

FY 14/3 Results Presentation

May 13, 2014



DTS Corporation
DTS <http://www.dts.co.jp/>

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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 14/3 Results

FY14/3 Results (Non-Consolidated)

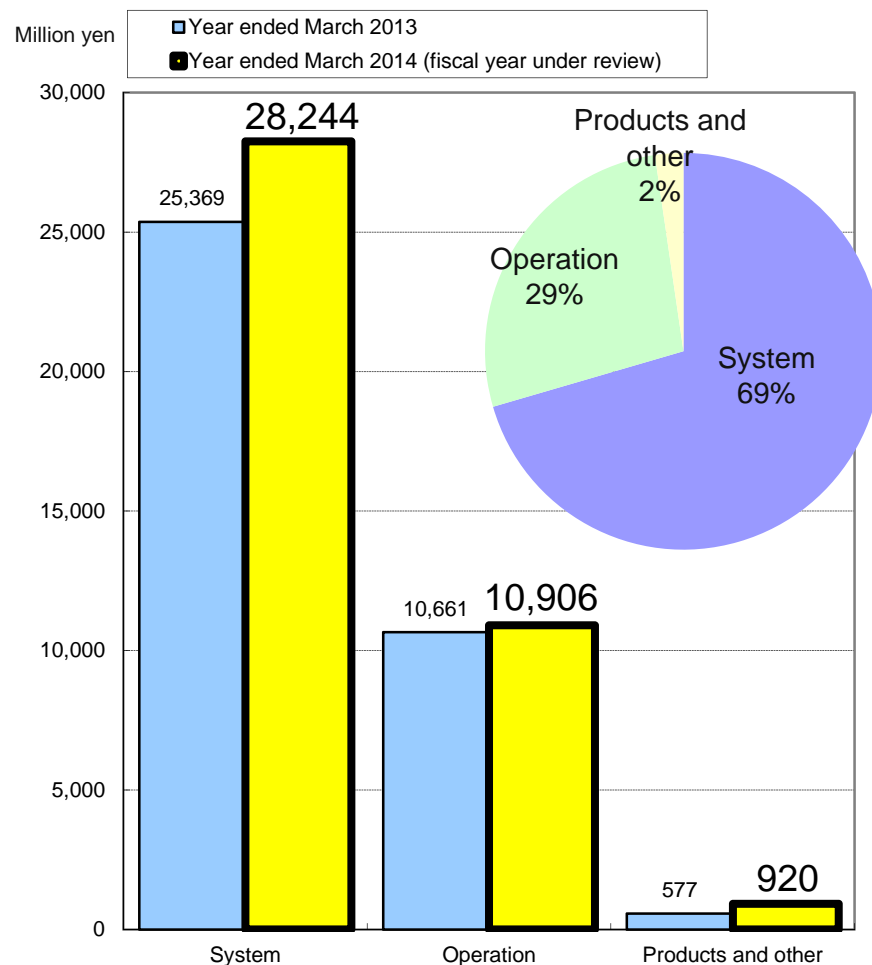
Both net sales and operating income exceeded the forecasts and rose from a year ago.

(Units: Million yen, %)

	Amount	Ratio to sales (%)	Year on year		vs. forecasts	
Net sales	40,071	-	109.5%	+3,463	105.5%	+2,071
Gross profit	7,076	17.7%	115.9%	+971	108.0%	+526
SG&A expenses	3,430	8.6%	115.2%	+453	100.9%	+30
Operating income	3,646	9.1%	116.6%	+518	115.8%	+496
Recurring income	3,830	9.6%	116.7%	+548	116.1%	+530
Net income	2,303	5.7%	112.9%	+262	112.4%	+253

Sales by Service (Non-Consolidated)

System sales were driven by large projects for banks. Operation sales rose slightly. Product sales increased sharply thanks to special demand for personal computers.



