DTS
Delivering Tomorrow's Solutions

3Q FY March 2018

Results Presentation

February 7, 2018

DTS CORPORATION

Important Events

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. 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.

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

Closed the business of DTS IT Solutions (Thailand) 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.

4. Relocation of the head office of DTS CORPORATION

Relocated the head office from Minato-ku to Chuo-ku, Tokyo on October 2, 2017. In process of driving forward efforts for a work style reform such as the introduction of a satellite office.

5. Payment of a commemorative dividend of the 45th anniversary founding of DTS Corporation, holding of a commemorative ceremony

Paid a ¥35 interim dividend per share in addition to a ¥5 commemorative dividend of the 45th anniversary of the founding.

Moreover, held a commemorative ceremony in November 2017, with more than 3,000 Group employees participating.

Revised "DTS WAY" and established "DTS Group WAY" on this occasion of the 45th anniversary.

Consolidated Results

Net sales rose ¥2.83 billion year on year due to the expansion of the product business and projects for wholesale/retail. Both net sales and operating income marked record highs despite the effects of unprofitable projects during Q1 in addition to the expenditure for one-time expense of the relocation of the head office and the 45th anniversary commemorative ceremony.

(Units: 100 million yen, %)	Results	Ratio to sales (%) / YoY		Year on year		Progress for initial forecast
Net sales	605.7	-		+28.3	104.9%	73.4%
Gross profit	117.7	19.4%	(-0.3pt)	+3.6	103.2%	72.7%
SG&A expenses	59.7	9.9%	(-0.2pt)	+1.3	102.3%	73.8%
Operating income	57.9	9.6%	(-0.1pt)	+2.2	104.1%	71.5%
Recurring income	58.3	9.6%	(-0.3pt)	+1.2	102.2%	71.1%
Profit attributable to owners of parent	38.6	6.4%	(+0.0pt)	+1.9	105.3%	73.6%

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 telecommunications, wholesale/retail and manufacturing, as well as the expansion of existing projects.
- Sales in the operation BPO segment remained unchanged.
- 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	605.7	-		+28.3	104.9%	73.4%
Finance and public	199.3	32.9%	(-4.6pt)	-17.3	92.0%	68.7%
Corporate communication solutions	168.2	27.8%	(+3.5pt)	+28.2	120.2%	76.6%
Operation BPO	90.9	15.0%	(-0.6pt)	+0.5	100.6%	72.8%
Regional, overseas, etc	147.2	24.3%	(+1.7pt)	+16.8	112.9%	77.1%

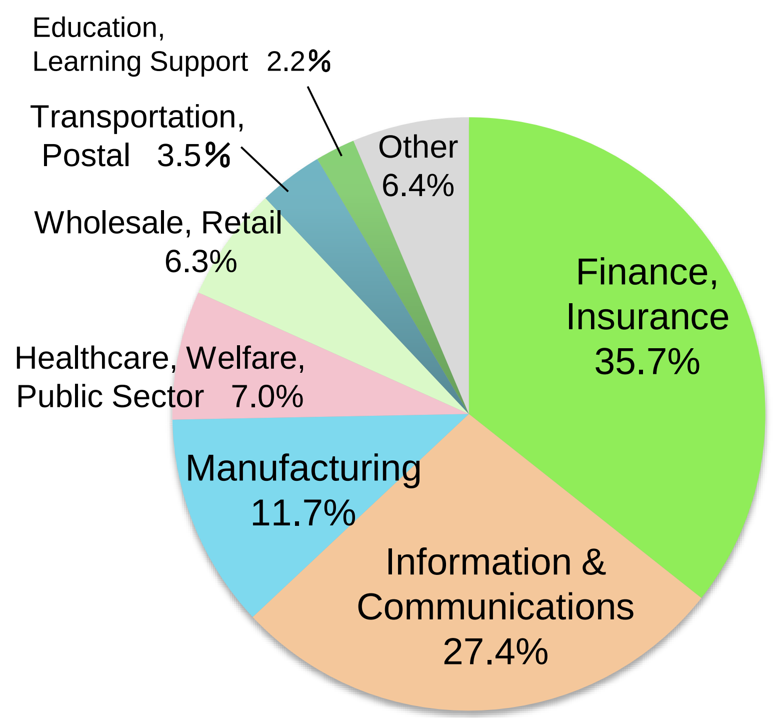
* The results are sales to the outside of the Group.

