

FY 18/3 First Half Results Presentation

November 2, 2017

DTS CORPORATION

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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.

1. Overview of FY 18/3 First Half Results

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. DTS CORPORATION treasury stock acquisition

Acquired treasury shares in May and June 2017 to improve capital efficiency and increase 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 group management by implementing a stock-for-stock exchange using DTS's treasury stock as consideration.

4. Closure of business of DTS IT Solutions (Thailand) Co., Ltd.

Closed the business of DTS IT Solutions (Thailand) Co., Ltd. at the end of October 2017 to focus on the selection and consolidation of overseas businesses. We will focus on strengthening business in the United States, Vietnam, China and India going forward.

5. Relocation of the head office of DTS CORPORATION

Relocated the head office from Minato-ku to Chuo-ku, Tokyo on October 2, 2017.

Consolidated Results

Net sales increased ¥2.62 billion year on year due to the expansion of the product business and projects for wholesale/retail. Operating income increased ¥0.31 billion due to increased sales, despite a temporary rise in costs due to unprofitable projects and higher SG&A expenses, mainly due to a rise in the number of new graduates employed. Both net sales and operating income marked record highs.

(Units: 100 million yen, %)	Results	Ratio to sales (%) / YoY		Year on year		Progress for initial forecast
Net sales	408.3	—		+26.2	106.9%	49.5%
Gross profit	78.4	19.2%	(-0.3pt)	+3.7	105.0%	48.4%
SG&A expenses	39.9	9.8%	(-0.5pt)	+0.5	101.4%	49.3%
Operating income	38.5	9.4%	(+0.2pt)	+3.1	108.9%	47.6%
Recurring income	38.4	9.4%	(-0.0pt)	+2.3	106.5%	46.9%
Profit attributable to owners of parent	25.5	6.3%	(-0.1pt)	+1.2	105.1%	48.7%

Net Sales by Segments

- Sales in the finance and public segment declined due to the effect of a fall in the integration projects, despite the expansion of projects for mega banks and life and non-life insurance companies.
- Sales rose in the corporate communication solutions segment due to the acquisition of new customers in a broad range of industries including wholesale/retail and manufacturing, as well as the expansion of existing projects.
- Sales in the operation BPO segment remained unchanged, and sales rose in the regional, overseas, etc. segment due to the strong performance of the product business.

(Units: 100 million yen, %)		Results*	Ratio to sales (%) / YoY		Year on year		Progress for initial forecast
Net sales		408.3	—		+26.2	106.9%	49.5%
	Finance and public	135.8	33.3%	(-4.0pt)	-6.6	95.4%	46.8%
	Corporate communication solutions	111.2	27.2%	(+2.8pt)	+17.9	119.2%	50.7%
	Operation BPO	60.2	14.8%	(-1.0pt)	+0.1	100.2%	48.2%
	Regional, overseas, etc	100.9	24.7%	(+2.2pt)	+14.7	117.2%	52.9%

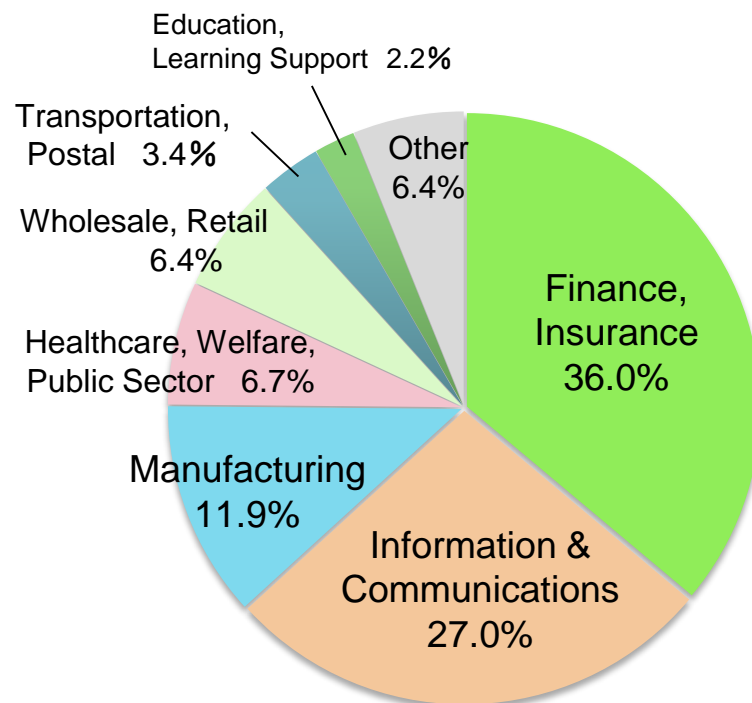
* The results are sales to the outside of the Group.

