DTS (TSE Code: 9682)

Solid Strides Forward Toward High Profitability By Identifying Investment Areas

Report Summary

Consolidated Results for FYE March 2025 Achieve Record Highs and Reach Medium-Term Management Plan Financial Targets

DTS CORPORATION ("DTS") reported consolidated financial results for the fiscal year ended March 31, 2025, achieving net sales of 125.9 billion yen and operating profit of 14.4 billion yen, both of which set new records. These results significantly exceeded the financial targets set in the previous medium-term management plan (2022-2024), which completed its final fiscal year. Of particular note is ROE reaching 17.7%, surpassing the Vision2030 target of 16% ahead of schedule.

Focus businesses centered on digital, solution, and service businesses accounted for 51.6% of consolidated net sales, significantly exceeding the target of 40%, showing accelerated progress in the business structure transformation. This success indicates that DTS has successfully advanced from its traditional SI business model to a higher value-added approach with digital, solution, and service businesses. It is proof that the company's management strategy is in line with market needs and is being executed effectively, and the expansion of the focus businesses is contributing to improved profitability.

The company maintains a dividend payout ratio of 50% or higher and a total return ratio of 70% or higher, achieving a total return ratio of 152.4% for the fiscal year ended March 31, 2025. Through the proactive implementation of flexible treasury share acquisitions, the company demonstrates a strong commitment to improving capital efficiency and maximizing shareholder value.

KEY STATISTICS

Key Stock Statistics

Recent Price (05/29/2025)	¥4930.00
52-week High/Low	¥4,975 / ¥3,405
Shares Outstanding	41,498,032 shares
Market Cap	¥167,931 million
PER	18.1 times
PSR	1.5 times
Dividend (Dividend Yield)	¥127.00 (2.6%)

Sector Overview

Sector	Information and Communications

Financials (FY 03/2026 Forecast)

Net Sales	¥125,908 million
Operating Profit Margin (%)	11.5%
EBITDA Margin (%)	12.4%

Management

President & CEO	Tomoaki Kitamura

URL	https://www.dts.co.jp/en/

Defined Investment Areas in the Next Medium-Term Management Plan to Drive and Accelerate Growth

The new medium-term management plan (2025-2027) sets out five concentrated investment areas—cloud computing & modernization, data utilization, security & managed services, enterprise application services, and IoT & edge technologies—to accelerate growth further. Additionally, the company is taking on the challenge of two "forward-looking investment areas"—AI/generative AI and CX (customer experience value)—which will serve as future growth drivers, aiming to achieve net sales of 160 billion yen, operating profit of 18.7 billion yen, and an ROE of 18% or higher by the end of fiscal 2027.

Figure 1: Major Financial Indicators and Target Achievement in the Previous Medium-Term Management Plan

Indicator	Previous Mid-term Target	FYE 03/2025 Results	Achievement Status
Consolidated net sales	110 billion yen or more	125.9 billion yen	Achieved
Operating profit	12 billion yen or more	14.4 billion yen	Significantly achieved
EBITDA	13 billion yen or more	15.6 billion yen	Significantly achieved
EBITDA margin	Approximately 12%	12.4%	Achieved
ROE	13% or more	17.7%	Significantly achieved
Focus business net sales ratio	40% or more	51.6%	Significantly achieved
Growth investment (3-year cumulative)	25 billion yen	27.3 billion yen	Achieved
Dividend payout ratio	50% or more	50.0%	Achieved
Total return ratio	70% or more	152.4%	Significantly achieved

Figure 2: Highlights of the New Medium-Term Management Plan

Item	Details
Three pillars	Promote business growth and expansion, as well as enhanced stability and reliability, by focusing on the "evolution of focus businesses and deepening of core businesses," the "execution of strategic alliances," and the "strengthening of the group's management foundation."
Concentrated investment in growth domains	Strengthen the five concentrated investment areas: Cloud computing & modernization, data utilization, security & managed services, enterprise application services, and IoT & edge technologies. In addition, take on AI/generative AI and CX as two forward-looking investment areas, and establish net sales targets for 2030.
Financial targets	Aim for net sales of 160 billion yen, operating profit of 18.7 billion yen, EBITDA of 20 billion yen, EBITDA margin of 12.5%, and ROE of 18% or more in fiscal 2027.
Growth investment	Plans to invest a total of 32.5 billion yen over the three years from 2025 through 2027, strategically allocating funds to human resources, M&A, R&D, capital expenditures, and other business investments.

Providing Reliable and Attractive Investment Opportunities

DTS has achieved results that significantly exceed the targets of its previous medium-term management plan, demonstrating the strong execution capabilities of its management team and its ability to adapt to market conditions. This success enhances confidence in the company's ability to achieve its new, more ambitious targets. The new medium-term management plan clearly outlines concentrated investments in growth domains and forward-looking investments in domains that will serve as future growth drivers, making sustainable growth a solid prospect. Additionally, the strong IT investment appetite of client companies (particularly in the financial and manufacturing industries) is expected to drive growth over the next three years. A solid financial base and a proactive shareholder return policy provide attractive investment opportunities.

GIR View

Reaching Record Highs in FYE March 2025 Results Backed by Strong Demand in the Banking Industry

DTS's fiscal year ended March 31, 2025 saw both net sales and operating profit increase, setting new records. Net sales reached 125.9 billion yen (an increase of 10.18 billion yen, or 8.8%, from the previous year), operating profit reached 14.48 billion yen (an increase of 1.98 billion yen, or 15.8%, from the previous year), and EBITDA reached 15.61 billion yen (an increase of 2.03 billion yen, or 14.9%, from the previous year). A major factor contributing to the strong performance was the contributions from the Operation and Solutions segment. This segment achieved sales of 53.2 billion yen, an increase of 9.54 billion yen from the previous year (accounting for approximately 93% of the total net sales increase), driven by increased banking industry projects and new consolidations.

The Challenge of Advancing the Technology and Solutions Segment Based on Net Sales Growth

While performance appears extremely sound at first glance, there remain challenges in the business portfolio. The Operation and Solutions segment reported robust growth with a 21.9% increase in net sales compared to the previous year. On the other hand, the Technology and Solutions segment saw net sales increase by only 660 million yen (1.6%) from the previous year, marking a significant slowdown compared to the growth recorded in the fiscal year ended March 31, 2024 (an increase of 7.81 billion yen, or 22.7%, from the previous year). The primary cause was the temporary suspension of operations due to the occurrence of unprofitable projects during the first half of the fiscal year. The occurrence of unprofitable projects reflects the fact that this segment represents a high-potential, high-risk domain that DTS recognizes as worth pursuing. It also demonstrates the company's resilience in being able to halt new orders and quickly stem losses in such cases. In fact, the decline in orders was limited to the second quarter, with orders increasing again in the third quarter. Net sales growth is expected to continue in the current fiscal year and beyond.

In the fiscal year ended March 31, 2025, net sales from the focus businesses, which DTS is actively investing in as a pillar of next-generation growth, accounted for 51.6% of total sales at 64.95 billion yen, significantly exceeding the medium-term management plan target of over 40% of sales. Of this, 50.9%, or 33.03 billion yen, was contributed by the Technology and Solutions segment, which is implementing various initiatives such as strengthening cloud business technologies, expanding ERP business, and establishing cybersecurity technologies. The segment is expected to play the most dynamic role in DTS's growth strategy going forward and has the potential to drive both net sales and profits across the entire company.

Focus businesses have already emerged as pillars of revenue. While the Operation and Solutions segment continues to drive performance among the segments, the Technology and Solutions segment is leveraging experience from unprofitable projects, strengthening management systems, and advancing strategic investments and talent development to solidify its role as a performance driver.

Achieving Medium-Term Management Plan Targets While Turning Profit Margins Upward

Looking back on performance from the perspective of the medium-term management plan, all financial indicators were achieved in the final year (net sales of 125.9 billion yen, operating profit of 14.4 billion yen, EBITDA of 15.6 billion yen, EBITDA margin of 12.4%, and operating profit per employee of 2.8 million yen). Notably, the return on equity (ROE) reached 17.7%, exceeding the target of 13% or higher, indicating an overall improvement in DTS's operational efficiency in addition to institutional accounting indicators.

Additionally, the growth investment budget of 25 billion yen over three years was achieved at 27.3 billion yen. Breaking down the figures, human resource investment (target: 7.5 billion yen, actual: 8.9 billion yen) and M&A (target: 10 billion yen, actual: 11.6 billion yen) were achieved, while business investment, including capital expenditure and R&D investment, fell short of the target (target: 7.5 billion yen, actual: 6.7 billion yen), indicating that DTS is placing greater emphasis on certain areas.

Net sales grew steadily at an annual rate of around 10% throughout the medium-term management plan period, but operating profit margin remained below the level prior to the previous medium-term management plan period (11.9% in the fiscal year ended March 31, 2022) due to challenges in the focus business domains. However, it turned upward in the final year (11.5% for the fiscal year ended March 31, 2025, compared to 10.8% in the previous year), suggesting that the fruits of growth investments are beginning to materialize.

Furthermore, when compared to other system integrators (SIers), an operating profit margin of 11.5% is by no means a low level. It has consistently outperformed companies of similar scale, such as Internet Initiative Japan (9.5%–10.8%), NEC Networks & System Integration (7.0%–7.5%), JBCC (6.5%–8.8%), and FUJISOFT (6.6%–6.9%). It also competes on the same level as so-called semi-major companies such as SCSK (11.1%–11.9%), JFE Systems (11.1%–11.9%), and BIPROGY (8.7%–9.7%). By further enhancing the profitability of individual projects through the advancement of focus businesses and the cultivation of specialized talent, the company could break away from this group and effectively complete the transition from traditional SI business to high-value-added digital, solution, and services businesses.

Anticipated Near-Term High ROE in the New Medium-Term Management Plan From Strengthened Human Capital and Improved Productivity

The new medium-term management plan, announced together with the financial results for the fiscal year ended March 31, 2025, outlines three pillars: (1) Evolution of focus businesses and deepening of core businesses, (2) Execution of strategic alliances, and (3) Strengthening of the group's management foundation. Among these, (1) builds on the growth strategies for focus businesses from the previous medium-term management plan, but the major change is the division of investment areas into concentrated investment areas and forward-looking investment areas. This distinction is based on the idea that services such as cloud and ERP services, which are contributing to rapid growth, net sales, and profit generation in the short term, should be separated from services such as generative AI and CX (customer experience value) design, which require a longer-term perspective for development. This is expected to lead to the formulation of more accurate business plans and earnings forecasts. Additionally, planned initiatives include strengthening consulting capabilities to expand prime projects and reinforcing governance management in response to the misconduct uncovered during the previous fiscal year at an overseas group company, ensuring no weaknesses in the business structure.

The core of the alliance strategy outlined in (2) is a 10 billion yen M&A investment. DTS Group has actively pursued M&A to expand its business scope and strengthen its management foundation, including human resources and technology, and this strategy will continue. Directly related to this, the targets set in (3) are investments in human capital and reinforcing system infrastructure. In particular, with regard to human capital, quantitative targets resulting from investment have been set to increase the number of domestic employees by 500 and the number of highly skilled professionals to 350 within DTS alone, on a non-consolidated basis, by fiscal 2027. Specific measures include enhancing the company's capabilities through the development of skilled personnel and improving its reputation in the recruitment market to attract high-quality talent, thereby creating a virtuous cycle. At the same time, the company will implement measures to reward employees, such as base salary increases and performance-based bonuses.

As a result of these efforts to achieve both growth and operational stability, the targets for the fiscal year ending March 31, 2028 are net sales of 160 billion yen (result for the fiscal year ended March 31, 2025: 125.9 billion yen), operating profit of 18.7 billion yen (result for the fiscal year ended March 31, 2025: 14.4 billion yen), and EBITDA of 20 billion yen (result for the fiscal year ended March 31, 2025: 15.6 billion yen). While the ROE was 17.7% as of the previous fiscal year, the target for the final year of the medium-term management plan is set at 18% or higher. However, the target for productivity (operating profit per employee) is set to increase from 2.8 million yen to 3.2 million yen, and considering the anticipated increase in personnel by several hundred, this target is relatively conservative. It is expected that the company will eventually achieve an ROE of over 20% in the near future.

