

# FY 19/3 Results Presentation

April 26, 2019

**DTS CORPORATION**

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(April 2019 to March 2022)

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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.

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# 1. Overview of FY 19/3 Results

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## 1. Absorption-type merger of DATALINKS

Executed an absorption-type merger of DATALINKS CORPORATION on October 1, 2018, with the aim of improving management efficiency and speeding up decision-making by expanding business synergies and making more efficient use of resources.

## 2. Additional investment in overseas Group companies (establishment of subsidiaries)

Decided to make an additional purchase of shares of Nelito Systems Limited, based in India, and make it a subsidiary for the purpose of expanding the Group's global business in the financial business industry.

DTS (Shanghai) CORPORATION increased its capital investment in DLSE and raised the capital contribution ratio to 51% for the purpose of expanding its offshore market and strengthen its business in China.

## 3. Increase in dividends paid

In response to strong business performance, will increase the year-end dividend by 15 yen to return more profit to shareholders (the annual dividend will be 95 yen).

## 4. Stock split

Will implement a two-for-one split of the Company's common shares to increase share liquidity. (effective date: July 1, 2019 (tentative))

## 5. Formulation of a new Medium-Term Management Plan

Established a new Medium-Term Management Plan for the period beginning in April 2019. Aim to create new values for achieving a sustainable society through activities for ESG management. Established a Medium-Term management vision, "Next value creator providing new value to the society of tomorrow."

# Consolidated Results



Operating income increased ¥3,550 million year on year due to the strong results of corporate communication, social security, operation BPO, and embedded business segments, which covered the decline in bank integration projects.

Operating income increased ¥1,260 million year on year after the improvement of the cost ratio, despite an increase in negative results due to unprofitable projects. Both net sales and operating income set new record highs.

(Units: 100 million yen, %)	Results	Ratio to sales (%)/ YoY		Year on year		Compared to initial forecast
Net sales	867.1	—		+35.5	104.3%	99.7%
Gross profit	175.1	20.2%	(+0.4pt)	+10.6	106.5%	101.8%
SG&A expenses	77.2	8.9%	(-0.6pt)	-1.9	97.5%	90.9%
Operating income	97.8	11.3%	(+1.0pt)	+12.6	114.8%	112.5%
Recurring income	99.2	11.5%	(+1.1pt)	+13.5	115.8%	113.5%
Profit attributable to owners of parent	68.1	7.9%	(+0.9pt)	+10.5	118.2%	116.5%

# Non-Consolidated Results

Net sales increased ¥2,410 million year on year due to the strong results of the corporate communications, social security and operation BPO segments, which covered the decline in bank integration projects. Operating income increased ¥480 million year on year due to sales growth and a decrease in temporary expenses, such as those for head office relocation despite an increase in expenses mainly to strengthen the system of the Sales Sector.

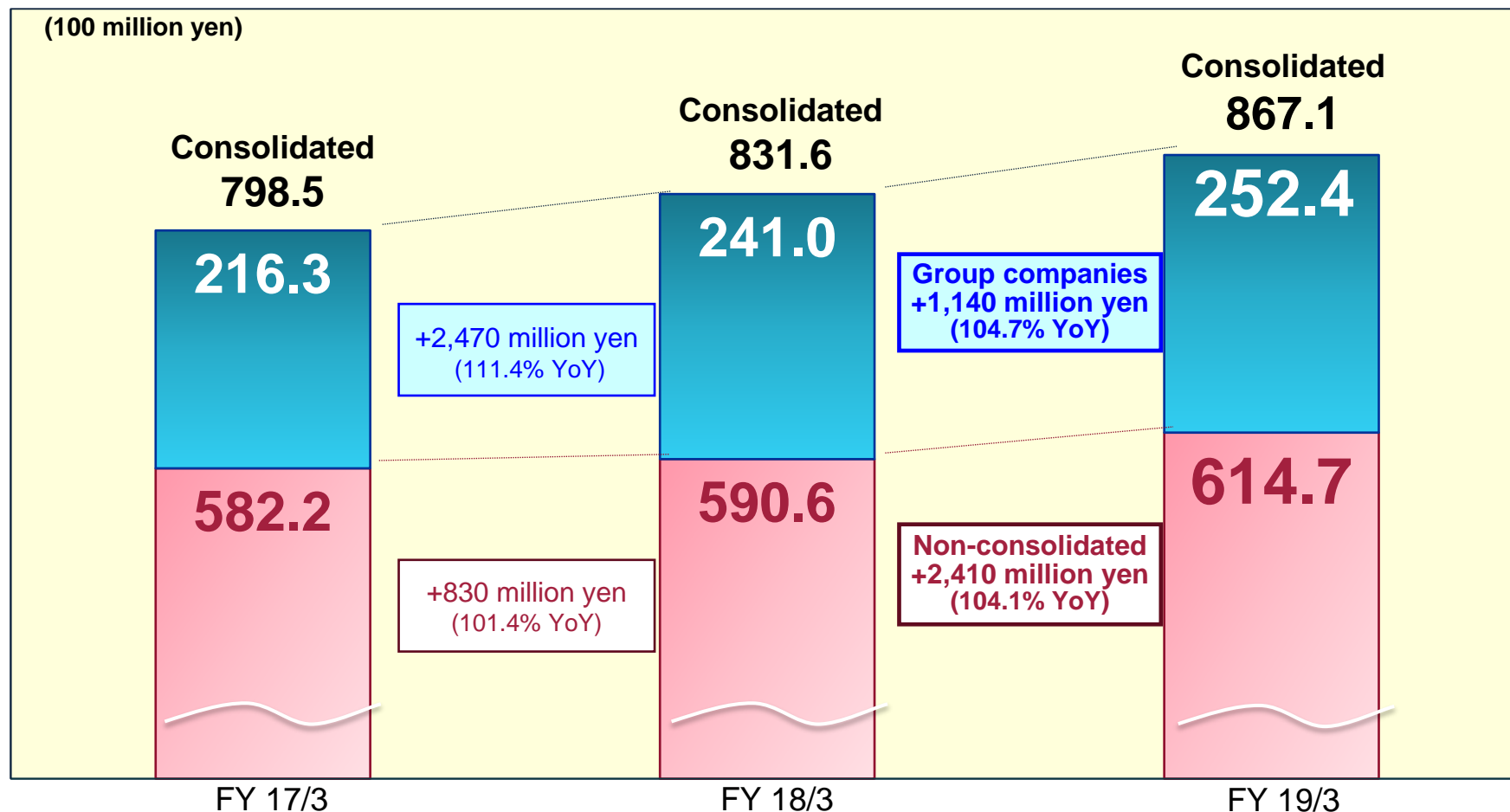
(Units: 100 million yen, %)	Results	Ratio to sales (%)/ YoY		Year on year		Year-on-year change in Q4
Net sales	614.7	—		+24.1 <+47.7>	104.1% <108.4%>	+14.4
Gross profit	123.1	20.0%	(-0.0pt)	+4.8 <+9.3>	104.1% <108.2%>	+2.6
SG&A expenses	46.3	7.5%	(-0.3pt)	-0.0 <+2.3>	99.9% <105.4%>	+0.2
Operating income	76.7	12.5%	(+0.3pt)	+4.8 <+6.9>	106.8% <110.0%>	+2.4
Recurring income	80.9	13.2%	(+0.4pt)	+5.8 <+7.9>	107.8% <110.9%>	+2.4
Net income	57.6	9.4%	(+0.6pt)	+5.6 <+7.1>	110.9% <114.1%>	+1.6

\* The effects of the merger of DATALINKS CORPORATION have been adjusted for the year-on-year comparison. The figures in brackets (<>) are the same as those in the summary of financial results.

# Changes in Net Sales [Non-Consolidated/Group Companies]

Due to the strong performance primarily of the corporate segment and public-sector projects, non-consolidated net sales (DTS) rose ¥2,410 million, or 4.1%, year on year. Net sales of the entire group increased ¥1,140 million, or 4.7%, year on year, due to the growth of embedded and financial businesses.

■ Non-consolidated net sales    
 ■ Net sales of group companies (including consolidated adjustments)

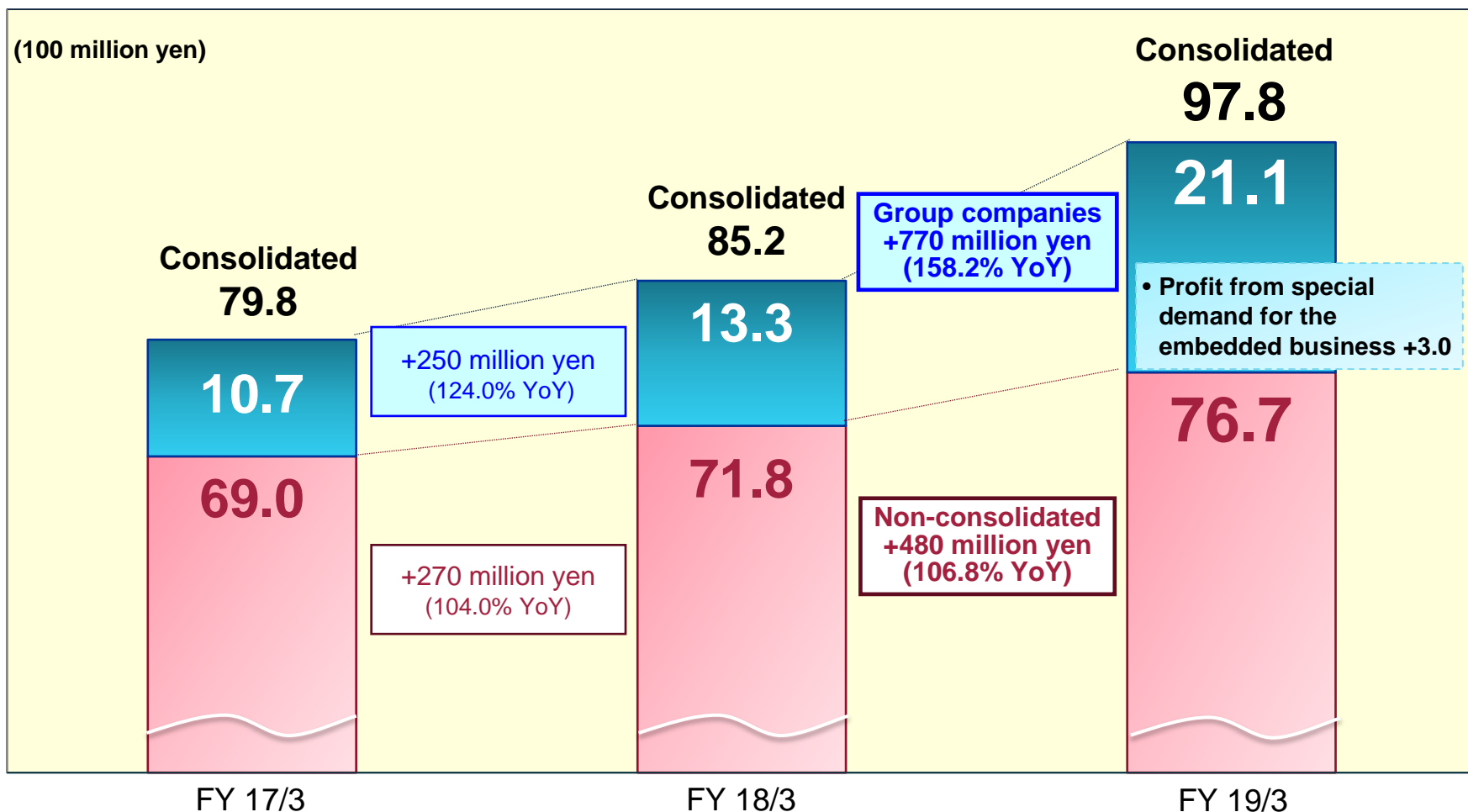


\* The non-consolidated net sales for the fiscal years ended March 2017 and March 2018 include net sales of DATALINKS for the second half of the respective fiscal years, and the consolidated net sales of the group for the fiscal year ended March 2017 include DTS' embedded business.