Consolidated Sales by End User

- Sales in the finance and insurance business declined due to the contraction of integration projects, although sales from insurance projects increased, among others.
- Sales in the information & communications business increased, mainly due to the expansion of projects for the communications industry and the product business.
- Sales in the wholesale and retail business rose, chiefly due to the acquisition of new customers and the expansion of solution projects.
- 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.

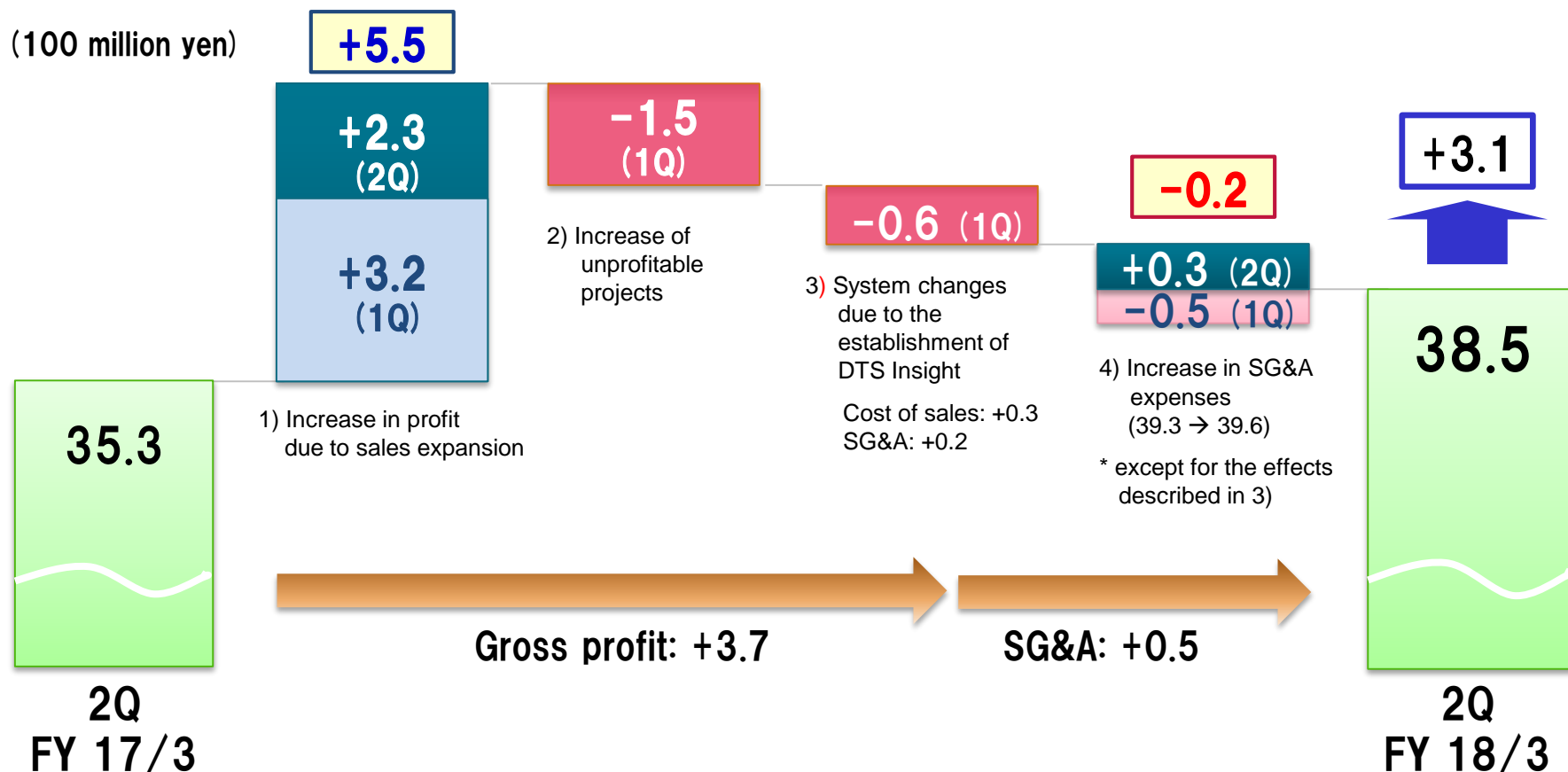
Industrial Classification of METI

(Units: 100 million yen, %)	Amount	Composition Ratio	Year on year	
Finance, Insurance	146.9	36.0%	-5.6	96.3%
Information & Communications	110.3	27.0%	+9.3	109.2%
Manufacturing	48.5	11.9%	+4.7	110.8%
Healthcare, Welfare, Public Sector	27.5	6.7%	+5.2	123.9%
Wholesale, Retail	26.0	6.4%	+6.8	135.7%
Transportation, Postal	13.6	3.4%	+3.4	133.2%
Education, Learning Support	9.1	2.2%	-1.9	82.1%
Other	26.0	6.4%	+4.2	119.3%
Total	408.3	100.0%	+26.2	106.9%



Reason for an Increase in Consolidated Operating Income

- Gross profit rose ¥0.37 billion year on year due to the expansion of sales, despite a temporary increase in the cost of sales in unprofitable projects.
