

# FY 15/3 First Half Results Presentation

November 7, 2014



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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.**

# I. FY 15/3 First Half Results

# FY 15/3 First Half Results

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## Factors of change from FY 14/3

- ✓ Made YOKOGAWA DIGITAL COMPUTER CORPORATION and Artsystem CORPORATION consolidated subsidiaries to expand the embedding business
- ✓ Made DTS America Corporation a consolidated company
- ✓ Merged with FAITEC, a consolidated subsidiary
- ✓ Established DTS WEST CORPORATION by spinning off the information service business from DTS's Kansai and Chukyo branches

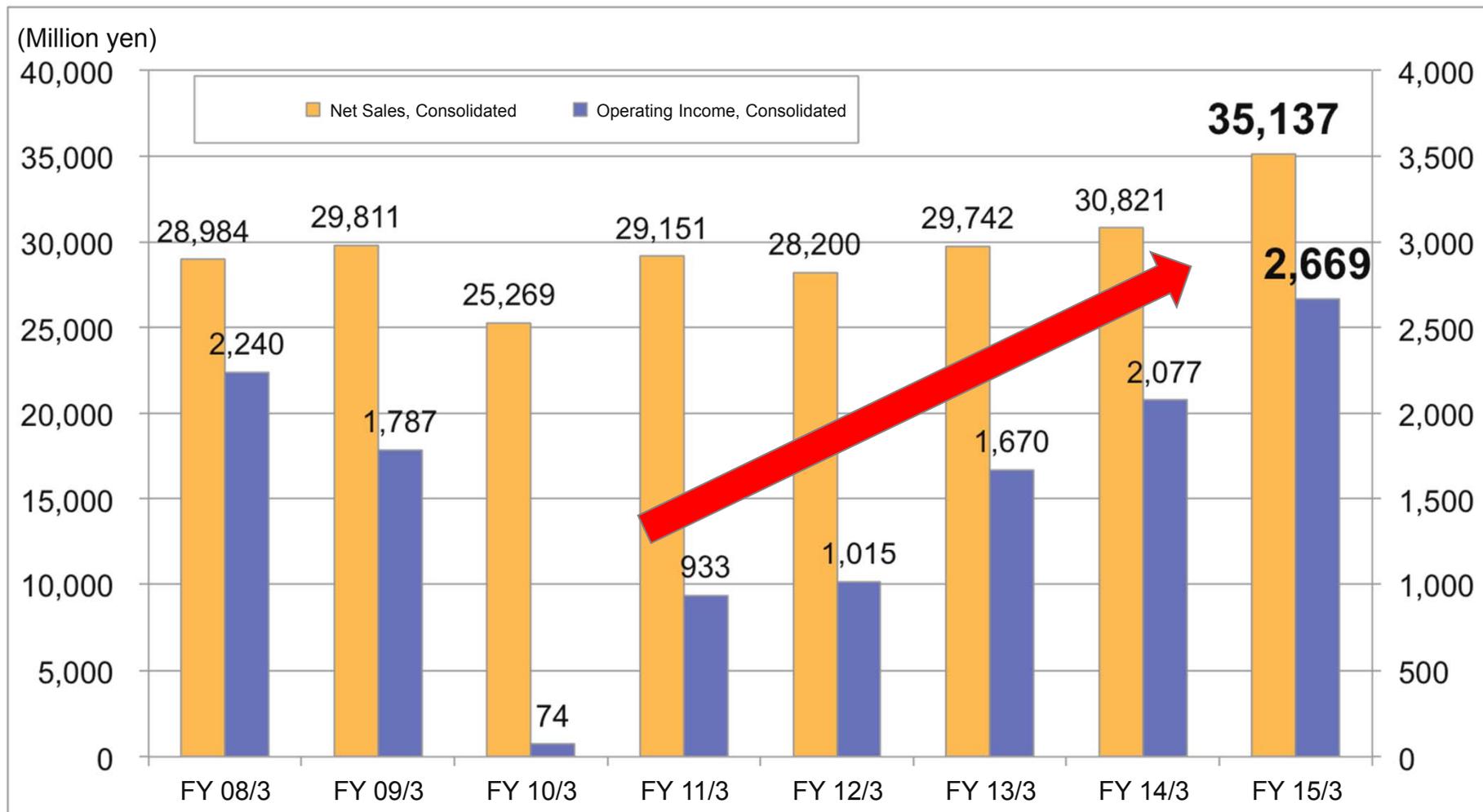
# FY 15/3 First Half Results (Consolidated)

Net sales and operating income rose 14.0% and 28.5% year on year, respectively, recording a significant increase in both sales and profits.

