

1Q FY March 2019  
**Results Presentation**

August 3, 2018

**DTS CORPORATION**

## 1. Absorption-type merger of DATALINKS

Made a decision to execute 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. Treasury stock acquisition

Acquired treasury shares in May and June 2018 to improve capital efficiency and raise the return to shareholders (approx. 134 thousand shares, approx. 600 million yen).

# Consolidated Results

Net sales increased ¥120 million year on year. The expansion of projects in the information and communication business and brisk product sales in the embedded business covered the decline in integration projects.

Operating income increased ¥320 million year on year after the improvement of the cost ratio, the reduction of unprofitable projects and the absence of temporary expenses incurred in the previous fiscal year. Both net sales and operating income set new record highs.

(Units: 100 million yen, %)	Results	Ratio to sales (%)/ YoY		Year on year		Progress for initial forecast
Net sales	203.1	—		+1.2	100.6%	23.3%
Gross profit	39.3	19.4%	(+1.2pt)	+2.6	107.3%	22.9%
SG&A expenses	20.4	10.1%	(-0.4pt)	-0.6	97.0%	24.1%
Operating income	18.8	9.3%	(+1.6pt)	+3.2	121.1%	21.7%
Recurring income	19.3	9.5%	(+1.7pt)	+3.5	122.8%	22.1%
Profit attributable to owners of parent	13.1	6.5%	(+1.4pt)	+2.9	128.9%	22.5%

# Net Sales by Segments

- Sales in the finance and public segments declined due to the impact of integration projects, although other projects grew, including those for megabanks and life insurance companies. Aiming to expand them further in the second and later quarters.
- Sales rose in the corporate communication solutions segment, while sales of products in the embedding business as well as development projects for information and telecommunications and transport industries remained strong.
- Sales in the operation BPO segment increase as operation projects expanded in the life insurance business and in the information and communication business.
- Sales rose in the regional, overseas, etc. segment due to the strong performance of development projects for financial industries.

(Units: 100 million yen, %)	Results	Ratio to sales (%) / YoY		Year on year		Progress for initial forecast
Net sales	203.1	—		+1.2	100.6%	23.3%
Finance and public	58.0	28.6%	(-5.8pt)	-11.4	83.6%	20.8%
Corporate communication solutions	58.5	28.8%	(+4.1pt)	+8.6	117.3%	23.1%
Operation BPO	31.8	15.7%	(+0.7pt)	+1.5	105.1%	25.3%
Regional, overseas, etc	54.6	26.9%	(+1.1pt)	+2.5	104.8%	25.8%

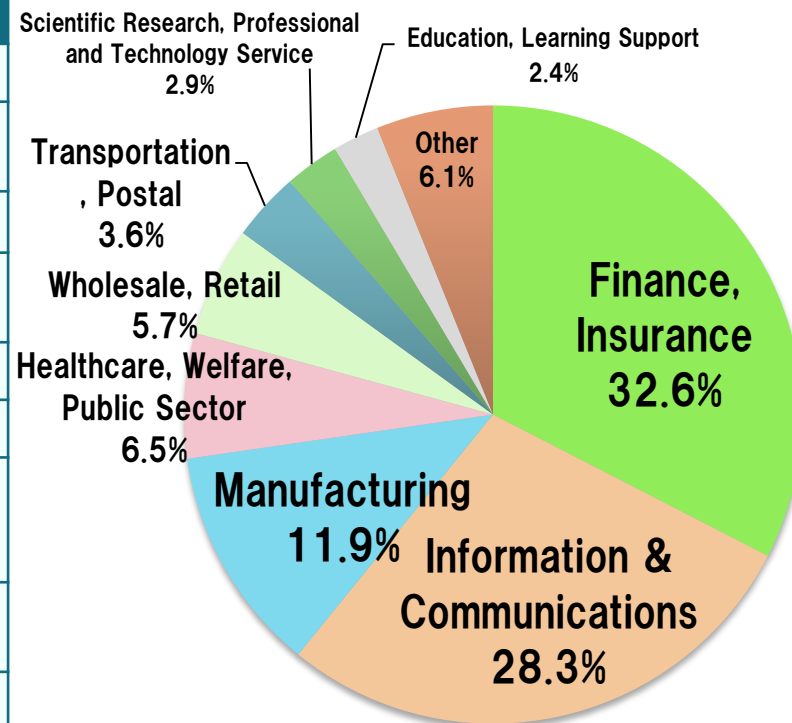
\* The results are sales to the outside of the Group.

# Consolidated Sales by End User

- Sales in the finance and insurance business declined due to the effect of integration projects. However, sales from life insurance and other users increased steadily.
- Sales rose in the information business increased, due to the expansion of projects for information services and of the product business for broadcasters.
- Sales rose in the manufacturing business increased, due to the expansion of the embedded business and the solutions business.
- Sales in the scientific research, professional and technical service business increased due to the expansion in the product business.