Favorable Market Conditions Boosting the Likelihood of Achieving Growth Strategies

DTS's growth strategy is heavily dependent on external factors such as the AI and cloud computing boom, demand for cybersecurity, and the strong performance of the banking industry due to rising interest rates. Here we take a look at how reliable the outlooks are for these IT demands.

According to the forecast from International Data Corporation Japan ("IDC Japan"), the domestic IT services market is expected to have reached 7.0205 trillion yen in 2024, an increase of 7.4% from the previous year, driven by strong demand for cloud migration and legacy modernization toward digital transformation (DX). Furthermore, an average annual growth rate of 6.6% is projected for the five-year period from 2024 to 2029, with the practical application of AI and the expansion of use cases expected to drive market growth (Source: IDC Japan (2025) "Japan IT Services Forecast by Vertical Segment, 2025–2029").

Active trends in IT investment are being observed across the various industries that constitute DTS's primary customer base. For example, in the financial and banking industry, according to ITR's survey, 44% of companies increased their IT budgets for the fiscal year ending March 31, 2025, and this figure is also expected to rise to 45% for the fiscal year ending March 31, 2026. The IT investment index is also maintaining a high level close to its all-time high (Source: ITR (2024) "Japan IT Investment Trend Survey Report 2025"). In the manufacturing industry, IT investment is increasing due to the resumption of investments postponed during the COVID-19 pandemic, large-scale investments in semiconductors, and measures to address labor shortages (Source: FUJI KEIZAI (2024) "Industry-Specific IT Investment/Digital Solution Market 2024 Edition"). The information and communications industry has experienced periods of stagnation in ICT investment in the past, but in recent years, demand for systems and security-related solutions that solve user and corporate issues has been growing, and the solution business is expected to continue to perform well (Source: *Keiei 1000-Ryaku* – "Trends and M&A in the Information and Communications Industry" <https://mitsukaru-ma.jp/information/>).

Continuous demand is also expected from the perspective of technology and solutions. According to IDC Japan's forecast, the Japanese domestic AI system market is expected to have grown by 56.5% year-on-year to 1.3412 trillion yen in 2024 and reach 4.1873 trillion yen in 2029, which is 3.1 times the 2024 figure (Source: IDC Japan (2025) "Japan IT Services Forecast by Vertical Segment, 2025–2029"). DTS established the Generative AI Business Promotion Office in April 2025 and aims to achieve net sales of 10 billion yen in this field by the fiscal year ending March 31, 2030, including system integration (SI), demonstrating its forward-looking investment in this domain.

Regarding the cloud market, the Japanese cloud computing market is projected to achieve a high level of growth from 32.68 billion U.S. dollars in 2022 to 136.24 billion U.S. dollars by 2032, with an annual growth rate of 15.35% (Source: Spherical Insights (2023) "Japan Cloud Computing Market Size Forecasts to 2032"). The Japanese domestic public cloud market is also expected to grow at an average annual rate of 16.3% from 2024 to 2029, reaching 8.8164 trillion yen in 2029, which is 2.1 times higher than in 2024 (Source: IDC Japan (2024) “Japan Public IT Cloud Services Forecast, 2025–2029”). Furthermore, the Japanese domestic market size of the cybersecurity-related industry is projected to grow by 124.27% from the current 1.0546 trillion yen to 2.3652 trillion yen by 2030 (Source: Xeno Brain (2025) “2030 AI Forecast Report for the Cybersecurity-Related Industry”). This growth is driven by rising cyberattack risks and increasing demand for cashless payments. DTS has also recognized the expansion of the security market and is promoting the adoption of zero trust.

Overall, there are no signs of a significant slowdown in Japan’s overall IT investment at this point. In forecasts for the AI and cybersecurity markets, factors such as rising policy interest rates and progress in digital tax reforms are cited as negative factors, but these are not expected to significantly hinder overall market growth at this stage (Source: Xeno Brain (2025) “AI Industry 2030 AI Forecast Report”). As such, there is a high likelihood of continued IT demand, and the current signs of a slowdown in IT investment can be considered limited. DTS is accurately capturing this trend and advancing concentrated investment in high-growth domains.

Solid Share Price Backed by Success in Boosted Shareholder Return Measures – Further Upside Anticipated

As of the end of the fiscal year ended March 31, 2022, cash on hand stood at 45 billion yen (57.9% of total assets), which was reduced to 29.9 billion yen (37.2% of total assets) by the end of the fiscal year ended March 31, 2025, demonstrating the steady execution of the cash allocation plan outlined in the medium-term management plan. Looking at the breakdown, while total growth investments amounted to 27.3 billion yen (target: 25 billion yen), shareholder returns exceeded the three-year target of 20 billion yen for the medium-term management plan, reaching 33.2 billion yen, which is expected to have a positive impact on shareholder value.

The latest DTS share price is 4,770 yen (as of May 22, 2025), with a market capitalization of approximately 192.6 billion yen. Over the past five years, the share price has risen by 118.63%, reflecting the market’s evaluation of the company’s solid performance and growth strategy. However, with a PBR of 1.95 times for the fiscal year ended March 31, 2025, there is still room for improvement. If the aforementioned improvements in ROE and progress in business structure reforms are further recognized, the share price is expected to have significant upside potential.

The final dividend amount will be determined at the General Meeting of Shareholders, but for the fiscal year ended March 31, 2025, the company expects to achieve a dividend payout ratio of 50.0% and a total return ratio of 152.4%, in line with its medium-term management plan. The new medium-term management plan also states that the company will increase cash generation from its businesses and, when surplus cash is available, will flexibly increase acquisitions of treasury shares, indicating that proactive shareholder returns are expected to continue.

Additionally, surplus cash has been allocated to employee benefits, with provisions for bonuses increasing throughout the medium-term management plan period to 2.964 billion yen for the fiscal year end March 2023, 3.656 billion yen for the fiscal year ended March 31, 2024, and 3.754 billion yen for the fiscal year ended March 31, 2025. As a result, the employee turnover rate has continued to decline annually, reaching 5.1% for the fiscal year ended March 31, 2025, which is a low level even within the information/IT industry (the industry average is 9.1%. Source: Ministry of Health, Labour and Welfare, "Summary Report of the Survey on Employment Trends in 2021"). The cultivation and retention of highly skilled personnel are common challenges for SIer companies aiming for growth, and DTS will continue to prioritize these efforts moving forward.

Positive Impacts on Valuation From Business Performance and Growth Strategies

DTS positions itself as a "high-value-added total IT services company" driving digital transformation, evolving from a traditional SI vendor. With solid customer and financial bases, the company is securing stable revenue through its core business centered on financial institutions while actively investing in growth domains such as cloud, data utilization, security, AI/generative AI and CX to achieve sustainable growth and improved profitability.

In terms of figures for the fiscal year ended March 31, 2025, PER was 15.74, and the PBR ratio was 1.95. Analysts' 12-month target share price is 5,083.3 yen, indicating an upside potential of approximately 6.57% increase from the current share price. With operating profit targets of 18.7 billion yen and EBITDA targets of 20 billion yen for the fiscal year ending March 31, 2028, steady profit growth is expected to continue. However, while the current valuation metrics reflect DTS's past performance and solid growth, the market may not yet fully account for the company's accelerated concentrated investment in high-growth domains and business structure reform outlined in its new medium-term management plan. The shift toward high-profit focus businesses is expected to lead to improved profit margins in the future and serve as a basis for multiple expansion.

Considering DTS's solid track record and future growth strategy, the current valuation remains attractive. In particular, the company's performance significantly exceeding the targets of the previous medium-term management plan, the concentrated investment in high-growth domains outlined in the new medium-term management plan, and the proactive shareholder return policy provide long-term investment appeal. In this way, DTS can be considered to have the potential for further premium valuation based on its clear growth strategy and track record.

Impacts of Risk Factors on Performance Limited by Ongoing Measures

In this section, we provide our Global IR perspective on risk factors that could potentially impact the operating performance and financial condition of the DTS Group. First, intensifying price competition in the information services industry is a key risk factor. In response, DTS is making efforts to minimize the impact by strengthening project profitability management, improving productivity, cultivating DX talent, and providing high-value-added services. DTS is shifting from the highly competitive, generic SI domain to more specialized, high-value-added focus business domains to enhance its pricing power and maintain or improve profit margins. At the same time, governance issues at overseas subsidiaries, disputes arising from differences in local laws and business practices, and litigation risks could impact performance. DTS is strengthening its management structure for overseas group companies. Transparent disclosure of issues and the presentation of concrete improvement measures are important steps in maintaining investor confidence and reducing future risks.

Next, we will touch on new business models and technological innovations. There is a possibility that DTS may lag behind in adapting to rapid changes in customer needs and technological innovations. However, under Vision2030, DTS is building a new growth model through forward-looking investment in digital, solution, and service businesses. In its new medium-term management plan, DTS has clearly defined “forward-looking investment areas,” such as AI/generative AI and CX, and is strengthening investments in these areas to mitigate the risk of obsolescence due to technological innovation and maintain its competitive advantage.

Perhaps the most critical factor is talent acquisition and development. If efforts to secure and develop highly skilled and specialized personnel do not proceed as planned, this could impact performance and business expansion. In this regard, DTS is focusing on talent development by valuing diversity and providing support for acquiring new technical skills and obtaining specialized qualifications in the DX field. The presence of MIRUCA CORPORATION, a group company specializing in education, is also significant. As one of the pillars of its new medium-term management plan, DTS has set “invest in human capital” as a priority and plans to invest 11 billion yen, recognizing talent as the most important growth investment. DTS recognizes human resources as both a risk factor and an opportunity, and is addressing this issue with high priority.

Finally, there is cybersecurity. In February 2025, DTS disclosed that one of its group companies had suffered unauthorized access. DTS has established the Risk Management Committee and the Information Security Committee to strengthen countermeasures. Transparent disclosure of information in the event of an issue and the swift implementation of concrete countermeasures are crucial for maintaining corporate trust.

Figure 3: Consolidated Results

Accounting Period	Net Sales (mn)	YoY (%)	Operating Profit (mn)	YoY (%)	Ordinary Profit (mn)	YoY (%)	Profit (mn)	YoY (%)	EPS (Yen)	PER (Times)
FYE 03/2015	74,609	116.3	6,432	135.7	6,518	135.5	3,692	139.1	156.7	10.5
FYE 03/2016	82,537	110.6	7,599	118.2	7,707	118.2	4,341	117.6	186.6	11.5
FYE 03/2017	79,858	96.8	7,986	105.1	8,093	105.0	5,121	118.0	222.4	12.4
FYE 03/2018	83,163	104.1	8,523	106.7	8,574	105.9	5,765	112.6	247.9	14.8
FYE 03/2019	86,716	104.3	9,789	114.8	9,929	115.8	6,817	118.2	292.2	14
FYE 03/2020	94,618	109.1	10,674	109.0	10,849	109.3	7,317	107.3	158.0	11.9
FYE 03/2021	90,493	95.6	10,817	101.3	11,131	101.3	7,593	103.8	165.4	15.2
FYE 03/2022	94,452	104.4	11,196	103.5	11,403	102.4	7,853	103.4	172.7	15.5
FYE 03/2023	106,132	112.4	11,694	104.4	11,932	104.6	8,001	101.9	181.4	17.7
FYE 03/2024	115,727	109.0	12,508	107.0	12,831	107.5	7,293	91.1	168.5	23.8
FYE 03/2025	125,908	108.8	14,489	115.8	15,457	120.5	10,635	145.8	253.8	15.7
FYE 03/2026 (CE)	135,000	107.2	15,500	107.0	15,850	102.5	10,900	102.5	-	-

Source: Prepared by Global IR, Inc. based on company securities reports and company IR materials.
Note: Rounded to the nearest million yen, rounded to one decimal place. CE: “Company Estimate”

FAQs from Meetings with Investors

Financial Results and Outlook

Q1. Performance for the fiscal year ended March 31, 2025 significantly exceeded the plan. What were the main factors behind this?

The main factor behind the operating profit for the fiscal year ended March 31, 2025 exceeding the plan by more than 1 billion yen was the expansion of IT investment by customers, particularly banks, in the Operation and Solutions segment. This was driven by active IT investment by financial institutions amid rising interest rates.

