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October 31, 2022

## Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2023 <under Japanese GAAP>

Company name: **DTS CORPORATION**  
 Stock listing: Tokyo Stock Exchange  
 Stock code: 9682  
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Scheduled date to file quarterly securities report: November 9, 2022  
 Scheduled date to commence dividend payments: November 22, 2022  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

### 1. Consolidated financial results for the first six months of the fiscal year ending March 31, 2023 (from April 1, 2022 to September 30, 2022)

#### (1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2022	49,925	14.4	5,134	9.1	5,176	8.5	3,314	2.1
September 30, 2021	43,650	—	4,706	—	4,769	—	3,246	—

Note: Comprehensive income  
 Six months ended September 30, 2022: ¥3,492 million [9.5%]  
 Six months ended September 30, 2021: ¥3,188 million [—%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	74.29	—
September 30, 2021	71.27	—

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter of the fiscal year ended March 31, 2022, and each figure for the first six months of the fiscal year ended March 31, 2022, is the figure after applying the accounting standard and relevant revised ASBJ regulations. The percentage of year-on-year change is not shown.

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2022	74,378	58,851	79.0
March 31, 2022	79,116	62,133	78.4

Reference: Equity

As of September 30, 2022: ¥58,747 million

As of March 31, 2022: ¥62,018 million

## 2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	30.00	—	40.00	70.00
Fiscal year ending March 31, 2023	—	50.00			
Fiscal year ending March 31, 2023 (Forecasts)			—	70.00	120.00

Note: Revisions to the forecasts of dividends most recently announced: None

Note: The dividend forecasts for the fiscal year ending March 31, 2023 include the following commemorative dividends in celebration of the 50th founding anniversary: ¥20 in the second quarter-end dividend and ¥30 in the fiscal year-end dividend.

## 3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2023	100,000	5.9	11,400	1.8	11,600	1.7	7,950	1.2	180.25

Note: Revisions to the earnings forecasts most recently announced: None

## \* Notes

(1) Changes in significant subsidiaries during the six months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of specific accounting for preparing quarterly consolidated financial statements: Yes

Note: For the details, please refer to ‘(Application of specific accounting for preparing quarterly consolidated financial statements) in (4) Notes to quarterly consolidated financial statements in 2. Quarterly Consolidated Financial Statements and Significant Notes Thereto’ on page 11 of the attached materials.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

a. Changes in accounting policies due to revisions to accounting standards and other regulations: None

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

d. Restatement of prior period financial statements after error corrections: None

(4) Number of issued shares (common stock)

- a. Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2022	49,072,632 shares
As of March 31, 2022	49,072,632 shares

- b. Number of treasury shares at the end of the period

As of September 30, 2022	5,475,163 shares
As of March 31, 2022	4,002,622 shares

- c. Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2022	44,611,000 shares
Six months ended September 30, 2021	45,552,946 shares

\* **Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.**

\* **Proper use of earnings forecasts, and other special matters**

1. The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors.

For matters regarding the above earnings forecasts, please refer to ‘(2) Information regarding consolidated earnings forecasts and other forward-looking statements’ in ‘1. Qualitative Information Regarding Settlement of Accounts for the First Six Months,’ on page 5 of the attached materials.

2. The monetary amounts of accounting items or other information presented in the quarterly consolidated financial statements of the Company were previously presented in thousands of yen. However, commencing from the first quarter of the fiscal year ending March 31, 2023 and for the first three months of the fiscal year ending March 31, 2023, this unit has changed to millions of yen. To facilitate comparison with prior periods, the consolidated financial statements for the fiscal year ended March 31, 2022 and the consolidated financial statements for the first six months ended September 30, 2021 are presented in millions of yen.

## Attached Materials

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## 1. Qualitative Information Regarding Settlement of Accounts for the First Six Months

### (1) Information regarding consolidated operating results

Forward-looking statements in this document are based on our views as of the end of the quarter under review.