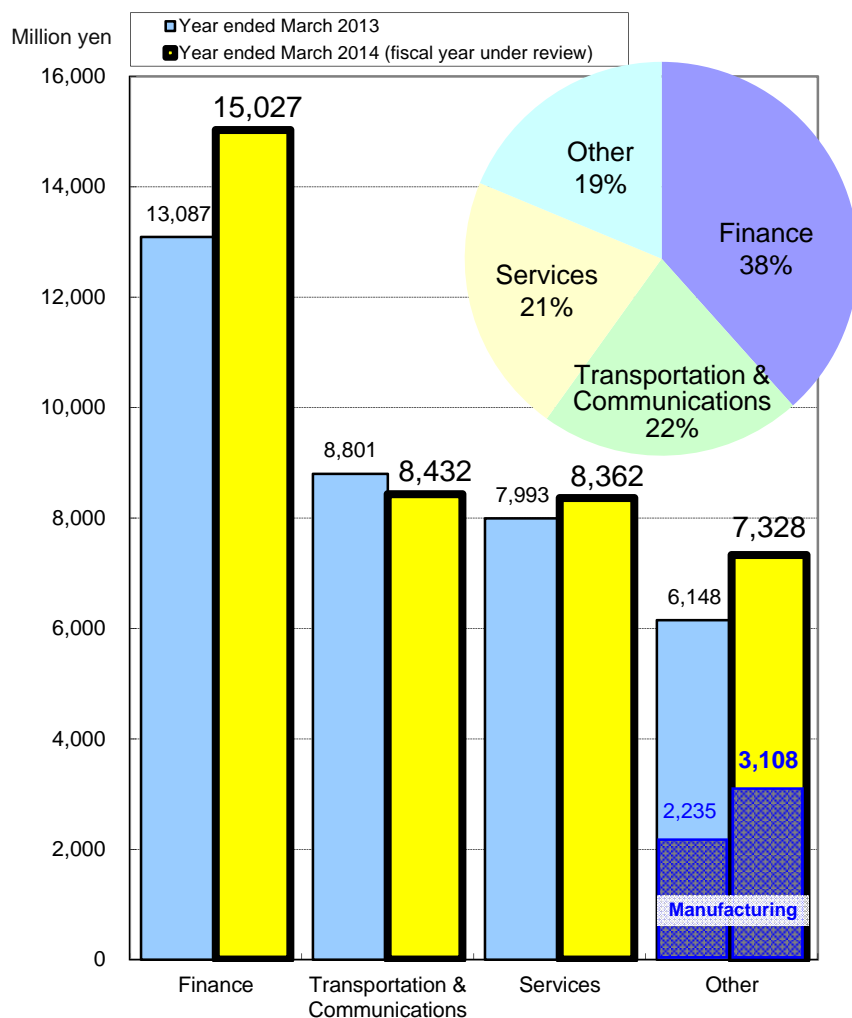
System (111.3% YoY)
 Sales from integration projects and system change projects for banks rose significantly. Existing projects were expanded, and new projects were won in the manufacturing and services sectors.

Operation (102.3% YoY)
 Sales from network operation contracts expanded.

Products and other (159.5% YoY)
 There was special demand for personal computers.

Sales by End User (Non-Consolidated)

Sales in the Finance sector increased substantially, attributable to expanded large projects in the banking segment. Sales in the Services and Other sectors rose, thanks to new orders received, offsetting a decline in sales in the Transportation & Communications sector.



Finance (114.8% YoY)

Sales from integration and system change projects for banks rose sharply. Sales from development projects chiefly for securities firms were strong.

Transportation & Communications (95.8% YoY)

Sales in the communications sector declined, reflecting reductions in investments at customers. Sales in the transportation sector also fell as last year's major projects started services.

Services (104.6% YoY)

