.1%	-13.5	97.0%	161.0	98.6%	+4.7	103.1%	
System	349.6	80.1%	-18.2	95.0%	127.7	78.2%	+0.6 (+10.5) ※1	100.5% (109.0%)	・ Except for the effect of decline in large scale integration projects, etc., projects mainly for life insurance, trusts, and local governments were firm.
Operation	40.6	9.3%	+8.1	124.9%	31.7	19.4%	+6.0	123.7%	・ BPO and operation design projects, etc. were firm.
Products and other	42.4	9.7%	-3.3	92.6%	1.5	1.0%	-1.9	44.2%	・ Decline mainly due to sluggish equipment sales in the communications industry
Human resources service	3.9	0.9%	-12.6	23.9%	2.2	1.4%	-5.8	28.1%	・ Sales declined due to the transfer of business.

*1 The figures in parentheses are figures excluding the effects of the peaking of large-scale integration projects at banks and the change of the fiscal year-end.

(Reference 3) Major Press Releases in 3Q

Date of release	Company	Title, brief description
November 28	DIGITAL TECHNOLOGIES	"Launch of Data Management Appliance for Integrated Backups in IT Infrastructure Including HCI" * DR-ENTERPRISE Series VH (hereinafter DR-E VH), the integrated data management appliance easily protects and recovers data, is released.
November 28	DIGITAL TECHNOLOGIES	"Launch of Security Appliance to Protect Client PCs from Ransomware and Other Threats" * DR-ENTERPRISE Series RE (hereinafter DR-E RE) is released. The security software is bundled with Commvault software that protects data in clients' PCs and Kaspersky, security software.
December 5	DTS WEST	DTS WEST Receives Special Award in User Section of MCPC Award 2016 *An emergency pediatric support application developed by DTS WEST received the Special Award in the User section of MCPC 2016 organized by Mobile Computing Promotion Consortium.
February 7	DTS	Notice Concerning Conclusion of Agreement on Company Split (Simplified Absorption-type Company Split) with Consolidated Subsidiary (Yokokawa Digital Computer Corporation) * Yokokawa Digital Computer Corporation, a wholly owned subsidiary of DTS CORPORATION, will take over the Company's embedding business through a company split on April 1, 2017.

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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.