# Change in Operating Income [Non-Consolidated/Group Companies]

Operating income of the group companies increased ¥770 million, or 58.2%, year on year, which was attributable in part to profit from special demand for broadcasting systems in the embedded business.

■ Non-consolidated operating income    
 ■ Operating income of group companies (including consolidated adjustments)

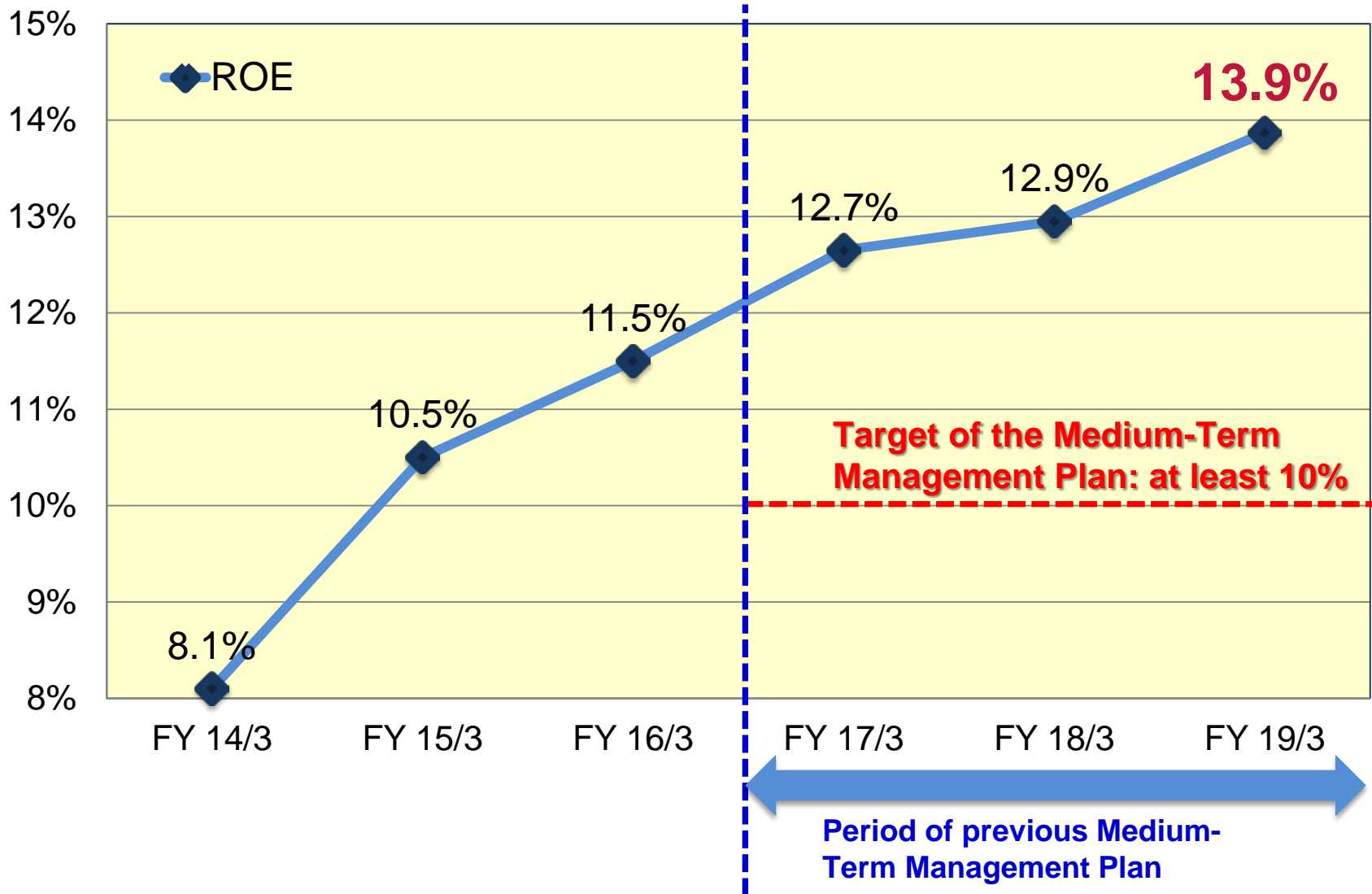


\* The non-consolidated net sales for the fiscal years ended March 2017 and March 2018 include net sales of DATALINKS for the second half of the respective fiscal years, and the consolidated net sales of the group for the fiscal year ended March 2017 include DTS' embedded business.



# Change in Consolidated ROE

Consolidated ROE exceeded the 10% target in the Medium-Term Management Plan for five consecutive fiscal years.



# Net Sales by Segments

- Sales in the finance and public segment declined due to a decrease in integration projects, which could not be offset by growth in asset management, pension and mutual aid, life insurance and others.
- Sales in the corporate communication solutions segment increased due to strong results for the information and communication business, transportation and embedded businesses, such as in-vehicle and broadcasting systems.
- Sales in the operation BPO segment increase as operation projects expanded in the life insurance business and in the retail business.
- Sales in the regional, overseas, etc. segment failed to achieve the forecast despite an increase in sales based on strong results of financial business, etc.

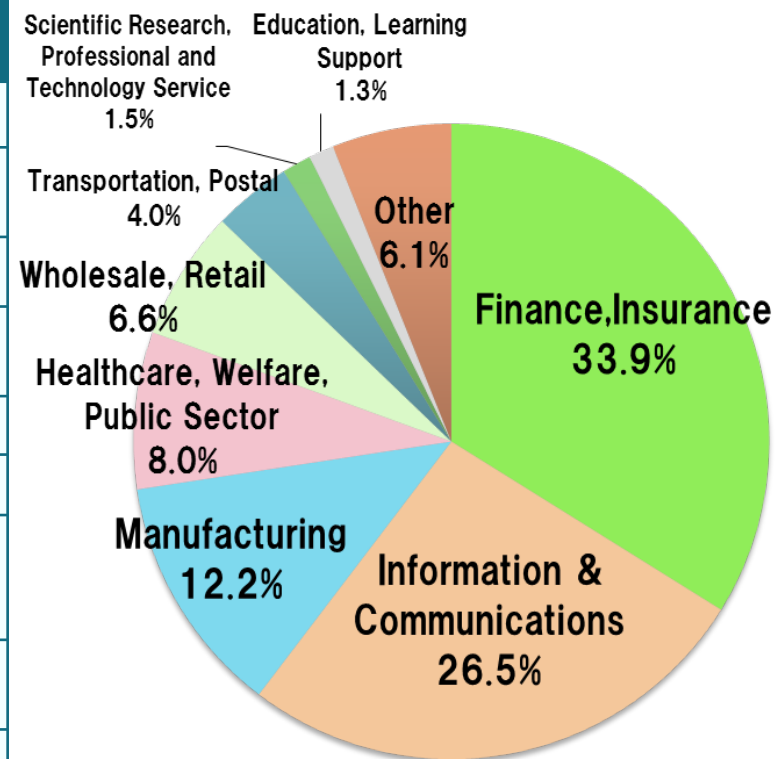
(Units: 100 million yen, %)		Results*	Ratio to sales (%) / YoY		Year on year		Progress for initial forecast
Net sales		867.1	—		+35.5	104.3%	99.7%
	Finance and public	257.2	29.7%	(-2.3pt)	-8.8	96.7%	92.2%
	Corporate communication solutions	267.4	30.8%	(+2.2pt)	+29.3	112.3%	105.7%
	Operation BPO	133.8	15.4%	(+0.6pt)	+10.6	108.6%	106.2%
	Regional, overseas, etc	208.5	24.1%	(-0.5pt)	+4.3	102.1%	98.4%

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

# Consolidated Sales by End User

- Sales in the finance and insurance business increased due to the growth in life insurance, securities and other users, which offset a decrease in integration projects.
- Sales rose in the information business increased, due to the expansion of projects for information services.
- Sales in manufacturing grew largely due to the strong performance of in-vehicle equipment manufacturers.
- Sales in healthcare, welfare and the public sector rose due to the growth of projects for pensions and mutual aid.

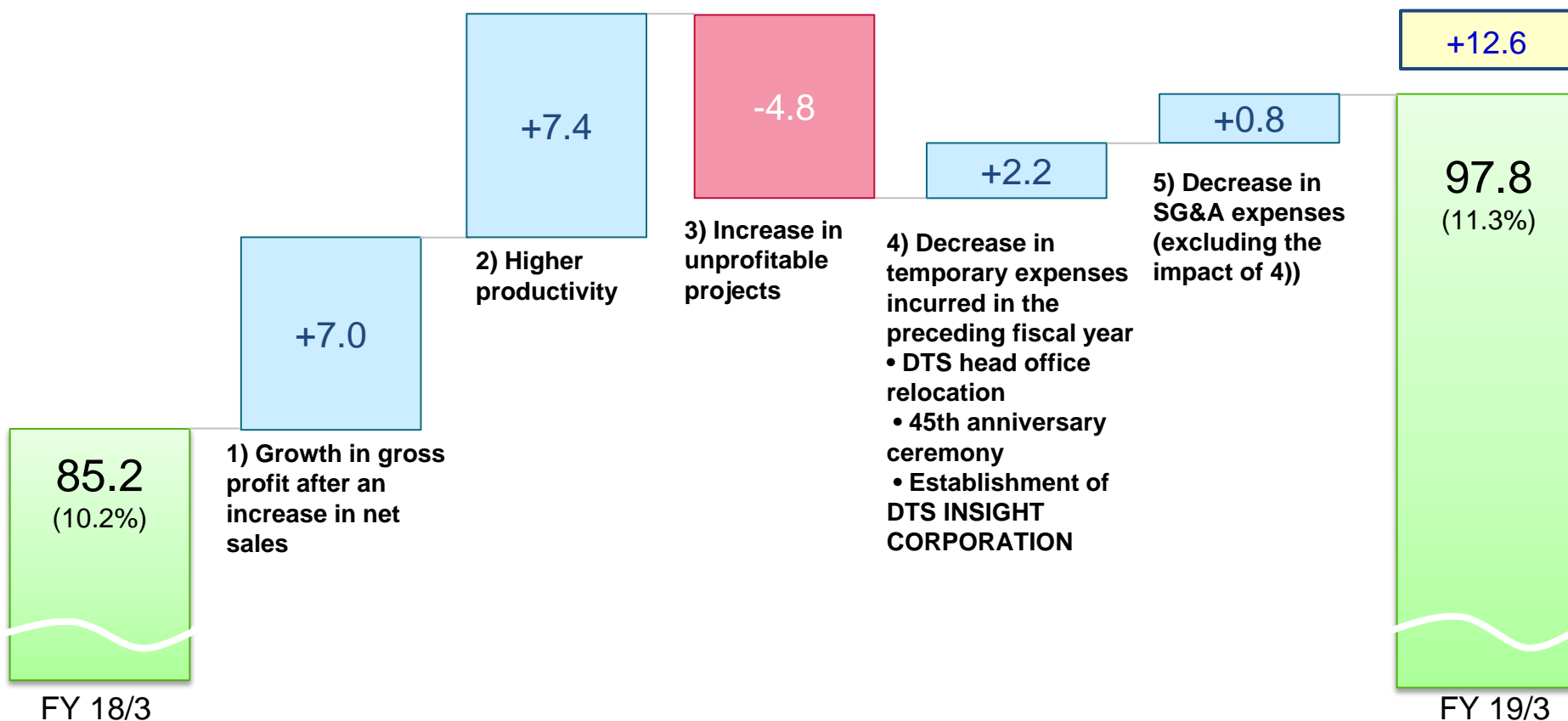
(Units: 100 million yen, %)	Amount	Composition ratio	Year on year	
Finance, Insurance	293.7	33.9%	+2.3	100.8%
Information & Communications	229.5	26.5%	+9.6	104.4%
Manufacturing	106.0	12.2%	+6.0	106.1%
Healthcare, Welfare, Public Sector	69.2	8.0%	+7.6	112.3%
Wholesale, Retail	57.3	6.6%	+1.6	102.9%
Transportation, Postal	34.4	4.0%	+2.5	107.9%
Scientific Research, Professional and Technology Service	12.8	1.5%	+2.2	120.7%
Education, Learning Support	11.1	1.3%	-5.5	66.6%
Other	52.6	6.1%	+9.0	120.7%
<b>Total</b>	<b>867.1</b>	<b>100.0%</b>	<b>+35.5</b>	<b>104.3%</b>



# Reason for an Increase in Consolidated Operating Income

Improvement in the cost ratio after sales growth and higher profitability in the embedded business covered the decrease due to an increase in unprofitable projects. Operating income surged ¥1,260 million, or 14.8%, year on year, and both the profit amount and profit margin hit record highs.