(Units: Million yen, %)	Amount	Ratio to sales (%)	Year on year		vs. plan (8/4)	
<b>Net sales</b>	<b>35,137</b>	—	<b>114.0%</b>	<b>+4,316</b>	<b>102.1%</b>	<b>+737</b>
Gross profit	6,029	17.2%	121.9%	+1,084	104.9%	+279
SG&A expenses	3,359	9.6%	117.2%	+493	96.0%	-140
<b>Operating income</b>	<b>2,669</b>	<b>7.6%</b>	<b>128.5%</b>	<b>+591</b>	<b>118.7%</b>	<b>+419</b>
Recurring income	2,716	7.7%	128.6%	+604	118.1%	+416
Net income	1,501	4.3%	133.7%	+378	111.2%	+151

# Change in Net Sales and Operating Income for FY 15/3 First Half

Both consolidated net sales and operating income for FY 15/3 first half hit a record high.



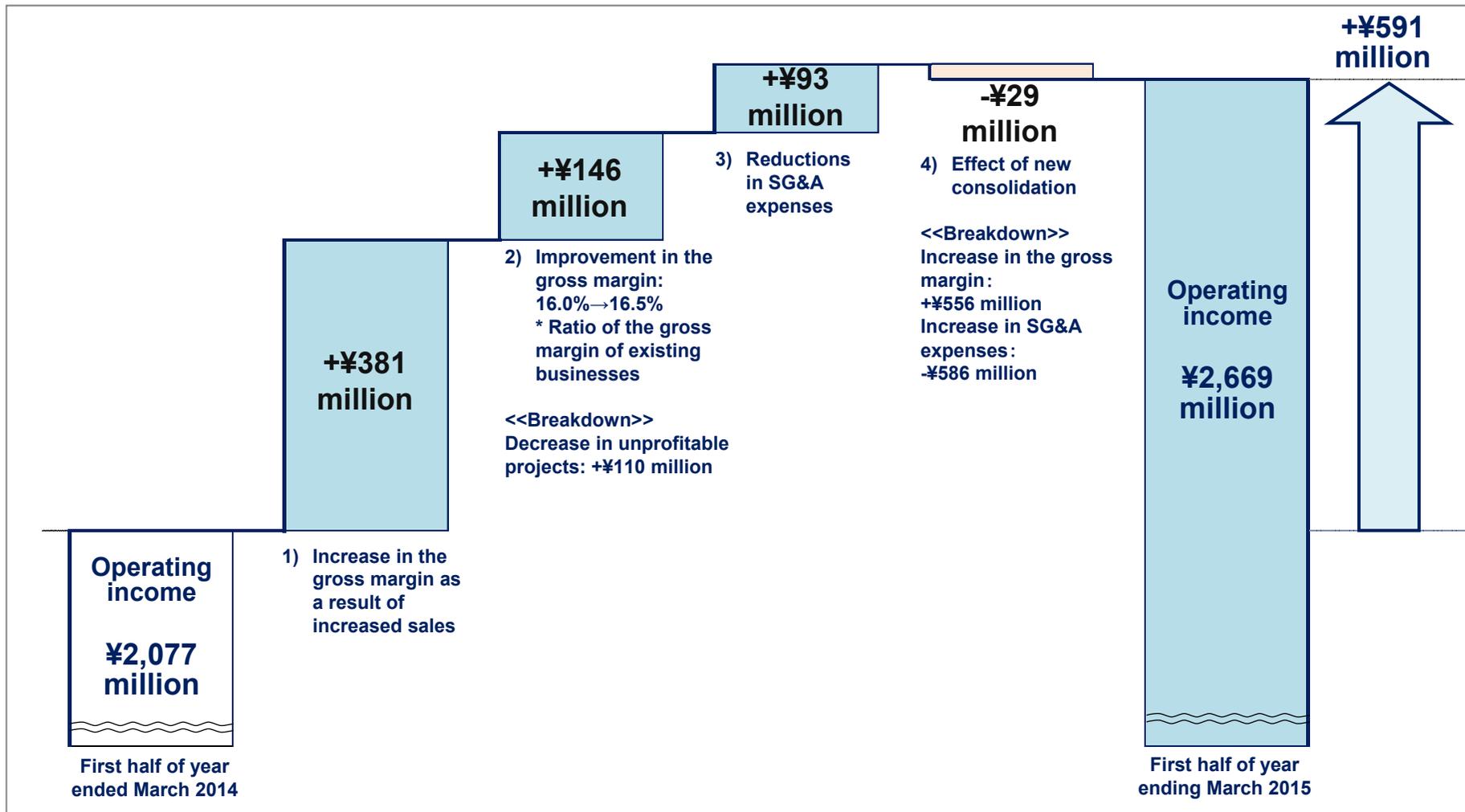
# Consolidated Net Sales by Segments

Net sales rose, reflecting the increased sales of the System segment thanks to new consolidated companies in addition to strong sales of development projects in the finance and public sectors.

(Units: Million yen, %)	Amount	Ratio to sales (%)	Year on year		Main factors of change
<b>Net sales</b>	<b>35,137</b>	—	114.0%	<b>+4,316</b>	
<b>System</b>	<b>22,914</b>	65.2%	120.2%	<b>+3,849</b>	<ul style="list-style-type: none"> <li>- Sales from developments for banks and securities firms expanded</li> <li>- New contracts won in public sectors</li> <li>- New consolidated companies</li> </ul>
<b>Operation</b>	<b>6,482</b>	18.4%	98.9%	<b>-74</b>	
Products and other	<b>3,882</b>	11.0%	129.4%	<b>+881</b>	<ul style="list-style-type: none"> <li>- Sales for cloud operators increased</li> <li>- Special demand for Windows OS updates</li> </ul>
Information service	<b>33,279</b>	94.7%	116.3%	<b>+4,657</b>	
Human resources service	<b>1,858</b>	5.3%	84.5%	<b>-341</b>	

