DTS
Delivering Tomorrow's Solutions

1Q FY March 2021
Results Presentation

July 30, 2020

DTS CORPORATION

Important Events

1. New consolidation of three group companies

Started the consolidation of DTS Software Vietnam Co., Ltd. (DTS Vietnam), which was established in April 2014, Dalian SuperElectronics Co., Ltd. (DLSE), which was converted to a subsidiary by DTS (Shanghai) Corporation in March 2019, and Japan SuperElectronics Co., Ltd. (DLSE Japan), thereby making every operating company of the Group subject to consolidation.

2. Change of accounting auditor

Decided to change the accounting auditor at a General Meeting of Shareholders held in June 2020, given the need to conduct audits from new perspectives in consideration of the fact that the previous accounting auditor had been serving for an extended period of time.
(Previous auditor: Deloitte Touche Tohmatsu LLC. New auditor: Ernst & Young ShinNihon LLC)

3. Purchase of treasury stock

Purchased treasury stock (approximately 444,000 shares, worth 1.0 billion yen) in May and June 2020 to increase capital efficiency and the return of profits.

Consolidated Results

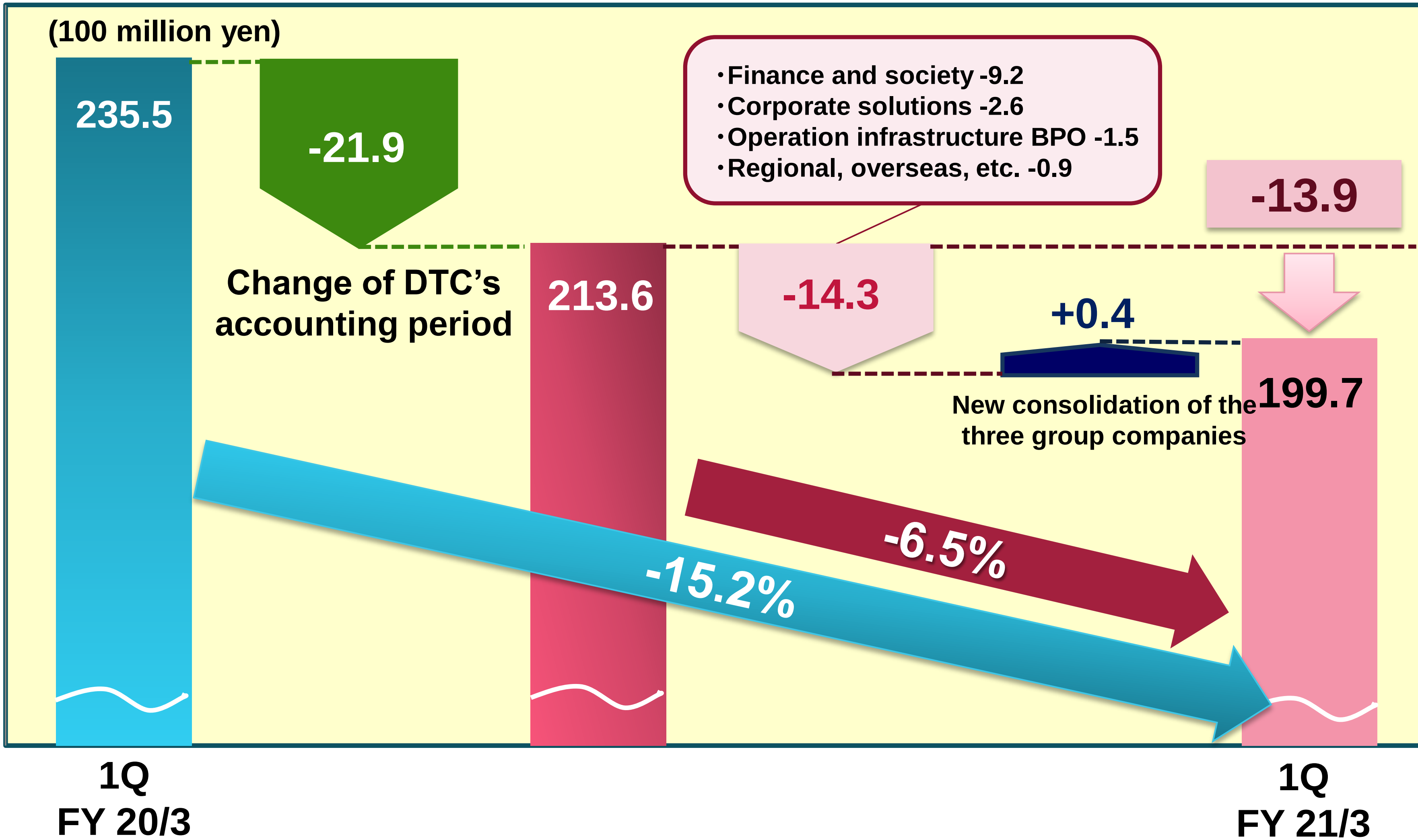
Net sales decreased ¥3,580 million year on year, reflecting a decline in sales mainly in the finance and infrastructure products segments, coupled by the impact of a change in the accounting period of Digital Technologies Corporation (“DTC”).
Operating income decreased ¥520 million year on year, mainly reflecting a decline in income due to lower sales and cost ratio deterioration, which more than offset the curbing of unprofitable projects and reduction of SG&A expenses.