(100 million yen)



# Order Volume and Order Backlog by Segments

## [Order Backlogs]

- The order backlog in the finance and public segment increased due to the acquisition of large-scale projects for securities companies and the expansion of projects for mutual aid and life insurance companies, which covered the decrease in integration projects.
- The order backlog in the corporate communication solutions segment increased due to growth in housing-related business.
- The order backlog in the operation BPO segment increased due to the expansion of projects in the information and communication business and retail business.
- The order backlog in the regional, overseas, etc. segment increased due to growth in the product business.

(Units: 100 Million yen, %)	Order Volume				Order Backlog			
	Results	Composition ratio	Year on year		Results	Composition ratio	Year on year	
Total	892.9	—	+47.8	105.7%	379.4	—	+25.7	107.3%
Finance and public	263.2	29.5%	+0.2	100.1%	144.6	38.1%	+5.9	104.3%
Corporate communication solutions	277.6	31.1%	+40.0	116.8%	77.5	20.4%	+10.2	115.2%
Operation BPO	138.7	15.5%	+6.3	104.8%	111.9	29.5%	+4.8	104.5%
Regional, overseas, etc	213.2	23.9%	+1.2	100.6%	45.3	11.9%	+4.6	111.6%

# (Reference 1) Group Company Results for FY 19/3

(Units: 100 million yen, %)	FY 19/3*						FY 18/3*	
	Net sales			Operating income			Net sales	Operating income
	Amount	YoY (%)		Amount	YoY (%)			
DIGITAL TECHNOLOGIES CORPORATION	82.6	-0.7	99.1%	2.4	+0.8	154.8%	83.3	1.5
DTS INSIGHT CORPORATION	69.5	+7.9	112.9%	8.9	+2.9	150.4%	61.5	5.9
JAPAN SYSTEMS ENGINEERING CORPORATION	52.1	+3.6	107.6%	3.3	+2.3	330.9%	48.4	1.0
DTS WEST CORPORATION	31.5	-1.5	95.4%	2.2	-0.8	73.4%	33.0	3.0
KYUSHU DTS CORPORATION	21.4	+3.3	118.7%	1.8	+0.4	132.7%	18.0	1.3
DTS America Corporation	5.6	+2.3	171.9%	0.6	+0.4	467.7%	3.3	0.1
MIRUCA CORPORATION	4.9	+0.0	100.0%	0.5	-0.1	81.7%	4.9	0.6
DTS(Shanghai) CORPORATION	2.4	+1.2	205.3%	0.1	+0.4	—	1.1	-0.2

\*Values for intra-group transactions are included in the results.

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## 2. New Medium-Term Management Plan (April 2019 to March 2022)

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# Review of the Previous Medium- Term Management Plan

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(April 2016 to March 2019)

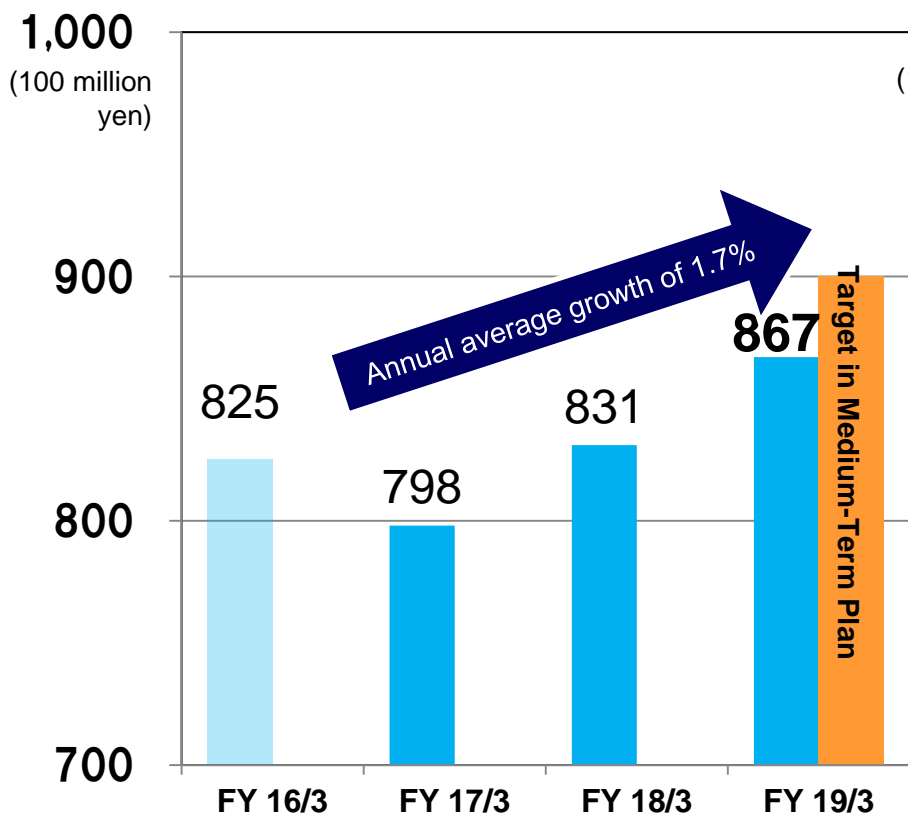


# Review the Previous Medium-Term Management Plan (Financial Results)

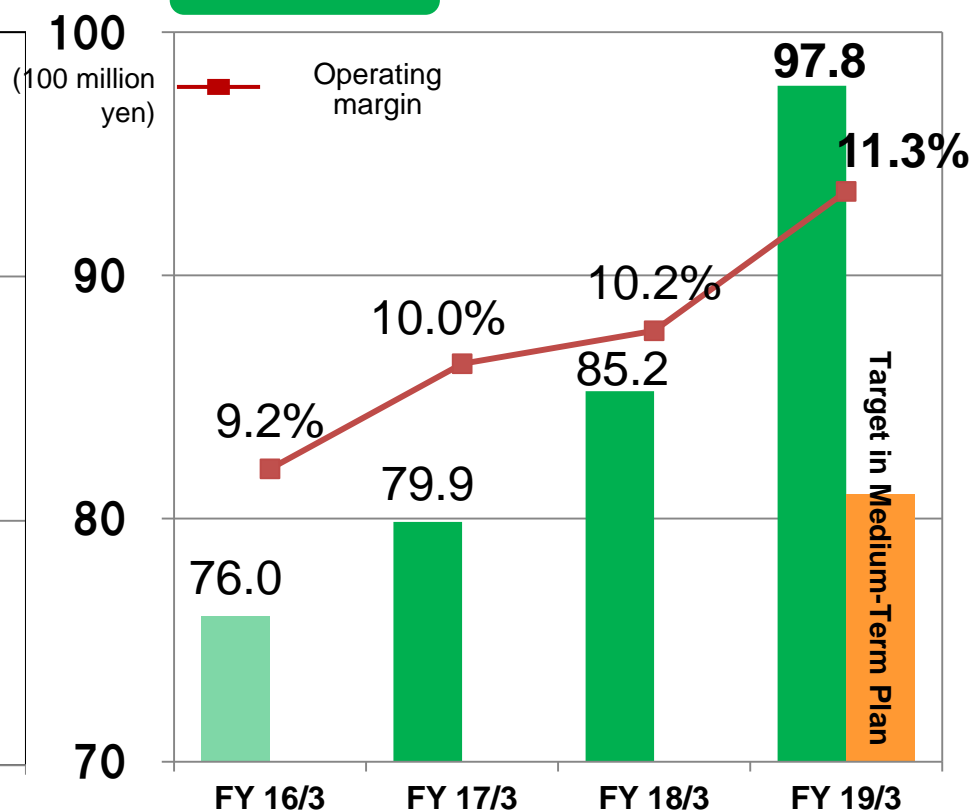
Net sales started to increase in the second year in the Medium-Term Plan and reached a new record high of ¥86.7 billion in the final year; however, it failed to reach target of ¥90.0 billion.

Operating income already exceeded the target operating margin (9%) in the first year of the Medium-Term Plan, and the profit amount grew for nine consecutive years to reach a new record high. The operating margin exceeded 11% in the final year of the plan.

Net sales



Operating income



Note: The target operating income in the Medium-Term Plan was ¥8.1 billion (assuming net sales of ¥90.0 billion and operating margin of 9%.)

Consolidated ROE and total return ratio reached the targets in the Medium-Term Plan and helped achieve stable shareholder returns.

Management Indicators	FY 17/3	FY 18/3	FY 19/3	Target in Medium-Term Plan
ROE	12.7%	12.9%	13.9%	10% or higher
Total Return Ratio	42.1%	42.9%	41.3% (*)	40% or higher