# Reason for an Increase in Consolidated Operating Income

Operating income increased, reflecting the increased gross margin on the back of an increase in net sales and a decrease in unprofitable projects, as well as reductions in SG&A expenses.



# New Contracts on a Consolidated Basis

New contracts and backlogs in the Systems segment rose. The sales of new consolidated companies contributed, in addition to an increase in new contracts for large projects for banks and development projects for the transportation and public sectors.

(Units: Million yen, %)		New contracts				Backlogs			
		Amount	Composition ratio	Year on year		Amount	Composition ratio	Year on year	
<b>Total</b>		<b>32,287</b>	—	116.3%	<b>+4,534</b>	<b>19,391</b>	—	112.6%	<b>+2,175</b>
	System	24,398	75.6%	130.7%	+5,726	13,227	68.2%	120.7%	+2,270
	Operation	2,532	7.8%	71.1%	-1,030	4,667	24.1%	95.8%	-202
	Products and other	4,087	12.7%	123.5%	+776	416	2.1%	119.7%	+68
	Information service	31,018	96.1%	121.4%	+5,473	18,312	94.4%	113.2%	+2,137
	Human resources service	1,269	3.9%	57.5%	-938	1,079	5.6%	103.6%	+37

# FY 15/3 First Half Results (Non-Consolidated)

Net sales and operating income rose 22.6% and 40.2% year on year respectively, achieving an increase in both sales and profits.

(Units: Million yen, %)	Amount	Ratio to sales (%)	Year on year		vs. plan (8/4)	
Net sales	<b>22,884</b>	—	122.6%	<b>+4,221</b>	103.1%	<b>+684</b>
Gross profit	4,090	17.9%	124.0%	+791	106.3%	+240
SG&A expenses	1,747	7.6%	107.4%	+120	92.0%	-152
Operating income	<b>2,343</b>	<b>10.2%</b>	<b>140.2%</b>	<b>+671</b>	<b>120.2%</b>	<b>+393</b>
Recurring income	2,422	10.6%	133.6%	+609	118.2%	+372
Net income	2,799	12.2%	249.0%	+1,675	109.8%	+249