Consolidated Sales by End User

- Sales in the finance and insurance business declined due to the contraction of integration projects, although sales increased in life and non-life insurance companies.
- Sales in the information & communications business increased, mainly due to the expansion of product business and the projects for the communications industry.
- Sales in the healthcare, welfare and public sector business rose, mainly due to the expansion of projects at public offices and mutual aid associations.
- Sales in the wholesale and retail business rose, chiefly due to the expansion of solution projects for trading houses.

Industrial Classification of METI

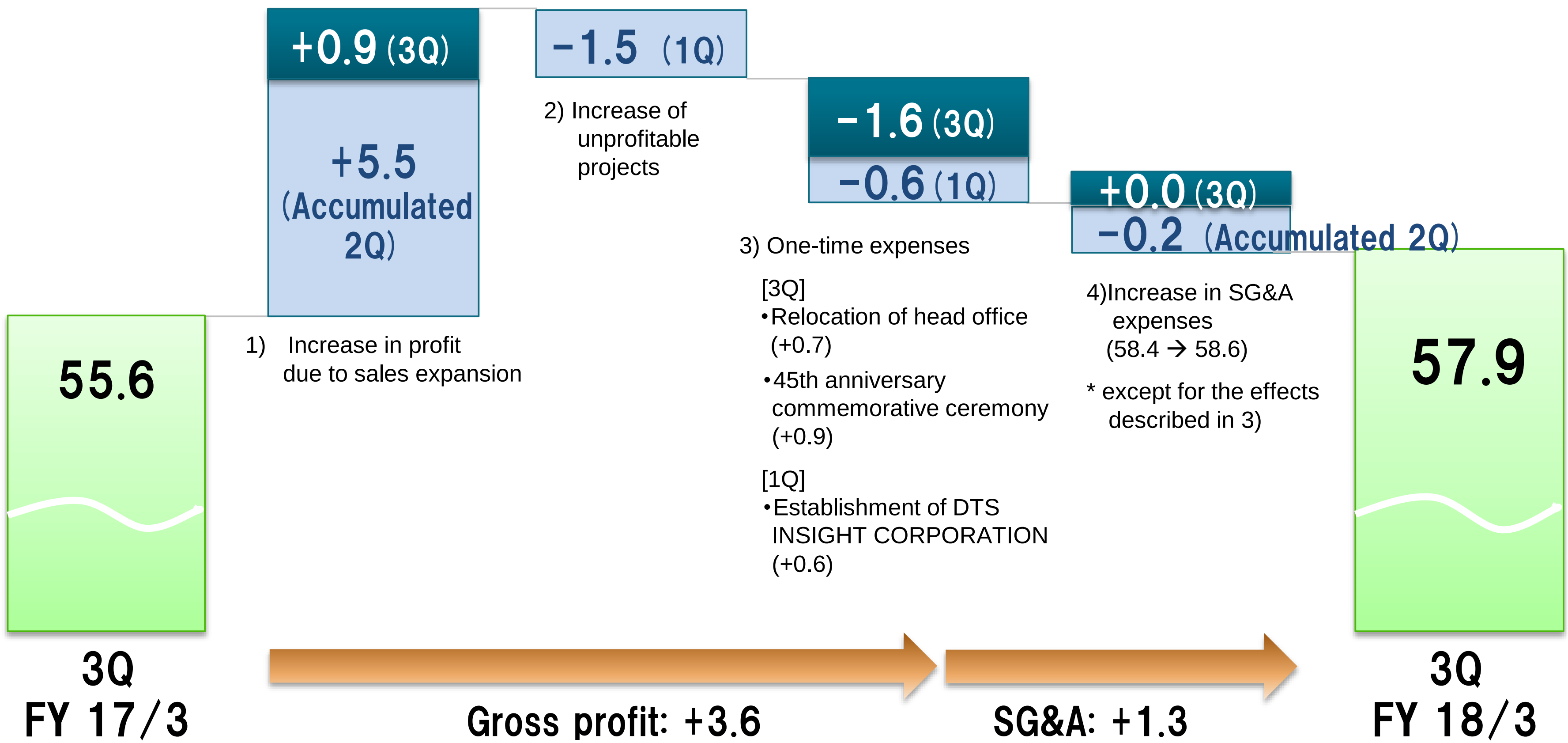
(Units: 100 million yen, %)	Amount	Composition Ratio	Year on year	
Finance, Insurance	215.9	35.7%	−17.6	92.4%
Information & Communications	165.6	27.4%	+15.8	110.6%
Manufacturing	70.8	11.7%	+6.6	110.4%
Healthcare, Welfare, Public Sector	42.5	7.0%	+9.5	128.9%
Wholesale, Retail	37.8	6.3%	+7.5	124.8%
Transportation, Postal	21.1	3.5%	+4.6	128.2%
Education, Learning Support	13.1	2.2%	−3.9	77.0%
Other	38.5	6.4%	+5.7	117.4%
Total	605.7	100.0%	+28.3	104.9%



