

1Q FY March 2018

# Results Presentation

August 4, 2017

**DTS CORPORATION**

## 1. Establishment of DTS INSIGHT CORPORATION

Established DTS INSIGHT CORPORATION on April 1, 2017, by integrating Yokogawa Digital Computer Corporation, ART System Co., Ltd. and the embedded business of DTS to expand the embedded business of the DTS group.

## 2. Treasury stock acquisition

Acquired treasury shares in May and June 2017 to improve capital efficiency and raise the return to shareholders (approx. 181 thousand shares, approx. 600 million yen).

## 3. Making DATALINKS CORPORATION a Wholly Owned Subsidiary

Made DATALINKS CORPORATION a wholly owned subsidiary on August 1, 2017, to further strengthen collaborations in group management, such as the development of business strategies based on group-wide management and the optimal allocation of management resources (implemented stock-for-stock exchange using DTS's treasury stock as consideration).

# Consolidated Results

Net sales increased ¥1.16 billion year on year and hit a record high, chiefly reflecting the acquisition of new customers, expansion of existing projects and increase in sales from the product business.

Operating income increased ¥0.05 billion mainly due to the effects of increased sales, more than offsetting the temporary increase in the cost of sales attributable to unprofitable projects and a rise in SG&A expenses, such as personnel expenses attributable to an increase in the number of new graduates employed.

(Units: 100 million yen, %)	Results	Ratio to sales (%) / YoY	Year on year		Progress for initial forecast
Net sales	201.8	—	+11.6	106.1%	24.5%
Gross profit	36.6	18.2% (-0.4pt)	+1.3	103.7%	22.6%
SG&A expenses	21.0	10.4% (-0.2pt)	+0.7	103.9%	26.0%
Operating income	15.5	7.7% (-0.2pt)	+0.5	103.4%	19.2%
Recurring income	15.7	7.8% (-0.3pt)	+0.2	101.6%	19.2%
Profit attributable to owners of parent	10.1	5.0% (-0.8pt)	* -0.8	92.3%	19.4%

\*The main factor for the year-on-year decrease is a decrease of ¥0.16 billion in extraordinary profit due to the transfer of part of DATALINKS CORPORATION's staffing business.

# Net Sales by Segments

- Sales in the finance and public segment remained almost unchanged from a year ago, with the contraction of the integration business more than offset by the expansion of new projects in the financial field and sales from projects for the government sector.
- Sales rose in the corporate communication solutions segment, due to progress in the acquisition of new customers and expansion of existing projects in a variety of businesses, such as transportation, telecommunication and wholesale/retail.
- Sales rose in the regional, overseas, etc., segment, mainly due to strong performances in product and regional businesses.

(Units: 100 million yen, %)	Results*	Ratio to sales (%) / YoY		Year on year		Progress for initial forecast
<b>Net sales</b>	<b>201.8</b>	<b>—</b>		<b>+11.6</b>	<b>106.1%</b>	<b>24.5%</b>
Finance and public	69.4	34.4%	(-2.2pt)	-0.2	99.6%	24.0%
Corporate communication solutions	49.9	24.7%	(+1.7pt)	+6.1	114.0%	22.7%
Operation BPO	30.3	15.0%	(-0.6pt)	+0.6	102.1%	24.3%
Regional, overseas, etc	52.1	25.8%	(+1.1pt)	+5.1	111.0%	27.3%

