



2Q FY March 2020 Results Presentation

October 30, 2019

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 2Q FY March 2020 Results

1. Conversion of Nelito Systems Limited to a subsidiary

In June 2019, DTS purchased additional shares of Nelito Systems Limited (“Nelito“) based in Mumbai, India, and made it a consolidated subsidiary to expand DTS’s global business in the financial industry.

In July 2019, DTS purchased additional shares of Nelito to raise its stake above 98%.

2. Treasury stock acquisition

Acquired treasury shares in May 2019 to improve capital efficiency and raise the return to shareholders (approx. 177 thousand shares, approx. 800 million yen).

3. Improvement of the effectiveness of corporate governance

After the 47th Annual General Meeting of Shareholders, Independent Officers accounted for a majority, seven out of 13 Directors. DTS will continue its efforts to ensure the effectiveness of its corporate governance.

4. Stock split

In July 2019, DTS conducted a two-for-one split of common stock to increase stock liquidity.

Consolidated Results



Net sales increased ¥5,820 million year-on-year, including the sales of newly consolidated Nelito and a change of the accounting period of Digital Technologies Corporation (“DTC”), thanks to DTS’ strong non-consolidated results achieved from the increased income in the finance and the corporate solutions segments.

Operating income rose ¥780 million year-on-year as a result of increased profit based on the rise in sales, despite the reactionary fall from special demand in the embedded system-related segment of the previous year.

The cumulative results in the six months under review were the highest for both net sales and operating income.

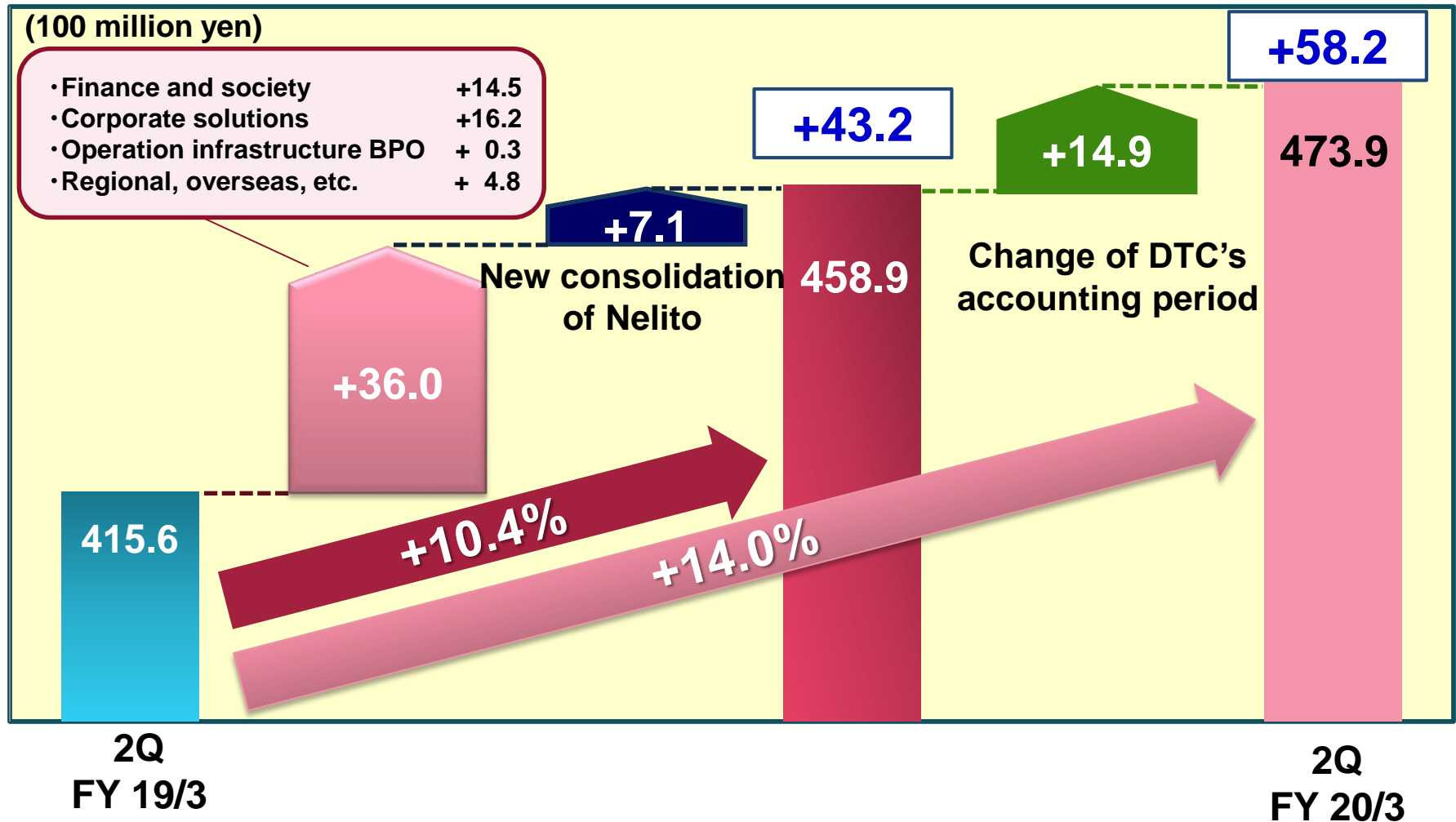
(Units: 100 million yen, %)	Results	Ratio to sales (%) / YoY		Year on year		Compared to initial forecast
Net sales	473.9 <458.9>	—		+58.2 <+43.2>	114.0% <110.4%>	50.7% * 49.9%
Gross profit	92.6 <91.0>	19.6% <19.8%>	(-0.6pt) <-0.3pt>	+9.0 <+7.4>	110.8% <108.9%>	50.5%
SG&A expenses	40.4 <39.0>	8.5% <8.5%>	(-0.9pt) <-0.9pt>	+1.1 <-0.2>	102.9% <99.3%>	48.4%
Operating income	52.2 <52.0>	11.0% <11.3%>	(+0.4pt) <+0.7pt>	+7.8 <+7.6>	117.8% <117.3%>	52.3%
Recurring income	53.2 <53.0>	11.2% <11.6%>	(+0.4pt) <+0.7pt>	+8.1 <+7.9>	118.1% <117.6%>	52.4%
Profit attributable to owners of parent	36.7 <36.6>	7.8% <8.0%>	(+0.4pt) <+0.6pt>	+6.1 <+5.9>	119.9% <119.5%>	53.3%

The figures in the brackets (<>) are results after adjustment for the impact of the change of DTC’s accounting period.