(Units: 100 million yen, %)	Results	Ratio to sales (%) / YoY		Year on year		Progress for initial forecast
Net sales	199.7	–		-35.8 <-13.9>	84.8% <93.5%>	21.0%
Gross profit	38.1	19.1%	(-0.1pt) <-0.7pt>	-6.9 <-4.2>	84.5% <89.9%>	20.4%
SG&A expenses	19.6	9.9%	(+0.8pt) <+0.4pt>	-1.7 <-0.4>	91.8% <97.7%>	24.6%
Operating income	18.4	9.2%	(-0.8pt) <-1.2pt>	-5.2 <-3.7>	77.9% <82.9%>	17.2%
Recurring income	19.0	9.6%	(-0.7pt) <-1.1pt>	-5.1 <-3.6>	78.8% <83.8%>	17.6%
Profit attributable to owners of parent	12.9	6.5%	(-0.7pt) <-1.0pt>	-3.9 <-2.9>	76.7% <81.2%>	17.5%

The figures in the brackets (<>) are results after adjustment for the impact of the change of DTC’s accounting period.

(Reference) Factors for the Change in Net Sales

Net sales fell ¥1,390 million (down 6.5%) year-on-year when the impact of the change of DTC's accounting period is excluded.



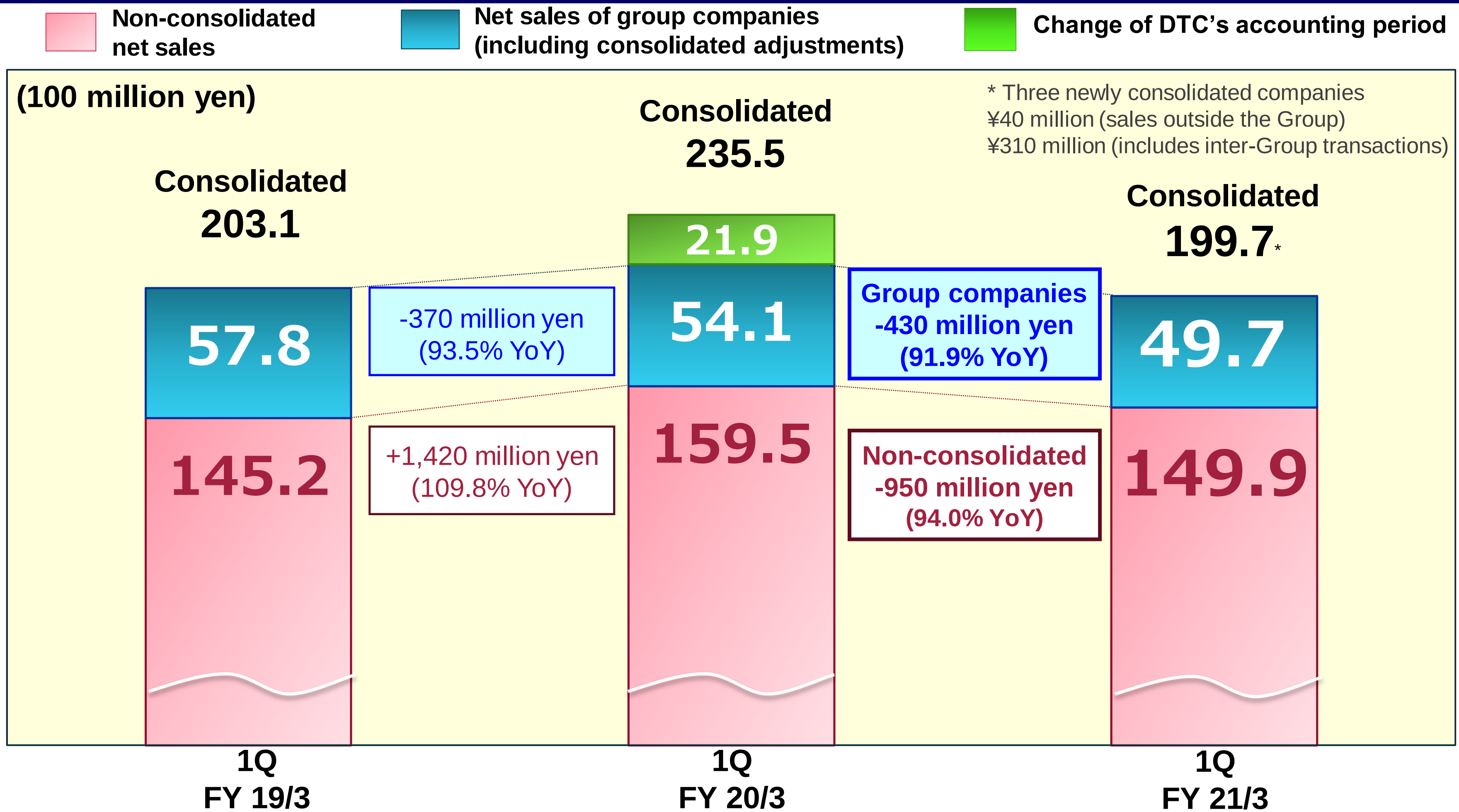
Non-Consolidated Results

Net sales decreased ¥950 million year on year mainly due to a decline in sales in the Finance segment, which more than offset a rise in sales in the Operation Infrastructure BPO segment.
Operating income decreased ¥290 million year on year, reflecting a decline in income attributable to lower sales and an increase in SG&A expenses resulting from the implementation of up-front investments to expand the DX business, among other factors.

(Units: 100 million yen, %)	Results	Ratio to sales (%)/ YoY		Year on year	
Net sales	149.9	–		-9.5	94.0%
Gross profit	28.5	19.0%	(-0.5pt)	-2.5	91.7%
SG&A expenses	12.5	8.4%	(+0.7pt)	+0.3	102.7%
Operating income	15.9	10.6%	(-1.2pt)	-2.9	84.6%
Recurring income	21.1	14.1%	(-0.7pt)	-2.4	89.7%
Net income	15.9	10.6%	(-0.4pt)	-1.6	90.7%

Changes in Net Sales [Non-Consolidated/Group Companies]