- Operating income increased ¥0.31 billion year on year, more than offsetting the effects of system changes due to the establishment of DTS Insight an increase in SG&A expenses attributable to a rise in the number of new employees.



Order Volume and Order Backlog in 1H

- The order volume increased ¥3.16 billion year on year if the order backlog in 4Q of FY 17/3 is added.
- The order backlog rose ¥0.54 billion year on year due to the expansion of existing projects in the corporate communication solutions segment, the acquisition of new customers in the wholesale/retail segment and the expansion of the product business in the regional, overseas, etc. segment.

(100 million yen)	Order backlog in 4Q of FY 17/3	Order volume in 1H	Total	Order backlog in 1H
	①	②	①+②	
FY 18/3	340.2	310.9	651.2	242.8
FY 17/3	303.9	315.6	619.5	237.4
Year on year	+36.3	-4.6	+31.6	+5.4
	112.0%	98.5%	105.1%	102.3%

[Order backlog by segment in 1H]

(100 million yen)	Finance and public	Corporate communication solutions	Operation BPO	Regional, overseas, etc.
FY 18/3	94.7	59.6	52.9	35.6
FY 17/3	104.2	50.3	52.1	30.6
Year on year	-9.4	+9.2	+0.7	+4.9
	90.9%	118.3%	101.4%	116.2%