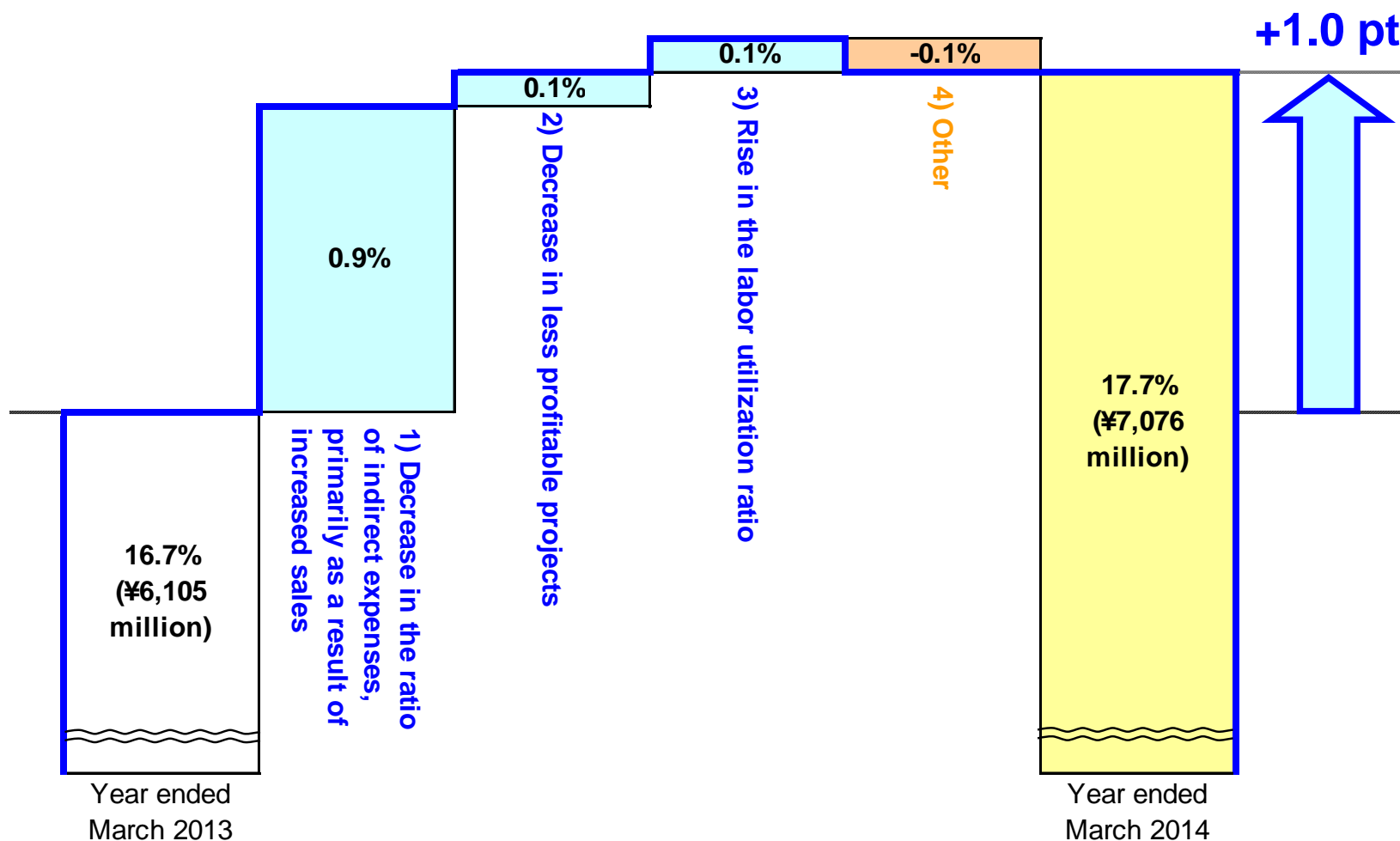
Sales rose in a wide range of customer segments, including customers involved in network services and online services.

Other (119.2% YoY)

Existing projects expanded, and new contracts were won in the manufacturing, construction, and real estate sectors.

Gross Margin (Non-Consolidated)

The gross margin increased, chiefly reflecting a rise in sales and fewer unprofitable projects due to thorough project management.



Operating Income and Recurring Income (Non-Consolidated)

Although SG&A expenses rose due to strategic expenses, the operating income margin increased, reflecting a rise in gross margin.

SG&A expenses: ¥3,430 million

- 115.2% YoY
- 8.6% of sales (+0.4 pt YoY)

- Increase in strategic investment outlays (including investments in the strengthening of the sales system, new projects, and M&A) +¥520 million
- Other expenses -¥67 million

Operating income: ¥3,646 million

- 116.6% YoY
- Operating income margin: 9.1% (+0.6 pt YoY)

Recurring income: ¥3,830 million

- 116.7% YoY
- Recurring income margin: 9.6% (+0.6 pt YoY)