* The progress ratio excluding the impact from the new consolidation of Nelito.

(Reference 1) Factors for the Change in Net Sales

Net sales rose ¥4,320 million (up 10.4%) year-on-year when the impact of the change of DTC's accounting period is excluded.



Non-Consolidated Results

Net sales grew ¥3,090 million year-on-year as a result of positive turnaround in the finance segment and the Corporate Solutions segment.

Operating income rose ¥830 million year-on-year, attributable to an increase in profit resulting from increased sales and decreased SG&A expenses.

(Units: 100 million yen, %)	Results	Ratio to sales (%)/ YoY		Year on year	
Net sales	336.0	—		+30.9 <+54.8>	110.1% <119.5%>
Gross profit	66.5	19.8%	(+0.3pt) <+0.1pt>	+6.9 <+11.1>	111.6% <120.2%>
SG&A expenses	23.6	7.0%	(-1.2pt) <-1.0pt>	-1.3 <+1.0>	94.5% <104.6%>
Operating income	42.8	12.8%	(+1.4pt) <+1.1pt>	+8.3 <+10.1>	124.0% <130.9%>
Recurring income	48.0	14.3%	(+1.8pt) <+1.4pt>	+9.8 <+11.7>	125.9% <132.3%>
Net income	34.4	10.3%	(+1.4pt) <+1.0pt>	+7.3 <+8.5>	126.9% <133.0%>

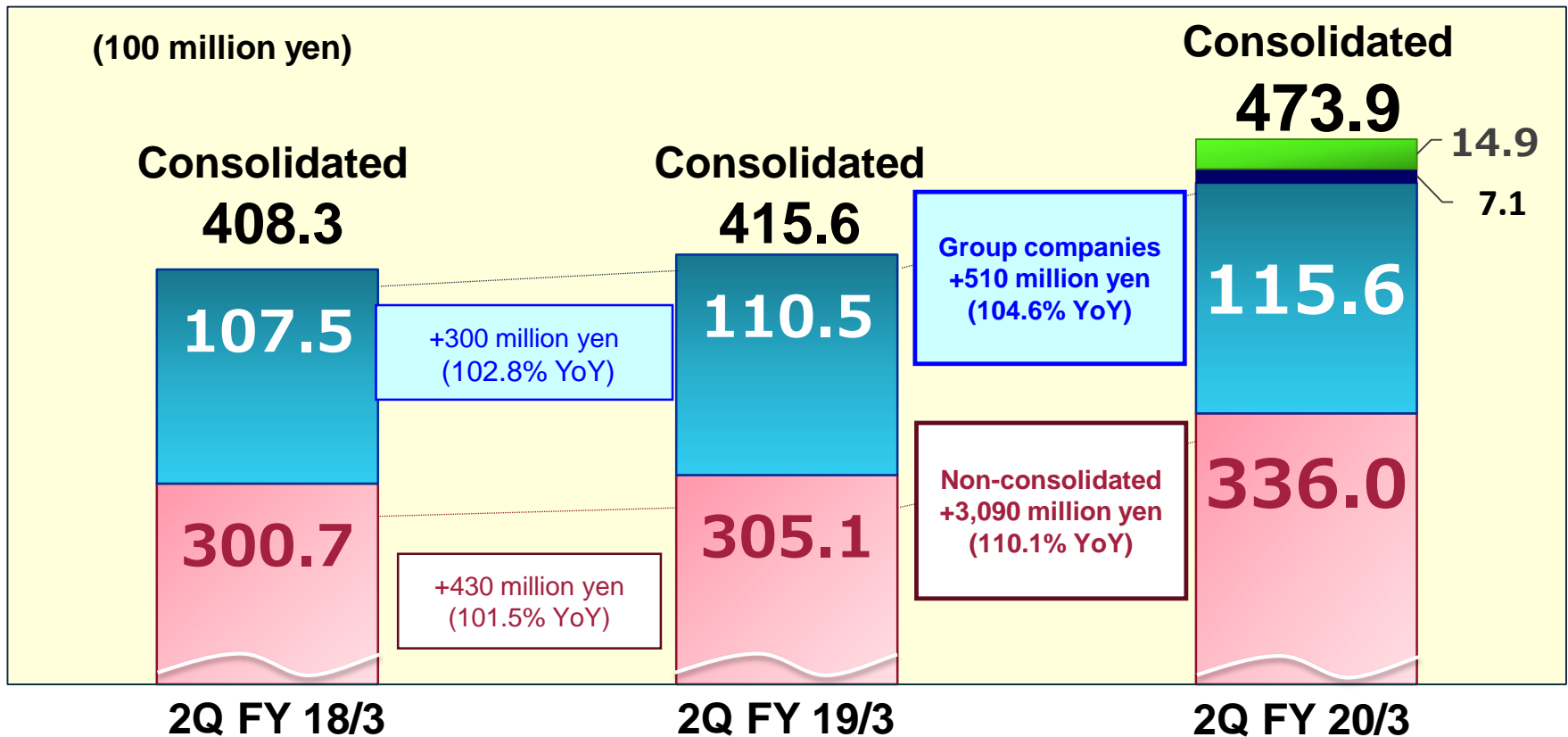
* The year-on-year changes are figures after adjustment for the impact of the merger with DATALINKS CORPORATION conducted in 2018. The figures in the brackets (<>) are results before the adjustment.

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



Non-consolidated (DTS) net sales increased ¥3,090 million thanks to the positive results of the securities and housing-related segments.
 Net sales of the Group companies grew ¥510 million year-on-year (excluding the impact from the new consolidation of Nelito and the change in DTC's accounting period) as a result of the strong performance of the regional business segment.

■ Non-consolidated net sales
 ■ Net sales of group companies (including consolidated adjustments)
 ■ New consolidation of Nelito
 ■ Change of DTC's accounting period



The non-consolidated net sales for the fiscal year ended March 31, 2018, and the fiscal year ended March 31, 2019, are figures after adjustment for the impact of the merger with DATALINKS CORPORATION conducted in 2018.