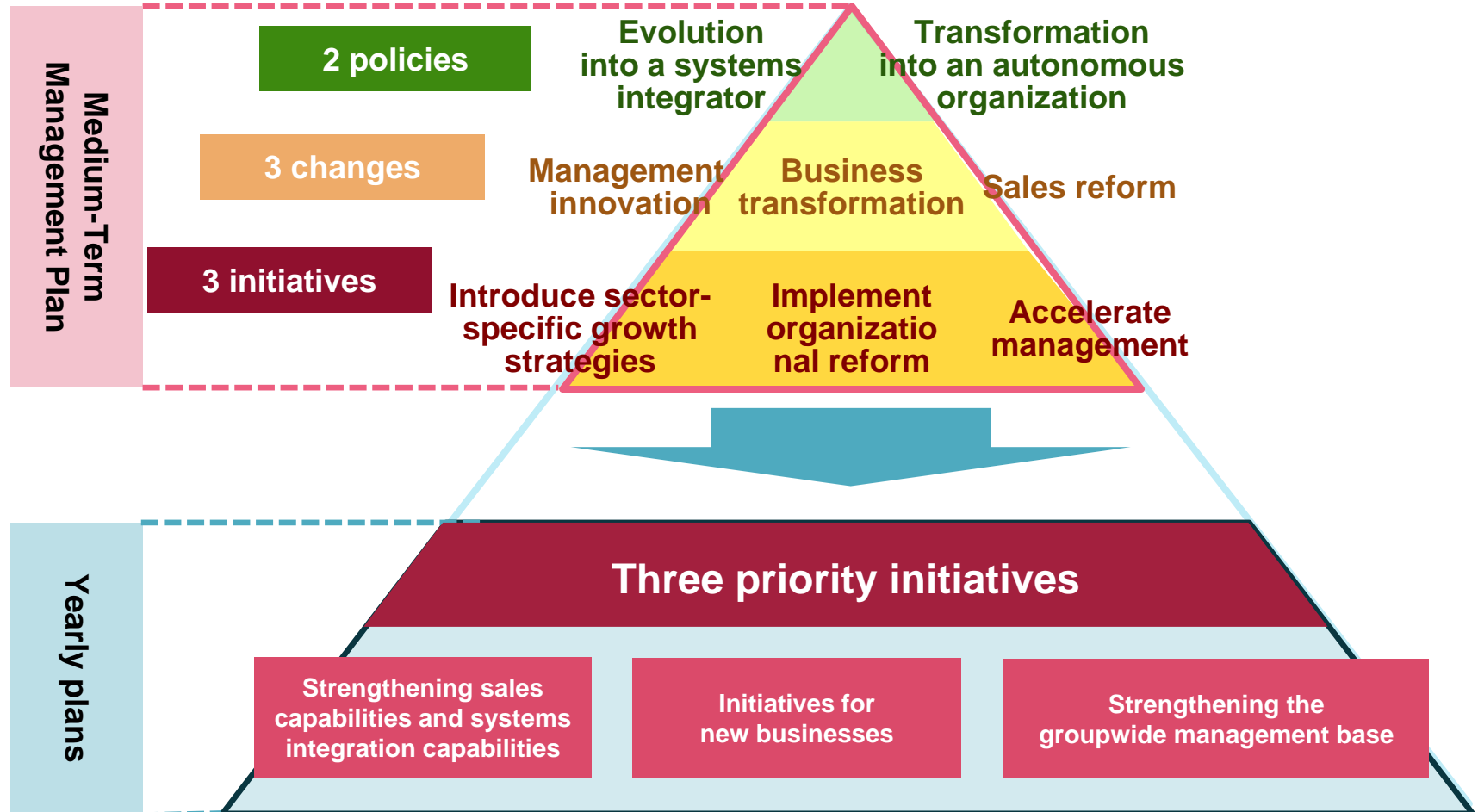
[Reference]

Acquisition of treasury shares (number of shares acquired)	¥0.55 billion (249,000 shares)	¥0.6 billion (182,000 shares)	¥0.6 billion (135,000 shares)
Dividends	¥70	¥80	¥95 (*)
Payout Ratio	31.5%	32.3%	32.5% (*)

\* The ratios on the assumption of approval as proposed by the Company at the ordinary general meeting of shareholders to be held on June 21, 2019.

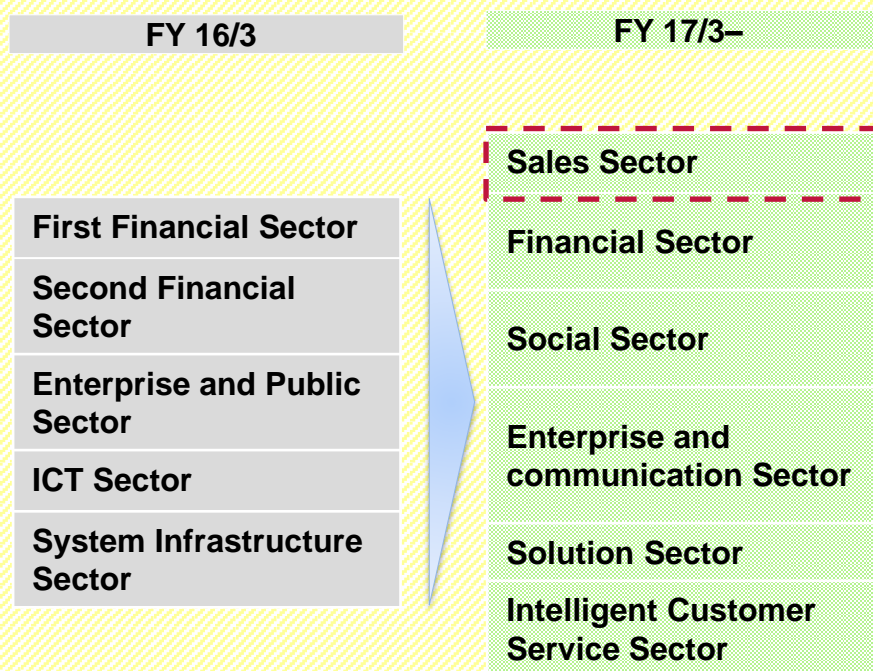
# Key Activities for the Previous Medium-Term Management Plan

In accordance with the Medium-Term Management Plan, the Company focused on the three key activities to achieve further growth in the future.



Shift to a system that separates manufacturing and sales to improve account sales. Aggressive proposal activities such as the Plus One Strategy resulted in an increase in the amount of orders received\* through new contracts, which helped build a new customer base.

## <Shift to a structure that separates system development and sales>



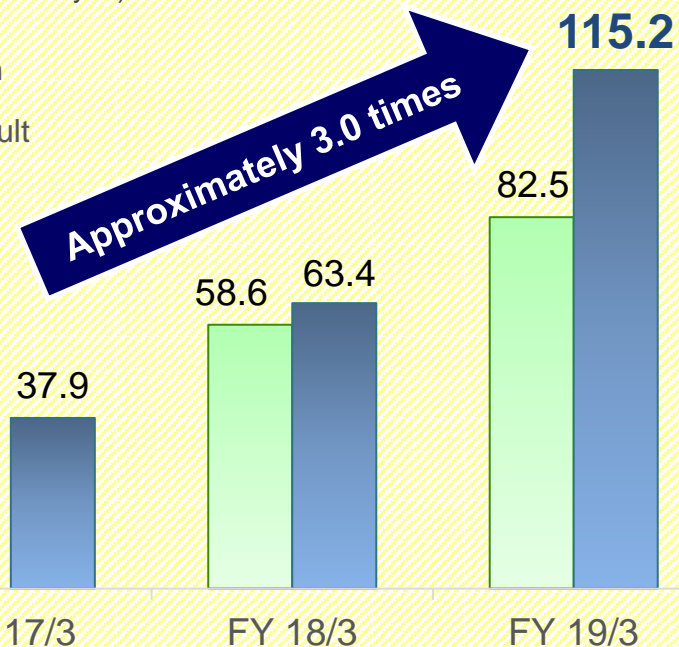
Integrated the account sales of the entire company aiming to improve collaboration among sales personnel and sales human resources.

## <Amount of orders received through new contracts>

(100 million yen)

□ Plan

■ Result



Active efforts on the assumption of a decrease in bank integration projects resulted in an approximately 3.0 times increase in two years. (Results of FY ended March 2017 are provided as a reference.)

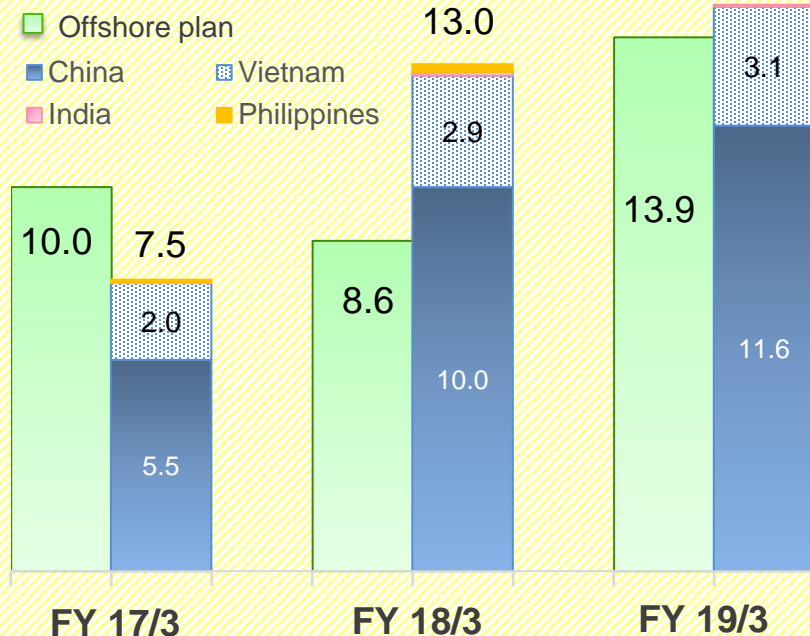
\* The amount of orders received through new contracts is the total for DTS alone.

Promoted an increase in SI competitiveness by working to expand offshore development through alliances with overseas group companies.

Unprofitable projects\* significantly increased in the 47th period (ratio to sales of 0.8%). Improve project management and implement thorough visualization to reduce unprofitable projects.

## <Amount of offshore orders made>

(100 million yen)



Promoted offshore development and focused on increasing cost competitiveness and local development capacity.

## <Unprofitable projects>

	Amount of unprofitable projects	% of sales
FY 17/3	-0.11 billion yen	0.1%
FY 18/3	-0.3 billion yen	0.4%
FY 19/3	-0.73 billion yen	0.8%

- Partially due to taking on the challenge of new SI projects, unprofitable projects significantly increased during the period of the Medium-Term Plan.
- While the Company takes on challenges, it will work to reduce unprofitable projects by improving project management and aim to keep the ratio to sales below 0.5%.

\* The amount of unprofitable projects is the total of deficit projects and the amount of provision for loss on orders received.

# Initiatives for new businesses (1)

The DTS Group focuses on activities for CAMBRIC.

In cloud solutions, sales of DIGITAL TECHNOLOGIES CORPORATION's HCI-related products are increasing.

In robotics, sales are increasing for the installation of microcomputers for robot control, supply of robot management servers and RPA projects.

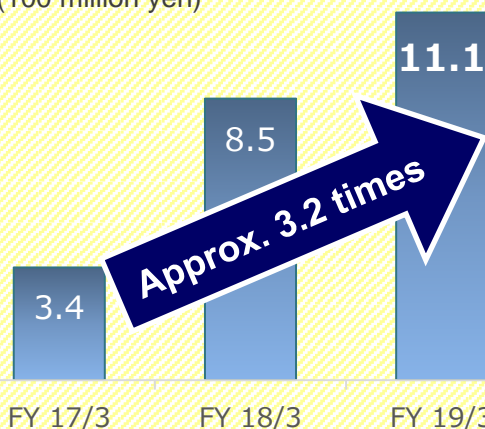
In in-vehicle systems, the Company is working to develop ADAS-related technologies and increase sales.

## Cloud

Sales of hyper-converged infrastructure (HCI) to enable hybrid cloud environments are growing.

<Sales of HCI-related solutions>

(100 million yen)

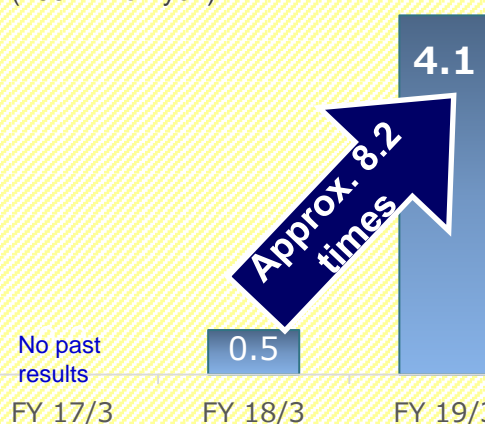


## Robotics

RPA projects are increasing in wide-ranging industries such as financial services and insurance to increase operation efficiency.