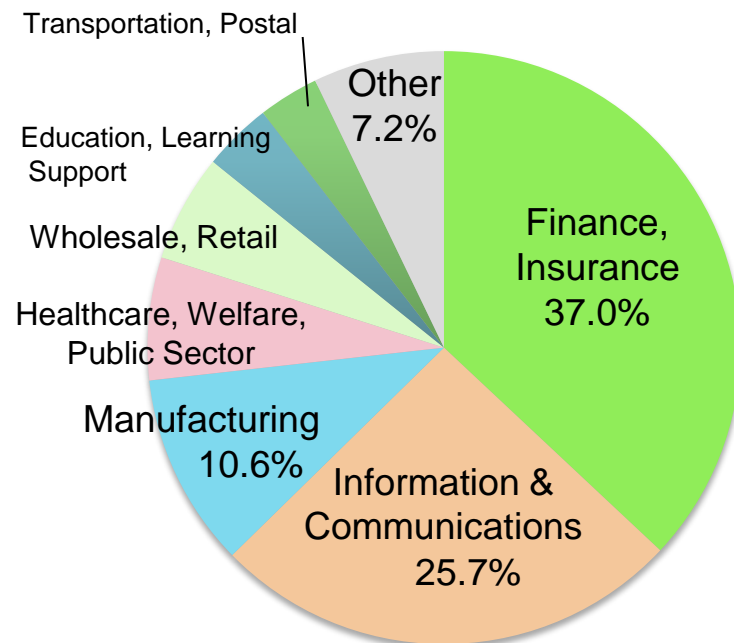
\* The results are sales to the outside of the Group.

# Consolidated Sales by End User

- Sales in the finance and insurance business declined slightly, mainly due to the contraction of integration projects, although sales increased from insurance products, among others.
- Sales in the healthcare, welfare and public sector business rose, mainly due to the expansion of projects at public offices and mutual aid associations as well as projects for health insurance.
- Sales in the wholesale and retail business rose, mainly due to the expansion of solution projects.
- Sales in the transportation and postal service business rose, mainly due to the expansion of aircraft-related projects.

## Industrial Classification of METI

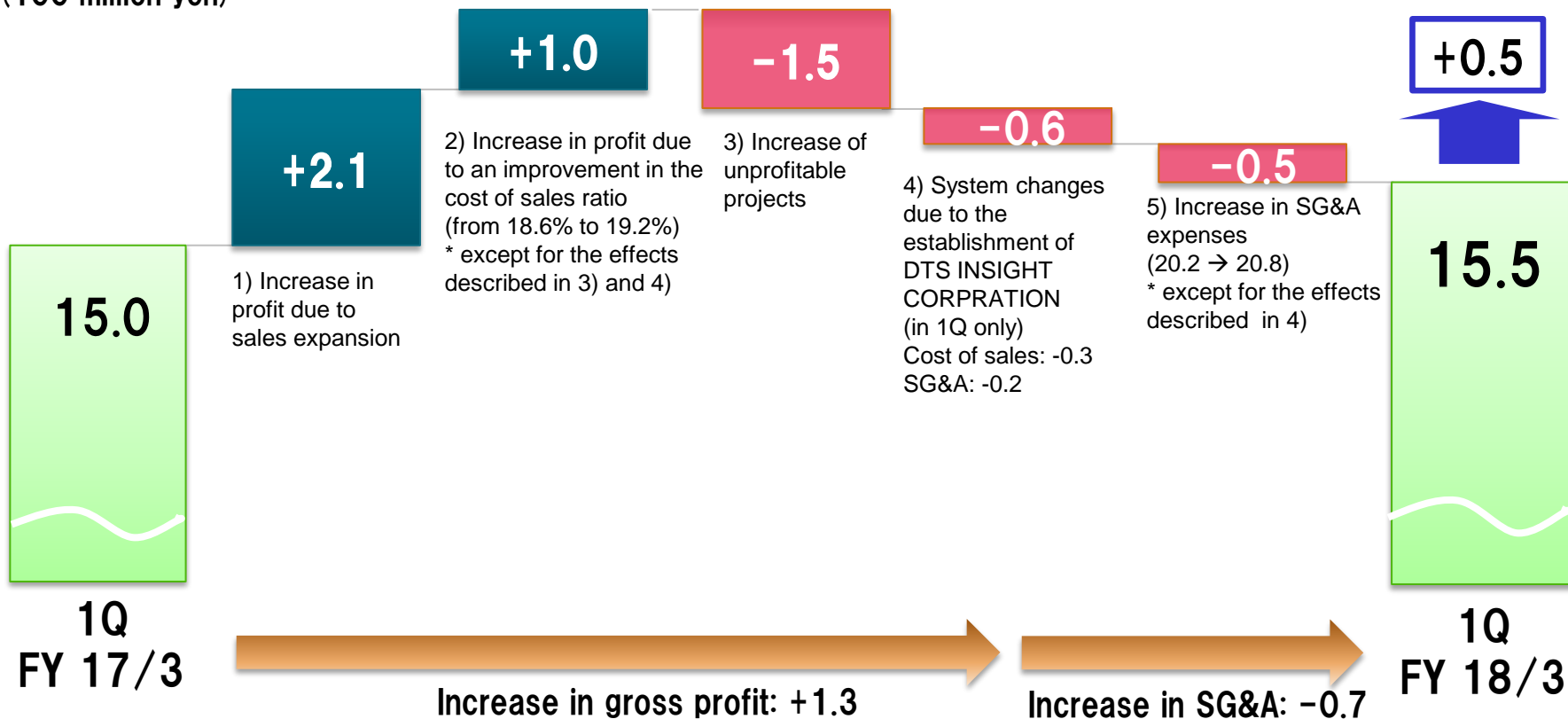
(Units: 100 million yen, %)	Amount	Composition Ratio	Year on year	
Finance, Insurance	74.6	37.0%	-0.8	98.9%
Information & Communications	51.8	25.7%	+0.2	100.6%
Manufacturing	21.3	10.6%	+1.1	105.9%
Healthcare, Welfare, Public Sector	13.5	6.7%	+3.7	138.8%
Wholesale, Retail	11.8	5.9%	+3.0	134.9%
Education, Learning Support	7.5	3.8%	-0.8	90.4%
Transportation, Postal	6.6	3.3%	+1.4	126.9%
Other	14.4	7.2%	+3.5	132.9%
<b>Total</b>	<b>201.8</b>	<b>100.0%</b>	<b>+11.6</b>	<b>106.1%</b>