In the six months under review, the Japanese economy showed signs of recovery despite the remaining impact of COVID-19. Looking ahead, as countries around the world continue with fiscal tightening, there is a risk that a downturn in overseas economic conditions could dampen business sentiment in Japan. Furthermore, we must be fully aware of the impacts of rising prices, supply side constraints, and fluctuations in the financial and capital markets.

Amid these conditions, the Group formulated “Vision 2030” as our management vision heading toward 2030.

The DTS Group aims to establish a new growth model and further improve corporate value through the creation of both social value and financial value by understanding environmental changes to areas such as the IT market, technology and ESG, and in addition to further developing the existing SI business model, it will proactively invest into digital, solutions and service business as well as the human resources to realize this.

To achieve these objectives, the Group has set “increase sophistication of the value that we propose,” “combination of SI x digital,” “advance into new fields as well as globally,” “strengthen ESG initiatives,” and “reform management foundation” as key challenges, and will work on initiatives.

Furthermore, in the fiscal year under review, we aim to achieve net sales of ¥100.0 billion (+ 5.9% year on year) and EBITDA of ¥12.1 billion (+ 2.6% year on year).

#### ■ “Increase sophistication of the value that we propose” and “combination of SI x digital”

To increase coordination between the front lines and sales to improve the value that we propose, in April 2022, we transferred the sales promotion functions that had been consolidated in the Sales Sector to the individual business sectors.

In October 2022, we established an organization in charge of promoting the ServiceNow business to contribute to customers’ operational transformation by digitalizing workflows and integrating multiple unlinked systems using ServiceNow®.

As a first solution specializing in data use, in May 2022, we were certified as a SELECT Partner by the U.S.’s Snowflake Inc. and began selling its “Snowflake” products.

As a second solution, in July 2022, we started handling the “mcframe 7 SCM/PCM” (Note 1) production management package. Using the Snowflake cloud platform for data utilization in combination with existing factory IoT solutions, we will integrate and share unlinked data and support solutions to issues in the manufacturing industry.

Using the operational knowhow that we have accumulated thus far, the Company is steadily expanding its lineup of “DX/Data Use Solutions” that combine operational applications and data analysis to effectively use corporate data and providing one-stop support from consulting to building and management to realize DX throughout our customers’ value chains.

We are enhancing our initiatives in “focus businesses” (Note 2) as the Company’s target areas to achieve rapid growth. Furthermore, in our medium-term management plan, we are promoting our target of net sales of focus businesses making up 40% of total net sales by the fiscal year ending March 31, 2025. In the six months under review, net sales of focus businesses made up 38.7% of total net sales, showing steady progress toward our goal.

(Note 1) mcframe 7 SCM/PCM

mcframe is a supply chain management (SCM) package for the manufacturing industry that can provide various functions such as production, sales, inventory, and cost management, and handle steps from assembly to process manufacturing and individual production orders. It is

a digital solution for the manufacturing industry that has been implemented by over 1,000 companies at more than 2,000 sites in 17 countries worldwide since its launch in 1996.

(Note 2) Focus businesses

Business fields on which the Group will focus, composed of three growth engines: Digital Biz, Solution Biz and Service Biz.

■ “Advance into new fields as well as globally”

In August 2022, we concluded an agreement to acquire 51% of the shares of US-based IT services company Partners Information Technology, Inc. in order to build a firmer partnership with the company and strengthen our business in the United States.

Going forward, we will strengthen our solutions business, not only for financial institutions, which are our main customers, but also providing DX and so forth for various industries.

■ “Strengthen ESG initiatives”

To strengthen the oversight function of the Board of Directors by making the Audit and Supervisory Committee Members responsible for auditing the execution of duties by Directors as members of the Board of Directors, and to further enhance corporate governance by further strengthening its monitoring function, the Company transitioned from a company with corporate auditors to a company with an Audit and Supervisory Committee.

Furthermore, following the conclusion of the 50th Annual General Meeting of Shareholders, of the 13 Directors, the seven Independent Outside Directors made up a majority, and there were two female Directors. We will continue to work to improve the independence and diversity of the Board of Directors.