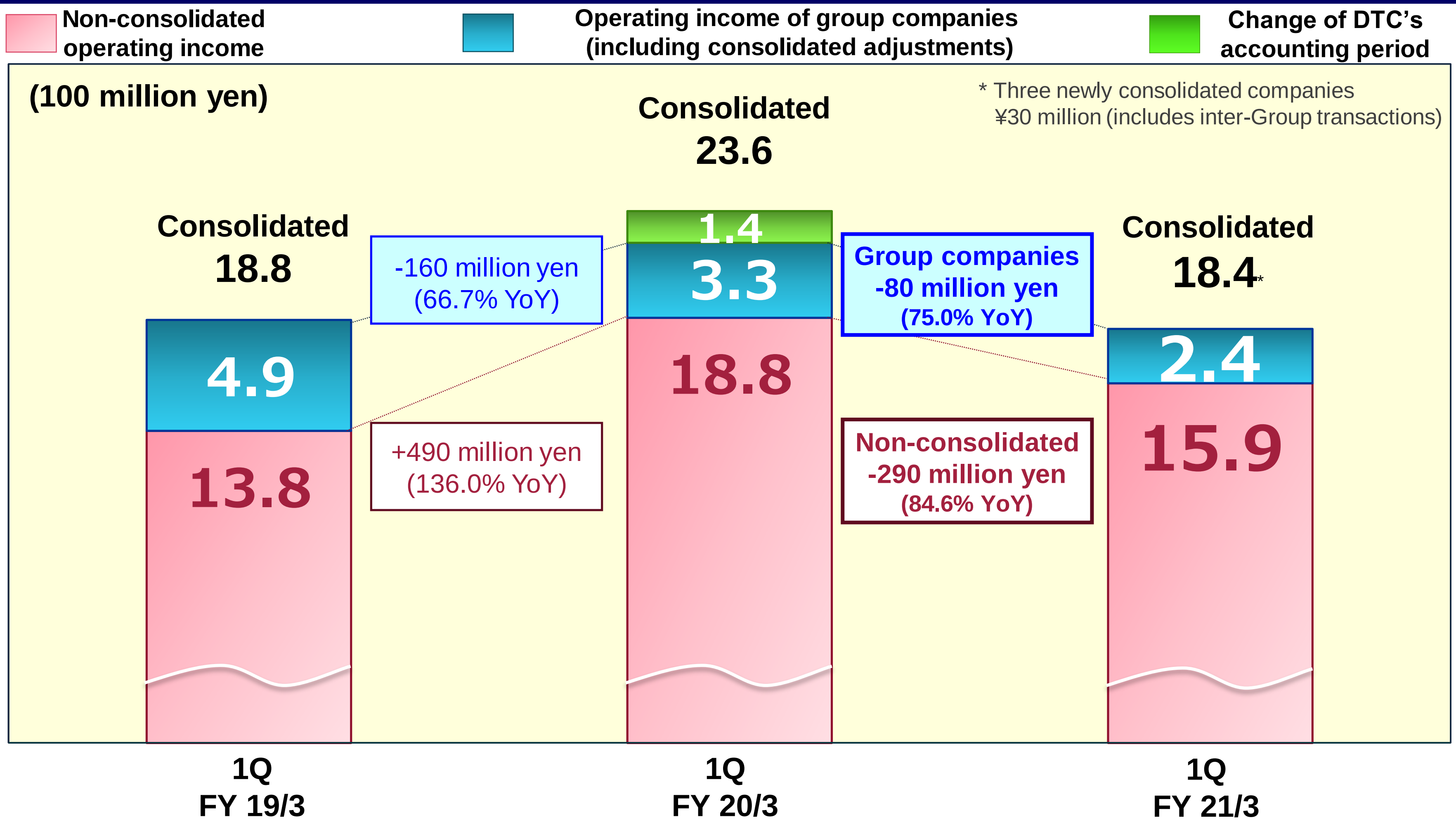
Non-consolidated (DTS) net sales decreased ¥950 million year on year, reflecting a decline associated with large securities projects that had reached their peak, which more than offset an increase in real estate-related projects.
Net sales of the Group companies decreased ¥430 million in part due to a decline in product sales.



The non-consolidated net sales for the fiscal year ended March 31, 2019 is figure after adjustment for the impact of the merger with DATALINKS CORPORATION conducted in 2018.

Change in Operating Income [Non-Consolidated/Group Companies]

Non-consolidated (DTS) operating income decreased ¥290 million, mainly reflecting a decline in income resulting from lower sales.
Operating income of the Group companies decreased ¥80 million because the reduction of SG&A expenses was not sufficient enough to offset a decrease in income resulted from lower product sales in the embedded business.



The non-consolidated operating income for the fiscal year ended March 31, 2019 is figure after adjustment for the impact of the merger with DATALINKS CORPORATION conducted in 2018.