<Sales of RPA projects>

(100 million yen)

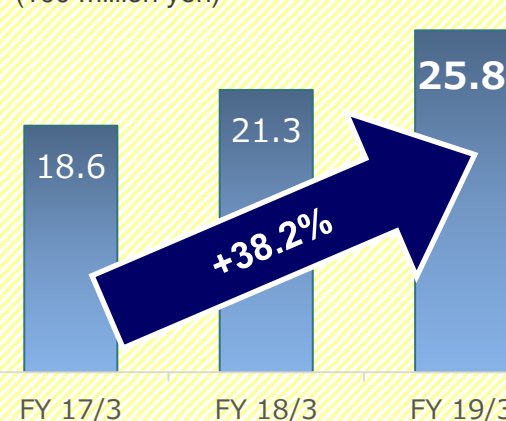


## IoT

In the in-vehicle embedded business, sales are growing due to the development of ADAS\*-related technologies.

<Sales of embedded (in-vehicle systems) business>

(100 million yen)



\* ADAS: Advanced Driver Assistance System developed to support safe driving and increase convenience.

Focusing on the creation of solutions to reform the Company's business model.

## New Walk in Home



- Sales started in September 2018
- Processing speed significantly increased after the renewal of the Walk-in-home platform with dramatically improved functions

## GalleriaSolo



- Sales started in July 2016
- BI dashboard jointly developed with DATALINKS
- Released version 1.1 in November 2018

## AMLion



- Sales started in November 2018
- Developed DTS's original anti-money-laundering product using other companies' packages

## eG-Connector



- Obtained SAP certification in December 2018 and released in SAP App Center
- Service to link SAP products and e-Gov (electronic application)

# Strengthening the groupwide management base (1)

Optimizing the group through integration of embedded business, merger of DATALINKS and others.  
Implementing work-style reforms such as increased productivity through DTS head office relocation.  
Improving the operation process to reduce the period for financial results announcement by six business days.

## Group reorganization

- Integrated embedded business into DTS INSIGHT CORPORATION
- Merged DATALINKS with DTS
- Made JAPAN SYSTEMS ENGINEERING CORPORATION a wholly-owned subsidiary
- DTS (Shanghai) CORPORATION increased its capital investment in Dalian Super Electronics Co., Ltd and acquired a majority of the shares.

## ISO 14001

• Seven group companies in Japan obtained the certification.

\* Four companies newly obtained the certification:

KYUSHU DTS CORPORATION, DTS INSIGHT CORPORATION, DIGITAL TECHNOLOGIES CORPORATION, and MIRUCA

## Work-style reforms

- Increased productivity by relocating DTS head office
- Reduced overtime work
- Increased the percentage of paid leave taken
- Established a health promotion section

# DTS GROUP

## Acceleration of account settlement

- Reduced the period for financial results announcement by six days (from 26 to 20 business days)

## Improvement of governance

- Improved the governance of the entire group, including overseas companies. Developed and raised awareness of legal compliance.  
(Enhanced the compliance guidelines and training)



In March 2019, DTS (Shanghai) CORPORATION completed a capital increase provided to Dalian Super Electronics Co., Ltd and raised its capital contribution ratio to 51%.  
In April 2019, DTS decided to make Nelito Systems Limited its subsidiary.

## [Dalian Super Electronics Co., Ltd (DLSE)]

### <Purpose of capital increase>

- To expand the offshore network for customers in Japan
- To build an organization to truly operate the Chinese business and aim to expand the global business

Net sales: ¥830 million (FY2018 forecast)  
Number of employees: 94 (as of the end of 2018)

\* The above net sales and the number of employees are the totals of *Dalian Super Electronics Co., Ltd* and its wholly-owned subsidiary, Japan Super Electronics Co., Ltd .



## [Nelito Systems Limited]

### <Purpose of making the company a subsidiary>

- To expand operations in India
- To expand the market particularly for financial business in the U.S. and Southeast Asia by further increasing business synergy
- To use the company for the global human resource development of the group

Net sales: ¥1,550 million (FY2018 forecast)  
Number of employees: 1,076 full-time employees and 118 part-time employees (as of the end of February 2019)



# Outlook for the Business Environment

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## Macroeconomic environment

- ✓ The global economy is gradually recovering despite some weaknesses found in Asia and Europe, and the moderate recovery is expected to continue.
- ✓ The Japanese economy will moderately recover despite some weaknesses found in export and production. Uncertainty is expected to remain due to concerns over the protectionist policy of the U.S. and slowdown in the Chinese economy.

## IT service market

- ✓ Development of innovation, including the expansion of digital businesses that use new technologies such as cloud computing, artificial intelligence, mobility, big data, robotics, IoT and cyber security (CAMBRIC), is expected in the IT service market, and stable growth that involves market development and creation of demand is expected.

## Focused business themes

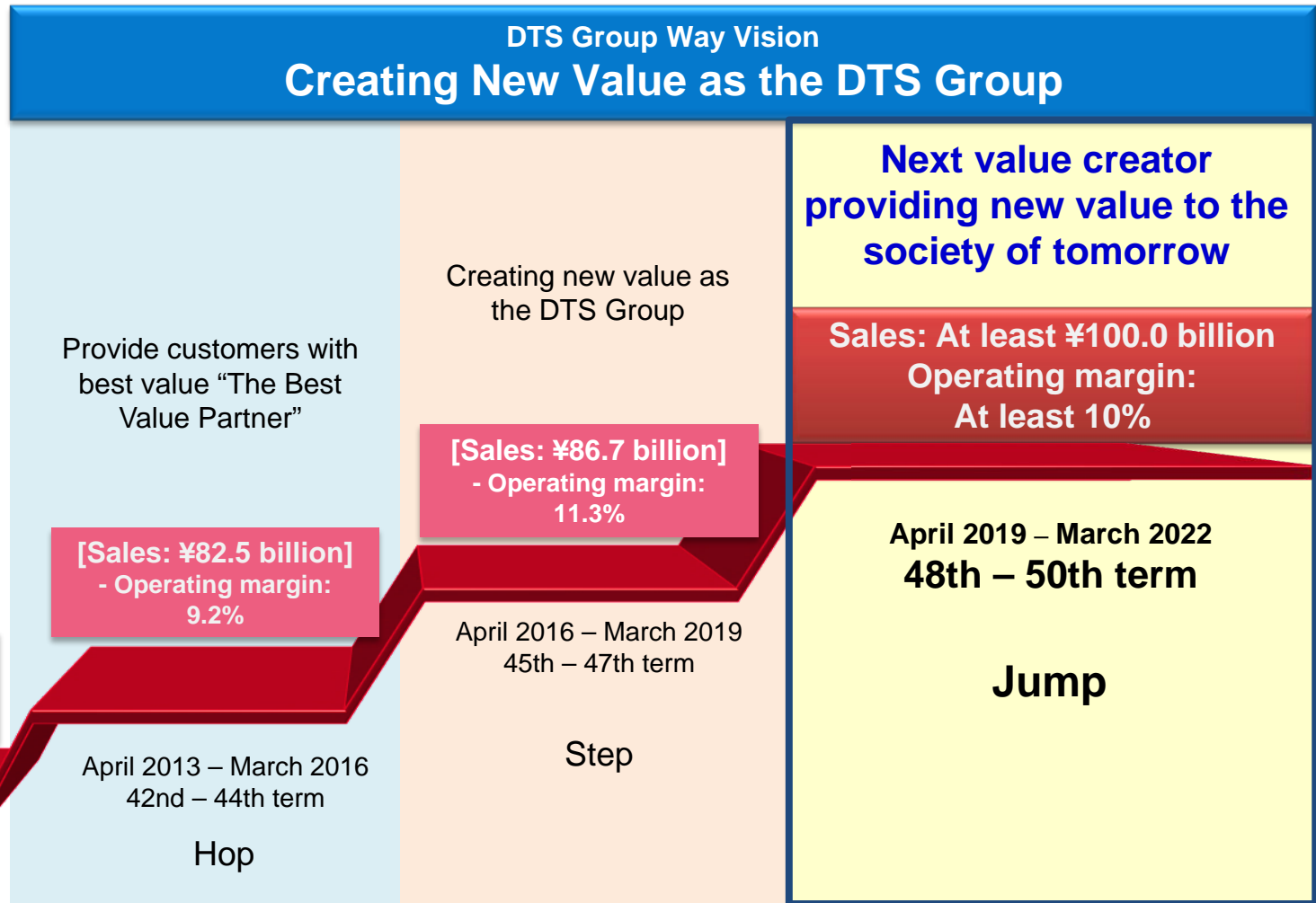
- ✓ The embedded business (in-vehicle systems) and the market for digital businesses that use new technologies such as CAMBRIC will further expand.
- ✓ By using new overseas group companies, the Company will not only expand its offshore businesses, but also businesses with local companies and focus on overseas businesses that can be expected to achieve high growth.

# Medium-Term Management Plan

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(April 2019 – March 2022)

The Medium-Term Management Plan that starts in April 2019 will cover the final three years for the Company, working to achieve its long-term management targets.



Under the Medium-Term Plan vision, focus on three policies and five key activities that contribute to the sustainable growth of society and increase the Company's corporate value.

Medium-Term  
Management  
Vision

Three basic  
policies

Five key activities

providing new value to the society of tomorrow

## Next Value Creator

- Implement ESG management and achieve the creation of new value (social value and economic value) initiated by the DTS Group.

## Management policy for achieving the Medium-Term Plan vision

- Achieve a sustainable society
- Evolve into a new system integrator
- Shift to autonomous human resources

## Measures and concepts for achieving the policies

- Strengthening sales capabilities and systems integration capabilities
- Reforming internal systems and clerical work
- Creating new businesses
- Implementing work-style innovation
- Strengthening of the Group's management foundation

providing new value to the society of tomorrow

# Next Value Creator

Through ESG activities, the DTS Group creates **new value** to achieve a sustainable society.

## Creation of social values

- Solve environmental and social issues
- Increase interactions with investors
- Reform the work environment

**Achieve sustainable growth and increase corporate value of the DTS Group**

Change into a corporate group that creates new value

## Creation of economic values

- Solve customer issues
- Return profit to shareholders
- Improve treatment of employees

Establish three basic policies as the targets under the Mid-Term Management Plan.  
All DTS Group companies work cooperatively to implement the policies.





Improve activities as a corporate group pursuing economic value and social value by applying SDGs to business targets and achieving the reform of ESG management.

## Use SDGs to define the target and activities

## Activities to achieve ESG management



- Establish an organization exclusively in charge of ESG
- Use the ESG perspective to avoid or reduce business risks, implement innovation and create new businesses
- Use cutting-edge technologies such as AI and IoT to provide IT services to achieve Society 5.0.
- Given the external environment, respond appropriately to issues to improve governance (consideration for adding independent directors, appointment and other committees)
- Issue (disclose) integrated reports that include non-financial information (promotion of constructive dialogues with stakeholders)

\* ESG: Environmental, Social, and Governance  
 \* SDGs: Sustainable Development Goals

Increase DTS's corporate value by adapting to digital transformation, and offering and providing total solutions appropriate for social and customer issues.

*System  
Integrator*

## Changes in business environment

- Digitization of business
- Diffusion of new technologies
- Conversion from cost reduction to value creation

## Adaptation to digital transformation (DX)

- Development into services
- Development of open systems (co-creation)
- Development of public information (sharing)
- Development of smart devices (diversity)

## Increase in value provided

- Expansion and promotion of SoE (cooperation and combination with SoR)
- Use of CAMBRIC
- Increase in customer proposals (new value creation)

*Solution  
/Service  
Integrator*

# Medium-Term Management Plan: Policies (Shift to autonomous human resources)

Implement work-style reform, digitize the operation process, and build institutions and an environment to establish an organizational climate that helps create human resources capable of voluntarily thinking and acting.