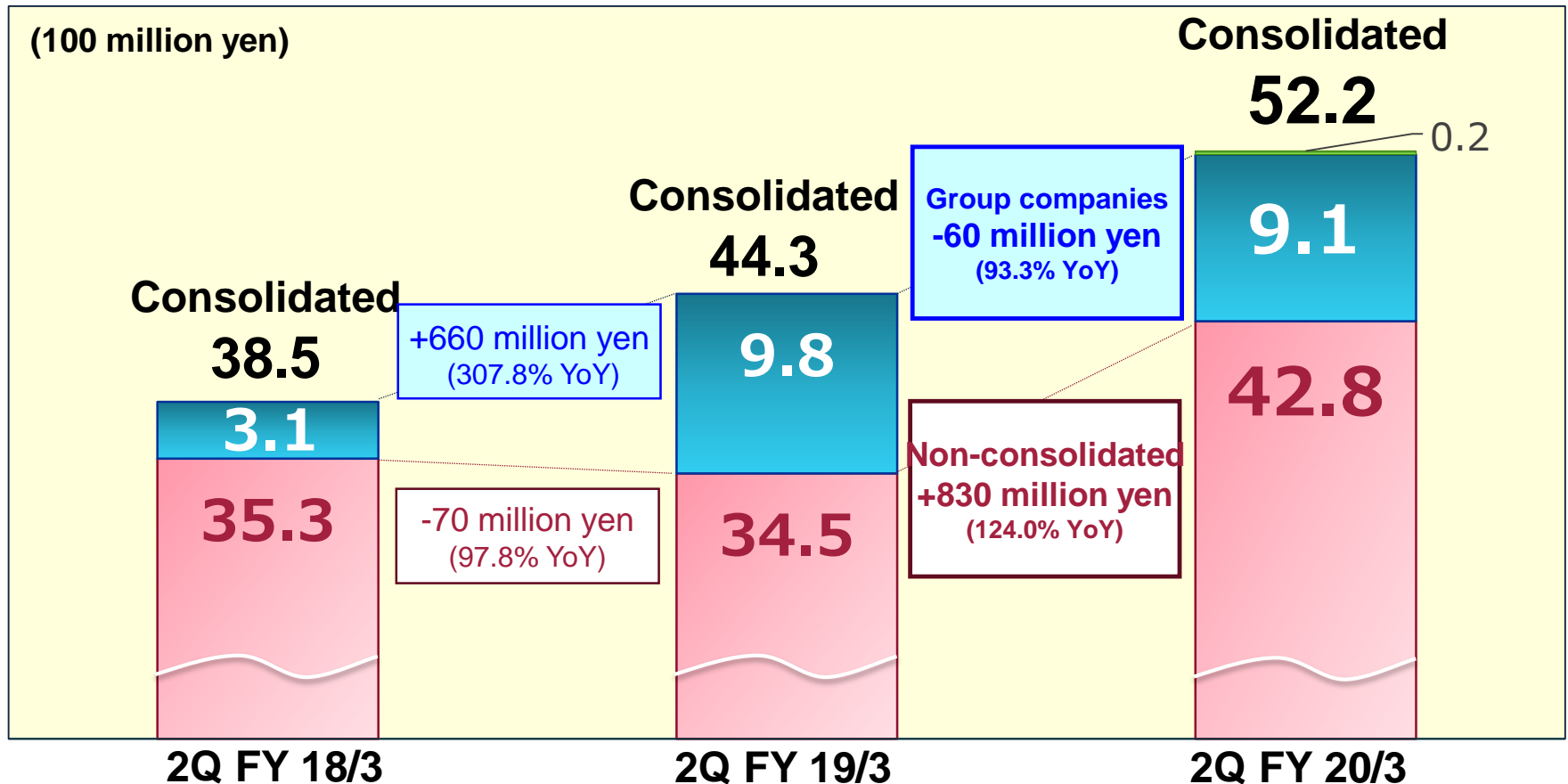
Change in Operating Income [Non-Consolidated/Group Companies]



Non-consolidated (DTS) operating income increased ¥830 million thanks to a rise in profit resulting from an increase in sales.

Operating income of the Group companies decreased ¥60 million yen due in part to a reactionary fall from special demand for the embedded business that existed in the previous year.

■ Non-consolidated operating income
 ■ Operating income of group companies (including consolidated adjustments)
 ■ Change of DTC's accounting period



The non-consolidated net sales for the fiscal year ended March 31, 2018, and the fiscal year ended March 31, 2019, are figures after adjustment for the impact of the merger with DATALINKS CORPORATION conducted in 2018.

Net Sales by Segments



- Net sales in the Finance and Society segment grew thanks to an increase in large securities projects, government-related financial institutions, etc.
- Net sales in the Corporate Solutions segment increased thanks to strong results of housing-related and other projects.
- Net sales in the Operational Infrastructure BPO segment remained unchanged year-on-year when the impact of the change of DTC's accounting period is excluded.
- Net sales in the Regional, Overseas, Etc. segment grew, which was mainly attributable to strong results of the regional segment and new consolidation of Nelito.

(Units: 100 million yen, %)	Results	Ratio to sales (%)/ YoY		Year on year		Progress for initial forecast
Net sales	473.9 <458.9>	—		+58.2 <+43.2>	114.0% <110.4%>	50.7%
Finance and society	156.1	32.9% <34.0%>	(-1.1pt) <-0.0pt>	+14.5	110.3%	50.4%
Corporate solutions	135.3	28.6% <29.5%>	(-0.1pt) <+0.8pt>	+16.2	113.6%	49.6%
Operation infrastructure BPO	128.6 <113.7>	27.2% <24.8%>	(-0.1pt) <-2.5pt>	+15.3 <+0.3>	113.5% <100.3%>	49.9%
Regional, overseas, etc	53.7	11.3% <11.7%>	(+1.3pt) <+1.7pt>	+12.0	128.9%	57.2%

