

**DTS** (TSE Code: 9682)**Seeking Increased Value Through Business Growth and Shareholder Returns  
Amid Ongoing Large-scale Sler Industry M&As****GIR View****Record results for the third quarter of FY March  
2025 with increased revenue and profit**

DTS's consolidated results for the third quarter (October-December) of FY March 2025 show a 7.5% year-on-year increase in net sales to 91.003 billion yen and an 8.6% year-on-year increase in operating profit to 10.336 billion yen. These results were record highs for the company's third quarter, and each of its businesses has been growing steadily, boosted by the market's continued demand for digital transformation (DX).

By segment, the Operations and Solutions segment was the largest growth driver, mainly due to an increase in bank-related projects. Net sales grew 22.0% year-on-year to 38.905 billion yen while operating profit rose 15.2% to 4.675 billion yen. On the other hand, net sales in the Platform and Services segment declined year-on-year, but operating profit rose 2.8% to 2.246 billion yen. The decline in net sales largely reflects a temporary increase in hardware sales in the previous year, and the profit structure for system operations and infrastructure construction is stable.

Order volume increased 18.9% year-on-year to 93.294 billion yen, while order backlog rose 24.6% to 34.801 billion yen. The strong order backlog compared to previous years indicates that the company expects to secure solid net sales and operating profit in the fourth quarter as well. Only in the Technology and Solutions segment, order backlog declined year-on-year in just Q3, but this was due to the temporary curtailment of new sales activities to address several unprofitable projects in the first half of the year. Although the impact will remain until Q4 (January-March), the company is already in the process of resolving them. As a result, there will be no impact on next year's performance.

**KEY STATISTICS****Key Stock Statistics**

|                           |                   |
|---------------------------|-------------------|
| Recent Price (02/28/2025) | ¥4205.00          |
| 52-week High/Low          | ¥4,445 / ¥3,460   |
| Shares Outstanding        | 42,682,232 shares |
| Market Cap                | ¥179,479 million  |
| PER                       | 19.42 times       |
| PSR                       | 1.55 times        |
| Dividend (Dividend Yield) | ¥110.00 (2.62%)   |

**Sector**

|        |                                |
|--------|--------------------------------|
| Sector | Information and communications |
|--------|--------------------------------|

**Financials (FY 03/2025 CE)**

|                             |                  |
|-----------------------------|------------------|
| Net sales                   | ¥125,000 million |
| Operating profit margin (%) | 10.6%            |
| EBITDA margin (%)           | 12.0%            |

**Management**

|                 |                  |
|-----------------|------------------|
| President & CEO | Tomoaki Kitamura |
|-----------------|------------------|

|     |   |
|-----|---|
| URL | <a href="https://www.dts.co.jp/en/">https://www.dts.co.jp/en/</a> |
|-----|---|



## Full-year consolidated forecasts remain unchanged and are highly expected to be achieved

Given the strong Q3 performance, DTS is maintaining its full-year consolidated forecasts. The company projects net sales of 125.0 billion yen (+8.0% YoY), operating profit of 13.3 billion yen (+6.3% YoY), ordinary profit of 13.5 billion yen (+5.2% YoY), and profit attributable to owners of parent of 9.15 billion yen (+25.5% YoY).

To achieve these targets, the company will need to generate 33.997 billion yen in net sales in the fourth quarter, a 9.4% increase over the same period last year. While this may seem like a stretch, the fact that net sales grew by more than 11% in Q3 alone and, as we have already seen, that the order backlog exceeds the required net sales, suggests that the company is almost certain to achieve this goal.

Note that in regard to the investigations conducted from April 2024 on the improper activities of an overseas subsidiary, the majority of the investigation costs expected to be incurred in the current fiscal year have already been recorded during the first half, and the impact on the company's financial results from the third quarter onward will be negligible.

## Focus businesses account for more than half of net sales and continue to grow

Net sales in the focus businesses, which DTS has identified as a growth area, grew sharply by 17.4% year-on-year to land at 47.101 billion yen. As a percentage of total net sales, focus businesses accounted for 51.8% of total net sales through Q3. This means that not only have focus businesses achieved the medium-term management plan target of 40% of total net sales ahead of schedule, but also their net sales composition has reversed in relation to existing businesses. The company has been steadily investing in growth to create next-generation earnings drivers, and these investments are bearing fruit.