## Work-style reform

- Dramatic revision of the personnel system through which efforts for reform are evaluated

## Improvement of organizational management

- Acceleration of decision making and expansion of the business network through the delegation of authority and increase in the scale of the organization

## Reforming internal systems and clerical work

- Work-style reform
- System reforms using cutting-edge technologies such as AI and IoT

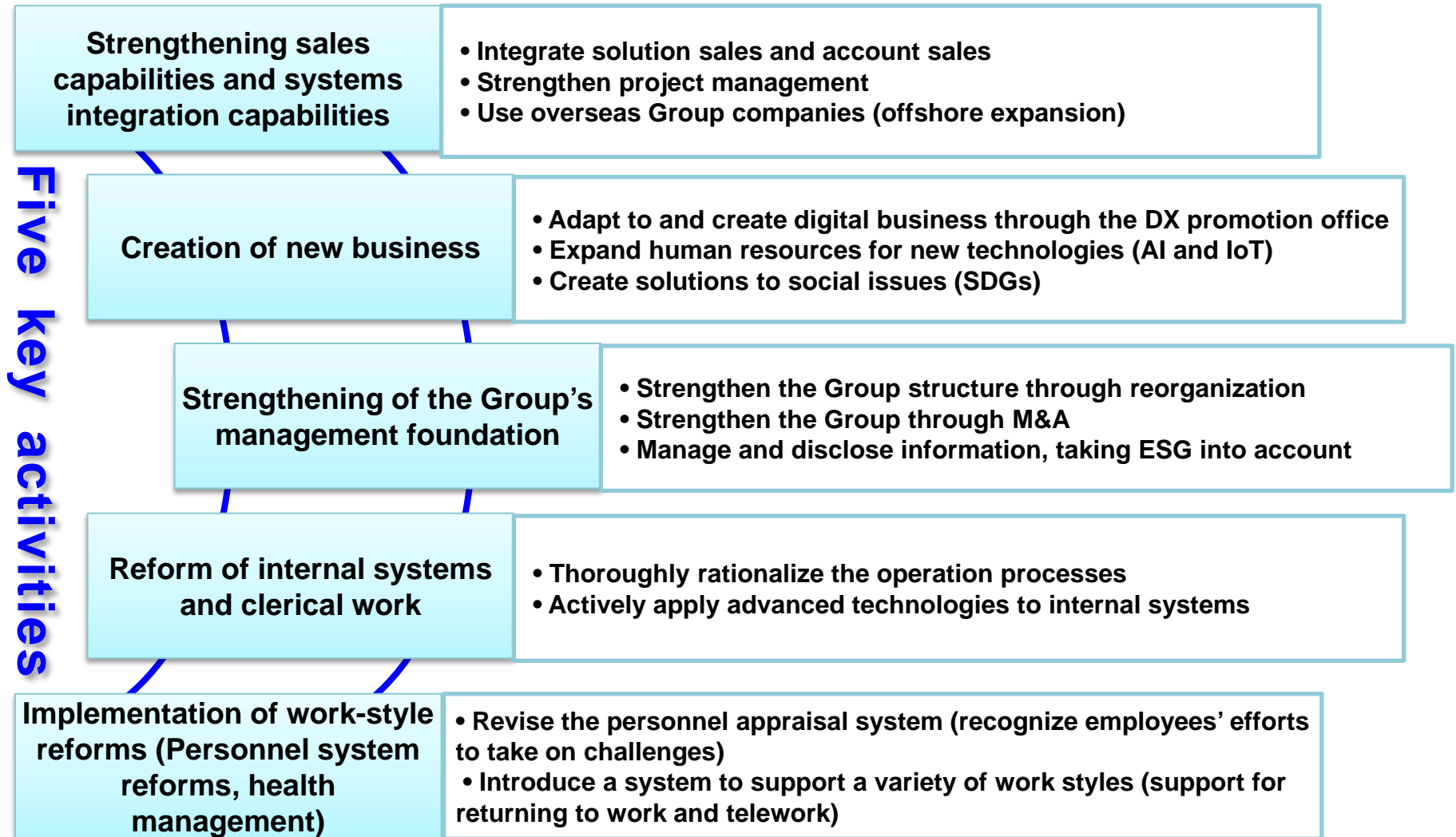
Establish an organizational climate of **self-reform**

Take on the challenge of global business

Establish the strengths of the DTS Group

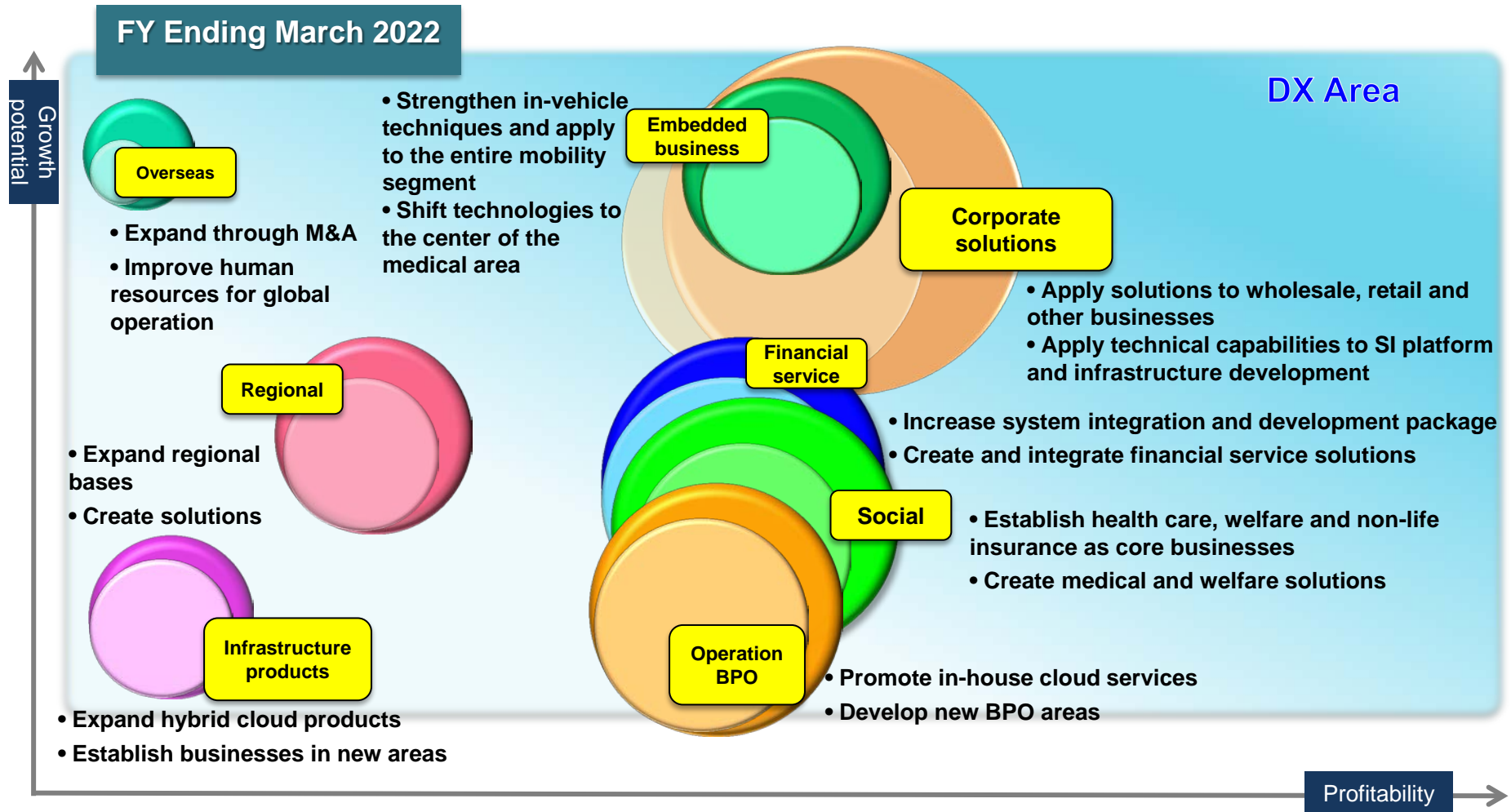
Promote co-creation with various partners

Establish five key activities to implement the three basic policies.  
Plan and implement specific measures for each segment.



# Medium-Term Management Plan: Focal Areas by Segment

Focus on the DX area to increase net sales through growth strategies in each segment.  
Actively make strategic investments and implement M&As, including human resource development.



The DTS Group aims to grow into a 100-billion-yen company in the 50th term.

[Management targets for the 50th term (FY ending March 2022)]

## Operating revenue

Consolidated net sales : ¥100 billion or more

Net sales in overseas business : ¥5.0 billion or more

Consolidated operating margin : 10% or more

## Management efficiency

ROE : 12% or more

## Shareholder returns

Total return ratio : 45% or more

# Medium-Term Management Plan: Financial Targets (Management Efficiency and Shareholder Return)

Set targets for ROE and total return ratio exceeding those in the previous Medium-Term Plan and aim for even greater capital efficiency.

Management Indicators	Targets in previous Medium-Term Plan (FY ended Mar. 2017 to FY ended Mar. 2019)	Targets in current Medium-Term Plan (FY ending Mar. 2020 to FY ending Mar. 2022)
ROE	10% or more	12% or more
Total return ratio	40% or more	45% or more

Reference: Results during the previous Medium-Term Management Plan

Management Indicators	FY 17/3	FY 18/3	FY 19/3
ROE	12.7%	12.9%	13.9%
Total return ratio (dividend payout ratio)	42.1% (31.5%)	42.9% (32.3%)	41.3% (32.5%) (※)

\* The ratios on the assumption of approval as proposed by the Company at the ordinary general meeting of shareholders to be held on June 21, 2019.