## Industrial Classification of METI

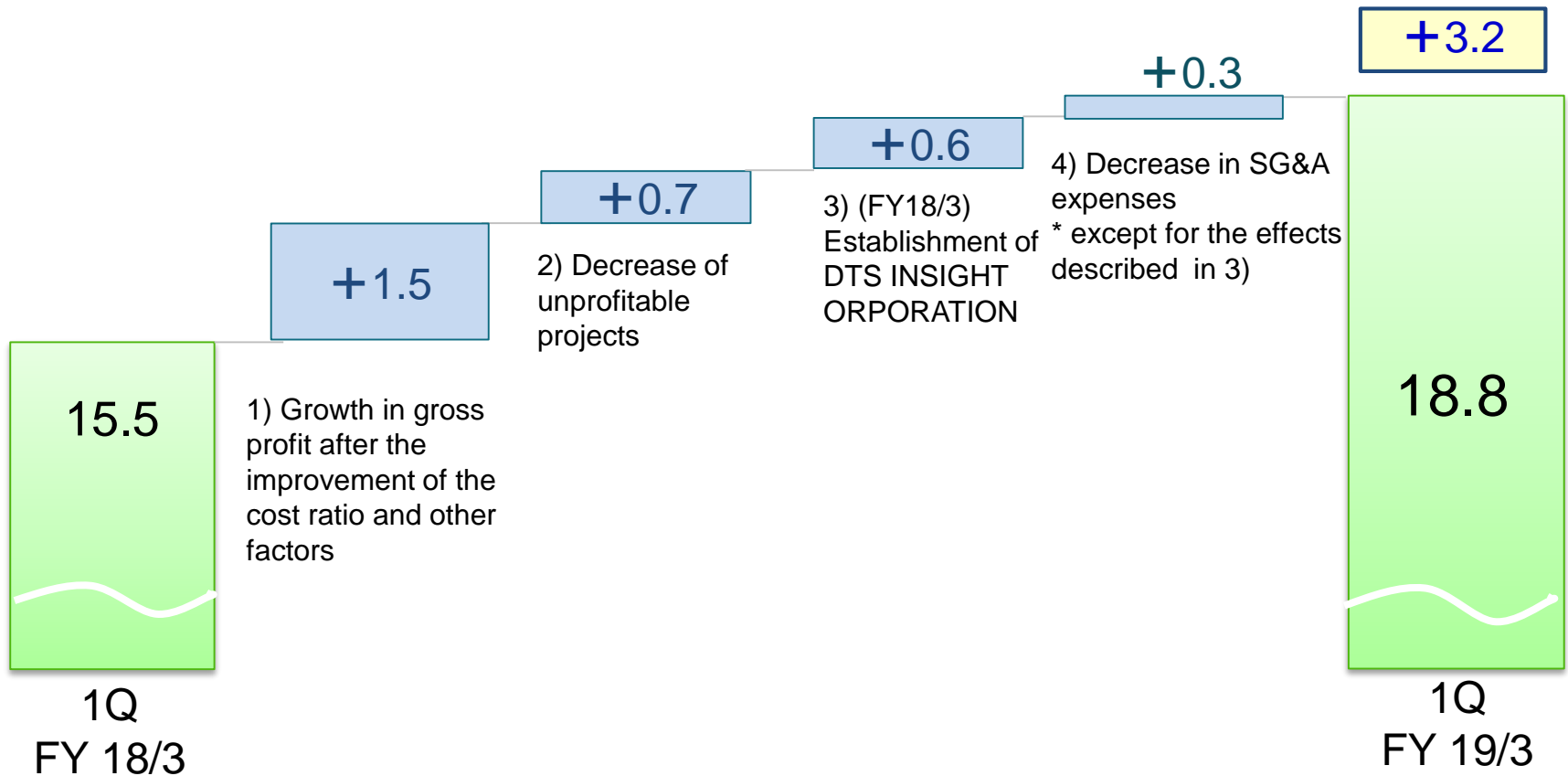
(Units: 100 million yen, %)	Amount	Compositi on ratio	Year on year	
Finance,Insurance	66.1	32.6%	-8.6	88.5%
Information & Communications	57.4	28.3%	+6.3	112.5%
Manufacturing	24.0	11.9%	+2.1	109.8%
Healthcare, Welfare, Public Sector	13.2	6.5%	-0.2	98.2%
Wholesale, Retail	11.6	5.7%	-0.4	96.1%
Transportation, Postal	7.2	3.6%	+0.5	108.3%
Scientific Research, Professional and Technology Service	5.8	2.9%	+2.3	168.4%
Education, Learning Support	4.9	2.4%	-2.6	65.0%
Other	12.4	6.1%	+1.7	116.6%
<b>Total</b>	<b>203.1</b>	<b>100.0%</b>	<b>+1.2</b>	<b>100.6%</b>



# Reason for an Increase in Consolidated Operating Income

Improvement in the cost ratio after growing profitability in the embedded business and a decrease in unprofitable products resulted in a rise in gross profit. Without temporary expenses associated with the establishment of a group company in the previous fiscal year, operating income surged ¥320 million, or 21.1%, to hit a record high.