Let's take a look at specific Q3 initiatives in the focus business areas. In the Operations and Solutions segment, the company promoted the development of cloud-architecture applications, agile/low-code development, and the expansion of industry-specific solutions. AMLion, an anti-money laundering and anti-terrorist financing software package, which had been introduced mainly by major securities firms, was also launched for the life insurance industry during the period. A low-cost anti-money laundering tool for mid-sized financial institutions was also launched. In anticipation of the fifth review of the FATF (Financial Action Task Force), which is scheduled to begin in 2025, DTS intends to further strengthen its offerings to life insurance companies.

In the Technology and Solutions segment, efforts continued to be made to enhance functions to expand package sales, strengthen ERP business expansion, and establish edge AI and cyber security technologies. During the period, Simple-Start-Pack, a simplified in-house helpdesk operations package utilizing ServiceNow<sup>®</sup>, was launched. In housing solutions, several new products in the "Walk in home" series, developed in-house, were released. Walk in



home originally had a high market share as a package for housebuilders. The penetration of this series is expected to eventually lead to a breakthrough in proposing renewal and introduction of core systems to housebuilders. On the cyber security side, the company also provides a one-stop support service for zero-trust security, helping client companies achieve a secure and highly reliable system environment.

In the Platform and Services segment, the company is expanding its operation service offerings and promoting network integration, centered on ReSM/ReSM plus, which supports efficient system operations with year-round, 24/7 remote operation monitoring and the digital transformation of helpdesk operations. As described below, the company was also certified as an Atlassian Gold Solution Partner.

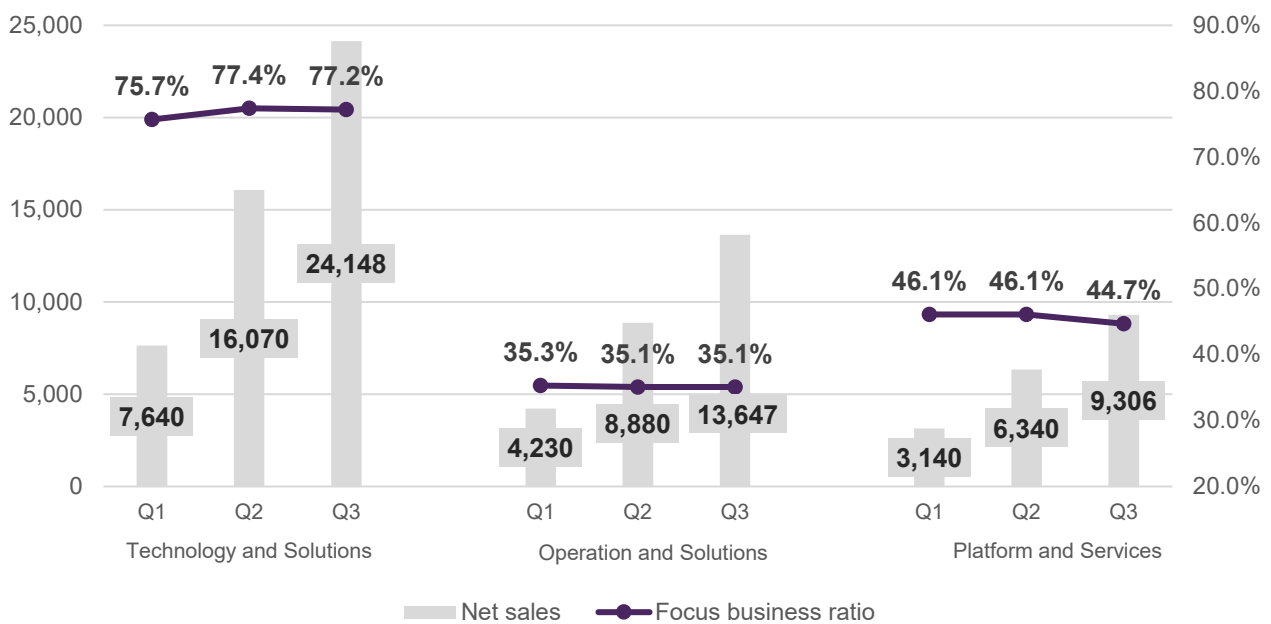
**Figure 1: Recent Major Initiatives in Focus Business Areas by Segment**

