

Summary of Financial Results for 1Q FY March 2017

August 5, 2016



株式会社 **DTS**

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

DTS Corporation

- Posted an extraordinary profit of ¥160 million (in the first quarter) in association with the transfer of part of the staffing business of DATALINKS CORPORATION in April 2016. Sales in the staffing business are expected to decline ¥2.1 billion year on year (in the full year).
- Results at SOUGOU SYSTEM SERVICE CORPORATION for three months from January to March 2015 were included in the consolidated results in the previous consolidated fiscal year due to a change in the company's fiscal year-end in the fiscal year ended March 31, 2016 (from December to March). Given the change, net sales in the first quarter declined approximately ¥0.5 billion.
- Extraordinary profits of ¥1.1 billion and extraordinary losses of ¥0.5 billion were posted in the first quarter of the fiscal year ended March 31, 2016 due to sales of land and buildings, including headquarters, as part of a process of consolidating facilities.

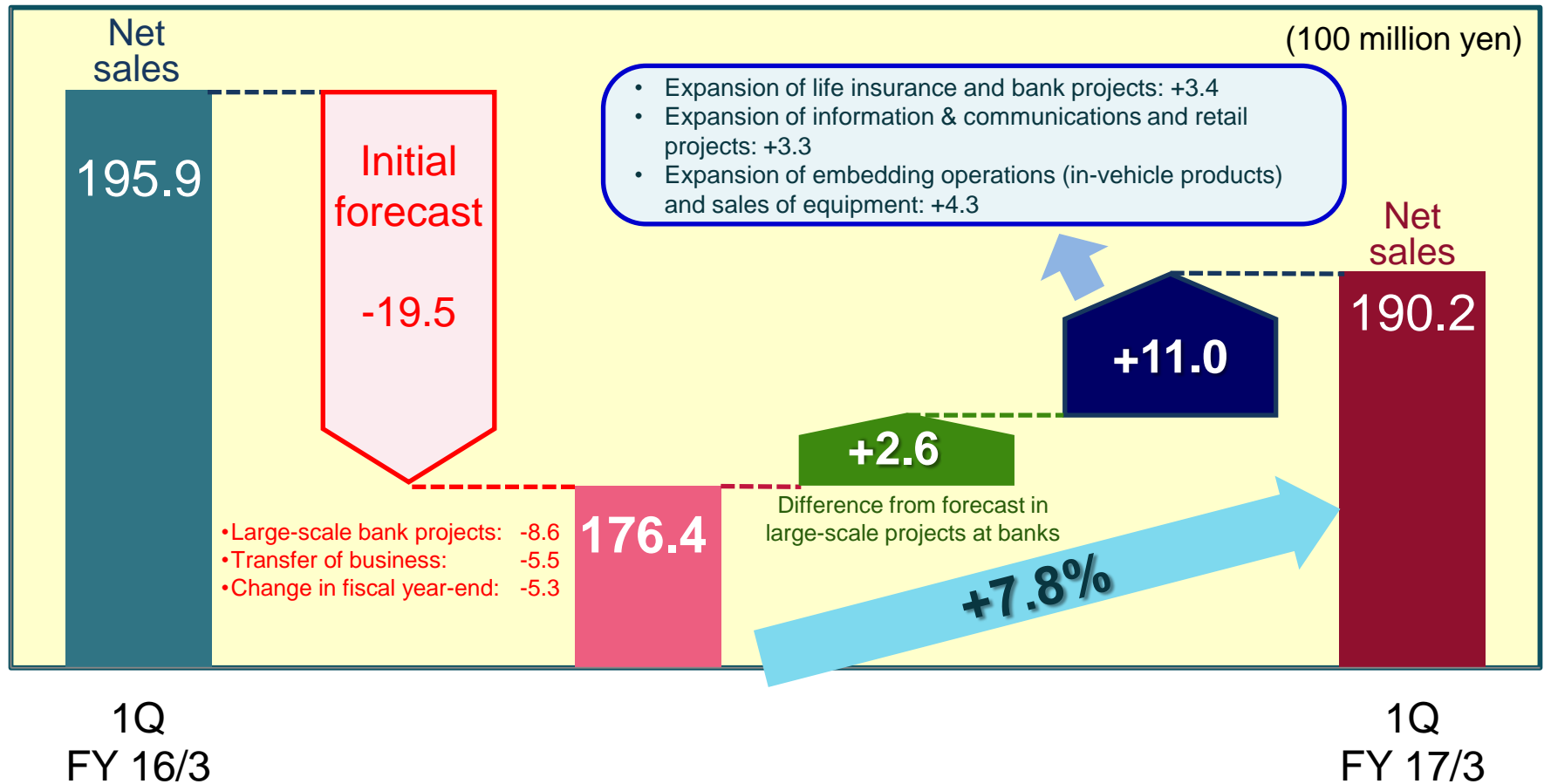
Consolidated Results

Despite a strong performance in life insurance and solution businesses, net sales declined ¥570 million year on year, chiefly reflecting the peaking of large-scale integration projects at banks, the transfer of part of the staffing business, and a change in the fiscal year-end of SOUGOU SYSTEM SERVICE CORPORATION.

(Units: 100 million yen, %)	Results	Ratio to sales (%)	Year on year		Progress vis-à-vis forecast
Net sales	190.2	-	-5.7	97.1%	24.4%
Gross profit	35.3	18.6%	+0.2	100.6%	23.4%
SG&A expenses	20.2	10.7%	+1.2	106.7%	25.0%