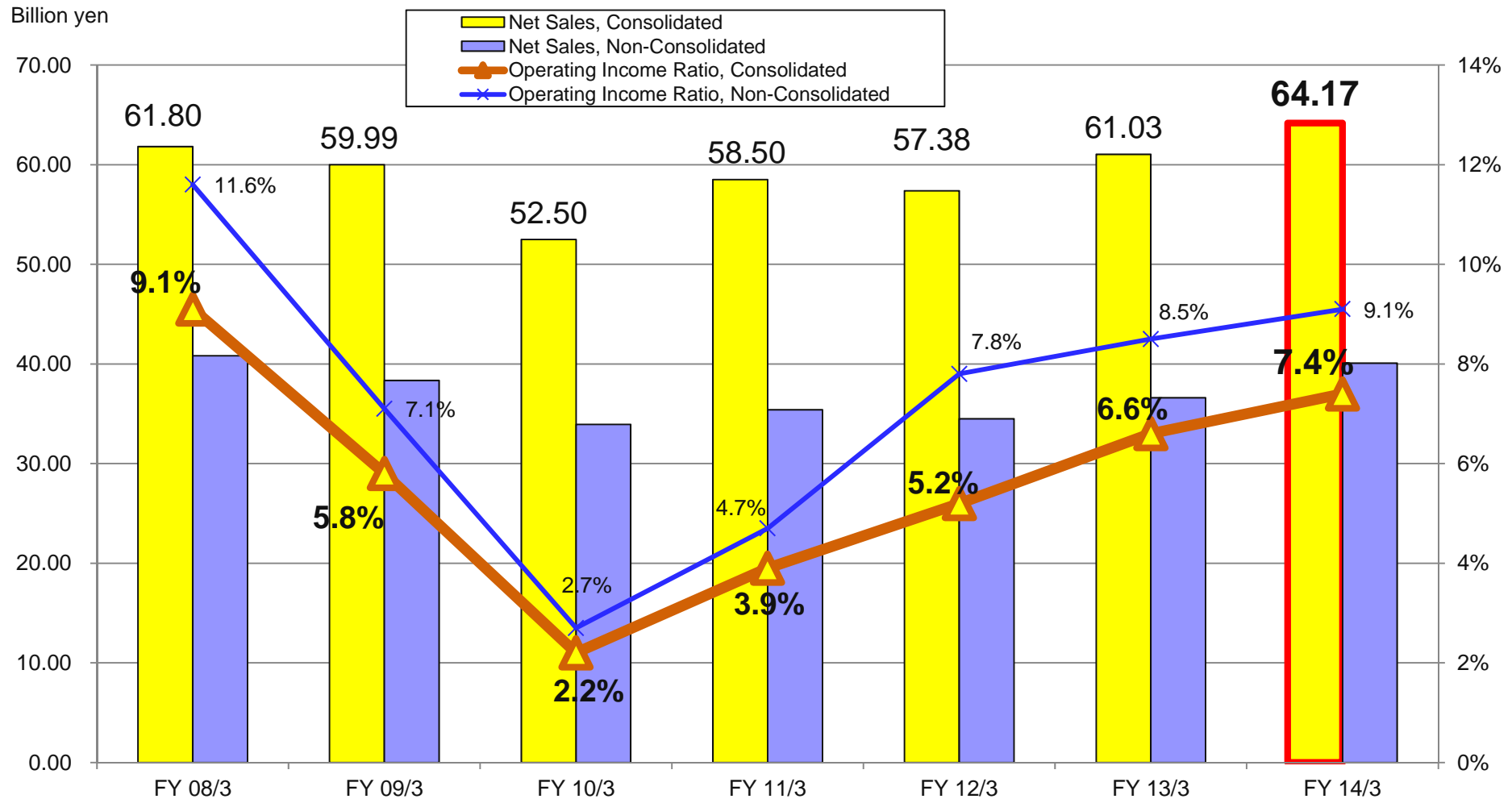
FY14/3 Results (Consolidated)

Both net sales and operating income exceeded the forecasts and rose from a year ago.

(Units: Million yen, %)	Amount	Ratio to sales (%)	Year on year		vs. forecasts	
Net sales	64,174	-	105.1%	+3,135	103.5%	+2,174
Gross profit	10,626	16.6%	113.5%	+1,266	104.2%	+426
SG&A expenses	5,885	9.2%	109.9%	+527	96.5%	-214
Operating income	4,741	7.4%	118.5%	+738	115.7%	+641
Recurring income	4,810	7.5%	117.5%	+715	115.9%	+660
Net income	2,653	4.1%	121.9%	+476	120.6%	+453