| Segment                  | Focus Business Area (Applicable areas only)                              | Q3 Initiatives   |
|--------------------------|--|--|
| Operation and Solutions  | Expand and create more industry-specific solutions and services          | <ul style="list-style-type: none"> <li>Launched AMLions for the life insurance industry</li> <li>Launched an anti-money laundering case management tool for mid-sized financial institutions</li> </ul>  |
| Technology and Solutions | Operational reform DX  | Transition from scratch to SaaS-based system development methods   |
|                          | Cloud infrastructure   | Provision of cloud integration services that combine multi-cloud, cloud security, etc.   |
|                          | Strengthening cloud business technology and transforming business models | Launched Simple-Start-Pack, a low-cost, rapid-introduction version of ServiceNow® by carefully selecting the functions necessary for in-house help desk operations.  |
|                          | Housing  | Development of new "Walk in home" services <ul style="list-style-type: none"> <li>Enhanced Walk in home 2024 structural calculation linkage</li> <li>Secure management of property data in a cloud environment as a subscription-based service for Walk in home Property Management Web</li> <li>Enhanced Walk in home 360x mobile presentation functionality</li> <li>KT-PLAN: Linkage with Walk in home Plus to provide support services for designing and proposing barrier-free and other senior living environments.</li> </ul>   |
|                          | Zero trust   | Establishment of a new organization dedicated to security  |
|                          | Establishing edge AI and cyber security technology                       | <ul style="list-style-type: none"> <li>Launched DX security installation, operation and monitoring support services: One-stop support from installation to operation to realize zero-trust security that meets the required level of financial institutions</li> <li>Launch of secure workplace services: Combination of DX security installation and operation monitoring support services and DX workplace installation support services to realize a secure information security environment and revitalize internal communication to support flexible work styles for client companies.</li> </ul> |



|                       |   |  |
|-----------------------|---|--|
| Platform and Services | Expansion of operation service offerings centered on ReSM and ReSM plus | <ul style="list-style-type: none"> <li>Expand sales of ReSM plus, which enables clients to achieve the DX of their help desk operations.</li> <li>In order to improve the efficiency of internal IT support operations, a web portal and staffed operators were combined to provide a full range of FAQ services, resulting in increased user satisfaction.</li> <li>System integration and training of engineers, including consulting services for Atlassian product implementation and utilization support services.</li> </ul> |
|-----------------------|---|--|

Figure 2: Focus Business Net Sales and Composition by Quarter and Segment for FY March 2025



### Actively promoting returns to shareholders and employees, and achieving cash allocation targets ahead of schedule

DTS's medium-term business plan includes cash allocation targets that define the utilization of capital to cash-generating business operations, investment for growth, and returns for shareholders. At the start of the medium-term business plan period, the company had 45 billion yen in cash on hand. Over the next three years, the company expects to generate 35 billion yen in cash from operations. The goal is to reduce cash on hand to 35 billion yen (40% of total assets) by allocating 25 billion yen of this cash to growth investments and 20 billion yen to shareholder returns.

Throughout the three quarters to date in FY March 2025, DTS has consistently acquired treasury shares each month, totaling approximately 6.768 billion yen (see Figure 3). This is in accordance with the treasury share acquisition plan approved by the Board of Directors on April 26, 2024. As a result, the company's cash on hand was reduced to 27.455 billion yen as of the end of the third quarter, bringing the total asset ratio to 35.2%, which is ahead of the cash allocation target in the medium-term business plan.



DTS has already decided at its November 2024 Board of Directors meeting to acquire and cancel up to 5 billion yen of treasury shares in the fourth quarter. As of the full-year results for the fiscal year ending March 31, 2024, DTS had an equity ratio of 74%, a remarkably high level of cash among semi-major to medium-sized SIers based in Japan. The company has been making steady progress in returning profits to shareholders as described above for the current fiscal year.

In addition to shareholder returns, DTS has also increased its base for employee returns, and last year, in the fourth quarter of the fiscal year, it made an additional provision for bonuses, taking into account the company's performance. Given the strong performance of the company, similar employee returns are expected for the current fiscal year. Returning surplus funds to future employees is a particularly important measure in the SIer business, where it is essential to secure the ability to execute projects through the development and retention of highly skilled personnel. It is also expected to contribute to "improving employee engagement," one of the areas of ESG initiatives.