Operating income	15.0	7.9%	-1.0	93.5%	21.5%
Recurring income	15.5	8.2%	-0.8	94.7%	21.9%
Profit attributable to owners of parent	11.0	5.8%	-3.2	77.0%	24.5%

Reasons for Increase in Consolidated Net Sales

- The peaking of large-scale integration projects at banks, the transfer of part of the staffing business, and the change of the fiscal year-end were expected to have a combined adverse effect of ¥1.9 billion on net sales.
- Except for the adverse effect, net sales grew 7.8% effectively, chiefly reflecting a difference from the forecast in large-scale integration projects at banks and the expansion of life insurance and bank projects.



Net Sales by Segments

- Sales rose in the corporate communication solutions segment and the operation BPO segment.
- Sales in the finance and public segment declined due to the adverse effect of large-scale integration projects at banks.
- Sales in the regional, overseas, etc. segment fell due to the transfer of business and the change in the fiscal year-end.

(Units: 100 million yen, %)	Results* ¹	Ratio to sales (%)	Year on year* ²		Progress vis-à-vis forecast
Net sales	190.2	-	-5.7	97.1%	24.4%
Finance and public	69.7	36.7%	-2.0 * ³ (+3.1)	97.2% (104.7%)	26.3%
Corporate communication solutions	43.8	23.0%	+3.2	108.1%	21.2%
Operation BPO	29.6	15.6%	+0.8	102.9%	24.5%
Regional, overseas, etc	46.9	24.7%	-7.7 * ³ (+4.0)	85.8% (109.3%)	25.1%

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

*2 The year-on-year changes are estimates.

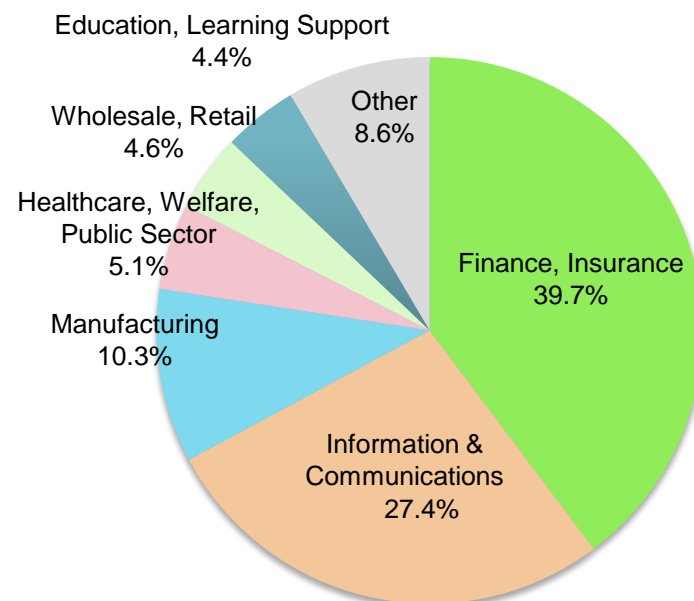
*3 The figures in parentheses are figures excluding the effects of the peaking out of large-scale bank projects, the transfer of business, and the change of the fiscal year-end.