# Unconsolidated Net Sales by Segments

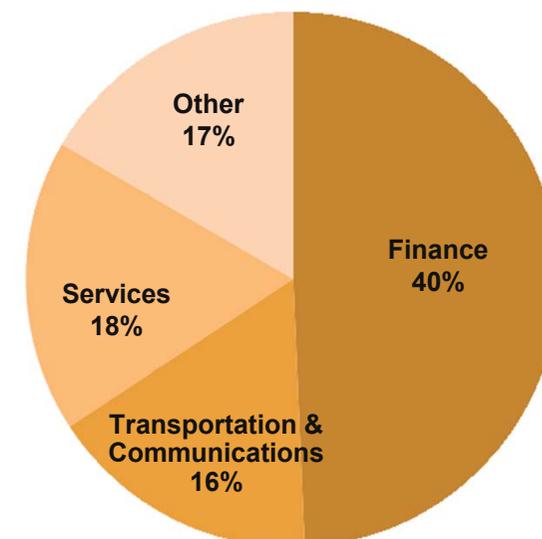
Net sales of the Systems segment rose sharply, reflecting the merger of a consolidated subsidiary, in addition to strong sales of development projects in the finance and public sectors.

(Units: Million yen, %)	Amount	Ratio to sales (%)	Year on year		Main factors of change
<b>Net sales</b>	<b>22,884</b>	<b>—</b>	<b>122.6%</b>	<b>+4,221</b>	
<b>System</b>	<b>17,069</b>	<b>74.6%</b>	<b>132.1%</b>	<b>+4,147</b>	<ul style="list-style-type: none"> <li>- Sales from development for banks and securities firms expanded.</li> <li>- New contracts were won in public sectors.</li> <li>- FAITEC was merged into DTS.</li> </ul>
Operation	5,275	23.1%	99.2%	-42	
Products and other	539	2.4%	127.6%	+116	<ul style="list-style-type: none"> <li>- Special demand for Windows OS updates.</li> </ul>
Information service	22,884	100.0%	122.6%	+4,221	
Human resources service	—	—	—	—	

# Sales by End User (Non-Consolidated)

Sales in the Finance sector rose, reflecting expanded large projects for banks and the merger of consolidated subsidiaries. Sales in the manufacturing and public sectors increased, although sales in the Transportation and Communications sector declined.

