



2Q FY March 2021 Results Presentation

October 30, 2020

DTS CORPORATION

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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.

1. Overview of 2Q FY March 2021 Results

Consolidated Results

Net sales decreased ¥3,790 million year on year, reflecting a change in the accounting period of DIGITAL TECHNOLOGIES CORPORATION (“DTC”) and a fall in three segments, all of the segments except Operation Infrastructure BPO.

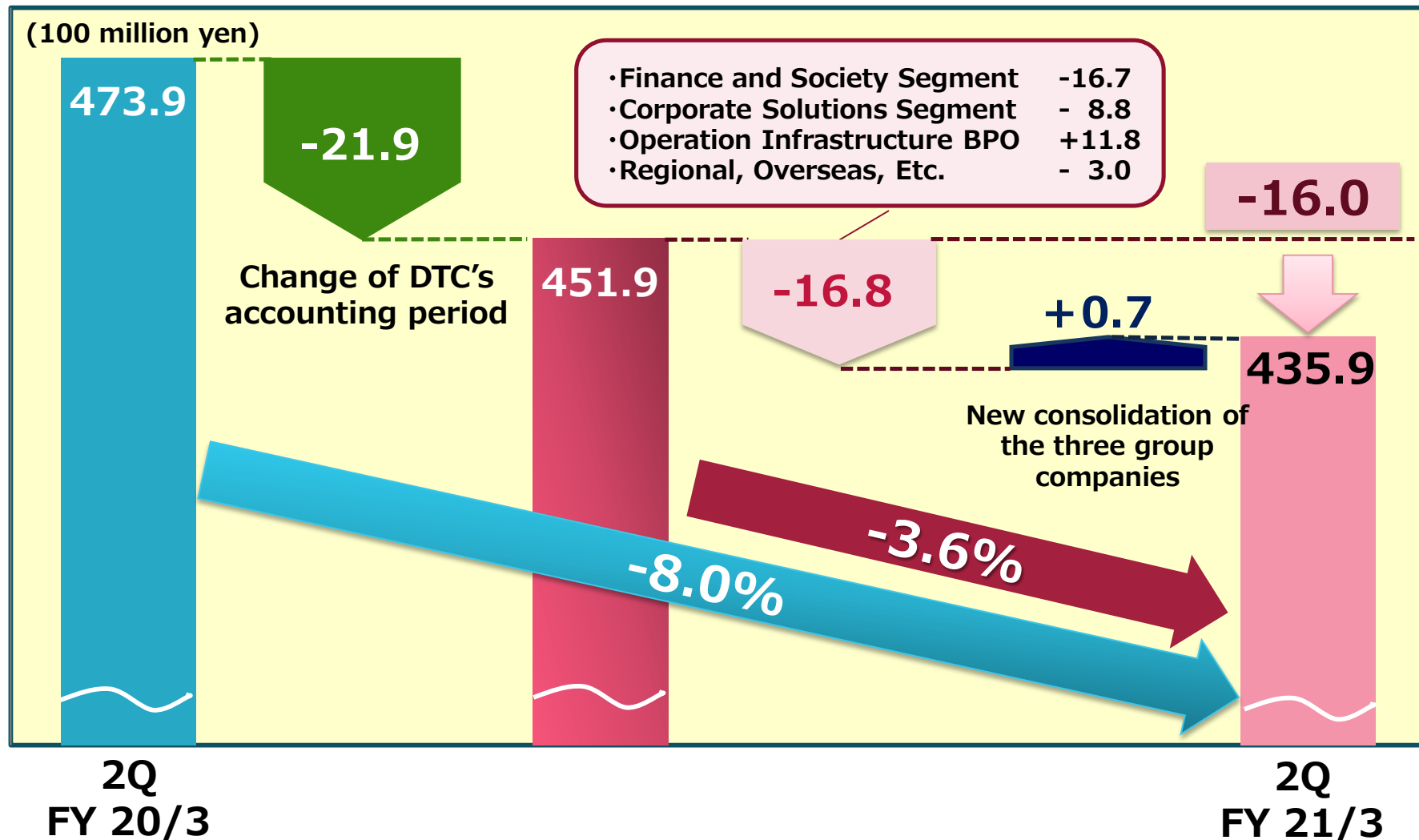
Operating income decreased ¥540 million yen year on year, mainly reflecting a decline in income due to lower sales, which more than offset the reduction of SG&A expenses and the curbing of unprofitable projects.

(Units: 100 million yen, %)	Results	Ratio to sales (%) / YoY	Year on year		Progress for initial forecast
Net sales	435.9	—	-37.9 <-16.0>	92.0% <96.4%>	45.9%
Gross profit	84.1	19.3% (-0.2pt) <-0.6pt>	-8.5 <-5.7>	90.8% <93.6%>	45.0%
SG&A expenses	37.3	8.6% (+0.0pt) <-0.1pt>	-3.0 <-1.8>	92.3% <95.4%>	46.7%
Operating income	46.8	10.7% (-0.3pt) <-0.5pt>	-5.4 <-3.9>	89.6% <92.2%>	43.8%
Recurring income	48.4	11.1% (-0.1pt) <-0.3pt>	-4.7 <-3.3>	91.0% <93.6%>	44.7%
Profit attributable to owners of parent	32.6	7.5% (-0.3pt) <-0.4pt>	-4.1 <-3.1>	88.9% <91.2%>	44.2%

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

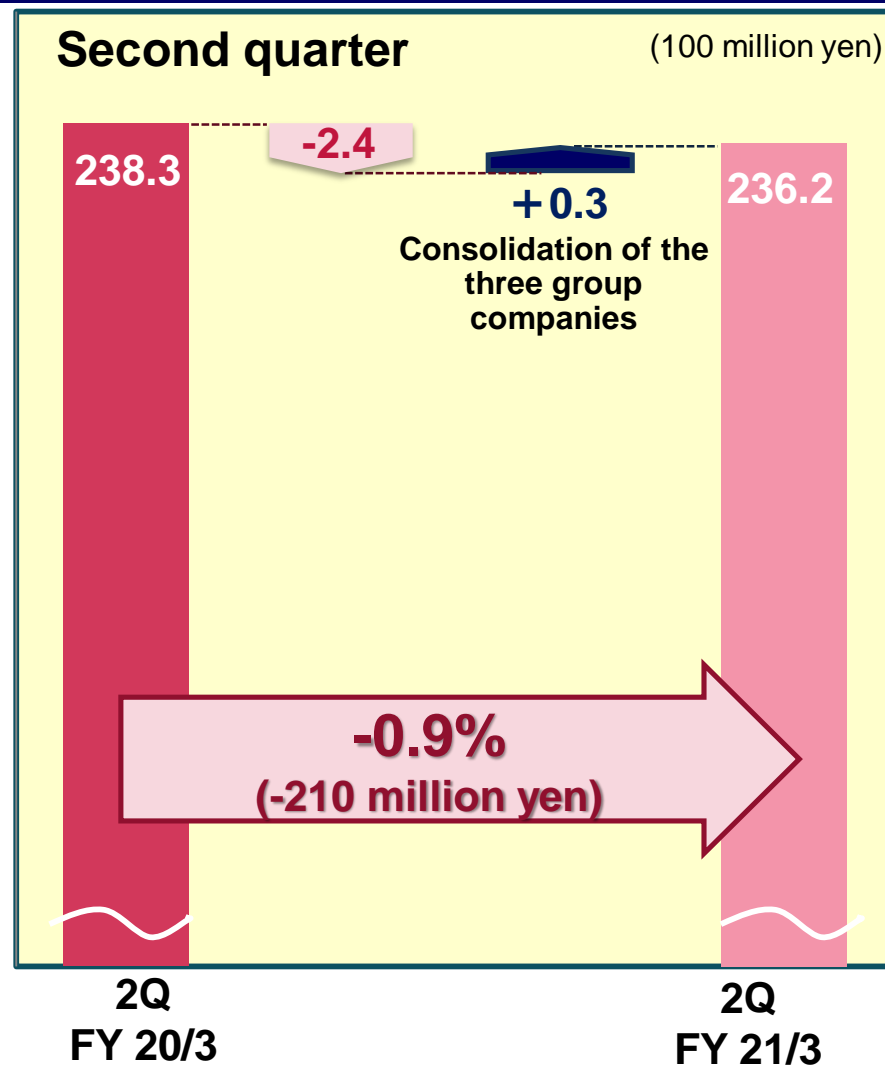
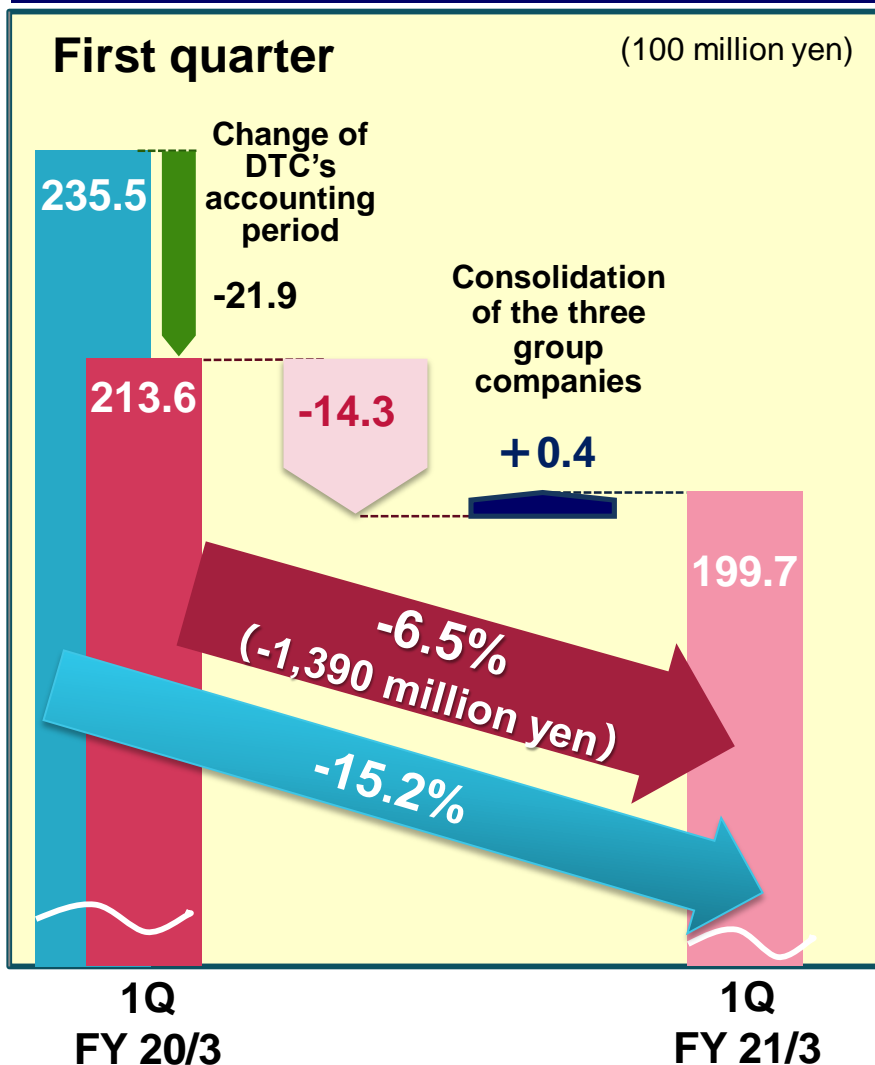
(Reference) Factors for the Change in Net Sales