Non-Consolidated Results

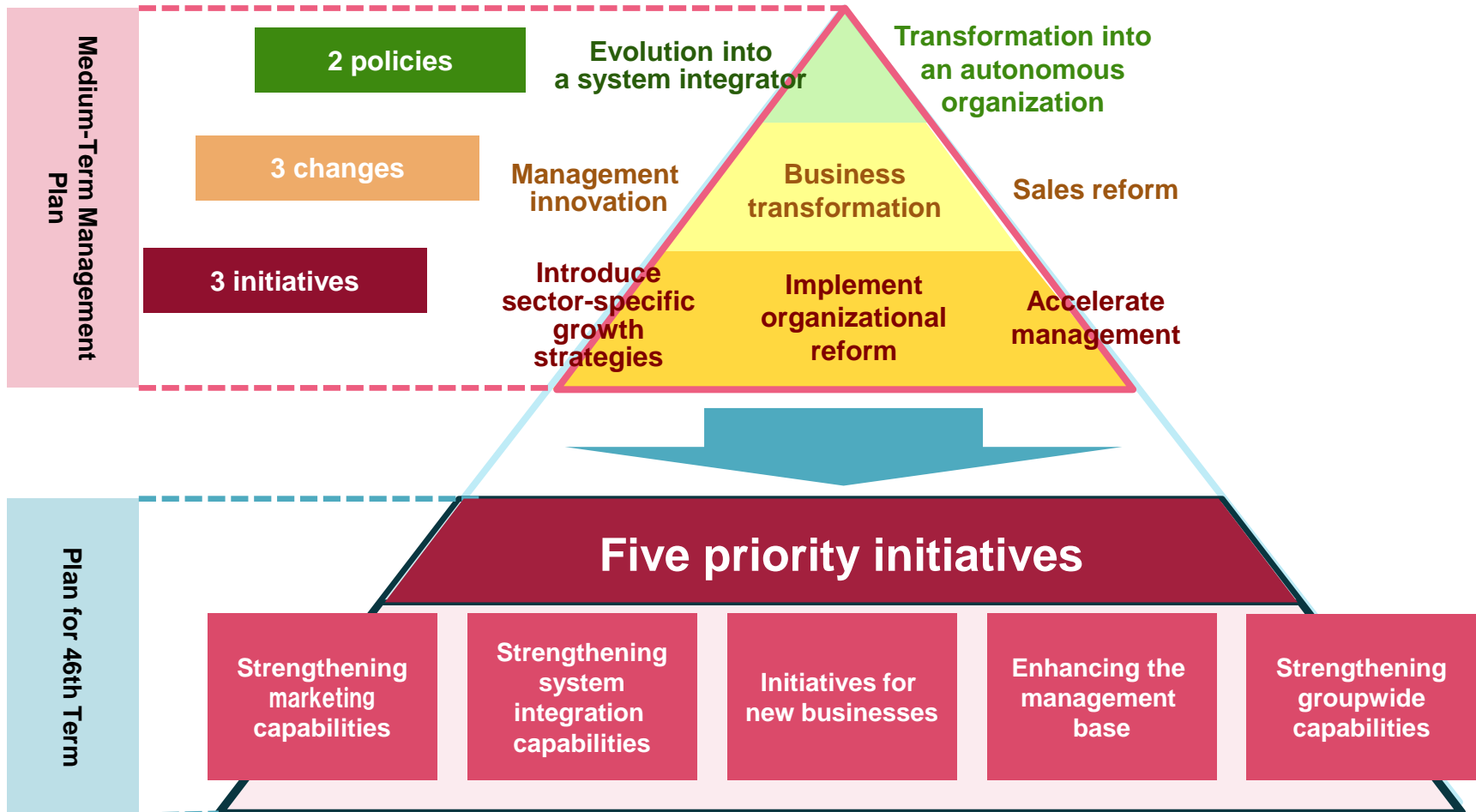
- Net sales marked a record high due to the acquisition of new projects in a variety of industries including wholesale/retail and transportation, as well as the expansion of existing projects.
- Operating income achieved a record high, mainly due to the effects of increased sales and an improvement in the cost-to-sales ratio, although SG&A expenses rose because of the strengthened sales system and an increase in pro forma standard tax.

(Units: 100 million yen, %)	Results	Ratio to sales (%) / YoY		Year on year*		Progress for initial forecast
Net sales	278.6	—		+7.9 <+9.9>	102.9% <103.7%>	48.5%
Gross profit	56.0	20.1%	(+0.4pt)	+2.7 <+3.2>	105.2% <106.2%>	50.7%
SG&A expenses	21.8	7.9%	(+0.2pt)	+1.1	105.5%	48.7%
Operating income	34.1	12.3%	(+0.2pt)	+1.6 <+2.1>	105.0% <106.7%>	52.1%
Recurring income	36.7	13.2%	(+0.5pt)	+2.3 <+2.9>	106.9% <108.6%>	54.5%
Net income	25.8	9.3%	(+0.2pt)	+1.1 <+1.5>	104.8% <106.4%>	55.7%

*The figures in parentheses are figures excluding the effects of the transfer of businesses to DTS Insight.

2. Progress of Key Initiatives

We are focusing on the five key activities to achieve further growth in the future, in accordance with the Medium-Term Management Plan.



Strengthen Marketing Capability

(Promotion of cooperation between Sales Section and Business Sections)

For transformation into a true system integrator, we are promoting the acquisition of projects by developing a mobilized system through the establishment of a specialized team to propose total system integration to the Sales Sector.

To offset a fall in large-scale integration projects through the expansion of sales to existing customers and the acquisition of projects of new customers, we have acquired projects that will become a stepping stone through active sales activities to target customers.