**Figure 3: Treasury Shares Acquisitions Through Q3 FY March 2025**

| Acquisition Date | Number of Shares Acquired | Acquisition Amount       |
|------------------|---------------------------|--------------------------|
| April 2024       | 12,600 shares             | 54,167,000 yen           |
| May 2024         | 258,100 shares            | 1,078,782,000 yen        |
| June 2024        | 183,800 shares            | 766,900,000 yen          |
| August 2024      | 217,800 shares            | 878,009,000 yen          |
| September 2024   | 178,400 shares            | 718,969,500 yen          |
| October 2024     | 284,200 shares            | 1,126,164,000 yen        |
| November 2024    | 253,900 shares            | 1,024,089,000 yen        |
| December 2024    | 263,200 shares            | 1,120,594,000 yen        |
| <b>Total</b>     | <b>1,490,000 shares</b>   | <b>6,767,674,500 yen</b> |

### **New consolidation also contributing to strong performance along with positive effects on organic business expansion**

In FY March 2024, DTS achieved nearly half of its net sales growth through M&As. M&As continue to be a key strategy for the company in achieving its management targets.

In this regard, Tohoku Systems Support Co., Ltd. (Tohoku Systems) and avanza Co., Ltd. (avanza), which were newly consolidated from FY March 2025, and Anshin Project Japan Inc. (APJ) (newly consolidated only in Q1) are having a positive impact. The three companies together contributed 3.79 billion yen to the order volume and 1.1 billion yen to the order backlog in the third quarter.



Furthermore, these companies are expected to have synergies not only in terms of financial impact but also in terms of the nature of their businesses and technology stacks. Tohoku Systems mainly provides system development, system infrastructure, and wireless equipment solutions and services, while avanza has extensive experience in system integration services for life and non-life insurance, financial, and logistics systems, as well as the development of embedded and control systems specialized for the printing industry. APJ is a company that provides tools to realize housing proposals using technologies such as CG, AI, and VR, which are a good fit for DTS's housing solutions. These new group companies will contribute to DTS's growth in terms of both technology and market development capabilities.

### The trend of large M&As in the industry continues

The TOB of FUJISOFT INCORPORATED (FUJISOFT), which started in August 2024, attracted market attention as it developed into a takeover battle between U.S. investment funds Kohlberg Kravis Roberts & Co. L.P. (KKR) and Bain Capital. Bain Capital had initially aimed for a friendly takeover, but as competition with KKR intensified, Bain Capital decided to take a hostile takeover stance. It is anticipated that the TOB will go to KKR, and FUJISOFT will then be delisted. After going private, KKR is expected to consider M&A and business restructuring to accelerate FUJISOFT's growth, while at the same time making effective use of the company's real estate holdings.

In November 2024, SCSK Corporation (SCSK) announced that it would acquire Net One Systems Co., Ltd. (Net One), whose main business is network infrastructure business, through TOB. The TOB was completed in December of the same year for a total purchase amount of approximately 284.9 billion yen, and the two companies have entered into talks for business integration with April 2026 as the deadline for consideration. Through the acquisition of Net One, SCSK aims to provide IT services that integrate everything from network construction and cloud security to application construction, and by building a business entity that can sell everything from infrastructure to applications in an integrated manner, SCSK aims to capture domestic demand for cloud computing and data collaboration, which is expected to increase. By building an entity capable of selling everything from infrastructure to applications in an integrated manner, the company hopes to capture domestic demand for cloud computing and data collaboration projects, which are expected to increase.

These recent examples suggest that deals worth several hundred billion yen may not be uncommon in the Japanese domestic SIER market soon. In turn, this could lead to a reevaluation of Japanese companies in the M&A market. DTS and FUJISOFT have similar attributes in terms of being independent software service companies. It is important for Japanese companies with high technological capabilities to prepare for the possibility of attracting the attention of overseas global investment funds, and to continue to strive for solid business value enhancement and sound management.



## Amid an ongoing AI boom, DTS focuses on supporting IT service management tool implementation

Since the announcement of ChatGPT at the end of 2022, the generative AI boom has continued, and the AI craze has had a significant impact on service deployment strategies for companies in the software industry, including SIERs. Typically, many companies are trying to create new business opportunities by launching offerings featuring AI solutions such as data analysis and predictive models, automation combining AI with RPA and other technologies, and AI expert personnel training and consulting services.