Net sales fell ¥1,600 million (down 3.6%) year-on-year when the impact of the change of DTC's accounting period is excluded.



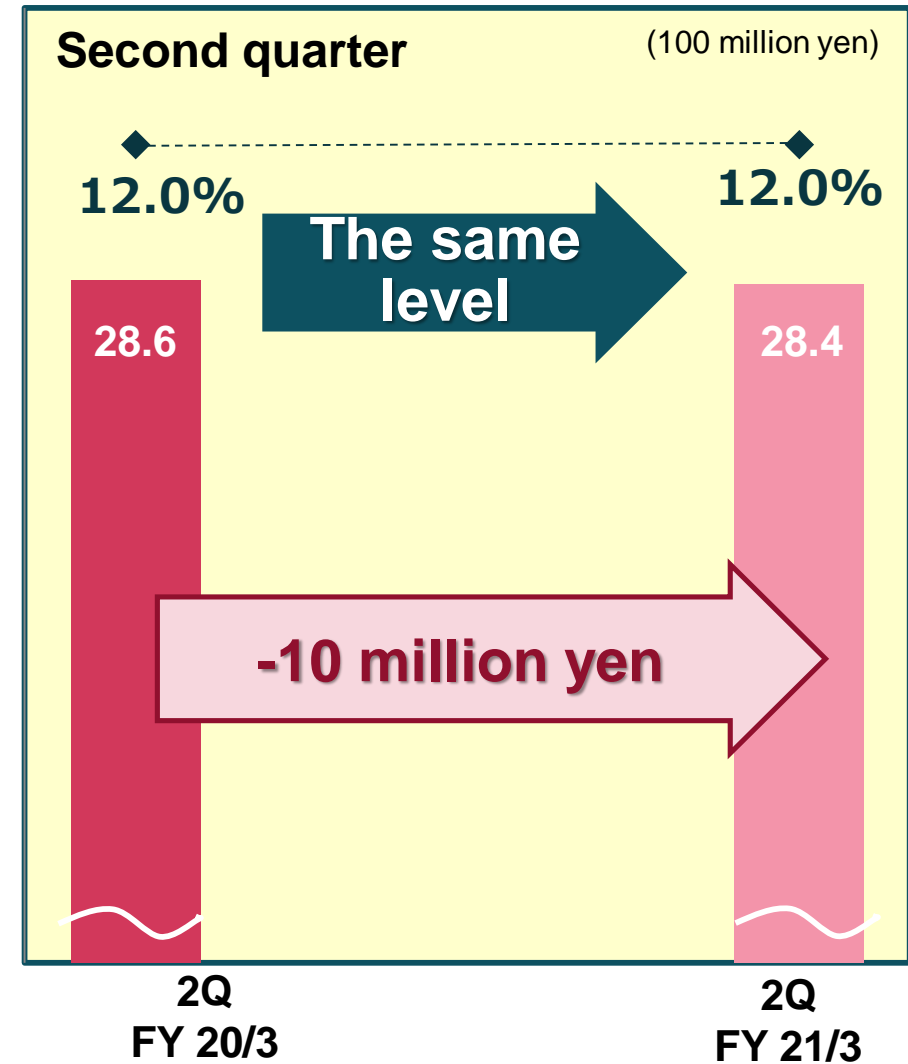
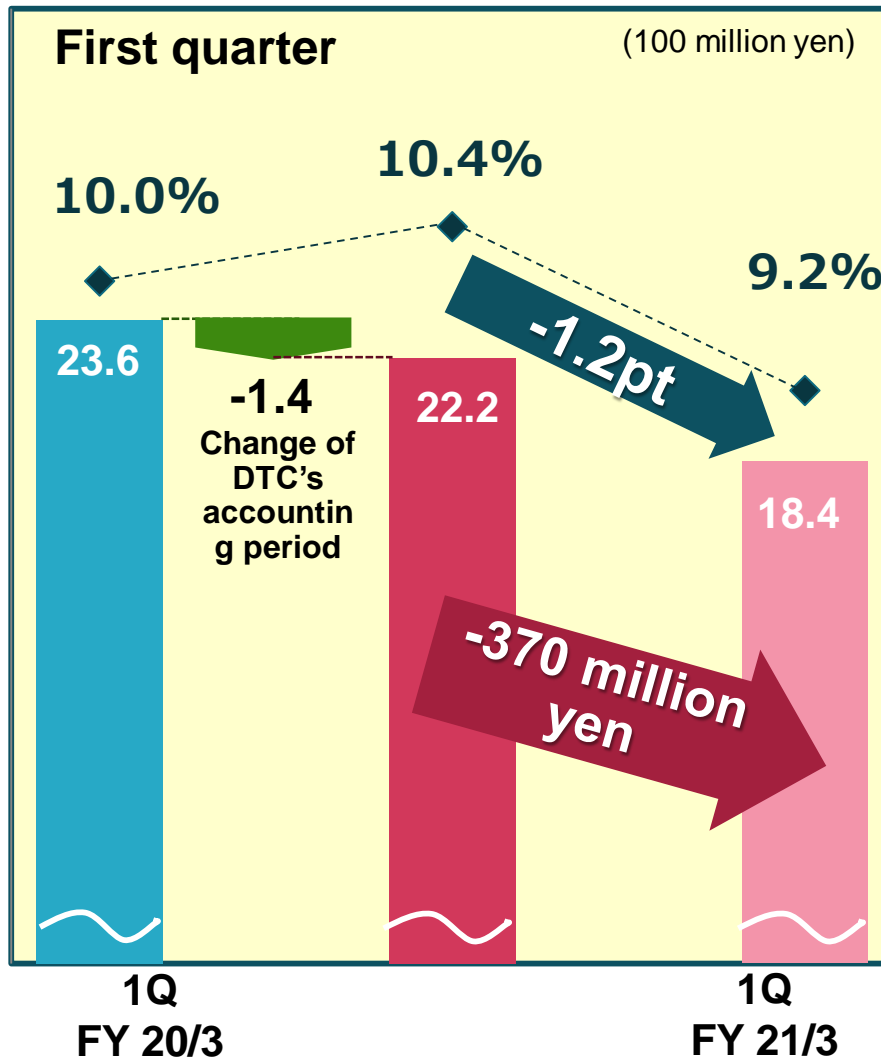
(Reference) Year-on-Year Changes in Quarterly Net Sales

When the impact of the change of DTC's accounting period is excluded, net sales fell 6.5% year on year in the first quarter, but improved to a fall of 0.9% year on year in the second quarter.