As the environment surrounding companies is changing drastically, based on the recognition that it is an important business challenge to balance realization of a sustainable society and sustainable corporate growth, the Group newly set up the Sustainability Committee to further strengthen its environmental and social initiatives. Furthermore, in addition to further promoting ESG activities, to enhance company-wide cross-sectional activities, we newly established the ESG Promotion Department.

In August 2022, we were selected as a constituent brand for the JPX-Nikkei Index 400 (Note) for fiscal 2022 (August 31, 2022 to August 30, 2023).

(Note) JPX-Nikkei Index 400

A stock index comprised of “companies that have high investment appeal for investors” and satisfy the requirements of global investment standards, such as efficient use of capital and initiatives to strengthen corporate governance.

■ “Reform management foundation”

With the transition to a company with Audit and Supervisory Committee, to accelerate decision-making, we updated the Board of Directors rules with changes to the scope of delegation of the Board of Directors and the organizational rules with authorities related to business execution.

To continue realizing fast management, we are promoting the delegation of authority and structural reforms.

■ “Shareholder returns”

Based on a comprehensive consideration of opportunities for growth investment, capital conditions, and the market environment including the recent stock price, to improve capital efficiency and to

further improve returns for our shareholders, we acquired 1,481,800 treasury shares from May to September 2022. Then, in October 2022, we cancelled all of the above treasury shares that we acquired.

As a result of the above, the Group reported net sales of ¥49,925 million for the six months under review (+ 14.4% year on year).

Gross profit was ¥9,328 million (+ 9.4% year on year) due to the increase in net sales.

Selling, general and administrative expenses were ¥4,193 million (+ 9.8% year on year). With the increase in gross profit, operating profit came to ¥5,134 million (+ 9.1% year on year), and ordinary profit came to ¥5,176 million (+ 8.5% year on year). Profit attributable to owners of parent was ¥3,314 million (+ 2.1% year on year), mainly due to the increase in ordinary profit.

(Millions of yen)

	Consolidated	Year-on-year change (%)
Net sales	49,925	14.4
Operating profit	5,134	9.1
Ordinary profit	5,176	8.5
Profit attributable to owners of parent	3,314	2.1

#### <Breakdown of net sales>

(Millions of yen)

	Consolidated	Year-on-year change (%)
Operation & Solutions	19,750	14.6
Technology & Solutions	15,666	11.1
Platforms & Services	14,507	17.7
Total	49,925	14.4

Summaries of the operational conditions of each segment are as follows.

#### **Operation & Solutions Segment**

Net sales came to ¥19,750 million (+14.6% year on year), due to strong progress in cloud-related projects, mainly in the financial services and information and communications industries.

In initiatives for our “focus businesses,” we are striving to “strengthen application development capability based on cloud architecture,” “strengthen capabilities for agile/low code development,” and “expand and further create industry-specific solution services,” among others.

As industry specific solutions and services, we have started providing a financial instrument screening function in our AMLion anti-money laundering measure system compliant with international standards, in addition to the transaction monitoring function.

Furthermore, AMLion has been adopted by Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. for economic sanctions list and negative news matching in its operations for countering money laundering and terror financing.

Going forward, we will contribute to increasing the level and efficiency of compliance checking operations in finance business formats.

### **Technology & Solutions Segment**

Net sales came to ¥15,666 million (+11.1% year on year), due to strong progress in packaged solutions such as ERP and embedded systems.

In our initiatives for “focus businesses,” we are striving to “enhance our cloud business technologies and reform our business models,” “enhance functions for the expansion of package sales and strengthen ERP business expansion,” and “establish the technologies for edge AI and server security,” among others.

In September 2022, we started sales of “Walk in home 2022” with enhanced functionality to enable sales talks online using living space VR, enhanced design, and the ability to flexibly handle changes in settings following law reforms.

In addition, we started supplying HOUSING CORE, a core system for the housing construction industry which provides a variety of functions for housing-related businesses and enables visualization of information.

We will continue to provide housing solutions going forward, and to contribute to adoption of DX for the housing and construction industries.