Net Sales by Segments

- Net sales in the Finance and Society segment decreased, largely reflecting a decline associated with large securities projects that had reached their peak.
- Net sales in the Corporate Solutions segment decreased due to weak results of the embedded system-related projects, which more than offset strong results of solution projects.
- Net sales of the Operation Infrastructure BPO segment decreased due to a decline in product sales.
- Net sales in the Regional, Overseas, etc. segment decreased, chiefly attributable to a decrease in financial projects at regional companies.

(Units: 100 million yen, %)	Results	Ratio to sales (%)/ YoY		Year on year		Progress for initial forecast
Net sales	199.7	–		-35.8 <-13.9>	84.8% <93.5%>	21.0%
Finance and society	65.1	32.6%	(+1.0pt) <-2.2pt>	-9.2	87.6%	21.4%
Corporate solutions	58.9	29.5%	(+3.4pt) <+0.7pt>	-2.6	95.7%	20.6%
Operation infrastructure BPO	50.6	25.4%	(-6.1pt) <+0.9pt>	-23.4 <-1.5>	68.3% <97.0%>	21.3%
Regional, overseas, etc.	24.9	12.5%	(+1.7pt) <+0.6pt>	-0.4	98.1%	20.4%

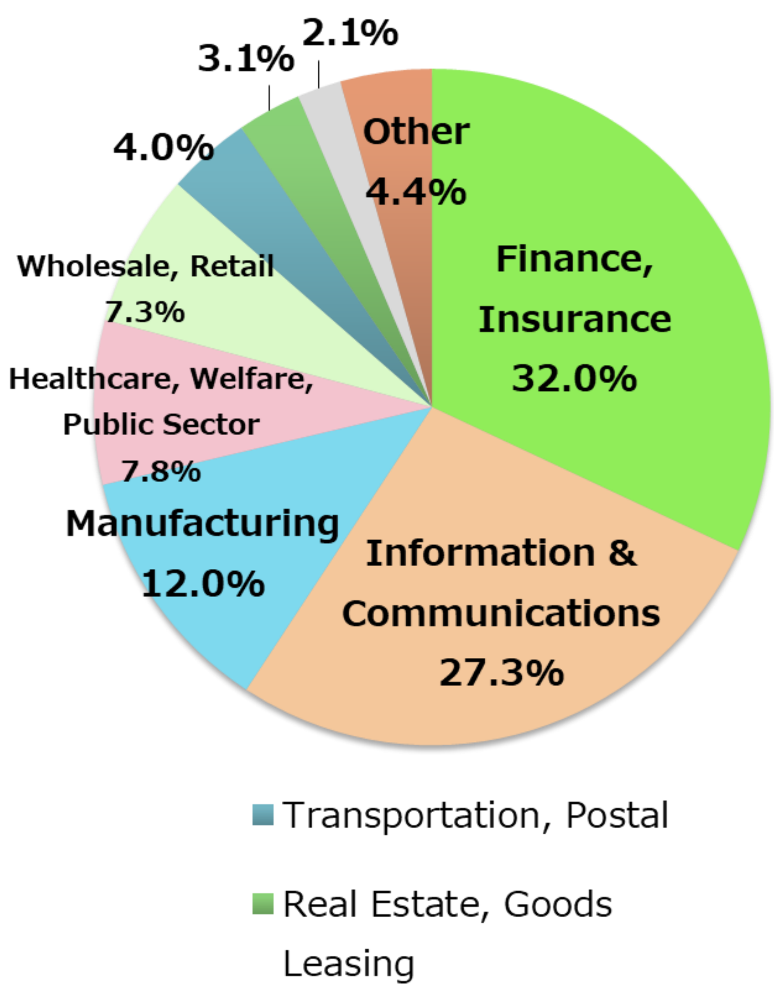
* The results represent net sales outside the Group and the brackets (<>) are results after adjustment for the impact of the change of DTC's accounting period.