(Reference) Year-on-Year Changes in Quarterly Operating Income

Operating income fell ¥10 million year on year in the second quarter, improving from the first quarter as operating income margin was at the level of the previous year.



Non-Consolidated Results

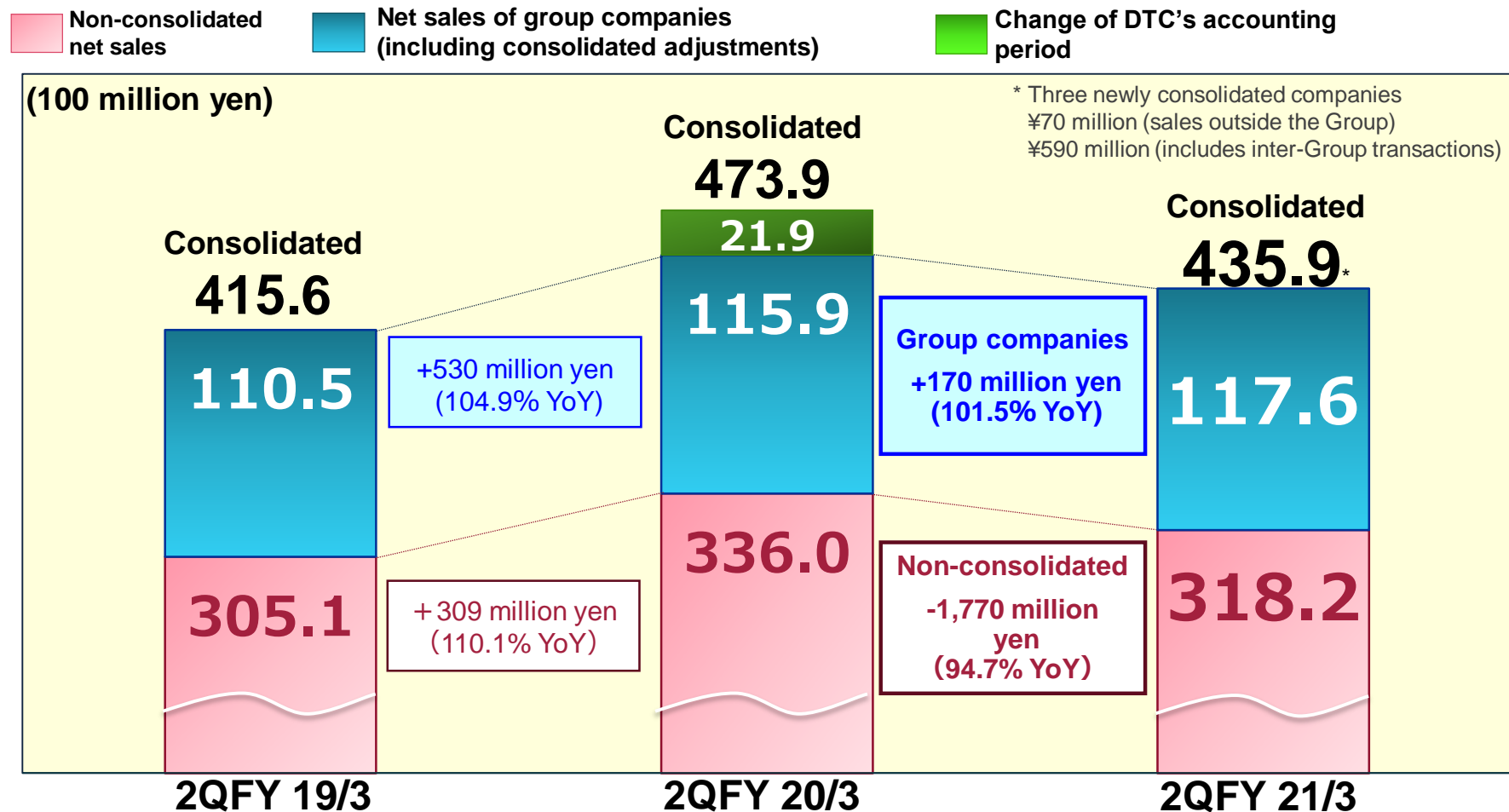
Net sales decreased ¥1,770 million year on year, chiefly due to a decline in sales in the Finance field that more than offset rises in the Society field and in the Operation Infrastructure BPO field.

Operating income decreased ¥420 million year on year, reflecting a decline in income attributable to lower sales and a rise in the cost ratio, primarily in the Corporate Solutions segment.

(Units: 100 million yen, %)	Results	Ratio to sales (%) / YoY		Year on year	
Net sales	318.2	—		-17.7	94.7%
Gross profit	62.5	19.7%	(-0.1pt)	-3.9	94.1%
SG&A expenses	23.8	7.5%	(+0.5pt)	+0.2	101.2%
Operating income	38.6	12.2%	(-0.6pt)	-4.2	90.2%
Recurring income	44.2	13.9%	(-0.4pt)	-3.7	92.2%
Net income	31.6	10.0%	(-0.3pt)	-2.7	91.9%

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

Non-consolidated (DTS) net sales decreased ¥1,770 million year on year, reflecting a decline associated with large securities projects that had reached their peak that more than offset firm performance primarily in system development projects in the public sector.
Net sales of the Group companies increased ¥170 million due to growth in product sales.

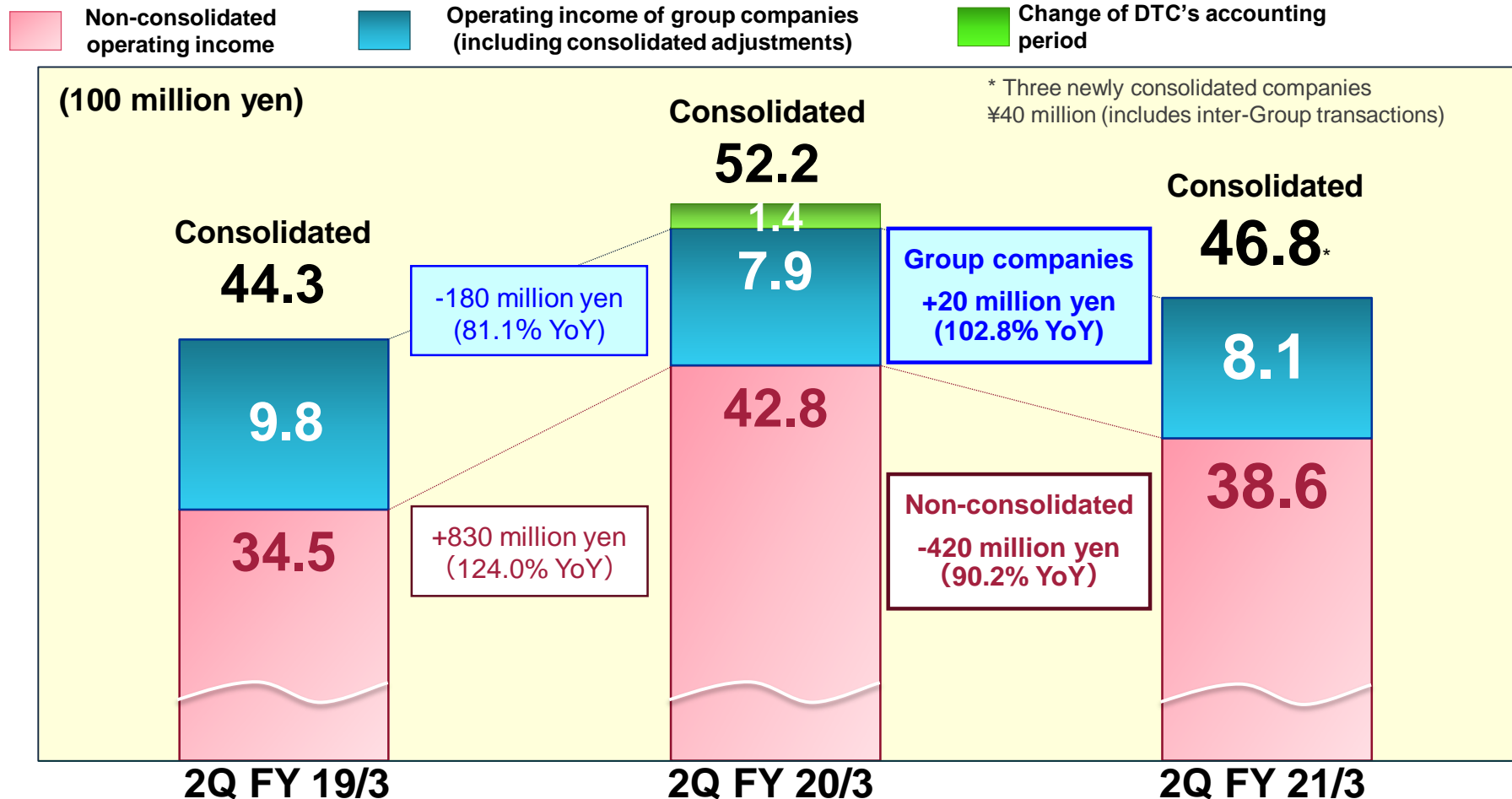


The non-consolidated net sales for the fiscal year ended March 31, 2019 is the figure after adjustment for the impact of the merger with DATALINKS CORPORATION conducted in 2018.