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## 3. FY 20/3 Forecast

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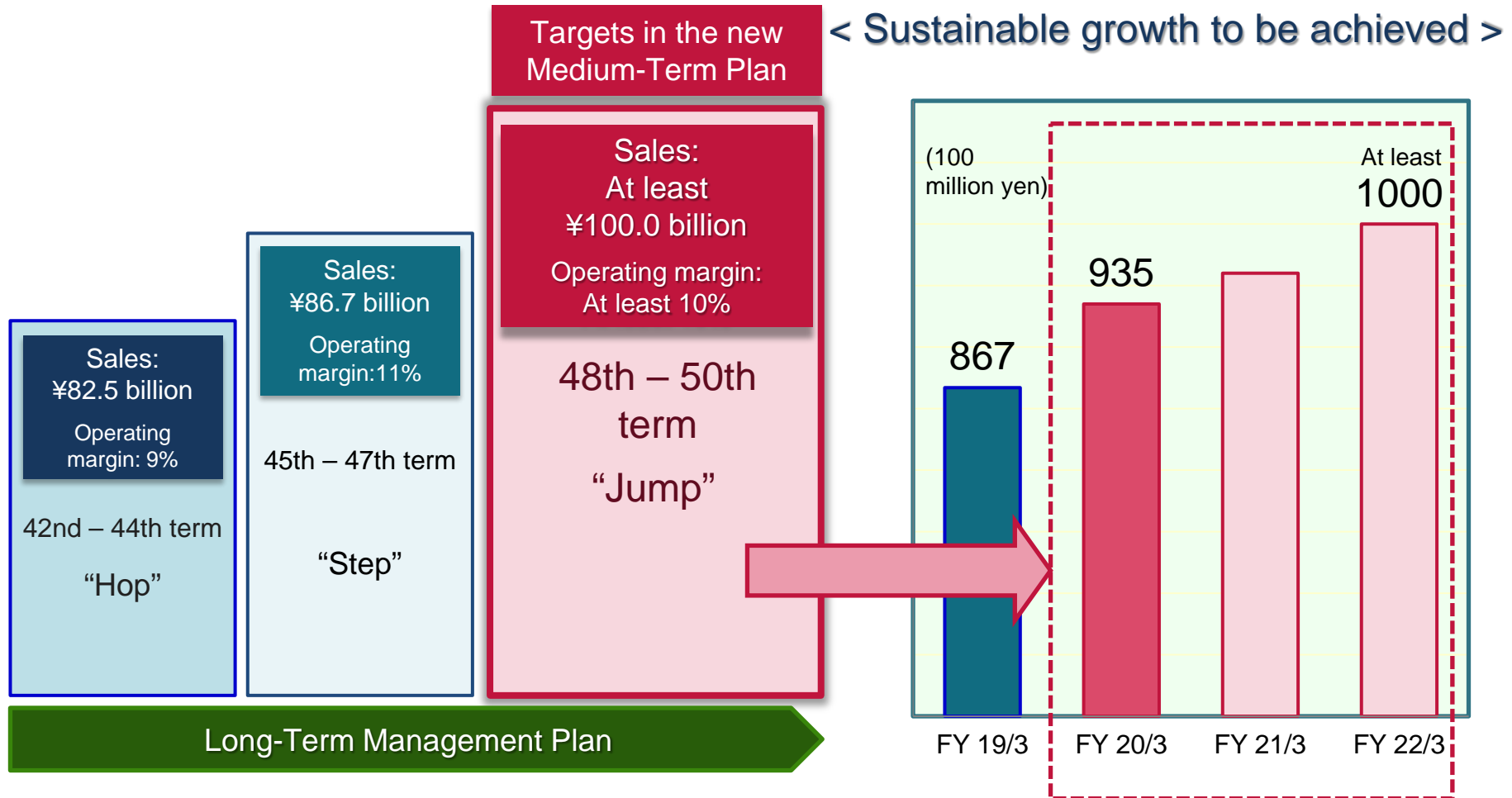
# Outlook for the Group's Business Environment

The business performance of domestic companies will be strong. IT investment is also expected to be steady. Investment in the projects related to productivity improvement and workstyle reforms for the purpose of the resolution of labor shortages and IT investment relating to the increase of customer management and customer contact points are also expected to increase.

Sector	Outlook for IT Investment
Finance, Insurance	<ul style="list-style-type: none"> <li>• In the financial sector, steady investment in the asset management and securities businesses is expected.</li> <li>• New investment for productivity investment, such as RPA, increases.</li> </ul>
Information & Communications	<ul style="list-style-type: none"> <li>• In the insurance sector, the current renewal of backbone systems will mostly be completed and investment related to new products is expected to arise.</li> <li>• Although the trend of restraining capital investment will not change, demand for 5G-related investment and new investment in the renewal of backbone systems such as those for customer management is expected to continue.</li> </ul>
Manufacturing	<ul style="list-style-type: none"> <li>• In the automobile industry, demand for the development of automated driving technologies and the peripheral infrastructure is expected to increase.</li> <li>• In industries other than the automobile industry, information appliances will continue to decrease; however, investment in DX-related projects such as AI, IoT, and robotics is expanding.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• In the healthcare, welfare, and public sector, demand for the renewal of backbone systems, particularly of government offices, local governments, and mutual aids, is expected to continue.</li> <li>• In the wholesale and retail sector, investment mainly for productivity improvement and increasing customer management and customer contact points is expected to be strong.</li> </ul>

# Positioning of this Year in the Medium-Term Management Plan

Focus on investment, particularly in new businesses, and strengthen the Company's management base to accelerate further growth in this first fiscal year of the Medium-Term Management Plan, aiming for reforms in the future.



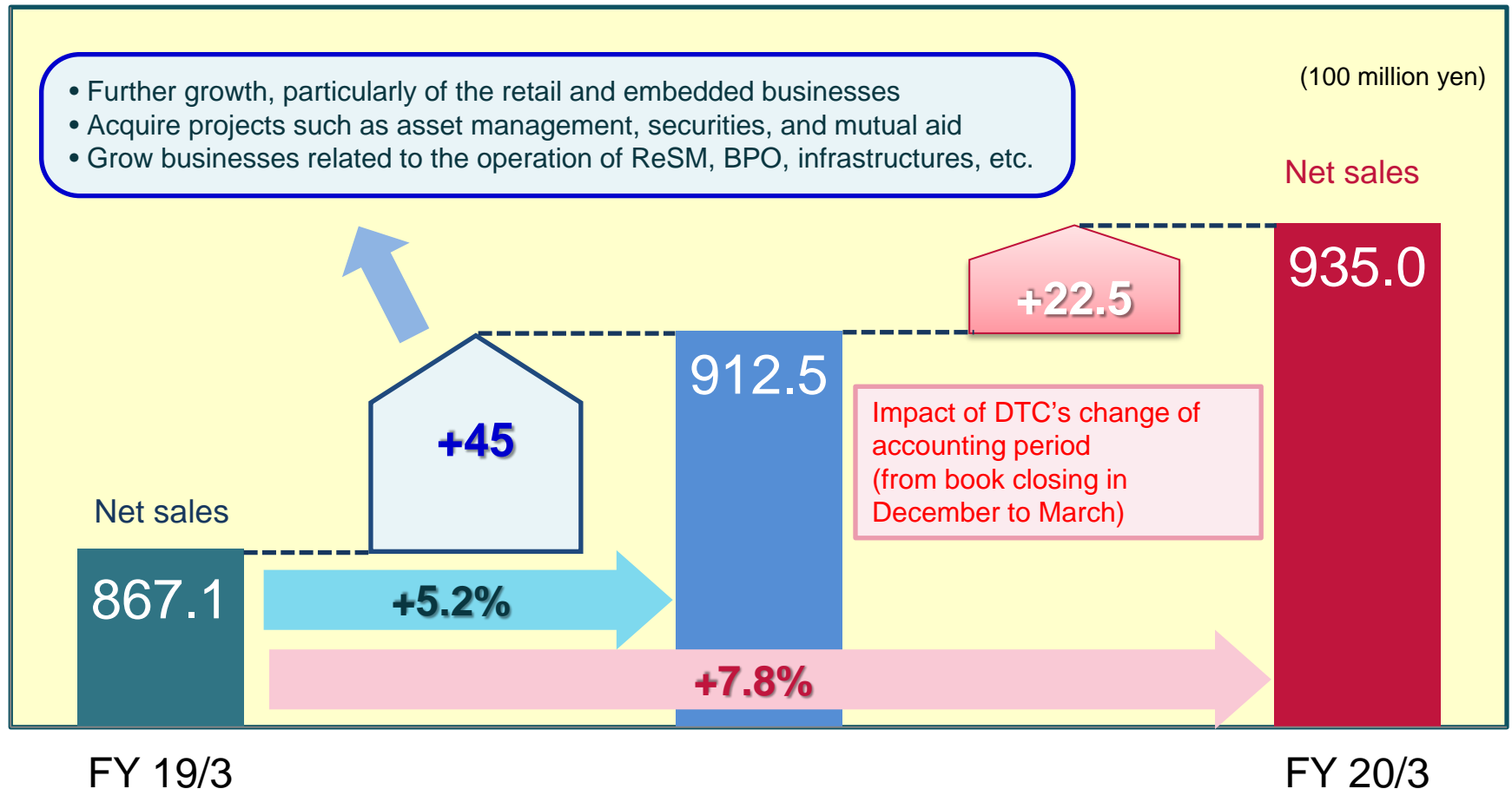
The target for net sales is growth of 7.8%, an increase of ¥6,780 million year on year. The target for operating income is an increase of ¥210 million year on year. The Company aims to achieve growth of more than 10% in four consecutive years and the long-term plan target of ¥10 billion in the 50th term two years ahead of schedule.

(Units: 100 million yen, %)	Amount	Ratio to sales (%) / YoY		Year on year	
Net sales	935.0	—		+67.8	107.8%
Gross profit	183.5	19.6%	(-0.6pt)	+8.3	104.8%
SG&A expenses	83.5	8.9%	(+0.0pt)	+6.2	108.1%
Operating income	100.0	10.7%	(-0.6pt)	+2.1	102.1%
Recurring income	101.5	10.9%	(-0.6pt)	+2.2	102.2%
Profit attributable to owners of parent	69.0	7.4%	(-0.5pt)	+0.8	101.2%

# Fiscal Year Ending March 2020: Outlook for Net Sales

Net sales are expected to increase ¥4.5 billion in the fiscal year ending March 31, 2020, thanks primarily to the sustainable growth of the corporate solution segment and the finance and society segment that turned a profit.

The total is expected to be ¥93.5 billion, including ¥2.25 billion resulting from the accounting process for a change of the accounting period (from the year ending December to the year ending March) of a consolidated subsidiary, DIGITAL TECHNOLOGIES CORPORATION.



# Changes in Segment Information

The reporting segments will change as shown below to be consistent with the corporate reorganization in the Medium-term Management Plan and the settings of growth strategy by segment.

FY ended Mar. 2019	
Segment	Company
Finance and public	DTS Financial Sector
	DTS Social Sector
Corporate communication solutions	DTS Enterprise and communication Sector
	DTS Solution Sector
	DTS INSIGHT CORPORATION
Operation BPO	DTS Intelligent Customer Service Sector
Regional, overseas, etc.	JAPAN SYSTEMS ENGINEERING CORPORATION, DTS WEST CORPORATION, KYUSHU DTS CORPORATION
	DTS AMERICA CORPORATION, DTS (Shanghai) CORPORATION
	DIGITAL TECHNOLOGIES CORPORATION, MIRUCA CORPORATION, former DATALINKS CORPORATION



FY ending Mar. 2020	
Segment	Company / Organization
Finance and <b>society</b>	DTS Financial Sector
	DTS Social Sector (incl. former DATALINKS CORPORATION)
<b>Corporate solutions</b>	DTS <b>Enterprise and Solution Sector</b> (incl. former DATALINKS CORPORATION)
	DTS INSIGHT CORPORATION
Operation <b>infrastructure</b> BPO	DTS Intelligent Customer Service Sector (incl. former DATALINKS CORPORATION)
	<b>DIGITAL TECHNOLOGIES CORPORATION</b>
Regional, overseas, etc.	JAPAN SYSTEMS ENGINEERING CORPORATION, DTS WEST, KYUSHU DTS CORPORATION
	DTS AMERICA CORPORATION, DTS (Shanghai) CORPORATION
	MIRUCA CORPORATION

# Full-Year Forecast for FY 20/3 [Sales by Segment]

- Finance and society: Sales are expected to grow by 5%, mainly due to the expansion of asset management, securities, and mutual aid projects.
- Corporate solutions: Aim for further expansion, mainly through the retail and embedded businesses.
- Operation infrastructure BPO: Work for stable growth through the expansion of ReSM and BPO, etc. Sales are expected to increase 14.6% year on year due to the impact of the change of DTC's accounting period (up ¥2.25 billion).
- Regional, overseas, etc.: Aim to improve the performance of regional businesses by strengthening cooperation within the Group.

(Units: 100 million yen, %)		Results of previous year (*1)	Forecasts	Ratio to sales (%)	Year on year (*2)	
Net sales		867.1	935.0 <912.5>	—	+67.8 <+45.3>	107.8% <105.2%>
	Finance and society	295.2	310.0	33.2%	+14.7	105.0%
	Corporate solutions	255.9	273.0	29.2%	+17.0	106.7%
	Operation infrastructure BPO (excl. change of DTC's accounting period)	225.1	258.0 <235.5>	27.6% <25.8%>	+32.8 <+10.3>	114.6% <104.6%>
	Regional, overseas, etc.	90.8	94.0	10.1%	+3.1	103.5%

\*1. The results for the previous year by segment are provided as a reference after reorganizing the former segments into the new segments.