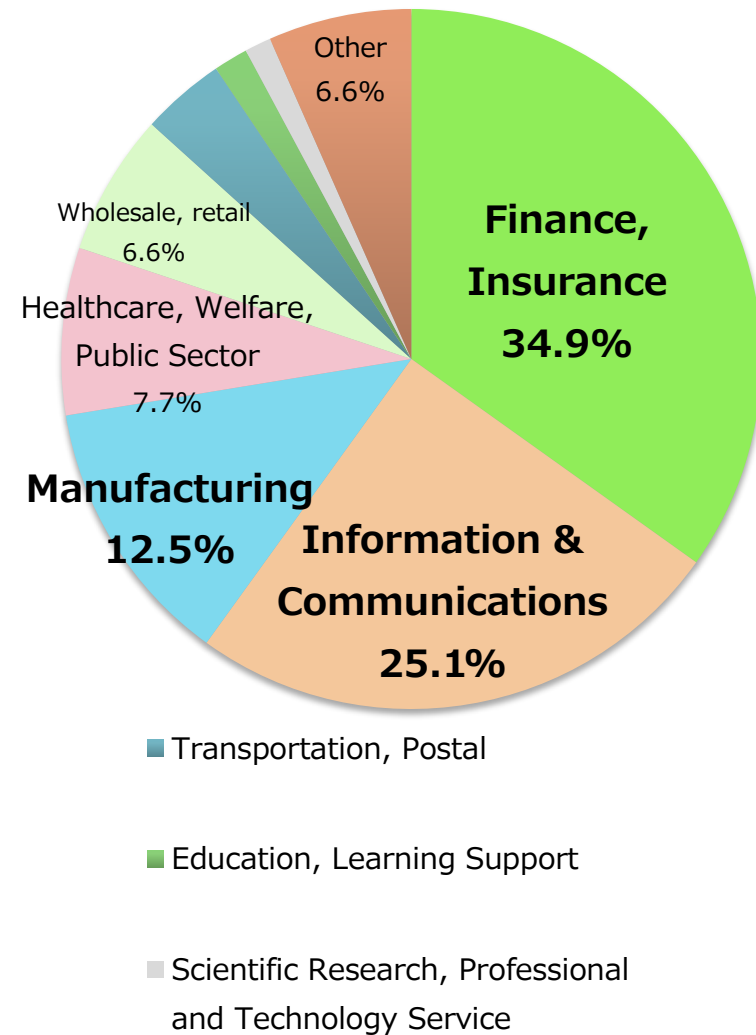
* The results represent net sales outside the Group and the brackets (<>) are results after adjustment for the impact of the change of DTC's accounting period.

(Reference) Consolidated Sales by End User



Industrial Classification of METI

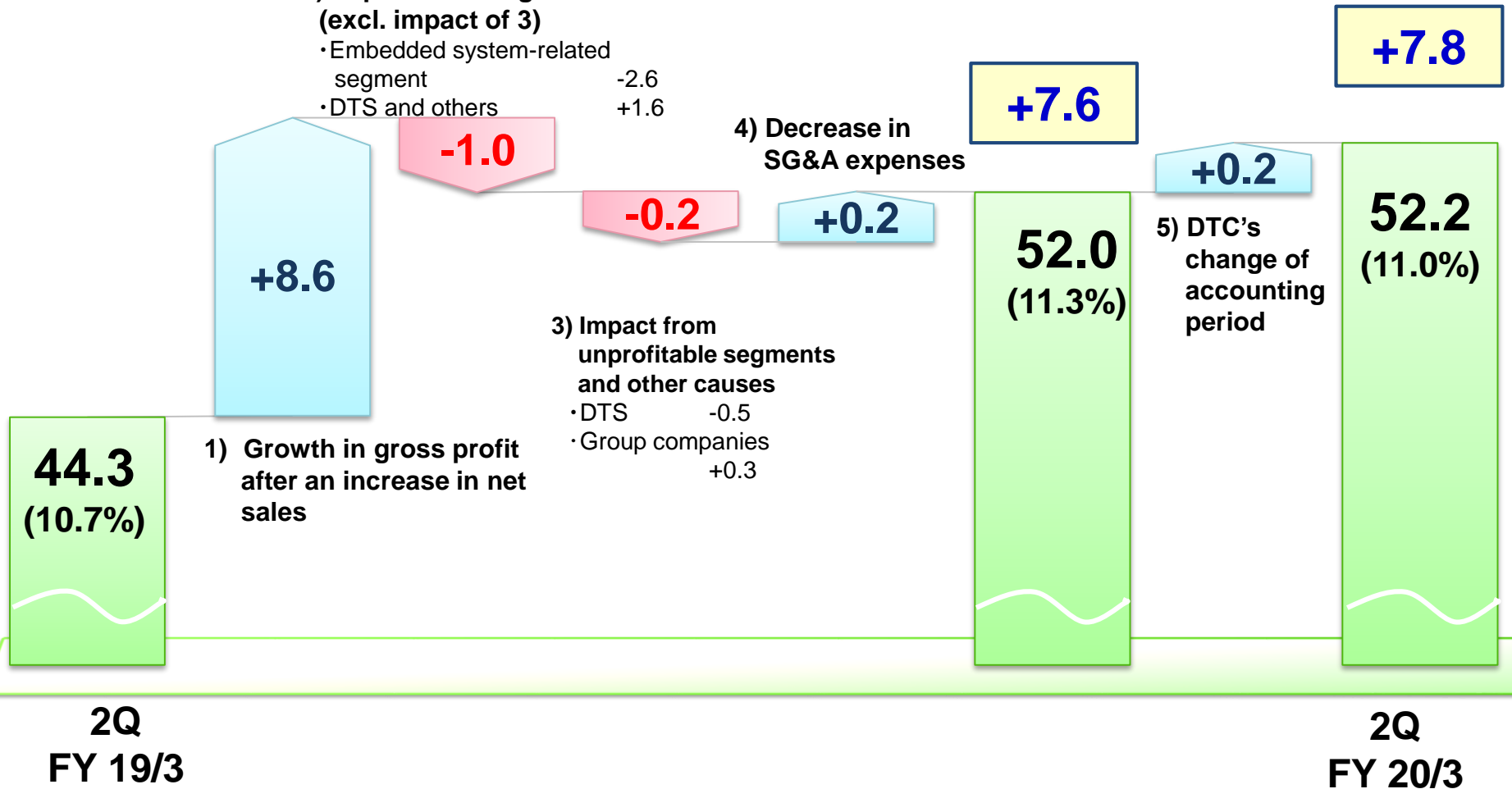
(100 million yen)	Amount	Composition ratio	Year on year	
Finance, Insurance	160.0	34.9%	+20.4	114.6%
Information & Communications	115.1	25.1%	+1.4	101.3%
Manufacturing	57.2	12.5%	+6.8	113.6%
Healthcare, Welfare, Public Sector	35.4	7.7%	+3.4	110.8%
Wholesale, Retail	30.0	6.6%	+3.7	114.3%
Transportation, Postal	17.8	3.9%	+1.0	106.0%
Education, Learning Support	7.2	1.6%	+1.0	116.3%
Scientific Research, Professional and Technology Service	5.6	1.2%	- 1.1	83.6%
Other	30.3	6.6%	+6.3	126.3%
Total	458.9	100.0%	+43.2	110.4%



Reason for an Increase in Consolidated Operating Income

Consolidated operating income increased ¥780 million due to a rise in profit resulting from sales growth, which offset the reactionary fall from special demand in the embedded system-related segment in the previous year.