Q2. While profit margins are showing signs of recovery, are the targets for the new fiscal year somewhat conservative? Were the targets of the previous medium-term management plan appropriate?

The previous medium-term management plan was formulated during the COVID-19 pandemic when business performance was uncertain, so a conservative plan was unavoidable. However, given the current high level of investment appetite in the financial industry, we have set significantly higher profit growth targets compared to past plans. Additionally, investigation costs related to the improper transactions that occurred in the previous fiscal year (several hundred million yen in the first half) are not expected to occur this fiscal year, which may contribute to profit improvement this fiscal year.

Segment Business Performance

Q3. Please provide an overview of the performance of each segment and the future outlook. In particular, have the effects of unprofitable projects been resolved?

<u>Operation and Solutions segment</u>: The segment is expected to maintain steady performance in the current fiscal year as bank-related system development has been robust, with projects for Mizuho Bank increasing and orders from other major banks also on the rise. The profit margin for the fourth quarter of the fiscal year ended March 31, 2025 was 14.95% (13.2% for the full year), maintaining a high level. Although a large project for Mizuho Bank is scheduled for release in the summer, new orders are expected to cover this due to strong demand from financial institutions.

<u>Technology and Solutions segment</u>: Although unprofitable projects occurred in the first half, sales and orders recovered in the second half due to multiple orders for core system development. The mcframe package for the manufacturing industry, cloud infrastructure-related projects, and embedded systems also performed well. Looking at the entire company, not limited to Technology and Solutions, unprofitable amounts are expected to be limited to approximately 0.5% of sales for the fiscal year ended March 31, 2025, with a target of 0.5% or less for 2026 and beyond.

<u>Platform and Services segment</u>: This segment has stable operational services, but sales fluctuate due to hardware sales. The previous quarter saw a decline in sales of supercomputers, but this quarter has many bidding projects, and performance is expected to improve. However, hardware sales have low profit margins, so their impact on overall

profits is expected to be small.

Growth Strategy and Key Investment Areas

Q4. Please provide details on the growth strategy outlined in the new medium-term management plan and the investment plans for the AI and generative AI fields.

The new medium-term management plan is based on three pillars: (1) Evolution of focus businesses and deepening of core businesses, (2) Execution of strategic alliances, and (3) Strengthening of the group's management foundations. In particular, the company is focusing on five concentrated investment areas—(1) cloud computing & modernization, (2) data utilization, (3) security & managed services, (4) enterprise application services, and (5) IoT & edge technologies—and two forward-looking investment areas—(6) AI/generative AI and (7) CX. In the AI and generative AI field, the company established its Generative AI Business Promotion Office on April 1, 2025 to strengthen its capabilities through collaboration with external partners. By fiscal 2030, the company aims to achieve net sales of 10 billion yen in conjunction with SI, and is considering specific applications such as the streamlining of monitoring services.

Human Resources Strategy

Q5. Please tell us about your efforts to secure and develop DX human resources and your employee turnover rate.

DTS is focusing on securing human resources. Although the number of new graduates hired in April 2025 fell slightly short of the target of 200 at 184, the number of mid-career hires exceeded the target of 40 at 50. The employee turnover rate improved to 5.1% from 5.8% in the previous fiscal year.

It is estimated that it takes three to six months for new graduates to begin contributing to customer projects, and three to four years to become full-fledged project managers. While acknowledging the possibility of temporary impacts on the productivity of seasoned employees, this is viewed as a necessary investment for long-term growth. The company also has a specialized training subsidiary, ensuring a robust talent development framework.

Capital Policy and Shareholder Returns

Q6. How are investor proposals regarding cash allocation and shareholder return policies reflected in the company's decisions?

DTS prioritizes allocating cash from operations to growth investments, and under the new medium-term management plan, the amount allocated to growth investments has been increased from 25 billion yen to 32.5 billion yen. In the event of surplus cash, the company plans to flexibly implement treasury share acquisitions and other measures to strengthen shareholder returns. As part of its shareholder return policy, the company maintains a dividend payout ratio of 50% or higher and a total return ratio of 70% or higher, achieving a total return ratio of 152.4% for the fiscal year ended March 31, 2025. The company aims to improve capital efficiency by maintaining the ratio of cash on hand to total assets at 33% or lower.

Q7. Please explain the reasons for the lack of significant changes in net cash over the past three years, the perceived lack of commitment to leveraging interest-bearing debt, and the absence of specific numerical disclosures regarding capital costs.

The utilization of interest-bearing debt remains a means to fund growth, and the company remains committed to this approach. Regarding capital costs, the company has decided not to disclose specific figures due to the diversity of calculation methods and the disclosure practices of other companies.

Governance and Risk

Q8. Please provide information on how you are addressing misconduct and cybersecurity risks at overseas subsidiaries, as well as the governance stance of the Board of Directors.

In 2024, an incident involving improper transactions overseas occurred, resulting in delayed financial results and exclusion from the JPX-Nikkei 400 index, as well as a downgrade in MSCI ratings. In the new medium-term management plan, the company has prioritized reinforcing governance and management oversight at overseas subsidiaries and has redefined its strategy to improve and expand business profitability in a phased manner according to country-specific policies.

Regarding cybersecurity, an unauthorized access incident at a group company was disclosed in February 2025. Subsequently, the Risk Management Committee and the Information Security Committee were established to strengthen countermeasures. Regarding the Board of Directors' management philosophy, some investors have pointed out that "the previous guidance was too cautious and resulted in missed opportunities." However, the "conservative" approach was adopted considering the uncertain environment at the time of the previous medium-term management plan's formulation, and as the environment has changed, the conservatism has diminished.

Market Evaluation and Countermeasures

Q9. DTS's PER is around 17 times, and since most of its peers have a PER below 20 times, the current share price appears to be undervalued by one or two levels within the industry, and the discount situation remains unchanged. How does the company view this, and does it plan to strengthen its IR activities or take other measures?

Currently, the business is being evaluated positively, and the share price has increased by approximately 20%. However, we understand that the discount has not yet been resolved and will continue to work to raise the share price level. Regarding IR activities, we plan to strengthen them overall in response to investor feedback, including increasing securities company coverage, one-on-one meetings with the CEO, and overseas roadshows. Additionally, we recognize that now, amid strong business performance, it is essential to further strengthen capital policies, including investor and shareholder relations.

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Company Overview and Business Model

For details on DTS Group's business activities and history, please refer to the Initiation Report. Here, we will provide a brief overview. DTS is an independent, comprehensive information service provider with over 50 years of history in the information services industry. Its business model is supported by long-standing trusting relationships with customers and solid technical capabilities.

DTS's Strengths and Market Positioning

DTS's strengths lie in its solid business and financial bases. With a long-standing track record of transactions with approximately 1,700 diverse customers, primarily listed companies, DTS maintains a high ratio of prime contracts at a level of approximately 70%. This suggests that DTS plays a central role in the IT strategies of its major customers. Additionally, DTS possesses extensive development experience, operational know-how, and approximately 380 project management (PM) personnel, enabling it to deliver projects successfully through high-quality services.

Financially, DTS boasts an exceptionally high capital adequacy ratio of 72.2% (fiscal year ended March 31, 2025), enabling it to make active growth investments. DTS has been recognized for its solid financial position in the past, but this could also lead to perceptions in the market that it is over-accumulating cash and missing investment opportunities. However, in recent years, the company has been improving capital efficiency by efficiently utilizing cash on hand and allocating it toward growth investments and shareholder returns while leveraging its strong financial base. This demonstrates a shift in management philosophy, moving from merely maintaining financial soundness to actively utilizing it for growth and shareholder value creation.

Segment Business Operations

The DTS Group operates its business through three reportable segments: Operation and Solutions, Technology and Solutions, and Platform and Services.

Operation and Solutions

This segment leverages DTS's strengths in project management capabilities and industry expertise, enhanced by digital technology, to deliver high-value-added solutions. In particular, it focuses on developing industry-specific solutions such as the AMLion anti-money laundering package software.

Technology and Solutions

This segment specializes in digital technology and solutions, providing services such as ServiceNow, cloud infrastructure projects, and embedded systems.

Platform and Services

This segment offers end-to-end services from IT infrastructure implementation and construction to operation and maintenance, expanding its operational services such as ReSM and ReSM plus.

Major Customers and Market Environment

In terms of net sales by industry for the fiscal year ended March 31, 2025, the financial and insurance industry accounted for 33.8% of total net sales, representing the largest customer base, followed by information and communications (23.6%) and manufacturing (13.7%). The financial and insurance industry showed the highest growth rate, increased by 15.5% year-on-year, serving as a strong driver of DTS's growth. Customers' IT investment appetite remains strong, particularly in the banking industry, where IT investment expansion continues amid rising interest rates. Investment is also increasing in the manufacturing industry, and this trend is expected to continue over the next few years. IT investment in the financial industry is being driven by a combination of interest rate hikes leading to improved profitability and the need for investment in DX and next-generation systems, which is strongly supporting the growth of DTS's core revenue source: the Operation and Solutions segment. The outlook that this trend will continue enhances the likelihood of stable revenue growth for DTS.

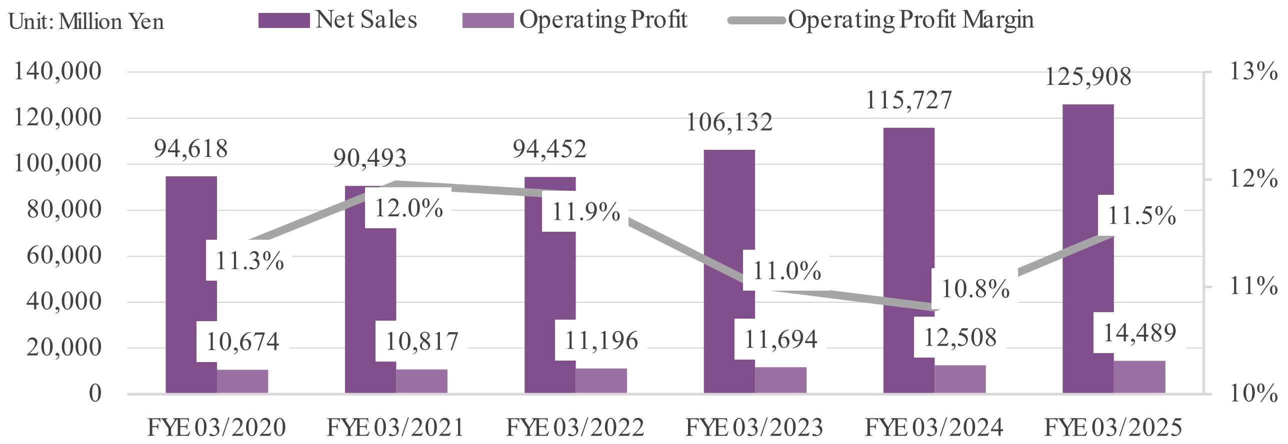
In the IT market as a whole, digital transformation (DX) is the biggest topic, and DTS sees external environmental changes such as the shift from scratch development to service provision, the accelerated adoption of cloud technology, the evolution of AI and data-driven technologies, and the transition to zero trust security as growth opportunities. While DTS's revenue structure is diversified to avoid over-reliance on specific industries, stable, large-scale investments from the financial industry are a critical factor in maintaining and strengthening the company's high-profitability structure, underscoring its position as a key player in financial DX.

FYE March 2025 Evaluation and Previous Medium-term Management Plan Summary

Consolidated Results and Overview

For the fiscal year ended March 31, 2025, the consolidated results were as follows: net sales of 125.9 billion yen (up 8.8% year-on-year), operating profit of 14.48 billion yen (up 15.8% year-on-year), ordinary profit of 15.45 billion yen (up 20.5% year-on-year), and profit attributable to owners of parent of 10.63 billion yen (up 45.8% year-on-year), all of which set new records. EBITDA reached 15.61 billion yen (up 14.9% year-on-year), with an EBITDA margin of 12.4%. Order volume totaled 132.48 billion yen (up 15.7% year-on-year), and order backlog stood at 39.33 billion yen (up 23.2% year-on-year), reflecting a solid foundation for future sales growth.