Reason for an Increase in Consolidated Operating Income

Consolidated operating income rose ¥0.22 billion year on year thanks to increases in gross profit due to the expansion of sales, offsetting the effects of unprofitable projects during Q1 as well as the one-time expenses associated with the relocation of head office and the 45th anniversary commemorative ceremony.

(100 million yen)



Order Volume and Order Backlog by Segments

Order backlogs
• The order backlog in the finance and public segments increased with the expansion of life and non-life insurance projects.
• The order backlog in the corporate communication solutions segment increased due to the expansion of existing projects and the acquisition of new customers in transportation, wholesale/retail and telecommunications.
• The order backlog remained unchanged from a year earlier in the operation BPO and regional, overseas, etc. segments.

(Units: 100 Million yen, %)	Order Volume*1				Order Backlog*1			
	Results*2	Composition Ratio	Year on year		Results*2	Composition Ratio	Year on year	
Total	441.5 <455.4>	-	+4.7 <+18.7>	101.1% <104.3%>	176.0 <189.9>	-	+12.7 <+26.6>	107.8% <116.3%>
Finance and public	120.1	27.2%	-31.4	79.3%	62.5	35.5%	+1.2	102.1%
Corporate communication solutions	156.2	35.4%	+25.2	119.3%	55.7	31.6%	+11.6	126.4%
Operation BPO	22.5	5.1%	-4.2	84.3%	29.5	16.8%	+0.5	101.7%
Regional, overseas, etc	142.6 <156.6>	32.3%	+15.1 〈+29.0〉	111.9% 〈122.8%〉	28.2 <42.2>	16.1%	-0.6 〈+13.2〉	97.7% 〈145.9%〉

＊1: During the period ending March FY2018, there were effects of moving up the timing of recording orders (increase of ¥1.39 billion), reflecting stronger administration of order receipt at certain Group companies. The figures exclude these effects. The brackets <> show figures taking the above effects into account (the figures stated in the summary of financial results)
＊2:The results are order volume and order backlog from the outside of the Group

Non-Consolidated Results

- Net sales marked a record high due to the acquisition of new projects in a variety of industries, including mega banks, transportation and manufacturing, as well as the expansion of existing projects.
- Operating income increased due to higher sales, although on-time expense was appropriated for the relocation of the head office and the commemorative ceremony of the 45th anniversary of the founding.

(Units: 100 million yen, %)	Results	Ratio to sales (%) / YoY*		Year on year*		Progress for initial forecast
Net sales	416.4	-		+10.3 <+7.2>	102.5% <101.8%>	72.4%
Gross profit	83.0	19.9%	(+0.0pt)	+2.3 <+1.5>	102.9% <101.9%>	75.2%
SG&A expenses	33.3	8.0%	(+0.3pt)	+2.0	106.5%	74.0%
Operating income	49.7	11.9%	(-0.3pt)	+0.2 <-0.5>	100.6% <99.0%>	75.9%
Recurring income	52.8	12.6%	(-0.1pt)	+1.0 <+0.2>	102.0% <100.4%>	78.3%
Net income	36.6	8.8%	(-0.2pt)	+0.2 <-0.3>	100.6% <99.1%>	78.8%

*The year-on-year figures are comparison with figures excluding the effects of the transfer of businesses to DTS INSIGHT CORPORATION. The figures in parentheses are figures including the effects of the transfer.

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.