(100 million yen)



Order Volume and Order Backlog by Segments



[Order Backlogs]

- Decreased in the Finance and Society segment largely due to the commencement of services for a securities company's intranet.
- Increased in the Corporate Solutions segment due to growth in housing-related and solution projects.
- Increased in the Operational Infrastructure BPO segment primarily due to expansion of retail operation projects.
- Increased in the Regional, Overseas, Etc. segment primarily due to the new consolidation of Nelito and the strong results of the Regional segment.

(Units: 100 Million yen, %)	Order Volume				Order Backlog			
	Results	Compositi on ratio	Year on year		Results	Compositi on ratio	Year on year	
Total	373.1 <356.6>	–	+39.7 <+23.2>	111.9% <107.0%>	290.7 <289.2>	–	+19.2 <+17.8>	107.1% <106.6%>
Finance and society	107.7	28.9% <30.2%>	-0.2	99.8%	105.8	36.4% <36.6%>	-7.6	93.3%
Corporate solutions	132.2	35.4% <37.1%>	+15.5	113.4%	69.7	24.0% <24.1%>	+7.1	111.4%
Operation infrastructure BPO	75.2 <58.7>	20.2% <16.5%>	+10.1 <-6.3>	115.6% <90.2%>	79.4 <77.9>	27.3% <27.0%>	+4.4 <+3.0>	106.0% <104.0%>
Regional, overseas, etc	57.9	15.5% <16.3%>	+14.2	132.6%	35.5	12.2% <12.3%>	+15.3	175.5%

The figures in the brackets (<>) are results after adjustment for the impact of the change of DTC's accounting period.

2. Progress of Key Measures as of FY March 2020

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

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

Five key activities

Strengthening sales capabilities and systems integration capabilities

- Integrate solution sales and account sales
- Strengthen project management
- Use overseas Group companies (offshore expansion)

Creation of new business

- Adapt to and create digital business through the DX promotion office
- Expand human resources for new technologies (AI and IoT)
- Create solutions to social issues (SDGs)

Strengthening of the Group's management foundation

- Strengthen the Group structure through reorganization
- Strengthen the Group through M&A
- Manage and disclose information, taking ESG into account

Reform of internal systems and clerical work

- Thoroughly rationalize the operation processes
- Actively apply advanced technologies to internal systems

Implementation of work-style reforms (Personnel system reforms, health management)

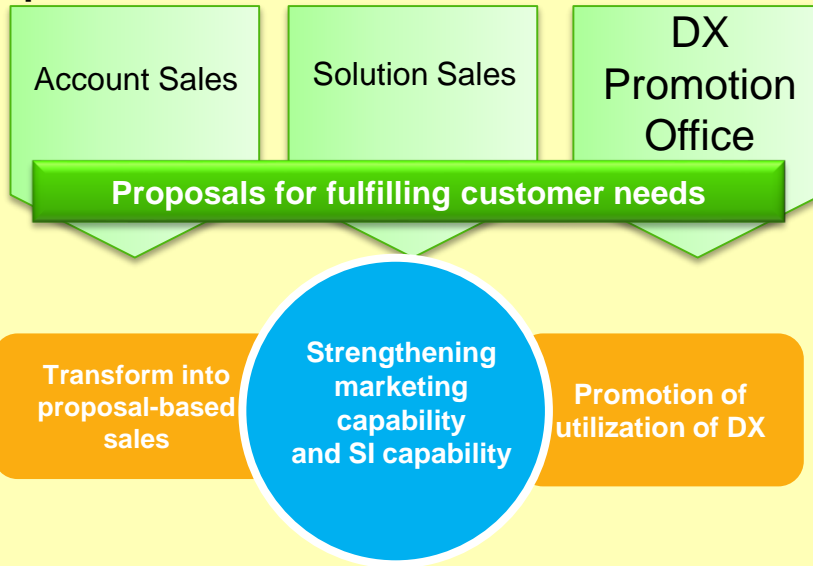
- Revise the personnel appraisal system (recognize employees' efforts to take on challenges)
- Introduce a system to support a variety of work styles (support for returning to work and telework)

To advance activities for proposals that utilize new technologies for solutions to issues faced by customers, we have allocated solution sales representatives and established a DX Promotion Office in April 2019.

To achieve the goal for net sales of ¥100.0 billion for the last fiscal year of the medium-term plan and sustainable growth, we have been making efforts to win new customers.

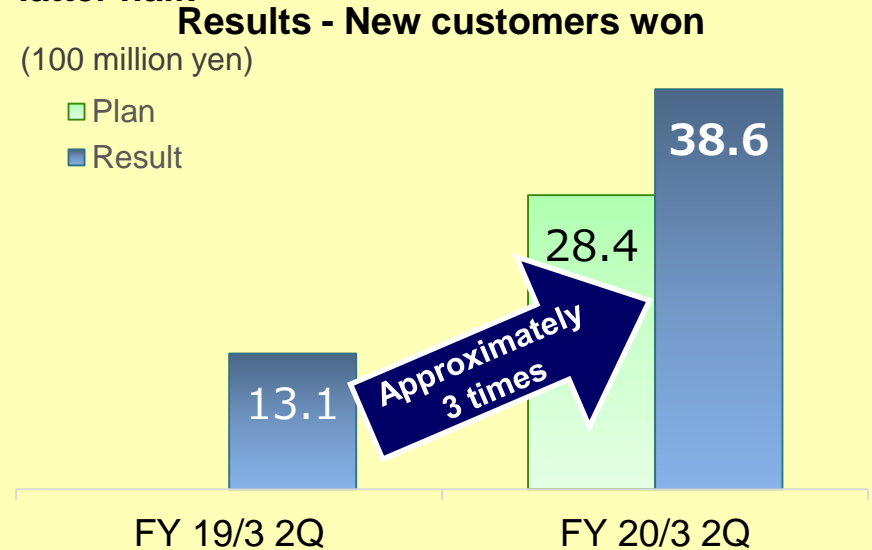
Strengthening sales capability

Through the unified efforts of the Account Sales Department, the Solution Sales Department and the DX Promotion Office, we have been promoting sales activities that appropriately capture customer needs.