Figure 4: DTS Consolidated Results



Source: Prepared by Global IR, Inc. based on company materials.

Segment Net Sales and Profits

Operation and Solutions

Net sales: 53.2 billion yen (up 21.9% year-on-year), operating profit: 6.8 billion yen (up 27.6% year-on-year), driven by expanded banking-related projects. Not only did net sales grow significantly, but operating profit also increased at a rate exceeding net sales growth. This is attributed to increased IT investment by financial institutions driving net sales growth, as well as efficient SG&A expense management and the reversal of provisions, which boosted profit margins. This suggests not only net sales growth but also progress in securing high-profit projects and improving cost structures, contributing significantly to the overall profitability of DTS.

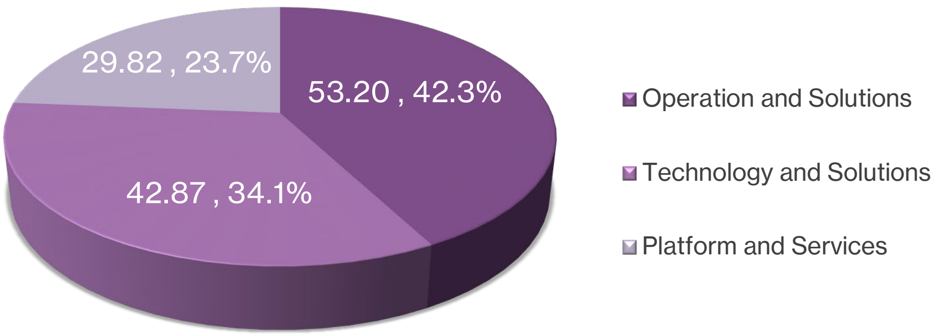
Technology and Solutions

Net sales: 42.87 billion yen (up 1.6% year-on-year), operating profit: 4.58 billion yen (up 9.3% year-on-year). Contributions came from ServiceNow and cloud infrastructure projects.

Platform and Services

Net sales: 29.82 billion yen (down 0.1% year-on-year), Operating profit: 3.09 billion yen (up 3.8% year-on-year). While there was a decline in large-scale projects, operational and infrastructure construction projects increased.

Figure 5: Segment Net Sales and Share of Consolidated Sales (in Billions of Yen)

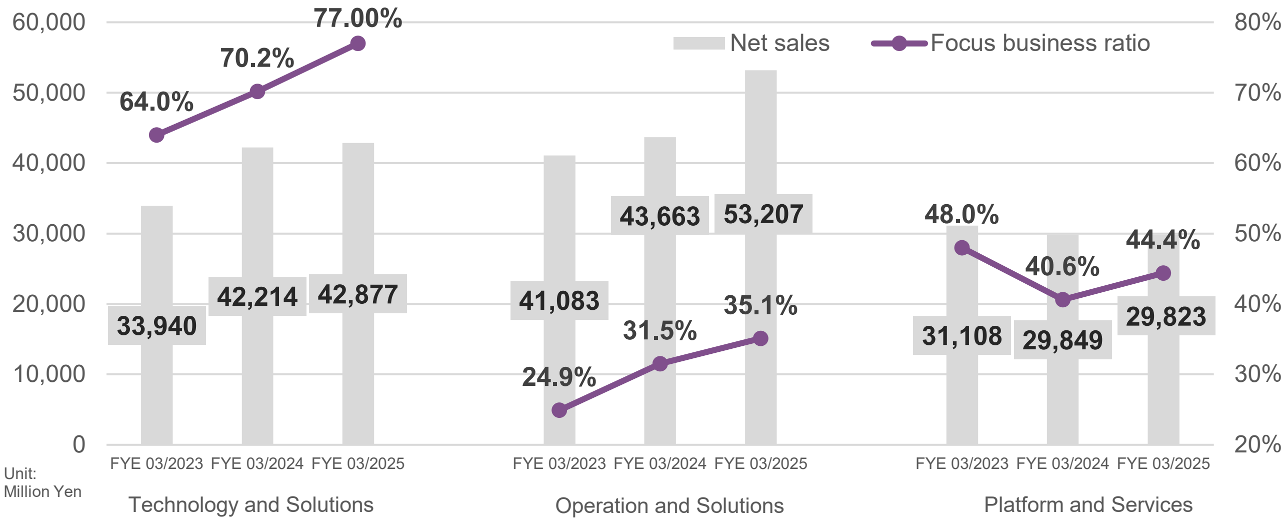


Source: Prepared by Global IR, Inc. based on company materials.

Progress and Achievement of Focus Businesses

For the fiscal year ended March 31, 2025, net sales from focus businesses totaled 64.95 billion yen (up 17.0% year-on-year), accounting for 51.6% of consolidated net sales. This significantly exceeded the target of 40% set in the previous medium-term management plan. By segment, Operation and Solutions accounted for 35.1% (up 4.90 billion yen), Technology and Solutions for 77.0% (up 3.35 billion yen), and Platform and Services for 44.4% (up 1.16 billion yen), with all segments showing growth in focus businesses.

Figure 6: Trends in Segment Net Sales and Focus Business Ratios



Source: Prepared by Global IR, Inc. based on company materials.

The achievement of this target clearly demonstrates that DTS is successfully transitioning from its traditional SI business model to higher value-added digital, solution, and services businesses. This is strong evidence that the company's management strategy is in line with market needs and is being executed effectively, and the expansion of its focus businesses is contributing to DTS's improved profitability.

Achievements and Evaluation of the Previous Medium-term Management Plan (2022-2024)

All financial targets of the previous medium-term management plan (net sales of 110 billion yen or more, EBITDA of 13 billion yen or more, ROE of 13% or more, etc.) were achieved or significantly exceeded. Notably, ROE reached 17.7%, surpassing not only the previous medium-term management plan target (13%) but also the Vision2030 target (16%) ahead of schedule. Non-financial targets were also achieved, including reductions in CO2 emissions, SDGs-related net sales, the ratio of women board members, and the ratio of independent outside board members. The only target not fully met was the ratio of women managers, which stood at 5.6%, slightly below the target of 6%.

Growth investments totaled 27.3 billion yen over the three-year period, exceeding the plan (25 billion yen). While M&A and human resource investments exceeded the plan, R&D investments fell short. The achievement of targets demonstrates the management team's excellent execution capabilities. Despite R&D investment falling short of the plan, the company exceeded overall targets by accurately capturing changes in the market environment, such as increased IT investment by financial institutions due to rising interest rates, and flexibly reallocating resources to other growth drivers, such as M&A and human resource investment. This suggests that DTS not only executes plans but also possesses strategic agility to swiftly respond to changes in the external environment and optimize resource allocation.

Shareholder Return Performance

For the fiscal year ended March 31, 2025, the final dividend per share was set at 77 yen (127 yen annually), achieving a dividend payout ratio of 50.0%. For both the fiscal year ended March 31, 2023 and the fiscal year ended March 31, 2024, the company achieved a dividend payout ratio of over 50% and a total return ratio of over 70%. For the fiscal year ended March 31, 2025, the total return ratio significantly exceeded the target at 152.4%. In the fiscal year ended March 31, 2025, the company acquired approximately 11 billion yen worth of treasury shares and canceled all of them. DTS, which had a remarkably high equity ratio, recognized that an excessively high equity ratio could hinder capital efficiency. The company is actively redirecting surplus funds toward growth investments and shareholder returns to optimize its capital structure. The cancellation of treasury shares is not merely a profit distribution but signifies a strong shift toward management that prioritizes capital costs. This sends a clear message to the market that the company aims to maximize corporate value through the efficient utilization of shareholders' equity.

Figure 7: Treasury Share Acquisitions During FYE March 2025

Acquisition Date	Number of Shares Acquired	Acquisition Amount
April 2024	12,600 shares	54,167,000 yen
May 2024	258,100 shares	1,078,782,000 yen
June 2024	183,800 shares	766,900,000 yen
August 2024	217,800 shares	878,009,000 yen
September 2024	178,400 shares	718,969,500 yen
October 2024	284,200 shares	1,126,164,000 yen
November 2024	253,900 shares	1,024,089,000 yen
December 2024	263,200 shares	1,120,594,000 yen
January 2025	382,200 shares	1,581,666,000 yen
February 2025	350,000 shares	1,498,695,000 yen
March 2025	271,900 shares	1,151,539,500 yen
Total	**2,656,100 shares**	**10,999,575,000 yen**

Source: Prepared by Global IR, Inc. based on company materials.

Analysis of the New Medium-Term Management Plan (2025-2027)

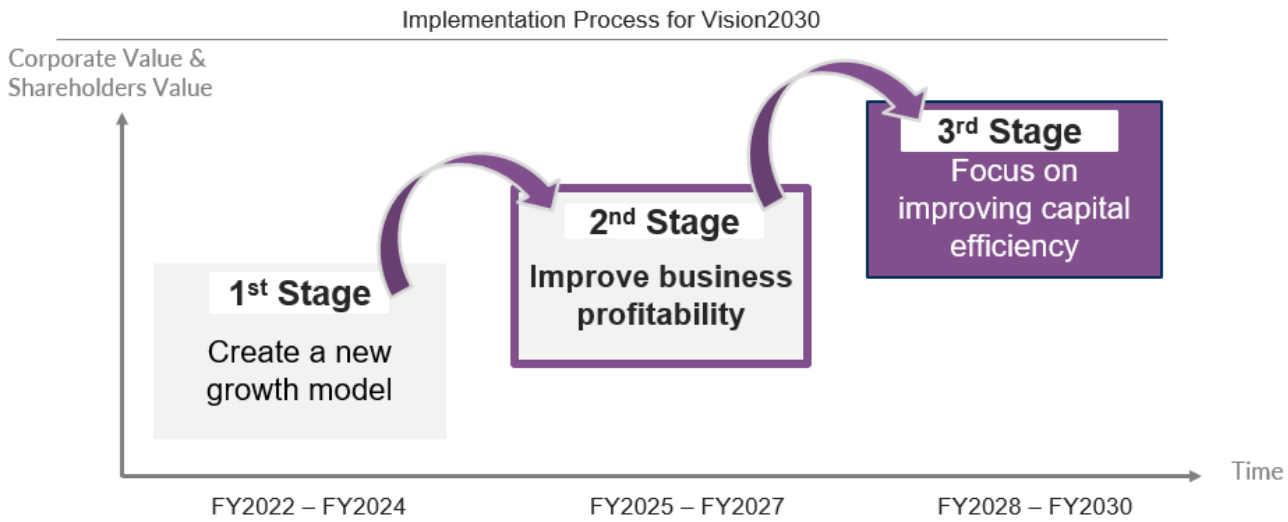
Key Pillars and Vision of the New Plan

The new medium-term management plan (2025-2027) is positioned as the “2nd stage” of Vision2030 and aims to realize the vision to “become a company that continuously takes on challenges in order to provide value that exceeds expectations.” This plan demonstrates that DTS’s management strategy is consistently based not only on short-term goal achievement but also on the long-term vision (Vision2030). The success of the previous medium-term management plan has provided confidence and momentum for the 2nd Stage.

The new plan is structured around the following three pillars.

1. **Evolution of focus businesses and deepening of core businesses**
2. **Execution of strategic alliances**
3. **Strengthening of the group’s management foundation**

Figure 8: Positioning of the New Medium-Term Management Plan (2025-2027) in the Long-Term Outlook



Source: Prepared by Global IR, Inc. based on company materials.

Business Environment Observations and Growth Domains

With advances in technology, corporate IT investment is shifting from core systems toward information systems and customer contact services. CX-class agendas are often centered around themes such as strengthening customer relationships, data-driven management, and utilizing AI to reform the management foundation. DTS has responded to these market changes and set the following seven growth domains as its new focus businesses.

Concentrated investment areas (5 domains): (1) Cloud computing & modernization, (2) data utilization, (3) security & managed services, (4) enterprise application services, (5) IoT & edge technologies

Forward-looking investment areas (2 domains): (6) AI/generative AI, (7) CX (customer experience value)

DTS is not merely seeking to expand its existing strengths but is deeply analyzing the latest market trends and concentrating resources in these domains to establish future competitive advantages. By taking on the challenge of the forward-looking investment areas, DTS is clearly demonstrating its commitment to prioritizing long-term corporate value creation over short-term revenue contributions.