In response to this trend, DTS has also defined and is promoting the introduction of IT service management (ITSM) tools equipped with AI functionality as part of its focus business areas in its medium-term management plan. Specifically, DTS has concluded a partnership agreement with Australia-based Atlassian Pty Ltd (Atlassian) from June 2023 to provide consulting and utilization support services for the introduction of Atlassian's Jira brand line of products. The products covered include Jira Service Management, an AI-enabled ITSM; Confluence, a collaboration tool for knowledge management and document management; Opsgenie, an incident management tool; and Rovo, an AI-enabled task management tool. In November 2024, DTS was certified as Atlassian's Gold Solution Partner based on its performance to date. With the company's offerings that go beyond simply supporting the introduction of Jira but also extend to continued post-installation maintenance support, the strengthened partnership is expected to enhance revenue opportunities for DTS.

DTS has also launched an internal initiative to improve the productivity efficiency of system development itself by utilizing generative AI, and has already introduced AI development support tools in all segments across the company (however, as some clients, such as financial institutions, are cautious about development using AI tools, these tools are not being applied at once to all development projects). The SIER business also excels in being able to transfer the know-how cultivated through such internal use in external sales. It is certainly worth keeping an eye on how DTS will position AI in its next medium-term management plan, and what specific service offerings and initiatives the company will roll out.

## ESG Management targets on track with CDP's A-List rating for climate change

Lastly, we highlight the progress of DTS's ESG management goals, which include DTS Group improvement initiatives related to the environment as well as employee engagement, employee diversity, and governance enhancements. In addition to many of the KPIs already achieved, DTS's most recent major accomplishment is being selected as an "A-List" company – the highest rating – in the climate change category for the first time in 2024 by CDP, an international non-profit organization dedicated to environmental information disclosure. DTS has set CO<sub>2</sub> emission reduction as a non-financial management goal in its medium-term management plan and Vision2030, and has declared the achievement of carbon neutrality by promoting the introduction of renewable energy to its offices.



In addition, the company is collecting emissions data from partner companies to refine the calculation of group-wide emissions, aiming for a reduction of 50% or more from the FY2021 level by FY2030 and a net-zero emissions reduction by FY2050. These efforts and the transparency of information disclosure are considered to have led to this selection.

The highly transparent management that DTS has built through shareholder relations (SR) should continue to be highly regarded by the market.

**Figure 4: Consolidated Results**

| Accounting period | Net sales (mn) | YoY (%) | Operating profit (mn) | YoY (%) | Ordinary profit (mn) | YoY (%) | Profit (mn) | YoY (%) | EPS (Yen) | PER (times) |
|-------------------|----------------|---------|-----------------------|---------|----------------------|---------|-------------|---------|-----------|-------------|
| FY 03/2015        | 74,609         | 116.3   | 6,432                 | 135.7   | 6,518                | 135.5   | 3,692       | 139.1   | 156.7     | 10.5        |
| FY 03/2016        | 82,537         | 110.6   | 7,599                 | 118.2   | 7,707                | 118.2   | 4,341       | 117.6   | 186.6     | 11.5        |
| FY 03/2017        | 79,858         | 96.8    | 7,986                 | 105.1   | 8,093                | 105.0   | 5,121       | 118.0   | 222.4     | 12.4        |
| FY 03/2018        | 83,163         | 104.1   | 8,523                 | 106.7   | 8,574                | 105.9   | 5,765       | 112.6   | 247.9     | 14.8        |
| FY 03/2019        | 86,716         | 104.3   | 9,789                 | 114.8   | 9,929                | 115.8   | 6,817       | 118.2   | 292.2     | 14.0        |
| FY 03/2020        | 94,618         | 109.1   | 10,674                | 109.0   | 10,849               | 109.3   | 7,317       | 107.3   | 158.0     | 11.9        |
| FY 03/2021        | 90,493         | 95.6    | 10,817                | 101.3   | 11,131               | 101.3   | 7,593       | 103.8   | 165.4     | 15.2        |
| FY 03/2022        | 94,452         | 104.4   | 11,196                | 103.5   | 11,403               | 102.4   | 7,853       | 103.4   | 172.7     | 15.5        |
| FY 03/2023        | 106,132        | 112.4   | 11,694                | 104.4   | 11,932               | 104.6   | 8,001       | 101.9   | 181.4     | 17.7        |
| FY 03/2024        | 115,727        | 109.0   | 12,508                | 107.0   | 12,831               | 107.5   | 7,293       | 91.1    | 168.5     | 23.8        |
| FY 03/2025 (Est.) | 125,000        | 108.0   | 13,300                | 106.3   | 13,500               | 105.2   | 9,150       | 125.5   | -         | 18.3        |

Source: Prepared by Global IR, Inc. based on company securities reports and company IR materials.

Note: Rounded to the nearest million yen, rounded to one decimal place. \*Calculated by Global IR, Inc.