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

Non-consolidated (DTS) operating income decreased ¥420 million year on year, mainly reflecting a decline in income resulting from lower sales.

Operating income of the Group companies increased ¥20 million due to the increase in sales, which more than offset a decrease in income resulting from lower product sales in the embedded business.



The non-consolidated net sales for the fiscal year ended March 31, 2019 is the 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 due to a fall in investment by megabanks, despite firm performance in the public sector.
- Net sales in the Corporate Solutions segment decreased due to a decline in embedded system-related projects and a decrease in development projects in the housing and transportation industries.
- In the Operation Infrastructure BPO segment, product sales rose if the effect of the change in DTC's accounting period is excluded.
- Net sales in the Regional, Overseas, etc. segment decreased, chiefly attributable to a decrease in financial projects at regional companies.

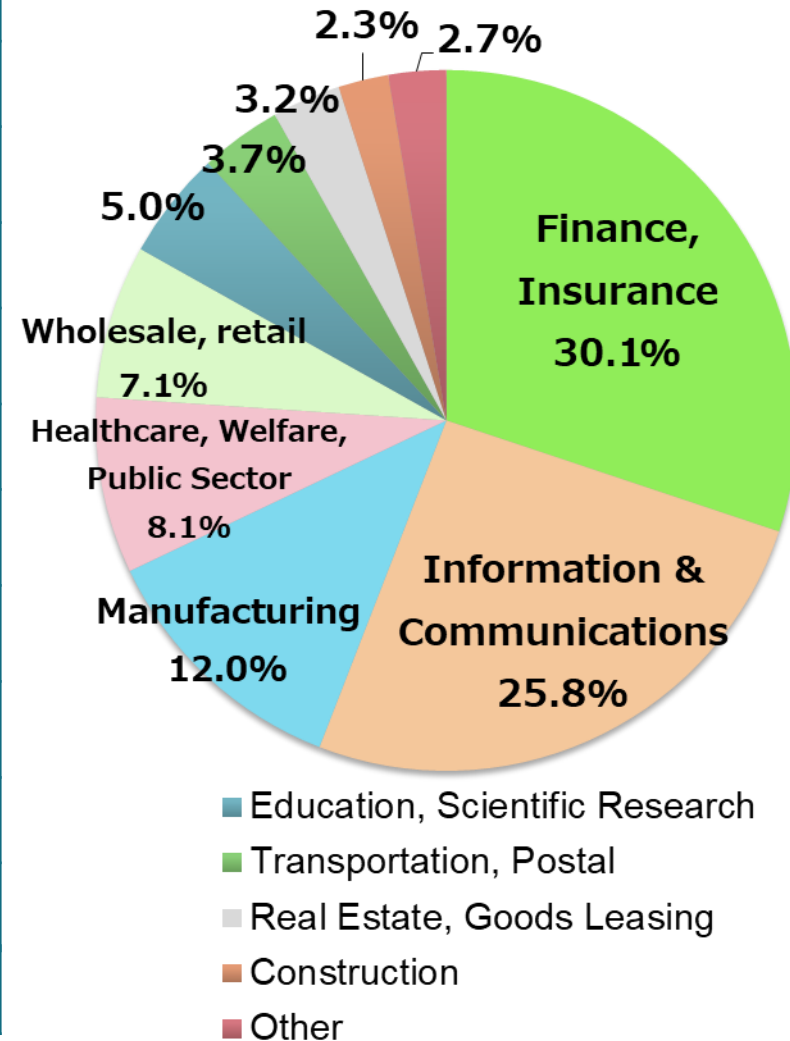
(Units: 100 million yen, %)		Results	Ratio to sales (%) / YoY		Year on year		Progress for initial forecast
Net sales		435.9	—		-37.9 <-16.0>	92.0% <96.4%>	45.9%
	Finance and Society Segment	139.3	32.0%	(-1.0pt) <-2.6pt>	-16.7	89.3%	45.8%
	Corporate Solutions Segment	126.5	29.0%	(+0.5pt) <-0.9pt>	-8.8	93.5%	44.2%
	Operation Infrastructure BPO	118.5	27.2%	(+0.0pt) <+3.6pt>	-10.1 <+11.8>	92.1% <111.1%>	49.9%
	Regional, Overseas, Etc.	51.4	11.8%	(+0.5pt) <-0.1pt>	-2.3	95.7%	42.1%

* 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 Industry in the First Half

Industrial Classification of METI

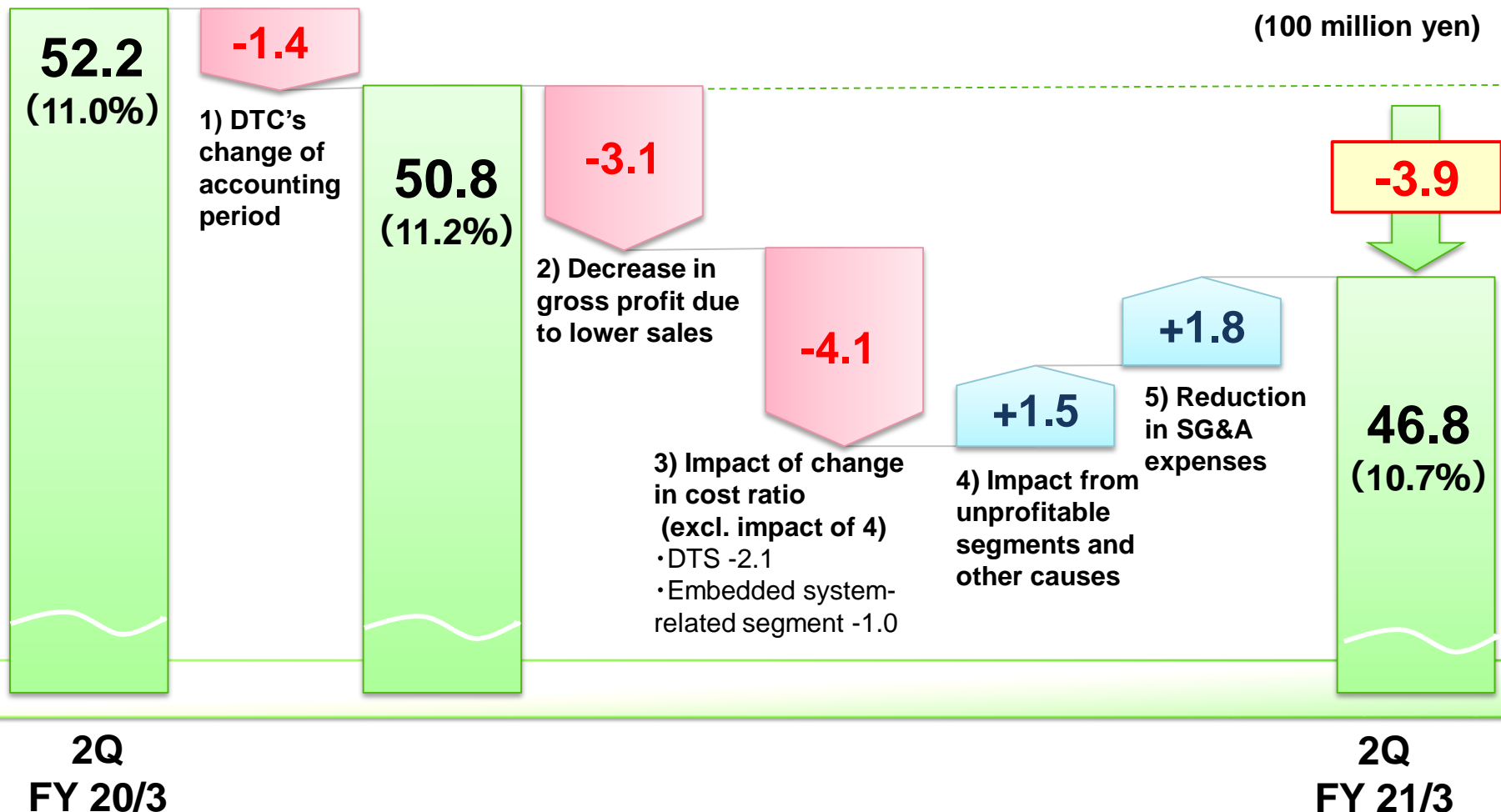
(100 million yen)	Amount	Composition ratio	Year on year	
Finance, Insurance	131.3	30.1%	-28.0	82.4%
Information & Communications	112.2	25.8%	-2.0	98.2%
Manufacturing	52.4	12.0%	-5.7	90.2%
Healthcare, Welfare, Public Sector	35.4	8.1%	+0.8	102.5%
Wholesale, Retail	30.8	7.1%	+0.6	102.1%
Education, Scientific Research	21.7	5.0%	+13.7	272.6%
Transportation, Postal	16.3	3.7%	-1.6	90.8%
Real Estate, Goods Leasing	13.8	3.2%	+6.9	202.6%
Construction	10.0	2.3%	-1.6	85.9%
Other	11.5	2.7%	+0.7	107.3%
Total	435.9	100.0%	-16.0	96.4%