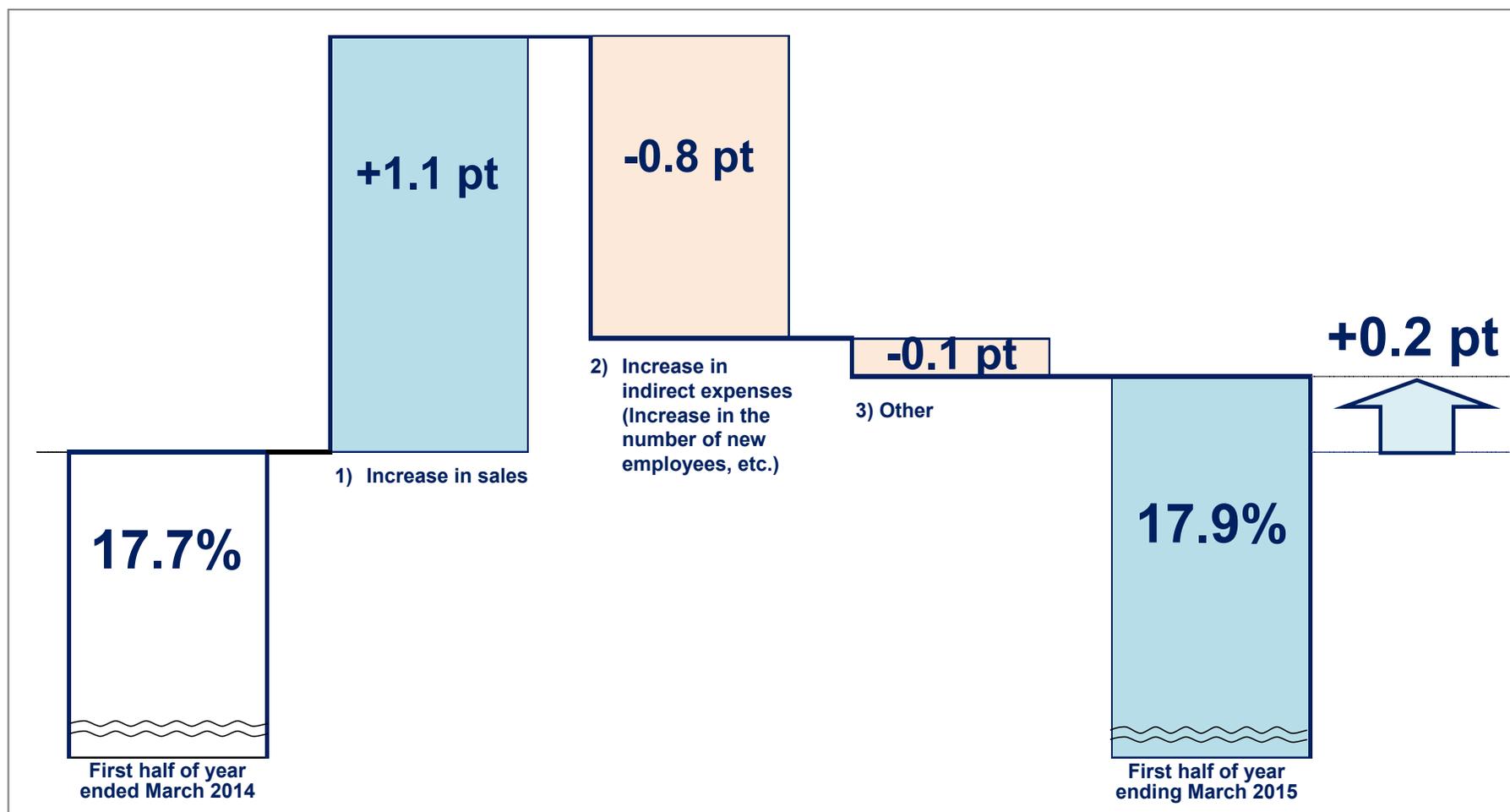
(Units: Million yen, %)	Amount	Composition ratio	Year on year	
Finance	<b>11,016</b>	49.3%	153.5%	<b>+3,839</b>
Transportation & Communications	<b>3,676</b>	16.5%	94.5%	<b>-214</b>
Services	<b>3,927</b>	17.6%	98.2%	<b>-73</b>
Other	<b>3,723</b>	16.7%	117.4%	<b>+553</b>
For the manufacturing sector	<b>1,544</b>	6.9%	113.6%	<b>+185</b>
For the public sector	<b>906</b>	4.1%	169.9%	<b>+372</b>
For the whole sale and retail sector	<b>602</b>	2.7%	95.1%	<b>-30</b>
<b>Systems and operations</b>	<b>22,344</b>	100.0%	122.5%	<b>+4,104</b>



<b>Finance:</b>	Demand expanded primarily for integration of banks' large-scale systems. Sales from development projects for securities firms were also strong.
<b>Transportation &amp; Communications:</b>	Sales in the communications sector declined, reflecting reductions in investments by main customers, while sales in transportation rose due to demand for renewals.
<b>Services:</b>	Sales remained flat, reflecting a decrease caused by a reaction to strong sales in the same period of the previous year, offset by an increase in sales from development projects for information service.
<b>Other:</b>	Sales for the public sector rose thanks to new contracts, resulting from the unification of pension plans and system renovations implemented at local governments.

# Gross Margin (Non-Consolidated)

The gross margin improved 0.2 points, reflecting increased sales, although indirect expenses rose due to an increase in the number of new employees.



# Operating Income and Recurring Income (Non-Consolidated)

Although SG&A expenses rose due to strategic expenses such as an increase in employment, the ratio to sales declined 1.1 points year on year.