# Reason for an Increase in Consolidated Operating Income

- The cost of sales increased temporarily in unprofitable projects. Nevertheless, gross profit rose year on year due to an improvement in the cost-to-sales ratio attributable mainly to the expansion of sales and improvement of productivity.
- Operating income increased year on year, more than offsetting the effects of system changes due to the establishment of DTS INSIGHT CORPORATION and an increase in SG&A expenses attributable to an increase in the number of new employees.

(100 million yen)



# Order Volume and Order Backlog by Segments

## [Order Backlog]

- Order backlog in the finance and public segment decreased, mainly due to decreased sales from integrated projects and shortened contract periods.
- In the corporate communication solutions segment, order backlog increased from a year ago due to the progress in the expansion of existing projects and acquisition of new customers in the transportation and manufacturing industries as well as solution projects.
- Order backlog in the regional, overseas, etc. segment rose, because the product business remained strong.

(Units: 100 Million yen, %)	Order Volume				Order Backlog			
	FY 17/3 *	Composition Ratio	Year on year		FY 17/3 *	Composition Ratio	Year on year	
<b>Total</b>	<b>143.7</b>	<b>—</b>	<b>-22.5</b>	<b>86.4%</b>	<b>282.1</b>	<b>—</b>	<b>+2.1</b>	<b>100.8%</b>
Finance and public	31.9	22.3%	-38.5	45.3%	104.2	36.9%	-22.9	82.0%
Corporate communication solutions	48.8	34.0%	+11.8	132.2%	66.6	23.6%	+20.4	144.2%
Operation BPO	6.9	4.8%	-5.3	56.5%	74.6	26.4%	-0.7	99.1%
Regional, overseas, etc	55.9	38.9%	+9.5	120.5%	36.7	13.0%	+5.3	117.1%

\*The results are order volume and order backlog from the outside of the Group.

# Non-Consolidated Results

- Sales rose year on year, due to the progress in the acquisition of new projects and expansion of existing projects in a variety of industries, including transportation, telecommunications, and wholesale/retail.
- Operating income increased year on year, mainly due to the effect of increased sales and an improvement in the cost-to-sales ratio, although SG&A expenses rose because of the planning and development of new businesses, among other factors.