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

Reason for the Change in Consolidated Operating Income

Consolidated operating income fell ¥390 million year on year due to lower sales and a deterioration in the cost ratio in the Corporate Solutions segment, which more than offset the effects of a reduction in SG&A expenses and a reduction in unprofitable operations.



Order Volume and Order Backlog by Segments

[Order Backlogs]

- The Finance and Society segment is on par with the previous year, chiefly due to an increase in system development projects in the public sector.
- Decreased in the Corporate Solutions segment reflecting the peaking of housing projects and a fall in transportation projects.
- Increased in the Operation Infrastructure BPO chiefly due to increases in production projects for research and educational institutions.
- Declined in the Regional, Overseas, etc. segment, mainly reflecting the reduction of financial projects.

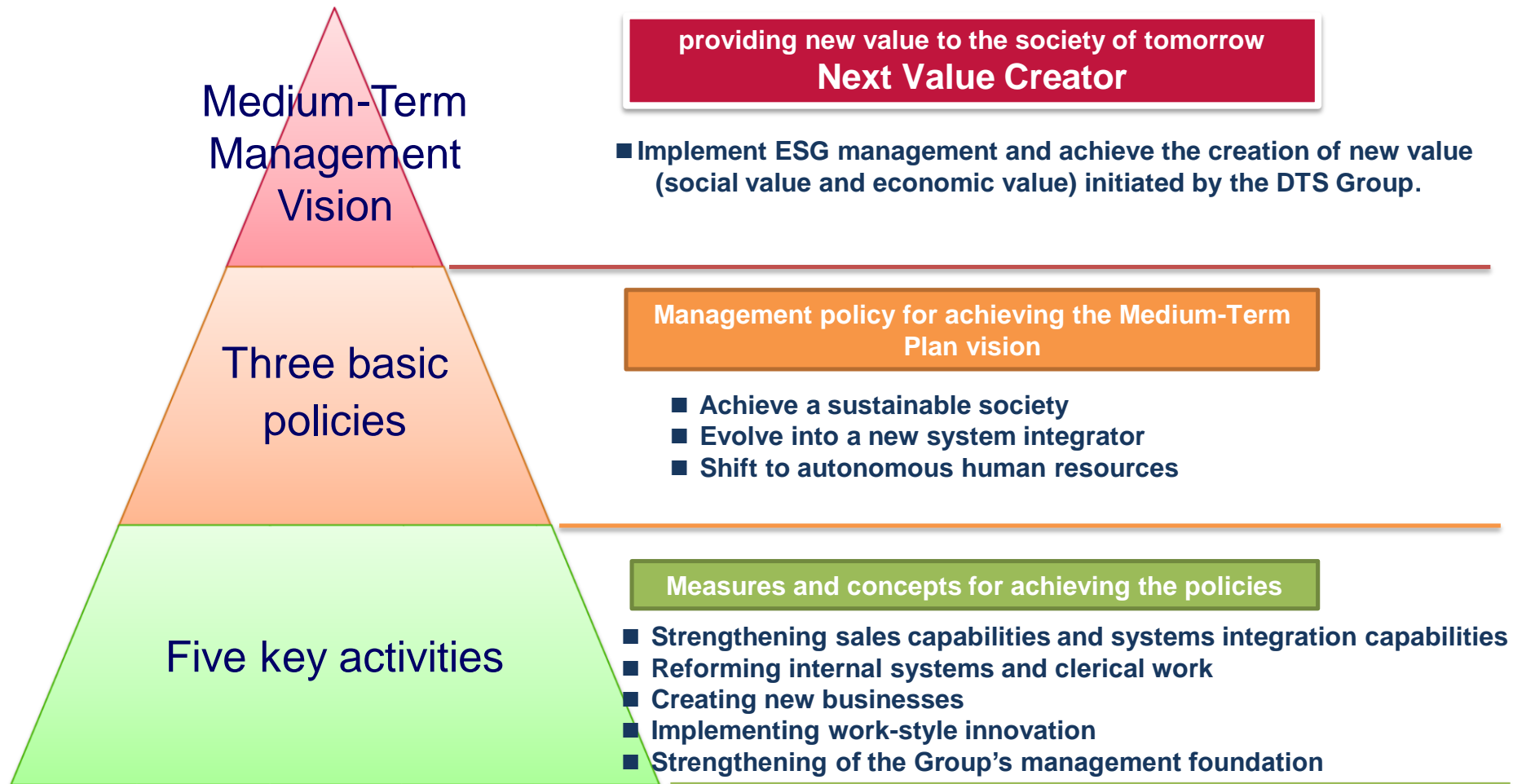
(Units: 100 Million yen, %)		Order Volume				Order Backlog			
		Results	Composition ratio	Year on year		Results	Composition ratio	Year on year	
Total		326.4	—	-46.6 <-30.3>	87.5% <91.5%>	297.0	—	+ 6.3	102.2%
	Finance and Society	100.1	30.7%	-7.6	92.9%	107.3	36.1%	+ 1.4	101.4%
	Corporate Solutions	113.6	34.8%	-18.5	86.0%	62.5	21.1%	-7.2	89.7%
	Operation Infrastructure BPO	61.8	18.9%	-13.3 <+2.9>	82.2% <105.0%>	97.1	32.7%	+ 17.7	122.3%
	Regional, Overseas, etc.	50.8	15.6%	-7.1	87.7%	29.9	10.1%	-5.6	84.1%

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

2. Progress of Key Measures as of FY March 2021

Medium-Term Management Plan: Key Activities

Under the Medium-Term Plan vision, focus on three policies and five key activities that contribute to the sustainable growth of society and increase the Company's corporate value.



Key Points in Fiscal Year Ending March 2021

The Company has set key points based on the five initiatives laid out in the medium-term plan, considering results in the previous fiscal year and changes in society due to the COVID-19 pandemic.

New Normal

Digitization

Online

Remote

Touchless

Labor Saving

Strengthening sales capabilities and systems integration capabilities

- Introducing a variety of sales styles
- Strengthening project management

Creation of new business

- Expanding sales related to DX (25% or more this fiscal year)
- Cultivating human resources for DX (500 persons or more this fiscal year)
- Creating solutions

Acceleration

Acceleration

Enhancement

Strengthening of the Group's management foundation

- Strengthening the global business system
- Strengthening the Group through M&A
- Managing and disclosing information with ESG in mind

Reform of internal systems and clerical work

- Improving office work efficiency (digitization of office work)
- Applying DX to internal systems

Enhancement

Enhancement

Implementation of work-style reforms (Personnel system reforms, health management)

- Reviewing the personnel evaluation system (valuing employees that rise to meet challenges)
- Introducing a system supporting a variety of work styles

Acceleration

The Company is promoting remote sales using online communication tools and sales that effectively uses online seminars in response to societal changes as the world transitions to a new normal.

In the cloud business, the Company became APN Advanced Consulting Partner certified in the AWS Partner Network (APN) in September 2020.