SG&A expenses: ¥1,747 million - 107.4% YoY  
- 7.6% of sales (-1.1 pt YoY)

- Increase in strategic investment outlays (Increase in the number of employees, strengthening of training programs, removal of company apartments, etc.) +¥99 million
- Increase in expenses due to structural reorganization, such as the merger with FAITEC +¥21 million

Operating income: ¥2,343 million - 140.2% YoY  
- Operating income margin:  
10.2% (+1.3 pt YoY)

Recurring income: ¥2,422 million - 133.6% YoY  
- Recurring income margin:  
10.6% (+0.9 pt YoY)

# Group Company Results

(Units: Million yen, %)	Net sales			Operating income			
Company name	Amount	YoY (%)	vs. plan	Amount	Ratio to sales (%)	YoY (%)	vs. plan
DATALINKS CORPORATION	3,829	95.8%	98.5%	123	3.2%	78.6%	104.1%
DIGITAL TECHNOLOGIES CORPORATION	3,829	108.6%	99.0%	58	1.5%	105.9%	103.3%
JAPAN SYSTEMS ENGINEERING CORPORATION	2,094	103.6%	94.3%	47	2.2%	63.4%	48.1%
YOKOKAWA DIGITAL COMPUTER CORPORATION*	1,491	–	99.1%	28	1.9%	–	1027.9%
SOUGOU SYSTEM SERVICE CORPORATION	695	117.3%	110.7%	91	13.1%	184.9%	217.5%
KYUSHU DTS CORPORATION	563	111.2%	105.5%	21	3.9%	129.1%	134.1%
DTS WEST CORPORATION*	563	–	99.2%	30	5.4%	–	82.2%
Artsystem CORPORATION*	391	–	113.8%	0	0.1%	–	[+37]
MIRUCA CORPORATION	250	124.1%	114.9%	53	21.3%	330.5%	328.4%
DTS (Shanghai) CORPORATION	125	98.1%	92.0%	17	13.6%	[+39]	395.0%
DTS America Corporation*	56	–	103.8%	7	13.5%	–	[+9]

- Figures for each company are on a non-consolidated basis, so the total does not equal consolidated figures.

- Figures in brackets represent FY 15/3 amount minus FY 14/3 amount.

- \* is included for consolidated companies starting from FY 15/3.

## II. Progress of Key Initiatives

# Key Initiatives

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## 1. Strengthen ability to make proposals

- Stronger sales systems
- Stronger sales capabilities by leveraging collaborations in the Group

## 2. Strengthen business base and reform business model

- Creation of a third pillar in addition to Finance and Communications
- Establishment of a global business base
- Creation of new-planning-type businesses
- Securing profits in projects

## 3. Enhance the Group management base

- Development of high value-added human resources
- Management optimization through the reorganization of the Group

# 1. Strengthen ability to make proposals

Strengthening our sales capabilities is the most important challenge to achieving autonomous growth. We are focused on facilitating the development and retention of salespeople and making our relationship with customers stronger.

## ■ Stronger sales systems

- To strengthen our ability to make proposals, we are focused on facilitating the development and retention of role models for salespeople. We are enhancing the quality and quantity of our human resources for sales by providing training and performing sales activities simultaneously.
- Better customer information is gathered as a result of the enhancement of our customer satisfaction surveys. We are increasing customer satisfaction further by improving the feedback to the sales frontlines.

## ■ Strengthening sales capabilities by leveraging collaboration in the Group

- We facilitate information sharing of customers and sales through collaboration with the two new consolidated companies, in order to develop new markets.

## 2. Strengthen business base and reform business model

As part of the strengthening of global business, DTS Vietnam was Established in April. New initiatives will be promoted to generate another main business, in addition to the embedding business.

### Creation of a “third pillar”

- Two companies were included as consolidated companies in the embedding business. An organization that generates sales of ¥5 billion with 400 engineers was established.
- We share the technology and expertise of each company while expanding businesses focused on the healthcare and in-vehicle equipment fields.

### Establishment of a global business base

- A local subsidiary was established in Vietnam in April for contract offshore development and BPO operations.
- We are strengthening systems development structure and facilitating the development of local businesses in South East Asia.

### Securing profits in projects

- We are steadily facilitating initiatives that strengthen project management. We are securing profits in large-scale projects that are expected to increase, going forward.
- We will promote initiatives to enhance management capabilities reflecting their situations to improve the Group’s system integration capabilities.

### Creation of new-planning-type businesses

- The “Dr. Cowbell”, a solution business for the livestock industry, was launched in May.
- Steps are being taken to put new plans into practical use in the fields of health care, big data, and social networks.

### 3. Enhance the Group management base

Continue to promote initiatives towards the development of value-added human resources and the optimization of the Group's operations to create a base to achieve ¥100 billion in FY 22/3

#### ■ Development of high value-added human resources

- We are continuously providing training to develop advanced engineers, role models among salespeople, and global human resources.