(Reference) Consolidated Sales by End User

Industrial Classification of METI

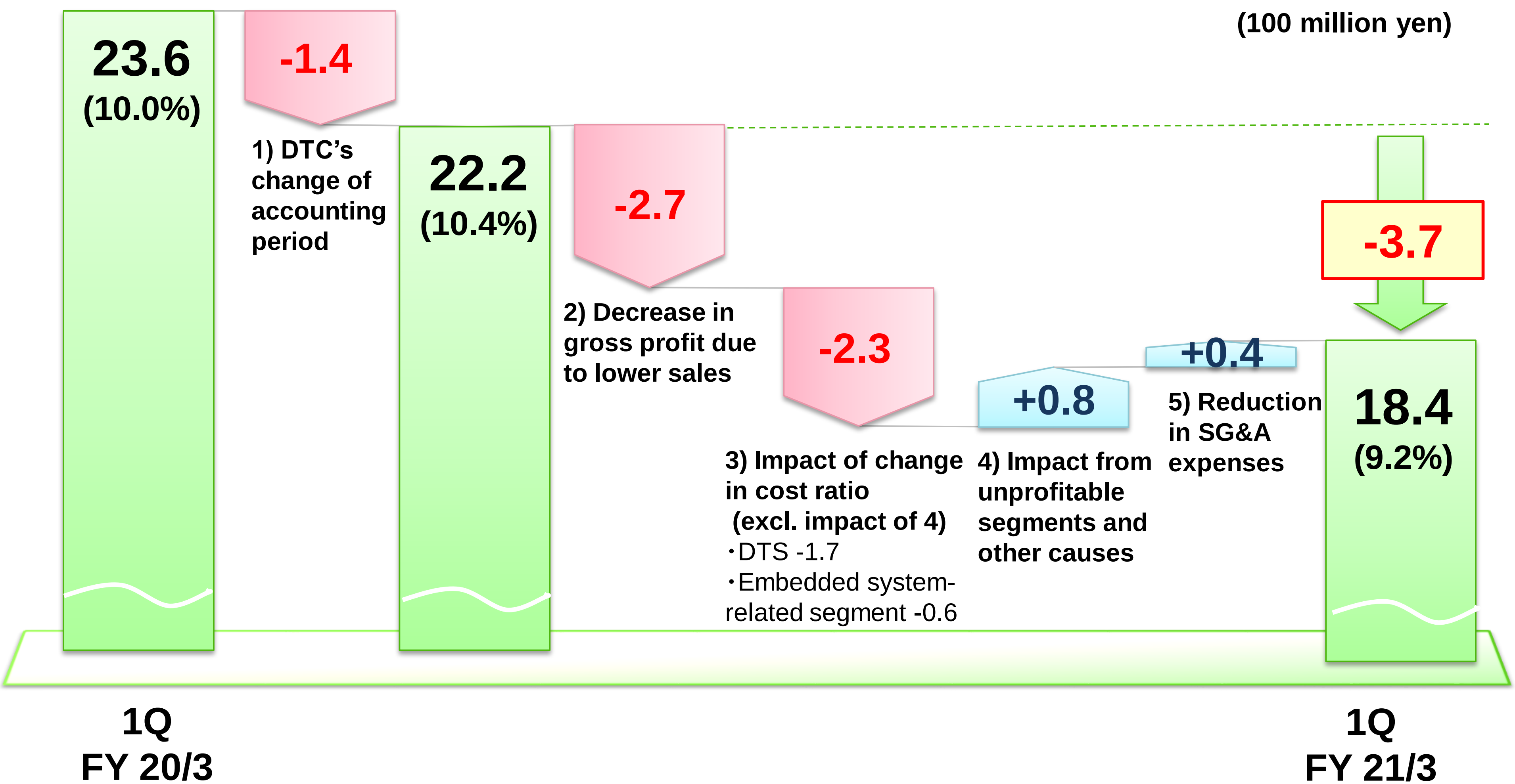
(Units: 100 million yen, %)	Amount	Composition ratio	Year on year	
Finance, Insurance	63.8	32.0%	- 13.0	83.1%
Information & Communications	54.4	27.3%	- 2.0	96.4%
Manufacturing	24.0	12.0%	- 2.9	89.2%
Healthcare, Welfare, Public Sector	15.6	7.8%	- 0.4	97.0%
Wholesale, Retail	14.5	7.3%	+2.7	123.7%
Transportation, Postal	8.0	4.0%	- 0.3	95.5%
Real Estate, Goods Leasing	6.1	3.1%	+3.0	196.4%
Construction	4.1	2.1%	- 0.6	87.3%
Other	8.7	4.4%	- 0.2	96.9%
Total	199.7	100.0%	- 13.9	93.5%

(The impact of the change of DTC's accounting period is excluded.)