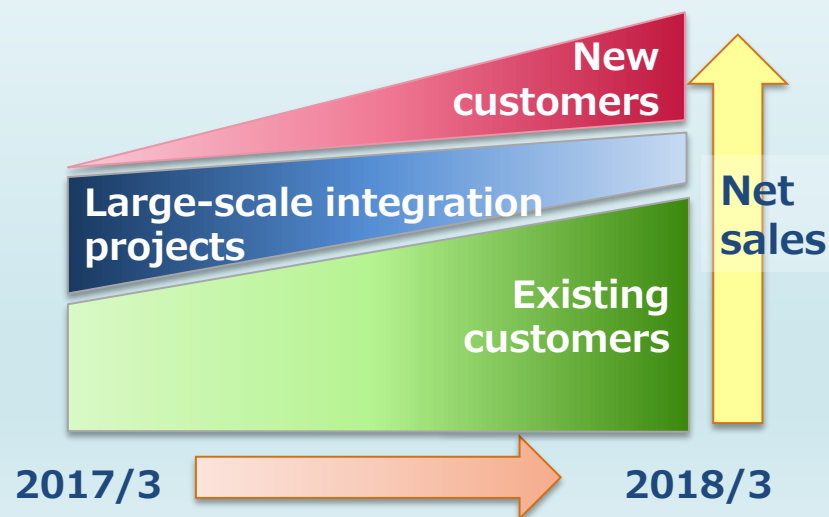
[Expansion of total system integration projects]

- Establish a specialized team to propose total system integration based on cooperation among the Sales Sector, Business Sectors and Group companies.
- Developed a system to enhance proposals.



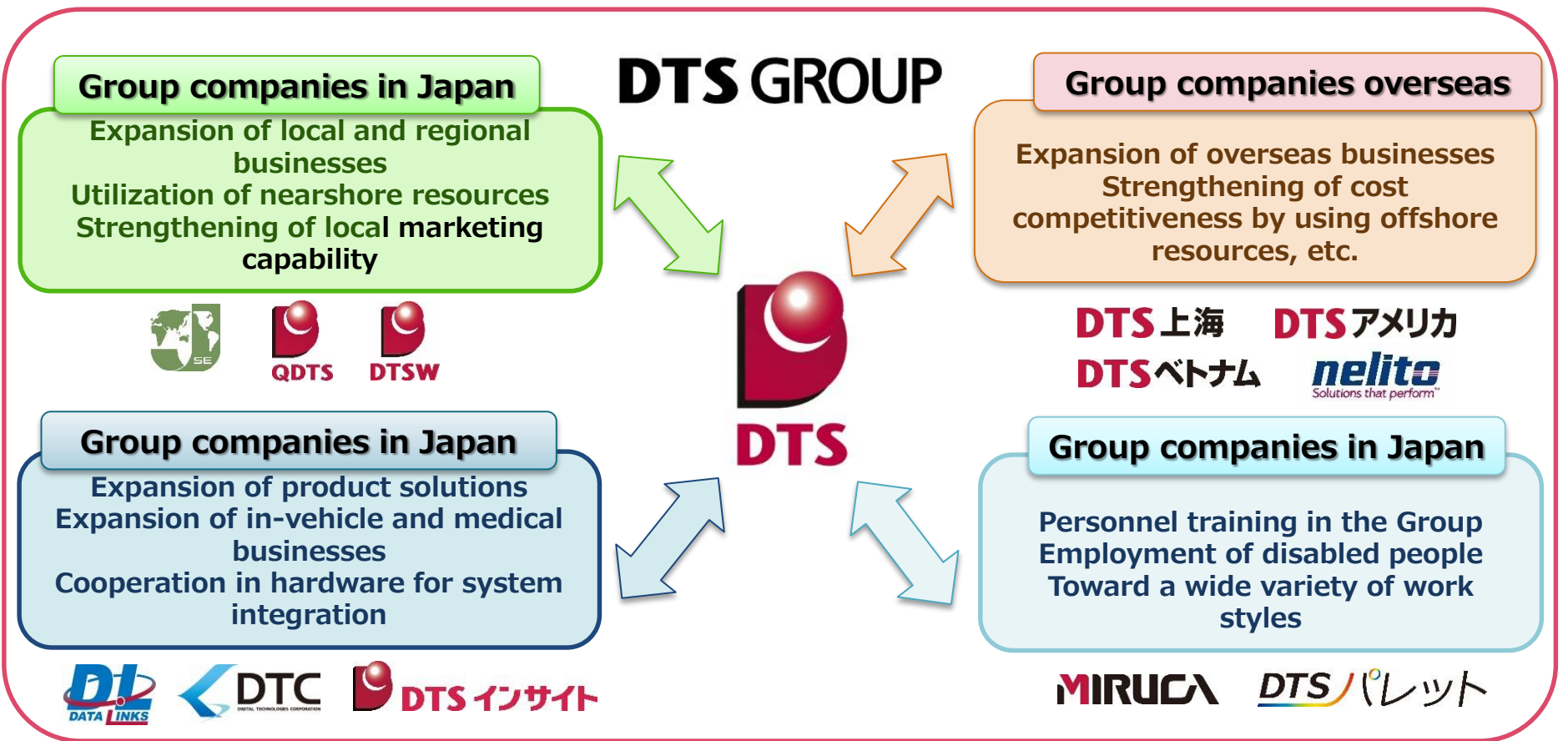
[Focus on the acquisition of good new customers]