### **Platforms & Services Segment**

Net sales came to ¥14,507 million (+17.7% year on year) due to growth in operational infrastructure design and building projects accompanying the shift to the cloud, and steady progress on product projects.

In our initiatives for “focus businesses,” we are striving to “expand operational service menu centered on ReSM/ReSM plus,” “enhance and promote the sales of HybridCloud, Data Management, etc.,” and “promote network integration business,” among others.

## **(2) Information regarding consolidated earnings forecasts and other forward-looking statements**

With respect to the full-year consolidated earnings forecasts, there is no change from the earnings forecasts announced on April 28, 2022.



## 2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

### (1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	46,120	42,672
Notes and accounts receivable - trade, and contract assets	17,259	16,555
Securities	1,200	799
Merchandise and finished goods	1,193	742
Work in process	209	446
Raw materials and supplies	54	63
Other	1,030	1,148
Allowance for doubtful accounts	(24)	(29)
Total current assets	67,044	62,398
Non-current assets		
Property, plant and equipment	3,669	3,778
Intangible assets		
Goodwill	209	174
Other	666	675
Total intangible assets	876	849
Investments and other assets		
Other	7,531	7,357
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	7,526	7,351
Total non-current assets	12,072	11,979
Total assets	79,116	74,378

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	6,256	5,195
Income taxes payable	2,392	1,925
Provision for bonuses	2,726	2,915
Provision for bonuses for directors (and other officers)	77	43
Provision for loss on orders received	76	167
Other	4,358	4,090
Total current liabilities	15,888	14,338
Non-current liabilities		
Retirement benefit liability	832	874
Other	261	314
Total non-current liabilities	1,094	1,188
Total liabilities	16,982	15,527
<b>Net assets</b>		
Shareholders' equity		
Share capital	6,113	6,113
Capital surplus	4,992	5,006
Retained earnings	55,418	56,929
Treasury shares	(5,342)	(10,328)
Total shareholders' equity	61,181	57,720
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	609	681
Foreign currency translation adjustment	54	178
Remeasurements of defined benefit plans	172	165
Total accumulated other comprehensive income	836	1,026
Non-controlling interests	115	104
Total net assets	62,133	58,851
<b>Total liabilities and net assets</b>	<b>79,116</b>	<b>74,378</b>

## (2) Consolidated statements of income and consolidated statements of comprehensive income

### Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	43,650	49,925
Cost of sales	35,124	40,596
Gross profit	8,526	9,328
Selling, general and administrative expenses	3,819	4,193
Operating profit	4,706	5,134
Non-operating income		
Interest income	17	17
Dividend income	39	50
Other	35	27
Total non-operating income	92	95
Non-operating expenses		
Interest expenses	13	13
Loss on investments in investment partnerships	0	11
Foreign exchange losses	13	21
Other	3	7
Total non-operating expenses	30	53
Ordinary profit	4,769	5,176
Extraordinary losses		
Loss on retirement of non-current assets	–	0
Loss on valuation of investment securities	–	255
Loss on cancellation of rental contracts	1	–
Total extraordinary losses	1	255
Profit before income taxes	4,767	4,920
Income taxes	1,528	1,625
Profit	3,239	3,294
Loss attributable to non-controlling interests	(6)	(19)
Profit attributable to owners of parent	3,246	3,314

# Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	3,239	3,294
Other comprehensive income		
Valuation difference on available-for-sale securities	(90)	72
Foreign currency translation adjustment	44	132
Remeasurements of defined benefit plans, net of tax	(4)	(6)
Total other comprehensive income	(50)	198
Comprehensive income	3,188	3,492
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,189	3,503
Comprehensive income attributable to non-controlling interests	(0)	(10)