Financial Targets and KPIs

The consolidated performance targets for the fiscal year ending March 31, 2027 are set as follows: net sales of 160 billion yen, operating profit of 18.7 billion yen, EBITDA of 20 billion yen, and an EBITDA margin of 12.5%. ROE is targeted at 18% or higher, the ratio of net sales from focus businesses is set at 57.0% or higher, and productivity (operating profit per employee) is targeted at 3.2 million yen. Growth investments are planned to total 32.5 billion yen over a three-year period.

Figure 9: New Medium-Term Management Plan Financial Targets

Indicator	FYE 03/2025 Results	FYE 03/2028 Targets
Consolidated net sales	125.9 billion yen	160 billion yen
Operating profit	14.4 billion yen	18.7 billion yen
EBITDA	15.6 billion yen	20 billion yen
EBITDA margin	12.4%	12.5%
Focus business sales ratio	51.6%	57.0% or more
Productivity (operating profit per employee)	2.8 million yen	3.2 million yen
ROE	17.7%	18% or more
Growth investment (cumulative total for 3 years)	27.3 billion yen	32.5 billion yen
Dividend payout ratio	50.0%	50% or more
Total return ratio	152.4%	70% or more
Percentage of cash on hand to total assets	37.2%	33% or less

Source: Prepared by Global IR, Inc. based on company materials.

Non-Financial and ESG Targets

DTS aims to achieve sustainable growth through investment in human capital and reinforcing governance. As non-financial targets, the company has set the following: an engagement score of 55 or higher, a ratio of women managers of 8.5% or higher, a ratio of women board members of 20% or higher, and a ratio of independent outside directors of over 50%. In terms of the environment, the company has set a reference value of a 60% reduction in CO_2 emissions compared to fiscal 2021.

In the IT services industry, human resources are the most important asset, and securing and developing them is essential for sustainable growth. DTS recognizes past challenges and is strengthening its investment in human capital to improve productivity and revitalize the organization. In addition, reinforcing governance enhances corporate reliability and transparency and improves risk management capabilities. While active investment in human capital and governance may not directly reflect in short-term financial metrics, it is an indispensable element for long-term corporate value creation and a key attraction for institutional investors prioritizing ESG.

Figure 10: ESG-Related Management Indicators

Indicator	FYE 03/2025 Results	FYE 03/2028 Targets
Engagement score	51.1	55 or above
Ratio of women managers	5.6%	8.5% or above
Ratio of women board members	20.0%	20% or above
Ratio of independent outside directors	60.0%	Over 50%

Source: Prepared by Global IR, Inc. based on company materials.

First Pillar Of The Medium-Term Management Plan: Evolution of Focus Businesses and Deepening of Core Businesses

DTS will promote a strategy that combines concentrated investment in high-growth domains and forward-looking investment in domains that will become future growth drivers, in response to changes in IT investment trends in the market. This constitutes the first pillar of the new medium-term management plan: "Evolution of focus businesses and deepening of core businesses."

Evolution of Focus Businesses: Concentrated Investment Areas

DTS has redefined five domains within its existing focus businesses that are expected to show particularly strong growth as "concentrated investment areas" and is aiming to further expand its business scale.

Cloud computing & modernization: Target net sales of 25 billion yen for the fiscal year ending March 31, 2028 (20.6 billion yen for the fiscal year ended March 31, 2025). Leveraging its long-cultivated operational capabilities and technical expertise, the company will provide high-quality services for core system modernization and cloud migration.

Data utilization: Target net sales of 10 billion yen for the fiscal year ending March 31, 2028 (25 billion yen for the fiscal year ended March 31, 2025). DTS provides data management platforms utilizing BI tools and AI, such as Snowflake and Tableau, big data analysis, data mining, and visualization, to help speed up strategic decision-making.

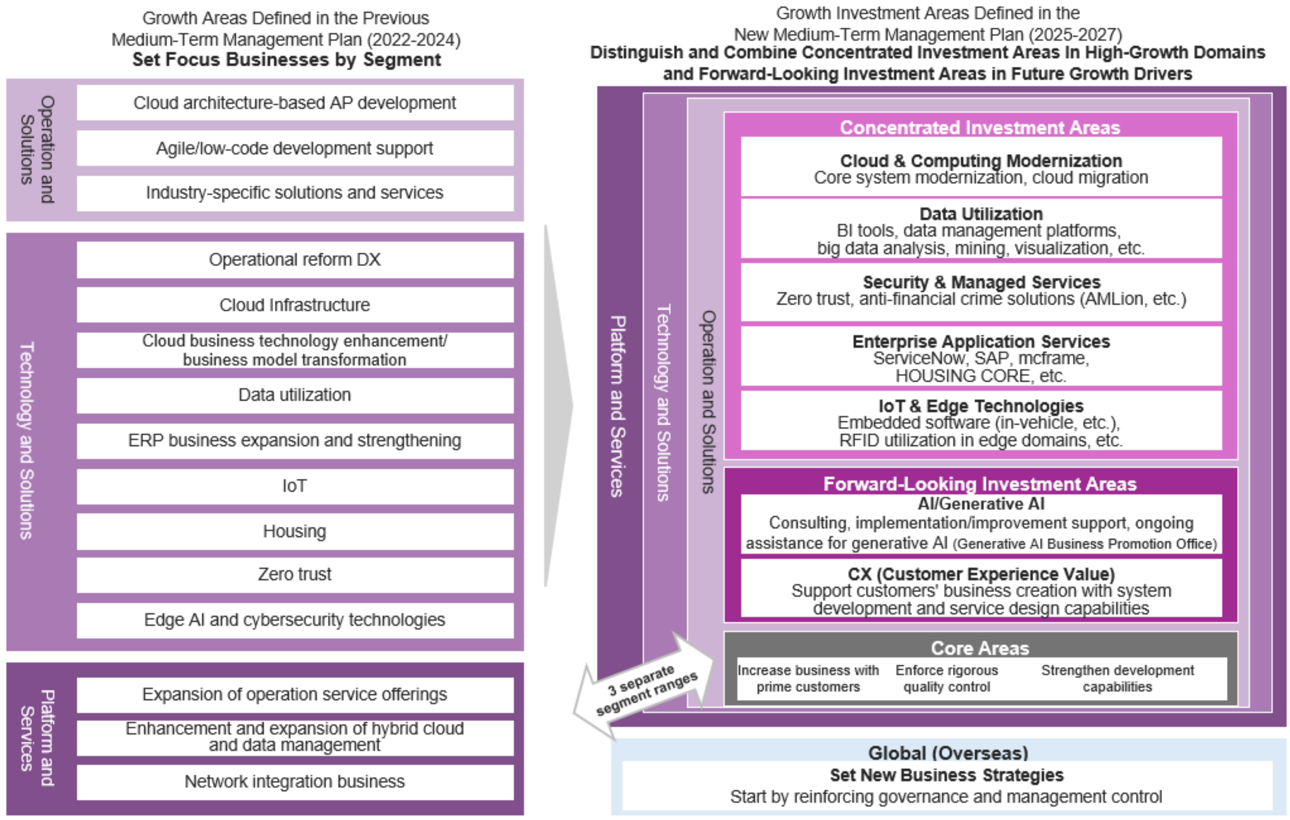
Security & managed services: Target net sales of 10 billion yen for the fiscal year ending March 31, 2028 (6.9 billion yen for the fiscal year ended March 31, 2025). DTS provides security solutions and tools centered on zero trust environments and AMLion, the company's anti-financial crime solution, to address the growing threat of sophisticated cyberattacks.

Enterprise application services: Target net sales for the fiscal year ending March 31, 2028: 14 billion yen (8.4 billion yen for the fiscal year ended March 31, 2025). DTS supports customers' business process improvements and operational efficiency through enterprise applications such as ServiceNow, SAP, mcframe, and HOUSING CORE.

IoT & edge technologies: Target net sales for the fiscal year ending March 31, 2028: 11.5 billion yen (8.9 billion yen for the fiscal year ended March 31, 2025). DTS provides the development of embedded software and products primarily for in-vehicle use, as well as planning and development of total solutions leveraging RFID in the edge computing domain, among other services.

DTS's strategy in these concentrated investment areas is to leverage its existing strengths (business knowledge, technical capabilities, and project management capabilities) in high-growth domains of the overall market to provide clear solutions and services, thereby steadily expanding its market share. This will increase the likelihood of short- and medium-term net sales growth, drive overall net sales growth for DTS, and contribute to a further increase in the focus business ratio (target: 57.0%).

Figure 11: Comparison of Growth Investment Areas in the New and Previous Medium-Term Management Plans



Source: Prepared by Global IR, Inc. based on company materials.

Evolution of Focus Businesses: Forward-Looking Investment Areas

DTS has established two domains as "forward-looking investment areas" in its efforts to provide new value to customers, and is promoting initiatives with the goal of achieving net sales targets for 2030.

AI and generative AI: 2030 net sales target of 10 billion yen. On April 1, 2025, DTS established the new Generative AI Business Promotion Office to strengthen its capabilities in generative AI through collaboration with external partners. DTS will provide consulting, implementation support, ongoing assistance, and improvement support to achieve a significant enhancement of customers' business value.

CX (Customer Experience Value): Net sales target of 5 billion yen by fiscal year 2030. In the increasingly important CX domain, DTS will further enhance its proven expertise in mission-critical system development with service design capabilities and combine them with generative AI to support customers' business creation.

AI/generative AI and CX are the most highly anticipated domains in the current IT market, with significant future growth potential. Long-term net sales targets have been set for these domains, which carry greater strategic significance than short-term revenue contributions. DTS is seeking to establish long-term competitive advantages by making concentrated investments in domains that serve as short-term revenue drivers, while also making forward-looking investments in these domains that have the potential to dominate the future IT market. This approach also serves as a strategy to address technological innovation risks and contributes to the diversification and stabilization of future revenue.

Deepening of Core Businesses

DTS will expand its prime projects by strengthening its upstream process capabilities and proposal capabilities, thereby maintaining stable operations. In particular, the company will focus on strengthening its technology consulting capabilities based on technology. The company will thoroughly implement quality control to prevent the occurrence of unprofitable projects, and will also convert project reviews and customer feedback into a knowledge base. In addition, the company will strengthen its development and operation structure, focusing on nearshore development, and strengthen collaborations with business partners. This strategy aims to stabilize the profitability of DTS's core SI business and further increase its added value. Expanding prime projects will strengthen customer relationships, enable deeper business contributions, minimize the impact of price competition, and contribute to stable profit growth.

Set New Global Business Strategies

In light of the governance issues that surfaced at overseas subsidiaries last fiscal year, DTS will prioritize reinforcement of governance and operational oversight and improve and expand business profitability in stages in accordance with country-specific policies. The company will prioritize reinforcing governance and operational oversight and improving business profitability at existing locations, and will consider new locations in countries with existing locations as necessary. The Vietnam subsidiary will focus on supporting offshore operations within the group and local Japanese companies, while the India subsidiary will focus on improving the profitability of financial solutions. The China subsidiary will focus on supporting local Japanese companies, and the US subsidiary will focus on strengthening IT services and IT staffing for the manufacturing industry, expanding customer support for financial institutions, and conducting research and collaboration on cutting-edge technologies. Transparent disclosure of issues and the presentation of specific improvement measures for those issues are important steps in maintaining investor trust and reducing future risks.

Segment Growth Strategies and Revenue Outlook

Each segment has outlined specific strategies that leverage their respective strengths to contribute to the seven focus business domains.

Operation and Solutions

Fiscal year ending March 31, 2028 net sales: 65 billion yen (fiscal year ended March 31, 2025: 53.2 billion yen). The company will promote cloud shifting and modernization in the financial industry and public sector, data utilization, security centered on AML, RFID solutions, and the use of generative AI and CX.