Winning new customers

The cumulative result for the number of new customers for the six months under review increased year-on-year. We aim at further expansion of the customer foundation in the latter half.

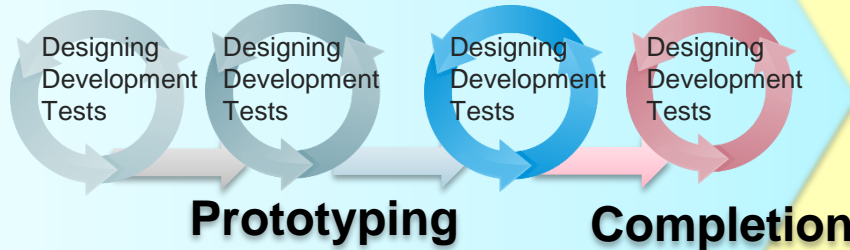


For a quick response to customer needs, we have been utilizing automation tools and adopted agile development, realizing shorter system development periods and quality improvement. Concentrating on developing an offshore presence to enhance coordination with overseas Group companies and strengthen cost competitiveness.

Development method

Actively promoting initiatives for learning new development methods.

<Agile development>

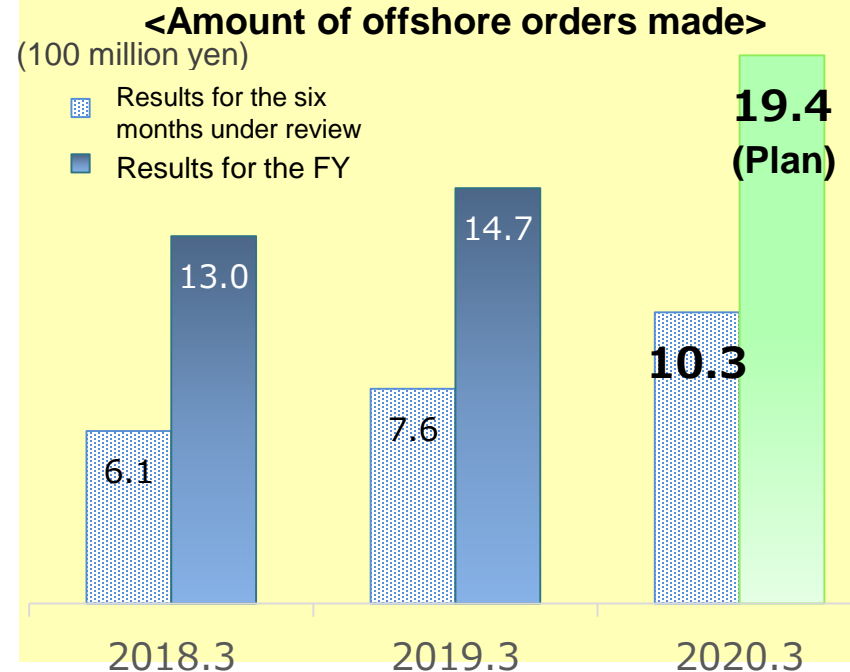


<Example of the automation tool>



Offshore orders

The increase in offshore orders has been contributing to the improvement of management capabilities.



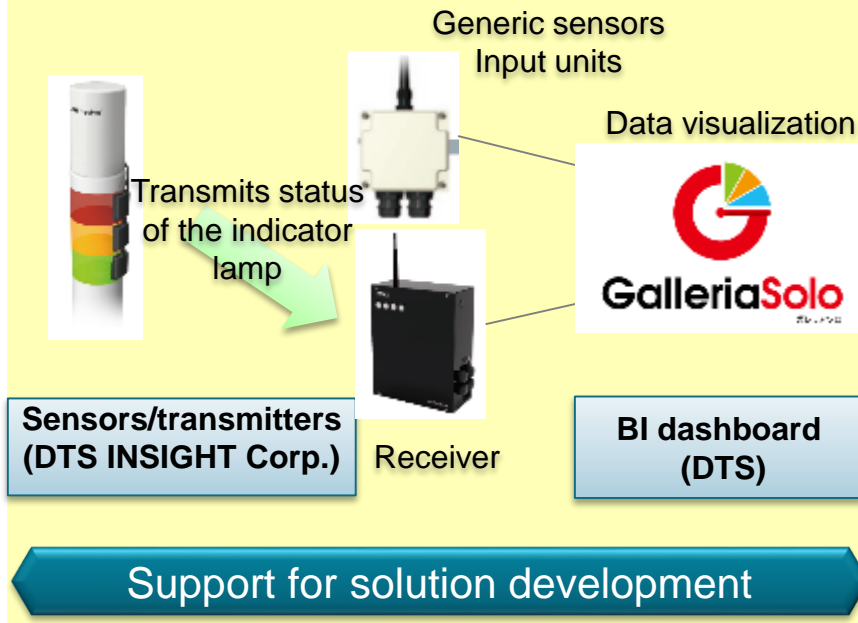
Creating New Businesses (1)

Began collaboration with a customer in the manufacturing industry on initiatives for smart factory solutions in April 2019, using the technologies and the solutions of DTS Group.

Realized centralized management and automation of the system operation administration and employee support. The service launched in October 2019.