- As the "Plus One Strategy," conduct active sales activities to good customers, sales to whom are expected to increase among new customers.
- Acquire projects that will become a stepping stone for the future.



Strengthen System Integration Capability (Strengthen order entry and placement within the Group)

To polish the strengths of the Group companies and establish them as core competencies, we cooperate on projects matching the strengths in a planned manner after visualizing resources within the Group. We are advancing the building of a system that is able to provide higher value-added services as the Group as a whole, in addition to activating the cultivation of human resources through the projects.



Promote open innovation with various companies. By focusing new technologies on Fintech, IoT and AI, etc. in particular, we will implement initiatives including demonstration experiments with the aim of developing new businesses through co-creation.

We are introducing services using new technologies such as RPA introduction support into local governments and the manufacturing industry on a trial basis and proposing projects to the finance industry, and concrete results have begun emerging.

[RPA sales agents]

Concluded a distributor agreement for RPA products in the first half. Promote RPA introduction support.

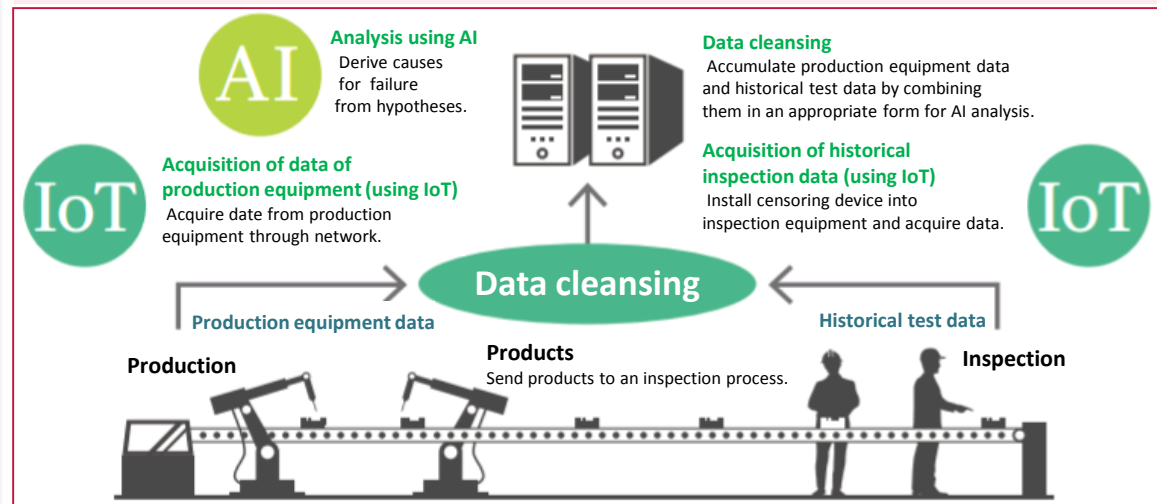
<RPA product>



Software-based robot that will Automate PC operation by learning the operation of all applications operable from a Windows terminal, such as EXCEL, browser, and individual business systems, as a scenario.