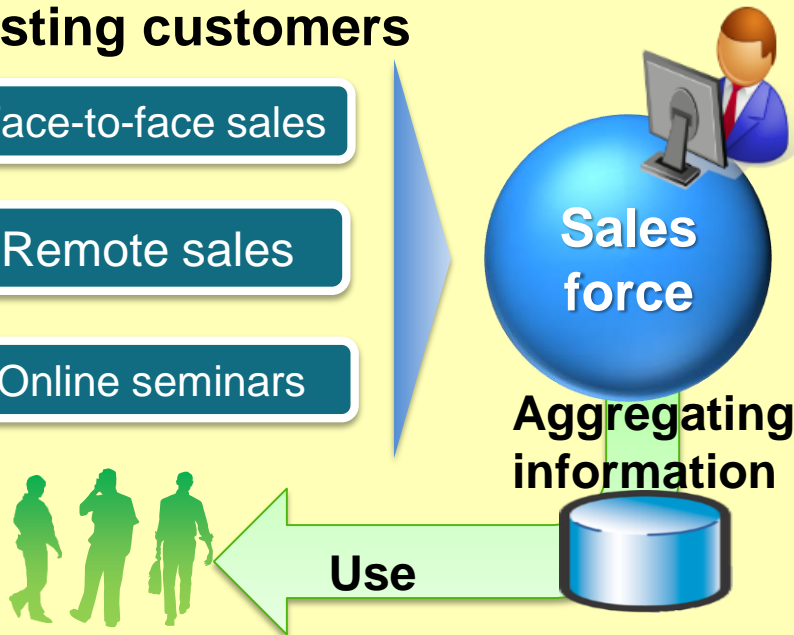
Expanding sales styles

Promoting sales styles suited to the diverse situations of new and existing customers

Face-to-face sales

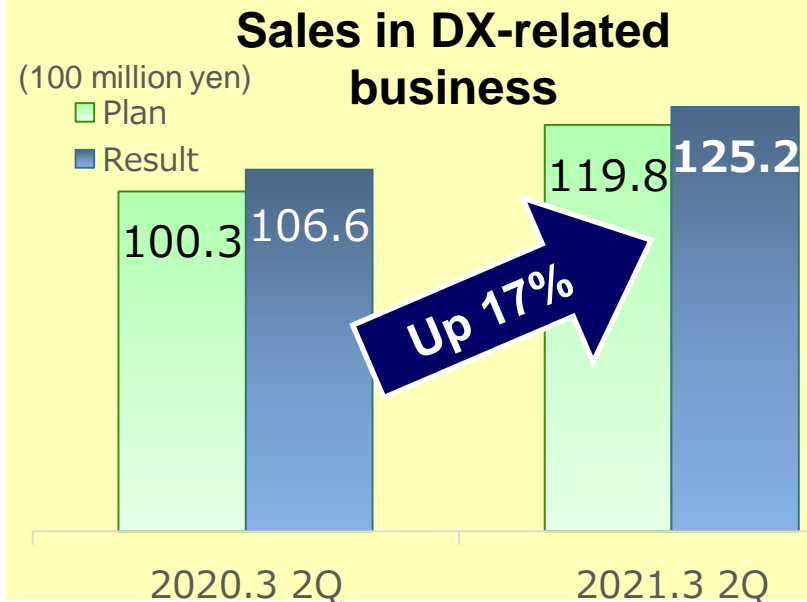
Remote sales

Online seminars



DX-related sales

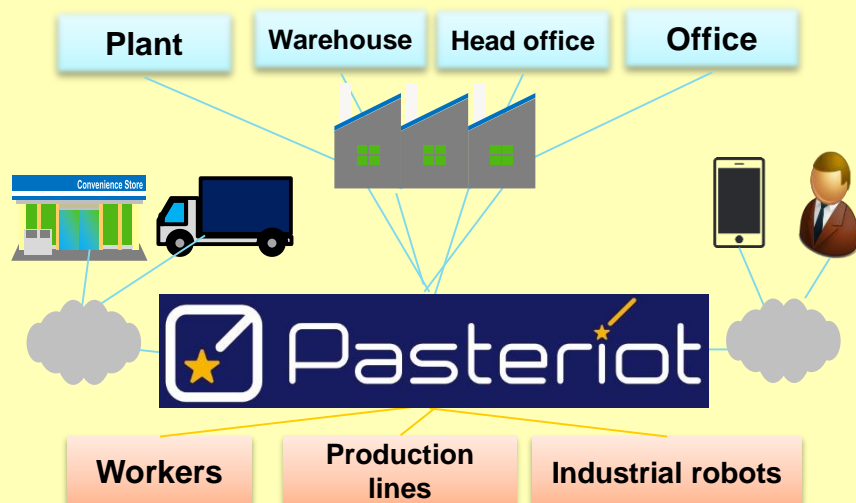
Expanded projects using CAMBRIC technologies, primarily cloud computing.



In April 2020, the Company started to sell the Pasteriot IoT Platform, which supports digitalization at production sites. Pasteriot supports the improvement of business efficiency and productivity, skill transfer, and the cultivation of human resources. The Company proposes solutions for the outsourcing of operations, combining its own services and new solutions, and contributes to customers' improvement of operational efficiency, employee productivity, and employee satisfaction.

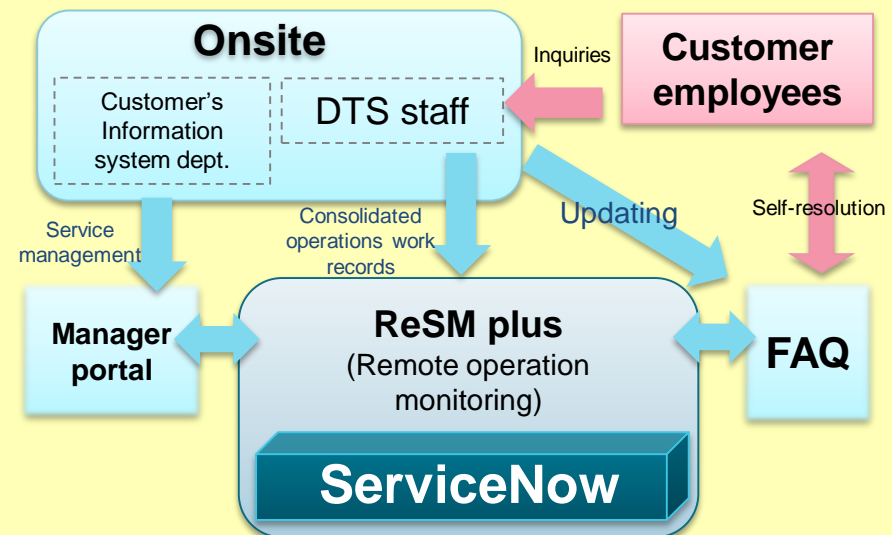
Pasteriot launched

Visualizing the entire plant in real time, digitizing craftsmen's expertise, improving productivity and reducing management cost



Hybrid operations

Digitizing internal support and continuing to promote improvements through remote operations monitoring and onsite arrangements



Strengthening of the Group's Management Foundation

Added consolidated subsidiaries in April 2020. All operating companies have become consolidated subsidiaries, and the entire Group is aiming to expand domestic and overseas businesses.

To promote cooperation among entities and improve productivity, two of the five development centers were consolidated and a new center was opened in June 2020.

Adding consolidated subsidiaries

All 12 Group companies, excluding special subsidiaries, became consolidated subsidiaries.

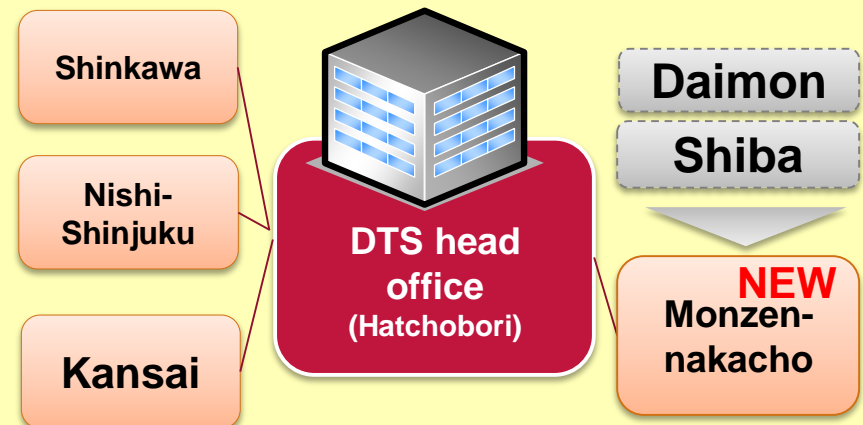


DTS GROUP

The entire Group is promoting the expansion of business.

Consolidated development centers and opened one new center

There are now four DTS development centers.



Begin considering total optimization based on the results of the consolidation.

Reforming Internal Systems and Clerical Work

Integrated DTS HEADLINE, an information sharing site for employees, and DTSNEWS, an in-house paper-based magazine, and posted the integrated information on an internal site.

Promoting paperless computer office work to improve office work efficiency.