Technology and Solutions

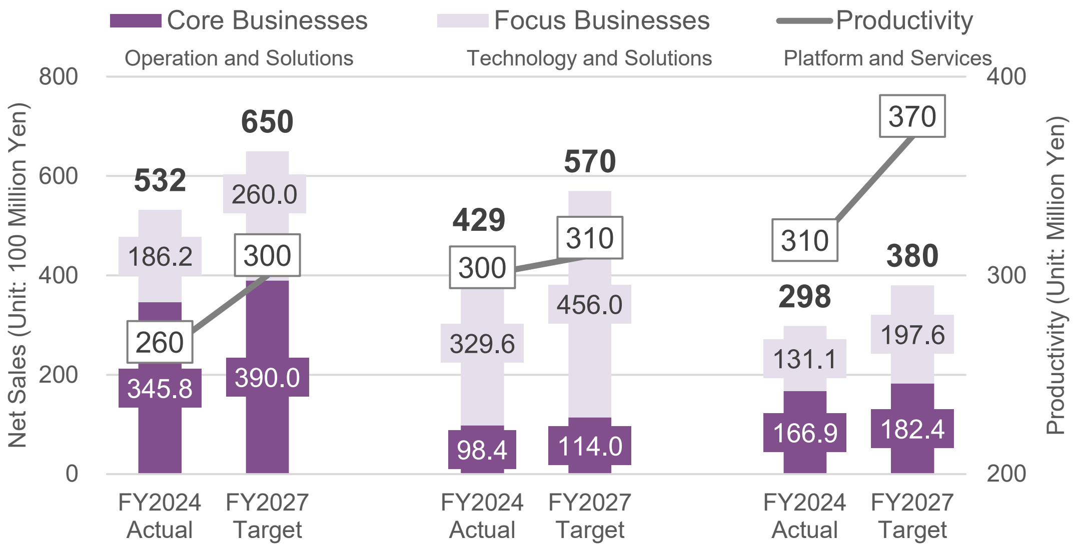
Fiscal year ending March 31, 2028 net sales: 57 billion yen (fiscal year ended March 31, 2025: 42.8 billion yen). The segment will drive the expansion of DTS Group's focus businesses by advancing cloud-native technologies, data integration platforms, zero trust security, ServiceNow, mcframe, SAP, HOUSING CORE, in-vehicle IoT, and the utilization of generative AI and CX.

Platform and Services

Fiscal year ending March 31, 2028: 38 billion yen (fiscal year ended March 31, 2025: 29.8 billion yen). DTS will advance hybrid cloud solutions, data integration platforms, data security, IT service management utilizing Jira, RFID-based asset management, the AI infrastructure domain, ReSM operational service enhancement, and device lifecycle management.

Each segment is leveraging its specialized expertise to contribute to common growth domains (focus businesses), aiming to maximize synergies across the entire group. Technology and Solutions serves as the technical driving force, Operation and Solutions provides industry expertise, and Platform and Services supports operational infrastructure, creating a collaborative framework.

Figure 12: Segment Performance Targets



Source: Prepared by Global IR, Inc. based on company materials.

Second Pillar Of The Medium-Term Management Plan: Execution of Strategic Alliances

The second pillar of the new medium-term management plan is "Execution of strategic alliances." While this includes strategic capital alliances, business alliances, and collaborations with academia and local entities, M&A will likely be the main tactic.

Evaluation of M&A Activities to Date and Future Outlook

DTS had planned to invest a cumulative total of 25 billion yen over three years in growth investments under its previous medium-term management plan (2022-2024). In terms of actual results, the company invested 27.3 billion yen, exceeding its target. Of this amount, 11.6 billion yen was invested in M&A, compared to the planned 10 billion yen. In the consolidated financial results for the fiscal year ended March 31, 2025, new consolidations contributed 5.09 billion yen to net sales and 180 million yen to operating profit. This was primarily driven by increased net sales in the Operation and Solutions segment. The following are the major companies that joined the DTS Group over the past three years:

avanza Co., Ltd.

Joined the DTS Group in January 2024. This enables avanza to secure a more stable business foundation, expand its operations, and leverage synergies with DTS to drive growth.

Tohoku Systems Support Co., Ltd.

All shares were acquired on March 1, 2024, making it a subsidiary. The acquisition aims to strengthen nearshore development capabilities and contribute to the economic development of the Tohoku region.

Anshin Project Japan Inc.

A vendor of solutions for housing manufacturers, including "Walk in home." By combining DTS's development capabilities, capital strength, and workforce with Anshin Project Japan's market knowledge and customer-centric perspective, the companies aim to create synergies and provide new services.

DTS's M&A strategy aims to acquire new technologies, solutions, and development resources, as well as expand into new business areas, with the premise of creating synergistic effects. The acquisition of Tohoku Systems Support was expected to further strengthen DTS's Japanese domestic system development capabilities by integrating the two companies' human resources, technologies, and customer bases. In addition, through collaboration with Anshin Project Japan, DTS aims to realize an integrated system through solutions and new group synergies that leverage the strengths of both companies. Through M&A activities, DTS intends to strengthen and expand its focus businesses and accelerate the growth of its digital, solution, and service businesses. Past M&A activities have been successful in that they exceeded investment targets and contributed to performance through new consolidations. Additionally, concrete efforts are underway to create synergies through the integration of technology, talent, and customer bases with acquired companies.

However, on the other hand, issues such as misconduct at overseas subsidiaries and impairment losses have also arisen. In 2024, inappropriate payments were identified at a specific overseas subsidiary. As a result of this issue, DTS was excluded from the JPX Nikkei 400 index, and its MSCI rating was downgraded. DTS is currently working to reinforce the governance and operational oversight structure of its overseas group companies. Additionally, impairment losses of 249 million yen were recorded for the fiscal year ended March 31, 2025, and 1.237 billion yen for the fiscal year ended March 31, 2024, with a goodwill impairment loss in the Technology and Solutions segment being particularly notable (1.007 billion yen for the fiscal year ended March 31, 2024 and 138 million yen for the fiscal year ended March 31, 2025). Overall, while past M&A activities contributed to the promotion of growth strategies and the achievement of investment targets, they left challenges in terms of governance and investment efficiency.

Looking ahead, DTS has clearly stated its intention to continue actively pursuing M&A activities under its new medium-term management plan (2025-2027). As mentioned earlier, the company plans to invest a total of 32.5 billion yen in growth over the next three years, with 10 billion yen allocated to M&A. This represents the same scale of M&A investment as the previous medium-term management plan, underscoring the company's continued focus on M&A as a key growth driver.

In addition, M&A is also aimed at complementing and strengthening capabilities in DTS's concentrated investment areas (cloud computing & modernization, data utilization, security & managed services, enterprise application services, IoT & edge technologies) and forward-looking investment areas (AI/generative AI, CX), both of which are highly emphasized by the company. Through this, DTS aims to accelerate company-wide growth by acquiring new technologies, solutions, and development resources, and expanding its business areas. However, there are also areas where caution is warranted. Based on the aforementioned past incidents and impairment losses at overseas subsidiaries, DTS has reset its global business strategy and prioritized reinforcing governance and operational oversight.

This reflects the company's intention to reduce risks in future M&A activities and expand its business in a more sound manner. In addition, the company clearly maintains that "When making decisions on M&As and other investments, it is assumed that the expected future returns will equal or exceed the hurdle rate, which is above the cost of capital." The company also maintains investment discipline using the evaluation of return on investment and third-party valuation results as factors in its decision-making. Furthermore, the company requires due diligence from external experts and strives to reduce risks through the early implementation of PMI plans.

DTS has clearly demonstrated its commitment to continuing M&A as a key means of achieving its growth strategy and enhancing corporate value. By leveraging lessons learned from past experiences, the company is expected to enhance the success rate of M&A through more disciplined investment decisions and reinforced governance.

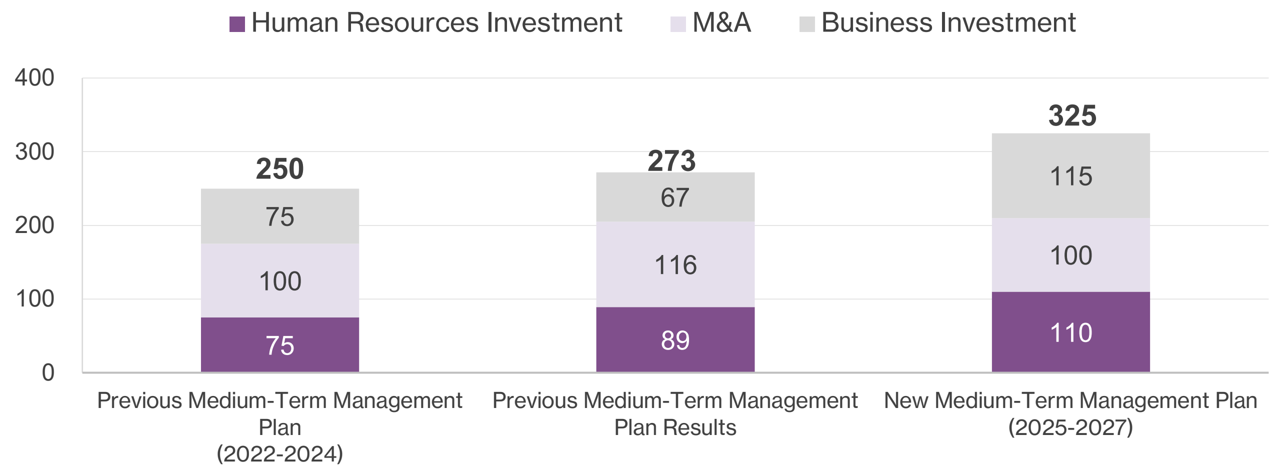
Third Pillar of the Medium-Term Management Plan: Strengthening of the Group's Management Foundation

The third pillar is "strengthening of the group's management foundation," which specifically refers to reinforcing group governance and system foundations, including investment in human capital. In particular, DTS will focus on a financial strategy that aims to improve capital efficiency while balancing active growth investment and shareholder returns with the goal of achieving sustainable and stable corporate value enhancement.

Growth Investment Plan

Over the next three years, DTS plans to invest a total of 32.5 billion yen in growth. This represents a significant increase from the 25 billion yen allocated in the previous medium-term management plan. The breakdown of the investment allocates a larger portion to human resources than to M&A, marking a reversal from the previous medium-term management plan. This further underscores the company's emphasis on human capital. Additionally, when making decisions regarding M&A and other investments, the company explicitly states, "it is assumed that the expected future returns will equal or exceed the hurdle rate, which is above the cost of capital." This reflects DTS's commitment to maintaining capital efficiency by establishing clear financial discipline in its investment decisions.

Figure 13: Three-Year Growth Investment Plans and Results



Source: Prepared by Global IR, Inc. based on company materials.

Cash Allocation Strategy

The company plans to utilize the cash on hand as of March 31, 2025, amounting to 29.9 billion yen, and the cash expected to be generated from operations, totaling 56.5 billion yen, to implement growth investments of 32.5 billion yen and shareholder returns of 25 billion yen. The company aims to maintain the ratio of cash on hand to total assets at 33% or below by March 31, 2028, and will continue to streamline its cash reserves. If any surplus remains after growth investments, the company plans to flexibly implement additional acquisitions of treasury shares or other measures. This demonstrates that DTS is not simply accumulating cash but is instead striving to maximize capital productivity by efficiently allocating it between growth investments and shareholder returns.

Efforts to Improve Capital Efficiency

DTS has been continuously “implementing management that is conscious of cost of capital and share price,” and ROE has remained at a level exceeding the cost of shareholders’ equity, continuously creating added value. Financial ratios such as PER and PBR are regularly monitored and discussed at board meetings. In the new medium-term management plan, DTS has reformulated and is implementing the following strategies that were formulated in Vision2030: (1) A cash allocation plan that considers the balance between investment for growth and shareholder returns, (2) A plan to improve ROE and expand equity spread over the long term, making ROE one of the priority metrics, and (3) A growth strategy for each segment to create and evolve the value provided. DTS does not merely pursue profits but instead positions the continuous generation of returns exceeding capital costs as a key management priority.

DTS's Market Positioning and Competitive Strength

In today's rapidly digitizing business environment, system integrators (SIers) have become indispensable partners in supporting companies' IT strategies. In the Japanese market, in particular, SIers of various types—including independent, manufacturer-based, and user-based firms—are fiercely competing to meet the diverse needs of their customers. In the concluding sections of this report, based on our analysis of the medium-term management plan discussed thus far, we examine the competitive strengths DTS possesses as a mid-sized independent SIer in the Japanese market, its primary battleground, and the strategic outlook it can envision to compete effectively against its competitors.