Consolidated Sales by End User

- In the finance and insurance industries, sales from insurance products expanded, but overall sales in the industries declined from a year ago due to the adverse effect of large-scale integration projects at banks.
- Sales in the education and learning support business rose from a year ago mainly due to growth in sales of equipment for universities

Industrial Classification of METI

(Units: 100 million yen, %)	Amount	Composition Ratio	Year on year	
Finance, Insurance	75.5	39.7%	95.4%	-3.6
Information & Communications	52.0	27.4%	96.7%	-1.7
Manufacturing	19.5	10.3%	93.5%	-1.3
Healthcare, Welfare, Public Sector	9.6	5.1%	78.7%	-2.6
Wholesale, Retail	8.6	4.6%	122.9%	+1.6
Education, Learning Support	8.4	4.4%	166.1%	+3.3
Other	16.3	8.6%	92.5%	-1.3
Total	190.2	100.0%	97.1%	-5.7



Except for the effect of the change of the fiscal year-end etc., sales rose from a year ago in the three categories below. (Figures in parentheses show increases excluding the effect of the change of the fiscal year-end etc.)

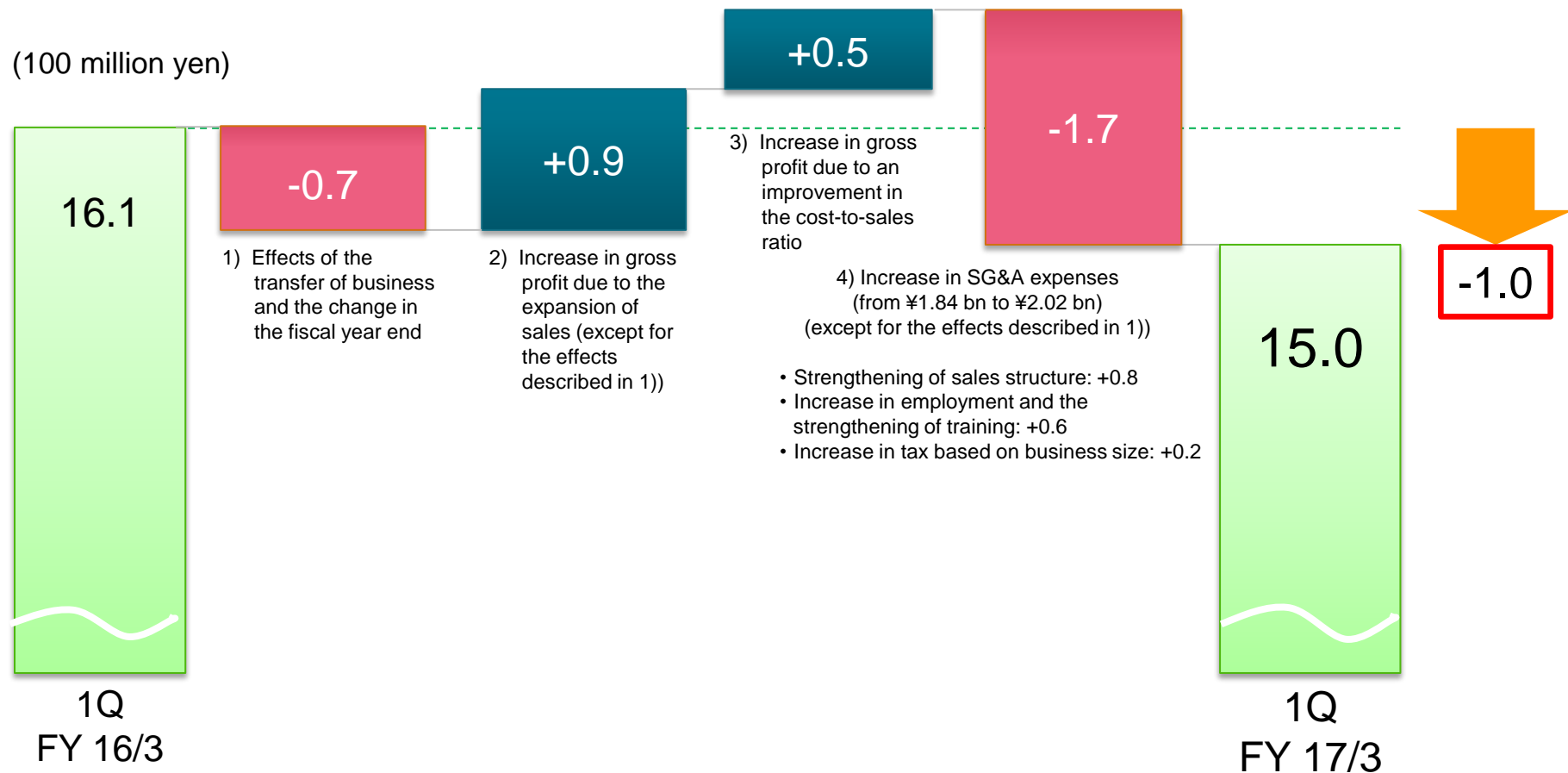
Information & Communications: Sales from projects at major Slers, telecommunication companies, and DC operators expanded (+1.6).