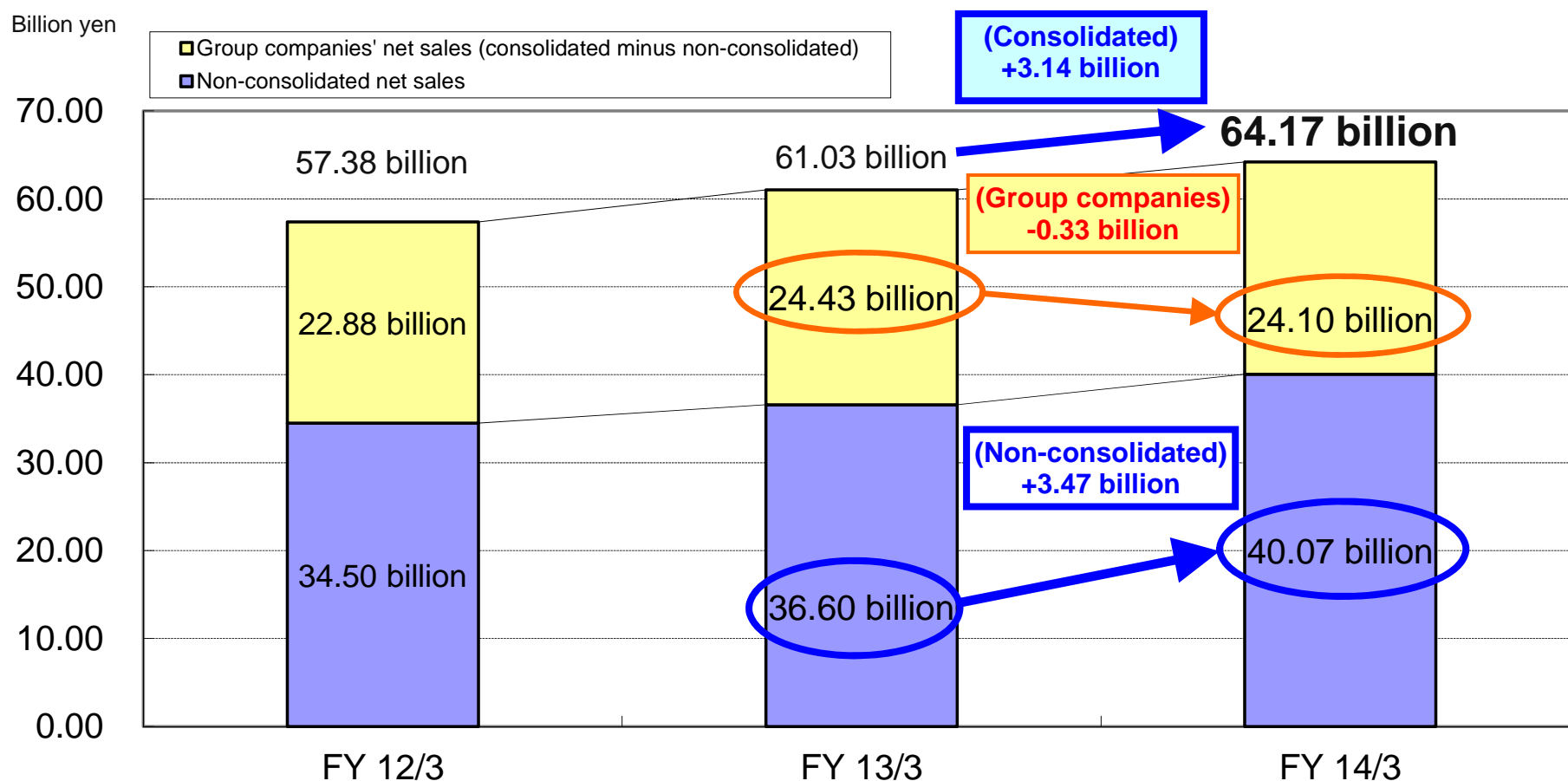
Change in Net Sales and Operating Income

Consolidated net sales hit a record high. The operating income ratio improved steadily.