[Efforts for solutions using AI and IoT]

Conduct demonstration experiments using IoT technology and AI to improve yield rate in the manufacturing industry. Commenced proposal activities to many customers, making use of experiment results and experience.



On the occasion of the 45th anniversary of our founding, we relocated to a new head office (Chuo-ku, Tokyo) on October 2, 2017. We will further promote work style reforms to transform into a value creation company through greater productivity.

Head office relocation

Work area on the 6th to 9th floors



Presentation room



- Positioning the head office relocation as the second start of business, we will promote work style reforms through originality and ingenuity.
- Increase productivity through a better business environment including non-territorial office and paper-free concepts.
- Strengthen collaboration between organizations through floor consolidation.
- Enhance the brand power and marketing capability using the presentation room and the seminar room.

Promotion of work style reforms

[Efforts in the first half]

- Setting of KPI targets for greater productivity
- Visualization of work situation (utilization and development of work management system)
- Establishment of the “Work Style Reform Promotion Office”
(consideration of initiatives, section support, KPI management)

Efforts in the second half

Steadily promote initiatives to increase productivity, including personnel system reforms.

- Trial run and examination of satellite office and teleworking, etc.
- Promotion of work-life balance by encouraging the acquisition of paid leave and satisfying both childcare and nursing care.

Strengthening groupwide capabilities (Reorganization of Group Companies)

Established DTS Insight to expand the embedded business of the DTS group and made DATALINKS CORPORATION a wholly owned subsidiary to strengthen the group's management base.

In overseas operations, in order for the selection and concentration of group management resources, we terminated the operations of DTS IT Solutions(Thailand)Co., Ltd. ,and we work on creating new business such as collaboration between USA and India.

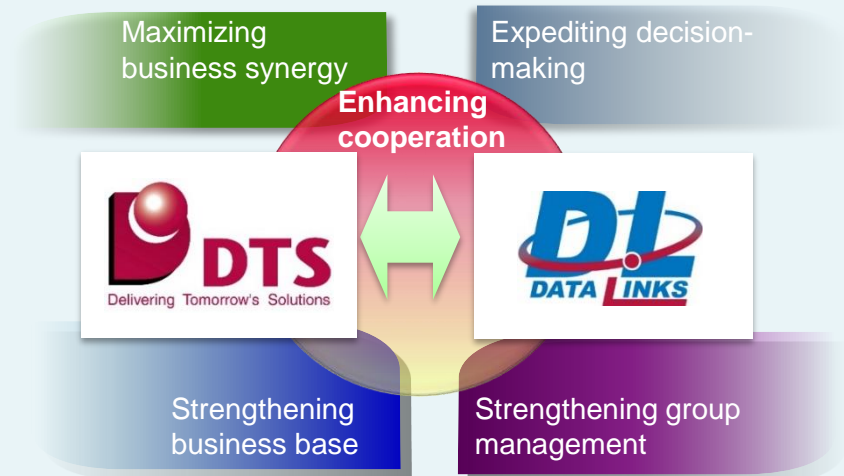
Establishment of DTS Insight

Established DTS Insight on April 1, 2017 to maximize synergy and revitalize the organization by increasing the mobility of human resources. The increased mobility of human resources is contributing to the expansion of projects, particularly in the Chubu region.



Made DATALINKS a wholly owned subsidiary

Made DATALINKS a wholly owned subsidiary on August 1, 2017 to facilitate cooperation within the group and is promoting personnel and information exchange in the solution and BPO businesses.



3. FY 18/3 Full Year Forecast

Outlook for the Group's Business Environment

The finance and insurance business will face some difficulties mainly due to the effects of a decline in large-scale mergers and negative interest rates. The Group has expectations of investment for productivity improvement and new technologies. In communications, there are signs of recovery at certain major carriers.