Manufacturing: Sales from embedding operations (in-vehicle equipment) and ERP projects expanded (+0.5).

Healthcare, Welfare, Public Sector: Sales from projects at local governments and pension and health insurance projects expanded (+0.6).

Reason for an Increase in Consolidated Operating Income

- Net sales increased except for decreases due to the transfer of business and the change of the fiscal year-end. The cost-to-sales ratio improved. As a result, gross profit rose.
- Operating income declined since SG&A expenses increase exceeded the increase of gross profit.



Backlogs

- Backlogs in the finance and public segment increased with an expansion in projects associated with life insurance and trusts and projects in the public sector.
- In the corporate communication solutions segment, backlogs declined as the Group struggled to win new contracts, although ERP contracts remained firm.
- In the Operation BPO segment, backlogs increased thanks to strong performances, especially in operation projects in the information and communications industry.
- The regional, overseas, etc. segment performed well except for the effect of the transfer of business etc.

(Units: 100 Million yen, %)	New contracts				Backlogs			
	1Q FY 17/3 *1	Composition Ratio	Year on year *2		1Q FY 17/3 *1	Composition Ratio	Year on year *2	
Total	166.2	-	+1.8	101.1%	280.0	-	+10.9	104.1%
Finance and public	70.5	42.4%	+10.9	118.4%	127.1	45.4%	+21.4	120.3%
Corporate communication solutions	36.9	22.2%	-11.7	75.8%	46.2	16.5%	-14.0	76.7%
Operation BPO	12.3	7.4%	+5.7	187.9%	75.3	26.9%	+8.2	112.3%
Regional, overseas, etc	46.4	27.9%	-3.0 *3 (+7.6)	93.8% (119.7%)	31.3	11.2%	-4.7 (+2.0)	86.8% (106.9%)

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

*2 The year-on-year changes are estimates.

*3 The figures in parentheses are figures excluding the effects of the peaking out of large-scale bank projects, the transfer of business, and the change of the fiscal year-end.

Non-Consolidated Results

- Sales rose from a year ago (up 1.0% year on year), with the adverse effect of large-scale integration projects at banks offset by projects in a wide range of fields.
- Operating income fell from a year ago (down 2.0% year on year) due to an increase in SG&A expenses associated with the strengthening of the sales structure and a tax revision.