#### ■ Management optimization through the reorganization of the Group

- We facilitate structural reform to improve the operating income margin of the Group companies.
- The merger between DTS WEST CORPORATION based in Kansai and SOUGOU SYSTEM SERVICE CORPORATION is scheduled for April 2015 in order to expand business in the western part of Japan.



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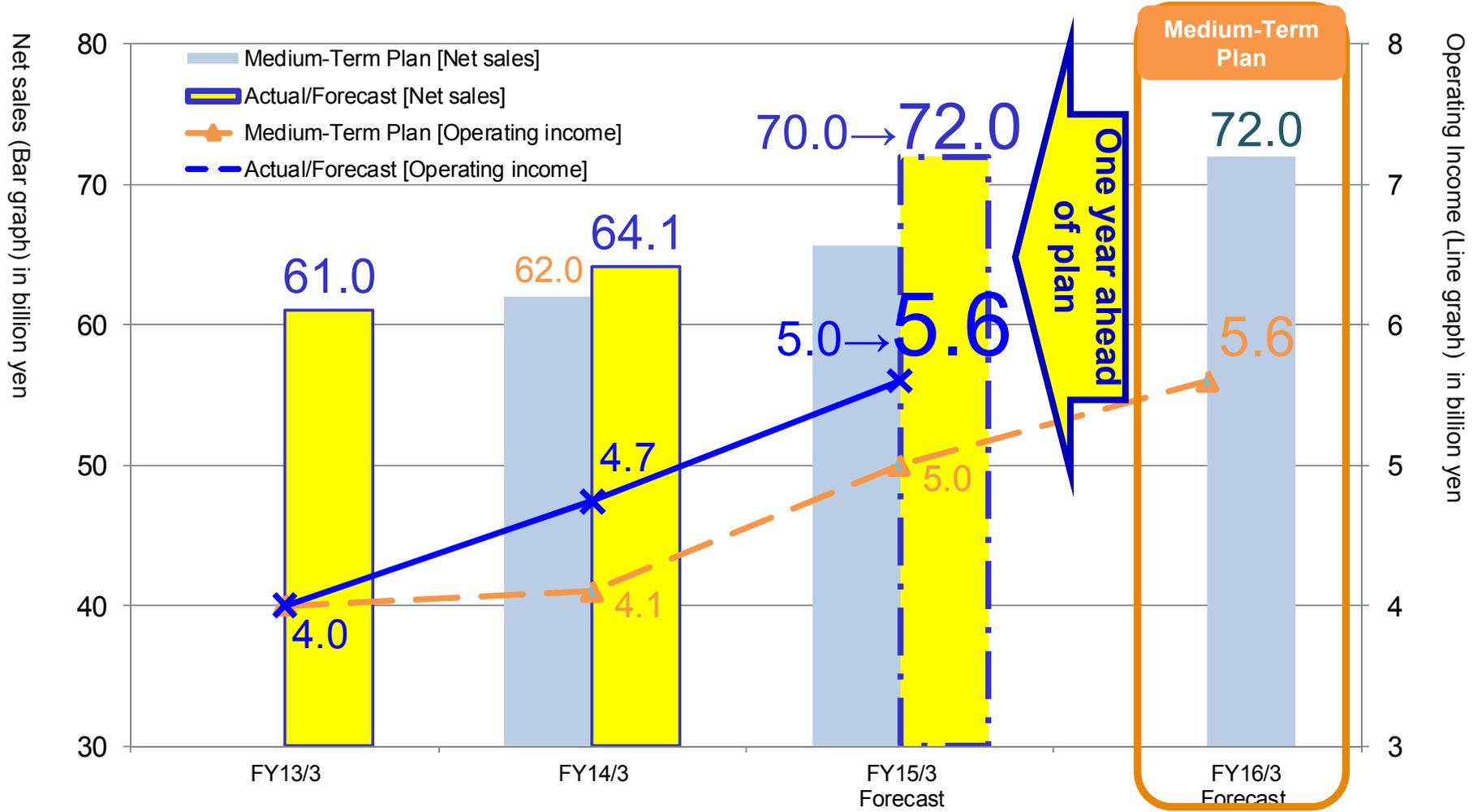
## III. FY 15/3 Full Year Forecast