**(3) Consolidated statements of cash flows**

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,767	4,920
Depreciation	269	278
Amortization of goodwill	35	35
Increase (decrease) in provision for bonuses	(122)	185
Increase (decrease) in provision for bonuses for directors (and other officers)	(63)	(33)
Increase (decrease) in provision for loss on orders received	61	90
Increase (decrease) in retirement benefit liability	55	27
Loss (gain) on valuation of investment securities	—	255
Decrease (increase) in trade receivables and contract assets	2,319	775
Decrease (increase) in inventories	(646)	208
Increase (decrease) in trade payables	(206)	(1,071)
Other, net	(773)	(634)
Subtotal	5,697	5,038
Interest and dividends received	60	69
Interest paid	(7)	(13)
Income taxes paid	(2,132)	(2,138)
Net cash provided by (used in) operating activities	3,617	2,955
<b>Cash flows from investing activities</b>		
Proceeds from redemption of securities	—	800
Purchase of property, plant and equipment	(57)	(159)
Purchase of intangible assets	(108)	(123)
Purchase of investment securities	(225)	(325)
Payments into time deposits	(124)	(173)
Proceeds from withdrawal of time deposits	122	176
Net decrease (increase) in short-term loans receivable	183	(1)
Proceeds from distributions from investment partnerships	27	15
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(325)	—
Other, net	(4)	(1)
Net cash provided by (used in) investing activities	(512)	207
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(1,002)	(5,007)
Dividends paid	(1,600)	(1,796)
Other, net	30	94
Net cash provided by (used in) financing activities	(2,572)	(6,710)
Effect of exchange rate change on cash and cash equivalents	38	84
Net increase (decrease) in cash and cash equivalents	570	(3,462)
Cash and cash equivalents at beginning of period	43,327	45,817
Cash and cash equivalents at end of period	43,898	42,354

#### **(4) Notes to quarterly consolidated financial statements**

(Notes on premise of going concern)

No items to report.

(Notes on substantial changes in the amount of shareholders' equity)

No items to report.

(Application of specific accounting for preparing quarterly consolidated financial statements)

(Calculation of taxes)

Taxes are calculated first by reasonably estimating the effective tax rate after applying tax effect accounting against profit before income taxes for the fiscal year including the second quarter under review, and next by multiplying the quarterly profit before income taxes by such estimated effective tax rate.

(Significant subsequent events)

(Cancellation of treasury shares)

The Company conducted a cancellation of treasury shares in accordance with the provisions of Article 178 of the Companies Act, resolved at a Board of Directors meeting held on April 28, 2022, as follows.

(1) Type of shares cancelled	Common stock of the Company
(2) Total number of shares cancelled	1,481,800 shares (Ratio to the total number of issued shares including treasury shares before the cancellation: 3.02%)
(3) Date of cancellation	October 17, 2022

### 3. Others

#### Results of production, orders and sales

In the six months under review, order volume and order backlog in the Platforms & Services Business increased dramatically year on year. This was mainly due to an increase in large-scale product projects and operational infrastructure design and building projects.

Furthermore, in the first quarter of the fiscal year ending March 31, 2023, we changed the reportable segment classification, and for the year-on-year percentage change below, we use figures from the same period of the previous fiscal year prepared based on the classification method following the change.

#### (1) Production

Production in the six months under review is as follows.

Segment	Production (Millions of yen)	Year-on-year change (%)
Operation & Solutions	19,750	14.6
Technology & Solutions	15,666	11.1
Platforms & Services	14,507	17.7
Total	49,925	14.4

Note: Inter-segment transactions have been eliminated.

#### (2) Orders

Orders in the six months under review are as follows.

Segment	Order volume (Millions of yen)	Year-on-year change (%)	Order backlog (Millions of yen)	Year-on-year change (%)
Operation & Solutions	18,258	6.5	8,872	4.3
Technology & Solutions	15,302	12.0	6,278	8.2
Platforms & Services	16,629	50.1	11,094	69.5
Total	50,190	19.8	26,246	25.8

Note: Inter-segment transactions have been eliminated.

#### (3) Sales

Sales in the six months under review are as follows.

Segment	Sales (Millions of yen)	Year-on-year change (%)
Operation & Solutions	19,750	14.6
Technology & Solutions	15,666	11.1
Platforms & Services	14,507	17.7
Total	49,925	14.4

Note: Inter-segment transactions have been eliminated.