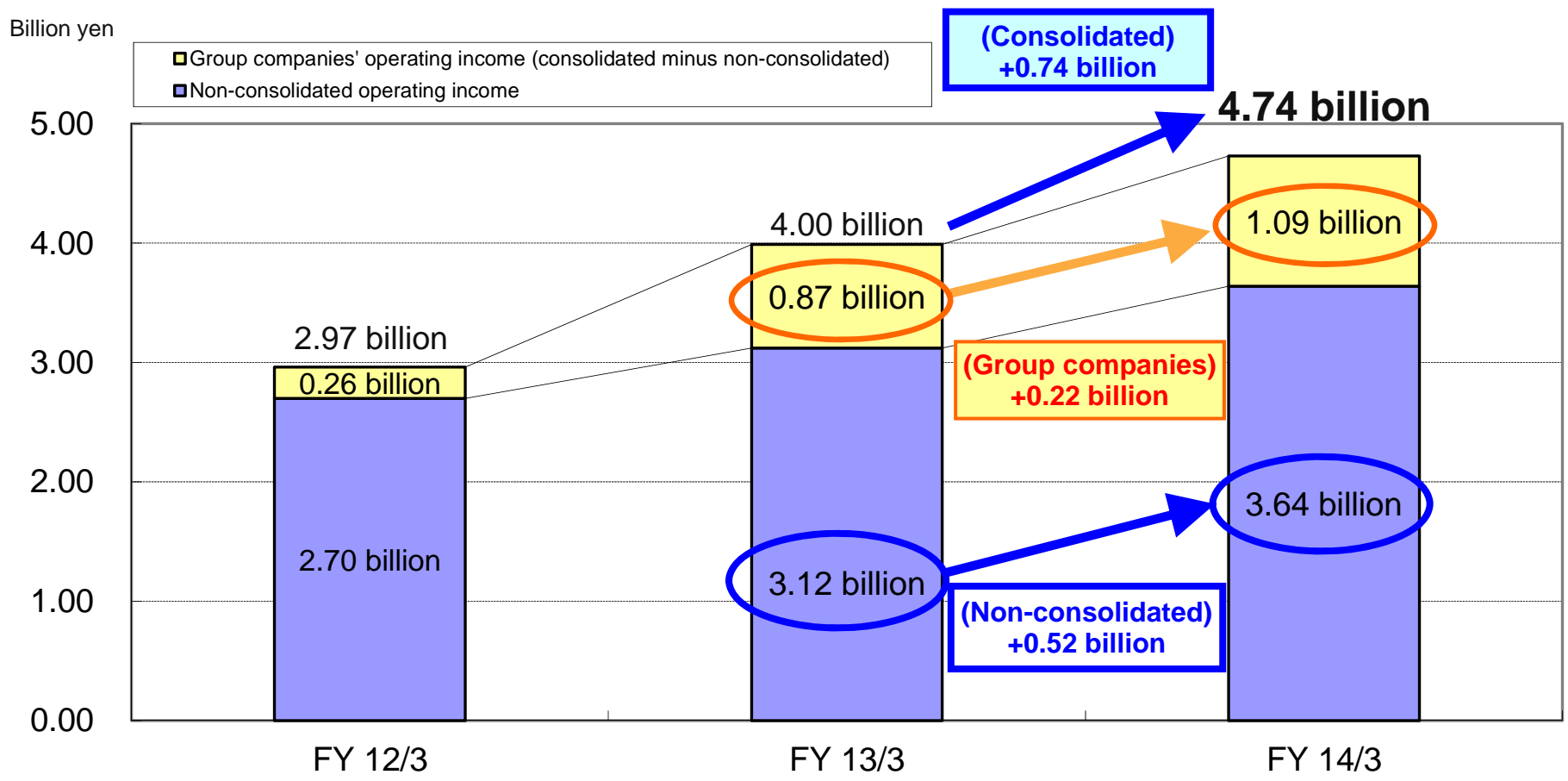
Breakdown of Consolidated Net Sales

Despite falling sales in life insurance renovation projects in reaction to strong sales last year and lower product sales, consolidated net sales rose with a sharp rise in non-consolidated sales.



Breakdown of Consolidated Operating Income

Consolidated operating income climbed thanks to fewer unprofitable projects at Group companies and continued structural reform.



Group Company Results

Company name	Net sales			Operating income			
	Amount	YoY (%)	vs. plan	Amount	Ratio to sales (%)	YoY (%)	vs. plan
DATALINKS CORPORATION	7,851	101.6%	98.4%	273	3.5%	119.6%	113.4%
DIGITAL TECHNOLOGIES CORPORATION	6,517	93.8%	105.1%	66	1.0%	119.9%	66.7%
FAITEC CORPORATION	5,568	95.3%	97.6%	485	8.7%	132.8%	100.7%
JAPAN SYSTEMS ENGINEERING CORPORATION	4,350	108.7%	98.9%	281	6.5%	101.5%	96.9%
SOUGOU SYSTEM SERVICE CORPORATION	1,219	101.6%	101.6%	99	8.2%	98.4%	110.7%
KYUSHU DTS CORPORATION	1,083	85.8%	90.3%	50	4.7%	81.8%	84.7%
MIRUCA CORPORATION	356	100.8%	95.3%	22	6.4%	[+29]	112.1%
DTS (Shanghai) CORPORATION	319	-	107.7%	-3	-	-	[-21]

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

* Figures in brackets represent FY 14/3 amount minus FY 13/3 amount.

* DTS (Shanghai) Corporation has been consolidated from FY 14/3.

New Contracts on a Consolidated Basis

New contracts in the System segment rose, reflecting large projects with banks and development projects in the manufacturing and service industries.