Factors for the Change in Consolidated Operating Income

Consolidated operating income decreased ¥370 million as the curbing of unprofitable projects and reduction of SG&A expenses were not sufficient to offset a decrease in income resulting from lower sales and cost ratio deterioration in the Corporate Solutions segment.



Order Volume and Order Backlog by Segment

[Order Backlogs]

- Remained at the year-ago level in the Finance and Society segment partly because a decline attributable to the completion of OA projects was offset by mutual aids projects.
- Decreased in the Corporate Solutions segment as housing-related projects reached a peak, which more than offset strong results of solutions projects.
- Increased in the Operation Infrastructure BPO segment, partly due to product projects for educational organizations.
- Declined in the Regional, Overseas, etc. segment, mainly reflecting the reduction of financial

(Units: 100 Million yen, %)	Order Volume				Order Backlog			
	Results	Composition ratio	Year on year		Results	Composition ratio	Year on year	
Total	140.4	–	-32.8 <-16.5>	81.1% <89.5%>	347.2	–	+18.0	105.5%
Finance and society	40.0	28.5%	-2.1	94.8%	121.5	35.0%	-0.5	99.5%
Corporate solutions	52.1	37.1%	-6.3	89.2%	68.6	19.8%	-1.1	98.3%
Operation infrastructure BPO	24.0	17.1%	-22.0 <-5.7>	52.1% <80.7%>	127.3	36.7%	+22.3	121.3%
Regional, overseas, etc.	24.1	17.2%	-2.2	91.5%	29.7	8.6%	-2.5	92.1%

The figures in the brackets (<>) are results after adjustment for the impact of the change of DTC's accounting period.

(Reference) Major Press Releases

Date of release	Company	Title, brief description
July 1	DTS WEST	**DTS WEST commenced a demonstration experiment of a kotosora for LGWAN-solution based automatic response system for staff members of Kasugai city hall.** DTS WEST commenced the demonstration experiment of an automatic response system for staff members of Kasugai city hall, which utilizes the AI-operated kotosora for LGWAN FAQ solution that supports the Local Government Wide Area Network. (period: July 1, 2020 to August 31, 2020)
June 15	DTS	**Notice concerning status and completion of treasury stock acquisition** Number of shares acquired: 444,100 shares, Total amount: 999,798 thousand yen, Period: May 1, 2020 to June 12, 2020.
May 18	Digital Technologies	**Digital Technologies concluded a distributorship agreement with Druva and provision of a solution that protects end points in the telework environment.** Digital Technologies concluded a sales distributorship agreement with Druva Inc., a U.S. company that is a leader in the cloud protection and management technology. The Company will enhance end-point protection solutions that include not only servers but also cloud applications by adding Druva's Phoenix and inSync products to its product lineup. This reflects the background of growing demand for simple and highly cost effective backup servers, as well as the data protection and security of end points in the cloud age.
May 12	DTS	**Notice concerning change of an accounting auditor** The Board of Corporate Auditors of DTS passed a resolution to change an accounting auditor, the submission of which as a proposal to a General Meeting of Shareholders (June 19) will be decided at a meeting of the Board of Directors on May 14. (The proposal was approved at the General Meeting of Shareholders held on June 19.)
April 24	DTS	**DTS started to sell Pasteriot, an IoT platform for manufacturing sites to help achieve DX (digital transformation) using the IoT and AI.** DTS started to sell Pasteriot, an IoT platform to help with digitization at manufacturing sites (edges), on April 24. Pasteriot can digitize information on production conditions of pieces of manufacturing equipment made by different manufacturers. Pasteriot helps increase operational efficiency and productivity by setting control rules at manufacturing sites and using AI.

1Q FY March 2021
Results Presentation

Thank you for your attention.

Creating New Value
MADE BY DTS Group

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.