(100 million yen)



# Order Volume and Order Backlog by Segments

## [Order Backlogs]

- The order backlog in the finance and public segment were almost unchanged from the same period a year earlier. While integrated projects decreased, other projects for megabanks and life insurance companies increased.
- The order backlog in the corporate communication solutions segment contracted. Although they increased in the embedded business and the information and communication business, projects decreased in the transport business, and the contract periods were delayed for some projects.
- The order backlog in the operation BPO segment increased after the prolongation of contract periods and the expansion of finance-related projects.
- The order backlog In the regional, overseas, etc. segment increased mainly after contract periods lengthened.

(Units: 100 Million yen, %)	Order Volume				Order Backlog			
	Results	Composition ratio	Year on year		Results	Composition ratio	Year on year	
Total	141.5	—	-2.2	98.5%	292.1	—	+9.9	103.5%
Finance and public	23.3	16.5%	-8.6	72.9%	103.9	35.6%	-0.3	99.7%
Corporate communication solutions	56.3	39.8%	+7.5	115.4%	65.0	22.3%	-1.5	97.7%
Operation BPO	9.0	6.4%	+2.0	129.4%	84.2	28.8%	+9.6	112.9%
Regional, overseas, etc	52.8	37.4%	-3.0	94.5%	38.8	13.3%	+2.1	105.9%

# Non-Consolidated Results

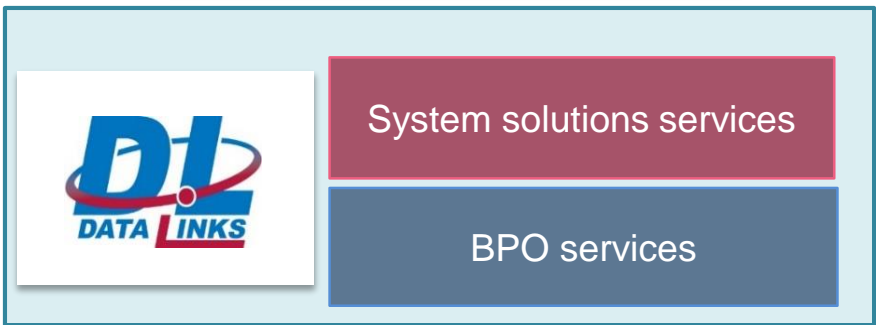
Net sales decreased ¥430 million year on year. Sales to life insurance companies, megabanks and transport operators showed strength, and integrated projects decreased. Operating income decreased ¥200 million year on year, due mainly to the emergence of unprofitable projects and an increase in education and training expenses after an increase in new graduate recruits.

(Units: 100 million yen, %)	Results	Ratio to sales (%)/ YoY		Year on year	
Net sales	132.8	—		-4.3	96.8%
Gross profit	25.0	18.8%	(-0.5pt)	-1.4	94.5%
SG&A expenses	11.9	9.0%	(+0.7pt)	+0.5	105.0%
Operating income	13.0	9.8%	(-1.2pt)	-2.0	86.6%
Recurring income	16.4	12.4%	(-0.5pt)	-1.1	93.4%
Net income	12.2	9.2%	(-0.1pt)	-0.5	95.8%



DTS decided to execute an absorption-type merger of DATALINKS CORPORATION into itself on October 1, 2018 in a bid to increase management efficiency and speed up decision-making.  
 Given that DATALINKS is a wholly owned subsidiary of DTS, the impact of this merger on the consolidated financial results will be insignificant.

**(Merger of DATALINKS)**



Effect of the merger	
Step up sales activities	- Share customer bases to boost the efficiency of sales activities and focus sales activity resources on the cultivation of new customers and domains
Step up development efforts	- Integrate DTS' capability to develop solution packages with DATALINKS' technological strengths in data mining and core systems to bolster the foundations for development and technologies toward acquiring new customers
Develop staff members	- Exchange personnel between the two companies to share business know-how and enhance staff development
Solidify management foundations	- Increase management efficiency and speed up decision-making - Streamline administrative operations and improve productivity

# (Reference 2) Major Press Releases

Date of release	Company	Title, brief description
May 10	DTS	Notice concerning determination of matters pertaining to treasury stock acquisition * Scheduled numbers of share acquired: 160,000, total amount : 600 million yen, period: May 14 to June 15, 2018
June 18	DTS	Notice concerning the status and completion of acquisition of treasury shares *Total number of shares acquired: 134,700 shares; total acquisition cost: ¥599,717,000; period: May 14 – June 15, 2018
August 3	DTS	Notice concerning the absorption-type merger of DATALINKS CORPORATION as a consolidated subsidiary (simplified and short-form merger) * It was determined that the absorption-type merger of DATALINKS CORPORATION into DTS would take place on October 1, 2018.

## <External Press Releases>

Date of release	Company	Title, brief description
July 18	TOSHIBA TEC	Product pricing and identification of target customers with the use of statistical analysis and AI: Start of demonstration trial of labor saving in store operations * K-PORT Co., Ltd., the operator of a chain of drugstores, commences a demonstration trial of labor saving in store operations with the use of the PrimeStore store system and the CSdelight customer data system from Toshiba Tec Corporation as well as DTS' statistical analysis and AI-assisted analysis service for the period from July 20, 2018 to September 30, 2018.

## **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.