Collect internal information and post it on one site

Access to internal information has become easier, which facilitates the prompt communication of management decisions and the raising of employee awareness.



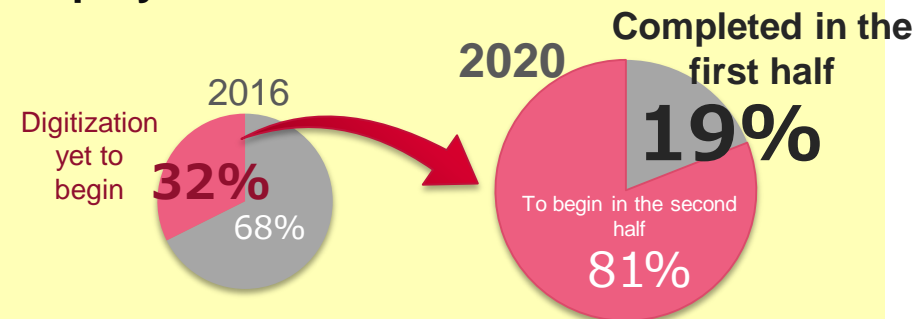
From a booklet to a website



Improving office work efficiency

Promoting digitization among employees and partner companies. Aiming to facilitate work at home.

Employee work



Orders to partners



**First half
77%**

To prevent the spread of COVID-19 and promote new workstyles, We made changes to teleworking and staggered work hours in October 2020. To enable the sustainable growth of the employees and the companies, we promote health and productivity management. In March 2020, we were certified as a 2020 Health and Productivity Management outstanding organization. In September, we achieved the Company of Health Excellence Certification/Gold Certification.

Changes in the teleworking and staggered work hours systems

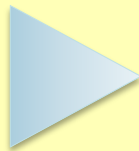
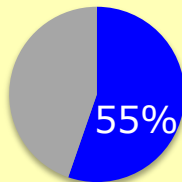
Introduced tools for communicating in the new normal. Actively leveraged chat and online meetings.



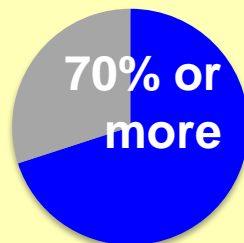
- Introduced teleworking allowance.
- Ended commuting allowance.*
- Staggered work hours

Teleworking percentage

September performance



Target from October



*For employees mainly teleworking from home.

Initiatives for health management

DTS promoted health and productivity management and safety and health at workplaces and satisfied the gold certificate* criteria.



*Healthy company certification of the Tokyo Healthy Company Declaration Promotion Council for companies that have declared commitment to the promotion of health and produced results and achieved certain results.

Two of the numerical targets for solving health issues

Percent of paid leave used
85%

Percent of employees having the regular health check-up
100%

3. FY March 2021 Forecast

(Reference) Outlook for the Group's Business Environment

Sector	Outlook for IT Investment
Finance, Insurance	<ul style="list-style-type: none">• We expect visitors to brick and mortar stores will fall and customers will continue to move to online services.• Our expectations are there will be additional investment in the fintech field due to an increasing number of newcomers from different industries. <ul style="list-style-type: none">• In the insurance industry, face-to-face sales will change to non-face-to-face sales. We expect that demand for digital services, including online transactions and sales, will expand.
Information & Communications	<ul style="list-style-type: none">• In the communications industry, we expect demand for the strengthening of communications infrastructure for remote business.• In 5G-related businesses, we will promote new services and businesses leveraging IoT and DX.
Manufacturing	<ul style="list-style-type: none">• In the auto industry, investment will concentrate on up-front investment including CASE, and other investment will likely continue to be curbed.
Healthcare, Public Sector	<ul style="list-style-type: none">• Shifts to online services will accelerate in the healthcare industry.• We hope for digitalization led by the government, including the acceleration of the implementation of the GIGA school initiative and the promotion of next-generation government services.
Other	<ul style="list-style-type: none">• Due to the discontinuation of SAP ERP maintenance support, the shift from existing services to SAP S/4 HANA will continue in industries, and demand for S/4 HANA remains strong.

Revision to Forecasts (Net Sales)

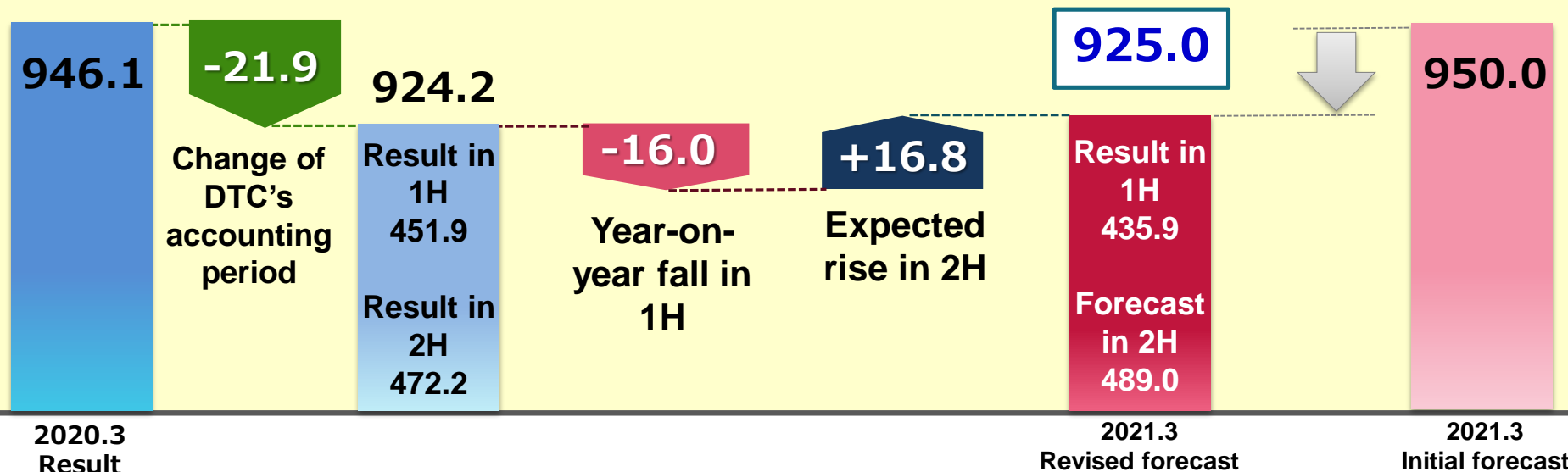
The COVID-19 has not subsided. Considering the results in each segment in the first half and the business environments surrounding them, the Company revises the forecasts downward.

Results were on a recovery trend in the second quarter, and the order backlog exceeds the year-ago level. Considering those factors, sales are forecast to expand towards the fourth quarter.

[Expected rises in each segment in the second half]