# Outlook for Business Environment

Sector	Outlook for IT Investment	
Finance	<p>Although investments will decline at some banks, demand from banks will expand, chiefly reflecting large-scale system integration projects. Investments at trust banks will fall as special demand for integration peaks. Investments at life and non-life insurance companies will be steady. Demand from securities firms is expected to increase due to improvements in results.</p>	
Transportation & Communications	<p>In Communications, major carriers will continue to hold down investments.</p>	
	<p>In Transportations, there will be continued demand for core system renovation in the air transport sector.</p>	
Services	<p>With an improvement in corporate earnings, demand is expected to expand in a range of customers.</p>	
Other	<p>In the public sector, there will be a continued increase in demand in conjunction with the unification of pension plans and national identification numbers. In the manufacturing sector, demand for embedding systems is set to expand in the in-vehicle equipment and health care fields. Customers' investment in new services utilizing primarily big data will likely increase in the wholesale and retail sectors.</p>	

# Medium-Term Management Plan and Performance Forecasts for FY 15/3

Net sales and operating income for the performance for FY 15/3 have been revised to ¥72.0 billion and ¥5.6 billion respectively. The Mid-term Business Plan will be achieved one year ahead of plan.



# Performance Forecasts for the Full Fiscal Year Ending March 2015

(Units: Million yen, %)	Consolidated				Non-consolidated			
	Amount	Ratio to sales (%)	Year on year		Amount	Ratio to sales (%)	Year on year	
<b>Net sales</b>	72,000	—	112.2%	+7,825	48,000	—	119.8%	+7,928
<b>Gross profit</b>	12,600	17.5%	118.6%	+1,973	8,550	17.8%	120.8%	+1,473
<b>SG&amp;A expenses</b>	7,000	9.7%	118.9%	+1,114	3,800	7.9%	110.8%	+369
<b>Operating income</b>	5,600	7.8%	118.1%	+858	4,750	9.9%	130.3%	+1,103
<b>Recurring income</b>	5,650	7.8%	117.5%	+839	4,850	10.1%	126.6%	+1,019
<b>Net income</b>	3,200	4.4%	120.6%	+546	4,200	8.8%	182.3%	+1,896

# Reference) Full-year Forecasts for Group Companies for Fiscal Year Ending March 2015

(Units: Million yen, %)	Net sales		Operating income		
Company name	Amount	YoY (%)	Amount	Ratio to sales (%)	YoY (%)
DATALINKS CORPORATION	7,855	100.0%	260	3.3%	95.3%
DIGITAL TECHNOLOGIES CORPORATION	6,837	104.9%	106	1.6%	158.9%
JAPAN SYSTEMS ENGINEERING CORPORATION	4,675	107.5%	310	6.6%	110.3%
YOKOGAWA DIGITAL COMPUTER CORPORATION*	3,277	—	107	3.3%	—
SOUGOU SYSTEM SERVICE CORPORATION	1,350	110.8%	142	10.5%	142.8%
KYUSHU DTS CORPORATION	1,300	120.0%	65	5.0%	129.0%
DTS WEST CORPORATION*	1,250	—	105	8.4%	—
Artsystem CORPORATION*	910	—	64	7.1%	—
MIRUCA CORPORATION	417	117.3%	46	11.1%	204.4%
DTS (Shanghai) CORPORATION	342	107.0%	49	14.4%	[+52]
DTS America Corporation*	157	—	28	18.3%	—

- Figures for each company are on a non-consolidated basis, so the total does not equal consolidated figures.
- Figures in brackets represent FY 15/3 amount minus FY 14/3 amount.
- \* is included for consolidated companies starting from FY 15/3.

# Dividend

The Company will pay a year-end dividend of ¥25, which is ¥5 more than the initial forecast. The forecast is for an annual dividend of ¥40 per share for the full year and a payout ratio of 29.4%

	End of first half	Year end	Full year	Payout ratio (consolidated)
<b>FY 14/3</b>	¥15	¥20	¥35	31.4%
<b>FY 15/3</b>	¥15	(Forecast) ¥25 (Initial forecast: ¥20)	(Forecast) ¥40 (Initial forecast: ¥35)	(Forecast) 29.4%

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# Thank you for your attention.

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