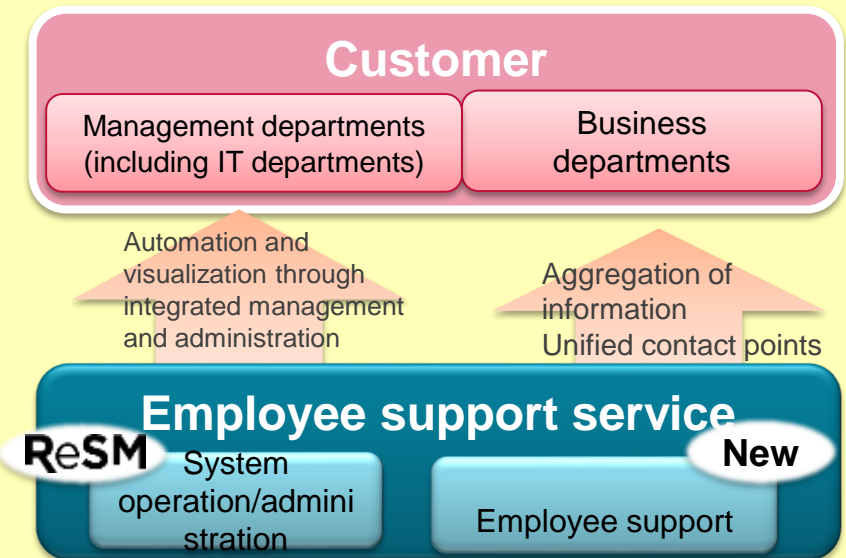
Smart factory

Contributing to the development of a system that manages the operation of factory equipment, output and workers.



Employee support service

Customers introducing this service will be able to quickly resolve issues on internal work. This service will contribute to the improvement of productivity for the main business.



Creating New Businesses (2)

Adopting the trend for DX/SoE businesses of focusing on human resource development for acquisition of new technologies such as CAMBRIC and winning DX-related matters.

In the cumulative results for the six months under review, both the net sales of the DX-related business and the development of DX personnel improved. We are aiming to continue this expansion in the latter half and after.

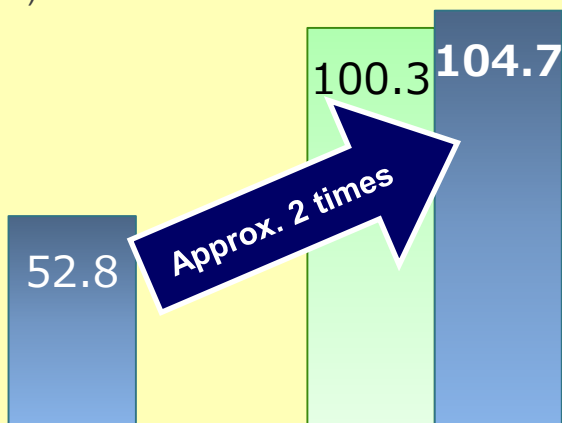
Net sales - DX-related segment

Promoting expansion of the CAMBRIC-related businesses, the solution business and others.

Net sales - DX-related business

(100 million yen)

□ Plan
■ Result



FY 19/3 2Q

FY 20/3 2Q

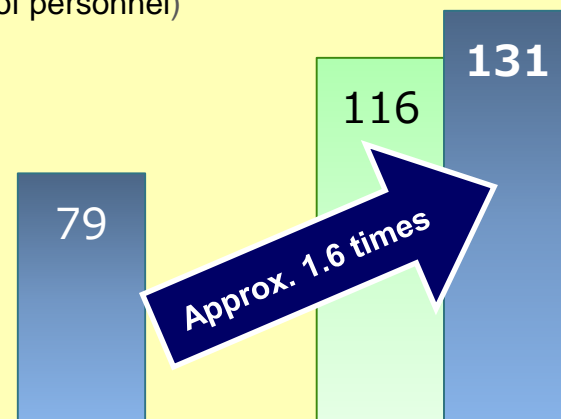
Development of DX-related segment personnel

In the cumulative results for the six months under review, the number of employees with DX-related qualifications(*) exceeded the estimate in the medium-term plan.

Number of personnel with DX-related qualifications

(number of personnel)

□ Plan
■ Result



End 19/3

FY 20/3 2Q

Strengthening of the Group's Management Foundation

Established an EGG Promotion Office at the General Affairs Dept. in April 2019 to strengthen ESG initiatives. We are aiming to contribute to the deepening of people's understanding of the SDGs and continuing our initiatives for contributing to the realization of a sustainable society. To expand our businesses in overseas markets, we are promoting the review of strategy mainly for DTS's overseas Group bases, beginning with their initiatives one by one.



[DTS Shanghai]
Promoting M&A/alliances, targeting the coastal area of China
(to expand businesses in China such as the solution and the DX business)
[DLSE]
Strengthening offshore development and expanding the business in China



[DTS America]
Examining M&A/alliances
(for the solution business and others)

U.S.



[DTS Software Vietnam]
Strengthening the SI development capabilities
Building the SAP development system

China

India

Vietnam

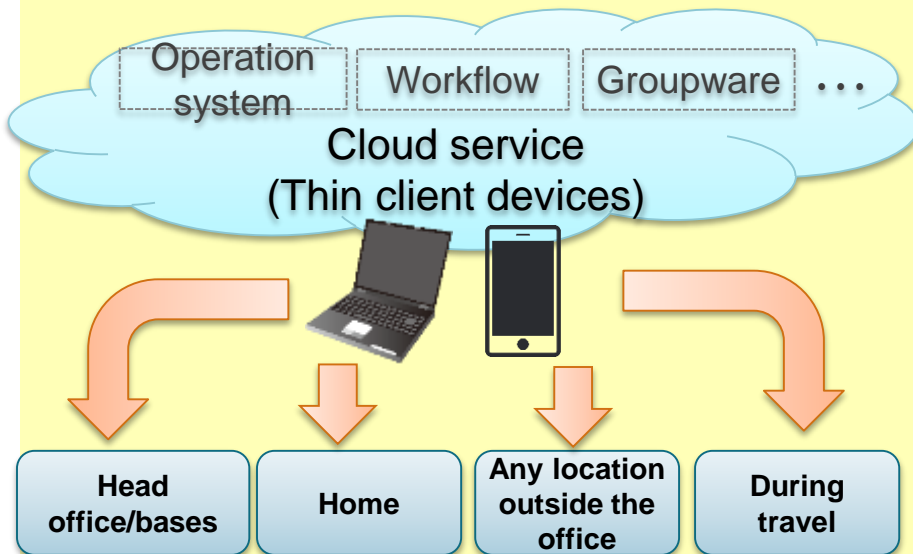


[Nelito]
Expanding the sales of in-house solutions for the financing institutions
(for businesses in India and Southeast Asian countries)
[Others]
Promoting M&A/alliances with Indian companies to strengthen the global response capabilities for the SAP business

For the purpose of improving business continuity and the infrastructure for allowing people to work in diverse ways, we have been transferring the data center for DTS's internal system and have been promoting the replacement of the Company's PCs with thin client devices. For the promotion of the transformation into self-driven employees, we established a personnel system that evaluates challenges to cultivate a company culture where employees can proactively take on new challenges.