Overview of the SIer Market and Major Categories

The Japanese SIer market consists of a diverse group of companies that provide a comprehensive range of services, including the planning, design, development, implementation, operation, and maintenance of information systems. These companies can be broadly categorized into the following five categories based on their origins and primary business models.

Manufacturer-based SIers

These companies are subsidiaries of major electronics manufacturers such as Fujitsu, NEC, and Hitachi, and excel in system construction that combines their own products and hardware. They often specialize in the construction of production management systems and logistics management systems for manufacturing sites, and their strength lies in their ability to comprehensively design the entire system when introducing manufacturer products.

User-based SIers

These companies, such as TOYOTA SYSTEMS (TOYOTA), Nomura Research Institute (Nomura Securities), ITOCHU Techno-Solutions (ITOCHU Corporation), and TIS (formerly Toyo Information Systems), originated as the information systems departments of major non-IT companies that later became independent subsidiaries or group companies. Their greatest strength lies in their deep industry-specific knowledge (domain knowledge) and system development expertise unique to their parent companies' industries.

Independent SIers

Companies that are not tied to specific manufacturers or parent companies and provide optimal solutions to customers by combining a wide range of technologies and products. They offer an environment where employees can acquire a wide range of technological skills and knowledge through diverse project experiences, making them an attractive option for those with a strong desire to grow. Companies in this category include DTS, OTSUKA CORPORATION, OBIC, FUJISOFT, SCSK, and NSD.

Consulting SIers

Like Baycurrent Consulting and ABeam Consulting, these companies employ business models that integrate management consulting and system integration to provide comprehensive support, from strategy formulation to system implementation. They are deeply committed to solving their customers' management challenges and providing high-value-added services.

Foreign-affiliated SIers

Companies such as IBM Japan, Accenture Japan, ORACLE CORPORATION JAPAN, KPMG Consulting, PwC Consulting, and Deloitte Tohmatsu Consulting fall under this category. They are characterized by their adherence to global standards, advanced technologies, and the ability to execute large-scale projects.

Key Market Trends and Challenges

The Japanese SIer market has been facing several major trends and challenges in recent years.

Expanding Demand for DX (Digital Transformation)

Promoting DX has become an urgent issue for companies seeking to strengthen their competitiveness and transform their business models, and SIers play an important role in supporting customers in solving their issues by providing IT systems as tools. According to a survey by Yano Research Institute, the IT market size for the 2023 fiscal year is projected to grow by 5.4% compared to the previous year, with DX demand serving as a major driver of market growth. (Source: Levtech Career <https://career.levtech.jp/guide/knowhow/article/672/>)

The Widespread Adoption of Cloud Services and the "2025 Digital Cliff"

The shift to cloud solutions is accelerating, and many companies are optimizing their IT infrastructure. At the same time, maintaining and updating existing complex legacy systems (the "2025 digital cliff" problem) and migrating to new systems are emerging as large-scale projects, which require the expertise of SIers with abundant personnel and coordination capabilities. Additionally, the adoption of packaged software is increasing, and SIers may also be tasked with implementing these solutions by leveraging their expertise in from-scratch development.

Severe Shortage of IT Talent

There is a chronic shortage of IT personnel throughout Japan, and according to a survey by Mizuho Information & Research Institute, a shortage of approximately 160,000 to 790,000 IT personnel is predicted in the future (Source: WILLOF TECH <https://willof.jp/techcareer/column/122/>). This shortage of personnel is affecting the mobilization capabilities of SIers, and securing and training talented engineers has become an urgent issue for companies.

Moving Away from the Multi-Tier Subcontracting Structure and Promoting Work-Style Reforms

The multi-tier subcontracting structure, which has long been a problem in the SIer industry, has been criticized for creating harsh working conditions for engineers in downstream processes and limiting opportunities for skill development. However, with the recent progress in work-style reforms, there is an increasing need to reevaluate this structure. SIers are now being compelled to strengthen their core expertise as "system specialists" and transform their business models to provide high-value-added services.

Ongoing large-scale projects from government agencies and financial institutions

Large-scale system projects for government agencies and financial institutions, where security and stability are particularly important, tend to be continuously outsourced to SIers with a proven track record, serving as a stable revenue stream for SIers. These projects are expected to contribute significantly to the performance of SIers.

Relative Positioning and Characteristics of DTS

DTS is classified as an independent SIer and possesses a clear competitive advantage in that it is not bound by specific parent companies or products, enabling it to flexibly combine a wide range of technologies and products to provide customers with optimal solutions. This strength of DTS, which can provide precise responses to diverse customer needs, becomes a key advantage in the DX era, where multi-vendor and multi-cloud environments are becoming mainstream.

The financial and telecommunications industries, where DTS excels, are areas with stable demand expected to continue in the form of ongoing large-scale projects from government agencies and financial institutions, which is in line with market trends. These industries support DTS's stable revenue base. DTS has built a long track record and trusting relationships in these industries and is expected to continue to secure stable projects.

As of March 2025, DTS's net sales of approximately 125.9 billion yen place it among the top mid-sized independent SIers, but it still lags behind major independent SIers such as SCSK and BIPROGY, which have net sales in the hundreds of billions of yen (Source: CAREER VIEW <https://career-view.jp/sier/dokuritu-sier/>). However, DTS's proactive initiatives in cutting-edge technologies such as cloud and AI technologies, which are identified as focus businesses, align with the market trend of expanding DX demand and are expected to serve as growth drivers for DTS in the future.

The Strengths of "Independence" and Its Importance in a Period of Market Transformation

DTS's core strength lies in its position as an independent SIer and the neutrality that comes with not being dependent on specific vendors. This characteristic is extraordinarily important in the current period of major transformation facing the Japanese SIer market. In the IT market, the adoption of cloud services is progressing rapidly, with many companies adopting "multi-cloud" strategies that combine multiple cloud services rather than relying on a single cloud provider, as well as "hybrid cloud" strategies that integrate on-premises systems with cloud services.

Additionally, the 2025 digital cliff issue, where legacy systems become a barrier to digital transformation (DX) for companies, is creating a need for large-scale system migration and renewal. In these complex IT environments, customers want the ability to flexibly select the technologies and solutions best suited to their businesses without being limited by specific vendors' products. DTS's independence and neutrality are precisely what meet such customer needs.

Unlike manufacturer-based SIers, which tend to prioritize their own products, DTS can fairly select and combine the best-suited technologies and products from a wide range of domestic and international options to solve customer issues. This enables customers to avoid vendor lock-in risks and build truly optimized IT infrastructure and systems that can flexibly respond to future needs, positioning DTS as a trusted partner.

This neutral stance is also an essential factor in expanding DTS's business domain to consulting for upstream processes such as IT service management (ITSM) and IT strategy formulation. Customers' management teams seek objective advice that is not influenced by the interests of specific vendors, and DTS's independence gives it a competitive advantage in providing such high-value-added consulting services. If DTS can fully leverage this strength of independence to continue providing the true "optimal solution" for customers in large-scale projects requiring complex DX or legacy system migration, its value and presence in the market will further rise.
(Source: DTS Digital Solutions <https://dts-digital.jp/servicenow/column/servicenow/page/2/>)

The Urgency of IT Talent Shortages

The Japanese SIer industry as a whole is facing a structural challenge in the form of a severe IT talent shortage. By certain estimates, there will be a shortage of up to 790,000 IT professionals in the future, which is an urgent issue that could become a bottleneck for business growth for SIer companies. Naturally, this industry-wide issue could also become an internal organizational issue or risk for DTS.

The role expected of modern SIers is shifting from that of mere system builders to "system experts" and "strategic partners" who work together with customers to promote DX. In order to respond to this change, engineers need to cultivate not only technical skills but also specialized skills, such as understanding customers' businesses, identifying issues, and proposing solutions, as well as management skills for leading projects. If DTS employees remain stuck in a mindset of being task performers and fail to deeply understand strategic goals or how their work contributes to the customer's business, it will be difficult for them to autonomously acquire and leverage these high-value-added skills. This could limit DTS's ability to effectively execute more complex, high-value projects such as DX initiatives or large-scale legacy system migrations.

Furthermore, amid intensifying competition for securing IT talent, organizations where employees cannot see the strategic significance or growth opportunities in their work risk becoming less attractive to talented individuals. As work-style reforms progress and improvements in the working environment are demanded, if DTS is perceived as lacking investment in employee engagement and career paths, it may be hit harder by the wave of talent shortages. Therefore, in order for DTS to overcome the challenge of IT talent shortages and strengthen its competitiveness in the market, it is essential not only to secure talent from outside the company, but also to support the skill development of existing employees and foster an organizational culture that enables them to transform their mindset from "workers" to "value creators," as well as to provide clear career paths. Creating an environment where each employee understands the company's strategic goals and feels a sense of contribution will serve as the foundation for DTS's sustainable growth.

Competitors' Strategies

As previously stated, there are many various companies in the Japanese SIer market, making it difficult to identify DTS's direct competitors. However, based on the company's business characteristics and strategic positioning, the following list can be compiled using the criteria of "similar business scale," "characteristics as an independent SIer," and "business characteristics and market influence."

1. **SCSK:** Although larger in scale than DTS, SCSK is a major SIer that operates independently of specific parent company products and serves a wide range of customers, making it "highly similar to an independent SIer" and a key benchmark for DTS as it aims to climb the ranks. It also boasts high profit margins and stable growth.
2. **BIPROGY (formerly Nihon Unisys):** Similar to SCSK, it is larger than DTS but is a large SIer that is "highly similar to an independent SIer" that provides a wide range of ICT infrastructure and system services and focuses on DX promotion, making it important for considering DTS's business characteristics.
3. **OBIC:** A truly independent SIer with sales on par with DTS. Its overwhelmingly high profitability makes it a particularly important benchmark for DTS when considering strategies to achieve high profitability while remaining strong as a mid-sized company.
4. **NSD:** A truly independent SIer with a sales scale remarkably close to DTS. It has some of the same strengths in the financial industry and public sector as DTS, making it a direct competitor to DTS's current position and a reference point for its steady growth strategy.

When compared to these companies, it becomes clear that DTS is a mid-sized, top-tier independent SIer with sales on par with OBIC and NSD. When compared to major SIers, DTS lags behind in terms of sales scale but in terms of its operating profit margin of 11.5% for the fiscal year ended March 31, 2025, it is on par with or exceeds that of SCSK (11.1%) and BIPROGY (9.7%) for the same period, demonstrating strong profitability.

Figure 14: DTS Comparisons with Competing SIers

Company	Comparisons	
SCSK Corporation	**Business Overview**	Although SCSK is a comprehensive IT company belonging to the Sumitomo Corporation Group, it is not biased toward specific vendors or industries, and provides one-stop services ranging from consulting to system construction, maintenance, and operation for a wide range of industries, including manufacturing, logistics, finance, and communications. With a customer base of over 8,000 companies, its strength lies in its ability to lead large-scale and prime projects even in the rapidly growing IT industry.
	Characteristics	The company's broad customer base diversifies business risks and provides a stable revenue base. In addition, thorough project management enables the company to achieve higher profit margins than its competitors. Other strengths include the stability of the Sumitomo Corporation Group as a core company and its commitment to creating a comfortable working environment that values the growth and well-being of each employee.
	FYE 03/2025 Results	Net sales of 596.07 billion yen, operating profit (margin) of 66.12 billion yen (11.1%), and net profit of 45.03 billion yen (7.5%). Since its merger in 2011, the company has achieved 11 consecutive years of increased revenue, profits, and dividends, demonstrating exceptional stability.
	Growth Strategy	To realize its Grand Design 2030, the company has set the following goals: "Dramatic improvements in Comprehensive Corporate Value" and "Challenge on the scale of Net Sales 1 Trillion Yen." Specifically, the company is actively shifting its focus to high-growth business areas (cloud, DX), high-value-added fields (consulting, new business development), and high-productivity models (centralization of development, maintenance, and operations, expansion of low-code/no-code development), while advancing businesses that lead the market.
BIPROGY Inc.	**Business Overview**	The BIPROGY Group has been providing ICT infrastructure and system services for many years, contributing to the streamlining and advancement of its customers' operations. In particular, it has been capturing DX investment demand in a wide range of industries, including financial institutions, manufacturing, and services, and is focusing on finance, retail, energy, mobility, and OT infrastructure. The company is also working to expand its business ecosystem by combining services and value created in various industries and markets.
	Characteristics	BIPROGY's strengths include its "implementation capabilities" backed by years of experience and customer trust. Leveraging its experience and achievements in ICT, the company aims to form a business ecosystem that connects customers and partners from diverse industries with unique strengths, and to promote the creation of a society where everyone can live happily as part of the digital commons, which is a shared asset of society.
	FYE 03/2025 Results	Net sales: 404.01 billion yen, operating profit (margin): 39.06 billion yen (9.7%), net profit: 26.97 billion yen (6.7%). ROE: 16.1%, ROA: 12.0%.
	Growth Strategy	The company has formulated its Management Policies (2024-2026) to achieve its Vision 2030. The company will accelerate value creation through two pillars: core business strategy (channel management resources to focus areas, improve development productivity, and expand service businesses) and growth business strategy (data utilization, digital workplace, security, SX/GX, smart life, regional revitalization, and global expansion), with the aim of achieving corporate value of 1 trillion yen.