## Management Indicators

### Financial Data (consolidated: quarterly) (millions of yen)

| Accounting period                       | FY 03/2021 | FY 03/2022 | FY 03/2023 | FY 03/2024 | FY 03/2025 |        |        |        |
|---|------------|------------|------------|------------|------------|--------|--------|--------|
|   | Q1-Q4      | Q1-Q4      | Q1-Q4      | Q1-Q4      | Q1         | Q2     | H1     | Q3     |
| Operating revenue                       | 90,493     | 94,452     | 106,132    | 115,727    | 28,889     | 30,965 | 59,854 | 31,149 |
| YoY (%)                                 | 95.6       | 103.3      | 110.0      | 109.0      | 108.2      | 103.0  | 105.4  | 111.5  |
| Profit before tax                       | 11,100     | 11,384     | 11,637     | 11,592     | 3,018      | 3,587  | 6,605  | 4,003  |
| YoY (%)                                 | 103.0      | 102.6      | 102.2      | 99.6       | 111.4      | 105.2  | 107.9  | 109.3  |
| Profit before tax margin (%)            | 12.3       | 12.1       | 11.0       | 10.0       | 10.4       | 11.6   | 11.0   | 12.9   |
| Profit attributable to owners of parent | 7,630      | 7,837      | 8,005      | 7,293      | 2,045      | 2,422  | 4,467  | 2,769  |
| YoY (%)                                 | 104.3      | 102.7      | 102.1      | 91.2       | 109.2      | 104.6  | 106.6  | 111.6  |
| Profit margin (%)                       | 8.4        | 8.3        | 7.5        | 6.3        | 7.1        | 7.8    | 7.5    | 8.9    |

Source: Prepared by Global IR, Inc. based on company securities reports and company IR materials.

### Per Share Data (Consolidated)

| Accounting period   | FY 03/2018 | FY 03/2019 | FY 03/2020 | FY 03/2021 | FY 03/2022 | FY 03/2023 | FY 03/2024 |
|---|------------|------------|------------|------------|------------|------------|------------|
| Total number of shares issued and outstanding (thousand shares) | 25,222     | 25,222     | 50,445     | 50,445     | 49,073     | 47,591     | 46,854     |
| EPS   | 247.90     | 292.21     | 158.01     | 165.49     | 172.78     | 181.41     | 168.51     |
| EPS Adjusted  | -          | -          | -          | -          | -          | -          | -          |
| BPS   | 2003.23    | 2203.22    | 1190.71    | 1293.61    | 1376.05    | 1408.81    | 1451.61    |
| DPS   | 80.00      | 95.00      | 55.00      | 60.00      | 70.00      | 120.00     | 103.00     |

Source: Prepared by Global IR, Inc. based on company securities reports and company IR materials.

### Cash Flows (millions of yen)

| Accounting period                    | FY 03/2018 | FY 03/2019 | FY 03/2020 | FY 03/2021 | FY 03/2022 | FY 03/2023 | FY 03/2024 |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|
| Depreciation and amortization        | 421        | 474        | 473        | 535        | 532        | 608        | 628        |
| Cash flows from operating activities | 6,761      | 6,947      | 7,551      | 9,459      | 7,589      | 7,642      | 10,410     |
| Cash flows from investing activities | (1,806)    | (1,770)    | (1,360)    | (787)      | (139)      | (931)      | (8,516)    |
| Cash flows from financing activities | (2,967)    | (2,477)    | (3,047)    | (3,848)    | (5,025)    | (9,095)    | (7,817)    |

Source: Prepared by Global IR, Inc. based on company securities reports and company IR materials.

### Financial Data (%)

| Accounting period      | FY 03/2018 | FY 03/2019 | FY 03/2020 | FY 03/2021 | FY 03/2022 | FY 03/2023 | FY 03/2024 |
|------------------------|------------|------------|------------|------------|------------|------------|------------|
| Return on Assets (ROA) | 10.4       | 11.7       | 10.4       | 10.1       | 9.9        | 9.9        | 8.8        |
| Return on Equity (ROE) | 12.9       | 13.9       | 13.8       | 13.3       | 13.0       | 13.0       | 11.8       |
| Equity-to-asset ratio  | 76.5       | 76.7       | 78.0       | 78.8       | 78.4       | 76.1       | 73.4       |

Source: Prepared by Global IR, Inc. based on company securities reports and company IR materials.



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