(Units: Million yen, %)

	New contracts				Backlogs			
	Amount	Composition ratio	Year on year		Amount	Composition ratio	Year on year	
Total	66,131	100.0%	108.0%	+4,910	22,241	100.0%	109.6%	+1,956
Information service	61,347	92.8%	107.5%	+4,295	20,572	92.5%	106.9%	+1,321
System	41,322	62.5%	108.6%	+3,280	11,743	52.8%	103.5%	+393
Operation	13,964	21.1%	98.4%	-228	8,617	38.7%	109.6%	+754
Products and other	6,060	9.2%	125.8%	+1,242	211	1.0%	558.4%	+173
Human resources service	4,784	7.2%	114.7%	+614	1,668	7.5%	161.5%	+635

II. Progress of Key Initiatives

Key Initiatives

1. Strengthen ability to make proposals
2. Strengthen business base and reform business model
3. Enhance the Group management base

Key Initiatives 1: Strengthen ability to make proposals

Goal: Strengthen the ability to make proposals only DTS can make to enable provision of the best value for customers.

Stronger sales systems

- Increase sales personnel 50% in the fields of system development in finance, industry, and public sectors, infrastructure building, and outsourcing.
- Introduce KPIs to show sales personnel's responsibilities numerically.
- Establish a Company-wide sales strategy committee that will review projects and new contracts in each business division.

Promotion of sales strategies

- Strengthen collaboration among DTS Group companies and hold Group-wide solution matching meetings. Find new customers by sharing each Group company's plans and solutions.

Policy for FY 15/3

- **Strengthen DTS's customer-oriented sales system and increase the ratio of winning contracts.**
- **Establish order management and promote "visualization" of the status of negotiations, and take steps to win contracts.**

Key Initiatives 2-1:

Strengthen business base and reform business model

Goal: Further strengthen the business base by expanding core businesses and improving productivity. Change the contract-type business and create new businesses.

Creation of a “third pillar”	<ul style="list-style-type: none">• Acquire shares in Artsystem CORPORATION and YOKOGAWA DIGITAL COMPUTER CORPORATION to make them subsidiaries and expand the embedding business to achieve sales of ¥5 billion with 400 engineers. Expand the business focusing on the health care and in-vehicle equipment fields.
Expansion of solution/service-provision-type businesses	<ul style="list-style-type: none">• Strengthen the sales system for ERP solutions. Promote expansion into the mobile and cloud fields.• Expand sales of licenses of the Company’s own packages and cut costs through offshore development.• Increase the number of projects that will use the development framework TERASOLUNA.
Expansion of outsourcing-type business	<ul style="list-style-type: none">• The AMO service for securities firms is performing well.• The fields where ReSM, a system operation monitoring service, is provided are expanding. DTS is diversifying services using ReSM.

Policy for FY 15/3

- **Continue to seek M&A to expand core businesses.**
- **Gain new customers that will use existing solutions by strengthening the sales force and expanding services.**

Key Initiatives 2-2:

Strengthen business base and reform business model

Global development	<ul style="list-style-type: none">• Execute initiatives to establish a foundation for businesses focusing on Japanese companies in China, the United States, and Thailand.• Establish a base in Vietnam for contract offshore development and BPO operations.
Creation of new-planning-type businesses	<ul style="list-style-type: none">• Demonstration experiments of Dr. Cowbell (in the livestock industry) are being conducted.• Steps are being taken to put new plans to practical use in the health care and big data fields.
Securing profits in projects	<ul style="list-style-type: none">• Project management has been established at business divisions and branches, and thorough “visualization” has helped to reduce losses. DTS is taking steps to secure profits in large-scale projects.

Policy for FY 15/3

- **Take steps to expand overseas sales and help overseas affiliates establish a business base.**
- **Promote new planning-type businesses and execute new plans at an early stage.**
- **Establish a system that can accommodate increases in large-scale projects. Enhance the monitoring of the progress of projects to secure profits.**

Key Initiatives 3-1: Enhance the Group management base

Goal: Step up the development and utilization of human resources and increase organizational agility. Gather overall strength of the DTS Group to maximize Group synergies.

Promotion of organizational reform

- Introduce business division system/supervisory system. Increase the operating rate through flexible organizational changes in response to changes in environment and business strategies.

Strengthening of personnel development

- Make the number of advanced engineers cultivated one of the KPIs to enhance the organization's human resource development system.
- Develop role models among salespeople to enhance the ability to make proposals.
- Provide overseas training to develop global human resources.
- Start training to develop next-generation executives.