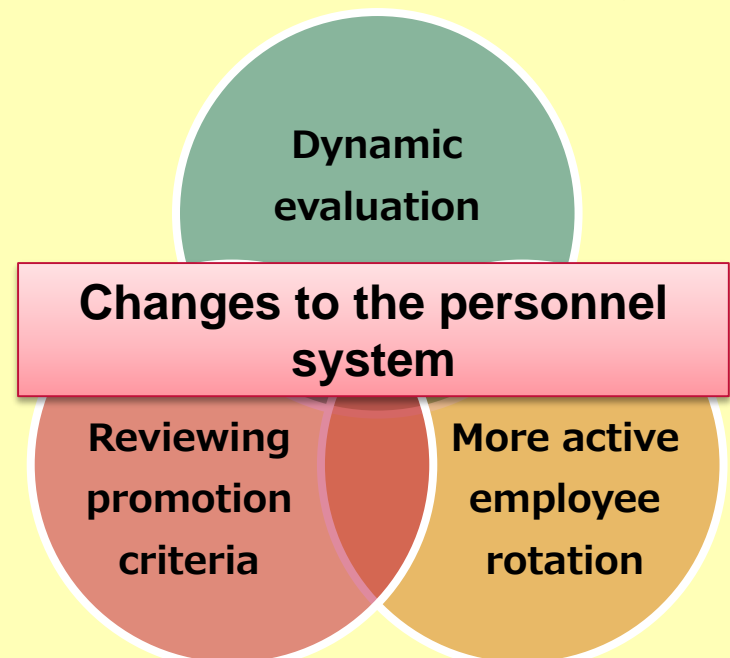
Introduction of thin client devices

Strengthening security through integrated data management while realizing new working style without fixing the place to work and devices.



Shift to autonomous human resources

Changing the personnel system to promote the transformation into self-driven employees



3. FY March 2020 Forecast

Although the economic perspectives are unclear, we are expecting IT investments for advanced technologies such as automatic vehicle operation, customer management and strengthening of contact with customers in the wholesale and retail business, and productivity improvement for addressing the labor shortage.

Sector	Outlook for IT Investment
Finance, Insurance	<ul style="list-style-type: none"> • For the finance sector, we expect strong investment in system integration, migration and other fields. • Investment for productivity improvement utilizing RPA and others has continued. • For the insurance sector, we expect that growth will be supported by demand in the enhancement of customer contact/sales channels.
Information & Communications	<ul style="list-style-type: none"> • No change in the trend of cutting capital investment. We expect continued investment in 5G-related businesses and investment demands arising due to the revision of systems for equipment management.
Manufacturing	<ul style="list-style-type: none"> • Expecting investment in advanced technologies such as automatic vehicle operation, IoT, robotics, and AI-related businesses for smart factory, and migration of core systems into cloud environments.
Other	<ul style="list-style-type: none"> • For the healthcare, welfare and public sector, we expect strong demand for modifications to core systems in government agencies, local municipalities and mutual aid institutions. • For the wholesale and retail sector, we expect continued investment in businesses related to the strengthening of customer management and customer contact, increasing productivity to address labor shortages, and labor saving.

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 operating margin of 10% or higher in four consecutive years and the long-term plan target of ¥10 billion in the 50th term two years ahead of schedule.

No changes from the initial forecast for both net sales and operating income.

(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%

The dividend for the six months under review is ¥20 per share as initially forecast. For the annual dividend, we are planning ¥50 yen per share as initially estimated. We are aiming at securing a total return ratio of 45% or higher through the continuation of stable dividends.

	End of 2Q	Year end	Full year	Total return ratio (consolidated)	Payout ratio (consolidated)
FY 20/3 (Forecast)	¥20	¥30	¥50	45.1% *1	33.5%
FY 19/3 *2	¥17.5 (¥35)	¥30 (¥60)	¥47.5 (¥95)	41.3%	32.5%

*1: Already acquired treasury stock of 177,600 shares (amounting to about ¥800 million) in May 2019

*2: For 19/3, the amount is equivalent to the amount after the stock split (we conducted a 1:2 stock split for common stock effective July 1, 2019)

Other information

(Reference) Major Press Releases



Date of release	Company	Title, brief description
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>
August 5	DTS INSIGHT	<p>“DTS INSIGHT began receiving orders for the system LSI design solution service”</p> <p>*One-stop service for the design and production of hardware such as system LSIs, FPGAs and peripheral circuits/boards and the development of software such as OS and porting drivers. This service reduces the burden on customers for making arrangements with multiple vendors and management operations, enabling the design of LSIs implementing customized hardware and firmware.</p>
September 5	DTS WEST	<p>“DTS WEST began offering of ‘kotosora for LGWAN’ operable on LGWAN as a first of such products in Japan”</p> <p>* Began offering multilingual AI chatbot service on the Local Government Wide Area Network (LGWA). It allows local municipality staff to concentrate on operations that require human labor, such as the provision of services to local residents by using the chatbot’s operation for simple routine operations.</p>
September 25	DTS INSIGHT	<p>“DTS INSIGHT concluded a partnership agreement with SiFive as an authorized distributor for the Japanese market”</p> <p>* DTS INSIGHT concluded a partnership agreement with SiFive, a U.S. company leading the commercial RISC-V processor IPs and semiconductor silicon solutions industry, to sell RISC-V IP and tools in the Japanese market.</p>
October 7	DTS WEST	<p>“kotosora chosen for the multilingual AI chatbot service provided by LanguageOne Corporation”</p> <p>* “kotosora,” an AI FAQ solution by DTS WEST, was adopted for the multilingual AI chatbot service offered by LanguageOne Corporation, a company offering multilingual telephone/video interpretation services.</p>

**2Q FY March 2020
Results Presentation**

Thank you for your attention.