Source: Prepared by Global IR, Inc. based on consolidated reports, securities reports, etc., from each company

Noteworthy is OBIC's overwhelming operating profit margin (64.6% in the fiscal year ended March 31, 2025). This demonstrates that OBIC has established a product-based business model centered on its proprietary ERP package OBIC7, rather than purely commissioned system development, and has achieved high profitability by focusing on direct sales.

Figure 15: DTS Comparisons with Competing SIers (Continued)

Company		Comparisons
OBIC Co., Ltd.	**Business Overview**	OBIC is an independent system integrator specializing in the OBIC7 series of integrated business software. The company's raison d'être is the success of its customers' businesses, and its corporate philosophy is "Innovation ~Destruction and Creation~." Committed to in-house development and direct sales, the company provides a one-stop solution that covers all stages of the process, from proposal and development to implementation and post-implementation support.
	Characteristics	The most notable characteristic of OBIC is its overwhelming profitability. This is due to a product-based business model utilizing a proprietary ERP package, a direct sales system that eliminates any multi-tier subcontractor structure, and an intellectual property strategy based on more than 1,800 business model patents acquired over 20 years. Other strengths include extensive industry expertise gained over 50 years since its founding and stable operation, and high security provided by OBIC7 Cloud, a privately operated cloud service.
	FYE 03/2025 Results	Net sales: 121.24 billion yen, operating profit (margin): 78.38 billion yen (64.6%), net profit: 64.62 billion yen (53.3%)
	Growth Strategy	During the fiscal year ended March 31, 2025, the company completed its shift to cloud technologies and is actively working to provide new services that strongly support customers' digital transformation (DX), such as expanding the functionality of the OBIC7 cloud ERP and developing business efficiency solutions. The company has been expanding its share in the mid-market and accumulating know-how, and strengthening its proposal capabilities. In recent years, the company has also been strengthening its expansion into the large-enterprise segment. Additionally, guided by the belief that "Company growth starts with employee growth," the company places a strong emphasis on recruiting new graduates, investing time in their development, and supporting their growth from a long-term perspective.
NSD Co., Ltd.	**Business Overview**	Founded in 1969, the company is an independent system integrator providing IT infrastructure and network construction, system consulting, and system maintenance and operation services to a wide range of customers, including financial institutions and public organizations. The company's main business segments are financial IT, industrial and social infrastructure IT, IT infrastructure, and solution services.
	Characteristics	For over half a century since its founding, the company has been engaged in system development for a wide range of customer companies, including financial institutions, manufacturers, and social infrastructure companies, thereby establishing a stable customer base and gaining a deep understanding of customers' businesses. With over 10,000 system development projects under its belt, the company has accumulated extensive experience and expertise, which the company combines with its ability to actively leverage cutting-edge technologies both domestically and internationally. This has earned the company high praise from leading Japanese companies. With approximately 4,000 employees, more than 90% of whom are systems engineers, the company is a technical team capable of flexibly establishing project teams tailored to the specific characteristics of each project. Additionally, the company's project management capabilities, which prioritize quality, process, and security, are a key strength.
	FYE 03/2025 Results	Net sales: 107.79 billion yen, operating profit (margin): 16.85 billion yen (15.6%), net profit: 11.8 billion yen (10.9%)
	Growth Strategy	In the company's Medium-term Management Plan (FY2021-FY2025), the company has established that they will "lay the foundation for advancing to the next new stage in terms of both quantity and quality." The company's core strategies include achieving sustainable growth in its system development business, further focusing on and building a track record in new technology and DX-related businesses, expanding its solution business as a "second pillar," and strengthening its efforts toward SDGs/ESG. Specifically, the company aims to build a track record in new technology and DX-related fields,

secure new business opportunities related to government digitalization and 5G/6G, and expand its business scale through M&A.

Source: Prepared by Global IR, Inc. based on consolidated reports, securities reports, etc., from each company

NSD is an independent SIer with a similar net sales scale to DTS and shares many similar strengths, particularly in serving financial institutions and public entities. NSD's operating profit margin of 15.6% for the fiscal year ended March 31, 2025 is higher than DTS's, indicating that it is generating stable profits through sound business operations and efficient project execution.

The question comes down to how DTS's competitors are positioning themselves in the industry. Given their differing business scopes, the primary strategic differences lie in whether they aim to "survive and differentiate as mid-tier SIers" or to "dominate as top-tier independent SIers."

I. Survival and Differentiation Strategy as a Mid-Sized SIer

OBIC, with its proprietary OBIC7 ERP package as its core product, has achieved an unusually high operating profit margin of over 60% in the SIer industry by selling directly to customers. This suggests that the shift from a business model centered on contract development **to a business model centered on proprietary products and services** has contributed significantly to high profitability.

Other mid-sized SIers may also explore the potential to significantly improve profitability by developing unique packaged software or SaaS-based services, leveraging their existing expertise in the financial and telecommunications industries, and strengthening their product-based business. On the other hand, NSD is in a more similar position to DTS and is likely aiming to strengthen its expertise in specific areas and achieve steady profit margins. For mid-sized SIers seeking to survive, a business model that prioritizes deepening relationships with existing customers and securing stable recurring net sales from operations and maintenance services is more effective than pursuing excessive scale expansions.

II. Expansion of Business Scope and Maintenance of Top-Tier Position

Major companies such as SCSK and BIPROGY excel at continuously securing large-scale prime projects. These companies have built systems capable of simultaneously executing multiple large-scale, complex projects, backed by abundant human resources and capital. The breadth of their business portfolios and high-value-added services are also key points. SCSK operates across a wide range of industries, while BIPROGY is promoting DX in specific focus areas such as finance, retail, energy, and mobility. Both companies offer a wide range of high-value-added services, including consulting, cloud, security, and BPO, rather than simply system development. DTS is also shifting its focus to upstream processes, such as IT service management (ITSM), as part of this strategy. In any case, the goal is to establish a position as a partner that can solve all of the customer's management issues.

Furthermore, major SIers are making large-scale investments in research and development, M&A, and human resource development to promote DX. For example, SCSK has set the following goals with the aim of achieving net sales of 1 trillion yen: shifting to growth-oriented business areas, shifting to high-value-added fields, and shifting to a high-productivity model. BIPROGY is also aiming for a corporate value of 1 trillion yen and is accelerating investments in growth businesses such as data utilization and SX/GX (sustainability transformation/green transformation). Resources are also being allocated to strengthening consulting functions such as DX strategy formulation, business process transformation, and change management, rather than just system construction.

Of course, it is difficult to achieve the scale and breadth of technical expertise required to become a top-tier player through internal development alone. Therefore, major SIers are also actively pursuing strategic M&A targeting companies with strengths in specific technologies or those with new customer bases. This enables them to simultaneously expand their business portfolios and increase market share. M&A is a common tactic even among mid-sized companies like DTS, and NSD also plans to utilize M&A in its Medium-term Management Plan.

Future Outlook

As already mentioned, the IT market is characterized by extremely rapid change. In such an environment, in order for DTS to achieve sustainable growth, it is essential to maintain flexibility in continuously reviewing its strategy, rather than adhering rigidly to a once-established strategy, while constantly monitoring market trends, competitor movements, and the company's internal situation. DTS will fully leverage its strengths as an independent SIer, namely its neutrality and flexibility, while actively investing in cutting-edge technologies and developing human resources capable of responding to those technologies. By steadily executing the strategies outlined in its medium-term management plan, DTS will strengthen its competitiveness in the Japanese SIer market and achieve sustainable growth.

DTS's goals of continuously securing large-scale prime projects, shifting to high-value-added solutions such as DX consulting and cloud/AI-related services, rapidly expanding its business scale and technical areas through M&A, and developing human resources and strengthening organizational capabilities are consistent with the measures taken by top-tier SIers in Japan. At the same time, if DTS aims to survive as a mid-sized company, it should consider referencing the ultra-high-profit business models of companies like OBIC, which focuses on product and service business models, or the approach of companies like NSD, which enhances specialization in specific fields (such as finance and public sector) and improves efficiency in project execution to achieve steady profit margin growth. In this way, DTS is well-positioned to effectively differentiate itself by further bolstering its unique strengths, namely its deep expertise in the finance and telecommunications industries, as well as its independence.

Management Indicators

Financial Data (Consolidated: Quarterly) (Millions of Yen)

Accounting Period	FYE 03/2021	FYE 03/2022	FYE 03/2023	FYE 03/2024	FYE 03/2025
Operating revenue	90,493	94,452	106,132	115,727	125,908
YoY (%)	95.6	103.3	110.0	109.0	108.8
Profit before tax	11,100	11,384	11,637	11,592	15,131
YoY (%)	103.0	102.6	102.2	99.6	130.5
Profit before tax margin (%)	12.3	12.1	11.0	10.0	12.0
Profit attributable to owners of parent	7,630	7,837	8,005	7,293	10,635
YoY (%)	104.3	102.7	102.1	91.2	145.8
Profit margin (%)	8.4	8.3	7.5	6.3	8.4

Source: Prepared by Global IR, Inc. based on company securities reports and company IR materials.

Per Share Data (Consolidated)

Accounting Period	FYE 03/2019	FYE 03/2020	FYE 03/2021	FYE 03/2022	FYE 03/2023	FYE 03/2024	FYE 03/2025
Total number of shares issued and outstanding (thousand shares)	25,222	50,445	50,445	49,073	47,591	46,854	41,498
EPS	292.21	158.01	165.49	172.78	181.41	168.51	253.80
EPS adjusted	-	-	-	-	-	-	-
BPS	2203.22	1190.71	1293.61	1376.05	1408.81	1451.61	1440.87
DPS	95.00	55.00	60.00	70.00	120.00	103.00	127.00

Source: Prepared by Global IR, Inc. based on company securities reports and company IR materials.

Cash Flows (Millions of Yen)

Accounting Period	FYE 03/2019	FYE 03/2020	FYE 03/2021	FYE 03/2022	FYE 03/2023	FYE 03/2024	FYE 03/2025
Depreciation and amortization	474	473	535	532	608	628	703
Cash flows from operating activities	6,947	7,551	9,459	7,589	7,642	10,410	9,181
Cash flows from investing activities	(1,770)	(1,360)	(787)	(139)	(931)	(8,516)	(2,322)
Cash flows from financing activities	(2,477)	(3,047)	(3,848)	(5,025)	(9,095)	(7,817)	(16,087)

Source: Prepared by Global IR, Inc. based on company securities reports and company IR materials.

Financial Data (%)

Accounting Period	FYE 03/2019	FYE 03/2020	FYE 03/2021	FYE 03/2022	FYE 03/2023	FYE 03/2024	FYE 03/2025
Return on assets (ROA)	11.7	10.4	10.1	9.9	9.9	8.8	13.2
Return on equity (ROE)	13.9	13.8	13.3	13.0	13.0	11.8	17.7
Equity-to-asset ratio	76.7	78.0	78.8	78.4	76.1	73.4	72.2

Source: Prepared by Global IR, Inc. based on company securities reports and company IR materials.

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