Policy for FY 15/3

- **Continue to develop high value-added human resources. Take steps to improve the working environment and job satisfaction.**
- **Promote initiatives to enhance CSR activities, including compliance and environmental management.**

Key Initiatives 3-2: Enhance the Group management base

Structural reform at Group companies

- Promote structural reform to improve the operating margin at Group companies.
Apply DTS's project management approach to Group companies.

Sharing management information in the Group

- Build an information sharing system to enhance information sharing among Group companies early.

Reorganization of the Group






- DTS merges with FAITEC specializing in the pension and insurance business to expand the finance business.
- Spin off DTS's Kansai and Chukyo branches and establish DTS WEST to build an optimal business structure in western Japan.

Policy for FY 15/3

- **Enhance information sharing among Group companies and analyze consolidated results accurately and promptly to promote Group restructuring for total optimization.**

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. Demand from cloud computing businesses will continue to increase.</p>	
	<p>In Transportation, there will be 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>Demand for embedded systems is set to expand in the in-vehicle equipment and health care fields in the manufacturing sector. Customers' aggressive investment in new services are expected in the wholesale and retail sectors. Demand related to legislative revisions associated with the unification of pension plans and national identification numbers will likely increase in the public sector.</p>	

Performance Forecasts for the Full Fiscal Year Ending March 2015

(Units: Million yen, %)	Non-consolidated				Consolidated			
	Amount	Ratio to sales (%)	Year on year		Amount	Ratio to sales (%)	Year on year	
Net sales	46,000	-	114.8%	+5,928	70,000	-	109.1%	+5,825
Gross profit	8,000	17.4%	113.0%	+923	12,000	17.1%	112.9%	+1,373
SG&A expenses	3,800	8.3%	110.8%	+369	7,000	10.0%	118.9%	+1,114
Operating income	4,200	9.1%	115.2%	+553	5,000	7.1%	105.4%	+258
Recurring income	4,300	9.3%	112.3%	+469	5,050	7.2%	105.0%	+239
Net income	3,850	8.4%	167.1%	+1,546	2,800	4.0%	105.5%	+146

Performance Forecasts for First Half of Fiscal Year Ending March 2015

(Units: Million yen, %)	Non-consolidated				Consolidated			
	Amount	Ratio to sales (%)	Year on year		Amount	Ratio to sales (%)	Year on year	
Net sales	21,200	-	113.6%	+2,536	33,400	-	108.4%	+2,578
Gross profit	3,400	16.0%	103.1%	+101	5,200	15.6%	105.2%	+255
SG&A expenses	1,900	9.0%	116.8%	+272	3,500	10.5%	122.1%	+633
Operating income	1,500	7.1%	89.7%	-171	1,700	5.1%	81.8%	-377
Recurring income	1,600	7.5%	88.3%	-212	1,750	5.2%	82.9%	-361
Net income	2,000	9.4%	177.9%	+875	650	1.9%	57.9%	-473

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

(Units: Million yen, %)					
Company name	Net sales		Operating income		
	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%	105	1.5%	158.8%
JAPAN SYSTEMS ENGINEERING CORPORATION	4,675	107.5%	310	6.6%	110.3%
KYUSHU DTS CORPORATION	1,300	120.0%	65	5.0%	128.9%
SOUGOU SYSTEM SERVICE CORPORATION	1,283	105.3%	91	7.1%	91.2%
MIRUCA CORPORATION	385	108.2%	10	2.6%	44.4%
DTS (Shanghai) CORPORATION	342	107.0%	42	12.4%	[+45]
YOKOGAWA DIGITAL COMPUTER CORPORATION	3,277	-	99	3.0%	-
DTS WEST CORPORATION	1,280	-	88	6.9%	-
Artsystem CORPORATION	910	-	64	7.1%	-
DTS America Corporation	200	-	35	17.6%	-

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

* Figures in brackets represent FY FY15/3 amount minus FY14/3 amount.

* YOKOGAWA DIGITAL COMPUTER CORPORATION, DTS WEST CORPORATION, Artsystem CORPORATION, and DTS America Corporation will be consolidated from FY 15/3.

Dividend

With results exceeding the forecast, the Company will pay a year-end dividend that is ¥5 more than the initial forecast. An annual dividend of ¥35 will be paid in FY 15/3.

	End of first half	Year end	Full year	Payout ratio (consolidated)
FY 14/3	¥15	¥20 (Initial forecast: ¥15)	¥35 (Initial forecast: ¥30)	31.4%
FY 15/3	(Forecast) ¥15	(Forecast) ¥20	(Forecast) ¥35	(Forecast) 29.7%

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Thank you for your attention.



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