(Units: 100 million yen, %)	Results	Ratio to sales (%) / YoY		Year on year*		Progress for initial forecast
Net sales	137.1	—		+4.6 <+5.6>	103.5% <104.3%>	23.9%
Gross profit	26.4	19.3%	(+0.2pt)	+1.2 <+1.4>	104.8% <106.0%>	24.0%
SG&A expenses	11.3	8.3%	(+0.1pt)	+0.4	104.6%	25.3%
Operating income	15.0	11.0%	(+0.2pt)	+0.7 <+0.9>	105.0% <107.0%>	23.0%
Recurring income	17.6	12.8%	(+0.6pt)	+1.3 <+1.6>	108.3% <110.1%>	26.1%
Net income	12.7	9.3%	(+0.1pt)	+0.5 <+0.7>	104.3% <105.9%>	27.5%

\*The figures in parentheses are figures excluding the effects of the transfer of businesses to DTS INSIGHT CORPORATION.



# (Reference) Major Press Releases

Date of release	Company	Title, brief description
May 11	DTS	<p><b>Notice concerning determination of matters pertaining to treasury stock acquisition</b></p> <p>* Scheduled numbers of share acquired: 200,000, total amount : 600 million yen, period: May 15 to June 16, 2017</p>
May 11	DTS DATALINKS	<p><b>Notice concerning the conclusion of a share exchange agreement (simple stock exchange) related to DTS' s acquisition of 100% ownership of DATALINKS CORPORATION</b></p> <p>*Allocation rate: 0.73 shares of DATALINKS for one share of DTS, number of shares to be allocated: 787,614 common shares of DTS</p>
May 11	DTS	<p><b>Notice concerning head office relocation</b></p> <p>* The head office is scheduled to be relocated to Hatchobori, Chuo-ku, Tokyo in October 2017.</p>
		<table border="0"> <tr> <td data-bbox="523 592 761 686">&lt;Announcements in newspapers&gt;</td> <td data-bbox="761 592 1916 686"> <p>May 16: The Nikkan Kogyo Shimbun</p> <p>May 23: Information Industries and Markets News</p> </td> </tr> </table>
<Announcements in newspapers>	<p>May 16: The Nikkan Kogyo Shimbun</p> <p>May 23: Information Industries and Markets News</p>	
June 19	DTS	<p><b>Total reconstruction of the Kosei Club, a website of Kosei Securities</b></p> <p>*Completely reconstructed the Kosei Club, a website of Kosei Securities and commenced operation on May 8. Adopted GeneXus, an automatic business application development tool, to build the system and completed the development in the short period of just three months.</p>
		<table border="0"> <tr> <td data-bbox="523 853 761 915">&lt;Announcements in newspapers&gt;</td> <td data-bbox="761 853 1916 915"> <p>June 20: The Nikkan Kogyo Shimbun</p> <p>June 30: Nikkin</p> </td> </tr> </table>
<Announcements in newspapers>	<p>June 20: The Nikkan Kogyo Shimbun</p> <p>June 30: Nikkin</p>	
June 19	DTS	<p><b>Notice concerning the status and completion of acquisition of treasury shares</b></p> <p>*Total number of shares acquired: 181,900 shares; total acquisition cost: ¥599,959,500; period: May 15 to June 16, 2017</p>
July 4	DTS INSIGHT	<p><b>Commencement of the provisioning of Re:Zolver, a software structure analysis tool focused on derivative development in embedded software</b></p> <p>*Developed Re:Zolver, a binary data-based software structure analysis tool, to visualize software structures and dependency relationships that are important for the derivative development of embedded software, and efficiently validate effects on existing codes. To be available from June 30, 2017.</p>
July 24	DTS WEST	<p><b>Relocation of the head office</b></p> <p>*The Kyoto office (head office) and the Kyotogojo Office will be integrated and relocated to Chukyo-ku, Kyoto, in August 2017.</p>

## **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.