\*2. The ratios in the brackets (<>) of the year-on-year comparison are values excluding the change of the accounting period of DIGITAL TECHNOLOGIES CORPORATION.

With results exceeding the Company's forecast, the year-end dividends for FY ended March 2019 will be increased by ¥15 from the initial projections, taking the annual dividend to ¥95.

The projected annual dividend for the fiscal year ending March 2020 is ¥50 (equivalent to ¥100 before the stock split).

The Company will continue paying stable dividends and acquiring treasury stock, aiming to achieve a total return ratio of at least 45% targeted in the Medium-Term Plan.

	End of first half	Year end	Full year	Total return ratio (consolidated)	Payout ratio (consolidated)
FY 20/3 (Forecast)	¥20 (¥40)	¥30 (¥60)	¥50 (¥100)	45.1% *1	33.5%
FY 19/3	¥35	¥60	¥95	41.3% *2	32.5%

\*1. Scheduled to acquire approx. ¥ 800 million of treasury stock in May and June 2019.

\*2. Acquired approx. 134,700 shares of treasury stock (approx. ¥ 600 million) in May and June 2018.

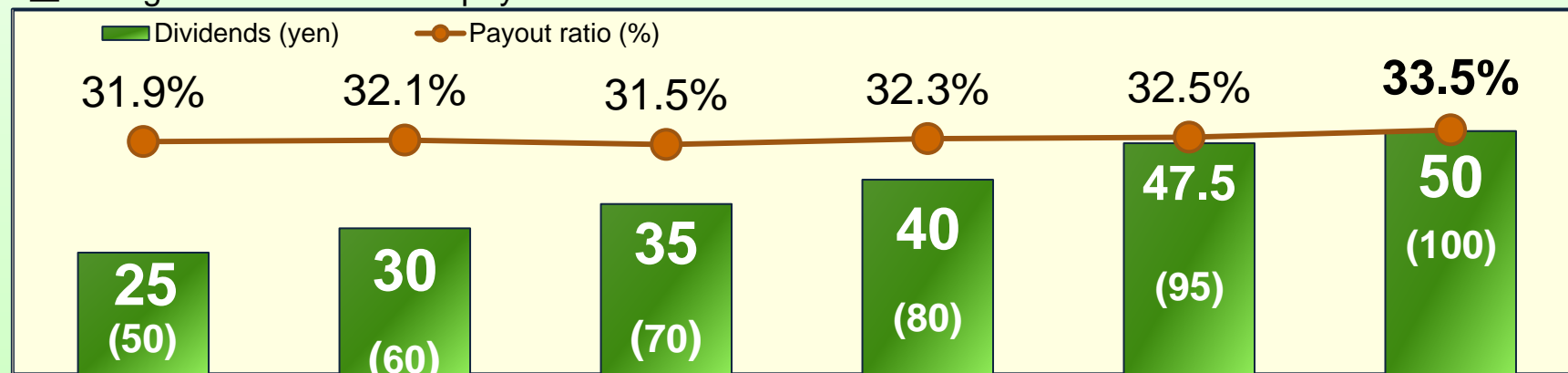
\*3. The figures in parentheses for the fiscal year ending March 2020 are the values converted to those before the stock split.

# Changes in Dividends, Payout Ratio, Total Return Ratio, Etc.

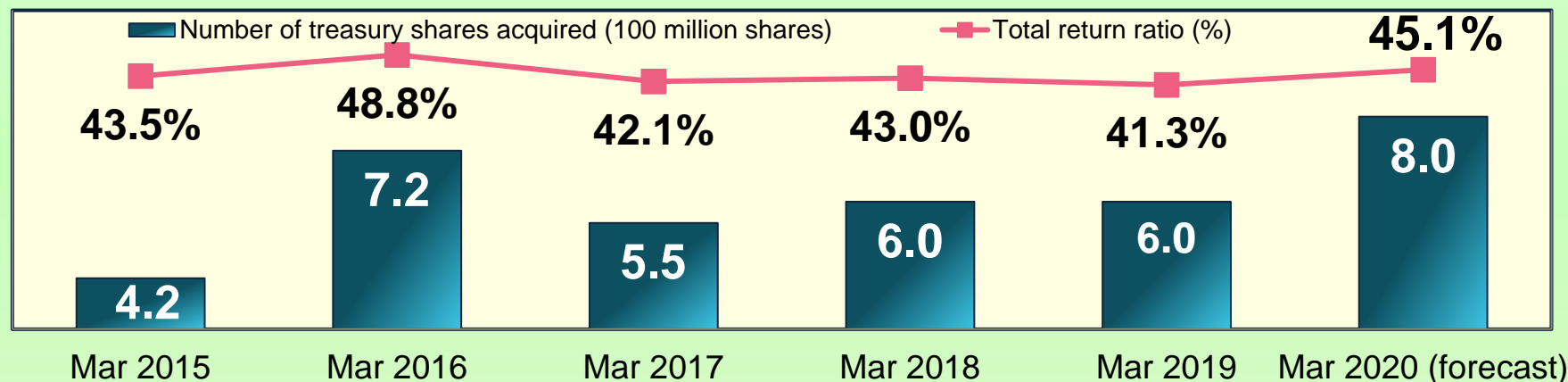
The dividend amount of ¥50 for the fiscal year ending March 2020 will be the sixth consecutive year of dividend increase since 2015.

The total return ratio will be 45.1%, maintaining a level above 40% for the sixth consecutive year since 2015.

## Changes in dividends and payout ratio



## Changes in total return ratio and number of treasury stock acquired



\* The above dividends, including those from the past, are the amounts after applying the stock split. The figures in parentheses are the amounts before or equivalent to before the stock split.



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# Other information

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# (Reference) Major Press Releases (1)

Date of release	Company	Title, brief description
2018		
August 3	DTS	<p>Notice concerning the absorption-type merger of DATALINKS CORPORATION as a consolidated subsidiary (simplified and short-form merger)</p> <p>* It was determined that the absorption-type merger of DATALINKS CORPORATION into DTS would take place on October 1, 2018.</p>
September 21	DTS	<p>Long-expected renewal of the living space presentation CAD software "Walk in home"</p> <p>* "Walk in home," which underwent a refresh involving significant functionality updates, went on sale.</p>
October 4	Digital Technology	<p>Conclusion of the distributorship agreement with TidalScale</p> <p>* Digital Technology became Japan's first distributor of TidalScale to sell, install and maintain the products. With the servers of Dell and Software-Defined Server solution of TidalScale, the Company will develop new markets mainly among private companies, research institutions and DC/cloud business bases.</p>
November 27	DTS	<p>Release of AMLion, ready for legal and virtual currencies</p> <p>* The AMLion anti-money laundering solution was released on November 27, 2018. With an advanced AI-powered KYC function, it provides strict customer management and detects suspicious transactions of individual customers based on past transactions and original rules accumulated by individual financial institutions.</p>
2019		
January 15	DTS WEST	<p>Start of free offer of multilingual voice synthesis solution kotosora voice</p> <p>* The free offer of the kotosora voice multilingual voice synthesis solution commenced for public institutions and private businesses in Japan in mid-January 2019. Users simply enter text on the website, and kotosora voice creates sound files from it.</p>

# (Reference) Major Press Releases (2)

Date of release	Company	Title, brief description
January 16	DTS INSIGHT	<p>Start of sales of and technical support for Arm Development Studio, the latest suite of embedded software development tools from Arm®</p> <p>* As an official dealer for Arm Limited in Japan, DTS INSIGHT commenced sales of and technical support for a new product, Arm Development Studio, on January 7, 2019.</p> <p>Arm Development Studio is a suite of tools that supports the development of robust and effective embedded software. It comprehensively integrates all the features required for the development of ARM processor embedded software.</p>
January 28	DTS	<p>Japan's first release of DAVinCI LABS, a data analysis platform powered by AI</p> <p>* A partnership was formed with DAYLI Intelligence Inc. under the control of DAYLI Financial Group Inc., a large FinTech firm based in South Korea, to release DAVinCI LABS of Solidware Co., Ltd., a DAYLI subsidiary, for the first time in Japan. It helps on-site personnel with knowledge of operations to easily perform AI-assisted data analysis and encourages company-wide AI application.</p>
January 28	DTS INSIGHT	<p>Release of NETIMPRESS avant, a new flash onboard programmer, featuring a massively shortened time for writing on flash microcomputers</p> <p>* A new model in the NETIMPRESS Series of flash onboard programmers broadly used in in-vehicle ECU manufacturing lines, NETIMPRESS avant was released on January 29, 2019.</p> <p>NETIMPRESS avant boasts a communication baud rate that is four times greater than existing models to exhibit a maximum write speed of 40 Mbps for a larger volume of microcomputers with flash memories. Equipped with two-channel probe connectors, it performs sequential writing on multi-device ECUs without switching between probe cables.</p>
February 26	DTS	<p>Living space presentation CAD, "Walk in home," with an optional additional function that simulates a collapse process in an earthquake</p> <p>* "Walk in home" has had the addition of the numerical analysis software "wallstat" developed by an associate professor at Kyoto University, which simulates the collapse process of a house hit by an earthquake, as a new optional function and was released on February 26, 2019.</p>

# (Reference) Major Press Releases (3)

Date of release	Company	Title, brief description
April 8	DTS Shanghai Corporation	<p>China: A capital increase agreement signed with Dalian Super Electronics Co., Ltd</p> <p>* On March 11, 2019, DTS (Shanghai) CORPORATION, a wholly-owned subsidiary of DTS, signed an agreement with Dalian Super Electronics Co., Ltd, its business partner in China, in which it provides 15.6% of the capital, to acquire 51% of Dalian Super Electronics Co., Ltd's capital. As a result, Dalian Super Electronics Co., Ltd started operating in the new organization as a member of the DTS Group.</p>
April 26	DTS	<p>India: DTS to Make Nelito Systems Ltd. a subsidiary</p> <p>* DTS decided to make an additional purchase of the shares of Nelito Systems to make it a subsidiary. The DTS Group will aim to expand its global business by creating further business synergy in its financial business segment.</p>
April 26	DTS	<p>Notice concerning dividend of surplus (dividend increase)</p> <p>* A decision was made to increase the amount of the year-end dividend by ¥15, to ¥60 (resulting in the increase in the amount of the annual dividend from ¥80 to ¥95), partly reflecting the achievement of performance exceeding the forecast.</p>
April 26	DTS	<p>Notice concerning determination of matters pertaining to treasury stock acquisition</p> <p>* Scheduled to acquire treasury stock to raise capital efficiency and further increase shareholder returns. (Scheduled number of shares to acquire: 200,000, total amount: 800 million yen, period: May 8 to June 7, 2019)</p>
April 26	DTS	<p>Notice concerning a stock split</p> <p>* DTS made a decision to implement a two-for-one split of its common shares to increase share liquidity. (Effective date: July 1, 2019)</p>
April 26	DTS	<p>DTS Group's New Medium-Term Management Plan (April 2019 – March 2022)</p> <p>* The Group established a medium-term management vision, "Next value creator providing new value to the society of tomorrow" and will aim to create new values for achieving a sustainable society through activities for ESG management.</p>

FY 19/3  
Results Presentation

Thank you for your attention.

**Creating New Value**  
***MADE BY DTS Group***

The logo features a dark red, horizontal, teardrop-shaped graphic with a white highlight on the right side, positioned behind the text.