Sector	Outlook for IT Investment
Finance, Insurance	<ul style="list-style-type: none">• Certain banks are taking a cautious stance toward IT investment as large-scale integration projects have peaked and earnings are declining due to negative interest rates. The Group has expectations of investment in initiatives such as productivity improvement through RPA and FinTech.• Life and non-life insurance companies is expected to remain firm.
Information & Communications	<ul style="list-style-type: none">• In information services, there are signs of investment being curbed to cut cost in existing fields. Meanwhile, investment in new technologies, including those using the IoT and AI, is expected to grow.• In communications, there are signs of recovery at certain major carriers.
Manufacturing	<ul style="list-style-type: none">• Manufacturing is recovering. The embedded business has expectations of investment in auto-related development.
Other	<ul style="list-style-type: none">• In healthcare and welfare and public services, investment is expected to be firm, particularly at government administration offices and in local governments.• In wholesale and retail, investment aimed at improving productivity and efficiency is expected.

Performance Forecasts for the Full Fiscal Year Ending March 2018

[Consolidated/Non-consolidated]



The initial full-year forecasts remain unchanged based on the solid results in the first half.

In the fiscal year under review, the second year of the Medium-Term Management Plan, the Group aims for an increase in sales and profits year on year and record high in both sales and profits.

(Units: 100 million yen, %)	Consolidated				Non-consolidated			
	Results	Ratio to sales (%)	Year on year		Results	Ratio to sales (%)	Year on year	
Net sales	825.5	—	+26.9	103.4%	575.0	—	+13.0	102.3%
Gross profit	162.0	19.6%	+3.5	102.3%	110.5	19.2%	-0.7	99.3%
SG&A expenses	81.0	9.8%	+2.4	103.1%	45.0	7.8%	+2.5	106.0%
Operating income	81.0	9.8%	+1.1	101.4%	65.5	11.4%	-3.3	95.2%
Recurring income	82.0	9.9%	+1.0	101.3%	67.5	11.7%	-3.8	94.7%
Profit attributable to owners of parent	52.5	6.4%	+1.2	102.5%	46.5	8.1%	-2.8	94.2%

FY 18/3 Dividend

The Company paid a dividend of ¥35 per share, including a 45th anniversary commemorative dividend of ¥5, at the end of the first half.

For the full year, the Company plans to pay a dividend of ¥75 per share as initially planned. The Company continues to aim for stable dividends and a total return ratio of 40% or more.

	End of first half	Year end	Full year	Payout ratio (consolidated)	Total return ratio (consolidated)
FY 18/3 (Forecast)	¥35	¥40	¥75	45%*	33%
FY 17/3	¥25	¥45	¥70	42.1%	31.5%

In May and June, 2017, approximately 181,000 shares of treasury stock (600 million yen) were acquired.

Other References

(Reference) Major Press Releases (1)



Date of release	Company	Title, brief description
May 11	DTS	<p>Notice concerning determination of matters pertaining to treasury stock acquisition</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>Notice concerning the conclusion of a share exchange agreement (simple stock exchange) related to DTS' s acquisition of 100% ownership of DATALINKS CORPORATION</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>Notice concerning head office relocation</p> <p>* The head office is scheduled to be relocated to Hatchobori, Chuo-ku, Tokyo in October 2017.</p> <hr/> <p><Announcements in newspapers> May 16: The Nikkan Kogyo Shimbun May 23: Information Industries and Markets News</p>
June 19	DTS	<p>Total reconstruction of the Kosei Club, a website of Kosei Securities</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> <hr/> <p><Announcements in newspapers> June 20: The Nikkan Kogyo Shimbun June 30: Nikkin</p>
June 19	DTS	<p>Notice concerning the status and completion of acquisition of treasury shares</p> <p>* Total number of shares acquired: 181,900 shares; total acquisition cost: ¥599,959,500; period: May 15 – June 16, 2017</p>
July 4	DTS INSIGHT	<p>Commencement of the provisioning of Re:Zolver, a software structure analysis tool focused on derivative development in embedded software</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>

(Reference) Major Press Releases (2)

Date of release	Company	Title, brief description
July 24	DTS WEST	Relocation of the head office * The Kyoto office (head office) and the Kyotogojo Office will be integrated and relocated to Chukyo-ku, Kyoto, in August 2017.
September 22	DTS	Notice concerning determination of the date of head office relocation New address: 2-23-1 Hatchobori, Chuo-ku, Tokyo; Date of relocation: Monday, October 2, 2017
		<Announcements in newspapers> October 2: The Nikkan Kogyo Shimbun October 3: Nihon Keizai shinbun

FY 18/3 First Half
Results Presentation

Thank you for your attention.



<http://www.dts.co.jp/>