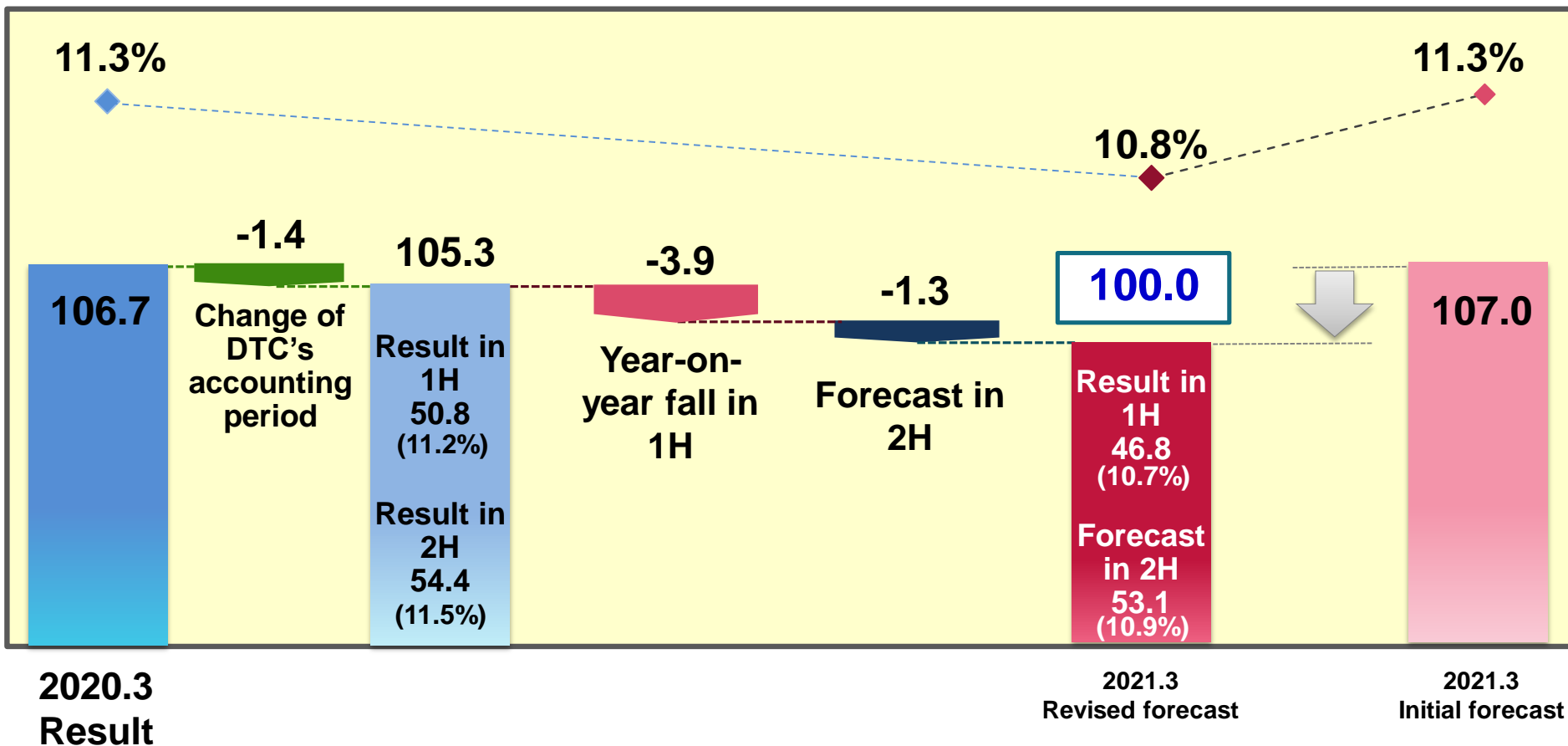
Finance and Society	: Structural reform in finance, expansion in public sector	+5.4
Corporate Solutions	: Transportation and embedded systems to continue to be affected by COVID-19, DX to be strengthened	-5.1
Operation Infrastructure BPO	: Development of operation solutions, expansion of product sales in the education fields	+16.2
Regional, Overseas, etc.	: Challenging environments in both regional and overseas operations, strengthening sales to new customers, etc.	+0.2

(100 million yen)



Revision to Performance Forecasts (Operating Income)

The Company will continue to strive to improve its cost ratio and unprofitable operations and will actively invest in future growth, including investments in digital transformation. The operating income margin improved to its level in the previous year in the second quarter. The operating income margin is forecast to be 10.5%, reflecting active investment in digital business.



Performance Forecasts for the Full Fiscal Year Ending March 2021

[Consolidated]



The Company revises its net sales forecast downward from the initial forecast. The revised net sales forecast is up ¥70 million from a year ago, excluding the impact of the change of DTC's accounting period.

The operating income forecast is down ¥670 million year on year. The Company plans to post an operating income that is 10% or more of sales for the fifth consecutive year and ¥10 billion or more, a target in the Medium-Term Management Plan, for the second consecutive year.

(Units: 100 million yen)	Forecasts	Ratio to sales (%) / YoY	Progress in 1H	Comparison with initial year		Year on year	
Net sales	925.0	—	47.1%	-25.0	97.4%	-21.1 <+0.7>	97.8% <100.1%>
Gross profit	178.0	19.2% (-0.5pt) <-0.7pt>	47.3%	-9.0	95.2%	-9.0 <-6.3>	95.2% <96.6%>
SG&A expenses	78.0	8.4% (-0.1pt) <-0.1pt>	47.9%	-2.0	97.5%	-2.3 <-1.0>	97.1% <98.7%>
Operating income	100.0	10.8% (-0.5pt) <-0.6pt>	46.8%	-7.0	93.5%	-6.7 <-5.3>	93.7% <95.0%>
Recurring income	102.0	11.0% (-0.4pt) <-0.6pt>	47.5%	-6.5	94.0%	-6.4 <-5.0>	94.0% <95.3%>
Profit attributable to owners of parent	69.0	7.5% (-0.3pt) <-0.4pt>	47.4%	-5.0	93.2%	-4.1 <-3.2>	94.3% <95.5%>

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

Performance Forecasts for the Full Fiscal Year Ending March 2021

[Sales by Segment]



(Units: 100 million yen)		Forecasts	Ratio to sales (%)	Progress in 1H	Comparison with initial year		Year on year	
Net sales		925.0	—	47.1%	-25.0	97.4%	-21.1 <+0.7>	97.8% <100.1%>
	Finance and society	297.0	32.1%	46.9%	-7.0	97.7%	-11.3	96.3%
	Corporate solutions	262.5	28.4%	48.2%	-24.0	91.6%	-13.9	94.9%
	Operational Infrastructure BPO	255.0	27.6%	46.5%	+17.5	107.4%	+6.2 <+28.1>	102.5% <112.4%>
	Regional, overseas, etc.	110.5	11.9%	46.5%	-11.5	90.6%	-2.0	98.2%

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

FY March 2021 Dividend

The annual dividend for the fiscal year ending March 2021 will remain unchanged from the initial forecast. We will continue to pay stable dividends, aiming for a total return ratio of 45% or higher, a target in the Medium-Term Management Plan.

	End of 2Q	Year end	Full year	Total return ratio (consolidated)	Payout ratio (consolidated)
FY 21/3 (Forecast) *1	¥25	¥30	¥55	After the performance results are revised	
				51.0%	36.6%
				Initial forecasts	
				47.5%	34.1%
FY 20/3 *2	¥20	¥35	¥55	45.7%	34.8%

*1: Already acquired treasury stock of 444,100 shares (amounting to about ¥1,000 million) in May to June 2020

*2: For 20/3, the amount is equivalent to the amount after the stock split
(we conducted a 1:2 stock split for common stock effective July 1, 2019)

Other information

(Reference) Major News Releases (1)

Date of release	Company	Title, brief description
October 30	D T S	Notice concerning a revision to the results forecast DTS revised the results forecast announced on April 30, 2020 (net sales: ¥92.5 billion; operating income: ¥10.0 billion).
October 21	D T S	Healthy company gold certification achieved DTS achieved Healthy Company Step 2 status in December 2019 and promoted safety and health at its workplaces through health and productivity management. DTS satisfied the criteria for gold certification and became certified in September 2020.
October 15	D T S W E S T	The Multi-database Search System for Historical Chinese Characters, which has been created by the Historiographical Institute, The University of Tokyo, the Nara National Research Institute for Cultural Properties, and other institutes, became available. Following the development of the MOJIZO system (image matching search system for mokkan (wooden tablets) and cursive characters) and the Mokkanko (wooden tablet database) and the building of the foundation for a Nara National Research Institute for Cultural Properties image database, DTS WEST provided technical cooperation in the building of the portal of the multi-database search system for historical Chinese characters. DTS WEST built a portal that displays images searched for across the image databases of six organizations in Japan and overseas, including the Historiographical Institute, The University of Tokyo and the Nara National Research Institute for Cultural Properties.
October 7	D T S W E S T	Ferris Chat, an AI chat bot using kotosora, launched at Ferris University. Ferris University introduced Ferris Chat, an AI chat bot using kotosora, to provide a new method enabling everyone to easily find answers to questions that are frequently asked by students in addition to the existing methods (visiting contact desks, using internal Q&A services). The new system enables students to access the information they need 24 hours a day, every day. The system is expected to improve convenience for students and increase the work efficiency of university staff by reducing the time to answer the questions.
August 6	D T S	DTS upgraded its BPO service that helped stop the retention of credit card information and began providing new services. DTS's security support center, which absolutely complies with PCI DSS Ver3.2.1, mainly handled credit card information. On August 1, the security support center renewed the service and began handling account information in higher security environments and began handling sensitive information, including national identification numbers, as new BPO services.

(Reference) Major News Releases (2)

Date of release	Company	Title, brief description
July 1	D T S W E S T	<p>DTS WEST commenced a demonstration experiment of a kotosora for LGWAN-solution based automatic response system for staff members of Kasugai city hall.</p> <p>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)</p>
June 15	D T S	<p>Notice concerning status and completion of treasury stock acquisition</p> <p>Number of shares acquired: 444,100 shares, Total amount: 999,798 thousand yen, Period: May 1, 2020 to June 12, 2020.</p>
May 18	D T C	<p>DTC concluded a distributorship agreement with Druva and provision of a solution that protects end points in the telework environment.</p> <p>DTC 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.</p>
May 12	D T S	<p>Notice concerning change of an accounting auditor</p> <p>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.)</p>
April 24	D T S	<p>DTS started to sell Pasteriot, an IoT platform for manufacturing sites to help achieve DX (digital transformation) using the IoT and AI.</p> <p>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.</p>

**2Q FY March 2021
Results Presentation
Thank you for your attention.**