(Units: 100 million yen, %)	Results	Ratio to sales (%)	Year on year		Progress vis-à-vis forecast
Net sales	132.5	-	+125	101.0%	24.5%
Gross profit	25.2	19.0%	+0.6	102.6%	23.4%
SG&A expenses	10.8	8.2%	+0.9	109.4%	22.0%
Operating income	14.3	10.8%	-0.3	98.0%	24.6%
Recurring income	16.2	12.3%	+0.7	105.1%	27.3%
Profit attributable to owners of parent	12.2	9.2%	-2.3	83.8%	30.6%

(Reference 1) Sales by Old Segment in 1Q

- In the system segment, sales from life insurance projects and projects in the public sector were strong.
- Sales in the operation segment rose, reflecting strong performances in operation projects in the information and communications industry.
- In the product segment, sales increased with the expansion of sales of equipment to educational institutions.

(Units: 100 million yen, %)	Results	Composition Ratio	Year on year		Main factors of change
Net sales	190.2	-	-5.7	97.1%	
Information service	187.1	98.4%	-0.2	99.9%	
System	133.5	70.2%	-3.6	97.3%	• Sales were strong in a wide range of fields, including life insurance, trusts, and local governments.
Operation	35.4	18.6%	+2.0	106.1%	• Operation and maintenance projects in the information and communications industry performed well.
Products and other	18.1	9.5%	+1.3	108.3%	• Sales of equipment to educational institutions were strong.
Human resources service	3.0	1.6%	-5.4	35.8%	• Sales declined due to the transfer of business.

(Reference 2) New Contracts by Old Segment in 1Q

Both new contracts and backlogs increased from a year ago, with a decrease due to the transfer of business and the change in the fiscal year-end more than offset by strong performances, especially in the fields of life insurance and trusts and in the public sector.

(Units: 100 million yen, %)	New contracts				Backlogs				Main factors of change (Backlogs)
	Results	Composition Ratio	Year on year		Results	Composition Ratio	Year on year		
New contracts and backlogs	166.2	-	+1.8	101.1%	280.0	-	+10.9	104.1%	
Information service	165.6	99.6%	+6.8	104.3%	275.3	98.3%	+19.4	107.6%	
System	129.6	78.0%	+0.3	100.3%	195.3	69.8%	+12.2	106.7%	• Expansion in the finance sector, including life insurance and trusts, and in ERP projects
Operation	16.8	10.1%	+5.3	146.4%	77.7	27.8%	+7.4	110.5%	• Expansion in operation and maintenance projects in the information and communications industry
Products and other	19.1	11.5%	+1.2	106.8%	2.2	0.8%	-0.2	90.5%	
Human resources service	0.6	0.4%	-5.0	10.8%	4.7	1.7%	-8.5	35.6%	• Sales declined due to the transfer of business.

(Reference 3) Major Press Releases in Fiscal Year Ending March 31, 2017



Date of release	Company	Title, brief description
April 21	DTS	<p>Launch of sales management solution Xsi:d+</p> <p>* Xsi:d+ is launched as a sales management solution that can be used in smooth collaboration with familiar spreadsheet software.</p>
April 28	Digital Technologies	<p>Distributor agreement concluded with Veeam Software, which provides data protection products for virtual environments</p> <p>* Availability solutions are enabled thanks to data protection for virtual environments.</p>
May 20	DTS	<p>Launch of Walk in home 16, 3D presentation software for architecture</p> <p>* Walk in home 16, 3D presentation software for architecture, is launched. It features enhanced functions for the environment and energy saving. Walk in home 16 can easily simulate wind currents in homes.</p>
June 28	Yokogawa Digital Computer	<p>Start of collaboration between Yokogawa Digital Computer and Macsystems in the field of measurement and adaptation development support tools in the auto industry</p> <p>* Yokogawa Digital Computer starts collaboration with Macsystems, which has expertise in the design, production, and sales of measurement equipment and inspection equipment in the field of measurement and adaptation development support tools in the automotive industry.</p>
July 11	DTS	<p>GalleriaSolo, a BI dashboard, launched</p> <p>* GalleriaSolo is launched. It easily and graphically visualizes management indices and analysis data that are necessary in the age of the IoT and omnichannel.</p>
July 27	Yokogawa Digital Computer	<p>Release of microTRACER Ver. 2.4, a traceability management tool</p> <p>* Traceability management tool microTRACER Ver. 2.4 is launched. It visualizes software development processes, including requirements, design, implementation, and testing, using existing deliverables.</p>

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.